

ANNUAL STATEMENT

OF THE

LIBERTY MUTUAL INSURANCE COMPANY

of **BOSTON**

in the state of **MASSACHUSETTS**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2015

PROPERTY AND CASUALTY

2015



23043201520100100

ANNUAL STATEMENT

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

Liberty Mutual Insurance Company

NAIC Group Code 0111 0111 **NAIC Company Code** 23043 **Employer's ID Number** 04-1543470
(Current Period) (Prior Period)

Organized under the Laws of Massachusetts, **State of Domicile or Port of Entry** Massachusetts
Country of Domicile United States of America

Incorporated/Organized January 1, 1912 **Commenced Business** July 1, 1912

Statutory Home Office 175 Berkeley Street, Boston, MA, US 02116
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 175 Berkeley Street
(Street and Number)
Boston, MA, US 02116 617-357-9500
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 175 Berkeley Street, Boston, MA, US 02116
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 175 Berkeley Street Boston, MA, US 02116 617-357-9500
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.libertymutualgroup.com

Statutory Statement Contact Gennaro Petruzzello 617-357-9500 x44532
(Name) (Area Code) (Telephone Number) (Extension)
Statutory.Compliance@LibertyMutual.com 857-224-1430
(E-Mail Address) (Fax Number)

OFFICERS

Chairman of the Board

David Henry Long

	Name	Title
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

Name	Title	Name	Title
Luis Bonell	Executive Vice President	John Eric Brosius	EVP and Corporate Actuary
James Paul Condrin, III	Executive Vice President	Alison Brooke Erbig #	Senior Vice President and Comptroller
Melanie Marie Foley	EVP-Chief Talent & Enterprise Services Off.	Anthony Alexander Fontanes	EVP and Chief Investment Officer
James Francis Kelleher	EVP and Chief Legal Officer	Dennis James Langwell	EVP and Chief Financial Officer
James Martin McGlennon	EVP and Chief Information Officer	Christopher Locke Peirce	Executive Vice President
Timothy Michael Sweeney	Executive Vice President		

DIRECTORS OR TRUSTEES

James Paul Condrin, III	Anthony Alexander Fontanes	Dennis James Langwell	James Francis Kelleher
David Henry Long	Christopher Locke Peirce	Timothy Michael Sweeney	Mark Charles Touhey #

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 (Printed Name) 1. President and Chief Executive Officer (Title)	_____ (Signature) Mark Charles Touhey # (Printed Name) 2. Senior Vice President and Secretary (Title)	_____ (Signature) Laurance Henry Soyer Yahia (Printed Name) 3. Senior Vice President and Treasurer (Title)
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Subscribed and sworn to (or affirmed) before me this on this
25th day of January, 2016, by

a. Is this an original filing? 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)	12,635,775,991		12,635,775,991	12,923,989,791
2. Stocks (Schedule D):				
2.1 Preferred stocks	220,168,213		220,168,213	223,731,361
2.2 Common stocks	9,699,666,820		9,699,666,820	9,309,706,458
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	539,752,493		539,752,493	519,551,668
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	295,260,672		295,260,672	277,018,283
4.2 Properties held for the production of income (less \$ 0 encumbrances)	665,575		665,575	724,566
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 202,888,207, Schedule E - Part 1), cash equivalents (\$ 9,732,536, Schedule E - Part 2), and short-term investments (\$ 540,417,898, Schedule DA)	753,038,641		753,038,641	744,221,142
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)	24,246,932		24,246,932	
8. Other invested assets (Schedule BA)	10,100,254,660		10,100,254,660	10,841,825,462
9. Receivables for securities	6,558,854		6,558,854	65,878,425
10. Securities lending reinvested collateral assets (Schedule DL)	228,615,998		228,615,998	208,211,613
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	34,504,004,849		34,504,004,849	35,114,858,769
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	120,872,424		120,872,424	129,261,358
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	1,236,587,138	43,563,741	1,193,023,397	993,118,859
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 14,679,860 earned but unbilled premiums)	3,098,949,848	1,467,987	3,097,481,861	2,932,836,152
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	218,836,634	21,840,249	196,996,385	224,086,305
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	309,264,331		309,264,331	379,605,173
16.2 Funds held by or deposited with reinsured companies	28,669,235		28,669,235	23,133,271
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	15,634	1,076	14,558	186,576
18.1 Current federal and foreign income tax recoverable and interest thereon	144,184,440		144,184,440	170,363,434
18.2 Net deferred tax asset	1,723,177,000	251,001,943	1,472,175,057	1,435,705,168
19. Guaranty funds receivable or on deposit	9,865,562		9,865,562	11,264,228
20. Electronic data processing equipment and software	684,988,212	597,802,840	87,185,372	91,222,803
21. Furniture and equipment, including health care delivery assets (\$ 0)	532,123,346	532,123,346		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	548,247,702	49,224	548,198,478	498,153,555
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	726,940,754	95,660,197	631,280,557	651,363,017
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	43,886,727,109	1,543,510,603	42,343,216,506	42,655,158,668
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	43,886,727,109	1,543,510,603	42,343,216,506	42,655,158,668

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	421,276,653		421,276,653	402,778,047
2502. Other assets	135,839,321	95,543,139	40,296,182	71,257,086
2503. Equities and deposits in pools and associations	88,183,644		88,183,644	82,614,487
2598. Summary of remaining write-ins for Line 25 from overflow page	81,641,136	117,058	81,524,078	94,713,397
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	726,940,754	95,660,197	631,280,557	651,363,017

OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

ASSETS

	Current Year			Prior Year
	1	2	3	4
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Amounts receivable under high deductible policies	81,641,136	117,058	81,524,078	94,713,397
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	81,641,136	117,058	81,524,078	94,713,397

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	13,988,339,788	13,871,348,428
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	121,747,553	108,698,921
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	2,928,798,889	3,007,976,190
4. Commissions payable, contingent commissions and other similar charges	283,898,056	263,378,812
5. Other expenses (excluding taxes, licenses and fees)	465,024,944	413,021,950
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	122,376,225	122,344,469
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 150,000,000 and interest thereon \$ 547,865	150,547,865	150,547,865
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 7,446,769,474 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)	6,580,520,311	6,288,178,795
10. Advance premium	47,966,535	45,629,980
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	358,033	1,246,547
12. Ceded reinsurance premiums payable (net of ceding commissions)	840,244,201	823,003,731
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	210,794,503	211,983,009
14. Amounts withheld or retained by company for account of others	669,221,887	547,019,423
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)	29,659,093	40,877,587
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	432,921,542	409,046,895
19. Payable to parent, subsidiaries and affiliates	154,417,213	121,288,797
20. Derivatives		
21. Payable for securities	44,209,825	213,861,003
22. Payable for securities lending	228,615,998	208,211,613
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(771,713,568)	(761,805,335)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	26,527,948,893	26,085,858,680
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	26,527,948,893	26,085,858,680
29. Aggregate write-ins for special surplus funds	67,890,944	53,954,363
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	623,491,467	623,425,186
34. Gross paid in and contributed surplus	8,204,442,356	8,204,442,356
35. Unassigned funds (surplus)	6,908,192,846	7,676,228,083
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)	15,815,267,613	16,569,299,988
38. Totals (Page 2, Line 28, Col. 3)	42,343,216,506	42,655,158,668

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	351,406,353	344,827,655
2502. Amounts held under uninsured plans	319,959,273	332,663,150
2503. Deposit liability	39,589,112	48,589,112
2598. Summary of remaining write-ins for Line 25 from overflow page	(1,482,668,306)	(1,487,885,252)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(771,713,568)	(761,805,335)
2901. Special surplus from retroactive reinsurance	67,890,944	53,954,363
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)	67,890,944	53,954,363
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

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES		
2504. Retroactive reinsurance reserves	(1,482,668,306)	(1,487,885,252)
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	(1,482,668,306)	(1,487,885,252)

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	12,481,409,087	12,321,264,560
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	6,945,803,060	6,941,439,836
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	1,588,588,317	1,686,075,078
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	3,918,085,958	3,966,835,277
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	12,452,477,335	12,594,350,191
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	28,931,752	(273,085,631)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	616,628,717	889,123,445
10. Net realized capital gains (losses) less capital gains tax of \$ 34,520,405 (Exhibit of Capital Gains (Losses))	64,036,792	12,485,101
11. Net investment gain (loss) (Lines 9 + 10)	680,665,509	901,608,546
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 2,856,230 amount charged off \$ 45,267,976)	(42,411,746)	(46,647,302)
13. Finance and service charges not included in premiums	70,774,495	69,096,926
14. Aggregate write-ins for miscellaneous income	(34,651,948)	12,212,368
15. Total other income (Lines 12 through 14)	(6,289,199)	34,661,992
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	703,308,062	663,184,907
17. Dividends to policyholders	9,677,688	11,783,650
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)	693,630,374	651,401,257
19. Federal and foreign income taxes incurred	(279,390,338)	(237,020,783)
20. Net income (Line 18 minus Line 19) (to Line 22)	973,020,712	888,422,040
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	16,569,299,988	15,126,396,325
22. Net income (from Line 20)	973,020,712	888,422,040
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (57,062,233)	(1,281,553,202)	106,890,174
25. Change in net unrealized foreign exchange capital gain (loss)	(121,753,036)	(69,359,792)
26. Change in net deferred income tax	63,891,375	(209,719,073)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(321,349,242)	(98,138,994)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	11,218,494	22,471,393
29. Change in surplus notes	66,281	66,281
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		929,513,093
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(64,766,000)	(64,766,000)
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	(12,807,757)	(62,475,459)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(754,032,375)	1,442,903,663
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	15,815,267,613	16,569,299,988

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive reinsurance gain/(loss)	9,996,670	(8,228,709)
1402. Other income/(expense)	(44,648,618)	20,441,077
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(34,651,948)	12,212,368
3701. Other changes in surplus	(12,807,757)	(62,475,459)
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)	(12,807,757)	(62,475,459)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	12,450,220,588	12,418,740,791
2. Net investment income	752,278,152	1,031,881,033
3. Miscellaneous income	87,281,253	(154,206,485)
4. Total (Lines 1 through 3)	13,289,779,993	13,296,415,339
5. Benefit and loss related payments	6,691,826,887	7,070,122,917
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	5,506,540,072	5,716,564,870
8. Dividends paid to policyholders	10,566,202	11,763,338
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(271,329,735)	128,131,458
10. Total (Lines 5 through 9)	11,937,603,426	12,926,582,583
11. Net cash from operations (Line 4 minus Line 10)	1,352,176,567	369,832,756
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,672,533,611	4,285,219,540
12.2 Stocks	198,317,677	190,756,655
12.3 Mortgage loans	80,047,263	54,015,214
12.4 Real estate		
12.5 Other invested assets	1,262,122,102	1,348,476,508
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	8,242	8,675
12.7 Miscellaneous proceeds	58,678,311	(33,999,351)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	4,271,707,206	5,844,477,241
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,699,748,087	3,444,327,513
13.2 Stocks	96,852,706	237,027,382
13.3 Mortgage loans	100,307,640	41,280,295
13.4 Real estate	35,629,745	41,949,449
13.5 Other invested assets	2,219,407,577	2,168,062,653
13.6 Miscellaneous applications	169,302,152	(153,545,655)
13.7 Total investments acquired (Lines 13.1 to 13.6)	5,321,247,907	5,779,101,637
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)	(1,049,540,701)	65,375,604
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	66,281	66,281
16.2 Capital and paid in surplus, less treasury stock		929,513,093
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	64,766,000	64,766,000
16.6 Other cash provided (applied)	(229,118,648)	(1,673,981,142)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(293,818,367)	(809,167,768)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	8,817,499	(373,959,408)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	744,221,142	1,118,180,550
19.2 End of year (Line 18 plus Line 19.1)	753,038,641	744,221,142

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

20.0001	2 - Net investment income	148,653	4,963,497
20.0002	7 - Commissions, expenses paid and aggregate write-ins for deductions	11,199,463	712,603
20.0003	12.1 - Proceeds from investments sold, matured or repaid - Bonds	3,059,570,507	1,483,702,577
20.0004	12.2 - Proceeds from investments sold, matured or repaid - Stocks	2,131,187	1,089,888
20.0005	12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans	79,237	828,374
20.0006	12.5 - Proceeds from investments sold, matured or repaid - Other invested assets		2,570,517
20.0007	13.1 Cost of Investment Acquired - Bonds	3,033,989,443	1,488,666,074
20.0008	13.2 Cost of Investment Acquired - Stocks	13,330,181	781,961
20.0009	13.3 Cost of Investment Acquired - Mortgage Loans	79,237	
20.0010	13.5 Cost of Investment Acquired - Other invested assets		2,994,215
20.0011	16.6 - Other cash provided (applied)	25,432,638	

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	281,600,433	145,983,311	133,771,261	293,812,483
2. Allied lines	184,320,097	97,016,474	97,967,660	183,368,911
3. Farmowners multiple peril	50,134,434	24,585,785	25,149,165	49,571,054
4. Homeowners multiple peril	2,797,265,146	1,432,305,392	1,510,642,542	2,718,927,996
5. Commercial multiple peril	1,100,103,271	546,217,119	560,237,207	1,086,083,183
6. Mortgage guaranty				
8. Ocean marine	57,954,258	22,885,240	34,582,153	46,257,345
9. Inland marine	373,785,688	80,611,089	83,626,963	370,769,814
10. Financial guaranty				
11.1 Medical professional liability—occurrence	38,242,322	12,224,784	16,977,463	33,489,643
11.2 Medical professional liability—claims-made	7,010,139	5,785,546	3,682,562	9,113,123
12. Earthquake	38,343,807	21,567,182	18,644,475	41,266,514
13. Group accident and health	4,313,270	781,539	1,568,752	3,526,057
14. Credit accident and health (group and individual)				
15. Other accident and health	2,523,256	218,440	97,106	2,644,590
16. Workers' compensation	1,003,928,140	42,666,000	42,069,325	1,004,524,815
17.1 Other liability—occurrence	815,590,994	359,937,557	374,863,098	800,665,453
17.2 Other liability—claims-made	291,052,246	169,008,940	172,012,803	288,048,383
17.3 Excess workers' compensation	23,840,416	14,653,866	12,776,478	25,717,804
18.1 Products liability—occurrence	97,934,281	46,484,838	51,001,660	93,417,459
18.2 Products liability—claims-made	5,311,860	2,367,561	2,013,185	5,666,236
19.1,19.2 Private passenger auto liability	2,924,006,695	1,378,841,319	1,451,057,850	2,851,790,164
19.3,19.4 Commercial auto liability	586,571,522	274,436,186	283,659,866	577,347,842
21. Auto physical damage	1,476,905,798	1,056,990,886	1,157,600,525	1,376,296,159
22. Aircraft (all perils)	26,215,480	4,882,084	7,783,212	23,314,352
23. Fidelity	25,015,781	11,792,384	12,309,703	24,498,462
24. Surety	395,485,021	234,277,417	252,627,263	377,135,175
26. Burglary and theft	445,952	252,127	198,674	499,405
27. Boiler and machinery	18,987,980	8,125,169	8,351,544	18,761,605
28. Credit	(227,777)	1,729,734	1,218,930	283,027
29. International				
30. Warranty	(90,559)	1,984,440	1,116,991	776,890
31. Reinsurance-nonproportional assumed property	148,656,841	20,140,959	19,048,996	149,748,804
32. Reinsurance-nonproportional assumed liability	40,858,415	8,564,135	12,818,831	36,603,719
33. Reinsurance-nonproportional assumed financial lines	2,631			2,631
34. Aggregate write-ins for other lines of business				
35. TOTALS	12,816,087,838	6,027,317,503	6,349,476,243	12,493,929,098

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	131,609,982	2,161,279			133,771,261
2. Allied lines	97,218,651	749,009			97,967,660
3. Farmowners multiple peril	25,149,165				25,149,165
4. Homeowners multiple peril	1,510,642,542				1,510,642,542
5. Commercial multiple peril	555,792,877	9,682,710	(5,266,542)	28,163	560,237,208
6. Mortgage guaranty					
8. Ocean marine	24,853,821	9,728,332			34,582,153
9. Inland marine	75,810,025	7,816,937			83,626,962
10. Financial guaranty					
11.1 Medical professional liability—occurrence	14,896,971	2,080,492			16,977,463
11.2 Medical professional liability—claims-made	3,421,946	260,616			3,682,562
12. Earthquake	18,398,101	246,374			18,644,475
13. Group accident and health	1,568,752				1,568,752
14. Credit accident and health (group and individual)					
15. Other accident and health	97,106				97,106
16. Workers' compensation	260,095,403	9,551,503	(6,316,902)	(221,260,679)	42,069,325
17.1 Other liability—occurrence	348,943,056	27,903,990	(472,717)	(1,511,230)	374,863,099
17.2 Other liability—claims-made	123,922,078	47,943,632	(27,348)	174,441	172,012,803
17.3 Excess workers' compensation	12,162,333	614,146			12,776,479
18.1 Products liability—occurrence	31,179,260	18,630,412	(123,919)	1,315,907	51,001,660
18.2 Products liability—claims-made	1,954,582	58,604			2,013,186
19.1,19.2 Private passenger auto liability	1,451,057,850				1,451,057,850
19.3,19.4 Commercial auto liability	278,493,027	2,750,080		2,416,759	283,659,866
21. Auto physical damage	1,157,064,278	536,247			1,157,600,525
22. Aircraft (all perils)	7,783,212				7,783,212
23. Fidelity	12,194,883	114,820			12,309,703
24. Surety	248,069,254	4,558,009			252,627,263
26. Burglary and theft	196,964	1,709			198,673
27. Boiler and machinery	8,010,051	341,494			8,351,545
28. Credit	1,218,930				1,218,930
29. International					
30. Warranty		1,116,991			1,116,991
31. Reinsurance-nonproportional assumed property	19,046,802	2,194			19,048,996
32. Reinsurance-nonproportional assumed liability	12,630,359	188,472			12,818,831
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	6,433,482,261	147,038,052	(12,207,428)	(218,836,639)	6,349,476,246
36. Accrued retrospective premiums based on experience					218,836,634
37. Earned but unbilled premiums					12,207,428
38. Balance (Sum of Lines 35 through 37)					6,580,520,308

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	36,754,783	555,397,321	41,321,712	282,746,013	69,127,371	281,600,432
2. Allied lines	19,212,026	402,361,892	16,420,274	190,968,362	62,705,734	184,320,096
3. Farmowners multiple peril		103,461,490		50,134,434	3,192,623	50,134,433
4. Homeowners multiple peril	70,372,838	5,938,221,225	5,754,529	2,797,261,537	419,821,910	2,797,265,145
5. Commercial multiple peril	39,636,686	2,311,612,746	37,353,040	1,124,155,758	164,343,444	1,100,103,270
6. Mortgage guaranty						
8. Ocean marine	75,283,927	52,603,615	10,015,726	69,032,586	10,916,425	57,954,257
9. Inland marine	1,493,360,088	1,471,315,542	12,720,472	384,459,860	2,219,150,554	373,785,688
10. Financial guaranty						
11.1 Medical professional liability--occurrence	962	61,525,147	15,193,023	38,242,322	234,488	38,242,322
11.2 Medical professional liability--claims-made		12,873,007	1,257,958	7,010,139	110,687	7,010,139
12. Earthquake	51,261	79,125,629	3,356,046	38,343,783	5,845,346	38,343,807
13. Group accident and health	1,099,374	7,527,094	71	4,313,270		4,313,269
14. Credit accident and health (group and individual)						
15. Other accident and health	(40,251)	2,172,497	5,203,966	2,523,256	2,289,701	2,523,255
16. Workers' compensation	4,189,539	2,518,910,543	91,349,108	1,009,260,672	601,260,378	1,003,928,140
17.1 Other liability—occurrence	299,306,410	1,658,713,560	57,719,462	836,476,061	363,672,378	815,590,993
17.2 Other liability—claims-made	118,610,837	461,571,536	63,530,749	329,658,045	23,002,830	291,052,247
17.3 Excess workers' compensation	8,279,501	58,435,041	549,820	26,666,750	16,757,195	23,840,417
18.1 Products liability—occurrence	18,038,800	180,714,531	1,244,107	99,458,927	2,604,230	97,934,281
18.2 Products liability—claims-made	1,632,900	4,363,432	5,207,275	5,311,860	579,886	5,311,861
19.1,19.2 Private passenger auto liability	283,985,368	5,525,066,655	261,040,327	2,924,006,696	222,078,959	2,924,006,695
19.3,19.4 Commercial auto liability	20,419,542	1,161,458,059	25,457,891	587,057,228	33,706,742	586,571,522
21. Auto physical damage	252,820,974	4,353,303,247	218,150,663	3,240,160,978	107,208,108	1,476,905,798
22. Aircraft (all perils)	47,643,437	23,132,169	4,261,648	27,106,377	21,715,397	26,215,480
23. Fidelity	22,627,070	31,290,975	1,027,295	29,342,071	587,487	25,015,782
24. Surety	597,328,607	208,961,849	11,565,711	397,686,371	24,684,774	395,485,022
26. Burglary and theft	108,310	909,374	(27,851)	445,952	97,930	445,951
27. Boiler and machinery		38,677,931	682,573	18,987,980	1,384,544	18,987,980
28. Credit		(455,553)		(227,776)		(227,777)
29. International						
30. Warranty		(181,118)		(90,559)		(90,559)
31. Reinsurance-nonproportional assumed property	X X X	208,945,591	88,368,091	148,656,841		148,656,841
32. Reinsurance-nonproportional assumed liability	X X X	60,157,653	21,559,177	40,858,415		40,858,415
33. Reinsurance-nonproportional assumed financial lines	X X X		1,516,175	2,631	1,510,914	2,630
34. Aggregate write-ins for other lines of business						
35. TOTALS	3,410,722,989	27,492,172,680	1,001,799,038	14,710,016,840	4,378,590,035	12,816,087,832

