

**ANNUAL STATEMENT**

**OF THE**

**EMPLOYERS INSURANCE COMPANY OF WAUSAU**

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**of** WAUSAU

**in the state of** WISCONSIN

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2017**

**PROPERTY AND CASUALTY**

**2017**



21458201720100100

ANNUAL STATEMENT

For the Year Ended December 31, 2017
OF THE CONDITION AND AFFAIRS OF THE

Employers Insurance Company of Wausau

NAIC Group Code 0111 0111 NAIC Company Code 21458 Employer's ID Number 39-0264050
Organized under the Laws of Wisconsin, State of Domicile or Port of Entry WI
Country of Domicile United States of America
Incorporated/Organized August 21, 1911 Commenced Business September 1, 1911
Statutory Home Office 2000 Westwood Drive, Wausau, WI, US 54401
Main Administrative Office 175 Berkeley Street, Boston, MA, US 02116
Mail Address 175 Berkeley Street, Boston, MA, US 02116
Primary Location of Books and Records 175 Berkeley Street, Boston, MA, US 02116
Internet Web Site Address www.LibertyMutualGroup.com
Statutory Statement Contact Lindsey Pendergast, 617-357-9500 x41177, Statutory.Compliance@LibertyMutual.com, 857-224-1430

OFFICERS

Chairman of the Board
James Paul Condrin, III

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

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

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

State of Massachusetts
County of Suffolk ss

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

(Signature) James Paul Condrin, III (Printed Name) 1. President and Chief Executive Officer (Title)
(Signature) Kristin Lynn Kelley # (Printed Name) 2. Vice President and Secretary (Title)
(Signature) Laurance Henry Soyer Yahia (Printed Name) 3. Vice President and Treasurer (Title)

Subscribed and sworn to (or affirmed) before me this on this 8th day of January, 2018, 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)	4,025,082,267		4,025,082,267	3,855,332,226
2. Stocks (Schedule D):				
2.1 Preferred stocks				41,654,305
2.2 Common stocks	138,844,042		138,844,042	175,276,445
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	150,158,318		150,158,318	157,534,690
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	30,720		30,720	30,720
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (78,295,676), Schedule E - Part 1), cash equivalents (\$ 92,282,414, Schedule E - Part 2), and short-term investments (\$ 160,325,666, Schedule DA)	174,312,404		174,312,404	48,244,506
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	326,259,163		326,259,163	270,683,618
9. Receivables for securities	3,430,134		3,430,134	344,967
10. Securities lending reinvested collateral assets (Schedule DL)	92,251,223		92,251,223	54,935,515
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	4,910,368,271		4,910,368,271	4,604,036,992
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	31,830,105		31,830,105	31,481,388
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	140,043,451	9,726,099	130,317,352	113,320,644
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 4,289,848 earned but unbilled premiums)	586,358,964	428,985	585,929,979	553,511,156
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	34,621,242	3,464,974	31,156,268	31,946,332
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	32,075,127		32,075,127	32,554,987
16.2 Funds held by or deposited with reinsured companies	2,429,365		2,429,365	1,839,970
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	3,629	61	3,568	5,227
18.1 Current federal and foreign income tax recoverable and interest thereon	5,783,456		5,783,456	
18.2 Net deferred tax asset	78,739,000		78,739,000	125,609,000
19. Guaranty funds receivable or on deposit	1,774,777		1,774,777	1,788,385
20. Electronic data processing equipment and software	58,116		58,116	58,116
21. Furniture and equipment, including health care delivery assets (\$ 0)	45,256	45,256		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	138,912,029		138,912,029	18,484,601
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	115,641,118	8,587,641	107,053,477	99,694,979
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	6,078,683,906	22,253,016	6,056,430,890	5,614,331,777
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	6,078,683,906	22,253,016	6,056,430,890	5,614,331,777

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	76,556,889		76,556,889	71,874,739
2502. Equities and deposits in pools and associations	15,748,100		15,748,100	13,492,718
2503. Amounts receivable under high deductible policies	13,463,514	1,164	13,462,350	13,028,134
2598. Summary of remaining write-ins for Line 25 from overflow page	9,872,615	8,586,477	1,286,138	1,299,388
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	115,641,118	8,587,641	107,053,477	99,694,979

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,622,655,277	2,285,275,090
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	34,104,010	36,167,815
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	522,741,759	472,145,281
4. Commissions payable, contingent commissions and other similar charges	43,341,808	43,979,530
5. Other expenses (excluding taxes, licenses and fees)	67,005,874	77,935,113
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	22,903,201	19,898,155
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		13,929,883
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 \$ 284,877,357 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)	1,200,504,734	1,108,755,728
10. Advance premium	6,668,713	6,947,798
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	154,803	151,185
12. Ceded reinsurance premiums payable (net of ceding commissions)	31,032,725	26,893,799
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	1,517,791	2,170,944
14. Amounts withheld or retained by company for account of others	3,661,188	3,159,676
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)	469,662	543,261
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	35,108,140	30,066,821
20. Derivatives		
21. Payable for securities	46,628,837	16,624,442
22. Payable for securities lending	92,251,223	54,935,515
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(195,833,778)	(171,085,076)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	4,534,915,967	4,028,494,960
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	4,534,915,967	4,028,494,960
29. Aggregate write-ins for special surplus funds	28,196,932	15,241,173
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	340,000,000	340,000,000
35. Unassigned funds (surplus)	1,148,317,991	1,225,595,647
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)	1,521,514,923	1,585,836,820
38. Totals (Page 2, Line 28, Col. 3)	6,056,430,890	5,614,331,780

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	46,910,337	31,388,843
2502. Amounts held under uninsured plans	43,753,200	46,881,705
2503. Retroactive reinsurance reserves	(286,497,315)	(249,355,624)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(195,833,778)	(171,085,076)
2901. Special surplus from retroactive reinsurance	28,196,932	15,241,173
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)	28,196,932	15,241,173
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	2,200,796,874	2,064,977,741
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,451,948,697	1,169,463,952
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	298,103,289	272,887,232
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	676,905,160	684,267,158
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	2,426,957,146	2,126,618,342
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(226,160,272)	(61,640,601)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	139,932,627	131,114,585
10. Net realized capital gains (losses) less capital gains tax of \$ 4,083,274 (Exhibit of Capital Gains (Losses))	7,320,826	288,872
11. Net investment gain (loss) (Lines 9 + 10)	147,253,453	131,403,457
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 440,533 amount charged off \$ 8,982,720)	(8,542,187)	(7,212,700)
13. Finance and service charges not included in premiums	16,246,071	12,777,653
14. Aggregate write-ins for miscellaneous income	6,965,941	1,231,642
15. Total other income (Lines 12 through 14)	14,669,825	6,796,595
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(64,236,994)	76,559,451
17. Dividends to policyholders	1,087,484	1,421,572
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)	(65,324,478)	75,137,879
19. Federal and foreign income taxes incurred	(17,200,274)	17,260,454
20. Net income (Line 18 minus Line 19) (to Line 22)	(48,124,204)	57,877,425
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,585,836,820	1,514,388,515
22. Net income (from Line 20)	(48,124,204)	57,877,425
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (1,028,443)	30,105,982	16,364,860
25. Change in net unrealized foreign exchange capital gain (loss)	3,140,311	1,858,897
26. Change in net deferred income tax	(47,898,443)	(5,843,963)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(1,619,142)	701,087
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	73,599	489,999
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(64,321,897)	71,448,305
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,521,514,923	1,585,836,820

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive reinsurance gain/(loss)	15,808,630	8,196,133
1402. Other income/(expense)	(8,842,689)	(6,964,491)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	6,965,941	1,231,642
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)		

**CASH FLOW**

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	2,214,644,624	2,085,027,048
2. Net investment income	150,133,323	140,693,635
3. Miscellaneous income	9,962,558	2,892,038
4. Total (Lines 1 through 3)	2,374,740,505	2,228,612,721
5. Benefit and loss related payments	1,277,509,749	1,118,064,318
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	938,029,959	951,528,805
8. Dividends paid to policyholders	1,083,866	1,327,681
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	6,596,339	19,321,160
10. Total (Lines 5 through 9)	2,223,219,913	2,090,241,964
11. Net cash from operations (Line 4 minus Line 10)	151,520,592	138,370,757
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,741,233,620	745,854,756
12.2 Stocks	72,306,009	53,799,778
12.3 Mortgage loans	17,303,468	12,497,977
12.4 Real estate		4,781,032
12.5 Other invested assets	316,282,761	294,840,538
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(12)	
12.7 Miscellaneous proceeds	(3,085,167)	1,076,696
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,144,040,679	1,112,850,777
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,915,817,565	848,085,039
13.2 Stocks		2,566,444
13.3 Mortgage loans	9,847,630	22,564,812
13.4 Real estate		406,754
13.5 Other invested assets	367,915,828	306,848,827
13.6 Miscellaneous applications	(29,776,275)	(5,681,487)
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,263,804,748	1,174,790,389
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)	(119,764,069)	(61,939,612)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	94,311,373	(85,440,851)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	94,311,373	(85,440,851)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	126,067,896	(9,009,706)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	48,244,507	57,254,213
19.2 End of year (Line 18 plus Line 19.1)	174,312,403	48,244,507

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

20.0001	2 - Net investment income	269,544	409,105
20.0002	5 - Benefits and loss related payments	130,860,224	
20.0003	12.1 - Proceeds from investments sold, matured or repaid - Bonds	60,020,974	800,079
20.0004	12.4 Proceeds from investments sold, matured or repaid - Mortgage loans		62,367
20.0005	13.1 Cost of Investment Acquired - Bonds	201,192,844	1,209,184
20.0006	13.5 Cost of Investment Acquired - Other Invested Assets		62,367
20.0007	16.6 - Other cash provided (applied)	10,042,102	

## 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	47,308,586	21,835,650	22,438,739	46,705,497
2. Allied lines	35,170,956	16,115,412	17,895,268	33,391,100
3. Farmowners multiple peril	8,263,304	4,052,384	4,106,107	8,209,581
4. Homeowners multiple peril	479,905,960	248,793,084	259,965,879	468,733,165
5. Commercial multiple peril	180,941,560	90,000,127	89,129,999	181,811,688
6. Mortgage guaranty				
8. Ocean marine	6,282,584	4,542,223	4,394,701	6,430,106
9. Inland marine	68,300,320	14,295,996	15,560,549	67,035,767
10. Financial guaranty				
11.1 Medical professional liability—occurrence	7,975,081	2,844,642	3,989,375	6,830,348
11.2 Medical professional liability—claims-made	7,190,425	582,107	3,885,290	3,887,242
12. Earthquake	5,184,124	2,698,958	2,621,894	5,261,188
13. Group accident and health	1,312,858	(10,107)	702,651	600,100
14. Credit accident and health (group and individual)				
15. Other accident and health	4,461,957	17,768	1,364,144	3,115,581
16. Workers' compensation	158,537,519	11,633,608	9,224,826	160,946,301
17.1 Other liability—occurrence	180,383,027	69,457,383	90,324,240	159,516,170
17.2 Other liability—claims-made	71,944,094	31,332,613	47,734,217	55,542,490
17.3 Excess workers' compensation	3,434,881	1,759,991	1,612,533	3,582,339
18.1 Products liability—occurrence	14,081,310	7,952,615	7,860,126	14,173,799
18.2 Products liability—claims-made	1,649,151	326,609	828,997	1,146,763
19.1,19.2 Private passenger auto liability	529,067,662	247,711,540	264,966,264	511,812,938
19.3,19.4 Commercial auto liability	109,251,138	49,361,792	52,333,352	106,279,578
21. Auto physical damage	258,899,799	192,924,628	201,639,448	250,184,979
22. Aircraft (all perils)	4,097,403	1,867,516	1,830,134	4,134,785
23. Fidelity	3,861,652	1,517,385	773,788	4,605,249
24. Surety	63,420,895	41,304,790	43,900,114	60,825,571
26. Burglary and theft	404,516	30,220	264,613	170,123
27. Boiler and machinery	2,972,177	1,404,458	1,317,024	3,059,611
28. Credit	1,407,383	210,503	1,654,776	(36,890)
29. International				
30. Warranty	(54,952)	39,546		(15,406)
31. Reinsurance-nonproportional assumed property	16,540,558	2,455,618	2,885,536	16,110,640
32. Reinsurance-nonproportional assumed liability	8,634,795	2,984,874	3,294,965	8,324,704
33. Reinsurance-nonproportional assumed financial lines	3,186,206	680,929	3,406,899	460,236
34. Aggregate write-ins for other lines of business				
35. TOTALS	2,284,016,929	1,070,724,862	1,161,906,448	2,192,835,343

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	21,914,382	524,358			22,438,740
2. Allied lines	17,699,328	195,940			17,895,268
3. Farmowners multiple peril	4,082,096	24,010			4,106,106
4. Homeowners multiple peril	259,595,471	370,408			259,965,879
5. Commercial multiple peril	87,742,646	3,248,001	(1,860,649)		89,129,998
6. Mortgage guaranty					
8. Ocean marine	2,937,982	1,456,719			4,394,701
9. Inland marine	12,665,056	2,895,493			15,560,549
10. Financial guaranty					
11.1 Medical professional liability—occurrence	3,513,405	475,970			3,989,375
11.2 Medical professional liability—claims-made	2,691,555	1,193,735			3,885,290
12. Earthquake	2,575,490	46,403			2,621,893
13. Group accident and health	415,236	287,415			702,651
14. Credit accident and health (group and individual)					
15. Other accident and health	1,362,888	1,256			1,364,144
16. Workers' compensation	45,425,711	3,378,007	(1,908,876)	(37,670,015)	9,224,827
17.1 Other liability—occurrence	73,964,012	14,936,707	(193,427)	1,616,948	90,324,240
17.2 Other liability—claims-made	34,112,745	13,625,267	(3,795)		47,734,217
17.3 Excess workers' compensation	1,498,544	113,989			1,612,533
18.1 Products liability—occurrence	4,605,720	2,792,006	(62,665)	525,065	7,860,126
18.2 Products liability—claims-made	781,318	47,679			828,997
19.1,19.2 Private passenger auto liability	261,126,042	3,840,222			264,966,264
19.3,19.4 Commercial auto liability	50,269,959	1,104,260	52,372	906,761	52,333,352
21. Auto physical damage	201,574,158	65,291			201,639,449
22. Aircraft (all perils)	1,443,286	386,848			1,830,134
23. Fidelity	1,132,544	(358,756)			773,788
24. Surety	13,382,796	30,517,317			43,900,113
26. Burglary and theft	234,644	29,969			264,613
27. Boiler and machinery	1,272,727	44,297			1,317,024
28. Credit	129,550	1,525,226			1,654,776
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property	2,535,708	349,828			2,885,536
32. Reinsurance-nonproportional assumed liability	2,984,773	310,192			3,294,965
33. Reinsurance-nonproportional assumed financial lines	3,406,899				3,406,899
34. Aggregate write-ins for other lines of business					
35. TOTALS	1,117,076,671	83,428,057	(3,977,040)	(34,621,241)	1,161,906,447
36. Accrued retrospective premiums based on experience					34,621,242
37. Earned but unbilled premiums					3,977,040
38. Balance (Sum of Lines 35 through 37)					1,200,504,729

