

ANNUAL STATEMENT

OF THE

SAFECO INSURANCE COMPANY OF AMERICA

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



24740201620100100

ANNUAL STATEMENT

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

Safeco Insurance Company of America

NAIC Group Code 0111 0111 NAIC Company Code 24740 Employer's ID Number 91-0742148
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 September 2, 1953 Commenced Business October 1, 1953
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.safeco.com
Statutory Statement Contact Lindsey Pendergast, 617-357-9500 x41177, Statutory.Compliance@LibertyMutual.com, 857-224-1430

OFFICERS

Chairman of the Board
James Michael MacPhee

Table with 2 columns: Name, Title. Rows include James Michael MacPhee (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), Julie Marie Haase (Vice President and Chief Financial Officer), Christopher Locke Peirce (Executive Vice President), Alison Brooke Erbig (Vice President and Comptroller), and Sean Bulman McSweeney (Vice President and General Counsel).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows include Alison Brooke Erbig, Julie Marie Haase, Paul Ivanovskis, James Michael MacPhee, Sean Bulman McSweeney, and Matthew David Nickerson #.

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 Michael MacPhee (Signature) Mark Charles Touhey (Signature) Laurance Henry Soyer Yahia
(Printed Name) 1. Vice President and Chief Executive Officer (Printed Name) 2. Vice President and Secretary (Printed Name) 3. Vice President and Treasurer
(Title) (Title) (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)	2,707,721,454		2,707,721,454	2,638,844,891
2. Stocks (Schedule D):				
2.1 Preferred stocks	3,923,306		3,923,306	3,967,672
2.2 Common stocks	553,502,338		553,502,338	566,323,479
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	133,736,831		133,736,831	129,141,552
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (29,994,140), Schedule E - Part 1), cash equivalents (\$ 5,415,791, Schedule E - Part 2), and short-term investments (\$ 83,285,436, Schedule DA)	58,707,087		58,707,087	74,521,579
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	252,661,300		252,661,300	224,808,214
9. Receivables for securities	1,650,791		1,650,791	70,390
10. Securities lending reinvested collateral assets (Schedule DL)	35,865,198		35,865,198	52,524,538
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	3,747,768,305		3,747,768,305	3,690,202,315
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	23,475,617		23,475,617	24,409,252
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	87,723,964	5,987,559	81,736,405	82,483,599
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 2,241,558 earned but unbilled premiums)	395,643,118	224,156	395,418,962	371,661,555
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	26,620,651	2,660,902	23,959,749	23,639,567
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	3,948	27	3,921	1,747
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	94,404,000	1,473,598	92,930,402	90,369,174
19. Guaranty funds receivable or on deposit	1,341,289		1,341,289	1,183,867
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)	8,925,649	8,925,649		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	43,644,716		43,644,716	657,611
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	81,079,942	6,306,286	74,773,656	72,298,621
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	4,510,631,199	25,578,177	4,485,053,022	4,356,907,308
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	4,510,631,199	25,578,177	4,485,053,022	4,356,907,308

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	53,906,055		53,906,055	50,553,198
2502. Equities and deposits in pools and associations	10,119,538		10,119,538	10,582,038
2503. Amounts receivable under high deductible policies	9,772,773	1,673	9,771,100	9,782,889
2598. Summary of remaining write-ins for Line 25 from overflow page	7,281,576	6,304,613	976,963	1,380,496
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	81,079,942	6,306,286	74,773,656	72,298,621

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	1,713,956,318	1,678,600,776
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	1,659,153	1,600,216
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	354,108,962	351,455,869
4. Commissions payable, contingent commissions and other similar charges	32,984,648	34,067,767
5. Other expenses (excluding taxes, licenses and fees)	58,451,335	55,606,638
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	14,923,616	14,685,146
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	52,522,406	8,234,800
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 \$ 1,403,234,853 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)	831,566,797	789,662,438
10. Advance premium	5,210,849	5,755,984
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	113,389	42,964
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	2,384,331	1,723,596
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		51,951,402
19. Payable to parent, subsidiaries and affiliates	1,012,706	26,135,192
20. Derivatives		
21. Payable for securities	7,855,616	819,312
22. Payable for securities lending	35,865,198	52,524,538
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(125,426,775)	(109,319,527)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	2,987,188,549	2,963,547,111
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	2,987,188,549	2,963,547,111
29. Aggregate write-ins for special surplus funds	11,430,880	8,146,913
30. Common capital stock	5,000,000	5,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other-than-special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	733,869,024	733,869,024
35. Unassigned funds (surplus)	747,564,566	646,344,261
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)	1,497,864,470	1,393,360,198
38. Totals (Page 2, Line 28, Col. 3)	4,485,053,019	4,356,907,309

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	35,161,279	38,395,113
2502. Other liabilities	26,428,664	30,205,557
2503. Retroactive reinsurance reserves	(187,016,718)	(177,920,197)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(125,426,775)	(109,319,527)
2901. Special surplus from retroactive reinsurance	11,430,880	8,146,913
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)	11,430,880	8,146,913
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
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	1,548,733,306	1,497,769,092
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	877,097,965	833,496,368
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	204,665,427	190,630,601
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	513,200,378	466,841,042
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,594,963,770	1,490,968,011
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(46,230,464)	6,801,081
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	102,226,162	126,647,457
10. Net realized capital gains (losses) less capital gains tax of \$ (1,444,760) (Exhibit of Capital Gains (Losses))	(2,683,125)	2,988,067
11. Net investment gain (loss) (Lines 9 + 10)	99,543,037	129,635,524
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 329,648 amount charged off \$ 5,739,174)	(5,409,525)	(5,089,410)
13. Finance and service charges not included in premiums	9,583,240	8,492,939
14. Aggregate write-ins for miscellaneous income	741,663	(1,106,878)
15. Total other income (Lines 12 through 14)	4,915,378	2,296,651
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	58,227,951	138,733,256
17. Dividends to policyholders	1,066,186	1,161,323
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)	57,161,765	137,571,933
19. Federal and foreign income taxes incurred	10,310,760	33,993,041
20. Net income (Line 18 minus Line 19) (to Line 22)	46,851,005	103,578,892
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,393,360,198	1,278,917,136
22. Net income (from Line 20)	46,851,005	103,578,892
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 9,729,996	40,277,069	14,701,433
25. Change in net unrealized foreign exchange capital gain (loss)	(3,316,672)	(10,803,043)
26. Change in net deferred income tax	(9,723,004)	(12,477,043)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	29,423,874	19,442,823
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	992,000	
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	104,504,272	114,443,062
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,497,864,470	1,393,360,198

DETAILS OF WRITE-IN LINES		
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)	6,147,100	1,199,600
1402. Other income/(expense)	(5,405,437)	(2,306,478)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	741,663	(1,106,878)
3701. Other changes in surplus	992,000	
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)	992,000	

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,566,336,706	1,517,874,651
2. Net investment income	108,934,931	132,105,991
3. Miscellaneous income	3,615,948	(4,895,923)
4. Total (Lines 1 through 3)	1,678,887,585	1,645,084,719
5. Benefit and loss related payments	841,098,954	814,937,848
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	713,646,618	656,644,390
8. Dividends paid to policyholders	995,761	1,267,944
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(35,421,606)	42,427,329
10. Total (Lines 5 through 9)	1,520,319,727	1,515,277,511
11. Net cash from operations (Line 4 minus Line 10)	158,567,858	129,807,208
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	548,304,297	513,843,564
12.2 Stocks	93,305,215	142,078,394
12.3 Mortgage loans	11,293,760	13,739,268
12.4 Real estate		
12.5 Other invested assets	274,024,242	196,975,215
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	(1,226,639)	5,471,303
12.8 Total investment proceeds (Lines 12.1 to 12.7)	925,700,875	872,107,744
13. Cost of investments acquired (long-term only):		
13.1 Bonds	605,168,107	618,872,989
13.2 Stocks	71,770,703	131,489,412
13.3 Mortgage loans	16,058,164	28,785,317
13.4 Real estate		
13.5 Other invested assets	269,815,599	200,679,978
13.6 Miscellaneous applications	(7,036,304)	(815,505)
13.7 Total investments acquired (Lines 13.1 to 13.6)	955,776,269	979,012,191
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)	(30,075,394)	(106,904,447)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		(30,328,177)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(144,306,960)	5,631,934
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(144,306,960)	(24,696,243)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(15,814,496)	(1,793,482)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	74,521,579	76,315,061
19.2 End of year (Line 18 plus Line 19.1)	58,707,083	74,521,579

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

20.0001	2 - Net investment income	122,853	472,470
20.0002	12.1 - Proceeds from investments sold, matured or repaid - Bonds	12,712,499	9,046,423
20.0003	12.2 - Proceeds from investments sold, matured or repaid - Stocks	395,997	731,956
20.0004	12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans	19,624	
20.0005	13.1 Cost of Investment Acquired - Bonds	12,889,820	9,518,893
20.0006	13.2 Cost of Investment Acquired - Stocks	395,997	731,956
20.0007	13.5 Cost of Investment Acquired - Other Invested Assets	19,624	
20.0008	16.6 Other Cash Provided (applied)	54,468	

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	35,668,469	16,052,551	16,376,737	35,344,283
2. Allied lines	22,879,338	11,756,119	12,086,559	22,548,898
3. Farmowners multiple peril	6,149,650	3,017,900	3,039,288	6,128,262
4. Homeowners multiple peril	347,858,159	181,277,105	186,594,813	342,540,451
5. Commercial multiple peril	133,086,750	67,228,465	67,500,096	132,815,119
6. Mortgage guaranty				
8. Ocean marine	5,134,180	4,149,858	3,406,667	5,877,371
9. Inland marine	47,855,396	10,035,235	10,721,998	47,168,633
10. Financial guaranty				
11.1 Medical professional liability—occurrence	4,658,263	2,037,296	2,133,481	4,562,078
11.2 Medical professional liability—claims-made	925,464	441,907	436,580	930,791
12. Earthquake	4,160,435	2,237,337	2,024,219	4,373,553
13. Group accident and health	194,902	188,250	(7,580)	390,732
14. Credit accident and health (group and individual)				
15. Other accident and health	104,131	11,653	13,325	102,459
16. Workers' compensation	118,439,500	5,048,319	8,725,205	114,762,614
17.1 Other liability—occurrence	104,695,508	44,983,572	52,093,038	97,586,042
17.2 Other liability—claims-made	37,809,816	20,641,536	23,499,460	34,951,892
17.3 Excess workers' compensation	2,442,791	1,533,177	1,319,993	2,655,975
18.1 Products liability—occurrence	10,708,224	6,120,199	5,964,461	10,863,962
18.2 Products liability—claims-made	520,096	241,582	244,957	516,721
19.1,19.2 Private passenger auto liability	370,585,282	174,126,942	185,783,655	358,928,569
19.3,19.4 Commercial auto liability	76,443,960	34,039,184	37,021,344	73,461,800
21. Auto physical damage	188,127,869	138,912,063	144,693,471	182,346,461
22. Aircraft (all perils)	3,439,959	933,985	1,400,637	2,973,307
23. Fidelity	2,627,475	1,477,164	1,138,039	2,966,600
24. Surety	45,061,614	30,315,272	30,978,593	44,398,293
26. Burglary and theft	40,754	23,841	22,665	41,930
27. Boiler and machinery	2,489,885	1,002,185	1,053,343	2,438,727
28. Credit	69,233	146,272	157,878	57,627
29. International				
30. Warranty	(9,793)	134,039	29,660	94,586
31. Reinsurance-nonproportional assumed property	10,748,916	2,285,879	1,841,714	11,193,081
32. Reinsurance-nonproportional assumed liability	6,458,862	1,538,260	2,238,655	5,758,467
33. Reinsurance-nonproportional assumed financial lines	556,833		510,696	46,137
34. Aggregate write-ins for other lines of business				
35. TOTALS	1,589,931,921	761,937,147	803,043,647	1,548,825,421