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

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

If yes: 1. The amount of such installment premiums \$ 5,474,132

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 6,023,234

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	2,158,154	226,258,612	138,576,250	89,840,516	14,832,010	60,019,313	40,979,141	123,712,698	10,485,309
2. Allied lines	29,975,053	72,395,392	67,668,383	34,702,062	2,176,987	33,838,610	20,981,739	49,735,920	5,766,633
3. Farmowners multiple peril		16,517,317	8,258,659	8,258,658		1,085,961	542,980	8,801,639	2,482,952
4. Homeowners multiple peril	13,993,520	692,330,284	373,374,622	332,949,182	3,329,872	472,945,945	254,365,255	554,859,744	117,704,429
5. Commercial multiple peril	51,714,963	989,921,020	546,211,092	495,424,891	5,602,180	948,436,173	488,466,318	960,996,926	348,734,240
6. Mortgage guaranty									
8. Ocean marine	46,059,738	15,198,525	43,756,328	17,501,935	36,603,354	19,549,447	35,516,351	38,138,385	6,030,093
9. Inland marine	27,790,009	55,706,186	61,268,711	22,227,484	112,099,243	105,935,660	191,253,807	49,008,580	7,771,910
10. Financial guaranty									
11.1 Medical professional liability—occurrence	183,641	6,037,041	3,434,862	2,785,820	87,176	98,432,437	51,412,611	49,892,822	3,376,494
11.2 Medical professional liability—claims-made		3,685,036	2,130,318	1,554,718		23,313,066	13,632,958	11,234,826	1,520,521
12. Earthquake		1,032,373	516,186	516,187		1,978,729	1,706,272	788,644	116,063
13. Group accident and health	1,478,610	1,269,013	1,802,971	944,652	485,884	1,289,219	892,028	(a) 1,827,727	340,919
14. Credit accident and health (group and individual)									
15. Other accident and health		41,027,086	37,277,504	3,749,582	138,527	16,010,017	10,049,916	(a) 9,848,210	2,783,122
16. Workers' compensation	820,259,467	6,838,410,180	4,655,961,300	3,002,708,347	483,460,761	7,519,834,578	4,866,974,976	6,139,028,710	897,239,665
17.1 Other liability—occurrence	382,799,671	1,315,950,482	1,023,512,994	675,237,159	375,389,161	2,682,653,531	1,973,829,277	1,759,450,574	549,094,680
17.2 Other liability—claims-made	94,616,975	177,066,978	185,942,225	85,741,728	220,745,584	632,221,907	512,684,357	426,024,862	98,774,490
17.3 Excess workers' compensation	28,647,313	296,816,275	198,546,697	126,916,891	48,576,833	380,501,001	270,454,554	285,540,171	30,698,051
18.1 Products liability—occurrence	22,141,612	109,201,976	76,504,256	54,839,332	71,976,676	168,481,186	129,745,210	165,551,984	120,520,692
18.2 Products liability—claims-made		841,947	443,791	398,156	3,059,619	18,884,734	11,080,416	11,262,093	5,574,069
19.1,19.2 Private passenger auto liability	128,855,913	2,979,048,211	1,727,459,583	1,380,444,541	123,516,419	1,738,150,547	961,237,938	2,280,873,569	523,091,370
19.3,19.4 Commercial auto liability	38,529,867	889,744,360	508,808,963	419,465,264	34,661,265	669,619,467	382,306,773	741,439,223	105,406,146
21. Auto physical damage	637,644	41,427,193	20,832,787	21,232,050	(2,028,445)	31,134,727	21,793,701	28,544,631	37,876,330
22. Aircraft (all perils)	38,300,418	6,924,226	37,057,512	8,167,132	8,655,246	13,088,891	12,201,697	17,709,572	3,771,230
23. Fidelity	7,194,106	4,883,526	7,662,410	4,415,222	31,002,032	18,022,634	29,215,335	24,224,553	3,114,738
24. Surety	77,351,445	(69,160,909)	4,308,305	3,882,231	54,642,861	34,491,302	50,116,660	42,899,734	34,599,944
26. Burglary and theft	13,703	53,141	33,423	33,421	222,306	(106,448)	72,920	76,359	52,995
27. Boiler and machinery		5,866,215	3,048,624	2,817,591	1	1,201,254	614,565	3,404,281	254,988
28. Credit		581,975	290,988	290,987		5,628,900	2,814,450	3,105,437	2,481
29. International									
30. Warranty					3,805,429	2,054,478	5,018,867	841,040	493,877
31. Reinsurance-nonproportional assumed property	X X X	77,541,598	38,783,817	38,757,781	X X X	86,184,076	43,099,905	81,841,952	1,524,411
32. Reinsurance-nonproportional assumed liability	X X X	69,041,043	34,520,521	34,520,522	X X X	163,803,680	82,524,074	115,800,128	9,581,423
33. Reinsurance-nonproportional assumed financial lines	X X X	3,770,065	1,885,271	1,884,794	X X X	3,685,329	3,695,330	1,874,793	14,633
34. Aggregate write-ins for other lines of business									
35. TOTALS	1,812,701,822	14,869,386,367	9,809,879,353	6,872,208,836	1,633,040,981	15,952,370,351	10,469,280,381	13,988,339,787	2,928,798,898

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	198,400,648			198,400,648
1.2 Reinsurance assumed	1,254,884,475			1,254,884,475
1.3 Reinsurance ceded	789,241,528			789,241,528
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	664,043,595			664,043,595
2. Commission and brokerage:				
2.1 Direct, excluding contingent		196,384,070		196,384,070
2.2 Reinsurance assumed, excluding contingent		2,637,226,659		2,637,226,659
2.3 Reinsurance ceded, excluding contingent		2,145,670,173		2,145,670,173
2.4 Contingent—direct		12,569,544		12,569,544
2.5 Contingent—reinsurance assumed		409,979,214		409,979,214
2.6 Contingent—reinsurance ceded		214,223,268		214,223,268
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)		896,266,046		896,266,046
3. Allowances to manager and agents		123,096,818		123,096,818
4. Advertising	1,205,952	247,055,877	10,755	248,272,584
5. Boards, bureaus and associations	3,718,838	21,237,807	1,809	24,958,454
6. Surveys and underwriting reports	68,966	56,499,366	1	56,568,333
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	563,148,698	1,111,248,044	24,031,829	1,698,428,571
8.2 Payroll taxes	25,793,639	92,631,098	174,795	118,599,532
9. Employee relations and welfare	94,318,132	323,335,556	1,134,547	418,788,235
10. Insurance	22,319,651	14,907,727	130,622	37,358,000
11. Directors' fees	182	(13,308)	1	(13,125)
12. Travel and travel items	39,103,293	87,860,459	758,776	127,722,528
13. Rent and rent items	31,288,614	113,547,872	364,383	145,200,869
14. Equipment	21,200,570	55,770,239	972,404	77,943,213
15. Cost or depreciation of EDP equipment and software	21,188,900	51,891,728	1,058,128	74,138,756
16. Printing and stationery	3,546,023	12,763,121	110,275	16,419,419
17. Postage, telephone and telegraph, exchange and express	15,303,991	71,511,850	1,049,150	87,864,991
18. Legal and auditing	4,824,886	15,189,469	607,349	20,621,704
19. Totals (Lines 3 to 18)	847,030,335	2,398,533,723	30,404,824	3,275,968,882
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 1,789,220		258,175,054		258,175,054
20.2 Insurance department licenses and fees		31,400,284		31,400,284
20.3 Gross guaranty association assessments		3,259,895		3,259,895
20.4 All other (excluding federal and foreign income and real estate)		46,756,435		46,756,435
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		339,591,668		339,591,668
21. Real estate expenses			32,723,238	32,723,238
22. Real estate taxes			4,234,023	4,234,023
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	77,514,389	283,694,522	5,043,233	366,252,144
25. Total expenses incurred	1,588,588,319	3,918,085,959	72,405,318	(a) 5,579,079,596
26. Less unpaid expenses—current year	2,928,798,889	869,662,925	1,636,300	3,800,098,114
27. Add unpaid expenses—prior year	3,007,976,190	796,914,331	1,830,900	3,806,721,421
28. Amounts receivable relating to uninsured plans, prior year		186,576		186,576
29. Amounts receivable relating to uninsured plans, current year		14,558		14,558
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,667,765,620	3,845,165,347	72,599,918	5,585,530,885

DETAILS OF WRITE-IN LINES				
2401. Other expenses	77,514,389	283,694,522	5,043,233	366,252,144
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)	77,514,389	283,694,522	5,043,233	366,252,144

(a) Includes management fees of \$ 1,894,028,125 to affiliates and \$ 122,994,597 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 35,415,335	33,921,836
1.1 Bonds exempt from U.S. tax	(a) 132,348,190	123,316,133
1.2 Other bonds (unaffiliated)	(a) 326,923,218	330,892,606
1.3 Bonds of affiliates	(a) 6,858,816	6,873,885
2.1 Preferred stocks (unaffiliated)	(b) 11,528,660	11,486,675
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	7,520,671	7,370,348
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 31,797,669	31,678,671
4. Real estate	(d) 61,434,814	61,434,814
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 2,627,298	2,870,198
7. Derivative instruments	(f)	
8. Other invested assets	151,461,117	151,461,117
9. Aggregate write-ins for investment income	716,607	716,607
10. Total gross investment income	768,632,395	762,022,890
11. Investment expenses		(g) 72,405,317
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 56,333,621
14. Depreciation on real estate and other invested assets		(i) 16,655,236
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		145,394,174
17. Net investment income (Line 10 minus Line 16)		616,628,716

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	716,607	716,607
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)	716,607	716,607
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 \$ 15,864,591 accrual of discount less \$ 51,719,044 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 \$ 23,804 paid for accrued interest on purchases.
- (d) Includes \$ 60,008,771 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 266,398 accrual of discount less \$ 60,720 amortization of premium and less \$ 62,216 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 \$ 49,813,078 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	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	48,515,822	(13,992,742)	34,523,080		
1.1 Bonds exempt from U.S. tax	16,993,517	(5,670,301)	11,323,216		
1.2 Other bonds (unaffiliated)	(37,361,800)	(5,795,976)	(43,157,776)	(67,223,898)	(8,203,489)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	286,429		286,429	(119,961)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	45,211,536	(11,488,514)	33,723,022	(32,799,771)	(2,939,168)
2.21 Common stocks of affiliates	133,601		133,601	547,602,609	
3. Mortgage loans	(795,329)		(795,329)	735,778	
4. Real estate	(791,110)		(791,110)		
5. Contract loans					
6. Cash, cash equivalents and short-term investments				8,252	
7. Derivative instruments	9,608,155		9,608,155	21,457,567	
8. Other invested assets	99,149,925	(4,548,721)	94,601,204	(1,757,920,186)	(3,446,035)
9. Aggregate write-ins for capital gains (losses)		(40,897,292)	(40,897,292)	18,867,629	
10. Total capital gains (losses)	180,950,746	(82,393,546)	98,557,200	(1,269,391,981)	(14,588,692)

DETAILS OF WRITE-IN LINES					
0901. DEFERRED G/L-TRSF OF ASSETS-INTERCO NON-CASH				18,867,629	
0902. SOFTWARE IMPAIRMENT		(40,897,292)	(40,897,292)		
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)		(40,897,292)	(40,897,292)	18,867,629	

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	43,563,741	38,148,438	(5,415,303)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,467,987	1,435,636	(32,351)
15.3 Accrued retrospective premiums and contracts subject to redetermination	21,840,249	24,722,595	2,882,346
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	1,076	7,018	5,942
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	251,001,943	167,483,832	(83,518,111)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	597,802,840	527,474,160	(70,328,680)
21. Furniture and equipment, including health care delivery assets	532,123,346	391,928,544	(140,194,802)
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates	49,224	460,209	410,985
24. Health care and other amounts receivable			
25. Aggregate write-ins for other-than-invested assets	95,660,197	70,906,213	(24,753,984)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,543,510,603	1,222,566,645	(320,943,958)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	1,543,510,603	1,222,566,645	(320,943,958)

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	95,543,139	70,807,598	(24,735,541)
2502. Amounts receivable under high deductible policies	117,058	98,615	(18,443)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	95,660,197	70,906,213	(24,753,984)

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 Massachusetts, the accompanying financial statements of Liberty Mutual Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

	State of Domicile	2015	2014
<u>NET INCOME</u>			
LMIC state basis (Page 4, Line 20, Columns 1 & 2)	MA	\$ 973,020,712	\$ 888,422,040
State Prescribed Practices: NONE		-	-
State Permitted Practices: NONE		-	-
NAIC SAP		\$ 973,020,712	\$ 888,422,040

	State of Domicile	2015	2014
<u>SURPLUS</u>			
LMIC state basis (Page 3, Line 37, Columns 1 & 2)	MA	\$ 15,815,267,613	\$ 16,569,299,988
State Prescribed Practices: NONE		-	-
State Permitted Practices: NONE		-	-
NAIC SAP		\$ 15,815,267,613	\$ 16,569,299,988

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

NOTES TO FINANCIAL STATEMENTS

adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.

12. The Company did not change its capitalization policy in 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 Fire Insurance Company (“LMFIC”), a Wisconsin 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 78% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 22% (LMFIC 6%, PIC 8%, and EICOW 8%). The transaction was accounted for as a statutory purchase and the cost was \$2,168,405,460, resulting in goodwill in the amount of \$1,147,694,340. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was \$114,769,463 for year ended December 31, 2015; goodwill is being amortized over ten years.

On June 9, 2010, the Company purchased LMFIC’s 2.892% holdings of the shares of Liberty Insurance Holdings, Inc. (“LIH”), a non-insurance holding company, for \$249,957,350 in cash and securities and EICOW’s 4.048% holdings of shares of LIH for \$349,871,398 in cash and securities. The purchase price represented the estimated fair value of the LIH shares. The transaction resulted in \$288,195,370 of goodwill to LMIC. Goodwill amortization was \$28,819,537 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
\$ 47,900	\$ 34,138

NOTES TO FINANCIAL STATEMENTS

4. Age Analysis of Mortgage Loans:

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

a. Current Year

1. Recorded Investment (All)

(a) Current	\$ -	\$ -	\$ -	\$ -	\$ 541,057,667	\$ -	\$ 541,057,667
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	320,562	-	320,562
(d) 90-179 Days Past Due	-	-	-	-	15,779	-	15,779
(e) 180+ Days Past Due	-	-	-	-	172,666	-	172,666

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	\$ -	\$ -	\$ -	\$ -	\$ 10,937,650	\$ -	\$ 10,937,650
(b) Number of Loans	-	-	-	-	516	-	516
(c) Percent Reduced	-	-	-	-	1.756%	-	1.756%

b. Prior Year

1. Recorded Investment (All)

(a) Current	\$ -	\$ -	\$ -	\$ -	\$ 519,965,175	\$ -	\$ 519,965,175
(b) 30-59 Days Past Due	-	-	-	-	1,555,824	-	1,555,824
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	4,854	-	4,854
(e) 180+ Days Past Due	-	-	-	-	575,773	-	575,773

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	\$ -	\$ -	\$ -	\$ -	\$ 14,663,975	\$ -	\$ 14,663,975
(b) Number of Loans	-	-	-	-	343	-	343
(c) Percent Reduced	-	-	-	-	1.809%	-	1.809%

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	\$-	\$ -	\$ -	\$ -	\$ 3,331,226	\$-	\$ 3,331,226
2. No Allowance for Credit Losses	-	-	-	-	2,640,628	-	2,640,628

b. Prior Year

1. With Allowance for Credit Losses	\$-	\$ -	\$ -	\$ -	\$ 5,737,671	\$-	\$ 5,737,671
2. No Allowance for Credit Losses	-	-	-	-	2,511,128	-	2,511,128

NOTES TO FINANCIAL STATEMENTS

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

	Farm	Residential		Commercial		Mezzanine	Total
		Insured	All Other	Insured	All Other		
a. Current Year							
1. Average Recorded Investment	\$-	\$-	\$-	\$-	\$7,110,327	\$-	\$7,110,327
2. Interest Income Recognized	-	-	-	-	381,493	-	381,493
3. Recorded Investments on Nonaccrual Status	-	-	-	-	191,067	-	191,067
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	375,753	-	375,753
b. Prior Year							
1. Average Recorded Investment	\$-	\$-	\$-	\$-	\$8,111,451	\$-	\$8,111,451
2. Interest Income Recognized	-	-	-	-	407,746	-	407,746
3. Recorded Investments on Nonaccrual Status	-	-	-	-	580,627	-	580,627
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	375,753	-	375,753

7. Allowance for Credit Losses:

	2015	2014
a. Balance at beginning of period	\$2,549,959	\$2,057,533
b. Additions charged to operations	252,281	1,070,884
c. Direct write-downs charged against the allowances	(988,060)	(749,786)
d. Recoveries of amounts previously charged off	-	171,328
e. Balance at end of period	<u>\$1,814,180</u>	<u>\$2,549,959</u>

8. Mortgage Loans Derecognized as a Result of Foreclosure:

	2015
a. Aggregate amount of mortgage loans derecognized	\$ 42,422
b. Real estate collateral recognized	47,058
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	\$7,344,639	\$7,444,648
2. The realized capital losses related to these loans	-	-
3. Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings	-	-
4. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis.		

