

**ANNUAL STATEMENT**

**OF THE**

**SAFECO INSURANCE COMPANY OF AMERICA**

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**of** **KEENE**

**in the state of** **NEW HAMPSHIRE**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2015**

**PROPERTY AND CASUALTY**

**2015**



24740201520100100

ANNUAL STATEMENT

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

Safeco Insurance Company of America

NAIC Group Code 0111 0111 NAIC Company Code 24740 Employer's ID Number 91-0742148
Organized under the Laws of New Hampshire, State of Domicile or Port of Entry New Hampshire
Country of Domicile United States of America
Incorporated/Organized September 2, 1953 Commenced Business October 1, 1953
Statutory Home Office 62 Maple Avenue, Keene, NH, US 03431
Main Administrative Office 175 Berkeley Street, Boston, MA, US 02116
Mail Address 175 Berkeley Street, Boston, MA, US 02116
Primary Location of Books and Records 175 Berkeley Street, Boston, MA, US 02116
Internet Web Site Address www.safeco.com
Statutory Statement Contact Gennaro Petruzzello, Statutory.Compliance@LibertyMutual.com

OFFICERS

Chairman of the Board
Timothy Michael Sweeney

Table with 2 columns: Name, Title. Row 1: Timothy Michael Sweeney, President and Chief Executive Officer. Row 2: Mark Charles Touhey #, Vice President and Secretary. Row 3: Laurance Henry Soyer Yahia, Vice President and Treasurer.

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Row 1: Alison Brooke Erbig #, Vice President and Comptroller, Anthony Alexander Fontanes, Vice President and Chief Investment Officer. Row 2: Julie Marie Haase, Vice President and Chief Financial Officer, Sean Bulman McSweeney, Vice President and General Counsel. Row 3: Christopher Locke Peirce, Executive Vice President.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Row 1: Alison Brooke Erbig #, Julie Marie Haase, Paul Ivanovskis, James Michael MacPhee. Row 2: Sean Bulman McSweeney, Timothy Michael Sweeney, Mark Charles Touhey #.

State of Massachusetts
County of Suffolk

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 for 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) Timothy Michael Sweeney, (Signature) Mark Charles Touhey #, (Signature) Laurance Henry Soyer Yahia
(Printed Name) 1. President and Chief Executive Officer, (Printed Name) 2. Vice President and Secretary, (Printed Name) 3. Vice President and Treasurer
(Title) (Title) (Title)

Subscribed and sworn to (or affirmed) before me this on this
25th day of January, 2016, by

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	2,638,844,891		2,638,844,891	2,558,357,543
2. Stocks (Schedule D):				
2.1 Preferred stocks	3,967,672		3,967,672	5,799,385
2.2 Common stocks	566,323,479		566,323,479	550,891,354
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	129,141,552		129,141,552	114,114,913
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 14,144,011, Schedule E - Part 1), cash equivalents (\$ 3,954,018, Schedule E - Part 2), and short-term investments (\$ 56,423,550, Schedule DA)	74,521,579		74,521,579	76,315,061
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	224,808,214		224,808,214	213,286,480
9. Receivables for securities	70,390		70,390	5,505,765
10. Securities lending reinvested collateral assets (Schedule DL)	52,524,538		52,524,538	56,185,152
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	3,690,202,315		3,690,202,315	3,580,455,653
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	24,409,252		24,409,252	25,616,214
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	87,711,248	5,227,649	82,483,599	82,847,960
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 1,761,583 earned but unbilled premiums)	371,837,714	176,159	371,661,555	351,860,629
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	26,260,397	2,620,830	23,639,567	26,890,357
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	1,876	129	1,747	22,389
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	113,857,000	23,487,826	90,369,174	90,705,785
19. Guaranty funds receivable or on deposit	1,183,867		1,183,867	1,351,707
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)	16,718,640	16,718,640		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	657,611		657,611	2,013,196
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	79,068,812	6,770,191	72,298,621	71,487,527
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	4,411,908,732	55,001,424	4,356,907,308	4,233,251,417
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	4,411,908,732	55,001,424	4,356,907,308	4,233,251,417

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	50,553,198		50,553,198	48,333,366
2502. Equities and deposits in pools and associations	10,582,038		10,582,038	9,913,739
2503. Amounts receivable under high deductible policies	9,796,936	14,047	9,782,889	11,365,608
2598. Summary of remaining write-ins for Line 25 from overflow page	8,136,640	6,756,144	1,380,496	1,874,814
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	79,068,812	6,770,191	72,298,621	71,487,527

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**OVERFLOW PAGE FOR WRITE-INS**


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**Page 2 - Continuation****ASSETS**

	Current Year			Prior Year
	1	2	3	4
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Other assets .....	8,136,640	6,756,144	1,380,496	1,874,814
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	8,136,640	6,756,144	1,380,496	1,874,814

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	1,678,600,776	1,664,561,813
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	1,600,216	3,680,057
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	351,455,869	360,957,146
4. Commissions payable, contingent commissions and other similar charges	34,067,767	31,605,457
5. Other expenses (excluding taxes, licenses and fees)	55,606,638	49,342,926
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	14,685,146	14,681,336
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	8,234,800	15,060,129
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		30,328,177
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 1,325,117,746 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)	789,662,438	754,581,457
10. Advance premium	5,755,984	5,475,598
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	42,964	149,586
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	1,723,596	7,421,013
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	51,951,402	49,088,140
19. Payable to parent, subsidiaries and affiliates	26,135,192	15,256,907
20. Derivatives		
21. Payable for securities	819,312	3,807
22. Payable for securities lending	52,524,538	56,185,152
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(109,319,527)	(104,044,420)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	2,963,547,111	2,954,334,281
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	2,963,547,111	2,954,334,281
29. Aggregate write-ins for special surplus funds	8,146,913	6,474,524
30. Common capital stock	5,000,000	5,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other-than-special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	733,869,024	733,869,024
35. Unassigned funds (surplus)	646,344,261	533,573,588
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	1,393,360,198	1,278,917,136
38. Totals (Page 2, Line 28, Col. 3)	4,356,907,309	4,233,251,417

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	38,395,113	39,919,578
2502. Other liabilities	30,205,557	34,582,232
2503. Retroactive reinsurance reserves	(177,920,197)	(178,546,230)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(109,319,527)	(104,044,420)
2901. Special surplus from retroactive reinsurance	8,146,913	6,474,524
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)	8,146,913	6,474,524
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	1,497,769,092	1,478,551,750
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	833,496,368	832,972,781
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	190,630,601	202,329,011
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	466,841,042	471,783,484
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,490,968,011	1,507,085,276
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	6,801,081	(28,533,526)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	126,647,457	145,558,415
10. Net realized capital gains (losses) less capital gains tax of \$ 1,608,959 (Exhibit of Capital Gains (Losses))	2,988,067	12,931,179
11. Net investment gain (loss) (Lines 9 + 10)	129,635,524	158,489,594
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 342,748 amount charged off \$ 5,432,158)	(5,089,410)	(5,597,676)
13. Finance and service charges not included in premiums	8,492,939	8,291,632
14. Aggregate write-ins for miscellaneous income	(1,106,878)	(3,437,396)
15. Total other income (Lines 12 through 14)	2,296,651	(743,440)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	138,733,256	129,212,628
17. Dividends to policyholders	1,161,323	1,414,038
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)	137,571,933	127,798,590
19. Federal and foreign income taxes incurred	33,993,041	21,006,058
20. Net income (Line 18 minus Line 19) (to Line 22)	103,578,892	106,792,532
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,278,917,136	1,188,672,536
22. Net income (from Line 20)	103,578,892	106,792,532
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (744,043)	14,701,433	8,077,305
25. Change in net unrealized foreign exchange capital gain (loss)	(10,803,043)	(14,106,639)
26. Change in net deferred income tax	(12,477,043)	(10,630,566)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	19,442,823	3,521,854
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		(1,000,000)
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		(2,409,886)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	114,443,062	90,244,600
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,393,360,198	1,278,917,136

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive reinsurance gain/(loss)	1,199,600	(987,445)
1402. Other income/(expense)	(2,306,478)	(2,449,951)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,106,878)	(3,437,396)
3701. Other changes in surplus		(2,409,886)
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)		(2,409,886)

## CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	1,517,874,651	1,471,287,199
2. Net investment income	132,105,991	155,431,259
3. Miscellaneous income	(4,895,923)	(7,037,746)
4. Total (Lines 1 through 3)	1,645,084,719	1,619,680,712
5. Benefit and loss related payments	814,937,848	868,810,747
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	656,644,390	680,099,475
8. Dividends paid to policyholders	1,267,944	1,411,601
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	42,427,329	21,650,392
10. Total (Lines 5 through 9)	1,515,277,511	1,571,972,215
11. Net cash from operations (Line 4 minus Line 10)	129,807,208	47,708,497
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	513,843,564	558,795,924
12.2 Stocks	142,078,394	450,973,746
12.3 Mortgage loans	13,739,268	11,629,650
12.4 Real estate		
12.5 Other invested assets	196,975,215	276,832,390
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	5,471,303	3,414,458
12.8 Total investment proceeds (Lines 12.1 to 12.7)	872,107,744	1,301,646,168
13. Cost of investments acquired (long-term only):		
13.1 Bonds	618,872,989	242,651,104
13.2 Stocks	131,489,412	454,729,485
13.3 Mortgage loans	28,785,317	25,868,441
13.4 Real estate		
13.5 Other invested assets	200,679,978	287,226,474
13.6 Miscellaneous applications	(815,505)	1,360,475
13.7 Total investments acquired (Lines 13.1 to 13.6)	979,012,191	1,011,835,979
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)	(106,904,447)	289,810,189
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	(30,328,177)	30,328,177
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		4,504,580
16.6 Other cash provided (applied)	5,631,934	(370,949,860)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(24,696,243)	(345,126,263)
<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)	(1,793,482)	(7,607,577)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	76,315,061	83,922,638
19.2 End of year (Line 18 plus Line 19.1)	74,521,579	76,315,061

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

20.0001	2 - Net investment income	472,470	818,798
20.0002	12.1 - Proceeds from investments sold, matured or repaid - Bonds	9,046,423	
20.0003	12.2 - Proceeds from investments sold, matured or repaid - Stocks	731,956	
20.0004	12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans		37,056
20.0005	13.1 Cost of Investment Acquired - Bonds	9,518,893	818,798
20.0006	13.2 Cost of Investment Acquired - Stocks	731,956	
20.0007	13.5 Cost of Investment Acquired - Other Invested Assets		37,056

## 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	33,792,052	17,517,997	16,052,551	35,257,498
2. Allied lines	22,118,412	11,641,977	11,756,119	22,004,270
3. Farmowners multiple peril	6,016,132	2,950,294	3,017,900	5,948,526
4. Homeowners multiple peril	335,671,818	171,876,647	181,277,105	326,271,360
5. Commercial multiple peril	132,012,393	65,546,054	67,228,465	130,329,982
6. Mortgage guaranty				
8. Ocean marine	6,954,511	2,746,229	4,149,858	5,550,882
9. Inland marine	44,854,283	9,673,331	10,035,235	44,492,379
10. Financial guaranty				
11.1 Medical professional liability—occurrence	4,589,079	1,466,974	2,037,296	4,018,757
11.2 Medical professional liability—claims-made	841,217	694,265	441,907	1,093,575
12. Earthquake	4,601,257	2,588,062	2,237,337	4,951,982
13. Group accident and health	517,592	93,785	188,250	423,127
14. Credit accident and health (group and individual)				
15. Other accident and health	302,791	26,213	11,653	317,351
16. Workers' compensation	120,471,377	5,119,920	5,048,319	120,542,978
17.1 Other liability—occurrence	97,870,919	43,192,507	44,983,572	96,079,854
17.2 Other liability—claims-made	34,926,270	20,281,073	20,641,536	34,565,807
17.3 Excess workers' compensation	2,860,850	1,758,464	1,533,177	3,086,137
18.1 Products liability—occurrence	11,752,114	5,578,181	6,120,199	11,210,096
18.2 Products liability—claims-made	637,423	284,107	241,582	679,948
19.1,19.2 Private passenger auto liability	350,880,804	165,460,959	174,126,942	342,214,821
19.3,19.4 Commercial auto liability	70,388,583	32,932,343	34,039,184	69,281,742
21. Auto physical damage	177,228,696	126,838,907	138,912,063	165,155,540
22. Aircraft (all perils)	3,145,858	585,850	933,985	2,797,723
23. Fidelity	3,001,894	1,415,086	1,477,164	2,939,816
24. Surety	47,458,203	28,113,290	30,315,272	45,256,221
26. Burglary and theft	53,514	30,255	23,841	59,928
27. Boiler and machinery	2,278,558	975,020	1,002,185	2,251,393
28. Credit	(27,333)	207,568	146,272	33,963
29. International				
30. Warranty	(10,867)	238,133	134,039	93,227
31. Reinsurance-nonproportional assumed property	17,838,821	2,416,915	2,285,879	17,969,857
32. Reinsurance-nonproportional assumed liability	4,903,010	1,027,696	1,538,260	4,392,446
33. Reinsurance-nonproportional assumed financial lines	316			316
34. Aggregate write-ins for other lines of business				
35. TOTALS	1,537,930,547	723,278,102	761,937,147	1,499,271,502

