



FOR RELEASE AT 7:45 a.m., Eastern Time
 INVESTOR RELATIONS CONTACT:
 MEDIA RELATIONS CONTACT:

Neal Fuller, 206-545-5537
 Paul Hollie, 206-545-3048

**SAFECO DELIVERS STRONG FOURTH-QUARTER RESULTS,
 RECORD EARNINGS FOR YEAR**

SEATTLE—(January 24, 2006)—

Highlights

- Posted record net income of \$691.1 million for 2005.
- Generated underwriting profits in core business lines for the quarter and full year.
- Continued to expand the Safeco Now® automated platform, adding mid-market commercial package and motorcycle coverage in the fourth quarter.

Summary Financial Results, after tax (In millions except per-share data)	3 Months Ended December 31		12 Months Ended December 31	
	2005	2004	2005	2004
Net Income	\$ 190.7	\$ 179.8	\$ 691.1	\$ 562.4
Per Diluted Share of Common Stock	\$ 1.53	\$ 1.41	\$ 5.43	\$ 4.16
Results from Discontinued Operations	\$ -	\$ -	\$ -	\$ (57.8)
Income from Continuing Operations	\$ 190.7	\$ 179.8	\$ 691.1	\$ 620.2
Loss on Debt Repurchases	-	-	(2.6)	(78.7)
Net Realized Investment Gains	6.4	10.6	43.5	126.4
*Operating Earnings – Continuing Operations	\$ 184.3	\$ 169.2	\$ 650.2	\$ 572.5
Weighted Average Shares Outstanding (Diluted)	124.8	127.9	127.2	135.2

* Operating Earnings is Income from Continuing Operations excluding Net Realized Investment Gains and Loss on Debt Repurchases. Measures used in this news release that are not based on U.S. generally accepted accounting principles (GAAP) are defined and reconciled to the most directly comparable GAAP measure in our Form 8-K available through the SEC and online at <http://www.safeco.com/irsupplements>.

Safeco (NASDAQ: SAFC) reported net income for the fourth quarter of \$190.7 million, or \$1.53 per diluted share. This compares with net income of \$179.8 million, or \$1.41 per diluted share, for the same period last year. For the full year, Safeco produced its best-ever net income result of \$691.1 million, or \$5.43 per diluted share, compared with \$562.4 million, or \$4.16 per diluted share, in 2004.

Net realized investment gains for the fourth quarter were \$6.4 million, compared with \$10.6 million in the same period of 2004. For the full year, net realized investment gains were \$43.5 million, compared with \$126.4 million in 2004.

Operating earnings from continuing operations, which exclude net realized investment gains and losses on debt repurchases, were \$184.3 million for the quarter, compared with \$169.2 million in the same quarter of 2004. For the full year 2005, operating earnings from continuing operations were \$650.2 million, up from \$572.5 million in 2004.

“In the face of tough market conditions and major catastrophes, Safeco delivered record earnings for the second consecutive year and posted underwriting profits in every major business line,” said Paula Rosput Reynolds, Safeco president and chief executive officer. “These results speak to the team’s discipline and resolve in a challenging year.”

The overall property and casualty (P&C) combined ratio was 89.1 for the quarter, versus 88.8 in the same quarter last year. The combined ratio for the full year was 91.1, compared with 91.5 a year ago. (Combined ratio is the percentage of each premium dollar spent on claims and expenses – the lower the ratio, the better the performance.)

Pretax catastrophe losses for the fourth quarter were \$51.4 million, primarily due to estimated losses from Hurricane Wilma during the quarter. Pretax catastrophe losses were \$40.2 million in the prior-year period, stemming largely from the 2004 Florida hurricanes. After reinsurance, pretax catastrophe losses were \$267.4 million for the year, compared with \$275.6 million in 2004.

“As was the case in Florida a year ago, Safeco’s 2005 hurricane losses were disproportionately lower than our market share in the affected Gulf Coast states due to our managed risk appetite in coastal areas,” Reynolds said. “This in no way minimizes the tremendous loss experienced by our customers and agents, or the heroic efforts of our Claims and Service personnel to help people through the recovery process.”