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan Backed Securities

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

NOTES TO FINANCIAL STATEMENTS

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
12544LAK7	3,807,129	3,796,576	10,553	3,796,576	3,794,310	3/31/2015
32056FAC6	8,625,254	8,577,195	48,059	8,577,195	8,560,125	3/31/2015
32056FAC6	5,134,080	5,105,473	28,607	5,105,473	5,095,313	3/31/2015
12544LAK7	475,891	474,572	1,319	474,572	474,289	3/31/2015
61749BAB9	118,400	118,276	124	118,276	90,989	3/31/2015
05539TAR6	98,118	86,207	11,911	86,207	80,978	3/31/2015
05539TAR6	450,470	448,942	1,529	448,942	448,430	6/30/2015
12544LAK7	3,603,761	3,591,533	12,228	3,591,533	3,587,443	6/30/2015
61749BAB9	47,147	46,099	1,048	46,099	45,160	6/30/2015
32056FAC6	7,844,042	7,762,284	81,758	7,762,284	7,711,787	6/30/2015
32056FAC6	4,669,073	4,620,407	48,665	4,620,407	4,590,349	6/30/2015
61749BAB9	45,545	40,403	5,141	40,403	39,740	9/30/2015
32056FAC6	7,394,666	7,308,144	86,522	7,308,144	7,290,197	9/30/2015
32056FAC6	4,401,587	4,350,086	51,501	4,350,086	4,339,403	9/30/2015
61749BAB9	112,526	112,328	198	112,328	77,015	12/31/2015
32056FAC6	6,891,284	6,827,940	63,344	6,827,940	6,821,845	12/31/2015
32056FAC6	4,101,955	4,064,250	37,705	4,064,250	4,060,622	12/31/2015
21075WBF1	27,933	26,759	1,174	26,759	26,195	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 | \$ 8,770,848 |
| 2. 12 Months or Longer | \$ 9,203,005 |
- b. The aggregate related fair value of securities with unrealized losses:
- | | |
|------------------------|------------------|
| 1. Less than 12 Months | \$ 1,176,540,807 |
| 2. 12 Months or Longer | \$ 411,310,239 |

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. On July 2, 2015 the Company entered into a \$1,000,000,000 two-year committed repurchase agreement for general corporate purposes, which terminates on July 3, 2017. The Company's practice is to obtain collateral that approximates 91-95% of the fair value of securities transferred to the counterparty, as of the transaction date. As of December 31, 2015, no borrowings were outstanding under the agreement.

On December 21, 2015 the Company entered into a \$1,000,000,000 three-year committed repurchase agreement for general corporate purposes, which terminates on December 21, 2017. As of December 31, 2015, no borrowings were outstanding under the agreement.

2. The Company has not pledged any of its assets as collateral as of December 31, 2015.

NOTES TO FINANCIAL STATEMENTS

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	106,029,741
(c) 31 to 60 Days	89,148,443
(d) 61 to 90 Days	33,437,815
(e) Greater Than 90 Days	-
(f) Sub-Total	\$ 228,615,998
(g) Securities Received	104,715,016
(h) Total Collateral Received	\$ 333,331,014

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) \$ 333,331,014

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

4. Securities Lending Transactions Administered by an Affiliated Agent

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

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open	_____	_____
(b) 30 Days or Less	_____	_____
(c) 31 to 60 Days	_____	_____
(d) 61 to 90 Days	_____	_____
(e) 91 to 120 Days	_____	_____
(f) 121 to 180 Days	_____	_____
(g) 181 to 365 Days	_____	_____
(h) 1 to 2 Years	_____	_____
(i) 2 to 3 Years	_____	_____
(j) Greater Than 3 Years	_____	_____
(k) Sub-Total	_____	_____
(l) Securities Received	_____	_____
(m) Total Collateral Reinvested	_____	_____

NOTES TO FINANCIAL STATEMENTS

2. Securities Lending

(a) Open	\$ -	\$ -
(b) 30 Days or Less	106,040,543	106,040,027
(c) 31 to 60 Days	89,162,007	89,159,346
(d) 61 to 90 Days	33,446,037	33,457,386
(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	\$228,648,587	\$228,656,759
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$228,648,587	\$228,656,759

3. Dollar Repurchase Agreement

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

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

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

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

- There are thirteen years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
- There were \$45,706,765 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 \$192,279,500.
- 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.
- The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.
- The Company did not recognize any impairment loss on its LIHTC investment during the year.
- 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.

NOTES TO FINANCIAL STATEMENTS

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	228,615,998	-	-	-	\$228,615,998	\$208,211,613	\$20,404,386	\$228,615,998	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	18,624,900	-	-	-	\$18,624,900	\$18,143,200	\$481,700	\$18,624,900	0%	0%
j. On deposit with states	1,343,917,180	-	-	-	\$1,343,917,180	\$1,423,735,891	(\$79,818,711)	\$1,343,917,180	3%	3%
k. On deposit with other regulatory bodies	752,852,800	-	-	-	\$752,852,800	\$783,680,301	(\$30,827,501)	\$752,852,800	2%	2%
l. Pledged collateral to FHLB (including assets backing funding agreements)	179,390,471	-	-	-	\$179,390,471	\$182,557,320	(\$3,166,849)	\$179,390,471	0%	0%
m. Pledged as collateral not captured in other categories	1,110,999,112	-	-	-	\$1,110,999,112	\$621,789,437	\$489,209,675	\$1,110,999,112	3%	3%
n. Other restricted assets	-	-	-	-	\$ -	\$ -	\$ -	\$ -	0%	0%
o. Total Restricted Assets	\$3,634,400,461	\$ -	\$ -	\$ -	\$3,634,400,461	\$3,238,117,762	\$396,282,700	\$3,634,400,361	9%	9%

(a) Subset of column 1

(b) Subset of column 3

NOTES TO FINANCIAL STATEMENTS

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)

Description of Asset	Gross Restricted						Total Current Year Admitted 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)		Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets	
Lloyds Syndicate LOC	\$564,289,212	\$ -	\$ -	\$ -	\$564,289,212	\$621,459,437	(\$57,170,225)	\$564,289,212	1%	1%	
Chubb & Sons LOC	-	-	-	-	\$ -	\$330,000	(\$330,000)	\$ -	0%	0%	
Total	\$564,289,212	\$ -	\$ -	\$ -	\$564,289,212	\$621,789,437	(\$57,500,225)	\$564,289,212	1%	1%	

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 and Limited Liability Companies

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

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

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

The Company 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 \$2,630,685 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

Derivatives are recognized on the balance sheet at fair value and reported as derivative assets and derivative liabilities, net of collateral. Changes in fair value are recorded as unrealized gains or losses in surplus. Realized gains and losses are recognized upon termination or maturity of contracts and reported as net realized capital gains in the statement of income. On the date a derivative contract is entered into, the Company designates the derivative as either (1) a hedge of the fair value exposures of an existing asset or liability, or firm commitment, (2) a cash flow hedge of the variability associated with an existing asset or liability or an anticipated transaction, (3) a foreign currency hedge of the exchange rate risk associated with the fair value or cash flows of its assets or liabilities or (4) an economic hedge ("non-designated derivative") of the exposures defined above. Currently, the Company has classified its derivatives as economic hedges and has not utilized hedge accounting.

Beginning in February 2015, the Company, as part of its risk management program and economic hedging strategies, entered into crude oil commodity swap agreements. Through December 31, 2015, the realized gains on these agreements totaled \$9,608,155. As of December 31, 2015, there was an unrealized gain of \$21,069,019 related to the open contracts

NOTES TO FINANCIAL STATEMENTS

which expire at the end of 2016. As of December 31, 2015, the Company had a receivable related to closed derivative contracts of \$2,789,365.

Beginning in March 2015, the Company, as part of its risk management program and economic hedging strategies, entered into Euro FX forward agreements to hedge Euro denominated assets. As of December 31, 2015, there is an unrealized gain on the open positions totaling \$388,548.

The Company may also acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and immaterial to the underlying investment portfolio.

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

Note 9 - Income Taxes

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

1.

	12/31/2015		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 2,377,763,000	\$ 406,790,000	\$ 2,784,553,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	2,377,763,000	406,790,000	2,784,553,000
(d) Deferred Tax Assets Nonadmitted	251,001,943	-	251,001,943
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	2,126,761,057	406,790,000	2,533,551,057
(f) Deferred Tax Liabilities	428,569,000	632,807,000	1,061,376,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 1,698,192,057	\$ (226,017,000)	\$ 1,472,175,057

	12/31/2014		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 2,291,211,000	\$ 298,727,000	\$ 2,589,938,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	2,291,211,000	298,727,000	2,589,938,000
(d) Deferred Tax Assets Nonadmitted	-	167,483,832	167,483,832
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	2,291,211,000	131,243,168	2,422,454,168
(f) Deferred Tax Liabilities	904,132,000	82,617,000	986,749,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 1,387,079,000	\$ 48,626,168	\$ 1,435,705,168

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 86,552,000	\$ 108,063,000	\$ 194,615,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	86,552,000	108,063,000	194,615,000
(d) Deferred Tax Assets Nonadmitted	251,001,943	(167,483,832)	83,518,111
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(164,449,943)	275,546,832	111,096,889
(f) Deferred Tax Liabilities	(475,563,000)	550,190,000	74,627,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 311,113,057	\$ (274,643,168)	\$ 36,469,889

NOTES TO FINANCIAL STATEMENTS

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	\$ -	\$ 20,450,671	\$ 20,450,671
(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)	1,434,629,081	17,095,305	1,451,724,386
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	1,434,629,081	17,095,305	1,451,724,386
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			2,045,980,001
(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	428,569,000	632,807,000	1,061,376,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 1,863,198,081	\$ 670,352,976	\$ 2,533,551,057

	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	\$ 58,388,553	\$ 48,550,640	\$ 106,939,193
(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)	1,443,908,381	75,528	1,443,983,909
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	1,443,908,381	75,528	1,443,983,909
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	2,169,177,048
(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	788,914,065	82,617,000	871,531,065
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 2,291,210,999	\$ 131,243,168	\$ 2,422,454,167

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ (58,388,553)	\$ (28,099,969)	\$ (86,488,522)
(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)	(9,279,300)	17,019,777	7,740,477
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(9,279,300)	17,019,777	7,740,477
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			(123,197,047)
(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	(360,345,065)	550,190,000	189,844,935
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ (428,012,918)	\$ 539,109,808	\$ 111,096,890

3.

	2015	2014
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	450.6%	469.7%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	14,436,197,687	15,221,120,751

NOTES TO FINANCIAL STATEMENTS

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
Impact of Tax-Planning Strategies						
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1 (c)	\$ 2,377,763,000	\$ 406,790,000	\$ 2,291,211,000	\$ 298,727,000	\$ 86,552,000	\$ 108,063,000
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)	\$ 2,126,761,057	\$ 406,790,000	\$ 2,291,211,000	\$ 131,243,168	\$ (164,449,943)	\$ 275,546,832
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
1. Current Income Tax			
(a) Federal	\$ (293,038,231)	\$ (259,664,720)	\$ (33,373,511)
(b) Foreign	13,647,892	22,643,937	(8,996,045)
(c) Subtotal	(279,390,339)	(237,020,783)	(42,369,556)
(d) Federal income tax on net capital gains	34,520,405	2,114,590	32,405,815
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ (244,869,934)	\$ (234,906,193)	\$ (9,963,741)
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 295,928,000	\$ 306,299,000	\$ (10,371,000)
(2) Unearned premium reserve	479,229,000	460,122,000	19,107,000
(3) Policyholder reserves	-	-	-
(4) Investments	20,185,000	11,693,000	8,492,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	14,181,000	13,685,000	496,000
(8) Compensation and benefits accrual	368,828,000	262,965,000	105,863,000
(9) Pension accrual	124,943,000	137,237,000	(12,294,000)
(10) Receivables – nonadmitted	452,378,000	369,279,000	83,099,000
(11) Net operating loss carry-forward	132,608,000	325,266,000	(192,658,000)
(12) Tax credit carry-forward	277,104,000	218,128,000	58,976,000
(13) Other (including items <5% of total ordinary tax assets)	212,379,000	186,537,000	25,842,000
(99) Subtotal	2,377,763,000	2,291,211,000	86,552,000
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	251,001,943	-	251,001,943
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	2,126,761,057	2,291,211,000	(164,449,943)
(e) Capital			
(1) Investments	205,436,000	158,812,000	46,624,000

NOTES TO FINANCIAL STATEMENTS

(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	201,354,000	139,915,000	61,439,000
(99) Subtotal	406,790,000	298,727,000	108,063,000
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	167,483,832	(167,483,832)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	406,790,000	131,243,168	275,546,832
(i) Admitted deferred tax assets (2d + 2h)	2,533,551,057	2,422,454,168	111,096,889
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	34,334,000	473,812,000	(439,478,000)
(2) Fixed assets	52,153,000	50,484,000	1,669,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	342,082,000	379,836,000	(37,754,000)
(99) Subtotal	428,569,000	904,132,000	(475,563,000)
(b) Capital:			
(1) Investments	631,775,000	82,617,000	549,158,000
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	1,032,000	-	1,032,000
(99) Subtotal	632,807,000	82,617,000	550,190,000
(c) Deferred tax liabilities (3a99 + 3b99)	1,061,376,000	986,749,000	74,627,000
4. Net deferred tax assets/liabilities (2i – 3c)	\$ 1,472,175,057	\$ 1,435,705,168	\$ 36,469,889

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of non-taxable investment income, intercompany dividends, LP and LLC income, tax exempt income, utilization of prior year net operating losses, mark to market adjustments, limits on unearned premium reserve deductions, abandonments, intangible drilling costs, compensation adjustments, impairments, generation of AMT credits, general business credits, and audit settlements.

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

Year Generated	Amount	Expiration
2012	\$ 378,881,000	2032

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

Year Generated	Amount	Expiration
2009	\$ 4,815,000	2019
2011	\$ 10,587,000	2021
2012	\$ 6,990,000	2022
2013	\$ 11,462,000	2023
2014	\$ 28,521,000	2024
2015	\$ 8,411,000	2025

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

Year Generated	Amount	Expiration
2009	\$ 1,000	2029
2010	\$ 27,000	2030
2011	\$ 2,420,000	2031
2012	\$ 405,000	2032
2013	\$ 7,030,000	2033
2014	\$ 32,376,000	2034
2015	\$ 32,218,000	2035

The Company has alternative minimum tax credit carry-forwards of \$131,840,000. 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 are none 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.

NOTES TO FINANCIAL STATEMENTS

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
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	

NOTES TO FINANCIAL STATEMENTS

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. For the year ended December 31, 2015, the Company had the following capital transactions with its parent and subsidiaries:
2. Received return of capital distributions of \$167,291,293
 3. Contributed capital in the amount of \$1,164,105,965
 4. Received dividends in the amount of \$147,808,786
- D. At December 31, 2015 the Company reported a net \$676,781,267 due from affiliates, consisting of net intercompany receivables, \$393,781,267 and loans to Liberty International Netherlands VOF, amounting to \$283,000,000 with maturities ranging from October 26, 2023 to August 23, 2030. Interest is paid annually. As of December 31, 2015 interest accrued and paid on the loans was \$86,282 and \$6,879,399, respectively. The loans are reported on Schedule BA, Other Long Term Invested Assets Owned. The terms of the intercompany arrangements, in general, require settlement at least quarterly.
- E. The Company has entered into guarantees to or on behalf of the following affiliates, as described in Note 14A.
- America First Insurance Company
 - Liberty Corporate Capital Limited
 - Liberty Information Technology Limited
 - Liberty Insurance Company Limited
 - Liberty International Underwriters Pte. Limited
 - Liberty Life Assurance Company of Boston
 - Liberty Mutual Group Inc.
 - Liberty Mutual Insurance Europe Limited
 - Liberty Personal Insurance Company
 - Liberty Re (Bermuda) Limited
 - Liberty Surplus Insurance Company
 - Safeco Insurance Company of Oregon
 - San Diego Insurance Company
 - Companies in the Liberty Mutual Group with custodial accounts with JP Morgan Chase Bank
- F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

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

The Company is party to service agreements with the following SCA companies -

- Berkeley/Columbus II LLC
- Berkeley/Columbus Real Estate LLC
- Cascade Disability Management, Inc.
- Helmsman Insurance Agency LLC
- Helmsman Management Services LLC
- Liberty Information Technology Limited
- Liberty Life Assurance Company of Boston
- Liberty Lloyd's of Texas Insurance Company
- Liberty Mutual Agency Corporation
- Liberty Mutual Auto and Home Services LLC
- Liberty Mutual Equity LLC
- Liberty Mutual Group Inc.
- Liberty Mutual Managed Care LLC
- LIU Specialty Insurance Agency Inc.
- LM Property and Casualty Insurance Company
- San Diego Insurance Company
- Wausau Signature Agency LLC

Under these agreements, the Company may provide the SCA companies with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company and through a management services agreement entered into by the Company and LMGI. Services include but are not limited to the following: claims handling, credit and collections, sales, policy production, underwriting and a variety of computer activities.

NOTES TO FINANCIAL STATEMENTS

The Company is a party to a management services agreement with LMGI. Under the agreement, the Company may provide the SCA companies with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company and through a management services agreement entered into by the Company and LMGI. Services include but are not limited to the following: claims handling, credit and collections, sales policy production, underwriting and a variety of computer activities.

Pursuant to an Employee Benefit Plans Cost-Sharing Agreement, the Company has agreed to reimburse LMGI for certain costs related to one or more employee benefit or welfare plans covering current or past employees of the Company or its affiliates which have been transferred to LMGI or which may be transferred to LMGI in the future. The amount of the reimbursement is: (a) the required contributions to the pension plans and (b) with respect to other plans, the benefits incurred on the Company's behalf.

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

The Company is a party to an investment management agreement with the Liberty Mutual Retirement Plan Master Trust (the "Trust"). Under the agreement, the Company provides services to the Trust.

The Company is a party to an investment management agreement with LMGAM. Under the agreement, LMGAM provides sub-adviser services to the Company.

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

Company	Credit Line
American States Insurance Company	\$50,000,000
Colorado Casualty Insurance Company	\$50,000,000
Employers Insurance Company of Wausau	\$150,000,000
General Insurance Company of America	\$50,000,000
Golden Eagle Insurance Corporation	\$50,000,000
Indiana Insurance Company	\$50,000,000
Liberty Corporate Capital Limited	\$100,000,000
Liberty Insurance Corporation	\$100,000,000
Liberty Insurance Underwriters Inc.	\$50,000,000
Liberty International Holdings Inc.	\$20,000,000
Liberty Life Assurance Company of Boston	\$150,000,000
Liberty Life Assurance Company of Boston	\$500,000,000
Liberty Mutual Fire Insurance Company	\$150,000,000
Liberty Mutual Group Inc.	\$1,150,000,000
Liberty Mutual Mid-Atlantic Insurance Company	\$50,000,000
Liberty Northwest Insurance Corporation	\$50,000,000
Liberty Surplus Insurance Corporation	\$50,000,000
Peerless Indemnity Insurance Company	\$100,000,000
Peerless Insurance Company	\$150,000,000
Peerless Insurance Company	\$500,000,000
Safeco Insurance Company of America	\$100,000,000
The Netherlands Insurance Company	\$50,000,000
The Ohio Casualty Insurance Company	\$130,000,000

As of December 31, 2015, the following loan balances were outstanding:

Liberty Northwest Insurance Corporation	\$ 9,687,293
Liberty Surplus Insurance Corporation	\$ 50,258,147

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:

Company	Credit Line
American Economy Insurance Company	\$100,000,000
American States Insurance Company	\$100,000,000
Employers Insurance Company of Wausau	\$150,000,000
General Insurance Company of America	\$50,000,000
Golden Eagle Insurance Corporation	\$50,000,000
Indiana Insurance Company	\$50,000,000
Liberty Insurance Corporation	\$100,000,000
Liberty Mutual Fire Insurance Company	\$450,000,000

NOTES TO FINANCIAL STATEMENTS

Liberty Mutual Group Inc.	\$1,000,000,000
Peerless Insurance Company	\$150,000,000
Peerless Insurance Company	\$500,000,000
Safeco Insurance Company of America	\$100,000,000
The Ohio Casualty Insurance Company	\$140,000,000

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

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 a party to management service agreements (the “Agreements”) with the following SCA companies –

America First Insurance Company	LM General Insurance Company
America First Lloyds’ Insurance Company	LM Insurance Corporation
American Economy Insurance Company	Mid-American Fire & Casualty Company
American Fire and Casualty Company	Montgomery Mutual Insurance Company
American States Insurance Company	National Insurance Association
American States Insurance Company of Texas	North Pacific Insurance Company
American States Lloyds Insurance Company	Ohio Security Insurance Company
American States Preferred Insurance Company	Oregon Automobile Insurance Company
Colorado Casualty Insurance Company	Peerless Indemnity Insurance Company
Consolidated Insurance Company	Peerless Insurance Company
Employers Insurance Company of Wausau	Safeco Insurance Company of America
Excelsior Insurance Company	Safeco Insurance Company of Illinois
First National Insurance Company of America	Safeco Insurance Company of Indiana
General Insurance Company of America	Safeco Insurance Company of Oregon
Golden Eagle Insurance Corporation	Safeco Lloyds Insurance Company
Hawkeye-Security Insurance Company	Safeco National Insurance Company
Indiana Insurance Company	Safeco Surplus Lines Insurance Company
Insurance Company of Illinois	The First Liberty Insurance Corporation
Liberty Insurance Corporation	The Midwestern Indemnity Company
Liberty Insurance Underwriters Inc.	The Netherlands Insurance Company
Liberty Mutual Fire Insurance Company	The Ohio Casualty Insurance Company
Liberty Mutual Mid-Atlantic Insurance Company	Wausau Business Insurance Company
Liberty Mutual Personal Insurance Company	Wausau General Insurance Company
Liberty Northwest Insurance Corporation	Wausau Underwriters Insurance Company
Liberty Personal Insurance Company	West American Insurance Company
Liberty Surplus Insurance Corporation	

Under these Agreements, the Company may provide these subsidiaries with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company and LMGI. Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration. The Company is reimbursed for the cost of all services which it provides under these Agreements.