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	15,793,198	259,354			16,052,552
2. Allied lines	11,666,238	89,881			11,756,119
3. Farmowners multiple peril	3,017,900				3,017,900
4. Homeowners multiple peril	181,277,105				181,277,105
5. Commercial multiple peril	66,695,145	1,161,925	(631,985)	3,380	67,228,465
6. Mortgage guaranty					
8. Ocean marine	2,982,459	1,167,400			4,149,859
9. Inland marine	9,097,203	938,032			10,035,235
10. Financial guaranty					
11.1 Medical professional liability—occurrence	1,787,637	249,659			2,037,296
11.2 Medical professional liability—claims-made	410,634	31,274			441,908
12. Earthquake	2,207,772	29,565			2,237,337
13. Group accident and health	188,250				188,250
14. Credit accident and health (group and individual)					
15. Other accident and health	11,653				11,653
16. Workers' compensation	31,211,448	1,146,180	(758,028)	(26,551,281)	5,048,319
17.1 Other liability—occurrence	41,873,167	3,348,479	(56,726)	(181,348)	44,983,572
17.2 Other liability—claims-made	14,870,649	5,753,236	(3,282)	20,933	20,641,536
17.3 Excess workers' compensation	1,459,480	73,697			1,533,177
18.1 Products liability—occurrence	3,741,511	2,235,649	(14,870)	157,909	6,120,199
18.2 Products liability—claims-made	234,550	7,032			241,582
19.1,19.2 Private passenger auto liability	174,126,942				174,126,942
19.3,19.4 Commercial auto liability	33,419,163	330,010		290,011	34,039,184
21. Auto physical damage	138,847,713	64,350			138,912,063
22. Aircraft (all perils)	933,985				933,985
23. Fidelity	1,463,386	13,778			1,477,164
24. Surety	29,768,310	546,961			30,315,271
26. Burglary and theft	23,636	205			23,841
27. Boiler and machinery	961,206	40,979			1,002,185
28. Credit	146,272				146,272
29. International					
30. Warranty		134,039			134,039
31. Reinsurance-nonproportional assumed property	2,285,616	263			2,285,879
32. Reinsurance-nonproportional assumed liability	1,515,643	22,617			1,538,260
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	772,017,871	17,644,565	(1,464,891)	(26,260,396)	761,937,149
36. Accrued retrospective premiums based on experience					26,260,397
37. Earned but unbilled premiums					1,464,892
38. Balance (Sum of Lines 35 through 37)					789,662,438

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	147,482,601	33,792,052		147,482,601		33,792,052
2. Allied lines	170,025,093	22,118,412		170,025,093		22,118,412
3. Farmowners multiple peril		6,016,132				6,016,132
4. Homeowners multiple peril	1,135,438,231	335,671,818		1,135,438,231		335,671,818
5. Commercial multiple peril	11,619,619	132,012,393		11,619,619		132,012,393
6. Mortgage guaranty						
8. Ocean marine		6,954,511				6,954,511
9. Inland marine	46,649,310	44,854,283		46,649,310		44,854,283
10. Financial guaranty						
11.1 Medical professional liability--occurrence		4,589,079				4,589,079
11.2 Medical professional liability--claims-made		841,217				841,217
12. Earthquake	10,880,530	4,601,257		10,880,530		4,601,257
13. Group accident and health		517,592				517,592
14. Credit accident and health (group and individual)						
15. Other accident and health		302,791				302,791
16. Workers' compensation	575,017	120,471,377		575,017		120,471,377
17.1 Other liability—occurrence	135,124,484	97,870,919		135,124,484		97,870,919
17.2 Other liability—claims-made	41	34,926,270		41		34,926,270
17.3 Excess workers' compensation		2,860,850				2,860,850
18.1 Products liability—occurrence		11,752,114				11,752,114
18.2 Products liability—claims-made		637,423				637,423
19.1,19.2 Private passenger auto liability	492,559,494	350,880,804		492,559,494		350,880,804
19.3,19.4 Commercial auto liability	2,243,920	70,388,583		2,243,920		70,388,583
21. Auto physical damage	428,035,859	177,228,696		428,035,859		177,228,696
22. Aircraft (all perils)		3,145,858				3,145,858
23. Fidelity	100	3,001,894		100		3,001,894
24. Surety	50,482,256	47,458,203		50,482,256		47,458,203
26. Burglary and theft	7,531	53,514		7,531		53,514
27. Boiler and machinery	1,172	2,278,558		1,172		2,278,558
28. Credit		(27,333)				(27,333)
29. International						
30. Warranty		(10,867)				(10,867)
31. Reinsurance-nonproportional assumed property	X X X	17,838,821				17,838,821
32. Reinsurance-nonproportional assumed liability	X X X	4,903,010				4,903,010
33. Reinsurance-nonproportional assumed financial lines	X X X	316				316
34. Aggregate write-ins for other lines of business						
35. TOTALS	2,631,125,258	1,537,930,547		2,631,125,258		1,537,930,547

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

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

If yes: 1. The amount of such installment premiums \$ 0

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	26,105,477	10,780,862	26,105,477	10,780,862	10,385,894	4,064,662	10,385,894	14,845,524	1,258,237
2. Allied lines	7,348,235	4,164,247	7,348,235	4,164,247	1,772,490	1,804,063	1,772,490	5,968,310	691,996
3. Farmowners multiple peril		991,039		991,039	60	65,158	60	1,056,197	297,954
4. Homeowners multiple peril	126,758,131	39,953,902	126,758,131	39,953,902	87,393,938	26,629,267	87,393,938	66,583,169	14,124,532
5. Commercial multiple peril	7,197,876	59,450,987	7,197,876	59,450,987	8,188,193	55,868,645	8,188,193	115,319,632	41,848,109
6. Mortgage guaranty									
8. Ocean marine		2,100,232		2,100,232		2,476,374		4,576,606	723,611
9. Inland marine	1,757,003	2,667,298	1,757,003	2,667,298	1,678,253	3,213,731	1,678,253	5,881,029	932,629
10. Financial guaranty									
11.1 Medical professional liability—occurrence		334,298		334,298		5,652,840		5,987,138	405,179
11.2 Medical professional liability—claims-made		186,566		186,566		1,161,613		1,348,179	182,463
12. Earthquake		61,942		61,942		32,695		94,637	13,928
13. Group accident and health		113,358		113,358		105,969		(a) 219,327	40,910
14. Credit accident and health (group and individual)									
15. Other accident and health		449,950		449,950		731,835		(a) 1,181,785	333,975
16. Workers' compensation	50,465,195	360,325,002	50,465,195	360,325,002	14,569,172	376,358,444	14,569,172	736,683,446	107,668,760
17.1 Other liability—occurrence	75,335,186	81,028,459	75,335,186	81,028,459	66,184,419	130,100,810	66,184,419	211,129,269	65,891,362
17.2 Other liability—claims-made		10,289,007		10,289,007	46,812	40,833,976	46,812	51,122,983	11,852,939
17.3 Excess workers' compensation		15,230,027		15,230,027		19,034,794		34,264,821	3,683,766
18.1 Products liability—occurrence	50,532	6,580,720	50,532	6,580,720	86,497	13,285,518	86,497	19,866,238	14,462,483
18.2 Products liability—claims-made		47,779		47,779		1,303,672		1,351,451	668,888
19.1,19.2 Private passenger auto liability	224,027,657	165,653,345	224,027,657	165,653,345	40,610,997	107,991,908	40,610,997	273,645,253	62,830,540
19.3,19.4 Commercial auto liability	2,543,666	50,335,832	2,543,666	50,335,832	2,213,420	38,696,450	2,213,420	89,032,282	12,589,163
21. Auto physical damage	17,113	2,547,846	17,113	2,547,846	8,499,422	877,510	8,499,422	3,425,356	4,545,160
22. Aircraft (all perils)		980,056		980,056		1,145,093		2,125,149	452,548
23. Fidelity		529,827		529,827	33	2,377,120	33	2,906,947	373,769
24. Surety	(47,158,455)	465,868	(47,158,455)	465,868	4,635,066	4,682,100	4,635,066	5,147,968	4,151,993
26. Burglary and theft		4,011		4,011		5,153		9,164	6,359
27. Boiler and machinery		338,111		338,111		70,403		408,514	30,599
28. Credit		34,919		34,919		337,734		372,653	298
29. International									
30. Warranty						100,925		100,925	59,265
31. Reinsurance-nonproportional assumed property	X X X	4,650,934		4,650,934	X X X	5,170,101		9,821,035	182,929
32. Reinsurance-nonproportional assumed liability	X X X	4,142,463		4,142,463	X X X	9,753,553		13,896,016	1,149,771
33. Reinsurance-nonproportional assumed financial lines	X X X	226,175		226,175	X X X	3,600		229,775	1,756
34. Aggregate write-ins for other lines of business									
35. TOTALS	474,447,616	824,665,062	474,447,616	824,665,062	246,264,666	853,935,716	246,264,666	1,678,600,778	351,455,871

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	70,585,922			70,585,922
1.2 Reinsurance assumed	79,685,233			79,685,233
1.3 Reinsurance ceded	70,585,922			70,585,922
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	79,685,233			79,685,233
2. Commission and brokerage:				
2.1 Direct, excluding contingent		370,810,540		370,810,540
2.2 Reinsurance assumed, excluding contingent		82,552,870		82,552,870
2.3 Reinsurance ceded, excluding contingent		370,810,540		370,810,540
2.4 Contingent—direct		109,921,651		109,921,651
2.5 Contingent—reinsurance assumed		24,999,059		24,999,059
2.6 Contingent—reinsurance ceded		109,921,651		109,921,651
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)		107,551,929		107,551,929
3. Allowances to manager and agents		14,771,618		14,771,618
4. Advertising	144,714	29,646,705	2,248	29,793,667
5. Boards, bureaus and associations	446,261	2,548,537	378	2,995,176
6. Surveys and underwriting reports	8,276	6,779,924		6,788,200
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	67,577,844	133,349,765	5,022,131	205,949,740
8.2 Payroll taxes	3,095,237	11,115,732	36,528	14,247,497
9. Employee relations and welfare	11,318,176	38,800,267	237,096	50,355,539
10. Insurance	2,678,358	1,788,927	27,297	4,494,582
11. Directors' fees	22	(1,597)		(1,575)
12. Travel and travel items	4,692,395	10,543,255	158,568	15,394,218
13. Rent and rent items	3,754,634	13,625,745	76,148	17,456,527
14. Equipment	2,544,068	6,692,429	203,211	9,439,708
15. Cost or depreciation of EDP equipment and software	2,542,668	6,227,007	221,126	8,990,801
16. Printing and stationery	425,523	1,531,575	23,045	1,980,143
17. Postage, telephone and telegraph, exchange and express	1,836,479	8,581,422	219,250	10,637,151
18. Legal and auditing	578,986	1,822,736	126,923	2,528,645
19. Totals (Lines 3 to 18)	101,643,641	287,824,047	6,353,949	395,821,637
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 214,706		30,981,007		30,981,007
20.2 Insurance department licenses and fees		3,768,034		3,768,034
20.3 Gross guaranty association assessments		391,187		391,187
20.4 All other (excluding federal and foreign income and real estate)		5,610,772		5,610,772
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		40,751,000		40,751,000
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	9,301,727	30,714,066	1,913,085	41,928,878
25. Total expenses incurred	190,630,601	466,841,042	8,267,034	(a) 665,738,677
26. Less unpaid expenses—current year	351,455,869	104,359,551		455,815,420
27. Add unpaid expenses—prior year	360,957,146	95,629,719		456,586,865
28. Amounts receivable relating to uninsured plans, prior year		22,389		22,389
29. Amounts receivable relating to uninsured plans, current year		1,747		1,747
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	200,131,878	458,090,568	8,267,034	666,489,480

