

ANNUAL STATEMENT

OF THE

SAFECO INSURANCE COMPANY OF AMERICA

of **KEENE**

in the state of **NEW HAMPSHIRE**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2017

PROPERTY AND CASUALTY

2017



24740201720100100

ANNUAL STATEMENT

For the Year Ended December 31, 2017
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 NH
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 Lindsey Pendergast, Statutory.Compliance@LibertyMutual.com

OFFICERS

Chairman of the Board
James Michael MacPhee

Table with 2 columns: Name, Title. Includes James Michael MacPhee (President and Chief Executive Officer), Kristin Lynn Kelley # (Vice President and Secretary), and Laurance Henry Soyer Yahia (Vice President and Treasurer).

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Lists Neeti Bhalla, Julie Marie Haase, Christopher Locke Peirce, Alison Brooke Erbig, and Sean Bulman McSweeney with their respective titles.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists Alison Brooke Erbig, Sean Bulman McSweeney, Julie Marie Haase, Alan Schlosberg #, Paul Ivanovskis, Mark Charles Touhey, and James Michael MacPhee.

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...

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

Subscribed and sworn to (or affirmed) before me this on this 8th day of January, 2018, by

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	3,189,560,093		3,189,560,093	2,707,721,454
2. Stocks (Schedule D):				
2.1 Preferred stocks	8,043,197		8,043,197	3,923,306
2.2 Common stocks	343,759,817		343,759,817	553,502,338
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	129,377,585		129,377,585	133,736,831
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 (\$ (60,451,739), Schedule E - Part 1), cash equivalents (\$ 62,859,240, Schedule E - Part 2), and short-term investments (\$ 64,721,166, Schedule DA)	67,128,667		67,128,667	58,707,087
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	292,399,410		292,399,410	252,661,300
9. Receivables for securities	2,361,675		2,361,675	1,650,791
10. Securities lending reinvested collateral assets (Schedule DL)	97,272,964		97,272,964	35,865,198
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	4,129,903,408		4,129,903,408	3,747,768,305
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	23,970,206		23,970,206	23,475,617
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	105,006,049	7,294,574	97,711,475	81,736,405
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,217,386 earned but unbilled premiums)	417,386,599	321,739	417,064,860	395,418,962
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	25,965,931	2,598,730	23,367,201	23,959,749
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	2,722	46	2,676	3,921
18.1 Current federal and foreign income tax recoverable and interest thereon	3,233,659		3,233,659	
18.2 Net deferred tax asset	49,823,999		49,823,999	92,930,402
19. Guaranty funds receivable or on deposit	1,331,082		1,331,082	1,341,289
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)	3,285,433	3,285,433		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	36,613,298		36,613,298	43,644,716
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	86,777,632	6,440,731	80,336,901	74,773,656
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	4,883,300,018	19,941,253	4,863,358,765	4,485,053,022
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	4,883,300,018	19,941,253	4,863,358,765	4,485,053,022

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	57,417,666		57,417,666	53,906,055
2502. Equities and deposits in pools and associations	11,811,075		11,811,075	10,119,538
2503. Amounts receivable under high deductible policies	10,097,636	873	10,096,763	9,771,100
2598. Summary of remaining write-ins for Line 25 from overflow page	7,451,255	6,439,858	1,011,397	976,963
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	86,777,632	6,440,731	80,336,901	74,773,656

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	1,966,991,459	1,713,956,318
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	4,152,220	1,659,153
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	392,056,322	354,108,962
4. Commissions payable, contingent commissions and other similar charges	32,506,356	32,984,648
5. Other expenses (excluding taxes, licenses and fees)	50,254,406	58,451,335
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	17,177,401	14,923,616
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		52,522,406
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 1,508,875,586 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)	900,378,551	831,566,797
10. Advance premium	5,001,535	5,210,849
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	116,102	113,389
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	2,759,416	2,384,331
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		
19. Payable to parent, subsidiaries and affiliates	3,579,106	1,012,706
20. Derivatives		
21. Payable for securities	33,343,005	7,855,616
22. Payable for securities lending	97,272,964	35,865,198
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(145,522,181)	(125,426,775)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	3,360,066,662	2,987,188,549
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	3,360,066,662	2,987,188,549
29. Aggregate write-ins for special surplus funds	21,147,699	11,430,880
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)	743,275,381	747,564,566
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)	1,503,292,104	1,497,864,470
38. Totals (Page 2, Line 28, Col. 3)	4,863,358,766	4,485,053,019

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	36,535,906	26,428,664
2502. Amounts held under uninsured plans	32,814,900	35,161,279
2503. Retroactive reinsurance reserves	(214,872,987)	(187,016,718)
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(145,522,181)	(125,426,775)
2901. Special surplus from retroactive reinsurance	21,147,699	11,430,880
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)	21,147,699	11,430,880
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
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	1,650,597,656	1,548,733,306
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,088,961,524	877,097,965
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	223,577,471	204,665,427
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	507,678,876	513,200,378
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,820,217,871	1,594,963,770
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(169,620,215)	(46,230,464)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	111,870,210	102,226,162
10. Net realized capital gains (losses) less capital gains tax of \$ 26,649,789 (Exhibit of Capital Gains (Losses))	48,014,266	(2,683,125)
11. Net investment gain (loss) (Lines 9 + 10)	159,884,476	99,543,037
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 330,400 amount charged off \$ 6,737,041)	(6,406,640)	(5,409,525)
13. Finance and service charges not included in premiums	12,184,553	9,583,240
14. Aggregate write-ins for miscellaneous income	4,991,635	741,663
15. Total other income (Lines 12 through 14)	10,769,548	4,915,378
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,033,809	58,227,951
17. Dividends to policyholders	815,613	1,066,186
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)	218,196	57,161,765
19. Federal and foreign income taxes incurred	(26,976,789)	10,310,760
20. Net income (Line 18 minus Line 19) (to Line 22)	27,194,985	46,851,005
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,497,864,470	1,393,360,198
22. Net income (from Line 20)	27,194,985	46,851,005
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (1,457,418)	(7,872,042)	40,277,069
25. Change in net unrealized foreign exchange capital gain (loss)	26,242,650	(3,316,672)
26. Change in net deferred income tax	(46,037,418)	(9,723,004)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	5,899,459	29,423,874
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		
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		992,000
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	5,427,634	104,504,272
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,503,292,104	1,497,864,470

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive reinsurance gain/(loss)	11,856,472	6,147,100
1402. Other income/(expense)	(6,864,837)	(5,405,437)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	4,991,635	741,663
3701. Other changes in surplus		992,000
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)		992,000

CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	1,653,335,012	1,566,336,706
2. Net investment income	118,780,908	108,934,931
3. Miscellaneous income	15,138,540	3,615,948
4. Total (Lines 1 through 3)	1,787,254,460	1,678,887,585
5. Benefit and loss related payments	954,522,613	841,098,954
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	703,522,478	713,646,618
8. Dividends paid to policyholders	812,899	995,761
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	55,429,066	(35,421,606)
10. Total (Lines 5 through 9)	1,714,287,056	1,520,319,727
11. Net cash from operations (Line 4 minus Line 10)	72,967,404	158,567,858
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,213,937,567	548,304,297
12.2 Stocks	466,427,266	93,305,215
12.3 Mortgage loans	13,292,785	11,293,760
12.4 Real estate		
12.5 Other invested assets	223,031,282	274,024,242
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(543)	
12.7 Miscellaneous proceeds	(710,885)	(1,226,639)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,915,977,472	925,700,875
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,694,600,306	605,168,107
13.2 Stocks	208,958,487	71,770,703
13.3 Mortgage loans	8,945,573	16,058,164
13.4 Real estate		
13.5 Other invested assets	291,997,622	269,815,599
13.6 Miscellaneous applications	(24,009,189)	(7,036,304)
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,180,492,799	955,776,269
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)	(264,515,327)	(30,075,394)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	199,969,503	(144,306,960)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	199,969,503	(144,306,960)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	8,421,580	(15,814,496)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	58,707,083	74,521,579
19.2 End of year (Line 18 plus Line 19.1)	67,128,663	58,707,083

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

20.0001	1 - Premiums collected net of reinsurance	(17,981,381)	
20.0002	2 - Net investment income	116,933	122,853
20.0003	5 - Benefits and loss related payments	98,209,679	
20.0004	12.1 - Proceeds from investments sold, matured or repaid - Bonds	26,626,128	12,712,499
20.0005	12.2 - Proceeds from investments sold, matured or repaid - Stocks	1,173,445	395,997
20.0006	12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans		19,624
20.0007	13.1 Cost of Investment Acquired - Bonds	144,242,853	12,889,820
20.0008	13.2 Cost of Investment Acquired - Stocks	1,076,613	395,997
20.0009	13.5 Cost of Investment Acquired - Other Invested Assets		19,624
20.0010	16.6 Other Cash Provided (applied)	117,520,971	54,468

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	35,481,439	16,376,737	16,829,055	35,029,121
2. Allied lines	26,378,217	12,086,559	13,421,451	25,043,325
3. Farmowners multiple peril	6,197,478	3,039,288	3,079,580	6,157,186
4. Homeowners multiple peril	359,929,470	186,594,813	194,974,409	351,549,874
5. Commercial multiple peril	135,706,170	67,500,096	66,847,499	136,358,767
6. Mortgage guaranty				
8. Ocean marine	4,711,938	3,406,667	3,296,026	4,822,579
9. Inland marine	51,225,240	10,721,998	11,670,412	50,276,826
10. Financial guaranty				
11.1 Medical professional liability—occurrence	5,981,311	2,133,481	2,992,031	5,122,761
11.2 Medical professional liability—claims-made	5,392,818	436,580	2,913,967	2,915,431
12. Earthquake	3,888,093	2,024,219	1,966,420	3,945,892
13. Group accident and health	984,643	(7,580)	526,988	450,075
14. Credit accident and health (group and individual)				
15. Other accident and health	3,346,467	13,325	1,023,108	2,336,684
16. Workers' compensation	118,903,139	8,725,205	6,918,620	120,709,724
17.1 Other liability—occurrence	135,287,271	52,093,038	67,743,180	119,637,129
17.2 Other liability—claims-made	53,958,071	23,499,460	35,800,663	41,656,868
17.3 Excess workers' compensation	2,576,160	1,319,993	1,209,400	2,686,753
18.1 Products liability—occurrence	10,560,983	5,964,461	5,895,095	10,630,349
18.2 Products liability—claims-made	1,236,863	244,957	621,748	860,072
19.1,19.2 Private passenger auto liability	396,800,746	185,783,655	198,724,698	383,859,703
19.3,19.4 Commercial auto liability	81,938,353	37,021,344	39,250,014	79,709,683
21. Auto physical damage	194,174,850	144,693,471	151,229,586	187,638,735
22. Aircraft (all perils)	3,073,053	1,400,637	1,372,600	3,101,090
23. Fidelity	2,896,239	1,138,039	580,341	3,453,937
24. Surety	47,565,671	30,978,593	32,925,085	45,619,179
26. Burglary and theft	303,387	22,665	198,460	127,592
27. Boiler and machinery	2,229,133	1,053,343	987,768	2,294,708
28. Credit	1,055,538	157,878	1,241,082	(27,666)
29. International				
30. Warranty	(41,214)	29,660		(11,554)
31. Reinsurance-nonproportional assumed property	12,405,418	1,841,714	2,164,152	12,082,980
32. Reinsurance-nonproportional assumed liability	6,476,096	2,238,655	2,471,224	6,243,527
33. Reinsurance-nonproportional assumed financial lines	2,389,654	510,696	2,555,174	345,176
34. Aggregate write-ins for other lines of business				
35. TOTALS	1,713,012,695	803,043,647	871,429,836	1,644,626,506

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	16,435,786	393,268			16,829,054
2. Allied lines	13,274,496	146,955			13,421,451
3. Farmowners multiple peril	3,061,572	18,008			3,079,580
4. Homeowners multiple peril	194,696,603	277,806			194,974,409
5. Commercial multiple peril	65,806,985	2,436,001	(1,395,487)		66,847,499
6. Mortgage guaranty					
8. Ocean marine	2,203,486	1,092,539			3,296,025
9. Inland marine	9,498,792	2,171,620			11,670,412
10. Financial guaranty					
11.1 Medical professional liability—occurrence	2,635,054	356,977			2,992,031
11.2 Medical professional liability—claims-made	2,018,666	895,301			2,913,967
12. Earthquake	1,931,618	34,803			1,966,421
13. Group accident and health	311,427	215,561			526,988
14. Credit accident and health (group and individual)					
15. Other accident and health	1,022,166	942			1,023,108
16. Workers' compensation	34,069,283	2,533,505	(1,431,657)	(28,252,512)	6,918,619
17.1 Other liability—occurrence	55,473,009	11,202,530	(145,070)	1,212,711	67,743,180
17.2 Other liability—claims-made	25,584,559	10,218,950	(2,847)		35,800,662
17.3 Excess workers' compensation	1,123,908	85,492			1,209,400
18.1 Products liability—occurrence	3,454,290	2,094,005	(46,999)	393,799	5,895,095
18.2 Products liability—claims-made	585,988	35,760			621,748
19.1,19.2 Private passenger auto liability	195,844,532	2,880,166			198,724,698
19.3,19.4 Commercial auto liability	37,702,469	828,195	39,279	680,071	39,250,014
21. Auto physical damage	151,180,618	48,968			151,229,586
22. Aircraft (all perils)	1,082,465	290,136			1,372,601
23. Fidelity	849,408	(269,067)			580,341
24. Surety	10,037,097	22,887,988			32,925,085
26. Burglary and theft	175,983	22,476			198,459
27. Boiler and machinery	954,545	33,223			987,768
28. Credit	97,162	1,143,919			1,241,081
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property	1,901,781	262,371			2,164,152
32. Reinsurance-nonproportional assumed liability	2,238,580	232,644			2,471,224
33. Reinsurance-nonproportional assumed financial lines	2,555,174				2,555,174
34. Aggregate write-ins for other lines of business					
35. TOTALS	837,807,502	62,571,042	(2,982,781)	(25,965,931)	871,429,832
36. Accrued retrospective premiums based on experience					25,965,931
37. Earned but unbilled premiums					2,982,780
38. Balance (Sum of Lines 35 through 37)					900,378,543

