

**ANNUAL STATEMENT**

**OF THE**

**LIBERTY MUTUAL FIRE INSURANCE COMPANY**

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**of** WAUSAU

**in the state of** WISCONSIN

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2015**

**PROPERTY AND CASUALTY**

**2015**



ANNUAL STATEMENT

For the Year Ended December 31, 2015
OF THE CONDITION AND AFFAIRS OF THE

Liberty Mutual Fire Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 23035 Employer's ID Number 04-1924000
Organized under the Laws of Wisconsin, State of Domicile or Port of Entry Wisconsin
Country of Domicile United States of America
Incorporated/Organized October 31, 1908 Commenced Business November 5, 1908
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 Gennaro Petruzzello, 617-357-9500 x44532, Statutory.Compliance@LibertyMutual.com, 857-224-1430

OFFICERS

Chairman of the Board

David Henry Long

Table with 2 columns: Name, Title. Rows: 1. David Henry Long, President and Chief Executive Officer; 2. Mark Charles Touhey #, Senior Vice President and Secretary; 3. Laurance Henry Soyer Yahia, Senior Vice President and Treasurer

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents and their titles such as Executive Vice President, Senior Vice President, etc.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors or trustees and their titles.

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) David Henry Long, (Signature) Mark Charles Touhey #, (Signature) Laurance Henry Soyer Yahia
(Printed Name) 1. David Henry Long, (Printed Name) 2. Mark Charles Touhey #, (Printed Name) 3. Laurance Henry Soyer Yahia
President and Chief Executive Officer, Senior Vice President and Secretary, Senior Vice President and Treasurer
(Title) (Title) (Title)

Subscribed and sworn to (or affirmed) before me this on this 25th day of January, 2016, 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)	3,527,679,878		3,527,679,878	3,316,682,851
2. Stocks (Schedule D):				
2.1 Preferred stocks	22,745,926		22,745,926	21,957,618
2.2 Common stocks	389,726,162		389,726,162	415,819,636
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	134,599,517		134,599,517	128,349,383
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 18,500,997, Schedule E - Part 1), cash equivalents (\$ 24,623,081, Schedule E - Part 2), and short-term investments (\$ 19,461,381, Schedule DA)	62,585,459		62,585,459	46,417,297
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	386,398,137		386,398,137	417,865,137
9. Receivables for securities	5,156,692		5,156,692	23,614,820
10. Securities lending reinvested collateral assets (Schedule DL)	34,020,778		34,020,778	38,948,161
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	4,562,912,549		4,562,912,549	4,409,654,903
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	30,269,520		30,269,520	31,419,143
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	116,948,330	6,970,199	109,978,131	110,463,948
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 2,348,778 earned but unbilled premiums)	495,783,619	234,878	495,548,741	469,147,504
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	35,013,862	3,494,440	31,519,422	35,853,810
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	2,501	172	2,329	29,852
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	145,773,000		145,773,000	132,792,000
19. Guaranty funds receivable or on deposit	1,578,490		1,578,490	1,802,276
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	3,790,663		3,790,663	11,406,463
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	105,426,205	9,026,924	96,399,281	95,317,209
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	5,497,498,739	19,726,613	5,477,772,126	5,297,887,108
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	5,497,498,739	19,726,613	5,477,772,126	5,297,887,108

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	67,404,264		67,404,264	64,444,487
2502. Equities and deposits in pools and associations	14,109,383		14,109,383	13,218,318
2503. Amounts receivable under high deductible policies	13,062,582	18,729	13,043,853	15,154,144
2598. Summary of remaining write-ins for Line 25 from overflow page	10,849,976	9,008,195	1,841,781	2,500,260
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	105,426,205	9,026,924	96,399,281	95,317,209

**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>				
2504. Other assets	10,849,976	9,008,195	1,841,781	2,500,260
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	10,849,976	9,008,195	1,841,781	2,500,260

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,238,134,366	2,219,415,749
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	2,133,621	4,906,743
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	468,607,823	481,276,193
4. Commissions payable, contingent commissions and other similar charges	45,423,689	42,140,609
5. Other expenses (excluding taxes, licenses and fees)	74,142,183	65,790,568
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	19,580,195	19,575,115
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	14,387,556	16,468,293
7.2 Net deferred tax liability		
8. Borrowed money \$ 150,000,000 and interest thereon \$ 505,042	150,505,042	150,505,042
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 2,253,349,445 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)	1,052,883,251	1,006,108,608
10. Advance premium	7,674,646	7,300,797
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	57,285	199,448
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	2,285,803	9,875,669
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	69,268,536	65,450,853
19. Payable to parent, subsidiaries and affiliates	17,995,907	849,950
20. Derivatives		
21. Payable for securities	18,695,404	39,423
22. Payable for securities lending	34,020,778	38,948,161
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(137,014,922)	(133,077,601)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	4,078,781,163	3,995,773,620
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	4,078,781,163	3,995,773,620
29. Aggregate write-ins for special surplus funds	10,862,551	8,632,698
30. Common capital stock	10,000,000	10,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other-than-special surplus funds	1,250,000	1,250,000
33. Surplus notes		
34. Gross paid in and contributed surplus	510,000,000	510,000,000
35. Unassigned funds (surplus)	866,878,413	772,230,790
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)	1,398,990,964	1,302,113,488
38. Totals (Page 2, Line 28, Col. 3)	5,477,772,127	5,297,887,108

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	51,193,484	53,226,104
2502. Other liabilities	49,018,523	51,757,935
2503. Retroactive reinsurance reserves	(237,226,929)	(238,061,640)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(137,014,922)	(133,077,601)
2901. Special surplus from retroactive reinsurance	10,862,551	8,632,698
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)	10,862,551	8,632,698
3201. Guaranty funds	1,250,000	1,250,000
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)	1,250,000	1,250,000

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	1,997,025,453	1,971,402,330
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,111,328,489	1,110,630,374
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	254,174,130	269,772,012
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	622,454,710	629,044,634
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,987,957,329	2,009,447,020
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	9,068,124	(38,044,690)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	151,261,240	150,619,865
10. Net realized capital gains (losses) less capital gains tax of \$ 46,571,038 (Exhibit of Capital Gains (Losses))	86,489,071	17,054,922
11. Net investment gain (loss) (Lines 9 + 10)	237,750,311	167,674,787
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 456,997 amount charged off \$ 7,242,876)	(6,785,879)	(7,463,568)
13. Finance and service charges not included in premiums	11,323,919	11,055,509
14. Aggregate write-ins for miscellaneous income	(1,361,665)	(4,603,126)
15. Total other income (Lines 12 through 14)	3,176,375	(1,011,185)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	249,994,810	128,618,912
17. Dividends to policyholders	1,548,430	1,885,384
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)	248,446,380	126,733,528
19. Federal and foreign income taxes incurred	(3,637,038)	(5,440,420)
20. Net income (Line 18 minus Line 19) (to Line 22)	252,083,418	132,173,948
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,302,113,488	1,216,296,019
22. Net income (from Line 20)	252,083,418	132,173,948
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (52,663,502)	(87,818,913)	18,633,743
25. Change in net unrealized foreign exchange capital gain (loss)	(13,041,409)	(9,186,204)
26. Change in net deferred income tax	(39,682,700)	(30,242,942)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	337,080	4,183,355
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(15,000,000)	(26,531,250)
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		(3,213,181)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	96,877,476	85,817,469
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,398,990,964	1,302,113,488

<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)	1,599,467	(1,316,593)
1402. Other income/(expense)	(2,961,132)	(3,286,533)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,361,665)	(4,603,126)
3701. Other changes in surplus		(3,213,181)
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)		(3,213,181)

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	2,022,943,674	2,176,410,010
2. Net investment income	161,201,704	164,831,069
3. Miscellaneous income	(6,403,057)	(8,622,448)
4. Total (Lines 1 through 3)	2,177,742,321	2,332,618,631
5. Benefit and loss related payments	1,086,583,797	1,279,636,473
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	875,525,837	892,578,601
8. Dividends paid to policyholders	1,690,592	1,882,134
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	45,014,737	(589,684)
10. Total (Lines 5 through 9)	2,008,814,963	2,173,507,524
11. Net cash from operations (Line 4 minus Line 10)	168,927,358	159,111,107
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	741,857,364	623,784,900
12.2 Stocks	231,882,245	27,999,079
12.3 Mortgage loans	16,317,866	11,560,105
12.4 Real estate		
12.5 Other invested assets	289,766,913	217,931,060
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	4,126	(4,807)
12.7 Miscellaneous proceeds	18,452,458	(22,714,563)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,298,280,972	858,555,774
13. Cost of investments acquired (long-term only):		
13.1 Bonds	970,480,358	503,892,233
13.2 Stocks	212,058,884	32,236,325
13.3 Mortgage loans	22,606,244	14,826,438
13.4 Real estate		
13.5 Other invested assets	254,233,891	213,284,681
13.6 Miscellaneous applications	(18,655,981)	14,227,566
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,440,723,396	778,467,243
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)	(142,442,424)	80,088,531
<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	15,000,000	26,531,250
16.6 Other cash provided (applied)	4,683,228	(241,118,289)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(10,316,772)	(267,649,539)
<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)	16,168,162	(28,449,901)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	46,417,297	74,867,198
19.2 End of year (Line 18 plus Line 19.1)	62,585,459	46,417,297

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

20.0001	2 - Net investment income	1,291,113	1,681,536
20.0002	7 - Commissions, expenses paid and aggregate write-ins for deductions	976,815	14,220,682
20.0003	12.1 - Proceeds from investments sold, matured or repaid - Bonds	6,027,500	10,119,982
20.0004	12.2 - Proceeds from investments sold, matured or repaid - Stocks	2,662,702	14,704,523
20.0005	12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans	6,219	147,575
20.0006	12.5 - Proceeds from investments sold, matured or repaid - Other invested assets		520,376
20.0007	13.1 - Cost of Investment Acquired - Bonds	7,318,613	11,801,518
20.0008	13.2 - Cost of Investment Acquired - Stocks	1,685,887	540,108
20.0009	13.5 - Cost of Investment Acquired - Other invested assets	6,219	611,684

## 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	45,056,069	23,357,330	21,403,402	47,009,997
2. Allied lines	29,491,216	15,522,636	15,674,826	29,339,026
3. Farmowners multiple peril	8,021,509	3,933,726	4,023,866	7,931,369
4. Homeowners multiple peril	447,562,424	229,168,863	241,702,807	435,028,480
5. Commercial multiple peril	176,016,523	87,394,739	89,637,953	173,773,309
6. Mortgage guaranty				
8. Ocean marine	9,272,681	3,661,639	5,533,145	7,401,175
9. Inland marine	59,805,710	12,897,774	13,380,314	59,323,170
10. Financial guaranty				
11.1 Medical professional liability—occurrence	6,118,772	1,955,965	2,716,394	5,358,343
11.2 Medical professional liability—claims-made	1,121,622	925,687	589,210	1,458,099
12. Earthquake	6,135,009	3,450,749	2,983,116	6,602,642
13. Group accident and health	690,123	125,046	251,000	564,169
14. Credit accident and health (group and individual)				
15. Other accident and health	403,721	34,950	15,537	423,134
16. Workers' compensation	160,628,502	6,826,560	6,731,092	160,723,970
17.1 Other liability—occurrence	130,494,559	57,590,009	59,978,096	128,106,472
17.2 Other liability—claims-made	46,568,359	27,041,430	27,522,048	46,087,741
17.3 Excess workers' compensation	3,814,467	2,344,619	2,044,237	4,114,849
18.1 Products liability—occurrence	15,669,485	7,437,574	8,160,266	14,946,793
18.2 Products liability—claims-made	849,898	378,810	322,110	906,598
19.1,19.2 Private passenger auto liability	467,841,071	220,614,611	232,169,256	456,286,426
19.3,19.4 Commercial auto liability	93,851,444	43,909,790	45,385,579	92,375,655
21. Auto physical damage	236,304,927	169,118,542	185,216,084	220,207,385
22. Aircraft (all perils)	4,194,477	781,134	1,245,314	3,730,297
23. Fidelity	4,002,525	1,886,781	1,969,552	3,919,754
24. Surety	63,277,603	37,484,387	40,420,362	60,341,628
26. Burglary and theft	71,352	40,340	31,788	79,904
27. Boiler and machinery	3,038,077	1,300,027	1,336,247	3,001,857
28. Credit	(36,444)	276,758	195,029	45,285
29. International				
30. Warranty	(14,489)	317,510	178,719	124,302
31. Reinsurance-nonproportional assumed property	23,785,095	3,222,553	3,047,839	23,959,809
32. Reinsurance-nonproportional assumed liability	6,537,346	1,370,262	2,051,013	5,856,595
33. Reinsurance-nonproportional assumed financial lines	421			421
34. Aggregate write-ins for other lines of business				
35. TOTALS	2,050,574,054	964,370,801	1,015,916,201	1,999,028,654

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)				

