

**ANNUAL STATEMENT**

**OF THE**

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**SAFECO INSURANCE COMPANY OF AMERICA**

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of **KEENE**  
**STATE OF** **NEW HAMPSHIRE**

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**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2018**

**PROPERTY AND CASUALTY**

**2018**



24740201820100100

ANNUAL STATEMENT

For the Year Ended December 31, 2018
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, 617-357-9500 x41177, Statutory.Compliance@LibertyMutual.com

OFFICERS

Chairman of the Board
David Henry Long

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

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

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

State of Massachusetts
County of Suffolk

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated...

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

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

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	3,406,216,163		3,406,216,163	3,189,560,093
2. Stocks (Schedule D):				
2.1 Preferred stocks	8,000,000		8,000,000	8,043,197
2.2 Common stocks	363,772,170		363,772,170	343,759,817
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	154,351,989		154,351,989	129,377,585
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 (\$ (56,365,950), Schedule E - Part 1), cash equivalents (\$ 74,088,610, Schedule E - Part 2), and short-term investments (\$ 5,391,627, Schedule DA)	23,114,287		23,114,287	67,128,667
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	287,129,061		287,129,061	292,399,410
9. Receivables for securities	14,149,579		14,149,579	2,361,675
10. Securities lending reinvested collateral assets (Schedule DL)	136,037,811		136,037,811	97,272,964
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	4,392,771,060		4,392,771,060	4,129,903,408
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	24,979,561		24,979,561	23,970,206
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	110,865,615	9,239,412	101,626,203	97,711,475
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,754,972 earned but unbilled premiums)	430,555,097	375,498	430,179,599	417,064,860
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	23,104,022	2,310,299	20,793,723	23,367,201
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	2,826	367	2,459	2,676
18.1 Current federal and foreign income tax recoverable and interest thereon				3,233,659
18.2 Net deferred tax asset	66,889,000	6,630,051	60,258,949	49,823,999
19. Guaranty funds receivable or on deposit	2,343,864		2,343,864	1,331,082
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	1,106,701		1,106,701	36,613,298
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	112,911,392	29,692,606	83,218,786	80,336,901
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	5,165,529,138	48,248,233	5,117,280,905	4,863,358,765
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	5,165,529,138	48,248,233	5,117,280,905	4,863,358,765

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	58,880,513		58,880,513	57,417,666
2502. Other assets	30,674,948	29,636,217	1,038,731	1,011,397
2503. Equities and deposits in pools and associations	12,881,701		12,881,701	11,811,075
2598. Summary of remaining write-ins for Line 25 from overflow page	10,474,230	56,389	10,417,841	10,096,763
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	112,911,392	29,692,606	83,218,786	80,336,901

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	2,007,889,097	1,966,991,459
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	5,323,343	4,152,220
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	411,936,027	392,056,322
4. Commissions payable, contingent commissions and other similar charges	38,792,197	32,506,356
5. Other expenses (excluding taxes, licenses and fees)	56,622,423	50,254,406
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	16,351,472	17,177,401
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	8,386,464	
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 \$ 1,576,367,539 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)	942,171,535	900,378,551
10. Advance premium	5,965,918	5,001,535
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	133,383	116,102
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 20)		
14. Amounts withheld or retained by company for account of others	3,740,133	2,759,416
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 3 Column 78)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	2,033,870	3,579,106
20. Derivatives		
21. Payable for securities	41,439,544	33,343,005
22. Payable for securities lending	136,037,811	97,272,964
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(126,013,716)	(145,522,181)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	3,550,809,501	3,360,066,662
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	3,550,809,501	3,360,066,662
29. Aggregate write-ins for special surplus funds	5,173,030	21,147,699
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)	822,429,349	743,275,381
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)	1,566,471,403	1,503,292,104
38. Totals (Page 2, Line 28, Col. 3)	5,117,280,904	4,863,358,766

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	32,628,256	(214,872,987)
2502. Other liabilities	31,958,653	32,814,900
2503. Retroactive reinsurance reserves	(190,600,625)	36,535,906
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(126,013,716)	(145,522,181)
2901. Special surplus from retroactive reinsurance	5,173,030	21,147,699
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)	5,173,030	21,147,699
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	1,864,606,168	1,650,597,656
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,077,037,378	1,088,961,524
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	228,156,987	223,577,471
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	552,160,971	507,678,876
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,857,355,336	1,820,217,871
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	7,250,832	(169,620,215)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	176,565,998	111,870,210
10. Net realized capital gains (losses) less capital gains tax of \$ (1,390,725) (Exhibit of Capital Gains (Losses))	(5,285,958)	48,014,266
11. Net investment gain (loss) (Lines 9 + 10)	171,280,040	159,884,476
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 217,276 amount charged off \$ 6,372,744)	(6,155,468)	(6,406,640)
13. Finance and service charges not included in premiums	12,106,986	12,184,553
14. Aggregate write-ins for miscellaneous income	(25,294,079)	4,991,635
15. Total other income (Lines 12 through 14)	(19,342,561)	10,769,548
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	159,188,311	1,033,809
17. Dividends to policyholders	986,470	815,613
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)	158,201,841	218,196
19. Federal and foreign income taxes incurred	37,182,725	(26,976,789)
20. Net income (Line 18 minus Line 19) (to Line 22)	121,019,116	27,194,985
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,503,292,104	1,497,864,470
22. Net income (from Line 20)	121,019,116	27,194,985
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (8,761,089)	(27,989,376)	(7,872,042)
25. Change in net unrealized foreign exchange capital gain (loss)	(7,597,157)	26,242,650
26. Change in net deferred income tax	8,303,911	(46,037,418)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(30,557,195)	5,899,459
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		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	63,179,299	5,427,634
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,566,471,403	1,503,292,104

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Other income/(expense)	1,270,494	(6,864,837)
1402. Retroactive reinsurance gain/(loss)	(26,564,573)	11,856,472
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(25,294,079)	4,991,635
3701. Other changes in surplus		
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)		

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	1,893,253,292	1,653,335,012
2. Net investment income	180,803,046	118,780,908
3. Miscellaneous income	(21,560,113)	15,138,540
4. Total (Lines 1 through 3)	2,052,496,225	1,787,254,460
5. Benefit and loss related payments	1,031,243,861	954,522,613
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	749,019,016	703,522,478
8. Dividends paid to policyholders	969,189	812,899
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	24,171,877	55,429,066
10. Total (Lines 5 through 9)	1,805,403,943	1,714,287,056
11. Net cash from operations (Line 4 minus Line 10)	247,092,282	72,967,404
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,508,503,548	1,213,937,567
12.2 Stocks	31,920,214	466,427,266
12.3 Mortgage loans	11,234,251	13,292,785
12.4 Real estate		
12.5 Other invested assets	462,999,457	223,031,282
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(266,863)	(543)
12.7 Miscellaneous proceeds	(11,787,904)	(710,885)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	3,002,602,703	1,915,977,472
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,731,688,948	1,694,600,306
13.2 Stocks	58,433,337	208,958,487
13.3 Mortgage loans	36,216,816	8,945,573
13.4 Real estate		
13.5 Other invested assets	501,897,388	291,997,622
13.6 Miscellaneous applications	(8,038,965)	(24,009,189)
13.7 Total investments acquired (Lines 13.1 to 13.6)	3,320,197,524	2,180,492,799
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)	(317,594,821)	(264,515,327)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	26,488,163	199,969,503
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	26,488,163	199,969,503
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(44,014,376)	8,421,580
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	67,128,663	58,707,083
19.2 End of year (Line 18 plus Line 19.1)	23,114,287	67,128,663

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	30,991	116,933
20.0003	5 - Benefits and loss related payments		98,209,679
20.0004	12.1 - Proceeds from investments sold, matured or repaid - Bonds	12,287,489	26,626,128
20.0005	12.2 - Proceeds from investments sold, matured or repaid - Stocks	455,322	1,173,445
20.0006	12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans		
20.0007	13.1 Cost of Investment Acquired - Bonds	48,810,647	144,242,853
20.0008	13.2 Cost of Investment Acquired - Stocks		1,076,613
20.0009	13.5 Cost of Investment Acquired - Other Invested Assets		
20.0010	16.6 Other Cash Provided (applied)	36,036,845	117,520,971

## 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	41,512,133	16,829,055	18,982,184	39,359,004
2. Allied lines	31,436,136	13,421,451	15,825,585	29,032,002
3. Farmowners multiple peril	6,340,274	3,079,580	3,137,822	6,282,032
4. Homeowners multiple peril	372,911,585	194,974,409	200,545,068	367,340,926
5. Commercial multiple peril	130,059,512	66,847,499	63,626,301	133,280,710
6. Mortgage guaranty				
8. Ocean marine	6,930,245	3,296,026	4,260,960	5,965,311
9. Inland marine	55,410,666	11,670,412	13,503,916	53,577,162
10. Financial guaranty				
11.1 Medical professional liability—occurrence	5,887,177	2,992,031	2,916,761	5,962,447
11.2 Medical professional liability—claims-made	6,685,048	2,913,967	3,428,719	6,170,296
12. Earthquake	4,661,085	1,966,420	2,301,020	4,326,485
13. Group accident and health	11,321,855	526,988	2,213,493	9,635,350
14. Credit accident and health (group and individual)				
15. Other accident and health	298,988	1,023,108	255,751	1,066,345
16. Workers' compensation	121,951,917	6,918,620	13,556,973	115,313,564
17.1 Other liability—occurrence	146,640,707	67,743,180	75,871,751	138,512,136
17.2 Other liability—claims-made	51,224,144	35,800,663	35,312,402	51,712,405
17.3 Excess workers' compensation	2,946,847	1,209,400	1,410,973	2,745,274
18.1 Products liability—occurrence	10,198,694	5,895,095	5,019,881	11,073,908
18.2 Products liability—claims-made	1,674,779	621,748	791,921	1,504,606
19.1,19.2 Private passenger auto liability	408,778,817	198,724,698	202,417,428	405,086,087
19.3,19.4 Commercial auto liability	84,459,169	39,250,014	39,678,808	84,030,375
21. Auto physical damage	311,659,340	151,229,586	152,869,970	310,018,956
22. Aircraft (all perils)	4,888,114	1,372,600	1,457,876	4,802,838
23. Fidelity	2,603,784	580,341	475,097	2,709,028
24. Surety	53,201,181	32,925,085	37,790,711	48,335,555
26. Burglary and theft	159,431	198,460	125,146	232,745
27. Boiler and machinery	2,535,196	987,768	1,120,624	2,402,340
28. Credit	1,856,547	1,241,082	2,513,677	583,952
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property	20,204,522	2,164,152	6,153,149	16,215,525
32. Reinsurance-nonproportional assumed liability	7,737,024	2,471,224	2,426,444	7,781,804
33. Reinsurance-nonproportional assumed financial lines	3,683,234	2,555,174	5,347,969	890,439
34. Aggregate write-ins for other lines of business				
35. TOTALS	1,909,858,151	871,429,836	915,338,380	1,865,949,607

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

NONE

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	18,035,501	946,683			18,982,184
2. Allied lines	15,924,198	(98,613)			15,825,585
3. Farmowners multiple peril	3,135,615	2,207			3,137,822
4. Homeowners multiple peril	200,317,273	227,796			200,545,069
5. Commercial multiple peril	64,697,214	529,234	(1,600,148)		63,626,300
6. Mortgage guaranty					
8. Ocean marine	2,665,485	1,595,475			4,260,960
9. Inland marine	10,442,133	3,061,783			13,503,916
10. Financial guaranty					
11.1 Medical professional liability—occurrence	2,772,340	144,421			2,916,761
11.2 Medical professional liability—claims-made	2,249,413	1,179,306			3,428,719
12. Earthquake	2,257,852	43,167			2,301,019
13. Group accident and health	2,213,493				2,213,493
14. Credit accident and health (group and individual)					
15. Other accident and health	257,611	(1,860)			255,751
16. Workers' compensation	35,301,147	2,052,201	(1,895,768)	(21,900,608)	13,556,972
17.1 Other liability—occurrence	60,252,525	16,493,993	(193,273)	(681,494)	75,871,751
17.2 Other liability—claims-made	21,058,420	14,255,525	(1,543)		35,312,402
17.3 Excess workers' compensation	1,188,193	222,779			1,410,972
18.1 Products liability—occurrence	3,926,972	1,640,267	(64,233)	(483,125)	5,019,881
18.2 Products liability—claims-made	692,659	99,271	(8)		791,922
19.1,19.2 Private passenger auto liability	199,329,883	3,087,546			202,417,429
19.3,19.4 Commercial auto liability	39,059,925	631,836	25,842	(38,795)	39,678,808
21. Auto physical damage	152,802,110	67,860			152,869,970
22. Aircraft (all perils)	1,083,151	374,725			1,457,876
23. Fidelity	857,405	(382,308)			475,097
24. Surety	10,634,708	27,156,003			37,790,711
26. Burglary and theft	110,638	14,508			125,146
27. Boiler and machinery	1,086,243	34,380			1,120,623
28. Credit	500,315	2,013,361			2,513,676
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property	5,240,737	912,413			6,153,150
32. Reinsurance-nonproportional assumed liability	2,079,333	347,111			2,426,444
33. Reinsurance-nonproportional assumed financial lines	3,530,377	1,817,592			5,347,969
34. Aggregate write-ins for other lines of business					
35. TOTALS	863,702,869	78,468,662	(3,729,131)	(23,104,022)	915,338,378
36. Accrued retrospective premiums based on experience					23,104,022
37. Earned but unbilled premiums					3,729,131
38. Balance (Sum of Lines 35 through 37)					942,171,531

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

(a) State here basis of computation used in each case



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	147,409,413	41,512,133		147,409,413		41,512,133
2. Allied lines	228,128,003	31,436,136		228,128,003		31,436,136
3. Farmowners multiple peril		6,340,274				6,340,274
4. Homeowners multiple peril	1,308,776,292	372,911,585		1,308,776,292		372,911,585
5. Commercial multiple peril	13,184,261	130,059,512		13,184,261		130,059,512
6. Mortgage guaranty						
8. Ocean marine		6,930,245				6,930,245
9. Inland marine	54,349,173	55,410,666		54,349,173		55,410,666
10. Financial guaranty						
11.1 Medical professional liability--occurrence		5,887,177				5,887,177
11.2 Medical professional liability--claims-made		6,685,048				6,685,048
12. Earthquake	11,374,559	4,661,085		11,374,559		4,661,085
13. Group accident and health		11,321,855				11,321,855
14. Credit accident and health (group and individual)						
15. Other accident and health		298,988				298,988
16. Workers' compensation	475,330	121,951,917		475,330		121,951,917
17.1 Other liability—occurrence	167,699,539	146,640,707		167,699,539		146,640,707
17.2 Other liability—claims-made	37	51,224,144		37		51,224,144
17.3 Excess workers' compensation		2,946,847				2,946,847
18.1 Products liability—occurrence		10,198,694				10,198,694
18.2 Products liability—claims-made		1,674,779				1,674,779
19.1,19.2 Private passenger auto liability	637,994,066	408,778,817		637,994,066		408,778,817
19.3,19.4 Commercial auto liability	255,827	84,459,169		255,827		84,459,169
21. Auto physical damage	532,586,469	311,659,340		532,586,469		311,659,340
22. Aircraft (all perils)		4,888,114				4,888,114
23. Fidelity	(3,096)	2,603,784		(3,096)		2,603,784
24. Surety	19,283,857	53,201,181		19,283,857		53,201,181
26. Burglary and theft	4,762	159,431		4,762		159,431
27. Boiler and machinery	68	2,535,196		68		2,535,196
28. Credit		1,856,547				1,856,547
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X	20,204,522				20,204,522
32. Reinsurance-nonproportional assumed liability	X X X	7,737,024				7,737,024
33. Reinsurance-nonproportional assumed financial lines	X X X	3,683,234				3,683,234
34. Aggregate write-ins for other lines of business						
35. TOTALS	3,121,518,560	1,909,858,151		3,121,518,560		1,909,858,151

