

ANNUAL STATEMENT

OF THE

LIBERTY MUTUAL INSURANCE COMPANY

of **BOSTON**

in the state of **MASSACHUSETTS**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2017

PROPERTY AND CASUALTY

2017



23043201720100100

ANNUAL STATEMENT

For the Year Ended December 31, 2017
OF THE CONDITION AND AFFAIRS OF THE

Liberty Mutual Insurance Company

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

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

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

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

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

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

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

Internet Web Site Address www.libertymutualgroup.com

Statutory Statement Contact Lindsey Pendergast 617-357-9500 x41177
(Name) (Area Code) (Telephone Number) (Extension)
Statutory.Compliance@LibertyMutual.com 857-224-1430
(E-Mail Address) (Fax Number)

OFFICERS

Chairman of the Board

David Henry Long

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

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

Neeti Bhalla	James Paul Condrin, III	James Francis Kelleher	Dennis James Langwell
David Henry Long	Christopher Locke Peirce	Timothy Michael Sweeney	Mark Charles Touhey

State of Massachusetts
County of Suffolk ss

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

_____ (Signature) David Henry Long _____ (Printed Name) 1. President and Chief Executive Officer _____ (Title)	_____ (Signature) Mark Charles Touhey _____ (Printed Name) 2. Senior Vice President and Secretary _____ (Title)	_____ (Signature) Laurance Henry Soyer Yahia _____ (Printed Name) 3. Senior Vice President and Treasurer _____ (Title)
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Subscribed and sworn to (or affirmed) before me this on this
8th day of January, 2018, by

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	12,458,717,979		12,458,717,979	12,786,680,493
2. Stocks (Schedule D):				
2.1 Preferred stocks	44,817,504		44,817,504	217,998,874
2.2 Common stocks	16,375,625,206	52,592,022	16,323,033,184	10,131,763,114
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	603,653,325		603,653,325	620,487,892
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	272,895,626		272,895,626	290,265,760
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (358,532,960), Schedule E - Part 1), cash equivalents (\$ 639,762,235, Schedule E - Part 2), and short-term investments (\$ 88,774,024, Schedule DA)	370,003,299		370,003,299	1,092,914,837
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)	38,521,080		38,521,080	9,774,118
8. Other invested assets (Schedule BA)	7,200,092,732	23,473,276	7,176,619,456	10,409,396,664
9. Receivables for securities	31,797,622		31,797,622	20,307,046
10. Securities lending reinvested collateral assets (Schedule DL)	158,483,552		158,483,552	163,507,789
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	37,554,607,925	76,065,298	37,478,542,627	35,743,096,587
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	100,341,596		100,341,596	112,757,395
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	1,606,734,251	60,788,119	1,545,946,132	1,202,011,937
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 26,811,551 earned but unbilled premiums)	3,520,666,178	2,681,156	3,517,985,022	3,308,300,952
15.3 Accrued retrospective premiums (\$ 194,726,669) and contracts subject to redetermination (\$ 0)	216,382,755	21,656,086	194,726,669	199,664,574
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	381,127,192		381,127,192	322,260,776
16.2 Funds held by or deposited with reinsured companies	20,103,157		20,103,157	31,089,175
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	22,682	380	22,302	32,668
18.1 Current federal and foreign income tax recoverable and interest thereon	62,588,507		62,588,507	203,076,831
18.2 Net deferred tax asset	1,331,630,001	130,352,459	1,201,277,542	1,531,584,622
19. Guaranty funds receivable or on deposit	11,092,354		11,092,354	11,177,406
20. Electronic data processing equipment and software	725,912,450	654,992,320	70,920,130	78,189,955
21. Furniture and equipment, including health care delivery assets (\$ 0)	728,780,146	728,780,146		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	639,689,420		639,689,420	572,978,465
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	863,880,787	67,488,896	796,391,891	685,660,344
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	47,763,559,401	1,742,804,860	46,020,754,541	44,001,881,687
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	47,763,559,401	1,742,804,860	46,020,754,541	44,001,881,687

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	478,480,554		478,480,554	449,217,121
2502. Other assets	202,827,645	67,481,618	135,346,027	70,687,904
2503. Equities and deposits in pools and associations	98,425,626		98,425,626	84,329,484
2598. Summary of remaining write-ins for Line 25 from overflow page	84,146,962	7,278	84,139,684	81,425,835
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	863,880,787	67,488,896	796,391,891	685,660,344

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	16,391,595,471	14,282,969,304
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	153,654,728	87,145,606
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	3,267,135,983	2,950,907,996
4. Commissions payable, contingent commissions and other similar charges	268,222,669	274,872,061
5. Other expenses (excluding taxes, licenses and fees)	423,173,851	488,747,133
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	143,145,005	124,363,465
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 797,916,363 and interest thereon \$ 3,545,157	801,461,521	150,547,865
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 8,425,621,363 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	7,503,154,587	6,929,723,299
10. Advance premium	41,679,456	43,423,739
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	967,520	944,909
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,052,160,126	847,157,701
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	224,693,828	208,362,823
14. Amounts withheld or retained by company for account of others	719,415,826	499,636,844
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)	52,491,027	39,649,905
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	724,094,547	471,797,372
20. Derivatives	6,158,289	1,087,425
21. Payable for securities	251,829,431	286,404,389
22. Payable for securities lending	158,483,552	163,507,789
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(694,086,149)	(377,573,431)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	31,489,431,268	27,473,676,194
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	31,489,431,268	27,473,676,194
29. Aggregate write-ins for special surplus funds	176,230,822	95,257,334
30. Common capital stock	10,000,000	10,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other-than-special surplus funds	1,250,000	1,250,000
33. Surplus notes	623,624,029	623,557,748
34. Gross paid in and contributed surplus	8,859,442,356	8,604,442,356
35. Unassigned funds (surplus)	4,860,776,066	7,193,698,055
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)	14,531,323,273	16,528,205,493
38. Totals (Page 2, Line 28, Col. 3)	46,020,754,541	44,001,881,687

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	793,017,239	849,669,576
2502. Amounts held under uninsured plans	273,457,500	293,010,657
2503. Deposit liability	30,047,334	38,218,987
2598. Summary of remaining write-ins for Line 25 from overflow page	(1,790,608,222)	(1,558,472,651)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(694,086,149)	(377,573,431)
2901. Special surplus from retroactive reinsurance	176,230,822	95,257,334
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)	176,230,822	95,257,334
3201. Guaranty funds	1,250,000	1,250,000
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	1,250,000	1,250,000

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	13,754,980,458	12,906,110,881
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	9,074,679,354	7,309,149,693
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	1,863,145,570	1,705,545,206
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	4,357,957,987	4,313,735,786
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	15,295,782,911	13,328,430,685
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(1,540,802,453)	(422,319,804)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	524,311,771	507,309,532
10. Net realized capital gains (losses) less capital gains tax of \$ 51,912,788 (Exhibit of Capital Gains (Losses))	5,261,230	37,995,715
11. Net investment gain (loss) (Lines 9 + 10)	529,573,001	545,305,247
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 2,753,333 amount charged off \$ 56,142,000)	(53,388,667)	(45,079,376)
13. Finance and service charges not included in premiums	101,537,941	79,860,329
14. Aggregate write-ins for miscellaneous income	(36,539,152)	(23,561,222)
15. Total other income (Lines 12 through 14)	11,610,122	11,219,731
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(999,619,330)	134,205,174
17. Dividends to policyholders	6,796,773	8,884,883
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)	(1,006,416,103)	125,320,291
19. Federal and foreign income taxes incurred	(97,994,788)	(278,991,553)
20. Net income (Line 18 minus Line 19) (to Line 22)	(908,421,315)	404,311,844
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	16,528,205,493	15,815,267,613
22. Net income (from Line 20)	(908,421,315)	404,311,844
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (2,674,966)	(764,286,013)	4,902,750
25. Change in net unrealized foreign exchange capital gain (loss)	95,301,149	19,804,566
26. Change in net deferred income tax	(334,005,887)	(32,523,036)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(207,970,855)	11,400,282
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(12,841,122)	(9,990,812)
29. Change in surplus notes	66,281	66,281
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in	255,000,000	400,000,000
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(69,727,700)	(67,859,641)
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	(49,996,758)	(17,174,354)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(1,996,882,220)	712,937,880
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	14,531,323,273	16,528,205,493

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive reinsurance gain/(loss)	98,803,937	51,225,833
1402. Other income/(expense)	(135,343,089)	(74,787,055)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(36,539,152)	(23,561,222)
3701. Other changes in surplus	(49,996,758)	(17,174,354)
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)	(49,996,758)	(17,174,354)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	13,799,443,828	13,011,654,103
2. Net investment income	697,943,558	652,128,541
3. Miscellaneous income	265,761,028	(184,145,924)
4. Total (Lines 1 through 3)	14,763,148,414	13,479,636,720
5. Benefit and loss related payments	7,943,493,150	7,073,653,680
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	5,980,144,449	5,994,703,309
8. Dividends paid to policyholders	6,774,161	8,298,007
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(187,503,804)	(200,536,793)
10. Total (Lines 5 through 9)	13,742,907,956	12,876,118,203
11. Net cash from operations (Line 4 minus Line 10)	1,020,240,458	603,518,517
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	10,016,304,591	4,632,096,291
12.2 Stocks	601,553,533	179,177,587
12.3 Mortgage loans	82,374,157	80,786,508
12.4 Real estate	8,643,734	4,137,737
12.5 Other invested assets	4,893,964,356	1,232,497,035
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	16,407	33
12.7 Miscellaneous proceeds	(9,010,326)	(17,076,251)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	15,593,846,452	6,111,618,940
13. Cost of investments acquired (long-term only):		
13.1 Bonds	8,954,493,282	4,690,694,318
13.2 Stocks	6,724,013,724	265,225,161
13.3 Mortgage loans	63,997,181	162,258,243
13.4 Real estate	9,988,152	22,059,524
13.5 Other invested assets	2,303,039,034	1,872,274,322
13.6 Miscellaneous applications	39,235,142	(242,138,020)
13.7 Total investments acquired (Lines 13.1 to 13.6)	18,094,766,515	6,770,373,548
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)	(2,500,920,063)	(658,754,608)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	66,281	66,281
16.2 Capital and paid in surplus, less treasury stock	255,000,000	400,000,000
16.3 Borrowed funds	650,913,656	
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	69,727,700	67,859,641
16.6 Other cash provided (applied)	(78,484,170)	62,905,647
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	757,768,067	395,112,287
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(722,911,538)	339,876,196
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,092,914,837	753,038,641
19.2 End of year (Line 18 plus Line 19.1)	370,003,299	1,092,914,837

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

20.0001	1 - Premiums collected net of reinsurance	(149,844,840)	
20.0002	2 - Net investment income	1,201,695	1,457,511
20.0003	5 - Benefits and loss related payments	790,896,344	
20.0004	7 - Commissions, expenses paid and aggregate write-ins for deductions	36,296,441	12,475,044
20.0005	12.1 - Proceeds from investments sold, matured or repaid - Bonds	1,109,847,920	3,483,297,328
20.0006	12.2 - Proceeds from investments sold, matured or repaid - Stocks	39,941,784	13,220,209
20.0007	12.3 - Proceeds from investments sold, matured or repaid - Mortgage loans		117,042
20.0008	13.1 Cost of Investment Acquired - Bonds	1,735,908,902	3,501,400,229
20.0009	13.2 Cost of Investment Acquired - Stocks	7,254,259	745,165
20.0010	13.5 - Cost of Investment Acquired - Other invested assets		117,042
20.0011	16.6 - Other cash provided (applied)	312,272,980	16,645,390

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	295,678,661	136,472,811	140,242,122	291,909,350
2. Allied lines	219,818,473	100,721,324	111,845,425	208,694,372
3. Farmowners multiple peril	51,645,648	25,327,397	25,663,167	51,309,878
4. Homeowners multiple peril	2,999,412,247	1,554,956,776	1,624,786,745	2,929,582,278
5. Commercial multiple peril	1,130,884,750	562,500,797	557,062,491	1,136,323,056
6. Mortgage guaranty				
8. Ocean marine	39,266,148	28,388,895	27,466,882	40,188,161
9. Inland marine	426,877,002	89,349,978	97,253,433	418,973,547
10. Financial guaranty				
11.1 Medical professional liability—occurrence	49,844,255	17,779,012	24,933,591	42,689,676
11.2 Medical professional liability—claims-made	44,940,154	3,638,168	24,283,061	24,295,261
12. Earthquake	32,400,775	16,868,489	16,386,837	32,882,427
13. Group accident and health	8,205,362	(63,168)	4,391,567	3,750,627
14. Credit accident and health (group and individual)				
15. Other accident and health	27,887,229	111,048	8,525,900	19,472,377
16. Workers' compensation	990,859,490	72,710,050	57,655,165	1,005,914,375
17.1 Other liability—occurrence	1,127,393,919	434,108,641	564,526,502	996,976,058
17.2 Other liability—claims-made	449,650,589	195,828,829	298,338,855	347,140,563
17.3 Excess workers' compensation	21,468,004	10,999,944	10,078,330	22,389,618
18.1 Products liability—occurrence	88,008,189	49,703,841	49,125,791	88,586,239
18.2 Products liability—claims-made	10,307,193	2,041,307	5,181,233	7,167,267
19.1,19.2 Private passenger auto liability	3,306,672,884	1,548,197,129	1,656,039,151	3,198,830,862
19.3,19.4 Commercial auto liability	682,819,610	308,511,197	327,083,452	664,247,355
21. Auto physical damage	1,618,123,744	1,205,778,923	1,260,246,552	1,563,656,115
22. Aircraft (all perils)	25,608,771	11,671,976	11,438,336	25,842,411
23. Fidelity	24,135,325	9,483,658	4,836,177	28,782,806
24. Surety	396,380,594	258,154,940	274,375,710	380,159,824
26. Burglary and theft	2,528,222	188,878	1,653,831	1,063,269
27. Boiler and machinery	18,576,109	8,777,860	8,231,400	19,122,569
28. Credit	8,796,147	1,315,647	10,342,348	(230,554)
29. International				
30. Warranty	(343,448)	247,164		(96,284)
31. Reinsurance-nonproportional assumed property	103,378,485	15,347,613	18,034,599	100,691,499
32. Reinsurance-nonproportional assumed liability	53,967,471	18,655,464	20,593,530	52,029,405
33. Reinsurance-nonproportional assumed financial lines	19,913,785	4,255,804	21,293,118	2,876,471
34. Aggregate write-ins for other lines of business				
35. TOTALS	14,275,105,787	6,692,030,392	7,261,915,301	13,705,220,878

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	136,964,886	3,277,235			140,242,121
2. Allied lines	110,620,799	1,224,626			111,845,425
3. Farmowners multiple peril	25,513,102	150,065			25,663,167
4. Homeowners multiple peril	1,622,471,693	2,315,052			1,624,786,745
5. Commercial multiple peril	548,391,540	20,300,009	(11,629,057)		557,062,492
6. Mortgage guaranty					
8. Ocean marine	18,362,387	9,104,495			27,466,882
9. Inland marine	79,156,599	18,096,833			97,253,432
10. Financial guaranty					
11.1 Medical professional liability—occurrence	21,958,780	2,974,811			24,933,591
11.2 Medical professional liability—claims-made	16,822,220	7,460,841			24,283,061
12. Earthquake	16,096,815	290,021			16,386,836
13. Group accident and health	2,595,225	1,796,343			4,391,568
14. Credit accident and health (group and individual)					
15. Other accident and health	8,518,049	7,850			8,525,899
16. Workers' compensation	283,910,694	21,112,543	(11,930,475)	(235,437,596)	57,655,166
17.1 Other liability—occurrence	462,275,077	93,354,418	(1,208,916)	10,105,923	564,526,502
17.2 Other liability—claims-made	213,204,658	85,157,918	(23,721)		298,338,855
17.3 Excess workers' compensation	9,365,898	712,432			10,078,330
18.1 Products liability—occurrence	28,785,750	17,450,040	(391,658)	3,281,659	49,125,791
18.2 Products liability—claims-made	4,883,237	297,996			5,181,233
19.1,19.2 Private passenger auto liability	1,632,037,764	24,001,387			1,656,039,151
19.3,19.4 Commercial auto liability	314,187,244	6,901,628	327,326	5,667,254	327,083,452
21. Auto physical damage	1,259,838,484	408,068			1,260,246,552
22. Aircraft (all perils)	9,020,538	2,417,798			11,438,336
23. Fidelity	7,078,400	(2,242,223)			4,836,177
24. Surety	83,642,478	190,733,233			274,375,711
26. Burglary and theft	1,466,527	187,303			1,653,830
27. Boiler and machinery	7,954,542	276,857			8,231,399
28. Credit	809,686	9,532,661			10,342,347
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property	15,848,176	2,186,423			18,034,599
32. Reinsurance-nonproportional assumed liability	18,654,831	1,938,699			20,593,530
33. Reinsurance-nonproportional assumed financial lines	21,293,118				21,293,118
34. Aggregate write-ins for other lines of business					
35. TOTALS	6,981,729,197	521,425,362	(24,856,501)	(216,382,760)	7,261,915,298
36. Accrued retrospective premiums based on experience					216,382,755
37. Earned but unbilled premiums					24,856,502
38. Balance (Sum of Lines 35 through 37)					7,503,154,555

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	29,876,511	592,161,627	36,672,860	292,572,061	70,460,277	295,678,660
2. Allied lines	21,060,537	478,769,956	34,413,145	243,745,310	70,679,856	219,818,472
3. Farmowners multiple peril		107,096,801		51,758,996	3,692,157	51,645,648
4. Homeowners multiple peril	73,188,958	6,377,042,656	39,755,349	3,010,681,248	479,893,467	2,999,412,248
5. Commercial multiple peril	21,622,872	2,388,700,127	47,174,611	1,152,973,008	173,639,852	1,130,884,750
6. Mortgage guaranty						
8. Ocean marine	64,196,281	26,990,631	9,253,013	47,627,154	13,546,623	39,266,148
9. Inland marine	92,007,473	3,315,715,042	6,956,294	436,154,458	2,551,647,350	426,877,001
10. Financial guaranty						
11.1 Medical professional liability--occurrence	4	83,062,707	16,625,699	49,844,255	(100)	49,844,255
11.2 Medical professional liability--claims-made		78,127,879	11,846,985	44,940,154	94,556	44,940,154
12. Earthquake	48,831	68,931,844	2,566,646	32,495,969	6,650,578	32,400,774
13. Group accident and health	1,186,155	8,347,328	7,221,082	8,205,362	343,841	8,205,362
14. Credit accident and health (group and individual)						
15. Other accident and health	1,675,021	55,587,032	154,479	28,049,230	1,480,074	27,887,228
16. Workers' compensation	1,862,875	2,463,515,950	68,350,609	996,161,072	546,708,872	990,859,490
17.1 Other liability—occurrence	357,040,612	2,054,242,337	105,478,475	1,159,712,160	229,655,346	1,127,393,918
17.2 Other liability—claims-made	147,727,095	752,698,995	114,841,388	499,340,635	66,276,253	449,650,590
17.3 Excess workers' compensation	12,496,627	37,945,841	444,549	27,011,689	2,407,325	21,468,003
18.1 Products liability—occurrence	18,191,401	161,110,849	636,575	90,585,073	1,345,562	88,008,190
18.2 Products liability—claims-made	2,557,088	17,583,830	473,468	10,307,193		10,307,193
19.1,19.2 Private passenger auto liability	218,749,948	6,606,399,888	26,386,550	3,306,672,885	238,190,617	3,306,672,884
19.3,19.4 Commercial auto liability	22,729,192	1,339,184,695	27,292,894	681,988,013	24,399,159	682,819,609
21. Auto physical damage	209,941,660	5,034,166,365	11,517,432	3,505,695,875	131,805,837	1,618,123,745
22. Aircraft (all perils)	43,015,361	19,098,855	6,783,958	25,626,360	17,663,044	25,608,770
23. Fidelity	24,768,076	28,889,404	1,949,058	28,436,062	3,035,151	24,135,325
24. Surety	623,276,189	197,839,554	9,538,642	411,376,665	22,897,127	396,380,593
26. Burglary and theft	22,833	5,211,500	3,254	2,528,223	181,141	2,528,223
27. Boiler and machinery		36,731,338	1,920,545	18,576,109	1,499,665	18,576,109
28. Credit	1,298,973	16,664,949	26,163	8,796,146	397,791	8,796,148
29. International						
30. Warranty		(686,895)		(343,448)		(343,447)
31. Reinsurance-nonproportional assumed property	X X X	164,386,415	55,859,683	103,863,730	13,003,884	103,378,484
32. Reinsurance-nonproportional assumed liability	X X X	79,073,302	28,861,639	54,146,477	(179,006)	53,967,470
33. Reinsurance-nonproportional assumed financial lines	X X X		42,489,953	19,913,785	2,662,383	19,913,785
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,988,540,573	32,594,590,802	715,494,998	16,349,441,909	4,674,078,682	14,275,105,782

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

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

If yes: 1. The amount of such installment premiums \$ 205,616

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 230,856

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	6,186,103	321,918,762	155,361,411	172,743,454	293,387,666	184,317,417	281,813,703	96.542
2. Allied lines	12,178,344	404,463,582	272,870,476	143,771,450	228,092,040	48,424,216	323,439,274	154.982
3. Farmowners multiple peril		59,452,084	29,734,667	29,717,417	17,096,515	7,647,550	39,166,382	76.333
4. Homeowners multiple peril	30,118,160	3,466,257,987	1,818,896,051	1,677,480,096	792,604,712	592,399,469	1,877,685,339	64.094
5. Commercial multiple peril	11,713,399	1,147,094,064	583,730,189	575,077,274	1,211,801,887	977,882,724	808,996,437	71.194
6. Mortgage guaranty								
8. Ocean marine	30,439,707	14,153,738	26,318,132	18,275,313	48,233,937	51,395,890	15,113,360	37.606
9. Inland marine	49,413,811	1,759,535,360	1,554,171,323	254,777,848	58,335,492	47,164,461	265,948,879	63.476
10. Financial guaranty								
11.1 Medical professional liability—occurrence	21,755	(776,470)	(177,588)	(577,127)	74,044,278	50,269,872	23,197,279	54.339
11.2 Medical professional liability—claims-made		(95,781,964)	(47,093,360)	(48,688,604)	115,655,578	16,870,419	50,096,555	206.199
12. Earthquake		1,923,454	962,317	961,137	780,009	1,111,385	629,761	1.915
13. Group accident and health	551,866	885,289	797,563	639,592	3,346,528	1,819,495	2,166,625	57.767
14. Credit accident and health (group and individual)								
15. Other accident and health	162,221	788,739	783,762	167,198	25,617,763	7,427,912	18,357,049	94.272
16. Workers' compensation	86,570,616	1,568,429,175	1,025,418,741	629,581,050	5,963,109,203	6,022,422,412	570,267,841	56.691
17.1 Other liability—occurrence	301,660,438	527,276,930	537,223,147	291,714,221	2,304,393,703	1,725,728,869	870,379,055	87.302
17.2 Other liability—claims-made	77,539,196	(237,277,939)	(43,610,539)	(116,128,204)	874,086,529	494,005,112	263,953,213	76.036
17.3 Excess workers' compensation	4,868,010	26,595,951	17,799,679	13,664,282	287,478,149	283,913,700	17,228,731	76.950
18.1 Products liability—occurrence	10,833,560	52,809,661	37,793,984	25,849,237	183,647,772	182,155,415	27,341,594	30.864
18.2 Products liability—claims-made		(29,283,875)	(14,641,937)	(14,641,938)	19,424,265	7,943,441	(3,161,114)	(44.105)
19.1,19.2 Private passenger auto liability	143,119,847	3,930,704,998	2,117,801,917	1,956,022,928	2,743,672,641	2,432,698,727	2,266,996,842	70.870
19.3,19.4 Commercial auto liability	14,977,955	986,646,509	516,044,190	485,580,274	956,778,035	783,466,886	658,891,423	99.194
21. Auto physical damage	88,491,856	2,965,356,116	2,119,923,956	933,924,016	61,733,237	21,797,441	973,859,812	62.281
22. Aircraft (all perils)	19,945,752	(17,201,371)	2,630,244	114,137	26,676,838	17,755,715	9,035,260	34.963
23. Fidelity	2,378,575	6,524,501	4,630,961	4,272,115	42,677,874	29,713,661	17,236,328	59.884
24. Surety	125,354,986	(707,809)	66,331,017	58,316,160	110,762,017	102,622,702	66,455,475	17.481
26. Burglary and theft	(44,433)	(1,869,239)	(956,836)	(956,836)	1,161,273	103,791	100,646	9.466
27. Boiler and machinery		22,958,561	12,178,009	10,780,552	9,380,481	7,466,232	12,694,801	66.386
28. Credit		(5,795,364)	(2,897,682)	(2,897,682)	4,907,141	2,123,295	(113,836)	49.375
29. International								
30. Warranty					610,309	932,879	(322,570)	335.019
31. Reinsurance-nonproportional assumed property	X X X	92,096,151	46,154,114	45,942,037	(183,043,107)	77,259,882	(214,360,952)	(212.889)
32. Reinsurance-nonproportional assumed liability	X X X	19,255,640	9,627,820	9,627,820	109,484,387	101,908,526	17,203,681	33.065
33. Reinsurance-nonproportional assumed financial lines	X X X	4,846,969	3,239,518	1,607,451	5,606,098	2,219,809	4,993,740	173.606
34. Aggregate write-ins for other lines of business					52,225		52,225	
35. TOTALS	1,016,481,724	16,991,280,190	10,851,045,246	7,156,716,668	16,391,595,475	14,282,969,305	9,265,342,838	67.604