NONE



## 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	21,057,597	345,805			21,403,402
2. Allied lines	15,554,984	119,841			15,674,825
3. Farmowners multiple peril	4,023,866				4,023,866
4. Homeowners multiple peril	241,702,807				241,702,807
5. Commercial multiple peril	88,926,860	1,549,234	(842,647)	4,506	89,637,953
6. Mortgage guaranty					
8. Ocean marine	3,976,612	1,556,533			5,533,145
9. Inland marine	12,129,604	1,250,710			13,380,314
10. Financial guaranty					
11.1 Medical professional liability—occurrence	2,383,515	332,879			2,716,394
11.2 Medical professional liability—claims-made	547,511	41,699			589,210
12. Earthquake	2,943,696	39,420			2,983,116
13. Group accident and health	251,000				251,000
14. Credit accident and health (group and individual)					
15. Other accident and health	15,537				15,537
16. Workers' compensation	41,615,264	1,528,240	(1,010,704)	(35,401,709)	6,731,091
17.1 Other liability—occurrence	55,830,889	4,464,638	(75,635)	(241,797)	59,978,095
17.2 Other liability—claims-made	19,827,532	7,670,981	(4,376)	27,911	27,522,048
17.3 Excess workers' compensation	1,945,973	98,263			2,044,236
18.1 Products liability—occurrence	4,988,682	2,980,866	(19,827)	210,545	8,160,266
18.2 Products liability—claims-made	312,733	9,377			322,110
19.1,19.2 Private passenger auto liability	232,169,256				232,169,256
19.3,19.4 Commercial auto liability	44,558,884	440,013		386,682	45,385,579
21. Auto physical damage	185,130,285	85,800			185,216,085
22. Aircraft (all perils)	1,245,314				1,245,314
23. Fidelity	1,951,181	18,371			1,969,552
24. Surety	39,691,081	729,281			40,420,362
26. Burglary and theft	31,514	273			31,787
27. Boiler and machinery	1,281,608	54,639			1,336,247
28. Credit	195,029				195,029
29. International					
30. Warranty		178,719			178,719
31. Reinsurance-nonproportional assumed property	3,047,488	351			3,047,839
32. Reinsurance-nonproportional assumed liability	2,020,857	30,155			2,051,012
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	1,029,357,159	23,526,088	(1,953,189)	(35,013,862)	1,015,916,196
36. Accrued retrospective premiums based on experience					35,013,862
37. Earned but unbilled premiums					1,953,188
38. Balance (Sum of Lines 35 through 37)					1,052,883,246

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	317,145,591	45,056,069		317,145,591		45,056,069
2. Allied lines	139,029,617	29,491,216		139,029,617		29,491,216
3. Farmowners multiple peril		8,021,509				8,021,509
4. Homeowners multiple peril	1,085,623,338	447,562,424		1,085,623,338		447,562,424
5. Commercial multiple peril	28,862,991	176,016,523		28,862,991		176,016,523
6. Mortgage guaranty						
8. Ocean marine	4,807,349	9,272,681		4,807,349		9,272,681
9. Inland marine	39,335,825	59,805,710		39,335,825		59,805,710
10. Financial guaranty						
11.1 Medical professional liability--occurrence		6,118,772				6,118,772
11.2 Medical professional liability--claims-made		1,121,622				1,121,622
12. Earthquake	35,794,120	6,135,009		35,794,120		6,135,009
13. Group accident and health		690,123				690,123
14. Credit accident and health (group and individual)						
15. Other accident and health		403,721				403,721
16. Workers' compensation	516,207,461	160,628,502		516,207,461		160,628,502
17.1 Other liability—occurrence	385,010,295	130,494,559		385,010,295		130,494,559
17.2 Other liability—claims-made	3,207,294	46,568,359		3,207,294		46,568,359
17.3 Excess workers' compensation		3,814,467				3,814,467
18.1 Products liability—occurrence	96,612,731	15,669,485		96,612,731		15,669,485
18.2 Products liability—claims-made	4,362,303	849,898		4,362,303		849,898
19.1,19.2 Private passenger auto liability	1,053,168,449	467,841,071		1,053,168,449		467,841,071
19.3,19.4 Commercial auto liability	281,199,336	93,851,444		281,199,336		93,851,444
21. Auto physical damage	755,054,434	236,304,927		755,054,434		236,304,927
22. Aircraft (all perils)		4,194,477				4,194,477
23. Fidelity	1,131,339	4,002,525		1,131,339		4,002,525
24. Surety	4,859,273	63,277,603		4,859,273		63,277,603
26. Burglary and theft	577,482	71,352		577,482		71,352
27. Boiler and machinery	36,542,111	3,038,077		36,542,111		3,038,077
28. Credit		(36,444)				(36,444)
29. International						
30. Warranty	(181,118)	(14,489)		(181,118)		(14,489)
31. Reinsurance-nonproportional assumed property	X X X	23,785,095				23,785,095
32. Reinsurance-nonproportional assumed liability	X X X	6,537,346				6,537,346
33. Reinsurance-nonproportional assumed financial lines	X X X	421				421
34. Aggregate write-ins for other lines of business						
35. TOTALS	4,788,350,221	2,050,574,054		4,788,350,221		2,050,574,054

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)						

NONE

(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 \$ 476,089,518

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 479,058,451

## UNDERWRITING AND INVESTMENT EXHIBIT PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	216,766,882	23,813,789	216,766,882	23,813,789	19,794,032	20,298,308	23,309,513	49.584
2. Allied lines	70,314,696	16,220,444	70,314,696	16,220,444	7,957,747	7,499,905	16,678,286	56.847
3. Farmowners multiple peril		3,825,894		3,825,894	1,408,262	1,648,351	3,585,805	45.210
4. Homeowners multiple peril	485,869,890	225,779,853	485,869,890	225,779,853	88,777,559	75,161,670	239,395,742	55.030
5. Commercial multiple peril	10,959,097	84,209,421	10,959,097	84,209,421	153,759,508	162,347,111	75,621,818	43.518
6. Mortgage guaranty								
8. Ocean marine	2,088,724	3,304,014	2,088,724	3,304,014	6,102,142	5,156,357	4,249,799	57.421
9. Inland marine	17,207,860	34,764,424	17,207,860	34,764,424	7,841,373	7,608,597	34,997,200	58.994
10. Financial guaranty								
11.1 Medical professional liability—occurrence		348,739		348,739	7,982,851	6,176,740	2,154,850	40.215
11.2 Medical professional liability—claims-made		503,868		503,868	1,797,572	1,152,362	1,149,078	78.807
12. Earthquake		123,219		123,219	126,183	148,262	101,140	1.532
13. Group accident and health		252,160		252,160	292,436	220,033	324,563	57.529
14. Credit accident and health (group and individual)								
15. Other accident and health		307,114		307,114	1,575,714	1,540,147	342,681	80.986
16. Workers' compensation	354,006,816	120,819,135	354,006,816	120,819,135	982,244,594	1,006,827,568	96,236,161	59.877
17.1 Other liability—occurrence	147,709,663	65,524,682	147,709,663	65,524,682	281,505,692	279,648,177	67,382,197	52.599
17.2 Other liability—claims-made	(835)	11,428,529	(835)	11,428,529	68,163,978	59,822,234	19,770,273	42.897
17.3 Excess workers' compensation	66,798	2,580,856	66,798	2,580,856	45,686,427	45,228,007	3,039,276	73.861
18.1 Products liability—occurrence	30,094,286	7,106,505	30,094,286	7,106,505	26,488,317	30,967,947	2,626,875	17.575
18.2 Products liability—claims-made	78,426	33,027	78,426	33,027	1,801,935	1,520,296	314,666	34.708
19.1,19.2 Private passenger auto liability	721,024,370	272,431,227	721,024,370	272,431,227	364,654,338	338,932,635	298,152,930	65.343
19.3,19.4 Commercial auto liability	152,624,052	57,241,028	152,624,052	57,241,028	118,915,709	110,267,259	65,889,478	71.328
21. Auto physical damage	377,216,493	126,368,301	377,216,493	126,368,301	4,567,141	4,722,619	126,212,823	57.315
22. Aircraft (all perils)		1,879,656		1,879,656	2,833,532	2,884,706	1,828,482	49.017
23. Fidelity	362,369	650,670	362,369	650,670	3,875,928	2,660,605	1,865,993	47.605
24. Surety		17,847,532		17,847,532	6,863,958	11,730,449	12,981,041	21.513
26. Burglary and theft	140,588	15,700	140,588	15,700	12,217	10,203	17,714	22.169
27. Boiler and machinery	13,531,638	1,032,424	13,531,638	1,032,424	544,685	326,926	1,250,183	41.647
28. Credit		50,885		50,885	496,870	313,293	234,462	517.748
29. International								
30. Warranty					134,566	130,622	3,944	3.173
31. Reinsurance-nonproportional assumed property	X X X	6,386,701		6,386,701	13,094,712	14,811,481	4,669,932	19.491
32. Reinsurance-nonproportional assumed liability	X X X	2,758,303		2,758,303	18,528,020	19,329,598	1,956,725	33.411
33. Reinsurance-nonproportional assumed financial lines	X X X	28,588		28,588	306,367	323,281	11,674	2772.922
34. Aggregate write-ins for other lines of business								
35. TOTALS	2,600,061,813	1,087,636,688	2,600,061,813	1,087,636,688	2,238,134,365	2,219,415,749	1,106,355,304	55.345

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)								

NONE

## 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	160,126,322	14,374,482	160,126,322	14,374,482	31,999,133	5,419,549	31,999,133	19,794,031	1,677,649
2. Allied lines	24,528,197	5,552,330	24,528,197	5,552,330	10,236,206	2,405,417	10,236,206	7,957,747	922,661
3. Farmowners multiple peril		1,321,385		1,321,385		86,877		1,408,262	397,272
4. Homeowners multiple peril	109,519,146	53,271,869	109,519,146	53,271,869	97,672,426	35,505,690	97,672,426	88,777,559	18,832,709
5. Commercial multiple peril	23,688,983	79,267,983	23,688,983	79,267,983	8,375,976	74,491,526	8,375,976	153,759,509	55,797,478
6. Mortgage guaranty									
8. Ocean marine	504,967	2,800,310	504,967	2,800,310	3,481,976	3,301,832	3,481,976	6,102,142	964,815
9. Inland marine	23,276,204	3,556,398	23,276,204	3,556,398	(591,295)	4,284,975	(591,295)	7,841,373	1,243,506
10. Financial guaranty									
11.1 Medical professional liability—occurrence		445,731		445,731		7,537,120		7,982,851	540,239
11.2 Medical professional liability—claims-made		248,755		248,755		1,548,817		1,797,572	243,283
12. Earthquake		82,590		82,590		43,593		126,183	18,570
13. Group accident and health		151,144		151,144	8,953	141,292	8,953	(a) 292,436	54,547
14. Credit accident and health (group and individual)									
15. Other accident and health		599,933		599,933		975,781		(a) 1,575,714	445,299
16. Workers' compensation	1,592,924,741	480,433,336	1,592,924,741	480,433,336	2,043,058,959	501,811,258	2,043,058,959	982,244,594	143,558,346
17.1 Other liability—occurrence	302,106,480	108,037,946	302,106,480	108,037,946	566,727,535	173,467,746	566,727,535	281,505,692	87,855,149
17.2 Other liability—claims-made	5,850,003	13,718,676	5,850,003	13,718,676	4,055,680	54,445,301	4,055,680	68,163,977	15,803,918
17.3 Excess workers' compensation	25,726	20,306,702	25,726	20,306,702	1,754,038	25,379,725	1,754,038	45,686,427	4,911,688
18.1 Products liability—occurrence	44,140,944	8,774,293	44,140,944	8,774,293	125,690,703	17,714,024	125,690,703	26,488,317	19,283,311
18.2 Products liability—claims-made	75,000	63,705	75,000	63,705	9,074,156	1,738,230	9,074,156	1,801,935	891,851
19.1,19.2 Private passenger auto liability	742,375,832	220,871,127	742,375,832	220,871,127	618,161,645	143,783,211	618,161,645	364,654,338	83,980,053
19.3,19.4 Commercial auto liability	196,976,927	67,114,442	196,976,927	67,114,442	182,574,955	51,801,267	182,574,955	118,915,709	16,579,550
21. Auto physical damage		3,397,128		3,397,128	(3,442,885)	1,170,013	(3,442,885)	4,567,141	6,060,213
22. Aircraft (all perils)		1,306,741		1,306,741		1,526,790		2,833,531	603,397
23. Fidelity	501,309	706,435	501,309	706,435	429,433	3,169,493	429,433	3,875,928	498,358
24. Surety		621,157		621,157	461,727	6,242,801	461,727	6,863,958	5,535,991
26. Burglary and theft	25,121	5,347	25,121	5,347	19,441	6,870	19,441	12,217	8,479
27. Boiler and machinery	5,854,065	450,814	5,854,065	450,814	932,968	93,870	932,968	544,684	40,798
28. Credit		46,558		46,558		450,312		496,870	397
29. International									
30. Warranty					1,690,695	134,566	1,690,695	134,566	79,020
31. Reinsurance-nonproportional assumed property	X X X	6,201,245		6,201,245	X X X	6,893,467		13,094,712	243,906
32. Reinsurance-nonproportional assumed liability	X X X	5,523,283		5,523,283	X X X	13,004,737		18,528,020	1,533,028
33. Reinsurance-nonproportional assumed financial lines	X X X	301,567		301,567	X X X	4,800		306,367	2,341
34. Aggregate write-ins for other lines of business									
35. TOTALS	3,232,499,967	1,099,553,412	3,232,499,967	1,099,553,412	3,702,372,425	1,138,580,950	3,702,372,425	2,238,134,362	468,607,822

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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)									