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 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	71,941,645	18,949,314	71,941,645	18,949,314	26,635,180	35,206,520	10,377,974	26.367
2. Allied lines	114,705,668	23,332,747	114,705,668	23,332,747	23,345,373	27,371,045	19,307,075	66.503
3. Farmowners multiple peril		4,040,327		4,040,327	1,784,401	2,051,582	3,773,146	60.063
4. Homeowners multiple peril	721,065,881	191,931,732	721,065,881	191,931,732	97,600,662	95,112,565	194,419,829	52.926
5. Commercial multiple peril	6,934,515	84,690,506	6,934,515	84,690,506	146,368,726	145,416,227	85,643,005	64.258
6. Mortgage guaranty								
8. Ocean marine		2,369,932		2,369,932	5,469,081	5,788,072	2,050,941	34.381
9. Inland marine	30,206,771	33,066,057	30,206,771	33,066,057	8,755,531	7,000,259	34,821,329	64.993
10. Financial guaranty								
11.1 Medical professional liability—occurrence		1,145,511		1,145,511	10,274,664	8,885,313	2,534,862	42.514
11.2 Medical professional liability—claims-made		3,993,937		3,993,937	13,875,939	13,878,669	3,991,207	64.684
12. Earthquake		64,192		64,192	182,017	93,601	152,608	3.527
13. Group accident and health		1,516,531		1,516,531	5,707,689	401,583	6,822,637	70.808
14. Credit accident and health (group and individual)								
15. Other accident and health		3,004,717		3,004,717	1,654,079	3,074,132	1,584,664	148.607
16. Workers' compensation	3,156,843	64,090,060	3,156,843	64,090,060	667,671,590	715,573,105	16,188,545	14.039
17.1 Other liability—occurrence	77,243,520	76,187,626	77,243,520	76,187,626	298,939,317	276,527,245	98,599,698	71.185
17.2 Other liability—claims-made		16,899,499		16,899,499	112,544,060	104,890,383	24,553,176	47.480
17.3 Excess workers' compensation		1,835,576		1,835,576	35,522,604	34,497,378	2,860,802	104.208
18.1 Products liability—occurrence	234,553	6,833,986	234,553	6,833,986	22,988,933	22,037,733	7,785,186	70.302
18.2 Products liability—claims-made		79,859		79,859	3,327,926	2,330,912	1,076,873	71.572
19.1,19.2 Private passenger auto liability	389,344,669	242,617,381	389,344,669	242,617,381	355,886,679	329,181,142	269,322,918	66.485
19.3,19.4 Commercial auto liability	936,813	63,665,854	936,813	63,665,854	124,185,370	114,872,939	72,978,285	86.848
21. Auto physical damage	362,860,200	169,717,367	362,860,200	169,717,367	7,499,379	7,407,989	169,808,757	54.774
22. Aircraft (all perils)		2,916,764		2,916,764	3,610,291	3,201,221	3,325,834	69.247
23. Fidelity		280,059		280,059	4,794,569	5,121,345	(46,717)	(1.724)
24. Surety	(18,182,124)	6,298,692	(18,182,124)	6,298,692	13,934,486	13,291,442	6,941,736	14.362
26. Burglary and theft		44,375		44,375	406,632	139,353	311,654	133.904
27. Boiler and machinery		1,584,791		1,584,791	639,534	1,125,658	1,098,667	45.733
28. Credit		(77,705)		(77,705)	625,312	588,857	(41,250)	(7.064)
29. International								
30. Warranty					98,368	73,237	25,131	
31. Reinsurance-nonproportional assumed property	X X X	9,799,578		9,799,578	(4,873,274)	(21,965,173)	26,891,477	165.838
32. Reinsurance-nonproportional assumed liability	X X X	1,494,698		1,494,698	17,390,883	13,138,126	5,747,455	73.858
33. Reinsurance-nonproportional assumed financial lines	X X X	41,022		41,022	1,043,087	678,999	405,110	45.496
34. Aggregate write-ins for other lines of business								
35. TOTALS	1,760,448,954	1,032,414,985	1,760,448,954	1,032,414,985	2,007,889,088	1,966,991,459	1,073,312,614	57.521

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

NONE

## UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	49,063,157	12,344,658	49,063,157	12,344,658	18,400,744	14,290,522	18,400,744	26,635,180	1,601,663
2. Allied lines	7,615,785	14,337,657	7,615,785	14,337,657	10,832,896	9,007,716	10,832,896	23,345,373	1,408,168
3. Farmowners multiple peril		1,614,196		1,614,196		170,204		1,784,400	97,682
4. Homeowners multiple peril	195,551,194	56,929,488	195,551,194	56,929,488	160,209,820	40,671,174	160,209,820	97,600,662	14,771,446
5. Commercial multiple peril	10,634,904	85,184,804	10,634,904	85,184,804	(1,912,908)	61,183,922	(1,912,908)	146,368,726	38,410,848
6. Mortgage guaranty									
8. Ocean marine		2,726,927		2,726,927		2,742,153		5,469,080	540,617
9. Inland marine	2,076,423	6,226,921	2,076,423	6,226,921	1,624,556	2,528,609	1,624,556	8,755,530	786,133
10. Financial guaranty									
11.1 Medical professional liability—occurrence		1,949,436		1,949,436		8,325,228		10,274,664	899,006
11.2 Medical professional liability—claims-made		7,040,627		7,040,627		6,835,312		13,875,939	2,238,893
12. Earthquake	5,575	63,440	5,575	63,440	99	118,577	99	182,017	42,433
13. Group accident and health		62,239		62,239		5,645,449		(a) 5,707,688	270,415
14. Credit accident and health (group and individual)									
15. Other accident and health		443,790		443,790		1,210,290		(a) 1,654,080	176,177
16. Workers' compensation	33,006,375	303,183,283	33,006,375	303,183,283	10,353,814	364,488,306	10,353,814	667,671,589	122,069,548
17.1 Other liability—occurrence	115,443,760	111,936,225	115,443,760	111,936,225	63,461,247	187,003,092	63,461,247	298,939,317	80,258,138
17.2 Other liability—claims-made		34,558,657		34,558,657		77,985,402		112,544,059	24,953,447
17.3 Excess workers' compensation		15,548,078		15,548,078		19,974,526		35,522,604	5,054,913
18.1 Products liability—occurrence	106,961	5,911,115	106,961	5,911,115	18,308	17,077,818	18,308	22,988,933	16,007,277
18.2 Products liability—claims-made		176,226		176,226		3,151,700		3,327,926	747,150
19.1,19.2 Private passenger auto liability	314,130,532	208,660,121	314,130,532	208,660,121	154,977,426	147,226,558	154,977,426	355,886,679	74,223,116
19.3,19.4 Commercial auto liability	2,140,737	62,682,104	2,140,737	62,682,104	990,583	61,503,266	990,583	124,185,370	14,332,531
21. Auto physical damage	60,609	962,781	60,609	962,781	19,792,029	6,536,598	19,792,029	7,499,379	6,659,775
22. Aircraft (all perils)		3,008,514		3,008,514		601,777		3,610,291	879,129
23. Fidelity		781,818		781,818		(153)		4,012,751	664,191
24. Surety	(9,318,722)	(1,077,163)	(9,318,722)	(1,077,163)	14,876,138	15,011,649	14,876,138	13,934,486	3,124,923
26. Burglary and theft		104,998		104,998		301,634		406,632	66,644
27. Boiler and machinery		942,874		942,874		(303,340)		639,534	169,966
28. Credit		45,108		45,108		580,204		625,312	87,830
29. International									
30. Warranty						98,368		98,368	28,514
31. Reinsurance-nonproportional assumed property	X X X	9,784,264		9,784,264	X X X	(14,657,538)		(4,873,274)	384,197
32. Reinsurance-nonproportional assumed liability	X X X	6,177,546		6,177,546	X X X	11,213,337		17,390,883	964,560
33. Reinsurance-nonproportional assumed financial lines	X X X	571,576		571,576	X X X	471,511		1,043,087	16,698
34. Aggregate write-ins for other lines of business									
35. TOTALS	720,517,290	952,882,308	720,517,290	952,882,308	453,657,337	1,055,006,775	453,657,337	2,007,889,083	411,936,028
<b>DETAILS OF WRITE-IN LINES</b>									
3401.									
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

NONE

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	65,305,075			65,305,075
1.2 Reinsurance assumed	113,407,646			113,407,646
1.3 Reinsurance ceded	65,305,075			65,305,075
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	113,407,646			113,407,646
2. Commission and brokerage:				
2.1 Direct, excluding contingent		414,979,447		414,979,447
2.2 Reinsurance assumed, excluding contingent		152,251,780		152,251,780
2.3 Reinsurance ceded, excluding contingent		414,979,447		414,979,447
2.4 Contingent—direct		124,583,252		124,583,252
2.5 Contingent—reinsurance assumed		27,784,618		27,784,618
2.6 Contingent—reinsurance ceded		124,583,252		124,583,252
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)		180,036,398		180,036,398
3. Allowances to manager and agents		17,421,739		17,421,739
4. Advertising	150,732	31,970,168	6,078	32,126,978
5. Boards, bureaus and associations	372,263	2,795,572	3,338	3,171,173
6. Surveys and underwriting reports	49,222	7,740,255	3,494	7,792,971
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	72,226,800	151,365,407	5,269,776	228,861,983
8.2 Payroll taxes	3,139,300	11,589,403	217,363	14,946,066
9. Employee relations and welfare	7,546,007	27,551,887	594,483	35,692,377
10. Insurance	8,186,262	255,202	336,790	8,778,254
11. Directors' fees	(2,168)	(6,198)	(153)	(8,519)
12. Travel and travel items	3,000,847	7,680,021	151,475	10,832,343
13. Rent and rent items	4,235,045	15,644,195	307,305	20,186,545
14. Equipment	2,982,797	9,521,302	971,257	13,475,356
15. Cost or depreciation of EDP equipment and software	2,926,127	7,608,093	292,147	10,826,367
16. Printing and stationery	306,458	1,498,330	13,470	1,818,258
17. Postage, telephone and telegraph, exchange and express	1,909,407	10,269,377	104,963	12,283,747
18. Legal and auditing	936,806	2,013,576	269,578	3,219,960
19. Totals (Lines 3 to 18)	107,965,905	304,918,329	8,541,364	421,425,598
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 191,313		37,012,781		37,012,781
20.2 Insurance department licenses and fees		3,923,722		3,923,722
20.3 Gross guaranty association assessments		(34,695)		(34,695)
20.4 All other (excluding federal and foreign income and real estate)		6,530,424		6,530,424
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		47,432,232		47,432,232
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	6,783,438	19,774,010	1,021,992	27,579,440
25. Total expenses incurred	228,156,989	552,160,969	9,563,356	(a) 789,881,314
26. Less unpaid expenses—current year	411,936,027	111,766,093		523,702,120
27. Add unpaid expenses—prior year	392,056,322	99,938,163		491,994,485
28. Amounts receivable relating to uninsured plans, prior year		2,676		2,676
29. Amounts receivable relating to uninsured plans, current year		2,459		2,459
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	208,277,284	540,332,822	9,563,356	758,173,462

DETAILS OF WRITE-IN LINES				
2401. Other Expenses	6,783,438	19,774,010	1,021,992	27,579,440
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	6,783,438	19,774,010	1,021,992	27,579,440

(a) Includes management fees of \$ 254,511,292 to affiliates and \$ 17,421,456 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 5,964,123	7,826,643
1.1 Bonds exempt from U.S. tax	(a) 20,902,263	19,047,531
1.2 Other bonds (unaffiliated)	(a) 86,353,379	87,348,277
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 87,689	75,926
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	2,265,964	2,380,003
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 6,588,826	6,675,704
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 2,126,585	1,982,546
7. Derivative instruments	(f)	
8. Other invested assets	59,920,453	59,920,453
9. Aggregate write-ins for investment income	872,273	872,273
10. Total gross investment income	185,081,555	186,129,356
11. Investment expenses		(g) 9,563,357
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)		9,563,357
17. Net investment income (Line 10 minus Line 16)		176,565,999

DETAILS OF WRITE-IN LINES			
0901. Miscellaneous Income/(Expense)		872,273	872,273
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)		872,273	872,273
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)			

NONE

- (a) Includes \$ 3,748,503 accrual of discount less \$ 9,064,343 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 \$ 296,721 accrual of discount less \$ 0 amortization of premium and less \$ 470 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 \$ 232,565 accrual of discount less \$ 75,393 amortization of premium and less \$ 70,878 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 9,563,357 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	(4,571,800)		(4,571,800)		
1.1 Bonds exempt from U.S. tax	1,726,579		1,726,579	(38,730)	
1.2 Other bonds (unaffiliated)	(3,010,844)	(5,020,922)	(8,031,766)	(20,690,957)	(7,275,709)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	1,538,339		1,538,339	(134,417)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	314,015		314,015	(12,647,875)	
2.21 Common stocks of affiliates				4,841,294	
3. Mortgage loans	(8,218)		(8,218)	57	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	(266,863)		(266,863)		(14,887)
7. Derivative instruments	3,393		3,393		
8. Other invested assets	2,678,345	(1,133)	2,677,212	(8,079,837)	(4,201)
9. Aggregate write-ins for capital gains (losses)	(57,574)		(57,574)		
10. Total capital gains (losses)	(1,654,628)	(5,022,055)	(6,676,683)	(36,750,465)	(7,294,797)

DETAILS OF WRITE-IN LINES					
0901. Aggregate write-ins for capital gains (losses)		(57,574)	(57,574)		
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)		(57,574)	(57,574)		

## 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	9,239,412	7,294,574	(1,944,838)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	375,498	321,739	(53,759)
15.3 Accrued retrospective premiums and contracts subject to redetermination	2,310,299	2,598,730	288,431
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	367	46	(321)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	6,630,051		(6,630,051)
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	3,285,433
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	29,692,606	6,440,731	(23,251,875)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	48,248,233	19,941,253	(28,306,980)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	48,248,233	19,941,253	(28,306,980)

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	29,636,217	6,439,858	(23,196,359)
2502. Amounts receivable under high deductible policies	56,389	873	(55,516)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	29,692,606	6,440,731	(23,251,875)

## 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 #	2018	2017
1. Safeco Insurance Company of America state basis (Page 4, Line 20, Columns 1 & 3)	XXX	XXX	XXX	\$ 121,019,116	\$ 27,194,985
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>\$ 121,019,116</u>	<u>\$ 27,194,985</u>
<b>SURPLUS</b>					
5. Company state basis (Page 3, Line 37, Columns 1 & 2)	XXX	XXX	XXX	\$ 1,566,471,403	\$ 1,503,292,104
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>\$ 1,566,471,403</u>	<u>\$ 1,503,292,104</u>

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

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

#### C. Accounting Policies

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

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

- Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Investment Analysis Office (SVO Manual).
- Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
- Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
- Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
- Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
- Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are based on market expectations. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
- Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*, and the SVO Manual.
- Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
- Derivative Securities, refer to Note 8.
- Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
- Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and an amount, based on past experience, for losses and loss adjustment expenses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
- The Company did not change its capitalization policy in 2018.
- The Company has no pharmaceutical rebate receivables.