DETAILS OF WRITE-IN LINES								
3401. Other					52,225		52,225	
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)					52,225		52,225	

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	5,223,984	296,367,870	175,301,653	126,290,201	12,434,034	331,025,084	176,361,653	293,387,666	5,737,373
2. Allied lines	17,503,884	405,417,811	284,403,013	138,518,682	2,361,859	168,452,128	81,240,628	228,092,041	9,866,474
3. Farmowners multiple peril		36,385,867	18,291,898	18,093,969		(1,978,285)	(980,830)	17,096,514	1,265,437
4. Homeowners multiple peril	10,746,268	897,889,960	577,501,478	331,134,750	5,491,001	957,076,518	501,097,557	792,604,712	129,176,099
5. Commercial multiple peril	78,052,909	1,300,212,046	744,226,092	634,038,863	63,443,279	1,115,551,307	601,231,562	1,211,801,887	337,426,681
6. Mortgage guaranty									
8. Ocean marine	48,275,500	32,433,840	53,467,618	27,241,722	38,010,576	13,312,168	30,330,530	48,233,936	7,382,495
9. Inland marine	77,643,242	46,452,008	91,301,725	32,793,525	26,123,236	185,386,820	185,968,089	58,335,492	11,368,526
10. Financial guaranty									
11.1 Medical professional liability—occurrence	104,488	30,811,412	15,867,981	15,047,919	(8,663,545)	127,969,314	60,309,409	74,044,279	7,599,386
11.2 Medical professional liability—claims-made		97,437,719	49,040,860	48,396,859	7,745,310	127,091,709	67,578,301	115,655,577	18,517,034
12. Earthquake		1,597,233	798,616	798,617		278,056	296,663	780,010	236,058
13. Group accident and health	1,637,516	2,082,304	2,153,163	1,566,657	516,742	3,227,918	1,964,790	(a) 3,346,527	127,339
14. Credit accident and health (group and individual)									
15. Other accident and health	158,983	39,803,821	36,191,497	3,771,307	221,008	45,164,095	23,538,646	(a) 25,617,764	2,766,500
16. Workers' compensation	712,874,885	6,122,500,049	4,192,105,724	2,643,269,210	438,831,551	7,974,190,869	5,093,182,427	5,963,109,203	929,475,497
17.1 Other liability—occurrence	356,157,134	1,558,162,106	1,120,999,479	793,319,761	467,236,651	3,328,098,356	2,284,261,066	2,304,393,702	620,623,778
17.2 Other liability—claims-made	216,387,893	397,775,239	389,455,392	224,707,740	178,379,459	1,256,219,998	785,220,669	874,086,528	206,084,220
17.3 Excess workers' compensation	34,178,613	319,895,747	217,175,495	136,898,865	48,393,320	358,747,470	256,561,505	287,478,150	35,026,702
18.1 Products liability—occurrence	29,395,945	132,105,447	91,802,386	69,699,006	83,289,551	160,675,963	130,016,749	183,647,771	138,210,439
18.2 Products liability—claims-made		3,303,972	1,689,636	1,614,336	(887,725)	37,395,507	18,697,853	19,424,265	9,134,385
19.1,19.2 Private passenger auto liability	111,609,418	3,787,305,217	2,276,365,916	1,622,548,719	89,310,798	2,214,989,468	1,183,176,343	2,743,672,642	592,099,845
19.3,19.4 Commercial auto liability	53,932,923	1,031,495,452	597,248,510	488,179,865	23,202,955	969,205,499	523,810,283	956,778,036	97,982,905
21. Auto physical damage	1,966,076	15,765,876	8,954,457	8,777,495	2,312,719	183,811,553	133,168,528	61,733,239	50,084,299
22. Aircraft (all perils)	16,970,479	32,956,461	25,938,869	23,988,071	821,247	5,679,189	3,811,670	26,676,837	11,824,746
23. Fidelity	15,539,429	5,423,858	14,717,838	6,245,449	37,413,600	41,863,975	42,845,151	42,677,873	4,657,823
24. Surety	59,000,594	(16,535,571)	21,265,310	21,199,713	120,197,981	58,378,739	89,014,416	110,762,017	28,047,128
26. Burglary and theft	7,341	272,779	140,061	140,059	92,849	2,020,267	1,091,903	1,161,272	276,045
27. Boiler and machinery		14,023,345	7,011,674	7,011,671	1	4,715,411	2,346,601	9,380,482	773,008
28. Credit		(597,007)	(298,504)	(298,503)	28,605	10,391,203	5,214,163	4,907,142	762,668
29. International									
30. Warranty					(68,103)	172,634	(505,778)	610,309	290,127
31. Reinsurance-nonproportional assumed property	X X X	69,136,192	34,568,398	34,567,794	X X X	390,299,811	607,910,712	(183,043,107)	1,973,758
32. Reinsurance-nonproportional assumed liability	X X X	75,853,895	39,084,752	36,769,143	X X X	145,430,488	72,715,244	109,484,387	8,243,856
33. Reinsurance-nonproportional assumed financial lines	X X X	9,895,637	4,948,651	4,946,986	X X X	2,871,118	2,212,007	5,606,097	95,358
34. Aggregate write-ins for other lines of business					52,225			52,225	
35. TOTALS	1,847,367,504	16,745,630,585	11,091,719,638	7,501,278,451	1,636,291,184	20,217,714,350	12,963,688,510	16,391,595,475	3,267,135,989

DETAILS OF WRITE-IN LINES									
3401. Other						52,225			52,225
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)						52,225			52,225

(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	221,496,926			221,496,926
1.2 Reinsurance assumed	1,729,842,590			1,729,842,590
1.3 Reinsurance ceded	1,048,608,817			1,048,608,817
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	902,730,699			902,730,699
2. Commission and brokerage:				
2.1 Direct, excluding contingent		202,825,849		202,825,849
2.2 Reinsurance assumed, excluding contingent		3,019,918,210		3,019,918,210
2.3 Reinsurance ceded, excluding contingent		2,332,687,512		2,332,687,512
2.4 Contingent—direct		22,016,844		22,016,844
2.5 Contingent—reinsurance assumed		322,193,797		322,193,797
2.6 Contingent—reinsurance ceded		174,972,882		174,972,882
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		1,059,294,306		1,059,294,306
3. Allowances to manager and agents	3	136,728,152		136,728,155
4. Advertising	1,279,188	223,698,477	54,332	225,031,997
5. Boards, bureaus and associations	4,074,341	24,006,855	34,401	28,115,597
6. Surveys and underwriting reports	156,582	77,821,009	1,197	77,978,788
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	563,238,586	1,162,848,361	39,519,557	1,765,606,504
8.2 Payroll taxes	23,670,119	105,334,797	1,719,165	130,724,081
9. Employee relations and welfare	89,691,740	379,313,375	7,139,386	476,144,501
10. Insurance	70,057,480	16,372,951	1,045,514	87,475,945
11. Directors' fees	13,460	76,178	1,151	90,789
12. Travel and travel items	29,763,385	67,423,558	1,212,391	98,399,334
13. Rent and rent items	29,317,634	131,991,976	2,202,259	163,511,869
14. Equipment	19,400,623	67,850,681	6,507,485	93,758,789
15. Cost or depreciation of EDP equipment and software	20,306,724	56,604,999	2,282,658	79,194,381
16. Printing and stationery	3,271,172	12,153,720	155,290	15,580,182
17. Postage, telephone and telegraph, exchange and express	14,446,119	75,175,050	908,391	90,529,560
18. Legal and auditing	5,193,080	20,843,764	1,152,868	27,189,712
19. Totals (Lines 3 to 18)	873,880,236	2,558,243,903	63,936,045	3,496,060,184
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 2,026,673		322,450,425		322,450,425
20.2 Insurance department licenses and fees		30,911,614		30,911,614
20.3 Gross guaranty association assessments		(859,179)		(859,179)
20.4 All other (excluding federal and foreign income and real estate)		49,378,967		49,378,967
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		401,881,827		401,881,827
21. Real estate expenses			9,271,313	9,271,313
22. Real estate taxes			6,893,182	6,893,182
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	86,534,633	338,537,949	11,660,565	436,733,147
25. Total expenses incurred	1,863,145,568	4,357,957,985	91,761,105	(a) 6,312,864,658
26. Less unpaid expenses—current year	3,267,135,983	830,171,407	4,370,118	4,101,677,508
27. Add unpaid expenses—prior year	2,950,907,996	886,329,984	1,652,675	3,838,890,655
28. Amounts receivable relating to uninsured plans, prior year		32,668		32,668
29. Amounts receivable relating to uninsured plans, current year		22,302		22,302
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,546,917,581	4,414,106,196	89,043,662	6,050,067,439

DETAILS OF WRITE-IN LINES				
2401. Other expenses	86,534,633	338,537,949	11,660,565	436,733,147
2402. Change in unallocated expense reserves				
2403. Summary of remaining write-ins for item 21 from overflow page				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	86,534,633	338,537,949	11,660,565	436,733,147

(a) Includes management fees of \$ 2,105,504,341 to affiliates and \$ 136,714,805 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a)	26,999,297	26,496,658
1.1 Bonds exempt from U.S. tax	(a)	68,991,013	59,159,133
1.2 Other bonds (unaffiliated)	(a)	328,142,362	329,217,475
1.3 Bonds of affiliates	(a)	7,873,200	7,873,200
2.1 Preferred stocks (unaffiliated)	(b)	9,853,683	8,582,790
2.11 Preferred stocks of affiliates	(b)		
2.2 Common stocks (unaffiliated)		5,261,426	5,207,772
2.21 Common stocks of affiliates		59,405,370	59,405,370
3. Mortgage loans	(c)	28,844,031	28,606,525
4. Real estate	(d)	49,433,827	49,433,827
5. Contract loans			
6. Cash, cash equivalents and short-term investments	(e)	10,595,578	10,941,721
7. Derivative instruments	(f)	(22,663,581)	(22,663,581)
8. Other invested assets		150,834,946	150,834,946
9. Aggregate write-ins for investment income		(17,781,193)	(17,781,193)
10. Total gross investment income		705,789,959	695,314,643
11. Investment expenses	(g)		91,761,105
12. Investment taxes, licenses and fees, excluding federal income taxes	(g)		
13. Interest expense	(h)		61,106,792
14. Depreciation on real estate and other invested assets	(i)		18,134,950
15. Aggregate write-ins for deductions from investment income			
16. Total deductions (Lines 11 through 15)			171,002,847
17. Net investment income (Line 10 minus Line 16)			524,311,796

DETAILS OF WRITE-IN LINES			
0901. Aggregate write-ins for investment income		(17,781,193)	(17,781,193)
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)		(17,781,193)	(17,781,193)
1501.			
1502.			
1503.			
1598. Summary of remaining write-ins for Line 15 from overflow page			
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)			

(a)	Includes \$	9,332,862	accrual of discount less \$	45,663,755	amortization of premium and less \$	0	paid for accrued interest on purchases.
(b)	Includes \$	0	accrual of discount less \$	0	amortization of premium and less \$	0	paid for accrued dividends on purchases.
(c)	Includes \$	0	accrual of discount less \$	0	amortization of premium and less \$	386	paid for accrued interest on purchases.
(d)	Includes \$	48,530,248	for company's occupancy of its own buildings; and excludes \$	0	interest on encumbrances.		
(e)	Includes \$	4,651,090	accrual of discount less \$	205,269	amortization of premium and less \$	4,895	paid for accrued interest on purchases.
(f)	Includes \$	0	accrual of discount less \$	0	amortization of premium.		
(g)	Includes \$	0	investment expenses and \$	0	investment taxes, licenses and fees, excluding federal income taxes,		attributable to segregated and Separate Accounts.
(h)	Includes \$	49,813,078	interest on surplus notes and \$	0	interest on capital notes.		
(i)	Includes \$	0	depreciation on real estate and \$	0	depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 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	(787,758)		(787,758)		
1.1 Bonds exempt from U.S. tax	4,901,951		4,901,951		
1.2 Other bonds (unaffiliated)	39,014,717	(13,521,783)	25,492,934	(480,530)	23,416,756
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	(1,442,182)	(15,144,944)	(16,587,126)	24,471,213	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	109,679,329	(3,571,974)	106,107,355	(42,444,811)	8,900,500
2.21 Common stocks of affiliates				(825,176,211)	
3. Mortgage loans	476,834		476,834	1,065,575	
4. Real estate	(581,729)		(581,729)		
5. Contract loans					
6. Cash, cash equivalents and short-term investments	(9,502)		(9,502)	(21,043)	(10,654)
7. Derivative instruments	6,009,876		6,009,876	(14,844,982)	
8. Other invested assets	27,733,765	(4,645,572)	23,088,193	92,930,340	7,498,531
9. Aggregate write-ins for capital gains (losses)	(4,660,632)	(86,276,378)	(90,937,010)	395,249	
10. Total capital gains (losses)	180,334,669	(123,160,651)	57,174,018	(764,105,200)	39,805,133

DETAILS OF WRITE-IN LINES					
0901. Aggregate write-ins for capital gains (losses)		(4,660,632)	(86,276,378)	(90,937,010)	395,249
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)		(4,660,632)	(86,276,378)	(90,937,010)	395,249

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	52,592,022	11,909,704	(40,682,318)
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)	23,473,276	10,093,290	(13,379,986)
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)	76,065,298	22,002,994	(54,062,304)
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	60,788,119	49,896,324	(10,891,795)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,681,156	1,867,966	(813,190)
15.3 Accrued retrospective premiums and contracts subject to redetermination	21,656,086	22,174,179	518,093
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	380	229	(151)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	130,352,459	133,916,378	3,563,919
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	654,992,320	643,371,399	(11,620,921)
21. Furniture and equipment, including health care delivery assets	728,780,146	578,271,488	(150,508,658)
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	67,488,896	80,586,476	13,097,580
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,742,804,860	1,532,087,433	(210,717,427)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	1,742,804,860	1,532,087,433	(210,717,427)

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	67,481,618	80,572,538	13,090,920
2502. Amounts receivable under high deductible policies	7,278	13,938	6,660
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	67,488,896	80,586,476	13,097,580

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the Massachusetts Insurance Commissioner, the accompanying financial statements of Liberty Mutual Insurance Company (the “Company”) have been prepared in conformity with the National Association of Insurance Commissioners (“NAIC”) *Accounting Practices and Procedures Manual* (“APP Manual”).

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

NET INCOME

	<u>SSAP #</u>	<u>F/S Page</u>	<u>F/S Line #</u>	<u>2017</u>	<u>2016</u>
1. Liberty Mutual Insurance Company state basis (Page 4, Line 20, Columns 1 & 3)	XXX	XXX	XXX	(\$908,421,315)	\$404,311,843
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>(\$908,421,315)</u>	<u>\$404,311,843</u>

SURPLUS

5. Company state basis (Page 3, Line 37, Columns 1 & 2)	XXX	XXX	XXX	\$14,531,323,273	\$16,528,205,493
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>\$14,531,323,273</u>	<u>\$16,528,205,493</u>

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

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

C. Accounting Policies

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

D. Going Concern

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

Note 2 – Accounting Changes and Corrections of Errors

- 1) As a result of California market conduct exam, the Company reserved \$2,593,161 for restitution on past property claims including interest. This adjustment reflects increases of \$2,133,161 and \$460,000 to losses and loss adjustment expenses, respectively, resulting in a decrease to pre-tax operating income.
- 2) During 2017, the Company changed its method of recognizing ceded premiums on excess of loss programs to upfront on day one of the effective date. This resulted in the Company recognizing \$3,043,125 of additional ceded commission income, \$37,035,000 of ceded unearned premium and \$33,991,875 of ceded premiums payable during the calendar year 2017.

Note 3 – Business Combinations and Goodwill

A. Statutory Purchase Method

On May 1, 2017, the Company directly acquired a 100% ownership and all of the issued and outstanding voting shares of Ironshore Inc. (“Ironshore”), a holding company, which is the upstream parent of two property and casualty insurance companies and other various subsidiaries that are engaged in insurance and non-insurance activity. The transaction was accounted for as a statutory purchase and the cost was \$2,935,288,000, resulting in goodwill in the amount of \$1,063,290,591. Goodwill amortization relating to the purchase of Ironshore was \$70,886,039 for year ended December 31, 2017; goodwill is being amortized over ten years.

On August 24, 2007, the Company and three affiliates (Liberty Mutual Fire Insurance Company (“LMFIC”), a Wisconsin insurance company; Peerless Insurance Company (“PIC”), a New Hampshire insurance company; and Employers Insurance Company of Wausau (“EICOW”), a Wisconsin insurance company) acquired all of the issued and outstanding voting shares of Ohio Casualty Corporation, a non-insurance holding company, which is the upstream parent of four property casualty insurance companies. The Company directly acquired a 78% ownership interest in Ohio Casualty Corporation, while the affiliates account for the remaining 22% (LMFIC 6%, PIC 8%, and EICOW 8%). The transaction was accounted for as a statutory purchase and the cost was \$2,168,405,460, resulting in goodwill in the amount of \$1,147,694,340. Goodwill amortization relating to the purchase of Ohio Casualty Corporation was \$74,026,303 for year ended December 31, 2017; goodwill was fully amortized as of December 31, 2017.

On June 9, 2010, the Company purchased LMFIC’s 2.892% holdings of the shares of Liberty Insurance Holdings, Inc. (“LIH”), a non-insurance holding company, for \$249,957,350 in cash and securities and EICOW’s 4.048% holdings of shares of LIH for \$349,871,398 in cash and securities. The purchase price represented the estimated fair value of the LIH shares. The transaction resulted in \$288,195,370 of goodwill to LMIC. Goodwill amortization was \$28,819,537 for year ended December 31, 2017; goodwill was being amortized over ten years.

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 – Discontinued Operations

The Company has no discontinued operations.

NOTES TO FINANCIAL STATEMENTS

Note 5 – Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

1. The maximum and minimum lending rates for mortgage loans during 2017 were:

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

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

2017	2016
\$36,306	\$36,306

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

2. Acquiring Interest 90-179 Days Past Due

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

3. Accruing Interest 180+ Days Past Due

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

4. Interest Reduced

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

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

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$603,923,396	\$ -	\$603,923,396
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b. Prior Year

1. Recorded Investments (All)

(a) Current	\$ -	\$ -	\$ -	\$ -	\$621,569,642	\$ -	\$621,569,642
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	35,209	-	35,209
(e) 180+ Days Past Due	-	-	-	-	218,687	-	218,687

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	\$ -	\$ -	\$ -	\$ -	\$15,401,290	\$ -	\$15,401,290
(b) Number of Loans	-	-	-	-	156	-	156
(c) Percent Reduced	- %	- %	- %	- %	1.872%	- %	1.872%

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

(a) Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$621,823,538	\$ -	\$621,823,538
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NOTES TO FINANCIAL STATEMENTS

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	\$ -	\$ -	\$ -	\$ -	\$1,903,462	\$ -	\$1,903,462
2. No Allowance for Credit Losses	-	-	-	-	4,021,344	-	4,021,344
3. Total (1+2)					5,924,806		5,924,806
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan	-	-	-	-	5,924,806	-	5,924,806
b. Prior Year							
1. With Allowance for Credit Losses	\$ -	\$ -	\$ -	\$ -	\$3,110,590	\$ -	\$3,110,590
2. No Allowance for Credit Losses	-	-	-	-	4,105,065	-	4,105,065
3. Total (1+2)	-	-	-	-	7,215,655	-	7,215,655
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	-	-	-	-	7,215,655	-	7,215,655

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	\$ -	\$ -	\$ -	\$ -	\$6,570,230	\$ -	\$6,570,230
2. Interest Income Recognized	-	-	-	-	355,599	-	355,599
3. Recorded Investments on Nonaccrual Status	-	-	-	-	24,729	-	24,729
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	352,055	-	352,055
b. Prior Year							
1. Average Recorded Investment	\$ -	\$ -	\$ -	\$ -	\$6,593,755	\$ -	\$6,593,755
2. Interest Income Recognized	-	-	-	-	399,402	-	399,402
3. Recorded Investments on Nonaccrual Status	-	-	-	-	218,687	-	218,687
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	393,153	-	393,153

7. Allowance for Credit Losses:

	<u>2017</u>	<u>2016</u>
a. Balance at beginning of period	\$1,335,646	\$1,814,180
b. Additions charged to operations	(351,206)	538,225
c. Direct write-downs charged against the allowances	(714,369)	(1,016,759)
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	<u>\$270,071</u>	<u>\$1,335,646</u>

8. Mortgage Loans Derecognized as a Result of Foreclosure:

	<u>2017</u>	<u>2016</u>
a. Aggregate amount of mortgage loans derecognized	\$240,010	\$42,422
b. Real estate collateral recognized	117,042	47,058
c. Other collateral recognized	-	-
d. Receivables recognized from a government guarantee of the foreclosed mortgage loan	-	-

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

B. Debt Restructuring

	<u>2017</u>	<u>2016</u>
1. The total recorded investment in restructured loans, as of year end	\$-	\$7,989,470
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	-	-

NOTES TO FINANCIAL STATEMENTS

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loaned Backed Securities

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

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Reported
12544LAK7	307,024	303,686	3,338	303,686	303,149	3/31/2017
12544LAK7	2,456,191	2,429,491	26,700	2,429,491	2,425,190	3/31/2017
12544LAK7	304,897	302,110	2,787	302,110	303,149	3/31/2017
61749BAB9	99,284	98,705	579	98,705	69,325	3/31/2017
32056FAC6	5,091,235	5,042,384	48,851	5,042,384	5,024,101	3/31/2017
32056FAC6	3,030,497	3,001,419	29,078	3,001,419	2,990,536	3/31/2017
05539TAR6	31,573	26,005	5,569	26,005	21,540	12/31/2017
Total	XXX	XXX	116,902	XXX	XXX	XXX

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of September 30, 2017:
 - a. The aggregate amount of unrealized losses:
 1. Less than 12 Months (\$10,086,356)
 2. 12 Months or Longer (\$18,254,377)
 - b. The aggregate related fair value of securities with unrealized losses:
 1. Less than 12 Months \$1,452,016,986
 2. 12 Months or Longer \$992,396,699
5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

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

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

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

2. The Company has not pledged any of its assets as collateral as of December 31, 2017.
3. Collateral Received

a. Aggregate Amount Collateral Received

	Fair Value
1. Repurchase Agreement	
(a) Open	
(b) 30 Days or Less	
(c) 31 to 60 Days	
(d) 61 to 90 Days	
(e) Greater Than 90 Days	

NOTES TO FINANCIAL STATEMENTS

(f) Sub-Total	
(g) Securities Received	
(h) Total Collateral Received	

2. Securities Lending

(a) Open	\$158,483,553
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	\$158,483,553
(g) Securities Received	12,619,978
(h) Total Collateral Received	\$171,103,531

3. Dollar Repurchase Agreement

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

b. The fair value of that collateral and of the portion of that collateral that it has sold or re-pledged	
	\$171,103,531

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

4. Securities Lending Transactions Administered by an Affiliated Agent

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

5. Collateral Reinvestment

a. Aggregate Amount Collateral Received

	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open		
(b) 30 Days or Less		
(c) 31 to 60 Days		
(d) 61 to 90 Days		
(e) 91 to 120 Days		
(f) 121 to 180 Days		
(g) 181 to 365 Days		
(h) 1 to 2 Years		
(i) 2 to 3 Years		
(j) Greater Than 3 Years		
(k) Sub-Total		
(l) Securities Received		
(m) Total Collateral Reinvested		
2. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	75,416,951	75,416,951
(c) 31 to 60 Days	52,718,280	52,718,280
(d) 61 to 90 Days	30,348,322	30,348,322
(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	\$158,483,553	\$158,483,553
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$158,483,553	\$158,483,553

NOTES TO FINANCIAL STATEMENTS

3. Dollar Repurchase Agreement

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

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

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

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

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not applicable.