NONE

(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	242,447,359			242,447,359
1.2 Reinsurance assumed	106,246,974			106,246,974
1.3 Reinsurance ceded	242,447,359			242,447,359
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	106,246,974			106,246,974
2. Commission and brokerage:				
2.1 Direct, excluding contingent		209,161,657		209,161,657
2.2 Reinsurance assumed, excluding contingent		110,070,490		110,070,490
2.3 Reinsurance ceded, excluding contingent		209,161,657		209,161,657
2.4 Contingent—direct		286,781,026		286,781,026
2.5 Contingent—reinsurance assumed		33,332,078		33,332,078
2.6 Contingent—reinsurance ceded		286,781,026		286,781,026
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)		143,402,568		143,402,568
3. Allowances to manager and agents		19,695,491		19,695,491
4. Advertising	192,952	39,528,940	2,825	39,724,717
5. Boards, bureaus and associations	595,014	3,398,049	475	3,993,538
6. Surveys and underwriting reports	11,035	9,039,899		9,050,934
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	90,103,792	177,799,687	6,313,040	274,216,519
8.2 Payroll taxes	4,126,982	14,820,976	45,918	18,993,876
9. Employee relations and welfare	15,090,901	51,733,689	298,040	67,122,630
10. Insurance	3,571,144	2,385,236	34,314	5,990,694
11. Directors' fees	29	(2,129)		(2,100)
12. Travel and travel items	6,256,527	14,057,673	199,327	20,513,527
13. Rent and rent items	5,006,178	18,167,660	95,721	23,269,559
14. Equipment	3,392,091	8,923,238	255,446	12,570,775
15. Cost or depreciation of EDP equipment and software	3,390,224	8,302,676	277,965	11,970,865
16. Printing and stationery	567,364	2,042,099	28,969	2,638,432
17. Postage, telephone and telegraph, exchange and express	2,448,639	11,441,896	275,606	14,166,141
18. Legal and auditing	771,982	2,430,315	159,547	3,361,844
19. Totals (Lines 3 to 18)	135,524,854	383,765,395	7,987,193	527,277,442
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 286,275		41,308,009		41,308,009
20.2 Insurance department licenses and fees		5,024,045		5,024,045
20.3 Gross guaranty association assessments		521,583		521,583
20.4 All other (excluding federal and foreign income and real estate)		7,481,021		7,481,021
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		54,334,658		54,334,658
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	12,402,302	40,952,087	2,404,833	55,759,222
25. Total expenses incurred	254,174,130	622,454,708	10,392,026	(a) 887,020,864
26. Less unpaid expenses—current year	468,607,823	139,146,067		607,753,890
27. Add unpaid expenses—prior year	481,276,193	127,506,292		608,782,485
28. Amounts receivable relating to uninsured plans, prior year		29,852		29,852
29. Amounts receivable relating to uninsured plans, current year		2,329		2,329
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	266,842,500	610,787,410	10,392,026	888,021,936

DETAILS OF WRITE-IN LINES				
2401. Other expenses	12,402,302	40,952,087	2,404,833	55,759,222
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	12,402,302	40,952,087	2,404,833	55,759,222

(a) Includes management fees of \$ 302,667,723 to affiliates and \$ 19,679,136 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 13,014,105	12,780,211
1.1 Bonds exempt from U.S. tax	(a) 38,651,839	36,886,749
1.2 Other bonds (unaffiliated)	(a) 74,160,166	75,113,664
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 1,090,284	1,090,284
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	3,702,774	3,609,864
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 7,567,327	7,556,102
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 62,216	62,216
7. Derivative instruments	(f)	
8. Other invested assets	30,074,485	30,074,485
9. Aggregate write-ins for investment income	427,899	427,899
10. Total gross investment income	168,751,095	167,601,474
11. Investment expenses		(g) 10,392,026
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 5,948,208
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)		16,340,234
17. Net investment income (Line 10 minus Line 16)		151,261,240

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	427,899	427,899
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)	427,899	427,899
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 \$ 2,816,902 accrual of discount less \$ 11,347,891 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 \$ 11,692 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	49,348		49,348		
1.1 Bonds exempt from U.S. tax	6,127,013		6,127,013	(488)	
1.2 Other bonds (unaffiliated)	(405,492)	(1,153,620)	(1,559,112)	(9,858,283)	(5,144,510)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)				788,308	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	116,725,531	(5,400,325)	111,325,206	(120,421,786)	(54,258)
2.21 Common stocks of affiliates				3,857,539	
3. Mortgage loans	(106,414)		(106,414)	68,168	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments				4,126	
7. Derivative instruments					
8. Other invested assets	18,415,337	(1,191,268)	17,224,069	(14,919,999)	(1,451,301)
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	140,805,323	(7,745,213)	133,060,110	(140,482,415)	(6,650,069)

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

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
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	6,970,199	6,103,750	(866,449)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	234,878	229,702	(5,176)
15.3 Accrued retrospective premiums and contracts subject to redetermination	3,494,440	3,955,615	461,175
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	172	1,123	951
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			
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	9,026,924	9,759,394	732,470
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	19,726,613	20,049,584	322,971
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	19,726,613	20,049,584	322,971

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	9,008,195	9,743,616	735,421
2502. Amounts receivable under high deductible policies	18,729	15,778	(2,951)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	9,026,924	9,759,394	732,470

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies

#### A. Accounting Practices

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

	State of Domicile	2015	2014
<u>NET INCOME</u>			
LMFIC state basis (Page 4, Line 20, Columns 1 & 2)	WI	\$252,083,418	\$132,173,948
State Prescribed Practices: NONE		-	-
State Permitted Practices: NONE		-	-
NAIC SAP		\$252,083,418	\$132,173,948

	State of Domicile	2015	2014
<u>SURPLUS</u>			
LMFIC state basis (Page 3, Line 37, Columns 1 & 2)	WI	\$1,398,990,964	\$1,302,113,488
State Prescribed Practices: NONE		-	-
State Permitted Practices: NONE		-	-
NAIC SAP		\$1,398,990,964	\$1,302,113,488

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

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

#### C. Accounting Policies

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

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

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Investment Analysis Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. 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



## NOTES TO FINANCIAL STATEMENTS

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 2015.

13. The Company has no pharmaceutical rebate receivables.

### D. Going Concern

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

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

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

### Note 3 - Business Combinations and Goodwill

#### A. Statutory Purchase Method

On August 24, 2007, the Company and three affiliates (Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company; Peerless Insurance Company ("PIC"), a New Hampshire insurance company; and Employers Insurance Company of Wausau ("EICOW"), a Wisconsin insurance company) acquired all of the issued and outstanding voting shares of Ohio Casualty Corporation, a non-insurance holding company, which is the upstream parent of four property casualty insurance companies. The Company directly acquired a 6% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 94% (LMIC 78%, PIC 8%, and EICOW 8%). The transaction was accounted for as a statutory purchase and the cost was \$166,800,420, resulting in goodwill in the amount of \$88,284,180. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was \$8,828,420 for year ended December 31, 2015; goodwill is being amortized over ten years.

#### B. Statutory Mergers

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

#### C. Impairment Loss

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

### Note 4 - Discontinued Operations

The Company has no discontinued operations.

### Note 5 - Investments

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

1. The maximum and minimum lending rates for mortgage loans during 2015 were:

Farm mortgages	N/A
Residential mortgages	N/A
Commercial mortgages	3.500% and 6.250%

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

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

2015	2014
\$ 13,462	\$ 7,508

4. Age Analysis of Mortgage Loans:

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

#### a. Current Year

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

(a) Current	\$ -	\$ -	\$ -	\$ -	\$134,634,805	\$ -	\$134,634,805
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	188,274	-	188,274
(d) 90-179 Days Past Due	-	-	-	-	17,992	-	17,992
(e) 180+ Days Past Due	-	-	-	-	21,945	-	21,945

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

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

## NOTES TO FINANCIAL STATEMENTS

3. Accruing Interest 180+ Days Past Due							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-
4. Interest Reduced							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$2,517,140	\$ -	\$2,517,140
(b) Number of Loans	-	-	-	-	500	-	500
(c) Percent Reduced	-	-	-	-	1.963%	-	1.963%
b. Prior Year							
1. Recorded Investment (All)							
(a) Current	\$ -	\$ -	\$ -	\$ -	\$125,708,940	\$ -	\$125,708,940
(b) 30-59 Days Past Due	-	-	-	-	249,801	-	249,801
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	758	-	758
(e) 180+ Days Past Due	-	-	-	-	48,741	-	48,741
2. Accruing Interest 90-179 Days Past Due							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-
3. Accruing Interest 180+ Days Past Due							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-
4. Interest Reduced							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$3,378,245	\$ -	\$3,378,245
(b) Number of Loans	-	-	-	-	342	-	342
(c) Percent Reduced	-	-	-	-	1.961%	-	1.961%
5. Investment in Impaired Loans With or Without Allowance for Credit Losses:							

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

a. Current Year							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$426,867	\$ -	\$426,867
2. No Allowance for Credit Losses	-	-	-	-	352,646	-	352,646
b. Prior Year							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$500,191	\$ -	\$500,191
2. No Allowance for Credit Losses	-	-	-	-	396,898	-	396,898

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

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

a. Current Year							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$838,300	\$ -	\$838,300
2. Interest Income Recognized	-	-	-	-	49,458	-	49,458
3. Recorded Investments on Nonaccrual Status	-	-	-	-	40,346	-	40,346
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	49,055	-	49,055
b. Prior Year							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$1,010,913	\$ -	\$1,010,913
2. Interest Income Recognized	-	-	-	-	54,272	-	54,272
3. Recorded Investments on Nonaccrual Status	-	-	-	-	49,499	-	49,499
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	49,983	-	49,983

## NOTES TO FINANCIAL STATEMENTS

### 7. Allowance for Credit Losses:

	2015	2014
a. Balance at beginning of period	\$ 331,667	\$ 273,156
b. Additions charged to operations	56,834	147,662
c. Direct write-downs charged against the allowances	(125,002)	(115,926)
d. Recoveries of amounts previously charged off	-	26,775
e. Balance at end of period	\$ 263,499	\$ 331,667

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

	2015
a. Aggregate amount of mortgage loans derecognized	\$ 3,330
b. Real estate collateral recognized	3,694
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

	2015	2014
1. The total recorded investment in restructured loans, as of year end	\$ 968,960	\$ 986,325
2. The realized capital losses related to these loans	-	-
3. Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings	-	-
4. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis.		

### C. Reverse Mortgages

The company has no reverse mortgages.

### D. Loan Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2015 as of December 31, 2015: None
3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2015:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
32052TAD8	4,080,482	4,026,749	53,734	4,026,749	4,024,673	3/31/2015
12544LAK7	2,379,531	2,372,936	6,596	2,372,936	2,371,444	3/31/2015
32056FAC6	1,642,951	1,633,797	9,154	1,633,797	1,630,500	3/31/2015
32052TAD8	3,830,512	3,804,709	25,803	3,804,709	3,799,280	6/30/2015
12544LAK7	2,252,424	2,244,708	7,716	2,244,708	2,242,152	6/30/2015
32056FAC6	1,494,146	1,478,530	15,616	1,478,530	1,468,912	6/30/2015
32056FAC6	1,408,508	1,392,027	16,480	1,392,027	1,388,609	9/30/2015
32052TAD8	3,599,946	3,567,249	32,697	3,567,249	3,551,085	9/30/2015
32056FAC6	1,312,626	1,300,560	12,065	1,300,560	1,299,399	12/31/2015
32052TAD8	3,448,723	3,411,364	37,358	3,411,364	3,394,826	12/31/2015

4. All impaired Loan Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2015:
  - a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$	2,993,099
2. 12 Months or Longer	\$	2,171,548
  - b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	\$	300,328,837
2. 12 Months or Longer	\$	139,969,646

## NOTES TO FINANCIAL STATEMENTS

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' surplus. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

### E. Repurchase Agreements and Securities Lending

1. The Company has not entered into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral to security lending.
2. The Company has not pledged any of its assets as collateral as of December 31, 2015.
3. Aggregate Amount of Contractually open cash collateral positions:

#### a. Aggregate Amount Cash Collateral Received

	<u>Fair Value</u>
1. Repurchase Agreement	
(a) Open	
(b) 30 Days or Less	
(c) 31 to 60 Days	
(d) 61 to 90 Days	
(e) Greater Than 90 Days	
(f) Sub-Total	
(g) Securities Received	
(h) Total Collateral Received	

#### 2. Securities Lending

(a) Open	
(b) 30 Days or Less	\$15,778,486
(c) 31 to 60 Days	\$13,266,348
(d) 61 to 90 Days	\$4,975,944
(e) Greater Than 90 Days	
(f) Sub-Total	\$34,020,778
(g) Securities Received	\$18,609,276
(h) Total Collateral Received	\$52,630,054

#### 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 aggregate fair value of all securities acquired from the sale, trade or use of the accepted collateral (reinvested collateral) \$52,630,054

- 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.

## NOTES TO FINANCIAL STATEMENTS

### 5. Collateral Reinvestment

#### a. Aggregate Amount Cash Collateral Reinvested

	<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	\$15,780,091	\$15,780,017
(c) 31 to 60 Days	\$13,268,365	\$13,267,970
(d) 61 to 90 Days	\$4,977,167	\$4,978,857
(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	\$34,025,623	\$34,026,844
(l) Securities Received		
(m) Total Collateral Reinvested	\$34,025,623	\$34,026,844
<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		
(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 securities collateral currently not listed on the balance sheet, which has been pledged to the Company against a borrowed position is not restricted from use in the event the Company wanted to use it.

7. The Company's securities lending program is an open transaction (not contract based), and as such, the Company can recall the security lent at any time.

#### F. Real Estate

The Company does not hold any investments in real estate.

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

- There are twelve years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
- There were \$5,520,006 of LIHTC and other tax benefits recognized during the year.
- The balance of the investment recognized in the statement of financial position for the current year is \$20,067,798.