#### D. Going Concern

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

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

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

### Note 3 – Business Combinations and Goodwill

#### A. Statutory Purchase Method

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

## NOTES TO FINANCIAL STATEMENTS

### B. Statutory Mergers

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

### C. Impairment Loss

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

### Note 4 – Discontinued Operations

The Company has no discontinued operations.

### Note 5 - Investments

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

##### 1. The maximum and minimum lending rates for mortgage loans during 2018 were:

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

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

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

2018	2017
\$8,025	\$6,069

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

	Farm	Residential		Commercial		Mezzanine	Total
		Insured	All Other	Insured	All Other		
a. Current Year							
1. Recorded Investments (All)							
(a) Current	\$ -	\$ -	\$ -	\$ -	\$ 154,351,989	\$ -	\$ 154,351,989
(b) 30-59 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c) 60-89 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(d) 90-179 Days Past Due	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(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	\$ -	\$ -	\$ -	\$ -	\$ 311,245	\$ -	\$ 311,245
(b) Number of Loans	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ 25
(c) Percent Reduced	0%	0%	0%	0%	0.867%	0%	0.867%

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

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ 154,351,989	\$ -	\$ 154,351,989
-------------------------	------	------	------	------	----------------	------	----------------

#### b. Prior 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	\$ -	\$ -	\$ -	\$ -	\$ 3,259	\$ -	\$ 3,259

##### 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	0%	0%	0%	0%	1.467%	0%	1.467%

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

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ 129,377,642	\$ -	\$ 129,377,642
-------------------------	------	------	------	------	----------------	------	----------------

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

	Farm	Residential		Commercial		Mezzanine	Total
		Insured	All Other	Insured	All Other		
a. Current Year							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2. No Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Total (1+2)					\$ -		\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



## NOTES TO FINANCIAL STATEMENTS

## b. Prior 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

## 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	\$ -	\$ -	\$ -	\$ -	\$ 1,601	\$ -	\$ 1,601
2. Interest Income Recognized	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Recorded Investments on Nonaccrual Status	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## b. Prior Year

1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$ 14,954	\$ -	\$ 14,954
2. Interest Income Recognized	\$ -	\$ -	\$ -	\$ -	\$ 841	\$ -	\$ 841
3. Recorded Investments on Nonaccrual Status	\$ -	\$ -	\$ -	\$ -	\$ 3,259	\$ -	\$ 3,259
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## 7. Allowance for Credit Losses:

	2018	2017
a. Balance at beginning of period	\$ 57	\$ 41,400
b. Additions charged to operations	8,586	15,001
c. Direct write-downs charged against the allowances	(8,643)	(56,345)
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	<u>\$ -</u>	<u>\$ 56</u>

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

	2018	2017
a. Aggregate amount of mortgage loans derecognized	\$ -	\$ -
b. Real estate collateral recognized	-	-
c. Other collateral recognized	-	-
d. Receivables recognized from a government guarantee of the foreclosed mortgage loan	-	-

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

## B. Debt Restructuring

	2018	2017
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.

## D. Loaned Backed Securities

- Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
- All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate as of December 31, 2018: None
- Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2018:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Reported
05539TAR6	15,841	6,761	9,081	6,761	6,084	3/31/2018
05539TAR6	18,736	7,139	11,598	7,139	7,085	3/31/2018
05539TAR6	18,736	7,139	11,598	7,139	7,085	3/31/2018
05539TAR6	9,555	7,013	2,542	7,013	1,560	9/30/2018
Total			34,818			

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

a. The aggregate amount of unrealized losses:		
1. Less than 12 Months	\$	(3,117,535)
2. 12 Months or Longer	\$	(6,753,096)
b. The aggregate related fair value of securities with unrealized losses:		
1. Less than 12 Months	\$	142,817,276
2. 12 Months or Longer	\$	325,906,955

## NOTES TO FINANCIAL STATEMENTS

5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' 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, 2018.
3. Collateral Received

#### a. Aggregate Amount Collateral Received

	Fair Value
1. Securities Lending	
(a) Open	\$ 136,037,811
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	\$ 136,037,811
(g) Securities Received	791,013
(h) Total Collateral Received	\$ 136,828,824
2. Dollar Repurchase Agreement	
(a) Open	-
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	-

- b. The fair value of that collateral and of the portion of that collateral that it has sold or re-pledged
- |  |                |
|--|----------------|
|  | \$ 136,828,824 |
|--|----------------|

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

#### 4. Securities Lending Transactions Administered by an Affiliated Agent

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

#### 5. Collateral Reinvestment

##### a. Aggregate Amount Collateral Received

	Amortized Cost	Fair Value
1. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	80,120,720	80,120,720
(c) 31 to 60 Days	39,230,938	39,230,938
(d) 61 to 90 Days	16,686,152	16,686,152
(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	136,037,811	136,037,811
(l) Securities Received	-	-
(m) Total Collateral Reinvested	136,037,811	136,037,811
2. Dollar Repurchase Agreement		
(a) Open	-	-
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	-	-

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

6. The Company has not accepted collateral that it is not permitted by contract or custom to sell or re-pledge.
7. The Company has not accepted collateral that extends beyond one year from the reporting date for securities lending transactions.

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

Not applicable.

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

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

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 five years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
2. There were \$315 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 \$865.
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 (Included Pledge)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year						7 Increase/ (Decrease) (5 minus 6)
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)	6 Total From Prior Year	
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Collateral held under security lending agreements	136,037,811	-	-	-	136,037,811	97,272,964	38,764,847
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	161,956,910	-	-	-	161,956,910	154,954,977	7,001,933
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	-	-	-	-	-	-	-
<b>o. Total Restricted Assets</b>	<b>\$ 297,994,721</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 297,994,721</b>	<b>\$ 252,227,941</b>	<b>\$ 45,766,780</b>

(a) Subset of column 1

(b) Subset of column 3

Restricted Asset Category	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage	
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	0%	0%
b. Collateral held under security lending agreements	-	136,037,811	2.63%	2.66%
c. Subject to repurchase agreements	-	-	0%	0%
d. Subject to reverse repurchase agreements	-	-	0%	0%
e. Subjects to dollar repurchase agreements	-	-	0%	0%
f. Subject to dollar reverse repurchase agreements	-	-	0%	0%
g. Placed under option contracts	-	-	0%	0%
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	0%	0%
i. FHLB capital stock	-	-	0%	0%
j. On deposit with states	-	161,956,910	3.14%	3.16%
k. On deposit with other regulatory bodies	-	-	0%	0%
l. Pledged collateral to FHLB (including assets backing funding agreements)	-	-	0%	0%
m. Pledged as collateral not captured in other categories	-	-	0%	0%
n. Other restricted assets	-	-	0%	0%
<b>o. Total Restricted Assets</b>	<b>\$ -</b>	<b>\$ 297,994,721</b>	<b>5.77%</b>	<b>5.82%</b>

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

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

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

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

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

Not applicable.

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

Collateral Assets	1	2	3	4
	Book/ Adjusted Carrying Value (BACV)	Fair Value	% of BACV to Total Assets (Admitted and Nonadmitted)*	% of BACV to Total Admitted Assets**
a. Cash	\$ -	\$ -	0%	0%
b. Schedule D, Part 1	-	-	0%	0%
c. Schedule D, Part 2, Section 1	-	-	0%	0%
d. Schedule D, Part 2, Section 2	-	-	0%	0%
e. Schedule B	-	-	0%	0%
f. Schedule A	-	-	0%	0%
g. Schedule BA, Part 1	-	-	0%	0%
h. Schedule DL, Part 1	136,037,811	136,037,811	2.63%	2.66%
i. Other	-	-	0%	0%
j. Total Collateral Assets	\$ 136,037,811	\$ 136,037,811	2.63%	2.66%

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

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

	1	2
	Amount	% of Liability to Total Liabilities *
k. Recognized Obligation Return Collateral Asset	\$ 136,037,811	3.83%

\* 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.

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 asset:

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, 2018.

**Note 8 - Derivative Instruments**

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

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

The Company uses derivatives for risk management and to increase investment portfolio returns through asset replication. The Company does not use derivatives for speculative purposes. The Company may also acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and immaterial to the underlying investment portfolio.

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

D. The Company entered into futures contracts in 2018 which required the payment/receipt of premiums at either the inception of the contracts or throughout the life of the contracts, depending on the agreement with counterparties and brokers.

E. The Company did not have gains or losses in net unrealized gains or losses that resulted from derivatives that no longer qualify for hedge accounting treatment in 2018 and 2017.

F. The Company did not have gains or losses in net unrealized gains or losses that resulted from derivatives that no longer qualify for hedge accounting treatment in 2018 and 2017.

G. The company did not have derivatives accounted for as cash flow hedges of a forecasted transaction

## NOTES TO FINANCIAL STATEMENTS

### Note 9 - Income Taxes

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

1.

	12/31/2018		
	(1)	(2)	(3)
	Ordinary	Capital	Total (Col 1+2)
(a) Gross Deferred Tax Assets	\$ 94,290,000	\$ 15,229,000	\$ 109,519,000
(b) Statutory Valuation Allowance Adjustments	\$ -	\$ -	\$ -
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$ 94,290,000	\$ 15,229,000	\$ 109,519,000
(d) Deferred Tax Assets Nonadmitted	\$ -	\$ 6,630,051	\$ 6,630,051
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ 94,290,000	\$ 8,598,949	\$ 102,888,949
(f) Deferred Tax Liabilities	\$ 34,035,000	\$ 8,595,000	\$ 42,630,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 60,255,000	\$ 3,949	\$ 60,258,949

	12/31/2017		
	(1)	(2)	(3)
	Ordinary	Capital	Total (Col 1+2)
(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

	Change		
	(7)	(8)	(9)
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$ 213,000	\$ 4,464,000	\$ 4,677,000
(b) Statutory Valuation Allowance Adjustments	\$ -	\$ -	\$ -
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$ 213,000	\$ 4,464,000	\$ 4,677,000
(d) Deferred Tax Assets Nonadmitted	\$ -	\$ 6,630,051	\$ 6,630,051
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ 213,000	\$ (2,166,051)	\$ (1,953,051)
(f) Deferred Tax Liabilities	\$ (2,615,000)	\$ (9,773,000)	\$ (12,388,000)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 2,828,000	\$ 7,606,949	\$ 10,434,949

2.

	12/31/2018		
	(1)	(2)	(3)
	Ordinary	Capital	Total (Col 1+2)
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 38,886,159	\$ 3,949	\$ 38,890,108
(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)	\$ 30,807,862	\$ -	\$ 30,807,862
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	\$ 30,807,862	\$ -	\$ 30,807,862
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	\$ -	\$ -	\$ 231,532,476
(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.	\$ 24,595,979	\$ 8,595,000	\$ 33,190,979
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 94,290,000	\$ 8,598,949	\$ 102,888,949

## NOTES TO FINANCIAL STATEMENTS

	12/31/2017		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 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

	Change		
	(7) Ordinary	(8) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 25,381,447	\$ 3,949	\$ 25,385,396
(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)	\$ (25,120,629)	\$ -	\$ (25,120,629)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	\$ (25,120,629)	\$ -	\$ (25,120,629)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	\$ -	\$ -	\$ 13,249,826
(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.	\$ (47,818)	\$ (2,170,000)	\$ (2,217,818)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 213,000	\$ (2,166,051)	\$ (1,953,051)

	2018	2017
(a) Ratio Percentage Used to Determine Recovery Period And Threshold Limitation Amount	622.3%	638.8%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above	\$ 1,506,212,454	\$ 1,453,468,105

	12/31/2018		12/31/2017		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) Ordinary	(6) Capital
Impact of Tax-Planning Strategies						
(a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage						
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 94,290,000	\$ 15,229,000	\$ 94,077,000	\$ 10,765,000	\$ 213,000	\$ 4,464,000
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 94,290,000	\$ 8,598,949	\$ 94,077,000	\$ 10,765,000	\$ 213,000	\$ (2,166,051)
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.

## NOTES TO FINANCIAL STATEMENTS

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

	(1)	(2)	(3)
	12/31/2018	12/31/2017	(Col 1-2) Change
<b>1. Current Income Tax</b>			
(a) Federal	\$ 37,162,298	\$ (26,816,237)	\$ 63,978,535
(b) Foreign	\$ 20,427	\$ (160,552)	\$ 180,979
(c) Subtotal	\$ 37,182,725	\$ (26,976,789)	\$ 64,159,514
(d) Federal income tax on net capital gains	\$ (1,390,725)	\$ 26,649,789	\$ (28,040,514)
(e) Utilization of capital loss carry-forwards	\$ -	\$ -	\$ -
(f) Other	\$ -	\$ -	\$ -
(g) Federal and foreign income tax incurred	\$ 35,792,000	\$ (327,000)	\$ 36,119,000
<b>2. Deferred Tax Assets:</b>	\$ -	\$ -	\$ -
(a) Ordinary	\$ -	\$ -	\$ -
(1) Discounting of unpaid losses	\$ 36,977,000	\$ 38,257,000	\$ (1,280,000)
(2) Unearned premium reserve	\$ 40,875,000	\$ 39,080,000	\$ 1,795,000
(3) Policyholder reserves	\$ -	\$ -	\$ -
(4) Investments	\$ 765,000	\$ 748,000	\$ 17,000
(5) Deferred acquisition costs	\$ -	\$ -	\$ -
(6) Policyholder dividends accrual	\$ -	\$ -	\$ -
(7) Fixed Assets	\$ -	\$ -	\$ -
(8) Compensation and benefits accrual	\$ 2,344,000	\$ 4,220,000	\$ (1,876,000)
(9) Pension accrual	\$ 1,316,000	\$ 1,494,000	\$ (178,000)
(10) Receivables – nonadmitted	\$ 8,740,000	\$ 4,188,000	\$ 4,552,000
(11) Net operating loss carry-forward	\$ -	\$ -	\$ -
(12) Tax credit carry-forward	\$ 5,000	\$ 1,461,000	\$ (1,456,000)
(13) Other (including items <5% of total ordinary tax assets)	\$ 3,268,000	\$ 4,629,000	\$ (1,361,000)
(99) Subtotal	\$ 94,290,000	\$ 94,077,000	\$ 213,000
(b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(c) Nonadmitted	\$ -	\$ -	\$ -
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	\$ 94,290,000	\$ 94,077,000	\$ 213,000
(e) Capital			\$ -
(1) Investments	\$ 15,229,000	\$ 10,765,000	\$ 4,464,000
(2) Net capital loss carry-forward	\$ -	\$ -	\$ -
(3) Real estate	\$ -	\$ -	\$ -
(4) Other (including items <5% of total capital tax assets)	\$ -	\$ -	\$ -
(99) Subtotal	\$ 15,229,000	\$ 10,765,000	\$ 4,464,000
(f) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(g) Nonadmitted	\$ 6,630,051	\$ -	\$ 6,630,051
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	\$ 8,598,949	\$ 10,765,000	\$ (2,166,051)
(i) Admitted deferred tax assets (2d + 2h)	\$ 102,888,949	\$ 104,842,000	\$ (1,953,051)
<b>3. Deferred Tax Liabilities:</b>	\$ -	\$ -	\$ -
(a) Ordinary	\$ -	\$ -	\$ -
(1) Investments	\$ 4,103,000	\$ 3,827,000	\$ 276,000
(2) Fixed assets	\$ 14,345,000	\$ 13,111,000	\$ 1,234,000
(3) Deferred and uncollected premium	\$ -	\$ -	\$ -
(4) Policyholder reserves	\$ 12,851,000	\$ 16,761,000	\$ (3,910,000)
(5) Other (including items <5% of total ordinary tax liabilities)	\$ 2,736,000	\$ 2,951,000	\$ (215,000)
(99) Subtotal	\$ 34,035,000	\$ 36,650,000	\$ (2,615,000)
(b) Capital:	\$ -	\$ -	\$ -
(1) Investments	\$ 7,941,000	\$ 17,714,000	\$ (9,773,000)
(2) Real estate	\$ 654,000	\$ 654,000	\$ -
(3) Other (including items <5% of total capital tax liabilities)	\$ -	\$ -	\$ -
(99) Subtotal	\$ 8,595,000	\$ 18,368,000	\$ (9,773,000)
(c) Deferred tax liabilities (3a99 + 3b99)	\$ 42,630,000	\$ 55,018,000	\$ (12,388,000)
<b>4. Net deferred tax assets/liabilities (2i – 3c)</b>	\$ 60,258,949	\$ 49,824,000	\$ 10,434,949