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	41,768,484	47,308,586	1,833	38,756,370	3,013,947	47,308,586
2. Allied lines	12,289,272	35,170,956	518	11,416,672	873,118	35,170,956
3. Farmowners multiple peril		8,263,304				8,263,304
4. Homeowners multiple peril	173,697	506,646,186		26,913,924		479,905,959
5. Commercial multiple peril	3,682,862	181,079,333		3,820,635		180,941,560
6. Mortgage guaranty						
8. Ocean marine		6,282,584				6,282,584
9. Inland marine	40,605	68,919,555		659,840		68,300,320
10. Financial guaranty						
11.1 Medical professional liability--occurrence		7,975,081				7,975,081
11.2 Medical professional liability--claims-made		7,190,425				7,190,425
12. Earthquake	8,345,091	5,189,281		8,066,229	284,019	5,184,124
13. Group accident and health		1,312,858				1,312,858
14. Credit accident and health (group and individual)						
15. Other accident and health		4,461,957				4,461,957
16. Workers' compensation	127,421,516	156,066,664	4,480,454	130,538,566	(1,107,452)	158,537,520
17.1 Other liability—occurrence	(125,917)	183,492,413		2,601,292	382,177	180,383,027
17.2 Other liability—claims-made	65,314	71,944,094		65,314		71,944,094
17.3 Excess workers' compensation		3,434,881				3,434,881
18.1 Products liability—occurrence	7,897,683	14,033,233		7,849,606		14,081,310
18.2 Products liability—claims-made		1,649,151				1,649,151
19.1,19.2 Private passenger auto liability	146,327	765,201,007		236,279,673		529,067,661
19.3,19.4 Commercial auto liability	24,844,859	109,200,024	382,301	24,417,801	758,245	109,251,138
21. Auto physical damage	5,788,626	378,601,338	1,515	125,490,405	1,275	258,899,799
22. Aircraft (all perils)		4,097,403				4,097,403
23. Fidelity	229,559	3,861,652		229,559		3,861,652
24. Surety	366,844	63,420,895		366,844		63,420,895
26. Burglary and theft	102,843	404,520		102,847		404,516
27. Boiler and machinery	3,245,883	2,972,177		3,245,883		2,972,177
28. Credit		1,407,383				1,407,383
29. International						
30. Warranty		(54,952)				(54,952)
31. Reinsurance-nonproportional assumed property	X X X	16,540,558				16,540,558
32. Reinsurance-nonproportional assumed liability	X X X	8,634,795	2,458		2,458	8,634,795
33. Reinsurance-nonproportional assumed financial lines	X X X	3,186,206				3,186,206
34. Aggregate write-ins for other lines of business						
35. TOTALS	236,283,548	2,667,893,548	4,869,079	620,821,460	4,207,787	2,284,016,928

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 [ X ] No [ ]

If yes: 1. The amount of such installment premiums \$ 123,059,929

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 107,482,522



## 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	8,190,016	20,217,634	8,201,219	20,206,431	2,927,240	26,877,349	3,068,994	46,942,026	917,980
2. Allied lines	4,430,794	22,163,869	4,431,673	22,162,990	754,289	14,358,917	781,469	36,494,727	1,578,636
3. Farmowners multiple peril		2,895,035		2,895,035		(159,593)		2,735,442	202,470
4. Homeowners multiple peril		54,774,866	1,793,306	52,981,560	5,348	75,955,723	2,125,877	126,816,754	20,668,176
5. Commercial multiple peril	3,664,964	118,678,852	20,897,598	101,446,218	5,326,158	91,932,475	4,816,550	193,888,301	53,988,269
6. Mortgage guaranty									
8. Ocean marine		4,358,676		4,358,676		3,358,754		7,717,430	1,181,199
9. Inland marine		5,251,964	5,000	5,246,964	(1,496,318)	4,166,112	(1,416,921)	9,333,679	1,818,964
10. Financial guaranty									
11.1 Medical professional liability—occurrence		2,407,667		2,407,667		9,439,418		11,847,085	1,215,902
11.2 Medical professional liability—claims-made		7,743,498		7,743,498		10,761,395		18,504,893	2,962,725
12. Earthquake		127,779		127,779		(2,977)		124,802	37,769
13. Group accident and health	1,395,073	250,665	1,395,073	250,665		284,779		(a) 535,444	20,374
14. Credit accident and health (group and individual)									
15. Other accident and health		603,409		603,409		3,495,433		(a) 4,098,842	442,640
16. Workers' compensation	624,259,171	967,240,044	1,168,576,141	422,923,074	373,157,062	968,734,948	810,717,612	954,097,472	148,716,080
17.1 Other liability—occurrence	60,569,657	154,814,075	88,452,570	126,931,162	208,361,319	237,373,327	203,962,815	368,702,993	99,299,805
17.2 Other liability—claims-made	80,006	35,953,238	80,006	35,953,238	110,358	103,900,606	110,358	139,853,844	32,973,475
17.3 Excess workers' compensation	9,236,734	21,903,818	9,236,734	21,903,818	1,091,460	24,094,422	1,093,197	45,996,503	5,604,272
18.1 Products liability—occurrence	76,785,378	16,490,650	82,124,187	11,151,841	150,134,421	19,714,403	151,617,022	29,383,643	22,113,670
18.2 Products liability—claims-made	69,238	258,294	69,238	258,294	(98)	2,849,589	(98)	3,107,883	1,461,502
19.1,19.2 Private passenger auto liability	16,900	309,365,216	49,774,322	259,607,794	20,220	261,761,081	82,686,908	438,702,187	95,021,408
19.3,19.4 Commercial auto liability	85,662,670	100,114,177	107,668,069	78,108,778	19,088,128	89,650,077	33,477,065	153,369,918	15,391,831
21. Auto physical damage	(6)	1,404,356	(49)	1,404,399	106,142	12,767,309	4,400,532	9,877,318	8,013,488
22. Aircraft (all perils)		3,838,091		3,838,091	57,787	430,203	57,787	4,268,294	1,891,959
23. Fidelity	3,937	999,273	3,938	999,272	195,691	5,536,977	(96,520)	6,828,460	745,252
24. Surety	14,412	3,391,954	14,412	3,391,954	(85,571)	14,329,913	(85,626)	17,721,922	4,487,540
26. Burglary and theft	8,562	22,412	8,564	22,410	(2,782)	162,488	(3,688)	185,804	44,167
27. Boiler and machinery		1,121,868		1,121,868	196,339	379,010	196,339	1,500,878	123,681
28. Credit		(47,761)		(47,761)		832,903		785,142	122,027
29. International									
30. Warranty						97,649		97,649	46,420
31. Reinsurance-nonproportional assumed property	X X X	5,530,847		5,530,847	X X X	(34,817,744)		(29,286,897)	315,801
32. Reinsurance-nonproportional assumed liability	X X X	95,429,654	89,546,592	5,883,062	X X X	284,659,949	273,025,510	17,517,501	1,319,017
33. Reinsurance-nonproportional assumed financial lines	X X X	791,518		791,518	X X X	113,814		905,332	15,257
34. Aggregate write-ins for other lines of business									
35. TOTALS	874,387,506	1,958,095,638	1,632,278,593	1,200,204,551	759,947,193	2,233,038,709	1,570,535,182	2,622,655,271	522,741,756

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	38,613,120			38,613,120
1.2 Reinsurance assumed	165,285,234			165,285,234
1.3 Reinsurance ceded	59,461,443			59,461,443
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	144,436,911			144,436,911
2. Commission and brokerage:				
2.1 Direct, excluding contingent		17,937,968		17,937,968
2.2 Reinsurance assumed, excluding contingent		148,846,979		148,846,979
2.3 Reinsurance ceded, excluding contingent		24,375,898		24,375,898
2.4 Contingent—direct		65,546		65,546
2.5 Contingent—reinsurance assumed		27,316,871		27,316,871
2.6 Contingent—reinsurance ceded		304,375		304,375
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)		169,487,091		169,487,091
3. Allowances to manager and agents		21,876,504		21,876,504
4. Advertising	204,670	35,791,756	8,065	36,004,491
5. Boards, bureaus and associations	651,895	3,841,097	5,107	4,498,099
6. Surveys and underwriting reports	25,053	12,451,361	178	12,476,592
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	90,118,174	186,055,738	5,866,500	282,040,412
8.2 Payroll taxes	3,787,219	16,853,568	255,202	20,895,989
9. Employee relations and welfare	14,350,678	60,690,140	1,059,810	76,100,628
10. Insurance	11,209,197	2,619,672	155,202	13,984,071
11. Directors' fees	2,154	12,188	171	14,513
12. Travel and travel items	4,762,142	10,787,769	179,974	15,729,885
13. Rent and rent items	4,690,821	21,118,716	326,915	26,136,452
14. Equipment	3,104,100	10,856,109	966,007	14,926,216
15. Cost or depreciation of EDP equipment and software	3,249,076	9,056,800	338,850	12,644,726
16. Printing and stationery	523,388	1,944,595	23,052	2,491,035
17. Postage, telephone and telegraph, exchange and express	2,311,379	12,028,008	134,847	14,474,234
18. Legal and auditing	830,893	3,335,002	171,138	4,337,033
19. Totals (Lines 3 to 18)	139,820,839	409,319,023	9,491,018	558,630,880
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 324,268		51,592,071		51,592,071
20.2 Insurance department licenses and fees		4,945,858		4,945,858
20.3 Gross guaranty association assessments		(137,471)		(137,471)
20.4 All other (excluding federal and foreign income and real estate)		7,900,632		7,900,632
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		64,301,090		64,301,090
21. Real estate expenses			(160)	(160)
22. Real estate taxes			27,998	27,998
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	13,845,540	33,797,956	1,262,445	48,905,941
25. Total expenses incurred	298,103,290	676,905,160	10,781,301	(a) 985,789,751
26. Less unpaid expenses—current year	522,741,759	133,250,883		655,992,642
27. Add unpaid expenses—prior year	472,145,281	141,812,798		613,958,079
28. Amounts receivable relating to uninsured plans, prior year		5,227		5,227
29. Amounts receivable relating to uninsured plans, current year		3,568		3,568
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	247,506,812	685,465,416	10,781,301	943,753,529

DETAILS OF WRITE-IN LINES				
2401. Other Expense	13,845,540	33,797,956	1,262,445	48,905,941
2402. Change in unallocated expense reserves				
2403. Summary of remaining write-ins for item 21 from overflow page				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	13,845,540	33,797,956	1,262,445	48,905,941

(a) Includes management fees of \$ 320,746,909 to affiliates and \$ 21,874,369 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 8,273,209	8,209,104
1.1 Bonds exempt from U.S. tax	(a) 32,054,888	31,710,983
1.2 Other bonds (unaffiliated)	(a) 83,877,807	84,180,944
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 1,792,857	1,506,023
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	286,618	286,603
2.21 Common stocks of affiliates	1,272,340	1,272,340
3. Mortgage loans	(c) 7,754,839	7,700,185
4. Real estate	(d) 27,838	27,838
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 3,985,258	4,780,862
7. Derivative instruments	(f)	
8. Other invested assets	10,525,154	10,525,154
9. Aggregate write-ins for investment income	513,893	513,893
10. Total gross investment income	150,364,701	150,713,929
11. Investment expenses		(g) 10,781,301
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)		10,781,301
17. Net investment income (Line 10 minus Line 16)		139,932,628

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	513,893	513,893
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)	513,893	513,893
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 \$ 2,411,397 accrual of discount less \$ 13,230,866 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 \$ 70 paid for accrued interest on purchases.
- (d) Includes \$ 27,838 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 235,167 accrual of discount less \$ 29,226 amortization of premium and less \$ 902 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	(972,798)		(972,798)		
1.1 Bonds exempt from U.S. tax	171,041		171,041	58,571	
1.2 Other bonds (unaffiliated)	6,968,999	(141,313)	6,827,686	(482,717)	(190,331)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	(382,761)	(2,783,495)	(3,166,256)	5,477,870	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	8,909,607		8,909,607	(5,872,288)	
2.21 Common stocks of affiliates				(11,129,633)	
3. Mortgage loans	(130,550)		(130,550)	210,016	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	(12)		(12)		
7. Derivative instruments					
8. Other invested assets	166,098	(172,596)	(6,498)	40,815,720	448,963
9. Aggregate write-ins for capital gains (losses)	(228,120)		(228,120)		
10. Total capital gains (losses)	14,501,504	(3,097,404)	11,404,100	29,077,539	258,632

DETAILS OF WRITE-IN LINES					
0901. Miscellaneous gains (losses)	(228,120)		(228,120)		
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)	(228,120)		(228,120)		

## 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	9,726,099	7,983,412	(1,742,687)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	428,985	298,875	(130,110)
15.3 Accrued retrospective premiums and contracts subject to redetermination	3,464,974	3,547,869	82,895
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	61	37	(24)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	45,256	45,256	
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	8,587,641	8,408,380	(179,261)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	22,253,016	20,283,829	(1,969,187)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	22,253,016	20,283,829	(1,969,187)

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	8,586,477	2,230	(8,584,247)
2502. Other assets	1,164	8,406,150	8,404,986
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	8,587,641	8,408,380	(179,261)

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Summary of Significant Accounting Policies and Going Concern

#### A. Accounting Practices

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

Effective December 31, 1998, the Company entered into a reinsurance treaty with Nationwide Indemnity Company, with Nationwide Mutual Insurance Company as guarantor of the recoverables ceded under the treaty. The Wisconsin Insurance Commissioner has issued a Permitted Practice Decision allowing the guarantee to be used as credit for reinsurance collateral, reducing the provision for reinsurance by \$27,207,000.

The Company does not have any prescribed or permitted accounting practices.

#### NET INCOME

	SSAP #	F/S Page	F/S Line #	2017	2016
1. Employers Insurance Company of Wausau state basis (Page 4, Line 20, Columns 1 & 3)	XXX	XXX	XXX	(\$48,124,204)	\$57,877,425
2. State Prescribed Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
3. State Permitted Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
4. NAIC SAP (1-2-3=4)	XXX	XXX	XXX	<u>(\$48,124,204)</u>	<u>\$57,877,425</u>

#### SURPLUS

5. Company state basis (Page 3, Line 37, Columns 1 & 2)	XXX	XXX	XXX	\$1,521,514,923	\$1,585,836,820
6. State Prescribed Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
7. State Permitted Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
8. NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>\$1,521,514,923</u>	<u>\$1,585,836,820</u>

#### 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).

## NOTES TO FINANCIAL STATEMENTS

4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
  5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
  6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are based on market expectations. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
  7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*, and the SVO Manual.
  8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
  9. Derivative Securities, refer to Note 8.
  10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
  11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and an amount, based on past experience, for losses and loss adjustment expenses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
  12. The Company did not change its capitalization policy in 2017.
  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 Corrections of Errors**

- 1) As a result of California market conduct exam, the Company reserved \$414,906 for restitution on past property claims including interest. This adjustment reflects increases of \$341,306 and \$73,600 to losses and loss adjustment expenses, respectively, resulting in a decrease to pre-tax operating income.
- 2) During 2017, the Company changed its method of recognizing ceded premiums on excess of loss programs to upfront on day one of the effective date. This resulted in the Company recognizing \$486,900 of additional ceded commission income, \$5,925,600 of ceded unearned premium and \$5,438,700 of ceded premiums payable during the calendar year 2017.

