

**ANNUAL STATEMENT**

**OF THE**

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**LIBERTY MUTUAL INSURANCE COMPANY**

---

of **BOSTON**

**STATE OF MASSACHUSETTS**

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**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2018**

**PROPERTY AND CASUALTY**

**2018**



23043201820100100

ANNUAL STATEMENT

For the Year Ended December 31, 2018
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
Organized under the Laws of Massachusetts, State of Domicile or Port of Entry MA
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
Main Administrative Office 175 Berkeley Street, Boston, MA, US 02116
Mail Address 175 Berkeley Street, Boston, MA, US 02116
Primary Location of Books and Records 175 Berkeley Street, Boston, MA, US 02116
Internet Web Site Address www.LibertyMutualGroup.com
Statutory Statement Contact Lindsey Pendergast, 617-357-9500 x41177

OFFICERS

Chairman of the Board

David Henry Long

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

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents such as Alison Brooke Erbig, Neeti Bhalla Johnson, Kevin Hugh Kelley #, James Martin McGlennon, Timothy Michael Sweeney, Melanie Marie Foley, James Francis Kelleher, Dennis James Langwell, and Christopher Locke Peirce.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors or trustees including Melanie Marie Foley #, Dennis James Langwell, Timothy Michael Sweeney, Neeti Bhalla Johnson, David Henry Long, Mark Charles Touhey, James Francis Kelleher, James Martin McGlennon #, and Kevin Hugh Kelley #.

State of Massachusetts
County of Suffolk ss

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

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

Subscribed and sworn to (or affirmed) before me this on this
15th day of January, 2019, by

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	14,124,491,550		14,124,491,550	12,458,717,979
2. Stocks (Schedule D):				
2.1 Preferred stocks	25,853,271		25,853,271	44,817,504
2.2 Common stocks	16,621,852,968	119,991,013	16,501,861,955	16,323,033,184
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	582,464,448		582,464,448	603,653,325
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	255,809,551		255,809,551	272,895,626
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (275,149,511), Schedule E - Part 1), cash equivalents (\$ 734,855,331, Schedule E - Part 2), and short-term investments (\$ 4,635,892, Schedule DA)	464,341,712		464,341,712	370,003,299
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)	22,076,553		22,076,553	38,521,080
8. Other invested assets (Schedule BA)	7,151,021,111	25,252,700	7,125,768,411	7,176,619,456
9. Receivables for securities	85,513,904		85,513,904	31,797,622
10. Securities lending reinvested collateral assets (Schedule DL)	669,543,680		669,543,680	158,483,552
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	40,002,968,748	145,243,713	39,857,725,035	37,478,542,627
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	108,139,840		108,139,840	100,341,596
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,088,782,676	76,995,104	2,011,787,572	1,545,946,132
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 31,291,435 earned but unbilled premiums)	3,635,987,786	3,129,146	3,632,858,640	3,517,985,022
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	192,533,511	19,252,489	173,281,022	194,726,669
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	507,959,326		507,959,326	381,127,192
16.2 Funds held by or deposited with reinsured companies	28,835,109		28,835,109	20,103,157
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	23,553	3,062	20,491	22,302
18.1 Current federal and foreign income tax recoverable and interest thereon	111,052,414		111,052,414	62,588,507
18.2 Net deferred tax asset	1,017,587,001	165,243,625	852,343,376	1,201,277,542
19. Guaranty funds receivable or on deposit	19,532,202		19,532,202	11,092,354
20. Electronic data processing equipment and software	710,490,248	628,546,267	81,943,981	70,920,130
21. Furniture and equipment, including health care delivery assets (\$ 0)	626,789,270	626,789,270		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	824,164,486	99,783,029	724,381,457	639,689,420
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	797,202,448	76,498,056	720,704,392	796,391,891
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	50,672,048,618	1,841,483,761	48,830,564,857	46,020,754,541
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	50,672,048,618	1,841,483,761	48,830,564,857	46,020,754,541

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	490,670,945		490,670,945	478,480,554
2502. Other assets	111,898,746	76,028,151	35,870,595	135,346,027
2503. Equities and deposits in pools and associations	107,347,508		107,347,508	98,425,626
2598. Summary of remaining write-ins for Line 25 from overflow page	87,285,249	469,905	86,815,344	84,139,684
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	797,202,448	76,498,056	720,704,392	796,391,891

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	16,732,409,112	16,391,595,471
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	215,326,051	153,654,728
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	3,432,800,188	3,267,135,983
4. Commissions payable, contingent commissions and other similar charges	323,268,310	268,222,669
5. Other expenses (excluding taxes, licenses and fees)	475,723,275	423,173,851
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	136,262,263	143,145,005
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 \$ 547,864	150,547,864	801,461,521
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 8,890,954,483 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)	7,851,429,449	7,503,154,587
10. Advance premium	49,715,981	41,679,456
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	1,111,529	967,520
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,082,425,327	1,052,160,126
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 20)	384,795,327	224,693,828
14. Amounts withheld or retained by company for account of others	741,888,364	719,415,826
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 3 Column 78)	62,866,000	52,491,027
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	567,440,227	724,094,547
20. Derivatives	91,945	6,158,289
21. Payable for securities	194,208,037	251,829,431
22. Payable for securities lending	669,543,680	158,483,552
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(606,618,522)	(694,086,149)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	32,465,234,407	31,489,431,268
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	32,465,234,407	31,489,431,268
29. Aggregate write-ins for special surplus funds	43,108,583	176,230,822
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	623,690,310	623,624,029
34. Gross paid in and contributed surplus	9,419,972,417	8,859,442,356
35. Unassigned funds (surplus)	6,267,309,139	4,860,776,066
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)	16,365,330,449	14,531,323,273
38. Totals (Page 2, Line 28, Col. 3)	48,830,564,856	46,020,754,541

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	682,907,911	793,017,239
2502. Amounts held under uninsured plans	271,902,136	273,457,500
2503. Deposit liability	26,909,972	30,047,334
2598. Summary of remaining write-ins for Line 25 from overflow page	(1,588,338,541)	(1,790,608,222)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(606,618,522)	(694,086,149)
2901. Special surplus from retroactive reinsurance	43,108,583	176,230,822
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)	43,108,583	176,230,822
3201. Guaranty funds	1,250,000	1,250,000
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	1,250,000	1,250,000

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	15,538,384,730	13,754,980,458
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	8,975,311,462	9,074,679,354
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	1,901,308,199	1,863,145,570
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	4,729,735,224	4,357,957,987
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	15,606,354,885	15,295,782,911
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(67,970,155)	(1,540,802,453)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,432,405,438	524,311,771
10. Net realized capital gains (losses) less capital gains tax of \$ 26,963,243 (Exhibit of Capital Gains (Losses))	425,411,436	5,261,230
11. Net investment gain (loss) (Lines 9 + 10)	2,857,816,874	529,573,001
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 1,810,633 amount charged off \$ 53,106,200)	(51,295,567)	(53,388,667)
13. Finance and service charges not included in premiums	100,891,550	101,537,941
14. Aggregate write-ins for miscellaneous income	(339,778,918)	(36,539,152)
15. Total other income (Lines 12 through 14)	(290,182,935)	11,610,122
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	2,499,663,784	(999,619,330)
17. Dividends to policyholders	8,220,582	6,796,773
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)	2,491,443,202	(1,006,416,103)
19. Federal and foreign income taxes incurred	(402,204,243)	(97,994,788)
20. Net income (Line 18 minus Line 19) (to Line 22)	2,893,647,445	(908,421,315)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	14,531,323,273	16,528,205,493
22. Net income (from Line 20)	2,893,647,445	(908,421,315)
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (40,757,773)	(1,035,176,416)	(764,286,013)
25. Change in net unrealized foreign exchange capital gain (loss)	(79,790,213)	95,301,149
26. Change in net deferred income tax	(354,419,692)	(334,005,887)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(99,357,800)	(207,970,855)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(10,374,973)	(12,841,122)
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	560,530,061	255,000,000
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)	(69,727,700)
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	23,648,483	(49,996,758)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,834,007,176	(1,996,882,220)
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	16,365,330,449	14,531,323,273

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Other income/(expense)	(118,407,477)	(135,343,089)
1402. Retroactive reinsurance gain/(loss)	(221,371,441)	98,803,937
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(339,778,918)	(36,539,152)
3701. Other changes in surplus	23,648,483	(49,996,758)
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)	23,648,483	(49,996,758)

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	15,376,491,501	13,799,443,828
2. Net investment income	2,541,057,240	697,943,558
3. Miscellaneous income	(73,513,588)	265,761,028
4. Total (Lines 1 through 3)	17,844,035,153	14,763,148,414
5. Benefit and loss related payments	8,678,797,664	7,943,493,150
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	6,370,085,888	5,980,144,449
8. Dividends paid to policyholders	8,076,573	6,774,161
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(90,598,007)	(187,503,804)
10. Total (Lines 5 through 9)	14,966,362,118	13,742,907,956
11. Net cash from operations (Line 4 minus Line 10)	2,877,673,035	1,020,240,458
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	10,496,795,790	10,016,304,591
12.2 Stocks	2,033,554,171	601,553,533
12.3 Mortgage loans	55,243,086	82,374,157
12.4 Real estate	2,164,117	8,643,734
12.5 Other invested assets	2,637,780,438	4,893,964,356
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(1,699,789)	16,407
12.7 Miscellaneous proceeds	(53,749,088)	(9,010,326)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	15,170,088,725	15,593,846,452
13. Cost of investments acquired (long-term only):		
13.1 Bonds	11,157,515,459	8,954,493,282
13.2 Stocks	2,536,796,563	6,724,013,724
13.3 Mortgage loans	34,114,803	63,997,181
13.4 Real estate	8,273,398	9,988,152
13.5 Other invested assets	3,244,068,549	2,303,039,034
13.6 Miscellaneous applications	58,745,932	39,235,142
13.7 Total investments acquired (Lines 13.1 to 13.6)	17,039,514,704	18,094,766,515
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)	(1,869,425,979)	(2,500,920,063)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	66,281	66,281
16.2 Capital and paid in surplus, less treasury stock	560,530,061	255,000,000
16.3 Borrowed funds	(650,913,656)	650,913,656
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	64,766,000	69,727,700
16.6 Other cash provided (applied)	(758,825,327)	(78,484,170)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(913,908,641)	757,768,067
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	94,338,415	(722,911,538)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	370,003,299	1,092,914,837
19.2 End of year (Line 18 plus Line 19.1)	464,341,714	370,003,299

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

20.0001	1 - Premiums collected net of reinsurance		(149,844,840)
20.0002	2 - Net investment income	1,089,243	1,201,695
20.0003	5 - Benefits and loss related payments		790,896,344
20.0004	7 - Commissions, expenses paid and aggregate write-ins for deductions		36,296,441
20.0005	12.1 - Proceeds from investments sold, matured or repaid - Bonds	404,785,166	1,109,847,920
20.0006	12.2 - Proceeds from investments sold, matured or repaid - Stocks	2,270,676	39,941,784
20.0007	12.5 - Proceeds from investments sold, matured or repaid - Other invested assets	7,638,246	
20.0008	13.1 Cost of Investment Acquired - Bonds	1,651,995,680	1,735,908,902
20.0009	13.2 Cost of Investment Acquired - Stocks		7,254,259
20.0010	16.6 - Other cash provided (applied)	1,236,212,349	312,272,980

## 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	345,934,443	140,242,122	158,184,870	327,991,695
2. Allied lines	261,967,802	111,845,425	131,879,873	241,933,354
3. Farmowners multiple peril	52,835,619	25,663,167	26,148,518	52,350,268
4. Homeowners multiple peril	3,107,596,540	1,624,786,745	1,671,208,901	3,061,174,384
5. Commercial multiple peril	1,083,829,270	557,062,491	530,219,175	1,110,672,586
6. Mortgage guaranty				
8. Ocean marine	57,752,040	27,466,882	35,507,998	49,710,924
9. Inland marine	461,755,549	97,253,433	112,532,630	446,476,352
10. Financial guaranty				
11.1 Medical professional liability—occurrence	49,059,804	24,933,591	24,306,342	49,687,053
11.2 Medical professional liability—claims-made	55,708,735	24,283,061	28,572,657	51,419,139
12. Earthquake	38,842,375	16,386,837	19,175,165	36,054,047
13. Group accident and health	94,348,792	4,391,567	18,445,778	80,294,581
14. Credit accident and health (group and individual)				
15. Other accident and health	2,491,570	8,525,900	2,131,262	8,886,208
16. Workers' compensation	1,016,265,972	57,655,165	112,974,771	960,946,366
17.1 Other liability—occurrence	1,222,005,895	564,526,502	632,264,591	1,154,267,806
17.2 Other liability—claims-made	426,867,869	298,338,855	294,270,015	430,936,709
17.3 Excess workers' compensation	24,557,062	10,078,330	11,758,105	22,877,287
18.1 Products liability—occurrence	84,989,117	49,125,791	41,832,346	92,282,562
18.2 Products liability—claims-made	13,956,494	5,181,233	6,599,345	12,538,382
19.1,19.2 Private passenger auto liability	3,406,490,141	1,656,039,151	1,686,811,903	3,375,717,389
19.3,19.4 Commercial auto liability	703,826,409	327,083,452	330,656,732	700,253,129
21. Auto physical damage	2,597,161,166	1,260,246,552	1,273,916,417	2,583,491,301
22. Aircraft (all perils)	40,734,279	11,438,336	12,148,969	40,023,646
23. Fidelity	21,698,203	4,836,177	3,959,140	22,575,240
24. Surety	443,343,178	274,375,710	314,922,588	402,796,300
26. Burglary and theft	1,328,594	1,653,831	1,042,882	1,939,543
27. Boiler and machinery	21,126,631	8,231,400	9,338,529	20,019,502
28. Credit	15,471,223	10,342,348	20,947,305	4,866,266
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property	168,371,015	18,034,599	51,276,245	135,129,369
32. Reinsurance-nonproportional assumed liability	64,475,198	20,593,530	20,220,363	64,848,365
33. Reinsurance-nonproportional assumed financial lines	30,693,618	21,293,118	44,566,408	7,420,328
34. Aggregate write-ins for other lines of business				
35. TOTALS	15,915,484,603	7,261,915,301	7,627,819,823	15,549,580,081

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

NONE

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	150,295,845	7,889,025			158,184,870
2. Allied lines	132,701,648	(821,775)			131,879,873
3. Farmowners multiple peril	26,130,124	18,393			26,148,517
4. Homeowners multiple peril	1,669,310,604	1,898,297			1,671,208,901
5. Commercial multiple peril	539,143,453	4,410,285	(13,334,563)		530,219,175
6. Mortgage guaranty					
8. Ocean marine	22,212,372	13,295,625			35,507,997
9. Inland marine	87,017,771	25,514,859			112,532,630
10. Financial guaranty					
11.1 Medical professional liability—occurrence	23,102,833	1,203,509			24,306,342
11.2 Medical professional liability—claims-made	18,745,108	9,827,549			28,572,657
12. Earthquake	18,815,438	359,727			19,175,165
13. Group accident and health	18,445,778	1			18,445,779
14. Credit accident and health (group and individual)					
15. Other accident and health	2,146,760	(15,499)			2,131,261
16. Workers' compensation	294,176,222	17,101,679	(15,798,066)	(182,505,064)	112,974,771
17.1 Other liability—occurrence	502,104,377	137,449,938	(1,610,609)	(5,679,115)	632,264,591
17.2 Other liability—claims-made	175,486,832	118,796,039	(12,856)		294,270,015
17.3 Excess workers' compensation	9,901,610	1,856,495			11,758,105
18.1 Products liability—occurrence	32,724,771	13,668,891	(535,272)	(4,026,043)	41,832,347
18.2 Products liability—claims-made	5,772,160	827,254	(70)		6,599,344
19.1,19.2 Private passenger auto liability	1,661,082,357	25,729,546			1,686,811,903
19.3,19.4 Commercial auto liability	325,499,375	5,265,303	215,348	(323,294)	330,656,732
21. Auto physical damage	1,273,350,919	565,498			1,273,916,417
22. Aircraft (all perils)	9,026,261	3,122,707			12,148,968
23. Fidelity	7,145,041	(3,185,901)			3,959,140
24. Surety	88,622,563	226,300,025			314,922,588
26. Burglary and theft	921,981	120,901			1,042,882
27. Boiler and machinery	9,052,025	286,504			9,338,529
28. Credit	4,169,293	16,778,012			20,947,305
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property	43,672,807	7,603,438			51,276,245
32. Reinsurance-nonproportional assumed liability	17,327,772	2,892,591			20,220,363
33. Reinsurance-nonproportional assumed financial lines	29,419,809	15,146,599			44,566,408
34. Aggregate write-ins for other lines of business					
35. TOTALS	7,197,523,909	653,905,515	(31,076,088)	(192,533,516)	7,627,819,820
36. Accrued retrospective premiums based on experience					192,533,511
37. Earned but unbilled premiums					31,076,088
38. Balance (Sum of Lines 35 through 37)					7,851,429,419

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	51,039,596	799,227,923	47,578,199	356,046,718	195,864,558	345,934,442
2. Allied lines	26,622,577	560,511,372	49,404,667	296,602,849	77,967,964	261,967,803
3. Farmowners multiple peril		110,167,748		52,878,190	4,453,939	52,835,619
4. Homeowners multiple peril	72,465,576	6,604,015,114	45,688,261	3,107,596,540	506,975,873	3,107,596,538
5. Commercial multiple peril	22,991,803	2,364,483,196	47,044,749	1,093,049,313	257,641,165	1,083,829,270
6. Mortgage guaranty						
8. Ocean marine	76,639,605	40,531,379	16,634,566	65,082,901	10,970,609	57,752,040
9. Inland marine	115,143,631	3,429,598,938	8,508,942	470,834,738	2,620,661,224	461,755,549
10. Financial guaranty						
11.1 Medical professional liability--occurrence		91,577,361	6,541,836	49,059,804	(411)	49,059,804
11.2 Medical professional liability--claims-made		91,883,138	19,530,674	55,708,735	(3,657)	55,708,734
12. Earthquake	44,264	81,019,955	4,566,357	38,829,657	7,958,543	38,842,376
13. Group accident and health	1,082,349	184,516,684	3,806,063	95,062,126	(5,822)	94,348,792
14. Credit accident and health (group and individual)						
15. Other accident and health	8,737,314	28,732,970	466,356	3,654,439	31,790,632	2,491,569
16. Workers' compensation	189,807	2,492,099,537	58,197,372	1,021,745,084	512,475,660	1,016,265,972
17.1 Other liability—occurrence	356,166,948	2,108,502,210	120,453,822	1,231,376,930	131,740,155	1,222,005,895
17.2 Other liability—claims-made	182,022,133	645,032,528	154,464,735	477,968,133	76,683,394	426,867,869
17.3 Excess workers' compensation	11,117,917	41,851,324	423,016	25,515,319	3,319,876	24,557,062
18.1 Products liability—occurrence	20,603,421	153,914,648	647,072	88,801,320	1,374,704	84,989,117
18.2 Products liability—claims-made	206,218	27,626,177	80,593	13,956,494		13,956,494
19.1,19.2 Private passenger auto liability	188,844,621	6,815,505,781	50,396,511	3,406,490,141	241,766,631	3,406,490,141
19.3,19.4 Commercial auto liability	20,213,562	1,384,479,275	26,360,966	703,781,189	23,446,205	703,826,409
21. Auto physical damage	187,344,636	5,122,160,510	10,841,764	2,596,840,540	126,345,204	2,597,161,166
22. Aircraft (all perils)	46,044,298	73,571,722	7,890,757	40,735,430	46,037,068	40,734,279
23. Fidelity	27,441,703	17,084,776	2,499,940	24,730,641	597,575	21,698,203
24. Surety	668,494,176	228,670,544	12,280,846	456,367,342	9,735,046	443,343,178
26. Burglary and theft	(203,611)	2,934,539	2,626	1,328,594	76,366	1,328,594
27. Boiler and machinery	315,444	40,956,347	2,585,378	21,531,742	1,198,796	21,126,631
28. Credit	5,106,867	26,724,230	624,584	15,944,459	1,039,999	15,471,223
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X	451,898,007	78,726,824	168,371,015	193,882,801	168,371,015
32. Reinsurance-nonproportional assumed liability	X X X	97,258,943	40,586,377	64,475,199	8,894,923	64,475,198
33. Reinsurance-nonproportional assumed financial lines	X X X		63,871,567	30,693,618	2,484,331	30,693,618
34. Aggregate write-ins for other lines of business						
35. TOTALS	2,088,674,855	34,116,536,876	880,705,420	16,075,059,200	5,095,373,351	15,915,484,600