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not applicable.

H. Repurchase Agreements Transactions Accounted for as a Sales

Not applicable.

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not applicable.

J. Real Estate

1. The Company did not recognize any impairments on real estate during the year.
2. The Company classified one commercial real estate property as held for sale during the year located in Irving, TX. The property was sold during the year and the Company recognized a loss of \$(581,729). The loss is in the "Net realized capital gains" caption on the Statement of Income.
3. The Company has not experienced any changes to a plan of sale for investment in real estate.
4. The Company does not engage in retail land sale operations.
5. The Company does not hold real estate investments with participating mortgage loan features.

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

1. There are twelve years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
2. There were \$52,985,421 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 \$219,685,952.
4. The Company's LIHTC property is required to meet regulatory benchmarks to comply with the LIHTC program which include the review of tenant files. Oversight of the projects is administered by the State Housing agencies.
5. The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.
6. The Company did not recognize any impairment loss on its LIHTC investment during the year.
7. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

NOTES TO FINANCIAL STATEMENTS

L. Restricted Assets

1. Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6	7
	1	2	3	4	5		
Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Collateral held under security lending agreements	158,483,552	-	-	-	158,483,552	163,507,789	(5,024,237)
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	19,493,900	-	-	-	19,493,900	18,124,900	1,369,000
j. On deposit with states	1,360,368,996	-	-	-	1,360,368,996	1,392,326,939	(31,957,943)
k. On deposit with other regulatory bodies	898,586,380	-	-	-	898,586,380	798,152,063	100,434,317
l. Pledged collateral to FHLB (including assets backing funding agreements)	165,203,112	-	-	-	165,203,112	177,058,782	(11,855,670)
m. Pledged as collateral not captured in other categories	827,276,198	-	-	-	827,276,198	573,322,476	253,953,722
n. Other restricted assets	205,688,614	-	-	-	205,688,614	-	205,688,614
o. Total Restricted Assets	\$3,635,100,752	\$ -	\$ -	\$ -	\$3,635,100,752	\$3,122,492,949	\$512,607,803

(a) Subset of column 1

(b) Subset of column 3

NOTES TO FINANCIAL STATEMENTS

Restricted Asset Category	8	9	Percentage	
			10	11
	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	- %	- %
b. Collateral held under security lending agreements	-	158,483,552	0.33 %	0.34 %
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	-	19,493,900	0.04 %	0.04 %
j. On deposit with states	-	1,360,368,996	2.85 %	2.96 %
k. On deposit with other regulatory bodies	-	898,586,380	1.88 %	1.95 %
l. Pledged collateral to FHLB (including assets backing funding agreements)	-	165,203,112	0.35 %	0.36 %
m. Pledged as collateral not captured in other categories	-	827,276,198	1.73 %	1.80 %
n. Other restricted assets	-	205,688,614	0.43 %	0.45 %
o. Total Restricted Assets	\$ -	\$3,635,100,752	7.61 %	7.90 %

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

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

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

Description of Asset	Gross Restricted							Percentage		
	Current Year					6	7	8	9	10
	1	2	3	4	5					
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase / (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Lloyds Syndicate LOC	\$759,093,070	\$-	\$-	\$-	\$759,093,070	\$573,322,476	\$185,770,594	\$759,093,070	1.59 %	1.65 %
Citibank Hong Kong LOC	26,359,131				26,359,131	-	26,359,131	26,359,131	0.06 %	0.06 %
FNMA/FHLMC Reinsurance	41,823,996				41,823,996	-	41,823,996	41,823,996	0.09 %	0.09 %
Total	\$827,276,198	\$-	\$-	\$-	\$827,276,198	\$827,276,198	\$253,953,722	\$827,276,198	1.73 %	1.80 %

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)

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

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

Collateral Assets	1 Book/Adjusted Carrying Value (BACV)	2 Fair Value	3 % of BACV to Total Assets (Admitted and Nonadmitted)*	4 % of BACV to Total Admitted Assets **
a. Cash	-	-	-	-
b. Schedule D, Part 1	-	-	-	-
c. Schedule D, Part 2, Section 1	-	-	-	-
d. Schedule D, Part 2, Section 2	-	-	-	-
e. Schedule B	-	-	-	-
f. Schedule A	-	-	-	-
g. Schedule BA, Part 1	-	-	-	-
h. Schedule DL, Part 1	\$158,483,552	\$158,483,552	0.33 %	0.34 %
i. Other	-	-	-	-
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$158,483,552	\$158,483,552	0.33 %	0.34 %

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

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

	1 Amount	2 % of Liability to Total Liabilities *
k. Recognized Obligation		
Return Collateral Asset	\$158,483,552	0.50 %

*Column 1 divided by Liability Page, Line 26

M. Working Capital Finance Investments

The Company does not invest in working capital finance investments.

N. Offsetting and Netting of Assets and Liabilities

Not applicable.

O. Structured Notes

CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (YES/NO)
912810PZ5	6,129,645	6,968,308	6,009,780	NO
912810QF8	11,167,691	12,474,132	11,108,784	NO
912810QV3	5,986,031	5,511,308	5,951,341	NO
912810RA8	3,558,382	4,199,209	3,580,608	NO
Total	26,841,749	29,152,957	26,650,513	XXX

P. 5* Securities

Not applicable.

Q. Short Sales

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

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

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

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. Management may also engage to sell limited partnership interests which may also lead to impairment losses being recognized. The Company realized impairment losses of \$2,832,557 during the year.

Note 7 – Investment Income

- A. Accrued Investment Income

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

- B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2017.

Note 8 – Derivative Instruments

A,B,C. Derivative financial instruments utilized by the Company during 2017 and 2016 included foreign currency forward contracts, commodity swap agreements, and commodity and equity option agreements.

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

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

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

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

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

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

- D. The Company did not have gains or losses in net unrealized capital gains or losses that represented a component of any derivatives' gain or loss that was excluded from the assessment of hedge effectiveness in 2017 or 2016.
- 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 2017 and 2016.
- F. The company did not have derivatives accounted for as cash flow hedges of a forecasted transaction.

Note 9 – Income Taxes

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

NOTES TO FINANCIAL STATEMENTS

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

1.

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

	12/31/2016		
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 2,360,874,000	\$ 390,621,000	\$ 2,751,495,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	2,360,874,000	390,621,000	2,751,495,000
(d) Deferred Tax Assets Nonadmitted	133,916,378	-	133,916,378
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	2,226,957,622	390,621,000	2,617,578,622
(f) Deferred Tax Liabilities	517,123,117	568,870,883	1,085,994,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ 1,709,834,505	\$ (178,249,883)	\$ 1,531,584,622

	Change		
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (557,482,000)	\$ (188,092,000)	\$ (745,574,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(557,482,000)	(188,092,000)	(745,574,000)
(d) Deferred Tax Assets Nonadmitted	(3,563,919)	-	(3,563,919)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	(553,918,081)	(188,092,000)	(742,010,081)
(f) Deferred Tax Liabilities	(167,148,117)	(244,554,883)	(411,703,000)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ (386,769,964)	\$ 56,462,883	\$ (330,307,081)

2.

	12/31/2017		
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$-	\$-	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	1,201,277,541	-	1,201,277,541
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	1,201,277,541	-	1,201,277,541
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	1,837,712,141
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	349,975,000	324,316,000	674,291,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 1,551,252,541	\$ 324,316,000	\$ 1,875,568,541

NOTES TO FINANCIAL STATEMENTS

	12/31/2016		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$-	\$-	\$-
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	1,530,800,777	783,845	1,531,584,622
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	1,530,800,777	783,845	1,531,584,622
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	2,196,513,321
(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.	517,123,117	568,870,883	1,085,994,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 2,047,923,894	\$ 569,654,728	\$ 2,617,578,622

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$-	\$-	\$-
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	(329,523,236)	(783,845)	(330,307,081)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(329,523,236)	(783,845)	(330,307,081)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	-	-	(358,801,180)
(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.	(167,148,117)	(244,554,883)	(411,703,000)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ (496,671,353)	\$ (245,338,728)	\$ (742,010,081)

3.

	2017	2016
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	325.0%	442.5%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	13,464,716,080	15,100,472,944

4.

	12/31/2017		12/31/2016		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital
Impact of Tax-Planning Strategies						
(a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.						
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$1,803,392,000	\$202,529,000	\$2,360,874,000	\$390,621,000	\$(557,482,000)	\$(188,092,000)
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	\$1,673,039,541	\$202,529,000	\$2,226,957,622	\$390,621,000	\$(553,918,081)	\$(188,092,000)
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%

NOTES TO FINANCIAL STATEMENTS

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

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

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

	(1) 12/31/2017	(2) 12/31/2016	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$(109,181,805)	\$(296,490,363)	\$ 187,308,558
(b) Foreign	11,187,017	17,498,809	(6,311,792)
(c) Subtotal	(97,994,788)	(278,991,554)	180,996,766
(d) Federal income tax on net capital gains	51,912,788	20,548,553	31,364,235
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	\$ (46,082,000)	\$(258,443,001)	\$ 212,361,001
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 295,336,000	\$ 254,507,000	\$ 40,829,000
(2) Unearned premium reserve	325,664,000	503,287,000	(177,623,000)
(3) Policyholder reserves	-	-	-
(4) Investments	34,616,000	50,428,000	(15,812,000)
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	15,649,000	13,993,000	1,656,000
(8) Compensation and benefits accrual	236,744,000	382,319,000	(145,575,000)
(9) Pension accrual	78,826,000	129,801,000	(50,975,000)
(10) Receivables – nonadmitted	325,171,000	481,659,000	(156,488,000)
(11) Net operating loss carry-forward	87,269,000	144,601,000	(57,332,000)
(12) Tax credit carry-forward	342,356,000	317,629,000	24,727,000
(13) Other (including items <5% of total ordinary tax assets)	61,761,000	82,650,000	(20,889,000)
(99) Subtotal	1,803,392,000	2,360,874,000	(557,482,000)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	130,352,459	133,916,378	(3,563,919)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	1,673,039,541	2,226,957,622	(553,918,081)
(e) Capital			
(1) Investments	88,975,000	176,484,000	(87,509,000)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	113,554,000	214,137,000	(100,583,000)
(99) Subtotal	202,529,000	390,621,000	(188,092,000)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	202,529,000	390,621,000	(188,092,000)
(i) Admitted deferred tax assets (2d + 2h)	1,875,568,541	2,617,578,622	(742,010,081)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	20,490,000	32,935,000	(12,445,000)
(2) Fixed assets	66,370,000	118,967,000	(52,597,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	130,226,000	-	130,226,000
(5) Other (including items <5% of total ordinary tax liabilities)	132,889,000	365,221,117	(232,332,117)
(99) Subtotal	349,975,000	517,123,117	(167,148,117)
(b) Capital:			
(1) Investments	324,316,000	568,870,883	(244,554,883)
(2) Real estate	-	-	-

NOTES TO FINANCIAL STATEMENTS

(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	324,316,000	568,870,883	(244,554,883)
(c) Deferred tax liabilities (3a99 + 3b99)	674,291,000	1,085,994,000	(411,703,000)
4. Net deferred tax assets/liabilities (2i - 3c)	\$1,201,277,541	\$1,531,584,622	\$(330,307,081)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of discounting of unpaid losses and loss adjustment expenses, charitable contributions, intercompany dividends, LP & LLC income, tax exempt income, limits on charitable contributions, limits on unearned premium reserve deductions, abandonments, compensation adjustments, impairments, fixed assets, tax free exchanges, foreign tax credits generated, foreign branch tax, and revisions to prior year estimates.
- E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2012	\$396,270,000	2032
2017	\$19,297,000	2037

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

Year Generated	Amount	Expiration
2009	\$ 1,570,000	2019
2010	\$ 1,265,000	2020
2011	\$ 12,019,000	2021
2012	\$ 6,485,000	2022
2013	\$ 10,944,000	2023
2014	\$ 27,988,000	2024
2015	\$ 12,291,000	2025
2016	\$ 25,342,000	2026
2017	\$ 1,248,000	2027

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

Year Generated	Amount	Expiration
2010	\$ 440,000	2030
2011	\$ 597,000	2031
2012	\$ 412,000	2032
2013	\$ 547,000	2033
2014	\$ 36,400,000	2034
2015	\$ 37,375,000	2035
2016	\$ 42,346,000	2036
2017	\$ 40,636,000	2037

The Company has alternative minimum tax credit carry-forwards of \$84,451,000 which are expected to be used or refunded.

The amount of Federal income taxes incurred and available for recoupment in the event of future losses are none from the current year and none from the preceding year.

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

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

All Set Works, Inc.	Liberty Mutual Group Inc.
AMBCO Capital Corporation	Liberty Mutual Holding Company Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyd's Insurance Company	Liberty Mutual Personal Insurance Company
American Economy Insurance Company	Liberty Mutual Technology Group, Inc.
American Fire and Casualty Company	Liberty Northwest Insurance Corporation
American States Insurance Company	Liberty Personal Insurance Company
American States Insurance Company of Texas	Liberty RE (Bermuda) Limited
American States Lloyds Insurance Company	Liberty Sponsored Insurance (Vermont), Inc.
American States Preferred Insurance Company	Liberty Surplus Insurance Corporation
Berkeley Holding Company Associates, Inc.	LIH-RE of America Corporation
Berkeley Management Corporation	LIU Specialty Insurance Agency Inc.
Capitol Court Corporation	LM General Insurance Company
Colorado Casualty Insurance Company	LM Insurance Corporation
Consolidated Insurance Company	LM Property and Casualty Insurance Company
Diversified Settlements, Inc.	LMHC Massachusetts Holdings Inc.
Emerald City Insurance Agency, Inc.	Managed Care Associates Inc. *
Employers Insurance Company of Wausau	Mid-American Fire & Casualty Company
Excelsior Insurance Company	North Pacific Insurance Company
Excess Risk Reinsurance, Inc. *	Ocasco Budget, Inc.
F.B. Beattie & Co., Inc.	OCI Printing, Inc.

NOTES TO FINANCIAL STATEMENTS

First National Insurance Company of America	Ohio Casualty Corporation
First State Agency Inc.	Ohio Security Insurance Company
General America Corporation	Open Seas Solutions, Inc.
General America Corporation of Texas	Oregon Automobile Insurance Company
General Insurance Company of America	Peerless Indemnity Insurance Company
Golden Eagle Insurance Corporation	Peerless Insurance Company
Gulf States AIF, Inc.	Pilot Insurance Services, Inc.
Hawkeye-Security Insurance Company	Rianoc Research Corporation
Indiana Insurance Company	S.C. Bellevue, Inc.
Insurance Company of Illinois	SAFECARE Company, Inc.
Ironshore Holdings (US) Inc. *	Safeco Corporation
Ironshore Indemnity Inc. *	Safeco General Agency, Inc.
Ironshore Insurance Ltd (Bermuda) *	Safeco Insurance Company of America
Ironshore Management Inc. *	Safeco Insurance Company of Illinois
Ironshore Services Inc. *	Safeco Insurance Company of Indiana
Ironshore Specialty Insurance Company *	Safeco Insurance Company of Oregon
Ironshore Surety Holdings Inc. *	Safeco Lloyds Insurance Company
LEXCO Limited	Safeco National Insurance Company
Liberty-USA Corporation	Safeco Properties, Inc.
Liberty Assignment Corporation	Safeco Surplus Lines Insurance Company
Liberty Energy Canada, Inc.	San Diego Insurance Company
Liberty Financial Services, Inc.	SCIT, Inc.
Liberty Hospitality Group, Inc.	St. James Insurance Company Ltd.
Liberty Insurance Corporation	The First Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.	The Midwestern Indemnity Company
Liberty Insurance Underwriters Inc.	The National Corporation
Liberty International Europe Inc.	The Netherlands Insurance Company
Liberty International Holdings Inc.	The Ohio Casualty Insurance Company
Liberty Life Assurance Company of Boston	Wausau Business Insurance Company
Liberty Life Holdings Inc.	Wausau General Insurance Company
Liberty Lloyds of Texas Insurance Company	Wausau Underwriters Insurance Company
Liberty Management Services, Inc.	West American Insurance Company
Liberty Mexico Holdings Inc.	Winmar Company, Inc.
Liberty Mutual Agency Corporation	Winmar of the Desert, Inc.
Liberty Mutual Fire Insurance Company	Winmar Oregon, Inc.
Liberty Mutual Group Asset Management Inc.	Winmar-Metro, Inc.

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

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

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

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

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group Inc. ("LMGI"), a Massachusetts company. The ultimate parent of LMGI is Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. As of December 31, 2017, the Company had the following capital transactions with its parent and subsidiaries:
- | | |
|--|-----------------|
| 1. Received capital contributions of | \$255,000,000 |
| 2. Received return of capital distributions of | \$120,185,965 |
| 3. Contributed capital in the amount of | \$1,081,718,041 |
| 4. Received dividends in the amount of | \$213,334,931 |
- D. At December 31, 2017 the Company reported a net \$198,594,873 due from affiliates, consisting of net intercompany payables, \$84,405,127 and loans to Liberty International Netherlands VOF, amounting to \$283,000,000 with maturities ranging from October 26, 2023 to August 23, 2030. Interest is paid annually. As of December 31, 2017 interest accrued and paid on the loans was \$86,282 and \$7,873,200 respectively. The loans are reported on Schedule BA, Other Long Term Invested Assets Owned. The terms of the intercompany arrangements, in general, require settlement at least quarterly.
- E. The Company has entered into guarantees to or on behalf of the following affiliates, as described in Note 14A.

America First Insurance Company
 Ironshore Europe DAC
 Ironshore Insurance Ltd.
 Liberty Corporate Capital Limited

NOTES TO FINANCIAL STATEMENTS

Liberty Information Technology Limited
 Liberty Insurance Company Limited
 Liberty International Underwriters Limited
 Liberty International Underwriters Pte. Limited
 Liberty Life Assurance Company of Boston
 Liberty Mutual Insurance Europe Limited
 Liberty Mutual Ireland Investment Holdings Limited
 Liberty Personal Insurance Company
 Liberty Re (Bermuda) Limited
 Liberty Surplus Insurance Corporation
 Safeco Insurance Company of Oregon
 San Diego Insurance Company
 Companies in the Liberty Mutual Group holding custodial accounts with JP Morgan Chase Bank

F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

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

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

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

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

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

The Company is party to a management services agreement with Liberty Mutual Technology Group, Inc. (“LMTG”) whereby LMTG provides the Company with the human resources to provide technology infrastructure, information technology systems, software, data center management, business continuity planning, network management services, monitoring, management/oversight, and software support services.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Company	Credit Line
American States Insurance Company	\$50,000,000
Colorado Casualty Insurance Company	\$50,000,000
Employers Insurance Company of Wausau	\$150,000,000
General Insurance Company of America	\$50,000,000
Golden Eagle Insurance Corporation	\$50,000,000
Indiana Insurance Company	\$50,000,000
Liberty Corporate Capital Limited	\$100,000,000
Liberty Insurance Corporation	\$100,000,000
Liberty Insurance Underwriters Inc.	\$50,000,000
Liberty International Holdings, Inc.	\$20,000,000
Liberty Life Assurance Company of Boston	\$650,000,000
Liberty Mutual Fire Insurance Company	\$150,000,000
Liberty Mutual Group Inc.	\$1,150,000,000
Liberty Mutual Mid-Atlantic Insurance Company	\$50,000,000
Liberty Northwest Insurance Corporation	\$50,000,000
Liberty Surplus Insurance Corporation	\$50,000,000
Peerless Indemnity Insurance Company	\$100,000,000
Peerless Insurance Company	\$650,000,000
Safeco Insurance Company of America	\$100,000,000
The Netherlands Insurance Company	\$50,000,000
The Ohio Casualty Insurance Company	\$130,000,000

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

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

Company	Credit Line
American Economy Insurance Company	\$100,000,000
American States Insurance Company	\$100,000,000
Employers Insurance Company of Wausau ¹	\$150,000,000
General Insurance Company of America	\$50,000,000
Golden Eagle Insurance Corporation	\$50,000,000
Indiana Insurance Company	\$50,000,000
Liberty Insurance Corporation	\$100,000,000
Liberty Life Assurance Company of Boston	\$500,000,000
Liberty Mutual Fire Insurance Company ¹	\$450,000,000
Liberty Mutual Group Inc.	\$1,000,000,000
Peerless Insurance Company ¹	\$650,000,000
Safeco Insurance Company of America ¹	\$100,000,000
The Ohio Casualty Insurance Company ¹	\$140,000,000

There were outstanding borrowings as of December 31, 2017.

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

There is an “Agent-Company Agreement” between the Company and Helmsman Insurance Agency, LLC (“Helmsman”) whereby Helmsman is appointed a property-casualty insurance agent of the Company and provides usual and customary services of an insurance agent on all insurance contracts placed by Helmsman with the Company.

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

America First Insurance Company	LM Insurance Corporation
America First Lloyds' Insurance Company	Mid-American Fire & Casualty Company
American Economy Insurance Company	Montgomery Mutual Insurance Company
American Fire and Casualty Company	National Insurance Association
American States Insurance Company	North Pacific Insurance Company
American States Insurance Company of Texas	Ohio Security Insurance Company
American States Lloyds Insurance Company	Oregon Automobile Insurance Company
American States Preferred Insurance Company	Peerless Indemnity Insurance Company
Colorado Casualty Insurance Company	Peerless Insurance Company
Consolidated Insurance Company	Safeco Insurance Company of America
Employers Insurance Company of Wausau	Safeco Insurance Company of Illinois
Excelsior Insurance Company	Safeco Insurance Company of Indiana
First National Insurance Company of America	Safeco Insurance Company of Oregon
General Insurance Company of America	Safeco Lloyds Insurance Company

NOTES TO FINANCIAL STATEMENTS

Golden Eagle Insurance Corporation Hawkeye-Security Insurance Company Indiana Insurance Company Ironshore Indemnity Inc. Ironshore Specialty Insurance Company Insurance Company of Illinois Liberty Insurance Corporation Liberty Insurance Underwriters Inc. Liberty Mutual Fire Insurance Company Liberty Mutual Mid-Atlantic Insurance Company Liberty Mutual Personal Insurance Company Liberty Northwest Insurance Corporation Liberty Personal Insurance Company Liberty Surplus Insurance Corporation LM General Insurance Company	Safeco National Insurance Company Safeco Surplus Lines Insurance Company The First Liberty Insurance Corporation The Midwestern Indemnity Company The Netherlands Insurance Company The Ohio Casualty Insurance Company Wausau Business Insurance Company Wausau General Insurance Company Wausau Underwriters Insurance Company West American Insurance Company
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Under these Agreements, the Company may provide these subsidiaries with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company and LMGI. Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration. The Company is reimbursed for the cost of all services which it provides under these Agreements.