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

#### A. Statutory Purchase Method

On August 24, 2007, the Company and three affiliates (Liberty Mutual Fire Insurance Company (“LMFIC”), a Wisconsin insurance company; Peerless Insurance Company (“PIC”), a New Hampshire insurance company; and Liberty Mutual Insurance Company (“LMIC”), a Massachusetts insurance company) acquired all of the issued and outstanding voting shares of Ohio Casualty Corporation, a non-insurance holding company, which is the upstream parent of four property and casualty insurance companies. The Company directly acquired a 8% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 92% (LMFIC 6%, PIC 8%, and LMIC 78%). The transaction was accounted for as a statutory purchase and the cost was \$222,400,560, resulting in goodwill in the amount of \$117,712,240. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was \$7,592,441 for year ended December 31, 2017; goodwill was fully amortized as of December 31, 2017.

#### 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.



## NOTES TO FINANCIAL STATEMENTS

### Note 5 – Investments

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

1. The maximum and minimum lending rates for mortgage loans during 2017 were:

Farm mortgages	N/A
Residential mortgages	N/A
Commercial mortgages	3.11% and 4.68%

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

2017	2016
\$5,788	\$11,492

4. Age Analysis of Mortgage Loans:

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

#### a. Current Year

##### 1. Recorded Investments (All)

(a) Current	\$ -	\$ -	\$ -	\$ -	\$150,228,333	\$ -	\$150,228,333
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	-	-	-
(e) 180+ Days Past Due	-	-	-	-	4,560	-	4,560

##### 2. Acquiring 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	\$ -	\$ -	\$ -	\$ -	\$1,154,085	\$ -	\$1,154,085
(b) Number of Loans	-	-	-	-	45	-	45
(c) Percent Reduced	- %	- %	- %	- %	1.244%	- %	1.244%

##### 5. Participant or Co-lender in a Mortgage Loan Agreement

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$150,232,893	\$ -	\$150,232,893
-------------------------	------	------	------	------	---------------	------	---------------

#### b. Prior Year

##### 1. Recorded Investments (All)

(a) Current	\$ -	\$ -	\$ -	\$ -	\$157,394,354	\$ -	\$157,394,354
(b) 30-59 Days Past Due	-	-	-	-	182,763	-	182,763
(c) 60-89 Days Past Due	-	-	-	-	121,979	-	121,979
(d) 90-179 Days Past Due	-	-	-	-	24,145	-	24,145
(e) 180+ Days Past Due	-	-	-	-	96,041	-	96,041

##### 2. Acquiring 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	\$ -	\$ -	\$ -	\$ -	\$2,021,240	\$ -	\$2,021,240
(b) Number of Loans	-	-	-	-	82	-	82
(c) Percent Reduced	- %	- %	- %	- %	1.681%	- %	1.681%

##### 5. Participant or Co-lender in a Mortgage Loan Agreement

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$157,819,282	\$ -	\$157,819,282
-------------------------	------	------	------	------	---------------	------	---------------

## NOTES TO FINANCIAL STATEMENTS

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

	Residential		Commercial		Mezzanine	Total	
	Farm	Insured	All Other	Insured			All Other
<b>a. Current Year</b>							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$565,068	\$ -	\$565,068
2. No Allowance for Credit Losses	-	-	-	-	656,937	-	656,937
3. Total (1+2)	-	-	-	-	1,222,005	-	
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan	-	-	-	-	1,222,005	-	1,222,005
<b>b. Prior Year</b>							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$594,372	\$ -	\$594,372
2. No Allowance for Credit Losses	-	-	-	-	426,914	-	426,914
3. Total (1+2)	-	-	-	-	1,021,286	-	1,021,286
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan	-	-	-	-	1,021,286	-	1,021,286

## 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		Mezzanine	Total	
	Farm	Insured	All Other	Insured			All Other
<b>a. Current Year</b>							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$1,121,646	\$ -	\$1,121,646
2. Interest Income Recognized	-	-	-	-	72,481	-	72,481
3. Recorded Investments on Nonaccrual Status	-	-	-	-	4,560	-	4,560
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	62,218	-	62,218
<b>b. Prior Year</b>							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$997,172	\$ -	\$997,172
2. Interest Income Recognized	-	-	-	-	65,879	-	65,879
3. Recorded Investments on Nonaccrual Status	-	-	-	-	96,041	-	96,041
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	56,120	-	56,120

## 7. Allowance for Credit Losses:

	<u>2017</u>	<u>2016</u>
a. Balance at beginning of period	\$284,592	\$304,871
b. Additions charged to operations	(66,561)	230,624
c. Direct write-downs charged against the allowances	(141,454)	(250,903)
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	<u>\$76,577</u>	<u>\$284,592</u>

## 8. Mortgage Loans Derecognized as a Result of Foreclosure:

	<u>2017</u>	<u>2016</u>
a. Aggregate amount of mortgage loans derecognized	-	\$120,690
b. Real estate collateral recognized	-	62,367
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

	<u>2017</u>	<u>2016</u>
1. The total recorded investment in restructured loans, as of year end	\$1,237,936	\$1,130,448
2. The realized capital losses related to these loans	-	-

## NOTES TO FINANCIAL STATEMENTS

3. Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings - -

### C. Reverse Mortgages

The Company has no reverse mortgages.

### D. Loaned Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate as of September 30, 2017: None
3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at September 30, 2017:

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 Reported
61749BAB9	68,611	68,211	400	68,211	47,908	3/31/2017
61749BAB9	20,764	20,643	121	20,643	14,498	3/31/2017
32056FAC6	1,212,199	1,200,568	11,631	1,200,568	1,196,214	3/31/2017
Total	XXX	XXX	12,152	XXX	XXX	XXX

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of September 30, 2017:

- a. The aggregate amount of unrealized losses:

1. Less than 12 Months	(\$2,781,605)
2. 12 Months or Longer	(\$3,233,348)

- b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	\$414,142,229
2. 12 Months or Longer	\$223,295,557

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 Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' equity. 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. Dollar Repurchase Agreements and/or Securities Lending Transactions

1. The Company has not entered into any repurchase agreements during the year.
2. The Company has not pledged any of its assets as collateral as of December 31, 2016.
3. Collateral Received

- a. Aggregate Amount 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	\$92,251,222
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-

## NOTES TO FINANCIAL STATEMENTS

(e) Greater Than 90 Days	-
(f) Sub-Total	<u>\$92,251,222</u>
(g) Securities Received	<u>20,207,776</u>
(h) Total Collateral Received	<u>\$112,458,998</u>

### 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

\$112,458,998

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

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

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

### 5. Collateral Reinvestment

#### a. Aggregate Amount Collateral Received

	<u>Amortized Cost</u>	<u>Fair Value</u>
<b>1. Repurchase Agreement</b>		
(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>2. Securities Lending</b>		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	<u>43,899,230</u>	<u>43,899,230</u>
(c) 31 to 60 Days	<u>30,686,628</u>	<u>30,686,628</u>
(d) 61 to 90 Days	<u>17,665,365</u>	<u>17,665,365</u>
(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	<u>\$92,251,223</u>	<u>\$92,251,223</u>
(l) Securities Received	-	-
(m) Total Collateral Reinvested	<u>\$92,251,223</u>	<u>\$92,251,223</u>
<b>3. Dollar Repurchase Agreement</b>		
(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		

## NOTES TO FINANCIAL STATEMENTS

(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. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not applicable.

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not applicable.

H. Repurchase Agreements Transactions Accounted for as a Sales

Not applicable.

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not applicable.

J. Real Estate

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

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

The Company does not hold investments in low income housing tax credits.

L. Restricted Assets

1. Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6	7
	1	2	3	4	5		
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Collateral held under security lending agreements	92,251,223	-	-	-	92,251,223	54,935,515	37,315,708
c. Subject to repurchase agreements	-	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-

## NOTES TO FINANCIAL STATEMENTS

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	758,000	-	-	-	758,000	983,300	(225,300)
j. On deposit with states	204,371,795	-	-	-	204,371,795	200,125,586	4,246,209
k. On deposit with other regulatory bodies	36,343,128	-	-	-	36,343,128	36,039,239	303,889
l. Pledged collateral to FHLB (including assets backing funding agreements)	-	-	-	-	0	-	0
m. Pledged as collateral not captured in other categories	-	-	-	-	0	-	0
n. Other restricted assets	-	-	-	-	-	-	-
o. Total Restricted Assets	\$333,724,146	\$ -	\$ -	\$ -	\$333,724,146	\$292,083,640	\$41,640,506

(a) Subset of column 1

(b) Subset of column 3

Restricted Asset Category	8	9	Percentage	
			10	11
	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	- %	- %
b. Collateral held under security lending agreements	-	92,251,223	1.52 %	1.52 %
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	-	204,371,795	3.36%	3.37%

## NOTES TO FINANCIAL STATEMENTS

k. On deposit with other regulatory bodies	-	36,343,128	0.59%	.60%
l. Pledged collateral to FHLB (including assets backing funding agreements)	-	0	- %	- %
m. Pledged as collateral not captured in other categories	-	0	0%	0%
n. Other restricted assets	-	-	- %	- %
o. Total Restricted Assets	\$ -	\$333,724,146	5.49%	5.51%

(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	\$92,251,223	\$92,251,223	1.52 %	1.52 %
i. Other	-	-	-	-
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$92,251,223	\$92,251,223	1.52 %	1.52 %

\* 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	\$92,251,223	2.03%

\*Column 1 divided by Liability Page, Line 26

### M. Working Capital Finance Investments

The Company does not invest in working capital finance investments.

### N. Offsetting and Netting of Assets and Liabilities

Not applicable.

### O. Structured Notes

Not applicable.

### P. 5\* Securities

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

### Q. Short Sales

Not applicable.

### **Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

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

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

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

The Company's limited partnership investment is reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company did not realize any impairment losses during the year.

### **Note 7 – Investment Income**

#### A. Accrued Investment Income

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

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2017.

### **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**

On December 22, 2017, the President signed into law the "Tax Cuts and Jobs Act," which among other items reduces the federal corporate tax rate to 21% effective January 1, 2018. As a result, the Company revalued its ending gross deferred tax assets and liabilities at 21%, the impact of which is recognized in surplus.

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

1.

	12/31/2017		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 137,605,000	\$ 14,271,000	\$ 151,876,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	137,605,000	14,271,000	151,876,000
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	137,605,000	14,271,000	151,876,000
(f) Deferred Tax Liabilities	48,458,000	24,679,000	73,137,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ 89,147,000	\$ (10,408,000)	\$ 78,739,000

	12/31/2016		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 171,079,754	\$ 21,689,246	\$ 192,769,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	171,079,754	21,689,246	192,769,000
(d) Deferred Tax Assets Nonadmitted	-	-	-



## NOTES TO FINANCIAL STATEMENTS

(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	171,079,754	21,689,246	192,769,000
(f) Deferred Tax Liabilities	32,678,000	34,482,000	67,160,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ 138,401,754	\$ (12,792,754)	\$ 125,609,000

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (33,474,754)	\$ (7,418,246)	\$ (40,893,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(33,474,754)	(7,418,246)	(40,893,000)
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(33,474,754)	(7,418,246)	(40,893,000)
(f) Deferred Tax Liabilities	15,780,000	(9,803,000)	5,977,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ (49,254,754)	\$ 2,384,754	\$ (46,870,000)

2.

	12/31/2017		
	(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.	\$ -	\$ 2,098,016	\$ 2,098,016
(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)	107,908,029	-	107,908,029
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	107,908,029	-	107,908,029
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			216,451,479
(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.	29,696,971	12,172,984	41,869,955
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 137,605,000	\$ 14,271,000	\$ 151,876,000

	12/31/2016		
	(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.	\$ 33,862,094	\$ 14,467	\$ 33,876,561
(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)	110,148,486	-	110,148,486
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	110,148,486	-	110,148,486
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			220,838,250
(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.	27,069,174	21,674,779	48,743,953
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 171,079,754	\$ 21,689,246	\$ 192,769,000

## NOTES TO FINANCIAL STATEMENTS

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ (33,862,094)	\$ 2,083,549	\$ (31,778,545)
(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)	(2,240,457)	-	(2,240,457)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(2,240,457)	-	(2,240,457)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			(4,386,771)
(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.	2,627,797	(9,501,795)	(6,873,998)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ (33,474,754)	\$ (7,418,246)	\$ (40,893,000)

3.

	2017	2016
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	400.2%	466.4%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,442,775,923	1,460,227,820

4.

	12/31/2017		12/31/2016		Change	
	(1)	(2)	(3)	(4)	(5)	(6)
	Ordinary	Capital	Ordinary	Capital	(Col 1-3) Ordinary	(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)	\$137,605,000	\$14,271,000	\$171,079,754	\$21,689,246	\$(33,474,754)	\$(7,418,246)
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	\$137,605,000	\$14,271,000	\$171,079,754	\$21,689,246	\$(33,474,754)	\$(7,418,246)
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%

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

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

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

	(1)	(2)	(3)
	12/31/2017	12/31/2016	(Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$(17,205,733)	\$ 17,254,496	\$ (34,460,229)
(b) Foreign	5,459	5,958	(499)
(c) Subtotal	(17,200,274)	17,260,454	(34,460,728)
(d) Federal income tax on net capital gains	4,083,274	155,546	3,927,728

## NOTES TO FINANCIAL STATEMENTS

(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$(13,117,000)	\$ 17,416,000	\$ (30,533,000)
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 50,993,000	\$ 43,913,000	\$ 7,080,000
(2) Unearned premium reserve	52,106,000	80,526,000	(28,420,000)
(3) Policyholder reserves	-	-	-
(4) Investments	2,731,000	4,442,000	(1,711,000)
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	1,000	2,000	(1,000)
(8) Compensation and benefits accrual	3,885,000	7,193,000	(3,308,000)
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	4,673,000	7,099,000	(2,426,000)
(11) Net operating loss carry-forward	7,554,000	13,988,000	(6,434,000)
(12) Tax credit carry-forward	12,329,000	11,107,000	1,222,000
(13) Other (including items <5% of total ordinary tax assets)	3,333,000	2,809,754	523,246
(99) Subtotal	137,605,000	171,079,754	(33,474,754)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	-	-
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	137,605,000	171,079,754	(33,474,754)
(e) Capital			
(1) Investments	14,271,000	21,689,246	(7,418,246)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	14,271,000	21,689,246	(7,418,246)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	14,271,000	21,689,246	(7,418,246)
(i) Admitted deferred tax assets (2d + 2h)	151,876,000	192,769,000	(40,893,000)
3. Deferred Tax Liabilities:			
(a) Ordinary			

## NOTES TO FINANCIAL STATEMENTS

(1) Investments	2,921,000	4,493,000	(1,572,000)
(2) Fixed assets	17,848,000	23,620,000	(5,772,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	25,252,000	-	25,252,000
(5) Other (including items <5% of total ordinary tax liabilities)	2,437,000	4,565,000	(2,128,000)
(99) Subtotal	48,458,000	32,678,000	15,780,000
<b>(b) Capital:</b>			
(1) Investments	24,679,000	34,482,000	(9,803,000)
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	24,679,000	34,482,000	(9,803,000)
<b>(c) Deferred tax liabilities (3a99 + 3b99)</b>			
	73,137,000	67,160,000	5,977,000
<b>4. Net deferred tax assets/liabilities (2i – 3c)</b>	<b>\$ 78,739,000</b>	<b>\$ 125,609,000</b>	<b>\$ (46,870,000)</b>

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of discounting of unpaid losses and loss adjustment expenses, intercompany dividends, LP & LLC income, tax exempt income, limits on charitable contributions, accrued expenses, limits on unearned premium reserve deductions, partnership income, and revisions to prior year estimates.