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

NONE

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

If yes: 1. The amount of such installment premiums \$ 70,379

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 143,907

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

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	9,822,455	298,131,437	150,042,944	157,910,948	221,959,833	293,387,666	86,483,115	26.367
2. Allied lines	11,982,939	521,917,919	339,461,297	194,439,561	194,544,770	228,092,040	160,892,291	66.503
3. Farmowners multiple peril		67,423,758	33,754,369	33,669,389	14,870,005	17,096,515	31,442,879	60.062
4. Homeowners multiple peril	71,177,442	3,469,605,015	1,941,351,356	1,599,431,101	813,338,848	792,604,712	1,620,165,237	52.926
5. Commercial multiple peril	43,227,820	1,410,448,467	747,922,076	705,754,211	1,219,739,372	1,211,801,887	713,691,696	64.258
6. Mortgage guaranty								
8. Ocean marine	30,570,059	17,437,821	28,258,447	19,749,433	45,575,679	48,233,937	17,091,175	34.381
9. Inland marine	68,646,367	2,109,936,744	1,903,032,640	275,550,471	72,962,758	58,335,492	290,177,737	64.993
10. Financial guaranty								
11.1 Medical professional liability—occurrence	11,156	19,653,911	10,119,146	9,545,921	85,622,199	74,044,278	21,123,842	42.514
11.2 Medical professional liability—claims-made		67,404,987	34,122,181	33,282,806	115,632,824	115,655,578	33,260,052	64.684
12. Earthquake		1,074,547	539,612	534,935	1,516,811	780,009	1,271,737	3.527
13. Group accident and health	695,495	23,163,880	11,221,621	12,637,754	47,564,074	3,346,528	56,855,300	70.808
14. Credit accident and health (group and individual)								
15. Other accident and health	1,399,737	50,080,746	26,441,176	25,039,307	13,783,995	25,617,763	13,205,539	148.607
16. Workers' compensation	68,520,043	1,468,975,712	1,003,411,920	534,083,835	5,563,929,910	5,963,109,203	134,904,542	14.039
17.1 Other liability—occurrence	256,656,823	1,290,476,114	912,236,051	634,896,886	2,491,160,969	2,304,393,703	821,664,152	71.185
17.2 Other liability—claims-made	101,559,867	273,079,067	233,809,774	140,829,160	937,867,164	874,086,529	204,609,795	47.480
17.3 Excess workers' compensation	6,781,802	29,858,398	21,343,735	15,296,465	296,021,698	287,478,149	23,840,014	104.208
18.1 Products liability—occurrence	16,874,579	116,450,737	76,375,436	56,949,880	191,574,441	183,647,772	64,876,549	70.302
18.2 Products liability—claims-made		1,460,225	794,733	665,492	27,732,721	19,424,265	8,973,948	71.572
19.1,19.2 Private passenger auto liability	123,354,400	4,091,725,667	2,193,268,560	2,021,811,507	2,966,218,782	2,743,672,641	2,244,357,648	66.485
19.3,19.4 Commercial auto liability	11,827,547	1,074,885,462	556,164,223	530,548,786	1,034,381,623	956,778,035	608,152,374	86.848
21. Auto physical damage	78,437,828	2,843,987,805	1,508,114,241	1,414,311,392	62,494,819	61,733,237	1,415,072,974	54.774
22. Aircraft (all perils)	43,000,026	22,341,950	41,035,614	24,306,362	30,085,756	26,676,838	27,715,280	69.247
23. Fidelity	913,380	3,827,592	2,407,150	2,333,822	39,954,742	42,677,874	(389,310)	(1.724)
24. Surety	95,129,769	11,394,628	54,035,293	52,489,104	116,120,715	110,762,017	57,847,802	14.362
26. Burglary and theft	2,621	736,970	369,796	369,795	3,388,596	1,161,273	2,597,118	133.904
27. Boiler and machinery		26,857,943	13,651,348	13,206,595	5,329,446	9,380,481	9,155,560	45.733
28. Credit		(1,295,078)	(647,539)	(647,539)	5,210,934	4,907,141	(343,746)	(7.064)
29. International								
30. Warranty					819,737	610,309	209,428	
31. Reinsurance-nonproportional assumed property	X X X	170,018,607	88,355,456	81,663,151	(40,610,619)	(183,043,107)	224,095,639	165.838
32. Reinsurance-nonproportional assumed liability	X X X	25,273,185	12,817,372	12,455,813	144,924,025	109,484,387	47,895,451	73.858
33. Reinsurance-nonproportional assumed financial lines	X X X	1,822,010	1,480,157	341,853	8,681,259	5,606,098	3,417,014	46.049
34. Aggregate write-ins for other lines of business					11,135	52,225	(41,090)	
35. TOTALS	1,040,592,155	19,508,156,226	11,945,290,185	8,603,458,196	16,732,409,021	16,391,595,475	8,944,271,742	57.521

DETAILS OF WRITE-IN LINES								
3401. Other					11,135	52,225	(41,090)	
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)					11,135	52,225	(41,090)	

## 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	3,983,358	265,932,517	167,043,726	102,872,149	14,933,089	276,417,402	172,262,806	221,959,834	13,347,189
2. Allied lines	10,643,767	253,748,354	144,911,649	119,480,472	3,165,849	162,724,124	90,825,675	194,544,770	11,734,733
3. Farmowners multiple peril		27,016,216	13,564,581	13,451,635		2,836,740	1,418,370	14,870,005	814,020
4. Homeowners multiple peril	13,431,344	977,037,697	516,056,640	474,412,401	5,740,097	698,309,122	365,122,771	813,338,849	123,095,381
5. Commercial multiple peril	112,019,273	1,458,699,970	860,845,882	709,873,361	31,607,896	1,004,059,510	525,801,395	1,219,739,372	320,090,398
6. Mortgage guaranty									
8. Ocean marine	36,241,283	40,431,023	53,947,908	22,724,398	34,460,889	18,268,526	29,878,134	45,575,679	4,505,141
9. Inland marine	94,856,868	66,598,833	109,564,690	51,891,011	38,546,467	172,930,247	190,404,968	72,962,757	6,551,113
10. Financial guaranty									
11.1 Medical professional liability—occurrence	88,466	32,768,325	16,611,493	16,245,298	14,301	139,848,930	70,486,329	85,622,200	7,491,717
11.2 Medical professional liability—claims-made		117,714,039	59,042,144	58,671,895		113,602,192	56,641,262	115,632,825	18,657,440
12. Earthquake		1,070,737	542,070	528,667		2,865,290	1,877,146	1,516,811	353,610
13. Group accident and health	1,873,181	1,037,323	2,391,842	518,662	354,733	94,467,837	47,777,158	(a) 47,564,074	2,253,455
14. Credit accident and health (group and individual)									
15. Other accident and health	1,260,153	38,398,453	35,960,359	3,698,247	1,389,993	31,292,603	22,596,848	(a) 13,783,995	1,468,143
16. Workers' compensation	665,728,286	5,908,984,718	4,048,185,644	2,526,527,360	416,411,776	7,057,068,862	4,436,078,089	5,563,929,909	1,017,246,237
17.1 Other liability—occurrence	387,885,147	1,756,900,221	1,211,983,490	932,801,878	468,885,375	3,196,111,281	2,106,637,566	2,491,160,968	668,817,813
17.2 Other liability—claims-made	181,737,353	552,019,410	445,767,950	287,988,813	180,714,378	1,247,602,718	778,438,745	937,867,164	207,945,394
17.3 Excess workers' compensation	35,996,362	305,450,009	211,879,057	129,567,314	47,422,859	384,243,241	265,211,716	296,021,698	42,124,272
18.1 Products liability—occurrence	32,071,755	99,916,987	82,729,451	49,259,291	108,598,295	194,582,346	160,865,490	191,574,442	133,393,974
18.2 Products liability—claims-made		2,937,104	1,468,552	1,468,552	53,566	53,531,202	27,320,600	27,732,720	6,226,252
19.1,19.2 Private passenger auto liability	94,422,740	4,084,244,493	2,439,832,894	1,738,834,339	56,987,172	2,471,300,937	1,300,903,666	2,966,218,782	618,029,504
19.3,19.4 Commercial auto liability	55,468,940	1,087,772,521	620,890,590	522,350,871	24,298,884	1,037,289,235	549,557,367	1,034,381,623	119,934,209
21. Auto physical damage	1,112,357	15,156,205	8,245,385	8,023,177	(1,850,473)	113,666,898	57,344,783	62,494,819	55,498,125
22. Aircraft (all perils)	29,482,399	23,706,944	28,118,393	25,070,950	(3,766,551)	18,897,221	10,115,864	30,085,756	7,326,074
23. Fidelity	15,564,513	5,827,613	14,876,976	6,515,150	25,333,234	47,186,176	39,079,818	39,954,742	5,534,921
24. Surety	(43,262,187)	28,054,150	(6,231,676)	(8,976,361)	163,908,353	84,993,155	123,804,431	116,120,716	26,041,021
26. Burglary and theft	7,161	1,742,806	874,984	874,983	154,226	5,064,418	2,705,031	3,388,596	555,362
27. Boiler and machinery		16,469,808	8,612,527	7,857,281	3,671	(5,055,445)	(2,523,938)	5,329,445	1,416,384
28. Credit		751,803	375,901	375,902	765,566	9,120,939	5,051,472	5,210,935	731,917
29. International									
30. Warranty					(68,103)	591,490	(296,350)	819,737	237,614
31. Reinsurance-nonproportional assumed property	X X X	175,816,141	94,280,609	81,535,532	X X X	245,145,184	367,291,335	(40,610,619)	3,201,638
32. Reinsurance-nonproportional assumed liability	X X X	105,089,748	53,610,197	51,479,551	X X X	189,979,718	96,535,244	144,924,025	8,038,001
33. Reinsurance-nonproportional assumed financial lines	X X X	9,526,965	4,763,829	4,763,136	X X X	9,978,364	6,060,241	8,681,259	139,147
34. Aggregate write-ins for other lines of business					11,135			11,135	
35. TOTALS	1,730,612,519	17,460,821,133	11,250,747,737	7,940,685,915	1,618,076,677	19,078,920,463	11,905,274,032	16,732,409,023	3,432,800,199
<b>DETAILS OF WRITE-IN LINES</b>									
3401. Other					11,135			11,135	
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)					11,135			11,135	

(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	424,979,123			424,979,123
1.2 Reinsurance assumed	1,533,611,102			1,533,611,102
1.3 Reinsurance ceded	1,013,526,528			1,013,526,528
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	945,063,697			945,063,697
2. Commission and brokerage:				
2.1 Direct, excluding contingent		221,128,194		221,128,194
2.2 Reinsurance assumed, excluding contingent		3,264,676,100		3,264,676,100
2.3 Reinsurance ceded, excluding contingent		2,217,039,487		2,217,039,487
2.4 Contingent—direct		13,132,513		13,132,513
2.5 Contingent—reinsurance assumed		455,688,565		455,688,565
2.6 Contingent—reinsurance ceded		237,282,593		237,282,593
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)		1,500,303,292		1,500,303,292
3. Allowances to manager and agents		145,181,155		145,181,155
4. Advertising	1,256,101	266,418,065	62,047	267,736,213
5. Boards, bureaus and associations	3,102,188	23,296,431	34,079	26,432,698
6. Surveys and underwriting reports	410,183	64,502,124	35,666	64,947,973
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	601,889,998	1,261,378,394	53,793,989	1,917,062,381
8.2 Payroll taxes	26,160,832	96,578,359	2,218,847	124,958,038
9. Employee relations and welfare	62,883,394	229,599,058	6,068,497	298,550,949
10. Insurance	68,218,848	2,126,682	3,437,959	73,783,489
11. Directors' fees	(18,065)	(51,648)	(1,559)	(71,272)
12. Travel and travel items	25,007,055	64,000,178	1,546,257	90,553,490
13. Rent and rent items	35,292,042	130,368,293	3,136,976	168,797,311
14. Equipment	24,856,641	79,344,179	9,914,614	114,115,434
15. Cost or depreciation of EDP equipment and software	24,384,391	63,400,772	2,982,241	90,767,404
16. Printing and stationery	2,553,814	12,486,084	137,504	15,177,402
17. Postage, telephone and telegraph, exchange and express	15,911,722	85,578,140	1,071,467	102,561,329
18. Legal and auditing	7,806,714	16,779,803	2,751,858	27,338,375
19. Totals (Lines 3 to 18)	899,715,858	2,540,986,069	87,190,442	3,527,892,369
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 1,594,272		308,439,827		308,439,827
20.2 Insurance department licenses and fees		32,697,685		32,697,685
20.3 Gross guaranty association assessments		(289,121)		(289,121)
20.4 All other (excluding federal and foreign income and real estate)		54,420,222		54,420,222
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		395,268,613		395,268,613
21. Real estate expenses			17,877,943	17,877,943
22. Real estate taxes			1,167,445	1,167,445
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	56,528,645	293,178,972	10,364,556	360,072,173
25. Total expenses incurred	1,901,308,200	4,729,736,946	116,600,386	(a) 6,747,645,532
26. Less unpaid expenses—current year	3,432,800,188	931,384,094	3,869,754	4,368,054,036
27. Add unpaid expenses—prior year	3,267,135,983	830,171,407	4,370,118	4,101,677,508
28. Amounts receivable relating to uninsured plans, prior year		22,302		22,302
29. Amounts receivable relating to uninsured plans, current year		20,491		20,491
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,735,643,995	4,628,522,448	117,100,750	6,481,267,193

DETAILS OF WRITE-IN LINES				
2401. Other Expenses	56,528,645	293,178,972	10,364,556	360,072,173
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)	56,528,645	293,178,972	10,364,556	360,072,173

(a) Includes management fees of \$ 2,210,863,863 to affiliates and \$ 145,178,796 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a)	38,680,121	44,495,019
1.1 Bonds exempt from U.S. tax	(a)	44,228,497	41,751,899
1.2 Other bonds (unaffiliated)	(a)	361,944,270	366,785,341
1.3 Bonds of affiliates	(a)	1,278,133	1,278,133
2.1 Preferred stocks (unaffiliated)	(b)	1,878,886	1,864,960
2.11 Preferred stocks of affiliates	(b)		
2.2 Common stocks (unaffiliated)		14,100,863	17,190,416
2.21 Common stocks of affiliates		1,636,440,410	1,636,440,410
3. Mortgage loans	(c)	25,965,062	25,828,867
4. Real estate	(d)	48,347,595	48,347,595
5. Contract loans			
6. Cash, cash equivalents and short-term investments	(e)	16,686,934	17,560,429
7. Derivative instruments	(f)	(159,476,211)	(159,476,211)
8. Other invested assets		591,738,958	591,980,222
9. Aggregate write-ins for investment income		(6,247,319)	(6,247,319)
10. Total gross investment income		2,615,566,199	2,627,799,761
11. Investment expenses	(g)		116,600,386
12. Investment taxes, licenses and fees, excluding federal income taxes	(g)		
13. Interest expense	(h)		60,785,054
14. Depreciation on real estate and other invested assets	(i)		18,008,883
15. Aggregate write-ins for deductions from investment income			
16. Total deductions (Lines 11 through 15)			195,394,323
17. Net investment income (Line 10 minus Line 16)			2,432,405,438

DETAILS OF WRITE-IN LINES			
0901. Miscellaneous Income/(Expense)		(6,247,319)	(6,247,319)
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)		(6,247,319)	(6,247,319)
1501.	<b>NONE</b>		
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 \$ 17,523,482 accrual of discount less \$ 39,608,662 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 \$ 117,242 accrual of discount less \$ 0 amortization of premium and less \$ 1,124 paid for accrued interest on purchases.
(d)	Includes \$ 47,343,186 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
(e)	Includes \$ 3,011,101 accrual of discount less \$ (22,279) amortization of premium and less \$ 1,110,300 paid for accrued interest on purchases.
(f)	Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
(g)	Includes \$ 41,233,768 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 \$ 18,008,883 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(16,151,465)		(16,151,465)		(18)
1.1 Bonds exempt from U.S. tax	3,942,537		3,942,537		
1.2 Other bonds (unaffiliated)	(29,892,843)	(10,042,388)	(39,935,231)	(37,750,409)	(14,921,907)
1.3 Bonds of affiliates	555,667		555,667		
2.1 Preferred stocks (unaffiliated)	830,443		830,443	(63,586)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	5,141,847	(9,067)	5,132,780	(124,850,724)	(1,697)
2.21 Common stocks of affiliates	302,579,097		302,579,097	(617,560,299)	
3. Mortgage loans	(112,822)		(112,822)	52,228	
4. Real estate	2,164,117	(7,350,589)	(5,186,472)		
5. Contract loans					
6. Cash, cash equivalents and short-term investments	(1,699,789)		(1,699,789)	(302,671)	(493,893)
7. Derivative instruments	173,820,487		173,820,487	14,942,184	
8. Other invested assets	40,758,302	(621,951)	40,136,351	(314,218,408)	(2,455,496)
9. Aggregate write-ins for capital gains (losses)	(1,214,600)	(10,322,359)	(11,536,959)	3,817,496	
10. Total capital gains (losses)	480,720,978	(28,346,354)	452,374,624	(1,075,934,189)	(17,873,011)

DETAILS OF WRITE-IN LINES					
0901. MISCELLANEOUS AFFILIATE		7,410		7,410	
0902. DEFERRED G/L-TRFSR OF ASSETS-INTERCO NON-CASH					
0903. FOREIGN EXCHANGE GAIN/LOSS - OTHER		(1,222,010)		(1,222,010)	3,817,496
0998. Summary of remaining write-ins for Line 09 from overflow page			(10,322,359)	(10,322,359)	
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)		(1,214,600)	(10,322,359)	(11,536,959)	3,817,496

## 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	119,991,013	52,592,022	(67,398,991)
3. Mortgage loans on real estate (Schedule B):			
3.1 First lines			
3.2 Other than first lines			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)	25,252,700	23,473,276	(1,779,424)
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)	145,243,713	76,065,298	(69,178,415)
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	76,995,104	60,788,119	(16,206,985)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,129,146	2,681,156	(447,990)
15.3 Accrued retrospective premiums and contracts subject to redetermination	19,252,489	21,656,086	2,403,597
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	3,062	380	(2,682)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	165,243,625	130,352,459	(34,891,166)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	628,546,267	654,992,320	26,446,053
21. Furniture and equipment, including health care delivery assets	626,789,270	728,780,146	101,990,876
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates	99,783,029		(99,783,029)
24. Health care and other amounts receivable			
25. Aggregate write-ins for other-than-invested assets	76,498,056	67,488,896	(9,009,160)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,841,483,761	1,742,804,860	(98,678,901)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	1,841,483,761	1,742,804,860	(98,678,901)

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	76,028,151	67,481,618	(8,546,533)
2502. Amounts receivable under high deductible policies	469,905	7,278	(462,627)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	76,498,056	67,488,896	(9,009,160)

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the Massachusetts Insurance Commissioner, 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.

#### NET INCOME

	SSAP #	F/S Page	F/S Line #	2018	2017
1. Liberty Mutual Insurance Company state basis (Page 4, Line 20, Columns 1 & 3)	XXX	XXX	XXX	\$ 2,893,647,445	\$ (908,421,315)
2. State Prescribed Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	\$ -	\$ -
3. State Permitted Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
4. NAIC SAP (1-2-3=4)	XXX	XXX	XXX	<u>\$ 2,893,647,445</u>	<u>\$ (908,421,315)</u>
<b>SURPLUS</b>					
5. Liberty Mutual Insurance Company state basis (Page 3, Line 37, Columns 1 & 2)	XXX	XXX	XXX	\$ 16,365,330,449	\$ 14,531,323,273
6. State Prescribed Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
7. State Permitted Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
8. NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>\$ 16,365,330,449</u>	<u>\$ 14,531,323,273</u>

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

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

#### C. Accounting Policies

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

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

- Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Investment Analysis Office (SVO Manual).
- Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
- Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
- Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
- Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
- Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are based on market expectations. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
- Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*, and the SVO Manual.
- Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
- Derivative Securities, refer to Note 8.
- 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.
- Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and an amount, based on past experience, for losses and loss adjustment expenses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
- The Company did not change its capitalization policy in 2018.
- The Company has no pharmaceutical rebate receivables.

#### D. Going Concern

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

### Note 2 – Accounting Changes and Corrections of Errors

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

## NOTES TO FINANCIAL STATEMENTS

### Note 3 - Business Combinations and Goodwill

#### A. Statutory Purchase Method

On May 1, 2017, the Company directly acquired a 100% ownership and all of the issued and outstanding voting shares of Ironshore Inc. ("Ironshore"), a holding company, which is the upstream parent of various subsidiaries that are engaged in insurance and non-insurance activity. The transaction was accounted for as a statutory purchase and the cost was \$2,935,288,000, resulting in goodwill in the amount of \$1,063,290,591. Goodwill amortization relating to the purchase of Ironshore was \$106,329,059 for year ended December 31, 2018; 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, 2018; goodwill is being amortized over ten years.

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 was fully amortized as of December 31, 2017.

