

**ANNUAL STATEMENT**

**OF THE**

**PEERLESS INSURANCE COMPANY**

---

---

---

---

**of** **KEENE**

**in the state of** **NEW HAMPSHIRE**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2016**

**PROPERTY AND CASUALTY**

**2016**



24198201620100100

ANNUAL STATEMENT

For the Year Ended December 31, 2016
OF THE CONDITION AND AFFAIRS OF THE

Peerless Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 24198 Employer's ID Number 02-0177030
Organized under the Laws of New Hampshire, State of Domicile or Port of Entry New Hampshire
Country of Domicile United States of America
Incorporated/Organized March 7, 1901 Commenced Business November 23, 1903
Statutory Home Office 62 Maple Avenue, Keene, NH, US 03431
Main Administrative Office 175 Berkeley Street, Boston, MA, US 02116
Mail Address 175 Berkeley Street, Boston, MA, US 02116
Primary Location of Books and Records 175 Berkeley Street, Boston, MA, US 02116
Internet Web Site Address www.LibertyMutualGroup.com
Statutory Statement Contact Lindsey Pendergast, 617-357-9500 x41177, Statutory.Compliance@LibertyMutual.com, 857-224-1430

OFFICERS

Chairman of the Board
James Paul Condrin, III

Table with 2 columns: Name, Title. Rows include James Paul Condrin, III (President and Chief Executive Officer), Mark Charles Touhey (Vice President and Secretary), and Laurance Henry Soyer Yahia (Vice President and Treasurer).

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Rows include Neeti Bhalla # (Vice President and Chief Investment Officer), Alison Brooke Erbig (Vice President and Comptroller), John Derek Doyle # (Vice President and Chief Financial Officer), and Elizabeth Julia Morahan (Vice President and General Counsel).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows include Kristen Maria Bessette (James Paul Condrin, III), Stephen Joseph McAnena # (Elizabeth Julia Morahan), John Derek Doyle # (Mark Charles Touhey), and Alison Brooke Erbig.

State of Massachusetts
County of Suffolk ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) James Paul Condrin, III (Printed Name) 1. President and Chief Executive Officer (Title)
(Signature) Mark Charles Touhey (Printed Name) 2. Vice President and Secretary (Title)
(Signature) Laurance Henry Soyer Yahia (Printed Name) 3. Vice President and Treasurer (Title)

Subscribed and sworn to (or affirmed) before me this on this 31st day of January, 2017, by

a. Is this an original filing? [X] Yes [ ] No
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	8,421,881,642		8,421,881,642	8,045,029,630
2. Stocks (Schedule D):				
2.1 Preferred stocks	39,718,305		39,718,305	40,375,447
2.2 Common stocks	1,218,228,919		1,218,228,919	1,380,067,061
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	334,945,335		334,945,335	322,205,315
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	3,684,024		3,684,024	3,170,614
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (196,906,974), Schedule E - Part 1), cash equivalents (\$ 13,094,028, Schedule E - Part 2), and short-term investments (\$ 252,800,227, Schedule DA)	68,987,281		68,987,281	216,145,102
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)	5,348,495		5,348,495	
8. Other invested assets (Schedule BA)	839,666,973		839,666,973	757,415,234
9. Receivables for securities	251,194		251,194	4,052,482
10. Securities lending reinvested collateral assets (Schedule DL)	122,718,655		122,718,655	176,462,256
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	11,055,430,823		11,055,430,823	10,944,923,141
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	75,292,158		75,292,158	74,520,348
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	292,413,208	19,958,527	272,454,681	274,945,325
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 7,471,861 earned but unbilled premiums)	1,318,810,395	747,187	1,318,063,208	1,238,871,856
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	88,735,503	8,869,672	79,865,831	78,798,556
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	13,163	91	13,072	5,827
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	280,068,000		280,068,000	313,958,497
19. Guaranty funds receivable or on deposit	4,470,963		4,470,963	3,946,225
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)	3,171	3,171		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	451,122		451,122	438,615
24. Health care (\$ 0) and other amounts receivable	3	3		
25. Aggregate write-ins for other-than-invested assets	265,693,622	21,020,948	244,672,674	241,983,293
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	13,381,382,131	50,599,599	13,330,782,532	13,172,391,683
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	13,381,382,131	50,599,599	13,330,782,532	13,172,391,683

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	179,686,848		179,686,848	168,510,661
2502. Equities and deposits in pools and associations	33,731,792		33,731,792	35,273,456
2503. Amounts receivable under high deductible policies	32,575,910	5,574	32,570,336	32,609,633
2598. Summary of remaining write-ins for Line 25 from overflow page	19,699,072	21,015,374	(1,316,302)	5,589,543
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	265,693,622	21,020,948	244,672,674	241,983,293

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	5,713,187,726	5,595,335,919
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	5,530,510	5,334,052
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	1,180,363,203	1,171,519,559
4. Commissions payable, contingent commissions and other similar charges	109,948,825	113,559,222
5. Other expenses (excluding taxes, licenses and fees)	194,855,665	185,377,927
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	49,745,385	48,950,487
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	3,771,137	34,428,195
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 148,672,355 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	2,771,889,321	2,632,208,126
10. Advance premium	17,369,496	19,186,614
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	377,963	143,213
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	9,145,698	6,860,737
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		173,171,345
19. Payable to parent, subsidiaries and affiliates	15,341,236	61,308,928
20. Derivatives		890,522
21. Payable for securities	24,656,217	11,130,669
22. Payable for securities lending	122,718,655	176,462,256
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(427,004,239)	(380,225,863)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	9,791,896,798	9,855,641,908
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	9,791,896,798	9,855,641,908
29. Aggregate write-ins for special surplus funds	38,102,934	27,156,378
30. Common capital stock	8,848,635	8,848,635
31. Preferred capital stock		
32. Aggregate write-ins for other-than-special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	2,066,113,364	2,066,113,364
35. Unassigned funds (surplus)	1,425,820,798	1,214,631,397
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	3,538,885,731	3,316,749,774
38. Totals (Page 2, Line 28, Col. 3)	13,330,782,529	13,172,391,682

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	117,204,263	127,983,710
2502. Other liabilities	79,180,558	84,857,749
2503. Retroactive reinsurance reserves	(623,389,060)	(593,067,322)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(427,004,239)	(380,225,863)
2901. Special surplus from retroactive reinsurance	38,102,934	27,156,378
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	38,102,934	27,156,378
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	5,162,444,352	4,992,563,636
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	2,923,659,879	2,778,321,224
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	682,218,082	635,435,327
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	1,710,667,897	1,556,136,784
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	5,316,545,858	4,969,893,335
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(154,101,506)	22,670,301
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	294,029,637	353,774,110
10. Net realized capital gains (losses) less capital gains tax of \$ 496,275 (Exhibit of Capital Gains (Losses))	921,654	8,234,902
11. Net investment gain (loss) (Lines 9 + 10)	294,951,291	362,009,012
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 1,098,827 amount charged off \$ 19,130,579)	(18,031,751)	(16,964,698)
13. Finance and service charges not included in premiums	31,944,132	28,309,798
14. Aggregate write-ins for miscellaneous income	2,635,322	(6,154,797)
15. Total other income (Lines 12 through 14)	16,547,703	5,190,303
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	157,397,488	389,869,616
17. Dividends to policyholders	3,553,953	3,871,075
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	153,843,535	385,998,541
19. Federal and foreign income taxes incurred	(444,275)	81,373,822
20. Net income (Line 18 minus Line 19) (to Line 22)	154,287,810	304,624,719
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	3,316,749,775	3,058,916,909
22. Net income (from Line 20)	154,287,810	304,624,719
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 17,139,247	73,870,444	(14,033,120)
25. Change in net unrealized foreign exchange capital gain (loss)	12,006,069	(12,782,056)
26. Change in net deferred income tax	(33,099,753)	(15,075,332)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	15,071,385	(4,901,345)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	222,135,955	257,832,866
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	3,538,885,730	3,316,749,775

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive reinsurance gain/(loss)	20,490,333	3,998,668
1402. Other income/(expense)	(17,855,011)	(10,153,465)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	2,635,322	(6,154,797)
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)		

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	5,220,115,187	5,056,532,416
2. Net investment income	329,388,414	384,882,569
3. Miscellaneous income	12,197,490	(18,747,279)
4. Total (Lines 1 through 3)	5,561,701,091	5,422,667,706
5. Benefit and loss related payments	2,803,663,173	2,716,459,492
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	2,377,819,327	2,188,825,402
8. Dividends paid to policyholders	3,319,203	4,226,481
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	30,709,058	112,447,837
10. Total (Lines 5 through 9)	5,215,510,761	5,021,959,212
11. Net cash from operations (Line 4 minus Line 10)	346,190,330	400,708,494
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,764,429,663	1,627,750,658
12.2 Stocks	400,152,453	501,668,663
12.3 Mortgage loans	25,499,726	24,294,479
12.4 Real estate		
12.5 Other invested assets	679,339,905	692,642,495
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	5,573	
12.7 Miscellaneous proceeds	439,559	44,014,233
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,869,866,879	2,890,370,528
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,125,327,538	1,904,244,635
13.2 Stocks	219,174,155	472,908,683
13.3 Mortgage loans	38,807,542	79,523,549
13.4 Real estate	975,357	230,042
13.5 Other invested assets	672,600,119	713,824,733
13.6 Miscellaneous applications	(13,525,548)	(1,782,723)
13.7 Total investments acquired (Lines 13.1 to 13.6)	3,043,359,163	3,168,948,919
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(173,492,284)	(278,578,391)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(319,855,867)	(4,952,421)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(319,855,867)	(4,952,421)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(147,157,821)	117,177,682
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	216,145,102	98,967,420
19.2 End of year (Line 18 plus Line 19.1)	68,987,281	216,145,102

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001 2 - Net investment income	905,383	1,868,879
20.0002 7 - Commissions, expenses paid and aggregate write-ins for deductions	1,000,188	
20.0003 12.1 - Proceeds from investments sold, matured or repaid - Bonds	126,555,651	56,351,847
20.0004 12.2 - Proceeds from investments sold, matured or repaid - Stocks	4,135,919	9,844,827
20.0005 12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans	127,417	39,849
20.0006 13.1 - Cost of Investment Acquired - Bonds	127,800,806	58,229,215
20.0007 13.2 - Cost of Investment Acquired - Stocks	3,170,950	9,836,121
20.0008 13.5 - Cost of Investment Acquired - Other invested assets	127,417	39,849
20.0009 16.6 - Other cash provided (applied)	374,990	

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	118,894,897	53,508,505	54,589,125	117,814,277
2. Allied lines	76,264,460	39,187,064	40,288,530	75,162,994
3. Farmowners multiple peril	20,498,833	10,059,666	10,130,959	20,427,540
4. Homeowners multiple peril	1,159,527,196	604,257,017	621,982,711	1,141,801,502
5. Commercial multiple peril	443,622,501	224,094,883	225,000,319	442,717,065
6. Mortgage guaranty				
8. Ocean marine	17,113,933	13,832,861	11,355,558	19,591,236
9. Inland marine	159,517,986	33,450,785	35,739,991	157,228,780
10. Financial guaranty				
11.1 Medical professional liability—occurrence	15,527,543	6,790,985	7,111,605	15,206,923
11.2 Medical professional liability—claims-made	3,084,881	1,473,025	1,455,267	3,102,639
12. Earthquake	13,868,119	7,457,790	6,747,396	14,578,513
13. Group accident and health	649,674	627,501	(25,267)	1,302,442
14. Credit accident and health (group and individual)				
15. Other accident and health	347,103	38,842	44,419	341,526
16. Workers' compensation	394,798,333	16,827,730	29,084,020	382,542,043
17.1 Other liability—occurrence	348,985,025	149,945,239	173,643,456	325,286,808
17.2 Other liability—claims-made	126,032,721	68,805,121	78,331,532	116,506,310
17.3 Excess workers' compensation	8,142,635	5,110,591	4,399,978	8,853,248
18.1 Products liability—occurrence	35,694,080	20,400,664	19,881,536	36,213,208
18.2 Products liability—claims-made	1,733,652	805,274	816,523	1,722,403
19.1,19.2 Private passenger auto liability	1,235,284,274	580,423,140	619,278,851	1,196,428,563
19.3,19.4 Commercial auto liability	254,813,201	113,463,947	123,404,479	244,872,669
21. Auto physical damage	627,092,894	463,040,211	482,311,570	607,821,535
22. Aircraft (all perils)	11,466,531	3,113,285	4,668,790	9,911,026
23. Fidelity	8,758,251	4,923,881	3,793,463	9,888,669
24. Surety	150,205,379	101,050,905	103,261,976	147,994,308
26. Burglary and theft	135,846	79,470	75,551	139,765
27. Boiler and machinery	8,299,615	3,340,618	3,511,144	8,129,089
28. Credit	230,777	487,572	526,259	192,090
29. International				
30. Warranty	(32,644)	446,796	98,866	315,286
31. Reinsurance-nonproportional assumed property	35,829,719	7,619,598	6,139,045	37,310,272
32. Reinsurance-nonproportional assumed liability	21,529,538	5,127,532	7,462,186	19,194,884
33. Reinsurance-nonproportional assumed financial lines	1,856,111		1,702,321	153,790
34. Aggregate write-ins for other lines of business				
35. TOTALS	5,299,773,064	2,539,790,498	2,676,812,159	5,162,751,403

DETAILS OF WRITE-IN LINES				
3401.				
3402.				
3403.				
3498. Sum of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)				

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	52,343,971	2,245,154			54,589,125
2. Allied lines	38,872,435	1,416,094			40,288,529
3. Farmowners multiple peril	10,070,872	60,087			10,130,959
4. Homeowners multiple peril	620,779,219	1,203,491			621,982,710
5. Commercial multiple peril	218,706,615	9,273,970	(2,980,267)		225,000,318
6. Mortgage guaranty					
8. Ocean marine	5,821,158	5,534,400			11,355,558
9. Inland marine	31,687,552	4,052,439			35,739,991
10. Financial guaranty					
11.1 Medical professional liability—occurrence	6,790,788	320,817			7,111,605
11.2 Medical professional liability—claims-made	791,343	663,925			1,455,268
12. Earthquake	6,587,386	160,010			6,747,396
13. Group accident and health	(3,110)	(22,158)			(25,268)
14. Credit accident and health (group and individual)					
15. Other accident and health	33,824	10,595			44,419
16. Workers' compensation	114,728,470	8,973,990	(3,091,359)	(91,527,082)	29,084,019
17.1 Other liability—occurrence	154,007,209	19,139,406	(189,047)	685,889	173,643,457
17.2 Other liability—claims-made	59,860,565	18,509,935	(9,180)	(29,788)	78,331,532
17.3 Excess workers' compensation	4,146,658	253,319			4,399,977
18.1 Products liability—occurrence	11,207,022	8,254,298	(71,808)	492,025	19,881,537
18.2 Products liability—claims-made	766,201	50,322			816,523
19.1,19.2 Private passenger auto liability	612,033,977	7,244,874			619,278,851
19.3,19.4 Commercial auto liability	119,426,906	2,334,119		1,643,453	123,404,478
21. Auto physical damage	482,180,193	131,377			482,311,570
22. Aircraft (all perils)	4,668,790				4,668,790
23. Fidelity	3,994,748	(201,284)			3,793,464
24. Surety	100,359,306	2,902,670			103,261,976
26. Burglary and theft	75,480	71			75,551
27. Boiler and machinery	3,301,532	209,612			3,511,144
28. Credit	129,048	397,210			526,258
29. International					
30. Warranty		98,866			98,866
31. Reinsurance-nonproportional assumed property	5,243,799	895,246			6,139,045
32. Reinsurance-nonproportional assumed liability	6,433,851	1,028,335			7,462,186
33. Reinsurance-nonproportional assumed financial lines	1,702,321				1,702,321
34. Aggregate write-ins for other lines of business					
35. TOTALS	2,676,748,129	95,141,190	(6,341,661)	(88,735,503)	2,676,812,155
36. Accrued retrospective premiums based on experience					88,735,503
37. Earned but unbilled premiums					6,341,660
38. Balance (Sum of Lines 35 through 37)					2,771,889,318

DETAILS OF WRITE-IN LINES					
3401.					
3402.					
3403.					
3498. Sum of remaining write-ins for Line 34 from overflow page					
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)					

(a) State here basis of computation used in each case



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	8,698,612	118,894,897		8,698,612		118,894,897
2. Allied lines	3,868,469	76,264,460		3,868,469		76,264,460
3. Farmowners multiple peril	11,462,224	20,498,833		11,462,224		20,498,833
4. Homeowners multiple peril	21,274,751	1,159,527,196		21,274,751		1,159,527,196
5. Commercial multiple peril	88,037,110	443,622,501		88,037,110		443,622,501
6. Mortgage guaranty						
8. Ocean marine		17,113,933				17,113,933
9. Inland marine	38,835,607	159,517,986		38,835,607		159,517,986
10. Financial guaranty						
11.1 Medical professional liability--occurrence		15,527,543				15,527,543
11.2 Medical professional liability--claims-made		3,084,881				3,084,881
12. Earthquake	595,333	13,868,119		595,333		13,868,119
13. Group accident and health		649,674				649,674
14. Credit accident and health (group and individual)						
15. Other accident and health		347,103				347,103
16. Workers' compensation	47,603,708	394,798,333		47,603,708		394,798,333
17.1 Other liability—occurrence	33,102,635	348,985,025		33,102,635		348,985,025
17.2 Other liability—claims-made	179,099	126,032,721		179,099		126,032,721
17.3 Excess workers' compensation		8,142,635				8,142,635
18.1 Products liability—occurrence	333,699	35,694,080		333,699		35,694,080
18.2 Products liability—claims-made		1,733,652				1,733,652
19.1,19.2 Private passenger auto liability	13,697,196	1,235,284,274		13,697,196		1,235,284,274
19.3,19.4 Commercial auto liability	31,948,625	254,813,201		31,948,625		254,813,201
21. Auto physical damage	22,055,374	627,092,894		22,055,374		627,092,894
22. Aircraft (all perils)		11,466,531				11,466,531
23. Fidelity	59,799	8,758,251		59,799		8,758,251
24. Surety	328,262	150,205,379		328,262		150,205,379
26. Burglary and theft	18,882	135,846		18,882		135,846
27. Boiler and machinery	215,195	8,299,615		215,195		8,299,615
28. Credit		230,777				230,777
29. International						
30. Warranty		(32,644)				(32,644)
31. Reinsurance-nonproportional assumed property	X X X	35,829,719				35,829,719
32. Reinsurance-nonproportional assumed liability	X X X	21,529,538				21,529,538
33. Reinsurance-nonproportional assumed financial lines	X X X	1,856,111				1,856,111
34. Aggregate write-ins for other lines of business						
35. TOTALS	322,314,580	5,299,773,064		322,314,580		5,299,773,064

DETAILS OF WRITE-IN LINES						
3401.						
3402.						
3403.						
3498. Sum of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [X]