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	148,269,527	35,481,439		148,269,527		35,481,439
2. Allied lines	199,077,204	26,378,217		199,077,204		26,378,217
3. Farmowners multiple peril		6,197,478				6,197,478
4. Homeowners multiple peril	1,260,167,125	359,929,470		1,260,167,125		359,929,470
5. Commercial multiple peril	13,404,129	135,706,170		13,404,129		135,706,170
6. Mortgage guaranty						
8. Ocean marine		4,711,938				4,711,938
9. Inland marine	51,567,037	51,225,240		51,567,037		51,225,240
10. Financial guaranty						
11.1 Medical professional liability--occurrence		5,981,311				5,981,311
11.2 Medical professional liability--claims-made		5,392,818				5,392,818
12. Earthquake	11,285,535	3,888,093		11,285,535		3,888,093
13. Group accident and health		984,643				984,643
14. Credit accident and health (group and individual)						
15. Other accident and health		3,346,467				3,346,467
16. Workers' compensation	510,582	118,903,139		510,582		118,903,139
17.1 Other liability—occurrence	154,158,872	135,287,271		154,158,872		135,287,271
17.2 Other liability—claims-made	42	53,958,071		42		53,958,071
17.3 Excess workers' compensation		2,576,160				2,576,160
18.1 Products liability—occurrence		10,560,983				10,560,983
18.2 Products liability—claims-made		1,236,863				1,236,863
19.1,19.2 Private passenger auto liability	608,700,783	396,800,746		608,700,783		396,800,746
19.3,19.4 Commercial auto liability	651,295	81,938,353		651,295		81,938,353
21. Auto physical damage	504,372,253	194,174,850		504,372,253		194,174,850
22. Aircraft (all perils)		3,073,053				3,073,053
23. Fidelity	1,015	2,896,239		1,015		2,896,239
24. Surety	24,733,893	47,565,671		24,733,893		47,565,671
26. Burglary and theft	5,238	303,387		5,238		303,387
27. Boiler and machinery	236	2,229,133		236		2,229,133
28. Credit		1,055,538				1,055,538
29. International						
30. Warranty		(41,214)				(41,214)
31. Reinsurance-nonproportional assumed property	X X X	12,405,418				12,405,418
32. Reinsurance-nonproportional assumed liability	X X X	6,476,096				6,476,096
33. Reinsurance-nonproportional assumed financial lines	X X X	2,389,654				2,389,654
34. Aggregate write-ins for other lines of business						
35. TOTALS	2,976,904,766	1,713,012,695		2,976,904,766		1,713,012,695

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	35,164,529	15,154,824	35,164,529	15,154,824	20,669,077	20,051,696	20,669,077	35,206,520	688,485
2. Allied lines	5,672,630	16,622,242	5,672,630	16,622,242	15,475,028	10,748,803	15,475,028	27,371,045	1,183,977
3. Farmowners multiple peril		2,171,276		2,171,276		(119,694)		2,051,582	151,852
4. Homeowners multiple peril	184,495,705	39,736,170	184,495,705	39,736,170	178,814,667	55,376,395	178,814,667	95,112,565	15,501,132
5. Commercial multiple peril	10,774,123	76,084,664	10,774,123	76,084,664	12,461,349	69,331,563	12,461,349	145,416,227	40,491,202
6. Mortgage guaranty									
8. Ocean marine		3,269,006		3,269,006		2,519,065		5,788,071	885,900
9. Inland marine	1,672,376	3,935,223	1,672,376	3,935,223	6,438,597	3,065,036	6,438,597	7,000,259	1,364,223
10. Financial guaranty									
11.1 Medical professional liability—occurrence		1,805,750		1,805,750		7,079,563		8,885,313	911,926
11.2 Medical professional liability—claims-made		5,807,623		5,807,623		8,071,046		13,878,669	2,222,044
12. Earthquake		95,834		95,834		(2,233)		93,601	28,327
13. Group accident and health		187,999		187,999		213,584		(a) 401,583	15,281
14. Credit accident and health (group and individual)									
15. Other accident and health		452,557		452,557		2,621,575		(a) 3,074,132	331,980
16. Workers' compensation	34,864,736	317,192,305	34,864,736	317,192,305	11,704,564	398,380,799	11,704,564	715,573,104	111,537,060
17.1 Other liability—occurrence	95,014,325	95,198,372	95,014,325	95,198,372	64,673,751	181,328,873	64,673,751	276,527,245	74,474,854
17.2 Other liability—claims-made		26,964,929		26,964,929	34,360	77,925,455	34,360	104,890,384	24,730,107
17.3 Excess workers' compensation		16,427,864		16,427,864		18,069,515		34,497,379	4,203,204
18.1 Products liability—occurrence	46,957	8,363,881	46,957	8,363,881	19,215	13,673,852	19,215	22,037,733	16,585,253
18.2 Products liability—claims-made		193,720		193,720		2,137,192		2,330,912	1,096,126
19.1,19.2 Private passenger auto liability	286,131,878	194,705,846	286,131,878	194,705,846	116,625,794	134,475,296	116,625,794	329,181,142	71,111,557
19.3,19.4 Commercial auto liability	1,565,587	58,581,584	1,565,587	58,581,584	742,538	56,291,356	742,538	114,872,940	11,698,374
21. Auto physical damage	2,346,088	1,053,299	2,346,088	1,053,299	16,343,948	6,354,689	16,343,948	7,407,988	6,010,116
22. Aircraft (all perils)		2,878,569		2,878,569		322,652		3,201,221	1,418,970
23. Fidelity		749,454		749,454	56	4,371,891	56	5,121,345	558,939
24. Surety	(20,806,001)	2,543,966	(20,806,001)	2,543,966	6,317,465	10,747,476	6,317,465	13,291,442	3,365,655
26. Burglary and theft		16,807		16,807		122,546		139,353	33,125
27. Boiler and machinery		841,400		841,400		284,257		1,125,657	92,761
28. Credit		(35,820)		(35,820)		624,677		588,857	91,520
29. International									
30. Warranty						73,237		73,237	34,815
31. Reinsurance-nonproportional assumed property	X X X	4,148,135		4,148,135	X X X	(26,113,308)		(21,965,173)	236,851
32. Reinsurance-nonproportional assumed liability	X X X	4,412,297		4,412,297	X X X	8,725,829		13,138,126	989,263
33. Reinsurance-nonproportional assumed financial lines	X X X	593,638		593,638	X X X	85,360		678,998	11,443
34. Aggregate write-ins for other lines of business									
35. TOTALS	636,942,933	900,153,414	636,942,933	900,153,414	450,320,409	1,066,838,043	450,320,409	1,966,991,457	392,056,322

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	87,420,591			87,420,591
1.2 Reinsurance assumed	108,327,685			108,327,685
1.3 Reinsurance ceded	87,420,591			87,420,591
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	108,327,685			108,327,685
2. Commission and brokerage:				
2.1 Direct, excluding contingent		407,906,696		407,906,696
2.2 Reinsurance assumed, excluding contingent		106,773,377		106,773,377
2.3 Reinsurance ceded, excluding contingent		407,873,286		407,873,286
2.4 Contingent—direct		97,422,960		97,422,960
2.5 Contingent—reinsurance assumed		20,308,532		20,308,532
2.6 Contingent—reinsurance ceded		97,422,960		97,422,960
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)		127,115,319		127,115,319
3. Allowances to manager and agents		16,407,378		16,407,378
4. Advertising	153,503	26,843,817	6,512	27,003,832
5. Boards, bureaus and associations	488,921	2,880,823	4,123	3,373,867
6. Surveys and underwriting reports	18,790	9,338,521	143	9,357,454
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	67,588,630	139,541,803	4,736,493	211,866,926
8.2 Payroll taxes	2,840,414	12,640,176	206,045	15,686,635
9. Employee relations and welfare	10,763,009	45,517,605	855,669	57,136,283
10. Insurance	8,406,898	1,964,754	125,307	10,496,959
11. Directors' fees	1,615	9,141	138	10,894
12. Travel and travel items	3,571,606	8,090,827	145,307	11,807,740
13. Rent and rent items	3,518,116	15,839,037	263,945	19,621,098
14. Equipment	2,328,075	8,142,082	779,934	11,250,091
15. Cost or depreciation of EDP equipment and software	2,436,807	6,792,600	273,581	9,502,988
16. Printing and stationery	392,541	1,458,446	18,612	1,869,599
17. Postage, telephone and telegraph, exchange and express	1,733,534	9,021,006	108,872	10,863,412
18. Legal and auditing	623,170	2,501,252	138,173	3,262,595
19. Totals (Lines 3 to 18)	104,865,629	306,989,268	7,662,854	419,517,751
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 243,201		38,694,053		38,694,053
20.2 Insurance department licenses and fees		3,709,394		3,709,394
20.3 Gross guaranty association assessments		(103,099)		(103,099)
20.4 All other (excluding federal and foreign income and real estate)		5,925,474		5,925,474
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		48,225,822		48,225,822
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	10,384,157	25,348,467	1,019,272	36,751,896
25. Total expenses incurred	223,577,471	507,678,876	8,682,126	(a) 739,938,473
26. Less unpaid expenses—current year	392,056,322	99,938,163		491,994,485
27. Add unpaid expenses—prior year	354,108,962	106,359,599		460,468,561
28. Amounts receivable relating to uninsured plans, prior year		3,920		3,920
29. Amounts receivable relating to uninsured plans, current year		2,676		2,676
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	185,630,111	514,099,068	8,682,126	708,411,305

DETAILS OF WRITE-IN LINES				
2401. Other expenses	10,384,157	25,348,467	1,019,272	36,751,896
2402. Change in unallocated expense reserves				
2403. Summary of remaining write-ins for item 21 from overflow page				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	10,384,157	25,348,467	1,019,272	36,751,896

(a) Includes management fees of \$ 241,177,212 to affiliates and \$ 16,405,777 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a)	2,760,466	3,074,036
1.1 Bonds exempt from U.S. tax	(a)	21,462,955	21,642,874
1.2 Other bonds (unaffiliated)	(a)	67,669,359	67,348,435
1.3 Bonds of affiliates	(a)		
2.1 Preferred stocks (unaffiliated)	(b)	240,511	179,966
2.11 Preferred stocks of affiliates	(b)		
2.2 Common stocks (unaffiliated)		7,903,506	7,964,462
2.21 Common stocks of affiliates			
3. Mortgage loans	(c)	6,428,910	6,391,404
4. Real estate	(d)		
5. Contract loans			
6. Cash, cash equivalents and short-term investments	(e)	2,231,393	2,590,511
7. Derivative instruments	(f)		
8. Other invested assets		18,915,706	18,915,706
9. Aggregate write-ins for investment income		444,944	444,944
10. Total gross investment income		128,057,750	128,552,338
11. Investment expenses	(g)		8,682,127
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)			8,682,127
17. Net investment income (Line 10 minus Line 16)			119,870,211

DETAILS OF WRITE-IN LINES			
0901. Miscellaneous Income/(Expense)		444,944	444,944
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)		444,944	444,944
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 \$ 2,060,343 accrual of discount less \$ 9,582,590 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 \$ 59 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 \$ 190,783 accrual of discount less \$ 33,995 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	(774,940)		(774,940)		
1.1 Bonds exempt from U.S. tax	886,478		886,478		
1.2 Other bonds (unaffiliated)	7,371,209	(5,258,993)	2,112,216	(687,802)	7,066,442
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	1,057,902	(117,657)	940,245	398,090	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	84,962,992	(12,113,724)	72,849,268	(46,109,308)	18,833,069
2.21 Common stocks of affiliates				5,031,603	
3. Mortgage loans	(53,376)		(53,376)	41,343	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	(543)		(543)		
7. Derivative instruments					
8. Other invested assets	182,922		182,922	31,996,613	
9. Aggregate write-ins for capital gains (losses)	(1,478,199)		(1,478,199)		
10. Total capital gains (losses)	92,154,445	(17,490,374)	74,664,071	(9,329,461)	25,899,511

DETAILS OF WRITE-IN LINES					
0901. Aggregate write-ins for capital gains (losses)		(1,478,199)		(1,478,199)	
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)		(1,478,199)		(1,478,199)	

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First lines			
3.2 Other than first lines			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	7,294,574	5,987,559	(1,307,015)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	321,739	224,156	(97,583)
15.3 Accrued retrospective premiums and contracts subject to redetermination	2,598,730	2,660,902	62,172
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	46	27	(19)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset		1,473,598	1,473,598
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	3,285,433	8,925,649	5,640,216
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	6,440,731	6,306,286	(134,445)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	19,941,253	25,578,177	5,636,924
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	19,941,253	25,578,177	5,636,924

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	6,439,858	6,304,613	(135,245)
2502. Amounts receivable under high deductible policies	873	1,673	800
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	6,440,731	6,306,286	(134,445)

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the New Hampshire Insurance Commissioner, 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 Company does not have any prescribed or permitted accounting practices.

NET INCOME

	SSAP #	F/S Page	F/S Line #	2017	2016
1. Safeco Insurance Company of America state basis (Page 4, Line 20, Columns 1 & 3)	XXX	XXX	XXX	\$27,194,985	\$46,851,005
2. State Prescribed Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
3. State Permitted Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
4. NAIC SAP (1-2-3=4)	XXX	XXX	XXX	<u>\$27,194,985</u>	<u>\$46,851,005</u>

SURPLUS

5. Company state basis (Page 3, Line 37, Columns 1 & 2)	XXX	XXX	XXX	\$1,503,292,104	\$1,497,864,470
6. State Prescribed Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
7. State Permitted Practices that increase/(decrease) NAIC SAP: NONE	.....	.....	.....	.....	.....
8. NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>\$1,503,292,104</u>	<u>\$1,497,864,470</u>

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

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

C. Accounting Policies

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

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

- Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Investment Analysis Office (SVO Manual).
- Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
- Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated (“SCA”) companies are carried according to Note 1C(7).
- Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
- Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.