Purchased Entity	Acquisition Date	Cost of Acquired Entity	Original amount of admitted goodwill	Admitted goodwill as of the reporting date	Amount of goodwill amortized during the reporting period	Admitted goodwill as a % of SCA, BACV, gross of admitted goodwill
Ironshore Inc.	May 1, 2017	\$2,935,288,000	\$1,063,290,591	\$886,075,493	\$106,329,059	38.38%
Liberty Insurance Holdings, Inc.	June 9, 2010	\$249,957,350	\$288,195,370	\$41,548,166	\$28,819,537	0.72%

#### 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 2018 were:

Farm mortgages	N/A
Residential mortgages	N/A
Commercial mortgages	3.620% and 5.500%
Mezzanine	N/A

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

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

2018	2017
\$18,427	\$36,306

##### 4. Age Analysis of Mortgage Loans:

	Farm	Residential		Commercial		Mezzanine	Total
		Insured	All Other	Insured	All Other		
<b>a. Current Year</b>							
<b>1. Recorded Investments (All)</b>							
(a) Current	\$ -	\$ -	\$ -	\$ -	\$ 581,630,930	\$ -	\$ 581,630,930
(b) 30-59 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c) 60-89 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(d) 90-179 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(e) 180+ Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ 1,015,361	\$ -	\$ 1,015,361

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

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

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

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

##### 4. Interest Reduced

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ 18,198,911	\$ -	\$ 18,198,911
(b) Number of Loans	\$ -	\$ -	\$ -	\$ -	\$ 163	\$ -	\$ 163
(c) Percent Reduced	0%	0%	0%	0%	1.353%	0%	1.353%

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

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ 582,682,291	\$ -	\$ 582,682,291
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#### b. Prior Year

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

(a) Current	\$ -	\$ -	\$ -	\$ -	\$ 603,440,355	\$ -	\$ 603,440,355
(b) 30-59 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ 458,312	\$ -	\$ 458,312
(c) 60-89 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(d) 90-179 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(e) 180+ Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ 24,729	\$ -	\$ 24,729

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

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

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

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



## NOTES TO FINANCIAL STATEMENTS

## 4. Interest Reduced

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ 26,966,567	\$ -	\$ 26,966,567
(b) Number of Loans	\$ -	\$ -	\$ -	\$ -	\$ 158	\$ -	\$ 158
(c) Percent Reduced	0%	0%	0%	0%	1.290%	0%	1.290%

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

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ 603,923,396	\$ -	\$ 603,923,396
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## 5. Investment in Impaired Loans With or Without Allowance for Credit Losses:

	Farm	Residential		Commercial		Mezzanine	Total
		Insured	All Other	Insured	All Other		
<b>a. Current Year</b>							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$ 1,333,998	\$ -	\$ 1,333,998
2. No Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$ 3,704,205	\$ -	\$ 3,704,205
3. Total (1+2)					\$ 5,038,203		\$ 5,038,203
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan	\$ -	\$ -	\$ -	\$ -	\$ 5,038,203	\$ -	\$ 5,038,203

**b. Prior Year**

1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$ 1,903,462	\$ -	\$ 1,903,462
2. No Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$ 4,021,344	\$ -	\$ 4,021,344
3. Total (1+2)	\$ -	\$ -	\$ -	\$ -	\$ 5,924,806	\$ -	\$ 5,924,806
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan	\$ -	\$ -	\$ -	\$ -	\$ 5,924,806	\$ -	\$ 5,924,806

## 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		
<b>a. Current Year</b>							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ 5,481,504	\$ -	\$ 5,481,504
2. Interest Income Recognized	\$ -	\$ -	\$ -	\$ -	\$ 249,608	\$ -	\$ 249,608
3. Recorded Investments on Nonaccrual Status	\$ -	\$ -	\$ -	\$ -	\$ 1,051,361	\$ -	\$ 1,051,361
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	\$ -	\$ -	\$ -	\$ -	\$ 245,251	\$ -	\$ 245,251

**b. Prior Year**

1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ 6,570,230	\$ -	\$ 6,570,230
2. Interest Income Recognized	\$ -	\$ -	\$ -	\$ -	\$ 355,599	\$ -	\$ 355,599
3. Recorded Investments on Nonaccrual Status	\$ -	\$ -	\$ -	\$ -	\$ 24,729	\$ -	\$ 24,729
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	\$ -	\$ -	\$ -	\$ -	\$ 352,055	\$ -	\$ 352,055

## 7. Allowance for Credit Losses:

	2018	2017
a. Balance at beginning of period	\$ 270,071	\$ 1,335,646
b. Additions charged to operations	88,463	(351,206)
c. Direct write-downs charged against the allowances	(140,681)	(714,369)
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	\$ 217,853	\$ 270,071

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

	2018	2017
a. Aggregate amount of mortgage loans derecognized	\$ -	\$ 240,010
b. Real estate collateral recognized	-	117,042
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

	2018	2017
1. The total recorded investment in restructured loans, as of year end	\$ 4,201,540	\$ 6,036,169
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	\$ -	\$ -

## 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 as of December 31, 2018: None

## NOTES TO FINANCIAL STATEMENTS

3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2018:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Reported
05539TAR6	16,543	7,060	9,482	7,060	6,353	3/31/2018
05539TAR6	9,980	7,324	2,656	7,324	1,629	9/30/2018
Total	XXX	XXX	12,138	XXX	XXX	XXX

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2018:

a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$ (25,129,084)
2. 12 Months or Longer	\$ (40,123,125)

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

1. Less than 12 Months	\$ 1,063,807,297
2. 12 Months or Longer	\$ 1,472,980,515

5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

#### E. Dollar Repurchase Agreements and/or Securities Lending Transactions

1. On December 1, 2017, LMIC replaced its \$1,000,000,000 repurchase agreement with a \$250,000,000 repurchase agreement for a three-year period, which terminates December 1, 2020. As of December 31, 2018, no borrowings were outstanding under the agreement.

On November 29, 2017, the Company terminated its \$1,000,000,000 committed repurchase agreement that was due to expire July 3, 2018.

On November 24, 2017, the Company entered into a \$250,000,000 committed repurchase agreement, which terminates on November 24, 2020. As of December 31, 2018, no borrowings were outstanding under the agreement.

2. The Company has not pledged any of its assets as collateral as of December 31, 2018.

3. Collateral Received

a. Aggregate Amount Collateral Received

	Fair Value
1. Securities Lending	
(a) Open	\$ 669,543,680
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	\$ 669,543,680
(g) Securities Received	27,453,260
(h) Total Collateral Received	\$ 696,996,940
2. Dollar Repurchase Agreement	-
(a) Open	-
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	-

b. The fair value of that collateral and of the portion of that collateral that it has sold or pledged

\$ 696,996,940
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c. All collateral is received in the form of cash and/or securities equal to or in excess of 102% of the loaned value and are maintained in a separate custody account. Cash collateral is reinvested into short-term investments as outlined in the terms of the investment agreement. Per the terms of the investment agreement the Company has the right and ability to redeem any eligible securities on short notice.

4. Securities Lending Transactions Administered by an Affiliated Agent

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

5. Collateral Reinvestment

a. Aggregate Amount Collateral Received

	Amortized Cost	Fair Value
1. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	394,333,910	394,333,910
(c) 31 to 60 Days	193,084,750	193,084,750
(d) 61 to 90 Days	82,125,020	82,125,020
(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	\$ 669,543,680	\$ 669,543,680
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$ 669,543,680	\$ 669,543,680

## NOTES TO FINANCIAL STATEMENTS

### 2. Dollar Repurchase Agreement

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

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

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

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

### F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not applicable.

### G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not applicable.

### H. Repurchase Agreements Transactions Accounted for as a Sales

Not applicable.

### I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not applicable.

### J. Real Estate

1. The Company recognized an impairment on its commercial real estate property located in Hopkinton, MA in the amount of \$7,350,589 during the year. The property was deemed held for sale during the year and the impairment reflects the difference between net book value and the estimated sales price. The impairment is in the "Net realized capital gains" caption on the Statement of Income.

2. During 2018, the Company recognized a loss of \$39,129,715 on the disposal of leasehold improvements attributable to the 10 St. James and 75 Arlington Properties which were sold in January 2017. As part of the sale transaction the Company leased back space, transferring its existing lease with the Company's subsidiary, St. James/Arlington Real Estate Limited Partnership, to the new owner. When the sale was recorded, the leasehold improvements were excluded from the building's book value in the calculation of the gain, as the lease was still in place. Upon further review in 2018, it was determined the leasehold improvements should have been disposed of at the time of the sale.

3. The Company classified one commercial real estate property as held for sale during the year located in Hopkinton, MA. The Company sold one property during the year, a parcel of land located in Wausau, WI, and recognized a gain of \$2,164,117. The gain is in the "Net realized capital gains" caption on the Statement of Income.

4. The Company has not experienced any changes to a plan of sale for investment in real estate.

5. The Company does not engage in retail land sale operations.

6. The Company does not hold real estate investments with participating mortgage loan features.

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

1. There are thirteen years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.

2. There were \$52,477,976 of LIHTC and other tax benefits recognized during the year.

3. The balance of the investment recognized in the statement of financial position for the current year is \$195,051,972.

4. The Company's LIHTC property is required to meet regulatory benchmarks to comply with the LIHTC program which include the review of tenant files. Oversight of the projects is administered by the State Housing agencies.

5. The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.

6. The Company did not recognize any impairment loss on its LIHTC investment during the year.

7. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

## NOTES TO FINANCIAL STATEMENTS

## L. Restricted Assets

## 1. Restricted Assets (Included Pledge)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year						7 Increase/ (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)	6 Total From Prior Year	
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Collateral held under security lending agreements	669,543,680	-	-	-	669,543,680	158,483,552	511,060,128
c. Subject to repurchase agreements	-	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-
e. Subjects to dollar repurchase agreements	-	-	-	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-
g. Placed under option contracts	-	-	-	-	-	-	-
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-	-	-	-
i. FHLB capital stock	17,597,200	-	-	-	17,597,200	19,493,900	(1,896,700)
j. On deposit with states	1,360,863,848	-	-	-	1,360,863,848	1,360,368,996	494,852
k. On deposit with other regulatory bodies	898,002,153	-	-	-	898,002,153	898,586,380	(584,227)
l. Pledged collateral to FHLB (including assets backing funding agreements)	163,862,365	-	-	-	163,862,365	165,203,112	(1,340,747)
m. Pledged as collateral not captured in other categories	1,209,388,674	-	-	-	1,209,388,674	827,276,198	382,112,476
n. Other restricted assets	3,965,240	-	-	-	3,965,240	205,688,614	(201,723,374)
<b>o. Total Restricted Assets</b>	<b>\$ 4,323,223,160</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,323,223,160</b>	<b>\$ 3,635,100,752</b>	<b>\$ 688,122,408</b>

(a) Subset of column 1

(b) Subset of column 3

Restricted Asset Category	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage	
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	0%	0%
b. Collateral held under security lending agreements	-	669,543,680	1.32%	1.37%
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	-	17,597,200	0.03%	0.04%
j. On deposit with states	-	1,360,863,848	2.69%	2.79%
k. On deposit with other regulatory bodies	-	898,002,153	1.77%	1.84%
l. Pledged collateral to FHLB (including assets backing funding agreements)	-	163,862,365	0.32%	0.34%
m. Pledged as collateral not captured in other categories	-	1,209,388,674	2.39%	2.48%
n. Other restricted assets	-	3,965,240	0.01%	0.01%
<b>o. Total Restricted Assets</b>	<b>\$ -</b>	<b>\$ 4,323,223,160</b>	<b>8.53%</b>	<b>8.85%</b>

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

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

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

Description of Asset	Gross Restricted							Percentage		
	Current Year						8 Total Current Year Admitted Restricted	9 Gross Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets	
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)	6 Total From Prior Year				7 Increase / (Decrease) (5 minus 6)
Lloyds Syndicate LOC	\$ 759,093,070	\$ -	\$ -	\$ -	\$ 759,093,070	\$ 573,322,476	\$ 185,770,594	\$ 759,093,070	1.59%	1.65%
Citibank Hong Kong LOC	26,359,131	-	-	-	26,359,131	-	26,359,131	26,359,131	0.06%	0.06%
FNMA/FHLMC Reinsurance	41,823,996	-	-	-	41,823,996	-	41,823,996	41,823,996	0.09%	0.09%
<b>Total</b>	<b>\$ 827,276,197</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 827,276,197</b>	<b>\$ 573,322,476</b>	<b>\$ 253,953,721</b>	<b>\$ 827,276,197</b>	<b>1.74%</b>	<b>1.80%</b>

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

Description of Asset	Gross Restricted							Percentage		
	Current Year						8 Total Current Year Admitted Restricted	9 Gross Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets	
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)	6 Total From Prior Year				7 Increase / (Decrease) (5 minus 6)
RSAT Derivative	\$ 205,686,614	\$ -	\$ -	\$ -	\$ 205,686,614	\$ -	\$ 205,686,614	\$ 205,686,614	0.43%	0.45%
<b>Total</b>	<b>\$ 205,686,614</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 205,686,614</b>	<b>\$ -</b>	<b>\$ 205,686,614</b>	<b>\$ 205,686,614</b>	<b>0.43%</b>	<b>0.45%</b>

## NOTES TO FINANCIAL STATEMENTS

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

	1	2	3	4
Collateral Assets	Book/ Adjusted Carrying Value (BACV)	Fair Value	% of BACV to Total Assets (Admitted and Nonadmitted)*	% of BACV to Total Admitted Assets**
a. Cash	-	-	-	-
b. Schedule D, Part 1	-	-	-	-
c. Schedule D, Part 2, Section 1	-	-	-	-
d. Schedule D, Part 2, Section 2	-	-	-	-
e. Schedule B	-	-	-	-
f. Schedule A	-	-	-	-
g. Schedule BA, Part 1	-	-	-	-
h. Schedule DL, Part 1	\$ 669,543,680	\$ 669,543,680	1.32%	1.37%
i. Other	-	-	-	-
j. Total Collateral Assets	\$ 669,543,680	\$ 669,543,680	1.32%	1.37%

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

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

	1	2
	Amount	% of Liability to Total Liabilities *
k. Recognized Obligation Return Collateral Asset	\$ 669,543,680	2.06%

\* Column 1 divided by Liability Page, Line 26

#### M. Working Capital Finance Investments

The Company does not invest in working capital finance investments.

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

Not applicable.

#### O. Structured Notes

CUSIP Identification	Actual Cost	Fair Value	Book/ Adjusted Carrying Value	Mortgage- Referenced Security (YES/NO)
912810PZ5	6,244,727	6,702,214	6,135,757	NO
912810QF8	11,359,150	11,549,568	11,326,805	NO
912810QV3	6,095,281	5,076,416	6,080,890	NO
912810RA8	3,644,919	3,855,361	3,695,010	NO
Total	27,344,077	27,183,559	27,238,462	

#### P. 5\* Securities

Not applicable.

#### Q. Short Sales

Not applicable.

#### R. Prepayment Penalty and Acceleration Fees

	General Account	Protected Cell
Number of CUSIPs	112	-
Aggregate Amount of Investment Income	4,936,636	-

#### **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 did not realize any impairment losses during the year.

#### **Note 7 - Investment Income**

##### A. Accrued Investment Income

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

##### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2018.

#### **Note 8 - Derivative Instruments**

A, B, C. Derivative financial instruments utilized by the Company during 2018 and 2017 included foreign currency forward contracts, commodity swap agreements, commodity and equity option agreements, and interest rate futures contracts.

Market risk is defined as the risk of adverse financial impact due to fluctuations in market rates or prices. To mitigate this risk, the Company's senior management has established risk control limits for derivative transactions. Credit/counterparty risk is defined as the risk of financial loss if a counterparty is either unable or unwilling to repay borrowings or settle a transaction in accordance with the underlying contractual terms. The Company manages credit and counterparty risk by using highly rated counterparties and obtaining collateral, where appropriate. 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.

The Company uses derivatives for risk management and to increase investment portfolio returns through asset replication. The Company does not use derivatives for speculative purposes. 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.

The following summarizes the objectives and accounting policies for each type of derivative used:

## NOTES TO FINANCIAL STATEMENTS

The Company uses foreign currency forward contracts to manage foreign currency risk associated with holding foreign currency denominated investments. Foreign currency forward contracts receive non-hedge accounting treatment and the change in fair value of open contracts is reported as net unrealized gains or losses in unassigned surplus. Cash settlement is required when the contract matures. Gains or losses at maturity are recorded as net realized capital gains or losses.

The Company uses swap agreements as well as purchased and written call and put options to manage price risk associated with oil and gas price indices. The swap agreements and options receive non-hedge accounting treatment and the change in fair value of open contracts is reported as net unrealized gains or losses in unassigned surplus. Periodic settlements of the swap agreements, which represent amounts receivable from or payable to the counterparty are based on the settlement terms of the agreement and any gains or losses are recorded as net realized capital gains or losses. Cash settlement for the options only occurs if the options are exercised. Gains at the exercise date are reported as net realized gains.

The Company uses purchased equity index call options to increase equity exposure through asset replication. Changes in fair value of the options are reported as net unrealized gains in unassigned surplus. Cash settlement only happens if the options are exercised. Gains at the exercise date are reported as net realized gains. Option premium paid or received at contract inception is amortized into investment income over the life of the derivative.

The Company uses interest rate futures contracts to manage interest rate risk associated with holding certain fixed income investments. Daily cash settlements of variation margins are required for futures contracts and is based on the changes in daily prices. The daily cash settlements of margin gains or losses for futures contracts that received non-hedge accounting treatment and have terminated are reported in net realized capital gains or losses. The daily cash settlements of margin gain or losses for open futures contracts that receive non-hedge accounting treatment are reported as net unrealized capital gains or losses within unassigned surplus.

- D. The Company entered into commodity and equity options and futures contracts in 2018 and 2017 which required the payment/receipt of premiums at either the inception of the contracts or throughout the life of the contracts, depending on the agreement with counterparties and brokers.
- E. The Company did not have gains or losses in net unrealized capital gains or losses that represented a component of any derivatives' gain or loss that was excluded from the assessment of hedge effectiveness in 2018 or 2017.
- F. The Company did not have gains or losses in net unrealized gains or losses that resulted from derivatives that no longer qualify for hedge accounting treatment in 2018 and 2017.
- G. The company did not have derivatives accounted for as cash flow hedges of a forecasted transaction

### Note 9 - Income Taxes

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

	12/31/2018		
	(1)	(2)	(3)
	Ordinary	Capital	Total (Col 1+2)
(a) Gross Deferred Tax Assets	\$ 1,501,044,000	\$ 228,038,000	\$ 1,729,082,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	1,501,044,000	228,038,000	1,729,082,000
(d) Deferred Tax Assets Nonadmitted	165,243,625	-	165,243,625
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	1,335,800,375	228,038,000	1,563,838,375
(f) Deferred Tax Liabilities	384,895,000	326,600,000	711,495,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 950,905,375	\$ (98,562,000)	\$ 852,343,375

	12/31/2017		
	(1)	(2)	(3)
	Ordinary	Capital	Total (Col 1+2)
(a) Gross Deferred Tax Assets	\$ 1,803,392,000	\$ 202,529,000	\$ 2,005,921,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	1,803,392,000	202,529,000	2,005,921,000
(d) Deferred Tax Assets Nonadmitted	130,352,459	-	130,352,459
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	1,673,039,541	202,529,000	1,875,568,541
(f) Deferred Tax Liabilities	349,975,000	324,316,000	674,291,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 1,323,064,541	\$ (121,787,000)	\$ 1,201,277,541

	Change		
	(7)	(8)	(9)
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$ (302,348,000)	\$ 25,509,000	\$ (276,839,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	(302,348,000)	25,509,000	(276,839,000)
(d) Deferred Tax Assets Nonadmitted	34,891,166	-	34,891,166
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	(337,239,166)	25,509,000	(311,730,166)
(f) Deferred Tax Liabilities	34,920,000	2,284,000	37,204,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ (372,159,166)	\$ 23,225,000	\$ (348,934,166)

## NOTES TO FINANCIAL STATEMENTS

2.

	12/31/2018		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	842,740,634	9,602,741	852,343,375
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	842,740,634	9,602,741	852,343,375
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	2,182,224,531
(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.	384,895,000	326,600,000	711,495,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 1,227,635,634	\$ 336,202,741	\$ 1,563,838,375

	12/31/2017		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	1,201,277,541	-	1,201,277,541
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	1,201,277,541	-	1,201,277,541
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	1,837,712,141
(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.	349,975,000	324,316,000	674,291,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 1,551,252,541	\$ 324,316,000	\$ 1,875,568,541

	Change		
	(7) Ordinary	(8) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	(358,536,907)	9,602,741	(348,934,166)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(358,536,907)	9,602,741	(348,934,166)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	344,512,390
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	34,920,000	2,284,000	37,204,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ (323,616,907)	\$ 11,886,741	\$ (311,730,166)

3.

	2018	2017
(a) Ratio Percentage Used to Determine Recovery Period And Threshold Limitation Amount	377.7%	325.0%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above	\$ 15,512,987,073	\$ 13,464,716,080

## NOTES TO FINANCIAL STATEMENTS

4.

	12/31/2018		12/31/2017		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) Ordinary	(6) 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)	\$ 1,501,044,000	\$ 228,038,000	\$ 1,803,392,000	\$ 202,529,000	\$ (302,348,000)	\$ 25,509,000
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	\$ 1,335,800,375	\$ 228,038,000	\$ 1,673,039,541	\$ 202,529,000	\$ (337,239,166)	\$ 25,509,000
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%

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

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

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

	(1)	(2)	(3)
	12/31/2018	12/31/2017	(Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ (410,387,094)	\$ (109,181,805)	\$ (301,205,289)
(b) Foreign	8,182,851	11,187,017	(3,004,166)
(c) Subtotal	(402,204,243)	(97,994,788)	(304,209,455)
(d) Federal income tax on net capital gains	26,963,243	51,912,788	(24,949,545)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ (375,241,000)	\$ (46,082,000)	\$ (329,159,000)
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 298,556,000	\$ 295,336,000	\$ 3,220,000
(2) Unearned premium reserve	340,630,000	325,664,000	14,966,000
(3) Policyholder reserves	-	-	-
(4) Investments	54,520,000	34,616,000	19,904,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	13,919,000	15,649,000	(1,730,000)
(8) Compensation and benefits accrual	267,464,000	236,744,000	30,720,000
(9) Pension accrual	75,770,000	78,826,000	(3,056,000)
(10) Receivables – nonadmitted	324,079,000	325,171,000	(1,092,000)
(11) Net operating loss carry-forward	-	87,269,000	(87,269,000)
(12) Tax credit carry-forward	77,636,000	342,356,000	(264,720,000)
(13) Other (including items <5% of total ordinary tax assets)	48,470,000	61,761,000	(13,291,000)
(99) Subtotal	1,501,044,000	1,803,392,000	(302,348,000)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	165,243,625	130,352,459	34,891,166
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	1,335,800,375	1,673,039,541	(337,239,166)
(e) Capital			
(1) Investments	134,179,000	88,975,000	45,204,000
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	93,859,000	113,554,000	(19,695,000)
(99) Subtotal	228,038,000	202,529,000	25,509,000
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	228,038,000	202,529,000	25,509,000
(i) Admitted deferred tax assets (2d + 2h)	1,563,838,375	1,875,568,541	(311,730,166)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	41,169,000	20,490,000	20,679,000
(2) Fixed assets	95,018,000	66,370,000	28,648,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	106,439,000	130,226,000	(23,787,000)
(5) Other (including items <5% of total ordinary tax liabilities)	142,269,000	132,889,000	9,380,000
(99) Subtotal	384,895,000	349,975,000	34,920,000
(b) Capital:			
(1) Investments	326,600,000	324,316,000	2,284,000
(2) Real estate	-	-	-



## NOTES TO FINANCIAL STATEMENTS

(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	326,600,000	324,316,000	2,284,000
(c) Deferred tax liabilities (3a99 + 3b99)	711,495,000	674,291,000	37,204,000
4. Net deferred tax assets/liabilities (2i - 3c)	\$ 852,343,375	\$ 1,201,277,541	\$ (348,934,166)

- D. Effective tax rates differ from the current statutory rate of 21% principally due to the effects of discounting of unpaid losses and loss adjustment expenses, charitable contributions, intercompany dividends, LP & LLC income, tax exempt income, limits on charitable contributions, limits on unearned premium reserve deductions, abandonments, compensation adjustments, impairments, fixed assets, tax free exchanges, foreign tax credits generated, foreign branch tax, and revisions to prior year estimates.
- E. The Company has no net operating loss carry-forward available to offset future net income subject to Federal income tax.