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	15,703,191	673,546			16,376,737
2. Allied lines	11,661,731	424,828			12,086,559
3. Farmowners multiple peril	3,021,262	18,026			3,039,288
4. Homeowners multiple peril	186,233,766	361,047			186,594,813
5. Commercial multiple peril	65,611,985	2,782,191	(894,080)		67,500,096
6. Mortgage guaranty					
8. Ocean marine	1,746,347	1,660,320			3,406,667
9. Inland marine	9,506,266	1,215,732			10,721,998
10. Financial guaranty					
11.1 Medical professional liability—occurrence	2,037,236	96,245			2,133,481
11.2 Medical professional liability—claims-made	237,403	199,177			436,580
12. Earthquake	1,976,216	48,003			2,024,219
13. Group accident and health	(933)	(6,647)			(7,580)
14. Credit accident and health (group and individual)					
15. Other accident and health	10,147	3,178			13,325
16. Workers' compensation	34,418,541	2,692,197	(927,408)	(27,458,125)	8,725,205
17.1 Other liability—occurrence	46,202,163	5,741,822	(56,714)	205,767	52,093,038
17.2 Other liability—claims-made	17,958,170	5,552,981	(2,754)	(8,937)	23,499,460
17.3 Excess workers' compensation	1,243,997	75,996			1,319,993
18.1 Products liability—occurrence	3,362,107	2,476,289	(21,542)	147,607	5,964,461
18.2 Products liability—claims-made	229,860	15,097			244,957
19.1,19.2 Private passenger auto liability	183,610,193	2,173,462			185,783,655
19.3,19.4 Commercial auto liability	35,828,072	700,236		493,036	37,021,344
21. Auto physical damage	144,654,058	39,413			144,693,471
22. Aircraft (all perils)	1,400,637				1,400,637
23. Fidelity	1,198,424	(60,385)			1,138,039
24. Surety	30,107,792	870,801			30,978,593
26. Burglary and theft	22,644	21			22,665
27. Boiler and machinery	990,460	62,883			1,053,343
28. Credit	38,715	119,163			157,878
29. International					
30. Warranty		29,660			29,660
31. Reinsurance-nonproportional assumed property	1,573,140	268,574			1,841,714
32. Reinsurance-nonproportional assumed liability	1,930,155	308,500			2,238,655
33. Reinsurance-nonproportional assumed financial lines	510,696				510,696
34. Aggregate write-ins for other lines of business					
35. TOTALS	803,024,441	28,542,356	(1,902,498)	(26,620,652)	803,043,647
36. Accrued retrospective premiums based on experience					26,620,651
37. Earned but unbilled premiums					1,902,498
38. Balance (Sum of Lines 35 through 37)					831,566,796

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	148,028,583	35,668,469		148,028,583		35,668,469
2. Allied lines	179,087,620	22,879,338		179,087,620		22,879,338
3. Farmowners multiple peril		6,149,650				6,149,650
4. Homeowners multiple peril	1,192,858,095	347,858,159		1,192,858,095		347,858,159
5. Commercial multiple peril	12,334,447	133,086,750		12,334,447		133,086,750
6. Mortgage guaranty						
8. Ocean marine		5,134,180				5,134,180
9. Inland marine	49,038,509	47,855,396		49,038,509		47,855,396
10. Financial guaranty						
11.1 Medical professional liability--occurrence		4,658,263				4,658,263
11.2 Medical professional liability--claims-made		925,464				925,464
12. Earthquake	11,002,699	4,160,435		11,002,699		4,160,435
13. Group accident and health		194,902				194,902
14. Credit accident and health (group and individual)						
15. Other accident and health		104,131				104,131
16. Workers' compensation	564,655	118,439,500		564,655		118,439,500
17.1 Other liability—occurrence	143,876,624	104,695,508		143,876,624		104,695,508
17.2 Other liability—claims-made	43	37,809,816		43		37,809,816
17.3 Excess workers' compensation		2,442,791				2,442,791
18.1 Products liability—occurrence		10,708,224				10,708,224
18.2 Products liability—claims-made		520,096				520,096
19.1,19.2 Private passenger auto liability	542,507,474	370,585,282		542,507,474		370,585,282
19.3,19.4 Commercial auto liability	1,815,333	76,443,960		1,815,333		76,443,960
21. Auto physical damage	454,730,575	188,127,869		454,730,575		188,127,869
22. Aircraft (all perils)		3,439,959				3,439,959
23. Fidelity	100	2,627,475		100		2,627,475
24. Surety	28,891,598	45,061,614		28,891,598		45,061,614
26. Burglary and theft	6,228	40,754		6,228		40,754
27. Boiler and machinery	1,189	2,489,885		1,189		2,489,885
28. Credit		69,233				69,233
29. International						
30. Warranty		(9,793)				(9,793)
31. Reinsurance-nonproportional assumed property	X X X	10,748,916				10,748,916
32. Reinsurance-nonproportional assumed liability	X X X	6,458,862				6,458,862
33. Reinsurance-nonproportional assumed financial lines	X X X	556,833				556,833
34. Aggregate write-ins for other lines of business						
35. TOTALS	2,764,743,772	1,589,931,921		2,764,743,772		1,589,931,921

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	24,673,265	13,404,446	24,673,265	13,404,446	11,725,072	8,713,645	11,725,072	22,118,091	1,216,280
2. Allied lines	6,383,281	4,018,964	6,383,281	4,018,964	115,849	1,791,942	115,849	5,810,906	626,119
3. Farmowners multiple peril		1,052,289		1,052,289		(134,583)		917,706	236,501
4. Homeowners multiple peril	143,604,044	39,142,270	143,604,044	39,142,270	103,368,405	31,945,666	103,368,405	71,087,936	14,370,781
5. Commercial multiple peril	6,739,642	54,228,477	6,739,642	54,228,477	11,384,905	63,117,451	11,384,905	117,345,928	40,598,302
6. Mortgage guaranty									
8. Ocean marine		2,653,608		2,653,608		3,513,898		6,167,506	845,893
9. Inland marine	1,859,014	2,778,289	1,859,014	2,778,289	1,548,236	2,881,446	1,548,236	5,659,735	980,187
10. Financial guaranty									
11.1 Medical professional liability—occurrence		695,784		695,784		5,336,601		6,032,385	552,838
11.2 Medical professional liability—claims-made		789,387		789,387		1,235,063		2,024,450	227,354
12. Earthquake		61,683		61,683		71,683		133,366	17,595
13. Group accident and health		112,463		112,463		105,876		(a) 218,339	16,838
14. Credit accident and health (group and individual)									
15. Other accident and health		469,210		469,210		422,139		(a) 891,349	334,440
16. Workers' compensation	38,796,132	337,854,010	38,796,132	337,854,010	11,868,423	384,836,679	11,868,423	722,690,689	108,074,000
17.1 Other liability—occurrence	88,094,162	82,492,589	88,094,162	82,492,589	62,163,486	124,589,985	62,163,486	207,082,574	63,437,505
17.2 Other liability—claims-made		12,935,950		12,935,950		46,344,663	36,107	59,280,613	12,803,851
17.3 Excess workers' compensation		15,319,191		15,319,191		18,750,453		34,069,644	3,972,949
18.1 Products liability—occurrence	46,957	6,255,524	46,957	6,255,524	21,049	15,603,126	21,049	21,858,650	15,619,471
18.2 Products liability—claims-made		10,778		10,778		942,435		953,213	461,914
19.1,19.2 Private passenger auto liability	255,828,569	175,291,562	255,828,569	175,291,562	54,223,577	116,572,711	54,223,577	291,864,273	66,797,143
19.3,19.4 Commercial auto liability	1,335,171	51,421,566	1,335,171	51,421,566	348,228	42,654,035	348,228	94,075,601	11,294,277
21. Auto physical damage	39,272	717,485	39,272	717,485	7,649,658	1,898,208	7,649,658	2,615,693	5,620,768
22. Aircraft (all perils)		1,018,317		1,018,317		1,112,369		2,130,686	433,352
23. Fidelity		670,766		670,766	48	2,894,873	48	3,565,639	423,311
24. Surety	(33,977,055)	4,489,031	(33,977,055)	4,489,031	6,702,052	7,825,693	6,702,052	12,314,724	3,781,898
26. Burglary and theft		2,994		2,994		9,461		12,455	5,764
27. Boiler and machinery		778,473		778,473		117,475		895,948	27,401
28. Credit		69,561		69,561		185,234		254,795	375
29. International									
30. Warranty						111,945		111,945	45,298
31. Reinsurance-nonproportional assumed property	X X X	3,445,845		3,445,845	X X X	5,825,341		9,271,186	168,586
32. Reinsurance-nonproportional assumed liability	X X X	3,750,791		3,750,791	X X X	8,478,232		12,229,023	1,114,139
33. Reinsurance-nonproportional assumed financial lines	X X X	246,947		246,947	X X X	24,321		271,268	3,831
34. Aggregate write-ins for other lines of business									
35. TOTALS	533,422,454	816,178,250	533,422,454	816,178,250	271,155,095	897,778,066	271,155,095	1,713,956,316	354,108,961

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	77,762,316			77,762,316
1.2 Reinsurance assumed	89,984,697			89,984,697
1.3 Reinsurance ceded	77,762,316			77,762,316
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	89,984,697			89,984,697
2. Commission and brokerage:				
2.1 Direct, excluding contingent		384,360,861		384,360,861
2.2 Reinsurance assumed, excluding contingent		89,400,906		89,400,906
2.3 Reinsurance ceded, excluding contingent		384,359,783		384,359,783
2.4 Contingent—direct		94,460,596		94,460,596
2.5 Contingent—reinsurance assumed		23,833,552		23,833,552
2.6 Contingent—reinsurance ceded		94,460,596		94,460,596
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)		113,235,536		113,235,536
3. Allowances to manager and agents		15,763,081		15,763,081
4. Advertising	168,409	29,812,352	6,601	29,987,362
5. Boards, bureaus and associations	508,910	2,707,526	3,078	3,219,514
6. Surveys and underwriting reports	6,368	7,975,052	2	7,981,422
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	66,802,847	144,565,123	4,744,351	216,112,321
8.2 Payroll taxes	2,765,003	12,336,795	180,072	15,281,870
9. Employee relations and welfare	14,246,873	60,479,846	883,479	75,610,198
10. Insurance	3,842,917	(253,708)	475,399	4,064,608
11. Directors' fees	1	(901)		(900)
12. Travel and travel items	3,938,246	8,923,347	127,778	12,989,371
13. Rent and rent items	3,283,128	14,974,355	207,731	18,465,214
14. Equipment	2,224,645	7,625,787	219,153	10,069,585
15. Cost or depreciation of EDP equipment and software	2,442,177	6,665,204	223,196	9,330,577
16. Printing and stationery	365,529	1,405,412	18,396	1,789,337
17. Postage, telephone and telegraph, exchange and express	1,852,451	8,941,659	141,484	10,935,594
18. Legal and auditing	546,854	1,995,712	122,451	2,665,017
19. Totals (Lines 3 to 18)	102,994,358	323,916,642	7,353,171	434,264,171
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 201,223		36,836,667		36,836,667
20.2 Insurance department licenses and fees		4,213,240		4,213,240
20.3 Gross guaranty association assessments		333,514		333,514
20.4 All other (excluding federal and foreign income and real estate)		5,206,463		5,206,463
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		46,589,884		46,589,884
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	11,686,371	29,458,317	1,141,996	42,286,684
25. Total expenses incurred	204,665,426	513,200,379	8,495,167	(a) 726,360,972
26. Less unpaid expenses—current year	354,108,962	106,359,599		460,468,561
27. Add unpaid expenses—prior year	351,455,869	104,359,551		455,815,420
28. Amounts receivable relating to uninsured plans, prior year		1,747		1,747
29. Amounts receivable relating to uninsured plans, current year		3,920		3,920
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	202,012,333	511,202,504	8,495,167	721,710,004