- 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. Liberty Mutual Insurance Company (LMIC) owns 100.00% of Liberty Insurance Holdings, Inc (“LIH, Inc.”), a downstream holding company. LIH, Inc. is carried at audited U.S Generally Accepted Accounting Principals (“GAAP”) equity, adjusted for statutory basis of accounting in accordance with SSAP No 97.

At December 31, 2015, the Company’s ownership interest in LIH, Inc.’s assets, liabilities and results of operations are as follows:

	Assets	Liabilities	Results of Operations
Total LIH, Inc.	\$5,698,717,408	-	\$8
Total LMIC unamortized ad mitted goodwill	\$128,006,777	-	-

- 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 use CARVM in calculating its investment in its foreign subsidiaries.

NOTES TO FINANCIAL STATEMENTS

- L. The company utilizes the look-through approach for the valuation of the following downstream non-insurance holding companies:

	Carrying Value
Berkeley Management Corporation	\$6,693,941
LM Captive Holdings LLC	\$8,579,313
Liberty Mutual Mexico LLC	\$44,831,692
Berkeley/Columbus III, LLC	\$383,946,841
Liberty Mutual Equity LLC	\$(3,277)

The company has limited the value of its investment in these companies to the value contained in the audited financial statements, including adjustments required by SSAP 97 of SCA entities. All liabilities, commitments, contingencies, guarantees or obligations of the downstream non-insurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the company's determination of the carrying value of the investment in the downstream non-insurance holding company.

- 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)
Berkeley Management Corporation	\$18,390,661	\$11,700,970	\$6,689,691	1/11/2016	Sub - 2	Yes	\$16,620,065	No
Liberty Sponsored Insurance Vermont	\$6,370,720	-	\$6,370,720	12/19/2015	Sub - 2	Yes	\$6,533,803	No
Liberty Life Assurance Company of Boston	\$869,834,332	-	\$869,834,332	12/19/2015	Sub - 2	Yes	\$813,966,554	No
Liberty Insurance Holdings, Inc.	\$5,826,724,185	-	\$5,826,724,185	12/19/2015	Sub - 2	Yes	\$5,434,542,159	No
Ohio Casualty Corporation	\$1,485,396,057	-	\$1,485,396,057	12/19/2015	Sub - 2	Yes	\$1,515,945,952	No
Liberty Re Bermuda Limited	\$318,755,465	-	\$318,755,465	12/19/2015	Sub - 2	Yes	\$279,703,108	No
Berkeley/Columbus III LLC	\$383,946,836	-	\$383,946,836	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Equity LLC	\$(105)	\$3,173	\$(3,278)	N/A	N/A	N/A	N/A	N/A
Liberty Real Estate Holding LLC	\$100,089,900	-	\$100,089,900	N/A	N/A	N/A	N/A	N/A
St. James/Arlington Real Estate Limited Partnership	\$360,660,483	-	\$360,660,483	N/A	N/A	N/A	N/A	N/A
Escritorio De Representacao No Brasil LTDA	\$13,309	\$13,309	-	N/A	N/A	N/A	N/A	N/A
Liberty Brasil Investimentos e Participacoes Ltda.	\$64,204,113	-	\$64,204,113	N/A	N/A	N/A	N/A	N/A
Liberty Energy Holdings, LLC	\$2,200,725,745	-	\$2,200,725,745	N/A	N/A	N/A	N/A	N/A
Liberty Insurance Company Limited	\$30,437,775	-	\$30,437,775	N/A	N/A	N/A	N/A	N/A

NOTES TO FINANCIAL STATEMENTS

Liberty International Holdings LLC	\$3,578,627,039	-	\$3,578,627,039	N/A	N/A	N/A	N/A	N/A
Liberty Metals & Mining Holdings, LLC	\$560,399,618	-	\$560,399,618	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Captive Holdings LLC	\$9,628,948	\$1,047,635	\$8,581,313	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Investment Holdings LLC	\$945,695,338	-	\$945,695,338	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Opportunistic Investments LLC	\$335,116,426	-	\$335,116,426	N/A	N/A	N/A	N/A	N/A
Liberty Structured Holdings LLC	\$454,617,251	-	\$454,617,251	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Mexico LLC	\$44,633,587	-	\$44,633,587	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Latam LLC	\$74,578	-	\$74,578	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Personal Insurance Ventures, LLC	-	-	-	N/A	N/A	N/A	N/A	N/A
Georgia Tax Credit Fund LM L.P.	\$1,410	-	\$1,410	N/A	N/A	N/A	N/A	N/A
Raymond James LM MA LP LIHTC S	\$1,829,328	-	\$1,829,328	N/A	N/A	N/A	N/A	N/A
RBC State Credit Fund	\$9,636,496	-	\$9,636,496	N/A	N/A	N/A	N/A	N/A
Aggregate Total:	\$17,605,809,494	\$12,765,086	\$17,593,044,408	-	-	-	\$8,067,311,641	-

N. Investments in Insurance SCA's

	State of Domicile	2015	2014
NET INCOME			
PIC state basis (Page 4, Line 20, Columns 1 & 2)	NH	\$304,624,719	\$ 247,178,842
State Prescribed Practices: NONE			-
State Permitted Practices: NONE			-
NAIC SAP		\$304,624,719	\$ 247,178,842

	State of Domicile	2015	2014
SURPLUS			
PIC state basis (Page 3, Line 37, Columns 1 & 2)	NH	\$3,316,749,774	\$ 3,058,916,909
State Prescribed Practices:		98,897,214	85,218,830
State Permitted Practices: NONE			-
NAIC SAP		\$3,217,852,560	\$ 2,973,698,079

NOTES TO FINANCIAL STATEMENTS

	State of Domicile	2015	2014
NET INCOME			
SICOA state basis (Page 4, Line 20, Columns 1 & 2)	NH	\$103,578,893	\$ 106,792,532
State Prescribed Practices: NONE			-
State Permitted Practices: NONE			-
NAIC SAP		\$103,578,893	\$ 106,792,532

	State of Domicile	2015	2014
SURPLUS			
SICOA state basis (Page 3, Line 37, Columns 1 & 2)	NH	\$1,393,360,198	\$ 1,278,917,136
State Prescribed Practices:		6,995,784	1,623,909
State Permitted Practices: NONE			-
NAIC SAP		\$1,386,404,414	\$ 1,277,293,227

	State of Domicile	2015	2014
NET INCOME			
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

	State of Domicile	2015	2014
SURPLUS			
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 maintains two \$1,000,000,000 committed repurchase agreements for general corporate purposes (See Note 5E). There were no outstanding borrowings as of December 31, 2015.

B. FHLB (Federal Home Loan Bank) Agreements

1. The Company is a member of the Federal Home Loan Bank (FHLB) of Boston. Through its membership, the Company has conducted business activity (borrowings) with the FHLB. On March 23, 2012, the Company borrowed \$127,000,000 under the agreement with a maturity date of March 23, 2032. On April 2, 2012, the Company borrowed \$23,000,000 under the agreement with a maturity date of April 2, 2032. The borrowings are fully collateralized. Interest on the March 23, 2012 borrowing accrues at an annual rate of 4.24%. Interest on the April 2, 2012 borrowing accrues at an annual rate of 4.25%. For December year-to-date, the Company has incurred and paid interest expense of \$6,450,665. 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 \$2,000,000,000 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	11,874,900	11,874,900	-
Activity Stock	6,750,000	6,750,000	-
Excess Stock	-	-	-
Aggregate Total	\$ 18,624,900	\$ 18,624,900	-
Actual Borrowing Capacity as Determined by the Insurer	\$2,000,000,000	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	11,393,200	11,393,200	-
Activity Stock	6,750,000	6,750,000	-
Excess Stock	-	-	-
Aggregate Total	\$ 18,143,200	\$ 18,143,200	-
Actual or estimated Borrowing Capacity as Determined by the Insurer	\$ 2,000,000,000	XXX	XXX

NOTES TO FINANCIAL STATEMENTS

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	\$ -	\$11,874,900	-	-	-	-

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	\$ 179,390,471	\$ 177,255,112	\$ 150,000,000

2. Current Year General Account

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ 179,390,471	\$ 177,255,112	\$ 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	\$ 182,557,320	\$ 178,111,858	\$ 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	\$ 179,390,471	\$ 177,255,112	\$ 150,000,000

2. Current Year General Account

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$ 179,390,471	\$ 177,255,112	\$ 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	\$ 184,318,927	\$ 175,932,091	\$ 150,000,000

NOTES TO FINANCIAL STATEMENTS

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	\$ -	\$ -

- 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 \$450,000,000 revolving line with Liberty Mutual Fire Insurance Company (“LMFIC”), a \$150,000,000 revolving line of credit with Employers Insurance Company of Wausau (“EICOW”), a \$140,000,000 revolving line of credit with Ohio Casualty Insurance Company (“OCIC”), a \$100,000,000 revolving line of credit with Safeco Insurance Company of America (“SICOA”), and a \$650,000,000 revolving line of credit with Peerless Insurance Company (“PIC”) (see Note 10F). On March 16, 2015, the Company borrowed \$22,000,000 under the LMFIC agreement, \$47,000,000 under the EICOW agreement, \$42,000,000 under the OCIC agreement, and \$10,000,000 under the SICOA agreement at an annual interest rate of 1.577%. These loans were repaid on March 19, 2015. On March 30, 2015, the Company borrowed \$80,000,000 under the PIC agreement at an annual interest rate of 1.58%. The loan was repaid on March 31, 2015. On April 14, 2015, the Company borrowed \$30,000,000 under the LMFIC agreement, \$30,000,000 under the EICOW agreement, \$35,000,000 under the OCIC agreement, and \$110,000,000 under the PIC agreement at an interest rate of 1.583%. These loans were repaid by May 20, 2015. For December year-to-date 2015, the Company has incurred and paid interest expense of \$314,770. 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

A. Defined Benefit Plan

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 savings component, the Liberty Mutual 401(k) plan (defined contribution savings), previously referred to as the Employees’ Thrift Incentive Plan, and the U.S. postretirement health and life insurance benefit plans sponsored by the Holding Company, Liberty Mutual Group Inc. (LMGI). Accordingly, the plan assets and obligations are not included in the Company’s summary of assets and obligations below.

The Company continues to sponsor non-contributory defined benefit pension and contributory defined contribution savings plans covering substantially all Canadian employees and certain U.S. employees. Also, the Company continues to provide certain health care and life insurance postretirement benefits for Canadian and certain U.S. employees. The pension and postretirement benefits and eligibility are based on age, years of service and the employee’s compensation as more fully defined in the plan documents. As of December 31, the Company accrued pension and postretirement cost in accordance with actuarially determined amounts.

NOTES TO FINANCIAL STATEMENTS

A summary of assets, obligations, and assumptions of the Company sponsored Pension Plans and Postretirement Benefit Plans are as follows as of December 31, 2015 and December 31, 2014.

(1) Change in Benefit Obligation

a. Pension Benefits

	Overfunded		Underfunded	
	2015	2014	2015	2014
1. Benefit obligation at beginning of year	\$ -	\$ -	\$ 179,724,646	\$ 151,379,061
2. Service cost	-	-	2,407,008	2,191,145
3. Interest cost	-	-	7,502,316	7,831,350
4. Contribution by plan participants	-	-	-	-
5. Actuarial (gain) loss	-	-	(1,727,176)	35,170,099
6. Foreign currency exchange rate changes	-	-	(13,651,830)	(7,275,804)
7. Benefits paid	-	-	(7,289,850)	(9,571,205)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	1,423,658	-
10. Benefit obligation at end of year	\$ -	\$ -	\$ 168,388,772	\$ 179,724,646

b. Postretirement Benefits

	Overfunded		Underfunded	
	2015	2014	2015	2014
1. Benefit obligation at beginning of year	\$ -	\$ -	\$ 195,612,031	\$ 178,136,648
2. Service cost	-	-	3,452,181	3,571,917
3. Interest cost	-	-	8,884,321	10,017,300
4. Contribution by plan participants	-	-	-	-
5. Actuarial (gain) loss	-	-	(24,792,402)	5,904,256
6. Foreign currency exchange rate changes	-	-	(1,146,597)	(607,544)
7. Benefits paid	-	-	(1,331,088)	(1,410,546)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	-
10. Benefit obligation at end of year	\$ -	\$ -	\$ 180,678,446	\$ 195,612,031

c. Special or Contractual Benefits per SSAP No. 11

	Overfunded		Underfunded	
	2015	2014	2015	2014
1. Benefit obligation at beginning of year	N/A	N/A	N/A	N/A
2. Service cost	N/A	N/A	N/A	N/A
3. Interest cost	N/A	N/A	N/A	N/A
4. Contribution by plan participants	N/A	N/A	N/A	N/A
5. Actuarial (gain) loss	N/A	N/A	N/A	N/A
6. Foreign currency exchange rate changes	N/A	N/A	N/A	N/A
7. Benefits paid	N/A	N/A	N/A	N/A
8. Plan amendments	N/A	N/A	N/A	N/A
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	N/A	N/A	N/A	N/A
10. Benefit obligation at end of year	N/A	N/A	N/A	N/A

(2) Change in Plan Assets

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11	
	2015	2014	2015	2014	2015	2014
a. Fair value of plan assets at beginning of year	\$ 61,546,468	\$ 65,911,322	\$ -	\$ -	N/A	N/A
b. Actual return on plan assets	564,131	3,979,582	-	-	N/A	N/A
c. Foreign currency exchange rate changes	(10,236,079)	(5,543,485)	-	-	N/A	N/A
d. Reporting entity contribution	2,198,811	1,777,055	-	-	N/A	N/A
e. Plan participants' contributions	-	-	-	-	N/A	N/A
f. Benefits paid	(2,653,656)	(4,578,006)	-	-	N/A	N/A
g. Business combinations, divestitures and settlements	-	-	-	-	N/A	N/A
h. Fair value of plan assets at end of year	\$ 51,419,675	\$ 61,546,468	\$ -	\$ -	N/A	N/A

NOTES TO FINANCIAL STATEMENTS

(3) Funded Status

	Pension Benefits		Postretirement Benefits	
	2015	2014	2015	2014
Overfunded:				
a. Assets (nonadmitted)				
1. Prepaid benefit costs	\$ 13,206,855	\$ 17,827,388	\$ -	\$ -
2. Overfunded plan assets	(13,206,855)	(17,827,388)	-	-
3. Total assets (nonadmitted)	\$ -	\$ -	\$ -	\$ -
Underfunded:				
b. Liabilities recognized				
1. Accrued benefit costs	\$ 79,201,827	\$ 75,444,716	\$ 78,998,694	\$ 58,656,834
2. Liability for pension benefits	37,767,269	42,641,798	24,843,021	17,789,344
3. Total liabilities recognized	\$ 116,969,096	\$ 118,086,514	\$ 103,841,715	\$ 76,446,178
c. Unrecognized liabilities	\$ -	\$ 91,663	\$ 76,836,731	\$ 119,165,852

(4) Components of Net Periodic Costs

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11	
	2015	2014	2015	2014	2015	2014
a. Service cost	\$ 2,407,008	\$ 2,191,145	\$ 3,452,181	\$ 3,571,917	N/A	N/A
b. Interest cost	7,502,316	7,831,350	8,884,321	10,017,300	N/A	N/A
c. Expected return on plan assets	(2,347,552)	(3,267,951)	-	-	N/A	N/A
d. Transition asset or obligation	106,090	11,589	5,936,041	5,936,041	N/A	N/A
e. Gains and losses	3,909,154	2,013,704	718,927	1,899,756	N/A	N/A
f. Prior service cost or credit	103,772	115,519	3,364,712	3,420,039	N/A	N/A
g. Gain or loss recognized due to a settlement or curtailment	-	-	-	-	N/A	N/A
h. Total net periodic benefit cost	\$ 11,680,788	\$ 8,895,356	\$ 22,356,182	\$ 24,845,053	N/A	N/A

(5) Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

	Pension Benefits		Postretirement Benefits	
	2015	2014	2015	2014
a. Items not yet recognized as a component of net periodic benefit cost - prior year	\$ 60,560,849	\$ 31,206,007	\$ 136,955,197	\$ 142,575,065
b. Net transition asset or obligation recognized	(106,090)	(11,589)	(5,936,041)	(5,936,041)
c. Net prior service cost or credit arising during the period	-	-	-	-
d. Net prior service cost or credit recognized	(103,772)	(115,519)	(3,364,712)	(3,420,039)
e. Net gain and loss arising during the period	(5,467,706)	31,495,654	(25,255,766)	5,635,968
f. Net gain and loss recognized	(3,909,154)	(2,013,704)	(718,927)	(1,899,756)
g. Items not yet recognized as a component of net period benefit cost - current year	\$ 50,974,127	\$ 60,560,849	\$ 101,679,751	\$ 136,955,197

(6) Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost

	Pension Benefits		Postretirement Benefits	
	2015	2014	2015	2014
a. Net transition asset or obligation	\$ 138,402	\$ 55,298	\$ 5,936,041	\$ 5,936,041
b. Net prior service cost or credit	\$ 99,755	\$ 110,085	\$ 3,345,795	\$ 3,394,449
c. Net recognized gains and losses	\$ 3,540,595	\$ 4,429,162	\$ (1,440,311)	\$ 2,113,373

(7) Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost

	Pension Benefits		Postretirement Benefits	
	2015	2014	2015	2014
a. Net transition asset or obligation	\$ 1,943,201	\$ 1,832,353	\$ 100,912,687	\$ 106,848,728
b. Net prior service cost or credit	\$ 563,483	\$ 755,389	\$ 13,265,100	\$ 16,904,816
c. Net recognized gains and losses	\$ 48,467,443	\$ 57,973,107	\$ (12,498,036)	\$ 13,201,652

NOTES TO FINANCIAL STATEMENTS

- (8) Weighted-average assumptions used to determine net periodic benefit cost as of Dec. 31

	Pension Benefits		Postretirement Benefits	
	2015	2014	2015	2014
a. Weighted-average discount rate	4.47%	5.22%	4.82%	5.57%
b. Expected long-term rate of return on plan assets	4.25%	5.00%	N/A	N/A
c. Rate of compensation increase	3.77%	3.71%	N/A	N/A

Weighted-average assumptions used to determine projected benefit obligations as of Dec. 31

	Pension Benefits		Postretirement Benefits	
	2015	2014	2015	2014
d. Weighted-average discount rate	4.60%	4.47%	5.25%	4.82%
e. Rate of compensation increase	3.57%	3.77%	N/A	N/A

For measurement purposes, a 6.43% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2015. The rate was assumed to decrease gradually to 4.40% in 2032.