If yes: 1. The amount of such installment premiums \$ 0

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	2,501,305	44,681,485	2,501,305	44,681,485	(527,313)	29,045,482	(527,313)	73,726,967	4,054,267
2. Allied lines	341,882	13,396,546	341,882	13,396,546	691,834	5,973,140	691,834	19,369,686	2,087,065
3. Farmowners multiple peril	1,677,758	3,507,631	1,677,758	3,507,631	(64,654)	(448,611)	(64,654)	3,059,020	788,337
4. Homeowners multiple peril	5,295,370	130,474,234	5,295,370	130,474,234	1,230,826	106,485,554	1,230,826	236,959,788	47,902,602
5. Commercial multiple peril	66,328,226	180,761,588	66,328,223	180,761,591	88,307,231	210,391,501	88,307,229	391,153,094	135,327,671
6. Mortgage guaranty									
8. Ocean marine		8,845,362		8,845,362		11,712,994		20,558,356	2,819,645
9. Inland marine	2,229,956	9,260,964	2,229,956	9,260,964	282,703	9,604,821	282,703	18,865,785	3,267,291
10. Financial guaranty									
11.1 Medical professional liability—occurrence		2,319,279		2,319,279		17,788,670		20,107,949	1,842,793
11.2 Medical professional liability—claims-made		2,631,291		2,631,291		4,116,876		6,748,167	757,846
12. Earthquake	30,653	205,610	30,653	205,610		238,944		444,554	58,651
13. Group accident and health		374,878		374,878		352,920		(a) 727,798	56,128
14. Credit accident and health (group and individual)									
15. Other accident and health		1,564,033		1,564,033		1,407,131		(a) 2,971,164	1,114,799
16. Workers' compensation	82,609,886	1,126,180,034	82,609,886	1,126,180,034	113,771,249	1,282,788,931	113,771,249	2,408,968,965	360,246,666
17.1 Other liability—occurrence	23,364,364	274,975,296	23,364,364	274,975,296	66,848,737	415,299,949	66,848,737	690,275,245	211,458,351
17.2 Other liability—claims-made	13,340	43,119,834	13,340	43,119,834	134,584	154,482,211	134,584	197,602,045	42,679,504
17.3 Excess workers' compensation		51,063,971	(1)	51,063,972		62,501,509		113,565,481	13,243,163
18.1 Products liability—occurrence	480,620	20,851,747	480,620	20,851,747	579,002	52,010,420	579,002	72,862,167	52,064,903
18.2 Products liability—claims-made		35,927		35,927		3,141,449		3,177,376	1,539,715
19.1,19.2 Private passenger auto liability	25,343,725	584,305,205	25,343,725	584,305,205	(7,440,519)	388,575,702	(7,440,519)	972,880,907	222,657,142
19.3,19.4 Commercial auto liability	31,795,512	171,405,221	31,795,512	171,405,221	25,521,515	142,180,117	25,521,515	313,585,338	37,647,589
21. Auto physical damage	938,310	2,391,618	938,310	2,391,618	220,519	6,327,358	220,519	8,718,976	18,735,894
22. Aircraft (all perils)		3,394,389		3,394,389		3,707,897		7,102,286	1,444,505
23. Fidelity		2,235,885		2,235,885	23,317	9,649,578	23,317	11,885,463	1,411,035
24. Surety	54,546	14,963,437	54,546	14,963,437	9,985	25,929,481	(146,178)	41,049,081	12,606,328
26. Burglary and theft		9,980		9,980		31,537	266	41,517	19,212
27. Boiler and machinery		2,594,909		2,594,909	8,305	391,583	8,305	2,986,492	91,336
28. Credit		231,871		231,871		617,447		849,318	1,250
29. International									
30. Warranty						373,152		373,152	150,992
31. Reinsurance-nonproportional assumed property	X X X	11,486,151		11,486,151	X X X	19,417,802		30,903,953	561,953
32. Reinsurance-nonproportional assumed liability	X X X	12,502,637		12,502,637	X X X	28,260,773		40,763,410	3,713,798
33. Reinsurance-nonproportional assumed financial lines	X X X	823,158		823,158	X X X	81,069		904,227	12,771
34. Aggregate write-ins for other lines of business									
35. TOTALS	243,005,453	2,720,594,171	243,005,449	2,720,594,175	289,597,587	2,992,437,387	289,441,422	5,713,187,727	1,180,363,202

DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

(a) Including \$ 0 for present value of life indemnity claims.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	13,115,034			13,115,034
1.2 Reinsurance assumed	299,948,986			299,948,986
1.3 Reinsurance ceded	13,115,034			13,115,034
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	299,948,986			299,948,986
2. Commission and brokerage:				
2.1 Direct, excluding contingent		47,632,858		47,632,858
2.2 Reinsurance assumed, excluding contingent		298,006,602		298,006,602
2.3 Reinsurance ceded, excluding contingent		47,632,858		47,632,858
2.4 Contingent—direct		60,674		60,674
2.5 Contingent—reinsurance assumed		79,445,174		79,445,174
2.6 Contingent—reinsurance ceded		60,674		60,674
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		377,451,776		377,451,776
3. Allowances to manager and agents		52,543,604		52,543,604
4. Advertising	561,362	99,374,506	19,558	99,955,426
5. Boards, bureaus and associations	1,696,367	9,025,087	9,119	10,730,573
6. Surveys and underwriting reports	21,228	26,583,506	5	26,604,739
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	222,676,157	481,883,744	14,056,199	718,616,100
8.2 Payroll taxes	9,216,678	41,122,650	533,503	50,872,831
9. Employee relations and welfare	47,489,577	201,599,486	2,617,503	251,706,566
10. Insurance	12,809,725	(845,693)	1,408,475	13,372,507
11. Directors' fees	2	(3,003)		(3,001)
12. Travel and travel items	13,127,487	29,744,489	378,570	43,250,546
13. Rent and rent items	10,943,759	49,914,516	615,449	61,473,724
14. Equipment	7,415,483	25,419,291	649,290	33,484,064
15. Cost or depreciation of EDP equipment and software	8,140,589	22,217,346	661,269	31,019,204
16. Printing and stationery	1,218,430	4,684,706	54,502	5,957,638
17. Postage, telephone and telegraph, exchange and express	6,174,837	29,805,532	419,178	36,399,547
18. Legal and auditing	1,822,848	6,652,372	362,788	8,838,008
19. Totals (Lines 3 to 18)	343,314,529	1,079,722,139	21,785,408	1,444,822,076
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 670,743		122,788,893		122,788,893
20.2 Insurance department licenses and fees		14,044,134		14,044,134
20.3 Gross guaranty association assessments		1,111,712		1,111,712
20.4 All other (excluding federal and foreign income and real estate)		17,354,855		17,354,855
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		155,299,594		155,299,594
21. Real estate expenses			903,592	903,592
22. Real estate taxes			353,623	353,623
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	38,954,566	98,194,387	3,383,419	140,532,372
25. Total expenses incurred	682,218,081	1,710,667,896	26,426,042	(a) 2,419,312,019
26. Less unpaid expenses—current year	1,180,363,203	354,531,993	17,882	1,534,913,078
27. Add unpaid expenses—prior year	1,171,519,559	347,865,167	22,469	1,519,407,195
28. Amounts receivable relating to uninsured plans, prior year		5,827		5,827
29. Amounts receivable relating to uninsured plans, current year		13,071		13,071
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	673,374,437	1,704,008,314	26,430,629	2,403,813,380

DETAILS OF WRITE-IN LINES				
2401. Other expenses	38,954,566	98,194,387	3,383,419	140,532,372
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	38,954,566	98,194,387	3,383,419	140,532,372

(a) Includes management fees of \$ 800,565,907 to affiliates and \$ 52,531,226 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 16,141,739	15,216,624
1.1 Bonds exempt from U.S. tax	(a) 72,198,317	71,028,967
1.2 Other bonds (unaffiliated)	(a) 197,621,255	200,650,653
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 1,814,309	1,787,920
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	15,683,259	15,536,221
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 15,967,610	15,977,914
4. Real estate	(d) 1,856,050	1,856,050
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,203,856	1,203,856
7. Derivative instruments	(f)	
8. Other invested assets	(2,186,477)	(2,186,477)
9. Aggregate write-ins for investment income	(151,853)	(151,853)
10. Total gross investment income	320,148,065	320,919,875
11. Investment expenses		(g) 26,426,040
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 2,250
14. Depreciation on real estate and other invested assets		(i) 461,947
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		26,890,237
17. Net investment income (Line 10 minus Line 16)		294,029,638

DETAILS OF WRITE-IN LINES		
0901. Investment Income/(Expense) – Pooling Restatement		
0902. Miscellaneous Income/(Expense)	(151,853)	(151,853)
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	(151,853)	(151,853)
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		

- (a) Includes \$ 6,309,281 accrual of discount less \$ 30,037,582 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 31,730 paid for accrued interest on purchases.
- (d) Includes \$ 1,856,050 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax	1,569,747		1,569,747	(139,027)	
1.2 Other bonds (unaffiliated)	13,335,874	(5,772,319)	7,563,555	30,675,850	(1,233,950)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	5,000		5,000	1,837,858	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	4,582,835	(11,246,488)	(6,663,653)	6,856,731	12,897,009
2.21 Common stocks of affiliates				4,515,097	
3. Mortgage loans	(549,849)		(549,849)	109,469	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	5,573		5,573		
7. Derivative instruments	(2,330,004)		(2,330,004)	6,239,017	
8. Other invested assets	1,834,955	(17,395)	1,817,560	37,958,882	
9. Aggregate write-ins for capital gains (losses)				2,955,815	
10. Total capital gains (losses)	18,454,131	(17,036,202)	1,417,929	91,009,692	11,663,059

DETAILS OF WRITE-IN LINES					
0901. Miscellaneous gains (losses)					
0902. SOFTWARE IMPAIRMENT					
0903. DEFERRED G/L-TRSFDR OF ASSETS-INTERCO NON-CASH				2,955,815	
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				2,955,815	

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First lines			
3.2 Other than first lines			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	19,958,527	17,425,494	(2,533,033)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	747,187	587,195	(159,992)
15.3 Accrued retrospective premiums and contracts subject to redetermination	8,869,672	8,736,100	(133,572)
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	91	430	339
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset		16,348,503	16,348,503
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	3,171	3,714	543
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	3		(3)
25. Aggregate write-ins for other-than-invested assets	21,020,948	22,567,453	1,546,505
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	50,599,599	65,668,889	15,069,290
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	50,599,599	65,668,889	15,069,290

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	21,015,374	22,520,631	1,505,257
2502. Amounts receivable under high deductible policies	5,574	46,822	41,248
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	21,020,948	22,567,453	1,546,505

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of New Hampshire, the accompanying financial statements of Peerless Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

The New Hampshire Department of Insurance approved a departure of a prescribed practice pursuant to NH RSA 402:28 I(d)(3), effective April 1, 2014. Pursuant to this departure of a prescribed practice, the Company is permitted to include as admitted assets, limited partnership investments in excess of the five percent (5%) aggregate limitation set forth in RSA 402:28 to the extent such assets, when added to all other equity interests of the insurer, do not exceed the greater of twenty-five percent (25%) of its admitted assets or one hundred percent (100%) of its surplus as regards to policyholders, provided that no investment shall be acquired hereunder if, as a result of and after giving effect to the investment, the insurer would hold more than five percent (5%) of its admitted assets in investments of all kinds issued, assumed, accepted, insured, or guaranteed by a single person.

Risk based capital would not have triggered a regulatory event had the Company not used this departure of a prescribed practice.

	SSAP #	F/S Page	F/S Line #	2016	2015
<u>NET INCOME</u>					
PIC state basis		4	20	\$154,287,810	\$304,624,719
State Prescribed Practices: NONE				-	-
State Permitted Practices: NONE				-	-
NAIC SAP				\$154,287,810	\$304,624,719

	SSAP #	F/S Page	F/S Line #	2016	2015
<u>SURPLUS</u>					
PIC state basis		3	37	\$3,538,885,731	\$3,316,749,774
State Prescribed Practices:				-	-
State Permitted Practices: NONE				-	-
NAIC SAP				\$3,538,885,731	\$3,316,749,774

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. It also requires estimates in the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

#### C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company applies the following accounting policies, where applicable:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Investment Analysis Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are based on market expectations. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities*, A Replacement of SSAP No. 88, and the SVO Manual.

## NOTES TO FINANCIAL STATEMENTS

8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and an amount, based on past experience, for losses and loss adjustment expenses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2016.
13. The Company has no pharmaceutical rebate receivables.

### D. Going Concern

The Company is not aware of any conditions that would impact its ability to continue as a going concern.

### **Note 2 - Accounting Changes and Correction of Errors**

There were no material changes in accounting principles and/or correction of errors.

### **Note 3 - Business Combinations and Goodwill**

#### A. Statutory Purchase Method

On August 24, 2007, the Company and three affiliates (Liberty Mutual Fire Insurance Company (“LMFIC”), a Wisconsin insurance company; Employers Insurance Company of Wausau (“EICOW”), a Wisconsin insurance company; and Liberty Mutual Insurance Company (“LMIC”), a Massachusetts insurance company) acquired all of the issued and outstanding voting shares of Ohio Casualty Corporation, a non-insurance holding company, which is the upstream parent of four property casualty insurance companies. The Company directly acquired a 8% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 92% (LMFIC 6%, EICOW 8%, and LMIC 78%). The transaction was accounted for as a statutory purchase and the cost was \$222,400,560, resulting in goodwill in the amount of \$117,712,240. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was \$11,771,227 for year ended December 31, 2016; goodwill is being amortized over ten years

#### B. Statutory Mergers

The Company did not enter into any statutory mergers during the year.

#### C. Impairment Loss

The Company did not recognize an impairment loss during the period.

### **Note 4 - Discontinued Operations**

The Company has no discontinued operations.

### **Note 5 – Investments**

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

1. The maximum and minimum lending rates for mortgage loans during 2016 were:

Farm mortgages	N/A
Residential mortgages	N/A
Commercial mortgages	3.140% and 6.000%
Mezzanine	N/A

2. The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was: 75%

3. Taxes, assessments and any amounts advanced and not included in the mortgage loan total:

2016	2015
\$ 29,602	\$ 27,831



## NOTES TO FINANCIAL STATEMENTS

### 4. Age Analysis of Mortgage Loans:

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

#### a. Current Year

##### 1. Recorded Investment (All)

(a) Current	\$ -	\$ -	\$ -	\$ -	\$334,874,448	\$ -	\$334,874,448
(b) 30-59 Days Past Due	-	-	-	-	182,763	-	182,763
(c) 60-89 Days Past Due	-	-	-	-	121,980	-	121,980
(d) 90-179 Days Past Due	-	-	-	-	22,813	-	22,813
(e) 180+ Days Past Due	-	-	-	-	110,057	-	110,057

##### 2. Accruing Interest 90-179 Days Past Due

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-

##### 3. Accruing Interest 180+ Days Past Due

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-

##### 4. Interest Reduced

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$3,536,551	\$ -	\$3,536,551
(b) Number of Loans	-	-	-	-	515	-	515
(c) Percent Reduced	-	-	-	-	1.240%	-	1.240%

#### b. Prior Year

##### 1. Recorded Investment (All)

(a) Current	\$ -	\$ -	\$ -	\$ -	\$321,709,234	\$ -	\$321,709,234
(b) 30-59 Days Past Due	-	-	-	-	142,612	-	142,612
(c) 60-89 Days Past Due	-	-	-	-	619,683	-	619,683
(d) 90-179 Days Past Due	-	-	-	-	73,385	-	73,385
(e) 180+ Days Past Due	-	-	-	-	136,597	-	136,597

##### 2. Accruing Interest 90-179 Days Past Due

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-

##### 3. Accruing Interest 180+ Days Past Due

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-

##### 4. Interest Reduced

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$7,366,102	\$ -	\$7,366,102
(b) Number of Loans	-	-	-	-	512	-	512
(c) Percent Reduced	-	-	-	-	1.912%	-	1.912%

### 5. Investment in Impaired Loans With or Without Allowance for Credit Losses:

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

#### a. Current Year

1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$789,096	\$ -	\$789,096
2. No Allowance for Credit Losses	-	-	-	-	684,883	-	684,883

#### b. Prior Year

1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$882,903	\$ -	\$882,903
2. No Allowance for Credit Losses	-	-	-	-	503,312	-	503,312

## NOTES TO FINANCIAL STATEMENTS

6. Investment in Impaired Loans - Average Recorded Investment, Interest Income Recognized, Recorded Investment on Nonaccrual Status and Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting:

	Farm	Residential		Commercial		Mezzanine	Total
		Insured	All Other	Insured	All Other		
a. Current Year							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$1,430,097	\$ -	\$1,430,097
2. Interest Income Recognized	-	-	-	-	99,505	-	99,505
3. Recorded Investments on Nonaccrual Status	-	-	-	-	110,057	-	110,057
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	80,859	-	80,859
b. Prior Year							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$1,570,583	\$ -	\$1,570,583
2. Interest Income Recognized	-	-	-	-	84,322	-	84,322
3. Recorded Investments on Nonaccrual Status	-	-	-	-	210,147	-	210,147
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	87,019	-	87,019

7. Allowance for Credit Losses:

	2016	2015
a. Balance at beginning of period	\$ 476,196	\$ 569,899
b. Additions charged to operations	478,582	85,735
c. Direct write-downs charged against the allowances	(588,051)	(179,438)
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	<u>\$ 366,727</u>	<u>\$ 476,196</u>

8. Mortgage Loans Derecognized as a Result of Foreclosure:

	2016	2015
a. Aggregate amount of mortgage loans derecognized	216,603	\$ 21,334
b. Real estate collateral recognized	127,417	23,666
c. Other collateral recognized	-	-
d. Receivables recognized from a government guarantee of the foreclosed mortgage loan	-	-

9. Interest income on impaired commercial mortgage loans is recognized until the loans are more than 90 days delinquent. Interest income and accrued interest receivable are reversed when a loan is put on non-accrual status. Interest income on loans more than 90 days delinquent is recognized in the period the cash is collected. Interest income recognition is continued when the loan becomes less than 90 days delinquent and management determines it is probably that the loan will continue to perform.

B. Debt Restructuring

	2016	2015
1. The total recorded investment in restructured loans, as of year end	\$1,633,150	\$1,614,333
2. The realized capital losses related to these loans	-	-
3. Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings	-	-
4. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis.		

C. Reverse Mortgages

The company has no reverse mortgages.