DETAILS OF WRITE-IN LINES				
2401. Other expenses	11,686,371	29,458,317	1,141,996	42,286,684
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)	11,686,371	29,458,317	1,141,996	42,286,684

(a) Includes management fees of \$ 241,114,291 to affiliates and \$ 15,759,368 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 2,804,191	2,599,733
1.1 Bonds exempt from U.S. tax	(a) 23,333,425	23,596,333
1.2 Other bonds (unaffiliated)	(a) 70,398,424	69,431,590
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 241,067	241,067
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	5,693,210	5,677,863
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 6,631,439	6,621,534
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 178,189	178,189
7. Derivative instruments	(f)	
8. Other invested assets	1,653,485	1,653,485
9. Aggregate write-ins for investment income	721,534	721,534
10. Total gross investment income	111,654,964	110,721,328
11. Investment expenses		(g) 8,495,166
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		8,495,166
17. Net investment income (Line 10 minus Line 16)		102,226,162

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	721,534	721,534
0902. Investment Income/(Expense) – Pooling Restatement		
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	721,534	721,534
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 \$ 2,623,727 accrual of discount less \$ 8,875,476 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 \$ 8,675 paid for accrued interest on purchases.
- (d) Includes \$ 0 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	3,935,339		3,935,339		
1.2 Other bonds (unaffiliated)	(3,848,028)	(3,318,850)	(7,166,878)	22,250,860	(823,201)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)				(44,366)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	2,152,410	(3,974,311)	(1,821,901)	8,887,450	(2,596,373)
2.21 Common stocks of affiliates				4,244,195	
3. Mortgage loans	(166,874)		(166,874)	(21,875)	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets	1,092,430		1,092,430	14,690,803	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	3,165,277	(7,293,161)	(4,127,884)	50,007,067	(3,419,574)

DETAILS OF WRITE-IN LINES					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)					

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	5,987,559	5,227,649	(759,910)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	224,156	176,159	(47,997)
15.3 Accrued retrospective premiums and contracts subject to redetermination	2,660,902	2,620,830	(40,072)
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	27	129	102
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	1,473,598	23,487,826	22,014,228
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	8,925,649	16,718,640	7,792,991
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			
25. Aggregate write-ins for other-than-invested assets	6,306,286	6,770,191	463,905
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	25,578,177	55,001,424	29,423,247
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	25,578,177	55,001,424	29,423,247

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. Amounts receivable under high deductible policies	6,304,613	6,756,144	451,531
2502. Other assets	1,673	14,047	12,374
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	6,306,286	6,770,191	463,905

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

- A. Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of New Hampshire, the accompanying financial statements of Safeco Insurance Company of America (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>					
SICOA state basis		4	20	\$46,851,005	\$103,578,892
State Prescribed Practices: NONE				-	-
State Permitted Practices: NONE				-	-
NAIC SAP				\$46,851,005	\$103,578,892

	SSAP #	F/S Page	F/S Line #	2016	2015
<u>SURPLUS</u>					
SICOA state basis		3	37	\$1,497,864,470	\$1,393,360,198
State Prescribed Practices: NONE					
State Permitted Practices: NONE					-
NAIC SAP				\$1,497,864,470	\$1,393,360,198

- 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:

- 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).
- Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
- 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).
- 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).
- Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
- 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.
- 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.
- 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.

NOTES TO FINANCIAL STATEMENTS

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

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

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
\$11,973	\$10,650

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	\$ -	\$ -	\$ -	\$ -	\$133,710,124	\$ -	\$133,710,124
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	68,107	-	68,107
(e) 180+ Days Past Due	-	-	-	-	-	-	-

2. Accruing Interest 90-179 Days Past Due

NOTES TO FINANCIAL STATEMENTS

(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	\$ -	\$ -	\$ -	\$ -	\$3,109,775	\$ -	\$3,109,775
(b) Number of Loans	-	-	-	-	253	-	253
(c) Percent Reduced	-	-	-	-	1.876%	-	1.876%
 b. Prior Year							
1. Recorded Investment (All)							
(a) Current	\$ -	\$ -	\$ -	\$ -	\$128,965,026	\$ -	\$128,965,026
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	177,650	-	177,650
(d) 90-179 Days Past Due	-	-	-	-	18,401	-	18,401
(e) 180+ Days Past Due	-	-	-	-	-	-	-
 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	\$ -	\$ -	\$ -	\$ -	\$8,326,819	\$ -	\$8,326,819
(b) Number of Loans	-	-	-	-	272	-	272
(c) Percent Reduced	-	-	-	-	2.151%	-	2.151%
 5. Investment in Impaired Loans With or Without Allowance for Credit Losses:							
	Residential		Commercial				
Farm	Insured	All Other	Insured	All Other	Mezzanine	Total	
 a. Current Year							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$26,707	\$ -	\$26,707
2. No Allowance for Credit Losses	-	-	-	-	-	-	-
 b. Prior Year							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$12,638	\$ -	\$12,638
2. No Allowance for Credit Losses	-	-	-	-	-	-	-
 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:							
	Residential		Commercial				
Farm	Insured	All Other	Insured	All Other	Mezzanine	Total	
 a. Current Year							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$19,672	\$ -	\$19,672
2. Interest Income Recognized	-	-	-	-	7,889	-	7,889
3. Recorded Investments on Nonaccrual Status	-	-	-	-	-	-	-
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	-	-	-
 b. Prior Year							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$10,550	\$ -	\$10,550
2. Interest Income Recognized	-	-	-	-	814	-	814
3. Recorded Investments on Nonaccrual Status	-	-	-	-	18,401	-	18,401
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	539	-	539

NOTES TO FINANCIAL STATEMENTS

7. Allowance for Credit Losses:

	2016	2015
a. Balance at beginning of period	\$19,525	\$ -
b. Additions charged to operations	202,696	19,526
c. Direct write-downs charged against the allowances	(180,821)	-
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	<u>\$ 41,400</u>	<u>\$ 19,526</u>

8. Mortgage Loans Derecognized as a Result of Foreclosure:

	2016	2015
a. Aggregate amount of mortgage loans derecognized	27,464	\$ -
b. Real estate collateral recognized	19,624	-
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	\$-	\$13,763
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 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
- 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
05539TAR6	89,959	81,684	8,275	81,684	63,690	3/31/2016
05539TAR6	89,959	81,684	8,275	81,684	63,690	3/31/2016
61749BAB9	120,632	118,425	2,207	118,425	79,005	3/31/2016
05539TAR6	65,814	55,378	10,436	55,378	46,232	6/30/2016
05539TAR6	100,768	74,949	25,819	74,949	53,840	6/30/2016
05539TAR6	100,768	74,949	25,819	74,949	53,840	6/30/2016
61749BAB9	132,056	116,271	15,785	116,271	75,593	6/30/2016
021469AL5	217,389	215,789	1,600	215,789	203,225	6/30/2016
05539TAR6	48,326	46,532	1,795	46,532	38,883	9/30/2016
05539TAR6	71,692	50,452	21,240	50,452	45,281	9/30/2016
05539TAR6	71,692	50,452	21,240	50,452	45,281	9/30/2016
61749BAB9	130,319	99,830	30,489	99,830	80,572	9/30/2016
05539TAR6	44,597	39,981	4,616	39,981	40,261	12/31/2016
05539TAR6	44,597	39,981	4,616	39,981	40,261	12/31/2016
61749BAB9	98,281	94,847	3,434	94,847	79,118	12/31/2016
021469AL5	203,539	202,884	655	202,884	200,949	12/31/2016

- 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:

NOTES TO FINANCIAL STATEMENTS

a.	The aggregate amount of unrealized losses:			
	1. Less than 12 Months	\$		2,522,438
	2. 12 Months or Longer	\$		458,703
b.	The aggregate related fair value of securities with unrealized losses:			
	1. Less than 12 Months	\$		255,375,340
	2. 12 Months or Longer	\$		19,582,329

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) 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	\$35,865,198
(b) 30 Days or Less	
(c) 31 to 60 Days	
(d) 61 to 90 Days	
(e) Greater Than 90 Days	
(f) Sub-Total	\$35,865,198
(g) Securities Received	\$3,017,201
(h) Total Collateral Received	\$38,882,399
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
- | | |
|--|--------------|
| | \$38,882,399 |
|--|--------------|

- 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

NOTES TO FINANCIAL STATEMENTS

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		
(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	\$17,085,984	\$17,085,984
(c) 31 to 60 Days	\$14,783,050	\$14,783,050
(d) 61 to 90 Days	\$3,996,164	\$3,996,164
(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	\$35,865,198	\$35,865,198
(l) Securities Received		
(m) Total Collateral Reinvested	\$35,865,198	\$35,865,198
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. The Company has not accepted collateral that it is not permitted by contract or custom to sell or re-pledge.
7. The Company has not accepted collateral that extends beyond one year from the reporting date for securities lending transactions.

F. Real Estate

The Company does not have real estate.

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

- There are seven years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
- There were \$275 of LIHTC and other tax benefits recognized during the year.
- The balance of the investment recognized in the statement of financial position for the current year is \$1,230.

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 Total From Prior Year	7 Increase / (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)		
a. Subject to contractual obligation for which liability is not shown	-	-	-	-	\$-	\$-	\$-
b. Collateral held under security lending agreements	\$35,865,198	-	-	-	\$35,865,198	\$52,524,538	(\$16,659,340)
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	-	-	-	-	\$-	\$-	\$-
j. On deposit with states	\$152,854,834	-	-	-	\$152,854,834	\$152,155,301	\$699,533
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	\$188,720,032	-	-	-	\$188,720,032	\$204,679,839	(\$15,959,807)

(a) Subset of column 1

(b) Subset of column 3

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	\$-	-	-	-

NOTES TO FINANCIAL STATEMENTS

b. Collateral held under security lending agreements	\$-	\$35,865,198	1%	1%
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	\$-	-	-	-
j. On deposit with states	\$-	\$152,854,834	3%	3%
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	\$-	\$188,720,032	4%	4%

(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	\$35,865,198	\$35,865,198	0.80%	0.80%
i. Other	\$-	\$-	%	%
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$35,865,198	\$35,865,198	0.80%	0.80%

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

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

	1 Amount	2 % of Liability to Total Liabilities *
k. Recognized Obligation Return Collateral Asset	\$35,865,198	0.80%

* 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.

NOTES TO FINANCIAL STATEMENTS

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

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 does not own any investments in joint ventures, partnerships, and limited liability companies.

