

**ANNUAL STATEMENT**

**OF THE**

\_\_\_\_\_  
\_\_\_\_\_  
**LIBERTY MUTUAL INSURANCE COMPANY**  
\_\_\_\_\_

**of** \_\_\_\_\_ **BOSTON**  
\_\_\_\_\_ **STATE OF** \_\_\_\_\_ **MASSACHUSETTS**  
\_\_\_\_\_

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2019**

**PROPERTY AND CASUALTY**

**2019**



# ANNUAL STATEMENT

For the Year Ended December 31, 2019  
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 x41177  
(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
Alison Brooke Erbig	Senior Vice President and Comptroller	Melanie Marie Foley	EVP-Chief Talent & Enterprises Services Off.
Neeti Bhalla Johnson	EVP and Chief Investment Officer	James Francis Kelleher	EVP and Chief Legal Officer
Kevin Hugh Kelley	Executive Vice President	Dennis James Langwell	Executive Vice President
James Martin McGlennon	EVP and Chief Information Officer	Christopher Locke Peirce	EVP and Chief Financial Officer
Timothy Michael Sweeney	Executive Vice President		

#### DIRECTORS OR TRUSTEES

Melanie Marie Foley	Neeti Bhalla Johnson	James Francis Kelleher	Kevin Hugh Kelley
Dennis James Langwell	David Henry Long	James Martin McGlennon	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  
16th day of January, 2020, 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)	15,426,417,402		15,426,417,402	14,124,491,550
2. Stocks (Schedule D):				
2.1 Preferred stocks	4,940,000		4,940,000	25,853,271
2.2 Common stocks	16,475,725,359	95,229,928	16,380,495,431	16,501,861,955
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	630,008,606		630,008,606	582,464,448
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	235,608,378		235,608,378	255,809,551
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (11,334,706), Schedule E - Part 1), cash equivalents (\$ 774,407,645, Schedule E - Part 2), and short-term investments (\$ 15,682,051, Schedule DA)	778,754,989		778,754,989	464,341,712
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)	2,374,466		2,374,466	22,076,553
8. Other invested assets (Schedule BA)	7,638,325,842	33,532,538	7,604,793,304	7,125,768,411
9. Receivables for securities	19,875,474		19,875,474	85,513,904
10. Securities lending reinvested collateral assets (Schedule DL)	327,328,003		327,328,003	669,543,680
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	41,539,358,519	128,762,466	41,410,596,053	39,857,725,035
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	102,273,390		102,273,390	108,139,840
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,440,785,908	120,239,094	2,320,546,814	2,011,787,572
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 37,605,463 earned but unbilled premiums)	3,752,844,954	3,760,551	3,749,084,403	3,632,858,640
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)	164,907,663	16,555,239	148,352,424	173,281,022
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	661,228,065		661,228,065	507,959,326
16.2 Funds held by or deposited with reinsured companies	43,914,332		43,914,332	28,835,109
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				20,491
18.1 Current federal and foreign income tax recoverable and interest thereon				111,052,414
18.2 Net deferred tax asset	1,022,053,000	83,485,227	938,567,773	852,343,376
19. Guaranty funds receivable or on deposit	11,062,888		11,062,888	19,532,202
20. Electronic data processing equipment and software	860,093,816	786,668,876	73,424,940	81,943,981
21. Furniture and equipment, including health care delivery assets (\$ 0)	570,628,454	570,628,454		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	956,251,261	97,079,387	859,171,874	724,381,457
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	923,054,193	137,697,626	785,356,567	720,704,392
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	53,048,456,443	1,944,876,920	51,103,579,523	48,830,564,857
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	53,048,456,443	1,944,876,920	51,103,579,523	48,830,564,857

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	528,403,661		528,403,661	490,670,945
2502. Other assets	151,464,390	92,669,314	58,795,076	35,870,595
2503. Equities and deposits in pools and associations	107,139,330		107,139,330	107,347,508
2598. Summary of remaining write-ins for Line 25 from overflow page	136,046,812	45,028,312	91,018,500	86,815,344
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	923,054,193	137,697,626	785,356,567	720,704,392

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	17,882,077,092	16,732,409,112
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	451,404,542	215,326,051
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	3,650,776,695	3,432,800,188
4. Commissions payable, contingent commissions and other similar charges	304,275,072	323,268,310
5. Other expenses (excluding taxes, licenses and fees)	486,890,747	475,723,275
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	116,681,108	136,262,263
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	11,180,295	
7.2 Net deferred tax liability		
8. Borrowed money \$ 149,513,867 and interest thereon \$ 693,461	150,207,328	150,547,864
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 9,357,043,000 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)	8,007,146,482	7,851,429,449
10. Advance premium	49,811,139	49,715,981
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	1,143,826	1,111,529
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,454,581,802	1,082,425,327
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 20)	507,868,920	384,795,327
14. Amounts withheld or retained by company for account of others	1,002,677,444	741,888,364
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 3 Column 78)	125,722,000	62,866,000
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	288,702,288	567,440,227
20. Derivatives	580,710	91,945
21. Payable for securities	231,467,706	194,208,037
22. Payable for securities lending	327,328,003	669,543,680
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(758,328,109)	(606,618,522)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	34,292,195,090	32,465,234,407
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	34,292,195,090	32,465,234,407
29. Aggregate write-ins for special surplus funds	32,768,443	43,108,583
30. Common capital stock	10,000,000	10,000,000
31. Preferred capital stock	75	
32. Aggregate write-ins for other-than-special surplus funds	1,250,000	1,250,000
33. Surplus notes	623,756,591	623,690,310
34. Gross paid in and contributed surplus	9,419,972,342	9,419,972,417
35. Unassigned funds (surplus)	6,723,636,983	6,267,309,139
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	16,811,384,434	16,365,330,449
38. Totals (Page 2, Line 28, Col. 3)	51,103,579,524	48,830,564,856

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	818,724,838	682,907,911
2502. Amounts held under uninsured plans	263,125,541	271,902,136
2503. Deposit liability	23,798,484	26,909,972
2598. Summary of remaining write-ins for Line 25 from overflow page	(1,863,976,972)	(1,588,338,541)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(758,328,109)	(606,618,522)
2901. Special surplus from retroactive reinsurance	32,768,443	43,108,583
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)	32,768,443	43,108,583
3201. Guaranty funds	1,250,000	1,250,000
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	1,250,000	1,250,000

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	15,977,636,954	15,538,384,730
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	9,981,826,826	8,975,311,462
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	2,014,564,147	1,901,308,199
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	4,683,276,285	4,729,735,224
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	16,679,667,258	15,606,354,885
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(702,030,304)	(67,970,155)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,108,760,695	2,432,405,438
10. Net realized capital gains (losses) less capital gains tax of \$ 32,722,008 (Exhibit of Capital Gains (Losses))	63,482,885	425,411,436
11. Net investment gain (loss) (Lines 9 + 10)	1,172,243,580	2,857,816,874
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 1,405,718 amount charged off \$ 68,743,298)	(67,337,581)	(51,295,567)
13. Finance and service charges not included in premiums	98,454,601	100,891,550
14. Aggregate write-ins for miscellaneous income	27,495,223	(339,778,918)
15. Total other income (Lines 12 through 14)	58,612,243	(290,182,935)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	528,825,519	2,499,663,784
17. Dividends to policyholders	6,265,862	8,220,582
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)	522,559,657	2,491,443,202
19. Federal and foreign income taxes incurred	(75,843,008)	(402,204,243)
20. Net income (Line 18 minus Line 19) (to Line 22)	598,402,665	2,893,647,445
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	16,365,330,449	14,531,323,273
22. Net income (from Line 20)	598,402,665	2,893,647,445
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 39,706,212	79,082,534	(1,035,176,416)
25. Change in net unrealized foreign exchange capital gain (loss)	48,210,588	(79,790,213)
26. Change in net deferred income tax	43,997,380	(354,419,692)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(103,248,049)	(99,357,800)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(62,856,000)	(10,374,973)
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	75	
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in	(75)	560,530,061
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(64,766,000)	(64,766,000)
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(92,835,416)	23,648,483
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	446,053,983	1,834,007,176
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	16,811,384,432	16,365,330,449

<b>DETAILS OF WRITE-IN LINES</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive reinsurance gain/(loss)	31,563,093	(221,371,441)
1402. Other income/(expense)	(4,067,870)	(118,407,477)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	27,495,223	(339,778,918)
3701. Other changes in surplus	(92,835,416)	23,648,483
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)	(92,835,416)	23,648,483

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	16,069,205,184	15,376,491,501
2. Net investment income	1,240,285,187	2,541,057,240
3. Miscellaneous income	407,820,928	(73,513,588)
4. Total (Lines 1 through 3)	17,717,311,299	17,844,035,153
5. Benefit and loss related payments	8,738,534,363	8,678,797,664
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	6,536,652,771	6,370,085,888
8. Dividends paid to policyholders	6,233,564	8,076,573
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(177,395,566)	(90,598,007)
10. Total (Lines 5 through 9)	15,104,025,132	14,966,362,118
11. Net cash from operations (Line 4 minus Line 10)	2,613,286,167	2,877,673,035
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	14,463,884,742	10,496,795,790
12.2 Stocks	897,405,908	2,033,554,171
12.3 Mortgage loans	92,268,077	55,243,086
12.4 Real estate		2,164,117
12.5 Other invested assets	2,194,896,269	2,637,780,438
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	6,233	(1,699,789)
12.7 Miscellaneous proceeds	65,981,828	(53,749,088)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	17,714,443,057	15,170,088,725
13. Cost of investments acquired (long-term only):		
13.1 Bonds	15,580,129,431	11,157,515,459
13.2 Stocks	535,141,772	2,536,796,563
13.3 Mortgage loans	139,324,436	34,114,803
13.4 Real estate	8,208,587	8,273,398
13.5 Other invested assets	2,471,823,470	3,244,068,549
13.6 Miscellaneous applications	(37,035,659)	58,745,932
13.7 Total investments acquired (Lines 13.1 to 13.6)	18,697,592,037	17,039,514,704
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)	(983,148,980)	(1,869,425,979)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	66,281	66,281
16.2 Capital and paid in surplus, less treasury stock		560,530,061
16.3 Borrowed funds	(340,536)	(650,913,656)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	64,766,000	64,766,000
16.6 Other cash provided (applied)	(1,250,683,656)	(758,825,327)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(1,315,723,911)	(913,908,641)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	314,413,276	94,338,415
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	464,341,714	370,003,299
19.2 End of year (Line 18 plus Line 19.1)	778,754,990	464,341,714

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

20.0001	2 - Net investment income	602,545	1,089,243
20.0002	12.1 - Proceeds from investments sold, matured or repaid - Bonds	80,229,361	404,785,166
20.0003	12.2 - Proceeds from investments sold, matured or repaid - Stocks	58,781,431	2,270,676
20.0004	12.5 - Proceeds from investments sold, matured or repaid - Other invested assets	16,003	7,638,246
20.0005	13.1 - Cost of Investment Acquired - Bonds	80,572,895	1,651,995,680
20.0006	13.5 - Cost of Investment Acquired - Other invested assets	44,007	
20.0007	16.6 - Other cash provided (applied)	(59,012,438)	1,236,212,349

## 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	370,548,247	158,184,870	163,522,768	365,210,349
2. Allied lines	297,133,163	131,879,873	136,393,595	292,619,441
3. Farmowners multiple peril	56,061,193	26,148,518	27,995,815	54,213,896
4. Homeowners multiple peril	3,144,373,381	1,671,208,901	1,683,986,161	3,131,596,121
5. Commercial multiple peril	1,180,522,963	530,219,175	584,393,144	1,126,348,994
6. Mortgage guaranty				
8. Ocean marine	80,721,786	35,507,998	46,859,892	69,369,892
9. Inland marine	512,809,111	112,532,630	140,587,707	484,754,034
10. Financial guaranty				
11.1 Medical professional liability—occurrence	47,948,914	24,306,342	22,319,718	49,935,538
11.2 Medical professional liability—claims-made	71,680,102	28,572,657	36,926,485	63,326,274
12. Earthquake	43,495,159	19,175,165	20,074,289	42,596,035
13. Group accident and health	110,757,667	18,445,778	18,904,644	110,298,801
14. Credit accident and health (group and individual)				
15. Other accident and health	9,702,365	2,131,262	3,450,861	8,382,766
16. Workers' compensation	1,014,010,795	112,974,771	113,220,345	1,013,765,221
17.1 Other liability—occurrence	1,120,517,982	632,264,591	616,771,496	1,136,011,077
17.2 Other liability—claims-made	490,690,772	294,270,015	335,111,988	449,848,799
17.3 Excess workers' compensation	30,873,709	11,758,105	13,090,455	29,541,359
18.1 Products liability—occurrence	89,249,306	41,832,346	41,568,657	89,512,995
18.2 Products liability—claims-made	17,128,491	6,599,345	8,001,254	15,726,582
19.1,19.2 Private passenger auto liability	3,352,160,346	1,686,811,903	1,669,815,729	3,369,156,520
19.3,19.4 Commercial auto liability	735,723,519	330,656,732	346,580,239	719,800,012
21. Auto physical damage	2,589,368,463	1,273,916,417	1,280,436,003	2,582,848,877
22. Aircraft (all perils)	28,402,696	12,148,969	7,804,671	32,746,994
23. Fidelity	21,164,415	3,959,140	6,641,317	18,482,238
24. Surety	504,542,784	314,922,588	361,024,946	458,440,426
26. Burglary and theft	1,893,720	1,042,882	750,064	2,186,538
27. Boiler and machinery	22,727,083	9,338,529	9,670,000	22,395,612
28. Credit	11,336,078	20,947,305	22,854,847	9,428,536
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property	111,568,153	51,276,245	21,370,903	141,473,495
32. Reinsurance-nonproportional assumed liability	53,538,206	20,220,363	18,641,123	55,117,446
33. Reinsurance-nonproportional assumed financial lines	13,513,830	44,566,408	46,001,696	12,078,542
34. Aggregate write-ins for other lines of business	25,345	32	5,902	19,475
35. TOTALS	16,134,189,744	7,627,819,855	7,804,776,714	15,957,232,885

DETAILS OF WRITE-IN LINES				
3401. Tuition Protection Plan	25,345	32	5,902	19,475
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)	25,345	32	5,902	19,475

## 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	152,235,661	11,287,106			163,522,767
2. Allied lines	136,772,124	(378,528)			136,393,596
3. Farmowners multiple peril	27,997,217	(1,401)			27,995,816
4. Homeowners multiple peril	1,683,596,695	389,466			1,683,986,161
5. Commercial multiple peril	572,080,708	27,121,102	(14,808,666)		584,393,144
6. Mortgage guaranty					
8. Ocean marine	31,444,863	15,415,029			46,859,892
9. Inland marine	110,604,584	29,983,123			140,587,707
10. Financial guaranty					
11.1 Medical professional liability—occurrence	20,686,489	1,633,229			22,319,718
11.2 Medical professional liability—claims-made	27,652,666	9,273,819			36,926,485
12. Earthquake	19,359,772	714,517			20,074,289
13. Group accident and health	12,587,472	6,317,171			18,904,643
14. Credit accident and health (group and individual)					
15. Other accident and health	3,219,003	231,858			3,450,861
16. Workers' compensation	378,862,193	(73,812,978)	(20,116,569)	(171,712,300)	113,220,346
17.1 Other liability—occurrence	487,463,485	126,249,067	(1,951,006)	5,009,949	616,771,495
17.2 Other liability—claims-made	168,650,445	166,473,982	(12,439)		335,111,988
17.3 Excess workers' compensation	12,048,990	1,275,438		(233,973)	13,090,455
18.1 Products liability—occurrence	32,214,870	12,755,262	(716,783)	(2,684,692)	41,568,657
18.2 Products liability—claims-made	6,458,488	1,542,766			8,001,254
19.1,19.2 Private passenger auto liability	1,669,856,238	(40,509)			1,669,815,729
19.3,19.4 Commercial auto liability	340,298,253	1,425,280	143,358	4,713,348	346,580,239
21. Auto physical damage	1,279,828,119	607,884			1,280,436,003
22. Aircraft (all perils)	7,616,447	188,224			7,804,671
23. Fidelity	6,178,003	463,314			6,641,317
24. Surety	101,278,292	259,746,654			361,024,946
26. Burglary and theft	674,481	75,583			750,064
27. Boiler and machinery	9,473,682	196,318			9,670,000
28. Credit	6,728,018	16,126,829			22,854,847
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property	7,036,064	14,334,839			21,370,903
32. Reinsurance-nonproportional assumed liability	17,950,614	690,509			18,641,123
33. Reinsurance-nonproportional assumed financial lines	46,001,696				46,001,696
34. Aggregate write-ins for other lines of business	5,897			5	5,902
35. TOTALS	7,376,861,529	630,284,953	(37,462,105)	(164,907,663)	7,804,776,714
36. Accrued retrospective premiums based on experience					164,907,663
37. Earned but unbilled premiums					37,462,105
38. Balance (Sum of Lines 35 through 37)					8,007,146,482