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. Liberty Mutual Insurance Company (LMIC) owns 100.00% of Liberty Insurance Holdings, Inc. ("LIH, Inc."), a downstream holding company. LIH, Inc. is carried at audited U.S Generally Accepted Accounting Principles ("GAAP") equity, adjusted for statutory basis of accounting in accordance with SSAP No 97.

At December 31, 2017, the Company's ownership interest in LIH, Inc.'s assets, liabilities and results of operations are as follows:

	Assets	Liabilities	Results of Operations
Total LIH, Inc.	\$5,742,577,618	-	\$45,586,505
Total LMIC unamortized admitted goodwill	\$70,367,703	-	-

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

	Carrying Value
Berkeley Management Corporation	\$18,683,896
LM Captive Holdings LLC	\$9,562,794
Liberty Mutual Mexico LLC	\$41,806,905
Berkeley/Columbus III, LLC	\$365,485,750
Liberty International Holdings Inc.	\$4,278,520,195

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

- M. All SCA investments

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

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
N/A				
Total SSAP No. 97 8a Entities		\$-	\$-	\$ -
b. SSAP No. 97 8b(ii) Entities				
Liberty Insurance Holdings, Inc.	100%	\$5,742,241,872	\$5,742,241,872	\$ -
Ohio Casualty Corporation	78%	1,328,282,499	1,328,282,499	-
Berkeley Management Corporation	100%	19,013,446	7,924,097	11,089,349

NOTES TO FINANCIAL STATEMENTS

Liberty Mutual Captive Holdings LLC	100%	9,690,423	9,522,143	168,280
Total SSAP No. 97 8b(ii) Entities		\$7,099,228,240	\$7,087,970,611	\$11,257,629
c. SSAP No. 97 8b(iii)				
St. James/Arlington Real Estate Limited Partnership	92%	\$463,010,120	\$463,010,120	\$-
Liberty Energy Holdings, LLC	100%	1,822,553,371	1,822,553,371	-
Liberty Metals & Mining Holdings, LLC	100%	639,532,846	639,532,846	-
Liberty Mutual Investment Holdings LLC	40%	1,168,140,380	1,168,140,380	-
Liberty Mutual Opportunistic Investments LLC	100%	631,944,643	631,944,643	-
Liberty Structured Holdings LLC	100%	639,239,695	639,239,695	-
Liberty Mutual Latam LLC	100%	3,766,546	390,357	3,376,189
Georgia Tax Credit Fund LM L.P.	0.01%	1,048	1,048	-
RBC State Credit Fund	100%	12,035,244	12,035,244	-
Liberty Mutual Personal Insurance Ventures, LLC	100%	16,781,026	0	16,781,026
Raymond James LM MA LP LIHTC S	100%	1,995,187	1,995,187	-
Berkeley/Columbus III LLC	100%	356,193,505	356,193,505	-
Liberty Mutual Equity LLC	100%	(1,145)	(1,145)	-
LMAT Holdings LLC	30%	28,228,920	28,228,920	-
Solaria Labs, LLC	100%	2,197,094	0	2,197,094
Liberty Real Estate Holding LLC	100%	79,393,179	79,393,179	-
Total SSAP No. 97 8b(iii) Entities		\$5,865,011,659	\$5,842,657,351	\$22,354,309
d. SSAP No. 97 8b(iv)				
Liberty Re Bermuda Limited	100%	\$377,075,308	\$377,075,308	\$-
Liberty Sponsored Insurance Vermont	100%	5,113,494	5,113,494	-
Liberty Insurance Company Limited	100%	10,922,577	10,922,577	-
Liberty Brasil Investimentos e Participacoes Ltda.	100%	1,690,764	-	1,690,764
Liberty Mutual Mexico LLC	100%	52,530,983	52,187,579	343,404
Liberty International Holdings Inc.	100%	4,278,520,195	4,238,101,003	40,419,192
Ironshore Inc.	100%	2,533,026,734	2,533,026,734	-
Liberty International Netherlands V.O.F.	100%	283,000,000	283,000,000	-
Total SSAP No. 97 8b(iv) Entities		\$7,541,880,055	\$7,499,426,695	\$42,453,360
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)		\$20,506,119,954	\$20,430,054,657	\$76,065,298
f. Aggregate Total (a+e)		\$20,506,119,954	\$20,430,054,657	\$76,065,298

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
a. SSAP No. 97 8a Entities						
N/A						
Total SSAP No. 97 8a Entities			\$ -			
b. SSAP No. 97 8b(ii) Entities						
Liberty Insurance Holdings, Inc.	S2	10/13/2017	\$6,165,141,486	Yes	No	N/A

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Ohio Casualty Corporation	S2	10/13/2017	1,436,673,119	Yes	No	N/A
Berkeley Management Corporation	S2	10/13/2017	6,759,100	Yes	No	N/A
Liberty Mutual Captive Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(ii) Entities			\$7,608,573,705			
c. SSAP No. 97 8b(iii)						
St. James/Arlington Real Estate Limited Partnership	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Energy Holdings, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Metals & Mining Holdings, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Investment Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Opportunistic Investments LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Structured Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Latam LLC	N/A	N/A	N/A	N/A	N/A	N/A
Georgia Tax Credit Fund LM L.P.	N/A	N/A	N/A	N/A	N/A	N/A
RBC State Credit Fund	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Personal Insurance Ventures, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Raymond James LM MA LP LIHTC S	N/A	N/A	N/A	N/A	N/A	N/A
Berkeley/Columbus III LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Equity LLC	N/A	N/A	N/A	N/A	N/A	N/A
LMAT Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Solaria Labs, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Real Estate Holding LLC	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(iii) Entities			\$-			
d. SSAP No. 97 8b(iv)						
Liberty Re Bermuda Limited	S2	10/13/2017	\$342,554,979	Yes	No	N/A
Liberty Sponsored Insurance Vermont	S2	10/13/2017	6,223,065	Yes	No	N/A
Liberty Insurance Company Limited	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Brasil Investimentos e Participacoes Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Mexico LLC	N/A	N/A	N/A	N/A	N/A	N/A
Escritorio De Representacao No Brasil LTDA	N/A	N/A	N/A	N/A	N/A	N/A
Liberty International Holdings Inc.	S1	2/6/2018	N/A	Yes	N/A	N/A
Ironshore Inc.	S1	8/17/2017	N/A	Yes	N/A	N/A
Liberty International Netherlands V.O.F.	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(iv) Entities			\$348,778,044			
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)			\$ 7,957,351,749			
f. Aggregate Total (a+e)			\$7,957,351,749			

N. Investment in Insurance SCAs

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

Note 11 – Debt

A. Debt (Including Capital Notes)

The Company maintains two \$250,000,000 committed repurchase agreements for general corporate purposes (See Note 5E). There were no outstanding borrowings as of December 31, 2017.

B. FHLB (Federal Home Loan Bank) Agreements

- The Company is a member of the Federal Home Loan Bank (FHLB) of Boston. Through its membership, the Company has conducted business activity (borrowings) with the FHLB. On March 23, 2012, the Company borrowed \$127,000,000 under the agreement with

NOTES TO FINANCIAL STATEMENTS

a maturity date of March 23, 2032. On April 2, 2012, the Company borrowed \$23,000,000 under the agreement with a maturity date of April 2, 2032. The borrowings are fully collateralized. Interest on the March 23, 2012 borrowing accrues at an annual rate of 4.24%. Interest on the April 2, 2012 borrowing accrues at an annual rate of 4.25%. For December year-to-date, the Company has incurred and paid interest expense of \$7,897,186. It is part of the Company's strategy to utilize these funds as backup liquidity. The Company has determined the actual maximum borrowing capacity as \$2,000,000,000 per Board of Directors consent.

2. FHLB Capital Stock

a. Aggregate Totals

1. Current Year

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Membership Stock – Class A	\$ -	\$ -	\$ -
Membership Stock – Class B	11,721,696	11,721,696	-
Activity Stock	7,772,204	7,772,204	-
Excess Stock	-	-	-
Aggregate Total	\$ 19,493,900	\$ 19,493,900	-
Actual Borrowing Capacity as Determined by the Insurer	\$2,000,000,000	XXX	XXX

2. Prior Year-end

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Membership Stock – Class A	\$ -	\$ -	\$ -
Membership Stock – Class B	11,374,829	11,374,829	-
Activity Stock	6,750,071	6,750,071	-
Excess Stock	-	-	-
Aggregate Total	\$ 18,124,900	\$ 18,124,900	-
Actual or estimated Borrowing Capacity as Determined by the Insurer	\$2,000,000,000	XXX	XXX

b. Membership Stock (Class A and B) Eligible for Redemption

	Current Year Total	Not Eligible for Redemption	Less Than 6 Months	6 months to Less Than 1 year	1 to Less Than 3 Years	3 to 5 Years
Membership Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Class A	-	-	-	-	-	-
Class B	\$ -	\$11,721,696	-	-	-	-

3. Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

1. Current Year Total General and Protected Cell Accounts

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

2. Current Year General Account

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

3. Current Year Protected Cell Accounts

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

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

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$ 178,214,133	\$ 177,058,782	\$ 150,000,000

NOTES TO FINANCIAL STATEMENTS

b. Maximum Amount Pledged During Reporting Period

1. Current Year Total General and Protected Cell Accounts

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$740,095,499	\$ 740,468,398	\$ 675,000,000

2. Current Year General Account

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$740,095,499	\$ 740,468,398	\$ 675,000,000

3. Current Year Protected Cell Accounts

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$ -	\$ -	\$ -

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

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Maximum Collateral Pledged	\$ 186,395,487	\$ 182,026,268	\$ 150,000,000

4. Borrowing from FHLB

a. Amount As of the Reporting Date

1. Current Year

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts	(4) Funding Agreements Reserves Established
Debt	\$ 150,000,000	\$ 150,000,000	\$ -	XXX
Funding Agreements	-	-	-	-
Other	-	-	-	XXX
Aggregate Total	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -

2. Prior Year-end

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts	(4) Funding Agreements Reserves Established
Debt	\$ 150,000,000	\$ 150,000,000	\$ -	XXX
Funding Agreements	-	-	-	-
Other	-	-	-	XXX
Aggregate Total	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -

b. Maximum Amount During Reporting Period (Current Year)

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Debt	\$ 675,000,000	\$ 675,000,000	\$ -
Funding Agreements	-	-	-
Other	-	-	-
Aggregate Total	\$ 675,000,000	\$ 675,000,000	\$ -

c. FHLB – Prepayment Obligations

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

C. The Company maintains a \$450,000,000 revolving line with Liberty Mutual Fire Insurance Company (“LMFIC”), a \$150,000,000 revolving line of credit with Employers Insurance Company of Wausau (“EICOW”), a \$140,000,000 revolving line of credit with Ohio Casualty Insurance Company (“OCIC”), a \$100,000,000 revolving line of credit with Safeco Insurance Company of America (“SICOA”), a \$50,000,000 line with American States Insurance Company (“ASIC”), a \$50,000,000 line with Indiana Insurance Corporation (“IIC”), a \$650,000,000 revolving line of credit with Peerless Insurance Company (“PIC”) and a \$1,000,000,000 revolving line of credit with Liberty Mutual Group, Inc. (“LMGI”) (see Note 10F). For December year-to-date 2017, the Company has incurred and paid interest

NOTES TO FINANCIAL STATEMENTS

expense of \$18,777,244 and \$15,779,951, respectively. There was \$114,936,626 outstanding on the LMFIC agreement at an interest rate of 2.778%, \$142,166,527 outstanding on the EICOW agreement at an interest rate of 2.778%, \$61,326,542 outstanding on the SICOA agreement at an interest rate of 2.778% and \$329,486,669 in two outstanding borrowings on the PIC agreement at interest rates of 2.778% and 2.929%, respectively at December 31, 2017.

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

Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

Eligible employees may participate in the Liberty Mutual Retirement Benefit Plan for U.S. Employees, the Supplemental Income at Retirement Plan (SIRP) which has both a defined benefit component and defined contribution savings component, the Liberty Mutual 401(k) plan (defined contribution savings) and the U.S. postretirement health and life insurance benefit plans sponsored by the Holding Company, Liberty Mutual Group Inc. (LMGI). Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations below.

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

A summary of assets, obligations, and assumptions of the Company sponsored Pension Plans and Postretirement Benefit Plans are as follows as of December 31, 2017 and December 31, 2016.

1. Change in Benefit Obligation

a. Pension Benefits

	<u>Overfunded</u>		<u>Underfunded</u>	
	2017	2016	2017	2016
1. Benefit obligation at beginning of year	\$ -	\$ -	\$181,225,469	\$168,388,772
2. Service cost	-	-	2,174,799	2,269,752
3. Interest cost	-	-	6,694,343	6,647,027
4. Contribution by plan participants	-	-	-	-
5. Actuarial gain (loss)	-	-	19,067,661	13,863,427
Foreign currency exchange rate changes	-	-	5,492,805	2,459,824
6. Benefits paid	-	-	(8,649,973)	(9,814,081)
8. Plan amendments	-	-	-	(2,589,252)
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	-
10. Benefit obligation at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$206,005,104</u>	<u>\$181,225,469</u>

b. Postretirement Benefits

	<u>Overfunded</u>		<u>Underfunded</u>	
	2017	2016	2017	2016
1. Benefit obligation at beginning of year	\$ -	\$ -	\$205,620,262	\$180,678,446
2. Service cost	-	-	2,629,379	2,687,052
3. Interest cost	-	-	9,148,717	8,585,759
4. Contribution by plan participants	-	-	-	-
5. Actuarial gain (loss)	-	-	26,341,223	14,917,432
Foreign currency exchange rate changes	-	-	489,438	209,070
7. Benefits paid	-	-	(3,387,890)	(1,457,497)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	-
10. Benefit obligation at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$240,841,129</u>	<u>\$205,620,262</u>

NOTES TO FINANCIAL STATEMENTS

c. Special or Contractual Benefits Per SSAP No. 11

	<u>Overfunded</u>		<u>Underfunded</u>	
	2017	2016	2017	2016
1. Benefit obligation at beginning of year	N/A	N/A	N/A	N/A
2. Service cost	N/A	N/A	N/A	N/A
3. Interest cost	N/A	N/A	N/A	N/A
4. Contribution by plan participants	N/A	N/A	N/A	N/A
5. Actuarial gain (loss)	N/A	N/A	N/A	N/A
6. Foreign currency exchange rate changes	N/A	N/A	N/A	N/A
7. Benefits paid	N/A	N/A	N/A	N/A
8. Plan amendments	N/A	N/A	N/A	N/A
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	N/A	N/A	N/A	N/A
10. Benefit obligation at end of year	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

2. Change in plan assets

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>		<u>Special or Contractual Benefits per SSAP No.11</u>	
	2017	2016	2017	2016	2017	2016
a. Fair value of plan assets at beginning of year	\$58,828,378	\$51,419,675	\$ -	\$ -	N/A	N/A
b. Actual return on plan assets	2,937,412	4,448,049	-	-	N/A	N/A
c. Foreign currency exchange rate changes	4,284,728	1,760,294	-	-	N/A	N/A
d. Reporting entity contribution	3,858,540	3,795,322	-	-	N/A	N/A
e. Plan participants' contributions	-	-	-	-	N/A	N/A
f. Benefits paid	(2,463,092)	(2,594,962)	-	-	N/A	N/A
g. Business combinations, divestitures and settlements	-	-	-	-	N/A	N/A
h. Fair value of plan assets at end of year	\$67,445,966	\$58,828,378	\$ -	\$ -	N/A	N/A

3. Funded status

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
a. Components				
1. Prepaid benefit costs	\$16,043,322	\$14,122,058	\$ -	\$ -
2. Overfunded plan assets	(16,043,322)	(14,122,058)	-	-
3. Accrued benefit costs	81,549,662	79,406,165	115,667,490	96,497,419
4. Liability for pension benefits	57,009,476	42,990,926	82,785,165	49,578,143
b. Assets and liabilities recognized				
1. Assets (nonadmitted)	-	-	-	-
3. Liabilities recognized	138,559,138	122,397,091	198,452,655	146,075,562
c. Unrecognized liabilities	\$ -	\$ -	\$42,388,474	\$59,544,700

4. Components of net periodic benefit cost

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>		<u>Special or Contractual Benefits per SSAP No.11</u>	
	2017	2016	2017	2016	2017	2016
a. Service cost	\$2,174,799	\$2,269,752	\$2,629,379	\$2,687,052	N/A	N/A
b. Interest cost	6,694,343	6,647,027	9,148,717	8,585,759	N/A	N/A
c. Expected return on plan assets	(2,460,193)	(2,321,050)	-	-	N/A	N/A
d. Transition asset or obligation	108,722	117,092	5,936,041	5,936,041	N/A	N/A
e. Gains and losses	4,706,397	3,821,799	1,131,752	(1,740,034)	N/A	N/A
f. Prior service cost or credit	(236,698)	102,405	3,363,366	3,358,271	N/A	N/A
g. Gain or loss recognized due to a settlement or curtailment	-	-	-	-	N/A	N/A
h. Total net periodic benefit cost	\$10,987,370	\$10,637,025	\$22,209,255	\$18,827,089	N/A	N/A

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

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
a. Items not yet recognized as a component of net periodic cost – prior year	\$57,112,984	\$50,974,127	\$109,122,843	\$101,679,751
b. Net transition asset or obligation recognized	(108,722)	(117,092)	(5,936,041)	(5,936,041)
c. Net prior service cost or credit arising during the period	-	(2,589,252)	-	-
d. Net prior service cost or credit recognized	236,698	(102,405)	(3,363,366)	(3,358,271)
e. Net gain and loss arising during the period	20,518,236	12,769,405	26,481,955	14,997,370
f. Net gain and loss recognized	(4,706,397)	(3,821,799)	(1,131,752)	1,740,034
g. Items not yet recognized as a component of net periodic cost – current year	\$73,052,799	\$57,112,984	\$125,173,639	\$109,122,843

NOTES TO FINANCIAL STATEMENTS

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

	Pension		Postretirement	
	Benefits		Benefits	
	2017	2016	2017	2016
a. Net transition asset or obligation	\$555,362	\$123,462	\$5,936,041	\$5,936,041
b. Net prior service cost or credit	(\$234,797)	(\$205,838)	\$3,372,321	\$3,354,541
c. Net recognized gains and losses	\$6,126,034	\$4,582,095	\$2,603,877	\$1,114,144

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

	Pension		Postretirement	
	Benefits		Benefits	
	2017	2016	2017	2016
a. Net transition asset or obligation	\$1,666,087	\$1,789,871	\$89,040,605	\$94,976,646
b. Net prior service cost or credit	(\$1,851,751)	(\$2,112,673)	\$6,654,178	\$9,954,652
c. Net recognized gains and losses	\$73,238,463	\$57,435,786	\$29,478,856	\$4,191,545

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

	Pension		Postretirement	
	Benefits		Benefits	
	2017	2016	2017	2016
a. Weighted-average discount rate	4.34%	4.60%	4.93%	5.25%
b. Interest cost effective interest rate	3.76%	3.97%	4.51%	4.82%
c. Service cost discount rate	4.15%	4.30%	5.03%	5.33%
d. Expected return on plan assets	4.00%	4.25%	N/A	N/A
e. Rate of compensation increase	3.63%	3.57%	N/A	N/A

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

	Pension		Postretirement	
	Benefits		Benefits	
	2017	2016	2017	2016
d. Weighted-average discount rate	3.77%	4.34%	4.23%	4.94%
e. Rate of compensation increase	3.74%	3.63%	N/A	N/A

For measurement purposes, a 7.65% percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2017. The rate was assumed to decrease gradually to 4.50% percent for 2032 and remain at that level thereafter.

9. The amount of the accumulated benefit obligation for the defined benefit pension plans was \$195,407,458 for the current year and \$170,582,283 for the prior year.
10. Not applicable.
11. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
a. Effect on total of service and interest cost components	\$222,036	(\$105,591)
b. Effect on postretirement benefit obligation	\$1,963,844	(\$1,429,745)

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

<u>Year(s)</u>	<u>Amount</u>
a. 2018	\$ 13,834,893
b. 2019	\$ 14,261,545
c. 2020	\$ 15,142,901
d. 2021	\$ 16,023,690
e. 2022	\$ 16,782,233
f. 2023 to 2027	\$ 97,705,255

13. The Company currently intends to make a contribution of \$4,114,926 to the defined benefit pension plan in 2018 as required by regulation.

14-19. Not applicable.

20. See items 1-9.

21. The Company elected to apply the transition guidance to record the surplus impact of adopting SSAP No. 92 - Accounting for Postretirement Benefits Other Than Pensions, SSAP No. 102 Accounting for Pensions, and EITF 06-04 Accounting for Split-Dollar Life Insurance Arrangements in 2013. The full transition surplus impact as of January 1, 2017 was \$59,544,700. During 2017,

NOTES TO FINANCIAL STATEMENTS

\$17,156,226 was recognized resulting in an end of year transition liability of \$42,388,474. It is expected that the remaining surplus impact will be recognized over the next five years.

B. Information about Plan Assets

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

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

- i. The Company is responsible for financing any unfunded liabilities emerging because of poor investment returns. Therefore, the Company has a direct exposure to risk. While it is important to avoid excessive volatility in investment returns, the Company can tolerate some volatility risk;
- ii. The Company contributes to the Plan in compliance with regulatory requirements and at a level sufficient to finance the defined benefits. The Company will establish these contributions based on the advice of an actuary. However, periodic increases in pension contributions, to finance unfunded liabilities emerging from poorer than expected investment performance, should not significantly affect the Company's overall cash flow. Therefore, the Company can tolerate some volatility of investment returns; and,
- iii. The Plan is managed on a going concern basis, including management of the assets. In the foreseeable future, it is unlikely that there will be any special liquidity demands on the Plan. Thus, shorter-term fluctuations in security values will not have a significant adverse impact on the financial stability of the Plan. Therefore, the Company can tolerate some volatility of investment returns.

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

	2017	2016	Target Allocation
Debt Securities	54%	55%	55% - 80%
Equity Securities	29%	40%	20% - 45%
Other	7%	5%	0% - 10%
Total	100%	100%	

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

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

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

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

C. Fair Value of Plan Assets

All of the Plan's assets' fair value measurements are based on quoted prices in active markets for identical assets and deemed Level 1 or 2. Fair value measurements of the Plans' assets as of December 31, 2017 and 2016 are as follows:

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

Description for each class of plan assets	(Level 1)	(Level 2)	(Level 3)	Total
Cash, Cash Equivalents and Short-term Investments	\$291,647	\$4,268,469	\$ -	\$4,560,116
Fixed Maturities				
Corporate and Other	-	9,025,314	-	9,025,314
Foreign Government Securities	-	27,616,912	-	27,616,912
Equities				
U.S. Large Cap Equities	4,086,797	-	-	4,086,797
U.S. Mid and Small Cap Equities	347,889	-	-	347,889
European Equities	3,167,595	-	-	3,167,595
Asian Equities	1,081,516	-	-	1,081,516
Canadian Equities	17,559,817	-	-	17,559,817
Other Equities	-	-	-	-
Total Plan Assets	<u>\$26,535,271</u>	<u>\$40,910,695</u>	<u>\$ -</u>	<u>\$67,445,966</u>

NOTES TO FINANCIAL STATEMENTS

2. Fair Value Measurements of Plan Assets at December 31, 2016

Description for each class of plan assets	(Level 1)	(Level 2)	(Level 3)	Total
Cash, Cash Equivalents and Short-term Investments	\$289,745	\$2,448,184	\$ -	\$2,737,929
Fixed Maturities				
Corporate and Other	-	5,989,846	-	5,989,846
Foreign Government Securities	-	26,490,303	-	26,490,303
Equities				
U.S. Large Cap Equities	4,090,937	-	-	4,090,937
U.S. Mid and Small Cap Equities	271,922	-	-	271,922
European Equities	2,805,942	-	-	2,805,942
Asian Equities	771,485	-	-	771,485
Canadian Equities	15,670,015	-	-	15,670,015
Other Equities	-	-	-	-
Total Plan Assets	\$23,900,045	\$34,928,333	\$ -	\$58,828,378

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

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

E. Defined Contribution Plans

The Company continues to sponsor various contributory defined contribution savings plans for Canadian and certain U.S. employees. The Company's expense charged to operations amounted to approximately \$285,543 and \$267,351 in 2017 and 2016, respectively. The Company's contribution to the contributory defined contribution savings plans is based on the employee contribution amounts and company performance.