## NOTES TO FINANCIAL STATEMENTS

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

### H. Restricted Assets

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

Restricted Asset Category	Gross Restricted							Percentage		
	Current Year					6	7	8	9	10
	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)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
b. Collateral held under security lending agreements	34,020,778	-	-	-	\$34,020,778	\$38,948,161	(\$4,927,383)	\$34,020,778	1%	1%
c. Subject to repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
d. Subject to reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
e. Subjects to dollar repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
f. Subject to dollar reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
g. Placed under option contracts	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
i. FHLB capital stock	7,500,000	-	-	-	\$7,500,000	\$7,500,000	-	\$7,500,000	0%	0%
j. On deposit with states	206,008,856	-	-	-	\$206,008,856	\$219,198,110	(\$13,189,254)	\$206,008,856	4%	4%
k. On deposit with other regulatory bodies	19,618,253	-	-	-	\$19,618,253	\$19,873,553	(\$255,300)	\$19,618,253	0%	0%
l. Pledged collateral to FHLB (including assets backing funding agreements)	176,682,932	-	-	-	\$176,682,932	\$162,676,992	\$14,005,940	\$176,682,932	3%	3%
m. Pledged as collateral not captured in other categories	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
n. Other restricted assets	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
o. Total restricted assets	\$443,838,819	\$-	\$-	\$-	\$443,838,819	\$448,196,816	(\$4,365,997)	\$443,838,819	8%	8%

(a) Subset of column 1

(b) Subset of column 3

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

## NOTES TO FINANCIAL STATEMENTS

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

Not applicable

I. Working Capital Finance Investments

The Company does not invest in Working Capital Finance Investments.

J. Offsetting and Netting of Assets and Liabilities

Not applicable

K. Structured Notes

Not applicable

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

A. Investments in joint ventures, partnerships and limited liability companies

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

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. Management may also engage to sell limited partnership interests which may also lead to impairment losses being recognized. The Company realized impairment losses of \$582,739 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 (over 180 days for mortgage loans in default).

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2015.

**Note 8 - Derivative Instruments**

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

**Note 9 - Income Taxes**

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

	12/31/2015		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 178,848,000	\$ 31,362,000	\$ 210,210,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	178,848,000	31,362,000	210,210,000
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	178,848,000	31,362,000	210,210,000
(f) Deferred Tax Liabilities	34,280,000	30,157,000	64,437,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 144,568,000	\$ 1,205,000	\$ 145,773,000

## NOTES TO FINANCIAL STATEMENTS

	12/31/2014		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 215,073,000	\$ 25,795,000	\$ 240,868,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	215,073,000	25,795,000	240,868,000
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	215,073,000	25,795,000	240,868,000
(f) Deferred Tax Liabilities	65,608,000	42,468,000	108,076,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 149,465,000	\$ (16,673,000)	\$ 132,792,000

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (36,225,000)	\$ 5,567,000	\$ (30,658,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(36,225,000)	5,567,000	(30,658,000)
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(36,225,000)	5,567,000	(30,658,000)
(f) Deferred Tax Liabilities	(31,328,000)	(12,311,000)	(43,639,000)
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ (4,897,000)	\$ 17,878,000	\$ 12,981,000

2.

	12/31/2015		
	(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	\$ 33,978,297	\$ 7,345,920	\$ 41,324,217
(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)	106,024,568	-	106,024,568
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	106,024,568	-	106,024,568
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	190,018,225
(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	34,280,000	28,581,215	62,861,215
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 174,282,865	\$ 35,927,135	\$ 210,210,000

	12/31/2014		
	(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	\$ -	\$ -	\$ -
(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)	137,342,790	-	137,342,790
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	137,342,790	-	137,342,790
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	172,454,474
(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	65,608,000	37,917,210	103,525,210
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 202,950,790	\$ 37,917,210	\$ 240,868,000



## NOTES TO FINANCIAL STATEMENTS

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 33,978,297	\$ 7,345,920	\$ 41,324,217
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	(31,318,222)	-	(31,318,222)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(31,318,222)	-	(31,318,222)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	17,563,751
(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	(31,328,000)	(9,335,995)	(40,663,995)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ (28,667,925)	\$ (1,990,075)	\$ (30,658,000)

3.

	2015	2014
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	464.0%	435.6%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,263,562,978	1,179,046,591

4.

	12/31/2015		12/31/2014		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital
<b>Impact of Tax-Planning Strategies</b>						
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1 (c)	\$178,848,000	\$31,362,000	\$215,073,000	\$25,795,000	\$(36,225,000)	\$5,567,000
2. Percentage of adjusted gross DTAs by tax character to the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1 (e)	\$178,848,000	\$31,362,000	\$215,073,000	\$25,795,000	\$(36,225,000)	\$5,567,000
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%

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

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

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

	(1) 12/31/2015	(2) 12/31/2014	(3) (Col 1-2) Change
<b>1. Current Income Tax</b>			
(a) Federal	\$ (3,637,038)	\$ (5,440,420)	\$ 1,803,382
(b) Foreign	-	-	-
(c) Subtotal	(3,637,038)	(5,440,420)	1,803,382
(d) Federal income tax on net capital gains	46,571,038	9,183,420	37,387,618
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ 42,934,000	\$ 3,743,000	\$ 39,191,000

## NOTES TO FINANCIAL STATEMENTS

2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 46,384,000	\$ 55,063,000	\$ (8,679,000)
(2) Unearned premium reserve	76,677,000	73,619,000	3,058,000
(3) Policyholder reserves	-	-	-
(4) Investments	3,351,000	3,259,000	92,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	133,000	(133,000)
(8) Compensation and benefits accrual	6,063,000	5,715,000	348,000
(9) Pension accrual	-	-	-
(10) Receivables – nonadmitted	6,904,000	7,018,000	(114,000)
(11) Net operating loss carry-forward	19,431,000	45,624,000	(26,193,000)
(12) Tax credit carry-forward	7,293,000	6,507,000	786,000
(13) Other (including items <5% of total ordinary tax assets)	12,745,000	18,135,000	(5,390,000)
(99) Subtotal	178,848,000	215,073,000	(36,225,000)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	-	-
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	178,848,000	215,073,000	(36,225,000)
(e) Capital			
(1) Investments	31,362,000	22,260,000	9,102,000
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	3,535,000	(3,535,000)
(99) Subtotal	31,362,000	25,795,000	5,567,000
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	31,362,000	25,795,000	5,567,000
(i) Admitted deferred tax assets (2d + 2h)	210,210,000	240,868,000	(30,658,000)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	20,252,000	52,959,000	(32,707,000)
(2) Fixed assets	9,926,000	9,644,000	282,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	4,102,000	3,005,000	1,097,000
(99) Subtotal	34,280,000	65,608,000	(31,328,000)
(b) Capital:			
(1) Investments	30,157,000	42,468,000	(12,311,000)
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	30,157,000	42,468,000	(12,311,000)
(c) Deferred tax liabilities (3a99 + 3b99)	64,437,000	108,076,000	(43,639,000)
4. Net deferred tax assets/liabilities (2i – 3c)	\$ 145,773,000	\$ 132,792,000	\$ 12,981,000

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of intercompany dividends, LP & LLC income, tax exempt income, utilization of prior year net operating losses, and discounting of unpaid losses and loss adjustment expenses.

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

Year Generated	Amount	Expiration
2012	\$ 55,518,000	2032

## NOTES TO FINANCIAL STATEMENTS

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	\$ 61,000	2032
2013	\$ 617,000	2033
2014	\$ 3,056,000	2034

The Company has alternative minimum tax credit carry-forwards of \$3,194,000. The alternative minimum tax credit carry-forward does not expire.

The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$44,262,000 from the current year and none 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:

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

## NOTES TO FINANCIAL STATEMENTS

Liberty Lloyds of Texas Insurance Company	Wausau Business Insurance Company
Liberty Management Services, Inc.	Wausau General Insurance Company
Liberty Mexico Holdings Inc.	Wausau Underwriters Insurance Company
Liberty Mutual Agency Corporation	West American Insurance Company
Liberty Mutual Fire Insurance Company	Winmar Company, Inc.
Liberty Mutual Group Asset Management Inc.	Winmar of the Desert, Inc.
Liberty Mutual Group Inc.	Winmar Oregon, Inc.
Liberty Mutual Holding Company Inc.	Winmar-Metro, Inc.
Liberty Mutual Insurance Company	

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

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

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

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual 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, 2015, the Company had the following capital transactions with its parent and subsidiaries:
2. Received return of capital distributions of \$743,594
  3. Contributed capital in the amount of \$5,000,000
  4. Received dividends in the amount of \$25,006,406
- D. At December 31, 2015, the Company reported a net \$14,205,244 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings, 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 an investment management agreement and a cash management agreement with Liberty Mutual Group Asset Management Inc. ("LMGAM"), and an investment management agreement with Liberty Mutual Investment Advisors LLC ("LMIA"). Under these agreements, LMGAM and LMIA provide services to the Company.

There is an "Agent-Company Agreement" between the Company and Helmsman Insurance Agency, LLC ("Helmsman") whereby Helmsman is appointed a property-casualty insurance agent of the Company and provides usual and customary services of an insurance agent on all insurance contracts placed by Helmsman with 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:

<u>Company</u>	<u>Credit Line</u>
Liberty Mutual Group Inc.	\$150,000,000
Liberty Mutual Insurance Company	\$150,000,000

There were no outstanding loans as of December 31, 2015.

## NOTES TO FINANCIAL STATEMENTS

The Company is a 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:

<u>Company</u>	<u>Credit Line</u>
Liberty Mutual Group Inc.	\$150,000,000
Liberty Mutual Insurance Company	\$150,000,000

There were no outstanding borrowings as of December 31, 2015.

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

The Company paid \$45,191,245 under the LMHC Tax Sharing Agreement and paid \$10,383,089 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 management services 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 investments in subsidiary, controlled, or affiliated entities during the statement period.
- K. The Company does not hold investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.
- M. Investments in Non-Insurance SCA's

Description of SCA Investment (excluding 8.b.i entities)	Gross Amount (Balance Sheet column 1)	Nonadmitted Amount (Balance Sheet Column 2)	Admitted Asset Amount (Balance Sheet Column 3)	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (yes/no)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (yes/no)
Liberty Life Assurance Company of Boston	\$96,648,242	\$ -	\$96,648,242	12/19/2015	Sub - 2	Yes	\$90,440,711	No
Ohio Casualty Corporation	\$114,261,235	\$ -	\$114,261,235	12/19/2015	Sub - 2	Yes	\$116,611,227	No
St. James/Arlington Real Estate Limited Partnership	\$19,601,113	\$ -	\$19,601,113	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Investment Holdings LLC	\$236,423,834	\$ -	\$236,423,834	N/A	N/A	N/A	N/A	N/A
Georgia Tax Credit Fund LM L.P.	\$10,569,258	\$ -	\$10,569,258	N/A	N/A	N/A	N/A	N/A
Raymond James Georgia Fund 37 State Tax	\$3,298,369	\$ -	\$3,298,369	N/A	N/A	N/A	N/A	N/A
Aggregate Total:	\$480,802,051	\$ -	\$480,802,051	-	-	-	\$207,051,938	-

- N. Investments in Insurance SCA's

	State of Domicile	2015	2014
<u>NET INCOME</u>			
OCIC state basis (Page 4, Line 20, Columns 1 & 2)	OH	\$ 157,425,960	\$ 133,662,477
State Prescribed Practices: NONE		-	-
State Permitted Practices: NONE		-	-
NAIC SAP		\$ 157,425,960	\$ 133,662,477

## NOTES TO FINANCIAL STATEMENTS

	State of Domicile	2015	2014
<b>SURPLUS</b>			
OCIC state basis (Page 3, Line 37, Columns 1 & 2)	OH	\$ 1,637,429,540	\$ 1,529,783,050
State Prescribed Practices:		8,455,351	5,359,702
State Permitted Practices: NONE		-	-
NAIC SAP		\$ 1,628,974,189	\$ 1,524,423,348

### 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. Through its membership, the Company has conducted business activity (borrowings) with the FHLB. On March 21, 2012, the Company borrowed \$150,000,000 under the agreement with a maturity date of March 22, 2032. The borrowing is fully collateralized. Interest on the borrowing accrues at an annual rate of 3.91%. For December year-to-date, the Company has incurred and paid expense of \$5,946,458. It is part of the Company's strategy to utilize these funds as backup liquidity. 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	2,603,100	2,603,100	-
Activity Stock	4,896,900	4,896,900	-
Excess Stock	-	-	-
Aggregate Total	\$ 7,500,000	\$ 7,500,000	-
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	3,457,200	3,457,200	-
Activity Stock	4,042,800	4,042,800	-
Excess Stock	-	-	-
Aggregate Total	\$ 7,500,000	\$ 7,500,000	-
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	\$ -	\$ 2,603,100	\$ -	\$ -	\$ -	\$ -

#### 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	\$ 176,682,932	\$ 175,298,805	\$ 150,000,000

## NOTES TO FINANCIAL STATEMENTS

### 2. Current Year General Account

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ 176,682,932	\$ 175,298,805	\$ 150,000,000

### 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	\$ 162,676,992	\$ 158,546,039	\$ 150,000,000

## 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	\$ 176,682,932	\$ 175,298,805	\$ 150,000,000

### 2. Current Year General Account

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$ 176,682,932	\$ 175,298,805	\$ 150,000,000

### 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	\$ 174,245,710	\$ 165,355,722	\$ 150,000,000

## 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	\$ 150,000,000	\$ 150,000,000	\$ -	XXX
Funding Agreements	-	-	-	-
Other	-	-	-	XXX
Aggregate Total	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -

#### 2. Prior Year-End

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts	(4) Funding Agreements Reserves Established
Debt	\$ 150,000,000	\$ 150,000,000	\$ -	XXX
Funding Agreements	-	-	-	-
Other	-	-	-	XXX
Aggregate Total	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -

## NOTES TO FINANCIAL STATEMENTS

b. Maximum Amount During Reporting Period (Current Year)

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Debt	\$ 150,000,000	\$ 150,000,000	\$ -
Funding Agreements	-	-	-
Other	-	-	-
Aggregate Total	\$ 150,000,000	\$ 150,000,000	\$ -

c. FHLB – Prepayment Obligations

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

- C. The Company maintains a \$150,000,000 revolving line of credit with Liberty Mutual Insurance Company (“LMIC”) (see Note 10F). On June 30, 2015 the Company borrowed \$5,000,000 under the agreement at an interest rate of 2.687%. The loan was repaid on July 8, 2015. For December year-to-date 2015, the Company has incurred and paid interest expense of \$2,901. There were no outstanding borrowings as of December 31, 2015.

**Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

Eligible employees may participate in the Liberty Mutual Retirement Benefit Plan for U.S. Employees; the Supplemental Income at Retirement Plan (SIRP) which has both a defined benefit component and defined contribution component; the Employees’ Thrift Incentive Plan (defined-contribution savings); and the U.S. postretirement health and life insurance benefit plans sponsored by a Holding Company, Liberty Mutual Group Inc. (LMGI).

Also, eligible employees may participate in non-contributory defined benefit plans, contributory defined contribution pension plans and health care and life insurance postretirement benefits plans sponsored by Liberty Mutual Insurance Company (LMIC).

The Company has no legal obligation for these plans. Accordingly, these plans’ assets and obligations are not disclosed in this note. The costs of the LMGI plans are allocated by LMGI to LMIC, pursuant to an Employee Benefit Plan Cost-Sharing Agreement, and a portion of the LMGI and LMIC benefit plan costs, in turn, are allocated to the Company through the Liberty Mutual Second Amended and Restated Inter-Company Reinsurance Agreement, as described in Note 26.

**Note 13 - Capital and Surplus, Shareholders’ Dividend restrictions and Quasi-Reorganizations**

1. The Company has 100,000 shares authorized, issued and outstanding as of December 31, 2015. All shares have a stated par value of \$100.

The Company has 100,000 shares authorized of Series A Preferred Stock, 1,000 shares issued and outstanding as of December 31, 2015. All shares have a stated par value of \$0.01.

2. On December 31, 2008, the Company issued 1,000 preferred shares at an issuance price of \$200,000,000 to its parent, LMGI at a discount of 25%. Dividends, based on the issuance price, are cumulative and payable on a quarterly basis.
3. There are no dividend restrictions.
4. The Company paid ordinary dividends to its parent in 2015 of:

	Ordinary	Total Dividends
March	\$3,750,000	\$3,750,000
June	3,750,000	3,750,000
September	3,750,000	3,750,000
December	3,750,000	3,750,000
Total	\$15,000,000	\$15,000,000

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 2016 is \$139,899,096.
6. As of December 31, 2015, the Company has pre-tax restricted surplus of \$10,862,551 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.



## NOTES TO FINANCIAL STATEMENTS

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2015.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is (\$53,167,266) after applicable deferred taxes of \$10,195,205.

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 \$9,754,084 that is offset by future premium tax credits of \$505,358. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2016. During 2015 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 654,117
b. Decreases current year:	
Premium tax offset applied	287,802
c. Increases current year:	
Premium tax offset increase	139,043
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	<u>\$ 505,358</u>

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$8,851,085

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

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

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

( f ) Per Claim [ X ]

( g ) Per Claimant [ ]

E. Product Warranties

The Company does not write product warranty business.

## NOTES TO FINANCIAL STATEMENTS

### 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

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

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

Year Ending December 31,	<u>Operating Leases</u>
2016	12,942,155
2017	11,874,578
2018	8,946,816
2019	6,509,650
2020	5,187,332
2021 & thereafter	21,713,400
Total	<u>\$73,173,931</u>

The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is \$281,992.

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

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

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

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

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

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

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

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

#### 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, 2015 the total fair value of securities on loan was \$51,472,183, with corresponding collateral value of \$52,630,054 of which \$34,026,844 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

## NOTES TO FINANCIAL STATEMENTS

### **Note 18 - Gain or Loss from Uninsured 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.

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 Level 1 measurements and the lowest priority to Level 3 measurements. Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.
- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2015:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	\$ -	\$161,113,820	\$ 2,916,471	\$164,030,291
Non-Issuer Obligations	-	-	-	-
Total Bonds	\$ -	\$161,113,820	\$ 2,916,471	\$164,030,291
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	\$ -	\$22,669,881	\$ -	\$22,669,881
Total Preferred Stocks	\$ -	\$22,669,881	\$ -	\$22,669,881
Common Stocks				
Industrial and Miscellaneous	\$171,313,994	\$ -	\$7,502,690	\$178,816,684
Total Common Stocks	\$171,313,994	\$ -	\$7,502,690	\$178,816,684
Total assets at fair value	\$171,313,994	\$183,783,701	\$10,419,161	\$365,516,856
Liabilities at fair value				
Derivative Liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2015.

## NOTES TO FINANCIAL STATEMENTS

### 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:

1	2	3	4	5	6	7	8	9	10	11
	Balance at 12/31/2014	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2015
Bonds	\$-	\$4,020,771	(\$5,270,663)	\$32,550	\$182,563	\$5,000,000	\$-	(\$112,350)	(\$936,400)	\$2,916,471
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	7,500,000	-	-	-	2,690	2,500,000	-	(2,500,000)	-	7,502,690
<b>Total</b>	<b>\$7,500,000</b>	<b>\$4,020,771</b>	<b>(\$5,270,663)</b>	<b>\$32,550</b>	<b>\$185,253</b>	<b>\$7,500,000</b>	<b>\$-</b>	<b>(\$2,612,350)</b>	<b>(\$936,400)</b>	<b>\$10,419,161</b>

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

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

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

#### Fixed Maturities

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

#### U.S. government and agency

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 unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

#### Mortgage-Backed Securities

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

#### Asset-Backed Securities

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

#### Municipals

The Company's municipal portfolio comprises 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, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

## NOTES TO FINANCIAL STATEMENTS

### Corporate debt and other

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

### Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. 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, 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.

### Equity Securities

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

### Other Investments

Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the above table.

#### 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	\$62,585,460	\$62,585,460	\$62,585,460	\$-	\$-	\$-
Bonds	3,563,327,436	3,527,679,878	23,561,263	3,509,458,032	30,308,141	-
Preferred Stock	22,782,584	22,745,926	-	22,782,584	-	-
Common Stock	178,816,684	178,816,684	171,313,994	-	7,502,690	-
Securities Lending	34,020,778	34,020,778	-	34,020,778	-	-
Mortgage Loans	138,111,820	134,599,517	-	-	138,111,820	-
Surplus Notes	7,310,438	6,473,020	-	7,310,438	-	-
Total	\$4,006,955,200	\$3,966,921,263	\$257,460,717	\$3,573,571,832	\$175,922,651	\$-

#### D. Not Practicable to Estimate Fair Value

Not applicable

### **Note 21 - Other Items**

#### A. Unusual or Infrequent Items

The Company has no unusual or infrequent items to report.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

## NOTES TO FINANCIAL STATEMENTS

### C. Other Disclosures

#### 1) Florida Special Disability Trust Fund

- a) The Company did not take a credit in the determination of its loss reserves in 2015 and 2014.
- b) The Company received payments from the Special Disability Trust Fund of \$427,090 in 2015 and \$419,444 in 2014.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$261,195 in 2015 and \$218,506 in 2014.

### 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	CT	\$980,996	\$980,996
Total		\$980,996	\$980,996

- (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

- (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 Nonadmitted

	<u>Total Admitted</u>	<u>Total Nonadmitted</u>
Transferable	\$980,996	\$-
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.

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other-Than-Temporary Impairments Recognized</u>
\$ 1,732,378	\$ 1,732,372	\$ 1,725,970	\$ -

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

### H. Insurance Linked Securities

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

### Note 22 - Events Subsequent

The Company evaluated subsequent events through February 24, 2016, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2015 that would require disclosure.

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

## NOTES TO FINANCIAL STATEMENTS

### Note 23 - Reinsurance

#### A. Unsecured Reinsurance Recoverable

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

#### B. Reinsurance Recoverable in Dispute

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

#### C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2015.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$1,052,883,250	\$108,464,747	\$2,253,349,445	\$233,385,638	\$(1,200,466,195)	\$(124,920,891)
b. All Other	-	-	-	-	-	-
c. TOTAL	\$1,052,883,250	\$108,464,747	\$2,253,349,445	\$233,385,638	\$(1,200,466,195)	\$(124,920,891)
d. Direct Unearned Premium Reserve	\$2,253,349,445					

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, 2015 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$178,165,245	\$35,223,041	\$178,165,245	\$35,223,041
b. Sliding Scale Adjustments	-	144,451	-	144,451
c. Other Profit Commission Arrangements	-	1,096,878	-	1,096,878
d. TOTAL	\$178,165,245	\$36,464,370	\$178,165,245	\$36,464,370

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

#### D. Uncollectible Reinsurance

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

#### E. Commutation of Ceded Reinsurance

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

#### F. Retroactive Reinsurance

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

	Reported Company	
	As:	
	Assumed	Ceded
<b>a. Reserves Transferred:</b>		
1. Initial Reserves	\$197,918,163	-
2. Adjustments – Prior Year (s)	(39,868,623)	-
3. Adjustments – Current Year	559,857	-
4. Current Total	\$(237,226,929)	-
<b>b. Consideration Paid or Received:</b>		
1. Initial Consideration	\$(198,561,339)	-
2. Adjustments – Prior Year (s)	(4,413,124)	-
3. Adjustments – Current Year	(8,084)	-
4. Current Total	\$(202,982,547)	-
<b>c. Paid Losses Reimbursed or Recovered:</b>		
1. Prior Year (s)	\$26,181,420	-
2. Current Year	(64,450)	-
3. Current Total	\$26,116,970	-
<b>d. Special Surplus from the Retroactive Reinsurance:</b>		
1. Initial Surplus Gain or Loss	\$2,199,477	-
2. Adjustments – Prior Year (s)	6,431,426	-
3. Adjustments – Current Year	(503,491)	-
4. Current Year Restricted Surplus	10,862,551	-

## NOTES TO FINANCIAL STATEMENTS

5. Cumulative Total Transferred to Unassigned Funds	\$(2,735,139)	-
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
	Assumed <u>Amount</u>	Ceded <u>Amount</u>
<u>Company</u>		
Liberty Mutual Insurance Company, 23043	\$(237,226,929)	-
Total	\$(237,226,929)	-

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

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

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

G. Reinsurance Accounted for as a Deposit

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2015.

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

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

I. Certified Reinsurers Downgraded or Status Subject to Revocation.

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

The Company does not transact business with Certified Reinsurers.

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

The Company is not a Certified Reinsurer.

J. Asbestos and Pollution Counterparty Reporting Exception

The Counterparty reporting exception does not apply to the Company.

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

A. Accrued retrospective premiums reported in Line 15.3 of the asset page have been determined based upon loss experience on business subject to such experience rating adjustment.

B. The Company records accrued retrospective premium as an adjustment to earned premium.

C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.

D. Medical Loss Ratio Rebates

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

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

a. Total accrued retro premium	\$ 35,013,862
b. Unsecured amount	
c. Less: Nonadmitted amount (10%)	3,494,440
d. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e. Admitted amount (a) - (c) - (d)	\$ 31,519,422

F. Risk Sharing Provisions of the Affordable Care Act

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



## NOTES TO FINANCIAL STATEMENTS

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

Incurred loss and loss adjustment expense attributable to insured events on prior years decreased slightly through the fourth quarter of 2015. The decrease was the result of updated reserve analysis in a number of lines, with the largest decreases in the Commercial Multiple Peril line of business, the Special Property line of business, the Workers Compensation line of business, the Surety line of business, and the Non-Proportional Assumed Liability line of business. Partially offsetting these decreases were increases in reserve estimates on the Commercial Automobile 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 <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
Lead				
Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
Pool	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.00%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.00%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company ("ASIC")	19704	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.00%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.00%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.00%	All Lines
	General Insurance Company of America ("GICA")	24732	0.00%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.00%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

	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.
- (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, 2015:

Affiliate:	Amount:
Liberty Mutual Insurance Company	\$(2,085,264)

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

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$46,154,114 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 \$46,154,114 as of December 31, 2015.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$ 23,211,835

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

Not applicable

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

Not applicable

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

1. Liability carried for premium deficiency reserves	\$ -
2. Date of the most recent evaluation of this liability	12/31/2015
3. Was anticipated investment income utilized in the calculation?	Yes

## NOTES TO FINANCIAL STATEMENTS

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

As of December 31, 2015, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$444,288,885 and the amount billed and recoverable on paid claims was \$13,062,582. There are no unsecured high dollar deductible recoverables from professional employer organizations included in these amounts.

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

For Workers' Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2015 liabilities subject to discount were carried at a value representing a discount of \$42,537,195 net of all reinsurance.

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

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners		
2. Private Passenger Auto Liability/Medical		
3. Commercial Auto/Truck Liability/Medical		
4. Workers' Compensation	\$38,474,914	\$41,056,566
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	\$38,474,914	\$41,056,566

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

B. Nontabular Discount:

Not applicable

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

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

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

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

In the third quarter of 2015, the Company completed a review of asbestos, environmental and MTT unpaid loss and ALAE claim liabilities. The review resulted in no change to reserves as they make a reasonable provision for all unpaid losses and loss adjustment expenses.

## NOTES TO FINANCIAL STATEMENTS

### 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

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, 2015, 2014, 2013, 2012, and 2011 before consideration of the NICO Reinsurance Transaction. Refer to Note 23f.