D. Effective tax rates differ from the current statutory rate of 21% principally due to the effects of tax exempt income, intercompany dividends, LP & LLC income, limits on unearned premium reserve deductions, loss reserve transitional adjustment, 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 general business credit carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2017	\$ 5,000	2037

The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$27,506,000 from the current year and \$10,695,000 from the preceding year.

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

### **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, 2018, 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	\$	6,374,009
4. Received dividends in the amount of	\$	55,787,192

D. At December 31, 2018, the Company reported a net \$927,169 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.



## NOTES TO FINANCIAL STATEMENTS

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

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

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	\$ 100,000,000
The Ohio Casualty Insurance Company	\$ 100,000,000
Peerless Insurance Company	\$ 100,000,000

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

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

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	\$ 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, 2018.

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, 2018.

- 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
<b>a. SSAP No. 97 8a Entities</b>				
N/A				
Total SSAP No. 97 8a Entities				
<b>b. SSAP No. 97 8b(ii) Entities</b>				
N/A				
Total SSAP No. 97 8b(ii) Entities				
<b>c. SSAP No. 97 8b(iii)</b>				
Emerald City Insurance Agency, Inc.	100%	\$ 1,000	\$ 1,000	\$ -
Liberty Mutual Investment Holdings LLC	8%	224,279,817	224,279,817	-
LMAT Holdings LLC	10%	17,984,096	17,984,096	-
Georgia Tax Credit Fund LM L.P.	0.01%	865	865	-
Total SSAP No. 97 8b(iii) Entities		\$ 242,265,778	\$ 242,265,778	\$ -
<b>d. SSAP No. 97 8b(iv)</b>				
N/A				
Total SSAP No. 97 8b(iv) Entities				
<b>e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)</b>				
		\$ 242,265,778	\$ 242,265,778	\$ -
<b>f. Aggregate Total (a+e)</b>				
		\$ 242,265,778	\$ 242,265,778	\$ -

2. NAIC Filing Response Information

SCA Entity	Type of NAIC Filing*	Date of Filing to NAIC	2017 NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code**
<b>a. SSAP No. 97 8a Entities</b>						
N/A						
Total SSAP No. 97 8a Entities						
<b>b. SSAP No. 97 8b(ii) Entities</b>						
N/A						
Total SSAP No. 97 8b(ii) Entities						
<b>c. SSAP No. 97 8b(iii)</b>						
Emerald City Insurance Agency, Inc.	S1	12/17/2018	\$ 1,000.00	Y	N/A	i
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			\$ 1,000.00			
<b>d. SSAP No. 97 8b(iv)</b>						
N/A						
Total SSAP No. 97 8b(iv) Entities						
<b>e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)</b>						
			\$ 1,000.00			
<b>f. Aggregate Total (a+e)</b>						
			\$ 1,000.00			

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

\*\* I – Immaterial or M – Material

## NOTES TO FINANCIAL STATEMENTS

N. Investment in Insurance SCAs

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

O. SCA Loss Tracking

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

**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, 2018.

**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, 2018. 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 2018.
5. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of 10% of surplus or net income excluding realized capital gains. The maximum dividend payout that may be made without prior approval in 2019 is \$121,019,117.
6. As of December 31, 2018, the Company has pre-tax restricted surplus of \$5,173,030 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2018.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is (\$9,759,057) after applicable deferred taxes of \$9,002,063.
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 \$6,571,141 that is offset by future premium tax credits of \$191,313. Current guaranty fund assessments and assessments based on losses paid are expected to be paid out in the next two years, while premium tax offsets are expected to be realized over the period determined by each individual state once the guaranty fund assessment has been paid. The Company continues to remit payments relating to prior year insolvencies.

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$	243,201
b. Decreases current year:		
Premium tax offset applied	\$	205,272
c. Increases current year:		
Premium tax offset applied	\$	153,384
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$	191,313

C. Gain Contingencies

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

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

	Direct
Claims related to ECO and bad faith losses paid during the reporting period	\$ 10,984,368

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

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

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

(f) Per Claim  (g) Per Claimant

E. Product Warranties

The Company does not write product warranty business.

F. Joint and Several Liabilities

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

G. All Other Contingencies

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

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

**Note 15 - Leases**

A. Lessee Leasing Arrangements

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

Year Ending December 31	Operating Leases
2019	\$ 7,809,693
2020	\$ 7,212,108
2021	\$ 5,426,668
2022	\$ 4,369,815
2023	\$ 3,581,608
2024 & thereafter	\$ 22,972,416
Total	\$ 51,372,308

The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is \$1,986,765.

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

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

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

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

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

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

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

At December 31, 2018 the total fair value of securities on loan was \$133,969,703, with corresponding collateral value of \$136,828,824 of which \$136,037,811 represents cash collateral that was reinvested.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

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

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

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)		Total
<b>a. Assets at fair value</b>						
<b>Bonds</b>						
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	11,725,073	-	-	-	11,725,073
U.S. State and Municipal Corporate and Other	-	1,949,000	-	-	-	1,949,000
Foreign Government Securities	243,389,819	128,323,115	-	-	-	371,712,934
Total Bonds	\$ 243,389,819	\$ 141,997,188	\$ -	\$ -	\$ -	\$ 385,387,007
<b>Preferred Stocks</b>						
Industrial and Miscellaneous (Unaffiliated)	-	-	8,000,000	-	-	8,000,000
Total Preferred Stocks	\$ -	\$ -	\$ 8,000,000	\$ -	\$ -	\$ 8,000,000
<b>Common Stocks</b>						
Industrial and Miscellaneous	97,012,234	3,068,377	-	-	-	100,080,611
Total Common Stocks	\$ 97,012,234	\$ 3,068,377	\$ -	\$ -	\$ -	\$ 100,080,611
Other Assets	-	-	-	-	-	-
Total assets at fair value	\$ 340,402,053	\$ 145,065,565	\$ 8,000,000	\$ -	\$ -	\$ 493,467,618
<b>b. Liabilities at fair value</b>						
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, 2018.

###### 2. Rollforward of Level 3 Items

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

	Balance as of 12/31/2017	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance as of 12/31/2018
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	-	(1,119,375)	-	-	1,119,375	-	-	-	-
U.S. State and Municipal Corporate and Other	-	-	-	-	-	-	-	-	-	-
Foreign Government Securities	-	-	-	-	-	-	-	-	-	-
Total Bonds	-	-	(1,119,375)	-	-	1,119,375	-	-	-	-
Preferred Stock	7,040,000	-	(2,040,000)	1,273,700	-	31,960,000	-	(30,233,700)	-	8,000,000
Common Stock	103,227	-	(98,189)	443	(5,038)	-	-	(443)	-	0
Total	\$ 7,143,227	\$ -	\$ (3,257,564)	\$ 1,274,142	\$ (5,038)	\$ 33,079,375	\$ -	\$ (30,234,142)	\$ -	\$ 8,000,000

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### Fixed Maturities

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

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

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

#### Mortgage-Backed Securities

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

#### Asset-Backed Securities

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

#### Municipal Securities

The Company's municipal portfolio is comprised of bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities 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 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 aren't 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)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Cash, Cash Equivalents and Short Term	\$ 23,100,130	\$ 23,114,287	\$ (56,365,950)	\$ 5,377,470	\$ -	\$ 74,088,610	\$ -
Bonds	3,398,375,542	3,406,216,163	532,128,172	2,847,275,544	18,971,826	-	-
Preferred Stock	8,000,000	8,000,000	-	-	8,000,000	-	-
Common Stock	100,080,611	100,080,610	97,012,234	3,068,377	-	-	-
Securities Lending	136,105,972	136,037,811	-	136,105,972	-	-	-
Mortgage Loans	163,236,298	154,351,989	-	-	163,236,298	-	-
Surplus Notes	-	-	-	-	-	-	-
Total	\$ 3,828,898,552	\$ 3,827,800,861	\$ 572,774,456	\$ 2,991,827,363	\$ 190,208,124	\$ 74,088,610	\$ -

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

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

#### A. Unusual or Infrequent Items

The Company has no unusual or infrequent items to report.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

#### C. Other Disclosures

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

Not applicable

#### D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

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

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

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

- The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through past acquisitions of insurance companies.
- The Company does not have any direct exposure through investments in subprime mortgage loans.
- The Company has direct exposure through their investment in residential mortgage-backed securities.

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
Residential mortgage-backed securities	\$ 206,587	\$ 149,346	\$ 143,882	\$ 367,097

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

#### 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, 2019, the date the financial statements were available to be issued.

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

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

### **Note 23 - Reinsurance**

#### A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Liberty Mutual Amended and Restated Intercompany Reinsurance Agreement, 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, 2018.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	\$ 942,171,535	\$ -	\$ 1,576,367,539	\$ -	\$ (634,196,004)	\$ -
All Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 942,171,535	\$ -	\$ 1,576,367,539	\$ -	\$ (634,196,004)	\$ -

Directed Unearned Premium Reserve: \$ 1,576,367,539

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

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$ 190,241,918	\$ 32,132,365	\$ 190,241,918	\$ 32,132,365
b. Sliding Scale Adjustments	\$ -	\$ 76,019	\$ -	\$ 76,019
c. Other Profit Commission Arrangements	\$ -	\$ (94,501)	\$ -	\$ (94,501)
d. TOTAL	\$ 190,241,918	\$ 32,113,883	\$ 190,241,918	\$ 32,113,883

- 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.

## NOTES TO FINANCIAL STATEMENTS

### E. Commutation of Ceded Reinsurance

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

### F. Retroactive Reinsurance

	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
(1) Initial Reserves	\$ (160,203,037)	\$ -
(2) Adjustments - Prior Year(s)	(51,588,786)	-
(3) Adjustments - Current Year	21,191,198	-
(4) Current Total	<u>\$ (190,600,625)</u>	<u>\$ -</u>
b. Consideration Paid or Received:		
(1) Initial Consideration	\$ (160,685,419)	\$ -
(2) Adjustments - Prior Year(s)	(3,352,304)	-
(3) Adjustments - Current Year	-	-
(4) Current Total	<u>\$ (164,037,723)</u>	<u>\$ -</u>
c. Paid Losses Reimbursed or Recovered:		
(1) Prior Year(s)	\$ 22,547,368	\$ -
(2) Current Year	414,106	-
(3) Current Total	<u>\$ 22,961,475</u>	<u>\$ -</u>
d. Discount Unwind on Reserves:		
(1) Prior Year(s)	\$ (2,496,197)	\$ -
(2) Current Year	(5,188,235)	-
(3) Current Total	<u>\$ (7,684,432)</u>	<u>\$ -</u>
e. Special Surplus from Retroactive Reinsurance		
(1) Initial Surplus Gain or Loss	\$ 1,649,608	\$ -
(2) Adjustments - Prior Year(s)	21,060,927	-
(3) Adjustments - Current Year	(26,793,539)	-
(4) Current Year Restricted Surplus	<u>5,173,057</u>	<u>-</u>
(5) Cumulative Total Transferred to Unassigned Funds	<u>\$ (9,256,062)</u>	<u>\$ -</u>

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

<u>Company</u>	<u>Assumed</u>	<u>Ceded</u>
	<u>Amount</u>	<u>Amount</u>
Liberty Mutual Insurance Company, 23043	\$ (190,600,625)	\$ -
Total	<u>\$ (190,600,625)</u>	<u>\$ -</u>

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.

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

On July 17, 2014, Liberty Mutual Insurance reached a definitive agreement with 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, 2018.

### 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.

## NOTES TO FINANCIAL STATEMENTS

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

a. Total accrued retro premium	\$ 23,104,022
b. Unsecured amount	\$ -
c. Less: Nonadmitted amount (10%)	\$ 2,310,299
d. Less: Nonadmitted for any person whom agents' balances or uncollected premiums are nonadmitted	\$ -
e. Admitted amount (a) - (c) - (d)	\$ 20,793,723

F. Risk Sharing Provisions of the Affordable Care Act

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

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

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

### Note 26 - Intercompany Pooling Arrangements

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

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



## NOTES TO FINANCIAL STATEMENTS

Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
National Insurance Association ("NIA")	27944	0.00%	All Lines
The Netherlands Insurance Company ("NIC")	24171	0.00%	All Lines
North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
Safeco Insurance Company of Illinois ("SICIL")	39012	0.00%	All Lines
Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
West American Insurance Company ("WAIC")	44393	0.00%	All Lines
100% Quota Share LM Property and Casualty Insurance Affiliated: Company ("LMPAC")	32352	0.00%	All Lines

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

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

<u>Affiliate</u>	<u>Amount</u>
Liberty Mutual Insurance Company	\$ 440,095

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

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

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$62,091,305 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 \$62,091,305 as of December 31, 2018.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as

<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	\$ 15,790,253
Prudential Insurance Company New Jersey	Yes	\$ 30,564,352

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

Not applicable.