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

Year Generated	Amount	Expiration
2012	\$34,429,000	2032
2017	\$1,544,000	2037

The Company has foreign tax credit carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2009	\$ 8,000	2019
2013	\$ 7,000	2023
2015	\$ 26,000	2025
2016	\$ 21,000	2026

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

Year Generated	Amount	Expiration
2010	\$2,000	2030
2011	\$363,000	2031
2012	\$62,000	2032
2013	\$49,000	2033
2014	\$115,000	2034
2015	\$83,000	2035
2016	\$114,000	2036

The Company has alternative minimum tax credit carry-forwards of \$11,478,000 which are expected to be used or refunded.

The amount of Federal income taxes incurred and available for recoupment in the event of future losses is none from the current year and \$5,602,000 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 Group Inc.
AMBCO Capital Corporation	Liberty Mutual Holding Company Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyd's Insurance Company	Liberty Mutual Personal Insurance Company
American Economy Insurance Company	Liberty Mutual Technology Group, Inc.

## NOTES TO FINANCIAL STATEMENTS

American Fire and Casualty Company	Liberty Northwest Insurance Corporation
American States Insurance Company	Liberty Personal Insurance Company
American States Insurance Company of Texas	Liberty RE (Bermuda) Limited
American States Lloyds Insurance Company	Liberty Sponsored Insurance (Vermont), Inc.
American States Preferred Insurance Company	Liberty Surplus Insurance Corporation
Berkeley Holding Company Associates, Inc.	LIH-RE of America Corporation
Berkeley Management Corporation	LIU Specialty Insurance Agency Inc.
Capitol Court Corporation	LM General Insurance Company
Colorado Casualty Insurance Company	LM Insurance Corporation
Consolidated Insurance Company	LM Property and Casualty Insurance Company
Diversified Settlements, Inc.	LMHC Massachusetts Holdings Inc.
Emerald City Insurance Agency, Inc.	Managed Care Associates Inc. *
Employers Insurance Company of Wausau	Mid-American Fire & Casualty Company
Excelsior Insurance Company	North Pacific Insurance Company
Excess Risk Reinsurance, Inc. *	Ocasco Budget, Inc.
F.B. Beattie & Co., Inc.	OCI Printing, Inc.
First National Insurance Company of America	Ohio Casualty Corporation
First State Agency Inc.	Ohio Security Insurance Company
General America Corporation	Open Seas Solutions, Inc.
General America Corporation of Texas	Oregon Automobile Insurance Company
General Insurance Company of America	Peerless Indemnity Insurance Company
Golden Eagle Insurance Corporation	Peerless Insurance Company
Gulf States AIF, Inc.	Pilot Insurance Services, Inc.
Hawkeye-Security Insurance Company	Rianoc Research Corporation
Indiana Insurance Company	S.C. Bellevue, Inc.
Insurance Company of Illinois	SAFECARE Company, Inc.
Ironshore Holdings (US) Inc. *	Safeco Corporation
Ironshore Indemnity Inc. *	Safeco General Agency, Inc.
Ironshore Insurance Ltd (Bermuda) *	Safeco Insurance Company of America
Ironshore Management Inc. *	Safeco Insurance Company of Illinois
Ironshore Services Inc. *	Safeco Insurance Company of Indiana
Ironshore Specialty Insurance Company *	Safeco Insurance Company of Oregon
Ironshore Surety Holdings Inc. *	Safeco Lloyds Insurance Company
LEXCO Limited	Safeco National Insurance Company
Liberty-USA Corporation	Safeco Properties, Inc.
Liberty Assignment Corporation	Safeco Surplus Lines Insurance Company
Liberty Energy Canada, Inc.	San Diego Insurance Company
Liberty Financial Services, Inc.	SCIT, Inc.
Liberty Hospitality Group, Inc.	St. James Insurance Company Ltd.
Liberty Insurance Corporation	The First Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.	The Midwestern Indemnity Company
Liberty Insurance Underwriters Inc.	The National Corporation
Liberty International Europe Inc.	The Netherlands Insurance Company
Liberty International Holdings Inc.	The Ohio Casualty Insurance Company
Liberty Life Assurance Company of Boston	Wausau Business Insurance Company
Liberty Life Holdings Inc.	Wausau General Insurance Company
Liberty Lloyds of Texas Insurance Company	Wausau Underwriters Insurance Company
Liberty Management Services, Inc.	West American Insurance Company
Liberty Mexico Holdings Inc.	Winmar Company, Inc.
Liberty Mutual Agency Corporation	Winmar of the Desert, Inc.
Liberty Mutual Fire Insurance Company	Winmar Oregon, Inc.
Liberty Mutual Group Asset Management Inc.	Winmar-Metro, Inc

\* This company joined the consolidated group in 2017 and its activity from the date it joined the group is included in the consolidated return.

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, Affiliates and Other Related Parties**

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group Inc. ("LMGI"), a Massachusetts company. The ultimate parent of LMGI is Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. As of December 31, 2017, the Company had the following capital transactions with its parent and subsidiaries:

1. Received capital contributions of \$ -

## NOTES TO FINANCIAL STATEMENTS

2. Received return of capital distributions of	\$ -
3. Contributed capital in the amount of	\$ 9,409,280
4. Received dividends in the amount of	\$11,357,790

- D. At December 31, 2017, the Company reported a net \$103,803,889 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, written or otherwise, for the benefit of affiliates or other related parties.
- 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"), an investment management agreement with Liberty Mutual Investment Advisors LLC ("LMIA"), and an investment services agreement with LMGAM (with respect to the Canadian Branch). Under these agreements, LMGAM and LMIA provide services to the Company.

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

Company	Credit Line
Liberty Mutual Insurance Company	\$150,000,000
Liberty Mutual Group Inc.	\$150,000,000

There is an outstanding loan to Liberty Mutual Insurance Company in the amount of \$142,166,527 as of December 31, 2017.

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

Company	Credit Line
Liberty Mutual Insurance Company	\$150,000,000
Liberty Mutual Group Inc.	\$150,000,000

There were no outstanding borrowings as of December 31, 2017.

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

The Company paid \$6,590,880 under the LMHC Tax Sharing Agreement and paid \$10,753,463 under the LMGAM and LMIA investment management agreements. Pursuant to the Inter Company Reinsurance Agreement with LMIC (Refer to Note 26), the expenses incurred under the Liberty Mutual service agreement are allocated to the Company in accordance with the Company's "Pool" participation percentage.

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

	<u>Carrying Value</u>
St. James/Arlington LLC	\$15,131,319

The company has limited the value of its investment in these companies to the value contained in the audited financial statements. All liabilities, commitments, contingencies, guarantees or obligations of the downstream non-insurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the company's determination of the carrying value of the investment in the downstream non-insurance holding company.

## NOTES TO FINANCIAL STATEMENTS

### M. All SCA Investments

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

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
Not applicable	.....	\$ -	\$ -	\$ -
.....	.....	-	-	-
.....	.....	-	-	-
Total SSAP No. 97 8a Entities	XXX	\$ -	\$ -	\$ -
b. SSAP No. 97 8b(ii) Entities				
Ohio Casualty Corporation	8%	136,221,496	136,221,496	-
Total SSAP No. 97 8b(ii) Entities	XXX	\$136,221,496	\$136,221,496	\$0
c. SSAP No. 97 8b(iii) Entities				
St. James/Arlington LLC	100%	15,131,319	15,131,319	\$ -
LMAT Holdings LLC	10%	9,409,280	9,409,280	-
Liberty Mutual Investment Holdings LLC	10%	292,035,095	292,035,095	-
Total SSAP No. 97 8b(iii) Entities	XXX	\$316,575,694	\$316,575,694	\$0
d. SSAP No. 97 8b(iv) Entities				
Not applicable	.....	\$ -	\$ -	\$ -
.....	.....	-	-	-
.....	.....	-	-	-
Total SSAP No. 97 8b(iv) Entities	XXX	\$ -	\$ -	\$ -
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	\$452,797,190	\$452,797,190	\$0
f. Aggregate Total (a+e)	XXX	\$452,797,190	\$452,797,190	\$0

#### 2. NAIC Filing Response Information

SCA Entity	Type of NAIC Filing*	Date of Filing to the NAIC	2016 NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code**
a. SSAP No. 97 8a Entities						
Not applicable			\$ -			
.....			-			
.....			-			
Total SSAP No. 97 8a Entities	XXX	XXX	\$ -	XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities						
Ohio Casualty Corporation	S2	10/13/2017	147,351,128	Yes	No	N/A
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	\$147,351,128	XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities						
Not applicable			\$ -			
.....			-			
.....			-			
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities						
St. James/Arlington LLC	N/A	N/A	N/A	N/A	N/A	N/A
LMAT Holdings LLC	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
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	XXX	\$147,351,128	XXX	XXX	XXX
f. Aggregate Total (a+e)	XXX	XXX	\$147,351,128	XXX	XXX	XXX

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

\*\* I – Immaterial or M – Material

### N. Investment in Insurance SCAs

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

## NOTES TO FINANCIAL STATEMENTS

### Note 11 – Debt

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

The Company has no debt, including capital notes.

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

1. The Company is a member of the Federal Home Loan Bank (FHLB) of Chicago. There were no outstanding borrowings as of December 31, 2017. The Company has determined the actual maximum borrowing capacity as \$1,000,000,000 per Board of Directors consent.

#### 2. FHLB Capital Stock

##### a. Aggregate Totals

##### 1. Current Year

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Membership Stock – Class A	\$ -	\$ -	\$ -
Membership Stock – Class B	758,000	758,000	-
Activity Stock	-	-	-
Excess Stock	-	-	-
Aggregate Total	\$ 758,000	\$ 758,000	-
Actual or estimated Borrowing Capacity as Determined by the Insurer	\$1,000,000,000	XXX	XXX

##### 2. Prior Year-end

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Membership Stock – Class A	\$ -	\$ -	\$ -
Membership Stock – Class B	983,300	983,300	-
Activity Stock	-	-	-
Excess Stock	-	-	-
Aggregate Total	\$983,300	\$983,300	-
Actual or estimated Borrowing Capacity as Determined by the Insurer	\$1,000,000,000	XXX	XXX

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

	Current Year Total	Not Eligible for Redemption	Less Than 6 Months	6 months to Less Than 1 year	1 to Less Than 3 Years	3 to 5 Years
Membership Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Class A	-	-	-	-	-	-
Class B	\$ -	\$758,000	\$ -	\$ -	\$ -	\$ -

#### 3. Collateral Pledged to FHLB

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

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

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

##### 2. Current Year General Account

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

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

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

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

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



## NOTES TO FINANCIAL STATEMENTS

b. Maximum Amount Pledged During Reporting Period

1. Current Year Total General and Protected Cell Accounts

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

2. Current Year General Account

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

3. Current Year Protected Cell Accounts

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

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

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

4. Borrowing from FHLB

a. Amount As of the Reporting Date

1. Current Year

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

2. Prior Year-end

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

b. Maximum Amount During Reporting Period (Current Year)

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

c. FHLB – Prepayment Obligations

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

C. There were no outstanding borrowings as of December 31, 2017.

## NOTES TO FINANCIAL STATEMENTS

### **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 pension, defined contribution pension, postretirement welfare, deferred compensation, compensated absences or postemployment benefit plans. Services for the operation of the Company are provided under provisions of the management services agreements as described in Note 10 F.

### **Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

1. The Company has 5,000,000 shares authorized, issued and outstanding as of December 31, 2017. All shares have a stated par value of \$1.

The Company has 5,000,000 preferred shares authorized, but no shares issued and outstanding as of December 31, 2017. All shares have a stated par value of \$0.01.

2. Preferred Stock

Not applicable.

3. There are no dividend restrictions.

4. The Company did not pay any dividends to its parent during 2017.

5. The maximum amount of dividends that can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of surplus, or the greater of (b) or (c); (b) net income for calendar year preceding date of dividend less realized gains for that calendar year, or (c) the aggregate of net income for three calendar years preceding the date of dividend less realized gains for those calendar years less dividends paid/credited within the first two of the preceding three calendar years. The maximum dividend payout that may be made without prior approval in 2018 is \$143,110,149.

6. As of December 31, 2017, the Company has pre-tax restricted surplus of \$28,196,932 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 2017.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is (\$35,084,318) after applicable deferred taxes of \$2,159,494.

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 \$9,961,303 that is offset by future premium tax credits of \$324,268. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the period determined by each individual state once the guaranty fund assessment has been paid. 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:

## NOTES TO FINANCIAL STATEMENTS

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 392,064
b.	Decreases current year: Premium tax offset applied	276,183
c.	Increases current year: Premium tax offset applied	208,386
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$324,268

C. Gain Contingencies

Not applicable.

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$528,802

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)	(b)	(c)	(d)	(e)
0-25 Claims	26-50 Claims	51-100 Claims	101-500 Claims	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, including sales-leaseback transactions, under these agreements are as follows:

Year Ending December 31	Operating Leases
2017	\$11,473,632
2018	11,682,715
2019	9,328,430
2020	6,664,044
2021	5,593,528
2022 & thereafter	37,534,835
Total	\$82,277,184

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 \$102,831.

- The Company's sales-leaseback transactions are included in the operating lease obligations.

## NOTES TO FINANCIAL STATEMENTS

### 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.

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

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

At December 31, 2017 the total fair value of securities on loan was \$ 108,557,254, with corresponding collateral value of \$112,458,999 of which \$92,251,223 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) to the Reporting Entity from Uninsured A&H 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 bonds 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:

## NOTES TO FINANCIAL STATEMENTS

- 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, 2017:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
Bonds				
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	958,750	-	958,750
U.S. State and Municipal	-	-	-	-
Corporate and Other	-	61,464,668	-	61,464,668
Foreign Government Securities	-	-	-	-
Total Bonds	-	62,423,418	-	62,423,418
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	-	-	-
Total Preferred Stocks	-	-	-	-
Common Stocks				
Industrial and Miscellaneous	-	1,864,546	758,000	2,622,546
Total Common Stocks	-	1,864,546	758,000	2,622,546
Other Assets				
Other Assets	-	-	-	-
Total assets at fair value	<u>\$ -</u>	<u>\$64,287,964</u>	<u>\$758,000</u>	<u>\$65,045,964</u>
b. Liabilities at fair value				
Derivative Liabilities	\$ -	\$ -	\$ -	\$ -
.....				
.....				
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2017.