#### Asbestos:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Direct Basis</b>					
Beginning Reserves	120,248,900	126,800,683	124,526,615	139,940,998	140,708,681
Incurring losses and LAE	32,292,700	19,120,890	33,166,850	22,807,269	6,627,475
Calendar year payments	25,740,918	21,394,958	17,752,467	22,039,586	28,905,921
Ending Reserves	<u>126,800,683</u>	<u>124,526,615</u>	<u>139,940,998</u>	<u>140,708,681</u>	<u>118,430,235</u>

#### **Assumed Reinsurance Basis**

Beginning Reserves	49,281,342	49,849,952	46,005,483	49,581,228	45,860,173
Incurring losses and LAE	3,550,638	1,206,625	5,973,155	120,705	938,913
Calendar year payments	2,982,029	5,051,093	2,397,409	3,841,760	2,547,408
Ending Reserves	<u>49,849,952</u>	<u>46,005,483</u>	<u>49,581,228</u>	<u>45,860,173</u>	<u>44,251,678</u>

#### **Net of Ceded Reinsurance Basis**

Beginning Reserves	65,141,045	77,419,217	71,211,927	79,777,888	73,443,825
Incurring losses and LAE	26,139,071	11,933,792	18,841,927	7,112,673	490,554
Calendar year payments	13,860,899	18,141,083	10,275,966	13,446,736	19,406,500
Ending Reserves	<u>77,419,217</u>	<u>71,211,927</u>	<u>79,777,888</u>	<u>73,443,825</u>	<u>54,527,879</u>

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

Direct Basis	66,919,857
Assumed Reinsurance Basis	31,550,392
Net of Ceded Reinsurance Basis	26,067,035

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

Direct Basis	73,394,786
Assumed Reinsurance Basis	515,812
Net of Ceded Reinsurance Basis	27,666,119

#### Environmental:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Direct Basis</b>					
Beginning Reserves	33,173,659	33,979,449	33,611,427	35,877,644	33,648,262
Incurring losses and LAE	6,906,478	4,882,826	7,618,359	4,636,356	2,358,449
Calendar year payments	6,100,687	5,250,848	5,352,142	6,865,738	7,017,321
Ending Reserves	<u>33,979,449</u>	<u>33,611,427</u>	<u>35,877,644</u>	<u>33,648,262</u>	<u>28,989,390</u>

#### **Assumed Reinsurance Basis**

Beginning Reserves	5,067,017	4,744,181	5,199,147	5,133,023	4,834,448
Incurring losses and LAE	559,752	(1,451,360)	347,586	91,914	(784,640)
Calendar year payments	882,589	(1,906,326)	413,710	390,489	546,498
Ending Reserves	<u>4,744,181</u>	<u>5,199,147</u>	<u>5,133,023</u>	<u>4,834,448</u>	<u>3,503,310</u>

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**NOTES TO FINANCIAL STATEMENTS**


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**Net of Ceded Reinsurance Basis**

Beginning Reserves	28,432,740	27,759,585	24,679,816	25,838,682	23,909,931
Inurred losses and LAE	1,118,732	(153,785)	4,880,537	2,250,191	25,448
Calendar year payments	1,791,887	2,925,984	3,721,672	4,178,942	2,966,179
Ending Reserves	<u>27,759,585</u>	<u>24,679,816</u>	<u>25,838,682</u>	<u>23,909,931</u>	<u>20,969,200</u>

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

Direct Basis					16,101,421
Assumed Reinsurance Basis					1,891,312
Net of Ceded Reinsurance Basis					10,103,516

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

Direct Basis					10,869,075
Assumed Reinsurance Basis					19,009
Net of Ceded Reinsurance Basis					4,813,126

**Note 34 - Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35 - Multiple Peril Crop Insurance**

Not applicable

**Note 36 - Financial Guaranty Insurance**

Not applicable



## GENERAL INTERROGATORIES

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

6.2 If yes, give full information:

.....

.....

.....

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

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_ 0.00 %

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

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

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

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

.....

.....

.....

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

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

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

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

.....

.....

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

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

.....

.....

.....

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

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

.....

.....

.....

## GENERAL INTERROGATORIES

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

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

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

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

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

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

12.11 Name of real estate holding company	<u>St. James/Arlington Real Estate</u>
12.12 Number of parcels involved	<u>2</u>
12.13 Total book/adjusted carrying value	\$ <u>19,601,113</u>

12.2 If yes, provide explanation:

Liberty Mutual Fire Insurance Company directly owns 5% of St James/Arlington Real Estate LP

.....  
 .....

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

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

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

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

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

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

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

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

Yes  No

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

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

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

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

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).

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

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		\$ <u>0</u>
20.12 To stockholders not officers		\$ <u>0</u>
20.13 Trustees, supreme or grand (Fraternal only)		\$ <u>0</u>

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		\$ <u>0</u>
20.22 To stockholders not officers		\$ <u>0</u>
20.23 Trustees, supreme or grand (Fraternal only)		\$ <u>0</u>

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		\$ <u>0</u>
21.22 Borrowed from others		\$ <u>0</u>
21.23 Leased from others		\$ <u>0</u>
21.24 Other		\$ <u>0</u>

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

## GENERAL INTERROGATORIES

22.2 If answer is yes:

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

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

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

## INVESTMENT

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

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

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

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

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

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 52,629,224

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	\$	34,020,778
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	34,020,778
24.103 Total payable for securities lending reported on the liability page	\$	34,020,778

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>7,500,000</u>
	25.28 On deposit with states	\$ <u>206,008,856</u>
	25.29 On deposit with other regulatory bodies	\$ <u>19,618,253</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>174,182,607</u>
	25.32 Other	\$ <u>0</u>

25.3 For category (25.26) provide the following:

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

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

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

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

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

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

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

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

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

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

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

## GENERAL INTERROGATORIES

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

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

28.05 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	StanCorp	1100 SW Sixth Avenue, Portland, OR 097204
N/A	Prudential Mortgage Capital Company	4 Embarcadero Center, San Francisco, CA 94111

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	

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	3,547,141,260	3,582,788,778	35,647,518
30.2 Preferred stocks	22,745,926	22,782,584	36,658
30.3 Totals	3,569,887,186	3,605,571,362	35,684,176

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 [ X ] No [ ]

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 ]

## GENERAL INTERROGATORIES

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:

All brokers used are reviewed and approved by the Valuation Committee which receive detailed assessment on a security by security basis as needed.

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed?

Yes  No

32.2 If no, list exceptions:

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

### OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any?

\$ 4,406,614

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

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE INC	\$ 1,351,038
.....	\$ 0
.....	\$ 0

34.1 Amount of payments for legal expenses, if any?

\$ 3,914,789

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

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

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

\$ 155,363

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

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

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$           0

1.62 Total incurred claims \$           0

1.63 Number of covered lives           0

All years prior to most current three years:

1.64 Total premium earned \$           0

1.65 Total incurred claims \$           0

1.66 Number of covered lives           0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$           0

1.72 Total incurred claims \$           0

1.73 Number of covered lives           0

All years prior to most current three years:

1.74 Total premium earned \$           0

1.75 Total incurred claims \$           0

1.76 Number of covered lives           0

2. Health Test:

	1	2	
	Current Year	Prior Year	
2.1 Premium Numerator	\$ 981,392	\$ 693,738	
2.2 Premium Denominator	\$ 1,997,025,453	\$ 1,971,402,330	
2.3 Premium Ratio (2.1 / 2.2)	<u>0.00</u>	<u>0.00</u>	
2.4 Reserve Numerator	\$ 2,634,534	\$ 2,478,580	
2.5 Reserve Denominator	\$ 3,761,759,061	\$ 3,711,707,293	
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 \$ 4,684,893,957

3.22 Non-participating policies \$ 103,456,264

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

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

.....

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No

11.2 If yes, give full information

.....

.....

.....

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses		\$	24,312,816
12.12 Unpaid underwriting expenses (including loss adjustment expenses)		\$	1,817,149

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 2,735,245

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			4.50 %
12.42 To			7.50 %

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		\$	405,490,535
12.62 Collateral and other funds		\$	97,552,198

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 48,000,000

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

.....

.....

.....

16.1 Does the reporting entity write any warranty business? Yes  No

If yes, disclose the following information for each of the following types of warranty coverage:

		1	2	3	4	5
		Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$	304,902	4,321,670	(181,118)	1,734,899	1,553,781
16.12 Products	\$	0	0	0	0	0
16.13 Automobile	\$	0	0	0	0	0
16.14 Other*	\$	0	0	0	0	0

\* Disclose type of coverage: General Liability



## 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
	2015	2014	2013	2012	2011
<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)	3,266,726,048	3,467,016,954	3,511,912,985	3,533,011,342	3,497,441,610
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,663,801,352	1,884,949,186	2,031,765,557	1,970,813,201	1,930,850,590
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,803,941,480	1,856,461,382	2,134,534,955	1,842,058,691	1,817,468,665
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	74,132,533	72,978,295	102,977,074	16,507,793	7,552,196
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	30,322,862	23,297,795	19,095,857	41,176,802	34,090,706
6. Total (Line 35)	6,838,924,275	7,304,703,612	7,800,286,428	7,403,567,829	7,287,403,767
<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)	926,958,179	931,079,533	986,251,506	1,019,202,557	922,605,139
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	376,864,283	390,480,909	407,263,597	311,150,621	259,214,236
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	648,105,691	620,940,965	655,688,286	309,115,460	259,273,868
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	68,323,039	64,346,751	95,210,376	3,585,808	1,718,576
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	30,322,862	23,297,795	19,095,857	41,176,802	34,090,706
12. Total (Line 35)	2,050,574,054	2,030,145,953	2,163,509,622	1,684,231,248	1,476,902,525
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	9,068,124	(38,044,690)	(110,772,596)	(350,793,199)	(241,446,158)
14. Net investment gain (loss) (Line 11)	237,750,311	167,674,787	183,756,994	182,656,866	164,153,333
15. Total other income (Line 15)	3,176,375	(1,011,185)	525,860	(6,619,520)	(36,673,866)
16. Dividends to policyholders (Line 17)	1,548,430	1,885,384	3,082,309	3,173,848	5,247,666
17. Federal and foreign income taxes incurred (Line 19)	(3,637,038)	(5,440,420)	(17,078,879)	(47,127,291)	(19,792,091)
18. Net income (Line 20)	252,083,418	132,173,948	87,506,828	(130,802,410)	(99,422,266)
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	5,477,772,126	5,297,887,108	5,561,558,829	5,235,743,369	4,876,778,437
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	109,978,131	110,463,948	125,881,075	157,226,564	154,279,760
20.2 Deferred and not yet due (Line 15.2)	495,548,741	469,147,504	599,712,567	503,706,961	428,615,107
20.3 Accrued retrospective premiums (Line 15.3)	31,519,422	35,853,810	37,659,053	37,944,798	52,848,135
21. Total liabilities excluding protected cell business (Page 3, Line 26)	4,078,781,163	3,995,773,620	4,345,262,810	4,296,603,316	3,803,735,781
22. Losses (Page 3, Line 1)	2,238,134,366	2,219,415,749	2,279,464,676	2,472,362,373	2,290,227,323
23. Loss adjustment expenses (Page 3, Line 3)	468,607,823	481,276,193	489,340,086	509,044,421	474,690,945
24. Unearned premiums (Page 3, Line 9)	1,052,883,251	1,006,108,608	950,468,970	735,045,089	657,670,302
25. Capital paid up (Page 3, Lines 30 & 31)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	1,398,990,964	1,302,113,488	1,216,296,019	939,140,053	1,073,042,656
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	168,927,358	159,111,107	67,166,934	33,514,192	(87,417,690)
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	1,409,335,978	1,311,838,591	1,224,906,372	948,657,347	1,081,476,656
29. Authorized control level risk-based capital	272,345,674	270,653,111	270,601,127	276,381,595	236,072,173
<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)	77.3	75.2	76.5	74.2	76.2
31. Stocks (Lines 2.1 & 2.2)	9.0	9.9	9.1	8.6	8.9
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	3.0	2.9	2.8	2.6	2.4
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	1.4	1.1	1.7	2.3	1.4
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)	8.5	9.5	9.4	10.2	9.6
38. Receivables for securities (Line 9)	0.1	0.5	0.0	0.0	0.1
39. Securities lending reinvested collateral assets (Line 10)	0.7	0.9	0.6	2.0	1.4
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<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)	210,909,477	207,051,938	188,422,827	210,178,608	204,483,961
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated	269,892,298	264,707,525	260,331,795	38,141,499	22,987,455
48. Total of above Lines 42 to 47	480,801,775	471,759,463	448,754,622	248,320,107	227,471,416
49. Total investment in parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	34.4	36.2	36.9	26.4	

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2015	2014	2013	2012	2011
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	(87,818,913)	18,633,743	6,964,540	17,935,672	(2,515,831)
52. Dividends to stockholders (Line 35)	(15,000,000)	(26,531,250)	(3,750,000)	(15,000,000)	(65,000,000)
53. Change in surplus as regards policyholders for the year (Line 38)	96,877,476	85,817,469	277,155,966	(133,902,603)	(131,313,536)
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,943,621,172	2,169,292,469	2,811,388,314	2,492,367,000	2,626,488,900
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	882,952,396	949,637,639	1,246,460,236	1,188,442,405	1,014,348,654
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	832,480,611	869,230,962	779,013,504	933,254,856	1,119,029,460
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	19,470,730	23,573,862	8,257,466	373,170	883,193
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	9,173,592	10,294,086	40,523,070	15,464,206	14,163,712
59. Total (Line 35)	3,687,698,501	4,022,029,018	4,885,642,590	4,629,901,637	4,774,913,919
<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)	538,017,596	625,263,867	945,128,298	608,510,916	624,119,171
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	201,305,877	206,079,402	216,597,176	188,679,132	151,415,654
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	320,031,262	301,688,883	131,172,951	159,861,564	158,044,556
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	19,108,361	23,541,539	7,794,301	279,705	777,879
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	9,173,592	10,294,086	40,523,070	15,464,206	14,163,712
65. Total (Line 35)	1,087,636,688	1,166,867,777	1,341,215,796	972,795,523	948,520,972
<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)	55.6	56.3	59.2	72.6	70.3
68. Loss expenses incurred (Line 3)	12.7	13.7	14.3	17.8	19.8
69. Other underwriting expenses incurred (Line 4)	31.2	31.9	32.2	31.7	27.1
70. Net underwriting gain (loss) (Line 8)	0.5	(1.9)	(5.7)	(22.1)	(17.2)
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	30.2	31.0	29.0	30.3	28.3
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	68.4	70.0	73.5	90.3	90.1
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)	146.6	155.9	177.9	179.3	137.6
<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)	(13,462)	(1,195)	65,218	78,461	67,537
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	(1.0)	(0.1)	6.9	7.3	5.6
<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)	(15,539)	55,155	70,321	124,965	33,566
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)	(1.3)	5.9	6.6	10.4	3.1