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

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

### Not 30 - Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	\$	-
2. Date of the most recent evaluation of this liability	12/31/2018	
3. Was anticipated investment income utilized in the calculation?		No

### 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, 2018 liabilities include \$789,741,010 of such discounted reserves. The Company recognized \$2,827,944 amount of interest accretion in the Statement of Income for the current year related to tabular discount on Workers' Compensation. The December 31, 2018 liabilities subject to discount were carried at a value representing a discount of \$25,973,958 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	25,392,124	21,541,059
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	-	-
Reinsurance Nonproportional Assumed	-	-
16. Property	-	-
Reinsurance Nonproportional Assumed	-	-
17. Liability	-	-
Reinsurance Nonproportional Assumed	-	-
18. Financial Lines	-	-
19. Products Liability - occurrence	-	-
20. Products Liability - claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	\$ 25,392,124	\$ 21,541,059

#### 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.

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

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

#### Uncertainty Regarding Reserving Methodologies

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

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

The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance 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, 2018, 2017, 2016, 2015, and 2014 before consideration of the NICO Reinsurance Transaction. Refer to Note 23F.

**NOTES TO FINANCIAL STATEMENTS****Asbestos**

1. Direct -						
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
a. Beginning reserves:	\$	104,955,748	\$ 105,531,511	\$ 88,822,676	\$ 92,932,704	\$ 88,138,267
b. Incurred losses and LAE	\$	17,105,452	\$ 4,970,606	\$ 19,668,714	\$ 10,640,500	\$ 18,548,400
c. Calendar year payments	\$	16,529,689	\$ 21,679,441	\$ 15,558,686	\$ 15,434,936	\$ 15,156,392
d. Ending reserves	\$	<u>105,531,511</u>	<u>\$ 88,822,676</u>	<u>\$ 92,932,704</u>	<u>\$ 88,138,268</u>	<u>\$ 91,530,276</u>
2. Assumed Reinsurance -						
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
a. Beginning reserves*:	\$	37,185,921	\$ 34,395,130	\$ 33,188,758	\$ 30,713,939	\$ 31,836,921
b. Incurred losses and LAE	\$	90,529	\$ 704,185	\$ (297,231)	\$ 3,039,999	\$ (278,651)
c. Calendar year payments	\$	2,881,320	\$ 1,910,556	\$ 2,249,386	\$ 1,917,017	\$ 1,782,989
d. Ending reserves	\$	<u>34,395,130</u>	<u>\$ 33,188,759</u>	<u>\$ 30,642,141</u>	<u>\$ 31,836,921</u>	<u>\$ 29,775,281</u>
						*Includes Ironshore acquisition in 2017
3. Net of Ceded Reinsurance -						
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
a. Beginning reserves:	\$	59,833,416	\$ 55,082,869	\$ 40,895,910	\$ 40,320,405	\$ 40,505,463
b. Incurred losses and LAE	\$	5,334,504	\$ 367,916	\$ 3,737,317	\$ 5,152,325	\$ 12,046,444
c. Calendar year payments	\$	10,085,052	\$ 14,554,875	\$ 4,312,821	\$ 4,967,267	\$ 5,781,895
d. Ending reserves	\$	<u>55,082,868</u>	<u>\$ 40,895,910</u>	<u>\$ 40,320,406</u>	<u>\$ 40,505,463</u>	<u>\$ 46,770,013</u>
4. Ending Reserves for Bulk + IBNR included above (Loss & LAE)						
a. Direct Basis						\$ 64,128,752
b. Assumed Reinsurance Basis						\$ 21,687,959
c. Net of Ceded Reinsurance Basis						\$ 32,473,593
5. Ending Reserves for LAE included above (Case, Bulk & IBNR)						
a. Direct Basis						\$ 53,597,239
b. Assumed Reinsurance Basis						\$ 875,613
c. Net of Ceded Reinsurance Basis						\$ 21,091,758

**Environmental**

1. Direct -						
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
a. Beginning reserves:	\$	26,908,233	\$ 25,236,196	\$ 21,742,042	\$ 22,362,035	\$ 23,183,678
b. Incurred losses and LAE	\$	3,477,267	\$ 1,768,837	\$ 4,814,933	\$ 3,859,280	\$ 6,552,179
c. Calendar year payments	\$	5,149,304	\$ 5,262,991	\$ 4,194,940	\$ 3,037,638	\$ 4,870,382
d. Ending reserves	\$	<u>25,236,196</u>	<u>\$ 21,742,042</u>	<u>\$ 22,362,035</u>	<u>\$ 23,183,677</u>	<u>\$ 24,865,476</u>
2. Assumed Reinsurance -						
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
a. Beginning reserves*:	\$	3,849,767	\$ 3,625,835	\$ 2,627,482	\$ 2,502,703	\$ 3,051,711
b. Incurred losses and LAE	\$	68,935	\$ (588,480)	\$ (9,885)	\$ 728,113	\$ (49,271)
c. Calendar year payments	\$	292,867	\$ 409,874	\$ 244,291	\$ 179,105	\$ 303,392
d. Ending reserves	\$	<u>3,625,835</u>	<u>\$ 2,627,481</u>	<u>\$ 2,373,306</u>	<u>\$ 3,051,711</u>	<u>\$ 2,699,048</u>
						*Includes Ironshore acquisition in 2017
3. Net of Ceded Reinsurance -						
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
a. Beginning reserves:	\$	19,379,012	\$ 17,932,448	\$ 15,726,900	\$ 15,362,176	\$ 16,509,151
b. Incurred losses and LAE	\$	1,687,643	\$ 19,086	\$ 2,946,360	\$ 3,058,591	\$ 2,998,083
c. Calendar year payments	\$	3,134,207	\$ 2,224,634	\$ 3,311,084	\$ 1,911,616	\$ 2,557,329
d. Ending reserves	\$	<u>17,932,448</u>	<u>\$ 15,726,900</u>	<u>\$ 15,362,176</u>	<u>\$ 16,509,151</u>	<u>\$ 16,949,905</u>
4. Ending Reserves for Bulk + IBNR included above (Loss & LAE)						
a. Direct Basis						\$ 14,674,664
b. Assumed Reinsurance Basis						\$ 1,297,956
c. Net of Ceded Reinsurance Basis						\$ 9,430,195
5. Ending Reserves for LAE included above (Case, Bulk & IBNR)						
a. Direct Basis						\$ 9,688,448
b. Assumed Reinsurance Basis						\$ 258,699
c. Net of Ceded Reinsurance Basis						\$ 5,775,888

**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
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes  No
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2013
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/20/2015
- 3.4 By what department or departments?  
 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
- If yes, complete and file the merger history data file with the NAIC.

## GENERAL INTERROGATORIES

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

6.2 If yes, give full information:

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

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

7.2 If yes,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## GENERAL INTERROGATORIES

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

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

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

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

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

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

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

12.2 If yes, provide explanation:  
 .....  
 .....  
 .....

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

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

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

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

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

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

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

### GENERAL INTERROGATORIES

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

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

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

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

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] 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
.....	.....	.....	.....
.....	.....	.....	.....

### 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	\$ _____
20.12 To stockholders not officers	\$ _____
20.13 Trustees, supreme or grand (Fraternal only)	\$ _____

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

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

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

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

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

## GENERAL INTERROGATORIES

- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 22.2 If answer is yes:
- |  |  |          |
|--|--|----------|
| 22.21 Amount paid as losses or risk adjustment |  | \$ _____ |
| 22.22 Amount paid as expenses                  |  | \$ _____ |
| 22.23 Other amounts paid                       |  | \$ _____ |
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ \_\_\_\_\_

## INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes [X] No [ ]
- 24.02 If no, give full and complete information, relating thereto:  
 .....  
 .....  
 .....
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)  
 Please reference Note 17B  
 .....  
 .....  
 .....
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ] N/A [ ]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 136,828,824
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ \_\_\_\_\_
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [ ] N/A [ ]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]
- 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 [X] No [ ] N/A [ ]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- |  |  |                       |
|--|--|-----------------------|
| 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2                   |  | \$ <u>136,037,811</u> |
| 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 |  | \$ <u>136,037,811</u> |
| 24.103 Total payable for securities lending reported on the liability page                                       |  | \$ <u>136,037,811</u> |
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes [X] No [ ]



## GENERAL INTERROGATORIES

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

25.21	Subject to repurchase agreements	\$ _____
25.22	Subject to reverse repurchase agreements	\$ _____
25.23	Subject to dollar repurchase agreements	\$ _____
25.24	Subject to reverse dollar repurchase agreements	\$ _____
25.25	Placed under option agreements	\$ _____
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$ _____
25.27	FHLB Capital Stock	\$ _____
25.28	On deposit with states	\$ <u>161,956,910</u>
25.29	On deposit with other regulatory bodies	\$ _____
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	\$ _____
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	\$ _____
25.32	Other	\$ _____

25.3 For category (25.26) provide the following:

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

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

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

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

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

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

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

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

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

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

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

## 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
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
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
29.2999 TOTAL		

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

## 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	3,411,607,782	3,398,374,681	(13,233,101)
30.2 Preferred stocks	8,000,000	8,000,000	
30.3 Totals	3,419,607,782	3,406,374,681	(13,233,101)

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

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

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

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

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

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

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

32.2 If no, list exceptions:

.....  
 .....

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

- a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
  - b. Issuer or obligor is current on all contracted interest and principal payments.
  - c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.
- Has the reporting entity self-designated 5GI securities? Yes  No

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

- a. The security was purchased prior to January 1, 2018.
  - b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
  - c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
  - d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.
- Has the reporting entity self-designated PLGI securities? Yes  No

### OTHER

35.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 3,346,655

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

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE INC.	\$ 1,052,139
	\$
	\$

## GENERAL INTERROGATORIES

36.1 Amount of payments for legal expenses, if any? \$ 2,054,020

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

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

37.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 212,902

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

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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

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

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

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

All years prior to most current three years:

1.64 Total premium earned \$ \_\_\_\_\_

1.65 Total incurred claims \$ \_\_\_\_\_

1.66 Number of covered lives \_\_\_\_\_

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ \_\_\_\_\_

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

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

All years prior to most current three years:

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

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

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

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 7,600		\$ 3,152,214	
2.2 Premium Denominator	\$ 1,865,949,607		\$ 1,650,597,656	
2.3 Premium Ratio (2.1 / 2.2)	0.00		0.00	
2.4 Reserve Numerator	\$ 10,277,604		\$ 5,373,072	
2.5 Reserve Denominator	\$ 3,367,319,998		\$ 3,263,578,552	
2.6 Reserve Ratio (2.4 / 2.5)	0.00		0.00	

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

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

3.21 Participating policies \$ \_\_\_\_\_

3.22 Non-participating policies \$ 3,121,518,561

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

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

.....

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:  
The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we utilize RMS's RiskLink v17.0 and AIR's Touchstone v5.1 software. For workers' compensation, Liberty Mutual utilizes RiskLink v17.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
The Company purchases a combination of quota share reinsurance, per risk excess of loss reinsurance, excess of loss per event catastrophe reinsurance and aggregate programs.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ ] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss  
The Company purchases aggregate coverage to substantially replace nonreinstated catastrophe layers.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_
- 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  
 .....  
 .....
- 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   |  | \$ | 14,750,322 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | 1,201,399  |
- 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? \$ 1,151,553
- 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          |  | \$ | 241,120,001 |
| 12.62 Collateral and other funds |  | \$ | 72,815,284  |
- 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  
 .....  
 .....
- 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<br>Incurred | Direct Losses<br>Unpaid | Direct Written<br>Premium | Direct Premium<br>Unearned | Direct Premium<br>Earned |
| 16.11 Home       | \$ | .....                     | \$                      | .....                     | \$                         | .....                    |
| 16.12 Products   | \$ | .....                     | \$                      | .....                     | \$                         | .....                    |
| 16.13 Automobile | \$ | .....                     | \$                      | .....                     | \$                         | .....                    |
| 16.14 Other*     | \$ | .....                     | \$                      | .....                     | \$                         | .....                    |

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

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

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

18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

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

18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

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

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

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



**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2018	2017	2016	2015	2014
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,646,872,098	1,576,657,289	1,415,993,033	1,325,721,592	1,283,984,276
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,418,691,170	1,226,028,020	1,140,626,475	1,085,729,138	1,037,696,733
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,845,625,547	1,785,418,732	1,703,352,314	1,633,138,292	1,538,655,100
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	88,563,116	80,542,252	76,939,260	101,724,636	105,450,102
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	31,624,780	21,271,168	17,764,611	22,742,147	17,473,345
6. Total (Line 35)	5,031,376,711	4,689,917,461	4,354,675,693	4,169,055,805	3,983,259,556
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	840,447,299	812,635,715	727,228,904	695,218,636	698,309,650
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	444,838,791	311,451,226	298,732,261	282,648,214	292,860,682
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	523,664,926	511,847,242	498,158,583	486,079,270	465,705,726
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	69,282,355	55,807,344	48,047,562	51,242,280	48,260,062
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	31,624,780	21,271,168	17,764,611	22,742,147	17,473,345
12. Total (Line 35)	1,909,858,151	1,713,012,695	1,589,931,921	1,537,930,547	1,522,609,465
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	7,250,832	(169,620,215)	(46,230,464)	6,801,081	(28,533,526)
14. Net investment gain (loss) (Line 11)	171,280,040	159,884,476	99,543,037	129,635,524	158,489,594
15. Total other income (Line 15)	(19,342,561)	10,769,548	4,915,378	2,296,651	(743,440)
16. Dividends to policyholders (Line 17)	986,470	815,613	1,066,186	1,161,323	1,414,038
17. Federal and foreign income taxes incurred (Line 19)	37,182,725	(26,976,789)	10,310,760	33,993,041	21,006,058
18. Net income (Line 20)	121,019,116	27,194,985	46,851,005	103,578,892	106,792,532
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	5,117,280,905	4,863,358,765	4,485,053,022	4,356,907,308	4,233,251,417
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	101,626,203	97,711,475	81,736,405	82,483,599	82,847,960
20.2 Deferred and not yet due (Line 15.2)	430,179,599	417,064,860	395,418,962	371,661,555	351,860,629
20.3 Accrued retrospective premiums (Line 15.3)	20,793,723	23,367,201	23,959,749	23,639,567	26,890,357
21. Total liabilities excluding protected cell business (Page 3, Line 26)	3,550,809,501	3,360,066,662	2,987,188,549	2,963,547,111	2,954,334,281
22. Losses (Page 3, Line 1)	2,007,889,097	1,966,991,459	1,713,956,318	1,678,600,776	1,664,561,813
23. Loss adjustment expenses (Page 3, Line 3)	411,936,027	392,056,322	354,108,962	351,455,869	360,957,146
24. Unearned premiums (Page 3, Line 9)	942,171,535	900,378,551	831,566,797	789,662,438	754,581,457
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)	1,566,471,403	1,503,292,104	1,497,864,470	1,393,360,198	1,278,917,136
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	247,092,282	72,967,404	158,567,858	129,807,208	47,708,497
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	1,566,471,403	1,503,292,104	1,497,864,470	1,393,360,198	1,278,917,136
29. Authorized control level risk-based capital	242,055,111	227,516,289	197,908,494	183,258,473	182,388,040
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	77.5	77.2	72.2	71.5	71.5
31. Stocks (Lines 2.1 & 2.2)	8.5	8.5	14.9	15.5	15.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	3.5	3.1	3.6	3.5	3.2
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	0.5	1.6	1.6	2.0	2.1
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)	6.5	7.1	6.7	6.1	6.0
38. Receivables for securities (Line 9)	0.3	0.1	0.0	0.0	0.2
39. Securities lending reinvested collateral assets (Line 10)	3.1	2.4	1.0	1.4	1.6
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	263,691,560	258,850,265	253,818,663	249,574,468	245,927,089
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	244,264,778	245,038,765	205,683,786	190,148,478	184,015,608
48. Total of above Lines 42 to 47	507,956,338	565,215,572	459,502,449	439,722,946	429,942,697
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)	32.4	37.6	30.7	31.6	33.6