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

Year Generated	Amount	Expiration
2018	\$ 2,042,000	2028

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

Year Generated	Amount	Expiration
2017	\$ 6,068,000	2037
2018	\$ 42,438,000	2038

The Company recognizes \$51,866,000 of AMT credit as a current-year recoverable. An AMT credit carry-forward DTA of \$27,088,000 is expected to be utilized against regular tax or refunded in the future. The alternative minimum tax credit carry-forward does not expire. Ending carryforward balance is computed as follows:

AMT Credit Carryforward	
Beginning Balance	\$ 84,451,000
Current Year AMT Credit Recovered	(51,866,000)
Other Current Year Adjustments to AMT Credit Carryforward	(5,497,000)
Sequestration	-
Total AMT Credit Ending Balance	27,088,000
AMT Credit Carryforward Non-Admitted	-
Total AMT Credit Carryforward subject to SSAP101 DTA admittance limitations	\$ 27,088,000

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.

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

All Set Works, Inc.	Liberty Mutual Group Inc.
AMBCO Capital Corporation	Liberty Mutual Holding Company Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyd's Insurance Company	Liberty Mutual Personal Insurance Company
American Economy Insurance Company	Liberty Mutual Technology Group, Inc.
American Fire and Casualty Company	Liberty Northwest Insurance Corporation
American States Insurance Company	Liberty Personal Insurance Company
American States Insurance Company of Texas	Liberty RE (Bermuda) Limited
American States Lloyds Insurance Company	Liberty Sponsored Insurance (Vermont), Inc.
American States Preferred Insurance Company	Liberty Surplus Insurance Corporation
Barrier Ridge LLC	LIH-RE of America Corporation
Berkeley Holding Company Associates, Inc.	LIU Specialty Insurance Agency Inc.
Berkeley Management Corporation	LM General Insurance Company
Capitol Court Corporation	LM Insurance Corporation
Colorado Casualty Insurance Company	LM Property and Casualty Insurance Company
Consolidated Insurance Company	LMHC Massachusetts Holdings Inc.
Diversified Settlements, Inc.	Managed Care Associates Inc.
Emerald City Insurance Agency, Inc.	Mid-American Fire & Casualty Company
Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	Ocasco Budget, Inc.
Excess Risk Reinsurance, Inc.	OCI Printing, Inc.
F.B. Beattie & Co., Inc.	Ohio Casualty Corporation
First National Insurance Company of America	Ohio Security Insurance Company
First State Agency Inc.	Open Seas Solutions, Inc.
General America Corporation	Oregon Automobile Insurance Company
General America Corporation of Texas	Peerless Indemnity Insurance Company
General Insurance Company of America	Peerless Insurance Company
Golden Eagle Insurance Corporation	Pilot Insurance Services, Inc.
Gulf States AIF, Inc.	Rianoc Research Corporation
Hawkeye-Security Insurance Company	S.C. Bellevue, Inc.
Indiana Insurance Company	SAFECARE Company, Inc.
Insurance Company of Illinois	Safeco Corporation
Ironshore Holdings (US) Inc.	Safeco General Agency, Inc.
Ironshore Indemnity Inc.	Safeco Insurance Company of America
Liberty Specialty Markets Bermuda Limited	Safeco Insurance Company of Illinois
Ironshore Management Inc.	Safeco Insurance Company of Indiana
Ironshore Services Inc.	Safeco Insurance Company of Oregon
Ironshore Specialty Insurance Company	Safeco Lloyds Insurance Company
Ironshore Surety Holdings Inc.	Safeco National Insurance Company
LEXCO Limited	Safeco Properties, Inc.
Liberty-USA Corporation	Safeco Surplus Lines Insurance Company
Liberty Assignment Corporation	San Diego Insurance Company
Liberty Energy Canada, Inc.	SCIT, Inc.

## NOTES TO FINANCIAL STATEMENTS

Liberty Financial Services, Inc.	St. James Insurance Company Ltd.
Liberty Hospitality Group, Inc.	The First Liberty Insurance Corporation
Liberty Insurance Corporation	The Midwestern Indemnity Company
Liberty Insurance Holdings, Inc.	The National Corporation
Liberty Insurance Underwriters Inc.	The Netherlands Insurance Company
Liberty International Europe Inc.	The Ohio Casualty Insurance Company
Liberty International Holdings Inc.	Wausau Business Insurance Company
Liberty Life Assurance Company of Boston	Wausau General Insurance Company
Liberty Life Holdings Inc.	Wausau Underwriters Insurance Company
Liberty Lloyds of Texas Insurance Company	West American Insurance Company
Liberty Management Services, Inc.	Winmar Company, Inc.
Liberty Mexico Holdings Inc.	Winmar of the Desert, Inc.
Liberty Mutual Agency Corporation	Winmar Oregon, Inc.
Liberty Mutual Fire Insurance Company	Winmar-Metro, Inc.
Liberty Mutual Group Asset Management Inc.	

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

- G. The Company does not expect the Federal and Foreign income tax loss contingencies, as determined in accordance with SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets, with the modifications provided in SSAP No. 101, Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10, to significantly increase within twelve months of the reporting date.
- H. The Company's estimate of the one-time repatriation transition tax (RTT) is an expense of \$1,610,981. The Company anticipates to remit full payment of the RTT with their 2018 tax return. Therefore, the Company is not anticipating to make the election to pay the RTT in installments.

Global intangible low-taxed income ("GILTI") is treated by the Company as a period expense.

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

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group Inc. ("LMGI"), a Massachusetts company. The ultimate parent of LMGI is Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. As of December 31, 2018, the Company had the following capital transactions with its parent and subsidiaries:
- |  |                  |
|--|------------------|
| 1. Received capital contributions of           | \$ 560,530,061   |
| 2. Received return of capital distributions of | \$ 1,329,400,093 |
| 3. Contributed capital in the amount of        | \$ 2,134,547,081 |
| 4. Received dividends in the amount of         | \$ 2,211,605,223 |
- D. At December 31, 2018 the Company reported a net \$156,941,230 due from affiliates.
- 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 Information Technology Limited  
 Liberty Citystate Holdings Pte. Ltd.  
 Liberty International Underwriters Limited (Hong Kong)  
 Liberty International Underwriters Pte. Limited (Singapore)  
 Liberty Mutual Group Inc.  
 Liberty Mutual Insurance Europe SE  
 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  
 Helmsman Insurance Agency LLC  
 Helmsman Management Services LLC  
 Ironshore Insurance Services LLC  
 Ironshore Services Inc.  
 Ironshore Management Inc.  
 Ironshore Holdings (U.S.) Inc.  
 Liberty Information Technology Limited  
 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  
 Liberty Mutual Technology Group Inc.  
 LIU Specialty Insurance Agency Inc.  
 LM Property and Casualty Insurance Company  
 San Diego Insurance Company

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.

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 with Liberty Mutual Group Asset Management Inc. ("LMGAM"). Under these agreements, LMIA and LMGAM provide services to the Company.

## NOTES TO FINANCIAL STATEMENTS

The Company is party to an account services agreement with Liberty Mutual Group Asset Management Inc. ("LMGAM"). Under the agreement LMGAM provides services to the Company with respect to the cash management account.

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 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 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	\$ 650,000,000
Safeco Insurance Company of America	\$ 100,000,000
The Netherlands Insurance Company	\$ 50,000,000
The Ohio Casualty Insurance Company	\$ 130,000,000

There were no outstanding loans as of December 31, 2018.

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

Company	Credit Line
American Economy Insurance Company	\$ 100,000,000
American States Insurance Company	\$ 100,000,000
Employers Insurance Company of Wausau <sup>1</sup>	\$ 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 <sup>1</sup>	\$ 450,000,000
Liberty Mutual Group Inc.	\$ 1,000,000,000
Peerless Insurance Company <sup>1</sup>	\$ 650,000,000
Safeco Insurance Company of America <sup>1</sup>	\$ 100,000,000
The Ohio Casualty Insurance Company <sup>1</sup>	\$ 140,000,000

There were outstanding borrowings as of December 31, 2018.

<sup>1</sup>Reference Note 11C for detail on 2018 short term borrowings.

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

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.

## NOTES TO FINANCIAL STATEMENTS

- I. The Company 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 Principles ("GAAP") equity, adjusted for statutory basis of accounting in accordance with SSAP No 97.

At December 31, 2018, 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.	\$ 5,768,612,705	\$ -	\$ 1,550
Total LMIC unamortized admitted goodwill	\$ 41,548,166	\$ -	\$ -

- J. The Company did not recognize any impairment write down for its SCA companies during the statement period.
- K. The Company does not use CARVM in calculating its investment in its foreign subsidiaries.
- L. The Company utilizes the look-through approach for the valuation of the following downstream non-insurance holding companies:

	Carrying Value
Berkeley/Columbus III, LLC	\$ 346,846,584
Berkeley Management Corporation	\$ 19,391,610
Ironshore Holdings (U.S.) Inc.	\$ 381,409,604
Liberty Insurance Holdings Inc.	\$ 5,768,612,705
Liberty International Holdings Inc.	\$ 4,397,198,892
Liberty Mutual Captive Holdings LLC	\$ 9,915,891
Liberty Mutual Mexico LLC	\$ 60,753,890
Ohio Casualty Corporation	\$ 1,434,491,299

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

- M. All SCA investments

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

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
<b>a. SSAP No. 97 8a Entities</b>				
N/A				
Total SSAP No. 97 8a Entities		\$ -	\$ -	\$ -
<b>b. SSAP No. 97 8b(ii) Entities</b>				
Liberty Insurance Holdings, Inc.	100%	\$ 5,768,612,705	\$ 5,733,558,293	\$ 35,054,412
Ohio Casualty Corporation	78%	1,434,491,299	1,427,119,685	7,371,614
Berkeley Management Corporation	100%	19,391,610	6,915,158	12,476,452
Liberty Mutual Captive Holdings LLC	100%	9,915,891	9,492,363	423,527
Total SSAP No. 97 8b(ii) Entities		\$ 7,232,411,505	\$ 7,177,085,499	\$ 55,326,005
<b>c. SSAP No. 97 8b(iii)</b>				
St. James/Arlington Real Estate Limited Partnership	92%	\$ 578,496,617	\$ 578,496,617	\$ -
Liberty Energy Holdings, LLC	100%	1,771,182,086	1,771,182,086	-
Liberty Metals & Mining Holdings, LLC	100%	590,166,514	590,166,514	-
Liberty Mutual Investment Holdings LLC	40%	1,121,399,087	1,121,399,087	-
Liberty Mutual Opportunistic Investments LLC	100%	953,930,163	953,930,163	-
Liberty Structured Holdings LLC	100%	266,726,350	266,726,350	-
Liberty Mutual Latam LLC	100%	4,113,261	384,516	3,728,745
Georgia Tax Credit Fund LM L.P.	0.01%	864	864	-
RBC State Credit Fund	100%	10,934,573	10,934,573	-
Liberty Mutual Personal Insurance Ventures, LLC	100%	18,945,090	15,000	18,930,090
Raymond James LM MA LP LIHTC S	100%	1,273,585	1,273,585	-
Berkeley/Columbus III LLC	100%	346,846,584	346,846,584	-
Liberty Mutual Equity LLC	100%	(6,231)	(6,231)	-
Solaria Labs, LLC	100%	443,023	-	443,023
Liberty Real Estate Holding LLC	100%	74,384,925	74,384,925	-
LMAT Holdings LLC	30%	53,952,288	53,952,288	-
Ironshore Holdings (US) Inc.	100%	381,409,604	316,305,906	65,103,699
Total SSAP No. 97 8b(iii) Entities		\$ 6,174,198,383	\$ 6,085,992,826	\$ 88,205,558
<b>d. SSAP No. 97 8b(iv)</b>				
Liberty Re Bermuda Limited	100%	\$ 341,840,563	\$ 341,840,563	\$ -
Liberty Sponsored Insurance Vermont	100%	4,906,771	4,906,771	-
Liberty Insurance Company Limited	100%	33,799,817	33,799,817	-
Liberty Brasil Investimentos e Participacoes Ltda.	100%	1,368,745	-	1,368,745
Liberty Mutual Mexico LLC	100%	60,753,890	60,410,486	343,404
Liberty International Holdings Inc.	100%	4,397,198,892	4,397,198,892	-
Ironshore Inc.	100%	2,308,505,291	2,308,505,291	-
Total SSAP No. 97 8b(iv) Entities		\$ 7,148,373,969	\$ 7,146,661,820	\$ 1,712,149
<b>e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)</b>		\$ 20,554,983,857	\$ 20,409,740,145	\$ 145,243,712
<b>f. Aggregate Total (a+e)</b>		\$ 20,554,983,857	\$ 20,409,740,145	\$ 145,243,712

## NOTES TO FINANCIAL STATEMENTS

## 2. NAIC Filing Response Information

SCA Entity	Type of NAIC Filing	Date of Filing to NAIC	2017 NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code
<b>a. SSAP No. 97 8a Entities</b>						
N/A						
Total SSAP No. 97 8a Entities			\$ -			
<b>b. SSAP No. 97 8b(ii) Entities</b>						
Liberty Insurance Holdings, Inc.	S2	12/17/2018	\$ 5,742,241,872	Yes	Yes	N/A
Ohio Casualty Corporation	S2	12/17/2018	\$ 1,328,282,499	Yes	Yes	N/A
Berkeley Management Corporation	S2	12/17/2018	\$ 6,549,025	Yes	Yes	N/A
Liberty Mutual Captive Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(ii) Entities			\$ 7,077,073,396			
<b>c. SSAP No. 97 8b(iii) Entities</b>						
St. James/Arlington Real Estate Limited Partnership	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Energy Holdings, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Metals & Mining Holdings, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Investment Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Opportunistic Investments LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Structured Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Latam LLC	N/A	N/A	N/A	N/A	N/A	N/A
Georgia Tax Credit Fund LM L.P.	N/A	N/A	N/A	N/A	N/A	N/A
RBC State Credit Fund	N/A	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	N/A
Raymond James LM MA LP LIHTC S	N/A	N/A	N/A	N/A	N/A	N/A
Berkeley/Columbus III LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Equity LLC	N/A	N/A	N/A	N/A	N/A	N/A
LMAT Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Solaria Labs, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Real Estate Holding LLC	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(iii) Entities			\$ -			
<b>d. SSAP No. 97 8b(iv) Entities</b>						
Liberty Re Bermuda Limited	S2	12/17/2018	\$ 377,075,308	Yes	Yes	N/A
Liberty Sponsored Insurance Vermont	S2	12/17/2018	\$ 5,113,494	Yes	Yes	N/A
Liberty Insurance Company Limited	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Brasil Investimentos e Participacoes Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Mexico LLC	N/A	N/A	N/A	N/A	N/A	N/A
Escritorio De Representacao No Brasil	N/A	N/A	N/A	N/A	N/A	N/A
Liberty International Holdings Inc.	S2	1/28/2019	\$ 4,278,520,195	Yes	Yes	N/A
Ironshore Inc.	S2	12/19/2018	\$ 2,533,026,734	Yes	Yes	N/A
Liberty International Netherlands V.O.F.	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(iv) Entities			\$ 7,193,735,732			
<b>e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)</b>			\$ 14,270,809,128			
<b>f. Aggregate Total (a+e)</b>			\$ 14,270,809,128			

## N. Investment in Insurance SCAs

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

## O. SCA Loss Tracking

The Company does not hold any material investments in SCAs which are in a deficit position.

**Note 11 - Debt**

## A. Debt (Including Capital Notes)

The Company maintains two \$250,000,000 committed repurchase agreements for general corporate purposes (See Note 5E). There were no outstanding borrowings as of December 31, 2018.

## 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)	(2)	(3)
	Total 2+3	General Account	Protected Cell Accounts
Membership Stock – Class A	\$ -	\$ -	\$ -
Membership Stock – Class B	11,597,173	11,597,173	-
Activity Stock	6,000,027	6,000,027	-
Excess Stock	-	-	-
Aggregate Total	17,597,200	17,597,200	-
Actual Borrowing Capacity as Determined by the Insurer	\$ 2,000,000,000	XXX	XXX

## 2. Prior Year-end

	(1)	(2)	(3)
	Total 2+3	General Account	Protected Cell Accounts
Membership Stock – Class A	\$ -	\$ -	\$ -
Membership Stock – Class B	11,721,696	11,721,696	-
Activity Stock	7,772,204	7,772,204	-
Excess Stock	-	-	-
Aggregate Total	19,493,900	19,493,900	-
Actual 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 and Not Eligible for Redemption

	1 Current Year Total (2+3+4+5+6)	2 Not Eligible for Redemption	Eligible for Redemption			
			3 Less Than 6 Months	4 6 Months to Less Than 1 Year	5 1 to Less Than 1 Year	6 3 to 5 Years
Membership Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Class A	-	-	-	-	-	-
Class B	\$ -	\$ 11,597,173	\$ -	\$ -	\$ -	\$ -

## 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	\$ 165,158,270	\$ 165,758,218	\$ 150,000,000

## 2. Current Year Total General Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ 165,158,270	\$ 165,758,218	\$ 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 Protected Cell Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ 166,261,242	\$ 165,229,225	\$ 150,000,000

## b. Maximum Amount Pledged During Reporting Period

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

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ 165,608,652	\$ 166,189,678	\$ 150,000,000

## 2. Current Year Total General Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ 165,608,652	\$ 166,189,678	\$ 675,000,000

## 3. Current Year Protected Cell Accounts

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

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

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ 740,095,499	\$ 740,468,398	\$ 675,000,000

## 4. Borrowing from FHLB

## a. Amount as of the Reporting Date

## 1. Current Year

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts	(4) 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) 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	\$ -

## NOTES TO FINANCIAL STATEMENTS

### c. FHLB - Prepayment Obligations

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

- C. 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). For December year-to-date 2018, the Company has incurred and paid interest expense of \$7,479,669 and \$10,476,962, respectively. On May 2, 2018, LMIC repaid \$146,994,494 of outstanding borrowings on the LMFIC agreement, \$144,381,152 outstanding on the EICOW agreement, \$78,352,852 outstanding on the SICOA agreement, \$35,321,363 outstanding on the OCIC agreement, and \$321,835,538 outstanding on the PIC agreement. At December 31, 2018, there were no outstanding borrowings.

The loans from ASIC and IIC were paid off on September 21, 2017, the loan from LMGI was paid off on September 28, 2017 and the loan from OCIC was paid off on October 25, 2017.

### 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) 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. In 2018, the Company announced a Canada pension plan freeze effective December 31, 2019. The impact is reflected as a curtailment in the Change in Benefit Obligation table below. As of December 31, the Company accrued pension and postretirement cost in accordance with actuarially determined amounts.

A summary of assets, obligations, and assumptions of the Company sponsored Pension Plans and Postretirement Benefit Plans are as follows as of December 31, 2018 and December 31, 2017.

#### 1. Change in Benefit Obligation

##### a. Pension benefits

	Overfunded		Underfunded	
	2018	2017	2018	2017
1. Benefit obligation at beginning of year	\$ -	\$ -	\$ 206,005,104	\$ 181,225,469
2. Service cost	-	-	2,940,285	2,174,799
3. Interest cost	-	-	7,100,637	6,694,343
4. Contribution by plan participants	-	-	-	-
5. Actuarial gain (loss)	-	-	(10,201,975)	19,067,661
6. Foreign currency exchange rate changes	-	-	(6,635,265)	5,492,805
7. Benefits paid	-	-	(10,487,161)	(8,649,973)
8. Plan amendments	-	-	189,443	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	(7,297,892)	-
10. Benefit obligation at end of year	\$ -	\$ -	\$ 181,613,176	\$ 206,005,104

##### b. Postretirement Benefits

	Overfunded		Underfunded	
	2018	2017	2018	2017
1. Benefit obligation at beginning of year	\$ -	\$ -	\$ 240,841,129	\$ 205,620,262
2. Service cost	-	-	2,865,903	2,629,379
3. Interest cost	-	-	9,478,339	9,148,717
4. Contribution by plan participants	-	-	-	-
5. Actuarial gain (loss)	-	-	(23,660,493)	26,341,223
6. Foreign currency exchange rate changes	-	-	(657,446)	489,438
7. Benefits paid	-	-	(2,078,055)	(3,387,890)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	(280,707)	-
10. Benefit obligation at end of year	\$ -	\$ -	\$ 226,508,670	\$ 240,841,129

##### c. Special or Contractual Benefits Per SSAP No. 11

	Overfunded		Underfunded	
	2018	2017	2018	2017
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	
	2018	2017	2018	2017	2018	2017
a. Fair value of plan assets at beginning of year	\$ 67,445,966	\$ 58,828,378	\$ -	\$ -	N/A	N/A
b. Actual return on plan assets	(2,507,725)	2,937,412	-	-	N/A	N/A
c. Foreign currency exchange rate changes	(5,512,163)	4,284,728	-	-	N/A	N/A
d. Reporting entity contribution	3,978,941	3,858,540	-	-	N/A	N/A
e. Plan participants' contributions	-	-	-	-	N/A	N/A
f. Benefits paid	(2,653,293)	(2,463,092)	-	-	N/A	N/A
g. Business combinations, divestitures and settlements	-	-	-	-	N/A	N/A
h. Fair value of plan assets at end of year	\$ 60,751,726	\$ 67,445,966	\$ -	\$ -	N/A	N/A

## NOTES TO FINANCIAL STATEMENTS

## 3. Funded Status

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
a. Components				
1. Prepaid benefit costs	\$ 14,329,700	\$ 16,043,322	\$ -	\$ -
2. Overfunded plan assets	\$ (14,329,700)	\$ (16,043,322)	\$ -	\$ -
3. Accrued benefit costs	\$ 82,347,966	\$ 81,549,662	\$ 136,869,070	\$ 115,667,490
4. Liability for pension benefits	\$ 38,513,485	\$ 57,009,476	\$ 85,868,172	\$ 82,785,165
b. Assets and liabilities recognized				
1. Assets (nonadmitted)	\$ -	\$ -	\$ -	\$ -
3. Liabilities recognized	\$ 120,861,451	\$ 138,559,138	\$ 222,737,242	\$ 198,452,655
c. Unrecognized Liabilities	\$ -	\$ -	\$ 3,771,427	\$ 42,388,474

4. The net benefit costs for the years ended December 31, 2018 and 2017 include the following components:

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11*	
	2018	2017	2018	2017	2018	2017
a. Service cost	\$ 2,940,285	\$ 2,174,799	\$ 2,865,903	\$ 2,629,379	N/A	N/A
b. Interest cost	7,100,637	6,694,343	9,478,339	9,148,717	N/A	N/A
c. Expected return on plan assets	(2,636,894)	(2,460,193)	-	-	N/A	N/A
d. Transition asset or obligation	678,320	108,722	5,936,041	5,936,041	N/A	N/A
e. Gains and losses	5,502,746	4,706,397	2,113,988	1,131,752	N/A	N/A
f. Prior service cost or credit	(173,597)	(236,698)	3,402,954	3,363,366	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	\$ 13,411,497	\$ 10,987,370	\$ 23,797,225	\$ 22,209,255	N/A	N/A

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

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
Items not yet recognized as a component of				
a. net periodic cost – prior year	\$ 73,052,799	\$ 57,112,984	\$ 125,173,639	\$ 109,122,843
b. Net transition asset or obligation recognized	(678,320)	(108,722)	(5,936,041)	(5,936,041)
c. Net prior service cost or credit arising during the period	189,443	-	-	-
d. Net prior service cost or credit recognized	173,597	236,698	(3,402,954)	(3,363,366)
e. Net gain and loss arising during the period	(14,391,587)	20,518,236	(24,081,058)	26,481,955
f. Net gain and loss recognized	(5,502,746)	(4,706,397)	(2,113,988)	(1,131,752)
g. Items not yet recognized as a component of net periodic cost – current year	\$ 52,843,186	\$ 73,052,799	\$ 89,639,598	\$ 125,173,639

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	
	2018	2017	2018	2017
a. Net transition asset or obligation	\$ 493,884	\$ 555,362	\$ 5,936,041	\$ 5,936,041
b. Net prior service cost or credit	(237,621)	(234,797)	2,938,256	3,372,321
c. Net recognized gains and losses	\$ 4,291,207	\$ 6,126,034	\$ 1,308,611	\$ 2,603,877

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

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
a. Net transition asset or obligation	\$ 987,767	\$ 1,666,087	\$ 83,104,564	\$ 89,040,605
b. Net prior service cost or credit	(1,499,954)	(1,851,751)	3,196,640	6,654,178
c. Net recognized gains and losses	\$ 53,355,373	\$ 73,238,463	\$ 3,338,394	\$ 29,478,856

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

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
a. Weighted-average discount rate	4.00%	4.34%	4.36%	4.93%
b. Interest cost effective interest rate	3.71%	3.76%	4.07%	4.51%
c. Service cost discount rate	3.76%	4.15%	4.47%	5.03%
d. Expected return on plan assets	4.00%	4.00%	N/A	N/A
e. Rate of compensation increase	3.74%	3.63%	N/A	N/A

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

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
d. Weighted-average discount rate	4.39%	3.77%	4.86%	4.23%
e. Rate of compensation increase	3.77%	3.74%	N/A	N/A

For measurement purposes, a 7.43% percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2018. The rate was assumed to decrease gradually to 4.50% percent for 2032 and remain at that level thereafter.