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

The Company's investment activities do not include derivatives. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

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	\$ 124,362,000	\$ 19,862,150	\$ 144,224,150
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	124,362,000	19,862,150	144,224,150
(d) Deferred Tax Assets Nonadmitted	-	1,473,598	1,473,598
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	124,362,000	18,388,552	142,750,552
(f) Deferred Tax Liabilities	31,690,150	18,130,000	49,820,150
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 92,671,850	\$ 258,552	\$ 92,930,402

	12/31/2015		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 125,328,000	\$ 27,429,000	\$ 152,757,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	125,328,000	27,429,000	152,757,000
(d) Deferred Tax Assets Nonadmitted	8,212,450	15,275,376	23,487,826
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)			

NOTES TO FINANCIAL STATEMENTS

	117,115,550	12,153,624	129,269,174
(f) Deferred Tax Liabilities	26,764,000	12,136,000	38,900,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 90,351,550	\$ 17,624	\$ 90,369,174

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (966,000)	\$ (7,566,850)	\$ (8,532,850)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(966,000)	(7,566,850)	(8,532,850)
(d) Deferred Tax Assets Nonadmitted	(8,212,450)	(13,801,778)	(22,014,228)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	7,246,450	6,234,928	13,481,378
(f) Deferred Tax Liabilities	4,926,150	5,994,000	10,920,150
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 2,320,300	\$ 240,928	\$ 2,561,228

2.

	12/31/2016		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 39,149,597	\$ 258,552	\$ 39,408,149
(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)	55,609,375	-	55,609,375
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	55,609,375	-	55,609,375
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			213,024,337
(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	29,603,028	18,130,000	47,733,028
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 124,362,000	\$ 18,388,552	\$ 142,750,552

	12/31/2015		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 66,101,406	\$ 17,624	\$ 66,119,030
(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)	24,250,144	-	24,250,144
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	24,250,144	-	24,250,144
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			200,975,891
(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	26,764,000	12,136,000	38,900,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 117,115,550	\$ 12,153,624	\$ 129,269,174

NOTES TO FINANCIAL STATEMENTS

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ (26,951,809)	\$ 240,928	\$ (26,710,881)
(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)	31,359,231	-	31,359,231
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	31,359,231	-	31,359,231
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			12,048,446
(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	2,839,028	5,994,000	8,833,028
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 7,246,450	\$ 6,234,928	\$ 13,481,378

3.

	2016	2015
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	709.9%	711.0%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,404,934,068	1,302,991,024

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
Impact of Tax-Planning Strategies						
(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)	\$ 124,362,000	\$ 19,862,150	\$ 125,328,000	\$ 27,429,000	\$ (966,000)	\$ (7,566,850)
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)	\$ 124,362,000	\$ 18,388,552	\$ 117,115,550	\$ 12,153,624	\$ 7,246,450	\$ 6,234,928
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) 12/31/2016	(2) 12/31/2015	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ 10,310,760	\$ 33,993,041	\$ (23,682,281)
(b) Foreign	-	-	-
(c) Subtotal	10,310,760	33,993,041	(23,682,281)
(d) Federal income tax on net capital gains	(1,444,760)	1,608,959	(3,053,719)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ 8,866,000	\$ 35,602,000	\$ (26,736,000)
2. Deferred Tax Assets:			

NOTES TO FINANCIAL STATEMENTS

(a) Ordinary			
(1) Discounting of unpaid losses	\$ 35,600,000	\$ 37,579,000	\$ (1,979,000)
(2) Unearned premium reserve	60,394,000	57,507,000	2,887,000
(3) Policyholder reserves	-	-	-
(4) Investments	1,246,000	1,246,000	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	-	-
(8) Compensation and benefits accrual	8,871,000	9,316,000	(445,000)
(9) Pension accrual	2,768,000	2,906,000	(138,000)
(10) Receivables – nonadmitted	8,437,000	11,030,000	(2,593,000)
(11) Net operating loss carry-forward	979,000	389,000	590,000
(12) Tax credit carry-forward	1,002,000	100,000	902,000
(13) Other (including items <5% of total ordinary tax assets)	5,065,000	5,255,000	(190,000)
(99) Subtotal	124,362,000	125,328,000	(966,000)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	8,212,450	(8,212,450)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	124,362,000	117,115,550	7,246,450
(e) Capital			
(1) Investments	19,862,150	27,429,000	(7,566,850)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	19,862,150	27,429,000	(7,566,850)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	1,473,598	15,275,376	(13,801,778)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	18,388,552	12,153,624	6,234,928
(i) Admitted deferred tax assets (2d + 2h)	142,750,552	129,269,174	13,481,378
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	6,260,000	5,399,000	861,000
(2) Fixed assets	21,132,000	11,948,000	9,184,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	4,298,150	9,417,000	(5,118,850)
(99) Subtotal	31,690,150	26,764,000	4,926,150
(b) Capital:			
(1) Investments	17,039,000	11,045,000	5,994,000
(2) Real estate	1,091,000	1,091,000	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	18,130,000	12,136,000	5,994,000
(c) Deferred tax liabilities (3a99 + 3b99)	49,820,150	38,900,000	10,920,150
4. Net deferred tax assets/liabilities (2i – 3c)	\$ 92,930,402	\$ 90,369,174	\$ 2,561,228

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of LP & LLC income, tax exempt income, limits on unearned premium reserve deductions, discounting of unpaid losses and loss adjustment expenses, amortization, impairments, and revisions to prior year estimates.
- E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2012	\$2,797,000	2032

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

Year Generated	Amount	Expiration
2011	\$531,000	2031
2012	275,000	2032

NOTES TO FINANCIAL STATEMENTS

2013	51,000	2033
2014	82,000	2034
2015	\$63,000	2035

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 \$12,689,000 from the current year and \$30,064,000 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.
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

NOTES TO FINANCIAL STATEMENTS

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 Safeco Corporation (“Safeco”), an insurance holding company incorporated in Washington. Safeco is wholly owned 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 \$42,632,009 due from 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.

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>
American Economy Insurance Company	\$50,000,000
American States Insurance Company	\$50,000,000
General Insurance Company of America	\$50,000,000
Liberty Mutual Insurance Company	\$100,000,000
The Ohio Casualty Insurance Company	\$100,000,000
Peerless Insurance Company	\$100,000,000

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>
American Economy Insurance Company	\$50,000,000
American States Insurance Company	\$50,000,000
General Insurance Company of America	\$50,000,000
Liberty Mutual Insurance Company	\$100,000,000
The Ohio Casualty Insurance Company	\$100,000,000

NOTES TO FINANCIAL STATEMENTS

Peerless Insurance Company

\$100,000,000

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

The Company is a party to an Amended and Restated Intercompany Short -Term Borrowing Agreement with Safeco Corporation. Pursuant to the agreement, each party agrees to lend funds to any other party to the agreement for a maximum term of 12 months. The amount of the loan is limited by statutory requirements of the Insurance Holding Company Act of the state of domicile of the Company.

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 entities.
- 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.
- 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
a. SSAP No. 97 8a Entities				
N/A				
Total SSAP No. 97 8a Entities		\$-	\$-	\$-
b. SSAP No. 97 8b(ii) Entities				
N/A				
Total SSAP No. 97 8b(ii) Entities		\$-	\$-	\$-
c. SSAP No. 97 8b(iii) Entities				
Emerald City Insurance Agency, Inc.	100%	\$1,000	\$1,000	\$-
Liberty Mutual Investment Holdings LLC	8%	\$203,682,556	\$203,682,556	\$-
Georgia Tax Credit Fund LM L.P.	0.01%	\$1,230	\$1,230	\$-
Total SSAP No. 97 8b(iii) Entities		\$203,684,786	\$203,684,786	\$-
d. SSAP No. 97 8b(iv) Entities				
N/A				
Total SSAP No. 97 8b(iv) Entities		\$-	\$-	\$-
e. Total SSAP No. 97 8b Entities (Except 8bi entities) (b+c+d)		\$203,684,786	\$203,684,786	\$-
f. Aggregate Total (a+e)		\$203,684,786	\$203,684,786	\$-

NOTES TO FINANCIAL STATEMENTS

(2) NAIC Filing Response Information

SCA Entity	Type of NAIC Filing*	Date of Filing to the NAIC	2015 NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code
a. SSAP No. 97 8a Entities						
N/A						
Total SSAP No. 97 8a Entities	-	-	\$-	-	-	-
b. SSAP No. 97 8b(ii) Entities						
N/A						
Total SSAP No. 97 8b(ii) Entities	-	-	\$-	-	-	-
c. SSAP No. 97 8b(iii) Entities						
Emerald City Insurance Agency, Inc	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Investment Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Georgia Tax Credit Fund LM L.P.	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(iii) Entities	-	-	\$-	-	-	-
d. SSAP No. 97 8b(iv) Entities	-					
N/A						
Total SSAP No. 97 8b(iv) Entities	-	-	\$-	-	-	-
e. Total SSAP No. 97 8b Entities (Except 8bi entities) (b+c+d)	-	-	\$-	-	-	-
e. Aggregate Total (a+e)	-	-	\$-	-	-	-

N. Investments 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.

Note 11 - Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. FHLB (Federal Home Loan Bank) Agreements

Not applicable

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

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences 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.

NOTES TO FINANCIAL STATEMENTS

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

1. The Company has 20,000 shares authorized, issued and outstanding as of December 31, 2016. All shares have a stated par value of \$250.
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 which can be paid to shareholders 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 which may be made without prior approval in 2017 is \$149,786,447.
6. As of December 31, 2016, the Company has pre-tax restricted surplus of \$11,430,880 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 gains is \$8,837,919 after applicable deferred taxes of (\$6,082,219).
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.

The Company has accrued a liability for guaranty funds and other assessments of \$7,313,702 that is offset by future premium tax credits of \$294,048. 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	\$ 379,019
b.	Decreases current year: Premium tax offset applied	219,386
c.	Increases current year: Premium tax offset increase	134,416
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$294,048

C. Gain Contingencies

Not applicable

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

NOTES TO FINANCIAL STATEMENTS

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	\$10,402,340

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 9 F, the Company is a member of a controlled group for federal income tax purposes, and that group includes 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.

Note 15 - Leases

A. Lessee Leasing Arrangements

- 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	9,145,977
2017	7,339,927
2018	5,316,372
2019	3,945,521
2020	4,014,845
2021 & thereafter	19,153,747
Total	<u>\$ 48,916,389</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 \$101,326.

- The Company is not involved in any material sale-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

NOTES TO FINANCIAL STATEMENTS

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 \$37,780,237, with corresponding collateral value of \$38,882,399 of which \$35,865,198 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

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:

NOTES TO FINANCIAL STATEMENTS

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	\$ -	\$41,905,654	\$6,746,234	\$48,651,888
Non-Issuer Obligations	\$-	\$-	\$-	\$-
Total Bonds	\$ -	\$41,905,654	\$6,746,234	\$48,651,888
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	\$ -	\$423,306	\$ -	\$423,306
Total Preferred Stocks	\$ -	\$423,306	\$ -	\$423,306
Common Stocks				
Industrial and Miscellaneous	\$299,580,448	\$ -	\$103,227	\$299,683,675
Total Common Stocks	\$299,580,448	\$ -	\$103,227	\$299,683,675
Total assets at fair value	\$299,580,448	\$42,328,960	\$6,849,461	\$348,758,869
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.

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	Settlements	Balance at 12/31/2016
Bonds	\$2,931,940	\$-	\$-	\$-	(\$3,097)	\$3,901,061	\$-	(\$108,435)	\$24,765	\$6,746,234
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	\$103,227	-	-	-	-	-	-	-	-	\$103,227
Total	\$3,035,167	\$-	\$-	\$-	(\$3,097)	\$3,901,061	\$-	(\$108,435)	\$24,765	\$6,849,461

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.

NOTES TO FINANCIAL STATEMENTS

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.

Municipal 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.