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2018	2017	2016	2015	2014
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	(27,989,376)	(7,872,042)	40,277,069	14,701,433	8,077,305
52. Dividends to stockholders (Line 35)					(1,000,000)
53. Change in surplus as regards policyholders for the year (Line 38)	63,179,299	5,427,634	104,504,272	114,443,062	90,244,600
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	948,265,687	825,385,886	801,355,024	724,628,623	749,912,217
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	824,888,336	754,862,104	660,384,236	572,602,511	529,540,161
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,015,534,448	986,276,604	861,203,044	796,540,191	745,431,240
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(7,159,830)	(3,384,774)	(13,581,335)	85,361,309	14,200,627
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	11,335,298	6,861,276	4,738,898	6,880,194	7,720,564
59. Total (Line 35)	2,792,863,939	2,570,001,096	2,314,099,867	2,186,012,828	2,046,804,809
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	477,349,289	386,685,135	420,308,552	403,513,196	468,947,901
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	245,174,052	180,626,528	172,722,256	150,979,406	154,559,552
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	287,534,052	277,373,375	242,290,815	240,023,447	226,266,663
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,022,294	7,259,686	1,097,371	14,331,270	17,656,153
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	11,335,298	6,861,276	4,738,898	6,880,194	7,720,564
65. Total (Line 35)	1,032,414,985	858,806,000	841,157,892	815,727,513	875,150,833
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	57.8	66.0	56.6	55.6	56.3
68. Loss expenses incurred (Line 3)	12.2	13.5	13.2	12.7	13.7
69. Other underwriting expenses incurred (Line 4)	29.6	30.8	33.1	31.2	31.9
70. Net underwriting gain (loss) (Line 8)	0.4	(10.3)	(3.0)	0.5	(1.9)
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 12 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	29.9	29.0	32.0	30.2	31.0
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	70.0	79.5	69.8	68.4	70.0
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	121.9	114.0	106.1	110.4	119.1
<b>One Year Loss Development (\$000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(42,943)	52,820	12,612	(10,094)	(896)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	(2.9)	3.5	0.9	(0.8)	(0.1)
<b>Two Year Loss Development (\$000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	23,505	56,772	(5,215)	(11,653)	41,365
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	1.6	4.1	(0.4)	(1.0)	4.4

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

Yes [ ] No [ ]

If no, please explain:

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

## SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

### SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	41,611	17,236	16,543	8,818	2,632	137	1,151	34,595	X X X
2. 2009	1,516,436	317,744	1,198,692	815,201	149,591	62,274	8,082	113,690	1,333	44,504	832,159	X X X
3. 2010	1,539,067	299,157	1,239,910	873,885	159,530	67,726	8,898	120,621	738	50,576	893,066	X X X
4. 2011	1,626,948	358,436	1,268,512	977,904	199,819	72,494	12,562	121,873	865	63,054	959,025	X X X
5. 2012	1,757,280	388,223	1,369,057	993,375	211,609	73,352	13,450	125,876	774	72,119	966,770	X X X
6. 2013	1,855,317	417,944	1,437,373	934,149	216,224	66,089	11,189	124,872	1,090	57,541	896,607	X X X
7. 2014	1,902,751	421,107	1,481,644	930,769	204,091	61,340	8,565	121,899	1,388	46,986	899,964	X X X
8. 2015	1,965,232	456,228	1,509,004	944,603	218,576	53,715	7,206	120,718	1,452	61,764	891,802	X X X
9. 2016	2,016,031	457,514	1,558,517	917,761	214,317	37,363	5,614	122,141	2,573	35,954	854,761	X X X
10. 2017	2,112,830	457,612	1,655,218	930,812	216,404	23,209	3,479	115,798	798	34,215	849,138	X X X
11. 2018	2,207,769	343,166	1,864,603	628,311	124,074	8,089	723	89,371	43	20,799	600,931	X X X
12. Totals	X X X	X X X	X X X	8,988,381	1,931,471	542,194	88,586	1,179,491	11,191	488,663	8,678,818	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	342,788	130,176	230,177	99,635	21,084	13,695	82,258	33,665	8,115		1,865	407,251	X X X
2. 2009	20,148	3,154	36,347	2,727	1,015	188	2,543	675	1,785		310	55,094	X X X
3. 2010	23,951	4,816	34,573	2,864	1,061	277	4,668	948	1,843		498	57,191	X X X
4. 2011	26,550	4,068	38,438	2,293	1,200	285	7,843	582	1,756		680	68,559	X X X
5. 2012	38,571	8,495	59,496	5,696	1,989	475	12,284	978	2,242		1,461	98,938	X X X
6. 2013	40,328	8,802	65,968	7,134	2,832	712	12,785	1,271	5,721		2,150	109,715	X X X
7. 2014	61,738	15,096	56,034	11,804	3,140	832	15,001	1,730	5,775		2,784	112,226	X X X
8. 2015	82,772	13,041	63,941	12,915	4,312	501	22,532	1,573	7,766		6,718	153,293	X X X
9. 2016	120,551	15,763	92,211	17,909	5,723	386	33,179	2,967	14,349	3	5,623	228,985	X X X
10. 2017	206,199	29,578	215,867	63,233	5,783	953	52,787	4,793	22,812	3	13,487	404,888	X X X
11. 2018	244,826	22,546	442,163	54,003	3,270	361	67,395	4,219	47,189	14	37,632	723,700	X X X
12. Totals	1,208,422	255,535	1,335,215	280,213	51,409	18,665	313,275	53,401	119,353	20	73,208	2,419,840	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	343,154	64,097
2. 2009	1,053,003	165,750	887,253	69.439	52.165	74.018			6.000	50,614	4,480
3. 2010	1,128,328	178,071	950,257	73.312	59.524	76.639			6.000	50,844	6,347
4. 2011	1,248,058	220,474	1,027,584	76.712	61.510	81.007			6.000	58,627	9,932
5. 2012	1,307,185	241,477	1,065,708	74.387	62.201	77.842			6.000	83,876	15,062
6. 2013	1,252,744	246,422	1,006,322	67.522	58.961	70.011			6.000	90,360	19,355
7. 2014	1,255,696	243,506	1,012,190	65.994	57.825	68.315			6.000	90,872	21,354
8. 2015	1,300,359	255,264	1,045,095	66.168	55.951	69.257			6.000	120,757	32,536
9. 2016	1,343,278	259,532	1,083,746	66.630	56.727	69.537			6.000	179,090	49,895
10. 2017	1,573,267	319,241	1,254,026	74.463	69.762	75.762			6.000	329,255	75,633
11. 2018	1,530,614	205,983	1,324,631	69.329	60.024	71.041			6.000	610,440	113,260
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,007,889	411,951

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	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	One Year	Two Year	
1. Prior	1,370,963	1,358,911	1,382,270	1,395,697	1,421,242	1,434,667	1,438,530	1,441,548	1,449,906	1,422,356	(27,550)	(19,192)	
2. 2009	790,368	788,343	780,908	773,712	779,187	773,172	773,686	773,989	774,622	774,710	88	721	
3. 2010	XXX	824,189	823,954	827,524	836,771	828,612	829,067	828,657	830,128	830,650	522	1,993	
4. 2011	XXX	XXX	899,439	899,089	902,936	902,978	902,399	903,705	905,997	906,542	545	2,837	
5. 2012	XXX	XXX	XXX	936,394	943,455	934,665	929,199	932,875	936,149	939,932	3,783	7,057	
6. 2013	XXX	XXX	XXX	XXX	872,953	882,332	876,122	875,941	884,769	886,384	1,615	10,443	
7. 2014	XXX	XXX	XXX	XXX	XXX	883,154	880,641	877,968	887,626	887,136	(490)	9,168	
8. 2015	XXX	XXX	XXX	XXX	XXX	XXX	908,172	915,859	925,393	919,187	(6,206)	3,328	
9. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	943,658	952,428	950,808	(1,620)	7,150	
10. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,131,138	1,117,508	(13,630)	XXX	
11. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,188,772	XXX	XXX	
											12. Totals	(42,943)	23,505

**SCHEDULE P – PART 3 – SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
1. Prior	000	291,403	497,262	639,837	738,363	818,387	884,149	928,083	966,028	998,128	XXX	XXX
2. 2009	314,897	476,688	562,163	623,828	665,370	689,114	702,053	710,118	715,368	719,802	XXX	XXX
3. 2010	XXX	346,581	524,633	615,091	681,418	722,547	745,116	758,947	766,768	773,183	XXX	XXX
4. 2011	XXX	XXX	409,396	578,626	675,832	743,953	787,561	814,096	826,704	838,017	XXX	XXX
5. 2012	XXX	XXX	XXX	402,284	604,174	696,487	760,292	802,494	824,964	841,668	XXX	XXX
6. 2013	XXX	XXX	XXX	XXX	379,156	560,260	648,444	713,821	749,900	772,825	XXX	XXX
7. 2014	XXX	XXX	XXX	XXX	XXX	402,983	579,964	669,980	725,917	779,453	XXX	XXX
8. 2015	XXX	XXX	XXX	XXX	XXX	XXX	417,468	603,569	689,428	772,536	XXX	XXX
9. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	443,185	623,087	735,193	XXX	XXX
10. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	480,189	734,138	XXX	XXX
11. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	511,603	XXX	XXX

**SCHEDULE P – PART 4 – SUMMARY**

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Prior	653,329	469,025	387,424	312,503	297,692	272,481	244,075	231,172	224,993	184,602
2. 2009	299,797	180,545	119,223	79,960	67,131	48,016	43,897	40,230	37,696	36,080
3. 2010	XXX	296,113	165,723	112,470	85,237	58,381	47,728	41,781	39,447	36,251
4. 2011	XXX	XXX	295,701	181,770	125,572	84,893	65,732	54,781	50,870	44,323
5. 2012	XXX	XXX	XXX	342,570	197,196	135,684	100,324	80,910	73,750	65,977
6. 2013	XXX	XXX	XXX	XXX	323,577	189,046	135,162	97,784	87,969	79,268
7. 2014	XXX	XXX	XXX	XXX	XXX	307,436	179,762	121,119	88,389	58,532
8. 2015	XXX	XXX	XXX	XXX	XXX	XXX	314,322	184,600	130,609	72,704
9. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	325,789	184,873	105,284
10. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	431,249	201,558
11. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	451,838

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

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9	
		Active Status (a)	2							3
		Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)	
1. Alabama	AL	L	24,093,656	23,838,944		16,474,407	18,508,126	6,962,858	598,171	
2. Alaska	AK	L	4,721,524	4,587,115		(7,955,092)	3,201,551	7,364,029	353,255	
3. Arizona	AZ	L	190,825,304	185,340,267		112,887,088	124,731,982	62,102,950	5,753,802	
4. Arkansas	AR	L	35,585,588	36,428,321		16,303,124	17,065,281	4,212,140	717,777	
5. California	CA	L	732,190,323	714,672,297		473,931,018	461,944,562	442,876,554	24,405,494	
6. Colorado	CO	L	439,232,023	410,152,269		380,902,257	440,577,031	179,641,280	11,990,261	
7. Connecticut	CT	L	25,675,658	26,608,771		14,291,473	13,138,911	11,310,625	767,462	
8. Delaware	DE	L	113,014	113,816		8,448	7,314	21,500	2,144	
9. District of Columbia	DC	L	959,125	1,019,339		463	82,050	404,121	2	
10. Florida	FL	L	16,236,999	16,739,369		14,605,841	11,487,595	11,161,527	1,070,274	
11. Georgia	GA	L	11,885,062	12,062,795		6,988,705	8,118,963	6,127,460	1,189,246	
12. Hawaii	HI	L	69,293	71,989		(1,332,665)	(47,738)	623,751	580	
13. Idaho	ID	L	10,574,348	10,098,174		5,760,690	8,246,120	5,157,956	574,845	
14. Illinois	IL	L	1,189,217	1,248,306		2,155,789	1,672,798	792,093	624,422	
15. Indiana	IN	L	551,604	549,832		693,588	1,004,936	784,589	798,049	
16. Iowa	IA	L	18,736,910	19,670,942		9,671,772	8,899,115	5,642,389	520,425	
17. Kansas	KS	L	76,915,192	79,405,544		29,503,644	28,879,335	13,614,933	1,797,445	
18. Kentucky	KY	L	76,918,823	77,923,053		28,603,572	28,243,734	14,729,185	1,456,667	
19. Louisiana	LA	L	686,415	679,782		127,598	1,298,502	2,289,756	330,246	
20. Maine	ME	L	32,974	53,414		(10,120)	(6,011)	31,563	123	
21. Maryland	MD	L	37,859,762	37,070,392		24,764,327	26,932,693	10,133,092	959,795	
22. Massachusetts	MA	L	47,145,098	48,184,460		28,587,757	29,835,732	22,453,594	1,407,829	
23. Michigan	MI	L	56,771,070	58,428,978		26,265,046	26,284,036	23,744,774	1,284,633	
24. Minnesota	MN	L	12,094,402	12,360,628		5,014,701	5,937,049	8,726,468	338,158	
25. Mississippi	MS	L	70,169,627	68,770,022		26,291,076	25,216,468	8,509,550	1,596,747	
26. Missouri	MO	L	152,318,540	150,662,268		56,933,631	52,866,793	22,631,640	2,675,618	
27. Montana	MT	L	69,141,893	67,608,202		29,878,893	30,498,819	11,888,903	1,772,990	
28. Nebraska	NE	L	18,590,180	18,548,815		11,558,920	7,486,715	3,183,634	351,795	
29. Nevada	NV	L	25,215,098	23,510,916		9,693,738	11,053,535	6,493,326	699,263	
30. New Hampshire	NH	L	47,476,916	49,424,320		26,686,020	21,622,669	15,552,140	1,219,815	
31. New Jersey	NJ	L	600,921	799,480		84,725	485,561	(2,587,375)	14,040	
32. New Mexico	NM	L	79,645,956	79,751,079		42,776,532	47,190,467	23,131,279	2,103,856	
33. New York	NY	L	8,473,011	8,473,367		3,170,208	5,629,677	(9,753,981)	811,990	
34. North Carolina	NC	L	23,168,199	24,425,165		14,289,061	15,965,855	7,658,740	812,527	
35. North Dakota	ND	L	16,686,256	16,364,596		7,036,736	6,834,259	3,638,437	412,501	
36. Ohio	OH	L	16,039,003	15,472,461		3,527,672	3,525,348	4,706,696	1,274,518	
37. Oklahoma	OK	L	216,784,764	211,762,297		85,728,502	94,433,450	46,577,025	5,320,629	
38. Oregon	OR	L	3,004,476	2,953,757		1,914,855	1,509,165	7,514,952	1,244,761	
39. Pennsylvania	PA	L	21,223,272	20,142,917		6,324,083	7,134,188	14,876,311	939,949	
40. Rhode Island	RI	L	161,755	164,834		33,949	(561,547)	(132,314)	720	
41. South Carolina	SC	L	41,507,883	40,570,660		19,504,293	20,452,397	9,458,701	1,445,546	
42. South Dakota	SD	L	30,219,411	29,414,550		20,805,436	21,989,715	8,774,291	747,445	
43. Tennessee	TN	L	68,956,320	67,918,367		25,771,286	17,481,282	13,001,697	1,454,728	
44. Texas	TX	L	26,554,994	26,209,416	542,954	22,990,332	18,026,522	18,885,304	4,571,583	
45. Utah	UT	L	16,705,153	15,629,178		8,460,231	11,103,467	5,235,153	414,988	
46. Vermont	VT	L	13,262,233	13,311,123		6,051,976	4,536,548	2,250,943	246,897	
47. Virginia	VA	L	6,510,477	6,479,465		2,048,139	2,347,902	1,722,953	520,566	
48. Washington	WA	L	247,458,526	238,623,145		100,825,250	113,304,021	86,982,549	7,345,784	
49. West Virginia	WV	L	38,401,771	38,645,770		17,564,871	14,957,166	10,326,696	1,186,593	
50. Wisconsin	WI	L	20,768,682	20,053,338		7,896,232	8,487,243	5,582,189	454,577	
51. Wyoming	WY	L	21,043,821	20,265,885		14,358,880	17,509,076	6,650,720	570,830	
52. American Samoa	AS	N								
53. Guam	GU	L	366,050	762,727			61,921	207,718		
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				167,893	297,558			
59. Totals	(a) 52		3,121,518,572	3,054,026,917	542,954	1,760,448,958	1,847,360,242	1,174,174,637	97,152,361	7,451