NOTES TO FINANCIAL STATEMENTS

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

D. Going Concern

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

Note 2 – Accounting Changes and Corrections of Errors

- 1) As a result of California market conduct exam, the Company reserved \$311,179 for restitution on past property claims including interest. This adjustment reflects increases of \$255,979 and \$55,200 to losses and loss adjustment expenses, respectively, resulting in a decrease to pre-tax operating income.
- 2) During 2017, the Company changed its method of recognizing ceded premiums on excess of loss programs to upfront on day one of the effective date. This resulted in the Company recognizing \$365,175 of additional ceded commission income, \$4,444,200 of ceded unearned premium and \$4,079,025 of ceded premiums payable during the calendar year 2017.

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 2017 were:

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

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

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

	2017		2016
	\$	6,096	\$ 11,973

NOTES TO FINANCIAL STATEMENTS

4. Age Analysis of Mortgage Loans:

	Residential		Commercial		Mezzanine	Total
	Farm	Insured	All Other	Insured			All Other
a. Current Year						
1. Recorded Investments (All)						
(a) Current	\$ -	\$ -	\$ -	\$ -	\$129,374,383	\$ - \$129,374,383
(b) 30-59 Days Past Due	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	-	-
(e) 180+ Days Past Due	-	-	-	-	3259	- 3259
2. Acquiring Interest 90-179 Days Past Due						
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - \$ -
(b) Interest Accrued	-	-	-	-	-	-
3. Accruing Interest 180+ Days Past Due						
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - \$ -
(b) Interest Accrued	-	-	-	-	-	-
4. Interest Reduced						
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$1,329,560	\$ - \$1,329,560
(b) Number of Loans	-	-	-	-	40	- 40
(c) Percent Reduced	- %	- %	- %	- %	1.467%	- % 1.467%
5. Participant or Co-lender in a Mortgage Loan Agreement						
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$129,377,642	\$ - \$129,377,642
b. Prior Year						
1. Recorded Investments (All)						
(a) Current	\$ -	\$ -	\$ -	\$ -	\$133,710,124	\$ - \$133,710,124
(b) 30-59 Days Past Due	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	68,107	- 68,107
(e) 180+ Days Past Due	-	-	-	-	-	-
2. Acquiring Interest 90-179 Days Past Due						
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - \$ -
(b) Interest Accrued	-	-	-	-	-	-
3. Accruing Interest 180+ Days Past Due						
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - \$ -
(b) Interest Accrued	-	-	-	-	-	-
4. Interest Reduced						
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$3,109,775	\$ - \$3,109,775
(b) Number of Loans	-	-	-	-	79	- 79
(c) Percent Reduced	- %	- %	- %	- %	1.876%	- % 1.876%
5. Participant or Co-lender in a Mortgage Loan Agreement						
(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$133,778,231	\$ - \$133,778,231

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

	Residential		Commercial		Mezzanine	Total
	Farm	Insured	All Other	Insured			All Other
a. Current Year						
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$2,116	\$ - \$2,116
2. No Allowance for Credit Losses	-	-	-	-	1,086	- 1,086
3. Total (1+2)	-	-	-	-	3,202	- 3,202
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan	-	-	-	-	3,202	- 3,202

NOTES TO FINANCIAL STATEMENTS

b. Prior Year

1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$26,707	\$ -	\$26,707
2. No Allowance for Credit Losses	-	-	-	-	-	-	-
3. Total (1+2)	-	-	-	-	26,707	-	26,707
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan	-	-	-	-	26,707	-	26,707

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	\$ -	\$ -	\$ -	\$ -	\$14,954	\$ -	\$14,954
2. Interest Income Recognized	-	-	-	-	841	-	841
3. Recorded Investments on Nonaccrual Status	-	-	-	-	3259	-	3259
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	-	-	-

b. Prior Year

1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$19,672	\$ -	\$19,672
2. Interest Income Recognized	-	-	-	-	7,889	-	7,889
3. Recorded Investments on Nonaccrual Status	-	-	-	-	-	-	-
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	-	-	-

7. Allowance for Credit Losses:

	<u>2017</u>	<u>2016</u>
a. Balance at beginning of period	\$41,400	\$19,525
b. Additions charged to operations	15,001	202,696
c. Direct write-downs charged against the allowances	(56,345)	(180,821)
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	<u>\$56</u>	<u>\$41,400</u>

8. Mortgage Loans Derecognized as a Result of Foreclosure:

	<u>2017</u>	<u>2016</u>
a. Aggregate amount of mortgage loans derecognized	\$ -	\$27,464
b. Real estate collateral recognized	-	19,624
c. Other collateral recognized	-	-
d. Receivables recognized from a government guarantee of the foreclosed mortgage loan	-	-

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

B. Debt Restructuring

	<u>2017</u>	<u>2016</u>
(1) The total recorded investment in restructured loans, as of year-end	\$ -	\$ -
(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.

NOTES TO FINANCIAL STATEMENTS

D. Loaned Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate as of December 31, 2017: None
3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2017:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Reported
61749BAB9	95,008	94,517	491	94,517	75,502	3/31/2017
021469AL5	154,959	152,138	2,821	152,138	153,246	3/31/2017
61749BAB9	93,159	74,620	18,539	74,620	73,830	6/30/2017
05539TAR6	31,505.28	26,062.28	5,443.00	26,062.28	21,587.45	12/31/2017
Total	XXX	XXX	27,294	XXX	XXX	XXX

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2017:
 - a. The aggregate amount of unrealized losses:
 1. Less than 12 Months (\$1,405,814)
 2. 12 Months or Longer (\$2,063,377)
 - b. The aggregate related fair value of securities with unrealized losses:
 1. Less than 12 Months \$213,113,102
 2. 12 Months or Longer \$164,396,145
5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

1. The Company has not entered into any repurchase agreements during the year. 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, 2016.
3. Collateral Received

a. Aggregate Amount Collateral Received

	<u>Fair Value</u>
1. Repurchase Agreement	
(a) Open	
(b) 30 Days or Less	
(c) 31 to 60 Days	
(d) 61 to 90 Days	
(e) Greater Than 90 Days	
(f) Sub-Total	
(g) Securities Received	
(h) Total Collateral Received	
2. Securities Lending	
(a) Open	\$97,272,964
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	\$97,272,964
(g) Securities Received	30,518,344
(h) Total Collateral Received	\$127,791,308
3. Dollar Repurchase Agreement	

NOTES TO FINANCIAL STATEMENTS

(a) Open	_____
(b) 30 Days or Less	_____
(c) 31 to 60 Days	_____
(d) 61 to 90 Days	_____
(e) Greater Than 90 Days	_____
(f) Sub-Total	_____
(g) Securities Received	_____
(h) Total Collateral Received	_____

b. The fair value of that collateral and of the portion of that collateral that it has sold or re-pledged \$127,791,308

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

4. Securities Lending Transactions Administered by an Affiliated Agent

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

5. Collateral Reinvestment

a. Aggregate Amount Collateral Received

	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open	_____	_____
(b) 30 Days or Less	_____	_____
(c) 31 to 60 Days	_____	_____
(d) 61 to 90 Days	_____	_____
(e) 91 to 120 Days	_____	_____
(f) 121 to 180 Days	_____	_____
(g) 181 to 365 Days	_____	_____
(h) 1 to 2 Years	_____	_____
(i) 2 to 3 Years	_____	_____
(j) Greater Than 3 Years	_____	_____
(k) Sub-Total	_____	_____
(l) Securities Received	_____	_____
(m) Total Collateral Reinvested	_____	_____
2. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	46,288,906	46,288,906
(c) 31 to 60 Days	32,357,070	32,357,070
(d) 61 to 90 Days	18,626,988	18,626,988
(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	\$97,272,964	\$97,272,964
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$97,272,964	\$97,272,964
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	_____	_____

NOTES TO FINANCIAL STATEMENTS

- b. The reporting entity's sources of cash that it uses to return the cash collateral is dependent on the liquidity of the current market conditions. Under current conditions, the reporting entity could liquidate all or a portion of its cash collateral reinvestment securities in order to meet the collateral calls that could come due under a worst-case scenario.
6. The Company has not accepted collateral that it is not permitted by contract or custom to sell or re-pledge.
7. The Company has not accepted collateral that extends beyond one year from the reporting date for securities lending transactions.
- F. Repurchase Agreements Transactions Accounted for as Secured Borrowing
- Not applicable.
- G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing
- Not applicable.
- H. Repurchase Agreements Transactions Accounted for as a Sales
- Not applicable.
- I. Reverse Repurchase Agreements Transactions Accounted for as a Sale
- Not applicable.
- J. Real Estate
- The Company does not hold any investments in real estate.
- K. Investments in Low-Income Housing Tax Credits ("LIHTC")
1. There are six 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 \$1,049.
 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.
- L. Restricted Assets
1. Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6	7
	1	2	3	4	5		
Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Collateral held under security lending agreements	97,272,964	-	-	-	97,272,964	35,865,198	61,407,766
c. Subject to repurchase agreements	-	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

e. Subjects to dollar repurchase agreements	-	-	-	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-
g. Placed under option contracts	-	-	-	-	-	-	-
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-	-	-	-
i. FHLB capital stock	-	-	-	-	-	-	-
j. On deposit with states	154,954,977	-	-	-	154,954,977	152,854,834	2,100,143
k. On deposit with other regulatory bodies	-	-	-	-	-	-	-
l. Pledged collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-	-
m. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-
n. Other restricted assets	-	-	-	-	-	-	-
o. Total Restricted Assets	\$252,227,941	\$ -	\$ -	\$ -	\$252,227,941	\$188,720,032	\$63,507,909

(a) Subset of column 1

(b) Subset of column 3

Restricted Asset Category	8	9	Percentage	
			10	11
	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	- %	- %
b. Collateral held under security lending agreements	-	97,272,964	1.99 %	2 %
c. Subject to repurchase agreements	-	-	- %	- %
d. Subject to reverse repurchase agreements	-	-	- %	- %
e. Subjects to dollar repurchase agreements	-	-	- %	- %
f. Subject to dollar reverse repurchase agreements	-	-	- %	- %
g. Placed under option contracts	-	-	- %	- %
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	- %	- %
i. FHLB capital stock	-	-	- %	- %
j. On deposit with states	-	154,954,977	3%	3%

NOTES TO FINANCIAL STATEMENTS

k. On deposit with other regulatory bodies	-	-	-	-
l. Pledged collateral to FHLB (including assets backing funding agreements)	-	-	-	-
m. Pledged as collateral not captured in other categories	-	-	-	-
n. Other restricted assets	-	-	-	-
o. Total Restricted Assets	\$ -	\$252,227,941	4.99 %	5 %

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

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

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

Not applicable.

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

Not applicable.

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

Collateral Assets	1 Book/Adjusted Carrying Value (BACV)	2 Fair Value	3 % of BACV to Total Assets (Admitted and Nonadmitted)*	4 % of BACV to Total Admitted Assets **
a. Cash	-	-	-	-
b. Schedule D, Part 1	-	-	-	-
c. Schedule D, Part 2, Section 1	-	-	-	-
d. Schedule D, Part 2, Section 2	-	-	-	-
e. Schedule B	-	-	-	-
f. Schedule A	-	-	-	-
g. Schedule BA, Part 1	-	-	-	-
h. Schedule DL, Part 1	\$97,272,964	\$97,272,964	1.99%	2 %
i. Other	-	-	-	-
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$97,272,964	\$97,272,964	1.99 %	2 %

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

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

	1 Amount	2 % of Liability to Total Liabilities *
k. Recognized Obligation		
Return Collateral Asset	\$97,272,964	2.89 %

*Column 1 divided by Liability Page, Line 26

M. Working Capital Finance Investments

The Company does not invest in working capital finance investments.

N. Offsetting and Netting of Assets and Liabilities

Not applicable.

O. Structured Notes

Not applicable.

P. 5* Securities

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Q. Short Sales

Not applicable.

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

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

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

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

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

Note 7 – Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2017.

Note 8 – Derivative Instruments

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

Note 9 – Income Taxes

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

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

1.

	12/31/2017		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 94,077,000	\$ 10,765,000	\$ 104,842,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	94,077,000	10,765,000	104,842,000
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	94,077,000	10,765,000	104,842,000
(f) Deferred Tax Liabilities	36,650,000	18,368,000	55,018,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ 57,427,000	\$ (7,603,000)	\$ 49,824,000

NOTES TO FINANCIAL STATEMENTS

	12/31/2016		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 124,362,000	\$ 19,862,150	\$ 144,224,150
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	124,362,000	19,862,150	144,224,150
(d) Deferred Tax Assets Nonadmitted	-	1,473,598	1,473,598
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	124,362,000	18,388,552	142,750,552
(f) Deferred Tax Liabilities	31,690,150	18,130,000	49,820,150
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ 92,671,850	\$ 258,552	\$ 92,930,402

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (30,285,000)	\$ (9,097,150)	\$ (39,382,150)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(30,285,000)	(9,097,150)	(39,382,150)
(d) Deferred Tax Assets Nonadmitted	-	(1,473,598)	(1,473,598)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(30,285,000)	(7,623,552)	(37,908,552)
(f) Deferred Tax Liabilities	4,959,850	238,000	5,197,850
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ (35,244,850)	\$ (7,861,552)	\$ (43,106,402)

2.

	12/31/2017		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 13,504,712	\$ -	\$ 13,504,712
(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)	55,928,491	-	55,928,491
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	55,928,491	-	55,928,491
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			218,282,650
(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.	24,643,797	10,765,000	35,408,797
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 94,077,000	\$ 10,765,000	\$ 104,842,000

NOTES TO FINANCIAL STATEMENTS

	12/31/2016		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 39,149,597	\$ 258,552	\$ 39,408,149
(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)	55,609,375	-	55,609,375
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	55,609,375	-	55,609,375
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			213,024,337
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	29,603,028	18,130,000	47,733,028
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 124,362,000	\$ 18,388,552	\$ 142,750,552

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ (25,644,885)	\$ (258,552)	\$ (25,903,437)
(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)	319,116	-	319,116
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	319,116	-	319,116
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			5,258,313
(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.	(4,959,231)	(7,365,000)	(12,324,231)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ (30,285,000)	\$ (7,623,552)	\$ (37,908,552)

3.