Safeco’s annualized return on equity (ROE) for the fourth quarter was 18.8 percent. Annualized operating ROE – measured using operating earnings and excluding from equity unrealized gains or losses on bonds – was 18.7 percent for the quarter. For the full year, ROE was 17.2 percent, and operating ROE was 16.8 percent.

Total revenues in the fourth quarter were \$1.59 billion, compared with \$1.57 billion in 2004. For the full year, total revenues were \$6.35 billion, compared with \$6.20 billion in 2004. Operating revenues, which exclude net realized investment gains, were \$1.59 billion for the

quarter – up 2.1 percent from the same period in 2004. For the full year, operating revenues increased 4.9 percent to \$6.29 billion from \$5.99 billion in 2004.

P&C net earned premiums were \$1.46 billion for the quarter, a 1.6 percent increase over last year. For the full year, P&C net earned premiums were \$5.81 billion, compared with \$5.53 billion in 2004 – a 5.0 percent increase.

P&C net written premiums were \$1.38 billion for the fourth quarter, down 0.8 percent compared with the year-ago period. For the full year, P&C net written premiums were \$5.81 billion, compared with \$5.67 billion in 2004 – up 2.4 percent.

P&C pretax net investment income for the quarter was \$119.0 million, an increase of 11.7 percent compared with the same period last year. Last year's fourth-quarter net investment income reflected an unfavorable amortization adjustment of \$4.8 million on foreign bonds. For the full year, P&C pretax net investment income increased 3.5 percent to \$460.6 million from \$445.0 million in 2004.

“Looking ahead, we expect the trends we saw in 2005 to carry into 2006 – increasing competition, but solid underwriting profits for Safeco,” said Reynolds. “We will continue to leverage our business model – enhancing our Safeco Now online sales-and-service platform, expanding our points of distribution, and remaining vigilant in our risk selection.”

Safeco Personal Insurance

Safeco Auto reported a quarterly pretax underwriting profit of \$18.6 million, compared with \$41.1 million in the same period last year. Auto's combined ratio was 97.3 in the quarter, compared with 94.1 a year ago. For the full year, Auto had a \$139.6 million underwriting profit, compared with \$176.2 million in 2004. The full-year Auto combined ratio was 95.1, compared with 93.3 for 2004.

Auto net written premiums fell 1.4 percent in the quarter compared with the prior-year period, but rose 4.2 percent for the full year. Policies in force (PIF) grew 0.6 percent in the fourth quarter over year-ago levels. New-business policies decreased 28.9 percent compared with the same quarter a year ago, and retention declined slightly.

“While competitive pressures were especially evident in our Auto line in the fourth quarter, our core underwriting was sound,” said Reynolds. Fourth-quarter results included several unusual loss and expense items and higher-than-expected catastrophe losses.

Safeco Property, which includes homeowners, landlord protection and related coverages, produced a quarterly pretax underwriting profit of \$52.5 million, compared with \$54.3 million in the same period a year ago. Property’s combined ratio was 77.3 in the quarter, compared with 76.7 in the same quarter of 2004. The fourth-quarter combined ratio included \$17.4 million in pretax catastrophe losses primarily from Hurricane Wilma. The combined ratio in the fourth quarter of 2004 included \$13.0 million in pretax catastrophe losses. For the full year, Property delivered a \$198.2 million underwriting profit, compared with \$209.2 million in 2004. The 2005 Property combined ratio was 78.3, compared with 77.3 for 2004.

Property net written premiums grew 0.7 percent in the quarter compared with a year ago while PIF fell 0.5 percent from prior-year levels. New-business policies increased 27.9 percent compared with the same quarter a year ago, and retention improved.

“Our outstanding performance in Property stems from our advanced segmentation work and smart underwriting in catastrophe-prone areas,” said Reynolds. “Again, discipline was a key driver here.”