D. Loan Backed Securities

- Prepayment speed assumptions are based on market expectations.
- All Loan Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2016 as of December 31, 2016: None

## NOTES TO FINANCIAL STATEMENTS

3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2016:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
59023XAB2	17,722	14,056	3,666	14,056	10,061	3/31/2016
59023XAB2	23,181	18,386	4,795	18,386	13,161	3/31/2016
61749BAB9	24,089	23,649	440	23,649	15,777	3/31/2016
61749BAB9	348,077	341,712	6,365	341,712	227,964	3/31/2016
61749BAB9	31,510	30,934	576	30,934	20,636	3/31/2016
32056FAC6	1,546,359	1,542,379	3,980	1,542,379	1,542,743	3/31/2016
21075WBF1	91,506	85,182	6,324	85,182	83,003	3/31/2016
21075WBF1	23,704	22,340	1,364	22,340	20,751	3/31/2016
12545CAU4	335,032	329,850	5,182	329,850	329,543	3/31/2016
12545CAU4	670,063	659,699	10,364	659,699	659,086	3/31/2016
59023XAB2	13,823	10,067	3,756	10,067	10,086	6/30/2016
59023XAB2	150,614	148,654	1,960	148,654	145,733	6/30/2016
59023XAB2	18,081	13,168	4,912	13,618	13,192	6/30/2016
61749BAB9	23,204	22,826	377	22,826	15,095	6/30/2016
61749BAB9	335,283	329,829	5,455	329,829	218,119	6/30/2016
61749BAB9	30,352	29,858	494	29,858	19,745	6/30/2016
32056FAC6	1,436,175	1,424,075	12,100	1,424,075	1,420,926	6/30/2016
12545CAU4	617,215	615,350	1,865	615,350	563,226	6/30/2016
21075WBF1	84,066	80,185	3,881	80,185	78,704	9/30/2016
21075WBF1	22,047	20,046	2,001	20,046	19,676	9/30/2016
12545CAU4	289,883	278,872	11,011	278,872	278,009	9/30/2016
12545CAU4	578,039	557,744	20,296	557,744	556,017	9/30/2016
12545CAU4	283,490	278,872	4,618	278,872	278,009	9/30/2016
12545CAU4	1,133,961	1,115,487	18,474	1,115,487	1,112,034	9/30/2016
12544LAK7	348,307	338,402	9,905	338,402	337,695	9/30/2016
12544LAK7	1,044,920	1,015,207	29,714	1,015,207	1,013,084	9/30/2016
12544LAK7	348,307	338,402	9,905	338,402	337,695	9/30/2016
12544LAK7	348,307	338,402	9,905	338,402	337,695	9/30/2016
12544LAK7	326,919	322,910	4,010	322,910	322,425	12/31/2016
12544LAK7	980,758	968,729	12,029	968,729	967,276	12/31/2016
12544LAK7	326,919	322,910	4,010	322,910	322,425	12/31/2016
12544LAK7	326,919	322,910	4,010	322,910	322,425	12/31/2016
61749BAB9	22,123	22,014	109	22,014	15,799	12/31/2016
61749BAB9	319,669	318,096	1,573	318,096	228,290	12/31/2016
61749BAB9	28,938	28,796	142	28,796	20,666	12/31/2016
32056FAC6	1,260,047	1,251,209	8,838	1,251,209	1,245,954	12/31/2016
21075WBF1	79,184	75,279	3,904	75,279	75,271	12/31/2016
12545CAU4	1,053,682	1,042,067	11,615	1,042,067	1,038,584	12/31/2016
12545CAU4	263,420	260,517	2,904	260,517	259,646	12/31/2016
12545CAU4	263,420	260,517	2,904	260,517	259,646	12/31/2016
12545CAU4	526,841	521,033	5,808	521,033	519,292	12/31/2016

4. All impaired Loan Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2016:

a.	The aggregate amount of unrealized losses:		
	1.	Less than 12 Months	\$ 12,579,901
	2.	12 Months or Longer	\$ 1,398,972
b.	The aggregate related fair value of securities with unrealized losses:		
	1.	Less than 12 Months	\$ 960,199,931
	2.	12 Months or Longer	\$ 42,952,051

5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e)

## NOTES TO FINANCIAL STATEMENTS

general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the decline is believed to be “other-than-temporary,” and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

### E. Repurchase Agreements and Securities Lending

1. The Company has not entered into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral to security lending.
2. The Company has not pledged any of its assets as collateral as of December 31, 2016.
3. Aggregate Amount of Contractually open cash collateral positions:

#### a. Aggregate Amount Cash Collateral Received

	<u>Fair Value</u>
1. Repurchase Agreement	
(a) Open	_____
(b) 30 Days or Less	_____
(c) 31 to 60 Days	_____
(d) 61 to 90 Days	_____
(e) Greater Than 90 Days	_____
(f) Sub-Total	_____
(g) Securities Received	_____
(h) Total Collateral Received	_____
2. Securities Lending	
(a) Open	\$122,718,655
(b) 30 Days or Less	_____
(c) 31 to 60 Days	_____
(d) 61 to 90 Days	_____
(e) Greater Than 90 Days	_____
(f) Sub-Total	\$122,718,655
(g) Securities Received	\$1,329,926
(h) Total Collateral Received	\$124,048,581
3. Dollar Repurchase Agreement	
(a) Open	_____
(b) 30 Days or Less	_____
(c) 31 to 60 Days	_____
(d) 61 to 90 Days	_____
(e) Greater Than 90 Days	_____
(f) Sub-Total	_____
(g) Securities Received	_____
(h) Total Collateral Received	_____
b. The fair value of that collateral and of the portion of that collateral that it has sold or re-pledged	\$124,048,581

- c. All collateral is received in the form of cash and/or securities equal to or in excess of 102% of the loaned value and are maintained in a separate custody account. Cash collateral is reinvested into short-term investments as outlined in the terms of the investment agreement. Per the terms of the investment agreement the Company has the right and ability to redeem any eligible securities on short notice.

#### 4. Securities Lending Transactions Administered by an Affiliated Agent

The Company's security lending transactions are not administered by an affiliate agent.

#### 5. Collateral Reinvestment

##### a. Aggregate Amount Collateral Reinvested

	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open	_____	_____
(b) 30 Days or Less	_____	_____
(c) 31 to 60 Days	_____	_____
(d) 61 to 90 Days	_____	_____
(e) 91 to 120 Days	_____	_____
(f) 121 to 180 Days	_____	_____

## NOTES TO FINANCIAL STATEMENTS

(g) 181 to 365 Days		
(h) 1 to 2 Years		
(i) 2 to 3 Years		
(j) Greater Than 3 Years		
(k) Sub-Total		
(l) Securities Received		
(m) Total Collateral Reinvested		

### 2. Securities Lending

(a) Open		
(b) 30 Days or Less	\$58,462,497	\$58,462,497
(c) 31 to 60 Days	\$50,582,628	\$50,582,628
(d) 61 to 90 Days	\$13,673,530	\$13,673,530
(e) 91 to 120 Days		
(f) 121 to 180 Days		
(g) 181 to 365 Days		
(h) 1 to 2 Years		
(i) 2 to 3 Years		
(j) Greater Than 3 Years		
(k) Sub-Total	\$122,718,655	\$122,718,655
(l) Securities Received		
(m) Total Collateral Reinvested	\$122,718,655	\$122,718,655

### 3. Dollar Repurchase Agreement

(a) Open		
(b) 30 Days or Less		
(c) 31 to 60 Days		
(d) 61 to 90 Days		
(e) 91 to 120 Days		
(f) 121 to 180 Days		
(g) 181 to 365 Days		
(h) 1 to 2 Years		
(i) 2 to 3 Years		
(j) Greater Than 3 Years		
(k) Sub-Total		
(l) Securities Received		
(m) Total Collateral Reinvested		

- b. The reporting entity's sources of cash that it uses to return the cash collateral is dependent on the liquidity of the current market conditions. Under current conditions, the reporting entity could liquidate all or a portion of its cash collateral reinvestment securities in order to meet the collateral calls that could come due under a worst-case scenario.

6. Collateral that is not permitted by contract or custom to sell or re-pledge.

The Company has not accepted collateral that it is not permitted by contract or custom to sell or re-pledge

7. Securities lending collateral that extend beyond one year from reporting date.

The Company has not accepted collateral that extends beyond one year from the reporting date for securities lending transactions.

### F. Real Estate

1. The Company did not recognize any impairments on real estate during the year.
2. The Company has not sold or classified real estate investments as held for sale.
3. The Company has not experienced any changes to a plan of sale for investment in real estate.
4. The Company does not engage in retail land sale operations.
5. The Company does not hold real estate investments with participating mortgage loan features.

### G. Investments in Low-Income Housing Tax Credits ("LIHTC")

1. There are twelve years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
2. There were \$19,246,860 of LIHTC and other tax benefits recognized during the year.
3. The balance of the investment recognized in the statement of financial position for the current year is \$92,278,132.

## NOTES TO FINANCIAL STATEMENTS

4. The Company's LIHTC property is required to meet regulatory benchmarks to comply with the LIHTC program which include the review of tenant files. Oversight of the projects is administered by the State Housing agencies
5. The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.
6. The Company did not recognize any impairment loss on its LIHTC investment during the year.
7. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

### H. Restricted Assets

#### 1. Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6	7
	1	2	3	4	5		
Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase / (Decrease) (5 minus 6)	
a. Subject to contractual obligation for which liability is not shown	\$-	\$-	\$-	\$-	\$-	\$-	\$-
b. Collateral held under security lending agreements	\$122,718,655	\$-	\$-	\$-	\$122,718,655	\$176,462,256	\$(53,743,601)
c. Subject to repurchase agreements	\$-	\$-	\$-	\$-	\$-	\$-	\$-
d. Subject to reverse repurchase agreements	\$-	\$-	\$-	\$-	\$-	\$-	\$-
e. Subjects to dollar repurchase agreements	\$-	\$-	\$-	\$-	\$-	\$-	\$-
f. Subject to dollar reverse repurchase agreements	\$-	\$-	\$-	\$-	\$-	\$-	\$-
g. Placed under option contracts	\$-	\$-	\$-	\$-	\$-	\$-	\$-
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	\$-	\$-	\$-	\$-	\$-	\$-	\$-
i. FHLB capital stock	\$-	\$-	\$-	\$-	\$-	\$6,251,700	\$(6,251,700)
j. On deposit with states	\$532,936,067	\$-	\$-	\$-	\$532,936,067	\$513,096,045	\$19,840,022
k. On deposit with other regulatory bodies	\$-	\$-	\$-	\$-	\$-	\$-	\$-
l. Pledged collateral to FHLB (including assets backing funding agreements)	\$-	\$-	\$-	\$-	\$-	\$-	\$-
m. Pledged as collateral not captured in other categories	\$-	\$-	\$-	\$-	\$-	\$-	\$-
n. Other restricted assets	\$-	\$-	\$-	\$-	\$-	\$-	\$-
o. Total Restricted Assets	\$655,654,722	\$-	\$-	\$-	\$655,654,722	\$695,810,001	\$(40,155,279)

(a) Subset of column 1

(b) Subset of column 3

## NOTES TO FINANCIAL STATEMENTS

Restricted Asset Category	Current Year			
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted	Percentage	
			10 Gross Restricted to Total Assets(c)	11 Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	\$-	\$-	0%	0%
b. Collateral held under security lending agreements	\$-	\$122,718,655	1%	1%
c. Subject to repurchase agreements	\$-	\$-	0%	0%
d. Subject to reverse repurchase agreements	\$-	\$-	0%	0%
e. Subjects to dollar repurchase agreements	\$-	\$-	0%	0%
f. Subject to dollar reverse repurchase agreements	\$-	\$-	0%	0%
g. Placed under option contracts	\$-	\$-	0%	0%
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	\$-	\$-	0%	0%
i. FHLB capital stock	\$-	\$-	0%	0%
j. On deposit with states	\$-	\$532,936,067	4%	4%
k. On deposit with other regulatory bodies	\$-	\$-	0%	0%
l. Pledged collateral to FHLB (including assets backing funding agreements)	\$-	\$-	0%	0%
m. Pledged as collateral not captured in other categories	\$-	\$-	0%	0%
n. Other restricted assets	\$-	\$-	0%	0%
o. Total Restricted Assets	\$-	\$655,654,722	5%	5%

(c) Column 5 divided by Asset Page, Column 1, Line 28

(d) Column 9 divided by Asset Page, Column 3, Line 28

2. Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate)

Not applicable

3. Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate)

Not applicable

4. Collateral Received and Reflected as Assets within the Reporting Entity's Financial Statements

Collateral Assets	1 Book/Adjusted Carrying Value (BACV)	2 Fair Value	3 % of BACV to Total Assets (Admitted and Nonadmitted)*	4 % of BACV to Total Admitted Assets **
a. Cash	\$-	\$-	%	%
b. Schedule D, Part 1	-	-	%	%
c. Schedule D, Part 2, Section 1	-	-	%	%
d. Schedule D, Part 2, Section 2	-	-	%	%
e. Schedule B	-	-	%	%
f. Schedule A	-	-	%	%
g. Schedule BA, Part 1	-	-	%	%
h. Schedule DL, Part 1	\$122,718,655	\$122,718,655	0.92%	0.92%
i. Other	-	-	%	%
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$122,718,655	\$122,718,655	0.92%	0.92%

\* Column 1 divided by Asset Page, Line 26 (Column 1)

\*\* Column 1 divided by Asset Page, Line 26 (Column 3)

## NOTES TO FINANCIAL STATEMENTS

	1 Amount	2 % of Liability to Total Liabilities *
k. Recognized Obligation		
Return Collateral Asset	\$122,718,655	0.92%

\* Column 1 divided by Asset Page, Line 26 (Column 1)

I. Working Capital Finance Investments

The Company does not invest in Working Capital Finance Investments.

J. Offsetting and Netting of Assets and Liabilities

Not applicable

K. Structured Notes

Not applicable

L. 5\* Securities

Not applicable

**Note 6 - Joint Ventures, Partnerships & Limited Liability Companies**

A. Investments in joint ventures, partnerships and limited liability companies that exceed 10% of its admitted assets

The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

B. Impairments on joint ventures, partnerships or limited liability companies

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. Management may also engage to sell limited partnership interests which may also lead to impairment losses being recognized. The Company realized impairment losses of \$17,395 during the year.

**Note 7 - Investment Income**

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2016.

**Note 8 - Derivative Instruments**

A. Market risk is defined as the risk of adverse financial impact due to fluctuations in foreign exchange rates and other market driven factors and prices. Credit/counterparty risk is defined as the risk of financial loss if a borrower or counterparty is either unable or unwilling to repay borrowings or settle a transaction in accordance with the underlying contractual terms. We manage credit and counterparty risk by performing credit reviews and requiring the receipt of collateral. Collateral requirements are determined after a comprehensive review of the credit quality of each counterparty and the collateral requirements are monitored and adjusted as needed. Collateral is generally held in the form of cash. We may be required to provide collateral to the counterparty in connection with our entry into derivative financial instruments.

B. As part of its risk management strategy, the Company uses forward contracts to hedge market risk related to foreign exchange rates. At the inception of the contract, the Company may designate the derivative as: (1) a hedge of the fair value of a recognized asset or liability, or firm commitment, (2) a cash flow hedge of the variability in expected future cash flows, (3) a hedge of foreign currency exposure, or (4) a replication transaction. The Company may also acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and immaterial to the underlying investment portfolio.

C. All derivatives are recognized on the balance sheet at fair value and reported as derivative assets or derivative liabilities. Changes in fair value are recorded as unrealized gains or losses in surplus. Realized gains and losses are recognized upon termination or maturity of contracts and reported as net realized capital gains in the statement of income.

D. Not applicable



## NOTES TO FINANCIAL STATEMENTS

- E. The Company has entered into Euro FX forward contracts to hedge Euro denominated assets. As of December 31, 2016, the unrealized gain on the open contracts was \$5,348,495. Realized loss on the FX forward contracts was \$2,330,004 for the twelve months ended December 31, 2016.
- F. Not applicable.

### **Note 9 - Income Taxes**

- A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

	12/31/2016		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 428,733,347	\$ 9,269,000	\$ 438,002,347
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	428,733,347	9,269,000	438,002,347
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	428,733,347	9,269,000	438,002,347
(f) Deferred Tax Liabilities	100,477,000	57,457,347	157,934,347
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 328,256,347	\$ (48,188,347)	\$ 280,068,000

	12/31/2015		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 426,524,000	\$ 10,607,000	\$ 437,131,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	426,524,000	10,607,000	437,131,000
(d) Deferred Tax Assets Nonadmitted	16,348,503	-	16,348,503
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	410,175,497	10,607,000	420,782,497
(f) Deferred Tax Liabilities	73,433,000	33,391,000	106,824,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 336,742,497	\$ (22,784,000)	\$ 313,958,497

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 2,209,347	\$ (1,338,000)	\$ 871,347
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	2,209,347	(1,338,000)	871,347
(d) Deferred Tax Assets Nonadmitted	(16,348,503)	-	(16,348,503)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	18,557,850	(1,338,000)	17,219,850
(f) Deferred Tax Liabilities	27,044,000	24,066,347	51,110,347
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ (8,486,150)	\$ (25,404,347)	\$ (33,890,497)

## NOTES TO FINANCIAL STATEMENTS

2.

	12/31/2016		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 106,442,219	\$ 330,567	\$ 106,772,786
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	228,626,904	-	228,626,904
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	228,626,904	-	228,626,904
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			489,735,987
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	93,664,224	8,938,433	102,602,657
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 428,733,347	\$ 9,269,000	\$ 438,002,347

	12/31/2015		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 138,656,080	\$ 1,157,283	\$ 139,813,363
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	174,145,134	-	174,145,134
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	174,145,134	-	174,145,134
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			458,544,859
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	73,433,000	33,391,000	106,824,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 386,234,214	\$ 34,548,283	\$ 420,782,497
	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ (32,213,861)	\$ (826,716)	\$ (33,040,577)
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	54,481,770	-	54,481,770
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	54,481,770	-	54,481,770
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			31,191,128
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	20,231,224	(24,452,567)	(4,221,343)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 42,499,133	\$ (25,279,283)	\$ 17,219,850

3.

	2016	2015
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	486.5%	483.8%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	3,258,817,731	3,002,791,277

## NOTES TO FINANCIAL STATEMENTS

4.

	12/31/2016		12/31/2015		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital
<b>Impact of Tax-Planning Strategies</b>						
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1 (c)	\$ 428,733,347	\$ 9,269,000	\$ 426,524,000	\$ 10,607,000	\$ 2,209,347	\$ (1,338,000)
2. Percentage of adjusted gross DTAs by tax character to the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1 (e)	\$ 428,733,347	\$ 9,269,000	\$ 410,175,497	\$ 10,607,000	\$ 18,557,850	\$ (1,338,000)
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%

(b) Does the Company's tax-planning strategies include the use of reinsurance: Yes \_\_\_ No X

B. The Company does not have any DTLs described in SSAP No. 101 Income Taxes, a Replacement of SSAP No. 10R and SSAP No. 10, paragraph 23.