### 2. Rollforward of Level 3 Items

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

	Balance as of 12/31/2016	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 as of 12/31/2017
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	-	-	-	-	-	-	-	-	-
U.S. State and Municipal	7,379,542	-	(7,415,985)	-	19,811	-	-	(64,149)	80,781	-
Corporate and Other	-	-	-	-	-	-	-	-	-	-
Foreign Government Securities	-	-	-	-	-	-	-	-	-	-
Total Bonds	7,379,542	-	(7,415,985)	-	19,811	-	-	(64,149)	80,781	-
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	983,300	-	-	-	-	-	-	(225,300)	-	758,000
Total	\$8,362,842	\$ -	(\$7,415,985)	\$ -	\$19,811	\$ -	\$ -	(\$289,449)	\$80,781	\$758,000

### 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 or amortized 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### Fixed Maturities

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

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

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

#### Mortgage-Backed Securities

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

#### Asset-Backed Securities

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

#### 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.

## NOTES TO FINANCIAL STATEMENTS

### 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	\$18,042,858	\$174,312,404	\$502,851	\$17,540,006	\$ -	\$ -
Bonds	4,077,164,944	4,025,082,271	126,180,116	3,922,838,574	28,146,254	-
Preferred Stock	0	0	-	0	-	-
Common Stock	2,622,546	2,622,546	-	1,864,546	758,000	-
Securities Lending	92,222,044	92,251,223	-	92,222,044	-	-
Mortgage Loans	152,988,521	150,158,318	-	-	152,988,521	-
Surplus Notes	-	-	-	-	-	-
Total	\$4,343,040,912	\$4,444,426,762	\$126,682,967	\$4,034,465,170	\$181,892,775	\$ -

#### D. Reasons Not Practical to Estimate Fair Value

Not Applicable.

### Note 21 – Other Items

#### A. Unusual or Infrequent Items

The Company has no unusual or infrequent items to report.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

#### C. Other Disclosures

##### 1. Florida Special Disability Trust Fund

- a. The Company took a credit in the determination of its loss reserves of \$2,818,369 in 2017 and \$3,114,109 in 2016.
- b. The Company received payments from the Special Disability Trust Fund of \$81,549 in 2017 and \$145,622 in 2016.
- c. The amount the Company was assessed by the Special Disability Trust Fund was \$72,226 in 2017 and \$70,872 in 2016.

#### D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

#### E. State Transferable and Non-transferable Tax Credit

- (1) Carrying value of transferable and non-transferable state tax credits gross of any related state tax liabilities and total unused transferable and non-transferable state tax credits by state and in total

<u>Description of State Transferable and Non-transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Film Credit	AK	\$37,922	\$37,922
Total		\$37,922	\$37,922

- (2) Method of estimating utilization of remaining transferable and non-transferable state tax credits

The Company estimated the utilization of the remaining transferable and non-transferable State Tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining transferable and non-transferable state tax credits

## NOTES TO FINANCIAL STATEMENTS

- (3) Impairment amount recognized by the reporting period, if any.

The Company has not recognized any impairment losses associated with its transferable and non-transferable state tax credits during the reporting period.

- (4) State Tax Credits Admitted and Non-admitted

	<u>Total Admitted</u>	<u>Total Non-admitted</u>
Transferable	\$37,922	
Non-transferable		

### F. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through past acquisitions of insurance companies.
2. The Company does not have any direct exposure through investments in subprime mortgage loans.
3. The Company has direct exposure through their investment in residential mortgage-backed securities.

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
Residential mortgage-backed securities	\$192,394	\$173,360	\$178,663	\$27,653

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

### G. Insurance Linked Securities (ILS) Contracts

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, 2018, the date the annual statement was available to be issued.

There were no events subsequent to December 31, 2017 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, the following are the unsecured reinsurance recoverable or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder's surplus.

Reinsurer	NAIC No.	Federal ID No.	Recoverable Amount
Nationwide Indemnity Co	10070	31-1399201	1,275,750,000
Swiss Reinsurance America Corp	25364	13-1675535	70,700,000
MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION		AA-9991159	69,920,000
Minnesota WCRA		AA-9991423	68,335,000
National Workers' Compensation Reins Pool		AA-9992118	86,729,000
U.S. Aircraft Insurance Group		AA-9995043	101,740,000

#### B. Reinsurance Recoverable in Dispute

There are no reinsurance recoverable in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverable 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, 2017.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	\$ 1,400,179,000	\$ -	\$ 283,023,000	\$ 524	\$ 1,117,156,000	\$ (524)
All Other	\$ 1,379,877	\$ 586,038	\$ 1,854,357	\$ 18,416	\$ (474,480)	\$ 567,622
Total	\$ 1,401,558,877	\$ 586,038	\$ 284,877,357	\$ 18,939	\$ 1,116,681,520	\$ 567,099
Direct Unearned Premium Reserve of		\$ 83,823,214				



## NOTES TO FINANCIAL STATEMENTS

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:

	<u>Direct</u>	<u>Assumed</u>	<u>Ceded</u>	<u>Net</u>
a. Contingent Commission	\$ -	\$33,816,753	\$ -	\$33,816,753
b. Sliding Scale Adjustments	-	95,823	-	95,823
c. Other Profit Commission Arrangements	-	(100,196)	-	(100,196)
d. TOTAL	\$ -	\$33,812,381	\$ -	\$33,812,381

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 commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was an increase in Net Income of \$159,734. This amount is shown below by Income Statement classification and by reinsurer.

a. Losses incurred	(\$143,234)
b. Loss adjustment expenses incurred	(369)
c. Premiums earned	-
d. Other	16,869
e.	<u>Company</u> <u>Amount</u>
Arlington Insurance Company	(\$5,219)
Stuart Insurance Group Ltd.	(1,120)
Electro Re	162,941
Kettlebrook Insurance Company	\$3,132

### F. Retroactive Reinsurance

	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
(1) Initial Reserves	(\$217,712,268)	\$ -
(2) Adjustments – Prior Year(s)	(51,437,462)	-
(3) Adjustments – Current Year	(17,347,586)	-
(4) Current Total	(\$286,497,315)	\$ -
b. Consideration Paid or Received:		
(1) Initial Consideration	(\$215,355,444)	\$ -
(2) Adjustments – Prior Year(s)	(4,448,471)	-
(3) Adjustments – Current Year	(21,267)	-
(4) Current Total	(\$222,825,182)	\$ -
c. Paid Losses Reimbursed or Recovered:		
(1) Prior Year(s)	\$29,316,332	\$ -
(2) Current Year	746,826	-
(3) Current Total	\$30,063,158	\$ -
d. Discount Unwind on Reserves:		
(1) Prior Year(s)	(\$3,328,263)	\$ -
(2) Current Year	(1,021,293)	-
(3) Current Total	(\$4,349,556)	\$ -
e. Special Surplus from Retroactive Reinsurance:		
(1) Initial Surplus Gain or Loss	\$2,199,477	\$ -
(2) Adjustments – Prior Year(s)	11,501,927	-
(3) Adjustments – Current Year	15,558,200	-
(4) Current Year Restricted Surplus	28,196,968	-
(5) Cumulative Total Transferred to Unassigned Funds	\$1,062,452	\$ -
f. All cedents and reinsurers involved in all transactions included in summary totals above:		

	<u>Assumed</u>	<u>Ceded</u>
<u>Company</u>	<u>Amount</u>	<u>Amount</u>
Liberty Mutual Insurance Company, 23043	(\$286,497,315)	\$ -
Total	(\$286,497,315)	\$ -

## NOTES TO FINANCIAL STATEMENTS

### 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, 2017.

### 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 party 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. 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	\$34,621,242
b. Unsecured amount	-
c. Less: Nonadmitted amount (10%)	3,464,974
d. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
e. Admitted amount (a) – (c) – (d)	<u><u>\$31,156,268</u></u>

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

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

### **Note 25 – Change in Incurred Losses and Loss Adjustment Expenses**

Incurred loss and loss adjustment expense attributable to insured events in prior years increased through the fourth quarter of 2017. The increase was the result of updated reserve analysis in a number of lines, with the largest increases in reserve estimates in the Other Liability-Occurrence line of business driven by a ground-up reserve analysis, Commercial Auto line of business driven by unfavorable auto trends, Other Liability-Claims Made line of business driven by a ground-up reserve analysis and Private Passenger Auto Liability line of business driven by higher catastrophe losses. Partially offsetting these increases were decreases in reserve estimates for the Commercial Multiple Peril line of business, Homeowners/Farmowners line of business, Special Property line of business, and the Special Liability line of business. Prior estimates are revised as additional information becomes known regarding individual claims.

### **Note 26 – Intercompany Pooling Arrangements**

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
Pool	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

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
Ironshore Indemnity Inc. ("IIP")	23647	0.00%	All Lines
Ironshore Specialty Insurance Company ("ISIC")	25445	0.00%	All Lines
Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
LM General Insurance Company ("LMGIC")	36447	0.00%	All Lines
Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
LM Insurance Corporation ("LMC")	33600	0.00%	All Lines
Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
National Insurance Association ("NIA")	27944	0.00%	All Lines
The Netherlands Insurance Company ("NIC")	24171	0.00%	All Lines
North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
Safeco Insurance Company of Illinois ("SICIL")	39012	0.00%	All Lines
Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
West American Insurance Company ("WAIC")	44393	0.00%	All Lines
100% Quota			
Share Affiliated Companies:			
LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines

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.

## NOTES TO FINANCIAL STATEMENTS

- 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, 2017:

<u>Affiliate</u>	<u>Amount</u>
Liberty Mutual Insurance Company	1,254,830

Effective July 1, 2017 III and ISIC became participants of the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement. All III and ISIC underwriting assets and liabilities were ceded to the Lead Company and subsequently retroceded to the pool members in accordance with each company's pool participation percentage, as noted above. Operational underwriting results prior to the effective date of III and ISIC becoming pool participants remained as results of operations on each company's respective income statements for the year ended December 31, 2017.

### **Note 27 – Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$93,233,292 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 \$93,233,292 as of December 31, 2017.
- 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:

<u>Life Insurance Company and Location</u>	<u>Licensed in Company's State of Domicile Yes/No</u>	<u>Statement Value (i.e., Present Value) of Annuities</u>
Liberty Life Assurance Company of Boston Massachusetts	Yes	\$21,489,407
Prudential Insurance Company New Jersey	Yes	\$41,368,702

### **Note 28 – Health Care Receivables**

Not applicable.

### **Note 29 – Participating Policies**

No applicable.

### **Note 30 – Premium Deficiency Reserves**

- |   |            |
|---|------------|
| 1. Liability carried for premium deficiency reserves              | \$ -       |
| 2. Date of the most recent evaluation of this liability           | 12/31/2017 |
| 3. Was anticipated investment income utilized in the calculation? | Yes        |

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

As of December 31, 2017, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$442,994,090 and the amount billed and recoverable on paid claims was \$13,463,514. There are no unsecured high dollar deductible recoverable 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 Company recognized \$4,094,764 of interest accretion in the Statement of Income for the current year related to tabular discount on Workers' Compensation. The December 31, 2017 liabilities subject to discount were carried at a value representing a discount of \$41,732,593 net of all reinsurance.

- A. Tabular Discount

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	35,339,710	41,294,725

## NOTES TO FINANCIAL STATEMENTS

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	\$35,339,710	\$41,294,725

\* 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 insured 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 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

## NOTES TO FINANCIAL STATEMENTS

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, 2017, 2016, 2015, 2014, and 2013 before consideration of the NICO Reinsurance Transaction. Refer to Note 23f.

1. Direct -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$124,526,615	\$139,940,998	\$140,708,681	\$118,430,235	\$123,910,271
b. Incurred losses and LAE	33,166,850	22,807,269	6,627,475	26,224,951	14,187,334
c. Calendar year payments	17,752,467	22,039,586	28,905,921	20,744,915	20,579,915
d. Ending reserves	<u>\$139,940,998</u>	<u>\$140,708,681</u>	<u>\$118,430,235</u>	<u>\$123,910,271</u>	<u>\$117,517,690</u>
2. Assumed Reinsurance -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves*:	\$46,005,483	\$49,581,228	\$45,860,173	\$44,251,678	\$40,951,919
b. Incurred losses and LAE	5,973,155	120,705	938,913	(396,308)	4,053,333
c. Calendar year payments	2,397,409	3,841,760	2,547,408	2,999,181	2,556,023
d. Ending reserves	<u>\$49,581,229</u>	<u>\$45,860,173</u>	<u>\$44,251,678</u>	<u>\$40,856,189</u>	<u>\$42,449,229</u>
	*Includes Ironshore acquisition in 2017				
3. Net of Ceded Reinsurance -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$71,211,927	\$79,777,888	\$73,443,825	\$54,527,879	\$53,760,540
b. Incurred losses and LAE	18,841,927	7,112,673	490,554	4,983,089	6,869,767
c. Calendar year payments	10,275,966	13,446,736	19,406,500	5,750,429	6,623,022
d. Ending reserves	<u>\$79,777,888</u>	<u>\$73,443,825</u>	<u>\$54,527,879</u>	<u>\$53,760,539</u>	<u>\$54,007,284</u>
4. Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
a. Direct Basis		\$77,299,501			
b. Assumed Reinsurance Basis		\$31,160,077			
c. Net of Ceded Reinsurance Basis		\$33,592,492			
5. Ending Reserves for LAE included above (Case, Bulk & IBNR)					
a. Direct Basis		\$72,288,521			
b. Assumed Reinsurance Basis		\$1,200,483			
c. Net of Ceded Reinsurance Basis		\$26,367,582			

### Environmental

1. Direct -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$33,611,427	\$35,877,644	\$33,648,262	\$28,989,390	\$29,816,048
b. Incurred losses and LAE	7,618,359	4,636,356	2,358,449	6,419,911	5,145,707
c. Calendar year payments	5,352,142	6,865,738	7,017,321	5,593,253	4,050,184
d. Ending reserves	<u>\$35,877,644</u>	<u>\$33,648,262</u>	<u>\$28,989,390</u>	<u>\$29,816,048</u>	<u>\$30,911,571</u>
2. Assumed Reinsurance -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves*:	\$5,199,147	\$5,133,023	\$4,834,448	\$3,503,310	\$3,336,937
b. Incurred losses and LAE	347,586	91,914	(784,640)	(13,180)	970,817
c. Calendar year payments	413,710	390,489	546,498	325,722	238,806
d. Ending reserves	<u>\$5,133,023</u>	<u>\$4,834,448</u>	<u>\$3,503,310</u>	<u>\$3,164,408</u>	<u>\$4,068,948</u>
	*Includes Ironshore acquisition in 2017				
3. Net of Ceded Reinsurance -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$24,679,816	\$25,838,682	\$23,909,931	\$20,969,200	\$20,482,901
b. Incurred losses and LAE	4,880,537	2,250,191	25,448	3,928,479	4,078,121
c. Calendar year payments	3,721,672	4,178,942	2,966,179	4,414,778	2,548,821
d. Ending reserves	<u>\$25,838,681</u>	<u>\$23,909,931</u>	<u>\$20,969,200</u>	<u>\$20,482,901</u>	<u>\$22,012,201</u>
4. Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
a. Direct Basis		\$18,046,763			
b. Assumed Reinsurance Basis		\$2,188,637			
c. Net of Ceded Reinsurance Basis		\$11,669,627			
5. Ending Reserves for LAE included above (Case, Bulk & IBNR)					
a. Direct Basis		\$12,830,034			

## NOTES TO FINANCIAL STATEMENTS

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b. Assumed Reinsurance Basis	\$317,263
c. Net of Ceded Reinsurance Basis	\$6,811,167

### **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 Contracts**

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? Wisconsin
- 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). 05/21/2015
- 3.4 By what department or departments?  
 State of Wisconsin Office of the Commissioner of Insurance  
 .....  
 .....  
 .....
- 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:  
 0 .....