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

Not applicable

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	\$58,707,087	\$58,707,087	\$58,707,087	\$-	\$-	\$-
Bonds	\$2,736,012,274	\$2,707,721,454	\$1,126,259	\$2,718,230,946	\$16,655,069	-
Preferred Stock	\$5,023,306	\$3,923,306	-	\$5,023,306	-	-
Common Stock	\$299,683,675	\$299,683,675	\$299,580,448	-	\$103,227	-
Securities Lending	\$35,873,002	\$35,865,198	-	\$35,873,002	-	-
Mortgage Loans	\$137,541,457	\$133,736,831	-	-	\$137,541,457	-
Surplus Notes	-	-	-	-	-	-
Total	\$3,272,840,801	\$3,239,637,551	\$359,413,794	\$2,759,127,254	\$154,299,753	\$-

NOTES TO FINANCIAL STATEMENTS

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. Florida Special Disability Trust Fund

- a) The Company did not take a credit in the determination of its loss reserves in 2016 or 2015.
- b) The Company did not receive payments from the Special Disability Trust Fund in 2016 or 2015.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$0 in 2016 and \$35 in 2015.

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 acquisition of collateral assets at the termination of a securities lending agreement in 2008.
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>
\$247,125	\$172,684	\$156,955	\$419,011

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 annual statement was 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.

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2016.

NOTES TO FINANCIAL STATEMENTS

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$831,566,796	\$86,612,241	\$1,403,234,853	\$243,023,951	\$(571,668,057)	\$(156,411,710)
b. All Other	-	-	-	-	-	-
c. TOTAL	\$831,566,796	\$86,612,241	\$1,403,234,853	\$243,023,951	\$(571,668,057)	\$(156,411,710)
d. Direct Unearned Premium Reserve	\$1,403,234,853					

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	\$170,430,380	\$26,093,821	\$170,430,380	\$26,093,821
b. Sliding Scale Adjustments	-	69,811	-	69,811
c. Other Profit Commission Arrangements	-	(2,532)	-	(2,532)
d. TOTAL	\$170,430,380	\$26,161,100	\$170,430,380	\$26,161,100

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.

F. Retroactive Reinsurance

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

	Reported Company	
	As:	
	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves	\$(148,438,622)	-
2. Adjustments – Prior Year (s)	(29,481,575)	-
3. Adjustments – Current Year	(9,096,521)	-
4. Current Total	\$(187,016,718)	-
b. Consideration Paid or Received:		
1. Initial Consideration	\$(148,921,004)	-
2. Adjustments – Prior Year (s)	(3,315,906)	-
3. Adjustments – Current Year	(20,447)	-
4. Current Total	\$(152,257,357)	-
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	\$19,587,727	-
2. Current Year	2,399,521	-
3. Current Total	\$21,987,248	-
d. Discount Unwind on Reserves:		
1. Prior Year (s)	\$(1,759,688)	-
2. Current Year	(736,509)	-
3. Current Total	\$(2,496,197)	-
e. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$1,649,608	-
2. Adjustments – Prior Year (s)	2,686,264	-
3. Adjustments – Current Year	5,940,044	-
4. Current Year Restricted Surplus	11,430,880	-
5. Cumulative Total Transferred to Unassigned Funds	\$(1,154,964)	-
f. All cedents and reinsurers involved in all transactions included in summary totals above:		
	Assumed Amount	Ceded Amount
Liberty Mutual Insurance Company, 23043	\$(187,016,718)	-
Total	\$(187,016,718)	-

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

NOTES TO FINANCIAL STATEMENTS

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.

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

The Company does not transact business with Certified Reinsurers.

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

The Company is not a Certified Reinsurer.

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	\$26,620,651
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	2,660,902
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	\$23,959,749

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.

NOTES TO FINANCIAL STATEMENTS

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 <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
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
	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

NOTES TO FINANCIAL STATEMENTS

100% Quota
Share LM Property and Casualty Insurance Company ("LMPAC") 32352 0.00% All Lines
Affiliated
Companies:

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	\$82,001

Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$32,741,915 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 \$32,741,915 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	\$ 16,746,945

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 \$323,740,929 and the amount billed and recoverable on paid claims was \$9,772,773. 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 \$31,474,632 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	\$27,038,201	\$31,408,757
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	\$27,038,201	\$31,408,757

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

B. Non-tabular 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>
Direct Basis					
Beginning Reserves	95,100,512	93,394,961	104,955,748	105,531,511	88,822,676
Incurring losses and LAE	14,340,667	24,875,137	17,105,452	4,970,606	19,668,714
Calendar year payments	16,046,218	13,314,350	16,529,689	21,679,441	15,558,686
Ending Reserves	<u>93,394,961</u>	<u>104,955,748</u>	<u>105,531,511</u>	<u>88,822,676</u>	<u>92,932,703</u>
Assumed Reinsurance Basis					
Beginning Reserves	37,387,464	34,504,112	37,185,921	34,395,130	33,188,758
Incurring losses and LAE	292,968	4,479,866	90,529	704,185	(297,231)
Calendar year payments	3,176,320	1,798,057	2,881,320	1,910,556	2,249,386
Ending Reserves	<u>34,504,112</u>	<u>37,185,921</u>	<u>34,395,130</u>	<u>33,188,758</u>	<u>30,642,142</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	58,064,413	53,408,945	59,833,416	55,082,869	40,895,910
Incurring losses and LAE	8,950,344	14,131,446	5,334,504	367,916	3,737,317
Calendar year payments	13,605,812	7,706,974	10,085,052	14,554,875	4,312,821
Ending Reserves	<u>53,408,945</u>	<u>59,833,416</u>	<u>55,082,869</u>	<u>40,895,910</u>	<u>40,320,405</u>

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

Direct Basis	58,999,965
Assumed Reinsurance Basis	21,407,885
Net of Ceded Reinsurance Basis	21,277,634

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

Direct Basis	58,242,545
Assumed Reinsurance Basis	669,008
Net of Ceded Reinsurance Basis	21,161,747

Environmental:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Direct Basis					
Beginning Reserves	25,484,587	25,208,570	26,908,233	25,236,196	21,742,042
Incurring losses and LAE	3,662,120	5,713,769	3,477,267	1,768,837	4,814,933
Calendar year payments	3,938,136	4,014,107	5,149,304	5,262,991	4,194,940
Ending Reserves	<u>25,208,570</u>	<u>26,908,233</u>	<u>25,236,196</u>	<u>21,742,042</u>	<u>22,362,036</u>
Assumed Reinsurance Basis					
Beginning Reserves	3,558,136	3,899,360	3,849,767	3,625,835	2,627,482
Incurring losses and LAE	705,480	260,690	68,935	(588,480)	(9,885)
Calendar year payments	364,255	310,283	292,867	409,874	244,291
Ending Reserves	<u>3,899,360</u>	<u>3,849,767</u>	<u>3,625,835</u>	<u>2,627,482</u>	<u>2,373,306</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	20,819,688	18,509,862	19,379,012	17,932,448	15,726,900
Incurring losses and LAE	(115,338)	3,660,403	1,687,643	19,086	2,946,360
Calendar year payments	2,194,488	2,791,254	3,134,207	2,224,634	3,311,084
Ending Reserves	<u>18,509,862</u>	<u>19,379,012</u>	<u>17,932,448</u>	<u>15,726,900</u>	<u>15,362,176</u>

NOTES TO FINANCIAL STATEMENTS

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

Direct Basis	12,967,000
Assumed Reinsurance Basis	1,126,991
Net of Ceded Reinsurance Basis	7,563,664

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

Direct Basis	9,743,837
Assumed Reinsurance Basis	94,210
Net of Ceded Reinsurance Basis	4,551,475

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. \$ 38,882,399

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 \$ 35,865,198

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ 35,865,198

24.103 Total payable for securities lending reported on the liability page \$ 35,865,198

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	\$ <u>0</u>
25.22	Subject to reverse repurchase agreements	\$ <u>0</u>
25.23	Subject to dollar repurchase agreements	\$ <u>0</u>
25.24	Subject to reverse dollar repurchase agreements	\$ <u>0</u>
25.25	Placed under option agreements	\$ <u>0</u>
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$ <u>0</u>
25.27	FHLB Capital Stock	\$ <u>0</u>
25.28	On deposit with states	\$ <u>152,854,834</u>
25.29	On deposit with other regulatory bodies	\$ <u>0</u>
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	\$ <u>0</u>
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	\$ <u>0</u>
25.32	Other	\$ <u>0</u>

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	0
.....	0
.....	0

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

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 [X]

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 [X]

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 [X] 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
Bank of New York Mellon	601 Travis Street, Houston, TX 77002
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 [X]

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
Burgundy Asset Management Ltd	U
Standard Life Investments Limited	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
Burgundy Asset Management Ltd	N/A	N/A	SEC	DS
Standard Life Investments Limited	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	2,791,006,891	2,819,297,735	28,290,844
30.2 Preferred stocks	3,923,306	5,023,306	1,100,000
30.3 Totals	2,794,930,197	2,824,321,041	29,390,844

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? \$ 3,487,123

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	\$ 1,039,463
.....	\$ 0
.....	\$ 0

34.1 Amount of payments for legal expenses, if any? \$ 3,202,481

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? \$ 128,936

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	\$ 492,695		\$ 736,044	
2.2 Premium Denominator	\$ 1,548,733,306		\$ 1,497,769,092	
2.3 Premium Ratio (2.1 / 2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 1,466,712		\$ 1,975,900	
2.5 Reserve Denominator	\$ 2,901,291,231		\$ 2,821,319,299	
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 [] No [X]

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

3.21 Participating policies \$ 0

3.22 Non-participating policies \$ 0

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?
 N/A

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 | | \$ | 19,335,730 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 1,380,705 |
- 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? \$ 2,836,574
- 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 | | | 0.00 % |
| 12.42 To | | | 0.00 % |
- 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 | | \$ | 280,490,108 |
| 12.62 Collateral and other funds | | \$ | 70,861,004 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 66,000,000
- 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	\$ 0
17.12 Unfunded portion of Interrogatory 17.11	\$ 0
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ 0
17.14 Case reserves portion of Interrogatory 17.11	\$ 0
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ 0
17.16 Unearned premium portion of Interrogatory 17.11	\$ 0
17.17 Contingent commission portion of Interrogatory 17.11	\$ 0

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	\$ 0
17.19 Unfunded portion of Interrogatory 17.18	\$ 0
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ 0
17.21 Case reserves portion of Interrogatory 17.18	\$ 0
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ 0
17.23 Unearned premium portion of Interrogatory 17.18	\$ 0
17.24 Contingent commission portion of Interrogatory 17.18	\$ 0