DETAILS OF WRITE-IN LINES				
2401. Other expenses	9,301,727	30,714,066	1,913,085	41,928,878
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)	9,301,727	30,714,066	1,913,085	41,928,878

(a) Includes management fees of \$ 227,480,509 to affiliates and \$ 14,759,352 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 4,543,801	4,407,976
1.1 Bonds exempt from U.S. tax	(a) 23,629,509	24,161,854
1.2 Other bonds (unaffiliated)	(a) 75,759,806	74,057,226
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 325,455	324,302
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	5,160,847	5,239,174
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 6,456,255	6,478,178
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 38,893	38,893
7. Derivative instruments	(f)	
8. Other invested assets	19,964,398	19,964,398
9. Aggregate write-ins for investment income	242,490	242,490
10. Total gross investment income	136,121,454	134,914,491
11. Investment expenses		(g) 8,267,034
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		8,267,034
17. Net investment income (Line 10 minus Line 16)		126,647,457

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	242,490	242,490
0902. Investment Income/(Expense) – Pooling Restatement		
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	242,490	242,490
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		

- (a) Includes \$ 2,739,634 accrual of discount less \$ 7,463,407 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 22,855 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax	5,767,133	(1,653,725)	4,113,408		
1.2 Other bonds (unaffiliated)	(2,045,261)	(1,418,214)	(3,463,475)	(16,668,308)	(4,272,398)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	7,594		7,594	(219,307)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	10,170,683	(7,543,310)	2,627,373	24,156,935	(6,030,580)
2.21 Common stocks of affiliates				3,647,379	
3. Mortgage loans	115		115	(19,526)	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets	1,324,056	(12,043)	1,312,013	3,060,215	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	15,224,320	(10,627,292)	4,597,028	13,957,388	(10,302,978)

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

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	5,227,649	4,577,813	(649,836)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	176,159	172,276	(3,883)
15.3 Accrued retrospective premiums and contracts subject to redetermination	2,620,830	2,966,711	345,881
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	129	842	713
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	23,487,826	34,884,215	11,396,389
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	16,718,640	24,512,373	7,793,733
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other-than-invested assets	6,770,191	7,319,546	549,355
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	55,001,424	74,433,776	19,432,352
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	55,001,424	74,433,776	19,432,352

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	6,756,144	7,307,712	551,568
2502. Amounts receivable under high deductible policies	14,047	11,834	(2,213)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	6,770,191	7,319,546	549,355

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies

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

The New Hampshire Department of Insurance approved a departure of a prescribed practice pursuant to NH RSA 402:28 I(d)(3), effective April 1, 2014. Pursuant to this departure of a prescribed practice, the Company is permitted to include as admitted assets, limited partnership investments in excess of the five percent (5%) aggregate limitation set forth in RSA 402:28 to the extent such assets, when added to all other equity interests of the insurer, do not exceed the greater of twenty-five percent (25%) of its admitted assets or one hundred percent (100%) of its surplus as regards to policyholders, provided that no investment shall be acquired hereunder if, as a result of and after giving effect to the investment, the insurer would hold more than five percent (5%) of its admitted assets in investments of all kinds issued, assumed, accepted, insured, or guaranteed by a single person.

Risk based capital would not have triggered a regulatory event had the Company not used this departure of a prescribed practice.

	State of Domicile	2015	2014
<u>NET INCOME</u>			
SICOA state basis (Page 4, Line 20, Columns 1 & 2)	NH	\$103,578,892	\$106,792,532
State Prescribed Practices: NONE			-
State Permitted Practices: NONE			-
NAIC SAP		\$103,578,892	\$106,792,532

	State of Domicile	2015	2014
<u>SURPLUS</u>			
SICOA state basis (Page 3, Line 37, Columns 1 & 2)	NH	\$1,393,360,198	\$1,278,917,136
State Prescribed Practices:		6,955,784	1,623,909
State Permitted Practices: NONE			-
NAIC SAP		\$1,386,404,414	\$1,277,293,227

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

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

- C. Accounting Policies

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

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

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Investment Analysis Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*, and the SVO Manual.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.



## NOTES TO FINANCIAL STATEMENTS

10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and an amount, based on past experience, for losses and loss adjustment expenses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2015.
13. The Company has no pharmaceutical rebate receivables.

### D. Going Concern

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

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

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

### Note 3 - Business Combinations and Goodwill

#### A. Statutory Purchase Method

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

#### B. Statutory Mergers

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

#### C. Impairment Loss

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

### Note 4 - Discontinued Operations

The Company has no discontinued operations.

### Note 5 - Investments

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

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

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

2. The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was: 75%
3. Taxes, assessments and any amounts advanced and not included in the mortgage loan total:

2015	2014
\$10,650	\$4,906

4. Age Analysis of Mortgage Loans:

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

#### a. Current Year

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

(a) Current	\$ -	\$ -	\$ -	\$ -	\$128,965,026	\$ -	\$128,965,026
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	177,650	-	177,650
(d) 90-179 Days Past Due	-	-	-	-	18,401	-	18,401
(e) 180+ Days Past Due	-	-	-	-	-	-	-

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

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

## NOTES TO FINANCIAL STATEMENTS

3. Accruing Interest 180+ Days Past Due							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-
4. Interest Reduced							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$8,326,819	\$ -	\$8,326,819
(b) Number of Loans	-	-	-	-	272	-	272
(c) Percent Reduced	-	-	-	-	2.151%	-	2.151%
b. Prior Year							
1. Recorded Investment (All)							
(a) Current	\$ -	\$ -	\$ -	\$ -	\$114,114,913	\$ -	\$114,114,913
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	-	-	-
(e) 180+ Days Past Due	-	-	-	-	-	-	-
2. Accruing Interest 90-179 Days Past Due							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-
3. Accruing Interest 180+ Days Past Due							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Interest Accrued	-	-	-	-	-	-	-
4. Interest Reduced							
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$7,324,527	\$ -	\$7,324,527
(b) Number of Loans	-	-	-	-	211	-	211
(c) Percent Reduced	-	-	-	-	2.296%	-	2.296%
5. Investment in Impaired Loans With or Without Allowance for Credit Losses:							

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

a. Current Year							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$12,638	\$ -	\$12,638
2. No Allowance for Credit Losses	-	-	-	-	-	-	-
b. Prior Year							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$8,462	\$ -	\$8,462
2. No Allowance for Credit Losses	-	-	-	-	-	-	-

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

Farm	Residential		Commercial		Mezzanine	Total
	Insured	All Other	Insured	All Other		

a. Current Year							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$10,550	\$ -	\$10,550
2. Interest Income Recognized	-	-	-	-	814	-	814
3. Recorded Investments on Nonaccrual Status	-	-	-	-	18,401	-	18,401
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	539	-	539
b. Prior Year							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$30,664	\$ -	\$30,664
2. Interest Income Recognized	-	-	-	-	2,190	-	2,190
3. Recorded Investments on Nonaccrual Status	-	-	-	-	-	-	-
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	797	-	797

## NOTES TO FINANCIAL STATEMENTS

## 7. Allowance for Credit Losses:

	2015	2014
a. Balance at beginning of period	\$ -	\$ 3,015
b. Additions charged to operations	19,526	5,412
c. Direct write-downs charged against the allowances	-	(8,427)
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	\$ 19,526	\$ -

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

	2015
a. Aggregate amount of mortgage loans derecognized	\$ -
b. Real estate collateral recognized	-
c. Other collateral recognized	-
d. Receivables recognized from a government guarantee of the foreclosed mortgage loan	-

9. Interest income on impaired commercial mortgage loans is recognized until the loans are more than 90 days delinquent. Interest income and accrued interest receivable are reversed when a loan is put on non-accrual status. Interest income on loans more than 90 days delinquent is recognized in the period the cash is collected. Interest income recognition is continued when the loan becomes less than 90 days delinquent and management determines it is probably that the loan will continue to perform.

## B. Debt Restructuring

	2015	2014
1. The total recorded investment in restructured loans, as of year end	\$13,763	\$15,039
2. The realized capital losses related to these loans	-	-
3. Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings	-	-
4. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis.		

## C. Reverse Mortgages

The Company has no reverse mortgages.

## D. Loan Backed Securities

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

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
05539TAR6	101,086	82,550	18,536	82,550	77,543	3/31/2015
61749BAB9	128,950	128,815	135	128,815	99,098	3/31/2015
61749BAB9	122,553	122,338	215	122,338	83,878	12/31/2015

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

a.	The aggregate amount of unrealized losses:			
	1. Less than 12 Months	\$	2,342,955	
	2. 12 Months or Longer	\$	2,149,452	
b.	The aggregate related fair value of securities with unrealized losses:			
	1. Less than 12 Months	\$	222,954,955	
	2. 12 Months or Longer	\$	96,121,992	

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

## NOTES TO FINANCIAL STATEMENTS

### E. Repurchase Agreements and Securities Lending

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

- a. Aggregate Amount Cash Collateral Received

	<u>Fair Value</u>
1. Repurchase Agreement	
(a) Open	
(b) 30 Days or Less	
(c) 31 to 60 Days	
(d) 61 to 90 Days	
(e) Greater Than 90 Days	
(f) Sub-Total	
(g) Securities Received	
(h) Total Collateral Received	
2. Securities Lending	
(a) Open	
(b) 30 Days or Less	
(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	
3. Dollar Repurchase Agreement	
(a) Open	
(b) 30 Days or Less	\$24,360,339
(c) 31 to 60 Days	\$20,481,859
(d) 61 to 90 Days	\$7,682,340
(e) Greater Than 90 Days	
(f) Sub-Total	\$52,524,538
(g) Securities Received	\$19,887,522
(h) Total Collateral Received	\$72,412,060

- b. The aggregate fair value of all securities acquired from the sale, trade or use of the accepted collateral (reinvested collateral) \$72,412,060

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

4. Securities Lending Transactions Administered by an Affiliated Agent

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

5. Collateral Reinvestment

- a. Aggregate Amount Cash Collateral Reinvested

	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open		
(b) 30 Days or Less		
(c) 31 to 60 Days		
(d) 61 to 90 Days		
(e) 91 to 120 Days		
(f) 121 to 180 Days		
(g) 181 to 365 Days		
(h) 1 to 2 Years		
(i) 2 to 3 Years		

## NOTES TO FINANCIAL STATEMENTS

(j) Greater Than 3 Years		
(k) Sub-Total		
(l) Securities Received		
(m) Total Collateral Reinvested		
2. Securities Lending		
(a) Open		
(b) 30 Days or Less	\$24,362,822	\$24,362,702
(c) 31 to 60 Days	\$20,484,978	\$20,484,364
(d) 61 to 90 Days	\$7,684,228	\$7,686,836
(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	\$52,532,028	\$52,533,902
(l) Securities Received		
(m) Total Collateral Reinvested	\$52,532,028	\$52,533,902
3. Dollar Repurchase Agreement		
(a) Open		
(b) 30 Days or Less		
(c) 31 to 60 Days		
(d) 61 to 90 Days		
(e) 91 to 120 Days		
(f) 121 to 180 Days		
(g) 181 to 365 Days		
(h) 1 to 2 Years		
(i) 2 to 3 Years		
(j) Greater Than 3 Years		
(k) Sub-Total		
(l) Securities Received		
(m) Total Collateral Reinvested		

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

6. The securities collateral currently not listed on the balance sheet, which has been pledged to the Company against a borrowed position is not restricted from use in the event the Company wanted to use it.
7. The Company's securities lending program is an open transaction (not contract based), and as such, the Company can recall the security lent at any time.

### F. Real Estate

The Company does not have real estate.

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

1. There are eight years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
2. There were \$275 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 \$1,410.
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

### H. Restricted Assets

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

Restricted Asset Category	Gross Restricted							Percentage		
	Current Year					6	7	8	9	10
	1	2	3	4	5					
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase / (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
b. Collateral held under security lending agreements	52,524,538	-	-	-	\$52,524,538	\$56,185,152	(\$3,660,614)	\$52,524,538	1%	1%
c. Subject to repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
d. Subject to reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
e. Subjects to dollar repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
f. Subject to dollar reverse repurchase agreements	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
g. Placed under option contracts	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
i. FHLB capital stock	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
j. On deposit with states	152,155,301	-	-	-	\$152,155,301	\$161,021,418	(\$8,866,117)	\$152,155,301	3%	3%
k. On deposit with other regulatory bodies	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
l. Pledged collateral to FHLB (including assets backing funding agreements)	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
m. Pledged as collateral not captured in other categories	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
n. Other restricted assets	-	-	-	-	\$-	\$-	\$-	\$-	0%	0%
o. Total restricted assets	\$204,679,839	\$-	\$-	\$-	\$204,679,839	\$217,206,570	(\$12,526,731)	\$204,679,839	5%	5%

(a) Subset of column 1

(b) Subset of column 3

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

Not applicable

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

Not applicable

#### I. Working Capital Finance Investments

The Company does not invest in Working Capital Finance Investments.