F. Multi-employer Plans

Not applicable.

G. Consolidated/Holding Company Plans

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

The Holding Company allocates costs to the Company pursuant to the Employee Benefits Plans Cost-Sharing Agreement disclosed in Note 10. The Company's cost allocation for the noncontributory defined benefit pension plans was \$428,972,110 and \$810,153,471 for 2017 and 2016, respectively. The Company's cost allocation for the contributory defined contribution savings plans was \$100,491,525 and \$97,860,953 for 2017 and 2016, respectively. The Company's cost allocation for the other postretirement benefit plans was \$26,399,456 and \$27,940,859 for 2017 and 2016, respectively.

H. Postemployment benefits and Compensated Absences

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

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

Not applicable.

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

- The Company has 100,000 shares authorized, issued and outstanding as of December 31, 2017. All shares have a stated par value of \$100.

The Company has 100,000 shares authorized of Series A Preferred Stock, 7,468 shares issued and outstanding as of December 31, 2017. All shares have a stated par value of \$0.01.
- On December 31, 2008, the Company issued 7,468 preferred shares, at an issuance price of \$647,660,000, to its parent, LMGI. Dividends, based on the issuance price, are cumulative and payable on a quarterly basis.
- There are no dividend restrictions.

NOTES TO FINANCIAL STATEMENTS

4. The Company paid dividends to its parent in 2017 of:

	Ordinary
March	\$16,191,500
June	\$16,191,500
September	\$16,191,500
December	\$21,153,200
Total	\$69,727,700

5. The maximum amount of dividends which can be paid by Massachusetts-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2018 is \$1,386,484,493.
6. As of December 31, 2017, the Company has pre-tax restricted surplus of \$176,230,822 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2017.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is (\$4,925,297,061) after applicable deferred taxes of \$4,013,750.
11. Surplus Notes

Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Interest And/Or Principal Paid Current Year	Unapproved Interest And/Or Principal	Date of Maturity
5/18/1995	8.500%	\$140,000,000	\$139,929,688	\$11,900,000	\$ -	5/15/2025
10/21/1996	7.875%	227,085,000	226,973,229	17,882,944	-	10/15/2026
10/15/1997	7.697%	260,233,000	256,721,113	20,030,134	-	10/15/2097
	Total	\$627,318,000	\$623,624,029	\$49,813,078	\$ -	XXX

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

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

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

12. Quasi-reorganization (dollar impact)

Not applicable.

13. Quasi-reorganization (effective date)

Not applicable.

Note 14 – Contingencies

- A. Contingent Commitments

1. The Company has made no material commitments or contingent commitments on behalf of affiliates.

NOTES TO FINANCIAL STATEMENTS

2. The Company has made guarantees on behalf of its affiliates as follows:

1	2	3	4	5
Nature and circumstances of guarantee and key attributes, including date and duration of the agreement	Liability recognition of the guarantee	Ultimate financial statement impact if action under the guarantee is required	Maximum potential amount of future payments (undiscounted)	Current status of payment or performance risk of the guarantee
The Company is contingently liable for the performance of Liberty Corporate Capital Limited's obligations under standby letters of credit in the aggregate amount of £604,488,977 that have been collateralized. As of December 31, 2017, there have been no drawings under the standby letters of credit.	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 942,727,837	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations under a Subscription Agreement between Liberty Mutual Ireland Investment Holdings, Ltd. (the Subscriber) and Liberty Insurance DAC for shares/monies owed by the Subscriber up to €40,000,000 (40,000,000 shares x €1.00).	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 48,032,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees any undisputed obligations of Liberty International Underwriters Ltd. (Hong Kong) arising out of or in connection with any policy of insurance, contract of reinsurance or surety bond.	Wholly-owned indirect subsidiary Guarantee is considered unlimited	Increase in investment in SCA	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees the future non-cancellable lease obligations of Liberty Information Technology Ltd. in the amount of \$23,999,656. The lease expires in June 2031.	No liability at inception of the guarantee	Increase in investment in SCA	\$ 23,999,656	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations of Liberty Insurance Company Limited for tax liabilities and other indebtedness prior to and arising from the conversion to a limited liability subsidiary. The amount of these obligations as of December 31, 2017 was \$6,952.	Wholly-owned subsidiary	Increase in investment in SCA	\$ 6,952	Guaranteed affiliate is in compliance with the terms of guaranteed contract.

NOTES TO FINANCIAL STATEMENTS

<p>The Company guarantees the full and punctual payment when due of any undisputed obligations of Liberty International Underwriters Limited to an obligee arising out of or in connection with any policy of insurance, contract of reinsurance or Surety Bond issued to the obligee by Liberty International Underwriters Pte Limited. The liability of the Company shall not be limited to any specific sum other than as set forth as an Obligation under the obligee's contract.</p>	<p>Wholly-owned indirect subsidiary Guarantee is considered unlimited</p>	<p>Increase in investment in SCA</p>	<p>\$ -</p>	<p>Guaranteed affiliate is in compliance with the terms of guaranteed contract.</p>
<p>The Company guarantees full and punctual payment of all obligations of Liberty International Underwriters Limited to Citigroup Inc., its subsidiaries and affiliates. The Company's maximum liability with respect to face amounts of any Letters of Credit will not exceed HKD 158,860,000 plus reasonable fees and expenses.</p>	<p>Wholly-owned indirect subsidiary</p>	<p>Increase in investment in SCA</p>	<p>\$ 20,321,595</p>	<p>Guaranteed affiliate is in compliance with the terms of guaranteed contract.</p>
<p>The Company guarantees obligations of Liberty Life Assurance Company of Boston on policies and contracts issued and is obligated to provide additional capital to that company necessary at any time to raise its Best's Capital Adequacy Ratio to at least 150%. This guarantee was executed in February of 1998 and shall continue until terminated.</p>	<p>Guarantee is considered unlimited</p>	<p>Increase in investment in SCA</p>	<p>\$ -</p>	<p>Guaranteed affiliate is in compliance with the terms of guaranteed contract.</p>
<p>The Company guarantees obligations of Liberty Mutual Insurance Europe ("LMIE") Limited on policies and contracts issued until such time as LMIE can achieve a Standard & Poor's rating as specified in the guarantee. This guarantee was executed April 13, 2006 and shall continue until terminated.</p>	<p>Wholly-owned indirect subsidiary; Guarantee is considered unlimited</p>	<p>Increase in investment in SCA</p>	<p>\$ -</p>	<p>Guaranteed affiliate is in compliance with the terms of guaranteed contract.</p>

NOTES TO FINANCIAL STATEMENTS

<p>The Company guarantees that, if America First Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any “qualifying Louisiana investment” as defined in Louisiana Revised Statutes 22.823, the Company shall pay America First Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$5,000,000. As of December 31, 2017, \$7,822,622 in “qualifying Louisiana investment” was held. This guarantee shall remain effective until the Company no longer holds “qualifying Louisiana investments”.</p>	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 5,000,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
<p>The Company guarantees that, if Liberty Personal Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any “qualifying Louisiana investment” as defined in Louisiana Revised Statutes 22.823, the Company shall pay Liberty Personal Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$7,000,000. As of December 31, 2017, \$7,303,914 in “qualifying Louisiana investment” was held. This guarantee shall remain effective until the Company no longer holds “qualifying Louisiana investments”.</p>	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 7,000,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
<p>The Company guarantees that, if Safeco Insurance Company of Oregon, should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any “qualifying Louisiana investment”, as defined in Louisiana Revised Statutes 22.832, the Company shall pay Safeco Insurance Company of Oregon a sufficient amount to reimburse it for such reduction, not exceeding \$15,000,000. As of December 31, 2017, \$7,994,178 in “qualifying Louisiana investment” was held. This guarantee shall remain effective until the Company no longer owns or controls Safeco Insurance Company of Oregon.</p>	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 7,994,178	Guaranteed affiliate is in compliance with the terms of guaranteed contract.

NOTES TO FINANCIAL STATEMENTS

<p>The Company guarantees obligations of San Diego Insurance Company ("SDIC") under a reinsurance agreement with Golden Eagle Insurance Company (in liquidation) and the California Insurance Commissioner, providing reinsurance of \$190,000,000 in excess of SDIC's existing obligations under an August 21, 1997 agreement, and further guarantees obligations of SDIC under an Aggregate Excess of Loss Reinsurance Agreement dated as of November 30, 2006. These agreements shall continue until there are no longer outstanding liabilities under the reinsurance agreements.</p>	Wholly-owned subsidiary	Increase in investment in SCA	\$ 32,751,209	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
<p>The Company guarantees obligations of Liberty Re (Bermuda) Limited under certain reinsurance policies issued. The guarantee was executed on December 23, 1999 and shall continue until there are no longer outstanding obligations under reinsurance policies.</p>	Wholly-owned subsidiary	Increase in investment in SCA	\$ 159,694,868	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
<p>The Company unconditionally guarantees that in order for Liberty Surplus Insurance Corporation (LSI) to operate as an insurance company in the state of Maine, LSI will maintain capital and surplus levels each in the amount of \$500,000. This guarantee was executed on October 14, 1998 and shall continue until terminated.</p>	Wholly-owned subsidiary	Increase in investment in SCA	\$ 1,000,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
<p>The Company guarantees to cover any overdraft of funds, not exceeding \$500,000,000, in the custodial accounts of any Liberty Mutual Group company with JPMorgan Chase Bank. This guarantee was executed on February 19, 2003 and shall continue until terminated.</p>	No liability at inception of the guarantee	Dividend to Stockholder	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
<p>The Company guarantees undisputed obligations of Ironshore Europe DAC to an obligee arising from or in connection with any policy of insurance, contract of reinsurance or surety bond. The guarantee was executed on May 2, 2017.</p>	Guarantee is considered unlimited	Increase in investment in SCA	\$ -	Guaranteed affiliate is in compliance with the terms of guaranteed contract.

NOTES TO FINANCIAL STATEMENTS

The Company guarantees undisputed obligations of Ironshore Insurance Ltd. to an obligee arising from or in connection with any policy of insurance, contract of reinsurance or surety bond. The guarantee was executed on May 2, 2017.	Guarantee is considered unlimited	Increase in investment in SCA	\$	-	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
		Total:	\$	1,248,528,295	* Total should agree to Aggregate maximum potential of future payments line on following reconciliation.

3. Aggregate compilation of guarantee obligations:

a. Aggregate Maximum Potential of Future Payments of All Guarantees (undiscounted) the guarantor could be required to make under guarantees. (Should equal total of Column 4 for (2) above.)	\$1,248,528,295
b. Current Liability Recognized in F/S:	
1. Noncontingent Liabilities	-
2. Contingent Liabilities	-
c. Ultimate Financial Statement Impact if action under the guarantee is required.	
1. Investments in SCA	1,248,528,295
2. Joint Venture	-
3. Dividends to Stockholders (capital contribution)	-
4. Expense	-
5. Other	-
6. Total (Should equal (3)a.)	\$1,248,528,295

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 \$62,258,141 that is offset by future premium tax credits of \$2,026,673. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the period determined by each individual state once the guaranty fund assessment has been paid. The Company continues to remit payments relating to prior year insolvencies. Reconciliation of paid and accrued premium tax offsets and policy surcharges at prior year-end to current year-end:

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$2,450,403
b. Decreases current year:	
Premium tax offset applied	1,726,144
c. Increases current year:	
Premium tax offset applied	1,302,415
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$2,026,673

C. Gain Contingencies

Not applicable.

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$5,613,808

NOTES TO FINANCIAL STATEMENTS

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

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

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

(f) Per Claim [X]

(g) Per Claimant []

E. Product Warranties

The Company does not write product warranty business.

F. Joint and Several Liabilities

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

G. All Other Contingencies

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

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

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

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

Note 15 – Leases

A. Lessee Leasing Arrangements

- 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
2017	\$71,710,200
2018	73,016,971
2019	58,302,689
2020	41,650,276
2021	34,959,550
2022 & thereafter	234,592,717
Total	\$514,232,402

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 \$642,695.

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

	Assets		Liabilities	
	2017	2016	2017	2016
a. Forwards	-	142,000,000	-	-
b. Swaps	-	-	1,800,000	-
c. Options	78,000	-	-	810,000
d. Total	78,000	142,000,000	1,800,000	810,000

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

NOTES TO FINANCIAL STATEMENTS

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

2. The credit risk, market risk, cash requirements, and accounting policies of the Company's derivative instruments utilized during 2017 and 2016 are discussed in Note 8.
3. The Company is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure is represented by the fair value of contracts with a positive statement value at the reporting date. The Company has not incurred any losses on derivative financial instruments due to counterparty non-performance.
4. The Company's policy for requiring collateral is discussed in Note 8. The Company pledges or obtains collateral when certain predetermined exposure limits are exceeded. Typically, collateral pledged or obtained is in the form of cash.

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

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

At December 31, 2017 the total fair value of securities on loan was \$166,163,125, with corresponding collateral value of \$171,103,531 of which \$158,483,552 represents cash collateral that was reinvested.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 – Fair Value Measurements

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

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

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

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

The hierarchy level assigned to each security in the Company's portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to

NOTES TO FINANCIAL STATEMENTS

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

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

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

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
Bonds				
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	8,316,354	-	8,316,354
U.S. State and Municipal	-	-	-	-
Corporate and Other	8,132,764	208,558,236	5,097,024	221,788,024
Foreign Government Securities	-	11,528,499	-	11,528,499
Total Bonds	8,132,764	228,403,089	5,097,024	241,632,877
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	30,977,504	8,840,000	39,817,504
Total Preferred Stocks	-	30,977,504	8,840,000	39,817,504
Common Stocks				
Industrial and Miscellaneous	3,810,650	539,258	19,495,994	23,845,902
Total Common Stocks	3,810,650	539,258	19,495,994	23,845,902
Derivative Assets	-	-	38,521,080	38,521,080
Total assets at fair value	<u>\$11,943,414</u>	<u>\$259,919,851</u>	<u>\$71,954,098</u>	<u>\$343,817,363</u>
b. Liabilities at fair value				
Derivative Liabilities	\$ -	(\$6,158,289)	\$ -	(\$6,158,289)
.....				
.....				
Total liabilities at fair value	<u>\$ -</u>	<u>(\$6,158,289)</u>	<u>\$ -</u>	<u>(\$6,158,289)</u>

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2017.

2. Rollforward of Level 3 Items

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

	Balance as of 12/31/2016	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance as of 12/31/2017
U.S. Government & Agency Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. MBS/ABS of Gov. & Corp. Agencies	-	-	-	-	-	-	-	-	-	-
U.S. State and Municipal	22,888,176	-	(23,005,308)	-	75,659	-	-	(186,214)	227,687	-
Corporate and Other	1,200,000	4,952,112	(889,259)	(1,244)	(1,498)	-	-	(160,302)	(2,785)	5,097,024
Foreign Government Securities	-	-	-	-	-	-	-	-	-	-
Total Bonds	24,088,176	4,952,112	(23,894,567)	(1,244)	74,161	-	-	(346,516)	224,902	5,097,024
Preferred Stock	1,800,000	-	-	-	-	704,000	-	-	-	8,840,000
Common Stock	18,126,993	-	-	-	-	21,346,800	-	(19,977,800)	-	19,495,993
Total	44,015,169	4,952,112	(23,894,567)	(1,244)	74,161	28,386,800	-	(20,324,316)	224,902	33,433,017
Derivative Assets	-	-	-	-	38,521,080	-	-	-	-	38,521,080
Derivative Liabilities	(1,087,425)	-	-	-	1,087,425	-	-	-	-	-
Total	(1,087,425)	-	-	-	39,608,505	-	-	-	-	38,521,080

NOTES TO FINANCIAL STATEMENTS

3. Policy on Transfers Into and Out of Level 3

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

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

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

U.S. Government and Agency Securities

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

Mortgage-Backed Securities

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

Asset-Backed Securities

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

Municipal Securities

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

Corporate debt and other

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

Foreign government securities

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

NOTES TO FINANCIAL STATEMENTS

Common and Preferred Stocks

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

Other Invested Assets

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

5. Derivative Fair Values

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Derivative Assets	\$38,521,080	\$38,521,080	\$ -	\$ -	\$38,521,080	\$ -
Derivative Liabilities	(6,158,289)	(6,158,289)	-	(6,158,289)	-	-
Total	\$32,362,791	\$32,362,791	\$ -	(\$6,158,289)	\$38,521,080	\$ -

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

B. Other Fair Value Disclosures

Not Applicable.

C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents and Short Term	\$367,611,265	\$370,003,300	\$283,390,807	\$81,113,668	\$3,106,790	\$ -
Bonds	12,599,773,140	12,458,717,979	543,170,691	11,959,629,953	96,972,496	-
Preferred Stock	45,015,504	44,817,504	-	36,175,504	8,840,000	-
Common Stock	23,845,902	23,845,902	3,810,650	539,258	19,495,994	-
Securities Lending	158,433,425	158,483,552	-	158,433,425	-	-
Mortgage Loans	611,046,898	603,653,325	-	-	611,046,898	-
Surplus Notes	19,433,392	14,722,799	-	19,433,392	-	-
Total	\$13,825,159,527	\$13,674,244,361	\$830,372,148	\$12,255,325,200	\$739,462,178	\$ -

D. Reasons Not Practical to Estimate Fair Value

Not Applicable.

Note 21 – Other Items

A. Unusual or Infrequent Items

The Company has no unusual or infrequent items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1. Florida Special Disability Trust Fund

- a. The Company took a credit in the determination of its loss reserves of \$8,235,629 in 2017 and \$9,777,054 in 2016.

NOTES TO FINANCIAL STATEMENTS

- b. The Company received payments from the Special Disability Trust Fund of \$1,028,511 in 2017 and \$280,818 in 2016.
- c. The amount the Company was assessed by the Special Disability Trust Fund was \$2,889 in 2017 and \$562 in 2016.

D. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

E. State Transferable and Non-transferable Tax Credit

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

<u>Description of State Transferable and Non-transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Film Credit	AK	\$157,500	\$157,500
Film Credit	MA	\$1,095,684	\$1,095,684
Total		\$1,253,184	\$1,253,184

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

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

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

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

4. State Tax Credits Admitted and Nonadmitted

	<u>Total Admitted</u>	<u>Total Nonadmitted</u>
a. Transferable	\$1,253,184	
b. Non-transferable		

F. Subprime-Mortgage-Related Risk Exposure

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

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
Residential mortgage-backed securities	\$2,066,192	\$3,071,440	\$3,409,649	\$39,511

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

G. Insurance Linked Securities (ILS) Contracts

Number of Outstanding ILS Contracts	Aggregate Maximum Proceeds
-------------------------------------	----------------------------

Management of Risk Related To:

1. Directly Written Insurance Risks
- | | | |
|------------------------------------|---|---------------|
| a. ILS Contracts as Issuer | | |
| b. ILS Contracts as Ceding Insurer | 7 | \$189,278,358 |
| c. ILS Contracts as Counterparty | | |
2. Assumed Insurance Risks
- | | | |
|------------------------------------|--|--|
| a. ILS Contracts as Issuer | | |
| b. ILS Contracts as Ceding Insurer | | |
| c. ILS Contracts as Counterparty | | |

NOTES TO FINANCIAL STATEMENTS

Note 22 – Events Subsequent

On January 19, 2018, the Company announced the sale of Liberty Life Assurance Company (“LLAC”) to Lincoln Financial Group. The transaction is subject to regulatory approval which is expected during the second quarter of 2018. The Company has a 90% ownership interest in LLAC.

The Company evaluated subsequent events through February 22, 2018, the date the annual statement was available to be issued.

Producer Agreement with Helmsman Insurance Agency LLC effective January 1, 2018.

Service Agreement with Helmsman Management Services LLC effective January 1, 2018

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

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverable

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

Reinsurer	NAIC No.	Federal ID No.	Recoverable Amount
National Workers Compensation Reinsurance Pool	00000	AA-9992118	\$1,371,420,000
Swiss Reinsurance America Corporation	25364	13-1675535	679,288,000
Swiss Reinsurance Company	00000	AA-1460146	571,950,000
Total	XXX	XXX	\$2,622,658,000

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

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

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net</u>	
	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>	<u>Premium Reserve</u>	<u>Commission Equity</u>
Affiliates	\$14,440,955,000	\$163,763,482	\$7,610,904,000	\$20,583,295	\$6,830,051,000	\$143,180,187
All Other	352,360,529	92,611,137	814,717,363	145,227,027	(462,356,834)	(52,615,889)
Total	<u>\$14,793,315,529</u>	<u>\$256,374,619</u>	<u>\$8,425,621,363</u>	<u>\$165,810,322</u>	<u>\$6,367,694,166</u>	<u>\$90,564,297</u>
Direct Unearned Premium Reserve	1,135,460,421					

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

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$19,293,173	\$400,752,616	\$211,354,709	\$208,691,080
b. Sliding Scale Adjustments	-	1,192,668	593,775	598,893
c. Other Profit Commission Arrangements	-	469,864	1,096,087	(626,223)
d. TOTAL	\$19,293,173	\$402,415,148	\$213,044,571	\$208,663,750

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

D. Uncollectible Reinsurance

During the current year, the Company wrote off reinsurance balances of \$204,007. This amount is shown below by Income Statement classification and by reinsurer.

a. Losses incurred	\$127,741
b. Loss adjustment expenses incurred	76,266
c. Premiums earned	-
d. Other	-
TOTAL	\$204,007
e.	
<u>Company</u>	<u>Amount</u>
Folksam International Insurance	\$204,007

NOTES TO FINANCIAL STATEMENTS

E. Commutation of Ceded Reinsurance

The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was a decrease in Net Income of \$31,485. This amount is shown below by Income Statement classification and by reinsurer.

a.	Losses incurred	\$9,698,335
b.	Loss adjustment expenses incurred	(47,709)
c.	Premiums earned	-
d.	Other	153,285
	TOTAL	\$9,497,341

e.	<u>Company</u>	<u>Amount</u>
	Liberty Reinsurance (Bermuda)	\$5,315,140
	St. James Insurance LTD	3,904,584
	The Stuart Insurance Group Ltd.	391,548
	Arlington Insurance Company	(68,546)
	All Other	(45,385)
	TOTAL	\$9,497,341

F. Retroactive Reinsurance

	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
(1) Initial Reserves	\$258,781,480	\$1,619,483,154
(2) Adjustments – Prior Year(s)	(454,177,454)	(132,693,319)
(3) Adjustments – Current Year	(42,199,160)	66,223,253
(4) Current Total	<u>(\$237,595,134)</u>	<u>\$1,553,013,088</u>
b. Consideration Paid or Received:		
(1) Initial Consideration	\$287,535,827	\$1,652,257,350
(2) Adjustments – Prior Year(s)	14,829,212	42,632,157
(3) Adjustments – Current Year	-	132,918
(4) Current Total	<u>\$303,365,039</u>	<u>\$1,695,022,426</u>
c. Paid Losses Reimbursed or Recovered:		
(1) Prior Year(s)	\$567,853,682	\$384,626,607
(2) Current Year	8,988,316	4,320,653
(3) Current Total	<u>\$576,841,998</u>	<u>\$388,947,260</u>
d. Discount Unwind on Reserves:		
(1) Prior Year(s)	\$ -	\$20,801,644
(2) Current Year	-	6,383,081
(3) Current Total	<u>\$ -</u>	<u>\$27,184,724</u>
e. Special Surplus from Retroactive Reinsurance:		
(1) Initial Surplus Gain or Loss	\$45,206,365	\$31,459,634
(2) Adjustments – Prior Year(s)	(115,299,034)	(187,184,925)
(3) Adjustments – Current Year	(33,210,844)	(64,027,097)
(4) Current Year Restricted Surplus	251,909	(175,979,138)
Cumulative Total Transferred to Unassigned		
(5) Funds	<u>(\$37,133,734)</u>	<u>(\$43,774,059)</u>

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

<u>Company</u>	<u>Assumed Amount</u>	<u>Ceded Amount</u>
Great American Insurance Company, 16691	\$43,217,312	\$ -
Wetereau Insurance Co LTD., AA-3191047	76,439	-
Employers Insurance Company of Wausau, 21458	(251,689)	-
Ironshore Indemnity Inc., 23647	(70,012,517)	-
Ironshore Specialty Insurance Co., 25445	(210,624,679)	-
National Indemnity Co, 20087	-	\$3,258,037,991
Federal Insurance Company, 20281	-	50,875,794
Munich Reinsurance America Inc., 10227	-	23,565,210
Swiss Reinsurance America Corporation, 25364	-	4,855,475
Westport Insurance Corporation, 39845	-	2,941,473
American National Insurance Company, 60739	-	1,338,531
Everest Reinsurance Co., 22-2005057	-	1,098,252
Legion Insurance Co., 23-1892289	-	326,391
Reliastar Life Insurance Company, 67105	-	258,624
Nokatus Insurance Co Limited, AA-0000000	-	197,457
American United Life Insurance Company, 60895	-	78,697

NOTES TO FINANCIAL STATEMENTS

Continental Casualty Co, 20443	-	51,725
Other	-	(4,311)
Peerless Insurance Company, 24198	-	(716,243,288)
Employers Insurance Company of Wausau, 21458	-	(286,497,315)
Liberty Mutual Fire Insurance Company, 23035	-	(286,497,315)
The Ohio Casualty Insurance Company, 24074	-	(286,497,315)
Safeco Insurance Company of America, 24740	-	(214,872,987)
Total	<u>\$(237,595,134)</u>	<u>\$1,553,013,088</u>

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

(1) Authorized Reinsurers

<u>Company</u>	<u>Total Paid/Loss/LAE Recoverable</u>	<u>Amounts Over 90 Days Overdue</u>
Everest Reinsurance Co, 26921	\$343,893	\$ -
Federal Insurance Company, 20281	16,323	-
Total	<u>\$360,216</u>	<u>\$ -</u>

(2) Unauthorized Reinsurers

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

(3) Certified Reinsurers

The Company does not transact business with Certified 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 NICO, on a combined aggregate adverse development cover for substantially all of Liberty Mutual Insurance's U.S. workers compensation, asbestos and environmental liabilities. The agreement, accounted for as retroactive reinsurance, is effective January 1, 2014.