9. The amount of the accumulated benefit obligation for the defined benefit pension plans was \$179,654,283 for the current year and \$195,407,458 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 plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase		1 Percentage Point Decrease	
a. Effect on total of service and interest cost components	\$ 299,092	\$ (122,346)		
b. Effect on postretirement benefit obligation	\$ 1,617,439	\$ (1,188,826)		



## NOTES TO FINANCIAL STATEMENTS

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.	2019	\$ 14,728,987
b.	2020	\$ 15,226,791
c.	2021	\$ 16,102,262
d.	2022	\$ 16,853,890
e.	2023	\$ 17,735,880
f.	2024 to 2028	\$ 101,722,910

13. The Company currently intends to make a contribution of \$3,839,944 to the defined benefit pension plan in 2019 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, 2018 was \$42,388,474. During 2018, \$38,617,047 was recognized resulting in an end of year transition liability of \$3,771,427. It is expected that the remaining surplus impact will be recognized over the next four 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 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:

	2018	2017	Target Allocation
Debt Securities	57%	54%	55%-80%
Equity Securities	35%	29%	20%-45%
Other	8%	7%	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 FTSE TMX Universe Bond Index over a longer time horizon.

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

Global equities: To achieve superior performance against the MSCI World ex.- Canada Index over a longer time horizon.

The Plans' assets are administered by the Liberty Mutual Retirement Committee who has the fiduciary responsibility for management of the Plans' assets in accordance with the Liberty Mutual Retirement Benefit Plan for Canadian Employees Statement of Investment Policies and Procedures.

### 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, 2018 and 2017 are as follows:

#### 1. Fair Value Measurements of Plan Assets at December 31, 2018

Description for each class of plan assets	(Level 1)	(Level 2)	(Level 3)	Total
Cash, Cash Equivalents and Short-term Investments	\$ 407,150	\$ 4,537,904	\$ -	\$ 4,945,054
Fixed Maturities				
Corporate and Other	-	9,636,128	-	9,636,128
Foreign Government Securities	-	24,789,601	-	24,789,601
Equities				
Global Equities	7,235,151	-	-	7,235,151
Canadian Equities	14,145,793	-	-	14,145,793
<b>Total Plan Assets</b>	<b>\$ 21,788,093</b>	<b>\$ 38,963,633</b>	<b>\$ -</b>	<b>\$ 60,751,726</b>

#### 2. Fair Value Measurements of Plan Assets at December 31, 2017

Description for each class of plan assets	(Level 1)	(Level 2)	(Level 3)	Total
Cash, Cash Equivalents and Short-term Investments	\$ 291,647	\$ 4,268,469	\$ -	\$ 4,560,116
Fixed Maturities				
Corporate and Other	-	9,025,314	-	9,025,314
Foreign Government Securities	-	27,616,912	-	27,616,912
Equities				
Global Equities	8,683,797	-	-	8,683,797
Canadian Equities	17,559,817	-	-	17,559,817
<b>Total Plan Assets</b>	<b>\$ 26,535,261</b>	<b>\$ 40,910,695</b>	<b>\$ -</b>	<b>\$ 67,445,956</b>

## NOTES TO FINANCIAL STATEMENTS

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.

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 \$494,092 and \$285,543 in 2018 and 2017, 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 \$45,160,725 and \$428,972,110 for 2018 and 2017, respectively. The Company's cost allocation for the contributory defined contribution savings plans was \$119,150,638 and \$100,491,525 for 2018 and 2017, respectively. The Company's cost allocation for the other postretirement benefit plans was \$15,558,769 and \$26,399,456 for 2018 and 2017, respectively.

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**

1. The Company has 100,000 shares authorized, issued and outstanding as of December 31, 2018. 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, 2018. All shares have a stated par value of \$0.01.

2. 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.
3. There are no dividend restrictions.
4. The Company paid dividends to its parent in 2018 of:

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

5. 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 2019 is \$2,792,321,300.
6. As of December 31, 2018, the Company has pre-tax restricted surplus of \$43,108,583 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2018.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is (\$6,018,824,153) after applicable deferred taxes of \$44,235,101.

11. Surplus Notes

Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Interest And/Or Principal Paid Current Year	Unapproved Interest And/Or Principal	Date of Maturity
5/18/1995	8.50%	\$ 140,000,000	\$ 139,929,688	\$ 11,900,000	\$ -	5/15/2025
10/21/1996	7.88%	227,085,000	226,973,229	17,882,944	-	10/15/2026
10/15/1997	7.70%	260,233,000	256,721,113	20,030,134	-	10/15/2097
Total		\$ 627,318,000	\$ 623,624,030	\$ 49,813,078	\$ -	

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.

## NOTES TO FINANCIAL STATEMENTS

### Note 14 - Contingencies

#### A. Contingent Commitments

1. The Company has made no material commitments or contingent commitments on behalf of affiliates.
2. 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 full and punctual payment of all obligations of Liberty Citystate Holdings Pte. Ltd. to Citigroup Inc., its subsidiaries and affiliates. The Company's maximum liability with respect to face amounts of any Letters of Credit will not exceed INR 1,050,000,000 plus reasonable fees and expenses.	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 15,039,749	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees any undisputed obligations of Liberty International Underwriters Ltd. (Hong Kong) arising out of or in connection with any policy of insurance, contract of reinsurance or surety bond.	Wholly-owned indirect subsidiary Guarantee is considered unlimited	Increase in investment in SCA	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees the future non-cancellable lease obligations of Liberty Information Technology Ltd. in the amount of \$20,718,972. This guarantee was executed on March 13, 2007. The lease expires in June 2031.	No liability at inception of the guarantee	Increase in investment in SCA	\$ 20,718,972	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	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees full and punctual payment of all obligations of Liberty International Underwriters Limited to Citigroup Inc., its subsidiaries and affiliates. The Company's maximum liability with respect to face amounts of any Letters of Credit will not exceed HKD 158,860,000 plus reasonable fees and expenses.	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 20,290,317	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations of Liberty Mutual Insurance Europe SE ("LMIE") 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. A Restated Guarantee was executed on August 29, 2018 to reflect the change in corporate entity of LMIE to a Societas Europaea. All terms of the guarantee remain unchanged.	Wholly-owned indirect 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 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, 2018, \$7,544,509 in "qualifying Louisiana investment" was held. This guarantee shall remain effective until the Company no longer holds "qualifying Louisiana investments".	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 5,000,000	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, 2018, \$7,167,333 in "qualifying Louisiana investment" was held. This guarantee shall remain effective until the Company no longer holds "qualifying Louisiana investments".	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 7,000,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.

## NOTES TO FINANCIAL STATEMENTS

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, 2018, \$7,840,865 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 indirect subsidiary	Increase in investment in SCA	\$ 7,840,865	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	\$ 29,799,009	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	\$ 146,300,137	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company unconditionally guarantees that in order for Liberty Surplus Insurance Corporation (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 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	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees undisputed obligations of Ironshore Europe DAC to an obligee arising from or in connection with any policy of insurance, contract of reinsurance or surety bond. The guarantee was executed on May 2, 2017.	Guarantee is considered unlimited	Increase in investment in SCA	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees undisputed obligations of Liberty Specialty Markets Bermuda Limited (f/k/a Ironshore Insurance Ltd.) to an obligee arising from or in connection with any policy of insurance, contract of reinsurance or surety bond. The guarantee was executed on May 2, 2017.	Guarantee is considered unlimited	Increase in investment in SCA	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
		Total:	\$ 252,989,049	* Total should agree to Aggregate maximum potential of future payments line on following reconciliation.

## 3. Aggregate compilation of guarantee

a. Aggregate Maximum Potential of Future Payments of All Guarantees (undiscounted) the guarantor could be required to make under guarantees. (Should equal total of Column 4 for (2) above.)	\$ 252,989,049
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	\$ 252,989,049
2. Joint Venture	\$ -
3. Dividends to Stockholders (capital contribution)	\$ -
4. Expense	\$ -
5. Other	\$ -
6. Total (Should equal (3a.))	\$ 252,989,049

## B. Assessments

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

## NOTES TO FINANCIAL STATEMENTS

The Company was subject to a North Carolina Fair Plan assessment of \$3,745,440 and a Texas Wind Insurance Association assessment of \$4,646,947.

The Company has accrued a liability for guaranty funds and other assessments of \$54,759,507 that is offset by future premium tax credits of \$1,594,272. Current guaranty fund assessments and assessments based on losses paid are expected to be paid out in the next two years, while premium tax offsets are expected to be realized over the period determined by each individual state once the guaranty fund assessment has been paid. The Company continues to remit payments relating to prior year insolvencies.

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$	2,026,673
b. Decreases current year:		
Premium tax offset applied	\$	1,710,603
c. Increases current year:		
Premium tax offset applied	\$	1,278,201
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$	1,594,272

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 to ECO and bad faith losses paid during the reporting period	\$ 13,653,585

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

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

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

(f) Per Claim  (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.

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

**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	Operating Leases
2019	\$ 65,080,779
2020	60,100,903
2021	45,222,235
2022	36,415,124
2023	29,846,736
2024 & thereafter	191,436,802
Total	\$ 428,102,579

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 \$16,556,372.

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**

1. The table below summarizes the face amount of the Company's financial instruments with off-balance-sheet risk.

	Assets		Liabilities	
	2018	2017	2018	2017
a. Swaps	14,905,000	-	-	1,800,000
b. Futures	1,904,000	-	1,727,000	-
c. Options	600,000	78,000	-	-
d. Total	17,409,000	78,000	1,727,000	1,800,000

See Schedule DB of the Company's annual statement for additional detail.

The notional amounts specified in the agreements are used to calculate the exchange of contractual payments under the agreements and are generally not representative of the potential for gain or loss on these agreements.

## NOTES TO FINANCIAL STATEMENTS

2. The credit risk, market risk, cash requirements, and accounting policies of the Company's derivative instruments utilized during 2018 and 2017 are discussed in Note 8.
3. The Company is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure is represented by the fair value of contracts with a positive statement value at the reporting date. Because exchange-traded futures are affected through a regulated exchange and positions are marked to market on a daily basis, the Company has little exposure to credit-related losses in the event of nonperformance by counterparties to such financial instruments. The Company has not incurred any losses on derivative financial instruments due to counterparty non-performance.
4. The Company is required to put up collateral for any futures contracts that are entered. The Company pledges or obtains collateral when certain predetermined exposure limits are exceeded. The amount of collateral that is required is determined by the exchange on which it is traded and is typically in the form of cash. The Company currently puts up cash and U.S. Treasury Bonds to satisfy this collateral requirement.

### **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, 2018 the total fair value of securities on loan was \$685,060,495, with corresponding collateral value of \$696,996,940 of which \$669,543,680 represents cash collateral that was reinvested.

#### C. Wash Sales

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

### **Note 18 – Gain or (Loss) to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans**

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

Not applicable

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

Not applicable

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

Not applicable

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

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

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

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2018:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
<b>a. Assets at fair value</b>					
<b>Bonds</b>					
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	42,364,331	-	-	42,364,331
U.S. State and Municipal	-	13,335,634	-	-	13,335,634
Corporate and Other	48,041	687,193,124	4,954,200	-	692,195,365
Foreign Government Securities	-	9,484,697	-	-	9,484,697
<b>Total Bonds</b>	<b>48,041</b>	<b>752,377,786</b>	<b>4,954,200</b>	<b>-</b>	<b>757,380,027</b>
<b>Preferred Stocks</b>					
Industrial and Miscellaneous (Unaffiliated)	1,844,981	13,506,665	10,501,625	-	25,853,271
<b>Total Preferred Stocks</b>	<b>1,844,981</b>	<b>13,506,665</b>	<b>10,501,625</b>	<b>-</b>	<b>25,853,271</b>
<b>Common Stocks</b>					
Industrial and Miscellaneous	1,031,359,821	14,070,466	17,599,328	-	1,063,029,615
<b>Total Common Stocks</b>	<b>1,031,359,821</b>	<b>14,070,466</b>	<b>17,599,328</b>	<b>-</b>	<b>1,063,029,615</b>
Derivative Assets	-	21,110,620	965,933	-	22,076,553
<b>Total assets at fair value</b>	<b>\$ 1,033,252,843</b>	<b>\$ 801,065,537</b>	<b>\$ 34,021,086</b>	<b>\$ -</b>	<b>\$ 1,868,339,466</b>
<b>b. Liabilities at fair value</b>					
Derivative Liabilities	\$ 91,945	\$ -	\$ -	\$ -	\$ 91,945
<b>Total liabilities at fair value</b>	<b>\$ 91,945</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,945</b>

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2018.

### 2. Rollforward of Level 3 Items

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

	Balance as of 12/31/2017	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance as of 12/31/2018
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	-	(4,566,150)	-	(6,117)	4,568,493	-	-	3,774	-
U.S. State and Municipal	-	-	-	-	-	-	-	-	-	-
Corporate and Other	5,097,024	1,886,316	(72,125)	(9,873)	(219,306)	11,876	-	(1,755,089)	15,377	4,954,200
Foreign Government Securities	-	-	-	-	-	-	-	-	-	-
<b>Total Bonds</b>	<b>5,097,024</b>	<b>1,886,316</b>	<b>(4,638,275)</b>	<b>(9,873)</b>	<b>(225,423)</b>	<b>4,580,369</b>	<b>-</b>	<b>(1,755,089)</b>	<b>19,151</b>	<b>4,954,200</b>
Preferred Stock	8,840,000	-	(2,040,000)	1,283,388	-	33,008,125	-	(30,589,888)	-	10,501,625
Common Stock	19,495,993	5,858,378	(7,212,072)	(159)	334,916	1,086,614	-	(1,898,538)	(65,804)	17,599,328
<b>Total</b>	<b>33,433,017</b>	<b>7,744,694</b>	<b>(13,890,347)</b>	<b>1,273,356</b>	<b>109,493</b>	<b>38,675,108</b>	<b>-</b>	<b>(34,243,515)</b>	<b>(46,653)</b>	<b>33,055,153</b>
<b>Net Derivatives</b>	<b>38,521,080</b>	<b>-</b>	<b>-</b>	<b>25,725,925</b>	<b>(6,824,044)</b>	<b>239,111,737</b>	<b>-</b>	<b>(295,568,765)</b>	<b>-</b>	<b>965,934</b>
<b>Total</b>	<b>38,521,080</b>	<b>-</b>	<b>-</b>	<b>25,725,925</b>	<b>(6,824,044)</b>	<b>239,111,737</b>	<b>-</b>	<b>(295,568,765)</b>	<b>-</b>	<b>965,934</b>

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

The Company holds NAIC designated 6 fixed maturity securities at the lower of amortized cost or fair value defined by SSAP No. 26, Bonds and NAIC designated 4-6 preferred stocks at the lower of cost or fair value as defined by SSAP No. 32, Investments in Preferred Stock. Market fluctuations cause securities to change from being held at cost or amortized cost to fair value or vice versa. These changes result in a transfer in or out of Level 3. In addition, the Company also transfers securities into or out of level 3 as a result of re-evaluation of the observability of pricing inputs.

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

#### Fixed Maturities

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

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

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

#### Mortgage-Backed Securities

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

#### Asset-Backed Securities

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

#### Municipal Securities

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

## NOTES TO FINANCIAL STATEMENTS

### Corporate debt and other

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

### Foreign government securities

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

### Common and Preferred Stocks

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

### Other Invested Assets

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

### Derivatives

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

#### B. Other Fair Value Disclosures

Not applicable.

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

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Cash, Cash Equivalents and Short Term	\$ 464,266,681	\$ 464,341,712	\$ (274,027,299)	\$ 3,435,106	\$ 3,543	\$ 734,855,331	\$ -
Bonds	14,069,675,073	14,124,491,550	1,488,351,116	12,438,103,159	143,220,798	-	-
Preferred Stock	25,853,271	25,853,271	1,844,981	13,506,665	10,501,625	-	-
Common Stock	1,063,022,755	1,063,022,755	1,031,359,821	14,063,605	17,599,329	-	-
Securities Lending	669,879,151	669,543,680	-	669,879,151	-	-	-
Mortgage Loans	579,228,177	582,464,448	-	-	579,228,177	-	-
Surplus Notes	58,544,381	72,572,734	-	9,369,131	49,175,250	-	-
Derivative Assets	22,076,553	22,076,553	-	21,110,620	965,933	-	-
Total Assets	\$ 16,952,546,043	\$ 17,024,366,703	\$ 2,247,528,619	\$ 13,169,467,438	\$ 800,694,655	\$ 734,855,331	-
Derivative Liabilities	91,945	91,945	-	-	-	-	-
Total Liabilities	\$ 91,945	\$ 91,945	\$ -	\$ -	\$ -	\$ -	-

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

Not applicable.

#### E. Instruments Measured at Net Asset Value (NAV)

The Company elected to use NAV for all money market mutual funds in lieu of fair value as NAV is more readily available. These funds are backed by high quality, very liquid short-term instruments and the probability is remote that the funds would be sold for a value other than NAV.

### Note 21 - Other Items

#### A. Unusual or Infrequent Items

On May 1, 2018 the Company, with regulatory approval, sold its 90% ownership interest in Liberty Life Assurance Company to Lincoln Financial Group, resulting in a total realized gain of \$302,579,097.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

#### C. Other Disclosures

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

- The Company took a credit in the determination of its loss reserves of \$0 in 2018 and \$8,235,629 in 2017.
- The Company received payments from the Special Disability Trust Fund of \$0 in 2018 and \$1,028,511 in 2017.
- The amount the Company was assessed by the Special Disability Trust Fund was \$0 in 2018 and \$2,889 in 2017.

#### D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.



## NOTES TO FINANCIAL STATEMENTS

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

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

Description of State Transferable and Non-transferable Tax Credits	State	Carrying Value	Unused Amount
Historic Preservation Tax Credit	TX	\$ 9,680,597	\$ 9,680,597
Film Credit	MA	\$ 17,079,415	\$ 17,079,415
Total		\$ 26,760,012	\$ 26,760,012

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

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

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

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

- State Tax Credits Admitted and Nonadmitted

	Non Admitted	Total Nonadmitted
a. Transferable	\$ 26,760,012	
b. Non-transferable		

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

- 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.
- The Company does not have any direct exposure through investments in subprime mortgage loans.
- The Company has direct exposure through their investment in residential mortgage-backed securities.

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
Residential mortgage-backed securities	\$ 1,713,631	\$ 2,659,878	\$ 2,937,937	\$ 44,653

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

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

Management of Risk Related To:	Number of Outstanding ILS Contracts	Aggregate Maximum Proceeds
1. Directly Written Insurance Risks		
a. ILS Contracts as Issuer		
b. ILS Contracts as Ceding Insurer	11	663,595,592
c. ILS Contracts as Counterparty		
2. Assumed Insurance Risks		
a. ILS Contracts as Issuer		
b. ILS Contracts as Ceding Insurer		
c. ILS Contracts as Counterparty		

### Note 22 - Events Subsequent

The Company evaluated subsequent events through February 21, 2019, the date the annual statement was available to be issued.

There were no events subsequent to December 31, 2018 that would require disclosure.