Safeco Business Insurance

Safeco Business Insurance (SBI) reported a pretax underwriting profit of \$62.9 million in the fourth quarter, compared with \$62.6 million for the same period in 2004. The combined ratio for the quarter was 85.4, compared with 85.2 a year ago.

For the full year, SBI produced a \$150.5 million underwriting profit, a marked improvement over the underwriting profit of \$73.5 million recorded in 2004. The 2005 SBI combined ratio was 91.2, compared with 95.6 for 2004.

SBI Regular – Safeco’s core commercial line serving small- to mid-sized businesses – reported a pretax underwriting profit of \$26.9 million in the quarter, compared with \$51.2 million for the same period last year. The SBI Regular combined ratio was 91.6 in the fourth quarter, compared with 83.8 in the same period last year. Fourth-quarter 2005 pretax results include no significant net catastrophe losses or prior-year reserve development.

Fourth-quarter 2004 pretax results included \$28.0 million in catastrophe losses and \$26.1 million in favorable prior-year reserve development.

For the full year, SBI Regular reported \$117.9 million in underwriting profit, compared with \$47.2 million in 2004. The 2005 SBI Regular combined ratio was 90.7, compared with a 96.2 combined ratio in 2004.

SBI Regular net written premiums fell 5.1 percent during the fourth quarter compared with the same period last year. SBI Regular PIF for the quarter decreased 0.6 percent compared with a year ago. New-business policies issued for the quarter decreased 9.0 percent compared with the same quarter last year, but the retention rate of existing customers was steady. For commercial products delivered over Safeco's automated underwriting platform, PIF for the year was up 4.1 percent compared with 2004 levels.

"The rollout of our commercial package product on Safeco Now establishes our market leadership in this area and enhances our ability to compete," Reynolds said. "With this recent addition to the platform, our agent and broker partners now can quote mid-market commercial property and general liability coverages online in a matter of minutes. We believe our automated business products give us an underwriting edge and position us well in a softer pricing cycle."

Safeco's Special Accounts Facility (SAF), which writes selected large-commercial accounts and four specialty commercial programs, reported a pretax underwriting profit of \$36.0 million in the quarter. This compares with a \$11.4 million pretax underwriting profit in last year's fourth quarter. SAF's combined ratio was 67.8 in the period, compared with 89.4 last year. The underwriting profit in the fourth quarter of 2005 was driven primarily by \$42.7 million of favorable prior-year reserve development related to general liability coverages, offset by pretax catastrophe losses of \$23.4 million primarily related to Hurricane Wilma.

For the full year, SAF reported \$32.6 million in underwriting profit, compared with \$26.3 million in 2004. The 2005 SAF combined ratio was 92.4, compared with a 94.1 combined ratio in 2004. Full-year pretax catastrophe losses were \$70.8 million, compared with \$28.0 million in 2004.

Surety

Safeco Surety reported a pretax underwriting profit of \$18.6 million in the quarter, compared with \$11.6 million for the same period in 2004.

Surety's combined ratio was 73.8 for the quarter, compared with 79.5 a year ago. Fourth-quarter net written premiums grew 16.6 percent compared with the same period last year.

For the full year, Surety generated a record \$55.0 million underwriting profit, compared with \$42.4 million in 2004. The 2005 Surety combined ratio was 78.9, compared with 79.1 for 2004.

P&C Other

The P&C Other segment, which includes results from operations that Safeco has exited or placed in runoff, had a pretax underwriting profit of \$7.7 million in the fourth quarter. This result was driven primarily by favorable prior-year reserve development. In fourth-quarter 2004, Safeco recorded an \$11.0 million pretax underwriting loss, driven by unfavorable prior-year reserve development.

For the full year, P&C Other had a \$31.0 million pretax underwriting loss, compared with \$40.9 million in 2004.