## NOTES TO FINANCIAL STATEMENTS

J. Offsetting and Netting of Assets and Liabilities

Not applicable

K. Structured Notes

Not applicable

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

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

The Company's investment in joint ventures, partnerships, or limited liability companies does not exceed 10% of its admitted assets.

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. Management may also engage to sell limited partnership interests which may also lead to impairment losses being recognized. The Company realized impairment losses of \$12,043 during the year.

**Note 7 - Investment Income**

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due (over 180 days for mortgage loans in default).

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2015.

**Note 8 - Derivative Instruments**

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

**Note 9 - Income Taxes**

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

1.

	12/31/2015		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 125,328,000	\$ 27,429,000	\$ 152,757,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	125,328,000	27,429,000	152,757,000
(d) Deferred Tax Assets Nonadmitted	8,212,450	15,275,376	23,487,826
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	117,115,550	12,153,624	129,269,174
(f) Deferred Tax Liabilities	26,764,000	12,136,000	38,900,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 90,351,500	\$ 17,624	\$ 90,369,174

	12/31/2014		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 149,690,000	\$ 10,242,000	\$ 159,932,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	149,690,000	10,242,000	159,932,000
(d) Deferred Tax Assets Nonadmitted	28,921,269	5,962,946	34,884,215
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	120,768,731	4,279,054	125,047,785
(f) Deferred Tax Liabilities	30,074,000	4,268,000	34,342,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ 90,694,731	\$ 11,054	\$ 90,705,785

## NOTES TO FINANCIAL STATEMENTS

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (24,362,000)	\$ 17,187,000	\$ (7,175,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(24,362,000)	17,187,000	(7,175,000)
(d) Deferred Tax Assets Nonadmitted	(20,708,819)	9,312,430	(11,396,389)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(3,653,181)	7,874,570	4,221,389
(f) Deferred Tax Liabilities	(3,310,000)	7,868,000	4,558,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	\$ (343,181)	\$ 6,570	\$ (336,611)

2.

	12/31/2015		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 66,101,406	\$ 17,624	\$ 66,119,030
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	24,250,144	-	24,250,144
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	24,250,144	-	24,250,144
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	200,975,891
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	26,764,000	12,136,000	38,900,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 117,115,550	\$ 12,153,624	\$ 129,269,174

	12/31/2014		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 42,749,986	\$ 11,054	\$ 42,761,040
(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)	47,944,745	-	47,944,745
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	47,944,745	-	47,944,745
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	183,803,024
(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	30,074,000	4,268,000	34,342,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	\$ 120,768,731	\$ 4,279,054	\$ 125,047,785



## NOTES TO FINANCIAL STATEMENTS

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ 23,351,420	\$ 6,570	\$ 23,357,990
(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)	(23,694,601)	-	(23,694,601)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(23,694,601)	-	(23,694,601)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	17,172,867
(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	(3,310,000)	7,868,000	4,558,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ (3,653,181)	\$ 7,874,570	\$ 4,221,389

3.

	2015	2014
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	711.0%	651.5%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,302,991,024	1,188,211,351

4.

	12/31/2015		12/31/2014		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital
<b>Impact of Tax-Planning Strategies</b>						
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1 (c)	\$125,328,000	\$27,429,000	\$149,690,000	\$10,242,000	\$(24,362,000)	\$17,187,000
2. Percentage of adjusted gross DTAs by tax character to the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1 (e)	\$117,115,550	\$12,153,624	\$120,768,731	\$4,279,054	\$(3,653,181)	\$7,874,570
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 

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

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

	(1) 12/31/2015	(2) 12/31/2014	(3) (Col 1-2) Change
<b>1. Current Income Tax</b>			
(a) Federal	\$ 33,993,041	\$ 21,006,058	\$ 12,986,983
(b) Foreign	-	-	-
(c) Subtotal	33,993,041	21,006,058	12,986,983
(d) Federal income tax on net capital gains	1,608,959	6,962,942	(5,353,983)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ 35,602,000	\$ 27,969,000	\$ 7,633,000

## NOTES TO FINANCIAL STATEMENTS

2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 37,579,000	\$ 43,183,000	\$ (5,604,000)
(2) Unearned premium reserve	57,507,000	55,219,000	2,288,000
(3) Policyholder reserves	-	-	-
(4) Investments	1,246,000	17,779,000	(16,533,000)
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	100,000	(100,000)
(8) Compensation and benefits accrual	9,316,000	9,515,000	(199,000)
(9) Pension accrual	2,906,000	3,020,000	(114,000)
(10) Receivables – nonadmitted	11,030,000	13,843,000	(2,813,000)
(11) Net operating loss carry-forward	389,000	207,000	182,000
(12) Tax credit carry-forward	100,000	861,000	(761,000)
(13) Other (including items <5% of total ordinary tax assets)	5,255,000	5,963,000	(708,000)
(99) Subtotal	125,328,000	149,690,000	(24,362,000)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	8,212,450	28,921,269	(20,708,819)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	117,115,550	120,768,731	(3,653,181)
(e) Capital			
(1) Investments	27,429,000	10,242,000	17,187,000
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	27,429,000	10,242,000	17,187,000
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	15,275,376	5,962,946	9,312,430
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	12,153,624	4,279,054	7,874,570
(i) Admitted deferred tax assets (2d + 2h)	129,269,174	125,047,785	4,221,389
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	5,399,000	9,844,000	(4,445,000)
(2) Fixed assets	11,948,000	11,506,000	442,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	9,417,000	8,724,000	693,000
(99) Subtotal	26,764,000	30,074,000	(3,310,000)
(b) Capital:			
(1) Investments	11,045,000	2,775,000	8,270,000
(2) Real estate	1,091,000	1,091,000	-
(3) Other (including items <5% of total capital tax liabilities)	-	402,000	(402,000)
(99) Subtotal	12,136,000	4,268,000	7,868,000
(c) Deferred tax liabilities (3a99 + 3b99)	38,900,000	34,342,000	4,558,000
4. Net deferred tax assets/liabilities (2i – 3c)	\$ 90,369,174	\$ 90,705,785	\$ (336,611)

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

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

Year Generated	Amount	Expiration
2012	\$1,110,000	2032

## NOTES TO FINANCIAL STATEMENTS

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

Year Generated	Amount	Expiration
2013	\$18,000	2033
2014	\$82,000	2034

The Company has no alternative minimum tax credit carry-forwards.

The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$35,368,000 from the current year and \$31,070,000 from the preceding year.

The Company does not have deposits admitted under Section 6603 of the Internal Revenue Code.

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

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

## NOTES TO FINANCIAL STATEMENTS

Liberty Mutual Agency Corporation	West American Insurance Company
Liberty Mutual Fire Insurance Company	Winmar Company, Inc.
Liberty Mutual Group Asset Management Inc.	Winmar of the Desert, Inc.
Liberty Mutual Group Inc.	Winmar Oregon, Inc.
Liberty Mutual Holding Company Inc.	Winmar-Metro, Inc.
Liberty Mutual Insurance Company	

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

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

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

- A. All of the outstanding shares of capital stock of the Company are held by Safeco Corporation (“Safeco”), an insurance holding company incorporated in Washington. Safeco is wholly owned by Liberty Mutual Agency Corporation, an insurance holding company incorporated in Delaware. Liberty Mutual Agency Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company (“LMIC”), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. As of December 31, 2015, the Company had the following capital transactions with its parent and subsidiaries:
3. Contributed capital in the amount of \$4,000,000
  4. Received dividends in the amount of \$19,600,000
- D. At December 31, 2015, the Company reported a net \$25,477,581 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

The Company is a party to a management services agreement (the “Agreement”) with Liberty Mutual Insurance Company (“LMIC”). Under the Agreement, LMIC may provide the Company with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by LMIC and Liberty Mutual Group Inc. (“LMGI”). Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration. LMIC is reimbursed for the cost of all services which it provides under the Agreement.

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

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

The Company is party to revolving credit agreements under which the Company may lend funds to the following affiliated companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments (See Note 11B):

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

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

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

<i>Company</i>	<i>Credit Line</i>
American Economy Insurance Company	\$50,000,000
American States Insurance Company	\$50,000,000

## NOTES TO FINANCIAL STATEMENTS

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

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

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

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own investments in subsidiary, controlled or affiliated entities.
- J. The Company does not own investments in subsidiary, controlled or affiliated entities, therefore no impairments were recognized.
- K. The Company does not hold investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.
- M. Investments in Non-Insurance SCA's

Description of SCA Investment (excluding 8.b.i entities)	Gross Amount (Balance Sheet column 1)	Nonadmitted Amount (Balance Sheet Column 2)	Admitted Asset Amount (Balance Sheet Column 3)	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (yes/no)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (yes/no)
Emerald City Insurance Agency, Inc	\$1,000	\$ -	\$1,000	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Investment Holdings LLC	\$189,139,068	\$ -	\$189,139,068	N/A	N/A	N/A	N/A	N/A
Georgia Tax Credit Fund LM L.P.	\$1,410	\$ -	\$1,410	N/A	N/A	N/A	N/A	N/A
Aggregate Total:	\$189,141,478	\$ -	\$189,141,478	-	-	-	-	-

- N. Investments in Insurance SCA's

The Company does not hold investments in Insurance SCA's.

### **Note 11 - Debt**

- A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- B. FHLB (Federal Home Loan Bank) Agreements

Not applicable

- C. The Company maintains a \$100,000,000 revolving line with Peerless Insurance Company ("PIC") (see Note 10F). On August 26, 2014, the Company borrowed \$70,000,000 under the agreement at an annual interest rate of 1.64% and refinanced \$30,000,000 at an annual rate of 1.57% with a maturity date of January 26, 2015. The loan was repaid on January 5, 2015. For December year-to-date 2015, the Company has incurred and paid interest expense of \$5,115 and \$12,786, respectively. There were no outstanding borrowings as of December 31, 2015.

## NOTES TO FINANCIAL STATEMENTS

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

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the management services agreements, as described in Note 10F.

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

1. The Company has 20,000 shares authorized, issued and outstanding as of December 31, 2015. All shares have a stated par value of \$250.
2. Preferred Stock  
Not applicable
3. There are no dividend restrictions.
4. The company did not pay any dividends to its parent in 2015.
5. The maximum amount of dividends which can be paid to shareholders by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is less than 10% of surplus or net income. The maximum dividend payout which may be made without prior approval in 2016 is \$139,336,020.
6. As of December 31, 2015, the Company has pre-tax restricted surplus of \$8,146,913 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 2015.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is (\$34,101,795) after applicable deferred taxes of \$3,647,778.
11. Surplus Notes  
Not applicable
12. Quasi-reorganization (dollar impact)  
Not applicable
13. Quasi-reorganization (effective date)  
Not applicable

### **Note 14 - Contingencies**

#### A. Contingent Commitments

Refer to Note 10E.

#### B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$7,315,563 that is offset by future premium tax credits of \$379,019. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2016. During 2015 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

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

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 490,588
b.	Decreases current year:	
	Premium tax offset applied	215,852
c.	Increases current year:	
	Premium tax offset increase	104,282
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 379,018

## NOTES TO FINANCIAL STATEMENTS

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$1,211,485

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

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

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

( f ) Per Claim [ X ]                      ( g ) Per Claimant [ ]

E. Product Warranties

The Company does not write product warranty business.

F. Joint and Several Liabilities

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

G. All Other Contingencies

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

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

**Note 15 - Leases**

A. Lessee Leasing Arrangements

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

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

Year Ending December 31,	<u>Operating Leases</u>
2015	9,706,616
2016	8,905,934
2017	6,710,112
2018	4,882,237
2019	3,890,499
2020 & thereafter	20,785,050
Total	<u>\$ 54,880,448</u>

The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is \$211,494.

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

At December 31, 2015 the total fair value of securities on loan was \$70,824,001, with corresponding collateral value of \$72,412,060 of which \$52,533,902 represents cash collateral that was reinvested.