DETAILS OF WRITE-IN LINES					
3401. Tuition Protection Plan	5,897			5	5,902
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)	5,897			5	5,902

(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	46,262,720	863,563,090	44,271,869	379,423,648	204,125,784	370,548,247
2. Allied lines	35,749,397	575,577,254	71,534,445	307,364,032	78,363,901	297,133,163
3. Farmowners multiple peril		115,508,959		56,061,193	3,386,574	56,061,192
4. Homeowners multiple peril	85,975,391	6,621,443,862	51,151,220	3,144,373,381	469,823,711	3,144,373,381
5. Commercial multiple peril	27,393,189	2,472,867,668	56,608,974	1,198,627,546	177,719,322	1,180,522,963
6. Mortgage guaranty						
8. Ocean marine	99,187,144	33,595,517	48,061,710	89,047,721	11,074,864	80,721,786
9. Inland marine	149,892,963	3,621,151,467	84,282,709	526,557,151	2,815,960,877	512,809,111
10. Financial guaranty						
11.1 Medical professional liability--occurrence		92,278,932	3,621,776	47,952,420	(626)	47,948,914
11.2 Medical professional liability--claims-made		128,735,647	17,470,630	74,526,175		71,680,102
12. Earthquake	45,274	88,109,298	5,679,011	43,534,937	6,803,488	43,495,158
13. Group accident and health	894,902	222,398,494	(27,939)	111,652,569	855,222	110,757,666
14. Credit accident and health (group and individual)						
15. Other accident and health	13,133,621	47,458,443	127,323	11,012,907	40,004,114	9,702,366
16. Workers' compensation	1,510,572	2,465,732,927	48,046,235	1,019,737,237	481,541,702	1,014,010,795
17.1 Other liability—occurrence	412,255,855	2,113,010,891	175,057,880	1,144,298,727	435,507,917	1,120,517,982
17.2 Other liability—claims-made	252,665,355	927,313,790	206,184,216	569,589,812	325,882,777	490,690,772
17.3 Excess workers' compensation	10,740,066	55,497,259	363,350	33,906,519	1,820,447	30,873,709
18.1 Products liability—occurrence	23,735,668	160,421,265	594,352	93,029,078	2,472,902	89,249,305
18.2 Products liability—claims-made	363,072	33,767,914	125,995	17,128,491		17,128,490
19.1,19.2 Private passenger auto liability	159,212,065	6,739,446,324	45,695,280	3,352,160,346	240,032,977	3,352,160,346
19.3,19.4 Commercial auto liability	25,091,694	1,462,445,910	36,785,993	735,682,034	52,918,045	735,723,518
21. Auto physical damage	169,408,117	5,115,975,950	16,036,565	2,589,047,861	123,004,307	2,589,368,464
22. Aircraft (all perils)	51,423,640	(21,893,033)	9,037,704	28,399,437	(18,233,823)	28,402,697
23. Fidelity	25,637,709	24,200,875	5,904,765	24,920,056	9,658,878	21,164,415
24. Surety	724,270,320	251,945,838	50,659,817	515,491,309	6,841,882	504,542,784
26. Burglary and theft	25,373	3,769,548	1,644	1,893,720	9,125	1,893,720
27. Boiler and machinery	146,089	43,591,040	2,854,118	22,727,084	1,137,080	22,727,083
28. Credit	8,049,775	9,146,841	8,150,207	11,336,078	2,674,666	11,336,079
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X	313,792,603	85,921,085	111,568,153	176,577,381	111,568,154
32. Reinsurance-nonproportional assumed liability	X X X	70,523,859	46,663,784	53,538,206	10,111,232	53,538,205
33. Reinsurance-nonproportional assumed financial lines	X X X	15,824,874	13,368,728	13,513,830	2,165,943	13,513,829
34. Aggregate write-ins for other lines of business		100,694		25,345	50,004	25,345
35. TOTALS	2,323,069,971	34,667,304,000	1,134,233,446	16,328,127,003	5,662,290,673	16,134,189,741

DETAILS OF WRITE-IN LINES						
3401. Tuition Protection Plan		100,694		25,345	50,004	25,345
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)		100,694		25,345	50,004	25,345

(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 \$ 67,623

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 82,668

## 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	18,284,633	391,330,793	214,151,556	195,463,870	242,413,365	221,959,833	215,917,402	59.121
2. Allied lines	10,763,995	454,434,031	254,470,187	210,727,839	161,857,773	194,544,770	178,040,842	60.844
3. Farmowners multiple peril		66,274,168	33,214,997	33,059,171	15,843,362	14,870,005	34,032,528	62.775
4. Homeowners multiple peril	41,841,844	3,504,958,221	1,846,844,958	1,699,955,107	787,455,761	813,338,848	1,674,072,020	53.457
5. Commercial multiple peril	45,621,151	1,312,923,152	698,528,231	660,016,072	1,184,501,662	1,219,739,372	624,778,362	55.469
6. Mortgage guaranty								
8. Ocean marine	42,332,503	41,463,241	55,734,893	28,060,851	60,537,758	45,575,679	43,022,930	62.020
9. Inland marine	101,637,427	2,460,454,070	2,262,805,937	299,285,560	70,971,889	72,962,758	297,294,691	61.329
10. Financial guaranty								
11.1 Medical professional liability—occurrence	5,074	15,632,561	7,900,303	7,737,332	96,459,148	85,622,199	18,574,281	37.197
11.2 Medical professional liability—claims-made		77,923,828	38,977,139	38,946,689	115,681,970	115,632,824	38,995,835	61.579
12. Earthquake		1,499,959	859,868	640,091	(2,305,275)	1,516,811	(3,181,995)	(7.470)
13. Group accident and health	718,668	190,280,469	96,701,471	94,297,666	61,613,505	47,564,074	108,347,097	98.231
14. Credit accident and health (group and individual)								
15. Other accident and health	5,240,486	6,391,123	6,852,614	4,778,995	10,978,737	13,783,995	1,973,737	23.545
16. Workers' compensation	73,040,065	1,482,024,337	966,617,990	588,446,412	5,365,215,574	5,563,929,910	389,732,076	38.444
17.1 Other liability—occurrence	175,492,273	1,366,938,556	855,521,717	686,909,112	2,972,776,935	2,491,160,969	1,168,525,078	102.862
17.2 Other liability—claims-made	61,396,491	295,533,901	202,157,570	154,772,822	1,097,539,116	937,867,164	314,444,774	69.900
17.3 Excess workers' compensation	7,162,172	23,112,117	18,093,637	12,180,652	300,217,371	296,021,698	16,376,325	55.435
18.1 Products liability—occurrence	16,612,045	82,701,298	48,184,782	51,128,561	214,733,523	191,574,441	74,287,643	82.991
18.2 Products liability—claims-made		7,753,633	3,913,380	3,840,253	33,293,752	27,732,721	9,401,284	59.780
19.1,19.2 Private passenger auto liability	100,175,532	4,113,413,557	2,197,609,007	2,015,980,082	3,189,153,286	2,966,218,782	2,238,914,586	66.453
19.3,19.4 Commercial auto liability	15,239,676	959,600,704	496,001,904	478,838,476	1,281,703,629	1,034,381,623	726,160,482	100.884
21. Auto physical damage	66,906,527	2,866,042,715	1,497,539,176	1,435,410,066	80,205,058	62,494,819	1,453,120,305	56.260
22. Aircraft (all perils)	37,117,950	24,654,980	39,041,780	22,731,150	55,201,377	30,085,756	47,846,771	146.110
23. Fidelity	2,498,391	3,441,428	3,004,955	2,934,864	40,004,420	39,954,742	2,984,542	16.148
24. Surety	83,495,601	34,964,841	60,059,300	58,401,142	150,765,695	116,120,715	93,046,122	20.296
26. Burglary and theft	4,088	228,319	116,203	116,204	3,428,778	3,388,596	156,386	7.152
27. Boiler and machinery		18,658,376	9,391,883	9,266,493	8,680,906	5,329,446	12,617,953	56.341
28. Credit		517,706	258,853	258,853	8,477,649	5,210,934	3,525,568	37.393
29. International								
30. Warranty					472,376	819,737	(347,361)	
31. Reinsurance-nonproportional assumed property	X X X	211,272,201	193,626,986	17,645,215	24,472,182	(40,610,619)	82,728,016	58.476
32. Reinsurance-nonproportional assumed liability	X X X	54,577,008	27,308,762	27,268,246	236,400,957	144,924,025	118,745,178	215.440
33. Reinsurance-nonproportional assumed financial lines	X X X	3,303,207	2,711,201	592,006	13,313,724	8,681,259	5,224,471	43.254
34. Aggregate write-ins for other lines of business		52,148	26,074	26,074	11,134	11,227	25,981	133.407
35. TOTALS	905,586,592	20,072,356,648	12,138,227,314	8,839,715,926	17,882,077,097	16,732,409,113	9,989,383,910	62.601

DETAILS OF WRITE-IN LINES								
3401. Tuition Protection Plan		52,148	26,074	26,074	(1)	92	25,981	133.407
3402. Other					11,135	11,135		
3403.								
3498. Sum of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)		52,148	26,074	26,074	11,134	11,227	25,981	133.407

## 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	6,260,762	336,869,730	210,405,095	132,725,397	(26,384,125)	246,402,854	110,330,761	242,413,365	15,940,802
2. Allied lines	8,292,272	199,580,953	118,720,683	89,152,542	(23,071,045)	168,175,398	72,399,122	161,857,773	11,498,712
3. Farmowners multiple peril		27,056,273	13,528,136	13,528,137	(5,246,713)	8,076,156	514,218	15,843,362	1,029,550
4. Homeowners multiple peril	12,118,942	960,613,954	505,265,254	467,467,642	(189,060,246)	793,455,349	284,406,984	787,455,761	129,160,583
5. Commercial multiple peril	94,574,276	1,488,695,148	852,110,993	731,158,431	(143,612,627)	1,047,041,687	450,085,829	1,184,501,662	343,339,330
6. Mortgage guaranty									
8. Ocean marine	33,354,376	26,166,606	37,011,150	22,509,832	52,348,024	29,272,545	43,592,643	60,537,758	5,770,627
9. Inland marine	82,958,032	82,965,212	108,792,182	57,131,062	(12,419,926)	180,497,576	154,236,823	70,971,889	9,807,143
10. Financial guaranty									
11.1 Medical professional liability—occurrence	69,738	40,599,995	20,418,298	20,251,435	110,354	153,505,474	77,408,115	96,459,148	8,820,002
11.2 Medical professional liability—claims-made		102,753,123	51,496,686	51,256,437	(24,236,501)	153,038,473	64,376,439	115,681,970	20,492,197
12. Earthquake		1,462,369	801,037	661,332	(5,759,776)	(1,107,398)	(3,900,567)	(2,305,275)	627,217
13. Group accident and health	1,838,956	78,443,073	42,223,907	38,058,122	13,803,824	33,386,532	23,634,973	(a) 61,613,505	2,940,289
14. Credit accident and health (group and individual)									
15. Other accident and health	2,495,549	37,631,099	36,021,367	4,105,281	2,804,215	44,559,763	40,490,522	(a) 10,978,737	391,434
16. Workers' compensation	622,449,753	5,864,772,920	4,000,214,171	2,487,008,502	384,637,378	6,745,410,506	4,251,840,812	5,365,215,574	1,034,864,809
17.1 Other liability—occurrence	485,519,128	1,980,179,976	1,367,628,078	1,098,071,026	544,212,425	3,983,826,900	2,653,333,416	2,972,776,935	747,601,608
17.2 Other liability—claims-made	208,351,856	628,972,833	509,422,759	327,901,930	250,458,881	1,504,305,528	985,127,223	1,097,539,116	219,008,864
17.3 Excess workers' compensation	32,273,746	292,487,733	205,146,966	119,614,513	51,285,903	416,909,158	287,592,203	300,217,371	46,009,553
18.1 Products liability—occurrence	31,626,408	105,486,299	93,263,510	43,849,197	129,620,395	233,803,014	192,539,083	214,733,523	148,776,101
18.2 Products liability—claims-made		6,799,375	3,524,688	3,274,687	(86,132)	60,886,661	30,781,464	33,293,752	14,398,727
19.1,19.2 Private passenger auto liability	87,876,083	4,044,635,412	2,412,708,149	1,719,803,346	74,015,247	2,950,920,112	1,555,585,419	3,189,153,286	636,156,440
19.3,19.4 Commercial auto liability	57,589,827	1,169,170,822	665,731,565	561,029,084	32,124,063	1,449,549,336	760,998,854	1,281,703,629	137,650,210
21. Auto physical damage	1,075,440	15,382,328	8,450,048	8,007,720	(12,439,965)	157,111,522	72,474,219	80,205,058	58,912,900
22. Aircraft (all perils)	29,912,143	42,997,096	77,370,194	(4,460,955)	(1,852,099)	139,465,482	77,951,051	55,201,377	9,560,859
23. Fidelity	15,550,881	6,903,997	15,605,192	6,849,686	27,538,164	46,887,425	41,270,855	40,004,420	6,306,056
24. Surety	(42,741,517)	4,167,524	(19,282,887)	(19,291,106)	177,262,570	169,785,863	176,991,632	150,765,695	27,738,630
26. Burglary and theft	6,449	1,769,985	888,218	888,216	159,254	5,014,880	2,633,572	3,428,778	727,164
27. Boiler and machinery		14,574,946	7,740,522	6,834,424	41,820	3,691,948	1,887,286	8,680,906	747,559
28. Credit		1,796,936	898,468	898,468	2,706,170	13,581,147	8,708,136	8,477,649	753,587
29. International									
30. Warranty					(68,103)	(103,232)	(643,711)	472,376	80,751
31. Reinsurance-nonproportional assumed property	X X X	192,270,043	108,680,530	83,589,513	X X X	303,594,327	362,711,658	24,472,182	3,220,018
32. Reinsurance-nonproportional assumed liability	X X X	113,103,648	64,792,837	48,310,811	X X X	348,234,894	160,144,748	236,400,957	8,227,124
33. Reinsurance-nonproportional assumed financial lines	X X X	8,809,137	4,406,624	4,402,513	X X X	17,291,511	8,380,300	13,313,724	217,861
34. Aggregate write-ins for other lines of business					11,134	(1)		11,133	(11)
35. TOTALS	1,771,453,100	17,877,118,545	11,523,984,420	8,124,587,225	1,298,902,563	21,406,471,390	12,947,884,082	17,882,077,096	3,650,776,696
<b>DETAILS OF WRITE-IN LINES</b>									
3401. Other					11,134	(1)		11,133	(11)
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)					11,134	(1)		11,133	(11)