- (9) The amount of the accumulated benefit obligation for the defined benefit pension plans was \$154,906,824 for the current year and \$161,967,288 for the prior year.
- (10) Not Applicable
- (11) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage Point	
	Increase	Decrease
a. Effect on total of service and interest cost components	\$ 156,504	\$ (75,660)
b. Effect on postretirement benefit obligation	\$ 1,056,727	\$ (795,047)

- (12) The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Year(s)	Amount
a. 2016	\$ 11,044,649
b. 2017	\$ 11,672,110
c. 2018	\$ 12,440,045
d. 2019	\$ 12,997,574
e. 2020	\$ 13,933,085
f. 2021 to 2025	\$ 83,361,655

- (13) The Company currently intends to make a contribution of \$3,610,782 to the defined benefit pension plan in 2016 as required by regulation.
- (14) – (19) Not Applicable
- (20) See Items 1 – 9
- (21) The Company elected to apply the transition guidance to record the surplus impact of adopting SSAP No. 92 - Accounting for Postretirement Benefits Other Than Pensions, SSAP No. 102 Accounting for Pensions, and EITF 06-04 Accounting for Split-Dollar Life Insurance Arrangements in 2013. The full transition surplus impact as of January 1, 2015 was \$119,257,515. During 2015, \$42,420,784 was recognized resulting in an end of year transition liability of \$76,836,731. It is expected that the remaining surplus impact will be recognized over the next seven years.

B. Information about Plan Assets

The Company recognizes that, based on historical data, the asset classes most likely to produce the greatest return in excess of inflation over time are also likely to exhibit the most volatility. Conversely, the asset classes likely to be the least volatile are likely to produce the lowest return over time. Therefore, the investment philosophies and strategies must take into account both return and risk objectives.

Based on the following considerations, the Company can tolerate a moderate amount of risk while striving to maximize investment returns:

- i. The Company is responsible for financing any unfunded liabilities emerging because of poor investment returns. Therefore, the Company has a direct exposure to risk. While it is important to avoid excessive volatility in investment returns, the Company can tolerate some volatility risk;
- ii. The Company contributes to the Plan in compliance with regulatory requirements and at a level sufficient to finance the defined benefits. The Company will establish these contributions based on the advice of an actuary. However, periodic increases in pension contributions, to finance unfunded liabilities emerging from poorer than

NOTES TO FINANCIAL STATEMENTS

expected investment performance, should not significantly affect the Company's overall cash flow. Therefore, the Company can tolerate some volatility of investment returns; and,

- iii. The Plan is managed on a going concern basis, including management of the assets. In the foreseeable future, it is unlikely that there will be any special liquidity demands on the Plan. Thus, shorter-term fluctuations in security values will not have a significant adverse impact on the financial stability of the Plan. Therefore, the Company can tolerate some volatility of investment returns.

Taking into consideration the investment risk and philosophy of the Plan, the Canada Pension Plan weighted-average asset allocation and target allocation for each major category of plan assets is as follows:

	<u>2015</u>	<u>2014</u>	<u>Target Allocation</u>
Debt Securities	55%	56%	55% - 80%
Equity Securities	37%	39%	20% - 45%
Other	8%	5%	0% - 10%
Total	100%	100%	

The investment strategy for each category of Plan assets is as follows:

Fixed maturities: To achieve superior performance against the DEX Universe Bond Index over a longer time horizon.

Equities: To achieve superior performance against a composite benchmark of Standard & Poor's/Toronto Stock Exchange and MSCI World over a longer time horizon.

The Plans' assets are administered by the Liberty Mutual Retirement Board who has the fiduciary responsibility for management of the Plans' assets in accordance with the Liberty Mutual Retirement Benefit Plan Investment Policy. This policy has been approved by the Liberty Mutual Retirement Board.

C. Fair Value of Plan Assets

All of the Plan's assets' fair value measurements are based on quoted prices in active markets for identical assets and deemed Level 1 or 2. Fair value measurements of the Plans' assets as of December 31, 2015 and 2014 are as follows:

(1) Fair Value Measurement of Plan Assets at December 31, 2015

<u>Description for each class of plan assets</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Cash, cash equivalents and short-term investments	\$ 287,902	\$ 3,678,801	\$ -	\$ 3,966,703
Fixed maturities:				
Corporate and other	-	4,719,741	-	4,719,741
Foreign Government Securities	-	23,878,564	-	23,878,564
Equities:				
U.S large cap equities	3,472,083	-	-	3,472,083
U.S. mid and small cap equities	455,854	-	-	455,854
European equities	2,762,867	-	-	2,762,867
Asian equities	612,466	-	-	612,466
Canadian Equities	11,435,178	-	-	11,435,178
Other Equities	116,219	-	-	116,219
Total Plan Assets	<u>\$ 19,142,569</u>	<u>\$ 32,277,106</u>	<u>\$ -</u>	<u>\$ 51,419,675</u>

(2) Fair Value Measurement of Plan Assets at December 31, 2014

<u>Description for each class of plan assets</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Cash, cash equivalents and short-term investments	\$ 459,756	\$ 2,366,201	\$ -	\$ 2,825,957
Fixed maturities:				
Corporate and other	-	5,899,052	-	5,899,052
Foreign Government Securities	-	28,473,922	-	28,473,922
Equities:				
U.S large cap equities	4,511,454	-	-	4,511,454
U.S. mid and small cap equities	389,426	-	-	389,426
European equities	3,489,624	-	-	3,489,624
Asian equities	692,392	-	-	692,392
Canadian Equities	15,078,101	-	-	15,078,101
Other Equities	186,540	-	-	186,540
Total Plan Assets	<u>\$ 24,807,293</u>	<u>\$ 36,739,175</u>	<u>\$ -</u>	<u>\$ 61,546,468</u>

D. Narrative description of expected long term rate of return assumption

The expected long-term rate of return is estimated based on many factors including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future financial market conditions, and diversification and rebalancing strategies.

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E. Defined Contribution Plans

The Company continues to sponsor various contributory defined contribution savings plans for Canadian and certain U.S. employees. The Company's expense charged to operations amounted to approximately \$359,296 and \$303,562 in 2015 and 2014, respectively. The Company's contribution to the contributory defined contribution savings plans is based on the employee contribution amounts and company performance.

F. Multi-employer Plans

Not Applicable

G. Consolidated/Holding Company Plans

The Company participates in noncontributory defined benefit pension plans and contributory defined contribution savings plans sponsored by LMGI, a Holding Company. In addition, the Company provides certain other postretirement benefits to retired employees through a postretirement health and life insurance plan sponsored by LMGI. The Company has no legal obligation for benefits under these plans subsequent to September 24, 2003 except for the minimum required contributions described in Note 14.

The Holding Company allocates costs to the Company pursuant to the Employee Benefits Plans Cost-Sharing Agreement disclosed in Note 10. The Company's cost allocation for the noncontributory defined benefit pension plans was \$342,281,961 and \$486,434,784 for 2015 and 2014, respectively. The Company's cost allocation for the contributory defined contribution savings plans was \$129,696,973 and \$120,151,269 for 2015 and 2014, respectively. The Company's cost allocation for the other postretirement benefit plans was \$35,862,783 and \$28,268,363 for 2015 and 2014, respectively. Beginning January 1, 2014, LMGI's health and life insurance cost-sharing arrangement changed to a defined contribution model with an annual dollar contribution amount based on age and years of eligible credit service.

H. Postemployment benefits and Compensated Absences

The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but untaken vacation has been accrued.

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

Not Applicable

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

- 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, 7,468 shares issued and outstanding as of December 31, 2015. All shares have a stated par value of \$0.01.

- On December 31, 2008, the Company issued 7,468 preferred shares, at an issuance price of \$647,660,000, to its parent, LMGI. Dividends, based on the issuance price, are cumulative and payable on a quarterly basis.
- There are no dividend restrictions.
- The Company paid ordinary dividends to its parent in 2015 of:

	Ordinary	Total Dividends
March	\$16,191,500	\$16,191,500
June	16,191,500	16,191,500
September	16,191,500	16,191,500
December	16,191,500	16,191,500
Total	\$64,766,000	\$64,766,000

- The maximum amount of dividends which can be paid by Massachusetts-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2016 is \$1,581,526,762.
- As of December 31, 2015, the Company has pre-tax restricted surplus of \$67,890,944 resulting from retroactive reinsurance contracts.
- The Company had no advances to surplus.
- The Company does not hold stock for special purposes.
- The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2015.
- The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is (\$4,236,504,238) after applicable deferred taxes of \$26,592,145.

NOTES TO FINANCIAL STATEMENTS

11. Surplus Notes

(1) Date Issued	(2) Interest Rate	(3) Amount of Note(s)	(4) Carrying Value	(5) Interest Paid Current Year	(6) Total Interest Paid	(7) Unapproved Interest	(8) Date of Maturity
May 18, 1995	8.500%	140,000,000	139,910,413	11,900,000	256,130,972	0	5/15/2025
Oct 21, 1996	7.875%	227,085,000	226,947,922	17,882,944	362,935,689	0	10/15/2026
Oct 15, 1997	7.697%	260,233,000	256,633,132	20,030,134	615,209,197	0	10/15/2097
Total		\$627,318,000	\$623,491,467	\$49,813,078	\$1,234,275,858	\$0	

The 8.50% surplus debenture listed above was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by Merrill Lynch & Co., Goldman Sachs & Co. and Salomon Brothers Inc. and is administered by The Bank of New York Mellon as registrar/paying agent. The original amount outstanding was \$150,000,000. In 2009, pursuant to approval from the Massachusetts Division of Insurance, the Company repurchased \$10,000,000 of the outstanding notes. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The 7.875% surplus debenture listed above was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Morgan Stanley & Co. and Salomon Brothers Inc. and is administered by The Bank of New York Mellon as registrar/paying agent. The original amount outstanding was \$250,000,000. In 2009, pursuant to approval from the Massachusetts Division of Insurance, the Company repurchased \$22,915,000 of the outstanding notes. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The 7.697% surplus debenture listed above was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Goldman Sachs & Co. and Merrill Lynch & Co. and is administered by The Bank of New York Mellon as registrar/paying agent. The original amount outstanding was \$500,000,000. In 2009 and 2012, pursuant to approval from the Massachusetts Division of Insurance, the Company repurchased \$64,917,000 and \$174,850,000, respectively, of the outstanding notes. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

12. Quasi-reorganization (dollar impact)

Not applicable

13. Quasi-reorganization (effective date)

Not applicable

Note 14 - Contingencies

A. Contingent Commitments

- The Company has made no commitments or contingent commitments on behalf of affiliates.
- The Company has made guarantees on behalf of its affiliates as follows:

1	2	3	4	5
Nature and circumstances of guarantee and key attributes, including date and duration of the agreement	Liability recognition of the guarantee	Ultimate financial statement impact if action under the guarantee is required	Maximum potential amount of future payments (undiscounted)	Current status of payment or performance risk of the guarantee
The Company guarantees that, if America First Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.823, the Company shall pay America First Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$5,000,000. As of December 31, 2015, \$7,869,049 in "qualifying Louisiana investment" was held. This guarantee shall remain effective until the Company no longer holds "qualifying Louisiana investments".	Wholly-owned subsidiary	Increase in investment in SCA	\$ 5,000,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company is contingently liable for the performance of Liberty Corporate Capital Limited's obligations under standby letters of credit in the aggregate amount of \$439,222,200 that have been collateralized. As of December 31, 2015, there have been no drawings under the standby letters of credit.	Wholly-owned subsidiary	Increase in investment in SCA	\$ 439,222,200	Guaranteed affiliate is in compliance with the terms of guaranteed contract.

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The Company guarantees the future non-cancellable lease obligations of Liberty Information Technology Ltd. in the amount of \$6,985,007. This guarantee was executed on March 13, 2007. The lease expires in March 2022.	No liability at inception of the guarantee	Dividend to Stockholder	\$ 6,985,007	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations of Liberty Insurance Company Limited for tax liabilities and other indebtedness prior to and arising from the conversion to a limited liability subsidiary. The amount of these obligations as of December 31, 2015 was \$14,028.	Wholly-owned subsidiary	Increase in investment in SCA	\$ 14,028	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees the full and punctual payment when due of any undisputed obligations of Liberty International Underwriters Pte Limited to an obligee arising out of or in connection with any policy of insurance, contract of reinsurance or Surety Bond issued to the obligee by Liberty International Underwriters Pte Limited. The liability of the Company shall not be limited to any specific sum other than as set forth as an Obligation under the obligee's contract.	Wholly-owned indirect subsidiary Guarantee is considered unlimited	Increase in investment in SCA/ Dividend to Stockholder	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations of Liberty Life Assurance Company of Boston on policies and contracts issued and is obligated to provide additional capital to that company necessary at any time to raise its Best's Capital Adequacy Ratio to at least 150%. This guarantee was executed in February of 1998 and shall continue until terminated.	Guarantee is considered unlimited	Increase in investment in SCA	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees the performance of its Parent, LMGI, under a \$1,000,000,000 Commercial Paper (CP) program. The CP program was increased from \$750,000,000 to \$1,000,000,000 as of April 8, 2015. The amount outstanding as of December 31, 2015 was \$0.	No liability at inception of the guarantee	Dividend to Stockholder	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations of Liberty Mutual Insurance Europe ("LMIE") Limited on policies and contracts issued until such time as LMIE can achieve a Standard & Poor's rating as specified in the guarantee. This guarantee was executed April 13, 2006 and shall continue until terminated.	Wholly-owned subsidiary; Guarantee is considered unlimited	Increase in investment in SCA	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees that, if Liberty Personal Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.823, the Company shall pay Liberty Personal Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$7,000,000. As of December 31, 2015, \$7,509,452 in "qualifying Louisiana investment" was held. This guarantee shall remain effective until the Company no longer holds "qualifying Louisiana investments".	Wholly-owned subsidiary	Increase in investment in SCA	\$ 7,000,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations of Liberty Re (Bermuda) Limited under certain reinsurance policies issued. The guarantee was executed on December 23, 1999 and shall continue until there are no longer outstanding obligations under reinsurance policies.	Wholly-owned subsidiary	Increase in investment in SCA	\$ 196,310,844	Guaranteed affiliate is in compliance with the terms of guaranteed contract.

NOTES TO FINANCIAL STATEMENTS

The Company unconditionally guarantees that in order for Liberty Surplus Insurance Company (LSI) to operate as an insurance company in the state of Maine, LSI will maintain capital and surplus levels each in the amount of \$500,000. This guarantee was executed on October 14, 1998 and shall continue until terminated.	Wholly-owned subsidiary	Increase in investment in SCA	\$ 1,000,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees that, if Safeco Insurance Company of Oregon, should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment", as defined in Louisiana Revised Statutes 22.832, the Company shall pay Safeco Insurance Company of Oregon a sufficient amount to reimburse it for such reduction, not exceeding \$15,000,000. As of December 31, 2015, \$8,317,892 in "qualifying Louisiana investment" was held. This guarantee shall remain effective until the Company no longer owns or controls Safeco Insurance Company of Oregon.	Wholly-owned subsidiary	Increase in investment in SCA	\$ 8,317,892	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations of San Diego Insurance Company ("SDIC") under a reinsurance agreement with Golden Eagle Insurance Company (in liquidation) and the California Insurance Commissioner, providing reinsurance of \$190,000,000 in excess of SDIC's existing obligations under an August 21, 1997 agreement, and further guarantees obligations of SDIC under an Aggregate Excess of Loss Reinsurance Agreement dated as of November 30, 2006. These agreements shall continue until there are no longer outstanding liabilities under the reinsurance agreements.	Wholly-owned subsidiary	Increase in investment in SCA	\$ 42,221,991	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees to cover any overdraft of funds, not exceeding \$500,000,000, in the custodial accounts of any Liberty Mutual Group company with JPMorgan Chase Bank. This guarantee was executed on February 19, 2003 and shall continue until terminated.	No liability at inception of the guarantee	Increase in investment in SCA/ Dividend to Stockholder	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
Total:			\$706,071,962	

3. Aggregate compilation of guarantee obligations:

a. Maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees.	\$ 706,071,962
b. Current Liability Recognized in F/S:	
1. Noncontingent Liabilities	-
2. Contingent Liabilities	-
c. Ultimate Financial Statement Impact if action under the guarantee is required.	
1. Investments in SCA	\$ 699,086,955
2. Joint Venture	-
3. Dividends to Stockholders (capital contribution)	\$ 6,985,007
4. Expense	-
5. Other	-

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 \$60,963,028 that is offset by future premium tax credits of \$3,158,488. 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.

NOTES TO FINANCIAL STATEMENTS

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	\$ 4,088,232
b. Decreases current year:	
Premium tax offset applied	1,798,763
c. Increases current year:	
Premium tax offset increase	869,019
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 3,158,488

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$5,288,890

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

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

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

(f) Per Claim [X]

(g) Per Claimant []

E. Product Warranties

The Company does not write product warranty business.

F. Joint and Several Liabilities

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

G. All Other Contingencies

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

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

The Company routinely assesses the collectability of its premium receivable balances. The Company does not believe the amounts in excess of non-admitted amounts are material.

NOTES TO FINANCIAL STATEMENTS

Note 15 - Leases

A. Lessee Leasing Arrangements

1. The Company leases office space, plant and equipment under various non-cancelable operating lease arrangements. The Company's minimum lease obligations, including sales-leaseback transactions, under these agreements are as follows:

Year Ending December 31,	<u>Operating Leases</u>
2016	80,888,466
2017	74,216,114
2018	55,917,598
2019	40,685,312
2020	32,420,828
2021 & thereafter	<u>173,208,752</u>
Total	<u>\$457,337,070</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 \$1,762,448.

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

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 \$325,816,023, with corresponding collateral value of \$333,331,014 of which \$228,656,759 represents cash collateral that was reinvested.

C. Wash Sales

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

Note 18 - Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

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

Note 20 - Fair Value Measurements

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

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

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

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	\$ -	\$788,363,517	\$9,366,168	\$797,729,685
Non-Issuer Obligations	-	165,314	-	165,314
Total Bonds	\$ -	788,528,831	9,366,168	797,894,999
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	\$ -	\$212,823,213	\$1,800,000	\$214,623,213
Total Preferred Stocks	\$ -	\$212,823,213	\$1,800,000	\$214,623,213
Common Stocks				
Industrial and Miscellaneous	\$322,590,999	\$-	\$18,626,993	\$341,217,992
Total Common Stocks	\$322,590,999	\$-	\$18,626,993	\$341,217,992
Derivative Assets	-	21,457,567	-	21,457,567
Total assets at fair value	\$322,590,999	\$1,022,809,611	\$29,793,161	\$1,375,193,771
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.

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	\$50	\$9,682,438	(\$11,187,405)	\$44,950	\$247,524	\$12,016,000	\$ -	(\$155,150)	(\$1,282,239)	\$9,366,168
Preferred Stock	-	-	-	-	-	1,800,000	-	-	-	1,800,000
Common Stock	18,143,200	-	-	-	2,093	2,481,700	-	(2,000,000)	-	18,626,993
Total	\$18,143,250	\$9,682,438	(\$11,187,405)	\$44,950	\$249,617	\$16,297,700	\$ -	(\$2,155,150)	(\$1,282,239)	\$29,793,161

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

NOTES TO FINANCIAL STATEMENTS

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.

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

NOTES TO FINANCIAL STATEMENTS

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

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Derivative Assets	\$21,457,567	\$21,457,567	\$ -	\$21,457,567	\$ -	\$ -
Derivative Liabilities	-	-	-	-	-	-
Total	\$21,457,567	\$21,457,567	\$ -	\$21,457,567	\$ -	\$ -

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	\$753,038,641	\$753,038,641	\$749,355,899	\$3,682,742	\$ -	\$ -
Bonds	12,834,143,836	12,635,775,991	302,063,918	2,427,925,538	104,154,380	-
Preferred Stock	220,773,613	220,168,213	-	218,973,613	1,800,000	-
Common Stock	341,217,992	341,217,992	322,590,999	-	18,626,993	-
Securities Lending	228,615,998	228,615,998	-	228,615,998	-	-
Mortgage Loans	553,186,951	539,752,493	-	-	553,186,951	-
Surplus Notes	17,564,491	14,730,111	-	17,564,491	-	-
Total	\$14,948,541,522	\$14,733,299,439	\$1,374,010,816	\$12,896,762,382	\$677,768,324	\$ -

D. Reasons Not Practical to Estimate Fair Value

Not applicable

Note 21 - Other Items

A. Unusual or Infrequent Items

The Company has no unusual or infrequent items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

- a) The Company 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 \$2,669,313 in 2015 and \$2,621,526 in 2014.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$1,740 in 2015 and \$20,199 in 2014.