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	73,087	21,320	21,331	9,341	3,605	554	563	66,808	X X X
2. 2006	1,971,566	288,304	1,683,262	953,700	117,750	75,099	8,505	139,810	6,357	58,377	1,035,997	X X X
3. 2007	2,049,189	310,413	1,738,776	1,038,085	150,829	81,545	9,967	141,407	6,803	67,165	1,093,438	X X X
4. 2008	2,118,182	354,941	1,763,241	1,221,199	192,298	88,615	9,947	159,684	5,957	61,887	1,261,296	X X X
5. 2009	2,005,622	410,096	1,595,526	1,059,855	192,593	76,186	8,371	149,467	1,595	58,423	1,082,949	X X X
6. 2010	2,008,619	361,165	1,647,454	1,104,266	184,686	77,802	7,035	157,524	536	66,192	1,147,335	X X X
7. 2011	2,111,161	425,079	1,686,082	1,207,216	225,626	76,833	9,877	157,025	478	80,925	1,205,093	X X X
8. 2012	2,272,654	456,956	1,815,698	1,178,866	232,789	67,696	8,804	160,408	130	89,425	1,165,247	X X X
9. 2013	2,392,808	488,101	1,904,707	1,046,641	225,109	45,453	5,005	155,479	209	68,071	1,017,250	X X X
10. 2014	2,437,004	475,889	1,961,115	948,781	199,572	28,432	2,443	145,997	209	49,870	920,986	X X X
11. 2015	2,514,840	517,813	1,997,027	743,454	197,612	10,765	994	117,513	51	36,708	673,075	X X X
12. Totals	X X X	X X X	X X X	10,575,150	1,940,184	649,757	80,289	1,487,919	22,879	637,606	10,669,474	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	462,404	168,451	247,820	136,141	27,289	18,412	110,191	45,323	15,505	(50)	2,372	494,932	X X X
2. 2006	23,089	6,239	42,132	11,713	682	196	4,673	1,102	1,140	(3)	2,330	52,469	X X X
3. 2007	33,424	6,828	41,554	6,915	1,334	386	4,603	1,153	997		679	66,630	X X X
4. 2008	39,602	7,466	59,543	9,980	1,358	197	8,512	2,362	1,548	1	3,237	90,557	X X X
5. 2009	40,352	6,071	63,725	13,128	1,668	445	7,625	1,896	1,735		924	93,565	X X X
6. 2010	54,629	10,025	59,702	10,824	2,229	664	12,713	1,628	2,232	459	1,655	107,905	X X X
7. 2011	69,346	8,192	76,999	13,354	3,760	954	22,389	2,713	3,806		3,847	151,087	X X X
8. 2012	101,971	16,454	116,111	15,741	5,401	1,156	31,885	3,123	6,071	7	9,354	224,958	X X X
9. 2013	137,352	19,998	155,184	23,534	4,804	862	44,579	3,877	22,884	10	11,543	316,522	X X X
10. 2014	176,405	20,580	213,799	37,699	4,336	574	60,515	4,626	21,488	15	18,081	413,049	X X X
11. 2015	253,775	22,490	404,640	63,597	3,162	247	72,650	4,235	51,491	76	48,129	695,073	X X X
12. Totals	1,392,349	292,794	1,481,209	342,626	56,023	24,093	380,335	72,038	128,897	515	102,151	2,706,747	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 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	405,632	89,300
2. 2006	1,240,325	151,859	1,088,466	62,911	52,673	64,664			8.000	47,269	5,200
3. 2007	1,342,949	182,881	1,160,068	65,536	58,915	66,718			8.000	61,235	5,395
4. 2008	1,580,061	228,208	1,351,853	74,595	64,295	76,669			8.000	81,699	8,858
5. 2009	1,400,613	224,099	1,176,514	69,834	54,645	73,738			8.000	84,878	8,687
6. 2010	1,471,097	215,857	1,255,240	73,239	59,767	76,193			8.000	93,482	14,423
7. 2011	1,617,374	261,194	1,356,180	76,611	61,446	80,434			8.000	124,799	26,288
8. 2012	1,668,409	278,204	1,390,205	73,412	60,882	76,566			8.000	185,887	39,071
9. 2013	1,612,376	278,604	1,333,772	67,384	57,079	70,025			8.000	249,004	67,518
10. 2014	1,599,753	265,718	1,334,035	65,644	55,836	68,024			8.000	331,925	81,124
11. 2015	1,657,450	289,302	1,368,148	65,907	55,870	68,509			8.000	572,328	122,745
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,238,138	468,609

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	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	One Year	Two Year	
1. Prior	1,638,499	1,657,479	1,625,970	1,675,467	1,678,746	1,715,017	1,720,504	1,739,139	1,761,014	1,762,966	1,952	23,827	
2. 2006	1,018,124	987,898	968,471	956,370	954,006	953,899	956,798	957,150	955,309	957,004	1,695	(146)	
3. 2007	X X X	1,093,878	1,070,922	1,026,885	1,025,310	1,020,658	1,025,821	1,026,830	1,026,070	1,027,453	1,383	623	
4. 2008	X X X	X X X	1,228,249	1,199,631	1,184,164	1,183,805	1,188,129	1,202,199	1,200,816	1,200,946	130	(1,253)	
5. 2009	X X X	X X X	X X X	1,052,203	1,049,633	1,039,936	1,030,255	1,037,761	1,029,628	1,030,356	728	(7,405)	
6. 2010	X X X	X X X	X X X	X X X	1,095,511	1,094,850	1,099,347	1,111,707	1,100,778	1,101,566	788	(10,141)	
7. 2011	X X X	X X X	X X X	X X X	X X X	1,196,165	1,196,076	1,201,187	1,200,918	1,200,142	(776)	(1,045)	
8. 2012	X X X	X X X	X X X	X X X	X X X	X X X	1,242,187	1,251,636	1,239,745	1,227,388	(12,357)	(24,248)	
9. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,156,604	1,168,747	1,160,853	(7,894)	4,249	
10. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,168,027	1,168,916	889	X X X	
11. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,201,279	X X X	X X X	
											12. Totals	(13,462)	(15,539)

**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
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		
1. Prior	000	335,222	572,606	736,770	870,108	972,889	1,050,017	1,113,733	1,176,543	1,240,300	X X X	X X X
2. 2006	401,038	603,958	705,846	780,834	829,176	858,988	878,294	889,616	898,682	902,544	X X X	X X X
3. 2007	X X X	415,821	639,530	751,959	831,928	884,704	917,726	937,145	950,510	958,834	X X X	X X X
4. 2008	X X X	X X X	497,337	760,999	888,130	977,162	1,037,766	1,074,409	1,095,851	1,107,570	X X X	X X X
5. 2009	X X X	X X X	X X X	419,729	635,436	749,254	831,224	886,505	918,013	935,077	X X X	X X X
6. 2010	X X X	X X X	X X X	X X X	461,769	698,522	818,218	906,116	960,569	990,347	X X X	X X X
7. 2011	X X X	X X X	X X X	X X X	X X X	545,227	772,599	901,156	991,128	1,048,545	X X X	X X X
8. 2012	X X X	X X X	X X X	X X X	X X X	X X X	535,985	804,255	926,137	1,004,970	X X X	X X X
9. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	504,730	745,092	861,980	X X X	X X X
10. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	536,305	775,199	X X X	X X X
11. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	555,612	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
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Prior	669,390	529,804	416,559	387,194	302,042	283,847	232,142	226,457	219,792	191,124
2. 2006	391,039	218,431	143,145	94,312	67,348	54,099	48,428	44,185	37,773	35,696
3. 2007	X X X	414,974	242,171	144,813	98,050	69,832	58,400	49,401	42,144	39,857
4. 2008	X X X	X X X	444,371	244,656	157,600	108,484	77,515	76,814	63,545	58,703
5. 2009	X X X	X X X	X X X	398,410	239,533	158,084	105,945	89,137	63,821	58,413
6. 2010	X X X	X X X	X X X	X X X	392,214	218,905	148,559	112,652	77,080	63,227
7. 2011	X X X	X X X	X X X	X X X	X X X	392,781	239,768	165,705	111,807	86,757
8. 2012	X X X	X X X	X X X	X X X	X X X	X X X	451,495	259,072	178,160	131,938
9. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	425,614	247,748	176,932
10. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	402,271	234,030
11. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	411,257

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
		1							
1. Alabama	AL	L	49,236,169	50,630,492	5,366	26,555,150	27,486,001	80,902,256	66,982
2. Alaska	AK	L	12,004,236	10,596,751	765	4,053,903	1,755,549	16,026,523	9,328
3. Arizona	AZ	L	55,760,339	61,227,401	(14,263)	35,704,549	31,786,321	87,838,080	86,386
4. Arkansas	AR	L	26,049,383	26,723,344	708	11,634,335	29,717,945	47,764,214	29,100
5. California	CA	L	610,180,501	635,711,058	(515,171)	342,335,484	355,654,787	929,234,740	1,460,439
6. Colorado	CO	L	59,942,976	67,007,037	4,323	34,540,508	36,601,192	75,788,703	102,993
7. Connecticut	CT	L	144,288,304	148,505,174	46,432	80,006,028	75,916,430	178,790,319	587,367
8. Delaware	DE	L	42,070,525	45,443,249	2,892	24,850,635	25,003,232	38,925,911	135,275
9. District of Columbia	DC	L	13,943,439	14,376,040	1,245	5,647,614	6,579,087	12,565,757	22,202
10. Florida	FL	L	196,748,351	207,386,026	186,655	85,069,923	80,880,547	284,697,656	661,155
11. Georgia	GA	L	138,795,451	152,469,537	9,838	88,306,402	79,340,351	161,731,504	265,881
12. Hawaii	HI	L	49,012,071	49,218,279	708	27,790,716	32,282,681	35,884,202	183,568
13. Idaho	ID	L	14,459,854	15,558,047	131	8,118,606	9,829,084	14,444,691	34,533
14. Illinois	IL	L	152,835,308	153,976,714	38,566	79,266,978	75,135,696	264,067,410	251,797
15. Indiana	IN	L	32,846,598	41,127,478	7,666	23,518,771	17,711,203	70,743,193	20,474
16. Iowa	IA	L	13,312,552	14,978,802	57,790	15,390,332	7,326,282	33,874,093	13,909
17. Kansas	KS	L	34,632,984	36,594,736	1,514	14,940,441	18,462,324	39,872,352	48,026
18. Kentucky	KY	L	59,277,868	61,195,794	514	29,286,586	25,250,425	85,644,752	145,544
19. Louisiana	LA	L	127,764,217	135,023,160	(59,812)	58,224,644	56,129,919	104,666,743	192,497
20. Maine	ME	L	40,520,308	42,578,901	719	18,872,484	19,669,705	30,834,413	236,477
21. Maryland	MD	L	109,621,875	116,365,161	6,164	60,032,998	61,801,550	136,848,584	336,815
22. Massachusetts	MA	L	178,298,996	186,146,227	510	124,291,259	140,679,783	189,110,010	542,535
23. Michigan	MI	L	127,065,680	136,162,463	42,100	83,187,305	72,225,007	283,223,862	266,397
24. Minnesota	MN	L	67,314,201	72,750,404	979	31,877,999	33,234,776	144,950,588	114,125
25. Mississippi	MS	L	31,884,972	31,361,536	524	17,974,284	25,111,997	39,431,155	19,678
26. Missouri	MO	L	61,570,531	67,616,303	52,255	30,933,450	38,172,140	105,782,052	102,652
27. Montana	MT	L	15,251,955	14,855,231	1,456	8,491,195	8,140,392	17,585,770	28,945
28. Nebraska	NE	L	14,758,825	16,238,502	8,157	8,063,614	4,840,331	21,980,773	19,358
29. Nevada	NV	L	41,489,657	45,403,027	342	21,674,286	25,082,011	43,214,536	79,443
30. New Hampshire	NH	L	52,742,349	55,496,535	(4,207)	25,742,631	25,548,105	48,159,570	243,975
31. New Jersey	NJ	L	323,568,715	340,391,780	141,492	178,589,561	157,497,874	476,031,333	1,622,884
32. New Mexico	NM	L	23,569,866	25,571,636	559	11,881,067	16,947,675	32,703,165	40,061
33. New York	NY	L	611,322,122	634,458,718	149,864	341,853,131	306,833,712	921,153,495	2,853,712
34. North Carolina	NC	L	123,797,656	119,699,349	4,254	48,289,817	51,017,767	123,297,801	138,004
35. North Dakota	ND	L	6,706,883	7,509,293	(1)	2,112,673	2,652,696	6,147,233	3,493
36. Ohio	OH	L	99,734,756	106,489,278	85,238	34,761,075	31,110,816	49,957,204	380,122
37. Oklahoma	OK	L	61,966,727	68,024,549	3,774	42,237,287	40,086,924	104,496,941	90,481
38. Oregon	OR	L	41,140,393	43,007,386	711	16,222,414	32,487,468	51,827,824	102,425
39. Pennsylvania	PA	L	158,804,851	169,367,874	12,982	71,599,649	73,992,925	287,278,191	569,070
40. Rhode Island	RI	L	39,403,368	42,166,908	482	29,878,350	31,437,361	47,601,416	163,362
41. South Carolina	SC	L	56,082,527	58,956,792	(82,359)	30,544,390	31,957,271	69,055,288	110,709
42. South Dakota	SD	L	4,464,408	4,616,221	451	1,998,722	2,228,628	8,679,697	4,943
43. Tennessee	TN	L	81,138,923	88,451,952	2,398	35,302,745	34,912,304	158,320,090	155,158
44. Texas	TX	L	236,567,736	246,561,559	1,650,748	134,314,787	163,287,639	588,027,262	57,385
45. Utah	UT	L	31,426,368	33,957,210	451	16,230,914	17,673,986	34,486,059	65,878
46. Vermont	VT	L	17,819,036	18,281,634	1,035	8,333,242	7,902,521	18,257,221	73,159
47. Virginia	VA	L	66,213,345	68,451,262	3,884	26,860,199	26,823,007	76,201,337	131,906
48. Washington	WA	L	144,272,033	142,634,765	29	77,059,523	93,415,348	88,250,078	355,232
49. West Virginia	WV	L	22,757,956	24,344,176	10	11,412,481	13,582,596	17,642,649	73,076
50. Wisconsin	WI	L	58,076,768	61,447,417	640,574	32,419,740	24,206,335	138,345,381	102,205
51. Wyoming	WY	L	4,563,747	4,456,207	61	1,805,324	2,425,433	4,435,609	5,448
52. American Samoa	AS	N							
53. Guam	GU	N	3,170	3,170		906	906	(1,048)	
54. Puerto Rico	PR	L	557,471	625,455	1	12,619	(772,988)	945,017	
55. U.S. Virgin Islands	VI	N	(11,492)	(7,373)		390,762	366,762	68,491	
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	N	12	12	(2)	286,458	43,959	47,648	
58. Aggregate Other Alien	OT	X X X	722,402	1,242,497	(9)	19,280,873	(5,131,915)	7,032,606	
59. Totals	(a) 52		4,788,350,222	5,023,433,136	2,501,493	2,600,061,819	2,604,341,863	6,934,872,400	13,406,569