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.  
 0 .....

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:  
 0 .....

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:  
 0 .....

## 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.

0 .....

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	St. James/Arlington LLC
12.12 Number of parcels involved	7
12.13 Total book/adjusted carrying value	\$ 15,131,319

12.2 If yes, provide explanation:

Employers Insurance Company of Wausau directly owns 100% of St. James/Arlington LLC and indirectly owns 3% of St James/Arlington Real Estate LP via it's ownership in St. James/Arlington LLC.

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:

0 .....

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).

0 .....

## 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).

0  
 .....  
 .....  
 .....

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	\$ <u>0</u>
	22.22 Amount paid as expenses	\$ <u>0</u>
	22.23 Other amounts paid	\$ <u>0</u>

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)  
 .....  
 .....  
 .....

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. \$ 112,458,999

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 \$ 92,251,223

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ 92,251,223

24.103 Total payable for securities lending reported on the liability page \$ 92,251,223

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>758,000</u>
	25.28 On deposit with states	\$ <u>210,847,173</u>
	25.29 On deposit with other regulatory bodies	\$ <u>29,867,750</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 [X] N/A [ ]

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

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

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

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 Management Inc.	N/A	N/A	No	DS
Liberty Mutual Investment Advisors, LLC	N/A	N/A	No	DS
StanCorp	N/A	N/A	No	DS
Prudential Mortgage Capital Company	N/A	N/A	No	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	4,043,241,405	4,095,324,109	52,082,704
30.2 Preferred stocks	0	0	0
30.3 Totals	4,043,241,405	4,095,324,109	52,082,704

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 [X]

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:

.....

.....

.....

33 By self-designating 5\*GI securities, the reporting entity is certifying the following elements of each self-designated 5\*GI security:

- a. Documentation necessary to permit a full credit analysis of the security does not exist.
- b. Issuer or obligor is current on all contracted interest and principal payments.
- c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5\*GI securities? Yes [ ] No [X]

### OTHER

34.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 4,119,361

34.2 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	\$ 1,379,556
	\$ 0
	\$ 0

35.1 Amount of payments for legal expenses, if any? \$ 3,641,645

## 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 payments for legal expenses during the period covered by this statement.

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

36.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$ 199,617

36.2 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  
0

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	\$ 4,202,952	\$ 656,927	
2.2 Premium Denominator	\$ 2,192,835,343	\$ 2,064,977,741	
2.3 Premium Ratio (2.1 / 2.2)	<u>0.00</u>	<u>0.00</u>	
2.4 Reserve Numerator	\$ 7,164,095	\$ 1,955,617	
2.5 Reserve Denominator	\$ 4,380,005,774	\$ 3,902,343,914	
2.6 Reserve Ratio (2.4 / 2.5)	<u>0.00</u>	<u>0.00</u>	

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

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

3.21 Participating policies \$ 125,516

3.22 Non-participating policies \$ 236,158,032

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  
0

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 v16.0 and AIR's Touchstone v4.2 software. For workers' compensation, Liberty Mutual utilizes RiskLink v16.0 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 purchases aggregate coverage to substantially replace nonreinstated catastrophe layers.
- 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 [X] No [ ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_ 1
- 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 [X]
- 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  
N/A
- 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 [ ] No [X]

## 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  
0
- 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   |  | \$ | 25,786,173 |  |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | 1,883,498  |  |
- 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? \$ 731,047
- 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 |  |  | 0.05 % |  |
| 12.42 To   |  |  | 0.08 % |  |
- 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          |  | \$ | 342,635,793 |  |
| 12.62 Collateral and other funds |  | \$ | 99,981,212  |  |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 88,000,000
- 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:  
Premiums and recoverables were allocated pursuant to the intercompany pooling agreement.
- 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:  
N/A
- 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<br>Incurred | Direct Losses<br>Unpaid | Direct Written<br>Premium | Direct Premium<br>Unearned | Direct Premium<br>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: 0

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

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

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

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

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

Yes [ ] No [X]

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

\$           0

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

Yes [ ] No [X]

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

\$           0

**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2017	2016	2015	2014	2013
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,485,299,510	1,324,309,589	1,118,026,473	1,205,690,137	1,693,846,824
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	603,933,023	483,775,601	382,575,561	396,341,759	489,719,758
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	716,443,429	688,459,774	655,261,400	630,953,482	768,185,029
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	75,006,196	64,849,718	69,125,472	64,947,676	96,952,136
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	28,364,017	23,695,149	30,324,870	23,303,287	20,440,783
6. Total (Line 35)	2,909,046,175	2,585,089,831	2,255,313,776	2,321,236,341	3,069,144,530
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,083,514,288	969,638,537	926,958,177	931,079,533	1,113,312,729
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	415,268,301	398,309,682	376,864,283	390,480,908	473,389,186
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	682,462,987	664,211,442	648,105,691	620,940,965	723,860,452
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	74,409,793	64,063,417	68,323,039	64,346,751	96,076,246
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	28,361,559	23,686,147	30,322,862	23,297,795	20,514,932
12. Total (Line 35)	2,284,016,928	2,119,909,225	2,050,574,052	2,030,145,952	2,427,153,545
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(226,160,272)	(61,640,601)	9,068,124	(38,044,690)	(110,772,596)
14. Net investment gain (loss) (Line 11)	147,253,453	131,403,457	172,782,837	165,884,436	200,465,765
15. Total other income (Line 15)	14,669,825	6,796,595	3,202,301	(853,654)	560,616
16. Dividends to policyholders (Line 17)	1,087,484	1,421,572	1,548,430	1,885,384	3,082,309
17. Federal and foreign income taxes incurred (Line 19)	(17,200,274)	17,260,454	28,359,104	5,393,594	38,279,835
18. Net income (Line 20)	(48,124,204)	57,877,425	155,145,728	119,707,114	48,891,641
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	6,056,430,890	5,614,331,777	5,477,230,768	5,277,707,190	5,599,777,330
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	130,317,352	113,320,644	114,648,710	115,779,506	150,627,128
20.2 Deferred and not yet due (Line 15.2)	585,929,979	553,511,156	496,153,199	470,476,007	620,523,826
20.3 Accrued retrospective premiums (Line 15.3)	31,156,268	31,946,332	31,519,422	35,853,810	37,659,053
21. Total liabilities excluding protected cell business (Page 3, Line 26)	4,534,915,967	4,028,494,960	3,962,842,256	3,884,543,021	4,316,041,606
22. Losses (Page 3, Line 1)	2,622,655,277	2,285,275,090	2,238,134,366	2,219,415,749	2,279,464,676
23. Loss adjustment expenses (Page 3, Line 3)	522,741,759	472,145,281	468,607,823	481,276,193	489,340,086
24. Unearned premiums (Page 3, Line 9)	1,200,504,734	1,108,755,728	1,052,883,251	1,006,108,608	950,468,970
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)	1,521,514,923	1,585,836,820	1,514,388,515	1,393,164,169	1,283,735,724
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	151,520,592	138,370,757	206,895,480	122,475,936	1,324,278,705
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	1,521,514,923	1,585,836,820	1,514,388,515	1,393,164,169	1,283,735,724
29. Authorized control level risk-based capital	360,553,412	313,109,694	295,618,633	298,415,870	300,988,708
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	82.0	83.7	82.6	81.1	81.9
31. Stocks (Lines 2.1 & 2.2)	2.8	4.7	6.0	6.6	6.2
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	3.1	3.4	3.3	3.3	3.1
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.3	0.3	0.4
34. Cash, cash equivalents and short-term investments (Line 5)	3.6	1.0	1.3	1.0	1.4
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)	6.6	5.9	5.5	6.3	6.2
38. Receivables for securities (Line 9)	0.1	0.0	0.0	0.5	0.1
39. Securities lending reinvested collateral assets (Line 10)	1.9	1.2	1.0	0.9	0.8
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	136,221,496	147,351,128	152,348,313	155,481,635	155,668,454
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	142,166,527				
46. Affiliated mortgage loans on real estate					
47. All other affiliated	316,576,054	265,846,822	248,184,498	240,919,153	237,954,627
48. Total of above Lines 42 to 47	594,964,077	413,197,950	400,532,811	396,400,788	393,623,081
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)	39.1	26.1	26.4	28.5	30.7

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2017	2016	2015	2014	2013
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	30,105,982	16,364,860	(15,065,125)	14,937,629	(26,131,817)
52. Dividends to stockholders (Line 35)					
53. Change in surplus as regards policyholders for the year (Line 38)	(64,321,897)	71,448,305	121,224,346	109,428,445	54,001,362
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	918,265,508	997,213,024	1,025,701,727	1,336,610,877	979,042,715
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	320,702,562	254,088,777	203,770,619	211,321,604	217,037,158
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	398,255,121	347,601,587	358,644,464	347,857,209	140,840,565
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	10,239,821	1,922,685	19,966,382	24,855,303	6,783,428
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	24,176,020	32,253,355	24,927,912	39,477,256	27,085,582
59. Total (Line 35)	1,671,639,032	1,633,079,428	1,633,011,104	1,960,122,249	1,370,789,448
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	515,580,179	560,411,399	538,017,596	625,263,868	106,485,931
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	240,835,371	230,296,341	201,305,876	206,079,405	196,033,650
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	369,831,168	323,054,419	320,031,262	301,688,883	84,543,690
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	9,679,582	1,463,163	19,108,361	23,541,539	6,132,249
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	9,148,370	6,318,530	9,173,592	10,294,086	8,756,804
65. Total (Line 35)	1,145,074,670	1,121,543,852	1,087,636,687	1,166,867,781	401,952,324
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	66.0	56.6	55.6	56.3	59.2
68. Loss expenses incurred (Line 3)	13.5	13.2	12.7	13.7	14.3
69. Other underwriting expenses incurred (Line 4)	30.8	33.1	31.2	31.9	32.2
70. Net underwriting gain (loss) (Line 8)	(10.3)	(3.0)	0.5	(1.9)	(5.7)
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 12 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	29.0	32.0	30.2	31.0	25.8
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	79.5	69.8	68.4	70.0	73.5
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)	150.1	133.7	135.4	145.7	189.1
<b>One Year Loss Development (\$000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	70,421	16,818	(13,462)	(1,195)	65,218
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)	4.4	1.1	(1.0)	(0.1)	5.3
<b>Two Year Loss Development (\$000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	75,699	(6,953)	(15,539)	55,155	70,321
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)	5.0	(0.5)	(1.2)	4.5	5.7

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	57,063	20,214	18,263	11,204	4,105	643	1,624	47,370	X X X
2. 2008	2,119,930	356,410	1,763,520	1,237,709	196,675	92,249	10,715	161,119	6,072	62,384	1,277,615	X X X
3. 2009	2,021,915	423,658	1,598,257	1,081,352	198,722	81,863	10,669	151,255	1,775	59,106	1,103,304	X X X
4. 2010	2,052,089	398,876	1,653,213	1,157,051	211,494	88,360	11,563	160,468	983	67,128	1,181,839	X X X
5. 2011	2,169,264	477,915	1,691,349	1,288,212	263,554	94,073	16,460	161,719	1,142	83,346	1,262,848	X X X
6. 2012	2,343,039	517,631	1,825,408	1,301,457	277,604	93,289	17,192	167,046	1,025	94,955	1,265,971	X X X
7. 2013	2,473,756	557,259	1,916,497	1,211,078	277,792	80,471	13,891	164,773	1,447	74,199	1,163,192	X X X
8. 2014	2,537,001	561,476	1,975,525	1,169,720	260,948	69,453	10,341	159,851	1,845	60,172	1,125,890	X X X
9. 2015	2,620,309	608,305	2,012,004	1,154,766	279,500	52,262	8,293	156,225	1,931	74,768	1,073,529	X X X
10. 2016	2,688,041	610,019	2,078,022	1,075,975	268,826	29,705	6,075	155,577	3,421	44,261	982,935	X X X
11. 2017	2,817,106	610,150	2,206,956	863,232	231,755	11,447	2,671	119,775	1,051	26,808	758,977	X X X
12. Totals	X X X	X X X	X X X	11,597,615	2,487,084	711,435	119,074	1,561,913	21,335	648,751	11,243,470	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	455,770	172,606	311,087	147,870	29,461	20,047	112,986	46,699	9,924	52	1,175	531,954	X X X
2. 2008	30,915	7,215	52,990	6,771	929	93	6,281	2,127	850		2,189	75,759	X X X
3. 2009	31,375	5,104	54,224	9,196	1,341	217	4,845	1,345	553		685	76,476	X X X
4. 2010	34,047	5,405	49,710	6,108	2,103	664	7,577	1,064	738		974	80,934	X X X
5. 2011	41,182	5,975	61,910	8,696	2,172	521	13,453	1,560	927		1,470	102,892	X X X
6. 2012	57,392	11,887	90,971	12,385	4,688	1,376	19,771	2,008	1,991		4,395	147,157	X X X
7. 2013	73,817	15,919	108,053	16,520	5,105	1,258	22,016	2,502	17,292		6,959	190,084	X X X
8. 2014	118,246	24,865	115,571	26,176	5,261	1,076	29,310	2,629	8,582		7,039	222,224	X X X
9. 2015	152,042	17,721	169,323	40,066	6,287	707	46,875	3,270	15,096		13,057	327,859	X X X
10. 2016	206,517	21,434	228,513	41,355	8,076	788	65,556	7,594	24,120	4	18,442	461,607	X X X
11. 2017	358,722	71,682	644,599	149,349	6,752	1,031	85,335	7,153	62,282	4	48,543	928,471	X X X
12. Totals	1,560,025	359,813	1,886,951	464,492	72,175	27,778	414,005	77,951	142,355	60	104,928	3,145,417	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	446,381	85,573
2. 2008	1,583,042	229,668	1,353,374	74.674	64.439	76.743			8.000	69,919	5,840
3. 2009	1,406,808	227,028	1,179,780	69.578	53.588	73.817			8.000	71,299	5,177
4. 2010	1,500,054	237,281	1,262,773	73.099	59.487	76.383			8.000	72,244	8,690
5. 2011	1,663,648	297,908	1,365,740	76.692	62.335	80.749			8.000	88,421	14,471
6. 2012	1,736,605	323,477	1,413,128	74.118	62.492	77.414			8.000	124,091	23,066
7. 2013	1,682,605	329,329	1,353,276	68.018	59.098	70.612			8.000	149,431	40,653
8. 2014	1,675,994	327,880	1,348,114	66.062	58.396	68.241			8.000	182,776	39,448
9. 2015	1,752,876	351,488	1,401,388	66.896	57.782	69.651			8.000	263,578	64,281
10. 2016	1,794,039	349,497	1,444,542	66.742	57.293	69.515			8.000	372,241	89,366
11. 2017	2,152,144	464,696	1,687,448	76.396	76.161	76.460			8.000	782,290	146,181
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,622,671	522,746