D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

E. State Transferable and Non-transferable Tax Credit

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

NOTES TO FINANCIAL STATEMENTS

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>
\$ 3,321,180	\$ 4,791,267	\$ 5,585,711	\$ 1,546,601

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

G. Insurance Linked Securities

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

Note 22 - Events Subsequent

The Company evaluated subsequent events through February 24, 2016, the date the annual statement was 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.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Liberty Mutual Amended and Restated Intercompany Reinsurance Agreement, the following are the unsecured reinsurance recoverables or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder's surplus.

Reinsurer	NAIC No.	Federal ID No.	Recoverable Amount
National Workers Compensation Reinsurance Pool		AA-9992118	\$1,326,370,000
Total			\$1,326,370,000

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.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net</u>	
	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>
a. Affiliates	\$12,497,258,000	\$1,330,852,403	\$6,645,891,765	\$700,306,801	\$5,851,366,235	\$630,545,602
b. All Other	457,958,135	97,619,181	800,877,707	115,939,345	(342,919,572)	(18,320,164)
c. TOTAL	\$12,955,216,135	\$1,428,471,584	\$7,446,769,472	\$816,246,146	\$5,508,446,663	\$612,225,438
d. Direct Unearned Premium Reserve	\$1,072,073,651					

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	\$16,771,695	\$423,516,316	\$220,144,006	\$220,144,005
b. Sliding Scale Adjustments	-	1,805,643	902,822	902,821
c. Other Profit Commission Arrangements	-	13,710,973	6,855,486	6,855,487
d. TOTAL	\$16,771,695	\$439,032,932	\$227,902,314	\$227,902,313

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

NOTES TO FINANCIAL STATEMENTS

D. Uncollectible Reinsurance

During the current year, the Company wrote off reinsurance balances of \$21,229,901. This amount is shown below by Income Statement classification and by reinsurer.

a. Losses incurred	\$(1,501,644)
b. Loss adjustment expenses incurred	1,982,249
c. Premiums earned	4,696,399
d. Other Income/(Expense)	(25,445,695)
TOTAL	\$21,229,901
e. Company	
Liberty Compañía de Seguros Generales S.A.	\$19,477,618
Excess & Casualty Reinsurance Association	1,079,069
Mitsui Sumitomo Insurance Co of America	417,245
ICM Insurance Co.	243,766
All Other	12,203
TOTAL	\$21,229,901

E. Commutation of Ceded Reinsurance

The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was an decrease in net income of \$1,015,070. This amount is shown below by Income Statement classification and by reinsurer.

a. Losses incurred	\$1,056,510
b. Loss adjustment expenses incurred	10,230
c. Premiums earned	-
d. Other Income/(Expense)	51,670
TOTAL	\$1,015,070
e. Company	
Gordian Runoff Limited	\$883,159
Union American Insurance Company	287,302
The Stuart Insurance Group Ltd.	(13,578)
Ethanol Risk Management SPC	(54,526)
Liberty Mutual (Bermuda) Ltd.	(87,287)
TOTAL	\$1,015,070

F. Retroactive Reinsurance

The Company has external assumed and ceded retroactive contracts that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

	<u>Reported Company</u>	
	As:	
	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
1. Initial Reserves	\$506,207,795	\$1,743,196,311
2. Adjustments – Prior Year (s)	(434,477,962)	(185,299,066)
3. Adjustments – Current Year	(8,277,089)	(11,776,195)
4. Current Total	\$63,452,744	\$1,546,121,050
b. Consideration Paid or Received:		
1. Initial Consideration	\$534,962,142	\$1,775,970,508
2. Adjustments – Prior Year (s)	14,514,272	42,096,296
3. Adjustments – Current Year	314,940	365,466
4. Current Total	\$549,791,354	\$1,818,432,270
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	\$516,138,652	\$352,504,777
2. Current Year	8,407,996	8,810,808
3. Current Total	\$524,546,648	\$361,315,585
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$45,206,365	\$31,459,634
2. Adjustments – Prior Year (s)	(83,598,436)	(123,794,852)
3. Adjustments – Current Year	184,033	3,330,853
4. Current Year Restricted Surplus	38,959,949	(28,930,995)
5. Cumulative Total Transferred to Unassigned Funds	\$(77,167,987)	\$(60,073,370)
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
	Assumed	Ceded

NOTES TO FINANCIAL STATEMENTS

<u>Company</u>	<u>Amount</u>	<u>Amount</u>
Great American Insurance Company, 16691	\$60,130,801	-
Liberty International Insurance Co, AA-1780043	3,435,680	-
Wettereau Insurance Co LTD., AA-3191047	137,952	-
Employers Insurance Company of Wausau, 21458	(251,689)	-
National Indemnity Co, 20087	-	\$2,935,451,037
Federal Insurance Company, 20281	-	56,763,995
Munich Reinsurance America Inc., 10227	-	25,370,603
Swiss Reinsurance America Corporation, 25364	-	4,852,648
Westport Insurance Corporation, 39845	-	2,812,695
American National Insurance Company, 60739	-	1,346,872
Everest Reinsurance Co., 22-2005057	-	1,143,781
Legion Insurance Co., 23-1892289	-	326,391
Reliastar Life Insurance Company, 67105	-	258,624
Nokatus Insurance Co Limited, AA-0000000	-	189,109
Other	-	86,292
American United Life Insurance Company, 60895	-	78,697
Continental Casualty Co, 20443	-	51,725
Arlington Insurance Company, 98-0405213	-	18,564
Lloyd's Syndicate 1212, AA-1127212	-	13,555
Lloyd's Syndicate 1173, AA-1127173	-	13,510
Lloyd's Syndicate 1900, AA-1127900	-	11,258
Peerless Insurance Company, 24198	-	(593,067,322)
Employers Insurance Company of Wausau, 21458	-	(237,226,929)
Liberty Mutual Fire Insurance Company, 23035	-	(237,226,929)
The Ohio Casualty Insurance Company, 24074	-	(237,226,929)
Safeco Insurance Company of America, 24740	-	(177,920,197)
Total	\$63,452,744	\$1,546,121,050

f. List total Paid Loss/Loss Adjustment Expense amounts recoverable and amounts more than 90 days overdue, and collateral held as respects amounts recoverable from unauthorized reinsurers:

1. Authorized Reinsurers

<u>Company</u>	<u>Total Paid/Loss/LAE Recoverable</u>	<u>Amounts Over 90 Days Overdue</u>
Munich Reinsurance America Inc., 10227	\$266,795	-
Westport Insurance Corporation, 39845	58,763	-
Lloyd's Syndicate 1212, AA-1127212	12,646	-
Lloyd's Syndicate 1173, AA-1127173	12,601	-
Lloyd's Syndicate 1900, AA-1127900	10,501	-
Lloyd's Syndicate 2020, AA-1128020	8,532	-
Lloyd's Syndicate 1241, AA-1127241	8,401	-
Lloyd's Syndicate 2003, AA-1128003	6,552	-
Lloyd's Syndicate 1204, AA-1127204	6,301	-
Lloyd's Syndicate 2027, AA-1128027	6,301	-
Lloyd's Syndicate 0183, AA-1126183	4,200	-
Lloyd's Syndicate 0227, AA-1126227	4,200	-
Lloyd's Syndicate 1047, AA-1127047	4,200	-
Lloyd's Syndicate 1218, AA-1127218	4,200	-
Lloyd's Syndicate 1223, AA-1127223	4,200	-
Lloyd's Syndicate 1007, AA-1127007	4,200	-
Lloyd's Syndicate 1096, AA-1127096	3,361	-
Lloyd's Syndicate 1415, AA-1127415	2,101	-
Lloyd's Syndicate 0138, AA-1126138	2,101	-
Lloyd's Syndicate 1003, AA-1127003	1,847	-
Total	\$432,003	-

2. Unauthorized Reinsurers

<u>Company</u>	<u>Total Paid/Loss/LAE Recoverable</u>	<u>Amounts Over 90 Days Overdue</u>	<u>Collateral Held</u>
NONE	\$-	\$-	\$-
Total	\$-	\$-	\$-

3. Certified Reinsurers

The Company does not transact business with Certified Reinsurers.

NOTES TO FINANCIAL STATEMENTS

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

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

G. Reinsurance Accounted for as a Deposit

At December 31, 2015, the deposit receivable balance for reinsurance contracts accounted for under the deposit method was \$5,655,368.

At December 31, 2015, the deposit liability balance for reinsurance contracts accounted for under the deposit method was \$36,209,661.

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. 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	\$218,836,634
b. Unsecured amount	-
c. Less: Nonadmitted amount (10%)	21,840,249
d. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
e. Admitted amount (a) - (c) - (d)	<u>\$196,996,385</u>

F. Risk Sharing Provisions of the Affordable Care Act

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

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributable to insured events on prior years 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.

NOTES TO FINANCIAL STATEMENTS

Note 26 - Intercompany Pooling Arrangements

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

		NAIC Company <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
Lead				
Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
Pool	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.00%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.00%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company ("ASIC")	19704	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.00%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.00%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.00%	All Lines
	General Insurance Company of America ("GICA")	24732	0.00%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.00%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

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

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (f) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (g) Amounts due (to)/from affiliated entities participating in the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement as of December 31, 2015:

Affiliate:	Amount:
Peerless Insurance Company	(5,213,161)
Employers Insurance Company of Wausau	(2,085,264)
Liberty Mutual Fire Insurance Company	(2,085,264)
The Ohio Casualty Insurance Company	(2,085,264)
Safeco Insurance Company of America	(1,563,948)
Wausau General Insurance Company	227,864
Wausau Underwriters Insurance Company	18,862,009
Wausau Business Insurance Company	6,975,931

Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$288,463,211 after applying Inter-Company 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 \$288,463,211 as of December 31, 2015.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

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

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 \$2,776,805,529 and the amount billed and recoverable on paid claims was \$81,641,137. There are no unsecured high dollar deductible recoverables from professional employer organizations included in these amounts.

NOTES TO FINANCIAL STATEMENTS

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 \$265,857,467 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	240,468,213	256,603,536
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	\$240,468,213	\$256,603,536

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

B. Non-tabular Discount:

Not applicable

Note 33 - Asbestos/Environmental Reserves

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

In 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.

Uncertainty Regarding Reserving Methodologies

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 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>
Direct Basis					
Beginning Reserves	751,555,628	792,504,269	778,291,344	874,631,236	879,429,255
Incurred losses and LAE	201,829,376	119,505,560	207,292,812	142,545,430	41,421,717
Calendar year payments	160,880,735	133,718,485	110,952,920	137,747,411	180,662,008
Ending Reserves	<u>792,504,269</u>	<u>778,291,344</u>	<u>874,631,236</u>	<u>879,429,255</u>	<u>740,188,964</u>

Assumed Reinsurance Basis

Beginning Reserves	308,008,390	311,562,197	287,534,269	309,882,678	286,626,082
Incurred losses and LAE	22,191,485	7,541,404	37,332,219	754,405	5,868,205
Calendar year payments	18,637,678	31,569,332	14,983,809	24,011,001	15,921,301
Ending Reserves	<u>311,562,197</u>	<u>287,534,269</u>	<u>309,882,678</u>	<u>286,626,082</u>	<u>276,572,986</u>

Net of Ceded Reinsurance Basis

Beginning Reserves	407,131,530	483,870,108	445,074,542	498,611,802	459,023,905
Incurred losses and LAE	163,369,197	74,586,203	117,762,046	44,454,204	3,065,964
Calendar year payments	86,630,619	113,381,770	64,224,786	84,042,101	121,290,622
Ending Reserves	<u>483,870,108</u>	<u>445,074,541</u>	<u>498,611,802</u>	<u>459,023,905</u>	<u>340,799,247</u>

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

Direct Basis	418,249,109
Assumed Reinsurance Basis	197,189,951
Net of Ceded Reinsurance Basis	162,918,966

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

Direct Basis	458,717,411
Assumed Reinsurance Basis	3,223,825
Net of Ceded Reinsurance Basis	172,913,244

Environmental:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct Basis					
Beginning Reserves	207,335,366	212,371,557	210,071,418	224,235,273	210,301,637
Incurred losses and LAE	43,165,486	30,517,664	47,614,743	28,977,227	14,740,307
Calendar year payments	38,129,297	32,817,802	33,450,888	42,910,863	43,858,258
Ending Reserves	<u>212,371,556</u>	<u>210,071,418</u>	<u>224,235,273</u>	<u>210,301,637</u>	<u>181,183,686</u>

Assumed Reinsurance Basis

Beginning Reserves	31,668,859	29,651,132	32,494,670	32,081,393	30,215,301
Incurred losses and LAE	3,498,452	(9,071,002)	2,172,413	574,462	(4,904,000)
Calendar year payments	5,516,179	(11,914,540)	2,585,689	2,440,555	3,415,616
Ending Reserves	<u>29,651,132</u>	<u>32,494,670</u>	<u>32,081,393</u>	<u>30,215,301</u>	<u>21,895,685</u>

Net of Ceded Reinsurance Basis

Beginning Reserves	177,704,627	173,497,404	154,248,853	161,491,764	149,437,068
Incurred losses and LAE	6,992,073	(961,154)	30,503,358	14,063,692	159,049
Calendar year payments	11,199,296	18,287,398	23,260,447	26,118,388	18,538,619
Ending Reserves	<u>173,497,404</u>	<u>154,248,853</u>	<u>161,491,764</u>	<u>149,437,068</u>	<u>131,057,498</u>

NOTES TO FINANCIAL STATEMENTS

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

Direct Basis	100,633,879
Assumed Reinsurance Basis	11,820,700
Net of Ceded Reinsurance Basis	63,146,978

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

Direct Basis	67,931,717
Assumed Reinsurance Basis	118,806
Net of Ceded Reinsurance Basis	30,082,039

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guaranty Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No]
 If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No] N/A]
- 1.3 State Regulating? Massachusetts
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2013
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/20/2015
- 3.4 By what department or departments?
 Massachusetts Division of Insurance

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No] N/A]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No] N/A]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
 4.11 sales of new business? Yes No]
 4.12 renewals? Yes No]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
 4.21 sales of new business? Yes No]
 4.22 renewals? Yes No]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

GENERAL INTERROGATORIES

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

6.2 If yes, give full information:

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.....

.....

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.

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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:

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.....

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:

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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.

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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.

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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	Various
12.12 Number of parcels involved	12
12.13 Total book/adjusted carrying value	\$ 844,697,223

12.2 If yes, provide explanation:

Liberty Mutual Insurance Company directly owns 100% of Liberty Real Estate Holdings, LLC, 92% of St. James/Arlington Real Estate LP, and 100% of Berkeley/Columbus III, LLC.

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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?

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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:

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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).

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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	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. \$ _____ 333,351,418

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	\$	228,615,998
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	228,615,998
24.103 Total payable for securities lending reported on the liability page	\$	228,615,998

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

GENERAL INTERROGATORIES

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

	25.21 Subject to repurchase agreements	\$	0
	25.22 Subject to reverse repurchase agreements	\$	0
	25.23 Subject to dollar repurchase agreements	\$	0
	25.24 Subject to reverse dollar repurchase agreements	\$	0
	25.25 Placed under option agreements	\$	0
	25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$	0
	25.27 FHLB Capital Stock	\$	18,624,900
	25.28 On deposit with states	\$	1,946,929,137
	25.29 On deposit with other regulatory bodies	\$	149,840,843
	25.30 Pledged as collateral - excluding collateral pledged to an FHLB	\$	546,709,900
	25.31 Pledged as collateral to FHLB - including assets backing funding agreements	\$	174,078,606
	25.32 Other	\$	0

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005
Royal Trust	77 King Street West, Toronto, Ontario M5W 1 P9
JP Morgan Chase	259 George Street, Sydney, Australia
Bank of New York Mellon	601 Travis Street, Houston, TX 77002
Bank of Itau	Av. Engenheiro Armondo de Arruda Pereira, 707 Torre Eudoro Villela - 7 andar 04309 010 Sau, Paulo SP
US Bank Corporate Trust Services	21 South Street, 3rd Floor, Morristown, NJ 07960

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

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

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

GENERAL INTERROGATORIES

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

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

28.05 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	13,176,193,889	13,375,861,657	199,667,768
30.2 Preferred stocks	220,168,213	220,773,613	605,400
30.3 Totals	13,396,362,102	13,596,635,270	200,273,168

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 detail 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?

\$ 27,541,339

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.	\$ 8,443,985
.....	\$ 0
.....	\$ 0

34.1 Amount of payments for legal expenses, if any?

\$ 24,467,430

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?

\$ 971,016

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 \$ 9,913

1.65 Total incurred claims \$ 16,243

1.66 Number of covered lives 2

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	\$ 6,133,699		\$ 4,335,861	
2.2 Premium Denominator	\$ 12,481,409,087		\$ 12,321,264,560	
2.3 Premium Ratio (2.1 / 2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 16,465,836		\$ 15,491,125	
2.5 Reserve Denominator	\$ 23,619,406,540		\$ 23,276,202,335	
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 \$ 3,410,722,989

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

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

5.5 If yes, give full information

.....

.....

.....