(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	333,124,546			333,124,546
1.2 Reinsurance assumed	1,711,415,853			1,711,415,853
1.3 Reinsurance ceded	1,026,055,619			1,026,055,619
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	1,018,484,780			1,018,484,780
2. Commission and brokerage:				
2.1 Direct, excluding contingent		287,245,090		287,245,090
2.2 Reinsurance assumed, excluding contingent		3,281,639,407		3,281,639,407
2.3 Reinsurance ceded, excluding contingent		2,318,846,070		2,318,846,070
2.4 Contingent—direct		18,495,749		18,495,749
2.5 Contingent—reinsurance assumed		297,873,290		297,873,290
2.6 Contingent—reinsurance ceded		161,248,826		161,248,826
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)		1,405,158,640		1,405,158,640
3. Allowances to manager and agents		152,301,788		152,301,788
4. Advertising	1,144,937	318,901,038	212,906	320,258,881
5. Boards, bureaus and associations	3,703,827	25,352,241	119,318	29,175,386
6. Surveys and underwriting reports	739,301	76,297,005	136,815	77,173,121
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	589,272,863	1,243,409,545	34,051,316	1,866,733,724
8.2 Payroll taxes	30,075,033	86,039,610	8,199,285	124,313,928
9. Employee relations and welfare	77,692,627	220,024,000	20,368,445	318,085,072
10. Insurance	59,062,000	8,022,361	751,101	67,835,462
11. Directors' fees	24,770	67,329	6,834	98,933
12. Travel and travel items	26,415,577	70,925,272	1,607,736	98,948,585
13. Rent and rent items	38,526,091	109,621,741	18,908,620	167,056,452
14. Equipment	33,035,446	93,100,170	8,309,421	134,445,037
15. Cost or depreciation of EDP equipment and software	25,883,366	9,834,129	5,823,244	41,540,739
16. Printing and stationery	2,505,181	11,405,219	255,530	14,165,930
17. Postage, telephone and telegraph, exchange and express	15,772,985	86,878,534	1,130,374	103,781,893
18. Legal and auditing	11,316,244	18,808,703	1,120,782	31,245,729
19. Totals (Lines 3 to 18)	915,170,248	2,530,988,685	101,001,727	3,547,160,660
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 1,322,094		325,951,663		325,951,663
20.2 Insurance department licenses and fees		32,927,934		32,927,934
20.3 Gross guaranty association assessments		1,437,114		1,437,114
20.4 All other (excluding federal and foreign income and real estate)		48,846,073		48,846,073
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		409,162,784		409,162,784
21. Real estate expenses			15,817,160	15,817,160
22. Real estate taxes			3,965,212	3,965,212
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	80,909,121	337,966,176	11,723,511	430,598,808
25. Total expenses incurred	2,014,564,149	4,683,276,285	132,507,610	(a) 6,830,348,044
26. Less unpaid expenses—current year	3,650,776,695	903,836,886	4,010,042	4,558,623,623
27. Add unpaid expenses—prior year	3,432,800,188	931,384,094	3,869,754	4,368,054,036
28. Amounts receivable relating to uninsured plans, prior year		20,491		20,491
29. Amounts receivable relating to uninsured plans, current year		(82,404)		(82,404)
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,796,587,642	4,710,720,598	132,367,322	6,639,675,562

DETAILS OF WRITE-IN LINES				
2401. Other expenses	80,909,121	337,966,176	11,723,511	430,598,808
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	80,909,121	337,966,176	11,723,511	430,598,808

(a) Includes management fees of \$ 2,249,648,023 to affiliates and \$ 152,284,611 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 53,656,254	54,468,257
1.1 Bonds exempt from U.S. tax	(a) 41,001,181	40,754,711
1.2 Other bonds (unaffiliated)	(a) 398,988,435	396,449,472
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 329,574	329,574
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	26,364,745	24,084,081
2.21 Common stocks of affiliates	263,384,260	263,384,260
3. Mortgage loans	(c) 27,432,968	27,407,095
4. Real estate	(d) 45,288,010	45,288,010
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 25,664,316	23,648,984
7. Derivative instruments	(f)	
8. Other invested assets	446,105,221	446,100,558
9. Aggregate write-ins for investment income	(1,657,608)	(1,657,608)
10. Total gross investment income	1,326,557,356	1,320,257,394
11. Investment expenses		(g) 132,507,608
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 62,938,897
14. Depreciation on real estate and other invested assets		(i) 16,050,193
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		211,496,698
17. Net investment income (Line 10 minus Line 16)		1,108,760,696

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	(1,657,608)	(1,657,608)
0902.		
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	(1,657,608)	(1,657,608)
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 \$ 20,215,321 accrual of discount less \$ 40,524,606 amortization of premium and less \$ 35,432,969 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 \$ (157,466) accrual of discount less \$ 0 amortization of premium and less \$ 65,567 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 2,272,283 accrual of discount less \$ 48,341 amortization of premium and less \$ 221,556 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 46,844,757 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 \$ 16,050,193 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	35,691,241		35,691,241		
1.1 Bonds exempt from U.S. tax	8,265,588		8,265,588	(13,125)	
1.2 Other bonds (unaffiliated)	91,230,316	(25,644,354)	65,585,962	28,947,152	24,106,090
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	1,036,004		1,036,004	1,170,014	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	39,382,452	5,223	39,387,675	135,133,963	5,211
2.21 Common stocks of affiliates	(46,428,300)		(46,428,300)	77,271,820	
3. Mortgage loans	696,095		696,095	(50,830)	
4. Real estate		(12,359,576)	(12,359,576)		
5. Contract loans					
6. Cash, cash equivalents and short-term investments	6,233	(330,546)	(324,313)	311,887	(293,469)
7. Derivative instruments	(11,268,718)		(11,268,718)	(8,957,749)	
8. Other invested assets	20,857,600		20,857,600	(97,929,972)	870,417
9. Aggregate write-ins for capital gains (losses)	357,656	(5,292,022)	(4,934,366)	(17,094,414)	
10. Total capital gains (losses)	139,826,167	(43,621,275)	96,204,892	118,788,746	24,688,249

DETAILS OF WRITE-IN LINES					
0901. DEFERRED G/L-TRSFER OF ASSETS-INTERCO NON-CASH				(17,094,414)	
0902. SOFTWARE IMPAIRMENT	357,656	(5,292,022)	(4,934,366)		
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	357,656	(5,292,022)	(4,934,366)	(17,094,414)	

## 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	95,229,928	119,991,013	24,761,085
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)	33,532,538	25,252,700	(8,279,838)
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)	128,762,466	145,243,713	16,481,247
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	120,239,094	76,995,104	(43,243,990)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,760,551	3,129,146	(631,405)
15.3 Accrued retrospective premiums and contracts subject to redetermination	16,555,239	19,252,489	2,697,250
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans		3,062	3,062
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	83,485,227	165,243,625	81,758,398
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	786,668,876	628,546,267	(158,122,609)
21. Furniture and equipment, including health care delivery assets	570,628,454	626,789,270	56,160,816
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates	97,079,387	99,783,029	2,703,642
24. Health care and other amounts receivable			
25. Aggregate write-ins for other-than-invested assets	137,697,626	76,498,056	(61,199,570)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,944,876,920	1,841,483,761	(103,393,159)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	1,944,876,920	1,841,483,761	(103,393,159)

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	92,669,314	76,028,151	(16,641,163)
2502. Goodwill	45,000,000		(45,000,000)
2503. Amounts receivable under high deductible policies	28,312	469,905	441,593
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	137,697,626	76,498,056	(61,199,570)

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Accounting Practices

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

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

#### NET INCOME

	SSAP #	F/S Page	F/S Line #	2019	2018
1. Liberty Mutual Insurance Company state basis (Page 4, Line 20, Columns 1 & 3)	XXX	XXX	XXX	\$598,402,665	\$2,893,647,445
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>\$598,402,665</u>	<u>\$2,893,647,445</u>

#### SURPLUS

Liberty Mutual Insurance Company state basis (Page 3, Line 37, Columns 1 & 2)	XXX	XXX	XXX	\$16,811,384,432	\$16,365,330,449
6. State Prescribed Practices that increase/(decrease) NAIC SAP: NONE ..... .....	.....	.....	.....	.....	.....
7. State Permitted Practices that increase/(decrease) NAIC SAP: NONE ..... .....	.....	.....	.....	.....	.....
8. NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>\$16,811,384,432</u>	<u>\$16,365,330,449</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 2019
  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**

There were no material changes in accounting principles.

Because of a contingent commission booking error in 2018, the Company recorded a decrease in Other Underwriting Expenses Incurred (Statement of Income, Line 4) of \$45,722,849 which was the reversal of an adjustment booked in 2018.

### **Note 3 - Business Combinations and Goodwill**

#### A. Statutory Purchase Method

On October 2, 2019, the Company directly acquired a 100% ownership and all of the issued and outstanding voting shares of Nationale Borg Re, a specialty reinsurance company. The transaction was accounted for as a statutory purchase and the cost was \$58,463,986, resulting in goodwill in the amount of \$35,587,490. Goodwill amortization relating to the purchase of Nationale Borg Re was \$889,687 for year ended December 31, 2019; goodwill is being amortized over ten years.

On May 1, 2017, the Company directly acquired a 100% ownership and all of the issued and outstanding voting shares of Ironshore Inc. (“Ironshore”), a holding company, which is the upstream parent of various subsidiaries that are engaged in insurance and non-insurance activity. The transaction was accounted for as a statutory purchase and the cost was \$2,935,288,000, resulting in goodwill in the amount of \$1,063,290,591. Goodwill amortization relating to the purchase of Ironshore was \$106,329,059 for year ended December 31, 2019; goodwill is being amortized over ten years.

On June 9, 2010, the Company purchased Liberty Mutual Fire Insurance Company’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 Employers Insurance Company of Wausau’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, 2019; goodwill is being amortized over ten years.

Purchased Entity	Acquisition Date	Cost of Acquired Entity	Original amount of admitted goodwill	Admitted goodwill as of the reporting date	Amount of goodwill amortized during the reporting period	Admitted goodwill as a % of SCA, BACV, gross of admitted goodwill
Nationale Borg Re	October 2, 2019	\$58,463,986	\$35,587,490	\$34,697,803	\$889,687	55.73%
Ironshore Inc.	May 1, 2017	\$2,935,288,000	\$1,063,290,591	\$779,746,434	\$106,329,059	28.95%
Liberty Insurance Holdings, Inc.	June 9, 2010	\$249,957,350	\$288,195,370	\$12,728,629	\$28,819,537	0.21%

#### B. Statutory Mergers

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



## NOTES TO FINANCIAL STATEMENTS

### C. Impairment Loss

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

### Note 4 – Discontinued Operations

The Company has no discontinued operations.

### Note 5 – Investments

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

1. The maximum and minimum lending rates for mortgage loans during 2019 were:

Farm mortgages	N/A
Residential mortgages	N/A
Commercial mortgages	4.250% and 5.625%
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:

2019	2018
\$16,147	\$18,427

#### 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	\$0	\$0	\$0	\$0	\$630,144,296	\$0	\$630,144,296
(b) 30-59 Days Past Due	-	-	-	-	79,751	-	79,751
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	-	-	-
(e) 180+ Days Past Due	-	-	-	-	53,233	-	53,233

#### 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	-	-	-	-	2,056,720	-	2,056,720
(b) Number of Loans	-	-	-	-	41	-	41
(c) Percent Reduced	0%	0%	0%	0%	82.800%	0%	82.800%

## NOTES TO FINANCIAL STATEMENTS

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

(a) Recorded Investment	-	-	-	-	630,277,279	-	630,277,279
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### b. Prior Year

#### 1. Recorded Investments (All)

(a) Current	\$0	\$0	\$0	\$0	\$581,630,930	\$0	\$581,630,930
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	-	-	-
(e) 180+ Days Past Due	-	-	-	-	1,015,361.00	-	1,015,361.00

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

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

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

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

#### 4. Interest Reduced

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

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

(a) Recorded Investment	-	-	-	-	582,682,291	-	582,682,291
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### 5. Investment in Impaired Loans With or Without Allowance for Credit Losses:

	Farm	Residential		Commercial		Mezzanine	Total
		Insured	All Other	Insured	All Other		
<b>a. Current Year</b>							
1. With Allowance for Credit Losses	\$0	\$0	\$0	\$0	\$656,907	\$0	\$656,907
2. No Allowance for Credit Losses	-	-	-	-	3,314,319	-	3,314,319
3. Total (1+2)					3,971,227		3,971,227
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan	-	-	-	-	3,971,227	-	3,971,227

## NOTES TO FINANCIAL STATEMENTS

## b. Prior Year

1. With Allowance for Credit Losses	\$0	\$0	\$0	\$0	\$1,333,998	\$0	\$1,333,998
2. No Allowance for Credit Losses	-	-	-	-	3,704,205	-	3,704,205
3. Total (1+2)					5,038,203		5,038,203
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan	-	-	-	-	5,038,203	-	5,038,203

## 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	-	-	-	-	4,504,715	-	4,504,715
2. Interest Income Recognized	-	-	-	-	234,730	-	234,730
3. Recorded Investments on Nonaccrual Status	-	-	-	-	53,233	-	53,233
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	213,799	-	213,799

## b. Prior Year

1. Average Recorded Investment	-	-	-	-	5,481,504	-	5,481,504
2. Interest Income Recognized	-	-	-	-	249,608	-	249,608
3. Recorded Investments on Nonaccrual Status	-	-	-	-	1,051,361	-	1,051,361
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting	-	-	-	-	245,251	-	245,251

## NOTES TO FINANCIAL STATEMENTS

## 7. Allowance for Credit Losses:

	2019	2018
a. Balance at beginning of period	\$217,843	\$270,071
b. Additions charged to operations	382,746	88,463
c. Direct write-downs charged against the allowances	(331,916)	(140,681)
d. Recoveries of amounts previously charged off	-	-
e. Balance at end of period	\$268,673	\$217,853

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

	2019	2018
a. Aggregate amount of mortgage loans derecognized	\$0	\$0
b. Real estate collateral recognized	-	-
c. Other collateral recognized	-	-
d. Receivables recognized from a government guarantee of the foreclosed mortgage loan	-	-

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

## B. Debt Restructuring

	2019	2018
1. The total recorded investment in restructured loans, as of year end	\$3,869,705	\$4,201,540
2. The realized capital losses related to these loans	\$0	\$0
3. Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings	\$0	\$0

## 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, 2019: None
3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2019:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other- than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Reported
61749BAB9	89,881	81,625	8,256	81,625	65,200	3/31/2019
05539TAR6	6,207	1,353	4,854	1,353	1,366	3/31/2019
05539TAR6	2,149	964	1,185	964	956	12/31/2019
Total	XXX	XXX	13,109	XXX	XXX	XXX

## NOTES TO FINANCIAL STATEMENTS

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2019:

a. The aggregate amount of unrealized losses:

1. Less than 12 Months	(\$12,098,506)
2. 12 Months or Longer	(\$5,195,510)

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

1. Less than 12 Months	\$768,687,749
2. 12 Months or Longer	\$308,130,802

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, 2019, no borrowings were outstanding under the agreement.

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, 2019, no borrowings were outstanding under the agreement.

2. The Company has not pledged any of its assets as collateral as of December 31, 2019.

### 3. Collateral Received

#### a. Aggregate Amount Collateral Received

	<u>Fair Value</u>
1. Securities Lending	
(a) Open	\$327,328,003
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	\$327,328,003
(g) Securities Received	159,472,346
(h) Total Collateral Received	\$486,800,349
2. Dollar Repurchase Agreement	-
(a) Open	-
(b) 30 Days or Less	-
(c) 31 to 60 Days	-
(d) 61 to 90 Days	-
(e) Greater Than 90 Days	-
(f) Sub-Total	-
(g) Securities Received	-
(h) Total Collateral Received	-

- b. The fair value of that collateral and of the portion of that collateral that it has sold or re-pledged
- |  |                |
|--|----------------|
|  | \$ 486,800,349 |
|--|----------------|

- 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.