G. Reinsurance Accounted for as a Deposit

At December 31, 2017, the deposit receivable balance for reinsurance contracts accounted for under the deposit method was \$5,262,212.

At December 31, 2017, the deposit liability balance for reinsurance contracts accounted for under the deposit method was \$30,047,334.

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.

NOTES TO FINANCIAL STATEMENTS

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

a.	Total accrued retro premium	\$216,382,755
b.	Unsecured amount	-
c.	Less: Nonadmitted amount (10%)	21,656,086
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
e.	Admitted amount (a) – (c) – (d)	\$194,726,669

F. Risk Sharing Provisions of the Affordable Care Act

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

Note 25 – Change in Incurred Losses and Loss Adjustment Expenses

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

Note 26 – Intercompany Pooling Arrangements

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

		NAIC Company <u>Number</u>	Pooling <u>Percentage</u>	Line of <u>Business</u>
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
Pool	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.00%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.00%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company ("ASIC")	19704	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.00%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.00%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.00%	All Lines
	General Insurance Company of America ("GICA")	24732	0.00%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.00%	All Lines
	Ironshore Indemnity Inc. ("III")	23647	0.00%	All Lines
	Ironshore Specialty Insurance Company ("ISIC")	25445	0.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.00%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
National Insurance Association ("NIA")	27944	0.00%	All Lines
The Netherlands Insurance Company ("NIC")	24171	0.00%	All Lines
North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
Peerless Indemnity Insurance Company ("PIIC")	18333	0.00%	All Lines
Safeco Insurance Company of Illinois ("SICIL")	39012	0.00%	All Lines
Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
Wausau Business Insurance Company ("WBIC")	26069	0.00%	All Lines
Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
Wausau Underwriters Insurance Company ("WUIC")	26042	0.00%	All Lines
West American Insurance Company ("WAIC")	44393	0.00%	All Lines
100% Quota			
Share Affiliated Companies:			
LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines

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

- a. Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- b. After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- c. The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- d. There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- e. There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- f. The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- g. Amounts due (to)/from affiliated entities participating in the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement as of December 31, 2017:

<u>Affiliate</u>	<u>Amount</u>
Peerless Insurance Company	3,137,075
Employers Insurance Company of Wausau	1,254,830
Liberty Mutual Fire Insurance Company	1,254,830
The Ohio Casualty Insurance Company	1,254,830
Safeco Insurance Company of America	941,122
Wausau General Insurance Company	(1,034,699)
Wausau Underwriters Insurance Company	(4,366,926)
Wausau Business Insurance Company	4,100,242
Ironshore Specialty Insurance Company	(2,987,460)
Ironshore Indemnity Inc.	(11,396,531)

Note 27 – Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$582,708,074 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 \$582,708,074 as of December 31, 2017.

NOTES TO FINANCIAL STATEMENTS

- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile Yes/No	Statement Value (i.e., Present Value) of Annuities
Prudential Insurance Company New Jersey	Yes	\$258,554,387

Note 28 – Health Care Receivables

Not applicable.

Note 29 – Participating Policies

No applicable.

Note 30 – Premium Deficiency Reserves

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

Note 31 – High Dollar Deductible Policies

As of December 31, 2017, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$2,768,713,065 and the amount billed and recoverable on paid claims was \$84,146,963. There are no unsecured high dollar deductible recoverables from professional employer organizations included in these amounts.

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

For Workers' Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The Company recognized \$25,592,276 of interest accretion in the Statement of Income for the current year related to tabular discount on Workers' Compensation. The December 31, 2017 liabilities subject to discount were carried at a value representing a discount of \$260,828,705 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	220,873,191	258,092,029
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability - occurrence	-	-
7. Medical Professional Liability - claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	-	-
10. Other Liability - claims-made	-	-
11. Special Property	-	-
12. Auto Physical Damage	-	-
13. Fidelity, Surety	-	-
14. Other (including Credit, Accident & Health)	-	-
15. International	-	-
16. Reinsurance Nonproportional Assumed Property	-	-
17. Reinsurance Nonproportional Assumed Liability	-	-
18. Reinsurance Nonproportional Assumed Financial Lines	-	-
19. Products Liability - occurrence	-	-
20. Products Liability - claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	\$220,873,191	\$258,092,029

B. Non-tabular Discount

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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 2016, the Company and its affiliated pool members completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded A&E unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. A&E unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves of \$150,000,000 including: \$100,000,000 of asbestos reserves, and \$50,000,000 of pollution reserves.

Uncertainty Regarding Reserving Methodologies

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

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

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

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

Asbestos

1. Direct -

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$778,291,344	\$874,631,236	\$879,429,255	\$740,188,964	\$774,439,191
b. Incurred losses and LAE	207,292,812	142,545,430	41,421,717	163,905,946	88,670,837
c. Calendar year payments	110,952,920	137,747,411	180,662,008	129,655,719	128,624,467
d. Ending reserves	<u>\$874,631,236</u>	<u>\$879,429,255</u>	<u>\$740,188,964</u>	<u>\$774,439,191</u>	<u>\$734,485,562</u>

2. Assumed Reinsurance -

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves*:	\$287,534,269	\$309,882,678	\$286,626,082	\$276,572,986	\$255,949,495
b. Incurred losses and LAE	37,332,219	754,405	5,868,205	(2,476,924)	25,333,329
c. Calendar year payments	14,983,809	24,011,001	15,921,301	18,744,881	15,975,145
d. Ending reserves	<u>\$309,882,679</u>	<u>\$286,626,082</u>	<u>\$276,572,986</u>	<u>\$255,351,182</u>	<u>\$265,307,679</u>

*Includes Ironshore acquisition in 2017

NOTES TO FINANCIAL STATEMENTS

3. Net of Ceded Reinsurance -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$445,074,542	\$498,611,802	\$459,023,905	\$340,799,247	\$336,003,375
b. Incurred losses and LAE	117,762,046	44,454,204	3,065,964	31,144,307	42,936,041
c. Calendar year payments	64,224,786	84,042,101	121,290,622	35,940,179	41,393,889
d. Ending reserves	<u>\$498,611,802</u>	<u>\$459,023,905</u>	<u>\$340,799,247</u>	<u>\$336,003,375</u>	<u>\$337,545,527</u>
4. Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
a. Direct Basis		\$483,121,881			
b. Assumed Reinsurance Basis		\$194,750,482			
c. Net of Ceded Reinsurance Basis		\$209,953,074			
5. Ending Reserves for LAE included above (Case, Bulk & IBNR)					
a. Direct Basis		\$451,803,259			
b. Assumed Reinsurance Basis		\$7,503,020			
c. Net of Ceded Reinsurance Basis		\$164,797,389			

Environmental

1. Direct -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$210,071,418	\$224,235,273	\$210,301,637	\$181,183,686	\$186,350,297
b. Incurred losses and LAE	47,614,743	28,977,227	14,740,307	40,124,443	32,160,670
c. Calendar year payments	33,450,888	42,910,863	43,858,258	34,957,832	25,313,650
d. Ending reserves	<u>\$224,235,273</u>	<u>\$210,301,637</u>	<u>\$181,183,686</u>	<u>\$186,350,297</u>	<u>\$193,197,317</u>
2. Assumed Reinsurance -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves*:	\$32,494,670	\$32,081,393	\$30,215,301	\$21,895,685	\$20,855,856
b. Incurred losses and LAE	2,172,413	574,462	(4,904,000)	(82,374)	6,067,609
c. Calendar year payments	2,585,689	2,440,555	3,415,616	2,035,761	1,492,540
d. Ending reserves	<u>\$32,081,394</u>	<u>\$30,215,300</u>	<u>\$21,895,685</u>	<u>\$19,777,550</u>	<u>\$25,430,924</u>
	*Includes Ironshore acquisition in 2017				
3. Net of Ceded Reinsurance -					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
a. Beginning reserves:	\$154,248,853	\$161,491,764	\$149,437,068	\$131,057,498	\$128,018,132
b. Incurred losses and LAE	30,503,358	14,063,692	159,049	24,552,997	25,488,255
c. Calendar year payments	23,260,447	26,118,388	18,538,619	27,592,363	15,930,131
d. Ending reserves	<u>\$161,491,764</u>	<u>\$149,437,068</u>	<u>\$131,057,498</u>	<u>\$128,018,132</u>	<u>\$137,576,256</u>
4. Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
a. Direct Basis		\$112,792,269			
b. Assumed Reinsurance Basis		\$13,678,982			
c. Net of Ceded Reinsurance Basis		\$72,935,170			
5. Ending Reserves for LAE included above (Case, Bulk & IBNR)					
a. Direct Basis		\$80,187,713			
b. Assumed Reinsurance Basis		\$1,982,892			
c. Net of Ceded Reinsurance Basis		\$42,569,794			

Note 34 – Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 – Multiple Peril Crop Insurance

Not applicable.

Note 36 - Financial Guaranty Insurance Contracts

Not applicable.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

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

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

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

GENERAL INTERROGATORIES

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

6.2 If yes, give full information:
 0

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

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

1 Nationality	2 Type of Entity
.....

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

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

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

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

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

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

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

12.11 Name of real estate holding company	Various
12.12 Number of parcels involved	16
12.13 Total book/adjusted carrying value	\$ 898,596,804

12.2 If yes, provide explanation:

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

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

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

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

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

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

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

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

Yes No

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

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

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

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GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]

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

0

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

Yes [X] No []

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

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
2600561	DnB NOR Bank ASA	Default of payment or expiration	32,803,685
11301764	Riyad Bank	Default of payment or expiration	2,294,949
11301798	Eastern Bank	Default of payment or expiration	189,323
11600020	Merchants Bank	Default of payment or expiration	187,369
11600567	Peoples Trust Company of	Default of payment or expiration	180,000
12128189	Farm Credit	Default of payment or expiration	452,899
21302884	Adirondack Trust Company	Default of payment or expiration	521,185
21914544	WESTCHESTER BANK, TH	Default of payment or expiration	450,000
22117218	PEOPLE'S UNITED BANK,	Default of payment or expiration	1,619,000
26008905	MIZUHO CORPORATE BA	Default of payment or expiration	6,064,853
26013576	Signature Bank	Default of payment or expiration	450,585
51404464	FIRST BANK AND TRUST	Default of payment or expiration	7,175,325
53207371	Bank of Travelers Rest	Default of payment or expiration	140,000
55003298	EagleBank	Default of payment or expiration	450,000
61100606	Synovus Bank	Default of payment or expiration	2,593,295
62006505	ServisFirst bank	Default of payment or expiration	50,000
63100646	COLUMBIA BANK	Default of payment or expiration	52,463
64008637	Pinnacle National Bank	Default of payment or expiration	285,000
65304327	Bank of Franklin	Default of payment or expiration	44,317
65304385	CITIZENS BANK	Default of payment or expiration	921,000
65306134	Bank of Brookhaven	Default of payment or expiration	6,089
65306189	First Commercial Bank	Default of payment or expiration	175,000
65400153	Whitney Bank	Default of payment or expiration	1,975,000
65503681	Hancock Bank	Default of payment or expiration	910,641
71001737	MB Financial Bank, NA	Default of payment or expiration	222,000
71006486	The PrivateBank and Trust	Default of payment or expiration	6,150,000
71102076	First Mid Illinois Bank & Tru	Default of payment or expiration	300,000
71119289	BANK OF RANTOUL	Default of payment or expiration	575,000
71212128	1st Source Bank	Default of payment or expiration	352,798
71901604	First Midwest Bank	Default of payment or expiration	2,322,533
71922777	FIRST AMERICAN BANK	Default of payment or expiration	403,500
71925981	EVERGREEN BANK GROU	Default of payment or expiration	4,977,000
72402652	INDEPENDENT BANK	Default of payment or expiration	78,226
73901974	Cherokee State Bank	Default of payment or expiration	296,000
81012952	Enterprise Bank & Trust	Default of payment or expiration	905,000
81025415	LIBERTY BANK	Default of payment or expiration	300,000
81500859	Boone County National Ban	Default of payment or expiration	3,000,000
81906013	CARROLLTON BANK	Default of payment or expiration	172,000
82901635	Farmers Bank & Trust Com	Default of payment or expiration	801,000
83000564	Stock Yards Bank and Trust	Default of payment or expiration	550,000
83901621	Citizens Union Bank	Default of payment or expiration	3,000,000
84201278	BancorpSouth	Default of payment or expiration	15,297,525
86300012	Old National Bank	Default of payment or expiration	155,000
91915654	KLEINBANK	Default of payment or expiration	39,664
101000019	Commerce Bank N.A.	Default of payment or expiration	2,886,000
101100029	Intrust Bank N.A.	Default of payment or expiration	3,391,860
101101950	Morrill & Janes Bank	Default of payment or expiration	865,000
101104928	Bennington State Bank	Default of payment or expiration	100,000

GENERAL INTERROGATORIES

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
102301199	Hilltop National Bank	Default of payment or expiration	6,405,578
103100881	First United Bank & Trust C	Default of payment or expiration	500,000
104901678	Five Points Bank of Grand I	Default of payment or expiration	821,818
107002448	Bank of Colorado	Default of payment or expiration	2,000,000
107005047	FirstBank	Default of payment or expiration	964,277
107006253	MyBank	Default of payment or expiration	390,000
111322994	PLAINSCAPITAL BANK	Default of payment or expiration	143,000
111901234	LEGACYTEXAS BANK	Default of payment or expiration	1,258,295
112201836	Lea County State Bank	Default of payment or expiration	634,000
113024164	GREEN BANK, NATIONAL	Default of payment or expiration	267,000
113101317	First National Bank of Lake	Default of payment or expiration	1,170,000
121142287	HERITAGE BANK OF COM	Default of payment or expiration	300,000
122243334	COMMERCEWEST BANK	Default of payment or expiration	4,200,000
124000054	Amegy Bank N.A.	Default of payment or expiration	968,000
124000054	California Bank & Trust	Default of payment or expiration	350,000
125100089	WASHINGTON TRUST BA	Default of payment or expiration	1,807,000
211170211	The Milford Bank	Default of payment or expiration	52,600
211372239	Baycoast Bank	Default of payment or expiration	167,000
221272303	The Provident Bank	Default of payment or expiration	824,900
222370440	First Niagara Bank, N.A.	Default of payment or expiration	2,384,000
243374218	Northwest Savings Bank	Default of payment or expiration	1,860,000
265370915	First Southern Bank	Default of payment or expiration	48,000
292970825	Glacier Bank	Default of payment or expiration	920,000
321370765	American Savings Bank, F.	Default of payment or expiration	494,400

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes No
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes No
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes No

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
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | |
|---|----|---|
| 20.11 To directors or other officers | \$ | 0 |
| 20.12 To stockholders not officers | \$ | 0 |
| 20.13 Trustees, supreme or grand (Fraternal only) | \$ | 0 |
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | |
|---|----|---|
| 20.21 To directors or other officers | \$ | 0 |
| 20.22 To stockholders not officers | \$ | 0 |
| 20.23 Trustees, supreme or grand (Fraternal only) | \$ | 0 |
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes No
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- | | | |
|----------------------------|----|---|
| 21.21 Rented from others | \$ | 0 |
| 21.22 Borrowed from others | \$ | 0 |
| 21.23 Leased from others | \$ | 0 |
| 21.24 Other | \$ | 0 |

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 | | \$ | 0 |
| 22.22 Amount paid as expenses | | \$ | 0 |
| 22.23 Other amounts paid | | \$ | 0 |
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 61,035

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. \$ 171,103,531
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ 0
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [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 | | \$ | 158,483,552 |
| 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | | \$ | 158,483,552 |
| 24.103 Total payable for securities lending reported on the liability page | | \$ | 158,483,552 |
- 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	\$	0
25.22	Subject to reverse repurchase agreements	\$	0
25.23	Subject to dollar repurchase agreements	\$	0
25.24	Subject to reverse dollar repurchase agreements	\$	0
25.25	Placed under option agreements	\$	0
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$	0
25.27	FHLB Capital Stock	\$	0
25.28	On deposit with states	\$	2,115,102,669
25.29	On deposit with other regulatory bodies	\$	143,852,707
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	\$	0
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	\$	0
25.32	Other	\$	0

25.3 For category (25.26) provide the following:

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

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

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. \$ _____ 0

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

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

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

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
Lazard Asset Management LLC	U
Matthews International Capital Management, LLC.	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
N/A	Liberty Mutual Group	No	No	DS
N/A	Liberty Mutual Invest	No	No	DS
N/A	StanCorp	No	No	DS
N/A	Prudential Mortgage	No	No	DS
N/A	Lazard Asset Manage	No	SEC	DS
N/A	Matthews Internationa	No	SEC	DS

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

29.2 If yes, complete the following schedule:

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

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

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

GENERAL INTERROGATORIES

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	12,548,182,494	12,686,682,402	138,499,908
30.2 Preferred stocks	44,817,504	45,015,504	198,000
30.3 Totals	12,592,999,998	12,731,697,906	138,697,908

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

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

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

OTHER

34.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 25,746,007

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

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE INC	\$ 8,622,224
	\$ 0
	\$ 0

35.1 Amount of payments for legal expenses, if any? \$ 22,760,284

GENERAL INTERROGATORIES

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

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

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

\$ 1,247,608

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

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding
0

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 9,913

1.65 Total incurred claims \$ 16,243

1.66 Number of covered lives 2

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 26,268,452		\$ 4,105,793	
2.2 Premium Denominator	\$ 13,705,220,878		\$ 12,906,110,881	
2.3 Premium Ratio (2.1 / 2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 44,775,597		\$ 12,222,603	
2.5 Reserve Denominator	\$ 27,315,540,741		\$ 24,250,746,205	
2.6 Reserve Ratio (2.4 / 2.5)	<u>0.00</u>		<u>0.00</u>	

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

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

3.21 Participating policies \$ 19,634,638

3.22 Non-participating policies \$ 1,968,905,937

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

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

5.5 If yes, give full information
0

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we utilize RMS's RiskLink v16.0 and AIR's Touchstone v4.2 software. For workers' compensation, Liberty Mutual utilizes RiskLink v16.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
The Company purchases a combination of quota share reinsurance, per risk excess of loss reinsurance, excess of loss per event catastrophe reinsurance and aggregate programs.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
The Company purchases aggregate coverage to substantially replace nonreinstated catastrophe layers.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [X] No []
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 10
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [X] No []
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 8.2 If yes, give full information
N/A
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [X] No []
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [] No [X]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes No N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes No
- 11.2 If yes, give full information
 The Company guarantees policies issued by Liberty Life Assurance Company of Boston, Liberty Mutual Insurance Europe Ltd., Liberty International Underwriters Pte Limited, Liberty International Underwriters Limited, Ironshore Europe DAC and Ironshore Insurance Ltd.
- 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 | | \$ | 161,163,583 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 11,771,862 |
- 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? \$ 4,569,046
- 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 | | \$ | 2,141,473,705 |
| 12.62 Collateral and other funds | | \$ | 624,882,574 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 550,000,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes No
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 Premiums and recoverables were allocated pursuant to allocation agreements, including the intercompany pooling agreement.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes No
- 14.5 If the answer to 14.4 is no, please explain:
 N/A
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes No
- 15.2 If yes, give full information
 0
- 16.1 Does the reporting entity write any warranty business? Yes No
 If yes, disclose the following information for each of the following types of warranty coverage:
- | | | 1 | 2 | 3 | 4 | 5 |
|------------------|----|------------------------|----------------------|------------------------|-------------------------|-----------------------|
| | | Direct Losses Incurred | Direct Losses Unpaid | Direct Written Premium | Direct Premium Unearned | Direct Premium Earned |
| 16.11 Home | \$ | 0 | 0 | 0 | 0 | 0 |
| 16.12 Products | \$ | 0 | 0 | 0 | 0 | 0 |
| 16.13 Automobile | \$ | 0 | 0 | 0 | 0 | 0 |
| 16.14 Other* | \$ | (3,873,532) | (68,103) | 0 | 0 | 0 |

* Disclose type of coverage: GL

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [] No [X]

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

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

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

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

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

Yes [] No [X]

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

\$ 0

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

Yes [] No [X]