#### C. Wash Sales

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

### **Note 18 - Gain or Loss from Uninsured Accident and Health Plans and the Uninsured Portion of Partially Insured Plans**

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

Not applicable

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

Not applicable

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

Not Applicable

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

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

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

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

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

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

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

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

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



## NOTES TO FINANCIAL STATEMENTS

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	\$ -	\$117,234,266	\$2,931,940	\$120,166,206
Non-Issuer Obligations	-	162,447	-	162,447
Total Bonds	\$ -	\$117,396,713	\$2,931,940	\$120,328,653
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	\$ -	\$ 467,672	\$ -	\$ 467,672
Total Preferred Stocks	\$ -	\$ 467,672	\$ -	\$ 467,672
Common Stocks				
Industrial and Miscellaneous	\$316,645,785	\$ -	\$103,227	\$316,749,012
Total Common Stocks	\$316,645,785	\$ -	\$103,227	\$316,749,012
Total assets at fair value	\$316,645,785	\$117,864,385	\$3,035,167	\$437,545,337
Liabilities at fair value				
Derivative Liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -

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

### 2. Rollforward of Level 3 Items

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

1	2	3	4	5	6	7	8	9	10	11
	Balance at 12/31/2014	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2015
Bonds	\$13,138,770	\$2,333,177	(\$5,000,000)	(\$3,003)	\$20,493	\$15,951,574	\$-	(\$23,505,515)	(\$3,556)	\$2,931,940
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	102,447	-	-	-	780	-	-	-	-	103,227
Total	\$13,241,217	\$2,333,177	(\$5,000,000)	(\$3,003)	\$21,273	\$15,951,574	\$-	(\$23,505,515)	(\$3,556)	\$3,035,167

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

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

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

#### Fixed Maturities

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

#### U.S. Government and Agency

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

## NOTES TO FINANCIAL STATEMENTS

### Mortgage-Backed Securities

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

### Asset-Backed Securities

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

### Municipals

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

### Corporate debt and other

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

### Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

### Equity Securities

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

### Other Investments

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

#### 5. Derivative Fair Values

Not applicable

#### B. Other Fair Value Disclosures

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents, and Short Term	\$74,521,579	\$74,521,579	\$74,521,579	\$-	\$-	\$-
Bonds	2,683,104,705	2,638,844,891	7,116,569	2,642,970,767	33,017,369	-
Preferred Stock	4,625,672	3,967,672	-	4,625,672	-	-
Common Stock	316,749,012	316,749,012	316,645,785	-	103,227	-
Securities Lending	52,524,538	52,524,538	-	52,524,538	-	-
Mortgage Loans	132,400,046	129,141,552	-	-	132,400,046	-
Surplus Notes	-	-	-	-	-	-
Total	\$3,263,925,552	\$3,215,749,244	\$398,283,933	\$2,700,120,977	\$165,520,642	\$-

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

#### A. Unusual or Infrequent Items

The Company has no unusual or infrequent items to report.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

#### C. Other Disclosures

Not applicable

#### D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

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

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

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

- The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through acquisition of collateral assets at the termination of a securities lending agreement in 2008.
- 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.

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other-Than-Temporary Impairments Recognized</u>
\$282,760	\$162,447	\$162,447	\$367,097

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

#### H. Insurance Linked Securities

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

### **Note 22 - Events Subsequent**

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

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

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

### **Note 23 - Reinsurance**

#### A. Unsecured Reinsurance Recoverable

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

## NOTES TO FINANCIAL STATEMENTS

### B. Reinsurance Recoverable in Dispute

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

### C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$789,662,438	\$81,348,560	\$1,325,117,746	\$242,111,908	\$(535,455,308)	\$(160,763,348)
b. All Other	-	-	-	-	-	-
c. TOTAL	\$789,662,438	\$81,348,560	\$1,325,117,746	\$242,111,908	\$(535,455,308)	\$(160,763,348)
d. Direct Unearned Premium Reserve	\$1,325,117,746					

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2015 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$178,336,891	\$26,417,281	\$178,336,891	\$26,417,281
b. Sliding Scale Adjustments	-	108,339	-	108,339
c. Other Profit Commission Arrangements	-	822,658	-	822,658
d. TOTAL	\$178,336,891	\$27,348,278	\$178,336,891	\$27,348,278

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

### D. Uncollectible Reinsurance

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

### E. Commutation of Ceded Reinsurance

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

### F. Retroactive Reinsurance

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

	Reported Company	
	Assumed	Ceded
As:		
a. Reserves Transferred:		
1. Initial Reserves	\$148,438,622	-
2. Adjustments – Prior Year (s)	(29,901,468)	-
3. Adjustments – Current Year	419,893	-
4. Current Total	\$(177,920,197)	-
b. Consideration Paid or Received:		
1. Initial Consideration	\$148,921,004	-
2. Adjustments – Prior Year (s)	(3,309,843)	-
3. Adjustments – Current Year	(6,063)	-
4. Current Total	\$(152,236,910)	-
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	\$19,636,065	-
2. Current Year	(48,338)	-
3. Current Total	\$19,587,727	-
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$1,649,608	-
2. Adjustments – Prior Year (s)	4,823,570	-
3. Adjustments – Current Year	(377,618)	-
4. Current Year Restricted Surplus	8,146,913	-
5. Cumulative Total Transferred to Unassigned Funds	\$(2,051,353)	-
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
	Assumed Amount	Ceded Amount
Liberty Mutual Insurance Company, 23043	\$(177,920,197)	-

## NOTES TO FINANCIAL STATEMENTS

Total	\$(177,920,197)	-

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

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

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

G. Reinsurance Accounted for as a Deposit

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

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

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

I. Certified Reinsurers Downgraded or Status Subject to Revocation.

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

The Company does not transact business with Certified Reinsurers.

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

The Company is not a Certified Reinsurer.

J. Asbestos and Pollution Counterparty Reporting Exception

The Counterparty reporting exception does not apply to the Company.

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

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

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

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

D. Medical Loss Ratio Rebates

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

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

a. Total accrued retro premium	\$26,260,397
b. Unsecured amount	
c. Less: Nonadmitted amount (10%)	2,620,830
d. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e. Admitted amount (a) - (c) - (d)	\$23,639,567

F. Risk Sharing Provisions of the Affordable Care Act

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

## NOTES TO FINANCIAL STATEMENTS

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

Incurred loss and loss adjustment expense attributable to insured events on prior years decreased slightly through the fourth quarter of 2015. The decrease was the result of updated reserve analysis in a number of lines, with the largest decreases in the Commercial Multiple Peril line of business, the Special Property line of business, the Workers Compensation line of business, the Surety line of business, and the Non-Proportional Assumed Liability line of business. Partially offsetting these decreases were increases in reserve estimates on the Commercial Automobile line of business. Prior estimates are revised as additional information becomes known regarding individual claims.

### **Note 26 - Intercompany Pooling Arrangements**

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

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

## NOTES TO FINANCIAL STATEMENTS

	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
100% Quota Share Affiliated Companies:	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines

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

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

Affiliate:	Amount:
Liberty Mutual Insurance Company	\$(1,563,948)

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

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$34,615,585 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 \$34,615,585 as of December 31, 2015.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$ 17,408,876

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

Not applicable

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

Not applicable

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

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

## NOTES TO FINANCIAL STATEMENTS

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

As of December 31, 2015, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$333,216,663 and the amount billed and recoverable on paid claims was \$9,796,936. There are no unsecured high dollar deductible recoverables from professional employer organizations included in these amounts.

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

For Workers' Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2015 liabilities subject to discount were carried at a value representing a discount of \$31,902,896 net of all reinsurance.

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

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners		
2. Private Passenger Auto Liability/Medical		
3. Commercial Auto/Truck Liability/Medical		
4. Workers' Compensation	\$28,856,186	\$30,792,424
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	\$28,856,186	\$30,792,424

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

B. Nontabular Discount:

Not applicable

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

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

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

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



## NOTES TO FINANCIAL STATEMENTS

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

### Uncertainty Regarding Reserving Methodologies

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

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

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

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2015, 2014, 2013, 2012, and 2011 before consideration of the NICO Reinsurance Transaction. Refer to Note 23f.

### Asbestos:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Direct Basis</b>					
Beginning Reserves	90,186,675	95,100,512	93,394,961	104,955,748	105,531,511
Incurring losses and LAE	24,219,525	14,340,667	24,875,137	17,105,452	4,970,606
Calendar year payments	19,305,688	16,046,218	13,314,350	16,529,689	21,679,441
Ending Reserves	<u>95,100,512</u>	<u>93,394,961</u>	<u>104,955,748</u>	<u>105,531,511</u>	<u>88,822,676</u>

### **Assumed Reinsurance Basis**

Beginning Reserves	36,961,007	37,387,464	34,504,112	37,185,921	34,395,130
Incurring losses and LAE	2,662,978	904,968	4,479,866	90,529	704,185
Calendar year payments	2,236,521	3,788,320	1,798,057	2,881,320	1,910,556
Ending Reserves	<u>37,387,464</u>	<u>34,504,112</u>	<u>37,185,921</u>	<u>34,395,130</u>	<u>33,188,759</u>

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

Beginning Reserves	48,855,784	58,064,413	53,408,945	59,833,416	55,082,868
Incurring losses and LAE	19,604,304	8,950,344	14,131,446	5,334,504	367,916
Calendar year payments	10,395,674	13,605,812	7,706,974	10,085,052	14,554,875
Ending Reserves	<u>58,064,413</u>	<u>53,408,945</u>	<u>59,833,416</u>	<u>55,082,868</u>	<u>40,895,909</u>

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

Direct Basis	50,189,893
Assumed Reinsurance Basis	23,662,794
Net of Ceded Reinsurance Basis	19,550,276

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

Direct Basis	55,046,089
Assumed Reinsurance Basis	386,859
Net of Ceded Reinsurance Basis	20,749,589

### Environmental:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Direct Basis</b>					
Beginning Reserves	24,880,244	25,484,587	25,208,570	26,908,233	25,236,196
Incurring losses and LAE	5,179,858	3,662,120	5,713,769	3,477,267	1,768,837
Calendar year payments	4,575,516	3,938,136	4,014,107	5,149,304	5,262,991
Ending Reserves	<u>25,484,587</u>	<u>25,208,570</u>	<u>26,908,233</u>	<u>25,236,196</u>	<u>21,742,042</u>

### **Assumed Reinsurance Basis**

Beginning Reserves	3,800,263	3,558,136	3,899,360	3,849,767	3,625,835
Incurring losses and LAE	419,814	(1,088,520)	260,690	68,935	(588,480)
Calendar year payments	661,941	(1,429,745)	310,283	292,867	409,874
Ending Reserves	<u>3,558,136</u>	<u>3,899,360</u>	<u>3,849,767</u>	<u>3,625,835</u>	<u>2,627,481</u>

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**NOTES TO FINANCIAL STATEMENTS**


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**Net of Ceded Reinsurance Basis**

Beginning Reserves	21,324,555	20,819,688	18,509,862	19,379,012	17,932,448
Incurred losses and LAE	839,049	(115,338)	3,660,403	1,687,643	19,086
Calendar year payments	1,343,916	2,194,488	2,791,254	3,134,207	2,224,634
Ending Reserves	20,819,688	18,509,862	19,379,012	17,932,448	15,726,900

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

Direct Basis					12,076,065
Assumed Reinsurance Basis					1,418,484
Net of Ceded Reinsurance Basis					7,577,637

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

Direct Basis					8,151,806
Assumed Reinsurance Basis					14,257
Net of Ceded Reinsurance Basis					3,609,845

**Note 34 - Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35 - Multiple Peril Crop Insurance**

Not applicable

**Note 36 - Financial Guaranty Insurance**

Not applicable

# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No  ]
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  ] N/A  ]
- 1.3 State Regulating? New Hampshire
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No  ]
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2013
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/20/2015
- 3.4 By what department or departments?  
 State of New Hampshire Insurance Department  
 .....  
 .....  
 .....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  ] N/A  ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  ] N/A  ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No  ]
- 4.12 renewals? Yes  No  ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No  ]
- 4.22 renewals? Yes  No  ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No  ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

## GENERAL INTERROGATORIES

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

6.2 If yes, give full information:

.....

.....

.....

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

7.2 If yes,

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

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

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

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

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

.....

.....

.....

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

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

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

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

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

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

.....

.....

.....

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

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

.....

.....

.....

## GENERAL INTERROGATORIES

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

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

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

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

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

.....  
 .....