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
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
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)	1,415,993,033	1,325,721,592	1,283,984,276	1,265,854,995	1,122,102,948
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,140,626,475	1,085,729,138	1,037,696,733	964,605,536	943,304,801
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,703,352,314	1,633,138,292	1,538,655,100	1,291,962,322	1,422,106,079
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	76,939,260	101,724,636	105,450,102	80,707,545	222,268,107
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	17,764,611	22,742,147	17,473,345	17,123,841	
6. Total (Line 35)	4,354,675,693	4,169,055,805	3,983,259,556	3,620,254,239	3,709,781,935
Net Premiums Written (Page 8, Part 1B, Col. 6)					
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)	727,228,904	695,218,636	698,309,650	715,498,580	631,626,784
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	298,732,261	282,648,214	292,860,682	278,598,975	337,301,526
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	498,158,583	486,079,270	465,705,726	328,727,150	581,496,867
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	48,047,562	51,242,280	48,260,062	9,176,383	109,143,408
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	17,764,611	22,742,147	17,473,345	17,123,841	
12. Total (Line 35)	1,589,931,921	1,537,930,547	1,522,609,465	1,349,124,929	1,659,568,585
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(46,230,464)	6,801,081	(28,533,526)	(83,079,458)	10,222,559
14. Net investment gain (loss) (Line 11)	99,543,037	129,635,524	158,489,594	224,743,465	218,964,362
15. Total other income (Line 15)	4,915,378	2,296,651	(743,440)	375,408	7,000,135
16. Dividends to policyholders (Line 17)	1,066,186	1,161,323	1,414,038	2,311,732	3,913,623
17. Federal and foreign income taxes incurred (Line 19)	10,310,760	33,993,041	21,006,058	(15,034,951)	38,771,395
18. Net income (Line 20)	46,851,005	103,578,892	106,792,532	154,762,634	193,502,038
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	4,485,053,022	4,356,907,308	4,233,251,417	4,747,068,958	4,029,806,477
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	81,736,405	82,483,599	82,847,960	94,410,807	48,314,722
20.2 Deferred and not yet due (Line 15.2)	395,418,962	371,661,555	351,860,629	449,784,425	487,529,145
20.3 Accrued retrospective premiums (Line 15.3)	23,959,749	23,639,567	26,890,357	28,244,289	10,361
21. Total liabilities excluding protected cell business (Page 3, Line 26)	2,987,188,549	2,963,547,111	2,954,334,281	3,558,396,422	3,084,756,281
22. Losses (Page 3, Line 1)	1,713,956,318	1,678,600,776	1,664,561,813	1,709,598,508	1,343,907,667
23. Loss adjustment expenses (Page 3, Line 3)	354,108,962	351,455,869	360,957,146	367,005,067	307,344,680
24. Unearned premiums (Page 3, Line 9)	831,566,797	789,662,438	754,581,457	712,851,727	797,279,595
25. Capital paid up (Page 3, Lines 30 & 31)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	1,497,864,470	1,393,360,198	1,278,917,136	1,188,672,536	945,050,196
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	158,567,858	129,807,208	47,708,497	421,936,965	242,244,281
Risk-Based Capital Analysis					
28. Total adjusted capital	1,497,864,470	1,393,360,198	1,278,917,136	1,188,672,536	945,050,196
29. Authorized control level risk-based capital	197,908,494	183,258,473	182,388,040	183,862,847	172,864,980
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	72.2	71.5	71.5	74.2	74.3
31. Stocks (Lines 2.1 & 2.2)	14.9	15.5	15.5	14.4	16.6
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	3.6	3.5	3.2	2.6	2.7
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	1.6	2.0	2.1	2.2	6.1
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)	6.7	6.1	6.0	5.0	0.2
38. Receivables for securities (Line 9)	0.0	0.0	0.2	0.2	0.2
39. Securities lending reinvested collateral assets (Line 10)	1.0	1.4	1.6	1.4	
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
Investments in Parent, Subsidiaries and Affiliates					
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)	253,818,663	249,574,468	245,927,089	241,555,644	280,449,843
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated	205,683,786	190,148,478	184,015,608	176,415,954	1,008,000
48. Total of above Lines 42 to 47	459,502,449	439,722,946	429,942,697	417,971,598	281,457,843
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)	30.7	31.6	33.6	35.2	29.8

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2016	2015	2014	2013	2012
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	40,277,069	14,701,433	8,077,305	(20,559,923)	(51,180,878)
52. Dividends to stockholders (Line 35)			(1,000,000)	(47,515,966)	(95,000,000)
53. Change in surplus as regards policyholders for the year (Line 38)	104,504,272	114,443,062	90,244,600	243,622,340	74,244,561
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
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)	801,355,024	724,628,623	749,912,217	286,321,563	592,441,543
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	660,384,236	572,602,511	529,540,161	485,885,919	476,231,539
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	861,203,044	796,540,191	745,431,240	819,805,671	772,670,240
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(13,581,335)	85,361,309	14,200,627	86,988,423	213,493,596
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	4,738,898	6,880,194	7,720,564	(28,053,670)	1,075,684
59. Total (Line 35)	2,314,099,867	2,186,012,828	2,046,804,809	1,650,947,906	2,055,912,602
Net Losses Paid (Page 9, Part 2, Col. 4)					
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)	420,308,552	403,513,196	468,947,901	13,104,863	359,479,997
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	172,722,256	150,979,406	154,559,552	139,380,882	177,825,092
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	242,290,815	240,023,447	226,266,663	349,730,717	330,886,063
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,097,371	14,331,270	17,656,153	21,090,577	42,612,388
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	4,738,898	6,880,194	7,720,564	(28,053,670)	1,075,684
65. Total (Line 35)	841,157,892	815,727,513	875,150,833	495,253,369	911,879,224
Operating Percentages (Page 4) (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	32.7
70. Net underwriting gain (loss) (Line 8)	(3.0)	0.5	(1.9)	(5.7)	0.6
Other Percentages					
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	30.2	31.0	34.8	31.7
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)	106.1	110.4	119.1	113.5	175.6
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	12,612	(10,094)	(896)	48,912	(63,709)
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)	0.9	(0.8)	(0.1)	5.2	(7.3)
Two Year Loss Development (000 omitted)					
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)	(5,215)	(11,653)	41,365	52,740	(81,727)
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)	(0.4)	(1.0)	4.4	6.1	(9.7)

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	44,298	19,001	14,039	6,088	2,552	270	983	35,530	X X X
2. 2007	1,536,892	232,810	1,304,082	782,621	113,434	62,057	7,556	106,411	5,128	51,273	824,971	X X X
3. 2008	1,588,636	266,206	1,322,430	921,814	145,278	68,006	7,742	120,084	4,469	46,651	952,415	X X X
4. 2009	1,504,216	307,572	1,196,644	802,160	145,226	59,002	6,650	112,664	1,197	44,088	820,753	X X X
5. 2010	1,506,464	270,874	1,235,590	843,714	143,066	61,136	5,526	118,736	403	49,982	874,591	X X X
6. 2011	1,583,371	318,809	1,264,562	928,696	171,866	63,693	7,915	119,323	363	61,802	931,568	X X X
7. 2012	1,704,491	342,717	1,361,774	925,628	178,895	60,110	7,823	122,577	103	69,863	921,494	X X X
8. 2013	1,794,606	366,076	1,428,530	846,914	178,703	47,416	5,019	119,945	165	53,976	830,388	X X X
9. 2014	1,827,753	356,916	1,470,837	792,706	158,808	35,853	2,711	115,211	167	42,185	782,084	X X X
10. 2015	1,886,130	388,360	1,497,770	751,749	169,278	20,710	1,539	110,861	85	49,191	712,418	X X X
11. 2016	1,938,872	390,139	1,548,733	585,183	150,330	8,152	620	90,746	1,032	19,167	532,099	X X X
12. Totals	X X X	X X X	X X X	8,225,483	1,573,885	500,174	59,189	1,139,110	13,382	489,161	8,218,311	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	342,721	128,306	208,021	112,641	20,374	13,938	90,375	37,343	9,706		2,484	378,969	X X X
2. 2007	21,435	5,204	29,092	3,883	785	242	2,952	651	531		236	44,815	X X X
3. 2008	27,804	6,132	41,535	5,964	847	137	5,267	1,577	748		1,663	62,391	X X X
4. 2009	26,346	4,564	42,901	7,511	934	145	4,408	1,106	443		506	61,706	X X X
5. 2010	31,188	5,615	38,773	5,386	1,322	449	7,035	954	676		761	66,590	X X X
6. 2011	37,911	5,680	49,796	7,001	1,774	357	10,956	1,612	1,033		1,387	86,820	X X X
7. 2012	57,239	11,419	72,318	9,753	3,249	803	17,450	1,923	2,510	2	4,774	128,866	X X X
8. 2013	72,181	11,924	84,992	12,150	3,343	731	21,809	2,617	15,315	7	5,651	170,211	X X X
9. 2014	99,964	17,143	110,136	22,076	3,611	701	31,139	2,746	9,010	16	7,552	211,178	X X X
10. 2015	138,032	14,456	164,748	27,909	3,369	315	45,785	3,618	16,039	4	15,535	321,671	X X X
11. 2016	188,666	16,867	312,465	42,725	2,525	209	52,831	3,347	41,526	19	39,603	534,846	X X X
12. Totals	1,043,487	227,310	1,154,777	256,999	42,133	18,027	290,007	57,494	97,537	48	80,152	2,068,063	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	309,795	69,174
2. 2007	1,005,884	136,098	869,786	65.449	58.459	66.697			6.000	41,440	3,375
3. 2008	1,186,105	171,299	1,014,806	74.662	64.348	76.738			6.000	57,243	5,148
4. 2009	1,048,858	166,399	882,459	69.728	54.101	73.744			6.000	57,172	4,534
5. 2010	1,102,580	161,399	941,181	73.190	59.585	76.173			6.000	58,960	7,630
6. 2011	1,213,182	194,794	1,018,388	76.620	61.101	80.533			6.000	75,026	11,794
7. 2012	1,261,081	210,721	1,050,360	73.986	61.485	77.132			6.000	108,385	20,481
8. 2013	1,211,915	211,316	1,000,599	67.531	57.725	70.044			6.000	133,099	37,112
9. 2014	1,197,630	204,368	993,262	65.525	57.259	67.530			6.000	170,881	40,297
10. 2015	1,251,293	217,204	1,034,089	66.342	55.929	69.042			6.000	260,415	61,256
11. 2016	1,282,094	215,149	1,066,945	66.126	55.147	68.891			6.000	441,539	93,307
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,713,955	354,108

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	1,279,648	1,241,445	1,269,492	1,270,179	1,297,302	1,303,592	1,317,832	1,332,857	1,335,592	1,338,267	2,675	5,410	
2. 2007	820,408	803,192	770,164	768,983	765,494	769,366	770,123	769,552	770,590	770,095	(495)	543	
3. 2008	X X X	921,187	899,723	888,123	887,854	891,097	901,649	900,612	900,710	901,538	828	926	
4. 2009	X X X	X X X	789,152	787,225	779,952	772,691	778,321	772,221	772,768	772,993	225	772	
5. 2010	X X X	X X X	X X X	821,634	821,138	824,510	833,780	825,584	826,174	825,585	(589)	1	
6. 2011	X X X	X X X	X X X	X X X	897,124	897,057	900,890	900,688	900,108	901,441	1,333	753	
7. 2012	X X X	X X X	X X X	X X X	X X X	931,640	938,727	929,809	924,273	927,858	3,585	(1,951)	
8. 2013	X X X	X X X	X X X	X X X	X X X	X X X	867,453	876,560	870,325	870,177	(148)	(6,383)	
9. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	876,020	873,405	870,734	(2,671)	(5,286)	
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	900,823	908,692	7,869	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	936,971	X X X	X X X	
											12. Totals	12,612	(5,215)