Additional Financial Information Available

Safeco estimates its catastrophe losses using its knowledge of severity and reporting patterns from past events as well as claims data and assumptions specific to each catastrophe. Due to the nature of catastrophe losses, their complexity, and legal, regulatory and other uncertainties affecting the estimation of such losses, Safeco expects to continually refine its estimates of catastrophe losses until all uncertainties are resolved.

Safeco uses both GAAP and non-GAAP financial measures to track the performance of its operations. The definition of each non-GAAP measure and reconciliation to the most directly comparable GAAP measure are included in Safeco's Form 8-K that will be furnished to the U.S. Securities and Exchange Commission today.

The Form 8-K will include this news release and Safeco's summary financial results, consolidated statements of income and condensed balance sheets in the company's fourth-quarter and full-year financial supplement.

Safeco's fourth-quarter and year-end press release, financial supplement and Form 8-K are available online at <http://www.safeco.com/irsupplements>.

Management Reviews Results on Webcast

Safeco's senior management team will discuss the company's fourth-quarter and full-year performance with analysts today at 11 a.m., Eastern Time (8 a.m., Pacific Time). The conference call will be broadcast live on the Internet at <http://www.safeco.com/irwebcast> and archived later in the day for replay.

Safeco, in business since 1923, is a Fortune 500 property and casualty insurance company based in Seattle. The company sells insurance to drivers, homeowners, and small- and mid-sized businesses through a national network of independent agents and brokers. More information about Safeco can be found at www.safeco.com.

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FORWARD-LOOKING INFORMATION CONTAINED IN THIS NEWS RELEASE IS SUBJECT TO RISK AND UNCERTAINTY

Forward-looking information contained in this release is subject to risk and uncertainty. Information contained in this release that relates to anticipated financial performance, business prospects and plans, regulatory developments and similar matters are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Statements in this release that are not historical information are forward-looking. Our business is subject to certain risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this release. The risks and uncertainties include, but are not limited to:

- Risks related to the pricing and underwriting of our products, and the subsequent establishment of reserves, such as:
 - Successful implementation of the new-business entry model for personal and commercial lines
 - Our ability to appropriately price and reserve for changes in the mix of our book of business
 - Inflationary pressures on medical care costs, auto parts and repair, construction costs and other economic factors that increase the severity of claims
 - The pricing and availability of our reinsurance, including coverage for loss from catastrophes and terrorism and our ability to collect from our reinsurers
 - Our ability to price for or exclude the risk of loss from terrorism on our policies
- Risks related to our Property & Casualty insurance strategy, such as:
 - Our ability to achieve premium targets and profitability, including realization of growth and business retention estimates
 - Our ability to achieve overall expense goals
 - Our ability to run off businesses that we have exited, or intend to exit in the future, without incurring material unexpected charges
- The competitive pricing environment, initiatives by competitors and other changes in the competition
- Regulatory, judicial and legislative risks, such as:
 - Our ability to freely enter and exit lines of business
 - Our ability to successfully obtain regulatory approval of rates and underwriting guidelines, including price-tiered products and the use of insurance scores that include credit information as a component
 - Interpretation of insurance policy provisions by courts or tax authorities, court decisions regarding coverage and theories of liability, trends in litigation and changes in claims settlement practices
 - The outcome of any litigation against us
 - Legislative and regulatory developments affecting the actions of insurers, including requirements regarding rates, taxes, agent and broker commissions and availability of coverage
- Unusual loss activity, such as:
 - Weather conditions, including the severity and frequency of storms, hurricanes, hail, snowfall and winter conditions
 - The occurrence of significant natural disasters, including earthquakes
 - The occurrence of significant man-made disasters, such as terrorist attacks or war
 - The occurrence of bankruptcies that result in losses on insurance products or investments
- Financial and economic conditions, such as:
 - Performance of financial markets
 - Availability of bank credit facilities
 - Fluctuations in interest rates
 - General economic conditions
- Operational risks, such as:
 - Damage to our infrastructure or harm to our workforce resulting in a disruption of our operations
 - Internal or external fraud perpetrated against us

We assume no obligation to update any forward-looking statements contained in this news release.