C. Current income taxes incurred consist of the following major components:

	(1)	(2)	(3)
	12/31/2016	12/31/2015	(Col 1-2) Change
<b>1. Current Income Tax</b>			
(a) Federal	\$ (448,163)	\$ 81,365,702	\$ (81,813,865)
(b) Foreign	3,888	8,120	(4,232)
(c) Subtotal	(444,275)	81,373,822	(81,818,097)
(d) Federal income tax on net capital gains	496,275	4,434,178	(3,937,903)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ 52,000	\$ 85,808,000	\$ (85,756,000)
<b>2. Deferred Tax Assets:</b>			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 116,591,000	\$ 123,420,000	\$ (6,829,000)
(2) Unearned premium reserve	201,315,000	191,692,000	9,623,000
(3) Policyholder reserves	-	-	-
(4) Investments	14,749,000	3,582,000	11,167,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	74,000	46,000	28,000
(8) Compensation and benefits accrual	18,165,000	16,752,000	1,413,000
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	17,710,000	17,262,000	448,000
(11) Net operating loss carry-forward	1,831,000	1,294,000	537,000
(12) Tax credit carry-forward	34,072,000	23,111,000	10,961,000
(13) Other (including items <5% of total ordinary tax assets)	24,226,347	49,365,000	(25,138,653)
(99) Subtotal	428,733,347	426,524,000	2,209,347
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	16,348,503	(16,348,503)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	428,733,347	410,175,497	18,557,850
(e) Capital			
(1) Investments	9,269,000	10,607,000	(1,338,000)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-

## NOTES TO FINANCIAL STATEMENTS

(99) Subtotal	9,269,000	10,607,000	(1,338,000)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	9,269,000	10,607,000	(1,338,000)
(i) Admitted deferred tax assets (2d + 2h)	438,002,347	420,782,497	17,219,850
<b>3. Deferred Tax Liabilities:</b>			
(a) Ordinary			
(1) Investments	4,444,000	4,610,000	(166,000)
(2) Fixed assets	71,113,000	45,602,000	25,511,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	24,920,000	23,221,000	1,699,000
(99) Subtotal	100,477,000	73,433,000	27,044,000
(b) Capital:			
(1) Investments	57,457,347	33,391,000	24,066,347
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	57,457,347	33,391,000	24,066,347
(c) Deferred tax liabilities (3a99 + 3b99)	157,934,347	106,824,000	51,110,347
<b>4. Net deferred tax assets/liabilities (2i – 3c)</b>	<b>\$ 280,068,000</b>	<b>\$ 313,958,497</b>	<b>\$ (33,890,497)</b>

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of LP & LLC income, tax exempt income, compensation adjustments, utilization of prior year net operating losses, limits on unearned premium reserve deductions, discounting of unpaid losses and loss adjustment expenses, amortization, general business credits, audit settlements, and revisions to prior year estimates.

E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2012	\$ 5,231,000	2032

The Company has general business credit carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	\$ 942,000	2031
2012	\$ 299,000	2032
2013	\$ 3,047,000	2033
2014	\$ 7,082,000	2034
2015	\$ 8,298,000	2035
2016	\$ 14,404,000	2036

The Company has no alternative minimum tax credit carry-forwards.

The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$35,620,000 from the current year and \$82,655,000 from the preceding year.

The Company does not have deposits admitted under Section 6603 of the Internal Revenue Code.

F. The Company's Federal income tax return is consolidated with the following entities:

All Set Works, Inc.	Liberty Mutual Personal Insurance Company
AMBCO Capital Corporation	Liberty Mutual Technology Group, Inc.
America First Insurance Company	Liberty Northwest Insurance Corporation
America First Lloyd's Insurance Company	Liberty Personal Insurance Company
American Economy Insurance Company	Liberty RE (Bermuda) Limited
American Fire and Casualty Company	Liberty Sponsored Insurance (Vermont), Inc.
American States Insurance Company	Liberty Surplus Insurance Corporation
American States Insurance Company of Texas	LIH-RE of America Corporation
American States Lloyds Insurance Company	LIU Specialty Insurance Agency Inc.
American States Preferred Insurance Company	LM General Insurance Company
Berkeley Holding Company Associates, Inc.	LM Insurance Corporation
Berkeley Management Corporation	LM Property and Casualty Insurance Company
Capitol Court Corporation	LMHC Massachusetts Holdings Inc.

## NOTES TO FINANCIAL STATEMENTS

Colorado Casualty Insurance Company	Mid-American Fire & Casualty Company
Consolidated Insurance Company	North Pacific Insurance Company
Copley Venture Capital, Inc.	Ocasco Budget, Inc.
Diversified Settlements, Inc.	OCI Printing, Inc.
Emerald City Insurance Agency, Inc.	Ohio Casualty Corporation
Employers Insurance Company of Wausau	Ohio Security Insurance Company
Excelsior Insurance Company	Open Seas Solutions, Inc.
F.B. Beattie & Co., Inc.	Oregon Automobile Insurance Company
First National Insurance Company of America	Peerless Indemnity Insurance Company
First State Agency Inc.	Peerless Insurance Company
General America Corporation	Pilot Insurance Services, Inc.
General America Corporation of Texas	Rianoc Research Corporation
General Insurance Company of America	S.C. Bellevue, Inc.
Golden Eagle Insurance Corporation	SAFECARE Company, Inc.
Gulf States AIF, Inc.	Safeco Corporation
Hawkeye-Security Insurance Company	Safeco General Agency, Inc.
Indiana Insurance Company	Safeco Insurance Company of America
Insurance Company of Illinois	Safeco Insurance Company of Illinois
LEXCO Limited	Safeco Insurance Company of Indiana
Liberty-USA Corporation	Safeco Insurance Company of Oregon
Liberty Assignment Corporation	Safeco Lloyds Insurance Company
Liberty Energy Canada, Inc.	Safeco National Insurance Company
Liberty Financial Services, Inc.	Safeco Properties, Inc.
Liberty Hospitality Group, Inc.	Safeco Surplus Lines Insurance Company
Liberty Insurance Corporation	San Diego Insurance Company
Liberty Insurance Holdings, Inc.	SCIT, Inc.
Liberty Insurance Underwriters Inc.	St. James Insurance Company Ltd.
Liberty International Europe Inc.	The First Liberty Insurance Corporation
Liberty International Holdings Inc.	The Midwestern Indemnity Company
Liberty Life Assurance Company of Boston	The National Corporation
Liberty Life Holdings Inc.	The Netherlands Insurance Company
Liberty Lloyds of Texas Insurance Company	The Ohio Casualty Insurance Company
Liberty Management Services, Inc.	Wausau Business Insurance Company
Liberty Mexico Holdings Inc.	Wausau General Insurance Company
Liberty Mutual Agency Corporation	Wausau Underwriters Insurance Company
Liberty Mutual Fire Insurance Company	West American Insurance Company
Liberty Mutual Group Asset Management Inc.	Winmar Company, Inc.
Liberty Mutual Group Inc.	Winmar of the Desert, Inc.
Liberty Mutual Holding Company Inc.	Winmar Oregon, Inc.
Liberty Mutual Insurance Company	Winmar-Metro, Inc.

The method of federal income tax allocation is subject to a written agreement. Allocation is based upon separate return calculations with credit applied for losses as appropriate. The Company has the enforceable right to recoup prior year payments in the event of future losses.

- G. The Company does not expect the Federal and Foreign income tax loss contingencies, as determined in accordance with SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets, with the modifications provided in SSAP No. 101, Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10, to significantly increase within twelve months of the reporting date.

### **Note 10 - Information Concerning Parent, Subsidiaries and Affiliates**

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Agency Corporation, an insurance holding company incorporated in Delaware. Liberty Mutual Agency Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company (“LMIC”), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. There have been no material transactions with the Company’s affiliates during 2016.
- D. At December 31, 2016, the Company reported a net \$14,890,114 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

The Company is a party to a management services agreement (the “Agreement”) with Liberty Mutual Insurance Company (“LMIC”). Under the Agreement, LMIC may provide the Company with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by LMIC and LMGI. Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration. LMIC is reimbursed for the cost of all services which it provides under the Agreement.

## NOTES TO FINANCIAL STATEMENTS

The Company is a party to a cash management agreement with Liberty Mutual Insurance Company (“LMIC”) whereby LMIC provides services to the Company.

The Company is a party to an investment management agreement with Liberty Mutual Group Asset Management Inc. (“LMGAM”), and an investment management agreement with Liberty Mutual Investment Advisors LLC (“LMIA”). Under these agreements, LMGAM and LMIA provide services to the Company.

The Company is party to a Federal Tax Sharing Agreement between LMHC and affiliates (Refer to Note 9F).

The Company is party to revolving credit agreements under which the Company may lend funds to the following affiliated companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

<i>Company</i>	<i>Credit Line</i>
Indiana Insurance Company	\$50,000,000
Liberty Mutual Insurance Company	\$150,000,000
	\$500,000,000
The Ohio Casualty Insurance Company	\$100,000,000
Peerless Indemnity Insurance Company	\$50,000,000
Safeco Insurance Company of America	\$100,000,000
The Netherlands Insurance Company	\$50,000,000

There were no outstanding loans as of December 31, 2016.

The Company is party to revolving credit agreements under which the Company may borrow funds from the following affiliated companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

<i>Company</i>	<i>Credit Line</i>
Indiana Insurance Company	\$50,000,000
Liberty Mutual Insurance Company	\$150,000,000
	\$500,000,000
The Ohio Casualty Insurance Company	\$100,000,000
Peerless Indemnity Insurance Company	\$50,000,000
Safeco Insurance Company of America	\$100,000,000
The Netherlands Insurance Company	\$50,000,000

There were no outstanding borrowings as of December 31, 2016.

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.
- J. The Company did not recognize any impairment write down for its SCA companies during the statement period
- K. The Company does not hold investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.

## NOTES TO FINANCIAL STATEMENTS

## M. All SCA investments

## (1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
<b>a. SSAP No. 97 8a Entities</b> N/A				
Total SSAP No. 97 8a Entities		\$-	\$-	\$-
<b>b. SSAP No. 97 8b(ii) Entities</b>				
Ohio Casualty Corporation	8%	\$147,351,127	\$147,351,127	\$-
Liberty USA Corporation	100%	194,569,465	194,569,465	-
Total SSAP No. 97 8b(ii) Entities		\$341,920,592	\$341,920,592	\$-
<b>c. SSAP No. 97 8b(iii)</b>				
Liberty Mutual Investment Holdings LLC	22%	\$560,127,029	\$560,127,029	\$-
Total SSAP No. 97 8b(iii) Entities		\$560,127,029	\$560,127,029	\$-
<b>d. SSAP No. 97 8b(iv)</b> N/A				
Total SSAP No. 97 8b(iv) Entities		\$-	\$-	\$-
<b>e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)</b>		<b>\$ 902,047,621</b>	<b>\$902,047,621</b>	<b>\$ -</b>
<b>f. Aggregate Total (a+e)</b>		<b>\$902,047,621</b>	<b>\$902,047,621</b>	<b>\$ -</b>

## (2) NAIC Filing Response Information

SCA Entity	Type of NAIC Filing	Date of Filing to NAIC	2015 NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code
<b>a. SSAP No. 97 8a Entities</b> N/A						
Total SSAP No. 97 8a Entities			\$-			
<b>b. SSAP No. 97 8b(ii) Entities</b>						
Ohio Casualty Corporation	S2	12/20/2016	\$152,348,313	Yes	No	N/A
Liberty USA Corporation	S2	12/6/2016	190,563,598	Yes	No	N/A
Total SSAP No. 97 8b(ii) Entities			\$342,911,911			
<b>c. SSAP No. 97 8b(iii)</b>						
Liberty Mutual Investment Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(iii) Entities			\$-			
<b>d. SSAP No. 97 8b(iv)</b> N/A						
Total SSAP No. 97 8b(iv) Entities			\$-			
<b>e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)</b>			<b>\$342,911,911</b>			
<b>f. Aggregate Total (a+e)</b>			<b>\$342,911,911</b>			

\* S1 – Sub-1, S2 – Sub-2 or RDF – Resubmission of Disallowed Filing

\*\* I – Immaterial or M – Material

## N. Investment in Insurance SCAs

The company does not hold investments in Insurance SCAs for which the audited statutory equity reflects a departure from the NAIC statutory accounting practices and procedures.

## NOTES TO FINANCIAL STATEMENTS

### Note 11- Debt

#### A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

#### B. FHLB (Federal Home Loan Bank) Agreements

1. The Company is a member of the Federal Home Loan Bank (FHLB) of Boston. There were no outstanding borrowings as of December 31, 2016. The Company has determined the actual maximum borrowing capacity as \$1,200,000,000 per Board of Directors consent.

#### 2. FHLB Capital Stock

##### a. Aggregate Totals

##### 1. Current Year

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Membership Stock – Class A	\$ -	\$ -	\$ -
Membership Stock – Class B	5,678,800	5,678,800	-
Activity Stock	-	-	-
Excess Stock	-	-	-
Aggregate Total	\$ 5,678,800	\$ 5,678,800	-
Actual or estimated Borrowing Capacity as Determined by the Insurer	\$1,200,000,000	XXX	XXX

##### 2. Prior Year-end

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Membership Stock – Class A	\$ -	\$ -	\$ -
Membership Stock – Class B	6,251,700	6,251,700	-
Activity Stock	-	-	-
Excess Stock	-	-	-
Aggregate Total	\$ 6,251,700	\$ 6,251,700	-
Actual or estimated Borrowing Capacity as Determined by the Insurer	\$1,200,000,000	XXX	XXX

##### b. Membership Stock (Class A and B) Eligible for Redemption

	Current Year Total	Not Eligible for Redemption	Less Than 6 Months	6 months to Less Than 1 year	1 to Less Than 3 Years	3 to 5 Years
Membership Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Class A	-	-	-	-	-	-
Class B	\$ -	\$ 5,678,800	\$ -	\$ -	\$ -	\$ -

#### 3. Collateral Pledged to FHLB

##### a. Amount Pledged as of Reporting Date

##### 1. Current Year Total General and Protected Cell Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ -	\$ -	\$ -

##### 2. Current Year General Account

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ -	\$ -	\$ -

##### 3. Current Year Protected Cell Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ -	\$ -	\$ -



## NOTES TO FINANCIAL STATEMENTS

## 4. Prior Year-end Total General and Protected Cell Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ -	\$ -	\$ -

## b. Maximum Amount Pledged During Reporting Period

## 1. Current Year Total General and Protected Cell Accounts

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$ -	\$ -	\$ -

## 2. Current Year General Account

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$ -	\$ -	\$ -

## 3. Current Year Protected Cell Accounts

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$ -	\$ -	\$ -

## 4. Prior Year-end Total General and Protected Cell Accounts

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$ -	\$ -	\$ -

## 4. Borrowing from FHLB

## a. Amount As of the Reporting Date

## 1. Current Year

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts	(4) Funding Agreements Reserves Established
Debt	\$ -	\$ -	\$ -	XXX
Funding Agreements	-	-	-	-
Other	-	-	-	XXX
Aggregate Total	\$ -	\$ -	\$ -	\$ -

## 2. Prior Year-end

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts	(4) Funding Agreements Reserves Established
Debt	\$ -	\$ -	\$ -	XXX
Funding Agreements	-	-	-	-
Other	-	-	-	XXX
Aggregate Total	\$ -	\$ -	\$ -	\$ -

## b. Maximum Amount During Reporting Period (Current Year)

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Debt	\$ -	\$ -	\$ -
Funding Agreements	-	-	-
Other	-	-	-
Aggregate Total	\$ -	\$ -	\$ -

## NOTES TO FINANCIAL STATEMENTS

c. FHLB – Prepayment Obligations

	Does the company have prepayment obligations under the following arrangements (yes/no)?
Debt	NO
Funding Agreements	N/A
Other	N/A

C. There were no outstanding borrowings as of December 31, 2016.

**Note 12 - Retirement Plans, Deferred Compensation, Compensated Absences, Post Employment Benefits and Other Postretirement Benefit Plans**

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the management services agreements, as described in Note 10F.

**Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

1. The Company has 5,000,000 common shares authorized, and 3,524,456 shares issued and outstanding as of December 31, 2016. All shares have a stated par value of \$2.50.

The Company has 113,043 preferred shares authorized and no shares are issued and outstanding as of December 31, 2016. All shares have a stated par value of \$2.50.

2. Preferred Stock

Not applicable

3. There are no dividend restrictions.

4. The Company did not pay any dividends to its parent in 2016.

5. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is less than 10% of surplus or net income. The maximum dividend payout that may be made without prior approval in 2017 is \$353,888,573.

6. As of December 31, 2016, the Company has pre-tax restricted surplus of \$38,102,934 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

8. The Company does not hold stock for special purposes.

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2016.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is (\$342,241,397) after applicable deferred taxes of \$16,871,938.

11. Surplus Notes

Not applicable

12. Quasi-reorganization (dollar impact)

Not applicable

13. Quasi-reorganization (effective date)

Not applicable

**Note 14 - Contingencies**

A. Contingent Commitments

Refer to Note 10E.

B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments and premium-based assessments are presumed probable when the premium on which the assessments are expected to be based are written. In the case of loss-based assessments, the event that obligates the entity is an entity incurring the losses on which the assessments are expected to be based.

## NOTES TO FINANCIAL STATEMENTS

The Company has accrued a liability for guaranty funds and other assessments of \$24,379,005 that is offset by future premium tax credits of \$980,161. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2017. During 2016 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

Reconciliation of paid and accrued premium tax offsets and policy surcharges at prior year-end to current year-end:

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 1,263,395
b. Decreases current year:	
Premium tax offset applied	731,287
c. Increases current year:	
Premium tax offset increase	448,052
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	<u>\$ 980,161</u>

C. Gain Contingencies

Not applicable

D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits

The Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits.

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$824,295

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

( a ) 0-25 Claims	( b ) 26-50 Claims	( c ) 51-100 Claims	( d ) 101-500 Claims	( e ) More than 500 Claims
X				

Indicate whether claim count information is disclosed per claim or per claimant.

( f ) Per Claim [ X ]                      ( g ) Per Claimant [ ]

E. Product Warranties

The Company does not write product warranty business.

F. Joint and Several Liabilities

The Company is not a participant in any joint and several liabilities.

G. All Other Contingencies

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

As disclosed in Note 9F, the Company is a member of a controlled group for federal income tax purposes, and that group includes Liberty Mutual Group Inc. ("LMGI"). LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. Pursuant to federal law, if LMGI has not made the minimum required contributions with respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

The Company refunded all premium and interest held in an escrow fund to certain of its policyholders in accordance with North Carolina General Statutes § 58-36-25(b). These distributions represented the full disposition of the Company's escrow fund.

## NOTES TO FINANCIAL STATEMENTS

### **Note 15 - Leases**

#### A. Lessee Leasing Arrangements

1. The Company leases office space, plant and equipment under various non-cancelable operating lease arrangements.

The Company's minimum lease obligations under these agreements are as follows:

Year Ending December 31,	<u>Operating Leases</u>
2016	30,486,589
2017	24,466,423
2018	17,721,241
2019	13,151,736
2020	13,382,818
2021 & thereafter	<u>63,845,822</u>
Total	<u><u>163,054,628</u></u>

The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is \$337,754.

2. The Company is not involved in any material sales-leaseback transactions.

#### B. Leasing as a Significant Part of Lessor's Business Activities

Leasing is not a significant part of the Company's business activities.

### **Note 16 - Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

The Company is not exposed to financial instruments with off-balance sheet risk or concentration of credit risk.

### **Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

#### A. Transfers of Receivables Reported as Sales

The Company did not have any transfers of receivables reported as sales during the year.