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

\$ 0

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2017	2016	2015	2014	2013
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	14,747,605,005	13,280,706,517	12,920,645,090	13,126,520,416	15,556,834,371
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,940,043,810	9,399,145,420	8,956,661,763	8,490,104,387	9,258,802,163
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	9,262,571,356	8,902,410,982	8,758,713,580	8,382,281,127	9,943,517,519
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	977,735,210	841,575,578	888,127,587	838,901,213	931,331,593
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	370,670,992	297,637,346	380,546,687	295,823,890	262,128,472
6. Total (Line 35)	35,298,626,373	32,721,475,843	31,904,694,707	31,133,631,033	35,952,614,118
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	6,771,964,286	6,060,240,866	5,793,488,617	5,819,247,070	6,341,048,765
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,595,426,875	2,489,435,508	2,355,401,772	2,440,505,676	2,637,500,860
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,265,393,673	4,151,321,519	4,050,660,565	3,880,881,045	4,193,005,866
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	465,061,209	400,396,352	427,018,992	402,167,188	596,270,882
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	177,259,739	148,038,421	189,517,886	145,611,216	121,325,676
12. Total (Line 35)	14,275,105,782	13,249,432,666	12,816,087,832	12,688,412,195	13,889,152,049
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(1,540,802,453)	(422,319,804)	28,931,752	(273,085,631)	(736,646,203)
14. Net investment gain (loss) (Line 11)	529,573,001	545,305,247	680,665,509	901,608,546	1,410,008,637
15. Total other income (Line 15)	11,610,122	11,219,731	(6,289,199)	34,661,992	(18,088,070)
16. Dividends to policyholders (Line 17)	6,796,773	8,884,883	9,677,688	11,783,650	19,264,431
17. Federal and foreign income taxes incurred (Line 19)	(97,994,788)	(278,991,553)	(279,390,338)	(237,020,783)	128,598,187
18. Net income (Line 20)	(908,421,315)	404,311,844	973,020,712	888,422,040	507,411,746
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	46,020,754,541	44,001,881,687	42,343,216,506	42,655,158,668	44,475,809,095
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	1,545,946,132	1,202,011,937	1,193,023,397	993,118,859	1,019,705,850
20.2 Deferred and not yet due (Line 15.2)	3,517,985,022	3,308,300,952	3,097,481,861	2,932,836,152	3,525,968,004
20.3 Accrued retrospective premiums (Line 15.3)	194,726,669	199,664,574	196,996,385	224,086,305	235,369,077
21. Total liabilities excluding protected cell business (Page 3, Line 26)	31,489,431,268	27,473,676,194	26,527,948,893	26,085,858,680	29,349,412,770
22. Losses (Page 3, Line 1)	16,391,595,471	14,282,969,304	13,988,339,788	13,871,348,428	14,246,684,189
23. Loss adjustment expenses (Page 3, Line 3)	3,267,135,983	2,950,907,996	2,928,798,889	3,007,976,190	3,058,379,371
24. Unearned premiums (Page 3, Line 9)	7,503,154,587	6,929,723,299	6,580,520,311	6,288,178,795	5,940,431,054
25. Capital paid up (Page 3, Lines 30 & 31)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	14,531,323,273	16,528,205,493	15,815,267,613	16,569,299,988	15,126,396,325
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	1,020,240,458	603,518,517	1,352,176,567	369,832,756	1,359,051,813
Risk-Based Capital Analysis					
28. Total adjusted capital	14,665,993,622	16,632,057,566	15,908,372,744	16,656,825,919	15,203,889,499
29. Authorized control level risk-based capital	4,142,674,161	3,412,337,603	3,203,773,191	3,240,473,150	3,208,928,544
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	33.2	35.8	36.6	36.8	39.3
31. Stocks (Lines 2.1 & 2.2)	43.7	29.0	28.8	27.1	25.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	1.6	1.7	1.6	1.5	1.5
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.7	0.8	0.9	0.8	0.7
34. Cash, cash equivalents and short-term investments (Line 5)	1.0	3.1	2.2	2.1	3.2
35. Contract loans (Line 6)					
36. Derivatives (Line 7)	0.1	0.0	0.1		
37. Other invested assets (Line 8)	19.1	29.1	29.3	30.9	28.9
38. Receivables for securities (Line 9)	0.1	0.1	0.0	0.2	0.1
39. Securities lending reinvested collateral assets (Line 10)	0.4	0.5	0.7	0.6	1.0
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	16,351,779,441	9,864,622,544	9,358,448,827	8,886,678,442	8,434,572,226
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	14,827,800	14,827,800	59,659,217		30,000,000
46. Affiliated mortgage loans on real estate					
47. All other affiliated	6,232,346,407	9,545,403,006	9,371,684,718	9,992,828,376	9,435,192,954
48. Total of above Lines 42 to 47	22,598,953,648	19,424,853,350	18,789,792,762	18,879,506,818	17,899,765,180
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)	155.5	117.5	118.8	113.9	118.3

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2017	2016	2015	2014	2013
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	(764,286,013)	4,902,750	(1,281,553,202)	106,890,174	351,408,096
52. Dividends to stockholders (Line 35)	(69,727,700)	(67,859,641)	(64,766,000)	(64,766,000)	(199,766,000)
53. Change in surplus as regards policyholders for the year (Line 38)	(1,996,882,220)	712,937,880	(754,032,375)	1,442,903,663	615,929,663
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	7,368,934,353	7,902,459,177	7,597,206,999	8,800,903,807	1,542,766,644
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	5,607,553,716	5,323,465,115	4,872,825,467	4,642,644,555	4,552,826,641
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,784,932,081	4,215,094,493	4,207,612,042	4,046,172,891	1,440,595,000
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	130,143,004	19,146,887	245,666,397	301,137,951	152,427,503
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	116,198,760	79,212,006	115,298,786	129,103,542	107,061,028
59. Total (Line 35)	18,007,761,914	17,539,377,678	17,038,609,691	17,919,962,746	7,795,676,816
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	3,222,376,119	3,502,571,250	3,362,609,971	3,907,929,140	4,738,898,531
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,505,221,069	1,439,352,127	1,258,161,731	1,287,996,272	1,325,091,401
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,311,444,789	2,019,090,121	2,000,195,390	1,885,555,516	754,883,042
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	60,497,383	9,144,762	119,427,253	147,134,616	46,399,381
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	57,177,308	39,490,813	57,334,949	64,338,035	209,023,315
65. Total (Line 35)	7,156,716,668	7,009,649,073	6,797,729,294	7,292,953,579	7,074,295,670
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	66.0	56.6	55.6	56.3	59.2
68. Loss expenses incurred (Line 3)	13.5	13.2	12.7	13.7	14.3
69. Other underwriting expenses incurred (Line 4)	31.7	33.4	31.4	32.2	32.6
70. Net underwriting gain (loss) (Line 8)	(11.2)	(3.3)	0.2	(2.2)	(6.0)
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	30.4	32.5	30.6	31.0	28.7
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	79.5	69.8	68.4	70.0	73.5
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	98.2	80.2	81.0	76.6	91.8
One Year Loss Development (\$000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	440,185	105,091	(84,128)	(7,475)	407,604
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)	2.7	0.7	(0.5)	(0.0)	2.8
Two Year Loss Development (\$000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	473,162	(43,462)	(97,120)	344,712	439,502
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)	3.0	(0.3)	(0.6)	2.4	3.2

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	356,659	126,349	114,151	70,023	25,669	4,021	10,153	296,086	X X X
2. 2008	13,249,561	2,227,560	11,022,001	7,735,679	1,229,228	576,565	66,973	1,006,993	37,957	389,897	7,985,079	X X X
3. 2009	12,636,969	2,647,866	9,989,103	6,758,457	1,242,008	511,645	66,691	945,335	11,101	369,407	6,895,637	X X X
4. 2010	12,825,558	2,492,977	10,332,581	7,231,569	1,321,834	552,262	72,263	1,002,933	6,146	419,551	7,386,521	X X X
5. 2011	13,557,901	2,986,968	10,570,933	8,051,337	1,647,211	587,965	102,882	1,010,747	7,152	520,910	7,892,804	X X X
6. 2012	14,643,997	3,235,193	11,408,804	8,134,124	1,735,041	583,064	107,448	1,044,039	6,412	593,476	7,912,326	X X X
7. 2013	15,460,975	3,482,867	11,978,108	7,569,248	1,736,206	502,957	86,831	1,029,840	9,049	463,745	7,269,959	X X X
8. 2014	15,856,257	3,509,225	12,347,032	7,310,762	1,630,910	434,094	64,637	999,080	11,540	376,076	7,036,849	X X X
9. 2015	16,376,932	3,801,904	12,575,028	7,217,280	1,746,884	326,657	51,822	976,403	12,068	467,290	6,709,566	X X X
10. 2016	16,800,258	3,812,618	12,987,640	6,724,865	1,680,161	185,656	37,969	972,357	21,386	276,640	6,143,362	X X X
11. 2017	17,606,924	3,813,442	13,793,482	5,395,205	1,448,484	71,556	16,707	748,601	6,569	167,546	4,743,602	X X X
12. Totals	X X X	X X X	X X X	72,485,185	15,544,316	4,446,572	744,246	9,761,997	133,401	4,054,691	70,271,791	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	2,848,570	1,078,795	1,944,297	924,203	184,137	125,297	706,173	291,868	62,027	325	7,351	3,324,716	X X X
2. 2008	193,222	45,099	331,206	42,332	5,818	588	39,270	13,308	5,314		13,690	473,503	X X X
3. 2009	196,084	31,893	338,905	57,487	8,386	1,351	30,279	8,427	3,470		4,288	477,966	X X X
4. 2010	212,796	33,796	310,688	38,177	13,148	4,150	47,360	6,663	4,597		6,091	505,803	X X X
5. 2011	257,384	37,346	386,936	54,357	13,579	3,256	84,076	9,763	5,796		9,188	643,049	X X X
6. 2012	358,705	74,291	568,559	77,411	29,299	8,604	123,574	12,555	12,449		27,476	919,725	X X X
7. 2013	461,351	99,497	675,337	103,256	31,909	7,863	137,602	15,627	108,069		43,495	1,188,025	X X X
8. 2014	739,053	155,402	722,330	163,607	32,875	6,727	183,191	16,429	53,645	1	43,993	1,388,928	X X X
9. 2015	950,250	110,756	1,058,266	250,421	39,288	4,414	292,977	20,438	94,357	3	81,619	2,049,106	X X X
10. 2016	1,290,726	133,975	1,428,202	258,467	50,487	4,931	409,720	47,458	150,760	23	115,273	2,885,041	X X X
11. 2017	2,242,012	448,017	4,028,761	933,445	42,198	6,434	533,346	44,711	389,271	22	303,391	5,802,959	X X X
12. Totals	9,750,153	2,248,867	11,793,487	2,903,163	451,124	173,615	2,587,568	487,247	889,755	374	655,855	19,658,821	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,789,869	534,847
2. 2008	9,894,067	1,435,485	8,458,582	74.675	64.442	76.743			50.000	436,997	36,506
3. 2009	8,792,561	1,418,958	7,373,603	69.578	53.589	73.816			50.000	445,609	32,357
4. 2010	9,375,353	1,483,029	7,892,324	73.099	59.488	76.383			50.000	451,511	54,292
5. 2011	10,397,820	1,861,967	8,535,853	76.692	62.336	80.748			50.000	552,617	90,432
6. 2012	10,853,813	2,021,762	8,832,051	74.118	62.493	77.414			50.000	775,562	144,163
7. 2013	10,516,313	2,058,329	8,457,984	68.018	59.099	70.612			50.000	933,935	254,090
8. 2014	10,475,030	2,049,253	8,425,777	66.062	58.396	68.241			50.000	1,142,374	246,554
9. 2015	10,955,478	2,196,806	8,758,672	66.896	57.782	69.651			50.000	1,647,339	401,767
10. 2016	11,212,773	2,184,370	9,028,403	66.742	57.293	69.515			50.000	2,326,486	558,555
11. 2017	13,450,950	2,904,389	10,546,561	76.396	76.162	76.460			50.000	4,889,311	913,648
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	16,391,610	3,267,211

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	One Year	Two Year	
1. Prior	10,921,128	10,879,619	10,875,979	11,072,880	11,157,508	11,282,377	11,402,850	11,434,344	11,452,519	11,527,762	75,243	93,418	
2. 2008	7,677,666	7,498,808	7,402,011	7,399,769	7,427,030	7,515,040	7,506,441	7,507,145	7,514,118	7,508,529	(5,589)	1,384	
3. 2009	XXX	6,586,402	6,569,527	6,507,571	6,447,597	6,493,222	6,443,103	6,447,381	6,449,911	6,455,191	5,280	7,810	
4. 2010	XXX	XXX	6,868,238	6,866,280	6,896,034	6,973,091	6,905,099	6,908,892	6,905,476	6,917,738	12,262	8,846	
5. 2011	XXX	XXX	XXX	7,495,325	7,492,408	7,524,464	7,524,818	7,519,988	7,530,877	7,549,989	19,112	30,001	
6. 2012	XXX	XXX	XXX	XXX	7,803,283	7,862,122	7,788,875	7,743,328	7,773,961	7,801,248	27,287	57,920	
7. 2013	XXX	XXX	XXX	XXX	XXX	7,274,607	7,352,768	7,301,015	7,299,506	7,373,073	73,567	72,058	
8. 2014	XXX	XXX	XXX	XXX	XXX	XXX	7,359,619	7,338,672	7,316,403	7,396,885	80,482	58,213	
9. 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,568,102	7,632,162	7,711,614	79,452	143,512	
10. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,863,820	7,936,909	73,089	XXX	
11. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,426,151	XXX	XXX	
											12. Totals	440,185	473,162

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
1. Prior	000	2,197,380	3,832,563	4,991,242	5,800,469	6,390,913	6,923,681	7,398,386	7,713,487	7,987,925	XXX	XXX
2. 2008	3,108,378	4,756,352	5,549,524	6,106,338	6,485,238	6,715,842	6,849,940	6,923,261	6,974,278	7,016,043	XXX	XXX
3. 2009	XXX	2,624,144	3,972,403	4,684,691	5,198,567	5,544,753	5,742,614	5,850,438	5,917,648	5,961,403	XXX	XXX
4. 2010	XXX	XXX	2,888,171	4,371,941	5,125,758	5,678,485	6,021,222	6,209,301	6,324,562	6,389,734	XXX	XXX
5. 2011	XXX	XXX	XXX	3,411,635	4,821,885	5,631,932	6,199,607	6,563,008	6,784,136	6,889,209	XXX	XXX
6. 2012	XXX	XXX	XXX	XXX	3,352,369	5,034,782	5,804,061	6,335,764	6,687,446	6,874,699	XXX	XXX
7. 2013	XXX	XXX	XXX	XXX	XXX	3,159,634	4,668,835	5,403,704	5,948,505	6,249,168	XXX	XXX
8. 2014	XXX	XXX	XXX	XXX	XXX	XXX	3,358,196	4,833,036	5,583,164	6,049,309	XXX	XXX
9. 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,478,903	5,029,745	5,745,231	XXX	XXX
10. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,693,212	5,192,391	XXX	XXX
11. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,001,570	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
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Prior	5,011,716	3,914,494	2,921,746	2,548,868	2,118,718	2,000,275	1,873,186	1,666,726	1,582,056	1,545,473
2. 2008	2,778,332	1,529,915	986,797	679,670	485,474	480,494	397,490	367,230	344,375	329,474
3. 2009	XXX	2,498,310	1,504,540	993,521	666,330	559,428	400,136	365,806	335,249	314,136
4. 2010	XXX	XXX	2,467,609	1,381,022	937,251	710,306	486,508	397,735	348,171	328,730
5. 2011	XXX	XXX	XXX	2,464,172	1,514,747	1,046,436	707,443	547,764	456,510	423,923
6. 2012	XXX	XXX	XXX	XXX	2,854,750	1,643,300	1,130,702	836,031	674,253	614,587
7. 2013	XXX	XXX	XXX	XXX	XXX	2,696,472	1,575,382	1,126,346	814,870	733,072
8. 2014	XXX	XXX	XXX	XXX	XXX	XXX	2,561,971	1,498,016	1,009,323	736,578
9. 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,619,350	1,538,337	1,088,409
10. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,714,906	1,540,611
11. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,593,747

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
		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	6,088,270	5,775,978	92	2,568,700	(1,126,724)	58,159,427	48,702
2. Alaska	AK	L	10,051,824	9,536,939	35	2,050,685	2,431,560	7,157,204	18,198
3. Arizona	AZ	L	15,558,118	14,994,946	16	9,980,025	8,250,703	20,245,773	86,204
4. Arkansas	AR	L	3,933,367	3,547,722	61	1,809,733	628,323	11,909,471	19,549
5. California	CA	L	139,111,655	130,964,151	465	84,471,592	98,629,731	179,188,242	526,070
6. Colorado	CO	L	16,524,529	17,514,248	117	1,111,156	(1,879,425)	17,045,839	124,214
7. Connecticut	CT	L	15,984,281	14,894,435	3,585	11,679,810	(749,778)	54,294,282	261,172
8. Delaware	DE	L	3,703,802	2,788,174		2,148,262	3,124,419	15,803,178	61,140
9. District of Columbia	DC	L	16,065,066	14,025,426	21	4,805,471	3,953,871	14,940,298	39,174
10. Florida	FL	L	91,688,482	95,799,018	15,946	57,212,253	47,944,048	166,739,845	228,951
11. Georgia	GA	L	20,999,986	22,599,964	71	7,536,981	(3,547,113)	28,259,055	85,679
12. Hawaii	HI	L	6,407,932	7,057,895	130	(581,326)	(100,894)	4,413,497	35,392
13. Idaho	ID	L	4,768,958	3,926,669	6	266,814	314,608	2,736,243	33,564
14. Illinois	IL	L	31,307,449	30,063,221	640	7,974,087	(20,867,002)	66,370,057	189,425
15. Indiana	IN	L	7,765,776	7,447,465	827	6,877,169	573,214	25,511,533	69,489
16. Iowa	IA	L	4,897,601	4,025,664	10	2,458,117	(1,615,078)	5,926,672	25,568
17. Kansas	KS	L	6,099,091	6,842,908	2	532,265	(1,039,616)	7,657,683	31,765
18. Kentucky	KY	L	8,421,057	8,517,243	4	5,886,394	10,869,546	49,872,611	97,402
19. Louisiana	LA	L	17,835,524	18,637,249	46	14,449,129	9,559,030	59,398,226	72,137
20. Maine	ME	L	4,083,374	5,282,019		760,481	(1,101,336)	8,679,886	47,040
21. Maryland	MD	L	19,144,075	18,882,500	12	20,217,879	19,406,473	35,626,258	93,718
22. Massachusetts	MA	L	439,011,851	454,075,843	26,437	209,298,071	223,237,753	315,388,459	4,884,401
23. Michigan	MI	L	15,554,161	15,926,744	20	5,671,108	29,285,068	67,418,722	197,372
24. Minnesota	MN	L	11,605,903	11,656,546	22	3,250,191	9,903,452	32,038,810	90,350
25. Mississippi	MS	L	5,224,935	5,621,930		1,965,174	3,629,416	20,073,595	19,433
26. Missouri	MO	L	11,074,613	11,475,461	120	2,078,021	(3,429,973)	18,229,134	84,738
27. Montana	MT	L	3,427,041	3,094,132		(3,794)	4,387,846	3,132,485	12,558
28. Nebraska	NE	L	3,328,966	3,056,951	4	1,319,994	16,146,474	4,728,730	18,671
29. Nevada	NV	L	11,615,804	11,203,127		1,499,247	198,331	6,717,883	86,266
30. New Hampshire	NH	L	4,767,031	5,819,432	5	4,265,419	465,591	35,395,410	102,864
31. New Jersey	NJ	L	37,362,695	36,869,181	403	29,756,636	(3,452,036)	174,212,377	635,606
32. New Mexico	NM	L	4,639,486	3,922,689	42	384,505	898,196	7,499,497	36,130
33. New York	NY	L	102,500,555	100,010,002	(8,335)	111,865,260	89,332,891	361,657,572	1,052,462
34. North Carolina	NC	L	63,306,296	67,046,209	248	39,099,380	32,154,407	62,012,741	368,455
35. North Dakota	ND	L	1,964,799	2,287,696		492,935	(913,279)	2,378,295	4,830
36. Ohio	OH	L	23,239,745	23,548,692		6,195,811	(301,175)	55,128,297	211,154
37. Oklahoma	OK	L	5,917,941	5,793,440	9	1,715,374	74,280	17,542,101	74,193
38. Oregon	OR	L	9,478,068	9,694,475	68	1,122,545	(1,016,476)	49,443,540	77,691
39. Pennsylvania	PA	L	43,447,859	43,851,658	328	15,005,238	(4,683,690)	100,346,231	441,746
40. Rhode Island	RI	L	4,030,630	4,401,900		3,716,931	567,164	13,452,678	56,342
41. South Carolina	SC	L	12,877,955	11,589,204	152	1,481,915	17,938	20,915,567	86,852
42. South Dakota	SD	L	1,970,364	1,528,115		1,204,884	67,936	101,372	4,415
43. Tennessee	TN	L	13,649,418	12,981,335	17	8,294,691	(3,036,097)	50,006,380	136,829
44. Texas	TX	L	87,217,314	89,370,457	5,930,829	19,854,372	8,948,447	207,371,441	550,291
45. Utah	UT	L	5,890,706	6,110,100		653,983	(5,697,465)	5,768,994	52,924
46. Vermont	VT	L	1,624,274	2,972,447	80	1,398,284	(1,287,938)	11,019,154	29,013
47. Virginia	VA	L	52,667,893	48,722,980	68	21,687,041	24,178,376	49,807,915	404,678
48. Washington	WA	L	27,580,533	27,281,027		2,236,478	989,597	15,905,109	133,735
49. West Virginia	WV	L	4,928,589	4,360,606	(7)	140,967	2,012,881	12,695,900	25,422
50. Wisconsin	WI	L	8,501,767	8,762,591	17	3,697,237	(3,798,620)	47,452,676	67,027
51. Wyoming	WY	L	3,741,206	3,648,127		(128,125)	682,160	1,608,834	8,109
52. American Samoa	AS	N							
53. Guam	GU	N		122			(2,227)	(2,227)	
54. Puerto Rico	PR	L	16,875,392	14,934,390		3,353,603	99,843,861	112,740,514	28,295
55. U.S. Virgin Islands	VI	L	656,918	546,885		382,825	216,018	848,415	1,179
56. Northern Mariana Islands	MP	L	20,688	37,572			1,764	41,383	37
57. Canada	CAN	L	257,184,509	244,506,602		155,412,266	216,069,603	258,203,835	425,492
58. Aggregate Other Alien	OT	X X X	241,214,459	212,799,422		113,897,592	119,926,184	502,441,601	
59. Totals	(a) 54		1,988,540,581	1,952,631,924	5,972,613	1,016,481,736	1,029,275,218	3,483,658,700	12,604,113
DETAILS OF WRITE-INS									
58001. AUS Australia	X X X		234,734,288	209,553,199		109,579,518	128,669,803	489,352,053	
58002. ZZZ OTHER ALIEN	X X X		1,907,588	66,069		654,428	(7,257,349)	10,295,977	
58003. BRA Brazil	X X X		1,715,889	405,998		2,060,763	(512,979)	207,285	
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X		2,856,694	2,774,156		1,602,883	(973,291)	2,586,286	
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X		241,214,459	212,799,422		113,897,592	119,926,184	502,441,601	

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

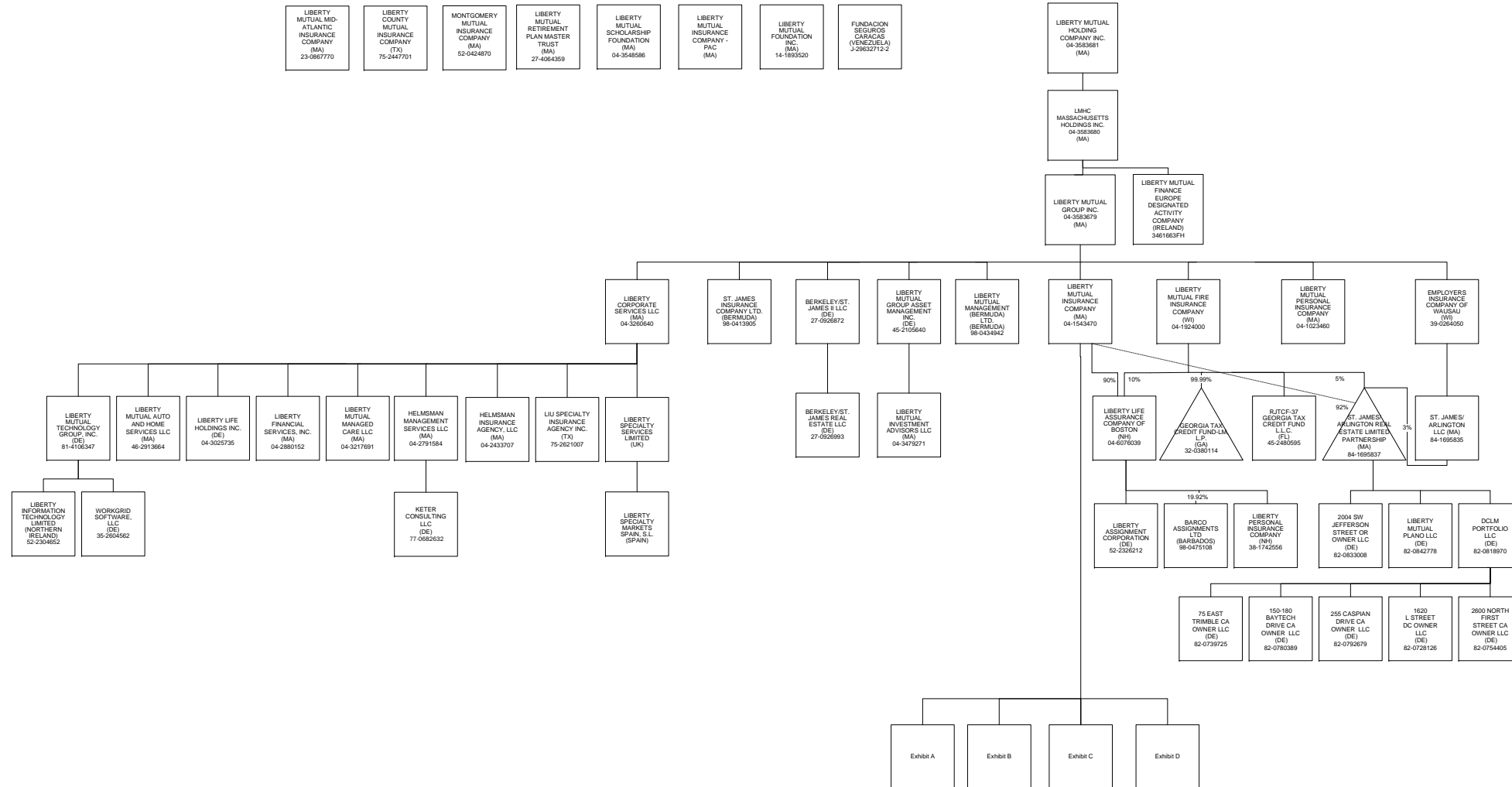
Explanation of basis of allocation of premiums by states, etc.