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	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	One Year	Two Year	
1. Prior	1,747,381	1,740,739	1,740,157	1,771,661	1,785,202	1,805,181	1,824,457	1,829,496	1,832,404	1,844,440	12,036	14,944	
2. 2008	1,228,427	1,199,809	1,184,322	1,183,963	1,188,325	1,202,406	1,201,031	1,201,143	1,202,259	1,201,364	(895)	221	
3. 2009	X X X	1,053,824	1,051,124	1,041,211	1,031,615	1,038,916	1,030,896	1,031,581	1,031,986	1,032,834	848	1,253	
4. 2010	X X X	X X X	1,098,918	1,098,605	1,103,365	1,115,695	1,104,816	1,105,423	1,104,876	1,106,838	1,962	1,415	
5. 2011	X X X	X X X	X X X	1,199,252	1,198,785	1,203,914	1,203,971	1,203,198	1,204,940	1,208,000	3,060	4,802	
6. 2012	X X X	X X X	X X X	X X X	1,248,525	1,257,940	1,246,220	1,238,932	1,243,834	1,248,200	4,366	9,268	
7. 2013	X X X	X X X	X X X	X X X	X X X	1,163,937	1,176,443	1,168,162	1,167,921	1,179,690	11,769	11,528	
8. 2014	X X X	X X X	X X X	X X X	X X X	X X X	1,177,539	1,174,188	1,170,624	1,183,493	12,869	9,305	
9. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,210,896	1,221,146	1,233,859	12,713	22,963	
10. 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	1,258,211	1,269,904	11,693	X X X	
11. 2017	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,508,185	X X X	X X X	
											12. Totals	70,421	75,699

**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
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
1. Prior	000	351,581	613,211	798,599	928,076	1,022,547	1,107,789	1,183,742	1,234,158	1,278,066	X X X	X X X
2. 2008	497,340	761,016	887,924	977,014	1,037,638	1,074,535	1,095,990	1,107,722	1,115,884	1,122,568	X X X	X X X
3. 2009	X X X	419,863	635,584	749,550	831,771	887,160	918,818	936,070	946,824	953,824	X X X	X X X
4. 2010	X X X	X X X	462,107	699,511	820,121	908,558	963,396	993,488	1,011,930	1,022,354	X X X	X X X
5. 2011	X X X	X X X	X X X	545,862	771,502	901,109	991,937	1,050,081	1,085,462	1,102,271	X X X	X X X
6. 2012	X X X	X X X	X X X	X X X	536,379	805,565	928,650	1,013,722	1,069,991	1,099,950	X X X	X X X
7. 2013	X X X	X X X	X X X	X X X	X X X	505,541	747,014	864,593	951,761	999,866	X X X	X X X
8. 2014	X X X	X X X	X X X	X X X	X X X	X X X	537,311	773,286	893,306	967,884	X X X	X X X
9. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	556,624	804,759	919,235	X X X	X X X
10. 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	590,914	830,779	X X X	X X X
11. 2017	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	640,253	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
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Prior	801,875	626,319	467,479	407,819	338,995	320,044	299,709	266,676	253,129	247,276
2. 2008	444,533	244,786	157,888	108,747	77,676	76,879	63,598	58,757	55,100	52,715
3. 2009	X X X	399,730	240,726	158,963	106,613	89,508	64,022	58,529	53,640	50,267
4. 2010	X X X	X X X	394,817	220,964	149,960	113,649	77,841	63,638	55,707	52,599
5. 2011	X X X	X X X	X X X	394,268	242,359	167,430	113,191	87,642	73,042	67,832
6. 2012	X X X	X X X	X X X	X X X	456,760	262,928	180,912	133,765	107,880	98,336
7. 2013	X X X	X X X	X X X	X X X	X X X	431,436	252,061	180,215	130,379	117,289
8. 2014	X X X	X X X	X X X	X X X	X X X	X X X	409,915	239,683	161,492	117,851
9. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	419,096	246,134	174,146
10. 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	434,385	246,498
11. 2017	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	574,999



## 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	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	2,591,390	2,654,888	4,791	1,817,579	908,606	18,623,643								
2. Alaska	AK	L	2,662,031	2,891,858	64,496	2,569,417	443,570	35,583,954								
3. Arizona	AZ	L	2,930,377	2,788,557	25,112	2,114,978	1,623,139	14,160,485								
4. Arkansas	AR	L	1,408,230	1,258,310	(1,848)	473,749	180,586	5,369,011								
5. California	CA	L	24,409,709	23,621,437	272,504	17,818,807	19,131,927	142,375,471								
6. Colorado	CO	L	3,680,226	2,892,281	19,310	1,344,915	759,869	12,529,401								
7. Connecticut	CT	L	4,702,250	4,173,089	(13,604)	3,723,421	3,551,186	25,998,694								
8. Delaware	DE	L	106,310	124,723	(23)	230,464	(5,154)	5,211,917								
9. District of Columbia	DC	L	914,396	1,098,249	(100)	320,807	(26,633)	3,727,263								
10. Florida	FL	L	18,750,110	15,669,845	81,611	10,887,659	13,458,585	48,322,585								
11. Georgia	GA	L	5,719,290	4,919,187	4,854	10,029,753	1,736,734	20,681,707								
12. Hawaii	HI	L	821,197	674,046	(267)	352,317	465,888	4,465,599								
13. Idaho	ID	L	2,581,854	2,036,313	(49,183)	2,170,912	1,649,776	17,238,611								
14. Illinois	IL	L	11,380,972	11,116,982	45,367	16,845,859	35,931,004	82,637,100								
15. Indiana	IN	L	8,740,178	6,646,181	472	3,569,863	6,695,248	24,185,874								
16. Iowa	IA	L	975,794	984,424	10,400	389,270	75,069	6,362,959								
17. Kansas	KS	L	1,319,950	873,448	13,911	9,222,639	18,331,062	28,450,763								
18. Kentucky	KY	L	3,535,422	2,301,541	10,891	3,190,573	3,917,729	51,990,821								
19. Louisiana	LA	L	4,837,022	3,747,850	(5,033)	2,639,989	1,860,950	15,153,970								
20. Maine	ME	L	1,326,566	1,118,754	480	448,789	608,790	4,658,079	2,116							
21. Maryland	MD	L	2,032,447	1,745,287	(14,163)	3,516,072	1,648,959	14,557,931								
22. Massachusetts	MA	L	10,368,296	10,152,661	803	9,827,365	14,074,515	78,222,949								
23. Michigan	MI	L	4,276,971	3,832,540	17,661	7,635,923	1,497,595	101,656,276								
24. Minnesota	MN	L	3,205,194	2,888,371	27,829	6,117,628	2,225,433	73,740,094								
25. Mississippi	MS	L	2,169,290	1,976,247	899	1,754,003	2,921,053	11,046,058								
26. Missouri	MO	L	4,603,672	3,744,456	3,578	3,753,136	4,923,539	27,060,142								
27. Montana	MT	L	1,170,816	1,031,296	13,289	506,232	346,334	6,599,734								
28. Nebraska	NE	L	858,423	832,547	50,048	1,772,658	711,258	9,008,690								
29. Nevada	NV	L	1,997,720	1,798,478	(1)	524,786	558,450	5,988,233								
30. New Hampshire	NH	L	2,127,556	2,045,240	66,959	1,019,688	1,033,808	9,864,226								
31. New Jersey	NJ	L	7,868,682	7,278,905	625	5,476,034	6,093,193	86,683,810								
32. New Mexico	NM	L	1,390,963	1,459,221	66,176	761,230	(615,820)	5,625,352								
33. New York	NY	L	21,756,311	17,364,250	158,070	20,195,122	16,812,429	154,017,282								
34. North Carolina	NC	L	7,194,180	6,079,124	(536)	1,833,140	(510,859)	18,366,183								
35. North Dakota	ND	L	122,080	127,835		5,133	(101,675)	288,957								
36. Ohio	OH	L	1,776,704	1,016,477	(11)	462,956	521,465	7,685,322								
37. Oklahoma	OK	L	2,593,647	2,543,645	(686)	765,317	399,541	12,837,753								
38. Oregon	OR	L	1,594,538	1,324,874	(2,544)	1,616,207	1,310,554	17,425,698								
39. Pennsylvania	PA	L	7,957,350	6,738,796	62,344	5,823,777	10,878,275	96,886,652								
40. Rhode Island	RI	L	1,157,872	1,182,058	(6)	581,981	629,637	6,152,225								
41. South Carolina	SC	L	2,535,414	2,092,670	24,680	3,196,956	1,700,058	16,901,149								
42. South Dakota	SD	L	237,421	238,967		390,354	(294,623)	6,687,971								
43. Tennessee	TN	L	5,644,527	4,625,680	(646)	3,695,327	1,747,789	24,407,799								
44. Texas	TX	L	18,924,816	16,271,812	42,920	11,221,138	20,622,516	84,141,975								
45. Utah	UT	L	1,583,563	1,273,048	(948)	870,230	925,530	9,781,452								
46. Vermont	VT	L	1,073,095	1,166,296	4,489	945,642	388,544	3,948,223								
47. Virginia	VA	L	3,964,356	3,277,589	47,289	1,899,613	3,150,836	27,026,172								
48. Washington	WA	L	2,947,459	2,437,116	(25,126)	1,822,114	1,232,480	4,591,470								
49. West Virginia	WV	L	842,583	837,924	(4)	751,677	472,952	1,989,465								
50. Wisconsin	WI	L	8,759,198	10,976,437	128,657	21,571,972	11,127,170	139,473,675								
51. Wyoming	WY	L	130,620	117,360	(8)		(20,039)	384,657								
52. American Samoa	AS	N														
53. Guam	GU	N														
54. Puerto Rico	PR	L	24,563	15,577			977,622	985,082								
55. U.S. Virgin Islands	VI	L	1,252	1,252			(5,483)	(1,606)								
56. Northern Mariana Islands	MP	N														
57. Canada	CAN	L	(102)	(102)		8,273	190,740	1,758,632								
58. Aggregate Other Alien	OT	X X X	(1,205)	(360,335)	(236)	171,232	(405,282)	817,114								
59. Totals	(a) 53		236,283,546	209,725,562	1,155,542	210,654,676	218,466,425	1,634,334,704	2,116							

DETAILS OF WRITE-INS									
58001. ZZZ OTHER ALIEN	X X X		(1,205)	(360,335)	(236)	171,232	(405,282)	817,114	
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		(1,205)	(360,335)	(236)	171,232	(405,282)	817,114	

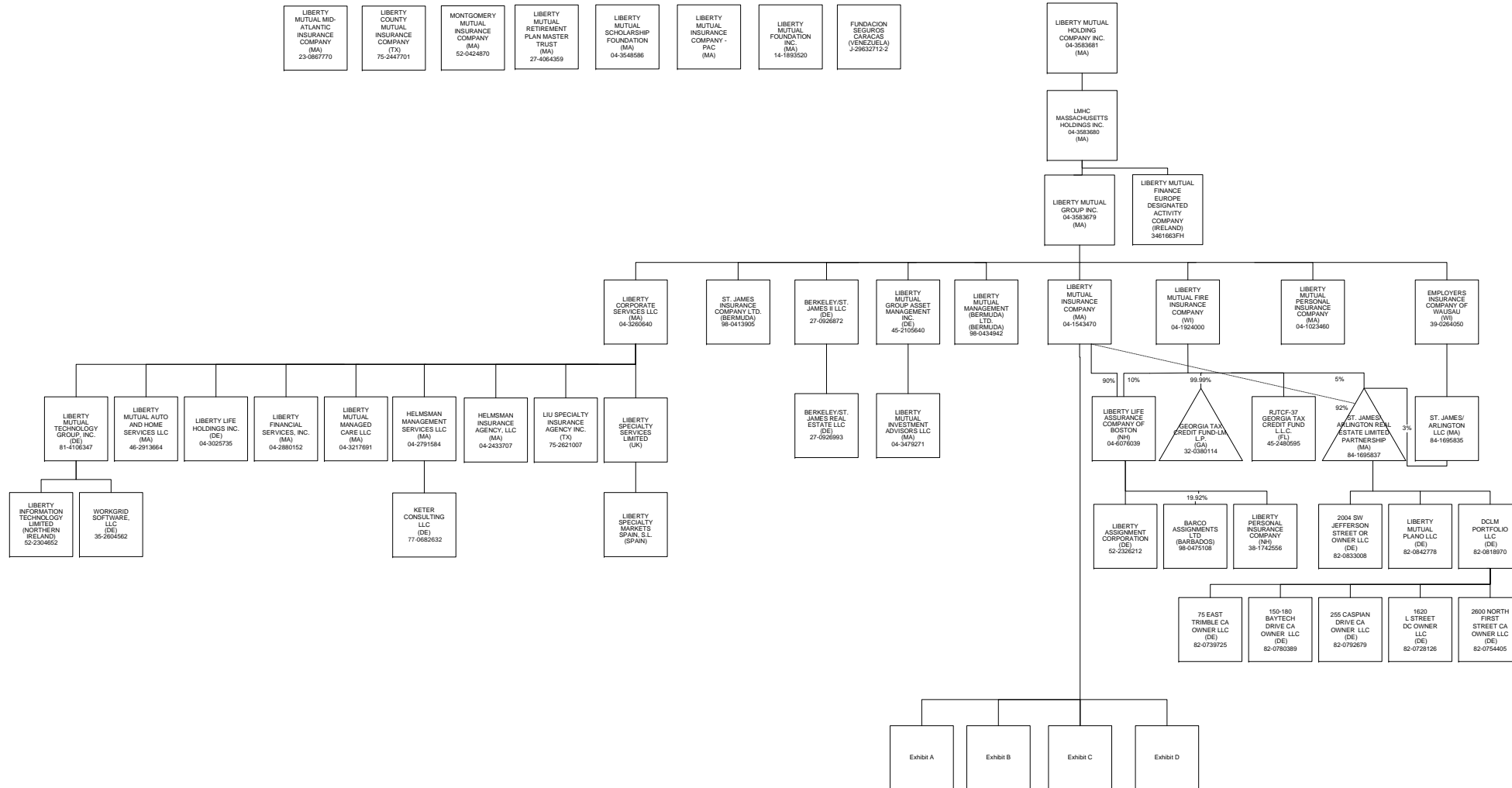
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state (other than their state of domicile - see DSLI); (D) DSLI - Domestic Surplus Lines Insurer (DSLI) - Reporting entities authorized to write Surplus Lines in the state of domicile; (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 Obligor - 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 D and L responses except for Canada and Other Alien.