	2017	2016
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	638.8%	709.9%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,453,468,105	\$1,404,934,068

4.

	12/31/2017		12/31/2016		Change	
	(1)	(2)	(3)	(4)	(5)	(6)
	Ordinary	Capital	Ordinary	Capital	(Col 1-3) Ordinary	(Col 2-4) Capital
Impact of Tax-Planning Strategies						
(a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.						
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 94,077,000	\$ 10,765,000	\$ 124,362,000	\$ 19,862,150	\$ (30,285,000)	\$ (9,097,150)
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%

NOTES TO FINANCIAL STATEMENTS

3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	\$ 94,077,000	\$ 10,765,000	\$ 124,362,000	\$ 18,388,552	\$ (30,285,000)	\$ (7,623,552)
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%

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

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

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

	(1)	(2)	(3)
	12/31/2017	12/31/2016	(Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ (26,816,237)	\$ 10,310,760	\$ (37,126,997)
(b) Foreign	(160,552)	-	(160,552)
(c) Subtotal	(26,976,789)	10,310,760	(37,287,549)
(d) Federal income tax on net capital gains	26,649,789	(1,444,760)	28,094,549
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ (327,000)	\$ 8,866,000	\$ (9,193,000)
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 38,257,000	\$ 35,600,000	\$ 2,657,000
(2) Unearned premium reserve	39,080,000	60,394,000	(21,314,000)
(3) Policyholder reserves	-	-	-
(4) Investments	748,000	1,246,000	(498,000)
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	-	-
(8) Compensation and benefits accrual	4,220,000	8,871,000	(4,651,000)
(9) Pension accrual	1,494,000	2,768,000	(1,274,000)
(10) Receivables – nonadmitted	4,188,000	8,437,000	(4,249,000)
(11) Net operating loss carry-forward	-	979,000	(979,000)
(12) Tax credit carry-forward	1,461,000	1,002,000	459,000
(13) Other (including items <5% of total ordinary tax assets)	4,629,000	5,065,000	(436,000)
(99) Subtotal	94,077,000	124,362,000	(30,285,000)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	-	-
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	94,077,000	124,362,000	(30,285,000)
(e) Capital			

NOTES TO FINANCIAL STATEMENTS

(1) Investments	10,765,000	19,862,150	(9,097,150)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	10,765,000	19,862,150	(9,097,150)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	1,473,598	(1,473,598)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	10,765,000	18,388,552	(7,623,552)
(i) Admitted deferred tax assets (2d + 2h)	104,842,000	142,750,552	(37,908,552)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	3,827,000	6,260,000	(2,433,000)
(2) Fixed assets	13,111,000	21,132,000	(8,021,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	16,761,000	-	16,761,000
(5) Other (including items <5% of total ordinary tax liabilities)	2,951,000	4,298,150	(1,347,150)
(99) Subtotal	36,650,000	31,690,150	4,959,850
(b) Capital:			
(1) Investments	17,714,000	17,039,000	675,000
(2) Real estate	654,000	1,091,000	(437,000)
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	18,368,000	18,130,000	238,000
(c) Deferred tax liabilities (3a99 + 3b99)	55,018,000	49,820,150	5,197,850
4. Net deferred tax assets/liabilities (2i – 3c)	\$ 49,824,000	\$ 92,930,402	\$ (43,106,402)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of excludable dividend income, discounting of unpaid losses and loss adjustment expenses, compensation adjustments, charitable contributions, intercompany dividends, LP & LLC income, tax exempt income, limits on charitable contributions, accrued expenses, limits on unearned premium reserve deductions, partnership income, compensation adjustments, impairments, fixed assets, deferred intercompany transactions, utilization of foreign tax credits, and revisions to prior year estimates.

E. The Company has no net operating loss carry-forwards available to offset future net income subject to Federal income tax.

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

Year Generated	Amount	Expiration
2017	\$123,000	2027

NOTES TO FINANCIAL STATEMENTS

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

Year Generated	Amount	Expiration
2010	\$235,000	2030
2011	\$531,000	2031
2012	\$275,000	2032
2013	\$52,000	2033
2014	\$96,000	2034
2015	\$63,000	2035
2016	\$86,000	2036

The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$3,959,000 from the current year and \$10,513,000 from the preceding year.

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

- A. All of the outstanding shares of capital stock of the Company are held by 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, 2017, the Company had the following capital transactions with its parent and subsidiaries:
- | | |
|--|-------------|
| 1. Received capital contributions of | \$ - |
| 2. Received return of capital distributions of | \$ - |
| 3. Contributed capital in the amount of | \$9,409,280 |
| 4. Received dividends in the amount of | \$8,000,000 |
- D. At December 31, 2017, the Company reported a net \$33,034,192 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings 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 LMGI. Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration. LMIC is reimbursed for the cost of all services which it provides under the Agreement.

The Company is a party to a cash management agreement with Liberty Mutual Insurance Company (“LMIC”) whereby LMIC provides services to the Company.

The Company is a party to an investment management agreement with Liberty Mutual Group Asset Management Inc. (“LMGAM”), 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 SCA companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	Credit Line
American Economy Insurance Company	\$50,000,000
American States Insurance Company	\$50,000,000
General Insurance Company of America	\$50,000,000
Liberty Mutual Insurance Company ¹	\$100,000,000
The Ohio Casualty Insurance Company	\$100,000,000
Peerless Insurance Company	\$100,000,000

There is an outstanding loan to Liberty Mutual Insurance Company in the amount of \$61,326,542 as of December 31, 2017.

¹Reference Note 11C for detail on 2017 short term borrowings.

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

Company	Credit Line
American Economy Insurance Company	\$50,000,000

NOTES TO FINANCIAL STATEMENTS

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 borrowings as of December 31, 2017.

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, 2017.

- 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 that exceed 10% of admitted assets.
- J. The Company did not recognize any impairment write down for its SCA companies during the statement period.
- K. The Company does not use CARVM in calculating its investment in its foreign subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies that utilize the look-through approach.
- M. All SCA investments
1. Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
Not applicable	.....	\$ -	\$ -	\$ -
.....	-	-	-
.....	-	-	-
Total SSAP No. 97 8a Entities	XXX	\$ -	\$ -	\$ -
b. SSAP No. 97 8b(ii) Entities				
Not applicable	.....	\$ -	\$ -	\$ -
.....	-	-	-
.....	-	-	-
Total SSAP No. 97 8b(ii) Entities	XXX	\$ -	\$ -	\$ -
c. SSAP No. 97 8b(iii) Entities				
Emerald City Insurance Agency, Inc.	100%	\$1,000	\$1,000	\$ -
Liberty Mutual Investment Holdings LLC	8%	233,628,076	233,628,076	-
LMAT Holdings LLC	10%	9,409,640	9,409,640	-
Georgia Tax Credit Fund LM L.P.	0.01%	1,049	1,049	-
Total SSAP No. 97 8b(iii) Entities	XXX	\$243,039,765	\$243,039,765	\$ -
d. SSAP No. 97 8b(iv) Entities				
Not applicable	.....	\$ -	\$ -	\$ -
.....	-	-	-
.....	-	-	-
Total SSAP No. 97 8b(iv) Entities	XXX	\$ -	\$ -	\$ -
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	\$243,039,765	\$243,039,765	\$ -
f. Aggregate Total (a-e)	XXX	\$243,039,765	\$243,039,765	\$ -

2. NAIC Filing Response Information

SCA Entity	Type of NAIC Filing*	Date of Filing to the NAIC	2016 NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code**
a. SSAP No. 97 8a Entities						
Not applicable			\$ -			
.....			-			
.....			-			

NOTES TO FINANCIAL STATEMENTS

Total SSAP No. 97 8a Entities	XXX	XXX	\$ -	XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities						
Not applicable			\$ -			
.....			-			
.....			-			
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities						
Emerald City Insurance Agency, Inc	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Investment Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
LMAT Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Georgia Tax Credit Fund LM L.P.	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities						
Not applicable			\$ -			
.....			-			
.....			-			
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	XXX	\$ -	XXX	XXX	XXX
f. Aggregate Total (a+e)	XXX	XXX	\$ -	XXX	XXX	XXX

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

** I – Immaterial or M – Material

N. Investment in Insurance SCAs

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

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

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 postretirement 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, Dividend Restrictions and Quasi-Reorganizations

1. The Company has 20,000 shares authorized, issued and outstanding as of December 31, 2017. 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 during 2017.
5. The maximum amount of dividends that 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 that may be made without prior approval in 2018 is \$150,329,210.
6. As of December 31, 2017, the Company has pre-tax restricted surplus of \$21,147,699 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2017.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$25,289,961 after applicable deferred taxes of (\$2,191,914).

NOTES TO FINANCIAL STATEMENTS

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 \$7,470,977 that is offset by future premium tax credits of \$243,201. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the period determined by each individual state once the guaranty fund assessment has been paid. The Company continues to remit payments relating to prior year insolvencies. Reconciliation of paid and accrued premium tax offsets and policy surcharges at prior year-end to current year-end:

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	\$294,048
b. Decreases current year:	
Premium tax offset applied	207,137
c. Increases current year:	
Premium tax offset applied	156,290
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$243,201

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	\$2,533,432

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

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

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

(f) Per Claim [X]

(g) Per Claimant []

E. Product Warranties

The Company does not write product warranty business.

NOTES TO FINANCIAL STATEMENTS

F. Joint and Several Liabilities

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

G. All Other Contingencies

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

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

Note 15 – Leases

A. Lessee Leasing Arrangements

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

<u>Year Ending December 31</u>	<u>Operating Leases</u>
2017	\$8,605,224
2018	8,762,036
2019	6,996,323
2020	4,998,033
2021	4,195,146
2022 & thereafter	<u>28,151,126</u>
Total	\$61,707,888

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 \$77,123.

- 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.

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

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

At December 31, 2017 the total fair value of securities on loan was \$124,342,256, with corresponding collateral value of \$127,791,308 of which \$97,272,964 represents cash collateral that was reinvested.

C. Wash Sales

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

NOTES TO FINANCIAL STATEMENTS

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

A. Administrative Services Only (ASO) Plans

Not applicable.

B. Administrative Services Contract (ASC) Plans

Not applicable.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable.

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

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

Note 20 – Fair Value Measurements

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

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

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

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

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

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

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2017:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
Bonds				
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	2,040,753	-	2,040,753
U.S. State and Municipal	-	-	-	-
Corporate and Other	277,398,128	32,234,136	-	309,632,264
Foreign Government Securities	-	-	-	-
Total Bonds	277,398,128	34,274,889	-	311,673,017
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	1,003,197	7,040,000	8,043,197
Total Preferred Stocks	-	1,003,197	7,040,000	8,043,197
Common Stocks				
Industrial and Miscellaneous	84,806,317	-	103,227	84,909,544
Total Common Stocks	84,806,317	-	103,227	84,909,544
Other Assets				
Other Assets	-	-	-	-
Total assets at fair value	\$362,204,445	\$35,278,086	\$7,143,227	\$404,625,758

NOTES TO FINANCIAL STATEMENTS

b. 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, 2017.

2. Rollforward of Level 3 Items

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

	Balance as of 12/31/2016	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance as of 12/31/2017
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	-	-	-	-	-	-	-	-	-
U.S. State and Municipal	6,208,159	-	(6,239,750)	-	19,897	-	-	(51,069)	62,763	-
Corporate and Other	538,074	-	-	-	32,133	-	-	(591,565)	21,358	-
Foreign Government Securities	-	-	-	-	-	-	-	-	-	-
Total Bonds	6,746,233	-	(6,239,750)	-	52,030	-	-	(642,634)	84,121	-
Preferred Stock	-	-	-	-	-	7,040,000	-	-	-	7,040,000
Common Stock	103,227	-	-	-	-	-	-	-	-	103,227
Total	\$6,849,460	\$ -	(\$6,239,750)	\$ -	\$52,030	\$7,040,000	\$ -	(\$642,634)	\$84,121	\$7,143,227

3. Policy on Transfers Into and Out of Level 3

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

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

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

U.S. Government and Agency Securities

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

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.

Municipal Securities

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

Corporate debt and other

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

Foreign government securities

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

Common and Preferred Stocks

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

Other Invested Assets

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

5. Derivative Fair Values

Not Applicable.

B. Other Fair Value Disclosures

Not Applicable.

C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents and Short Term	\$3,894,886	\$67,128,667	\$502,851	\$3,392,035	\$ -	\$ -
Bonds	3,237,037,193	3,189,560,626	409,639,963	2,811,441,207	15,956,023	-
Preferred Stock	8,043,197	8,043,197	-	1,003,197	7,040,000	-
Common Stock	84,909,544	84,909,544	84,806,317	-	103,227	-

NOTES TO FINANCIAL STATEMENTS

Securities Lending	97,242,197	97,272,964	-	97,242,197	-	-
Mortgage Loans	132,439,920	129,377,585			132,439,920	-
Surplus Notes	-	-	-	-	-	-
Total	\$3,563,566,937	\$3,576,292,582	\$494,949,131	\$2,913,078,636	\$155,539,170	\$ -

D. Reasons Not Practical to Estimate Fair Value

Not Applicable.

Note 21 – Other Items

A. Unusual or Infrequent Items

The Company has no unusual or infrequent items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable.

C. Other Disclosures

Not applicable.

D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

E. State Transferable and Non-transferable Tax Credit

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

<u>Description of State Transferable and Non-transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Film Credit	AK	\$54,000	\$54,000
<u>Total</u>		<u>\$54,000</u>	<u>\$54,000</u>

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

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

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

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

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

	<u>Total Admitted</u>	<u>Total Non-admitted</u>
Transferable	\$54,000	
Non-transferable		

F. Subprime-Mortgage-Related Risk Exposure

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

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
Residential mortgage-backed securities	\$215,709	\$158,551	\$158,721	\$213,822

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

NOTES TO FINANCIAL STATEMENTS

G. Insurance Linked Securities (ILS) Contracts

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

Note 22 – Events Subsequent

The Company evaluated subsequent events through February 20, 2018, the date the annual statement was available to be issued.