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
 The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we utilize RMS's RiskLink v13.0 and AIR's Touchstone v2.0.1 software. For workers' compensation, Liberty Mutual utilizes RiskLink v13.1 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
 The Company purchases a combination of quota share reinsurance, per risk excess of loss reinsurance, excess of loss per event catastrophe reinsurance and aggregate programs.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
 The Company utilizes second event coverage that has a lower attachment point, along with aggregate coverage to substantially replace non-reinstated catastrophe layers.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [X] No []
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 12
- 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 [X] 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 [X] No []
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes [] No [X]
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [] No [X]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes No N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes No
- 11.2 If yes, give full information
 The Company guarantees policies issued by Liberty Life Assurance Company of Boston, Liberty Mutual Insurance Europe Ltd. and Liberty International Underwriters Pte Limited.
- 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 | | \$ | 151,955,099 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 11,357,182 |
- 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? \$ 17,095,284
- 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 | | \$ | 2,534,315,842 |
| 12.62 Collateral and other funds | | \$ | 609,701,238 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 300,000,000
- 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 allocation agreements, including 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 | \$ | 0 | 0 | 0 | 0 | 0 |
| 16.12 Products | \$ | 0 | 0 | 0 | 0 | 0 |
| 16.13 Automobile | \$ | 0 | 0 | 0 | 0 | 0 |
| 16.14 Other* | \$ | 0 | 0 | 0 | 0 | 0 |

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [] No [X]

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

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

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

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

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

Yes [] No [X]

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

\$ 0

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

Yes [] No [X]

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

\$ 0

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2015	2014	2013	2012	2011
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	12,920,645,090	13,126,520,416	15,556,834,371	9,570,048,192	8,440,586,916
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	8,956,661,763	8,490,104,387	9,258,802,163	5,272,964,092	4,720,304,564
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	8,758,713,580	8,382,281,127	9,943,517,519	3,502,989,922	3,054,051,471
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	888,127,587	838,901,213	931,331,593	558,713,698	481,480,667
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	380,546,687	295,823,890	262,128,472	321,635,057	267,257,237
6. Total (Line 35)	31,904,694,707	31,133,631,033	35,952,614,118	19,226,350,961	16,963,680,855
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	5,793,488,617	5,819,247,070	6,341,048,765	5,830,786,711	5,278,159,626
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,355,401,772	2,440,505,676	2,637,500,860	1,780,070,993	1,482,946,563
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,050,660,565	3,880,881,045	4,193,005,866	1,768,427,980	1,483,287,709
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	427,018,992	402,167,188	596,270,882	20,514,155	9,831,546
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	189,517,886	145,611,216	121,325,676	235,569,607	195,030,554
12. Total (Line 35)	12,816,087,832	12,688,412,195	13,889,152,049	9,635,369,446	8,449,255,998
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	28,931,752	(273,085,631)	(736,646,203)	(2,013,725,107)	(1,419,659,287)
14. Net investment gain (loss) (Line 11)	680,665,509	901,608,546	1,410,008,637	1,872,209,966	984,456,960
15. Total other income (Line 15)	(6,289,199)	34,661,992	(18,088,070)	(51,291,468)	(184,872,637)
16. Dividends to policyholders (Line 17)	9,677,688	11,783,650	19,264,431	18,157,361	30,021,529
17. Federal and foreign income taxes incurred (Line 19)	(279,390,338)	(237,020,783)	128,598,187	(374,546,282)	(113,863,689)
18. Net income (Line 20)	973,020,712	888,422,040	507,411,746	163,582,312	(536,232,804)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	42,343,216,506	42,655,158,668	44,475,809,095	40,205,366,577	37,394,843,149
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	1,193,023,397	993,118,859	1,019,705,850	1,097,220,494	984,568,304
20.2 Deferred and not yet due (Line 15.2)	3,097,481,861	2,932,836,152	3,525,968,004	2,167,769,720	1,904,360,845
20.3 Accrued retrospective premiums (Line 15.3)	196,996,385	224,086,305	235,369,077	217,079,539	302,340,492
21. Total liabilities excluding protected cell business (Page 3, Line 26)	26,527,948,893	26,085,858,680	29,349,412,770	25,694,899,915	23,798,408,089
22. Losses (Page 3, Line 1)	13,988,339,788	13,871,348,428	14,246,684,189	14,144,212,624	13,102,230,732
23. Loss adjustment expenses (Page 3, Line 3)	2,928,798,889	3,007,976,190	3,058,379,371	2,912,207,583	2,715,673,770
24. Unearned premiums (Page 3, Line 9)	6,580,520,311	6,288,178,795	5,940,431,054	4,205,141,671	3,762,485,913
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)	15,815,267,613	16,569,299,988	15,126,396,325	14,510,466,662	13,596,435,060
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	1,352,176,567	369,832,756	1,359,051,813	1,603,190,076	(230,212,254)
Risk-Based Capital Analysis					
28. Total adjusted capital	15,908,372,744	16,656,825,919	15,203,889,499	14,596,122,298	13,672,341,061
29. Authorized control level risk-based capital	3,203,773,191	3,240,473,150	3,208,928,544	3,193,275,294	2,918,044,739
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	36.6	36.8	39.3	38.6	41.0
31. Stocks (Lines 2.1 & 2.2)	28.8	27.1	25.5	24.9	26.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	1.6	1.5	1.5	1.5	1.5
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.9	0.8	0.7	0.8	0.9
34. Cash, cash equivalents and short-term investments (Line 5)	2.2	2.1	3.2	2.8	2.2
35. Contract loans (Line 6)					
36. Derivatives (Line 7)	0.1				
37. Other invested assets (Line 8)	29.3	30.9	28.9	31.3	27.1
38. Receivables for securities (Line 9)	0.0	0.2	0.1	0.1	0.1
39. Securities lending reinvested collateral assets (Line 10)	0.7	0.6	1.0		0.8
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	9,358,448,827	8,886,678,442	8,434,572,226	7,604,417,443	7,786,217,349
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	59,659,217		30,000,000		
46. Affiliated mortgage loans on real estate					
47. All other affiliated	9,371,684,718	9,992,828,376	9,435,192,954	8,095,277,837	6,477,740,507
48. Total of above Lines 42 to 47	18,789,792,762	18,879,506,818	17,899,765,180	15,699,695,280	14,263,957,856
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)	118.8	113.9	118.3	108.2	

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2015	2014	2013	2012	2011
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	(1,281,553,202)	106,890,174	351,408,096	308,512,139	568,633,094
52. Dividends to stockholders (Line 35)	(64,766,000)	(64,766,000)	(199,766,000)	(64,766,000)	(64,766,000)
53. Change in surplus as regards policyholders for the year (Line 38)	(754,032,375)	1,442,903,663	615,929,663	914,031,602	(166,855,969)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	7,597,206,999	8,800,903,807	1,542,766,644	5,292,467,045	5,717,494,744
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,872,825,467	4,642,644,555	4,552,826,641	3,077,088,308	2,598,174,850
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,207,612,042	4,046,172,891	1,440,595,000	1,745,991,474	1,756,255,006
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	245,666,397	301,137,951	152,427,503	67,140,085	44,871,695
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	115,298,786	129,103,542	107,061,028	120,250,172	110,369,162
59. Total (Line 35)	17,038,609,691	17,919,962,746	7,795,676,816	10,302,937,084	10,227,165,457
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	3,362,609,971	3,907,929,140	4,738,898,531	3,481,248,497	3,570,542,239
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,258,161,731	1,287,996,272	1,325,091,401	1,079,420,145	866,238,394
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,000,195,390	1,885,555,516	754,883,042	914,556,854	904,161,885
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	119,427,253	147,134,616	46,399,381	1,600,064	4,450,188
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	57,334,949	64,338,035	209,023,315	88,469,643	81,029,609
65. Total (Line 35)	6,797,729,294	7,292,953,579	7,074,295,670	5,565,295,203	5,426,422,315
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	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)	31.4	32.2	32.6	31.8	27.6
70. Net underwriting gain (loss) (Line 8)	0.2	(2.2)	(6.0)	(22.1)	(17.6)
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	30.6	31.0	28.7	30.6	28.5
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)	81.0	76.6	91.8	66.4	62.1
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(84,128)	(7,475)	407,604	448,858	386,372
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	(0.5)	(0.0)	2.8	3.3	2.8
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(97,120)	344,712	439,502	714,913	192,022
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	(0.6)	2.4	3.2	5.2	1.5

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	456,792	133,253	133,319	58,382	22,532	3,463	3,516	417,545	X X X
2. 2006	12,322,290	1,801,902	10,520,388	5,960,625	735,936	469,367	53,157	873,813	39,733	364,854	6,474,979	X X X
3. 2007	12,807,431	1,940,081	10,867,350	6,488,032	942,680	509,656	62,294	883,791	42,520	419,784	6,833,985	X X X
4. 2008	13,238,636	2,218,381	11,020,255	7,632,497	1,201,861	553,843	62,166	998,028	37,232	386,794	7,883,109	X X X
5. 2009	12,535,136	2,563,100	9,972,036	6,624,094	1,203,708	476,166	52,320	934,171	9,970	365,141	6,768,433	X X X
6. 2010	12,553,868	2,257,281	10,296,587	6,901,665	1,154,291	486,262	43,968	984,527	3,351	413,700	7,170,844	X X X
7. 2011	13,194,756	2,656,744	10,538,012	7,545,097	1,410,161	480,205	61,732	981,408	2,989	505,780	7,531,828	X X X
8. 2012	14,204,088	2,855,975	11,348,113	7,367,916	1,454,932	423,103	55,026	1,002,548	812	558,909	7,282,797	X X X
9. 2013	14,955,052	3,050,631	11,904,421	6,541,504	1,406,930	284,081	31,283	971,741	1,305	425,445	6,357,808	X X X
10. 2014	15,231,275	2,974,304	12,256,971	5,929,881	1,247,323	177,700	15,266	912,481	1,309	311,686	5,756,164	X X X
11. 2015	15,717,750	3,236,331	12,481,419	4,646,585	1,235,077	67,281	6,212	734,457	318	229,428	4,206,716	X X X
12. Totals	X X X	X X X	X X X	66,094,688	12,126,152	4,060,983	501,806	9,299,497	143,002	3,985,037	66,684,208	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	2,890,026	1,052,818	1,548,873	850,884	170,554	115,072	688,693	283,270	96,908	(310)	14,828	3,093,320	X X X
2. 2006	144,306	38,995	263,324	73,208	4,260	1,228	29,208	6,886	7,122	(18)	14,565	327,921	X X X
3. 2007	208,902	42,677	259,715	43,220	8,339	2,413	28,766	7,209	6,233		4,242	416,436	X X X
4. 2008	247,513	46,666	372,144	62,375	8,485	1,230	53,201	14,763	9,676	6	20,233	565,979	X X X
5. 2009	252,203	37,946	398,281	82,047	10,425	2,779	47,657	11,853	10,842	(2)	5,773	584,785	X X X
6. 2010	341,429	62,656	373,136	67,652	13,933	4,151	79,458	10,172	13,952	2,868	10,343	674,409	X X X
7. 2011	433,412	51,203	481,245	83,463	23,498	5,963	139,930	16,956	23,786	(1)	24,044	944,287	X X X
8. 2012	637,316	102,838	725,694	98,382	33,757	7,224	199,282	19,519	37,944	45	58,463	1,405,985	X X X
9. 2013	858,453	124,988	969,897	147,087	30,026	5,385	278,618	24,231	143,028	60	72,145	1,978,271	X X X
10. 2014	1,102,534	128,625	1,336,243	235,621	27,101	3,585	378,218	28,914	134,298	96	113,005	2,581,553	X X X
11. 2015	1,586,093	140,565	2,528,998	397,481	19,761	1,544	454,061	26,469	321,819	476	300,805	4,344,197	X X X
12. Totals	8,702,187	1,829,977	9,257,550	2,141,420	350,139	150,574	2,377,092	450,242	805,608	3,220	638,446	16,917,143	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,535,197	558,123
2. 2006	7,752,025	949,125	6,802,900	62.911	52.674	64.664			50.000	295,427	32,494
3. 2007	8,393,434	1,143,013	7,250,421	65.536	58.916	66.717			50.000	382,720	33,716
4. 2008	9,875,387	1,426,299	8,449,088	74.595	64.295	76.669			50.000	510,616	55,363
5. 2009	8,753,839	1,400,621	7,353,218	69.834	54.646	73.738			50.000	530,491	54,294
6. 2010	9,194,362	1,349,109	7,845,253	73.239	59.767	76.193			50.000	584,257	90,152
7. 2011	10,108,581	1,632,466	8,476,115	76.611	61.446	80.434			50.000	779,991	164,296
8. 2012	10,427,560	1,738,778	8,688,782	73.412	60.882	76.566			50.000	1,161,790	244,195
9. 2013	10,077,348	1,741,269	8,336,079	67.384	57.079	70.025			50.000	1,556,275	421,996
10. 2014	9,998,456	1,660,739	8,337,717	65.644	55.836	68.024			50.000	2,074,531	507,022
11. 2015	10,359,055	1,808,142	8,550,913	65.907	55.870	68.509			50.000	3,577,045	767,152
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	13,988,340	2,928,803

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	10,240,618	10,359,242	10,162,312	10,471,669	10,492,162	10,718,854	10,753,153	10,869,619	11,006,336	11,018,540	12,204	148,921	
2. 2006	6,363,274	6,174,365	6,052,944	5,977,311	5,962,540	5,961,870	5,979,990	5,982,190	5,970,684	5,981,273	10,589	(917)	
3. 2007	XXX	6,836,737	6,693,265	6,418,032	6,408,189	6,379,115	6,411,381	6,417,689	6,412,935	6,421,581	8,646	3,892	
4. 2008	XXX	XXX	7,676,555	7,497,692	7,401,027	7,398,780	7,425,809	7,513,745	7,505,101	7,505,913	812	(7,832)	
5. 2009	XXX	XXX	XXX	6,576,268	6,560,206	6,499,599	6,439,095	6,486,007	6,435,173	6,439,728	4,555	(46,279)	
6. 2010	XXX	XXX	XXX	XXX	6,846,947	6,842,815	6,870,921	6,948,170	6,879,864	6,884,785	4,921	(63,385)	
7. 2011	XXX	XXX	XXX	XXX	XXX	7,476,032	7,475,475	7,507,418	7,505,735	7,500,888	(4,847)	(6,530)	
8. 2012	XXX	XXX	XXX	XXX	XXX	XXX	7,763,668	7,822,725	7,748,407	7,671,177	(77,230)	(151,548)	
9. 2013	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,228,776	7,304,668	7,255,334	(49,334)	26,558	
10. 2014	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,300,170	7,305,726	5,556	XXX	
11. 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,507,995	XXX	XXX	
											12. Totals	(84,128)	(97,120)

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	2,095,141	3,578,789	4,604,816	5,438,174	6,080,558	6,562,609	6,960,833	7,353,396	7,751,873	XXX	XXX
2. 2006	2,506,488	3,774,736	4,411,538	4,880,214	5,182,351	5,368,677	5,489,340	5,560,098	5,616,763	5,640,899	XXX	XXX
3. 2007	XXX	2,598,882	3,997,065	4,699,743	5,199,550	5,529,401	5,735,786	5,857,156	5,940,688	5,992,714	XXX	XXX
4. 2008	XXX	XXX	3,108,355	4,756,243	5,550,814	6,107,263	6,486,036	6,715,057	6,849,066	6,922,313	XXX	XXX
5. 2009	XXX	XXX	XXX	2,623,309	3,971,477	4,682,839	5,195,149	5,540,657	5,737,579	5,844,232	XXX	XXX
6. 2010	XXX	XXX	XXX	XXX	2,886,056	4,365,763	5,113,862	5,663,227	6,003,557	6,189,669	XXX	XXX
7. 2011	XXX	XXX	XXX	XXX	XXX	3,407,670	4,828,744	5,632,227	6,194,553	6,553,409	XXX	XXX
8. 2012	XXX	XXX	XXX	XXX	XXX	XXX	3,349,909	5,026,593	5,788,358	6,281,061	XXX	XXX
9. 2013	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,154,562	4,656,823	5,387,372	XXX	XXX
10. 2014	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,351,905	4,844,991	XXX	XXX
11. 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,472,577	XXX	XXX

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	4,183,687	3,311,276	2,603,492	2,419,962	1,887,761	1,774,041	1,450,891	1,415,354	1,373,701	1,194,522
2. 2006	2,443,994	1,365,196	894,657	589,452	420,927	338,120	302,677	276,159	236,080	223,099
3. 2007	XXX	2,593,588	1,513,568	905,081	612,813	436,451	365,002	308,756	263,399	249,105
4. 2008	XXX	XXX	2,777,318	1,529,099	985,000	678,027	484,468	480,088	397,156	366,894
5. 2009	XXX	XXX	XXX	2,490,062	1,497,081	988,023	662,158	557,108	398,883	365,084
6. 2010	XXX	XXX	XXX	XXX	2,451,339	1,368,157	928,495	704,077	481,751	395,171
7. 2011	XXX	XXX	XXX	XXX	XXX	2,454,882	1,498,552	1,035,658	698,793	542,230
8. 2012	XXX	XXX	XXX	XXX	XXX	XXX	2,821,842	1,619,200	1,113,499	824,612
9. 2013	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,660,086	1,548,427	1,105,828
10. 2014	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,514,196	1,462,688
11. 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,570,358

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN Allocated By States and Territories

States, Etc.	1	2	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
			Active Status	Direct Premiums Written						
1. Alabama	AL	L	29,108,961	29,970,542	1	17,065,059	1,942,676	19,796,426	22,490	
2. Alaska	AK	L	10,986,447	12,320,825		1,264,977	3,189,220	6,531,037	810	
3. Arizona	AZ	L	54,078,795	52,936,015		26,492,529	27,379,904	25,317,960	54,903	
4. Arkansas	AR	L	14,780,630	15,134,521		4,510,576	4,643,545	19,759,870	5,335	
5. California	CA	L	280,215,667	285,650,687	4	175,210,714	333,432,056	210,834,785	363,680	
6. Colorado	CO	L	43,548,353	44,034,271	1	25,469,937	18,002,746	16,185,509	44,765	
7. Connecticut	CT	L	30,222,134	29,312,272	1	25,291,884	11,042,168	57,169,028	217,672	
8. Delaware	DE	L	9,902,046	12,129,255		4,791,734	3,381,239	20,985,287	35,658	
9. District of Columbia	DC	L	38,200,120	38,848,383		2,638,360	17,174,591	106,129,699	7,019	
10. Florida	FL	L	164,086,222	175,501,701	116	114,992,014	87,360,081	107,798,123	152,631	
11. Georgia	GA	L	70,869,763	69,760,558	1	36,086,142	49,713,815	62,261,367	60,037	
12. Hawaii	HI	L	13,739,143	14,586,582	1	9,151,065	5,839,351	2,758,169	33,945	
13. Idaho	ID	L	21,153,669	21,104,040		5,021,534	11,426,973	14,770,289	10,378	
14. Illinois	IL	L	79,724,635	81,870,643	20,332	45,137,483	65,887,152	135,687,077	85,770	
15. Indiana	IN	L	34,994,369	36,271,896	871	28,709,722	28,638,860	62,408,367	41,267	
16. Iowa	IA	L	14,754,068	15,381,978	11	13,062,845	13,535,957	10,287,550	7,848	
17. Kansas	KS	L	20,150,222	21,143,735		11,632,945	7,864,522	13,839,154	12,571	
18. Kentucky	KY	L	20,256,892	20,083,981	8	17,977,768	11,165,813	57,401,578	45,881	
19. Louisiana	LA	L	45,108,318	45,679,490		26,854,472	22,146,973	86,380,247	50,341	
20. Maine	ME	L	22,328,433	20,932,224	12	4,722,286	12,593,644	19,107,794	75,909	
21. Maryland	MD	L	35,401,779	34,788,300		34,520,973	22,671,441	(3,785,414)	92,125	
22. Massachusetts	MA	L	527,462,568	543,374,670	12,788	328,725,615	314,300,191	374,257,288	4,591,006	
23. Michigan	MI	L	76,369,731	75,599,618	2	32,158,270	35,991,984	99,936,724	89,399	
24. Minnesota	MN	L	42,513,795	42,659,590	1	17,728,671	24,793,892	60,353,901	41,995	
25. Mississippi	MS	L	9,989,114	10,984,204	11	18,551,249	(4,296,078)	9,147,289	6,521	
26. Missouri	MO	L	23,949,618	25,596,798		12,449,099	7,350,782	22,630,020	35,042	
27. Montana	MT	L	22,148,505	22,538,599		4,509,755	13,653,821	30,842,317	4,282	
28. Nebraska	NE	L	31,210,754	31,647,531		8,366,703	20,559,773	41,277,557	6,204	
29. Nevada	NV	L	30,850,843	31,240,495		8,778,508	13,437,352	11,925,328	35,438	
30. New Hampshire	NH	L	13,264,114	12,963,360		9,064,110	6,511,604	28,372,313	78,129	
31. New Jersey	NJ	L	55,228,233	55,633,824	114	68,532,826	12,206,052	48,405,812	617,281	
32. New Mexico	NM	L	17,632,903	17,768,135		10,616,624	8,837,222	6,461,329	13,940	
33. New York	NY	L	267,894,120	259,009,473	(58,683)	133,182,178	(189,978,291)	74,768,079	905,434	
34. North Carolina	NC	L	124,801,721	129,569,530	270	82,712,544	66,328,423	86,733,124	367,946	
35. North Dakota	ND	L	14,529,681	14,776,209		10,388,631	15,467,026	7,482,833	774	
36. Ohio	OH	L	79,775,718	79,779,261		76,215,936	38,251,994	140,243,688	106,258	
37. Oklahoma	OK	L	13,890,968	14,186,263		11,595,988	8,867,657	19,490,258	33,755	
38. Oregon	OR	L	34,047,300	36,211,180	1	19,099,941	18,590,271	33,372,804	35,858	
39. Pennsylvania	PA	L	81,552,633	83,649,586	1,126	195,291,960	160,094,087	138,594,215	285,982	
40. Rhode Island	RI	L	12,595,733	12,391,341		6,603,806	6,920,382	19,904,130	68,017	
41. South Carolina	SC	L	33,612,591	31,907,456	1	19,477,181	18,595,474	32,844,700	41,613	
42. South Dakota	SD	L	11,654,412	11,601,011		2,759,246	6,924,784	5,145,677	738	
43. Tennessee	TN	L	54,285,356	55,060,156		34,637,341	35,033,584	100,724,990	61,248	
44. Texas	TX	L	162,637,948	163,874,704	6,921,034	128,870,779	31,010,476	197,841,035	293,234	
45. Utah	UT	L	18,878,427	18,826,051		7,266,277	7,799,872	(6,771,771)	18,785	
46. Vermont	VT	L	10,440,840	10,027,942	1	2,548,044	4,056,333	11,068,203	21,288	
47. Virginia	VA	L	79,958,936	78,310,210	1	46,496,174	36,088,911	36,373,187	158,507	
48. Washington	WA	L	51,062,140	54,019,537		21,664,235	19,227,551	13,161,414	56,604	
49. West Virginia	WV	L	9,238,696	9,483,705		2,733,737	1,659,057	27,989,049	16,530	
50. Wisconsin	WI	L	25,819,535	25,195,658	(108)	28,424,463	13,938,151	61,773,925	39,736	
51. Wyoming	WY	L	10,124,324	11,178,661		3,796,950	2,309,990	3,020,555	921	
52. American Samoa	AS	N								
53. Guam	GU	N					21,135	6,848	1	
54. Puerto Rico	PR	L	11,963,279	12,460,342		12,988,454	4,776,923	22,914,674		
55. U.S. Virgin Islands	VI	L	423,028	440,970		414,169	700,414	903,551		
56. Northern Mariana Islands	MP	L	93,131	177,840			9,519	14,256		
57. Canada	CAN	L	203,159,038	199,241,305		115,731,120	85,621,223	210,290,305		
58. Aggregate Other Alien	OT	X X X	194,052,590	195,608,170		62,505,770	87,558,277	422,619,509		
59. Totals	(a) 54		3,410,722,989	3,453,435,284	6,897,918	2,175,491,373	1,692,252,545	3,445,742,818	9,453,501	