DETAILS OF WRITE-INS										
58001.	ZZZ Other Alien	X X X					167,893	297,558		
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					167,893	297,558		

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

(a) Active Status Counts

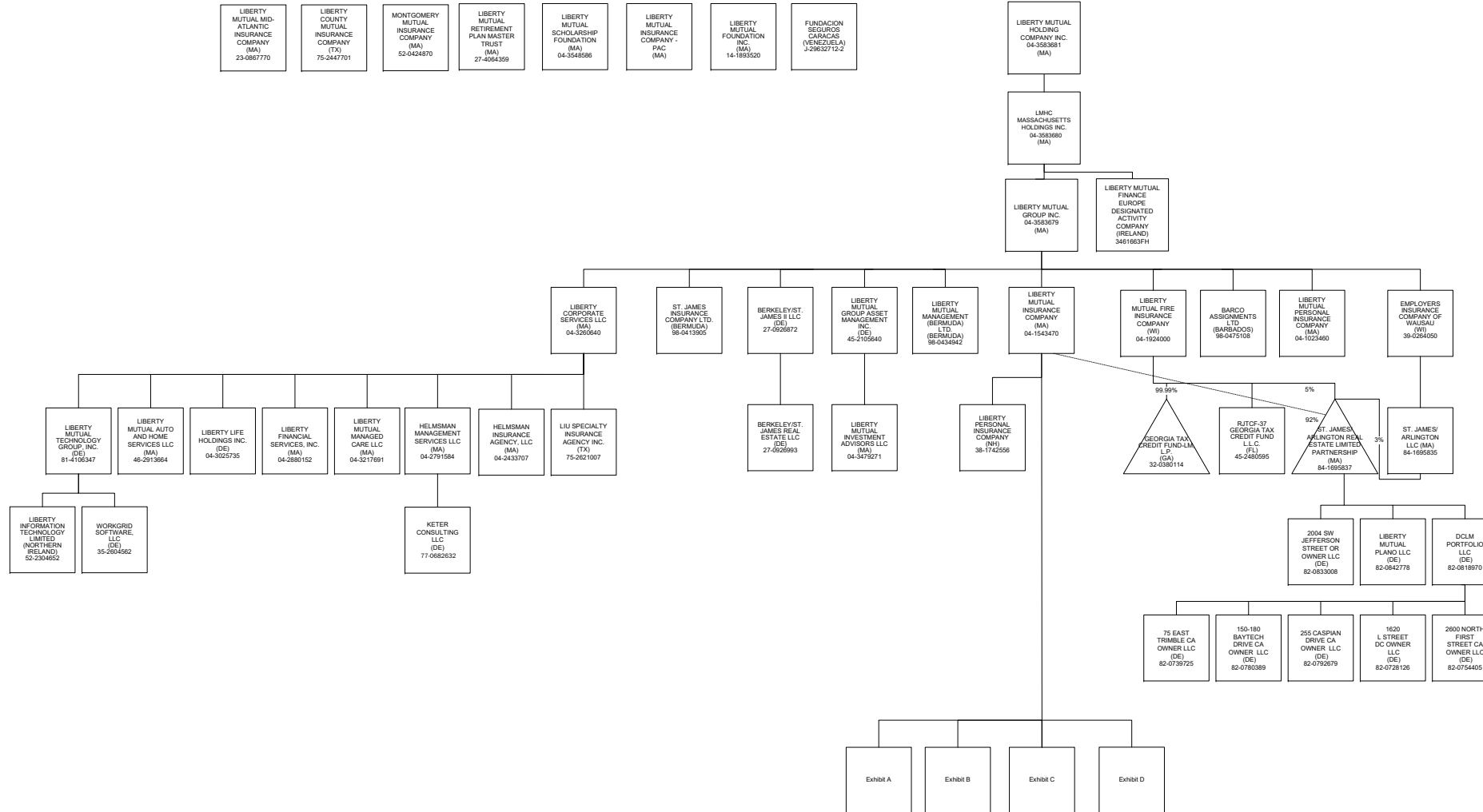
L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG	52
E - Eligible - Reporting entities eligible or approved to write surplus lines in the state	_____
D - Domestic Surplus Lines Insurer (DSLII) - Reporting entities authorized to write surplus lines in the state of domicile	_____
R - Registered - Non-domiciled RRGs	_____
Q - Qualified - Qualified or accredited reinsurer	_____
N - None of the above - Not allowed to write business in the state (other than their state of domicile - See DSLII)	5

**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	

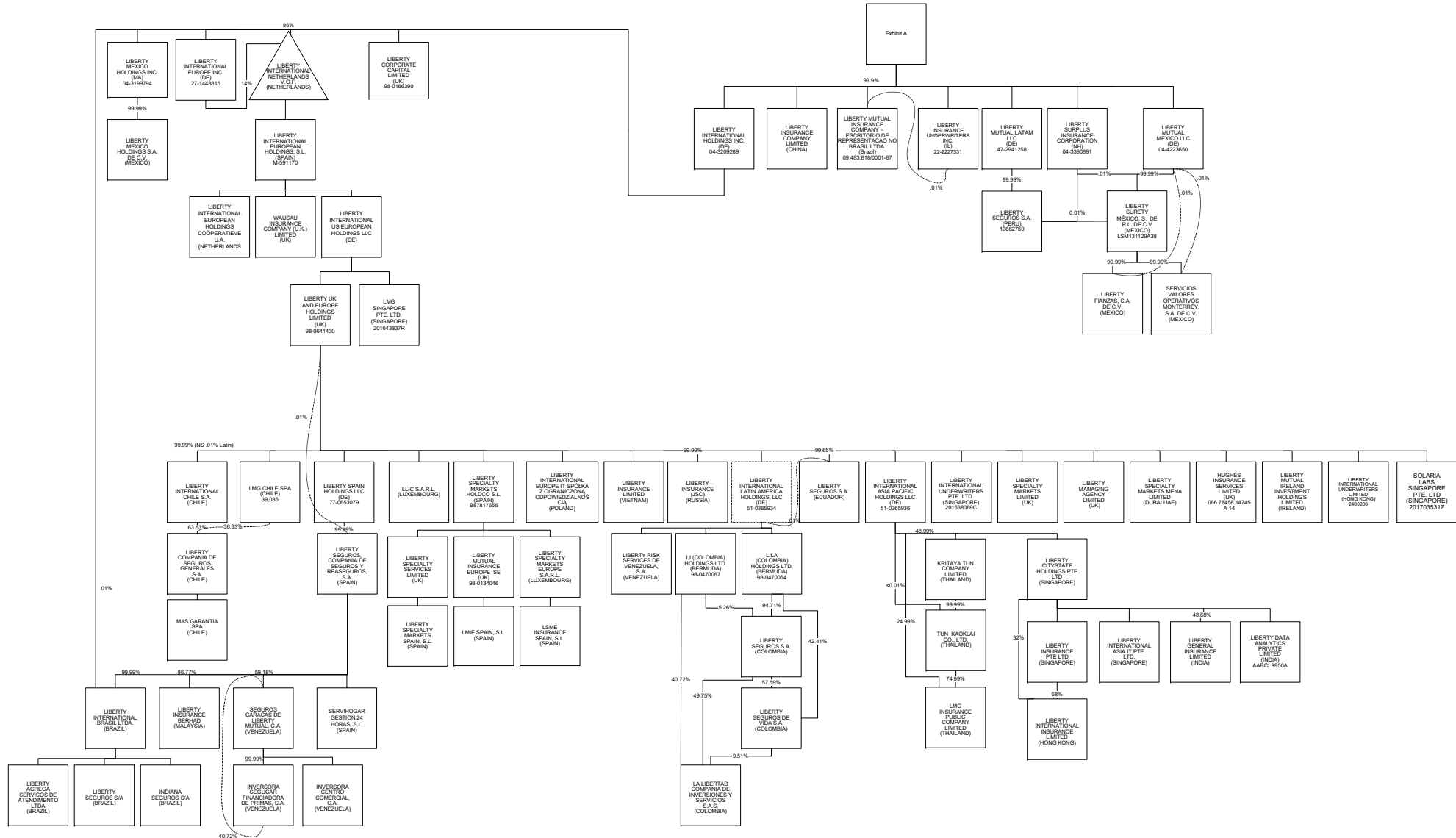
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

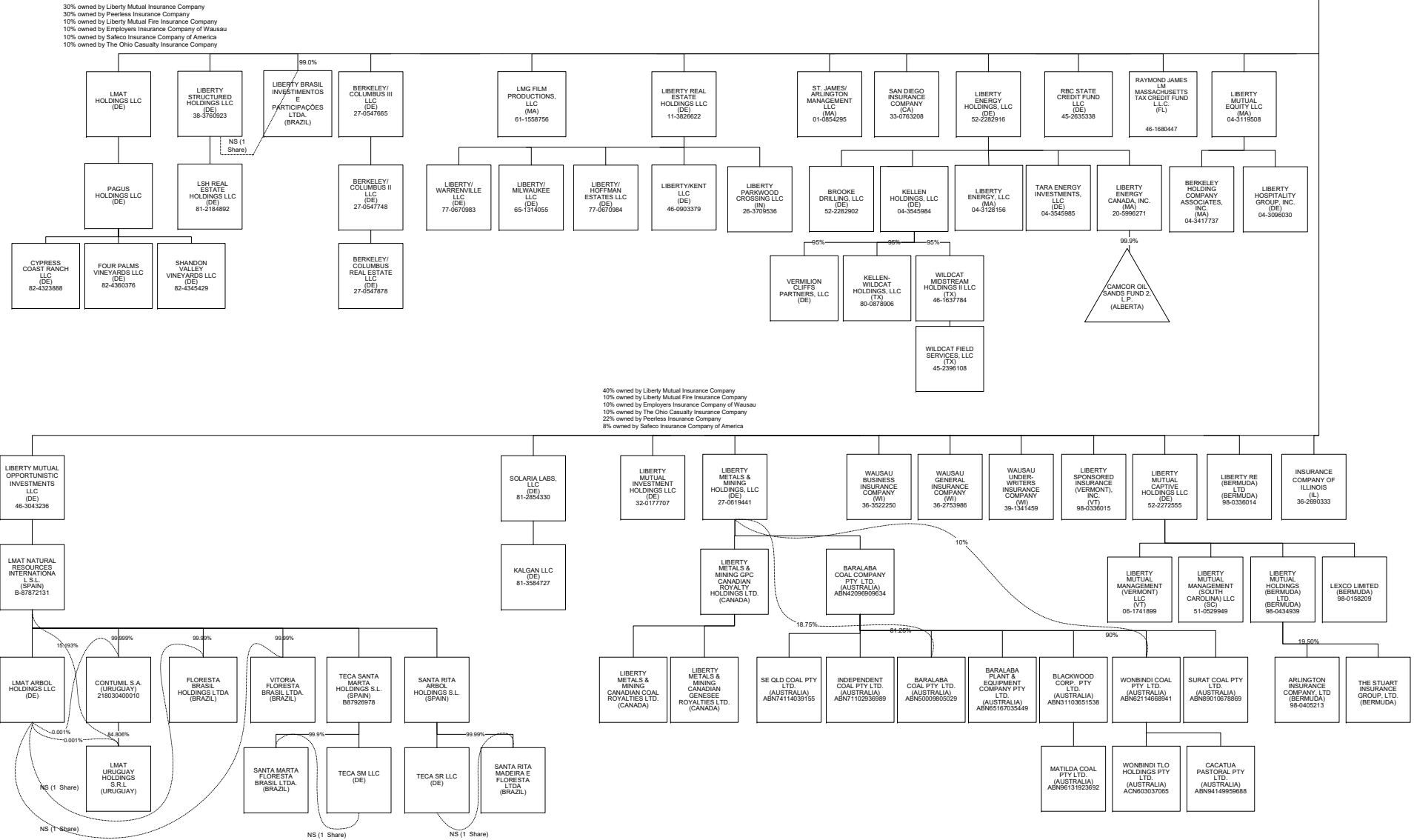
## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART

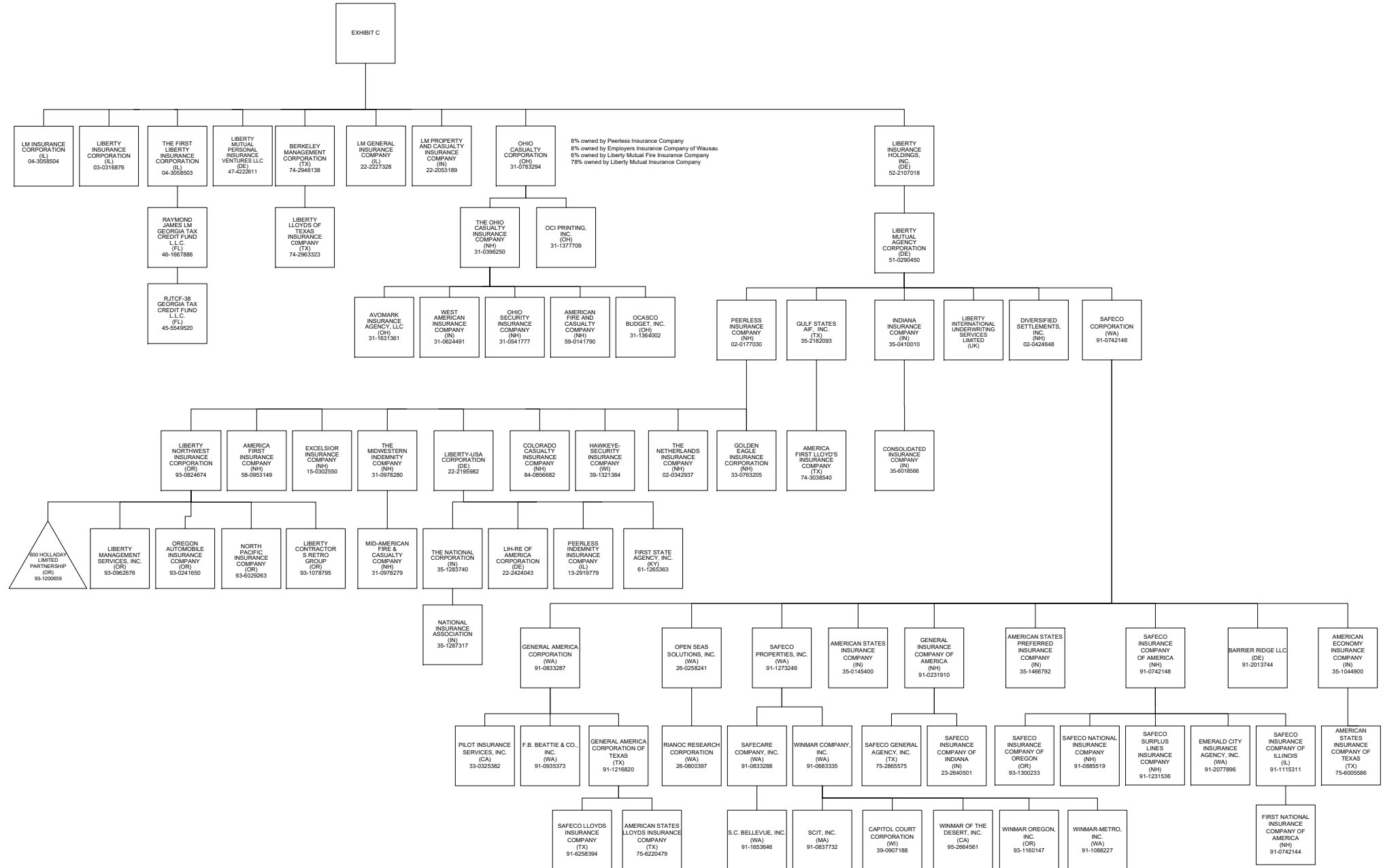
EXHIBIT B





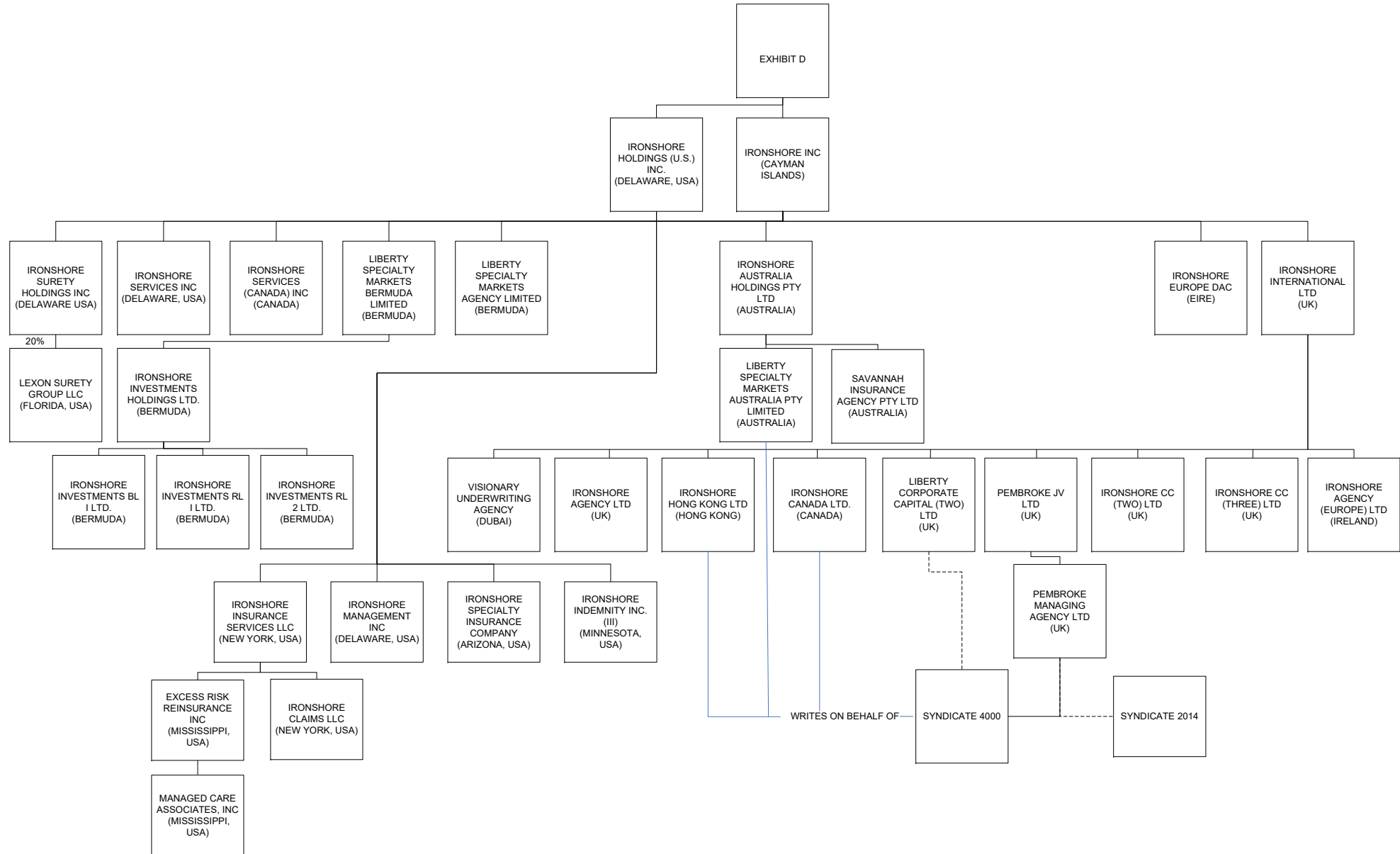
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

#### PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Amounts receivable under high deductible policies .....	10,474,230	56,389	10,417,841	10,096,763
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	10,474,230	56,389	10,417,841	10,096,763

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Assets	2	Schedule E – Part 3 – Special Deposits	E28
Cash Flow	5	Schedule F – Part 1	20
Exhibit of Capital Gains (Losses)	12	Schedule F – Part 2	21
Exhibit of Net Investment Income	12	Schedule F – Part 3	22
Exhibit of Nonadmitted Assets	13	Schedule F – Part 4	27
Exhibit of Premiums and Losses (State Page)	19	Schedule F – Part 5	28
Five-Year Historical Data	17	Schedule F – Part 6	29
General Interrogatories	15	Schedule H – Accident and Health Exhibit – Part 1	30
Jurat Page	1	Schedule H – Part 2, Part 3 and Part 4	31
Liabilities, Surplus and Other Funds	3	Schedule H – Part 5 – Health Claims	32
Notes To Financial Statements	14	Schedule P – Part 1 – Summary	33
Overflow Page For Write-ins	100	Schedule P – Part 1A – Homeowners/Farmowners	35
Schedule A – Part 1	E01	Schedule P – Part 1B – Private Passenger Auto Liability/Medical	36
Schedule A – Part 2	E02	Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	37
Schedule A – Part 3	E03	Schedule P – Part 1D – Workers' Comp (Excluding Excess Workers' Comp)	38
Schedule A – Verification Between Years	SI02	Schedule P – Part 1E – Commercial Multiple Peril	39
Schedule B – Part 1	E04	Schedule P – Part 1F – Section 1 – Medical Professional Liability	
Schedule B – Part 2	E05	– Occurrence	40
Schedule B – Part 3	E06	Schedule P – Part 1F – Section 2 – Medical Professional Liability	
Schedule B – Verification Between Years	SI02	– Claims-Made	41
Schedule BA – Part 1	E07	Schedule P – Part 1G – Special Liability (Ocean, Marine, Aircraft (All	
Schedule BA – Part 2	E08	Perils), Boiler and Machinery)	42
Schedule BA – Part 3	E09	Schedule P – Part 1H – Section 1 – Other Liability – Occurrence	43
Schedule BA – Verification Between Years	SI03	Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	44
Schedule D – Part 1	E10	Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule D – Part 1A – Section 1	SI05	Earthquake, Burglary & Theft)	45
Schedule D – Part 1A – Section 2	SI08	Schedule P – Part 1J – Auto Physical Damage	46
Schedule D – Part 2 – Section 1	E11	Schedule P – Part 1K – Fidelity/Surety	47
Schedule D – Part 2 – Section 2	E12	Schedule P – Part 1L – Other (Including Credit, Accident and Health)	48
Schedule D – Part 3	E13	Schedule P – Part 1M – International	49
Schedule D – Part 4	E14	Schedule P – Part 1N – Reinsurance - Nonproportional Assumed Property	50
Schedule D – Part 5	E15	Schedule P – Part 1O – Reinsurance - Nonproportional Assumed Liability	51
Schedule D – Part 6 – Section 1	E16	Schedule P – Part 1P – Reinsurance - Nonproportional Assumed Financial Lines	52
Schedule D – Part 6 – Section 2	E16	Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	53
Schedule D – Summary By Country	SI04	Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	54
Schedule D – Verification Between Years	SI03	Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	55
Schedule DA – Part 1	E17	Schedule P – Part 1T – Warranty	56
Schedule DA – Verification Between Years	SI10	Schedule P – Part 2, Part 3 and Part 4 - Summary	34
Schedule DB – Part A – Section 1	E18	Schedule P – Part 2A – Homeowners/Farmowners	57
Schedule DB – Part A – Section 2	E19	Schedule P – Part 2B – Private Passenger Auto Liability/Medical	57
Schedule DB – Part A – Verification Between Years	SI11	Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	57
Schedule DB – Part B – Section 1	E20	Schedule P – Part 2D – Workers' Comp (Excluding Excess Workers' Comp)	57
Schedule DB – Part B – Section 2	E21	Schedule P – Part 2E – Commercial Multiple Peril	57
Schedule DB – Part B – Verification Between Years	SI11	Schedule P – Part 2F – Section 1 – Medical Professional Liability	
Schedule DB – Part C – Section 1	SI12	– Occurrence	58
Schedule DB – Part C – Section 2	SI13	Schedule P - Part 2F - Medical Professional Liability - Claims - Made	58
Schedule DB - Part D - Section 1	E22	Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils),	
Schedule DB - Part D - Section 2	E23	Boiler and Machinery)	58
Schedule DB - Verification	SI14	Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule DL - Part 1	E24	Earthquake, Burglary and Theft)	69
Schedule DL - Part 2	E25	Schedule P – Part 4J – Auto Physical Damage	69
Schedule E – Part 1 – Cash	E26	Schedule P – Part 4K – Fidelity/Surety	69
Schedule E – Part 2 – Cash Equivalents	E27	Schedule P – Part 4L – Other (Including Credit, Accident and Health)	69
Schedule E – Part 2 – Verification Between Years	SI15	Schedule P – Part 4M – International	69

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	58	Schedule P – Part 4O – Reinsurance - Nonproportional Assumed Liability	70
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	59	Schedule P – Part 4P – Reinsurance - Nonproportional Assumed Financial Lines	70
Schedule P – Part 2J – Auto Physical Damage	59	Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	71
Schedule P – Part 2K – Fidelity, Surety	59	Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	71
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	59	Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	71
Schedule P – Part 2M – International	59	Schedule P – Part 4T – Warranty	71
Schedule P – Part 2N – Reinsurance - Nonproportional Assumed Property	60	Schedule P – Part 5A – Homeowners/Farmowners	72
Schedule P – Part 2O – Reinsurance - Nonproportional Assumed Liability	60	Schedule P – Part 5B – Private Passenger Auto Liability/Medical	73
Schedule P – Part 2P – Reinsurance - Nonproportional Assumed Financial Lines	60	Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	74
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	61	Schedule P – Part 5D – Workers' Comp (Excluding Excess Workers' Comp)	75
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	61	Schedule P – Part 5E – Commercial Multiple Peril	76
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	61	Schedule P – Part 5F – Medical Professional Liability – Claims-Made	78
Schedule P – Part 2T – Warranty	61	Schedule P – Part 5F – Medical Professional Liability – Occurrence	77
Schedule P – Part 3A – Homeowners/Farmowners	62	Schedule P – Part 5H – Other Liability – Claims-Made	80
Schedule P – Part 3B – Private Passenger Auto Liability/Medical	62	Schedule P – Part 5H – Other Liability – Occurrence	79
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	62	Schedule P – Part 5R – Products Liability – Claims-Made	82
Schedule P – Part 3D – Workers' Comp (Excluding Excess Workers' Comp)	62	Schedule P – Part 5R – Products Liability – Occurrence	81
Schedule P – Part 3E – Commercial Multiple Peril	62	Schedule P – Part 5T – Warranty	83
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	63	Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	84
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	63	Schedule P – Part 6D – Workers' Comp (Excluding Excess Workers' Comp)	84
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	63	Schedule P – Part 6E – Commercial Multiple Peril	85
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	63	Schedule P – Part 6H – Other Liability – Claims-Made	86
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	63	Schedule P – Part 6H – Other Liability – Occurrence	85
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	64	Schedule P – Part 6M – International	86
Schedule P – Part 3J – Auto Physical Damage	64	Schedule P – Part 6N – Reinsurance - Nonproportional Assumed Property	87
Schedule P – Part 3K – Fidelity/Surety	64	Schedule P – Part 6O – Reinsurance - Nonproportional Assumed Liability	87
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	64	Schedule P – Part 6R – Products Liability – Claims-Made	88
Schedule P – Part 3M – International	64	Schedule P – Part 6R – Products Liability – Occurrence	88
Schedule P – Part 3N – Reinsurance - Nonproportional Assumed Property	65	Schedule P – Part 7A – Primary Loss Sensitive Contracts	89
Schedule P – Part 3O – Reinsurance - Nonproportional Assumed Liability	65	Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	91
Schedule P – Part 3P – Reinsurance - Nonproportional Assumed Financial Lines	65	Schedule P Interrogatories	93
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	66	Schedule T – Exhibit of Premiums Written	94
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	66	Schedule T – Part 2 – Interstate Compact	95
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	66	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	96
Schedule P – Part 3T – Warranty	66	Schedule Y - Part 1A - Detail of Insurance Holding Company System	97
Schedule P – Part 4A – Homeowners/Farmowners	67	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	98
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	67	Statement of Income	4
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	67	Summary Investment Schedule	SI01
Schedule P – Part 4D – Workers' Comp (Excluding Excess Workers' Comp)	67	Supplemental Exhibits and Schedules Interrogatories	99
Schedule P – Part 4E – Commercial Multiple Peril	67	Underwriting and Investment Exhibit Part 1	6
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	68	Underwriting and Investment Exhibit Part 1A	7
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	68	Underwriting and Investment Exhibit Part 1B	8
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	68	Underwriting and Investment Exhibit Part 2	9
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	68	Underwriting and Investment Exhibit Part 2A	10
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	68	Underwriting and Investment Exhibit Part 3	11