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	0

12.2 If yes, provide explanation:

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

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

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

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

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes  No

13.3 Have there been any changes made to any of the trust indentures during the year?

Yes  No

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes  No  N/A

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

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

Yes  No

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

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

14.2 Has the code of ethics for senior managers been amended?

Yes  No

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

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

## GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

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

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
0			0
0			0
0			0

## BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

## FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers	\$	0
20.12 To stockholders not officers	\$	0
20.13 Trustees, supreme or grand (Fraternal only)	\$	0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers	\$	0
20.22 To stockholders not officers	\$	0
20.23 Trustees, supreme or grand (Fraternal only)	\$	0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

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

21.21 Rented from others	\$	0
21.22 Borrowed from others	\$	0
21.23 Leased from others	\$	0
21.24 Other	\$	0

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

## GENERAL INTERROGATORIES

22.2 If answer is yes:

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

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

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

## INVESTMENT

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

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

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

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

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

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 72,410,778

24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ 0

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes  No  N/A

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes  No  N/A

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	52,524,538
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	52,524,538
24.103 Total payable for securities lending reported on the liability page	\$	52,524,538

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

## GENERAL INTERROGATORIES

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

	25.21 Subject to repurchase agreements	\$ <u>0</u>
	25.22 Subject to reverse repurchase agreements	\$ <u>0</u>
	25.23 Subject to dollar repurchase agreements	\$ <u>0</u>
	25.24 Subject to reverse dollar repurchase agreements	\$ <u>0</u>
	25.25 Placed under option agreements	\$ <u>0</u>
	25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$ <u>0</u>
	25.27 FHLB Capital Stock	\$ <u>0</u>
	25.28 On deposit with states	\$ <u>152,155,301</u>
	25.29 On deposit with other regulatory bodies	\$ <u>0</u>
	25.30 Pledged as collateral - excluding collateral pledged to an FHLB	\$ <u>0</u>
	25.31 Pledged as collateral to FHLB - including assets backing funding agreements	\$ <u>0</u>
	25.32 Other	\$ <u>0</u>

25.3 For category (25.26) provide the following:

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

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005
Bank of New York Mellon	601 Travis Street, Houston, TX 77002

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

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

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



## GENERAL INTERROGATORIES

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	StanCorp	1100 SW Sixth Avenue, Portland, OR 97204
N/A	Prudential Mortgage Capital Company	4 Embarcadero Center, San Francisco, CA 94111

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes [ ] No [X]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
29.2999 TOTAL		0

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
		0	
		0	
		0	

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	2,695,268,440	2,741,044,465	45,776,025
30.2 Preferred stocks	3,967,672	4,625,672	658,000
30.3 Totals	2,699,236,112	2,745,670,137	46,434,025

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

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

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes [ ] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes [ ] No [X]

## GENERAL INTERROGATORIES

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing

source for purposes of disclosure of fair value for Schedule D:

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

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

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

Yes  No

32.2 If no, list exceptions:

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

### OTHER

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

\$ 3,304,961

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

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE INC .....	\$ 1,013,278
.....	\$ 0
.....	\$ 0

34.1 Amount of payments for legal expenses, if any?

\$ 2,936,092

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

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

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

\$ 116,522

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

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

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 736,044		\$ 520,303	
2.2 Premium Denominator	\$ 1,497,769,092		\$ 1,478,551,750	
2.3 Premium Ratio (2.1 / 2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 1,975,900		\$ 1,858,935	
2.5 Reserve Denominator	\$ 2,821,319,299		\$ 2,783,780,474	
2.6 Reserve Ratio (2.4 / 2.5)	<u>0.00</u>		<u>0.00</u>	

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

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

3.21 Participating policies \$ 0

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

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

5.5 If yes, give full information

.....

.....

.....

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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No
- 11.2 If yes, give full information  
 .....  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |  |    |                   |
|---|--|----|-------------------|
| 12.11 Unpaid losses   |  | \$ | <u>18,234,612</u> |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | <u>1,362,862</u>  |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 2,051,434
- 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 |  |  | <u>4.50 %</u> |
| 12.42 To   |  |  | <u>7.50 %</u> |
- 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          |  | \$ | <u>304,117,901</u> |
| 12.62 Collateral and other funds |  | \$ | <u>73,164,149</u>  |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 36,000,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes  No
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes  No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 .....  
 .....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes  No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes  No
- 14.5 If the answer to 14.4 is no, please explain:  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No
- 15.2 If yes, give full information  
 0  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes  No   
 If yes, disclose the following information for each of the following types of warranty coverage:

		1	2	3	4	5
		Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$	0	0	0	0	0
16.12 Products	\$	0	0	0	0	0
16.13 Automobile	\$	0	0	0	0	0
16.14 Other*	\$	0	0	0	0	0

\* Disclose type of coverage: \_\_\_\_\_

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

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

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

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

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

Yes [ ] No [X]

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

\$           0

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

Yes [ ] No [X]

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

\$           0

**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2015	2014	2013	2012	2011
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,325,721,592	1,283,984,276	1,265,854,995	1,122,102,948	1,091,679,111
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,085,729,138	1,037,696,733	964,605,536	943,304,801	852,256,508
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,633,138,292	1,538,655,100	1,291,962,322	1,422,106,079	1,241,445,059
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	101,724,636	105,450,102	80,707,545	222,268,107	329,198,753
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	22,742,147	17,473,345	17,123,841		
6. Total (Line 35)	4,169,055,805	3,983,259,556	3,620,254,239	3,709,781,935	3,514,579,431
<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)	695,218,636	698,309,650	715,498,580	631,626,784	637,848,798
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	282,648,214	292,860,682	278,598,975	337,301,526	314,457,479
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	486,079,270	465,705,726	328,727,150	581,496,867	550,127,299
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	51,242,280	48,260,062	9,176,383	109,143,408	113,831,428
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	22,742,147	17,473,345	17,123,841		
12. Total (Line 35)	1,537,930,547	1,522,609,465	1,349,124,929	1,659,568,585	1,616,265,004
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	6,801,081	(28,533,526)	(83,079,458)	10,222,559	(98,352,650)
14. Net investment gain (loss) (Line 11)	129,635,524	158,489,594	224,743,465	218,964,362	123,444,541
15. Total other income (Line 15)	2,296,651	(743,440)	375,408	7,000,135	4,398,989
16. Dividends to policyholders (Line 17)	1,161,323	1,414,038	2,311,732	3,913,623	3,196,299
17. Federal and foreign income taxes incurred (Line 19)	33,993,041	21,006,058	(15,034,951)	38,771,395	(2,938,284)
18. Net income (Line 20)	103,578,892	106,792,532	154,762,634	193,502,038	29,232,865
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	4,356,907,308	4,233,251,417	4,747,068,958	4,029,806,477	3,854,156,105
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	82,483,599	82,847,960	94,410,807	48,314,722	60,909,097
20.2 Deferred and not yet due (Line 15.2)	371,661,555	351,860,629	449,784,425	487,529,145	458,348,157
20.3 Accrued retrospective premiums (Line 15.3)	23,639,567	26,890,357	28,244,289	10,361	701,877
21. Total liabilities excluding protected cell business (Page 3, Line 26)	2,963,547,111	2,954,334,281	3,558,396,422	3,084,756,281	2,983,350,470
22. Losses (Page 3, Line 1)	1,678,600,776	1,664,561,813	1,709,598,508	1,343,907,667	1,370,184,457
23. Loss adjustment expenses (Page 3, Line 3)	351,455,869	360,957,146	367,005,067	307,344,680	302,972,219
24. Unearned premiums (Page 3, Line 9)	789,662,438	754,581,457	712,851,727	797,279,595	765,946,552
25. Capital paid up (Page 3, Lines 30 & 31)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	1,393,360,198	1,278,917,136	1,188,672,536	945,050,196	870,805,635
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	129,807,208	47,708,497	421,936,965	242,244,281	63,610,360
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	1,393,360,198	1,278,917,136	1,188,672,536	945,050,196	870,805,635
29. Authorized control level risk-based capital	183,258,473	182,388,040	183,862,847	172,864,980	170,613,774
<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)	71.5	71.5	74.2	74.3	73.7
31. Stocks (Lines 2.1 & 2.2)	15.5	15.5	14.4	16.6	17.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	3.5	3.2	2.6	2.7	2.5
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	2.0	2.1	2.2	6.1	4.6
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)	6.1	6.0	5.0	0.2	0.1
38. Receivables for securities (Line 9)	0.0	0.2	0.2	0.2	0.2
39. Securities lending reinvested collateral assets (Line 10)	1.4	1.6	1.4		1.4
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	249,574,468	245,927,089	241,555,644	280,449,843	353,569,928
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated	190,148,478	184,015,608	176,415,954	1,008,000	
48. Total of above Lines 42 to 47	439,722,946	429,942,697	417,971,598	281,457,843	353,569,928
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)	31.6	33.6	35.2	29.8	

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2015	2014	2013	2012	2011
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	14,701,433	8,077,305	(20,559,923)	(51,180,878)	(634,875)
52. Dividends to stockholders (Line 35)		(1,000,000)	(47,515,966)	(95,000,000)	
53. Change in surplus as regards policyholders for the year (Line 38)	114,443,062	90,244,600	243,622,340	74,244,561	25,899,806
<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)	724,628,623	749,912,217	286,321,563	592,441,543	598,886,891
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	572,602,511	529,540,161	485,885,919	476,231,539	474,199,523
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	796,540,191	745,431,240	819,805,671	772,670,240	894,157,164
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	85,361,309	14,200,627	86,988,423	213,493,596	136,889,697
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	6,880,194	7,720,564	(28,053,670)	1,075,684	1,198,602
59. Total (Line 35)	2,186,012,828	2,046,804,809	1,650,947,906	2,056,912,602	2,105,331,877
<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)	403,513,196	468,947,901	13,104,863	359,479,997	386,111,461
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	150,979,406	154,559,552	139,380,882	177,825,092	178,440,619
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	240,023,447	226,266,663	349,730,717	330,886,063	377,524,346
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	14,331,270	17,656,153	21,090,577	42,612,388	28,692,997
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	6,880,194	7,720,564	(28,053,670)	1,075,684	1,198,602
65. Total (Line 35)	815,727,513	875,150,833	495,253,369	911,879,224	971,968,025
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	55.6	56.3	59.2	54.3	61.9
68. Loss expenses incurred (Line 3)	12.7	13.7	14.3	12.4	12.1
69. Other underwriting expenses incurred (Line 4)	31.2	31.9	32.2	32.7	32.2
70. Net underwriting gain (loss) (Line 8)	0.5	(1.9)	(5.7)	0.6	(6.2)
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	30.2	31.0	34.8	31.7	31.5
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	68.4	70.0	73.5	66.7	73.9
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)	110.4	119.1	113.5	175.6	185.6
<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)	(10,094)	(896)	48,912	(63,709)	(42,825)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	(0.8)	(0.1)	5.2	(7.3)	(5.1)
<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)	(11,653)	41,365	52,740	(81,727)	(38,429)
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)	(1.0)	4.4	6.1	(9.7)	(3.4)

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?