There were no events subsequent to December 31, 2017 that would require disclosure.

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

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

- The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2017.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	\$ 900,378,551	\$ -	\$ 1,508,875,586	\$ -	\$ (608,497,035)	\$ -
All Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 900,378,551	\$ -	\$ 1,508,875,586	\$ -	\$ (608,497,035)	\$ -

Direct Unearned Premium Reserve of \$ 1,508,875,586

- Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2016 are as follows:

3.

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$170,983,908	\$25,362,565	\$170,983,908	\$25,362,565
b. Sliding Scale Adjustments	-	71,867	-	71,867
c. Other Profit Commission Arrangements	-	(75,147)	-	(75,147)
d. TOTAL	\$170,983,908	\$25,359,285	\$170,983,908	\$25,359,285

- 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

	Assumed	Ceded
a. Reserves Transferred:		
(1) Initial Reserves	(\$163,284,201)	\$ -
(2) Adjustments – Prior Year(s)	(38,578,096)	-
(3) Adjustments – Current Year	(13,010,690)	-
(4) Current Total	(\$214,872,987)	\$ -
b. Consideration Paid or Received:		
(1) Initial Consideration	(\$163,766,583)	\$ -
(2) Adjustments – Prior Year(s)	(3,336,353)	-
(3) Adjustments – Current Year	(15,950)	-
(4) Current Total	(\$167,118,886)	\$ -

NOTES TO FINANCIAL STATEMENTS

c. Paid Losses Reimbursed or Recovered:		
(1) Prior Year(s)	\$21,987,249	\$ -
(2) Current Year	560,120	-
(3) Current Total	\$22,547,368	\$ -
d. Discount Unwind on Reserves:		
(1) Prior Year(s)	(\$2,496,197)	\$ -
(2) Current Year	(765,970)	-
(3) Current Total	(\$3,262,167)	\$ -
e. Special Surplus from Retroactive Reinsurance:		
(1) Initial Surplus Gain or Loss	\$1,649,608	\$ -
(2) Adjustments – Prior Year(s)	8,626,307	-
(3) Adjustments – Current Year	11,668,650	-
(4) Current Year Restricted Surplus	21,147,726	-
(5) Cumulative Total Transferred to Unassigned Funds	\$796,839	\$ -
f. All cedents and reinsurers involved in all transactions included in summary totals above:		
<u>Company</u>	<u>Assumed Amount</u>	<u>Ceded Amount</u>
Liberty Mutual Insurance Company, 23043	(\$214,872,987)	\$ -
Total	(\$214,872,987)	\$ -

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, 2017.

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

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

I. Certified Reinsurers Downgraded or Status Subject to Revocation.

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

The Company does not transact business with Certified Reinsurers.

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

The Company is not a Certified Reinsurer.

J. Asbestos and Pollution Counterparty Reporting Exception

The Counterparty reporting party does not apply to the Company.

Note 24 – Retrospectively rated Contracts and Contracts Subject to Redetermination

- A. Accrued retrospective premiums reported in Line 15.3 of the asset page have been determined based upon loss experience on business subject to such experience rating adjustment.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.
- D. The Company does not recognize a liability for medical loss ratio rebates pursuant to the Public Health Service Act, as the Company does not write direct comprehensive major medical health business.
- E. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been nonadmitted.

NOTES TO FINANCIAL STATEMENTS

a.	Total accrued retro premium	\$25,965,931
b.	Unsecured amount	-
c.	Less: Nonadmitted amount (10%)	2,598,730
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
e.	Admitted amount (a) – (c) – (d)	\$23,367,201

F. Risk Sharing Provisions of the Affordable Care Act

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

Note 25 – Change in Incurred Losses and Loss Adjustment Expenses

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

Note 26 – Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated Pool Companies:	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.00%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.00%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company ("ASIC")	19704	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.00%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.00%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.00%	All Lines
	General Insurance Company of America ("GICA")	24732	0.00%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.00%	All Lines
	Ironshore Indemnity Inc. ("III")	23647	0.00%	All Lines
	Ironshore Specialty Insurance Company ("ISIC")	25445	0.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
	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

NOTES TO FINANCIAL STATEMENTS

North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
Safeco Insurance Company of Illinois ("SICIL")	39012	0.00%	All Lines
Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
West American Insurance Company ("WAIC")	44393	0.00%	All Lines

100% Quota

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

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

- a. Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- b. After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- c. The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- d. There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- 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 affiliated entities participating in the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement as of December 31, 2017:

<u>Affiliate</u>	<u>Amount</u>
Liberty Mutual Insurance Company	941,122

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

Note 27 – Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$69,924,969 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 \$69,924,969 as of December 31, 2017.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

<u>Life Insurance Company and Location</u>	<u>Licensed in Company's State of Domicile Yes/No</u>	<u>Statement Value (i.e., Present Value) of Annuities</u>
Liberty Life Assurance Company of Boston Massachusetts	Yes	\$16,117,055
Prudential Insurance Company New Jersey	Yes	\$31,026,526

Note 28 – Health Care Receivables

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 29 – Participating Policies

No applicable.

Note 30 – Premium Deficiency Reserves

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

Note 31 – High Dollar Deductible Policies

As of December 31, 2017, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$332,245,568 and the amount billed and recoverable on paid claims was \$10,044,600. There are no unsecured high dollar deductible recoverable from professional employer organizations included in these amounts.

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

For Workers' Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2017 liabilities subject to discount were carried at a value representing a discount of \$31,299,445 net of all reinsurance.

A. Tabular Discount

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1 *	
	1 Case	2 IBNR
1. Homeowners/Farmowners	\$ -	\$ -
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	26,504,783	30,971,043
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	\$26,504,783	\$30,971,043

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

B. Non-tabular Discount

Not applicable.

Note 33 – Asbestos/Environmental Reserves

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

NOTES TO FINANCIAL STATEMENTS

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

In 2016, the Company and its affiliated pool members completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded A&E unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. A&E unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves of \$150 million including: \$100 million of asbestos reserves, and \$50 million of pollution reserves.

Uncertainty Regarding Reserving Methodologies

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

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

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

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2017, 2016, 2015, 2014, and 2013 before consideration of the NICO Reinsurance Transaction. Refer to Note 23f.

Asbestos

1. Direct -

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$93,394,961	\$104,955,748	\$105,531,511	\$88,822,676	\$92,932,704
b. Incurred losses and LAE	24,875,137	17,105,452	4,970,606	19,668,714	10,640,500
c. Calendar year payments	13,314,350	16,529,689	21,679,441	15,558,686	15,434,936
d. Ending reserves	<u>\$104,955,748</u>	<u>\$105,531,511</u>	<u>\$88,822,676</u>	<u>\$92,932,704</u>	<u>\$88,138,267</u>

2. Assumed Reinsurance -

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves*:	\$34,504,112	\$37,185,921	\$34,395,130	\$33,188,758	\$30,713,939
b. Incurred losses and LAE	4,479,866	90,529	704,185	(297,231)	3,039,999
c. Calendar year payments	1,798,057	2,881,320	1,910,556	2,249,386	1,917,017
d. Ending reserves	<u>\$37,185,921</u>	<u>\$34,395,130</u>	<u>\$33,188,759</u>	<u>\$30,642,141</u>	<u>\$31,836,921</u>

*Includes Ironshore acquisition in 2017

3. Net of Ceded Reinsurance -

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$53,408,945	\$59,833,416	\$55,082,869	\$40,895,910	\$40,320,405
b. Incurred losses and LAE	14,131,446	5,334,504	367,916	3,737,317	5,152,325
c. Calendar year payments	7,706,974	10,085,052	14,554,875	4,312,821	4,967,267
d. Ending reserves	<u>\$59,833,417</u>	<u>\$55,082,868</u>	<u>\$40,895,910</u>	<u>\$40,320,406</u>	<u>\$40,505,463</u>

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

a. Direct Basis	\$57,974,626
b. Assumed Reinsurance Basis	\$23,370,058
Net of Ceded Reinsurance	
c. Basis	\$25,194,369

NOTES TO FINANCIAL STATEMENTS

5.	Ending Reserves for LAE included above (Case, Bulk & IBNR)	
a.	Direct Basis	\$54,216,391
b.	Assumed Reinsurance Basis Net of Ceded Reinsurance	\$900,362
c.	Basis	\$19,775,687

Environmental

1. Direct -

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
a.	Beginning reserves:	\$25,208,570	\$26,908,233	\$25,236,196	\$21,742,042	\$22,362,035
b.	Incurred losses and LAE	5,713,769	3,477,267	1,768,837	4,814,933	3,859,280
c.	Calendar year payments	4,014,107	5,149,304	5,262,991	4,194,940	3,037,638
d.	Ending reserves	\$26,908,233	\$25,236,196	\$21,742,042	\$22,362,035	\$23,183,678

2. Assumed Reinsurance -

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
a.	Beginning reserves*:	\$3,899,360	\$3,849,767	\$3,625,835	\$2,627,482	\$2,502,703
b.	Incurred losses and LAE	260,690	68,935	(588,480)	(9,885)	728,113
c.	Calendar year payments	310,283	292,867	409,874	244,291	179,105
d.	Ending reserves	\$3,849,767	\$3,625,835	\$2,627,482	\$2,373,306	\$3,051,711

*Includes Ironshore acquisition in 2017

3. Net of Ceded Reinsurance -

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
a.	Beginning reserves:	\$18,509,862	\$19,379,012	\$17,932,448	\$15,726,900	\$15,362,176
b.	Incurred losses and LAE	3,660,403	1,687,643	19,086	2,946,360	3,058,591
c.	Calendar year payments	2,791,254	3,134,207	2,224,634	3,311,084	1,911,616
d.	Ending reserves	\$19,379,012	\$17,932,448	\$15,726,900	\$15,362,176	\$16,509,151

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

a.	Direct Basis	\$13,535,072
b.	Assumed Reinsurance Basis	\$1,641,478
c.	Net of Ceded Reinsurance Basis	\$8,752,220

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

a.	Direct Basis	\$9,622,526
b.	Assumed Reinsurance Basis	\$237,947
c.	Net of Ceded Reinsurance Basis	\$5,108,375

Note 34 – Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 – Multiple Peril Crop Insurance

Not applicable.

Note 36 - Financial Guaranty Insurance Contracts

Not applicable.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No]
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No] N/A]
- 1.3 State Regulating? 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:
 0

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

7.2 If yes,
 7.21 State the percentage of foreign control. _____ 0.00 %
 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....

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

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
 0

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

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

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

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

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

10.2 If response to 10.1 is yes, provide information related to this exemption:
 0

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

10.4 If response to 10.3 is yes, provide information related to this exemption:
 0

GENERAL INTERROGATORIES

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

10.6 If the response to 10.5 is no or n/a, please explain.
 0

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

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

12.11 Name of real estate holding company		0
12.12 Number of parcels involved		0
12.13 Total book/adjusted carrying value	\$	0

12.2 If yes, provide explanation:
 0

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 c. Compliance with applicable governmental laws, rules, and regulations;
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 e. Accountability for adherence to the code. Yes No

14.11 If the response to 14.1 is no, please explain:
 0

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
 0

GENERAL INTERROGATORIES

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

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

0

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

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

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment	\$	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. \$ 127,791,308

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	\$	97,272,964
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	97,272,964
24.103 Total payable for securities lending reported on the liability page	\$	97,272,964

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

GENERAL INTERROGATORIES

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

25.21	Subject to repurchase agreements	\$	0
25.22	Subject to reverse repurchase agreements	\$	0
25.23	Subject to dollar repurchase agreements	\$	0
25.24	Subject to reverse dollar repurchase agreements	\$	0
25.25	Placed under option agreements	\$	0
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$	0
25.27	FHLB Capital Stock	\$	0
25.28	On deposit with states	\$	154,954,977
25.29	On deposit with other regulatory bodies	\$	0
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	\$	0
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	\$	0
25.32	Other	\$	0

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [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 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["... that have access to the investment accounts"; "...handle securities"]

1 Name Firm or Individual	2 Affiliation
Liberty Mutual Group Asset Management Inc.	A
Liberty Mutual Investment Advisors, LLC	A
StanCorp	U
Prudential Mortgage Capital Company	U
Burgundy Asset Management Ltd	U
Standard Life Investments Limited	U

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

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

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

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

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

29.2 If yes, complete the following schedule:

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

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

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

GENERAL INTERROGATORIES

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	3,192,954,716	3,237,036,681	44,081,965
30.2 Preferred stocks	8,043,197	8,043,197	0
30.3 Totals	3,200,997,913	3,245,079,878	44,081,965

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

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

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

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

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

.....

.....

.....

.....

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

32.2 If no, list exceptions:

.....

.....

.....