## NOTES TO FINANCIAL STATEMENTS

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

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

### 5. Collateral Reinvestment

#### a. Aggregate Amount Collateral Received

	Amortized Cost	Fair Value
1. Securities Lending		
(a) Open	\$0	\$0
(b) 30 Days or Less	121,947,890	121,947,890
(c) 31 to 60 Days	98,421,834	98,421,834
(d) 61 to 90 Days	106,958,280	106,958,280
(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	\$327,328,003	\$327,328,003
(l) Securities Received	-	-
(m) Total Collateral Reinvested	\$327,328,003	\$327,328,003
2. Dollar Repurchase Agreement		
(a) Open	-	-
(b) 30 Days or Less	-	-
(c) 31 to 60 Days	-	-
(d) 61 to 90 Days	-	-
(e) 91 to 120 Days	-	-
(f) 121 to 180 Days	-	-
(g) 181 to 365 Days	-	-
(h) 1 to 2 Years	-	-
(i) 2 to 3 Years	-	-
(j) Greater Than 3 Years	-	-
(k) Sub-Total	-	-
(l) Securities Received	-	-
(m) Total Collateral Reinvested	-	-

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

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

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

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

Not applicable.

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

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

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

Not applicable.

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

Not applicable.

### J. Real Estate

1. In 2019 the Company recognized impairments of \$12,359,575 on four (4) of its commercial real estate properties which are depicted below. The properties were classified as held for sale during the year and impairments were recorded to account for the difference between net book value and estimated sales price. The impairments are included in the "Net realized capital gains" caption on the Statement of Income.

<u>Property Location</u>	<u>Impairment</u>
Hopkinton, MA	\$ 617,500
New Castle, PA	\$ 3,924,163
Mishawaka, IN	\$ 1,510,675
Weston, MA	\$ 6,307,237
<b>Total</b>	<b>\$ 12,359,575</b>

2. The four (4) properties outlined in question 1 were classified as held for sale in 2019 with no properties disposed of as of 12/31/2019
3. The Company did not experience any changes to its plans regarding sale of its investments in real estate other than what has been disclosed in questions 1 and 2.
4. The Company has not experienced any changes to a plan of sale for investment in real estate
5. The Company does not engage in retail land sale operations.
6. The Company does not hold real estate investments with participating mortgage loan features.

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

1. There are twelve years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.
2. There were \$50,005,370 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 \$180,416,133.
4. The Company's LIHTC property is required to meet regulatory benchmarks to comply with the LIHTC program which include the review of tenant files. Oversight of the projects is administered by the State Housing agencies.
5. The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.
6. The Company did not recognize any impairment loss on its LIHTC investment during the year.
7. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

## NOTES TO FINANCIAL STATEMENTS

## L. Restricted Assets

## 1. Restricted Assets (Included Pledge)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted				
	Current Year				
	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)
a. Subject to contractual obligation for which liability is not shown	\$0	\$0	\$0	\$0	\$0
b. Collateral held under security lending agreements	327,328,003	-	-	-	327,328,003
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	14,382,400	-	-	-	14,382,400
j. On deposit with states	1,235,873,391	-	-	-	1,235,873,391
k. On deposit with other regulatory bodies	1,251,389,397	-	-	-	1,251,389,397
l. Pledged collateral to FHLB (including assets backing funding agreements)	161,246,614	-	-	-	161,246,614
m. Pledged as collateral not captured in other categories	924,211,609	-	-	-	924,211,609
n. Other restricted assets	-	-	-	-	-
o. Total Restricted Assets	\$3,914,431,414	\$0	\$0	\$0	3,914,431,414

(a) Subset of column 1

(b) Subset of column 3



## NOTES TO FINANCIAL STATEMENTS

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted			
	Current Year			
	6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)
a. Subject to contractual obligation for which liability is not shown	\$0	\$0	\$0	\$0
b. Collateral held under security lending agreements	669,543,680	(342,215,677)	-	327,328,003
c. Subject to repurchase agreements	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-
e. Subjects to dollar repurchase agreements	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-
g. Placed under option contracts	-	-	-	-
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-
i. FHLB capital stock	17,597,200	(3,214,800)	-	14,382,400
j. On deposit with states	1,360,863,848	(124,990,457)	-	1,235,873,391
k. On deposit with other regulatory bodies	898,002,153	353,387,244	-	1,251,389,397
l. Pledged collateral to FHLB (including assets backing funding agreements)	163,862,365	(2,615,751)	-	161,246,614
m. Pledged as collateral not captured in other categories	1,209,388,674	(285,177,065)	-	924,211,609
n. Other restricted assets	3,965,240	(3,965,240)	-	-
o. Total Restricted Assets	\$4,323,223,160	(\$408,791,746)	\$0	\$3,914,431,414

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

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

Restricted Asset Category	Percentage	
	10	11
	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	0.617%	0.640%
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	0.027%	0.028%
j. On deposit with states	2.329%	2.415%
k. On deposit with other regulatory bodies	2.358%	2.445%
l. Pledged collateral to FHLB (including assets backing funding agreements)	0.304%	0.315%

## NOTES TO FINANCIAL STATEMENTS

m. Pledged as collateral not captured in other categories	1.741%	1.806%
n. Other restricted assets	-	-
o. Total Restricted Assets	7.375%	7.649%

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				
	Current Year				
	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)
Lloyds Syndicate LOC	\$760,342,388	\$0	\$0	\$0	\$760,342,388
Citibank Hong Kong LOC	25,007,604	-	-	-	25,007,604
FNMA/FHLMC Reinsurance	138,861,617	-	-	-	138,861,617
Total	\$924,211,609	\$0	\$0	\$0	\$924,211,609

Description of Asset	Gross Restricted			Percentage	
	6	7	8	9	10
	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	\$1,015,250,328	(\$254,907,939)	\$760,342,388	1.59%	1.65%
Citibank Hong Kong LOC	50,618,556	(25,610,952)	25,007,604	0.06%	0.06%
FNMA/FHLMC Reinsurance	143,519,791	4,658,173	138,861,617	0.09%	0.09%
Total	\$1,209,388,674	(\$275,860,718)	\$827,276,197	1.74%	1.80%

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				
	Current Year				
	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)
RSAT Derivative	\$205,686,614	\$0	\$0	\$0	\$205,686,614
Total	\$205,686,614	\$0	\$0	\$0	\$205,686,614

Description of Asset	Gross Restricted			Percentage	
	6	7	8	9	10
	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	\$0	\$205,686,614	\$205,686,614	\$0	\$0
Total	\$0	\$205,686,614	\$205,686,614	\$0	\$0

## NOTES TO FINANCIAL STATEMENTS

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

	1	2	3	4
Collateral Assets	Book/ Adjusted Carrying Value (BACV)	Fair Value	% of BACV to Total Assets (Admitted and Nonadmitted)*	% of BACV to Total Admitted Assets**
<b>General Account:</b>				
a. Cash, cash equivalents and short-term investments	-	-	-	-
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	\$327,328,00 3	\$327,328,00 3	0.620%	0.640%
i. Other	-	-	-	-
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$327,328,00 3	\$327,328,00 3	0.620%	0.640%
<b>Protected Cell:</b>				
k. Cash, cash equivalents and short-term investments	-	-	-	-
l. Schedule D, Part 1	-	-	-	-
m. Schedule D, Part 2, Section 1	-	-	-	-
n. Schedule D, Part 2, Section 2	-	-	-	-
o. Schedule B	-	-	-	-
p. Schedule A	-	-	-	-
q. Schedule BA, Part 1	-	-	-	-
r. Schedule DL, Part 1	-	-	-	-
s. Other	-	-	-	-
t. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	-	-	-	-

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

\* t = Column 1 divided by Asset Page, Line 27 (Column 1)

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

\*\* t = Column 1 divided Asset Page, Line 27 (Column 3)

	1	2
	Amount	% of Liability to Total Liabilities *
u. Recognized Obligation to Return Collateral Asset (General Account)	\$327,328,00 3	0.95%
v. Recognized Obligation to Return Collateral Asset (Protected Cell)	\$0	0.00%

\* u = Column 1 divided by Liability Page, Line 26  
(Column 1)  
\* v = Column 1 divided by Liability Page, Line 27  
(Column 1)

## NOTES TO FINANCIAL STATEMENTS

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. 5GI Securities

Not applicable.

P. Short Sales

Not applicable.

Q. Prepayment Penalty and Acceleration Fees

	General Account	Protected Cell
(1) Number of CUSIPs	135	-
(2) Aggregate Amount of Investment Income	2,204,978	-

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

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

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

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. Management may also engage to sell limited partnership interests which may also lead to impairment losses being recognized. The Company did not realize any impairment losses during the year.

**Note 7 - Investment Income**

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2019.

**Note 8 - Derivative Instruments**

**A. Derivatives under SSAP No. 86 --Derivatives**

- 1, 2, 3. Derivative financial instruments utilized by the Company during 2019 and 2018 included commodity swap and option agreements, and interest rate futures contracts.

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

## NOTES TO FINANCIAL STATEMENTS

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

- The Company entered into commodity and futures contracts in 2019 and 2018 which required the payment/receipt of premiums at either the inception of the contracts or throughout the life of the contracts, depending on the agreement with counterparties and brokers.
- 4.
- 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 2019 or 2018.
- 5.
- 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 2019 and 2018.
- 6.
7. The Company did not have derivatives accounted for as cash flow hedges of a forecasted transaction

### B. Derivatives under SSAP No.108 -- Derivatives Hedging Variable Annuity Guarantees

Not Applicable

### Note 9 - Income Taxes

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

1.

	12/31/2019		
	(1)	(2)	(3) (Col 1+2)
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$ 1,647,589,000	\$ 147,960,000	\$ 1,795,549,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	1,647,589,000	147,960,000	1,795,549,000
(d) Deferred Tax Assets Nonadmitted	83,485,227	-	83,485,227
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	1,564,103,773	147,960,000	1,712,063,773
(f) Deferred Tax Liabilities	315,055,000	458,441,000	773,496,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ 1,249,048,773	\$ (310,481,000)	\$ 938,567,773

	12/31/2018		
	(1)	(2)	(3) (Col 1+2)
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$ 1,501,044,000	\$ 228,038,000	\$ 1,729,082,000
(b) Statutory Valuation Allowance Adjustments	-	-	-

## NOTES TO FINANCIAL STATEMENTS

(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	1,501,044,000	228,038,000	1,729,082,000
(d) Deferred Tax Assets Nonadmitted	165,243,625	-	165,243,625
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	1,335,800,375	228,038,000	1,563,838,375
(f) Deferred Tax Liabilities	384,895,000	326,600,000	711,495,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ 950,905,375	\$ (98,562,000)	\$ 852,343,375

	Change		
	(7)	(8)	(9)
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$ 146,545,000	\$ (80,078,000)	\$ 66,467,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	146,545,000	(80,078,000)	66,467,000
(d) Deferred Tax Assets Nonadmitted	(81,758,398)	-	(81,758,398)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	228,303,398	(80,078,000)	148,225,398
(f) Deferred Tax Liabilities	(69,840,000)	131,841,000	62,001,000
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$ 298,143,398	\$ (211,919,000)	\$ 86,224,398

2.

	12/31/2019		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	938,567,773	-	938,567,773
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	938,567,773	-	938,567,773
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			2,378,287,694
(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.	315,055,000	458,441,000	773,496,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 1,253,622,773	\$ 458,441,000	\$ 1,712,063,773

	12/31/2018		
	(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)	842,740,634	9,602,741	852,343,375

## NOTES TO FINANCIAL STATEMENTS

1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	842,740,634	9,602,741	852,343,375
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			2,182,224,531
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	384,895,000	326,600,000	711,495,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 1,227,635,634	\$ 336,202,741	\$ 1,563,838,375

	Change		
	(7) Ordinary	(8) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ -	\$ -	\$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	95,827,139	(9,602,741)	86,224,398
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	95,827,139	(9,602,741)	86,224,398
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			196,063,163
(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.	(69,840,000)	131,841,000	62,001,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 25,987,139	\$ 122,238,259	\$ 148,225,398

3.

	2019	2018
(a) Ratio Percentage Used to Determine Recovery Period And Threshold Limitation Amount	366.5%	325.0%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above	\$ 15,872,816,661	\$ 13,464,716,080

4.

	12/31/2019		12/31/2018		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) Ordinary	(6) Capital
Impact of Tax-Planning Strategies						
(a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage						
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$1,647,589,000	\$147,960,000	\$1,501,044,000	\$228,038,000	\$146,545,000	(\$80,078,000)
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To	0%	0%	0%	0%	0%	0%

## NOTES TO FINANCIAL STATEMENTS

The Impact Of Tax Planning Strategies						
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	\$1,564,103,773	\$147,960,000	\$1,335,800,375	\$228,038,000	\$228,303,398	(\$80,078,000)
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%	0%	0%	0%

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

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

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

	(1)	(2)	(3)
	12/31/2019	12/31/2018	(Col 1-2) Change
1. Current Income Tax			
(a) Federal	(\$86,861,201)	(\$410,387,094)	\$323,525,893
(b) Foreign	11,018,193	8,182,851	2,835,342
(c) Subtotal	(75,843,008)	(402,204,243)	326,361,235
(d) Federal income tax on net capital gains	32,722,008	26,963,243	5,758,765
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	(\$43,121,000)	(\$375,241,000)	\$332,120,000
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$304,123,000	\$298,556,000	\$5,567,000
(2) Unearned premium reserve	346,294,000	340,630,000	5,664,000
(3) Policyholder reserves	-	-	-
(4) Investments	56,750,000	54,520,000	2,230,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	19,272,000	13,919,000	5,353,000
(8) Compensation and benefits accrual	280,753,000	267,464,000	13,289,000
(9) Pension accrual	82,887,000	75,770,000	7,117,000
(10) Receivables – nonadmitted	375,974,000	324,079,000	51,895,000
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	136,270,000	77,636,000	58,634,000
(13) Other (including items <5% of total ordinary tax assets)	45,266,000	48,470,000	(3,204,000)
(99) Subtotal	1,647,589,000	1,501,044,000	146,545,000
(b) Statutory valuation allowance adjustment	-	-	-



## NOTES TO FINANCIAL STATEMENTS

(c) Nonadmitted	83,485,227	165,243,625	(81,758,398)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	1,564,103,773	1,335,800,375	228,303,398
(e) Capital			
(1) Investments	74,303,000	134,179,000	(59,876,000)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	73,657,000	93,859,000	(20,202,000)
(99) Subtotal	147,960,000	228,038,000	(80,078,000)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	147,960,000	228,038,000	(80,078,000)
(i) Admitted deferred tax assets (2d + 2h)	1,712,063,773	1,563,838,375	148,225,398
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	40,868,000	41,169,000	(301,000)
(2) Fixed assets	101,944,000	95,018,000	6,926,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	78,823,000	106,439,000	(27,616,000)
(5) Other (including items <5% of total ordinary tax liabilities)	93,420,000	142,269,000	(48,849,000)
(99) Subtotal	315,055,000	384,895,000	(69,840,000)
(b) Capital:			
(1) Investments	458,441,000	326,600,000	131,841,000
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	458,441,000	326,600,000	131,841,000
(c) Deferred tax liabilities (3a99 + 3b99)	773,496,000	711,495,000	62,001,000
4. Net deferred tax assets/liabilities (2i – 3c)	\$938,567,773	\$852,343,375	\$86,224,398

D. Effective tax rates differ from the current statutory rate of 21% principally due to the effects of acquisition adjustments, subpart F income, discounting of unpaid losses and loss adjustment expenses, compensation adjustments, tax exempt income, intercompany dividends, LP& LLC income, 481(a) adjustments, mark to market adjustments, accrued expenses, limits on unearned premium reserve deductions, loss based assessments, amortization, abandonments, intangible drilling costs, partnership loss, fixed assets, derivatives, loss reserve transitional adjustment, book income reallocations, global intangible low taxed income, sale of subsidiary, utilization of prior year AMT credits, utilization of foreign tax credits, utilization of general business credits, revisions to prior year estimates, and foreign withholding .

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

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

## NOTES TO FINANCIAL STATEMENTS

Year Generated	Amount	Expiration
2019	\$2,225,000	2029

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

Year Generated	Amount	Expiration
2016	\$628,000	2036
2017	\$44,257,000	2037
2018	\$40,817,000	2038
2019	\$40,706,000	2039

The Company has alternative minimum tax credit carry-forwards of \$7,637,000. The alternative minimum tax credit carry-forward does not expire.