DETAILS OF WRITE-INS									
58001. ZZZ Other Alien	X X X		722,402	1,242,497	(9)	19,280,873	(5,131,915)	7,032,606	
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		722,402	1,242,497	(9)	19,280,873	(5,131,915)	7,032,606	

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

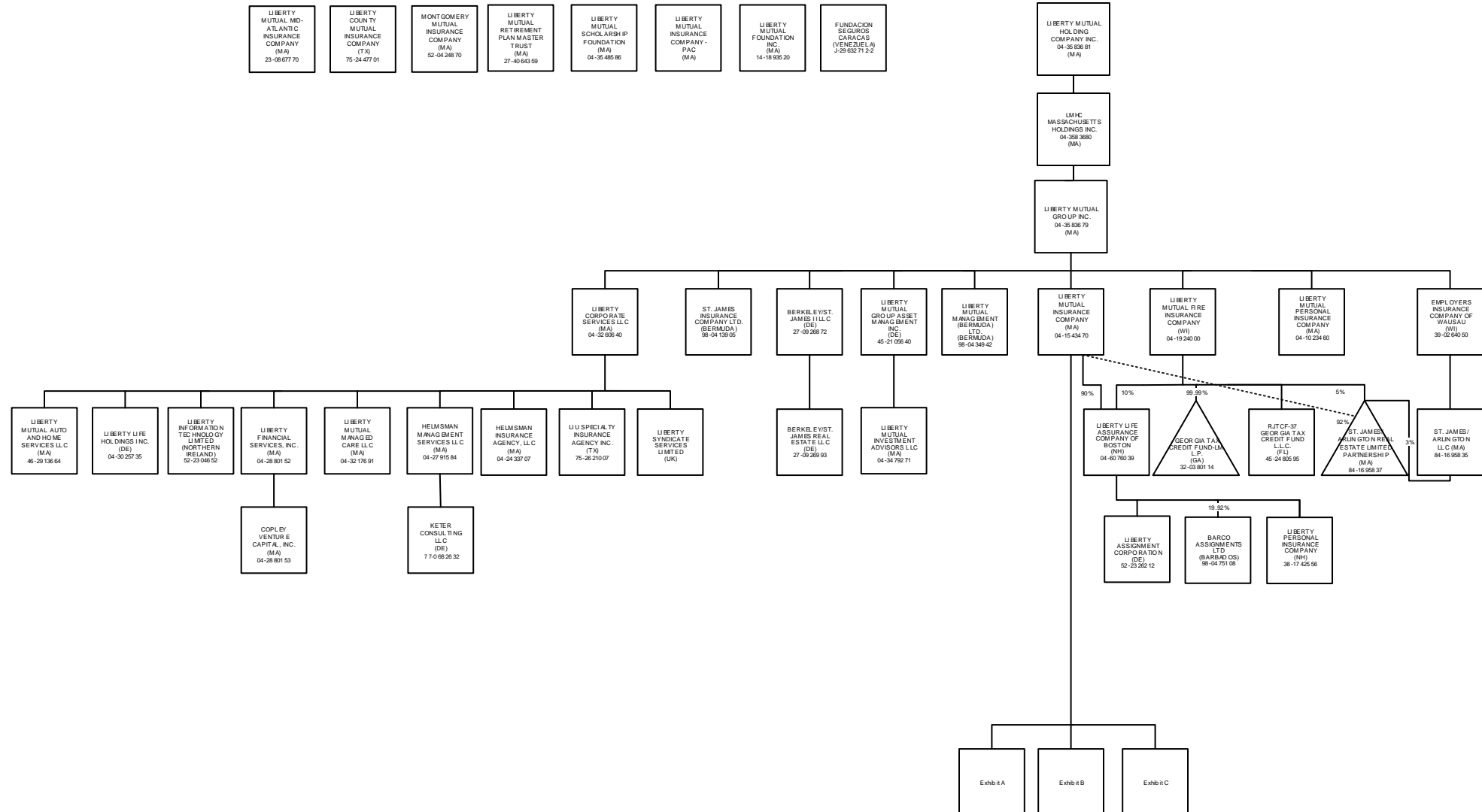
#### Explanation of basis of allocation of premiums by states, etc.

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

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

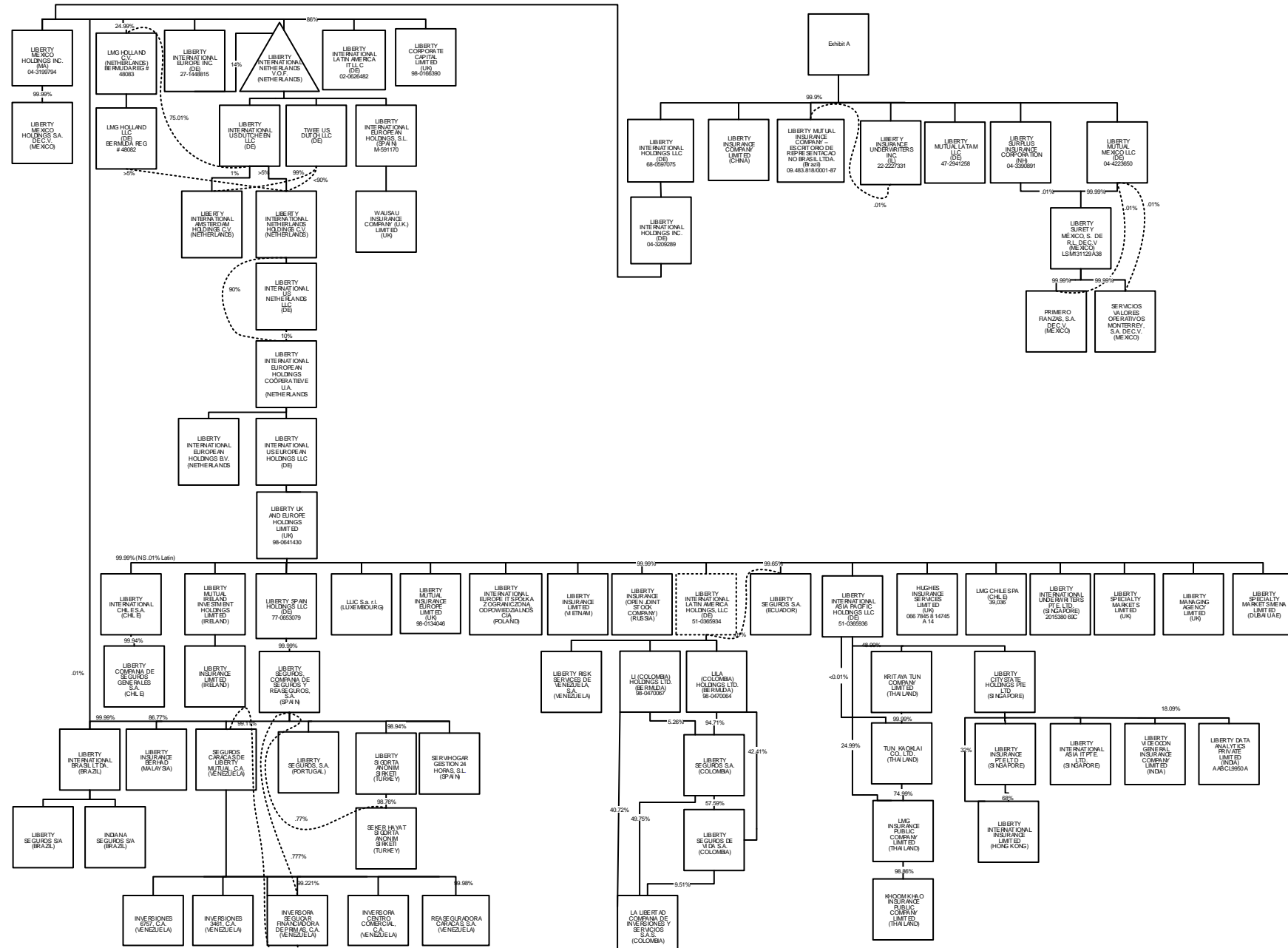
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART

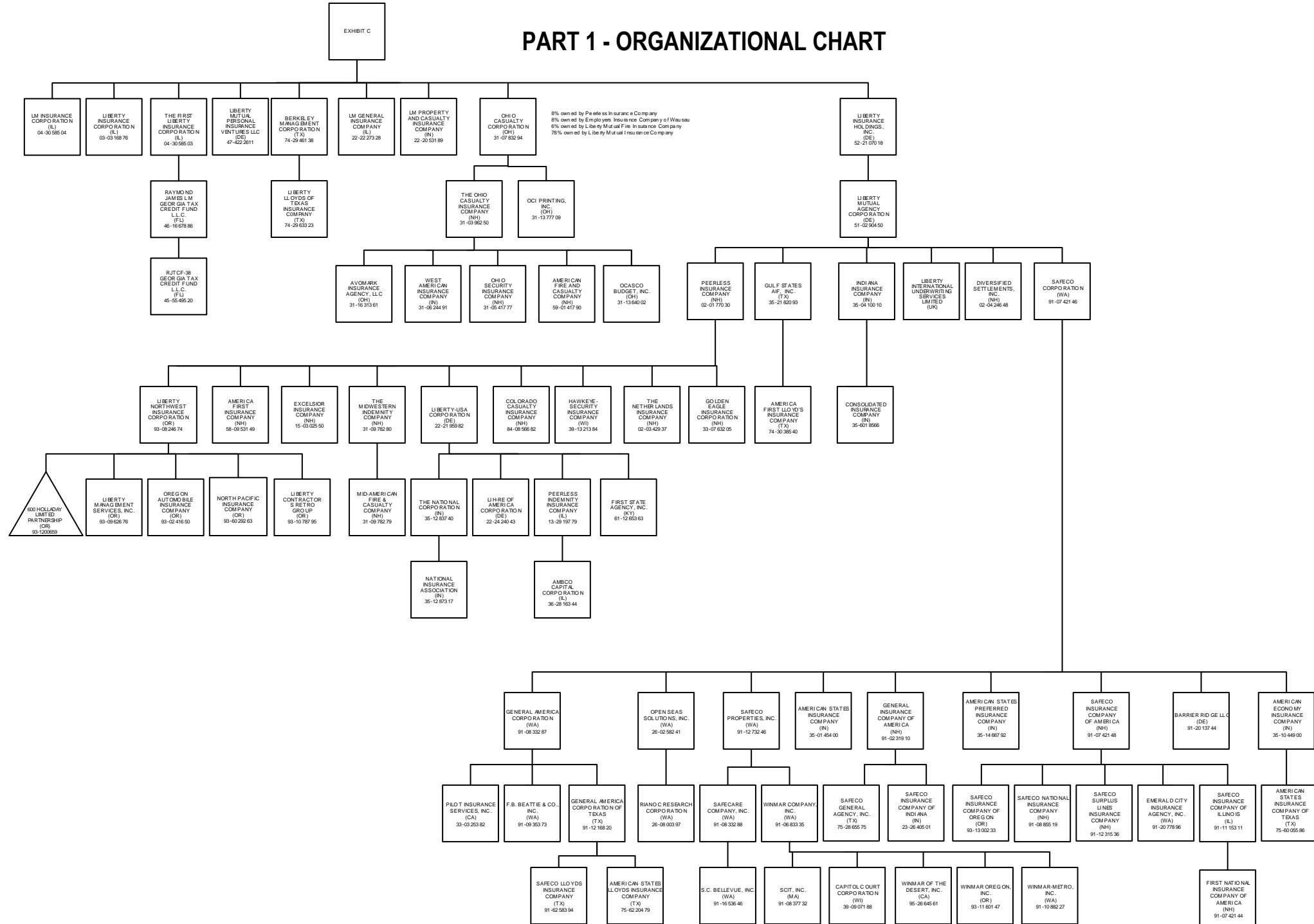






# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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