#### B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the collateral is unrestricted and the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2016 the total fair value of securities on loan was \$120,622,545 with corresponding collateral value of \$124,048,581 of which \$122,718,655 represents cash collateral that was reinvested.

#### C. Wash Sales

- 1) The Company did not have any wash sale transactions during the year.
- 2) Not applicable

### **Note 18 - Gain or Loss from Uninsured Accident and Health Plans and the Uninsured Portion of Partially Insured Plans**

#### A. Administrative Services Only (ASO) Plans

Not applicable

#### B. Administrative Services Contract (ASC) Plans

Not applicable

#### C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

## NOTES TO FINANCIAL STATEMENTS

### **Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

The Company has no direct premiums written or produced through managing general agents or third party administrators.

### **Note 20 - Fair Value Measurements**

#### A. Inputs Used for Assets and Liabilities Measured at Fair Value

##### 1. Fair Value Measurements by Levels 1, 2 and 3

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which generally utilizes market transaction data for identical or similar instruments.

Included in various investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain fixed maturities and preferred stock, when carried at the lower of cost or market.

The hierarchy level assigned to each security in the Company's portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 —Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 —Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets or liabilities at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 —Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. The unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2016:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	\$-	\$99,734,202	\$16,626,003	\$116,360,205
Non-Issuer Obligations	-	90	-	90
Total Bonds	-	99,734,292	16,626,003	116,360,295
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	\$-	\$39,718,305	\$-	39,718,305
Total Preferred Stocks	-	39,718,305	-	39,718,305
Common Stocks				
Industrial and Miscellaneous	\$555,482,686	\$0	\$5,704,494	561,187,180
Total Common Stocks	555,482,686	0	5,704,494	561,187,180
Derivative Assets		5,348,495		5,348,495
Total assets at fair value	\$555,482,686	\$144,801,092	\$22,330,497	\$722,614,275
Liabilities at fair value				
Derivative Liabilities				-
Total liabilities at fair value	\$-	-	\$-	\$-

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2016.

## NOTES TO FINANCIAL STATEMENTS

### 2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets classified as Level 3 within the fair value hierarchy:

1	2	3	4	5	6	7	8	9	10	11
	Balance at 12/31/2015	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settle- ments	Balance at 12/31/2016
Bonds	\$7,063,203	\$1,866,920	(\$59,379)	\$16	\$41,616	\$7,802,122	-	(\$162,165)	\$73,670	\$16,626,003
Preferred Stock	\$-	\$-	\$-	\$-	\$-	\$-	-	\$-	\$-	\$-
Common Stock	\$6,268,571	\$9,292	\$-	\$-	(\$472)	\$-	-	(\$572,897)	\$-	\$5,704,494
Total	\$13,331,774	\$1,876,212	(\$59,379)	\$16	\$41,144	\$7,802,122	\$-	(\$735,062)	\$73,670	\$22,330,497

### 3. Policy on Transfers Into and Out of Level 3

The Company holds NAIC designated 3-6 fixed maturity securities at the lower of amortized cost or fair value as defined by SSAP No. 26, Bonds and NAIC designated 3-6 preferred stocks at the lower of cost or fair value as defined by SSAP No. 32, Investments in Preferred Stock. Market fluctuations cause securities to change from being held at cost to fair value or vice versa. These changes result in a transfer in or out of Level 3. In addition, the Company also transfers securities into or out of level 3 as a result of re-evaluation of the observability of pricing inputs.

### 4. Inputs and Techniques Used for Fair Value

#### Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

#### U.S. Government and Agency Securities

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on active markets and unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

#### Mortgage-Backed Securities

The Company's portfolio of residential mortgage-backed securities ("MBS") and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

#### Asset-Backed Securities

Asset-backed securities ("ABS") include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

#### Municipals Securities

The Company's municipal portfolio is comprised of bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

## NOTES TO FINANCIAL STATEMENTS

### Corporate debt and other

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

### Foreign government securities

Foreign government securities include bonds issued or guaranteed by foreign governments. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

### Common and Preferred Stocks

Common stocks are recorded at fair value and preferred stocks are reported at cost or fair value, depending on their NAIC designation. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

### Other Invested Assets

Other invested assets include limited partnership investments, other equity method investments and other alternative investments, which are not subject to these disclosures and therefore are excluded from the table in this note.

### 5. Derivative Fair Values

	Aggregate Fair Value	Assets/(Liabilities)	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Derivative Assets	5,348,495	5,348,495		5,348,495		
Derivative Liabilities	-	-		-		
Total	\$5,348,495	\$5,348,495	\$-	\$5,348,495	\$-	

Derivatives can be exchange-traded or traded over-the-counter (“OTC”). OTC derivatives are valued using market transactions and other market evidence whenever possible, including market based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be corroborated by observable market data by correlation or other means, and model selection does not involve significant management judgment. The fair value of derivatives using models with observable inputs are classified as Level 2 within the fair value hierarchy and the fair value of derivatives using models with unobservable inputs are classified as Level 3 within the fair value hierarchy.

### B. Other Fair Value Disclosures

Not applicable

### C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents, and Short Term	\$68,987,281	\$68,987,281	\$68,987,281			\$-
Bonds	8,469,976,049	8,421,881,643	76,567,289	8,345,072,093	48,336,667	-
Preferred Stock	39,718,305	39,718,305	-	39,718,305	-	-
Common Stock	561,187,180	561,187,181	555,482,686	-	5,704,494	-
Securities Lending	122,745,357	122,718,655	-	122,745,357	-	-
Mortgage Loans	344,955,788	334,945,335			344,955,788	-
Surplus Notes	-	-	-	-	-	-
Total	\$9,607,569,960	\$9,549,438,400	\$701,037,256	\$8,507,535,755	\$398,996,949	\$-

## NOTES TO FINANCIAL STATEMENTS

D. Not Practicable to Estimate Fair Value

Not applicable

**Note 21 - Other Items**

A. Unusual or Infrequent Items

The Company has no unusual or infrequent items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

Not applicable

D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

E. State Transferable and Non-transferable Tax Credit

The Company does not hold state transferable and/or non-transferable tax credits.

F. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through past acquisitions of insurance companies.

2. The Company does not have any direct exposure through investments in subprime mortgage loans.

3. The Company has direct exposure through their investment in residential mortgage-backed securities.

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other-Than-Temporary Impairments Recognized</u>
\$620,113	\$532,031	\$536,541	\$84,984

4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

G. Insurance Linked Securities

The Company did not receive proceeds as the issuer, ceding insurer or counterparty of insurance linked securities.

**Note 22 - Events Subsequent**

The Company evaluated subsequent events through February 20, 2017, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2016 that would require disclosure.

The Company did not receive any assessments under the Affordable Care Act.

**Note 23 - Reinsurance**

A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Liberty Mutual Amended and Restated Intercompany Reinsurance Agreement, there are no unsecured reinsurance recoverables or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder's surplus.

B. Reinsurance Recoverable in Dispute

There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.



## NOTES TO FINANCIAL STATEMENTS

### C. Reinsurance Assumed & Ceded

1. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$2,771,889,320	\$288,707,470	\$148,672,355	\$21,999,345	\$2,623,216,965	\$266,708,125
b. All Other	-	-	-	-	-	-
c. TOTAL	\$2,771,889,320	\$288,707,470	\$148,672,355	\$21,999,345	\$2,623,216,965	\$266,708,125
d. Direct Unearned Premium Reserve	\$148,672,355					

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2016 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$66,004,124	\$86,979,404	\$66,004,124	\$86,979,404
b. Sliding Scale Adjustments	-	232,703	-	232,703
c. Other Profit Commission Arrangements	-	(8,441)	-	(8,441)
d. TOTAL	\$66,004,124	\$87,203,666	\$66,004,124	\$87,203,666

3. The Company does not use protected cells as an alternative to traditional reinsurance.

### D. Uncollectible Reinsurance

The Company did not write off any uncollectible balances in the current year.

### E. Commutation of Ceded Reinsurance

The Company did not commute any reinsurance treaties in the current year.

## NOTES TO FINANCIAL STATEMENTS

### F. Retroactive Reinsurance

The Company's retroactive reinsurance is a result of the Intercompany Reinsurance Agreement.

	<u>Reported Company</u>	
	As:	
	<u>Assumed</u>	<u>Ceded</u>
<b>a. Reserves Transferred:</b>		
1. Initial Reserves	\$(494,795,406)	-
2. Adjustments – Prior Year (s)	(98,271,916)	-
3. Adjustments – Current Year	(30,321,738)	-
4. Current Total	\$(623,389,060)	-
<b>b. Consideration Paid or Received:</b>		
1. Initial Consideration	\$(496,403,346)	-
2. Adjustments – Prior Year (s)	(11,053,020)	-
3. Adjustments – Current Year	(68,158)	-
4. Current Total	\$(507,524,524)	-
<b>c. Paid Losses Reimbursed or Recovered:</b>		
1. Prior Year (s)	\$65,292,425	-
2. Current Year	7,998,405	-
3. Current Total	\$73,290,830	-
<b>d. Discount Unwind on Reserves:</b>		
1. Prior Year (s)	\$(5,865,626)	
2. Current Year	(2,455,031)	
3. Current Total	\$(8,320,657)	
<b>e. Special Surplus from the Retroactive Reinsurance:</b>		
1. Initial Surplus Gain or Loss	\$5,498,692	-
2. Adjustments – Prior Year (s)	8,954,213	-
3. Adjustments – Current Year	19,800,144	-
4. Current Year Restricted Surplus	38,102,934	-
5. Cumulative Total Transferred to Unassigned Funds	\$(3,849,885)	-
<b>f. All cedents and reinsurers involved in all transactions included in summary totals above:</b>		
	<u>Assumed</u>	<u>Ceded</u>
<u>Company</u>	<u>Amount</u>	<u>Amount</u>
Liberty Mutual Insurance Company, 23043	\$(623,389,060)	-
<b>Total</b>	<b>\$(623,389,060)</b>	<b>-</b>

g. There are no Paid Loss/ Loss Adjustment Expense amounts recoverable or amounts recoverable from unauthorized reinsurers.

There are no reinsurance contracts covering losses that have occurred prior to the inception of the contract that have not been accounted for in conformity with the NAIC Accounting Practices and Procedures Manual.

On July 17, 2014, Liberty Mutual Insurance reached a definitive agreement with National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., on a combined aggregate adverse development cover for substantially all of Liberty Mutual Insurance's U.S. workers compensation, asbestos and environmental liabilities. The agreement, accounted for as retroactive reinsurance, is effective January 1, 2014.

### G. Reinsurance Accounted for as a Deposit

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2016.

### H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

The Company has not entered into any agreements which have been approved by their domiciliary regulator and have qualified pursuant to SSAP No. 62R, *Property and Casualty Reinsurance* to receive P&C Run-off Accounting Treatment.

### I. Certified Reinsurers Downgraded or Status Subject to Revocation.

- Reporting Entity Ceding to Certified Reinsurer Downgraded or Status Subject to Revocation.

The Company does not transact business with Certified Reinsurers.

- Reporting Entity's Certified Reinsurer Rating Downgrade or Status Subject to Revocation.

The Company is not a Certified Reinsurer.

## NOTES TO FINANCIAL STATEMENTS

### J. Asbestos and Pollution Counterparty Reporting Exception

The Counterparty reporting exception does not apply to the Company.

### **Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

- A. Accrued retrospective premiums reported in Line 15.3 of the asset page have been determined based upon loss experience on business subject to such experience rating adjustment.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.
- D. Medical Loss Ratio Rebates

The Company does not recognize a liability for medical loss ratio rebates pursuant to the Public Health Service Act, as the Company does not write direct comprehensive major medical health business.

- E. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been nonadmitted.

a.	Total accrued retro premium	\$ 88,735,503
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	8,869,672
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	\$ 79,865,831

### F. Risk Sharing Provisions of the Affordable Care Act

The Company did not receive any assessments under the Affordable Care Act.

### **Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses**

Incurred loss and loss adjustment expense attributable to insured events on prior years increased through the fourth quarter of 2016. The increase was the result of updated reserve analysis in a number of lines, with the largest increases in reserve estimates for the Commercial Auto line of business driven by unfavorable trends in severity, Private Passenger Auto Liability line of business driven by higher severity trend and higher catastrophe losses, Products Liability-Occurrence line of business, Other Liability-Claims Made line of business, and Home Owners/Farmowners line of business. Partially offsetting these increases were decreases in reserve estimates for the Reinsurance Non-proportional Assumed Liability line of business, Auto Physical Damage line of business, Medical Malpractice-Occurrence line of business, and Workers Compensation line of business. Prior estimates are revised as additional information becomes known regarding individual claims.

### **Note 26 - Intercompany Pooling Arrangements**

The Company is a member of the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead				
Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
Pool	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.00%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.00%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company ("ASIC")	19704	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.00%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.00%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.00%	All Lines
	General Insurance Company of America ("GICA")	24732	0.00%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.00%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
100% Quota Share Affiliated Companies:	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

Under the terms of the Reinsurance Agreements, the sequence of transactions is as follows:

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (f) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (g) Amounts due (to)/from affiliated entities participating in the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement as of December 31, 2016:
 

Affiliate:	Amount:
Liberty Mutual Insurance Company	\$273,335

### **Note 27 - Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$109,139,717 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$109,139,717 as of December 31, 2016.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$ 55,823,151

### **Note 28 - Health Care Receivables**

Not applicable

### **Note 29 - Participating Policies**

Not applicable

### **Note 30 - Premium Deficiency Reserves**

1. Liability carried for premium deficiency reserves	\$ -
2. Date of the most recent evaluation of this liability	12/31/2016
3. Was anticipated investment income utilized in the calculation?	Yes

### **Note 31 - High Dollar Deductible Policies**

As of December 31, 2016, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$1,079,136,431 and the amount billed and recoverable on paid claims was \$32,575,910. There are no unsecured high dollar deductible recoverables from professional employer organizations included in these amounts.

### **Note 32 - Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses**

For Workers' Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2016 liabilities subject to discount were carried at a value representing a discount of \$104,915,440 net of all reinsurance.

## NOTES TO FINANCIAL STATEMENTS

A. The amount of tabular discount for case and IBNR reserves is as follows:

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	90,127,336	104,695,855
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability – occurrence	-	-
10. Other Liability – claims-made	-	-
11. Special Property	-	-
12. Auto Physical Damage	-	-
13. Fidelity, Surety	-	-
14. Other (including Credit, Accident & Health)	-	-
15. International	-	-
16. Reinsurance Nonproportional Assumed Property	-	-
17. Reinsurance Nonproportional Assumed Liability	-	-
18. Reinsurance Nonproportional Assumed Financial Lines	-	-
19. Products Liability – occurrence	-	-
20. Products Liability – claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	\$90,127,336	\$104,695,855

\* Must exclude medical loss reserves and all loss adjustment expense reserves.

B. Nontabular Discount:

Not applicable

### **Note 33 - Asbestos/Environmental Reserves**

#### Factors Contributing to Uncertainty in Establishing Adequate Reserves

The process of establishing reserves for asbestos and environmental claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. A number of factors contribute to this greater uncertainty surrounding the establishment of asbestos and environmental reserves, including, without limitation: (i) the lack of available and reliable historical claims data as an indicator of future loss development, (ii) the long waiting periods between exposure and manifestation of any bodily injury or property damage, (iii) the difficulty in identifying the source of asbestos or environmental contamination, (iv) the difficulty in properly allocating liability for asbestos or environmental damage, (v) the uncertainty as to the number and identity of insureds with potential exposure, (vi) the cost to resolve claims, and (vii) the collectability of reinsurance.

The uncertainties associated with establishing reserves for asbestos and environmental claims and claim adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim. The uncertainties cannot be reasonably estimated, but could have a material impact on the Company's future operating results and financial condition.

In 2016, the Company and its affiliated pool members completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded A&E unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. A&E unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves of \$150 million including: \$100 million of asbestos reserves, and \$50 million of pollution reserves.

#### Uncertainty Regarding Reserving Methodologies

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental

## NOTES TO FINANCIAL STATEMENTS

claims cannot be accurately estimated using conventional reserving methodologies based on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in a liability that differs from current reserves by an amount that could be material to the Company's future operating results and financial condition.

### Effect of Uncertainty in Reserving For Asbestos and Environmental Claims on Company's Financial Condition

The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2016, 2015, 2014, 2013, and 2012 before consideration of the NICO Reinsurance Transaction. Refer to Note 23f.

### Asbestos:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Direct Basis</b>					
Beginning Reserves	317,001,708	311,316,538	349,852,494	351,771,702	296,075,585
Incurring losses and LAE	47,802,224	82,917,125	57,018,172	16,568,687	65,562,378
Calendar year payments	53,487,394	44,381,168	55,098,964	72,264,803	51,862,287
Ending Reserves	<u>311,316,538</u>	<u>349,852,494</u>	<u>351,771,702</u>	<u>296,075,585</u>	<u>309,775,676</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	124,624,879	115,013,707	123,953,071	114,650,433	110,629,195
Incurring losses and LAE	976,561	14,932,887	301,762	2,347,282	(990,769)
Calendar year payments	10,587,733	5,993,524	9,604,400	6,368,520	7,497,952
Ending Reserves	<u>115,013,707</u>	<u>123,953,071</u>	<u>114,650,433</u>	<u>110,629,195</u>	<u>102,140,473</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	193,548,043	178,029,817	199,444,721	183,609,562	136,319,699
Incurring losses and LAE	29,834,481	47,104,818	17,781,682	1,226,385	12,457,723
Calendar year payments	45,352,708	25,689,914	33,616,840	48,516,249	14,376,071
Ending Reserves	<u>178,029,817</u>	<u>199,444,721</u>	<u>183,609,562</u>	<u>136,319,699</u>	<u>134,401,350</u>

### **Ending Reserves for Bulk + IBNR included above (Loss & LAE)**

Direct Basis	196,666,549
Assumed Reinsurance Basis	71,359,618
Net of Ceded Reinsurance Basis	70,925,446

### **Ending Reserves for LAE included above (Case, Bulk & IBNR)**

Direct Basis	194,141,818
Assumed Reinsurance Basis	2,230,028
Net of Ceded Reinsurance Basis	70,539,157

### Environmental:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Direct Basis</b>					
Beginning Reserves	84,948,623	84,028,567	89,694,109	84,120,655	72,473,474
Incurring losses and LAE	12,207,065	19,045,897	11,590,891	5,896,123	16,049,777
Calendar year payments	13,127,121	13,380,355	17,164,345	17,543,303	13,983,133
Ending Reserves	<u>84,028,567</u>	<u>89,694,109</u>	<u>84,120,655</u>	<u>72,473,474</u>	<u>74,540,119</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	11,860,453	12,997,868	12,832,557	12,086,120	8,758,274
Incurring losses and LAE	2,351,599	868,965	229,785	(1,961,600)	(32,950)
Calendar year payments	1,214,184	1,034,276	976,222	1,366,246	814,304
Ending Reserves	<u>12,997,868</u>	<u>12,832,557</u>	<u>12,086,120</u>	<u>8,758,274</u>	<u>7,911,020</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	69,398,962	61,699,541	64,596,706	59,774,827	52,422,999
Incurring losses and LAE	(384,461)	12,201,343	5,625,477	63,620	9,821,199
Calendar year payments	7,314,959	9,304,179	10,447,355	7,415,448	11,036,945
Ending Reserves	<u>61,699,541</u>	<u>64,596,706</u>	<u>59,774,827</u>	<u>52,422,999</u>	<u>51,207,253</u>

---

## NOTES TO FINANCIAL STATEMENTS

---

**Ending Reserves for Bulk + IBNR included above (Loss & LAE)**

Direct Basis	43,223,334
Assumed Reinsurance Basis	3,756,636
Net of Ceded Reinsurance Basis	25,212,214

**Ending Reserves for LAE included above (Case, Bulk & IBNR)**

Direct Basis	32,479,457
Assumed Reinsurance Basis	314,034
Net of Ceded Reinsurance Basis	15,171,585

**Note 34 - Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35 - Multiple Peril Crop Insurance**

Not applicable

**Note 36 - Financial Guaranty Insurance**

Not applicable



# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No  ]
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A  ]
- 1.3 State Regulating? New Hampshire
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No  ]
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2013
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/20/2015
- 3.4 By what department or departments?  
 State of New Hampshire Insurance Department  
 .....  
 .....  
 .....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A  ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A  ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No  ]
- 4.12 renewals? Yes  No  ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No  ]
- 4.22 renewals? Yes  No  ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No  ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....