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

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

America First Insurance Company	Liberty Mutual Personal Insurance Company
America First Lloyd's Insurance Company	Liberty Mutual Technology Group, Inc.
American Economy Insurance Company	Liberty Northwest Insurance Corporation
American Fire and Casualty Company	Liberty Personal Insurance Company
American States Insurance Company	Liberty RE (Bermuda) Limited
American States Insurance Company of Texas	Liberty Sponsored Insurance (Vermont), Inc.
American States Lloyds Insurance Company	Liberty Surplus Insurance Corporation
American States Preferred Insurance Company	LIH-RE of America Corporation
Barrier Ridge LLC	LIU Specialty Insurance Agency Inc.
Berkeley Holding Company Associates, Inc.	LM General Insurance Company
Berkeley Management Corporation	LM Insurance Corporation
Capitol Court Corporation	LM Property and Casualty Insurance Company
Colorado Casualty Insurance Company	LMCRT-FRE-01 IC
Consolidated Insurance Company	LMHC Massachusetts Holdings Inc.
Diversified Settlements, Inc.	Managed Care Associates Inc.
Emerald City Insurance Agency, Inc.	Mid-American Fire & Casualty Company
Employers Insurance Company of Wausau	Nationale Borg Reinsurance N.V.
Excelsior Insurance Company	North Pacific Insurance Company
Excess Risk Reinsurance Inc.	Ocasco Budget, Inc.
F.B. Beattie & Co., Inc.	OCI Printing, Inc.
First National Insurance Company of America	Ohio Casualty Corporation
First State Agency Inc.	Ohio Security Insurance Company
General America Corporation	Open Seas Solutions, Inc.
General America Corporation of Texas	Oregon Automobile Insurance Company
General Insurance Company of America	Peerless Indemnity Insurance Company
Golden Eagle Insurance Corporation	Peerless Insurance Company
Gulf States AIF, Inc.	Pilot Insurance Services, Inc.
Hawkeye-Security Insurance Company	Rianoc Research Corporation
Indiana Insurance Company	S.C. Bellevue, Inc.
Insurance Company of Illinois	SAFECARE Company, Inc.
Ironshore Holdings (US) Inc.	Safeco Corporation
Ironshore Indemnity Inc.	Safeco General Agency, Inc.
Liberty Specialty Markets Bermuda Limited	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 Energy Canada, Inc.	Safeco Surplus Lines Insurance Company
Liberty Financial Services, Inc.	San Diego Insurance Company
Liberty Hospitality Group, Inc.	SCIT, Inc.
Liberty Insurance Corporation	St. James Insurance Company Ltd.
Liberty Insurance Holdings, Inc.	The First Liberty Insurance Corporation
Liberty Insurance Underwriters Inc.	The Midwestern Indemnity Company
Liberty International Europe Inc.	The National Corporation
Liberty International Holdings Inc.	The Netherlands Insurance Company
Liberty Life Holdings Inc.	The Ohio Casualty Insurance Company
Liberty Lloyds of Texas Insurance Company	Wausau Business Insurance Company
Liberty Management Services, Inc.	Wausau General Insurance Company
Liberty Mexico Holdings Inc.	Wausau Underwriters Insurance Company
Liberty Mutual Agency Corporation	West American Insurance Company

## NOTES TO FINANCIAL STATEMENTS

Liberty Mutual Credit Risk Transfer PCC Inc.	Winmar Company, Inc.
Liberty Mutual Fire Insurance Company	Winmar of the Desert, Inc.
Liberty Mutual Group Asset Management Inc.	Winmar Oregon, Inc.
Liberty Mutual Group Inc.	Winmar-Metro, Inc.
Liberty Mutual Holding Company Inc.	Workgrid Software, Inc.
Liberty Mutual Insurance Company	

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

- G. The Company does not expect the Federal and Foreign income tax loss contingencies, as determined in accordance with SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets, with the modifications provided in SSAP No. 101, Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10, to significantly increase within twelve months of the reporting date.
- H. Repatriation Transition Tax
- Not applicable.
- I. The Company recognizes \$21,394,000 of AMT credit as a current-year recoverable. An AMT credit carry-forward DTA of \$7,637,000 is expected to be utilized against regular tax or refunded in the future. The alternative minimum tax credit carry-forward does not expire. Ending carryforward balance is computed as follows:

AMT Credit Carryforward	
Beginning Balance	\$27,088,000
Current Year AMT Credit Recovered	(21,394,000)
Other Current Year Adjustments to AMT Credit Carryforward	1,943,000
Sequestration	-
<b>Total AMT Credit Ending Balance</b>	<b>7,637,000</b>
AMT Credit Carryforward Non-Admitted	-
<b>Total AMT Credit Carryforward subject to SSAP101 DTA admittance limitations</b>	<b>\$7,637,000</b>

### **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, 2019, the Company had the following capital transactions with its parent and subsidiaries:
- |  |               |
|--|---------------|
| 1. Received capital contributions of           | \$0           |
| 2. Received return of capital distributions of | \$192,503,997 |
| 3. Contributed capital in the amount of        | \$991,734,065 |
| 4. Received dividends in the amount of         | \$697,766,181 |
- D. At December 31, 2019 the Company reported a net \$570,469,586 due from affiliates.
- E. The Company has entered into guarantees to or on behalf of the following affiliates, as described in Note 14A.

America First Insurance Company  
 Libert Specialty Markets Bermuda Limited  
 Liberty Information Technology Limited  
 Liberty Specialty Markets Hong Kong Limited  
 Liberty Specialty Markets Singapore Pte. Limited  
 Liberty Citystate Holdings Pte. Ltd.  
 Liberty Mutual Insurance Europe SE  
 Liberty Personal Insurance Company  
 Liberty Surplus Insurance Company  
 Safeco Insurance Company of Oregon  
 San Diego Insurance Company  
 Companies in the Liberty Mutual Group with custodial accounts with JP Morgan Chase Bank

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

## NOTES TO FINANCIAL STATEMENTS

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

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

Berkeley/Columbus II LLC  
 Berkeley/Columbus Real Estate LLC  
 Helmsman Insurance Agency LLC  
 Helmsman Management Services LLC  
 Ironshore Insurance Services LLC  
 Ironshore Services Inc.  
 Ironshore Management Inc.  
 Ironshore Holdings (U.S.) Inc.  
 Liberty Information Technology Limited  
 Liberty Lloyd's of Texas Insurance Company  
 Liberty Mutual Agency Corporation  
 Liberty Mutual Auto and Home Services LLC  
 Liberty Mutual Equity LLC  
 Liberty Mutual Group Inc.  
 Liberty Mutual Managed Care LLC  
 Liberty Mutual Technology Group Inc.  
 Liberty Specialty Markets Limited  
 Liberty Specialty Markets Europe Sàrl  
 LIU Specialty Insurance Agency Inc.

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

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

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

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

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

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

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

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

Company	Credit Line
American States Insurance Company	\$50,000,000
Colorado Casualty Insurance Company	\$50,000,000
Employers Insurance Company of Wausau	\$150,000,000
General Insurance Company of America	\$50,000,000
Golden Eagle Insurance Corporation	\$50,000,000
Indiana Insurance Company	\$50,000,000
Liberty Corporate Capital Limited	\$100,000,000
Liberty Insurance Corporation	\$100,000,000
Liberty Insurance Underwriters Inc.	\$50,000,000
Liberty International Holdings Inc.	\$20,000,000
Liberty Mutual Fire Insurance Company	\$150,000,000
Liberty Mutual Group Inc.	\$1,150,000,000

## NOTES TO FINANCIAL STATEMENTS

Liberty Mutual Mid-Atlantic Insurance Company	\$50,000,000
Liberty Northwest Insurance Corporation	\$50,000,000
Liberty Specialty Markets Bermuda Limited	\$100,000,000
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, 2019.

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

Company	Credit Line
American Economy Insurance Company	\$100,000,000
American States Insurance Company	\$100,000,000
Employers Insurance Company of Wausau <sup>1</sup>	\$150,000,000
General Insurance Company of America	\$50,000,000
Golden Eagle Insurance Corporation	\$50,000,000
Indiana Insurance Company	\$50,000,000
Liberty Insurance Corporation	\$100,000,000
Liberty Mutual Fire Insurance Company <sup>1</sup>	\$450,000,000
Liberty Mutual Group Inc.	\$1,000,000,000
Liberty Specialty Markets Bermuda Limited	\$100,000,000
Peerless Insurance Company <sup>1</sup>	\$650,000,000
Safeco Insurance Company of America <sup>1</sup>	\$100,000,000
The Ohio Casualty Insurance Company	\$140,000,000

There were outstanding borrowings as of December 31, 2019.

<sup>1</sup>Reference Note 11C for detail on 2019 short term borrowings.

The Company is a party to revolving credit agreements under which the Company may lend funds to the following international companies for the purpose of accommodating fluctuations in daily cash flow and to satisfy liquidity risk requirements of Solvency II:

Company	Credit Line
Liberty Compania de Seguros Generales S.A.	\$44,103,957
Liberty Seguros S.A.	\$46,954,254
Liberty Seguros S.A. (Ecuador)	\$10,000,000
Liberty International Insurance Limited	\$25,719,122
Liberty Specialty Markets Hong Kong Limited	\$19,289,341
Liberty Mutual Insurance Europe SE	\$260,007,000
Liberty Insurance Pte Ltd	\$51,951,130
Liberty Specialty Markets Singapore Pte. Limited	\$20,780,452
Liberty International European Holdings, S.L.	\$483,500,325
Liberty Seguros, Compania de Seguros y Reaseguros, S.A.	\$194,511,625
LMG Insurance Public Company Limited	\$33,057,850
Liberty Insurance Limited	\$5,042,494.08

There were no outstanding loans as of December 31, 2019.

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	LM Property and Casualty Insurance Company
American Economy Insurance Company	Mid-American Fire & Casualty Company
American Fire and Casualty Company	Montgomery Mutual Insurance Company
American States Insurance Company	National Insurance Association
American States Insurance Company of Texas	North Pacific Insurance Company
American States Lloyds Insurance Company	Ohio Security Insurance Company
American States Preferred Insurance Company	Oregon Automobile Insurance Company
Colorado Casualty Insurance Company	Peerless Indemnity Insurance Company

## NOTES TO FINANCIAL STATEMENTS

Consolidated Insurance Company	Peerless Insurance Company
Employers Insurance Company of Wausau	Safeco Insurance Company of America
Excelsior Insurance Company	Safeco Insurance Company of Illinois
First National Insurance Company of America	Safeco Insurance Company of Indiana
General Insurance Company of America	Safeco Insurance Company of Oregon
Golden Eagle Insurance Corporation	Safeco Lloyds Insurance Company
Hawkeye-Security Insurance Company	Safeco National Insurance Company
Indiana Insurance Company	Safeco Surplus Lines Insurance Company
Ironshore Indemnity Inc.	San Diego Insurance Company
Ironshore Specialty Insurance Company	The First Liberty Insurance Corporation
Insurance Company of Illinois	The Midwestern Indemnity Company
Liberty Insurance Corporation	The Netherlands Insurance Company
Liberty Insurance Underwriters Inc.	The Ohio Casualty Insurance Company
Liberty Mutual Fire Insurance Company	Wausau Business Insurance Company
Liberty Mutual Mid-Atlantic Insurance Company	Wausau General Insurance Company
Liberty Mutual Personal Insurance Company	Wausau Underwriters Insurance Company
Liberty Northwest Insurance Corporation	West American Insurance Company
Liberty Personal Insurance Company	
Liberty Surplus Insurance Corporation	
LM General Insurance Company	

Under these Agreements, the Company may provide these subsidiaries with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company and LMGI. Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration. The Company is reimbursed for the cost of all services which it provides under these Agreements.

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

At December 31, 2019, 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.	\$6,029,082,403	\$0	\$157,400,702
Total LMIC unamortized admitted goodwill	\$12,728,629	\$0	\$0

- 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:

	<u>Carrying Value</u>
Berkeley/Columbus III, LLC	\$337,999,284
Berkeley Management Corporation	\$19,499,345
Ironshore Holdings (U.S.) Inc.	\$373,770,762
Liberty Insurance Holdings Inc.	\$6,029,307,180
Liberty International Holdings Inc.	\$4,435,905,742
Liberty Mutual Captive Holdings LLC	\$10,614,492
Liberty Mutual Mexico LLC	\$67,064,532
Ohio Casualty Corporation	\$1,553,316,151

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)

## NOTES TO FINANCIAL STATEMENTS

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
<b>a. SSAP No. 97 8a Entities</b>				
N/A				
Total SSAP No. 97 8a Entities		\$0	\$0	\$0
<b>b. SSAP No. 97 8b(ii) Entities</b>				
Liberty Insurance Holdings, Inc.	100%	\$6,029,307,180	\$6,021,199,423	\$8,107,756
Ohio Casualty Corporation	78%	1,553,316,151	1,546,654,206	6,661,945
Berkeley Management Corporation	100%	19,499,345	7,022,893	12,476,452
Liberty Mutual Captive Holdings LLC	100%	10,614,492	9,931,965	682,526
Total SSAP No. 97 8b(ii) Entities		7,612,737,167	7,584,808,488	27,928,680
<b>c. SSAP No. 97 8b(iii)</b>				
St. James/Arlington Real Estate Limited Partnership	92%	688,037,215	688,037,215	-
Liberty Energy Holdings, LLC	100%	1,723,314,148	1,723,314,148	-
Liberty Metals & Mining Holdings, LLC	100%	621,944,677	621,944,677	-
Liberty Mutual Investment Holdings LLC	40%	1,233,790,583	1,233,790,583	-
Liberty Mutual Opportunistic Investments LLC	100%	1,054,982,164	1,054,982,164	-
Liberty Structured Holdings LLC	100%	395,909,607	395,909,607	-
Liberty Mutual Latam LLC	100%	8,613,261	5,254,420	3,358,842
Georgia Tax Credit Fund LM L.P.	0.01%	(48,550)	(48,550)	-
RBC State Credit Fund	100%	5,961,587	5,961,587	-
Liberty Mutual Personal Insurance Ventures, LLC	100%	27,179,608	0	27,179,608
Raymond James LM MA LP LIHTC S	100%	702,985	702,985	-
Berkeley/Columbus III LLC	100%	337,999,284	337,999,284	-
Liberty Mutual Equity LLC	100%	(9,679)	(9,679)	-
Solaria Labs, LLC	100%	689,836	(0)	689,836
Liberty Real Estate Holding LLC	100%	44,693,045	44,693,045	-
LMAT Holdings LLC	30%	52,909,061	52,909,061	-
Ironshore Holdings (US) Inc.	100%	373,770,762	305,786,987	67,983,775
Total SSAP No. 97 8b(iii) Entities		6,570,439,594	6,471,227,533	99,212,061
<b>d. SSAP No. 97 8b(iv)</b>				
Liberty Re Bermuda Limited	100%	446,231,024	446,231,024	-
Liberty Sponsored Insurance Vermont	100%	4,672,226	4,672,226	-
Liberty Insurance Company Limited	100%	27,617,214	27,617,214	-
Liberty Brasil Investimentos e Participacoes Ltda.	100%	1,278,322	0	1,278,322
Liberty Mutual Mexico LLC	100%	67,064,532	66,721,128	343,404
Liberty International Holdings Inc.	100%	4,435,905,742	4,435,905,742	-
Nationale Borg Re	100%	62,258,114	62,258,114	-
Ironshore Inc.	100%	2,262,817,768	2,262,817,768	-
Total SSAP No. 97 8b(iv) Entities		7,307,844,943	7,306,223,218	1,621,725
<b>e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)</b>		21,491,021,705	21,362,259,239	128,762,466
<b>f. Aggregate Total (a+e)</b>		\$21,491,021,705	\$21,362,259,239	\$128,762,466