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	254,454	433,818	570,078	669,523	741,849	798,127	852,034	902,747	935,996	X X X	X X X
2. 2007	311,866	479,648	563,969	623,946	663,528	688,294	702,859	712,883	719,127	723,688	X X X	X X X
3. 2008	X X X	373,003	570,749	666,098	732,872	778,324	805,807	821,888	830,677	836,800	X X X	X X X
4. 2009	X X X	X X X	314,797	476,577	561,941	623,418	664,879	688,509	701,308	709,286	X X X	X X X
5. 2010	X X X	X X X	X X X	346,327	523,892	613,663	679,587	720,427	742,760	756,257	X X X	X X X
6. 2011	X X X	X X X	X X X	X X X	408,920	579,449	675,867	743,346	786,410	812,607	X X X	X X X
7. 2012	X X X	X X X	X X X	X X X	X X X	401,989	603,191	694,603	757,466	799,020	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	378,547	558,819	646,122	710,607	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	402,229	578,139	667,040	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	416,594	601,643	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	442,385	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	561,177	419,778	361,130	277,043	253,459	210,428	202,981	193,174	170,115	161,014
2. 2007	311,231	181,628	108,610	73,538	52,374	43,800	37,051	31,608	29,892	28,830
3. 2008	X X X	333,278	183,492	118,200	81,363	58,136	57,611	47,659	44,027	41,295
4. 2009	X X X	X X X	298,807	179,650	118,563	79,459	66,853	47,866	43,810	40,163
5. 2010	X X X	X X X	X X X	294,161	164,179	111,419	84,489	57,810	47,420	41,523
6. 2011	X X X	X X X	X X X	X X X	294,586	179,826	124,279	83,855	65,068	54,366
7. 2012	X X X	X X X	X X X	X X X	X X X	338,621	194,304	133,620	98,947	79,962
8. 2013	X X X	X X X	X X X	X X X	X X X	X X X	319,210	185,811	132,749	96,137
9. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	301,703	175,514	117,883
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	308,408	180,138
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	320,389

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	
		Active Status	2							3
1. Alabama	AL	L	23,816,257	24,339,821		10,528,416	9,184,139	4,592,991	819,829	
2. Alaska	AK	L	4,330,969	4,264,835		2,088,652	4,577,229	(1,301,761)	421,060	
3. Arizona	AZ	L	158,568,741	149,432,107		84,033,162	80,533,751	37,145,186	4,285,700	
4. Arkansas	AR	L	36,681,314	34,885,185		19,699,199	19,549,063	5,108,738	974,715	
5. California	CA	L	634,129,933	613,796,886		352,139,525	374,880,587	244,020,832	18,584,417	
6. Colorado	CO	L	312,803,047	282,210,471		205,000,544	229,417,928	88,974,139	7,945,963	
7. Connecticut	CT	L	30,134,212	32,204,523		13,037,778	12,868,248	14,953,424	1,157,550	
8. Delaware	DE	L	166,527	189,820		270	8,585	20,600	3,614	
9. District of Columbia	DC	L	1,108,697	1,426,454		1,711	63,455	236,891	24,063	
10. Florida	FL	L	15,813,760	16,057,973		13,473,916	17,005,109	12,316,443	1,215,950	
11. Georgia	GA	L	13,095,129	13,812,478		10,246,542	10,113,464	2,861,735	1,214,004	
12. Hawaii	HI	L	221,304	285,031		30,000	(86,241)	(647,165)	4,803	
13. Idaho	ID	L	8,998,750	8,750,948		3,700,379	6,054,096	5,331,936	639,914	
14. Illinois	IL	L	1,587,534	1,904,561		2,887,935	3,621,001	1,226,571	668,778	
15. Indiana	IN	L	725,133	797,818		519,958	218,971	260,755	559,538	
16. Iowa	IA	L	19,125,791	18,801,960		7,690,154	8,066,640	5,144,904	503,653	
17. Kansas	KS	L	82,525,100	84,336,316		39,877,876	38,076,759	12,884,000	2,023,530	
18. Kentucky	KY	L	79,611,035	78,431,914		33,904,593	34,500,290	12,696,924	2,147,295	
19. Louisiana	LA	L	679,041	796,424		761,148	675,722	545,145	384,511	
20. Maine	ME	L	112,822	128,991		2,154	9,600	20,936	2,449	
21. Maryland	MD	L	35,403,130	34,783,481		16,456,292	16,815,832	6,956,013	1,192,943	
22. Massachusetts	MA	L	49,081,619	49,359,027		25,640,326	29,410,197	13,372,505	1,136,184	
23. Michigan	MI	L	62,612,650	62,536,354		24,559,735	47,671,570	29,888,269	1,862,458	
24. Minnesota	MN	L	13,294,824	13,943,974		3,829,499	3,508,145	5,588,249	553,219	
25. Mississippi	MS	L	60,199,122	59,738,714		24,564,267	24,609,822	8,127,657	1,570,389	
26. Missouri	MO	L	141,990,332	137,682,385		71,528,356	68,179,926	25,525,219	3,577,903	
27. Montana	MT	L	61,678,423	58,823,262		53,200,808	55,221,497	16,381,300	1,930,213	
28. Nebraska	NE	L	16,604,829	15,180,705		12,771,993	15,254,329	3,446,884	453,409	
29. Nevada	NV	L	20,225,400	19,689,004		8,166,229	8,618,751	3,678,646	724,135	
30. New Hampshire	NH	L	54,363,686	53,513,077		20,506,886	19,070,756	12,081,436	1,311,622	
31. New Jersey	NJ	L	1,289,110	1,288,310		505,583	1,097,700	(2,106,835)	27,978	7,189
32. New Mexico	NM	L	77,776,071	76,090,610		58,070,949	56,240,280	27,428,094	2,092,033	
33. New York	NY	L	8,558,678	9,100,300		(1,105,518)	(1,024,590)	(18,316,533)	889,224	
34. North Carolina	NC	L	28,697,963	30,494,878		16,586,040	14,486,042	2,514,361	1,205,754	
35. North Dakota	ND	L	14,416,334	13,749,410		9,230,219	9,762,935	3,130,394	349,636	
36. Ohio	OH	L	13,584,444	13,143,752		4,042,794	4,218,930	4,385,468	1,359,159	
37. Oklahoma	OK	L	177,890,440	172,217,386		74,050,379	77,754,662	30,527,511	4,233,090	
38. Oregon	OR	L	3,043,587	3,089,804		2,944,542	3,801,122	7,719,112	1,177,578	
39. Pennsylvania	PA	L	17,740,005	17,876,577		5,011,268	1,783,269	9,085,292	1,240,599	
40. Rhode Island	RI	L	175,715	181,535		570	3,412	543,389	3,814	
41. South Carolina	SC	L	37,122,678	37,782,287		20,276,501	22,791,436	6,185,421	1,490,833	
42. South Dakota	SD	L	23,270,793	21,478,098		11,245,166	11,405,865	5,352,136	555,047	
43. Tennessee	TN	L	66,238,968	66,220,685		42,835,487	62,281,434	32,184,734	2,108,761	
44. Texas	TX	L	24,431,971	24,742,642	250,790	21,068,266	14,510,737	19,848,052	4,260,218	
45. Utah	UT	L	13,004,780	12,617,239		6,505,876	6,592,796	2,640,900	439,285	
46. Vermont	VT	L	12,741,707	12,248,003		3,382,357	5,635,220	3,805,236	317,356	
47. Virginia	VA	L	6,823,802	6,890,672		1,527,430	959,602	1,283,064	662,760	
48. Washington	WA	L	222,619,190	219,687,482		95,576,549	85,635,008	78,305,261	8,287,793	
49. West Virginia	WV	L	40,258,123	40,541,389		21,769,912	22,918,331	11,477,812	1,028,685	
50. Wisconsin	WI	L	16,887,246	16,424,159		5,308,666	4,459,614	3,409,573	507,506	
51. Wyoming	WY	L	18,336,634	18,274,657		12,918,799	13,257,458	3,505,359	608,661	
52. American Samoa	AS	N								
53. Guam	GU	L	146,122	381,889		341,841	542,557	233,668	3,171	
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N		89			(3)	15		
56. Northern Mariana Islands	MP	N								
57. Canada	CAN	N								
58. Aggregate Other Alien	OT	X X X	304	304			(5,795)	(3,331)	1,627,850	
59. Totals	(a) 52		2,764,743,776	2,686,626,656	250,790	1,472,941,979	1,556,807,243	804,577,555	92,370,602	7,189

DETAILS OF WRITE-INS										
58001. ZZZ Other Alien	X X X		304	304			(5,795)	(3,331)	1,627,850	
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		304	304			(5,795)	(3,331)	1,627,850	

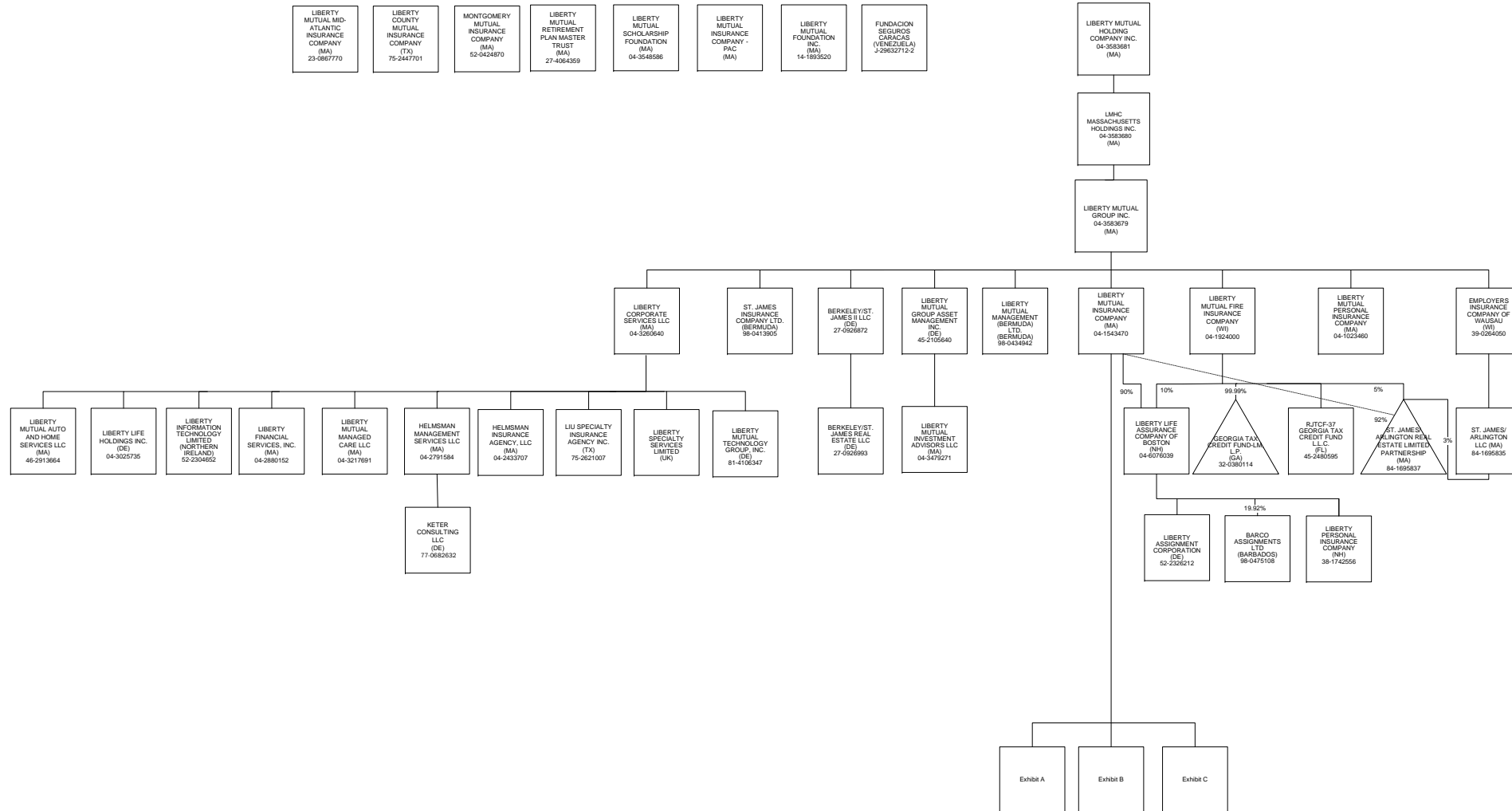
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