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

### Note 23 - Reinsurance

#### A. Unsecured Reinsurance Recoverable

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

Reinsurer	NAIC No.	Federal ID No.	Reinsurer
National Workers Compensation Reinsurance Pool	00000	AA-9992118	\$ 1,191,323,000
Michigan Catastrophic Claims Assn (MCCA)	00000	AA-9991159	624,592,000
Total			\$ 1,815,915,000

#### B. Reinsurance Recoverable in Dispute

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

#### C. Reinsurance Assumed & Ceded

- 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, 2018.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	\$ 15,070,644,000	\$ 235,119,279	\$ 7,953,619,000	\$ 30,965,162	\$ 7,117,025,000	\$ 204,154,117
All Other	454,598,375	123,490,781	937,335,483	181,493,328	(482,737,108)	(58,002,546)
Total	\$ 15,525,242,375	\$ 358,610,060	\$ 8,890,954,483	\$ 212,458,489	\$ 6,634,287,892	\$ 146,151,571

Directed Unearned Premium Reserve: \$ 1,217,141,557

## NOTES TO FINANCIAL STATEMENTS

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2018 are as follows:

	<u>Direct</u>	<u>Assumed</u>	<u>Ceded</u>	<u>Net</u>
a. Contingent Commission	\$ 16,013,724	\$ 519,525,693	\$ 267,769,708	\$ 267,769,709
b. Sliding Scale Adjustments	-	261,938	(371,557)	633,495
c. Other Profit Commission Arrangements	-	(2,457,355)	(1,669,845)	(787,510)
d. TOTAL	<u>\$ 16,013,724</u>	<u>\$ 517,330,276</u>	<u>\$ 265,728,306</u>	<u>\$ 267,615,694</u>

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

### D. Uncollectible Reinsurance

During the current year, the Company wrote off reinsurance balances of \$160,629. This amount is shown below by Income Statement classification and by reinsurer.

a. Losses incurred	\$ (159,870)
b. Loss adjustment expenses incurred	(759)
c. Premiums earned	-
d. Other	-
TOTAL	<u>\$ (160,629)</u>
e. <u>Company</u>	<u>Amount</u>
Pennsylvania Manufactures Asn	\$ (158,254)
Excalibur Reinsurance Corp	\$ (2,375)

### 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 a decrease in Net Income of \$201,763. This amount is shown below by Income Statement classification and by reinsurer.

a. Losses incurred	\$ (47,015)
b. Loss adjustment expenses incurred	306,040
c. Premiums earned	-
d. Other	(57,262)
TOTAL	<u>\$ 201,763</u>
e. <u>Company</u>	<u>Amount</u>
Stuart Insurance Group Ltd	\$ 436,959
Liberty Sponsored Insurance Vermont	(76,250)
Ethanol Risk Management Spc	(164,454)
All Other	5,507
TOTAL	<u>\$ 201,763</u>

### F. Retroactive Reinsurance

	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
(1) Initial Reserves	\$ 310,134,204	\$ 1,645,159,516
(2) Adjustments - Prior Year(s)	(496,376,614)	(66,470,066)
(3) Adjustments - Current Year	(14,747,509)	(191,340,828)
(4) Current Total	<u>\$ (200,989,919)</u>	<u>\$ 1,387,348,622</u>
b. Consideration Paid or Received:		
(1) Initial Consideration	\$ 338,888,551	\$ 1,677,933,712
(2) Adjustments - Prior Year(s)	14,829,212	42,765,075
(3) Adjustments - Current Year	-	-
(4) Current Total	<u>\$ 353,717,763</u>	<u>\$ 1,720,698,788</u>
c. Paid Losses Reimbursed or Recovered:		
(1) Prior Year(s)	\$ 576,841,998	\$ 388,947,260
(2) Current Year	7,751,792	4,300,908
(3) Current Total	<u>\$ 584,593,789</u>	<u>\$ 393,248,168</u>
d. Discount Unwind on Reserves:		
(1) Prior Year(s)	\$ -	\$ 20,801,644
(2) Current Year	-	43,235,289
(3) Current Total	<u>\$ -</u>	<u>\$ 64,036,933</u>
e. Special Surplus from Retroactive Reinsurance		
(1) Initial Surplus Gain or Loss	\$ 45,206,365	\$ 31,459,634
(2) Adjustments - Prior Year(s)	(82,088,190)	(257,595,913)
(3) Adjustments - Current Year	6,995,717	230,275,209
(4) Current Year Restricted Surplus	251,909	(42,856,900)
(5) Cumulative Total Transferred to Unassigned	<u>\$ (30,138,017)</u>	<u>\$ 46,995,830</u>

## NOTES TO FINANCIAL STATEMENTS

f. All cedents and reinsurers involved in all transactions included in summary totals above:

Company	Assumed Amount	Ceded Amount
Lloyd's Syndicate, AA-1120098	\$ 51,429,870	\$ -
Great American Insurance Company, 16691	35,341,782	-
Wetereau Insurance Co LTD., AA-3191047	129,176	-
Employers Insurance Company of Wausau, 21458	(250,004)	-
Ironshore Indemnity Inc., 23647	(71,719,831)	-
Ironshore Specialty Insurance Co., 25445	(215,920,912)	-
National Indemnity Co, 20087	-	2,894,883,035
Federal Insurance Company, 20281	-	47,333,487
Munich Reinsurance America Inc., 10227	-	23,104,576
Swiss Reinsurance America Corporation, 25364	-	4,859,237
Westport Insurance Corporation, 39845	-	2,193,136
American National Insurance Company, 60739	-	1,333,350
Everest Reinsurance Co., 22-2005057	-	1,090,136
Legion Insurance Co., 23-1892289	-	326,391
Reliastar Life Insurance Company, 67105	-	258,624
Nokatus Insurance Co Limited, AA-0000000	-	179,084
American United Life Insurance Company, 60895	-	78,697
Continental Casualty Co, 20443	-	51,725
Other	-	(4,316)
Peerless Insurance Company, 24198	-	(635,335,415)
Employers Insurance Company of Wausau, 21458	-	(254,134,166)
Liberty Mutual Fire Insurance Company, 23035	-	(254,134,166)
The Ohio Casualty Insurance Company, 24074	-	(254,134,166)
Safeco Insurance Company of America, 24740	-	(190,600,625)
Total	<u>\$ (200,989,919)</u>	<u>\$ 1,387,348,622</u>

g. 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

Company	Total Paid/Loss/LAE Recoverable	Amounts Over 90 Days Overdue
Munich Reinsurance America Inc., 10227	\$ 125,447	-
Federal Insurance Company, 20281	96,633	-
Everest Reinsurance Co, 26921	47,714	-
Westport Insurance Corporation, 39845	36,915	-
Total	<u>\$ 306,709</u>	<u>\$ -</u>

(2) Unauthorized Reinsurers

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

(3) Certified Reinsurers

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

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.

In conjunction with the Ironshore acquisition and effective May 1, 2017, Ironshore entered into a reinsurance transaction with National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc., on a combined aggregate excess of loss agreement providing coverage for substantially all of Ironshore's reserves related to losses occurring prior to January 1, 2017. This agreement is being accounted for as retroactive reinsurance.

On July 17, 2014, Liberty Mutual Insurance reached a definitive agreement with NICO, 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, 2018, the deposit receivable balance for reinsurance contracts accounted for under the deposit method was \$4,862,065.

At December 31, 2018, the deposit liability balance for reinsurance contracts accounted for under the deposit method was \$26,909,972.

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.

## NOTES TO FINANCIAL STATEMENTS

**J. Asbestos and Pollution Counterparty Reporting Exception**

The Counterparty reporting party does not apply to the Company.

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

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

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

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

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

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

a. Total accrued retro premium	\$ 192,533,511
b. Unsecured amount	-
c. Less: Nonadmitted amount (10%)	19,252,489
d. Less: Nonadmitted for any person whom agents' balances or uncollected premiums are nonadmitted	-
e. Admitted amount (a) - (c) - (d)	<u>\$ 173,281,022</u>

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

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

**Note 25 - Change in Incurred Losses and Loss Adjustment Expenses**

Incurred loss and loss adjustment expense attributable to insured events on prior years decreased through the fourth quarter of 2018. The decrease was the result of updated reserve analysis in a number of lines, with the largest decreases in reserve estimates in Workers' Compensation, Special Property, and Homeowners/Farmowners lines. Partially offsetting these decreases were increases in reserve estimates for Reinsurance – Nonproportional Assumed Property, Other Liability and Commercial Auto Liability/Medical lines. Prior estimates are revised as additional information becomes known regarding individual claims.

**Note 26 - Intercompany Pooling Arrangements**

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

	NAIC Company Number	Pooling Companies	Line of Business
Lead: 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
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
Ironshore Indemnity Inc. ("III")	23647	0.00%	All Lines
Ironshore Specialty Insurance Company ("ISIC")	25445	0.00%	All Lines
Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

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

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

- a. Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- b. After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- c. The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- d. There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- e. There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- f. The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- g. Amounts due (to)/from affiliated entities participating in the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement as of December 31, 2018:

<u>Affiliate</u>	<u>Amount</u>
Peerless Insurance Company	\$ (1,466,982)
Employers Insurance Company of Wausau	\$ (586,793)
Liberty Mutual Fire Insurance Company	\$ (586,793)
The Ohio Casualty Insurance Company	\$ (586,793)
Safeco Insurance Company of America	\$ (440,095)
Wausau General Insurance Company	\$ 1,102,171
Wausau Underwriters Insurance Company	\$ 7,247,136
Wausau Business Insurance Company	\$ (2,023,213)
Ironshore Specialty Insurance Company	\$ 1,613,774
Ironshore Indemnity Inc.	\$ (604,960)

## NOTES TO FINANCIAL STATEMENTS

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

### Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$517,427,538 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$517,427,538 as of December 31, 2018.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile Yes/No	Statement Value (i.e., Present Value) of Annuities
Prudential Insurance Company New Jersey	Yes	\$ 254,702,930

### 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 12/31/2018  
Was anticipated investment income utilized in the calculation?
3. the calculation? No

### Note 31 - High Dollar Deductible Policies

As of December 31, 2018, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$2,704,250,542 and the amount billed and recoverable on paid claims was \$86,816,720. There are no unsecured high dollar deductible recoverables from professional employer organizations included in these amounts.

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

For Workers' Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2018 liabilities include \$6,581,175,086 of such discounted reserves. The Company recognized \$23,566,196 of interest accretion in the Statement of Income for the current year related to tabular discount on Workers' Compensation. The December 31, 2018 liabilities subject to discount were carried at a value representing a discount of \$216,449,654 net of all reinsurance.

- A. Tabular Discount

Schedule P Lines of Business	Tabular discount Included in Schedule P, Part 1 *	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	211,601,033	179,508,826
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	\$ 211,601,033	\$ 179,508,826

- 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.

## NOTES TO FINANCIAL STATEMENTS

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 2018, the Company and its affiliated pool members completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded A&E unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. A&E unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves of \$250 million including: \$200 million of asbestos reserves, and \$50 million of pollution reserves.

### Uncertainty Regarding Reserving Methodologies

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

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

The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance

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, 2018, 2017, 2016, 2015, and 2014 before consideration of the NICO Reinsurance Transaction. Refer to Note 23f.

### Asbestos

#### 1. Direct -

	2014	2015	2016	2017	2018
a. Beginning reserves:	\$ 874,631,236	\$ 879,429,255	\$ 740,188,964	\$ 774,439,191	\$ 734,485,562
b. Incurred losses and LAE	142,545,430	41,421,717	163,905,946	88,670,837	154,569,999
c. Calendar year payments	137,747,411	180,662,008	129,655,719	128,624,467	126,303,263
d. Ending reserves	<u>\$ 879,429,255</u>	<u>\$ 740,188,964</u>	<u>\$ 774,439,191</u>	<u>\$ 734,485,561</u>	<u>\$ 762,752,297</u>

#### 2. Assumed Reinsurance -

	2014	2015	2016	2017	2018
a. Beginning reserves*:	\$ 309,882,678	\$ 286,626,082	\$ 276,572,986	\$ 255,949,495	\$ 265,307,679
b. Incurred losses and LAE	754,405	5,868,205	(2,476,924)	25,333,329	(2,322,094)
c. Calendar year payments	24,011,001	15,921,301	18,744,881	15,975,145	14,858,241
d. Ending reserves	<u>\$ 286,626,082</u>	<u>\$ 276,572,986</u>	<u>\$ 255,351,181</u>	<u>\$ 265,307,679</u>	<u>\$ 248,127,345</u>

\*Includes Ironshore acquisition in 2017

#### 3. Net of Ceded Reinsurance -

	2014	2015	2016	2017	2018
a. Beginning reserves:	\$ 498,611,802	\$ 459,023,905	\$ 340,799,247	\$ 336,003,375	\$ 337,545,527
b. Incurred losses and LAE	44,454,204	3,065,964	31,144,307	42,936,041	100,387,034
c. Calendar year payments	84,042,101	121,290,622	35,940,179	41,393,889	48,182,457
d. Ending reserves	<u>\$ 459,023,905</u>	<u>\$ 340,799,247</u>	<u>\$ 336,003,375</u>	<u>\$ 337,545,527</u>	<u>\$ 389,750,105</u>

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

a. Direct Basis	\$ 534,406,271
b. Assumed Reinsurance Basis	\$ 180,732,991
c. Net of Ceded Reinsurance Basis	\$ 270,613,276

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

a. Direct Basis	\$ 446,643,661
b. Assumed Reinsurance Basis	\$ 7,296,772
c. Net of Ceded Reinsurance Basis	\$ 175,764,648

### Environmental

#### 1. Direct -

	2014	2015	2016	2017	2018
a. Beginning reserves:	\$ 224,235,273	\$ 210,301,637	\$ 181,183,686	\$ 186,350,297	\$ 193,197,317
b. Incurred losses and LAE	28,977,227	14,740,307	40,124,443	32,160,670	54,601,495
c. Calendar year payments	42,910,863	43,858,258	34,957,832	25,313,650	40,586,516
d. Ending reserves	<u>\$ 210,301,637</u>	<u>\$ 181,183,686</u>	<u>\$ 186,350,297</u>	<u>\$ 193,197,317</u>	<u>\$ 207,212,296</u>

#### 2. Assumed Reinsurance -

	2014	2015	2016	2017	2018
a. Beginning reserves*:	\$ 32,081,393	\$ 30,215,301	\$ 21,895,685	\$ 20,855,856	\$ 25,430,924
b. Incurred losses and LAE	574,462	(4,904,000)	(82,374)	6,067,609	(410,591)
c. Calendar year payments	2,440,555	3,415,616	2,035,761	1,492,540	2,528,263
d. Ending reserves	<u>\$ 30,215,300</u>	<u>\$ 21,895,685</u>	<u>\$ 19,777,550</u>	<u>\$ 25,430,925</u>	<u>\$ 22,492,071</u>

\*Includes Ironshore acquisition in 2017

#### 3. Net of Ceded Reinsurance -

	2014	2015	2016	2017	2018
a. Beginning reserves:	\$ 161,491,764	\$ 149,437,068	\$ 131,057,498	\$ 128,018,132	\$ 137,576,256
b. Incurred losses and LAE	14,063,692	159,049	24,552,997	25,488,255	24,984,025
c. Calendar year payments	26,118,388	18,538,619	27,592,363	15,930,131	21,311,072
d. Ending reserves	<u>\$ 149,437,068</u>	<u>\$ 131,057,498</u>	<u>\$ 128,018,132</u>	<u>\$ 137,576,256</u>	<u>\$ 141,249,209</u>

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## NOTES TO FINANCIAL STATEMENTS

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4.	Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
	a. Direct Basis	\$ 122,288,863
	b. Assumed Reinsurance Basis	\$ 10,816,302
	c. Net of Ceded Reinsurance Basis	\$ 78,584,955
5.	Ending Reserves for LAE included above (Case, Bulk & IBNR)	
	a. Direct Basis	\$ 80,737,070
	b. Assumed Reinsurance Basis	\$ 2,155,823
	c. Net of Ceded Reinsurance Basis	\$ 48,132,399

**Note 34 - Subscriber Savings Accounts**

The Company is not a reciprocal insurance company

**Note 35 - Multiple Peril Crop Insurance**

Not applicable.

**Note 36 - Financial Guaranty Insurance Contracts**

Not applicable.



# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? Massachusetts
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes  No
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.
- 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
- If yes, complete and file the merger history data file with the NAIC.

## GENERAL INTERROGATORIES

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

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

6.2 If yes, give full information:

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

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

7.2 If yes,

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

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

1 Nationality	2 Type of Entity

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

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

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

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young, LLP  
 200 Clarendon Street  
 Boston, MA 02116  
 .....

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

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

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

## GENERAL INTERROGATORIES

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:  
 .....  
 .....  
 .....

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

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
 Stephanie Neyenhouse FCAS, MAAA  
 175 Berkeley Street, Boston, MA 02116  
 Vice President and Chief Actuary, Liberty Mutual Group Inc.  
 .....

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

12.11 Name of real estate holding company	Various
12.12 Number of parcels involved	15
12.13 Total book/adjusted carrying value	\$ 1,012,091,599

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.  
 .....  
 .....

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

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

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

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

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

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 [X] No [ ]

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

## GENERAL INTERROGATORIES

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

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

.....

.....

.....

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 [X] No [ ]

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
63100646	COLUMBIA BANK	DEFAULT OF PAYMENT OR EXPIRATION	52,463
11600020	MERCHANTS BANK	DEFAULT OF PAYMENT OR EXPIRATION	110,000
51408949	TOWNE BANK	DEFAULT OF PAYMENT OR EXPIRATION	214,000
81206807	PEOPLES NATIONAL BAN	DEFAULT OF PAYMENT OR EXPIRATION	250,000
101005483	Metcalf Bank	DEFAULT OF PAYMENT OR EXPIRATION	12,500
111000960	North Dallas Bank & Trust C	DEFAULT OF PAYMENT OR EXPIRATION	150,000
31302133	Lafayette Ambassador Bank	DEFAULT OF PAYMENT OR EXPIRATION	75,000
111900581	Extraco Banks National Ass	DEFAULT OF PAYMENT OR EXPIRATION	25,000
26002794	BANK LEUMI USA	DEFAULT OF PAYMENT OR EXPIRATION	230,000
71006486	The PrivateBank and Trust	DEFAULT OF PAYMENT OR EXPIRATION	650,000
81500859	Boone County National Ban	DEFAULT OF PAYMENT OR EXPIRATION	3,350,000
84201278	BancorpSouth	DEFAULT OF PAYMENT OR EXPIRATION	15,297,525
104901678	Five Points Bank of Grand I	DEFAULT OF PAYMENT OR EXPIRATION	550,000
121142287	HERITAGE BANK OF COM	DEFAULT OF PAYMENT OR EXPIRATION	525,000
243374218	Northwest Savings Bank	DEFAULT OF PAYMENT OR EXPIRATION	1,760,000
55003298	EagleBank	DEFAULT OF PAYMENT OR EXPIRATION	650,000
113101317	First National Bank of Lake	DEFAULT OF PAYMENT OR EXPIRATION	1,170,000
265370915	FIRST SOUTHERN BANK	DEFAULT OF PAYMENT OR EXPIRATION	200,000
26008905	MIZUHO CORPORATE BA	DEFAULT OF PAYMENT OR EXPIRATION	2,122,853
222370440	First Niagara Bank, N.A.	DEFAULT OF PAYMENT OR EXPIRATION	2,384,000
82901635	Farmers Bank & Trust Com	DEFAULT OF PAYMENT OR EXPIRATION	801,000
125200060	First National Bank of Alask	DEFAULT OF PAYMENT OR EXPIRATION	600,000
292970825	GLACIER BANK	DEFAULT OF PAYMENT OR EXPIRATION	1,120,000
65306134	Bank of Brookhaven	DEFAULT OF PAYMENT OR EXPIRATION	6,089
26013576	Signature Bank	DEFAULT OF PAYMENT OR EXPIRATION	444,000
64009380	CAPSTAR BANK	DEFAULT OF PAYMENT OR EXPIRATION	1,265,000
81516872	First Commercial Bank	DEFAULT OF PAYMENT OR EXPIRATION	377,500
101100375	Commercial Bank	DEFAULT OF PAYMENT OR EXPIRATION	90,000
211770271	Bank of New Hampshire	DEFAULT OF PAYMENT OR EXPIRATION	16,000
61100606	Synovus Bank	DEFAULT OF PAYMENT OR EXPIRATION	100,000
122041235	BBCN Bank	DEFAULT OF PAYMENT OR EXPIRATION	60,000
51404464	FIRST BANK AND TRUST	DEFAULT OF PAYMENT OR EXPIRATION	4,896,922
71212128	1st Source Bank	DEFAULT OF PAYMENT OR EXPIRATION	249,798
81906013	CARROLLTON BANK	DEFAULT OF PAYMENT OR EXPIRATION	168,000
84201294	RENASANT BANK	DEFAULT OF PAYMENT OR EXPIRATION	950,000
107002448	Bank of Colorado	DEFAULT OF PAYMENT OR EXPIRATION	2,000,000
122243334	COMMERCEWEST BANK	DEFAULT OF PAYMENT OR EXPIRATION	5,500,000
21305386	Community Bank N.A.	DEFAULT OF PAYMENT OR EXPIRATION	187,369
71922777	FIRST AMERICAN BANK	DEFAULT OF PAYMENT OR EXPIRATION	403,500
124000054	Amegy Bank N.A.	DEFAULT OF PAYMENT OR EXPIRATION	660,000
21302884	Adirondack Trust Company	DEFAULT OF PAYMENT OR EXPIRATION	493,887