## NOTES TO FINANCIAL STATEMENTS

### 2. NAIC Filing Response Information

SCA Entity	Type of NAIC Filing	Date of Filing to NAIC	2018 NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code
<b>a. SSAP No. 97 8a Entities</b>						
N/A						
Total SSAP No. 97 8a Entities			\$0			
<b>b. SSAP No. 97 8b(ii) Entities</b>						
Liberty Insurance Holdings, Inc. (filed for unaudited non-P&C only)	S2	12/28/2019	-	Yes	No	N/A
Ohio Casualty Corporation (filed for unaudited non-P&C only)	S2	12/28/2019	-	Yes	No	N/A
Berkeley Management Corporation	S2	12/28/2019	6,915,158	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			6,915,158			
<b>c. SSAP No. 97 8b(iii)</b>						
St. James/Arlington Real Estate Limited Partnership	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Energy Holdings, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Metals & Mining Holdings, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Investment Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Opportunistic Investments LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Structured Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Latam LLC	N/A	N/A	N/A	N/A	N/A	N/A
Georgia Tax Credit Fund LM L.P.	N/A	N/A	N/A	N/A	N/A	N/A
RBC State Credit Fund	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Personal Insurance Ventures, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Raymond James LM MA LP LIHTC S	N/A	N/A	N/A	N/A	N/A	N/A
Berkeley/Columbus III LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Mutual Equity LLC	N/A	N/A	N/A	N/A	N/A	N/A
LMAT Holdings LLC	N/A	N/A	N/A	N/A	N/A	N/A
Solaria Labs, LLC	N/A	N/A	N/A	N/A	N/A	N/A
Liberty Real Estate Holding LLC	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(iii) Entities			-			
<b>d. SSAP No. 97 8b(iv)</b>						
Liberty Re Bermuda Limited	S2	12/28/2019	341,840,563	Yes	No	N/A
Liberty Sponsored Insurance Vermont	S2	12/28/2019	4,906,771	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
Liberty International Holdings Inc.	S2	12/28/2019	4,397,198,892	Yes	No	N/A
Nationale Borg Re	N/A	N/A	N/A	N/A	N/A	N/A
Ironshore Inc.	S2	12/28/2019	2,308,505,291	Yes	No	N/A
Total SSAP No. 97 8b(iv) Entities			7,052,451,517			
<b>e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)</b>			7,059,366,675			
<b>f. Aggregate Total (a+e)</b>			7,059,366,675			

### 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.



## NOTES TO FINANCIAL STATEMENTS

### O. SCA Loss Tracking

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

### Note 11 - Debt

#### A. Debt (Including Capital Notes)

The Company maintains two \$250,000,000 committed repurchase agreements for general corporate purposes (See Note 5E). There were no outstanding borrowings as of December 31, 2019.

#### B. FHLB (Federal Home Loan Bank) Agreements

1. The Company is a member of the Federal Home Loan Bank (FHLB) of Boston. Through its membership, the Company has conducted business activity (borrowings) with the FHLB. On March 23, 2012, the Company borrowed \$127,000,000 under the agreement with a maturity date of March 23, 2032. On April 2, 2012, the Company borrowed \$23,000,000 under the agreement with a maturity date of April 2, 2032. The borrowings are fully collateralized. Interest on the March 23, 2012 borrowing accrues at an annual rate of 4.24%. Interest on the April 2, 2012 borrowing accrues at an annual rate of 4.25%. For December year-to-date, the Company has incurred and paid interest expense of \$6,450,665. It is part of the Company's strategy to utilize these funds as backup liquidity. The Company has determined the actual maximum borrowing capacity as \$2,000,000,000 per Board of Directors consent.

#### 2. FHLB Capital Stock

##### a. Aggregate Totals

##### 1. Current year

	(1) Total 2+3	(2) General Account	(3) Protected Cell Accounts
Membership Stock – Class A	\$0	\$0	\$0
Membership Stock – Class B	8,382,400	8,382,400	-
Activity Stock	6,000,000	6,000,000	-
Excess Stock	-	-	-
Aggregate Total	14,382,400	14,382,400	-
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	\$0	\$0	\$0
Membership Stock – Class B	11,597,173	11,597,173	-
Activity Stock	6,000,027	6,000,027	-
Excess Stock	-	-	-
Aggregate Total	17,597,200	17,597,200	-
Actual Borrowing Capacity as Determined by the Insurer	\$2,000,000,000	XXX	XXX

##### b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption

	1 Current Year Total (2+3+4+5+6)	2 Not Eligible for Redemption	Eligible for Redemption			
			3 Less Than 6 Months	4 6 Months to Less Than 1 Year	5 1 to Less Than 1 Year	6 3 to 5 Years
Membership Stock	-	-	-	-	-	-

## NOTES TO FINANCIAL STATEMENTS

Class A	-	-	-	-	-	-
Class B	8,382,400	8,382,400	-	-	-	-

### 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	\$163,849,088	\$161,667,217	\$150,000,000

##### 2. Current Year Total General Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$163,849,088	\$161,667,217	\$150,000,000

##### 3. Current Year Protected Cell Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$0	\$0	\$0

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

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$165,158,270	\$165,758,218	\$150,000,000

#### b. Maximum Amount Pledged During Reporting Period

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

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$163,896,393	\$160,160,589	\$150,000,000

##### 2. Current Year Total General Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$163,896,393	\$160,160,589	\$675,000,000

##### 3. Current Year Protected Cell Accounts

	Fair Value	Carrying Value	Aggregate Total Borrowing
Total Collateral Pledged	\$0	\$0	\$0

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

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

## NOTES TO FINANCIAL STATEMENTS

### 4. Borrowing from FHLB

#### a. Amount as of the Reporting Date

##### 1. Current Year

	(1)	(2)	(3)	(4)
	Total 2+3	General Account	Protected Cell Accounts	Funding Agreements Reserves Established
Debt	\$150,000,000	\$150,000,000	\$0	XXX
Funding Agreements	-	-	-	-
Other	-	-	-	XXX
Aggregate Total	\$150,000,000	\$150,000,000	\$0	\$0

##### 2. Prior Year-end

	(1)	(2)	(3)	(4)
	Total 2+3	General Account	Protected Cell Accounts	Funding Agreements Reserves Established
Debt	\$150,000,000	\$150,000,000	\$0	XXX
Funding Agreements	-	-	-	-
Other	-	-	-	XXX
Aggregate Total	\$150,000,000	\$150,000,000	\$0	\$0

#### b. Maximum Amount During Reporting Period (Current Year)

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

#### 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 \$150,000,000 revolving line of credit with Employers Insurance Company of Wausau (“EICOW”), a \$140,000,000 revolving line of credit with Ohio Casualty Insurance Company (“OCIC”), a \$100,000,000 revolving line of credit with Safeco Insurance Company of America (“SICOA”), and a \$650,000,000 revolving line of credit with Peerless Insurance Company (“PIC”) (see Note 10F). On March 4, 2019, the company borrowed \$20,000,000 under the EICOW agreement, \$50,000,000 under the OCIC agreement, \$30,000,000 under the SICOA agreement and \$80,000,000 under the PIC agreement at an annual interest rate of 2.560% and a maturity date of May 4, 2019. On March 20, 2019, the company repaid \$8,500,000 on the outstanding OCIC borrowing. On March 21, 2019, the company repaid \$1,500,000 on the outstanding OCIC borrowing and \$1,650,000 on the outstanding SICOA borrowing. On April 9, 2019, the company borrowed \$30,000,000 under the FIRE agreement and \$15,000,000 under the PIC agreement at an annual interest rate of 2.559% that were repaid on May 31, 2019. On June 6, 2019, the company repaid \$15,000,000 on the OCIC borrowing, 20,000,000 on the PIC borrowing, \$10,000,000 on the SICOA borrowing and \$5,000,000 on the EICOW borrowing. On June 28, 2019, all outstanding borrowings were repaid. For December year-to-date 2019, the Company has incurred and paid interest expense of \$4,742,482.

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Defined Benefit Plan

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

The Company continues to sponsor non-contributory defined benefit pension and contributory defined contribution savings plans covering substantially all Canadian employees and certain U.S. employees. Also, the Company continues to provide certain health care and life insurance postretirement benefits for Canadian and certain U.S. employees. The pension and postretirement benefits and eligibility are based on age, years of service and the employee's compensation as more fully defined in the plan documents. In 2018, the Company announced a Canada pension plan freeze effective December 31, 2019. The impact is reflected as a curtailment in the Change in Benefit Obligation table below. As of December 31, the Company accrued pension and postretirement cost in accordance with actuarially determined amounts.

A summary of assets, obligations, and assumptions of the Company sponsored Pension Plans and Postretirement Benefit Plans are as follows as of December 31, 2019 and December 31, 2018.

#### 1. Change in Benefit Obligation

##### a. Pension benefits

	<u>Overfunded</u>		<u>Underfunded</u>	
	2019	2018	2019	2018
1. Benefit obligation at beginning of year	\$0	\$0	\$ 181,613,176	\$206,005,104
2. Service cost	-	-	1,974,088	2,940,285
3. Interest cost	-	-	7,114,437	7,100,637
4. Contribution by plan participants	-	-	-	-
5. Actuarial gain (loss)	-	-	21,716,972	(10,201,975)
6. Foreign currency exchange rate changes	-	-	3,909,081	(6,635,265)
7. Benefits paid	-	-	(9,594,040)	(10,487,161)
8. Plan amendments	-	-	112,234	189,443
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	(7,297,892)
10. Benefit obligation at end of year	<u>\$0</u>	<u>\$0</u>	<u>\$206,845,948</u>	<u>\$181,613,176</u>

##### b. Postretirement Benefits

	<u>Overfunded</u>		<u>Underfunded</u>	
	2019	2018	2019	2018
1. Benefit obligation at beginning of year	\$0	\$0	\$ 226,508,670	\$240,841,129
2. Service cost	-	-	2,205,567	2,865,903
3. Interest cost	-	-	10,209,418	9,478,339
4. Contribution by plan participants	-	-	-	-
5. Actuarial gain (loss)	-	-	73,581,874	(23,660,493)
6. Foreign currency exchange rate changes	-	-	463,449	(657,446)
7. Benefits paid	-	-	(166,893)	(2,078,055)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	(280,707)
10. Benefit obligation at end of year	<u>\$0</u>	<u>\$0</u>	<u>\$312,802,085</u>	<u>\$226,508,670</u>

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

	<u>Overfunded</u>		<u>Underfunded</u>	
	2019	2018	2019	2018
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>

## NOTES TO FINANCIAL STATEMENTS

### 2. Change in plan assets

	Pension Benefits		Postretirement Benefits		Special or Contractual benefits per SSAP No. 11	
	2019	2018	2019	2018	2019	2018
	a. Fair value of plan assets at beginning of year	\$ 60,751,726	\$67,445,966	\$0	\$0	N/A
b. Actual return on plan assets	4,292,204	(2,507,725)	-	-	N/A	N/A
c. Foreign currency exchange rate changes	3,310,382	(5,512,163)	-	-	N/A	N/A
d. Reporting entity contribution	1,968,628	3,978,941	-	-	N/A	N/A
e. Plan participants' contributions	-	-	-	-	N/A	N/A
f. Benefits paid	(3,022,398)	(2,653,293)	-	-	N/A	N/A
g. Business combinations, divestitures and settlements	-	-	-	-	N/A	N/A
h. Fair value of plan assets at end of year	\$ 67,300,542	\$60,751,726	\$0	\$0	N/A	N/A

### 3. Funded Status

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
a. Components				
1. Prepaid benefit costs	\$ 14,704,062	\$14,329,700	\$ -	\$0
2. Overfunded plan assets	(14,704,062)	(14,329,700)	-	-
3. Accrued benefit costs	84,604,987	82,347,966	159,634,302	136,869,070
4. Liability for pension benefits	54,940,419	38,513,485	154,552,094	85,868,172
b. Assets and liabilities recognized				
1. Assets (nonadmitted)	-	-	-	-
3. Liabilities recognized	139,545,406	120,861,451	314,186,395	222,737,242
c. Unrecognized Liabilities	-	-	(1,384,311)	3,771,427

### 4. The net benefit costs for the years ended December 31, 2019 and 2018 include the following components:

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11*	
	2019	2018	2019	2018	2019	2018
	a. Service cost	\$ 1,974,088	\$2,940,285	\$ 2,205,567	\$2,865,903	N/A
b. Interest cost	7,114,437	7,100,637	10,209,418	9,478,339	N/A	N/A
c. Expected return on plan assets	(2,493,683)	(2,636,894)	-	-	N/A	N/A
d. Transition asset or obligation	493,884	678,320	5,936,041	5,936,041	N/A	N/A
e. Gains and losses	4,093,043	5,502,746	1,290,889	2,113,988	N/A	N/A
f. Prior service cost or credit	(237,621)	(173,597)	2,945,450	3,402,954	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	\$10,944,148	\$13,411,497	\$22,587,365	\$23,797,225	N/A	N/A

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

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
a. Items not yet recognized as a component of net periodic cost – prior year	\$ 52,843,186	\$73,052,799	\$ 89,639,598	\$125,173,639
b. Net transition asset or obligation recognized	(493,884)	(678,320)	(5,936,041)	(5,936,041)
c. Net prior service cost or credit arising during the period	112,234	189,443	-	-
d. Net prior service cost or credit recognized	237,621	173,597	(2,945,450)	(3,402,954)
e. Net gain and loss arising during the period	21,038,368	(14,391,587)	73,700,564	(24,081,058)
f. Net gain and loss recognized	(4,093,043)	(5,502,746)	(1,290,889)	(2,113,988)
g. Items not yet recognized as a component of net periodic cost – current year	69,644,482	52,843,186	153,167,782	89,639,598

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

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
a. Net transition asset or obligation	\$ 493,883	\$987,767	\$ 77,168,523	\$83,104,564
b. Net prior service cost or credit	\$ (1,147,484)	(1,499,954)	\$ 272,219	3,196,640
c. Net recognized gains and losses	\$ 70,298,083	53,355,373	\$ 75,727,040	3,338,394

## NOTES TO FINANCIAL STATEMENTS

7. Weighted-average assumptions used to determine net periodic benefit cost as of December 31, 2019:

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
a. Weighted-average discount rate	4.38%	4.00%	4.85%	4.36%
b. Interest cost effective interest rate	4.06%	3.71%	4.57%	4.07%
c. Service cost discount rate	4.40%	3.76%	4.88%	4.47%
d. Expected return on plan assets	4.00%	4.00%	N/A	N/A
e. Rate of compensation increase	3.77%	3.74%	N/A	N/A
f. Interest crediting rates (for cash balance plans and other plans with promised interest crediting rates)	3.25%	3.25%	N/A	N/A

- Weighted-average assumptions used to determine projected benefit obligations as of December 31, 2019:

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
g. Weighted-average discount rate	3.30%	4.39%	3.62%	4.86%
h. Rate of compensation increase	4.61%	3.77%	N/A	N/A
i. Interest crediting rates (for cash balance plans and other plans with promised interest crediting rates)	2.50%	3.25%	N/A	N/A

8. The amount of the accumulated benefit obligation for the defined benefit pension plans was \$204,234,415 for the current year and \$179,654,283 for the prior year.
9. Not applicable.

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

	Year(s)	Amount
a.	2020	\$ 16,431,040
b.	2021	\$ 17,352,100
c.	2022	\$ 18,144,188
d.	2023	\$ 19,079,103
e.	2024	\$ 20,005,632
f.	2025 to 2029	\$ 114,219,678

11. The Company currently intends to make a contribution of \$292,886 to the defined benefit pension plan in 2020 as required by regulation.
- 12.-16. Not applicable.

17. See items 1-9.

18. 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, 2019 was \$3,771,427. During 2019, \$3,771,427 was recognized resulting in an end of year transition liability of \$0.