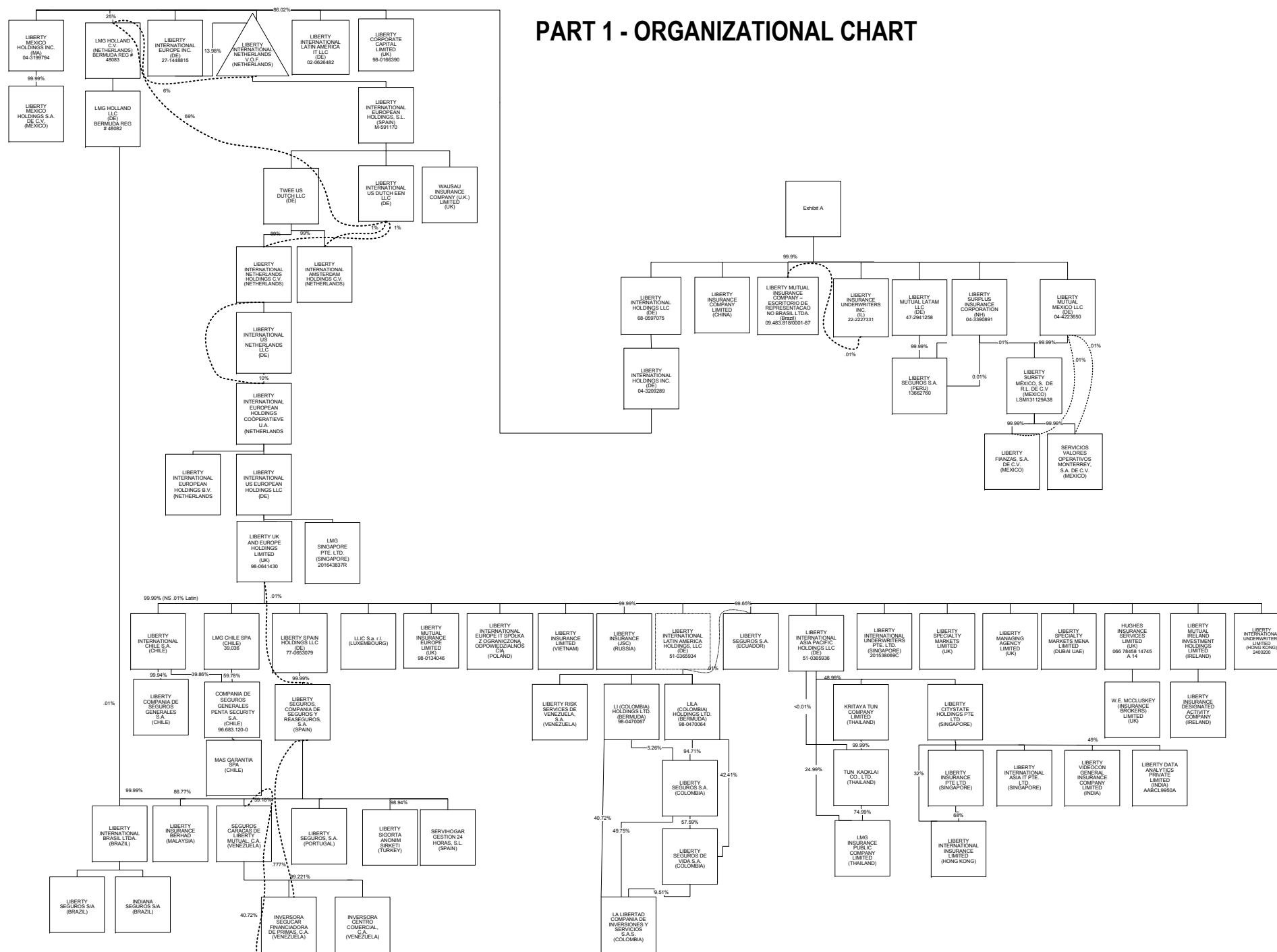
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



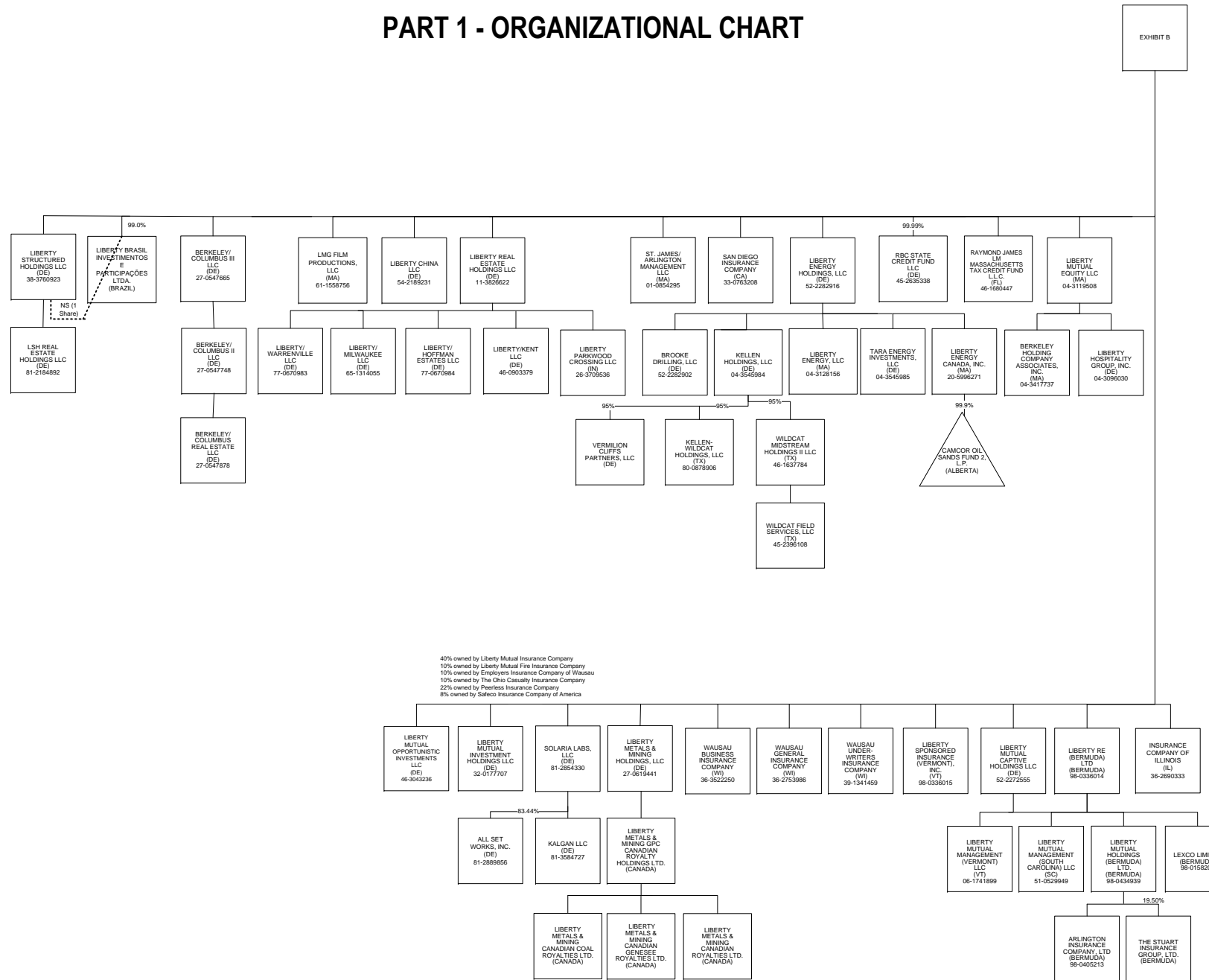
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



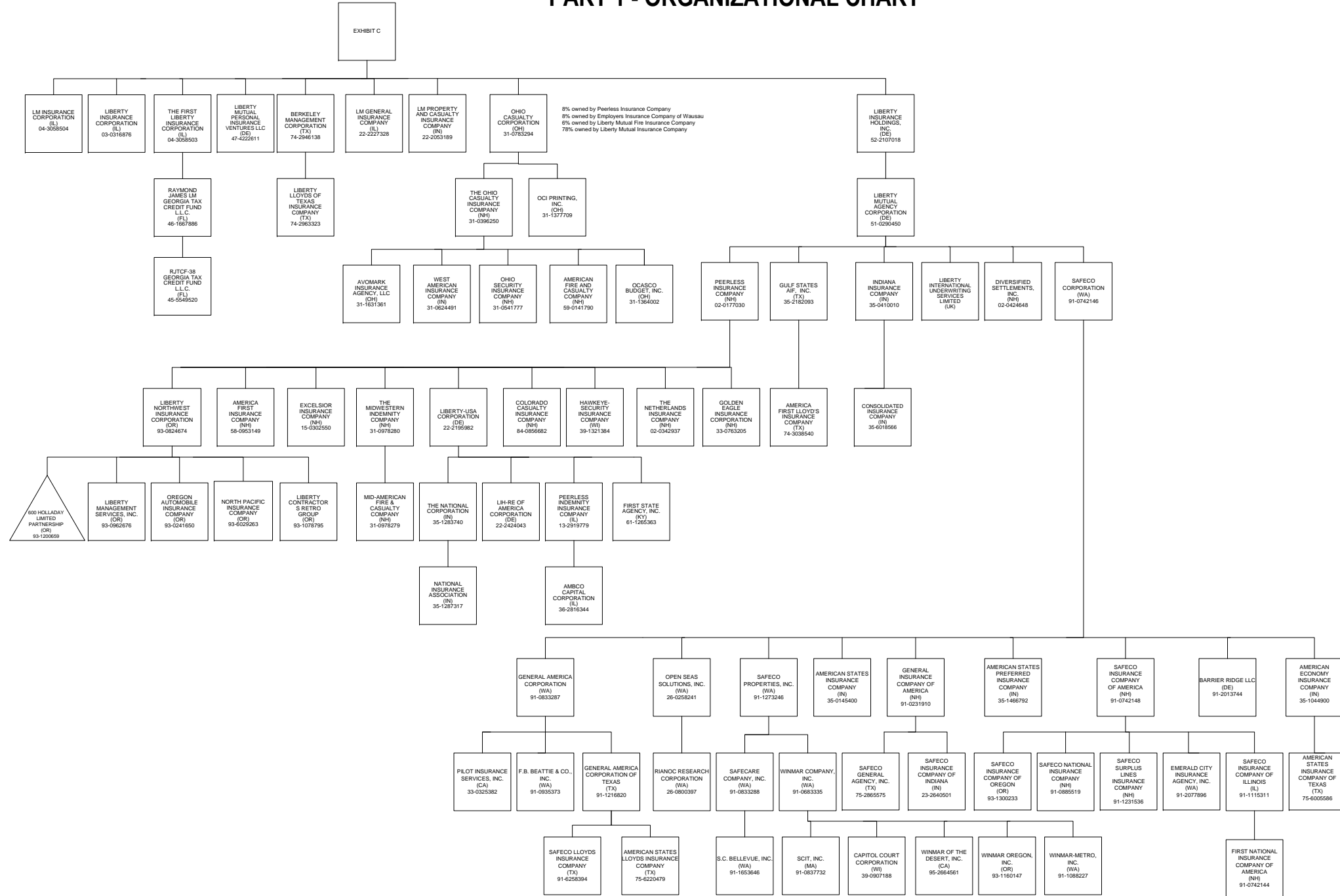
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

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
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Other assets	7,281,576	6,304,613	976,963	1,380,496
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	7,281,576	6,304,613	976,963	1,380,496

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