## GENERAL INTERROGATORIES

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

6.2 If yes, give full information:  
 .....  
 .....  
 .....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,  
 7.21 State the percentage of foreign control. \_\_\_\_\_ 0.00 %  
 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
 .....  
 .....  
 .....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 Ernst & Young, LLP  
 200 Clarendon Street  
 Boston, MA 02116  
 .....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If response to 10.1 is yes, provide information related to this exemption:  
 .....  
 .....  
 .....  
 .....

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If response to 10.3 is yes, provide information related to this exemption:  
 .....  
 .....  
 .....

## GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  No  N/A

10.6 If the response to 10.5 is no or n/a, please explain.

.....  
 .....  
 .....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Stephanie Neyenhouse FCAS, MAAA  
 175 Berkeley Street, Boston, MA 02116  
 Vice President and Chief Actuary, Liberty Mutual Group Inc.

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes  No

12.11 Name of real estate holding company		
12.12 Number of parcels involved		0
12.13 Total book/adjusted carrying value		\$ 0

12.2 If yes, provide explanation:

.....  
 .....  
 .....

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

.....  
 .....  
 .....

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes  No

13.3 Have there been any changes made to any of the trust indentures during the year? Yes  No

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes  No  N/A

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes  No

14.11 If the response to 14.1 is no, please explain:

.....  
 .....  
 .....

14.2 Has the code of ethics for senior managers been amended? Yes  No

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

During Q2, Liberty Mutual Insurance published certain non-material changes to its Code of Business Ethics and Conduct designed to enhance readability for employees; during Q4 Liberty made changes to the Conflicts of Interest section of the Code to preclude acceptance of gifts by claims handlers.

## GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

.....  
 .....  
 .....

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
0			0
0			0
0			0

## BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

## FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers	\$	0
20.12 To stockholders not officers	\$	0
20.13 Trustees, supreme or grand (Fraternal only)	\$	0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers	\$	0
20.22 To stockholders not officers	\$	0
20.23 Trustees, supreme or grand (Fraternal only)	\$	0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others	\$	0
21.22 Borrowed from others	\$	0
21.23 Leased from others	\$	0
21.24 Other	\$	0

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

## GENERAL INTERROGATORIES

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment	\$	0
22.22 Amount paid as expenses	\$	0
22.23 Other amounts paid	\$	0

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

### INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes  No

24.02 If no, give full and complete information, relating thereto:  
 .....  
 .....  
 .....

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)  
 Please reference Note 17B  
 .....  
 .....  
 .....

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes  No  N/A

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 124,048,581

24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ 0

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes  No  N/A

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes  No  N/A

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ 122,718,655

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ 122,718,655

24.103 Total payable for securities lending reported on the liability page \$ 122,718,655

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes  No

## GENERAL INTERROGATORIES

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21	Subject to repurchase agreements	\$	0
25.22	Subject to reverse repurchase agreements	\$	0
25.23	Subject to dollar repurchase agreements	\$	0
25.24	Subject to reverse dollar repurchase agreements	\$	0
25.25	Placed under option agreements	\$	0
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$	0
25.27	FHLB Capital Stock	\$	5,678,800
25.28	On deposit with states	\$	532,936,067
25.29	On deposit with other regulatory bodies	\$	0
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	\$	0
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	\$	0
25.32	Other	\$	0

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
FHLB CAPITAL STOCK	FEDERAL HOME LOAN BANK BOSTON	5,678,800
.....	.....	0
.....	.....	0

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes  No

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement. Yes  No  N/A

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes  No

27.2 If yes, state the amount thereof at December 31 of the current year. \$ \_\_\_\_\_ 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes  No

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005
.....	.....

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....
.....	.....	.....

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes  No

## GENERAL INTERROGATORIES

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["... that have access to the investment accounts"; "...handle securities"]

1 Name Firm or Individual	2 Affiliation
Liberty Mutual Group Asset Management Inc.	A
Liberty Mutual Investment Advisors, LLC	A
StanCorp	U
Prudential Mortgage Capital Company	U
Matthews International Capital Management, LLC.	U
Goldman Sachs Asset Management, L.P.	U

28.059 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets? Yes [ ] No [X]

28.059 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [ ] No [X]

28.06 For those firms or individuals listed in the table 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Name Firm or Individual	2 Central Registration Depository Number	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
Liberty Mutual Group Asset Manageme	N/A	N/A	Not a registered Investment Advisor	DS
Liberty Mutual Investment Advisors, LL	N/A	N/A	Not a registered Investment Advisor	DS
StanCorp	N/A	N/A	Not a registered Investment Advisor	DS
Prudential Mortgage Capital Company	N/A	N/A	Not a registered Investment Advisor	DS
Matthews International Capital Manage	N/A	N/A	SEC	DS
Goldman Sachs Asset Management, L.	N/A	N/A	SEC	DS

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [ ] No [X]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
29.2999 TOTAL		0

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
		0	
		0	
		0	

## GENERAL INTERROGATORIES

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	8,674,681,872	8,722,776,329	48,094,457
30.2 Preferred stocks	39,718,305	39,718,305	0
30.3 Totals	8,714,400,177	8,762,494,634	48,094,457

30.4 Describe the sources or methods utilized in determining the fair values:

The primary source for reported fair values is our pricing vendor, Interactive Data Corporation, followed by backfill from Reuters, Bloomberg, Barclays, Merrill Lynch, and Markit for Term Loan securities. Lastly, management determines fair value based on quoted market prices of similar financial instruments or by using industry recognized valuation techniques.

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ ] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

.....

.....

.....

.....

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes [X] No [ ]

32.2 If no, list exceptions:

.....

.....

.....

### OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 11,623,743

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE INC	\$ 3,464,875
.....	\$ 0
.....	\$ 0

34.1 Amount of payments for legal expenses, if any? \$ 10,674,938

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$ 0
.....	\$ 0
.....	\$ 0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 429,786



## GENERAL INTERROGATORIES

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$ ..... 0
	\$ ..... 0
	\$ ..... 0

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. \$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0

1.31 Reason for excluding

.....

.....

.....

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1	2	
	Current Year	Prior Year	
2.1 Premium Numerator	\$ 1,642,317	\$ 2,453,480	
2.2 Premium Denominator	\$ 5,162,444,352	\$ 4,992,563,636	
2.3 Premium Ratio (2.1 / 2.2)	<u>0.00</u>	<u>0.00</u>	
2.4 Reserve Numerator	\$ 4,889,041	\$ 6,586,334	
2.5 Reserve Denominator	\$ 9,670,970,760	\$ 9,404,397,656	
2.6 Reserve Ratio (2.4 / 2.5)	<u>0.00</u>	<u>0.00</u>	

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [X] No [ ]

3.2 If yes, state the amount of calendar year premiums written on:

3.21 Participating policies \$ 2,039,506

3.22 Non-participating policies \$ 320,275,074

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [ ] No [X]

4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [X]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0 %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [ ] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]

5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

0

.....

.....

.....

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [X]

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:  
 The Company purchases a combination of per risk excess of loss reinsurance and excess of loss per event catastrophe reinsurance.

.....

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:  
The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we utilize RMS's RiskLink v15.0 and AIR's Touchstone v3.1 software. For workers' compensation, Liberty Mutual utilizes RiskLink v15.0 from RMS..
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
The Company purchases a combination of quota share reinsurance, per risk excess of loss reinsurance, excess of loss per event catastrophe reinsurance and aggregate programs.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ ] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss  
The Company utilizes second event coverage that has a lower attachment point, along with aggregate coverage to substantially replace nonreinstated
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_ 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]
- 8.2 If yes, give full information  
.....  
.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]  
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]  
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No [ ]

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No
- 11.2 If yes, give full information  
 .....  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |  |    |                   |
|---|--|----|-------------------|
| 12.11 Unpaid losses   |  | \$ | <u>64,452,432</u> |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | <u>4,602,352</u>  |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 9,455,246
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes  No  N/A
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |  |  |               |
|------------|--|--|---------------|
| 12.41 From |  |  | <u>0.05 %</u> |
| 12.42 To   |  |  | <u>0.08 %</u> |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes  No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |  |    |                    |
|----------------------------------|--|----|--------------------|
| 12.61 Letters of Credit          |  | \$ | <u>934,967,026</u> |
| 12.62 Collateral and other funds |  | \$ | <u>236,203,348</u> |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 220,000,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes  No
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes  No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 .....  
 .....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes  No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes  No
- 14.5 If the answer to 14.4 is no, please explain:  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No
- 15.2 If yes, give full information  
 0  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes  No   
 If yes, disclose the following information for each of the following types of warranty coverage:

		1	2	3	4	5
		Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$	0	0	0	0	0
16.12 Products	\$	0	0	0	0	0
16.13 Automobile	\$	0	0	0	0	0
16.14 Other*	\$	0	0	0	0	0

\* Disclose type of coverage: \_\_\_\_\_

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5.

Yes [ ] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ <u>0</u>
17.12 Unfunded portion of Interrogatory 17.11	\$ <u>0</u>
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ <u>0</u>
17.14 Case reserves portion of Interrogatory 17.11	\$ <u>0</u>
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ <u>0</u>
17.16 Unearned premium portion of Interrogatory 17.11	\$ <u>0</u>
17.17 Contingent commission portion of Interrogatory 17.11	\$ <u>0</u>

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

17.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ <u>0</u>
17.19 Unfunded portion of Interrogatory 17.18	\$ <u>0</u>
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ <u>0</u>
17.21 Case reserves portion of Interrogatory 17.18	\$ <u>0</u>
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ <u>0</u>
17.23 Unearned premium portion of Interrogatory 17.18	\$ <u>0</u>
17.24 Contingent commission portion of Interrogatory 17.18	\$ <u>0</u>

18.1 Do you act as a custodian for health savings accounts?

Yes [ ] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$ 0

18.3 Do you act as an administrator for health savings accounts?

Yes [ ] No [X]

18.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$ 0

## FIVE – YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6.

	1	2	3	4	5
	2016	2015	2014	2013	2012
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,550,961,307	2,468,723,946	2,537,339,145	1,965,421,100	4,206,657,472
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,069,846,479	1,023,190,817	1,091,493,932	668,792,812	2,232,138,690
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,781,517,889	1,762,534,662	1,773,857,465	596,263,093	3,938,437,915
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	160,546,601	171,189,711	161,271,555	(182,145,287)	731,723,077
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	59,215,368	75,807,155	58,244,487	57,079,471	15,738
6. Total (Line 35)	5,622,087,644	5,501,446,291	5,622,206,584	3,105,411,189	11,108,972,892
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,424,096,345	2,317,395,447	2,327,698,830	2,845,860,067	1,047,170,720
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	995,774,202	942,160,710	976,202,271	1,192,399,122	559,210,424
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,660,528,609	1,620,264,228	1,552,352,417	1,594,441,936	964,060,594
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	160,158,540	170,807,596	160,866,875	137,717,244	180,948,281
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	59,215,368	75,807,155	58,244,487	57,079,471	
12. Total (Line 35)	5,299,773,064	5,126,435,136	5,075,364,880	5,827,497,840	2,751,390,019
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(154,101,506)	22,670,301	(95,111,731)	(276,931,495)	(14,777,982)
14. Net investment gain (loss) (Line 11)	294,951,291	362,009,012	371,701,298	556,336,031	443,353,245
15. Total other income (Line 15)	16,547,703	5,190,303	(1,701,428)	1,067,419	11,655,347
16. Dividends to policyholders (Line 17)	3,553,953	3,871,075	4,713,460	7,705,772	6,488,375
17. Federal and foreign income taxes incurred (Line 19)	(444,275)	81,373,822	22,995,837	121,256,724	84,330,850
18. Net income (Line 20)	154,287,810	304,624,719	247,178,842	151,509,459	349,411,385
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	13,330,782,532	13,172,391,683	12,800,884,898	13,621,186,110	7,629,799,775
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	272,454,681	274,945,325	276,159,867	314,702,685	80,100,722
20.2 Deferred and not yet due (Line 15.2)	1,318,063,208	1,238,871,856	1,172,868,764	1,499,281,420	1,116,743,314
20.3 Accrued retrospective premiums (Line 15.3)	79,865,831	78,798,556	89,634,524	94,147,632	17,177
21. Total liabilities excluding protected cell business (Page 3, Line 26)	9,791,896,798	9,855,641,908	9,741,967,989	10,834,743,223	5,742,491,090
22. Losses (Page 3, Line 1)	5,713,187,726	5,595,335,919	5,548,539,375	5,698,661,689	2,228,057,451
23. Loss adjustment expenses (Page 3, Line 3)	1,180,363,203	1,171,519,559	1,203,190,482	1,223,350,214	509,545,123
24. Unearned premiums (Page 3, Line 9)	2,771,889,321	2,632,208,126	2,515,271,520	2,376,172,424	1,321,805,644
25. Capital paid up (Page 3, Lines 30 & 31)	8,848,635	8,848,635	8,848,635	8,848,635	8,848,635
26. Surplus as regards policyholders (Page 3, Line 37)	3,538,885,731	3,316,749,774	3,058,916,909	2,786,442,887	1,887,308,685
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	346,190,330	400,708,494	297,773,334	4,805,586,842	409,142,233
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	3,538,885,731	3,316,749,774	3,058,916,909	2,786,442,887	1,887,308,685
29. Authorized control level risk-based capital	669,897,856	620,712,211	621,450,026	624,080,541	363,747,637
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	76.2	73.5	73.6	76.5	67.3
31. Stocks (Lines 2.1 & 2.2)	11.4	13.0	13.8	12.9	22.8
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	3.0	2.9	2.5	2.0	2.4
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.0	0.1
34. Cash, cash equivalents and short-term investments (Line 5)	0.6	2.0	0.9	1.5	4.6
35. Contract loans (Line 6)					
36. Derivatives (Line 7)	0.0				
37. Other invested assets (Line 8)	7.6	6.9	6.8	6.0	1.7
38. Receivables for securities (Line 9)	0.0	0.0	0.5	0.2	0.1
39. Securities lending reinvested collateral assets (Line 10)	1.1	1.6	1.8	1.0	0.9
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	657,041,737	652,526,640	655,134,197	645,898,544	829,047,415
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)			30,320,506		
46. Affiliated mortgage loans on real estate					
47. All other affiliated	560,127,029	520,132,436	503,266,546	482,371,874	
48. Total of above Lines 42 to 47	1,217,168,766	1,172,659,076	1,188,721,249	1,128,270,418	829,047,415
49. Total investment in parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	34.4	35.4	38.9	40.5	43.9

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2016	2015	2014	2013	2012
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	73,870,444	(14,033,120)	55,603,161	(55,891,114)	(166,358,574)
52. Dividends to stockholders (Line 35)					(175,000,000)
53. Change in surplus as regards policyholders for the year (Line 38)	222,135,955	257,832,866	272,474,022	899,134,202	84,831,456
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,513,187,926	1,477,764,977	1,748,147,384	3,428,787,446	2,484,795,591
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	608,458,912	543,732,520	571,662,942	590,248,543	1,167,444,606
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	874,492,556	897,134,583	876,575,793	2,199,835,322	2,194,857,770
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,732,913	48,002,004	61,219,155	170,801,156	280,667,929
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	15,796,325	22,933,980	25,735,214	(76,839,475)	8,440,201
59. Total (Line 35)	3,015,668,632	2,989,568,064	3,283,340,488	6,312,832,992	6,136,206,097
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,401,028,500	1,345,043,988	1,563,159,670	(1,564,988,550)	595,979,990
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	575,740,853	503,264,692	515,198,507	435,223,334	294,815,285
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	807,636,049	800,078,156	754,222,207	590,389,932	548,574,270
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,657,904	47,770,900	58,853,846	39,261,817	70,646,855
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	15,796,325	22,933,980	25,735,214	(100,676,737)	1,783,371
65. Total (Line 35)	2,803,859,631	2,719,091,716	2,917,169,444	(600,790,204)	1,511,799,771
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	56.6	55.6	56.3	59.2	54.3
68. Loss expenses incurred (Line 3)	13.2	12.7	13.7	14.3	12.4
69. Other underwriting expenses incurred (Line 4)	33.1	31.2	31.9	32.2	33.9
70. Net underwriting gain (loss) (Line 8)	(3.0)	0.5	(1.9)	(5.7)	(0.5)
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	32.0	30.3	31.0	26.9	32.9
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	69.8	68.4	70.0	73.5	66.7
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	149.8	154.6	165.9	209.1	145.8
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	42,035	(33,651)	(2,991)	163,042	(105,626)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	1.3	(1.1)	(0.1)	8.6	(5.9)
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(17,386)	(38,849)	137,885	175,800	(135,500)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	(0.6)	(1.4)	7.3	9.8	(7.6)

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [ ] No [ ]

If no, please explain:

.....  
.....  
.....

**SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES****SCHEDULE P – PART 1 – SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	147,658	63,336	46,798	20,293	8,506	898	3,275	118,435	X X X
2. 2007	5,122,972	776,032	4,346,940	2,608,735	378,114	206,857	25,186	354,704	17,093	170,910	2,749,903	X X X
3. 2008	5,295,454	887,352	4,408,102	3,072,712	484,260	226,688	25,807	400,281	14,896	155,502	3,174,718	X X X
4. 2009	5,014,054	1,025,240	3,988,814	2,673,866	484,087	196,673	22,165	375,547	3,990	146,960	2,735,844	X X X
5. 2010	5,021,547	902,912	4,118,635	2,812,379	476,888	203,786	18,421	395,785	1,345	166,608	2,915,296	X X X
6. 2011	5,277,902	1,062,698	4,215,204	3,095,652	572,885	212,309	26,385	397,744	1,209	206,008	3,105,226	X X X
7. 2012	5,681,635	1,142,390	4,539,245	3,085,427	596,318	200,367	26,076	408,591	343	232,876	3,071,648	X X X
8. 2013	5,982,021	1,220,252	4,761,769	2,823,048	595,677	158,052	16,731	399,816	549	179,920	2,767,959	X X X
9. 2014	6,092,510	1,189,722	4,902,788	2,642,353	529,359	119,510	9,037	384,038	558	140,616	2,606,947	X X X
10. 2015	6,287,100	1,294,533	4,992,567	2,505,829	564,258	69,035	5,128	369,536	282	163,970	2,374,732	X X X
11. 2016	6,462,908	1,300,464	5,162,444	1,950,609	501,101	27,174	2,066	302,485	3,439	63,889	1,773,662	X X X
12. Totals	X X X	X X X	X X X	27,418,268	5,246,283	1,667,249	197,295	3,797,033	44,602	1,630,534	27,394,370	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	1,142,404	427,685	693,402	375,470	67,914	46,459	301,250	124,477	32,352	1	8,281	1,263,230	X X X
2. 2007	71,451	17,346	96,974	12,944	2,616	808	9,841	2,170	1,769		788	149,383	X X X
3. 2008	92,680	20,442	138,450	19,880	2,823	455	17,558	5,256	2,494	1	5,542	207,971	X X X
4. 2009	87,819	15,212	143,004	25,036	3,114	484	14,694	3,686	1,478		1,686	205,691	X X X
5. 2010	103,961	18,718	129,244	17,953	4,406	1,496	23,449	3,179	2,253		2,537	221,967	X X X
6. 2011	126,371	18,932	165,987	23,336	5,913	1,191	36,521	5,373	3,444		4,622	289,404	X X X
7. 2012	190,798	38,063	241,059	32,511	10,829	2,677	58,167	6,409	8,368	7	15,913	429,554	X X X
8. 2013	240,602	39,748	283,306	40,499	11,142	2,438	72,696	8,724	51,050	23	18,838	567,364	X X X
9. 2014	333,214	57,142	367,119	73,587	12,036	2,338	103,798	9,155	30,034	53	25,174	703,926	X X X
10. 2015	460,107	48,187	549,159	93,030	11,231	1,051	152,618	12,060	53,462	12	51,784	1,072,237	X X X
11. 2016	628,885	56,223	1,041,551	142,416	8,418	696	176,103	11,157	138,421	63	132,009	1,782,823	X X X
12. Totals	3,478,292	757,698	3,849,255	856,662	140,442	60,093	966,695	191,646	325,125	160	267,174	6,893,550	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,032,651	230,579
2. 2007	3,352,947	453,661	2,899,286	65.449	58.459	66.697			20.000	138,135	11,248
3. 2008	3,953,686	570,997	3,382,689	74.662	64.348	76.738			20.000	190,808	17,163
4. 2009	3,496,195	554,660	2,941,535	69.728	54.101	73.745			20.000	190,575	15,116
5. 2010	3,675,263	538,000	3,137,263	73.190	59.585	76.172			20.000	196,534	25,433
6. 2011	4,043,941	649,311	3,394,630	76.620	61.100	80.533			20.000	250,090	39,314
7. 2012	4,203,606	702,404	3,501,202	73.986	61.485	77.132			20.000	361,283	68,271
8. 2013	4,039,712	704,389	3,335,323	67.531	57.725	70.044			20.000	443,661	123,703
9. 2014	3,992,102	681,229	3,310,873	65.525	57.260	67.530			20.000	569,604	134,322
10. 2015	4,170,977	724,008	3,446,969	66.342	55.928	69.042			20.000	868,049	204,188
11. 2016	4,273,646	717,161	3,556,485	66.126	55.147	68.891			20.000	1,471,797	311,026
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	5,713,187	1,180,363

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements, which will reconcile Part 1 with Parts 2 and 4.



**SCHEDULE P – PART 2 – SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	One Year	Two Year	
1. Prior	4,265,492	4,138,152	4,231,641	4,233,930	4,324,339	4,345,306	4,392,773	4,442,857	4,451,975	4,460,890	8,915	18,033	
2. 2007	2,734,695	2,677,306	2,567,213	2,563,275	2,551,646	2,564,552	2,567,076	2,565,174	2,568,634	2,566,984	(1,650)	1,810	
3. 2008	X X X	3,070,622	2,999,077	2,960,411	2,959,512	2,970,323	3,005,498	3,002,040	3,002,366	3,005,127	2,761	3,087	
4. 2009	X X X	X X X	2,630,507	2,624,082	2,599,840	2,575,638	2,594,403	2,574,069	2,575,892	2,576,644	752	2,575	
5. 2010	X X X	X X X	X X X	2,738,779	2,737,126	2,748,368	2,779,268	2,751,946	2,753,913	2,751,949	(1,964)	3	
6. 2011	X X X	X X X	X X X	X X X	2,990,413	2,990,190	3,002,967	3,002,294	3,000,360	3,004,804	4,444	2,510	
7. 2012	X X X	X X X	X X X	X X X	X X X	3,105,467	3,129,090	3,099,363	3,080,910	3,092,859	11,949	(6,504)	
8. 2013	X X X	X X X	X X X	X X X	X X X	X X X	2,891,510	2,921,867	2,901,085	2,900,590	(495)	(21,277)	
9. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,920,068	2,911,351	2,902,445	(8,906)	(17,623)	
10. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	3,002,743	3,028,972	26,229	X X X	
11. 2016	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	3,123,237	X X X	X X X	
											12. Totals	42,035	(17,386)

**SCHEDULE P – PART 3 – SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
1. Prior	000	848,180	1,446,061	1,900,259	2,231,743	2,472,829	2,660,422	2,840,113	3,009,158	3,119,986	X X X	X X X
2. 2007	1,039,553	1,598,826	1,879,897	2,079,820	2,211,760	2,294,314	2,342,862	2,376,275	2,397,089	2,412,293	X X X	X X X
3. 2008	X X X	1,243,342	1,902,497	2,220,325	2,442,905	2,594,414	2,686,023	2,739,627	2,768,924	2,789,333	X X X	X X X
4. 2009	X X X	X X X	1,049,323	1,588,591	1,873,135	2,078,060	2,216,263	2,295,032	2,337,694	2,364,286	X X X	X X X
5. 2010	X X X	X X X	X X X	1,154,422	1,746,305	2,045,545	2,265,291	2,401,423	2,475,868	2,520,856	X X X	X X X
6. 2011	X X X	X X X	X X X	X X X	1,363,068	1,931,497	2,252,891	2,477,821	2,621,366	2,708,691	X X X	X X X
7. 2012	X X X	X X X	X X X	X X X	X X X	1,339,963	2,010,637	2,315,343	2,524,887	2,663,400	X X X	X X X
8. 2013	X X X	X X X	X X X	X X X	X X X	X X X	1,261,825	1,862,729	2,153,740	2,368,691	X X X	X X X
9. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,340,762	1,927,131	2,223,468	X X X	X X X
10. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,388,647	2,005,477	X X X	X X X
11. 2016	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,474,615	X X X	X X X

**SCHEDULE P – PART 4 – SUMMARY**

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Prior	1,870,588	1,399,259	1,203,765	923,475	844,864	701,427	676,604	643,913	567,048	536,714
2. 2007	1,037,435	605,427	362,032	245,125	174,580	146,001	123,502	105,360	99,641	96,099
3. 2008	X X X	1,110,927	611,640	394,000	271,211	193,787	192,035	158,862	146,758	137,650
4. 2009	X X X	X X X	996,025	598,832	395,209	264,863	222,843	159,553	146,033	133,877
5. 2010	X X X	X X X	X X X	980,536	547,263	371,398	281,631	192,700	158,068	138,412
6. 2011	X X X	X X X	X X X	X X X	981,953	599,421	414,263	279,517	216,894	181,221
7. 2012	X X X	X X X	X X X	X X X	X X X	1,128,737	647,680	445,400	329,825	266,541
8. 2013	X X X	X X X	X X X	X X X	X X X	X X X	1,064,034	619,371	442,498	320,456
9. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,005,678	585,045	392,943
10. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,028,025	600,460
11. 2016	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,067,965

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
	Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L			(209)	(997)			
2. Alaska	AK	L							
3. Arizona	AZ	L	192,371	98,443	1,640	(8,562)	10,589	9,828	
4. Arkansas	AR	L	579,738	660,623	277,057	167,759	691,524	29,620	
5. California	CA	L	41,067,606	45,206,560	13,148	55,053,354	39,132,496	95,074,269	2,098,198
6. Colorado	CO	L	2,285	2,639	294	101	35,569	117	
7. Connecticut	CT	L	14,795,533	16,177,061	26,079	14,780,378	2,727,236	32,099,191	755,923
8. Delaware	DE	L	2,823,555	2,639,283		510,965	(827,244)	3,305,680	144,259
9. District of Columbia	DC	L	624,131	631,660		31,562	7,542	569,076	31,888
10. Florida	FL	L	12,251	12,797			2,452,286	2,455,712	626
11. Georgia	GA	L	4,388,039	4,683,938		2,579,550	2,267,044	5,344,798	224,191
12. Hawaii	HI	N							
13. Idaho	ID	L							
14. Illinois	IL	L	4,605,609	5,400,717		1,450,965	(2,090,058)	8,378,788	235,307
15. Indiana	IN	L	12,594,489	13,175,289		4,609,536	8,148,470	17,109,449	643,469
16. Iowa	IA	L	280,762	501,490		148,004	(83,554)	986,320	14,345
17. Kansas	KS	L	678,398	958,185		720,668	193	1,230,938	34,660
18. Kentucky	KY	L	5,361,941	5,203,282		1,707,526	28,444	5,135,749	273,949
19. Louisiana	LA	L	3,534,859	4,119,101		3,481,208	3,567,036	4,408,294	180,601
20. Maine	ME	L	42,425,753	44,800,743		15,548,189	12,342,922	20,486,503	2,167,588
21. Maryland	MD	L	7,918,603	8,725,382		2,794,948	(152,311)	10,742,754	404,572
22. Massachusetts	MA	L	24,647,168	26,147,972		13,714,171	7,066,211	48,234,814	1,259,256
23. Michigan	MI	L	520,052	622,192		167,975	471,030	526,924	26,570
24. Minnesota	MN	L	842,806	1,129,664		1,296,679	419,824	4,619,827	43,060
25. Mississippi	MS	L							
26. Missouri	MO	L	2,271,164	2,940,588		337,094	643,549	3,323,626	116,037
27. Montana	MT	L							
28. Nebraska	NE	L	301,234	428,261		182,183	(232,895)	520,627	15,390
29. Nevada	NV	L	9,565	9,031		60,107	59,514	491	489
30. New Hampshire	NH	L	23,262,025	24,278,659	85,474	10,127,657	4,773,679	43,035,651	1,188,488
31. New Jersey	NJ	Q	(5,556)	(5,556)			481,764	613,426	(284)
32. New Mexico	NM	L	5,437	5,437			1,549	1,679	278
33. New York	NY	L	34,003,038	37,976,919	320,644	27,435,464	8,885,313	96,902,454	1,737,260
34. North Carolina	NC	L	7,816,454	8,423,267		5,405,131	885,514	8,480,845	399,353
35. North Dakota	ND	L							
36. Ohio	OH	L	5,127,929	5,210,994	282	2,332,507	2,413,401	3,159,300	261,993
37. Oklahoma	OK	L	3,037,672	4,109,775		3,403,956	4,236,248	11,485,113	155,199
38. Oregon	OR	L					(273,026)	13,330	
39. Pennsylvania	PA	L	21,105,345	22,622,508		8,859,957	4,574,423	33,124,903	1,078,300
40. Rhode Island	RI	L	23,919,705	25,318,973	16,190	14,813,738	11,431,565	14,669,058	1,222,089
41. South Carolina	SC	L	4,965,508	5,337,540		6,699,504	5,018,055	11,486,725	253,694
42. South Dakota	SD	L							
43. Tennessee	TN	L	3,591,404	3,893,386	12,408	2,500,398	1,790,620	3,704,431	183,490
44. Texas	TX	L	2,821,472	3,542,585	1,023	1,532,484	1,222,476	5,015,085	144,153
45. Utah	UT	L	1	1					
46. Vermont	VT	L	15,129,518	15,754,230	36,776	4,761,971	5,852,046	21,738,514	772,987
47. Virginia	VA	L	6,559,283	7,017,313	579	3,586,705	1,025,216	10,946,259	335,122
48. Washington	WA	L	41	28			(5,632,899)	226,056	2
49. West Virginia	WV	L	(32)	31			(11)	5	(2)
50. Wisconsin	WI	L	497,422	600,446	2,016	895,681	1,241,323	2,708,697	25,414
51. Wyoming	WY	L							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	N							
58. Aggregate Other Alien	OT	X X X							
59. Totals	(a) 49		322,314,578	348,361,437	514,619	211,808,997	124,033,292	532,603,043	16,467,479

DETAILS OF WRITE-INS									
58001.		X X X							
58002.		X X X							
58003.		X X X							
58998.	Summary of remaining write-ins for Line 58 from overflow page	X X X							
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X							

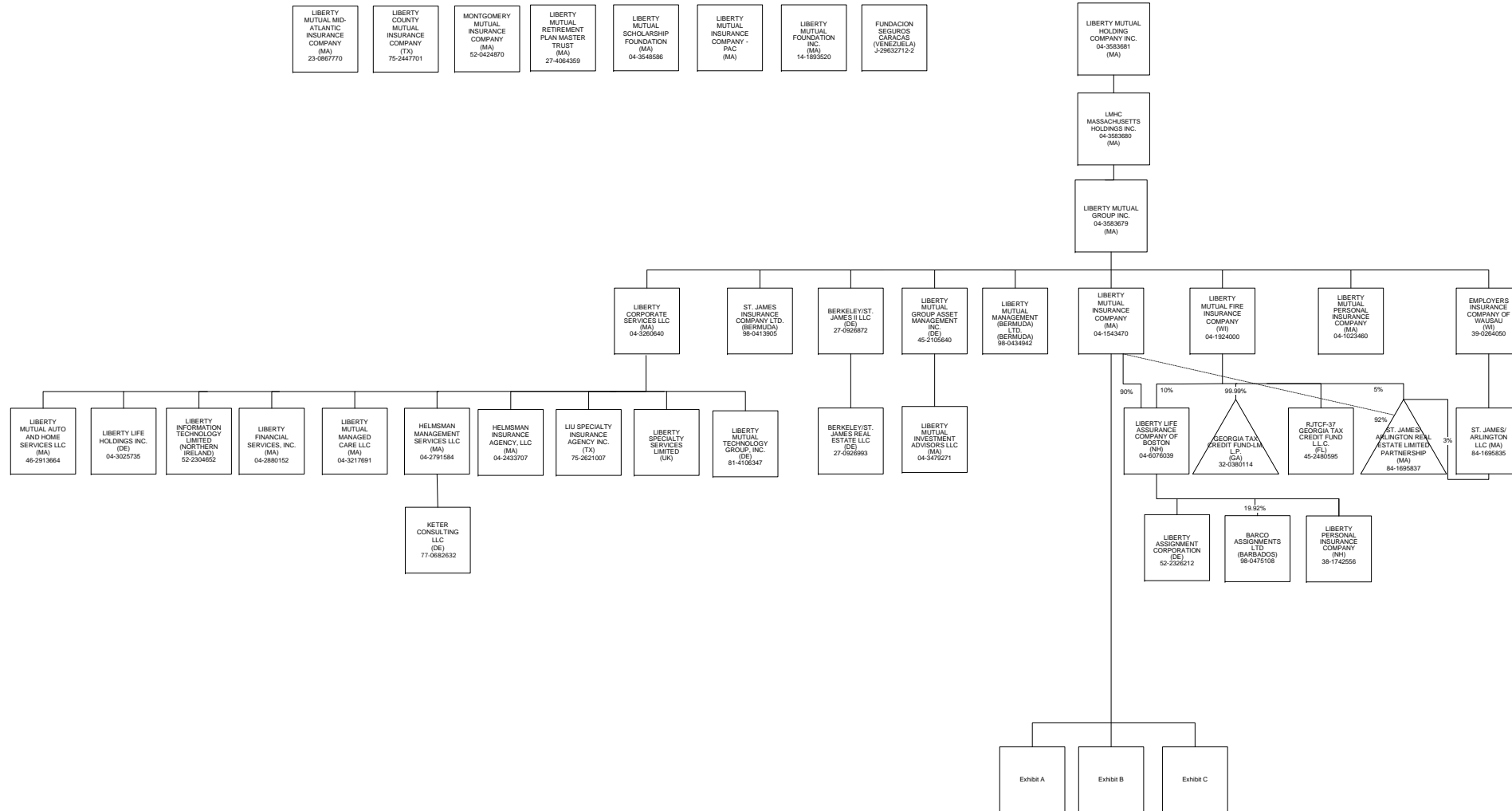
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation of premiums by states, etc.	
*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery	*Location of Court or Obligatee - Surety
*States employee's main work place - Worker's Compensation	*Address of Assured - Other Accident and Health
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage	*Location of Properties covered - Burglary and Theft
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty	*Principal Location of Assured - Ocean Marine, Credit
*Point of origin of shipment or principal location of assured - Inland Marine	*Primary residence of Assured - Aircraft (all perils)
*State in which employees regularly work - Group Accident and Health	

(a) Insert the number of L responses except for Canada and Other Alien.