### 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,

## NOTES TO FINANCIAL STATEMENTS

- 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:

	2019	2018	Target Allocation
Debt Securities	55%	57%	55%-80%
Equity Securities	41%	35%	20%-45%
Other	4%	8%	0%-10%
Total	100%	100%	

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

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

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

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

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

### C. Fair Value of Plan Assets

All of the Plan's assets' fair value measurements are based on quoted prices in active markets for identical assets and deemed Level 1 or 2. Fair value measurements of the Plans' assets as of December 31, 2019 and 2018 are as follows:

#### 1. Fair Value Measurements of Plan Assets at December 31, 2019

Description for each class of plan assets	(Level 1)	(Level 2)	(Level 3)	Total
Cash, Cash Equivalents and Short-term Investments	234,375	2,430,444	\$0	2,664,819
Fixed Maturities				
Corporate and Other	-	10,962,960	-	10,962,960
Foreign Government Securities	-	26,375,166	-	26,375,166
Equities				
Global Equities	10,129,248	-	-	10,129,248
Canadian Equities	17,168,349	-	-	17,168,349
<b>Total Plan Assets</b>	<b>\$27,531,972</b>	<b>\$39,768,570</b>	<b>\$0</b>	<b>\$67,300,542</b>

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

Description for each class of plan assets	(Level 1)	(Level 2)	(Level 3)	Total
Cash, Cash Equivalents and Short-term Investments	\$407,150	\$4,537,904	\$0	\$4,945,054
Fixed Maturities				
Corporate and Other	-	9,636,128	-	9,636,128
Foreign Government Securities	-	24,789,601	-	24,789,601
Equities				
Global Equities	7,235,151	-	-	7,235,151
Canadian Equities	14,145,793	-	-	14,145,793
<b>Total Plan Assets</b>	<b>\$21,788,093</b>	<b>\$38,963,633</b>	<b>\$0</b>	<b>\$60,751,726</b>

## NOTES TO FINANCIAL STATEMENTS

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

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

E. Defined Contribution Plans

The Company continues to sponsor various contributory defined contribution savings plans for Canadian and certain U.S. employees. The Company's expense charged to operations amounted to approximately \$406,554 and \$494,092 in 2019 and 2018, 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 \$99,613,071 and \$45,160,7250 for 2019 and 2018, respectively. The Company's cost allocation for the contributory defined contribution savings plans was \$125,817,317 and \$119,150,638 for 2019 and 2018, respectively. The Company's cost allocation for the other postretirement benefit plans was \$23,266,637 and \$15,558,769 for 2019 and 2018, respectively.

H. Postemployment benefits and Compensated Absences

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

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

Not applicable.

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

1. The Company has 100,000 shares authorized, issued and outstanding as of December 31, 2019. 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, 2019. All shares have a stated par value of \$0.01.

2. On December 31, 2008, the Company issued 7,468 preferred shares, at an issuance price of \$647,660,000, to its parent, LMGI. Dividends, based on the issuance price, are cumulative and payable on a quarterly basis.
3. There are no dividend restrictions.
4. The Company paid dividends to its parent in 2019 of:

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

5. The maximum amount of dividends which can be paid by Massachusetts-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2020 is \$1,597,156,057.

6. As of December 31, 2019, the Company has pre-tax restricted surplus of \$32,768,443 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.



## NOTES TO FINANCIAL STATEMENTS

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 2019.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is (\$5,913,194,699) after applicable deferred taxes of \$4,528,929.

11. Surplus Notes

Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Interest And/Or Principal Paid Current Year	Unapproved Interest And/Or Principal	Date of Maturity
5/18/1995	8.50%	\$140,000,000	\$139,948,602	\$11,900,000	\$0.00	5/15/2025
10/21/1996	7.88%	227,085,000	226,998,536	17,882,944	\$0.00	10/15/2026
10/15/1997	7.70%	260,233,000	256,809,093	20,030,134	\$0.00	10/15/2097
	Total	\$627,318,000	\$623,756,231	\$49,813,078	\$0.00	

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

1	2	3	4	5
<b>Nature and circumstances of guarantee and key attributes, including date and duration of the agreement</b>	<b>Liability recognition of the guarantee</b>	<b>Ultimate financial statement impact if action under the guarantee is required</b>	<b>Maximum potential amount of future payments (undiscounted)</b>	<b>Current status of payment or performance risk of the guarantee</b>
The Company guarantees full and punctual payment of all obligations of Liberty Citystate Holdings Pte. Ltd. to Citigroup Inc., its subsidiaries and affiliates. The Company's maximum liability with respect to face amounts of any Letters of Credit will	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 19,500,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.

## NOTES TO FINANCIAL STATEMENTS

not exceed INR 1,050,000,000 plus reasonable fees and expenses.				
The Company guarantees any undisputed obligations of Liberty Specialty Markets Hong Kong Limited (f/k/a 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	We do not believe it is possible to determine the maximum potential amount that could become due under this guarantee in the future.	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 \$19,812,682. This guarantee was executed on March 13, 2007. The lease expires in June 2031.	No liability at inception of the guarantee	Increase in investment in SCA	\$ 19,812,682	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees the full and punctual payment when due of any undisputed obligations of Liberty Specialty Markets Singapore Pte. Limited (f/k/a Liberty International Underwriters Pte Limited) to an obligee arising out of or in connection with any policy of insurance, contract of reinsurance or Surety Bond issued to the obligee by Liberty International Underwriters Pte Limited. The liability of the Company shall not be limited to any specific sum other than as set forth as an Obligation under the obligee's contract.	Wholly-owned indirect subsidiary Guarantee is considered unlimited	Increase in investment in SCA	We do not believe it is possible to determine the maximum potential amount that could become due under this guarantee in the future.	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees full and punctual payment of all obligations of Liberty Specialty Markets Hong Kong Limited (f/k/a Liberty International Underwriters Limited) to Citigroup Inc., its subsidiaries and affiliates. The Company's maximum liability with respect to face amounts of any Letters of Credit will not exceed HKD 158,860,000 plus reasonable fees and expenses.	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 20,388,100	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations of Liberty Mutual Insurance Europe SE ("LMIE") on policies and contracts issued until such time as LMIE can achieve a Standard & Poor's rating as specified in the guarantee. This guarantee was executed April 13, 2006 and shall continue until terminated. A Restated Guarantee was executed on August 29, 2018 to reflect the change in corporate entity of LMIE to a Societas Europaea. All terms of the guarantee remain unchanged.	Wholly-owned indirect subsidiary; Guarantee is considered unlimited	Increase in investment in SCA	We do not believe it is possible to determine the maximum potential amount that could become due under this guarantee in the future.	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees that, if America First Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.823, the Company shall pay America First Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$5,000,000. As of December 31, 2019, \$4,776,749 in "qualifying Louisiana investment" was held. This guarantee shall remain effective until the Company no longer holds "qualifying Louisiana investments".	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 4,776,749	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees that, if Liberty Personal Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.823, the Company shall pay Liberty Personal Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$7,000,000. As of December 31, 2019, \$7,698,850 in "qualifying Louisiana investment" was held. This guarantee shall remain effective until the	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 7,000,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.

## NOTES TO FINANCIAL STATEMENTS

Company no longer holds "qualifying Louisiana investments".				
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, 2019, \$8,733,705 in "qualifying Louisiana investment" was held. This guarantee shall remain effective until the Company no longer owns or controls Safeco Insurance Company of Oregon.	Wholly-owned indirect subsidiary	Increase in investment in SCA	\$ 8,733,705	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees obligations of San Diego Insurance Company ("SDIC") under a reinsurance agreement with Golden Eagle Insurance Company (in liquidation) and the California Insurance Commissioner, providing reinsurance of \$190,000,000 in excess of SDIC's existing obligations under an August 21, 1997 agreement, and further guarantees obligations of SDIC under an Aggregate Excess of Loss Reinsurance Agreement dated as of November 30, 2006. These agreements shall continue until there are no longer outstanding liabilities under the reinsurance agreements.	Wholly-owned subsidiary	Increase in investment in SCA	\$ 25,946,323	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company unconditionally guarantees that in order for Liberty Surplus Insurance Corporation (LSI) to operate as an insurance company in the state of Maine, LSI will maintain capital and surplus levels each in the amount of \$500,000. This guarantee was executed on October 14, 1998 and shall continue until terminated.	Wholly-owned subsidiary	Increase in investment in SCA	\$ 1,000,000	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees to cover any overdraft of funds, not exceeding \$500,000,000, in the custodial accounts of any Liberty Mutual Group company with JPMorgan Chase Bank. This guarantee was executed on February 19, 2003 and shall continue until terminated.	No liability at inception of the guarantee	Dividend to Stockholder	We do not believe it is possible to determine the maximum potential amount that could become due under this guarantee in the future.	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
The Company guarantees undisputed obligations of Liberty Specialty Markets Bermuda Limited (f/k/a Ironshore Insurance Ltd.) to an obligee arising from or in connection with any policy of insurance, contract of reinsurance or surety bond. The guarantee was executed on May 2, 2017.	Guarantee is considered unlimited	Increase in investment in SCA	We do not believe it is possible to determine the maximum potential amount that could become due under this guarantee in the future.	Guaranteed affiliate is in compliance with the terms of guaranteed contract.
		Total:	\$ 107,157,559	* 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.) | \$107,157,559 |
| b. Current Liability Recognized in F/S:  |               |
| 1. Noncontingent Liabilities   | \$0           |
| 2. Contingent Liabilities  | \$0           |

## NOTES TO FINANCIAL STATEMENTS

Ultimate Financial Statement Impact if action under the	
c. guarantee is required	
1. Investments in SCA	\$107,157,559
2. Joint Venture	\$0
3. Dividends to Stockholders (capital contribution)	\$0
4. Expense	\$0
5. Other	\$0
6. Total (Should equal (3a.))	\$107,157,559

### 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 was subject to a New York Fair Plan assessment of \$758,419. The Company was also subject to a North Carolina Fair Plan assessment of \$671,600 and, in conjunction with that assessment, recorded a \$1,199,150 reduction in equity and deposits in pools and associations. In addition, The Company underwent a review of equity and deposits in pools and associations balances for the State of Massachusetts Fair Plan, which resulted in a \$3,506,248 write off. The Company also accrued for a Texas Windstorm assessment of \$4,464,572 that is expected to be settled in 2020.

The Company has accrued a liability for guaranty funds and other assessments of \$43,303,974 that is offset by future premium tax credits of \$1,322,094. Current guaranty fund assessments and assessments based on losses paid are expected to be paid out in the next two years, while premium tax offsets are realized over the period determined by each individual state once the guaranty fund assessment has been paid. The Company continues to remit payments relating to prior year insolvencies.

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$1,594,272
b. Decreases current year:	
Premium tax offset applied	\$1,594,272
c. Increases current year:	
Premium tax offset applied	\$1,322,094
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$1,322,094

### C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related to ECO and bad faith losses paid during the reporting period	\$2,638,223

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

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

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

(f) Per Claim [X]

(g) Per Claimant [ ]

## NOTES TO FINANCIAL STATEMENTS

### 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

1. Company's minimum lease obligations, including sales-leaseback transactions, under these agreements are as follows:

Year Ending December 31	Operating Leases
2020	\$ 50,555,543
2021	45,236,243
2022	32,798,349
2023	25,366,358
2024	24,606,612
2025 & thereafter	139,438,494
Total	\$ 318,001,598

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 \$31,579,094.

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

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

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

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

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

	Assets		Liabilities	
	2019	2018	2019	2018
a. Swaps	\$ 4,590,000	14,905,000	\$ 2,790,000	-
b. Futures	\$ 3,552,000	1,904,000	\$ 11,160,000	1,727,000

## NOTES TO FINANCIAL STATEMENTS

c. Options	\$ -	600,000	\$ 1,080,000	-
d. Total	\$ 8,142,000	\$ 17,409,000	\$ 15,030,000	\$ 1,727,000

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

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

2. The credit risk, market risk, cash requirements, and accounting policies of the Company's derivative instruments utilized during 2019 and 2018 are discussed in Note 8.
3. The Company is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure is represented by the fair value of contracts with a positive statement value at the reporting date. Because exchange-traded futures are affected through a regulated exchange and positions are marked to market on a daily basis, the Company has little exposure to credit-related losses in the event of nonperformance by counterparties to such financial instruments. The Company has not incurred any losses on derivative financial instruments due to counterparty non-performance.
4. The Company is required to put up collateral for any futures contracts that are entered. The Company pledges or obtains collateral when certain predetermined exposure limits are exceeded. The amount of collateral that is required is determined by the exchange on which it is traded and is typically in the form of cash. The Company currently puts up cash and U.S. Treasury Bonds to satisfy this collateral requirement.

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

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

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

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

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

At December 31, 2019 the total fair value of securities on loan was \$453,976,521, with corresponding collateral value of \$486,800,349 of which \$327,328,003 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

## NOTES TO FINANCIAL STATEMENTS

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

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

### Note 20 - Fair Value Measurements

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

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

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

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

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

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

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2019:

Description for each class of asset or liability	Net Asset Value				
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
<b>a. Assets at fair value</b>					
<i>Bonds</i>					
U.S. Government & Agency Securities	\$0	\$0	\$0	\$0	\$0
U.S. MBS/ABS of Gov. & Corp. Agencies	-	62,744,983	-	-	62,744,983
U.S. State and Municipal Corporate and Other	21,924	168,709,146	10,581,979	-	179,313,049
Foreign Government Securities	-	2,761,875	-	-	2,761,875
<i>Total Bonds</i>	21,924	239,439,383	10,581,979	-	250,043,286
<i>Preferred Stocks</i>					
Industrial and Miscellaneous (Unaffiliated)	-	510,000	4,430,000	-	4,940,000
<i>Total Preferred Stocks</i>	-	510,000	4,430,000	-	4,940,000
<i>Common Stocks</i>					
Industrial and Miscellaneous	458,361,997	17,463,866	14,383,130	-	490,208,993
<i>Total Common Stocks</i>	458,361,997	17,463,866	14,383,130	-	490,208,993
Derivative Assets	1,110,478	1,217,428	-	-	2,327,906
<b>Total assets at fair value</b>	<b>\$459,494,399</b>	<b>\$258,630,677</b>	<b>\$29,395,109</b>	<b>\$0</b>	<b>\$747,520,185</b>
<b>b. Liabilities at fair value</b>					
Derivative Liabilities	\$0	\$0	\$534,149	\$0	\$534,149

## NOTES TO FINANCIAL STATEMENTS

<b>Total liabilities at fair value</b>	\$0	\$0	\$534,149	\$0	\$534,149
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The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2019.

### 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 12/31/2018	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus
U.S. Government & Agency Securities	\$0	\$0	\$0	\$0	\$0
U.S. MBS/ABS of Gov. & Corp. Agencies	-	-	(14,851,841)	-	(101)
U.S. State and Municipal	-	-	-	-	-
Corporate and Other	4,954,200	1,772,245	(9,843,986)	320,263	(21,162)
Foreign Government Securities	-	-	-	-	-
<b>Total Bonds</b>	<b>5,097,024</b>	<b>1,772,245</b>	<b>(24,695,827)</b>	<b>320,263</b>	<b>(21,263)</b>
Preferred Stock	10,501,625	1,800,000	(1,800,000)	855,080	-
Common Stock	17,599,328	-	(2,286,874)	-	(9,395)
<b>Total</b>	<b>33,055,153</b>	<b>3,572,245</b>	<b>(28,782,701)</b>	<b>1,175,343</b>	<b>(30,658)</b>
Net Derivatives	965,933	-	-	-	(1,500,082)
<b>Total</b>	<b>965,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,500,082)</b>

	Purchases	Issuances	Sales	Settlements	Balance as of 12/31/2019
U.S. Government & Agency Securities	\$0		\$0	\$0	\$0
U.S. MBS/ABS of Gov. & Corp. Agencies	14,851,841		-	101	-
U.S. State and Municipal	-		-	-	-
Corporate and Other	37,529,679		(24,136,301)	7,040	10,581,979
Foreign Government Securities	-		-	-	-
<b>Total Bonds</b>	<b>52,381,520</b>		<b>(24,136,301)</b>	<b>7,141</b>	<b>10,581,979</b>
Preferred Stock	18,858,982		(25,785,688)	-	4,430,000
Common Stock	2,787,571		(3,707,500)	-	14,383,130
<b>Total</b>	<b>74,028,073</b>	<b>-</b>	<b>(53,629,489)</b>	<b>7,141</b>	<b>29,395,107</b>
Net Derivatives	-	-	-	-	(534,149)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(534,149)</b>

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

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

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

#### Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service



## NOTES TO FINANCIAL STATEMENTS

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.