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

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

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

OTHER

34.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 3,089,521

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

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE INC	\$ 1,034,667
	\$ 0
	\$ 0

35.1 Amount of payments for legal expenses, if any? \$ 2,731,234

GENERAL INTERROGATORIES

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

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

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

\$ 149,713

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

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding
0

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1	2	
	Current Year	Prior Year	
2.1 Premium Numerator	\$ 3,152,214	\$ 492,695	
2.2 Premium Denominator	\$ 1,644,626,506	\$ 1,548,733,306	
2.3 Premium Ratio (2.1 / 2.2)	<u>0.00</u>	<u>0.00</u>	
2.4 Reserve Numerator	\$ 5,373,072	\$ 1,466,712	
2.5 Reserve Denominator	\$ 3,263,578,545	\$ 2,901,291,231	
2.6 Reserve Ratio (2.4 / 2.5)	<u>0.00</u>	<u>0.00</u>	

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

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

3.21 Participating policies \$ 14,719,206

3.22 Non-participating policies \$ 2,962,185,560

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

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

5.5 If yes, give full information
0

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we utilize RMS's RiskLink v16.0 and AIR's Touchstone v4.2 software. For workers' compensation, Liberty Mutual utilizes RiskLink v16.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
The Company purchases a combination of quota share reinsurance, per risk excess of loss reinsurance, excess of loss per event catastrophe reinsurance and aggregate programs.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
The Company purchases aggregate coverage to substantially replace nonreinstated catastrophe layers.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [] 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
N/A
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [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
0
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | |
|---|--|----|------------|
| 12.11 Unpaid losses | | \$ | 19,339,630 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 1,412,623 |
- 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? \$ 548,285
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes No N/A]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | | |
|------------|--|--|--------|
| 12.41 From | | | 0.05 % |
| 12.42 To | | | 0.08 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes No]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | | |
|----------------------------------|--|----|-------------|
| 12.61 Letters of Credit | | \$ | 256,976,845 |
| 12.62 Collateral and other funds | | \$ | 74,985,909 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 66,000,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes No]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
Premiums and recoverables were allocated pursuant to the intercompany pooling agreement.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes No]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes No]
- 14.5 If the answer to 14.4 is no, please explain:
N/A
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes No]
- 15.2 If yes, give full information
0
- 16.1 Does the reporting entity write any warranty business? Yes No]
If yes, disclose the following information for each of the following types of warranty coverage:

		1	2	3	4	5
		Direct Losses 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: 0

GENERAL INTERROGATORIES**PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

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

Yes [] No [X]

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

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

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	\$ 0
17.19 Unfunded portion of Interrogatory 17.18	\$ 0
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ 0
17.21 Case reserves portion of Interrogatory 17.18	\$ 0
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ 0
17.23 Unearned premium portion of Interrogatory 17.18	\$ 0
17.24 Contingent commission portion of Interrogatory 17.18	\$ 0

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

Yes [] No [X]

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

\$ 0

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

Yes [] No [X]

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

\$ 0

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2017	2016	2015	2014	2013
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,576,657,289	1,415,993,033	1,325,721,592	1,283,984,276	1,265,854,995
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,226,028,020	1,140,626,475	1,085,729,138	1,037,696,733	964,605,536
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,785,418,732	1,703,352,314	1,633,138,292	1,538,655,100	1,291,962,322
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	80,542,252	76,939,260	101,724,636	105,450,102	80,707,545
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	21,271,168	17,764,611	22,742,147	17,473,345	17,123,841
6. Total (Line 35)	4,689,917,461	4,354,675,693	4,169,055,805	3,983,259,556	3,620,254,239
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	812,635,715	727,228,904	695,218,636	698,309,650	715,498,580
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	311,451,226	298,732,261	282,648,214	292,860,682	278,598,975
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	511,847,242	498,158,583	486,079,270	465,705,726	328,727,150
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	55,807,344	48,047,562	51,242,280	48,260,062	9,176,383
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	21,271,168	17,764,611	22,742,147	17,473,345	17,123,841
12. Total (Line 35)	1,713,012,695	1,589,931,921	1,537,930,547	1,522,609,465	1,349,124,929
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(169,620,215)	(46,230,464)	6,801,081	(28,533,526)	(83,079,458)
14. Net investment gain (loss) (Line 11)	159,884,476	99,543,037	129,635,524	158,489,594	224,743,465
15. Total other income (Line 15)	10,769,548	4,915,378	2,296,651	(743,440)	375,408
16. Dividends to policyholders (Line 17)	815,613	1,066,186	1,161,323	1,414,038	2,311,732
17. Federal and foreign income taxes incurred (Line 19)	(26,976,789)	10,310,760	33,993,041	21,006,058	(15,034,951)
18. Net income (Line 20)	27,194,985	46,851,005	103,578,892	106,792,532	154,762,634
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	4,863,358,765	4,485,053,022	4,356,907,308	4,233,251,417	4,747,068,958
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	97,711,475	81,736,405	82,483,599	82,847,960	94,410,807
20.2 Deferred and not yet due (Line 15.2)	417,064,860	395,418,962	371,661,555	351,860,629	449,784,425
20.3 Accrued retrospective premiums (Line 15.3)	23,367,201	23,959,749	23,639,567	26,890,357	28,244,289
21. Total liabilities excluding protected cell business (Page 3, Line 26)	3,360,066,662	2,987,188,549	2,963,547,111	2,954,334,281	3,558,396,422
22. Losses (Page 3, Line 1)	1,966,991,459	1,713,956,318	1,678,600,776	1,664,561,813	1,709,598,508
23. Loss adjustment expenses (Page 3, Line 3)	392,056,322	354,108,962	351,455,869	360,957,146	367,005,067
24. Unearned premiums (Page 3, Line 9)	900,378,551	831,566,797	789,662,438	754,581,457	712,851,727
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)	1,503,292,104	1,497,864,470	1,393,360,198	1,278,917,136	1,188,672,536
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	72,967,404	158,567,858	129,807,208	47,708,497	421,936,965
Risk-Based Capital Analysis					
28. Total adjusted capital	1,503,292,104	1,497,864,470	1,393,360,198	1,278,917,136	1,188,672,536
29. Authorized control level risk-based capital	227,516,289	197,908,494	183,258,473	182,388,040	183,862,847
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	77.2	72.2	71.5	71.5	74.2
31. Stocks (Lines 2.1 & 2.2)	8.5	14.9	15.5	15.5	14.4
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	3.1	3.6	3.5	3.2	2.6
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	1.6	1.6	2.0	2.1	2.2
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)	7.1	6.7	6.1	6.0	5.0
38. Receivables for securities (Line 9)	0.1	0.0	0.0	0.2	0.2
39. Securities lending reinvested collateral assets (Line 10)	2.4	1.0	1.4	1.6	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
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	258,850,265	253,818,663	249,574,468	245,927,089	241,555,644
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	61,326,542				
46. Affiliated mortgage loans on real estate					
47. All other affiliated	245,038,765	205,683,786	190,148,478	184,015,608	176,415,954
48. Total of above Lines 42 to 47	565,215,572	459,502,449	439,722,946	429,942,697	417,971,598
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)	37.6	30.7	31.6	33.6	35.2

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2017	2016	2015	2014	2013
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	(7,872,042)	40,277,069	14,701,433	8,077,305	(20,559,923)
52. Dividends to stockholders (Line 35)				(1,000,000)	(47,515,966)
53. Change in surplus as regards policyholders for the year (Line 38)	5,427,634	104,504,272	114,443,062	90,244,600	243,622,340
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	825,385,886	801,355,024	724,628,623	749,912,217	286,321,563
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	754,862,104	660,384,236	572,602,511	529,540,161	485,885,919
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	986,276,604	861,203,044	796,540,191	745,431,240	819,805,671
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(3,384,774)	(13,581,335)	85,361,309	14,200,627	86,988,423
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	6,861,276	4,738,898	6,880,194	7,720,564	(28,053,670)
59. Total (Line 35)	2,570,001,096	2,314,099,867	2,186,012,828	2,046,804,809	1,650,947,906
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	386,685,135	420,308,552	403,513,196	468,947,901	13,104,863
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	180,626,528	172,722,256	150,979,406	154,559,552	139,380,882
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	277,373,375	242,290,815	240,023,447	226,266,663	349,730,717
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	7,259,686	1,097,371	14,331,270	17,656,153	21,090,577
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	6,861,276	4,738,898	6,880,194	7,720,564	(28,053,670)
65. Total (Line 35)	858,806,000	841,157,892	815,727,513	875,150,833	495,253,369
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	66.0	56.6	55.6	56.3	59.2
68. Loss expenses incurred (Line 3)	13.5	13.2	12.7	13.7	14.3
69. Other underwriting expenses incurred (Line 4)	30.8	33.1	31.2	31.9	32.2
70. Net underwriting gain (loss) (Line 8)	(10.3)	(3.0)	0.5	(1.9)	(5.7)
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	29.0	32.0	30.2	31.0	34.8
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	79.5	69.8	68.4	70.0	73.5
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	114.0	106.1	110.4	119.1	113.5
One Year Loss Development (\$000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	52,820	12,612	(10,094)	(896)	48,912
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)	3.5	0.9	(0.8)	(0.1)	5.2
Two Year Loss Development (\$000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	56,772	(5,215)	(11,653)	41,365	52,740
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)	4.1	(0.4)	(1.0)	4.4	6.1

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No []

If no, please explain:

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

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	42,797	15,162	13,697	8,402	3,080	482	1,219	35,528	X X X
2. 2008	1,589,947	267,307	1,322,640	928,280	147,506	69,187	8,038	120,838	4,555	46,788	958,206	X X X
3. 2009	1,516,436	317,744	1,198,692	811,016	149,041	61,395	8,003	113,440	1,332	44,328	827,475	X X X
4. 2010	1,539,067	299,157	1,239,910	867,787	158,620	66,271	8,671	120,353	736	50,344	886,384	X X X
5. 2011	1,626,948	358,436	1,268,512	966,158	197,666	70,555	12,344	121,288	857	62,509	947,134	X X X
6. 2012	1,757,280	388,223	1,369,057	976,095	208,205	69,968	12,893	125,283	769	71,217	949,479	X X X
7. 2013	1,855,317	417,944	1,437,373	908,310	208,344	60,356	10,421	123,579	1,086	55,647	872,394	X X X
8. 2014	1,902,751	421,107	1,481,644	877,293	195,710	52,090	7,758	119,891	1,385	45,128	844,421	X X X
9. 2015	1,965,232	456,228	1,509,004	866,073	209,624	39,199	6,219	117,168	1,448	56,074	805,149	X X X
10. 2016	2,016,031	457,514	1,558,517	806,984	201,618	22,278	4,554	116,683	2,565	33,196	737,208	X X X
11. 2017	2,112,828	457,611	1,655,217	647,424	173,818	8,587	2,004	89,832	788	20,107	569,233	X X X
12. Totals	X X X	X X X	X X X	8,698,217	1,865,314	533,583	89,307	1,171,435	16,003	486,557	8,432,611	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	341,828	129,454	233,313	110,903	22,096	15,036	84,741	35,024	7,442	39	882	398,964	X X X
2. 2008	23,185	5,410	39,743	5,078	699	69	4,710	1,597	638		1,643	56,821	X X X
3. 2009	23,530	3,829	40,669	6,897	1,005	160	3,633	1,011	416		516	57,356	X X X
4. 2010	25,534	4,055	37,279	4,583	1,576	497	5,684	797	553		730	60,694	X X X
5. 2011	30,887	4,481	46,433	6,521	1,628	391	10,089	1,170	695		1,103	77,169	X X X
6. 2012	43,043	8,913	68,227	9,288	3,515	1,032	14,826	1,504	1,495		3,298	110,369	X X X
7. 2013	55,361	11,941	81,042	12,391	3,828	944	16,511	1,875	12,968		5,219	142,559	X X X
8. 2014	88,684	18,646	86,678	19,632	3,946	808	21,985	1,973	6,438		5,279	166,672	X X X
9. 2015	114,031	13,292	126,992	30,050	4,715	528	35,156	2,451	11,323		9,793	245,896	X X X
10. 2016	154,885	16,079	171,383	31,015	6,060	592	49,167	5,693	18,092	3	13,831	346,205	X X X
11. 2017	269,042	53,763	483,451	112,015	5,062	772	64,001	5,365	46,713	3	36,406	696,351	X X X
12. Totals	1,170,010	269,863	1,415,210	348,373	54,130	20,829	310,503	58,460	106,773	45	78,700	2,359,056	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	334,784	64,180
2. 2008	1,187,280	172,253	1,015,027	74,674	64,440	76,742			6.000	52,440	4,381
3. 2009	1,055,104	170,273	884,831	69,578	53,588	73,816			6.000	53,473	3,883
4. 2010	1,125,037	177,959	947,078	73,099	59,487	76,383			6.000	54,175	6,519
5. 2011	1,247,733	223,430	1,024,303	76,692	62,335	80,748			6.000	66,318	10,851
6. 2012	1,302,452	242,604	1,059,848	74,117	62,491	77,414			6.000	93,069	17,300
7. 2013	1,261,955	247,002	1,014,953	68,018	59,099	70,612			6.000	112,071	30,488
8. 2014	1,257,005	245,912	1,011,093	66,063	58,397	68,241			6.000	137,084	29,588
9. 2015	1,314,657	263,612	1,051,045	66,896	57,781	69,652			6.000	197,681	48,215
10. 2016	1,345,532	262,119	1,083,413	66,742	57,292	69,516			6.000	279,174	67,031
11. 2017	1,614,112	348,528	1,265,584	76,396	76,163	76,460			6.000	586,715	109,636
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,966,984	392,072

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	One Year	Two Year	
1. Prior	1,310,535	1,305,554	1,305,117	1,328,746	1,338,901	1,353,885	1,368,342	1,372,121	1,374,302	1,383,328	9,026	11,207	
2. 2008	921,320	899,857	888,241	887,972	891,244	901,805	900,773	900,857	901,694	901,022	(672)	165	
3. 2009	X X X	790,368	788,343	780,908	773,712	779,187	773,172	773,686	773,989	774,622	633	936	
4. 2010	X X X	X X X	824,189	823,954	827,524	836,771	828,612	829,067	828,657	830,124	1,467	1,057	
5. 2011	X X X	X X X	X X X	899,439	899,089	902,936	902,978	902,399	903,705	906,000	2,295	3,601	
6. 2012	X X X	X X X	X X X	X X X	936,394	943,455	934,665	929,199	932,875	936,152	3,277	6,953	
7. 2013	X X X	X X X	X X X	X X X	X X X	872,953	882,332	876,122	875,941	884,766	8,825	8,644	
8. 2014	X X X	X X X	X X X	X X X	X X X	X X X	883,154	880,641	877,968	887,624	9,656	6,983	
9. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	908,172	915,859	925,398	9,539	17,226	
10. 2016	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	943,658	952,432	8,774	X X X	
11. 2017	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,131,135	X X X	X X X	
											12. Totals	52,820	56,772