Yes [ ] No [ ]

If no, please explain:

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



## SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

### SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	54,815	15,990	15,998	7,006	2,704	416	422	50,105	X X X
2. 2006	1,478,675	216,228	1,262,447	715,275	88,312	56,324	6,379	104,858	4,768	43,782	776,998	X X X
3. 2007	1,536,892	232,810	1,304,082	778,564	113,122	61,159	7,475	106,055	5,102	50,374	820,079	X X X
4. 2008	1,588,636	266,206	1,322,430	915,900	144,223	66,461	7,460	119,763	4,468	46,415	945,973	X X X
5. 2009	1,504,216	307,572	1,196,644	794,891	144,445	57,140	6,278	112,101	1,196	43,817	812,213	X X X
6. 2010	1,506,464	270,874	1,235,590	828,200	138,515	58,351	5,276	118,143	402	49,644	860,501	X X X
7. 2011	1,583,371	318,809	1,264,562	905,412	169,219	57,625	7,408	117,769	359	60,694	903,820	X X X
8. 2012	1,704,491	342,717	1,361,774	884,150	174,592	50,772	6,603	120,306	97	67,069	873,936	X X X
9. 2013	1,794,606	366,076	1,428,530	784,980	168,832	34,090	3,754	116,609	157	51,053	762,936	X X X
10. 2014	1,827,753	356,916	1,470,837	711,586	149,679	21,324	1,832	109,498	157	37,402	690,740	X X X
11. 2015	1,886,130	388,360	1,497,770	557,590	148,209	8,074	745	88,135	38	27,531	504,807	X X X
12. Totals	X X X	X X X	X X X	7,931,363	1,455,138	487,318	60,216	1,115,941	17,160	478,203	8,002,108	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	346,803	126,338	185,865	102,106	20,466	13,809	82,643	33,992	11,629	(37)	1,779	371,198	X X X
2. 2006	17,317	4,679	31,599	8,785	511	147	3,505	826	855	(2)	1,748	39,352	X X X
3. 2007	25,068	5,121	31,166	5,186	1,001	290	3,452	865	748		509	49,973	X X X
4. 2008	29,701	5,600	44,657	7,485	1,018	148	6,384	1,771	1,161	1	2,428	67,916	X X X
5. 2009	30,264	4,554	47,794	9,846	1,251	333	5,719	1,422	1,301		693	70,174	X X X
6. 2010	40,971	7,519	44,776	8,118	1,672	498	9,535	1,221	1,674	344	1,241	80,928	X X X
7. 2011	52,009	6,144	57,749	10,016	2,820	716	16,792	2,035	2,854		2,885	113,313	X X X
8. 2012	76,478	12,341	87,083	11,806	4,051	867	23,914	2,342	4,553	5	7,016	168,718	X X X
9. 2013	103,014	14,999	116,388	17,650	3,603	646	33,434	2,908	17,163	7	8,657	237,392	X X X
10. 2014	132,304	15,435	160,349	28,274	3,252	430	45,386	3,470	16,116	12	13,561	309,786	X X X
11. 2015	190,331	16,868	303,480	47,698	2,371	185	54,487	3,176	38,618	57	36,097	521,303	X X X
12. Totals	1,044,260	219,598	1,110,906	256,970	42,016	18,069	285,251	54,028	96,672	387	76,614	2,030,053	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	304,224	66,974
2. 2006	930,244	113,894	816,350	62,911	52,673	64,664			6.000	35,452	3,900
3. 2007	1,007,213	137,161	870,052	65,536	58,915	66,718			6.000	45,927	4,046
4. 2008	1,185,045	171,156	1,013,889	74,595	64,295	76,669			6.000	61,273	6,643
5. 2009	1,050,461	168,074	882,387	69,834	54,645	73,738			6.000	63,658	6,516
6. 2010	1,103,322	161,893	941,429	73,239	59,767	76,193			6.000	70,110	10,818
7. 2011	1,213,030	195,897	1,017,133	76,611	61,447	80,434			6.000	93,598	19,715
8. 2012	1,251,307	208,653	1,042,654	73,412	60,882	76,566			6.000	139,414	29,304
9. 2013	1,209,281	208,953	1,000,328	67,384	57,079	70,025			6.000	186,753	50,639
10. 2014	1,199,815	199,289	1,000,526	65,644	55,836	68,024			6.000	248,944	60,842
11. 2015	1,243,086	216,976	1,026,110	65,907	55,870	68,509			6.000	429,245	92,058
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,678,598	351,455

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements, which will reconcile Part 1 with Parts 2 and 4.

**SCHEDULE P – PART 2 – SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	One Year	Two Year	
1. Prior	1,228,874	1,243,109	1,219,477	1,256,600	1,259,059	1,286,262	1,290,378	1,304,354	1,320,760	1,322,225	1,465	17,871	
2. 2006	763,593	740,924	726,353	717,277	715,505	715,424	717,599	717,863	716,482	717,753	1,271	(110)	
3. 2007	X X X	820,408	803,192	770,164	768,983	765,494	769,366	770,123	769,552	770,590	1,038	467	
4. 2008	X X X	X X X	921,187	899,723	888,123	887,854	891,097	901,649	900,612	900,710	98	(939)	
5. 2009	X X X	X X X	X X X	789,152	787,225	779,952	772,691	778,321	772,221	772,767	546	(5,554)	
6. 2010	X X X	X X X	X X X	X X X	821,634	821,138	824,510	833,780	825,584	826,174	590	(7,606)	
7. 2011	X X X	X X X	X X X	X X X	X X X	897,124	897,057	900,890	900,688	900,107	(581)	(783)	
8. 2012	X X X	X X X	X X X	X X X	X X X	X X X	931,640	938,727	929,809	920,541	(9,268)	(18,186)	
9. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	867,453	876,560	870,640	(5,920)	3,187	
10. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	876,020	876,687	667	X X X	
11. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	900,959	X X X	X X X	
											12. Totals	(10,094)	(11,653)

**SCHEDULE P – PART 3 – SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		
1. Prior	000	251,417	429,455	552,578	652,581	729,667	787,513	835,300	882,407	930,225	X X X	X X X
2. 2006	300,779	452,968	529,385	585,626	621,882	644,241	658,721	667,212	674,012	676,908	X X X	X X X
3. 2007	X X X	311,866	479,648	563,969	623,946	663,528	688,294	702,859	712,883	719,126	X X X	X X X
4. 2008	X X X	X X X	373,003	570,749	666,098	732,872	778,324	805,807	821,888	830,677	X X X	X X X
5. 2009	X X X	X X X	X X X	314,797	476,577	561,941	623,418	664,879	688,509	701,308	X X X	X X X
6. 2010	X X X	X X X	X X X	X X X	346,327	523,892	613,663	679,587	720,427	742,760	X X X	X X X
7. 2011	X X X	X X X	X X X	X X X	X X X	408,920	579,449	675,867	743,346	786,409	X X X	X X X
8. 2012	X X X	X X X	X X X	X X X	X X X	X X X	401,989	603,191	694,603	753,727	X X X	X X X
9. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	378,547	558,819	646,485	X X X	X X X
10. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	402,229	581,399	X X X	X X X
11. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	416,709	X X X	X X X

**SCHEDULE P – PART 4 – SUMMARY**

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Prior	502,042	397,353	312,419	290,395	226,531	212,885	174,107	169,842	164,844	143,343
2. 2006	293,279	163,823	107,359	70,734	50,511	40,574	36,321	33,139	28,330	26,772
3. 2007	X X X	311,231	181,628	108,610	73,538	52,374	43,800	37,051	31,608	29,893
4. 2008	X X X	X X X	333,278	183,492	118,200	81,363	58,136	57,611	47,659	44,027
5. 2009	X X X	X X X	X X X	298,807	179,650	118,563	79,459	66,853	47,866	43,810
6. 2010	X X X	X X X	X X X	X X X	294,161	164,179	111,419	84,489	57,810	47,420
7. 2011	X X X	X X X	X X X	X X X	X X X	294,586	179,826	124,279	83,855	65,068
8. 2012	X X X	X X X	X X X	X X X	X X X	X X X	338,621	194,304	133,620	98,953
9. 2013	X X X	X X X	X X X	X X X	X X X	X X X	X X X	319,210	185,811	132,699
10. 2014	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	301,703	175,523
11. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	308,443

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9	
		Active Status	2							3
1. Alabama	AL	L	24,787,392	24,539,261		6,992,177	9,203,708	5,937,267	282,484	
2. Alaska	AK	L	4,159,955	4,102,227		1,369,428	1,165,986	(3,790,337)		
3. Arizona	AZ	L	142,872,339	136,487,256		75,228,376	73,000,885	40,644,598	1,628,212	
4. Arkansas	AR	L	32,323,402	29,223,492		12,854,888	15,883,370	5,258,873	368,366	
5. California	CA	L	605,108,434	585,453,338		406,343,529	361,206,783	221,279,772	6,895,982	
6. Colorado	CO	L	256,149,070	230,503,454		153,730,854	156,429,261	64,556,755	2,919,145	
7. Connecticut	CT	L	34,164,572	35,863,013		15,786,394	16,815,300	15,122,954	389,349	
8. Delaware	DE	L	203,029	186,911		(2,019)	19,235	12,286	2,314	
9. District of Columbia	DC	L	1,697,450	1,787,750		1,711	140,498	175,145	19,345	
10. Florida	FL	L	16,251,743	15,636,549		6,293,843	8,179,118	8,785,251	185,209	
11. Georgia	GA	L	14,664,822	15,216,312		7,300,815	5,809,042	2,994,811	167,124	
12. Hawaii	HI	L	189,818	340,304		(273,412)	(36,347)	(530,924)	2,163	
13. Idaho	ID	L	8,487,238	8,317,818		3,118,165	3,460,376	2,978,218	96,723	
14. Illinois	IL	L	2,350,104	2,548,421		2,722,931	3,015,840	493,505	26,782	
15. Indiana	IN	L	937,643	1,006,979		702,067	192,044	561,741	10,686	
16. Iowa	IA	L	19,334,364	19,359,702		7,767,009	8,002,470	4,768,418	220,340	
17. Kansas	KS	L	88,199,036	89,521,306		36,411,972	34,664,850	14,685,118	1,005,140	
18. Kentucky	KY	L	76,818,915	74,725,642		29,114,916	30,599,860	12,101,229	875,449	
19. Louisiana	LA	L	754,569	882,557		748,434	(421,411)	630,571	8,599	
20. Maine	ME	L	280,277	289,838		1,744	14,863	13,490	3,194	
21. Maryland	MD	L	34,685,442	34,989,102		18,458,521	17,855,663	6,596,471	395,285	
22. Massachusetts	MA	L	49,372,945	43,059,035		17,685,715	24,905,939	9,602,634	562,668	
23. Michigan	MI	L	60,994,207	55,352,376		32,117,261	27,656,977	6,776,434	695,107	
24. Minnesota	MN	L	14,815,203	15,052,415		5,904,491	5,446,930	5,909,604	168,838	
25. Mississippi	MS	L	60,079,624	59,033,228		22,243,089	20,409,303	8,082,102	684,684	
26. Missouri	MO	L	132,785,073	126,086,554		68,664,457	83,539,394	28,873,648	1,513,255	
27. Montana	MT	L	55,821,630	53,000,790		26,709,078	32,126,374	14,360,612	636,159	
28. Nebraska	NE	L	13,577,742	11,460,331		3,353,458	3,268,863	964,548	154,736	
29. Nevada	NV	L	19,186,744	18,068,967		6,892,796	10,373,730	3,226,121	218,657	
30. New Hampshire	NH	L	52,589,156	51,875,673		25,426,459	23,036,897	13,517,563	599,320	
31. New Jersey	NJ	L	1,610,515	1,649,726		(2,034,506)	(154,747)	(2,698,952)	18,354	6,829
32. New Mexico	NM	L	75,699,633	72,429,039		45,428,814	56,967,442	29,258,761	862,694	
33. New York	NY	L	10,111,447	10,384,788		3,530,895	5,188,965	(18,397,459)	115,233	
34. North Carolina	NC	L	31,686,327	33,421,468		12,499,578	13,534,822	4,614,360	361,106	
35. North Dakota	ND	L	13,580,005	12,431,988		5,266,592	5,298,638	2,597,679	154,761	
36. Ohio	OH	L	12,700,543	12,477,507		4,430,540	4,915,079	4,209,334	144,739	
37. Oklahoma	OK	L	169,157,985	157,370,219		89,046,379	91,381,708	26,823,227	1,927,771	
38. Oregon	OR	L	3,190,247	3,088,807		1,478,050	532,907	6,862,531	36,357	
39. Pennsylvania	PA	L	17,382,850	17,083,253		4,869,964	13,008,576	12,313,290	198,100	
40. Rhode Island	RI	L	169,308	185,380		8,302	55,569	540,545	1,929	
41. South Carolina	SC	L	37,857,933	38,321,708		15,439,262	18,075,370	3,670,482	431,439	
42. South Dakota	SD	L	20,407,956	18,465,653		12,645,249	13,640,855	5,191,437	232,575	
43. Tennessee	TN	L	66,408,002	64,477,242		26,213,203	29,757,835	12,738,788	756,804	
44. Texas	TX	L	25,171,098	25,044,246	889,819	20,154,438	21,730,315	26,405,580	286,857	
45. Utah	UT	L	12,244,756	11,697,806		4,081,542	5,168,362	2,553,981	139,545	
46. Vermont	VT	L	11,787,459	11,282,606		4,729,495	4,379,781	1,552,373	134,333	
47. Virginia	VA	L	6,934,546	7,030,271		1,820,317	2,178,048	1,850,895	79,028	
48. Washington	WA	L	215,894,936	215,072,947		91,142,392	103,519,806	88,246,802	2,460,398	
49. West Virginia	WV	L	40,949,021	39,470,860		17,973,086	18,825,668	10,329,394	466,666	
50. Wisconsin	WI	L	16,383,024	16,803,667		6,961,041	6,846,052	4,258,625	186,705	
51. Wyoming	WY	L	18,149,777	17,996,580		10,931,539	11,398,281	3,166,699	206,840	
52. American Samoa	AS	N								
53. Guam	GU	L	258	626,778			18,489	32,952	3	
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N	200	200			16	18	2	
56. Northern Mariana Islands	MP	N								
57. Canada	CAN	N								
58. Aggregate Other Alien	OT	X X X	5,498	33,291			4,772	2,463		
59. Totals	(a) 52		2,631,125,262	2,530,816,631	889,819	1,370,285,319	1,402,238,410	720,712,283	29,937,554	6,829