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

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

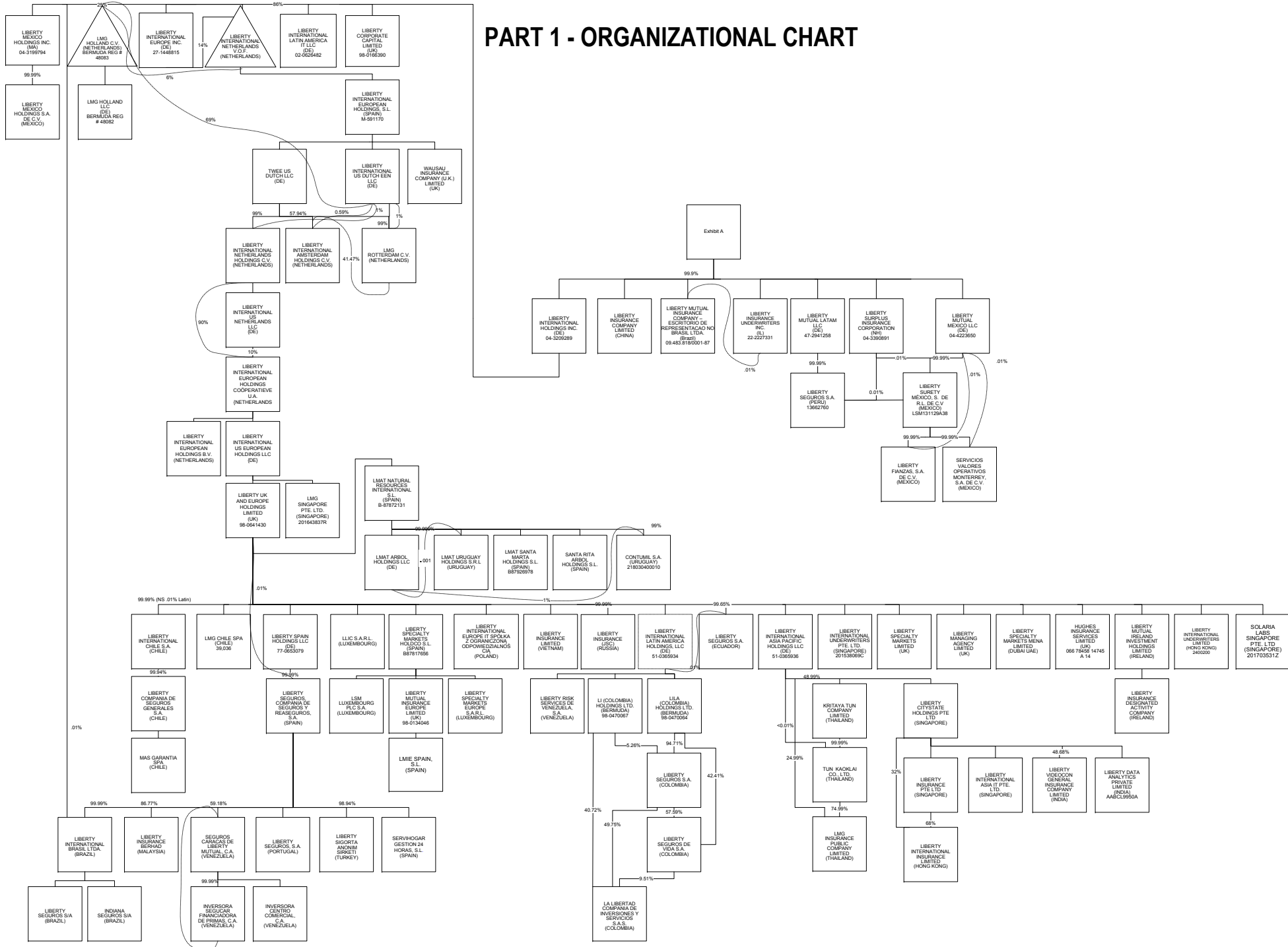
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



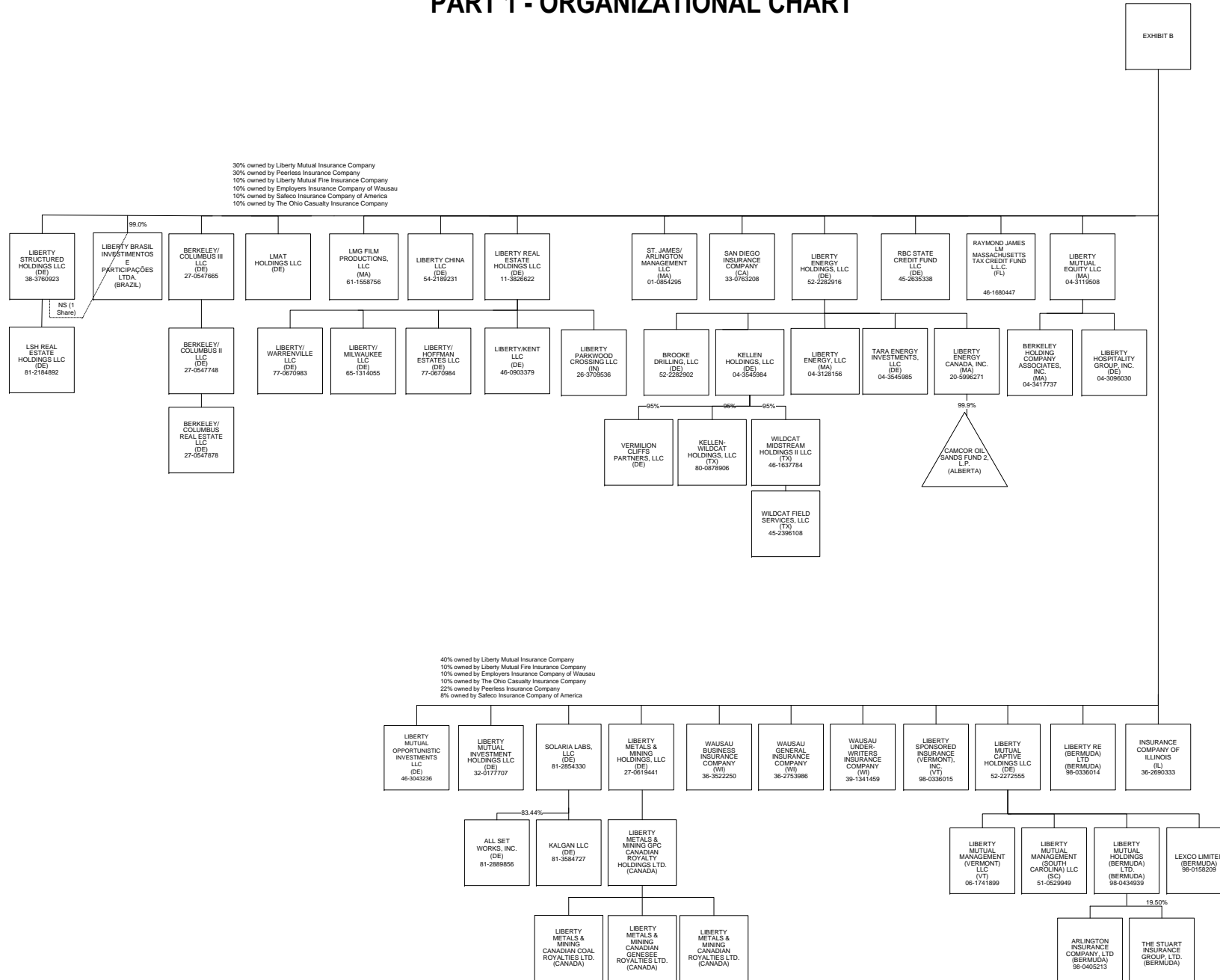
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



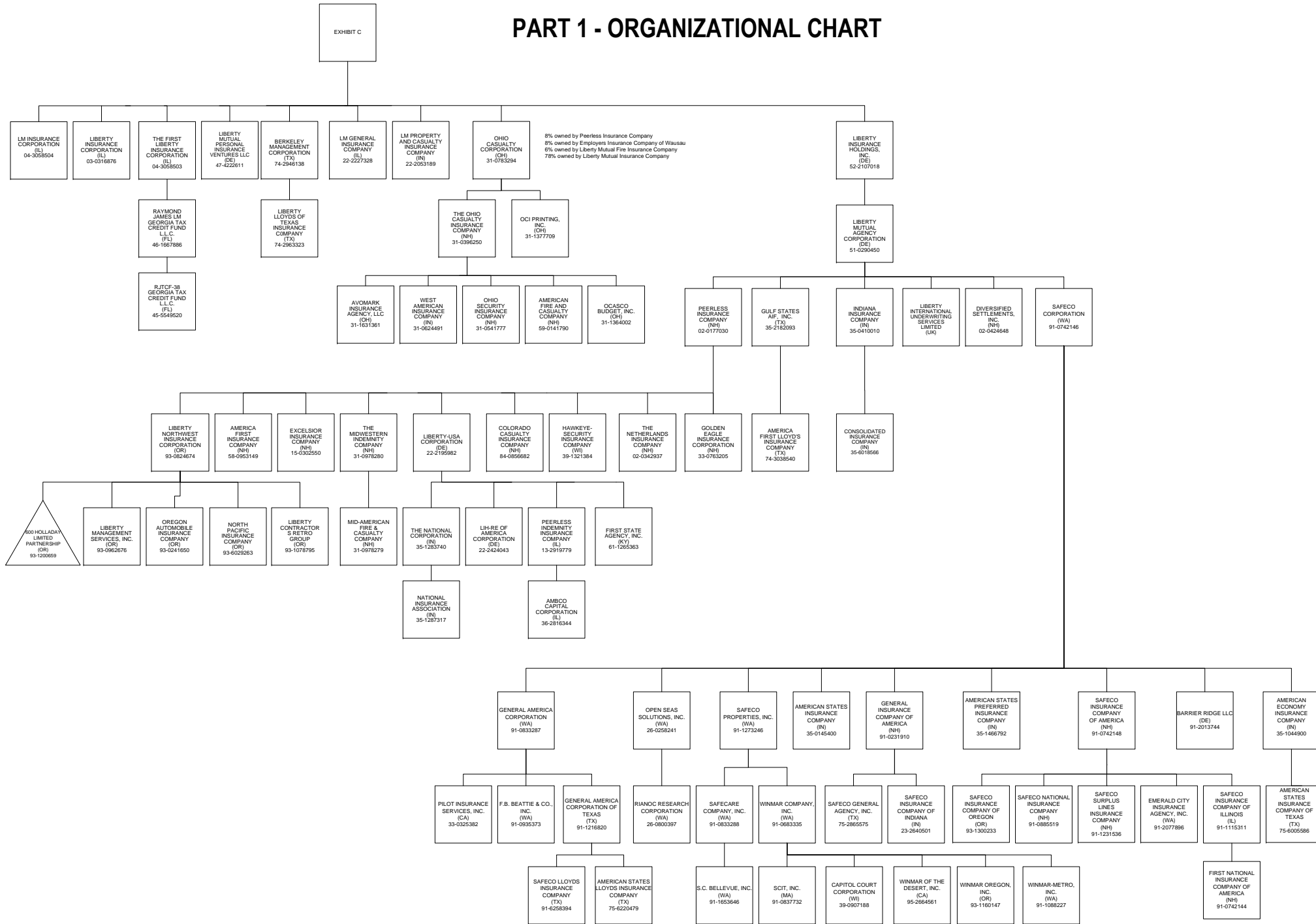
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



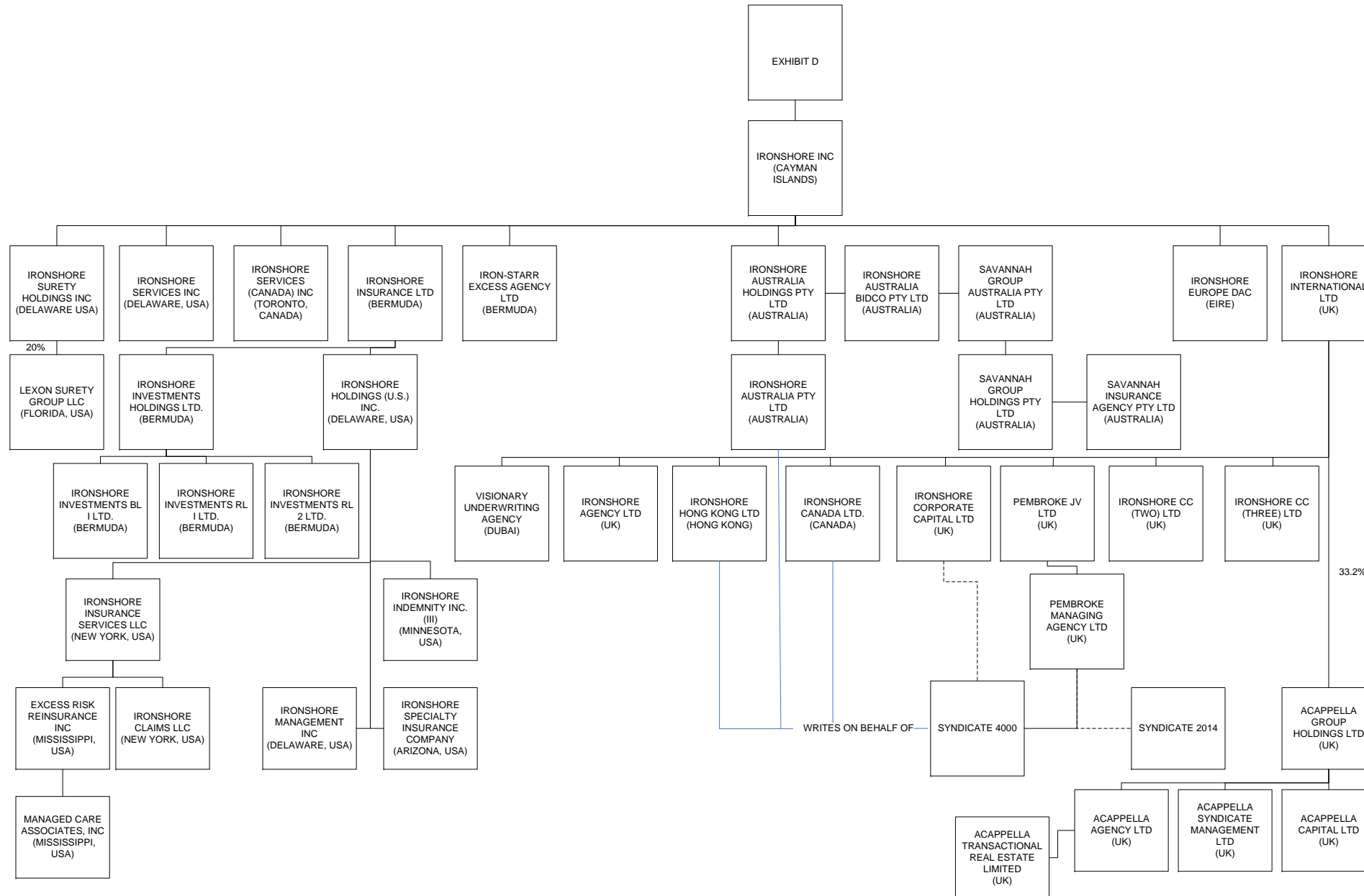
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

ASSETS

	Current Year			Prior Year
	1	2	3	4
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Amounts receivable under high deductible policies	84,146,962	7,278	84,139,684	81,425,835
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	84,146,962	7,278	84,139,684	81,425,835

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation
LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	Current Year	Prior Year
2504. Retroactive reinsurance reserves	(1,790,608,222)	(1,558,472,651)
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	(1,790,608,222)	(1,558,472,651)

OVERFLOW PAGE FOR WRITE-INS

Page 94 - Continuation

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

REMAINING WRITE-INS AGGREGATED AT LINE 58 FOR OTHER ALIEN	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
58004. IOT INDIAN OCEAN	X X X	406,184	404,640			2,531	349,723		
58005. PER PERU	X X X	297,617	109,560		831,989	(308,074)	64,538		
58006. BMU Bermuda	X X X	262,452	410,093			(1,082,925)	347,961		
58007. JAM JAMAICA	X X X	249,123	223,693		230,000	176,782	341,521		
58008. TTO TRINIDAD AND TOBAGO	X X X	242,131	313,768			(47,763)	62,160		
58009. CHL Chile	X X X	211,210	139,764			(200,265)	192,964		
58010. GBR United Kingdom	X X X	159,125	68,593			152,113	(7,635,500)		
58011. COL Colombia	X X X	137,349	194,628			(1,986,914)	149,138		
58012. ISL ICELAND	X X X	137,267	11,658			(46,035)	1,755		
58013. IRL IRELAND	X X X	130,434	81,887			196,516	233,692		
58014. DOM DOMINICAN REPUBLIC	X X X	115,000	85,489			(109,016)	48,146		
58015. BHS Bahamas	X X X	101,748	69,163		(9,691)	(1,975,823)	(67,326)		
58016. GUY GUYANA	X X X	58,430	35,709			(146,411)	(216,024)		
58017. BOL Bolivia	X X X	56,349	56,043			(4,981)	10,907		
58018. BES Bonaire	X X X	44,786	44,786			(45,118)	29,872		
58019. URY Uruguay	X X X	40,620	97,234		300,000	(351,135)	26,521		
58020. MEX MEXICO	X X X	36,310	24,930			(36,475)	113,042		
58021. CHE Switzerland	X X X	36,000	18,148			(2,156)	58		
58022. PRY PARAGUAY	X X X	32,391	31,982			(7,647)	8,442		
58023. ISR ISRAEL	X X X	26,000	40,904			(230,006)	(97,072)		
58024. VEN Venezuela	X X X	23,000	18,904		39,180	(62,773)	19,140		
58025. GTM GUATEMALA	X X X	21,770	12,449			18,847	10,505		
58026. MOZAMBIQUE	X X X	19,405							
58027. DEU Germany	X X X	17,343	13,695			(178)	13,594		
58028. TUR TURKEY	X X X	13,294	37,348			(12,662)	19,193		
58029. HKG HONG KONG	X X X	11,310	5,351			(41,277)	(11,099)		
58030. ARG Argentina	X X X	10,500	9,403			(33,537)	61,553		
58031. ECU ECUADOR	X X X	7,049	38,327			(68,002)	61,631		
58032. SGP SINGAPORE	X X X	6,098	65,546		792	847,798	1,147,242		
58033. FIN FINLAND	X X X	6,000	6,000			3,673	3,673		
58034. ABW Aruba	X X X	5,500	4,747			(157,549)	30,199		
58035. CUW Curacao	X X X	3,000	3,000			(2,074)	1,743		
58036. GEO GEORGIA	X X X	1,822	1,238		153,533	40,345	13,037		
58037. Northern Marianna	X X X	452	452			1,604	4,044		
58038. AGO Angola	X X X					260			
58039. AIA Anguilla	X X X					54			
58040. ATG Antigua and Barbuda	X X X					(4,739)			
58041. BRB Barbados	X X X					(87,692)	(2,432)		
58042. BEL Belgium	X X X		467		57,080	91	(255,899)		
58043. BLZ Belize	X X X					(81,673)			
58044. VGB BRITISH VIRGIN ISLANDS	X X X					19,131	(12,799)		
58045. CYM CAYMAN ISLANDS	X X X		70,063			(554,854)	(164,219)		
58046. CHN China	X X X		65			499,872	499,997		
58047. CYP CYPRUS	X X X					(313)	1,520		
58048. DMA Dominica	X X X					967			
58049. SLV EL SALVADOR	X X X					(35,366)	2,488		
58050. ENG ENGLAND	X X X					(5)			
58051. GNQ EQUATORIAL GUINEA	X X X		71,787			185,952	217,210		
58052. GHA GHANA	X X X					(17,739)			
58053. GRD GRENADA	X X X					(75,229)	11,546		
58054. GIN Guinea	X X X					879	2,619		
58055. HTI HAITI	X X X					(41,467)			
58056. HUN Hungary	X X X								
58057. IND INDIA	X X X					(230)	4,726		
58058. JPN JAPAN	X X X		17			(7)	(1)		
58059. LUX LUXEMBOURG	X X X					(16,119)	(9,139)		
58060. MAC MACAU	X X X					465			
58061. MYS Malaysia	X X X					12,705	6,313		
58062. MAR Morocco	X X X					60			
58063. NLD NETHERLANDS	X X X		19,330			6,414	1,911,205		
58064. ANT Netherlands Antilles	X X X					(98)			
58065. NZL NEW ZEALAND	X X X					(29,339)	(184,316)		
58066. NIC NICARAGUA	X X X					(2,278)	1,683		
58067. POL POLAND	X X X		5			(2)			
58068. QAT QATAR	X X X					113			
58069. KNA Saint Kitts and Nevis	X X X					211			
58070. LCA SAINT LUCIA	X X X					(51,651)			
58071. VCT SAINT VINCENT AND GRENA	X X X					2,207			

OVERFLOW PAGE FOR WRITE-INS

Page 94 - Continuation

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

REMAINING WRITE-INS AGGREGATED AT LINE 58 FOR OTHER ALIEN	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
58072. MAF SAINT-MARTIN	X X X					(26,336)			
58073. SAU SAUDI ARABIA	X X X					127			
58074. SCT SCOTLAND	X X X					(86)			
58075. KOR South Korea	X X X		4,107			861	34,670		
58076. ESP Spain	X X X					(3,134)	23		
58077. SUR SURINAME	X X X					(80,648)			
58078. TWN Taiwan	X X X		10			5,135,083	5,149,358		
58079. TUN Tunisia	X X X					70			
58080. TCA Turks and Caicos	X X X					(2,188)			
58081. ARE United Arab Emirates	X X X					290			
58082. VNM VIETNAM	X X X					(905)	1,686		
58083. PAN PANAMA	X X X	(3,198)	(3,706)			(170,933)	13,101		
58084. CRI COSTA RICA	X X X	(15,795)	(11,973)			3,297	9,787		
58085. HND HONDURAS	X X X	(51,382)	(55,148)			(40,782)	8,186		
58097. Total (Lines 58004 through 58096) (Page 94, Line 58998)	X X X	2,856,694	2,774,156		1,602,883	(973,291)	2,586,286		

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