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
1. Prior	000	263,685	459,908	598,949	696,057	766,910	830,842	887,806	925,618	958,548	X X X	X X X
2. 2008	373,005	570,762	665,943	732,761	778,229	805,901	821,993	830,791	836,913	841,923	X X X	X X X
3. 2009	X X X	314,897	476,688	562,163	623,828	665,370	689,114	702,053	710,118	715,367	X X X	X X X
4. 2010	X X X	X X X	346,581	524,633	615,091	681,418	722,547	745,116	758,947	766,767	X X X	X X X
5. 2011	X X X	X X X	X X X	409,396	578,626	675,832	743,953	787,561	814,096	826,703	X X X	X X X
6. 2012	X X X	X X X	X X X	X X X	402,284	604,174	696,487	760,292	802,494	824,965	X X X	X X X
7. 2013	X X X	X X X	X X X	X X X	X X X	379,156	560,260	648,444	713,821	749,901	X X X	X X X
8. 2014	X X X	X X X	X X X	X X X	X X X	X X X	402,983	579,964	669,980	725,915	X X X	X X X
9. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	417,468	603,569	689,429	X X X	X X X
10. 2016	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	443,185	623,090	X X X	X X X
11. 2017	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	480,189	X X X	X X X

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Prior	601,406	469,740	350,610	305,864	254,246	240,033	224,782	200,008	189,847	185,456
2. 2008	333,400	183,590	118,416	81,560	58,257	57,659	47,699	44,068	41,325	39,535
3. 2009	X X X	299,797	180,545	119,223	79,960	67,131	48,016	43,897	40,230	37,698
4. 2010	X X X	X X X	296,113	165,723	112,470	85,237	58,381	47,728	41,781	39,446
5. 2011	X X X	X X X	X X X	295,701	181,770	125,572	84,893	65,732	54,781	50,875
6. 2012	X X X	X X X	X X X	X X X	342,570	197,196	135,684	100,324	80,910	73,751
7. 2013	X X X	X X X	X X X	X X X	X X X	323,577	189,046	135,162	97,784	87,969
8. 2014	X X X	X X X	X X X	X X X	X X X	X X X	307,436	179,762	121,119	88,389
9. 2015	X X X	X X X	X X X	X X X	X X X	X X X	X X X	314,322	184,600	130,610
10. 2016	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	325,789	184,876
11. 2017	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	431,248

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

States, Etc.	Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)	
		2 Direct Premiums Written	3 Direct Premiums Earned							
1. Alabama	AL	L	23,817,033	23,704,974		10,060,612	10,396,750	4,929,138	792,978	
2. Alaska	AK	L	4,332,706	4,299,958		3,409,789	918,926	(3,792,615)	386,751	
3. Arizona	AZ	L	179,610,578	170,495,879		94,110,308	107,223,157	50,258,057	4,954,177	
4. Arkansas	AR	L	37,062,227	36,840,532		12,634,043	10,975,281	3,449,982	1,021,289	
5. California	CA	L	691,491,017	663,032,810		502,665,007	713,506,938	454,863,010	21,880,860	
6. Colorado	CO	L	378,518,689	345,468,773		301,193,729	332,186,070	119,966,503	9,823,912	
7. Connecticut	CT	L	27,517,420	28,804,965		14,325,333	11,835,095	12,463,191	1,082,772	
8. Delaware	DE	L	110,626	114,923		7,647	9,678	22,633	2,379	
9. District of Columbia	DC	L	1,115,371	1,186,115		1,281	86,833	322,534	23,382	
10. Florida	FL	L	17,137,162	16,567,769		15,165,139	17,128,387	14,279,775	1,318,195	
11. Georgia	GA	L	12,487,673	12,748,781		6,120,610	8,256,030	4,997,203	1,297,461	
12. Hawaii	HI	L	88,652	122,047		63	(13,955)	(661,176)	1,935	
13. Idaho	ID	L	9,607,092	9,194,892		6,235,851	3,576,421	2,672,524	683,347	
14. Illinois	IL	L	1,479,965	1,560,237		3,127,918	3,176,332	1,275,081	664,896	
15. Indiana	IN	L	546,318	629,909		639,481	851,921	473,241	680,588	
16. Iowa	IA	L	20,354,046	20,034,204		10,763,207	12,033,343	6,415,045	540,902	
17. Kansas	KS	L	81,631,297	82,012,301		37,121,566	38,476,779	14,239,240	2,004,292	
18. Kentucky	KY	L	79,593,009	79,953,035		33,304,555	35,696,612	15,089,023	2,206,724	
19. Louisiana	LA	L	730,670	727,077		462,992	1,036,676	1,118,851	350,760	
20. Maine	ME	L	84,001	91,245		13,843	20,354	27,454	1,599	
21. Maryland	MD	L	36,324,887	35,612,893		16,855,639	17,864,229	7,964,723	1,245,114	
22. Massachusetts	MA	L	49,772,354	49,594,300		29,951,394	37,784,444	21,205,618	1,158,028	
23. Michigan	MI	L	59,768,898	61,248,612		33,239,231	33,201,721	29,850,782	1,768,779	
24. Minnesota	MN	L	12,518,745	12,798,417		6,418,233	8,634,061	7,804,122	521,451	
25. Mississippi	MS	L	67,504,254	63,687,952		28,120,786	29,577,272	9,584,157	1,836,216	
26. Missouri	MO	L	148,807,587	145,955,823		67,382,606	68,555,823	26,698,478	3,843,355	
27. Montana	MT	L	66,132,081	63,539,154		24,228,596	19,116,219	11,268,977	2,195,388	
28. Nebraska	NE	L	18,405,637	17,566,144		20,429,601	24,238,544	7,255,839	504,729	
29. Nevada	NV	L	21,854,734	20,871,582		9,741,874	11,196,719	5,133,530	811,950	
30. New Hampshire	NH	L	51,440,007	53,486,663		22,909,438	31,443,485	20,615,492	1,257,764	
31. New Jersey	NJ	L	953,651	1,093,464		323,486	(557,955)	(2,988,213)	19,021	
32. New Mexico	NM	L	79,904,777	78,711,897		54,259,898	45,549,140	18,717,339	2,152,535	
33. New York	NY	L	8,686,258	8,791,217		5,955,717	8,908,538	(15,363,447)	886,091	
34. North Carolina	NC	L	25,875,965	27,297,648		7,499,979	10,967,546	5,981,949	1,147,635	
35. North Dakota	ND	L	15,791,999	15,149,288		6,934,055	7,644,571	3,840,913	396,847	
36. Ohio	OH	L	14,962,169	14,231,229		3,208,276	3,531,809	4,709,022	1,466,363	
37. Oklahoma	OK	L	202,768,135	191,070,219		78,454,018	85,798,569	37,872,079	4,897,669	
38. Oregon	OR	L	2,937,920	2,956,049		1,503,055	1,704,549	7,920,641	1,260,006	
39. Pennsylvania	PA	L	19,222,370	18,441,916		8,059,681	13,040,424	14,066,209	1,222,936	
40. Rhode Island	RI	L	134,482	146,689		629	(79,587)	463,182	2,902	
41. South Carolina	SC	L	39,239,589	38,004,560		18,930,350	18,280,512	5,535,595	1,724,734	
42. South Dakota	SD	L	27,870,581	25,471,032		16,113,363	18,351,236	7,590,010	665,075	
43. Tennessee	TN	L	66,535,625	66,095,838		31,250,857	20,357,800	21,291,703	2,022,731	
44. Texas	TX	L	25,723,242	25,074,212	231,327	26,181,571	30,182,567	23,849,117	4,690,261	
45. Utah	UT	L	14,402,296	13,527,316		7,064,364	7,015,376	2,591,921	492,984	
46. Vermont	VT	L	13,244,731	13,004,058		6,062,770	6,023,903	3,766,370	343,119	
47. Virginia	VA	L	6,513,677	6,653,406		1,508,221	1,648,287	1,423,188	660,386	
48. Washington	WA	L	232,791,790	226,300,446		91,839,015	88,037,425	74,503,781	8,984,671	
49. West Virginia	WV	L	39,328,386	39,844,297		17,574,946	19,031,517	12,934,402	1,011,029	
50. Wisconsin	WI	L	19,059,627	18,021,030		6,922,349	8,503,938	4,991,180	586,074	
51. Wyoming	WY	L	19,531,826	18,839,931		10,780,863	10,776,012	3,500,524	671,686	
52. American Samoa	AS	N								
53. Guam	GU	L	1,580,930	586,047		127,257	39,335	145,797	34,737	
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N						15		
56. Northern Mariana Islands	MP	N								
57. Canada	CAN	N								
58. Aggregate Other Alien	OT	X X X					135,245	129,665		
59. Totals	(a) 52		2,976,904,762	2,871,263,755	231,327	1,711,195,092	1,993,880,902	1,087,263,354	100,201,465	7,188

DETAILS OF WRITE-INS									
58001. ZZZ OTHER ALIEN	X X X						135,245	129,665	
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						135,245	129,665	

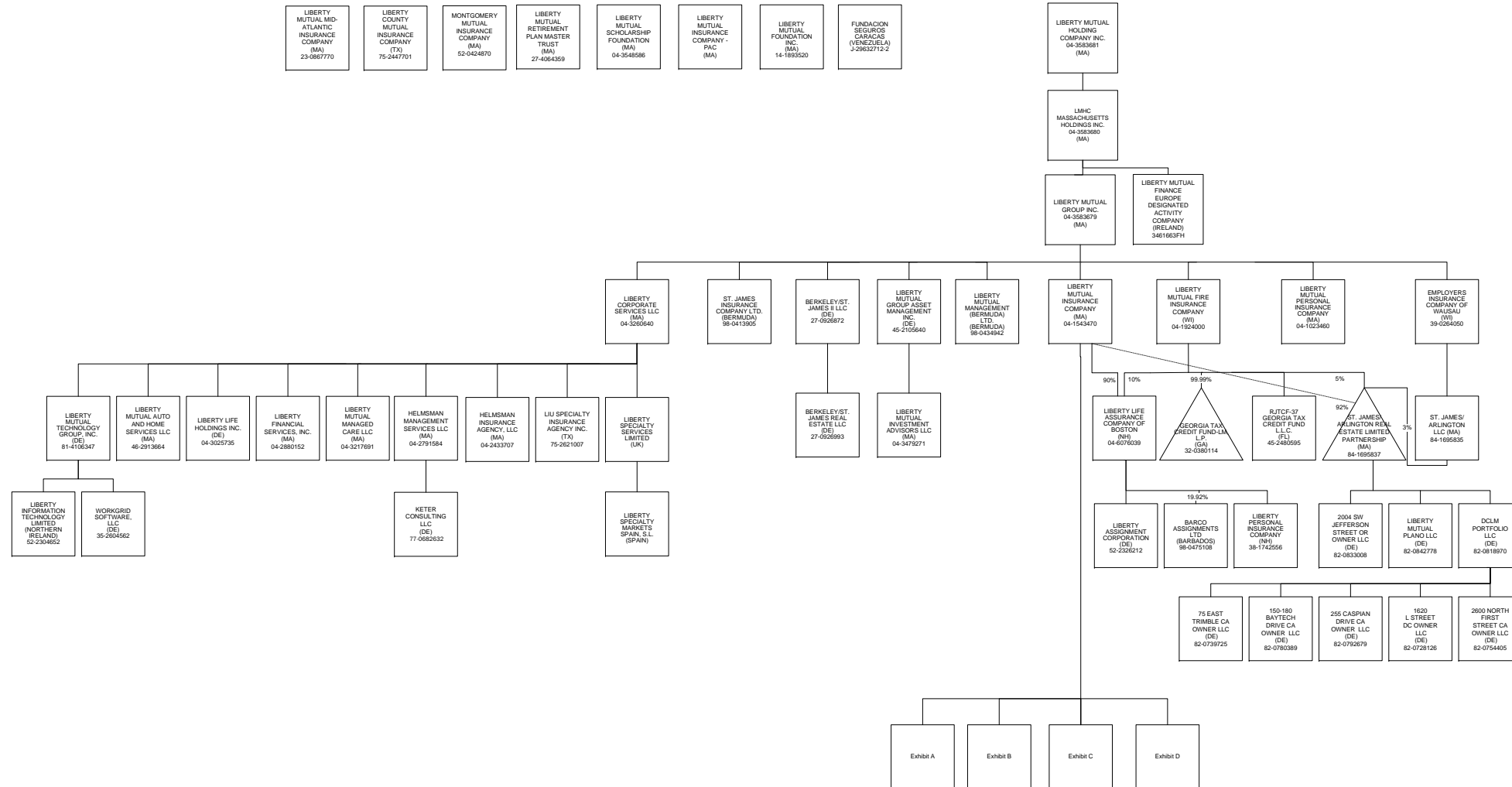
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state (other than their state of domicile - see DSLI); (D) DSLI - Domestic Surplus Lines Insurer (DSLI) - Reporting entities authorized to write Surplus Lines in the state of domicile; (N) None of the above - Not allowed to write business in the state.