## GENERAL INTERROGATORIES

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
71006486	The PrivateBank and Trust	DEFAULT OF PAYMENT OR EXPIRATION	6,038,383
65304385	CITIZENS BANK	DEFAULT OF PAYMENT OR EXPIRATION	921,000
101104928	Bennington State Bank	DEFAULT OF PAYMENT OR EXPIRATION	100,000
112201836	Lea County State Bank	DEFAULT OF PAYMENT OR EXPIRATION	634,000
72402652	INDEPENDENT BANK	DEFAULT OF PAYMENT OR EXPIRATION	78,226
43306855	S & T BANK	DEFAULT OF PAYMENT OR EXPIRATION	30,000
71102076	First Mid Illinois Bank & Tru	DEFAULT OF PAYMENT OR EXPIRATION	50,000
82900319	First National Bank of Fort S	DEFAULT OF PAYMENT OR EXPIRATION	125,000
103101262	Firststar Bank	DEFAULT OF PAYMENT OR EXPIRATION	65,000
21302884	Adirondack Trust Company	DEFAULT OF PAYMENT OR EXPIRATION	50,000
63116261	Bank of Central Florida	DEFAULT OF PAYMENT OR EXPIRATION	75,000
122234149	Citizens Business Bank	DEFAULT OF PAYMENT OR EXPIRATION	135,000
61100606	Synovus Bank	DEFAULT OF PAYMENT OR EXPIRATION	4,029,621
71925981	EVERGREEN BANK GROU	DEFAULT OF PAYMENT OR EXPIRATION	4,977,000
83000564	Stock Yards Bank and Trust	DEFAULT OF PAYMENT OR EXPIRATION	550,000
91902036	EAGLE BANK	DEFAULT OF PAYMENT OR EXPIRATION	2,130,000
111912197	City National Bank	DEFAULT OF PAYMENT OR EXPIRATION	2,130,000
124000054	Amegy Bank N.A.	DEFAULT OF PAYMENT OR EXPIRATION	375,000
21914544	WESTCHESTER BANK, TH	DEFAULT OF PAYMENT OR EXPIRATION	111,700
73901974	Cherokee State Bank	DEFAULT OF PAYMENT OR EXPIRATION	450,000
211372239	BAYCOAST BANK	DEFAULT OF PAYMENT OR EXPIRATION	296,000
26008905	MIZUHO CORPORATE BA	DEFAULT OF PAYMENT OR EXPIRATION	167,000
103100881	First United Bank & Trust C	DEFAULT OF PAYMENT OR EXPIRATION	3,942,000
65306189	First Commercial Bank	DEFAULT OF PAYMENT OR EXPIRATION	1,000,000
102301199	Hilltop National Bank	DEFAULT OF PAYMENT OR EXPIRATION	90,000
11600567	Peoples Trust Company of	DEFAULT OF PAYMENT OR EXPIRATION	6,405,578
211170211	The Milford Bank	DEFAULT OF PAYMENT OR EXPIRATION	180,000
44101305	PARK NATIONAL BANK, T	DEFAULT OF PAYMENT OR EXPIRATION	52,600
81200531	MERCANTILE BANK	DEFAULT OF PAYMENT OR EXPIRATION	90,000
82901567	UNION BANK & TRUST CO	DEFAULT OF PAYMENT OR EXPIRATION	50,000
103102106	First Bank & Trust Co.	DEFAULT OF PAYMENT OR EXPIRATION	236,039
21303618	NBT BANK, NATIONAL AS	DEFAULT OF PAYMENT OR EXPIRATION	130,000
101110488	Stanley Bank	DEFAULT OF PAYMENT OR EXPIRATION	175,000
11301798	Eastern Bank	DEFAULT OF PAYMENT OR EXPIRATION	215,000
63115806	SUNRISE BANK	DEFAULT OF PAYMENT OR EXPIRATION	189,323
72410013	Chemical Bank	DEFAULT OF PAYMENT OR EXPIRATION	1,005,000
83901621	Citizens Union Bank	DEFAULT OF PAYMENT OR EXPIRATION	500,000
101101950	Morrill & Janes Bank	DEFAULT OF PAYMENT OR EXPIRATION	3,000,000
113024164	GREEN BANK, NATIONAL	DEFAULT OF PAYMENT OR EXPIRATION	865,000
125100089	WASHINGTON TRUST BA	DEFAULT OF PAYMENT OR EXPIRATION	267,000
43305092	COMMERCIAL BANK & TR	DEFAULT OF PAYMENT OR EXPIRATION	1,807,000
91915654	KLEINBANK	DEFAULT OF PAYMENT OR EXPIRATION	14,100
221272303	PROVIDENT BANK, THE	DEFAULT OF PAYMENT OR EXPIRATION	39,664
111322994	PLAINSCAPITAL BANK	DEFAULT OF PAYMENT OR EXPIRATION	173,000
111322994	PLAINSCAPITAL BANK	DEFAULT OF PAYMENT OR EXPIRATION	143,000
71102076	First Mid Illinois Bank & Tru	DEFAULT OF PAYMENT OR EXPIRATION	325,000
124000054	Amegy Bank N.A.	DEFAULT OF PAYMENT OR EXPIRATION	17,600
107006253	MyBank	DEFAULT OF PAYMENT OR EXPIRATION	80,000
			390,000

## 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  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  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  No

## GENERAL INTERROGATORIES

### 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              | \$ _____ |
| 20.12 | To stockholders not officers                | \$ _____ |
| 20.13 | Trustees, supreme or grand (Fraternal only) | \$ _____ |
- 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              | \$ _____ |
| 20.22 | To stockholders not officers                | \$ _____ |
| 20.23 | Trustees, supreme or grand (Fraternal only) | \$ _____ |
- 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   | \$ _____ |
| 21.22 | Borrowed from others | \$ _____ |
| 21.23 | Leased from others   | \$ _____ |
| 21.24 | Other                | \$ _____ |
- 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]
- 22.2 If answer is yes:
- |       |  |          |
|-------|--|----------|
| 22.21 | Amount paid as losses or risk adjustment | \$ _____ |
| 22.22 | Amount paid as expenses                  | \$ _____ |
| 22.23 | Other amounts paid                       | \$ _____ |
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ \_\_\_\_\_ 719,254

### 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 [X] 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 [X] No [ ] N/A [ ]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ \_\_\_\_\_ 696,996,940
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ \_\_\_\_\_
- 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 [X] No [ ] N/A [ ]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]

## GENERAL INTERROGATORIES

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	\$ <u>669,543,680</u>
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$ <u>669,543,680</u>
24.103	Total payable for securities lending reported on the liability page	\$ <u>669,543,680</u>

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

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

25.21	Subject to repurchase agreements	\$ _____
25.22	Subject to reverse repurchase agreements	\$ _____
25.23	Subject to dollar repurchase agreements	\$ _____
25.24	Subject to reverse dollar repurchase agreements	\$ _____
25.25	Placed under option agreements	\$ _____
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$ _____
25.27	FHLB Capital Stock	\$ <u>17,597,200</u>
25.28	On deposit with states	\$ <u>1,360,863,848</u>
25.29	On deposit with other regulatory bodies	\$ <u>898,002,153</u>
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	\$ <u>1,209,388,674</u>
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	\$ <u>163,862,365</u>
25.32	Other	\$ <u>3,965,240</u>

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
FHLB CAPITAL STOCK	FEDERAL HOME LOAN BANK BOSTON	17,597,200

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. \$ \_\_\_\_\_

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

## GENERAL INTERROGATORIES

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

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

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

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

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

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

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

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

1 Name Firm or Individual	2 Central Registration Depository Number	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
Liberty Mutual Group Asset Management Inc.	N/A	N/A	NO	DS
Liberty Mutual Investment Advisors, LLC	N/A	N/A	NO	DS
StanCorp	N/A	N/A	NO	DS
Prudential Mortgage Capital Company	N/A	N/A	NO	DS
Lazard Asset Management LLC	N/A	N/A	SEC	DS
Matthews International Capital Management,	N/A	N/A	SEC	DS

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

29.2 If yes, complete the following schedule:

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



## GENERAL INTERROGATORIES

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

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	14,129,699,481	14,074,216,769	(55,482,712)
30.2 Preferred stocks	25,853,271	25,853,271	
30.3 Totals	14,155,552,752	14,100,070,040	(55,482,712)

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

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

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

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

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

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

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

32.2 If no, list exceptions:

.....  
 .....

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

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

Has the reporting entity self-designated 5GI securities? Yes  No

34 By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

- a. The security was purchased prior to January 1, 2018.
- b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
- c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
- d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities? Yes  No

### OTHER

## GENERAL INTERROGATORIES

35.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 27,888,792

35.2 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 .....	\$ ..... 8,767,828
.....	\$ .....
.....	\$ .....

36.1 Amount of payments for legal expenses, if any? \$ 17,116,835

36.2 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
.....	\$ .....
.....	\$ .....
.....	\$ .....

37.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 1,774,182

37.2 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
.....	\$ .....
.....	\$ .....
.....	\$ .....

# 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. \$ \_\_\_\_\_

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

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. \$ \_\_\_\_\_

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ \_\_\_\_\_

1.62 Total incurred claims \$ \_\_\_\_\_

1.63 Number of covered lives \_\_\_\_\_

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 \$ \_\_\_\_\_

1.72 Total incurred claims \$ \_\_\_\_\_

1.73 Number of covered lives \_\_\_\_\_

All years prior to most current three years:

1.74 Total premium earned \$ \_\_\_\_\_

1.75 Total incurred claims \$ \_\_\_\_\_

1.76 Number of covered lives \_\_\_\_\_

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 22,741,087		\$ 26,268,452	
2.2 Premium Denominator	\$ 15,549,580,081		\$ 13,754,980,458	
2.3 Premium Ratio (2.1 / 2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 85,646,707		\$ 44,775,597	
2.5 Reserve Denominator	\$ 28,231,964,775		\$ 27,315,540,769	
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 \$ 18,920,742

3.22 Non-participating policies \$ 2,069,754,115

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? \_\_\_\_\_ %

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

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?  
 .....  
 .....  
 .....

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 v17.0 and AIR's Touchstone v5.1 software. For workers' compensation, Liberty Mutual utilizes RiskLink v17.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
The Company purchases a combination of quota share reinsurance, per risk excess of loss reinsurance, excess of loss per event catastrophe reinsurance and aggregate programs.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ ] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss  
The Company purchases aggregate coverage to substantially replace nonreinstated catastrophe layers.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [X] No [ ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 11
- 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  
N/A
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [X] No [ ]
- 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 Mutual Insurance Europe SE., Liberty International Underwriters Pte Limited, Liberty International Underwriters Limited, Ironshore Europe DAC and Liberty Specialty Markets Bermuda 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   |  | \$ | 122,919,351 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | 10,011,659  |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 9,596,277
- 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 |  |  | 5.00 % |
| 12.42 To   |  |  | 8.00 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes  No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |  |    |               |
|----------------------------------|--|----|---------------|
| 12.61 Letters of Credit          |  | \$ | 2,009,333,338 |
| 12.62 Collateral and other funds |  | \$ | 606,794,031   |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 550,000,000
- 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<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>Earned |
|------------------|----|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home       | \$ |                                |                              |                                |                                 |                               |
| 16.12 Products   | \$ |                                |                              |                                |                                 |                               |
| 16.13 Automobile | \$ |                                |                              |                                |                                 |                               |
| 16.14 Other*     | \$ |                                | (68,103)                     |                                |                                 |                               |

\* Disclose type of coverage: GL

## 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 is exempt from the statutory provision for unauthorized reinsurance? Yes [ ] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from the statutory provision for unauthorized reinsurance. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 exempt from the statutory provision for unauthorized reinsurance	\$ _____
17.12 Unfunded portion of Interrogatory 17.11	\$ _____
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ _____
17.14 Case reserves portion of Interrogatory 17.11	\$ _____
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ _____
17.16 Unearned premium portion of Interrogatory 17.11	\$ _____
17.17 Contingent commission portion of Interrogatory 17.11	\$ _____

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. \$ \_\_\_\_\_

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. \$ \_\_\_\_\_

19. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes [ ] No [X]

19.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes [ ] No [X]

**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
	2018	2017	2016	2015	2014
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	15,068,933,203	14,747,605,005	13,280,706,517	12,920,645,090	13,126,520,416
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	10,496,346,885	9,940,043,810	9,399,145,420	8,956,661,763	8,490,104,387
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	9,572,025,943	9,262,571,356	8,902,410,982	8,758,713,580	8,382,281,127
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,216,269,402	977,735,210	841,575,578	888,127,587	838,901,213
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	732,341,718	370,670,992	297,637,346	380,546,687	295,823,890
6. Total (Line 35)	37,085,917,151	35,298,626,373	32,721,475,843	31,904,694,707	31,133,631,033
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	7,003,727,496	6,771,964,286	6,060,240,866	5,793,488,617	5,819,247,070
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,706,989,928	2,595,426,875	2,489,435,508	2,355,401,772	2,440,505,676
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,363,874,378	4,265,393,673	4,151,321,519	4,050,660,565	3,880,881,045
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	577,352,965	465,061,209	400,396,352	427,018,992	402,167,188
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	263,539,831	177,259,739	148,038,421	189,517,886	145,611,216
12. Total (Line 35)	15,915,484,598	14,275,105,782	13,249,432,666	12,816,087,832	12,688,412,195
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(67,970,155)	(1,540,802,453)	(422,319,804)	28,931,752	(273,085,631)
14. Net investment gain (loss) (Line 11)	2,857,816,874	529,573,001	545,305,247	680,665,509	901,608,546
15. Total other income (Line 15)	(290,182,935)	11,610,122	11,219,731	(6,289,199)	34,661,992
16. Dividends to policyholders (Line 17)	8,220,582	6,796,773	8,884,883	9,677,688	11,783,650
17. Federal and foreign income taxes incurred (Line 19)	(402,204,243)	(97,994,788)	(278,991,553)	(279,390,338)	(237,020,783)
18. Net income (Line 20)	2,893,647,445	(908,421,315)	404,311,844	973,020,712	888,422,040
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	48,830,564,857	46,020,754,541	44,001,881,687	42,343,216,506	42,655,158,668
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	2,011,787,572	1,545,946,132	1,202,011,937	1,193,023,397	993,118,859
20.2 Deferred and not yet due (Line 15.2)	3,632,858,640	3,517,985,022	3,308,300,952	3,097,481,861	2,932,836,152
20.3 Accrued retrospective premiums (Line 15.3)	173,281,022	194,726,669	199,664,574	196,996,385	224,086,305
21. Total liabilities excluding protected cell business (Page 3, Line 26)	32,465,234,407	31,489,431,268	27,473,676,194	26,527,948,893	26,085,858,680
22. Losses (Page 3, Line 1)	16,732,409,112	16,391,595,471	14,282,969,304	13,988,339,788	13,871,348,428
23. Loss adjustment expenses (Page 3, Line 3)	3,432,800,188	3,267,135,983	2,950,907,996	2,928,798,889	3,007,976,190
24. Unearned premiums (Page 3, Line 9)	7,851,429,449	7,503,154,587	6,929,723,299	6,580,520,311	6,288,178,795
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)	16,365,330,449	14,531,323,273	16,528,205,493	15,815,267,613	16,569,299,988
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	2,877,673,035	1,020,240,458	603,518,517	1,352,176,567	369,832,756
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	16,365,330,449	14,665,993,622	16,632,057,566	15,908,372,744	16,656,825,919
29. Authorized control level risk-based capital	4,106,950,603	4,142,674,161	3,412,337,603	3,203,773,191	3,240,473,150
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	35.4	33.2	35.8	36.6	36.8
31. Stocks (Lines 2.1 & 2.2)	41.5	43.7	29.0	28.8	27.1
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	1.5	1.6	1.7	1.6	1.5
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.6	0.7	0.8	0.9	0.8
34. Cash, cash equivalents and short-term investments (Line 5)	1.2	1.0	3.1	2.2	2.1
35. Contract loans (Line 6)					
36. Derivatives (Line 7)	0.1	0.1	0.0	0.1	
37. Other invested assets (Line 8)	17.9	19.1	29.1	29.3	30.9
38. Receivables for securities (Line 9)	0.2	0.1	0.1	0.0	0.2
39. Securities lending reinvested collateral assets (Line 10)	1.7	0.4	0.5	0.7	0.6
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	15,558,830,351	16,351,779,441	9,864,622,544	9,358,448,827	8,886,678,442
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	14,827,800		14,827,800	59,659,217	
46. Affiliated mortgage loans on real estate					
47. All other affiliated	5,908,127,122	6,232,346,407	9,545,403,006	9,371,684,718	9,992,828,376
48. Total of above Lines 42 to 47	21,481,785,273	22,584,125,848	19,424,853,350	18,789,792,762	18,879,506,818
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)	131.3	155.4	117.5	118.8	113.9

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2018	2017	2016	2015	2014
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	(1,035,176,416)	(764,286,013)	4,902,750	(1,281,553,202)	106,890,174
52. Dividends to stockholders (Line 35)	(64,766,000)	(69,727,700)	(67,859,641)	(64,766,000)	(64,766,000)
53. Change in surplus as regards policyholders for the year (Line 38)	1,834,007,176	(1,996,882,220)	712,937,880	(754,032,375)	1,442,903,663
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	9,019,556,497	7,368,934,353	7,902,459,177	7,597,206,999	8,800,903,807
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	5,944,677,632	5,607,553,716	5,323,465,115	4,872,825,467	4,642,644,555
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	5,202,090,301	4,784,932,081	4,215,094,493	4,207,612,042	4,046,172,891
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	185,310,149	130,143,004	19,146,887	245,666,397	301,137,951
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	197,113,802	116,198,760	79,212,006	115,298,786	129,103,542
59. Total (Line 35)	20,548,748,381	18,007,761,914	17,539,377,678	17,038,609,691	17,919,962,746
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	3,977,910,738	3,222,376,119	3,502,571,250	3,362,609,971	3,907,929,140
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,043,117,102	1,505,221,069	1,439,352,127	1,258,161,731	1,287,996,272
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,396,117,091	2,311,444,789	2,019,090,121	2,000,195,390	1,885,555,516
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	91,852,448	60,497,383	9,144,762	119,427,253	147,134,616
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	94,460,817	57,177,308	39,490,813	57,334,949	64,338,035
65. Total (Line 35)	8,603,458,196	7,156,716,668	7,009,649,073	6,797,729,294	7,292,953,579
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	57.8	66.0	56.6	55.6	56.3
68. Loss expenses incurred (Line 3)	12.2	13.5	13.2	12.7	13.7
69. Other underwriting expenses incurred (Line 4)	30.4	31.7	33.4	31.4	32.2
70. Net underwriting gain (loss) (Line 8)	(0.4)	(11.2)	(3.3)	0.2	(2.2)
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	31.0	30.4	32.5	30.6	31.0
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	70.0	79.5	69.8	68.4	70.0
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)	97.3	98.2	80.2	81.0	76.6
<b>One Year Loss Development (\$000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(357,758)	440,185	105,091	(84,128)	(7,475)
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)	(2.5)	2.7	0.7	(0.5)	(0.0)
<b>Two Year Loss Development (\$000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	195,920	473,162	(43,462)	(97,120)	344,712
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	1.2	3.0	(0.3)	(0.6)	2.4

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?  
If no, please explain:

Yes [ ] No [ ]





**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	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	One Year	Two Year	
1. Prior	11,424,695	11,324,258	11,518,917	11,630,806	11,843,685	11,955,559	11,987,756	12,012,905	12,082,547	11,852,939	(229,608)	(159,966)	
2. 2009	6,586,402	6,569,527	6,507,571	6,447,597	6,493,222	6,443,103	6,447,381	6,449,911	6,455,181	6,455,939	758	6,028	
3. 2010	XXX	6,868,238	6,866,280	6,896,034	6,973,091	6,905,099	6,908,892	6,905,476	6,917,733	6,922,072	4,339	16,596	
4. 2011	XXX	XXX	7,495,325	7,492,408	7,524,464	7,524,818	7,519,988	7,530,877	7,549,976	7,554,505	4,529	23,628	
5. 2012	XXX	XXX	XXX	7,803,283	7,862,122	7,788,875	7,743,328	7,773,961	7,801,245	7,832,847	31,602	58,886	
6. 2013	XXX	XXX	XXX	XXX	7,274,607	7,352,768	7,301,015	7,299,506	7,373,072	7,386,545	13,473	87,039	
7. 2014	XXX	XXX	XXX	XXX	XXX	7,359,619	7,338,672	7,316,403	7,396,881	7,392,767	(4,114)	76,364	
8. 2015	XXX	XXX	XXX	XXX	XXX	XXX	7,568,102	7,632,162	7,711,609	7,659,897	(51,712)	27,735	
9. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,863,820	7,936,901	7,923,430	(13,471)	59,610	
10. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,426,148	9,312,594	(113,554)	XXX	
11. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,906,353	XXX	XXX	
											12. Totals	(357,758)	195,920

**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
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
1. Prior	000	2,428,354	4,143,848	5,331,975	6,153,023	6,819,889	7,367,915	7,734,032	8,050,236	8,317,716	XXX	XXX
2. 2009	2,624,144	3,972,403	4,684,691	5,198,567	5,544,753	5,742,614	5,850,438	5,917,648	5,961,400	5,998,347	XXX	XXX
3. 2010	XXX	2,888,171	4,371,941	5,125,758	5,678,485	6,021,222	6,209,301	6,324,562	6,389,735	6,443,178	XXX	XXX
4. 2011	XXX	XXX	3,411,635	4,821,885	5,631,932	6,199,607	6,563,008	6,784,136	6,889,204	6,983,478	XXX	XXX
5. 2012	XXX	XXX	XXX	3,352,369	5,034,782	5,804,061	6,335,764	6,687,446	6,874,701	7,013,926	XXX	XXX
6. 2013	XXX	XXX	XXX	XXX	3,159,634	4,668,835	5,403,704	5,948,505	6,249,170	6,440,202	XXX	XXX
7. 2014	XXX	XXX	XXX	XXX	XXX	3,358,196	4,833,036	5,583,164	6,049,308	6,495,451	XXX	XXX
8. 2015	XXX	XXX	XXX	XXX	XXX	XXX	3,478,903	5,029,745	5,745,231	6,437,786	XXX	XXX
9. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,693,212	5,192,390	6,126,586	XXX	XXX
10. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,001,572	6,117,831	XXX	XXX
11. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,263,341	XXX	XXX