DETAILS OF WRITE-INS										
58001. AUS AUSTRALIA	X X X		187,814,720	185,568,382		61,700,435	87,981,855	400,777,151		
58002. ZZZ OTHER ALIEN	X X X		1,297,660	4,413,741		(163,064)	(681,225)	20,900,408		
58003. BMU BERMUDA	X X X		515,460	479,185			45,002	1,373,391		
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X		4,424,750	5,146,862		968,399	212,645	(431,441)		
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X		194,052,590	195,608,170		62,505,770	87,558,277	422,619,509		

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

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

OVERFLOW PAGE FOR WRITE-INS

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SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN
Allocated By States and Territories

REMAINING WRITE-INS AGGREGATED AT LINE 58 FOR OTHER ALIEN	1 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						
58004. BRA BRAZIL	X X X	512,460	978,279		88,160	204,678	1,651,069		
58005. TTO TRINIDAD AND TOBAGO	X X X	465,107	496,471			(42,282)	123,804		
58006. IOT INDIAN OCEAN	X X X	399,420	398,945			64,875	288,228		
58007. NZL NEW ZEALAND	X X X	310,501	323,166			(1,013,078)	(1,745,070)		
58008. MEX MEXICO	X X X	291,785	194,627			5,548	144,895		
58009. GEO GEORGIA	X X X	235,695	215,050		23,650	15,264	128,606		
58010. PER PERU	X X X	234,172	68,973		112,500	367,906	1,036,632		
58011. JAM JAMAICA	X X X	232,812	189,038		258,048	(90,237)	276,618		
58012. URY URUGUAY	X X X	213,812	199,544			685,900	688,080		
58013. SGP SINGAPORE	X X X	212,025	462,748			(5,397)	502,820		
58014. GBR UNITED KINGDOM	X X X	188,878	108,495		(614)	(29,467)	(11,076,813)		
58015. NLD NETHERLANDS	X X X	142,996	68,053			7,696	2,688,607		
58016. GIN GUINEA	X X X	127,200	159,120			(3,642)	13,157		
58017. COL COLOMBIA	X X X	120,834	79,435		(20,676)	55,242	128,473		
58018. ISR ISRAEL	X X X	113,199	114,132			190,358	359,946		
58019. GTM GUATEMALA	X X X	88,736	61,046		10,478	(55,064)	27,161		
58020. CRI COSTA RICA	X X X	76,705	76,705		10,904	40,083	39,907		
58021. TUR TURKEY	X X X	48,250	52,569			(628)	50,202		
58022. KOR SOUTH KOREA	X X X	44,947	94,767			14,663	42,370		
58023. BES BONAIRE	X X X	41,231	39,735			3,677	29,169		
58024. BHS BAHAMAS	X X X	40,038	41,150		275,000	262,049	(114,273)		
58025. CYM CAYMAN ISLANDS	X X X	38,743	129,916			(11,995)	260,861		
58026. SAU SAUDI ARABIA	X X X	33,700	74,630			(7,455)	2,133		
58027. CHL CHILE	X X X	30,905	21,424		12,397	(156,964)	114,922		
58028. QAT QATAR	X X X	29,854	59,938			(5,252)	2,698		
58029. ABW ARUBA	X X X	26,000	25,994			(41,722)	32,014		
58030. GUY GUYANA	X X X	25,563	20,303			(9,859)	(21,948)		
58031. BOL BOLIVIA	X X X	17,858	1,269			607	607		
58032. GRD GRENADA	X X X	17,500	16,690			7,921	10,336		
58033. PRY PARAGUAY	X X X	17,063	36,259			11,686	12,455		
58034. NIC NICARAGUA	X X X	14,227	1,011			483	483		
58035. SLV EL SALVADOR	X X X	13,164	935			2,577	2,641		
58036. PAN PANAMA	X X X	12,096	3,138			(12,955)	5,564		
58037. ARG ARGENTINA	X X X	11,161	14,323			67,071	103,385		
58038. DEU GERMANY	X X X	9,500	9,486			(4,805)	15,630		
58039. DOM DOMINICAN REPUBLIC	X X X	6,240	124,849			(6,368)	53,146		
58040. GRC GREECE	X X X	5,779	1,280		(85)	(413)	1,661		
58041. MNP NORTHERN MARIANA ISLAN	X X X	5,500	2,104			1,288	1,288		
58042. BEL BELGIUM	X X X	5,039	11,639		76,138	(1,765)	(234,061)		
58043. VGB BRITISH VIRGIN ISLANDS	X X X	4,983	5,580			(21,042)	(59,292)		
58044. IRL IRELAND	X X X	3,539	19,813			3,653	28,244		
58045. CHE SWITZERLAND	X X X	1,430	317			(3,812)	4,456		
58046. CHN CHINA	X X X	619	2,382			(527)	(317)		
58047. HKG HONG KONG	X X X	566	535			(8,914)	58,219		
58048. CYP CYPRUS	X X X	311	69			(532)	2,644		
58049. AUT AUSTRIA	X X X					(1,123)			
58050. BRB BARBADOS	X X X					1,037	(5,442)		
58051. ENG ENGLAND	X X X					(1,988)	427		
58052. FRA FRANCE	X X X					5,105	(3,131)		
58053. GUM GUAM	X X X					(3,748)	4,850		
58054. GGY GUERNSEY	X X X					(40)			
58055. HND HONDURAS	X X X		20,501			5,283	14,075		
58056. IND INDIA	X X X		880			(291)	5,122		
58057. IDN INDONESIA	X X X					(12)	(8)		
58058. ITA ITALY	X X X					940	(1,019)		
58059. JPN JAPAN	X X X					(1,236)	3,599,375		
58060. KEN KENYA	X X X					(155)	(155)		
58061. LUX LUXEMBOURG	X X X					(9,062)	12,187		
58062. MYS MALAYSIA	X X X					(6,420)	(21,750)		
58063. MNG MONGOLIA	X X X					(4,452)			
58064. ANT NETHERLAND ANTILLES	X X X					(3,093)	1,107		
58065. NGA NIGERIA	X X X					(73)	13		
58066. PHL PHILIPPINES	X X X					(121)	(77)		
58067. POL POLAND	X X X		8,556			(589)	309		
58068. PRT PORTUGAL	X X X				(3,318)	(29,153)	174,501		
58069. SCT SCOTLAND	X X X					(1,836)	1,425		
58070. SVK SLOVAKIA	X X X					(6)	(3)		
58071. SGS SOUTH AFRICA	X X X					(307)	(181)		

OVERFLOW PAGE FOR WRITE-INS

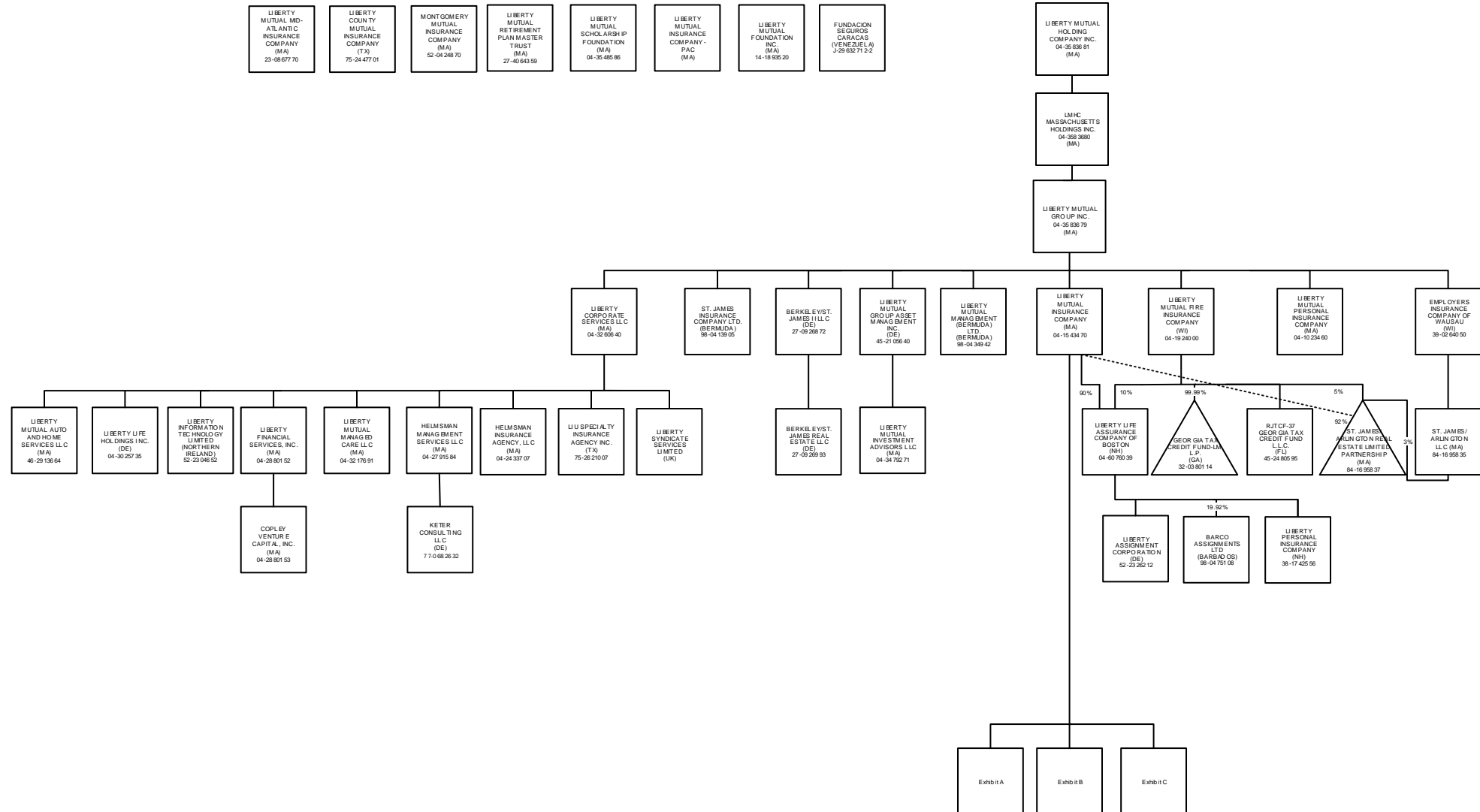
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SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN
Allocated By States and Territories

REMAINING WRITE-INS AGGREGATED AT LINE 58 FOR OTHER ALIEN	1 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						
58072. ESP SPAIN	X X X		17,729			3,237	17,805		
58073. THA THAILAND	X X X				125,817	(223,715)	(595)		
58074. TUV TURKS AND CAICOS	X X X					(700)	473		
58075. ARE UNITED ARAB EMIRATES	X X X		705			(87)	16		
58076. VEN VENEZUELA	X X X					(713)	(879)		
58077. VNM VIETNAM	X X X		863			(2,641)	5,882		
58078. BLR BELARUS	X X X	(807)	(807)			(61)	(28)		
58079. MLT MALTA	X X X	(6,375)	(1,411)						
58080. ECU ECUADOR	X X X	(40,211)	93,914			9,615	82,903		
58097. Total (Lines 58004 through 58096) (Page 94, Line 58998)	X X X	4,424,750	5,146,862		968,399	212,645	(431,441)		

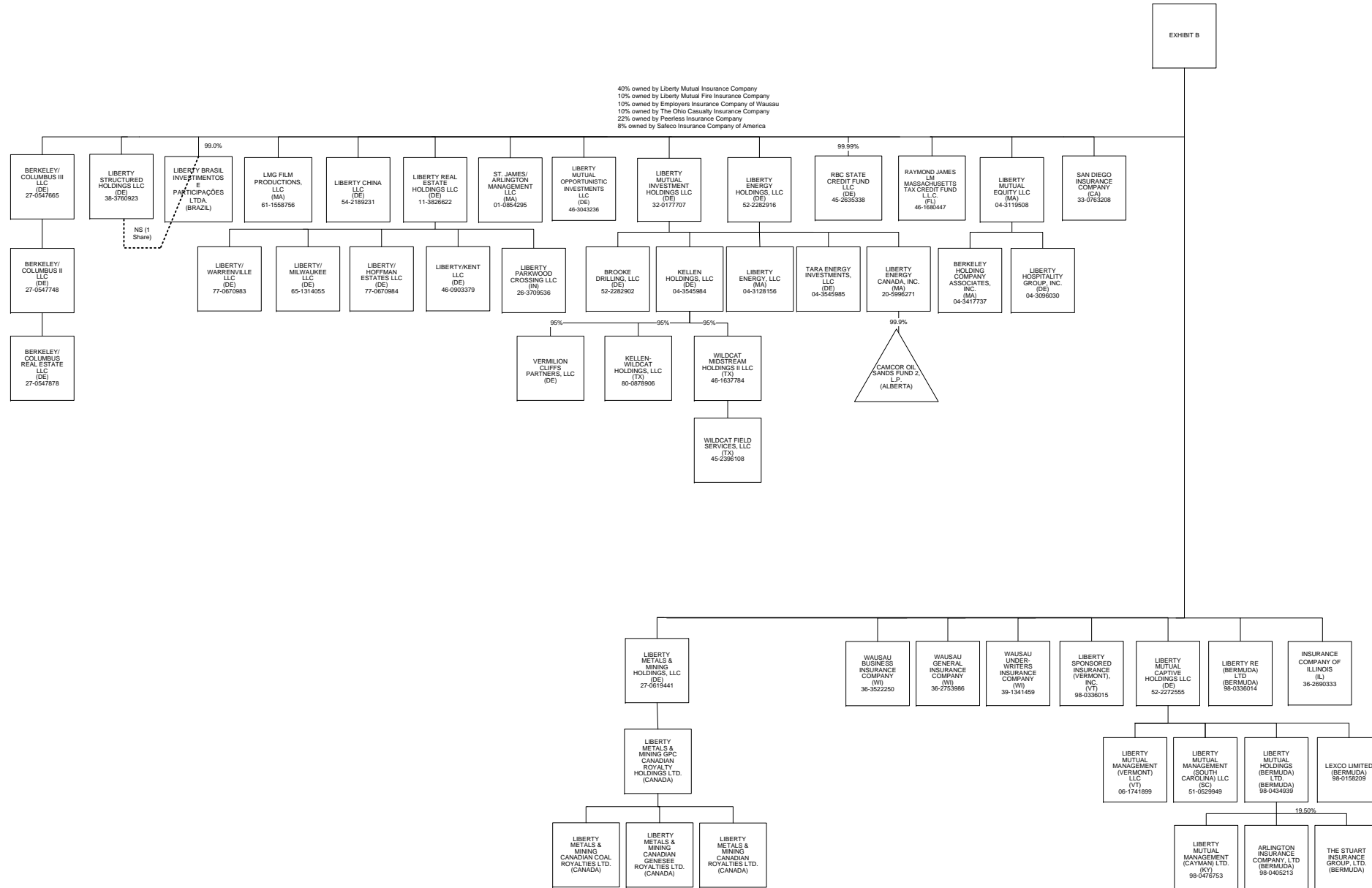
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



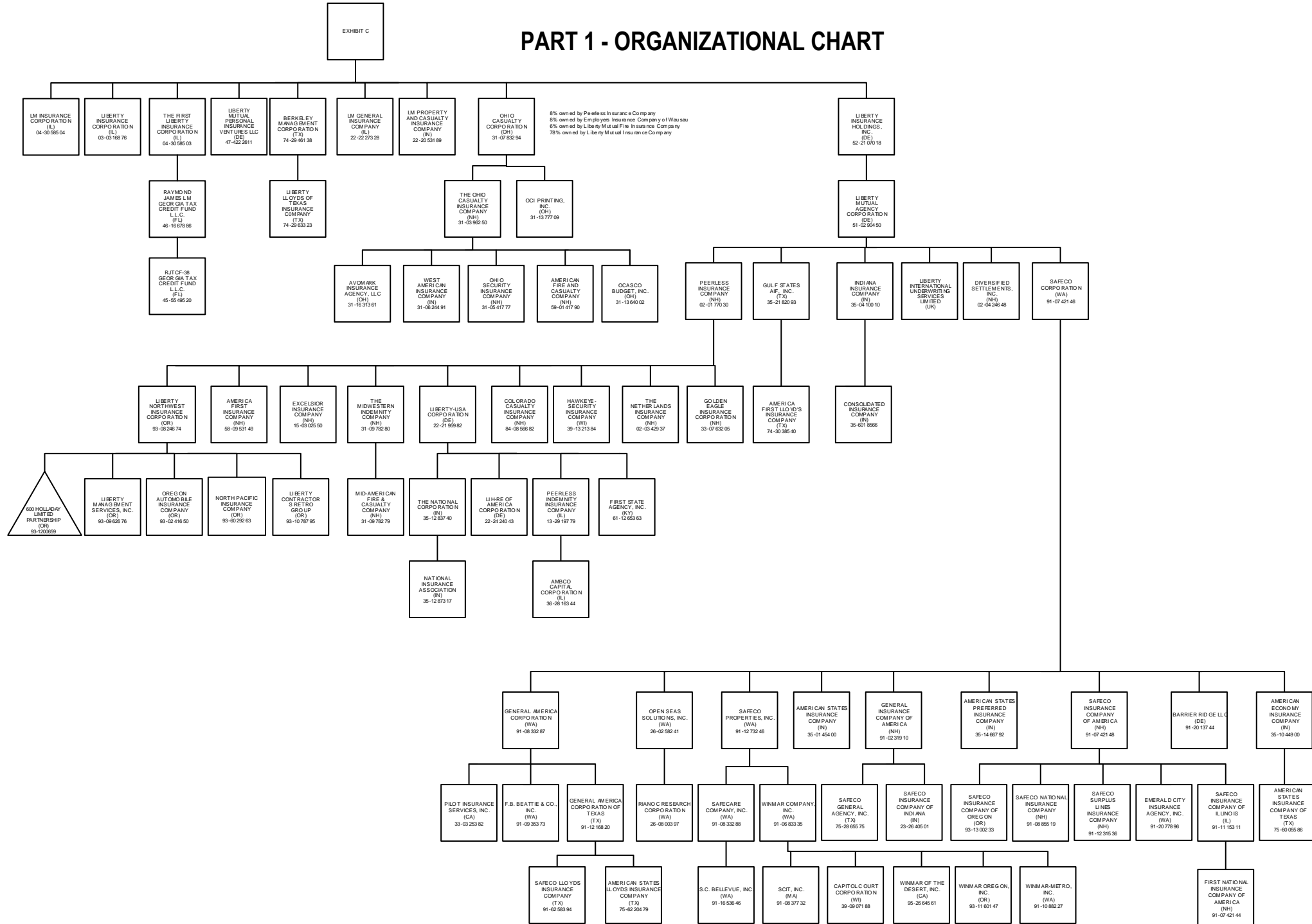
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

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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