DETAILS OF WRITE-INS										
58001. ZZZ Other Alien	X X X		5,498	33,291			4,772	2,463		
58002.	X X X									
58003.	X X X									
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X									
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X		5,498	33,291			4,772	2,463		

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

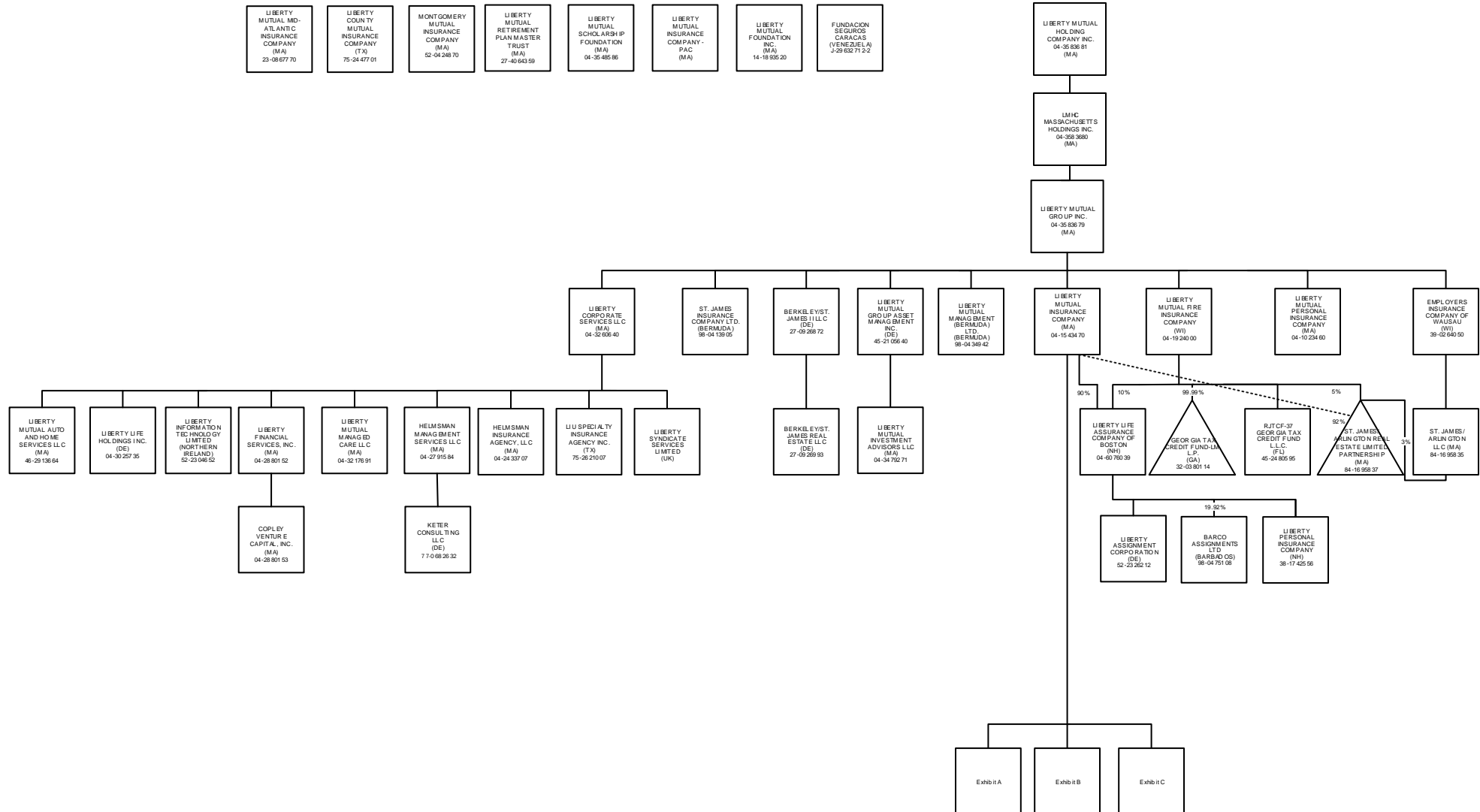
#### Explanation of basis of allocation of premiums by states, etc.

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

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

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

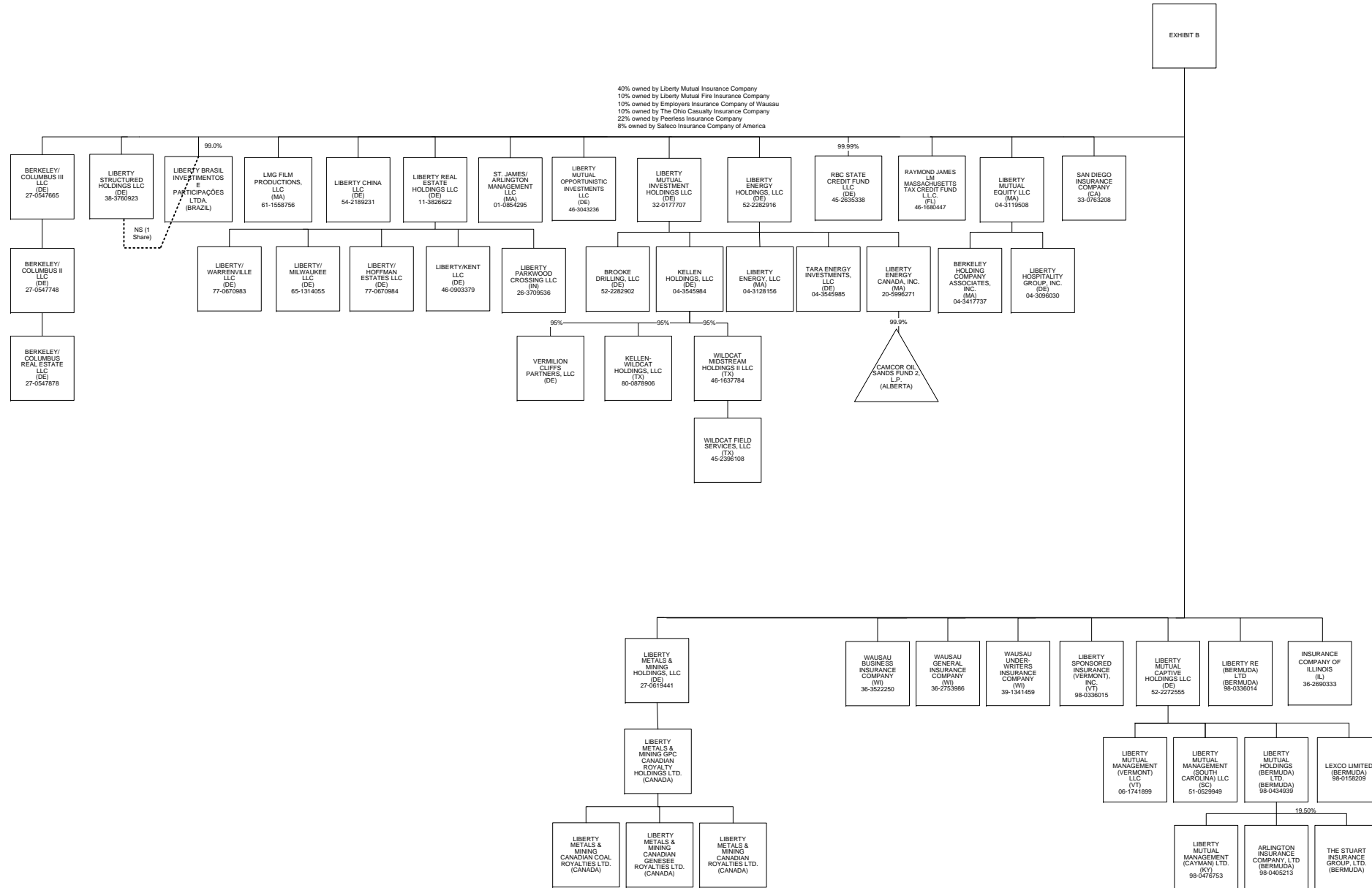
## PART 1 - ORGANIZATIONAL CHART





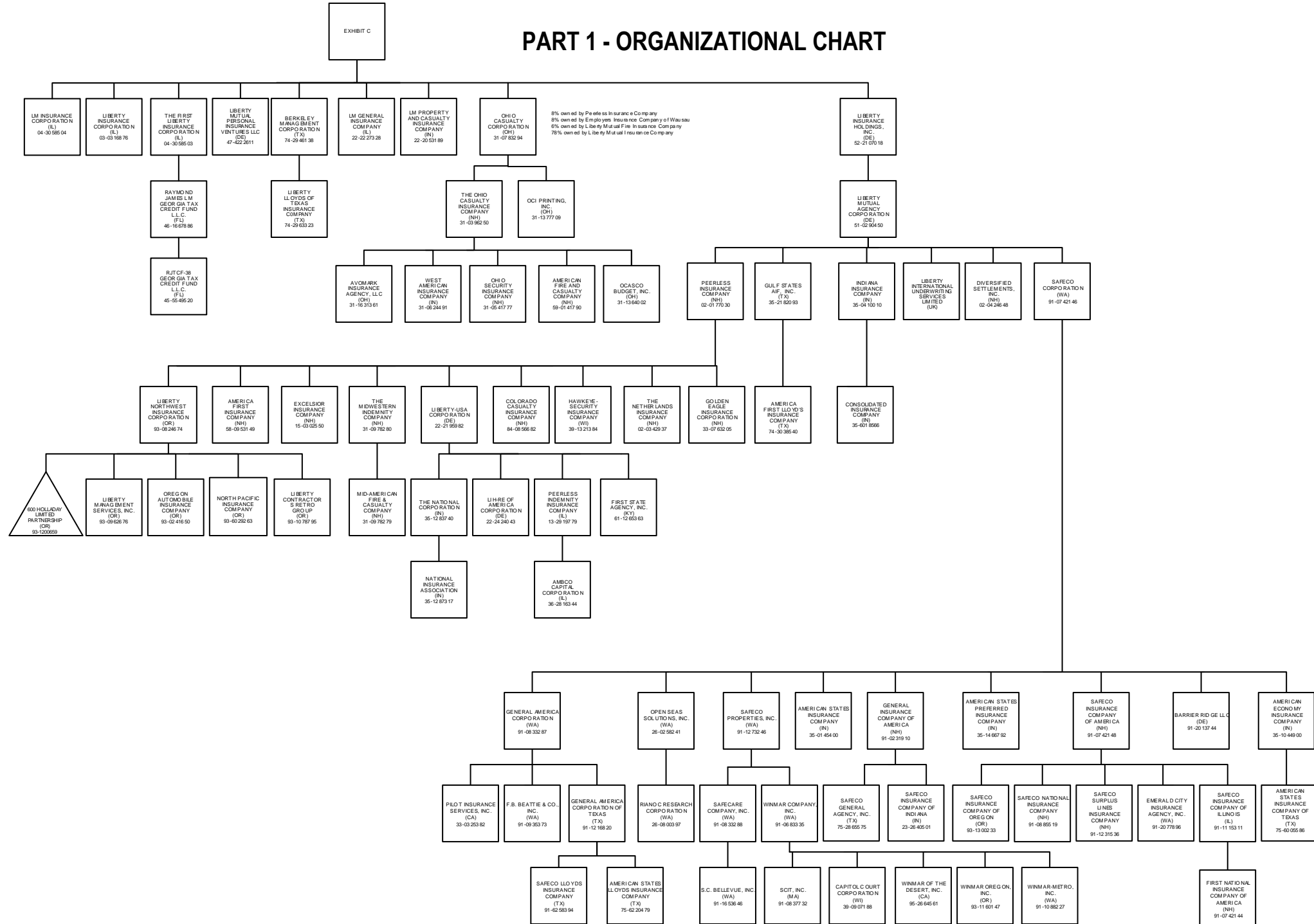
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



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