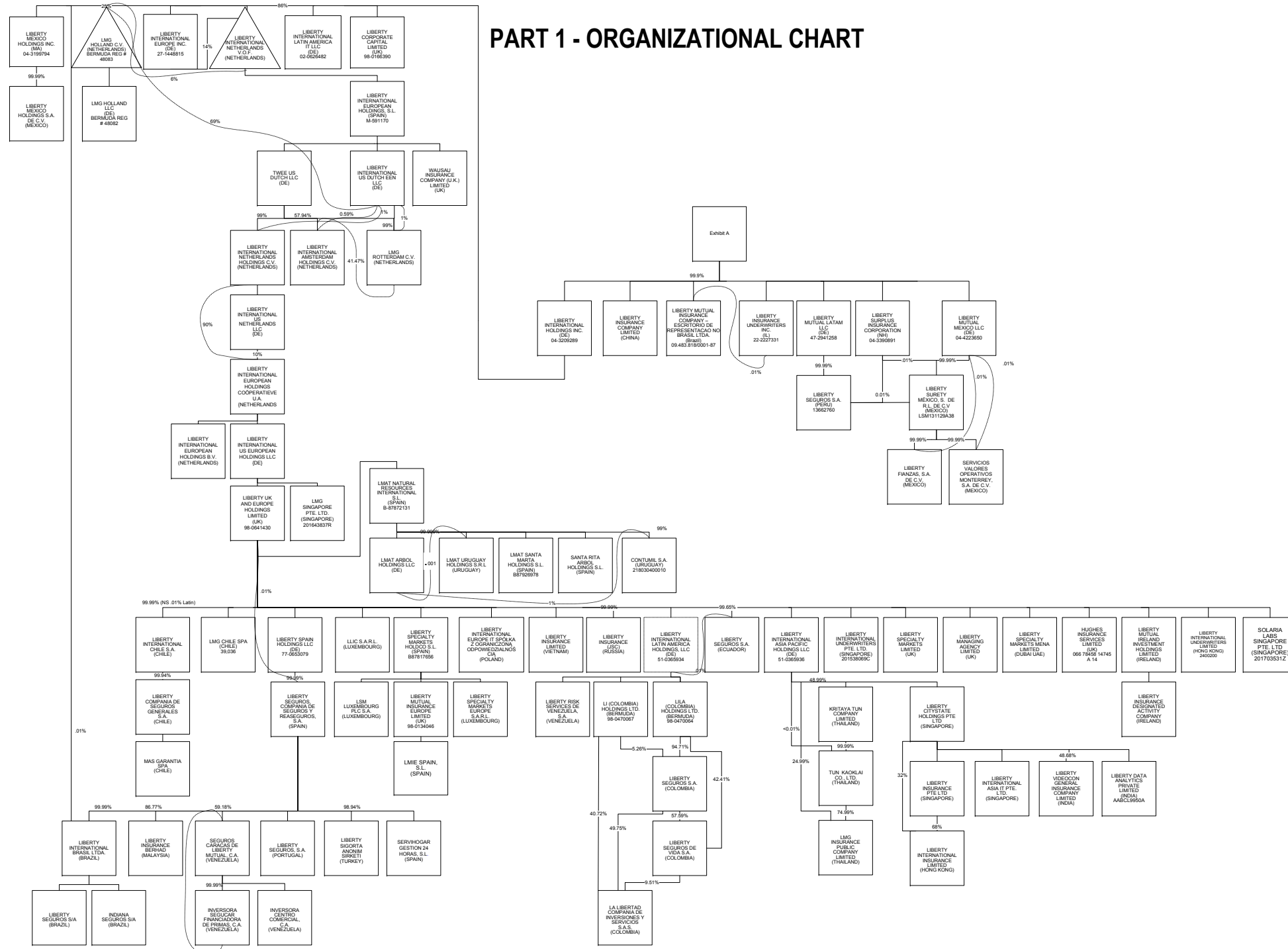
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



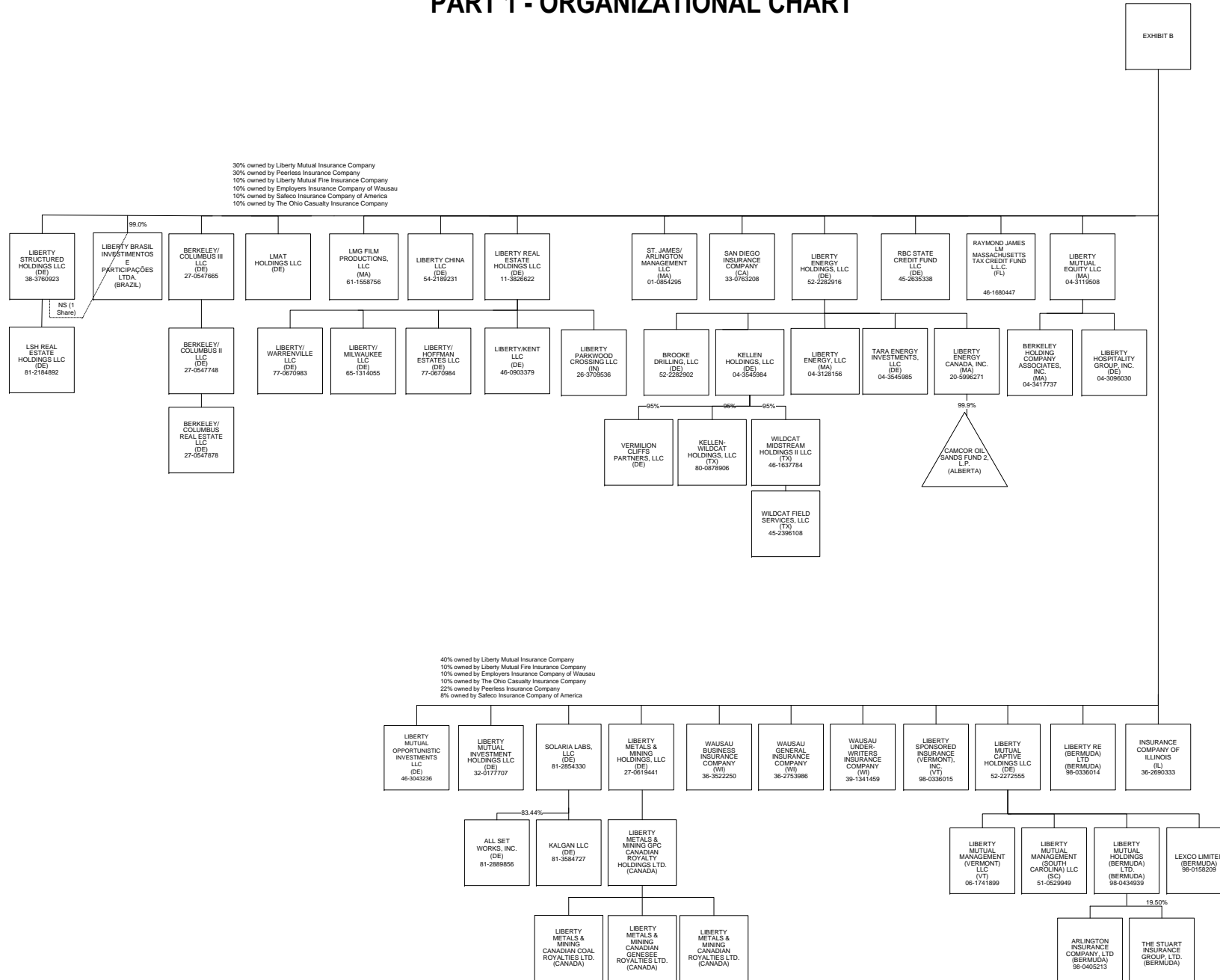
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



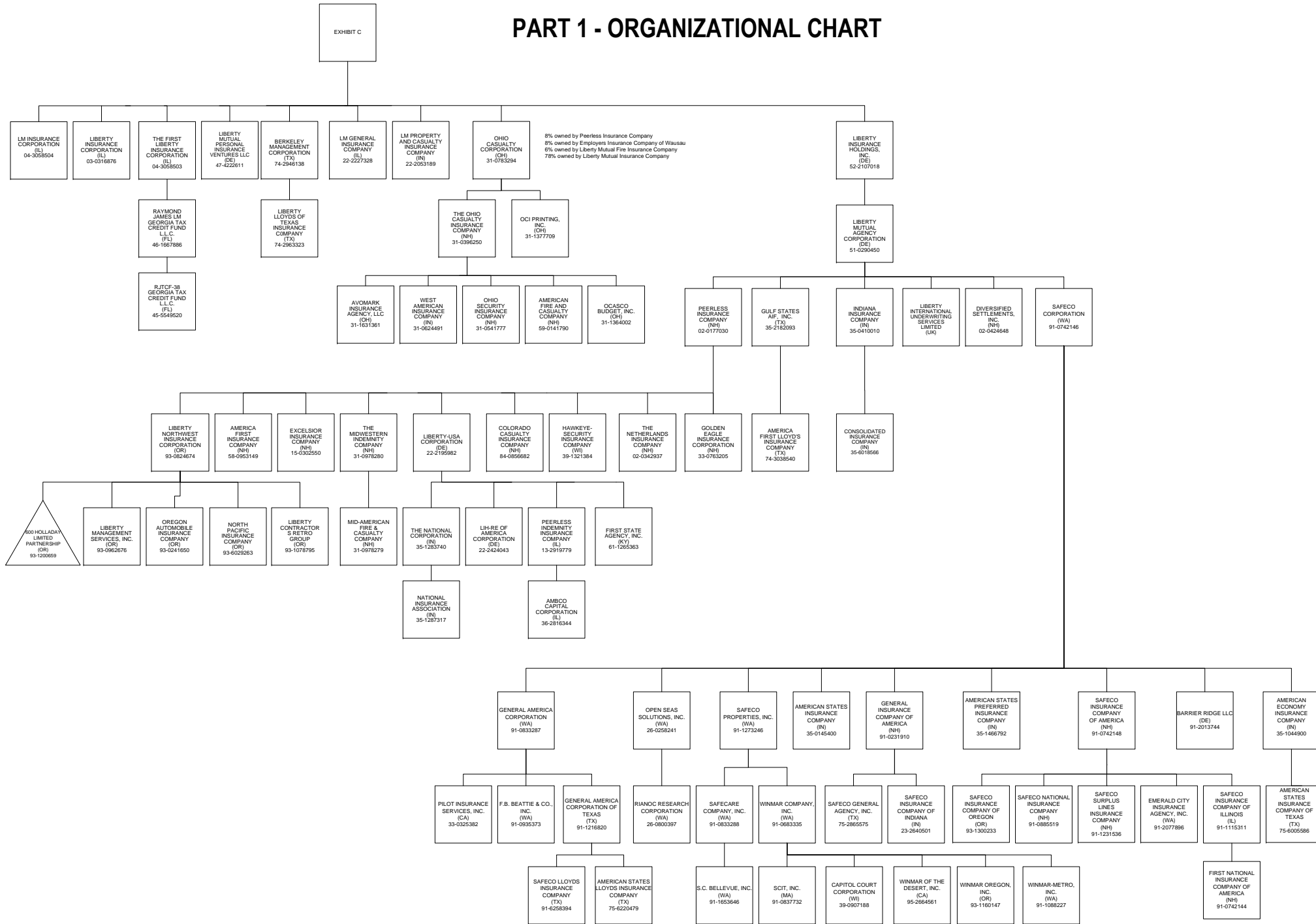
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



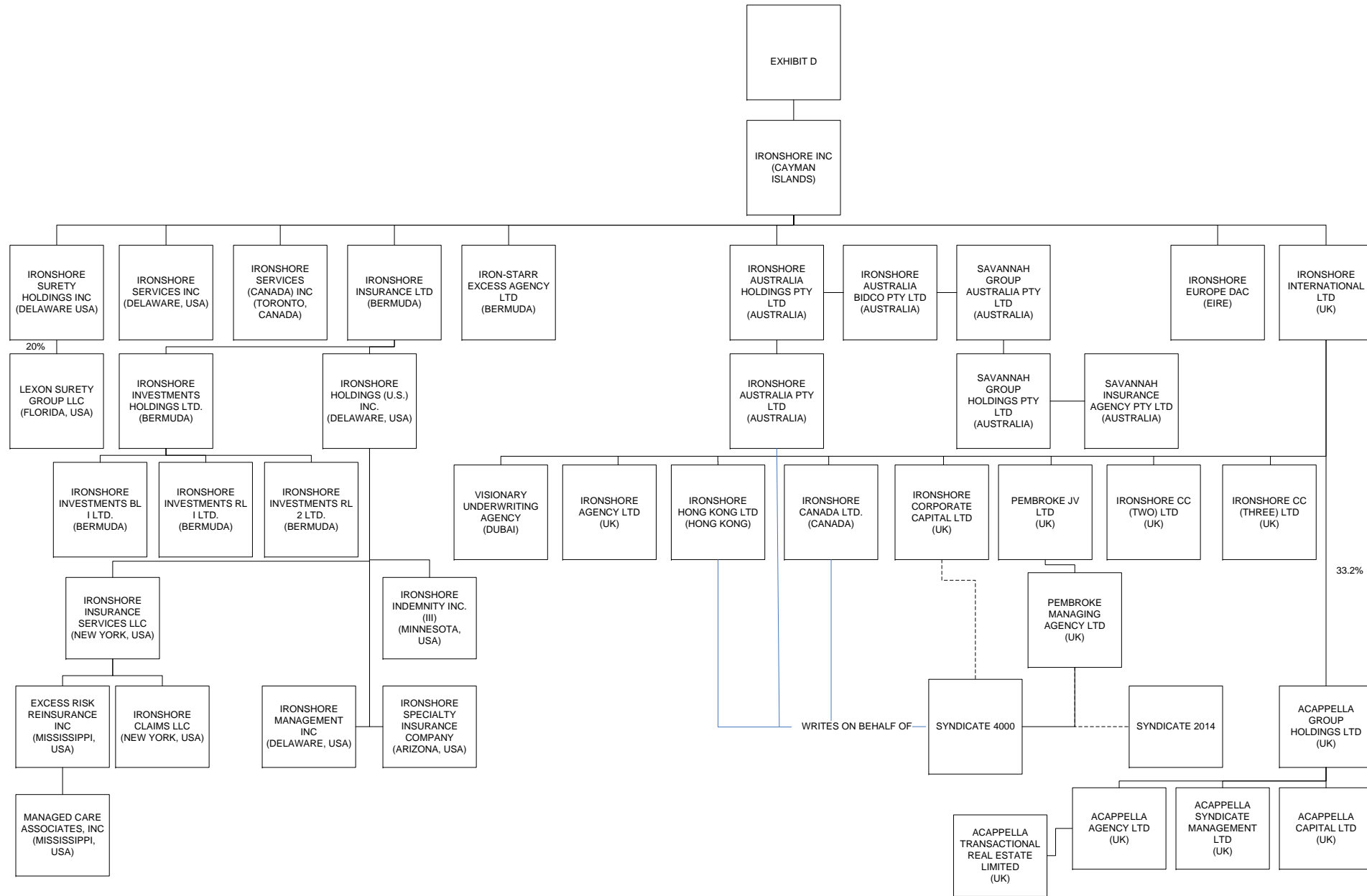
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Other Assets	9,872,615	8,586,477	1,286,138	1,299,388
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	9,872,615	8,586,477	1,286,138	1,299,388

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