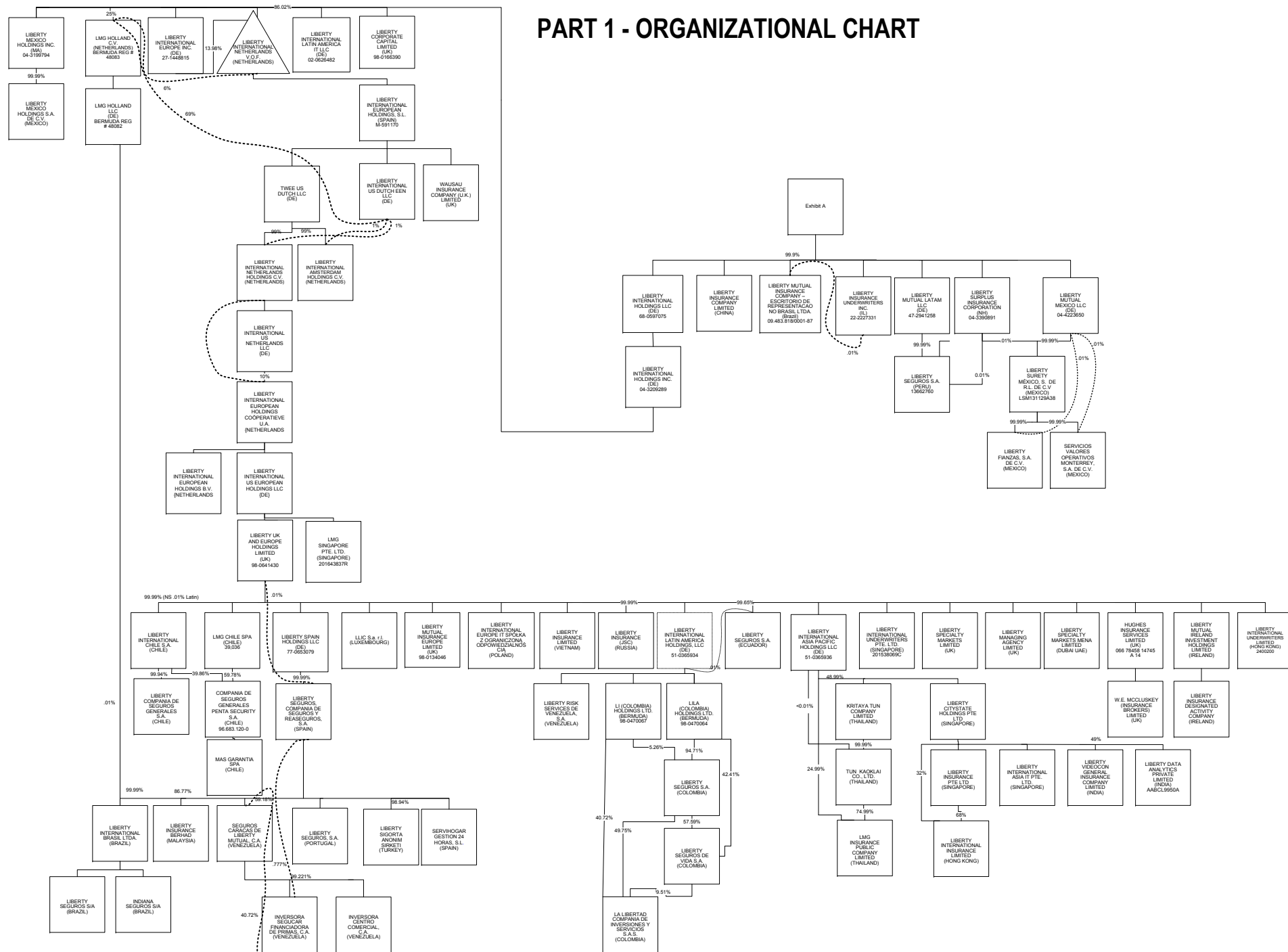
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



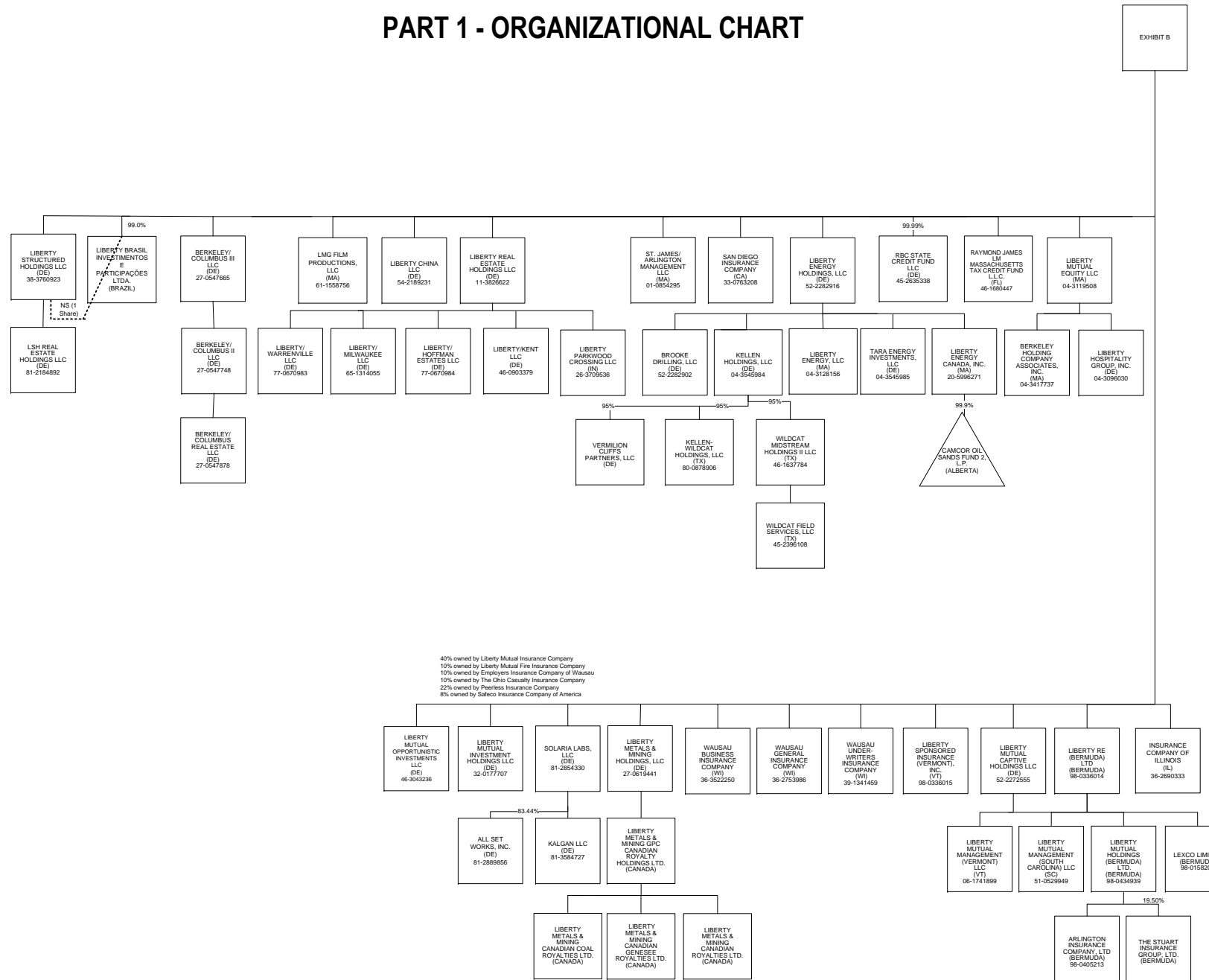
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



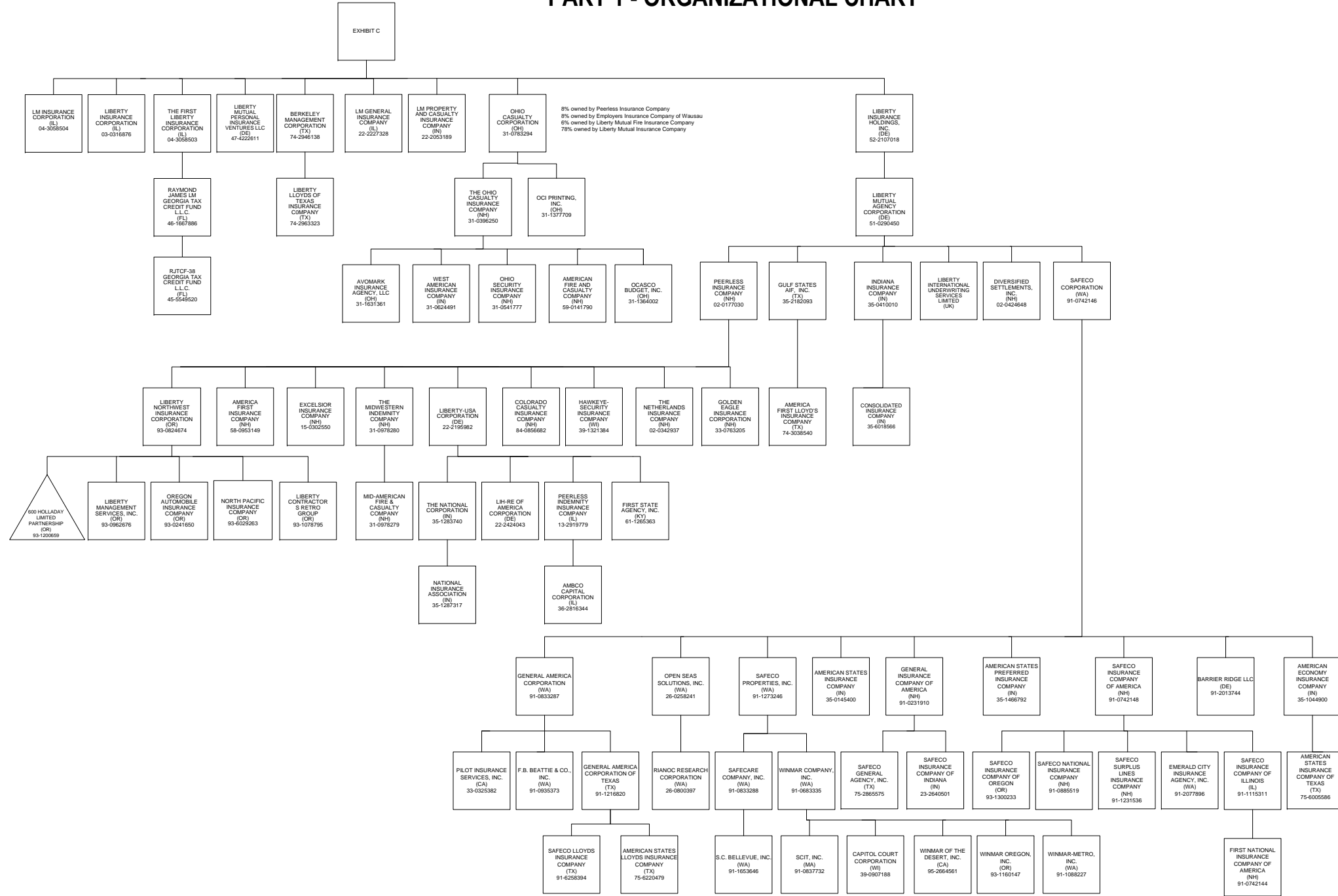
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>			Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
	Assets	Nonadmitted Assets		
2504. Other assets	19,699,072	21,015,374	(1,316,302)	5,589,543
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	19,699,072	21,015,374	(1,316,302)	5,589,543

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Assets	2	Schedule E – Part 3 – Special Deposits	E28
Cash Flow	5	Schedule E – Verification Between Years	SI15
Exhibit of Capital Gains (Losses)	12	Schedule F – Part 1	20
Exhibit of Net Investment Income	12	Schedule F – Part 2	21
Exhibit of Nonadmitted Assets	13	Schedule F – Part 3	22
Exhibit of Premiums and Losses (State Page)	19	Schedule F – Part 4	23
Five-Year Historical Data	17	Schedule F – Part 5	24
General Interrogatories	15	Schedule F – Part 6 - Section 1	25
Jurat Page	1	Schedule F – Part 6 - Section 2	26
Liabilities, Surplus and Other Funds	3	Schedule F – Part 7	27
Notes To Financial Statements	14	Schedule F – Part 8	28
Overflow Page For Write-ins	100	Schedule F – Part 9	29
Schedule A – Part 1	E01	Schedule H – Accident and Health Exhibit – Part 1	30
Schedule A – Part 2	E02	Schedule H – Part 2, Part 3 and Part 4	31
Schedule A – Part 3	E03	Schedule H – Part 5 – Health Claims	32
Schedule A – Verification Between Years	SI02	Schedule P – Part 1 – Summary	33
Schedule B – Part 1	E04	Schedule P – Part 1A – Homeowners/Farmowners	35
Schedule B – Part 2	E05	Schedule P – Part 1B – Private Passenger Auto Liability/Medical	36
Schedule B – Part 3	E06	Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	37
Schedule B – Verification Between Years	SI02	Schedule P – Part 1D – Workers' Comp (Excluding Excess Workers' Comp)	38
Schedule BA – Part 1	E07	Schedule P – Part 1E – Commercial Multiple Peril	39
Schedule BA – Part 2	E08	Schedule P – Part 1F – Section 1 – Medical Professional Liability	
Schedule BA – Part 3	E09	– Occurrence	40
Schedule BA – Verification Between Years	SI03	Schedule P – Part 1F – Section 2 – Medical Professional Liability	
Schedule D – Part 1	E10	– Claims-Made	41
Schedule D – Part 1A – Section 1	SI05	Schedule P – Part 1G – Special Liability (Ocean, Marine, Aircraft (All	
Schedule D – Part 1A – Section 2	SI08	Perils), Boiler and Machinery)	42
Schedule D – Part 2 – Section 1	E11	Schedule P – Part 1H – Section 1 – Other Liability – Occurrence	43
Schedule D – Part 2 – Section 2	E12	Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	44
Schedule D – Part 3	E13	Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule D – Part 4	E14	Earthquake, Burglary & Theft)	45
Schedule D – Part 5	E15	Schedule P – Part 1J – Auto Physical Damage	46
Schedule D – Part 6 – Section 1	E16	Schedule P – Part 1K – Fidelity/Surety	47
Schedule D – Part 6 – Section 2	E16	Schedule P – Part 1L – Other (Including Credit, Accident and Health)	48
Schedule D – Summary By Country	SI04	Schedule P – Part 1M – International	49
Schedule D – Verification Between Years	SI03	Schedule P – Part 1N – Reinsurance - Nonproportional Assumed Property	50
Schedule DA – Part 1	E17	Schedule P – Part 1O – Reinsurance - Nonproportional Assumed Liability	51
Schedule DA – Verification Between Years	SI10	Schedule P – Part 1P – Reinsurance - Nonproportional Assumed Financial Lines	52
Schedule DB – Part A – Section 1	E18	Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	53
Schedule DB – Part A – Section 2	E19	Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	54
Schedule DB – Part A – Verification Between Years	SI11	Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	55
Schedule DB – Part B – Section 1	E20	Schedule P – Part 1T – Warranty	56
Schedule DB – Part B – Section 2	E21	Schedule P – Part 2, Part 3 and Part 4 - Summary	34
Schedule DB – Part B – Verification Between Years	SI11	Schedule P – Part 2A – Homeowners/Farmowners	57
Schedule DB – Part C – Section 1	SI12	Schedule P – Part 2B – Private Passenger Auto Liability/Medical	57
Schedule DB – Part C – Section 2	SI13	Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	57
Schedule DB - Part D - Section 1	E22	Schedule P – Part 2D – Workers' Comp (Excluding Excess Workers' Comp)	57
Schedule DB - Part D - Section 2	E23	Schedule P – Part 2E – Commercial Multiple Peril	57
Schedule DB - Verification	SI14	Schedule P – Part 2F – Section 1 – Medical Professional Liability	
Schedule DL - Part 1	E24	– Occurrence	58
Schedule DL - Part 2	E25	Schedule P - Part 2F - Medical Professional Liability - Claims - Made	58
Schedule E – Part 1 – Cash	E26	Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils),	
Schedule E – Part 2 – Cash Equivalents	E27	Boiler and Machinery)	58



## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	58	Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	69
Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	58	Schedule P – Part 4J – Auto Physical Damage	69
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	59	Schedule P – Part 4K – Fidelity/Surety	69
Schedule P – Part 2J – Auto Physical Damage	59	Schedule P – Part 4L – Other (Including Credit, Accident and Health)	69
Schedule P – Part 2K – Fidelity, Surety	59	Schedule P – Part 4M – International	69
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	59	Schedule P – Part 4N – Reinsurance - Nonproportional Assumed Property	70
Schedule P – Part 2M – International	59	Schedule P – Part 4O – Reinsurance - Nonproportional Assumed Liability	70
Schedule P – Part 2N – Reinsurance - Nonproportional Assumed Property	60	Schedule P – Part 4P – Reinsurance - Nonproportional Assumed Financial Lines	70
Schedule P – Part 2O – Reinsurance - Nonproportional Assumed Liability	60	Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	71
Schedule P – Part 2P – Reinsurance - Nonproportional Assumed Financial Lines	60	Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	71
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	61	Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	71
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	61	Schedule P – Part 4T – Warranty	71
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	61	Schedule P – Part 5A – Homeowners/Farmowners	72
Schedule P – Part 2T – Warranty	61	Schedule P – Part 5B – Private Passenger Auto Liability/Medical	73
Schedule P – Part 3A – Homeowners/Farmowners	62	Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	74
Schedule P – Part 3B – Private Passenger Auto Liability/Medical	62	Schedule P – Part 5D – Workers' Comp (Excluding Excess Workers' Comp)	75
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	62	Schedule P – Part 5E – Commercial Multiple Peril	76
Schedule P – Part 3D – Workers' Comp (Excluding Excess Workers' Comp)	62	Schedule P – Part 5F – Medical Professional Liability – Claims-Made	78
Schedule P – Part 3E – Commercial Multiple Peril	62	Schedule P – Part 5F – Medical Professional Liability – Occurrence	77
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	63	Schedule P – Part 5H – Other Liability – Claims-Made	80
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	63	Schedule P – Part 5H – Other Liability – Occurrence	79
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	63	Schedule P – Part 5R – Products Liability – Claims-Made	82
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	63	Schedule P – Part 5R – Products Liability – Occurrence	81
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	63	Schedule P – Part 5T – Warranty	83
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	64	Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	84
Schedule P – Part 3J – Auto Physical Damage	64	Schedule P – Part 6D – Workers' Comp (Excluding Excess Workers' Comp)	84
Schedule P – Part 3K – Fidelity/Surety	64	Schedule P – Part 6E – Commercial Multiple Peril	85
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	64	Schedule P – Part 6H – Other Liability – Claims-Made	86
Schedule P – Part 3M – International	64	Schedule P – Part 6H – Other Liability – Occurrence	85
Schedule P – Part 3N – Reinsurance - Nonproportional Assumed Property	65	Schedule P – Part 6M – International	86
Schedule P – Part 3O – Reinsurance - Nonproportional Assumed Liability	65	Schedule P – Part 6N – Reinsurance - Nonproportional Assumed Property	87
Schedule P – Part 3P – Reinsurance - Nonproportional Assumed Financial Lines	65	Schedule P – Part 6O – Reinsurance - Nonproportional Assumed Liability	87
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	66	Schedule P – Part 6R – Products Liability – Claims-Made	88
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	66	Schedule P – Part 6R – Products Liability – Occurrence	88
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	66	Schedule P – Part 7A – Primary Loss Sensitive Contracts	89
Schedule P – Part 3T – Warranty	66	Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	91
Schedule P – Part 4A – Homeowners/Farmowners	67	Schedule P Interrogatories	93
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	67	Schedule T – Exhibit of Premiums Written	94
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	67	Schedule T – Part 2 – Interstate Compact	95
Schedule P – Part 4D – Workers' Comp (Excluding Excess Workers' Comp)	67	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	96
Schedule P – Part 4E – Commercial Multiple Peril	67	Schedule Y - Part 1A - Detail of Insurance Holding Company System	97
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	68	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	98
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	68	Statement of Income	4
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	68	Summary Investment Schedule	SI01
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	68	Supplemental Exhibits and Schedules Interrogatories	99
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	68	Underwriting and Investment Exhibit Part 1	6
		Underwriting and Investment Exhibit Part 1A	7
		Underwriting and Investment Exhibit Part 1B	8
		Underwriting and Investment Exhibit Part 2	9
		Underwriting and Investment Exhibit Part 2A	10
		Underwriting and Investment Exhibit Part 3	11