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

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

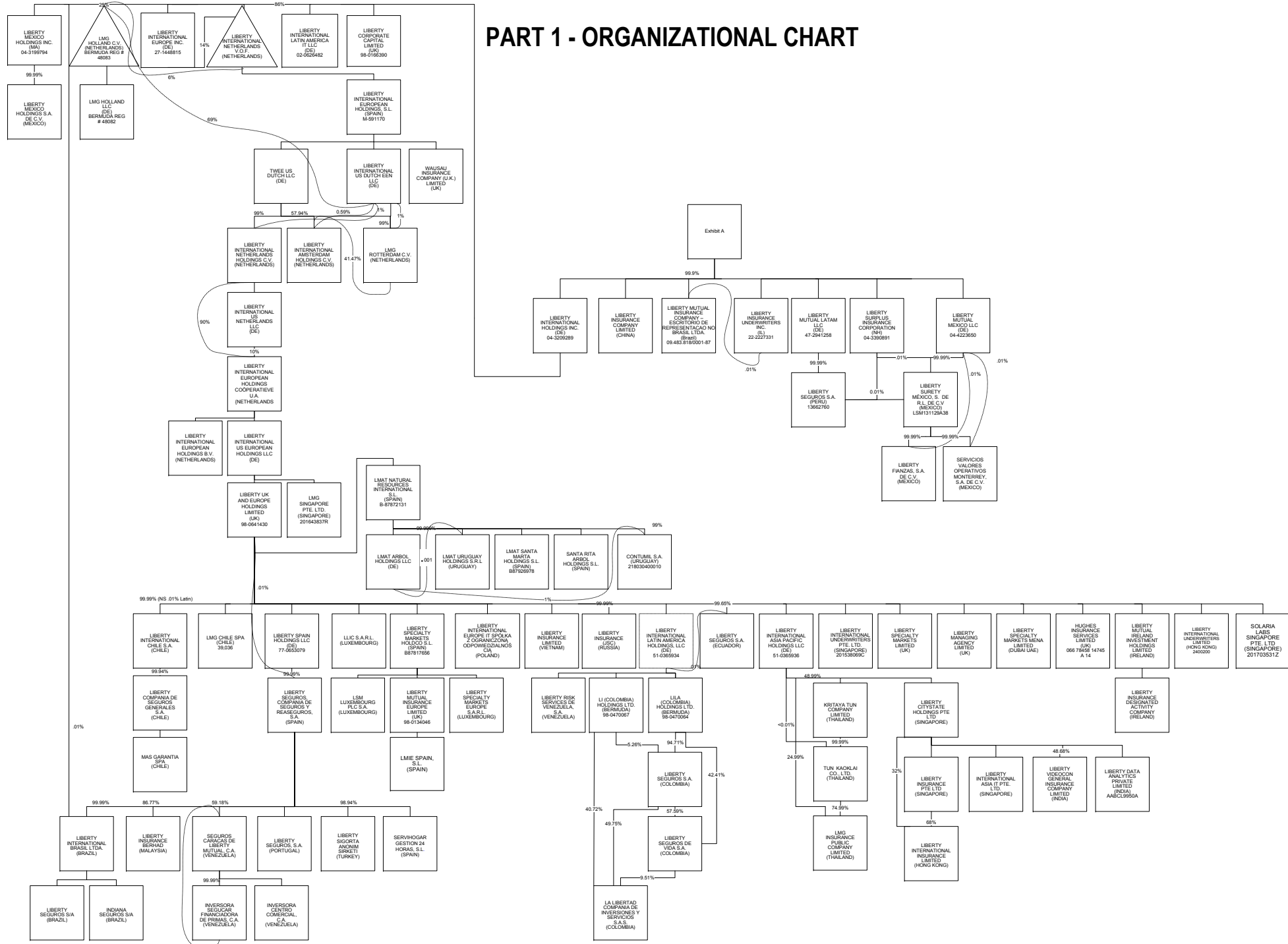
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



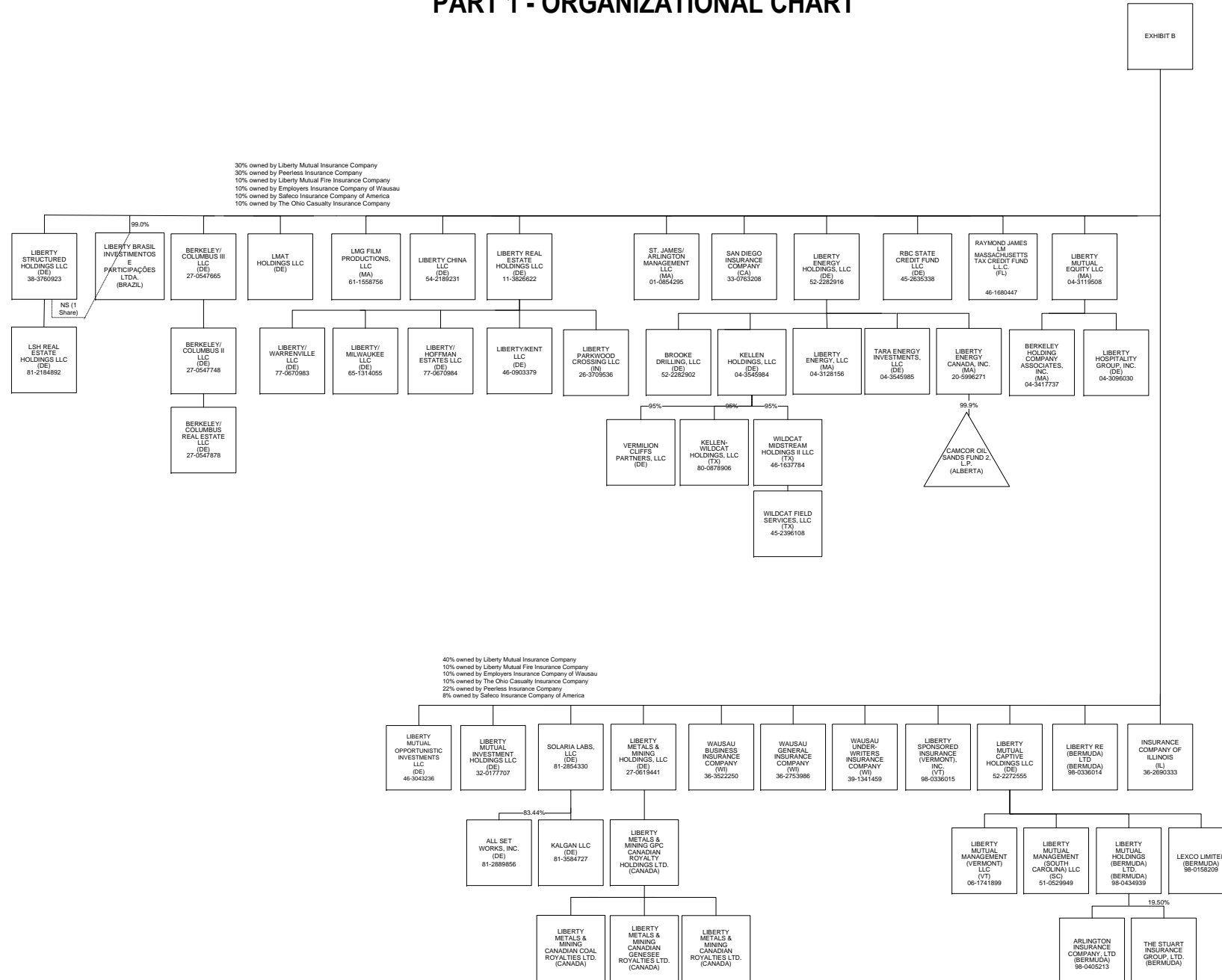
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



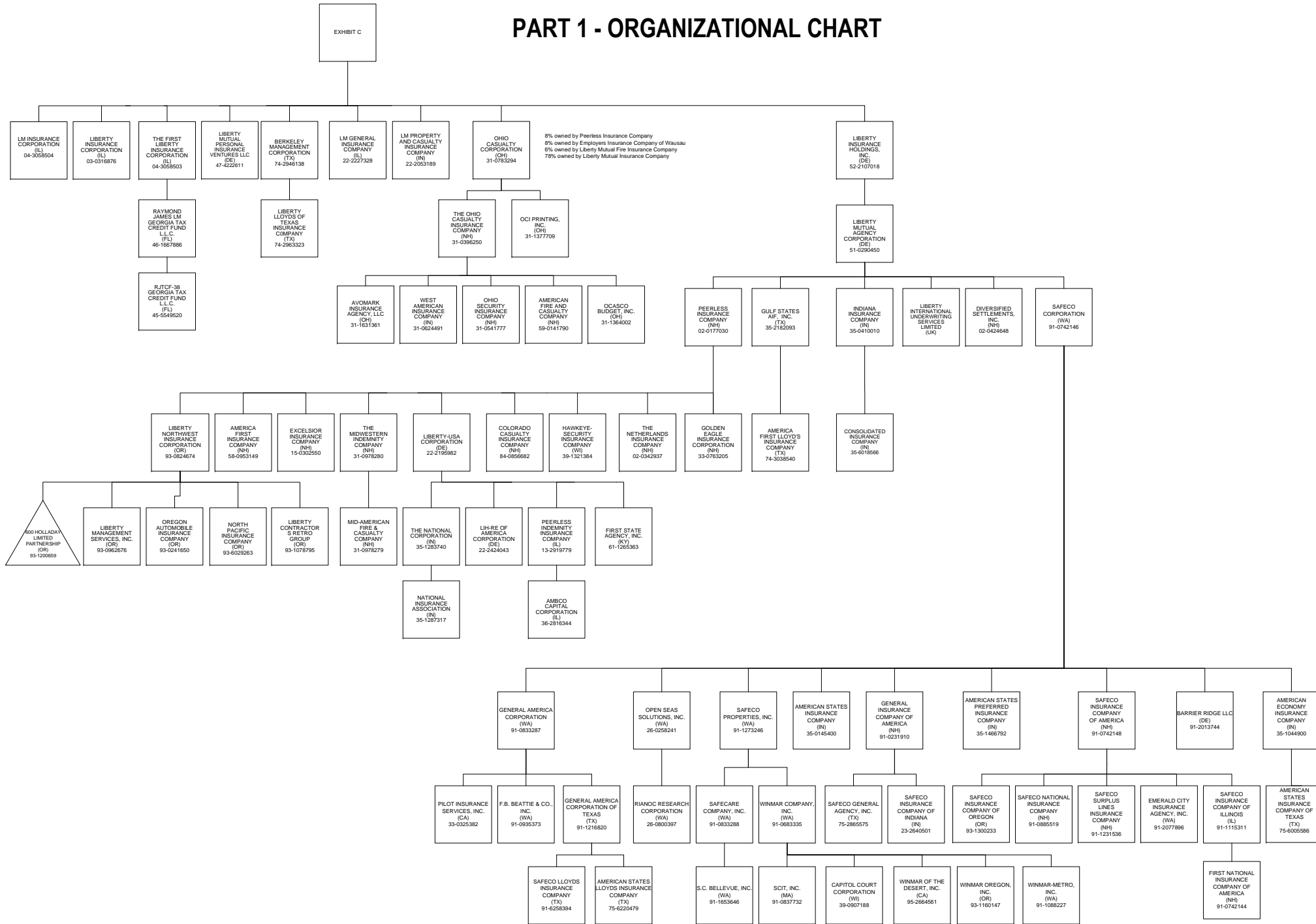
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



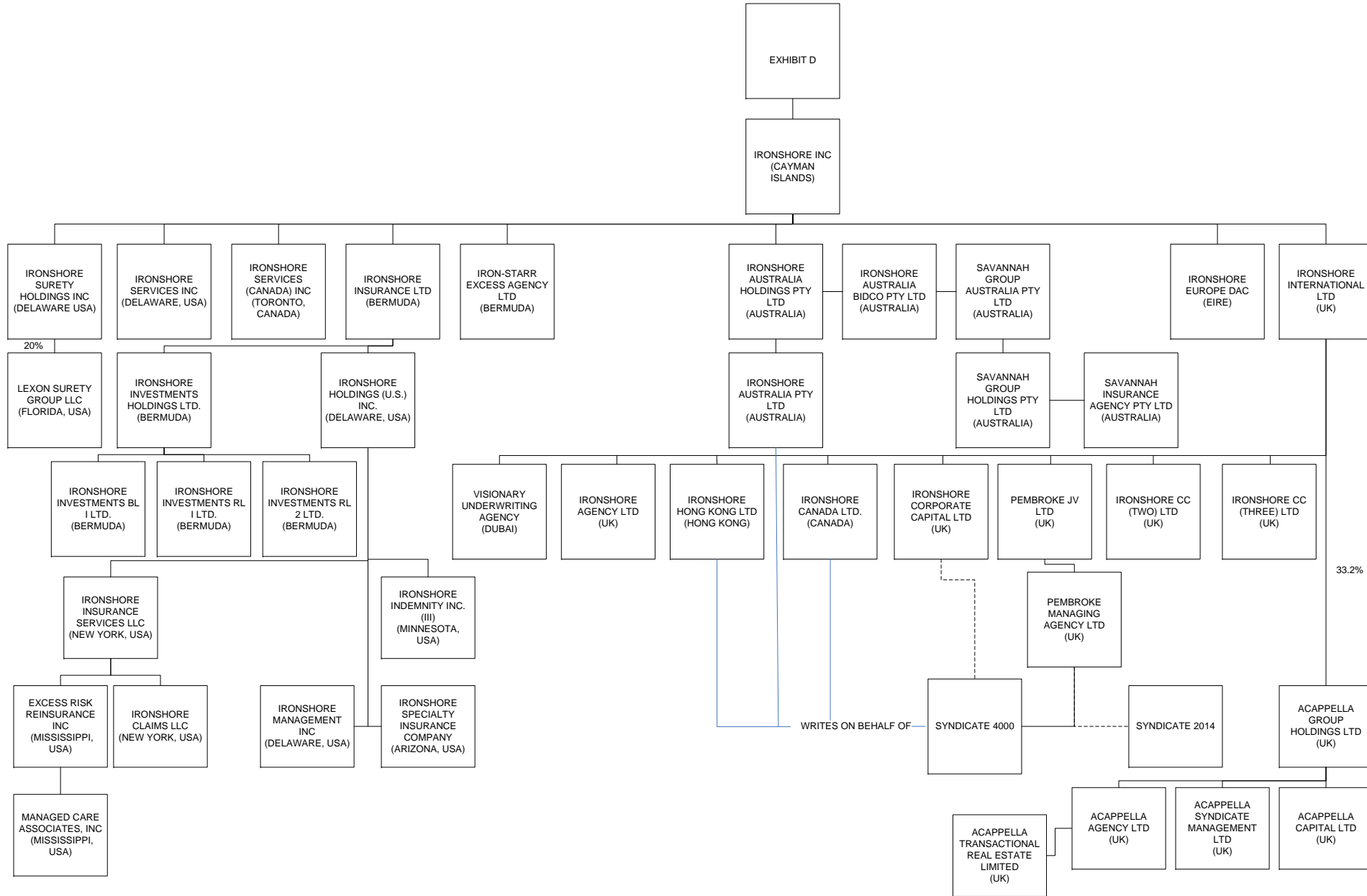
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

ASSETS

	Current Year			Prior Year
	1	2	3	4
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Other assets	7,451,255	6,439,858	1,011,397	976,963
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	7,451,255	6,439,858	1,011,397	976,963

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