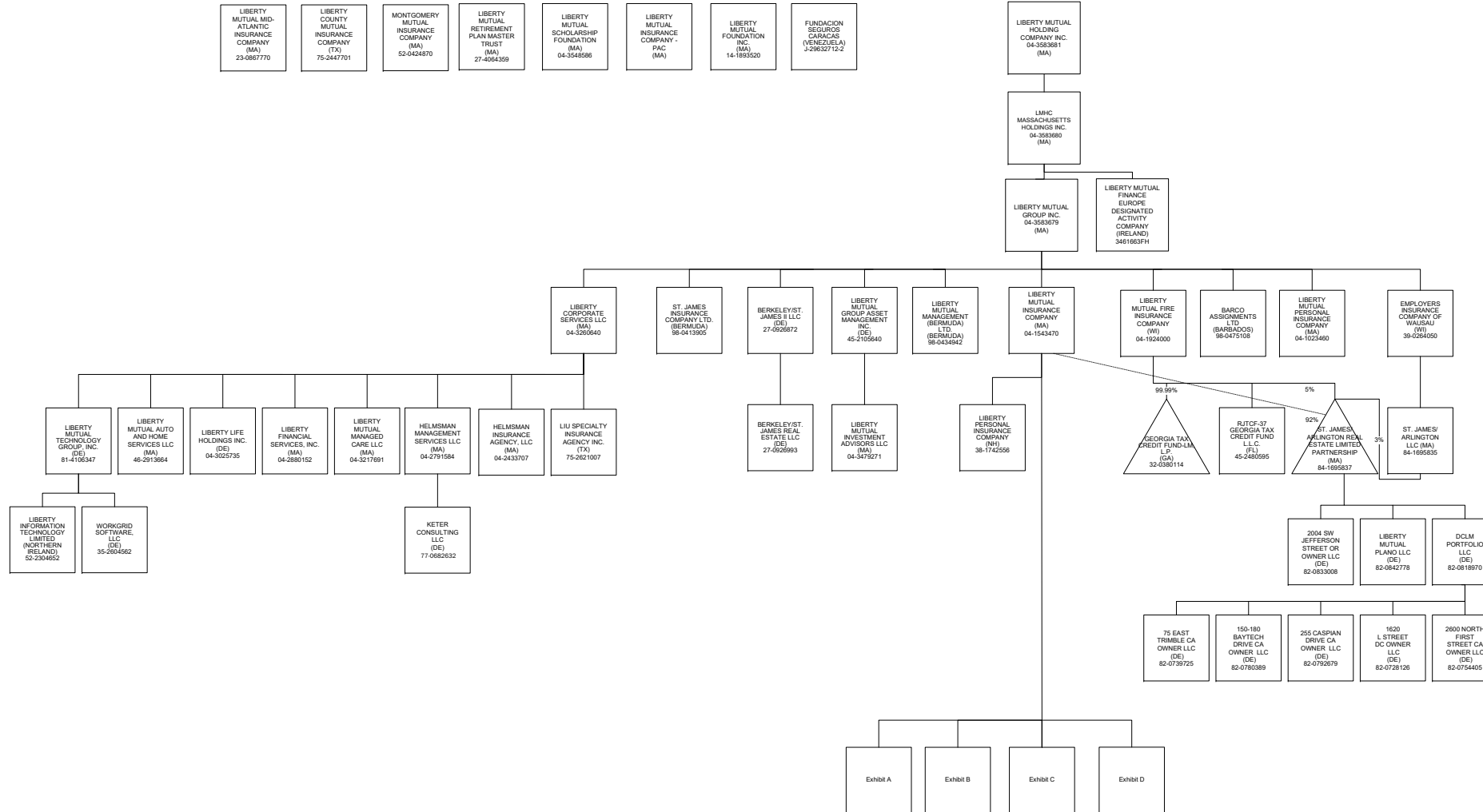
**SCHEDULE P – PART 4 – SUMMARY**

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
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Prior	5,444,409	3,908,543	3,228,538	2,604,192	2,480,769	2,270,676	2,033,956	1,926,431	1,874,940	1,538,342
2. 2009	2,498,310	1,504,540	993,521	666,330	559,428	400,136	365,806	335,249	314,137	300,672
3. 2010	XXX	2,467,609	1,381,022	937,251	710,306	486,508	397,735	348,171	328,728	302,117
4. 2011	XXX	XXX	2,464,172	1,514,747	1,046,436	707,443	547,764	456,510	423,919	369,349
5. 2012	XXX	XXX	XXX	2,854,750	1,643,300	1,130,702	836,031	674,253	614,584	549,859
6. 2013	XXX	XXX	XXX	XXX	2,696,472	1,575,382	1,126,346	814,870	733,071	660,585
7. 2014	XXX	XXX	XXX	XXX	XXX	2,561,971	1,498,016	1,009,323	736,579	487,742
8. 2015	XXX	XXX	XXX	XXX	XXX	XXX	2,619,350	1,538,337	1,088,408	605,873
9. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,714,906	1,540,607	877,389
10. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,593,743	1,679,668
11. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,765,296



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

## PART 1 - ORGANIZATIONAL CHART

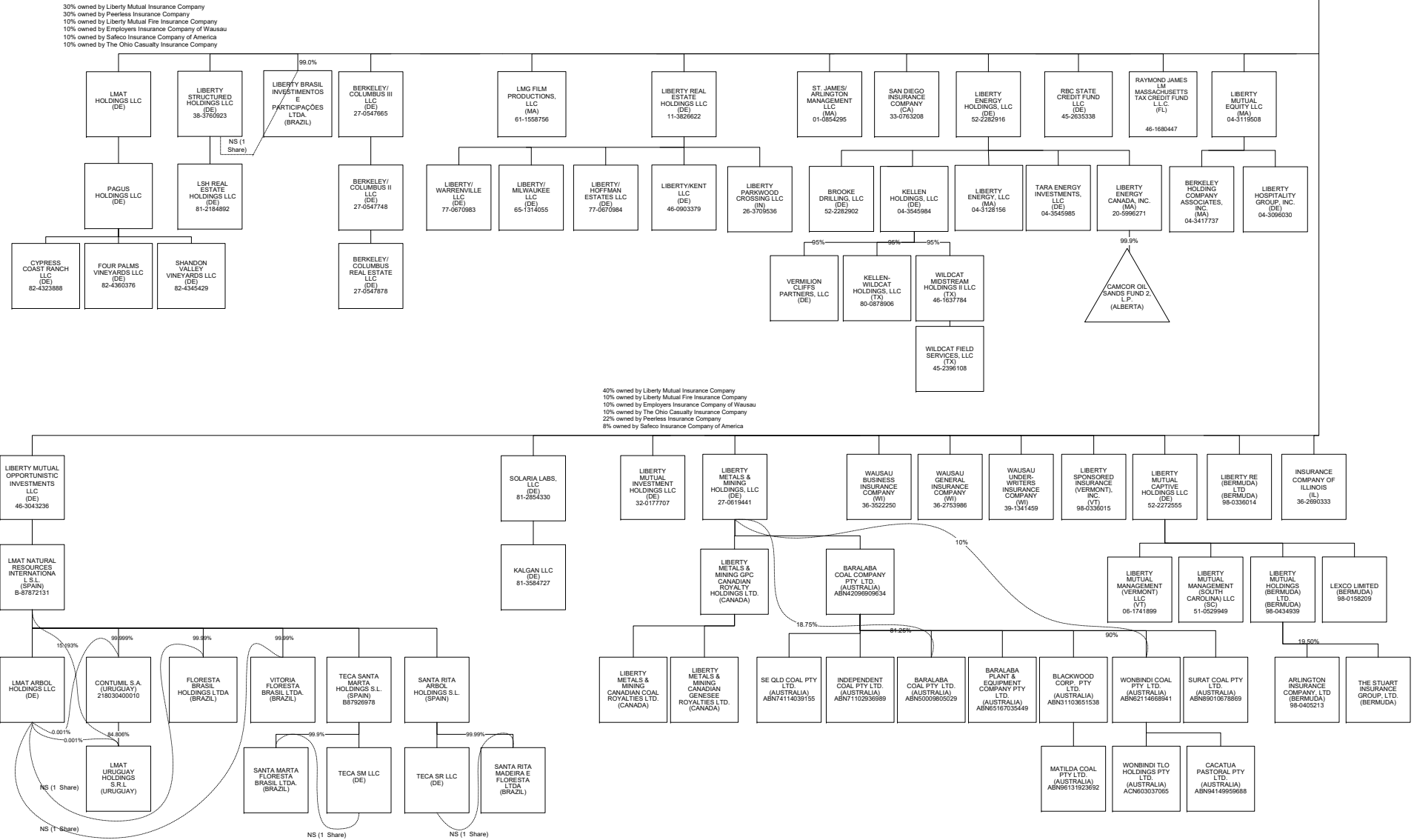




# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

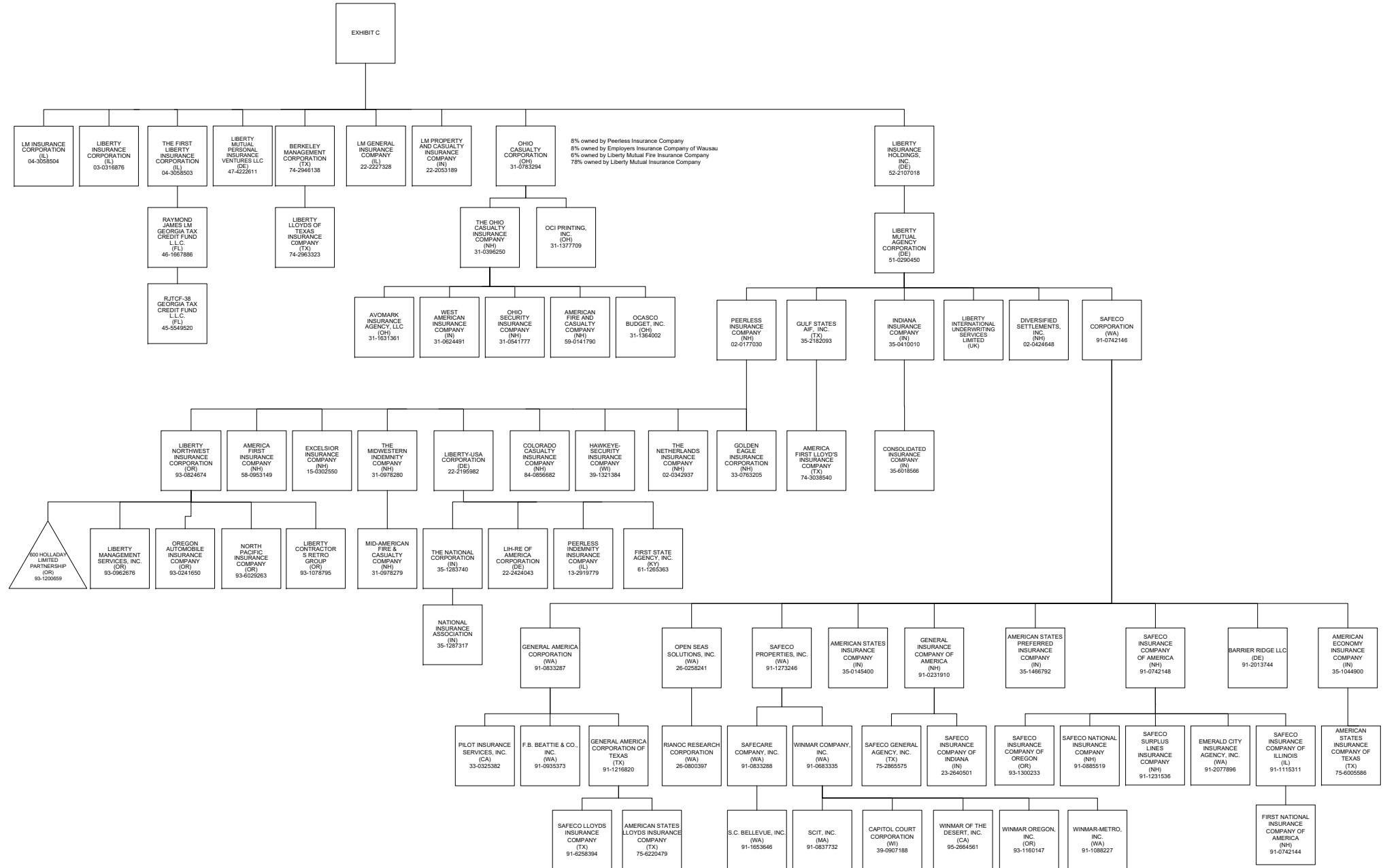
## PART 1 - ORGANIZATIONAL CHART

EXHIBIT B



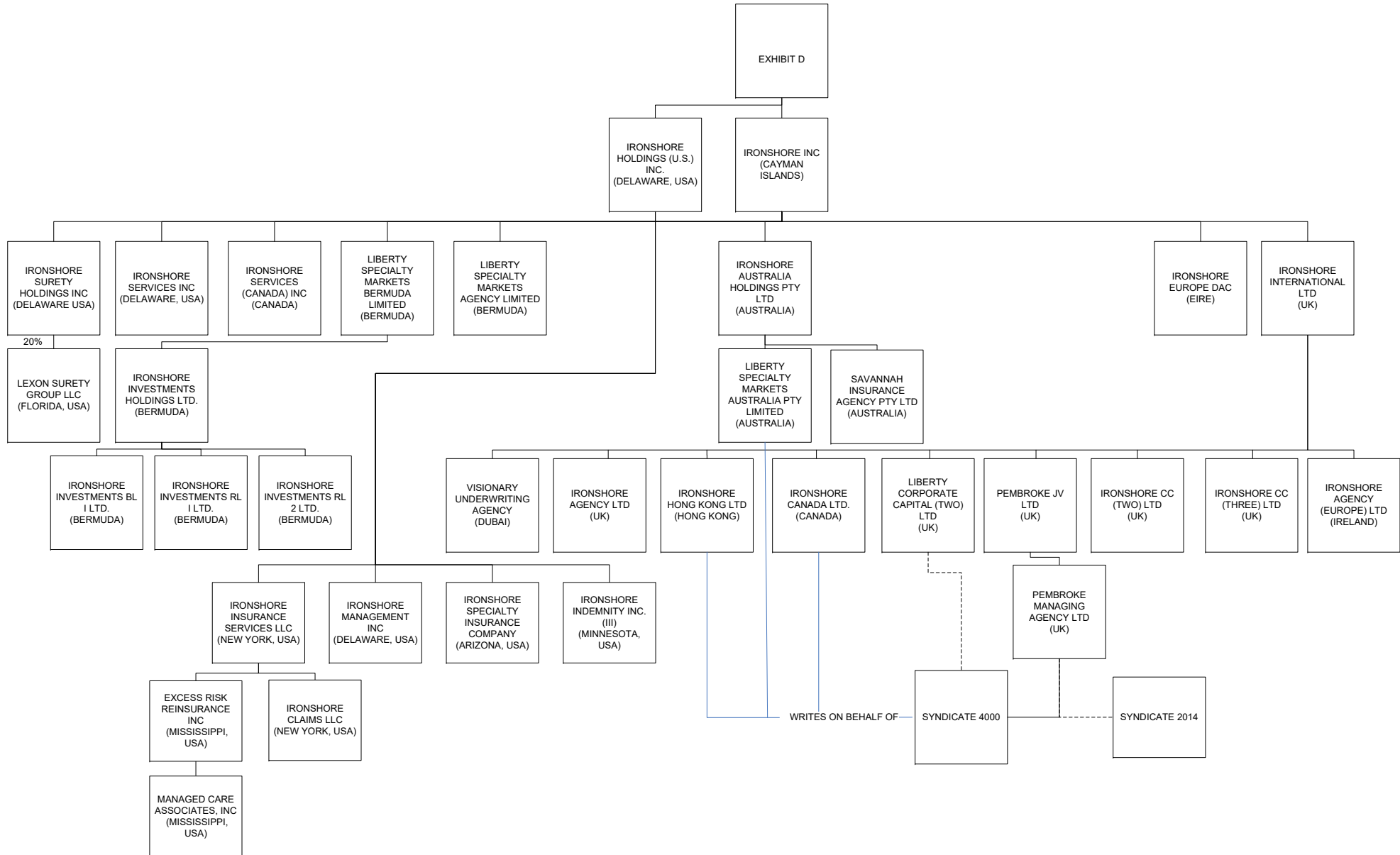
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART





**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Amounts receivable under high deductible policies	87,285,249	469,905	86,815,344	84,139,684
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	87,285,249	469,905	86,815,344	84,139,684

**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	Current Year	Prior Year
2504. Retroactive reinsurance reserves	(1,588,338,541)	(1,790,608,222)
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	(1,588,338,541)	(1,790,608,222)

**OVERFLOW PAGE FOR WRITE-INS**

**Page 12 - Continuation**

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

DETAILS OF WRITE-IN LINES FOR EXHIBIT OF CAPITAL GAINS (LOSSES) AT LINE 09	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
0904. SOFTWARE IMPAIRMENT		(10,322,359)	(10,322,359)		
0997. Totals (Lines 0904 through 0996) (Page 8, Line 0998)		(10,322,359)	(10,322,359)		

## 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	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
	Active Status	2 Direct Premiums Written	3 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
58004. BMU BERMUDA	X X X	379,446	310,433			4,361,900	4,735,714		
58005. MEX MEXICO	X X X	328,183	196,675			12,950	(410,221)		
58006. CHL CHILE	X X X	304,240	180,161			15,407	56,368		
58007. ITA ITALY	X X X	279,601	175,294			(65,863)	155,183		
58008. COL COLOMBIA	X X X	263,860	268,338			154,285	298,896		
58009. ARG ARGENTINA	X X X	258,717	86,813		1,469	1,306	(498,367)		
58010. FRA FRANCE	X X X	217,907	41,852			(15,724)	27,866		
58011. TTO TRINIDAD AND TOBAGO	X X X	207,031	201,358			(7,162)	54,999		
58012. ISL ICELAND	X X X	192,656	141,972			314,825	316,580		
58013. VGB BRITISH VIRGIN ISLANDS	X X X	186,351	139,125			(27,514)	195,209		
58014. BHS BAHAMAS	X X X	185,580	115,541		(1,610,818)	(1,676,640)	(93,606)		
58015. IRL IRELAND	X X X	147,425	117,626			(142,337)	(358,698)		
58016. SGP SINGAPORE	X X X	132,063	200,131		547,087	(467,186)	193,248		
58017. DOM DOMINICAN REPUBLIC	X X X	115,864	50,628		(1,346)	(25,271)	(495,777)		
58018. PER PERU	X X X	107,441	182,985			55,182	229,865		
58019. GHA GHANA	X X X	95,757	60,588			(53,049)	(660,412)		
58020. GUY GUYANA	X X X	88,742	63,930			(56,113)	(734,380)		
58021. CHE SWITZERLAND	X X X	69,408	57,507			2,845	2,902		
58022. JAM JAMAICA	X X X	63,207	245,527		422,101	587,903	507,323		
58023. HND HONDURAS	X X X	49,208	42,528			(26,185)	(339,915)		
58024. LCA SAINT LUCIA	X X X	45,900	34,205			15,732	15,732		
58025. IDN INDONESIA	X X X	45,011	24,959			(21,853)	(295,762)		
58026. CYP CYPRUS	X X X	42,760	27,366			(10,280)	23,003		
58027. BES BONAIRE	X X X	42,330	43,346			2,434	32,306		
58028. FIN FINLAND	X X X	41,011	19,929			1,241	(80,361)		
58029. PAN PANAMA	X X X	39,680	22,040			7,367	20,468		
58030. ISR ISRAEL	X X X	26,000	40,878			(114,085)	(211,157)		
58031. ENG ENGLAND	X X X	24,993	73,253		79,380	12,058	417,519		
58032. DEU GERMANY	X X X	17,507	15,034			706	14,294		
58033. PRY PARAGUAY	X X X	14,033	14,442			(2,359)	6,083		
58034. CYM CAYMAN ISLANDS	X X X	11,500	15,507			(278,214)	(442,433)		
58035. GEO GEORGIA	X X X	10,638	7,071			985	41,310		
58036. ECU ECUADOR	X X X	10,394	3,086			(29,526)	46,735		
58037. NLD NETHERLANDS	X X X	9,276	7,790			(3,523)	122,937		
58038. GIN GUINEA	X X X	8,813	3,097			(5,694)	7,656		
58039. HKG HONG KONG	X X X	8,325	7,022			(5,232)	71,513		
58040. NIC NICARAGUA	X X X	6,863	1,760			(794)	889		
58041. ABW ARUBA	X X X	5,500	5,500			(10,879)	19,320		
58042. GTM GUATEMALA	X X X	4,548	13,870			1,163	11,669		
58043. SLV EL SALVADOR	X X X	3,705	2,182			(1,231)	1,257		
58044. BOL BOLIVIA	X X X	1,445	1,752			1,517	12,423		
58045. URY URUGUAY	X X X	1,000	39,303			(2,812)	23,709		
58046. BEL BELGIUM	X X X	24	16			(78)	(96)		
58047. IOT INDIAN OCEAN	X X X		83,462			(165,404)	184,319		
58048. VEN VENEZUELA	X X X		4,096			(3,738)	15,614		
58049. TUR TURKEY	X X X		84,398			(85,842)	(1,063,799)		
58050. KOR SOUTH KOREA	X X X		749			(281)	109,672		
58051. GBR UNITED KINGDOM	X X X		(1,112)			22,193	21,095		
58052. BRB BARBADOS	X X X					(702)	(3,134)		
58053. CHN CHINA	X X X					1,314,244	1,814,241		
58054. THA TAIWAN	X X X					1,748,299	6,883,386		
58055. ESP SPAIN	X X X					(23)			
58056. GNQ EQUATORIAL GUINEA	X X X					(7,897)	349,761		
58057. GRD GRENADA	X X X					(4,497)	7,049		
58058. CRI COSTA RICA	X X X					(872)	20,239		
58059. IND INDIA	X X X					(14)	12,514		
58060. JPN JAPAN	X X X					(3)	(4)		
58061. LUX LUXEMBOURG	X X X					1,726	(7,413)		
58062. MYS MALAYSIA	X X X					71	47,936		
58063. NZL NEW ZEALAND	X X X					(1,300)	(72,042)		
58064. VNM VIETNAM	X X X					(1,422)	264		
58065. POL POLAND	X X X					(1)	(1)		
Total (Lines 58004 through 58150) (Page 94, Line 58998)	X X X	4,093,943	3,474,013		(562,127)	5,314,739	11,361,488		

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