### Common and Preferred Stocks

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

### Other Invested Assets

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

### Derivatives

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

## NOTES TO FINANCIAL STATEMENTS

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)
Cash, Cash Equivalents and Short Term	\$778,843,722	\$778,754,989	-\$5,775,943	\$9,815,869	\$396,152
Bonds	\$15,887,053,682	\$15,426,417,402	\$2,138,903,378	\$13,524,678,998	\$223,471,306
Preferred Stock	4,940,000	4,940,000	-	510,000	4,430,000
Common Stock	490,208,993	490,208,994	458,361,997	17,463,866	14,383,130
Securities Lending	327,360,042	327,328,003	-	327,360,042	-
Mortgage Loans	645,876,610	630,008,606	-	-	645,876,610
Surplus Notes	61,638,774	68,288,283	-	3,081,374	58,557,400
Derivative Assets	2,327,906	2,374,466	1,110,478	1,217,428	947,114,598
Total Assets	\$18,198,249,729	\$17,728,320,743	\$2,592,599,910	\$13,884,127,576	\$1,894,229,196
Derivative Liabilities	534,149	580,710	-	-	-
Total Liabilities	\$534,149	\$580,710	\$0	\$0	\$0

Type of Financial Instrument	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Cash, Cash Equivalents and Short Term	\$774,407,645	\$0
Bonds	-	-
Preferred Stock	-	-
Common Stock	-	-
Securities Lending	-	-
Mortgage Loans	-	-
Surplus Notes	-	-
Derivative Assets	-	-
Total Assets	\$774,407,645	-
Derivative Liabilities	-	-
Total Liabilities	\$0	-

D. Reasons Not Practical to Estimate Fair Value

Not applicable.

E. Instruments Measured at Net Asset Value (NAV)

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

**Note 21 - Other Items**

A. Unusual or Infrequent Items

On May 1, 2018 the Company, with regulatory approval, sold its 90% ownership interest in Liberty Life Assurance Company to Lincoln Financial Group, resulting in a total realized gain of \$302,579,097. The Company recognized an additional realized loss of \$46,428,300 through June 30, 2019.

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 \$4,229,619 in 2019 and \$8,680,681 in 2018.
- b. The Company received payments from the Special Disability Trust Fund of \$432,416 in 2019 and \$357,783 in 2018.

## NOTES TO FINANCIAL STATEMENTS

c. The amount the Company was assessed by the Special Disability Trust Fund was \$2,186 in 2019 and \$0 in 2018.

### 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

Description of State Transferable and Non-transferable Tax Credits	State	Carrying Value	Unused Amount
Film Credit	PA	\$7,519,551	\$7,519,551
Film Credit	MA	\$1,182,997	\$1,182,997
<b>Total</b>		<b>\$8,702,548</b>	<b>\$8,702,548</b>

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	\$1,182,997	
b. Non-transferable	\$7,519,551.00	

### 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	\$365,559	\$376,570	\$374,610	\$78,429

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

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

Management of Risk Related To:	Number of Outstanding ILS Contracts		Aggregate Maximum Proceeds
1. Directly Written Insurance Risks			
a. ILS Contracts as Issuer			
b. ILS Contracts as Ceding Insurer	9		345,647,966
c. ILS Contracts as Counterparty			
2. Assumed Insurance Risks			
a. ILS Contracts as Issuer			

## NOTES TO FINANCIAL STATEMENTS

b. ILS Contracts as Ceding Insurer	4	123,306,138
c. ILS Contracts as Counterparty		

H. The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to Control the Policy

Not applicable

### Note 22 - Events Subsequent

The Company evaluated subsequent events through February 21, 2020, the date the annual statement was available to be issued.

There were no events subsequent to December 31, 2019 that would require disclosure.

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

### Note 23 – Reinsurance

#### A. Unsecured Reinsurance Recoverable

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

	NAIC No.	Federal ID No.	Reinsurer
National Workers' Compensation Reinsurance	00000	AA-9992118	\$ 1,232,078,000
Michigan Catastrophic Claims Assn (Mcca)	00000	AA-9991159	630,289,000
Swiss Reinsurance America Corp	25364	13-1675535	523,789,000
Total			\$ 2,386,156,000

#### 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, 2019.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	\$15,396,401,000	\$185,318,247	\$8,130,426,000	\$205,243	\$7,265,975,000	\$185,113,004
All Other	544,008,635	130,705,854	1,226,617,153	448,678,050	(682,608,519)	(317,972,196)
Total	\$15,940,409,635	\$316,024,101	\$9,357,043,153	\$448,883,293	\$6,583,366,481	(\$132,859,192)

Directed  
Unearned  
Premium  
Reserve: \$1,423,780,000

- 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, 2019 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$16,697,406	\$456,739,456	\$236,718,432	\$236,718,430
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-

## NOTES TO FINANCIAL STATEMENTS

d. TOTAL	\$16,697,406	\$456,739,456	\$236,718,432	\$236,718,430
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3. The Company does not use protected cells as an alternative to traditional reinsurance.

### D. Uncollectible Reinsurance

During the current year, the Company wrote off reinsurance balances of \$12,071,227 This amount is shown below by Income Statement classification and by reinsurer.

a. Losses incurred		\$7,647,173
b. Loss adjustment expenses incurred		4,424,054
c. Premiums earned		-
d. Other		-
TOTAL		\$12,071,227

e.	<u>Company</u>	<u>Amount</u>
	Lloyd's Underwriters	\$17,951,111
	General Reinsurance	\$5,006,813
	Unionamerica Insurance Co. Ltd	\$447,030
	Munich Reinsurance America Inc	\$146,996
	Royal London Gen Ins Co Ltd	\$143,392
	Alba Allgemeine Vers. Ges. Ag	\$111,794
	All Other	\$335,318
	Peerless Insurance Company, 24198	(\$4,828,491)
	Employers Insurance Company of Wausau, 21458	(\$1,931,396)
	Liberty Mutual Fire Insurance Company, 23035	(\$1,931,396)
	The Ohio Casualty Insurance Company, 24074	(\$1,931,396)
	Safeco Insurance Company of America, 24740	(\$1,448,547)
	TOTAL	\$12,071,227

### 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 \$761,988. This amount is shown below by Income Statement classification and by reinsurer.

a. Losses incurred		\$693,941
b. Loss adjustment expenses incurred		138,956
c. Premiums earned		-
d. Other		(70,909)
TOTAL		\$761,988

e.	<u>Company</u>	<u>Amount</u>
	Arlington Ins Co	\$(829,534)
	Stuart Insurance Group Limited	\$(151,089)
	Ethanol Risk Management Spc, L	\$ 236,901
	Sears Re Co Ltd	\$ 134,705
	Sage Insurance Group, Ltd.	\$225,376
	Liberty Seguros S.A.	\$ 57,974
	Industries Ins Inc	\$ (1,182,345)
	All Other	\$ (15,965)
	Peerless Insurance Company, 24198	\$ 304,795
	Employers Insurance Company of Wausau, 21458	\$ 121,918
	Liberty Mutual Fire Insurance Company, 23035	\$ 121,918
	The Ohio Casualty Insurance Company, 24074	\$ 121,918
	Safeco Insurance Company of America, 24740	\$ 91,439
	TOTAL	\$ (761,988)

### F. Retroactive Reinsurance

	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
(1) Initial Reserves	\$315,037,496	\$1,914,736,120
(2) Adjustments - Prior Year(s)	(514,526,881)	(259,176,656)
(3) Adjustments - Current Year	1,035,700	9,963,824
(4) Current Total	(\$198,453,685)	\$1,665,523,288
b. Consideration Paid or Received:		

## NOTES TO FINANCIAL STATEMENTS

(1) Initial Consideration	\$349,047,271	\$1,914,013,072
(2) Adjustments - Prior Year(s)	14,829,212	42,765,075
(3) Adjustments - Current Year	-	-
(4) Current Total	<u>\$363,876,483</u>	<u>\$1,956,778,148</u>
c. Paid Losses Reimbursed or Recovered:		
(1) Prior Year(s)	\$608,571,345	\$395,696,374
(2) Current Year	29,279,179	23,181,250
(3) Current Total	<u>\$637,850,524</u>	<u>\$418,877,625</u>
d. Discount Unwind on Reserves:		
(1) Prior Year(s)	\$0	\$32,018,467
(2) Current Year	-	7,296,054
(3) Current Total	<u>\$0</u>	<u>\$39,314,520</u>
e. Special Surplus from Retroactive Reinsurance		
(1) Initial Surplus Gain or Loss	\$48,468,665	(\$3,034,175)
(2) Adjustments - Prior Year(s)	(79,215,253)	(61,736,176)
(3) Adjustments - Current Year	(30,314,878)	(25,849,021)
(4) Current Year Restricted Surplus	251,909	(32,516,759)
(5) Cumulative Total Transferred to Unassigned Funds	<u>(\$60,809,557)</u>	<u>(\$123,136,131)</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>
Lloyd's Syndicate, AA-1120098	\$36,187,454	\$ -
Great American Insurance Company, 16691	22,847,485	-
Wetereau Insurance Co LTD., AA-3191047	151,114	-
Employers Insurance Company of Wausau, 21458	(250,004)	-
Ironshore Indemnity Inc., 23647	(63,682,578)	-
Ironshore Specialty Insurance Co., 25445	(193,707,155)	-
National Indemnity Co, 20087	-	3,468,830,451
Federal Insurance Company, 20281	-	44,214,100
Munich Reinsurance America Inc., 10227	-	10,089,178
Swiss Reinsurance America Corporation, 25364	-	2,037,989
Westport Insurance Corporation, 39845	-	1,753,182
American National Insurance Company, 60739	-	714,228
Everest Reinsurance Co., 22-2005057	-	1,081,060
Legion Insurance Co., 23-1892289	-	326,391
Reliastar Life Insurance Company, 67105	-	272,803
Nokatus Insurance Co Limited, AA-0000000	-	76,830
American United Life Insurance Company, 60895	-	54,253
Continental Casualty Co, 20443	-	54,561
Other	-	(4,776)
Peerless Insurance Company, 24198	-	(745,590,777)
Employers Insurance Company of Wausau, 21458	-	(298,236,316)
Liberty Mutual Fire Insurance Company, 23035	-	(298,236,316)
The Ohio Casualty Insurance Company, 24074	-	(298,236,316)
Safeco Insurance Company of America, 24740	-	(223,677,237)
Total	<u>(\$198,453,685)</u>	<u>\$1,665,523,288</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:

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.

The following are material retroactive reinsurance agreements that the company has entered into recently:

On November 5, 2019, LMIC entered into a reinsurance transaction with National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc, on a combined aggregate excess of loss agreement for certain GRM U.S. Business Lines and GRS National Insurance workers compensation liabilities, commercial auto liability and general liability excluding umbrella and warranty related to post December 31, 2018 development on: (1) workers compensation liabilities arising under policies on the books of the Company's Global Retail Markets U.S. Business Lines and Global Risks Solutions National Insurance strategic business units as of December 31, 2018 as respects injuries or accidents occurring after December 31, 2013 and prior to January 1, 2019; (2) commercial auto liabilities arising under policies on the books of the Company's Global Retail Markets U.S. Business Lines and Global Risks Solutions National Insurance strategic business units as of December 31, 2018 as respects injuries or accidents occurring prior to January 1, 2019; and (3) general liability excluding umbrella and warranty arising under policies on the books of the Company's Global Retail Markets U.S. Business Lines and Global Risks Solutions National Insurance strategic business units as of December 31, 2018 as respects injuries or accidents occurring prior to January 1, 2019. This contract is accounted for on a retroactive basis

## NOTES TO FINANCIAL STATEMENTS

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

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

### G. Reinsurance Accounted for as a Deposit

At December 31, 2019, the deposit receivable balance for reinsurance contracts accounted for under the deposit method was \$4,013,075.

At December 31, 2019, the deposit liability balance for reinsurance contracts accounted for under the deposit method was \$23,798,484.

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

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

### I. Certified Reinsurers Downgraded or Status Subject to Revocation.

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

The Company does not transact business with Certified Reinsurers.

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

The Company is not a Certified Reinsurer.

### J. Asbestos and Pollution Counterparty Reporting Exception

The Counterparty reporting party does not apply to the Company.

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

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

a.	Total accrued retro premium	\$ 164,907,663
b.	Unsecured amount	\$ -
c.	Less: Nonadmitted amount (10%)	\$ 16,490,766
d.	Less: Nonadmitted for any person whom agents' balances or uncollected premiums are nonadmitted	\$ -
e.	Admitted amount (a) - (c) - (d)	\$ 148,416,897

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

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

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

Incurred loss and loss adjustment expense attributable to insured events on prior years increased through the fourth quarter of 2019. The increase was driven by reserve adjustments on Other Liability lines, Commercial Auto, and Reinsurance- Nonproportional Assumed Property lines. These increases were partially offset by decreases in reserve estimates for Workers’ Compensation, Special Property, and Homeowner lines. Prior estimates are revised as additional information becomes known regarding individual claims.

## NOTES TO FINANCIAL STATEMENTS

### Note 26 - Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Companies	Line of Business
Lead:	Liberty Mutual Insurance Company ("LMIC")	23043	50.00%	All Lines
Affiliated	Peerless Insurance Company ("PIC")	24198	20.00%	All Lines
Pool:	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.00%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.00%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.00%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.00%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company ("ASIC")	19704	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.00%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.00%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.00%	All Lines
	General Insurance Company of America ("GICA")	24732	0.00%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.00%	All Lines
	Ironshore Indemnity Inc. ("III")	23647	0.00%	All Lines
	Ironshore Specialty Insurance Company ("ISIC")	25445	0.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.00%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines



## NOTES TO FINANCIAL STATEMENTS

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

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

- a. Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- b. After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- c. The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- d. There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- e. There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- f. The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- g. Amounts due (to)/from affiliated entities participating in the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement as of December 31, 2019:

## NOTES TO FINANCIAL STATEMENTS

<u>Affiliate</u>	<u>Amount</u>
Peerless Insurance Company	\$ (4,386,031)
Employers Insurance Company of Wausau	\$ (1,754,412)
Liberty Mutual Fire Insurance Company	\$ (1,754,412)
The Ohio Casualty Insurance Company	\$ (1,754,412)
Safeco Insurance Company of America	\$ (1,315,809)
Wausau General Insurance Company	\$ 968,225
Wausau Underwriters Insurance Company	\$ 6,177,266
Wausau Business Insurance Company	\$ (2,390,721)
Ironshore Specialty Insurance Company	\$ 15,627,578
Ironshore Indemnity Inc.	\$ 1,547,805

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

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves 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 as of December 31, 2019 is as follows:

<u>Loss Reserves Eliminated by Annuities</u>	<u>Unrecorded Loss Contingencies</u>
\$ 497,365,389	\$ 497,365,389

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

<u>Life Insurance Company and Location</u>	<u>Licensed in Company's State of Domicile Yes/No</u>	<u>Statement Value (i.e., Present Value) of Annuities</u>
Prudential Insurance Company New Jersey	Yes	\$ 249,616,679

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

Not applicable.

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

Not applicable.

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

- |   |            |
|---|------------|
| 1. Liability carried for premium deficiency reserves              | \$ -       |
| 2. Date of the most recent evaluation of this liability           | 12/31/2019 |
| 3. Was anticipated investment income utilized in the calculation? | No         |

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

As of December 31, 2019, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$2,887,980,708 and the amount billed and recoverable on paid claims was \$91,087,275. There are no unsecured high dollar deductible recoverables from professional employer organizations included in these amounts.

## NOTES TO FINANCIAL STATEMENTS

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

For Workers' Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2019 liabilities include \$6,400,080,598 of such discounted reserves. The Company recognized \$18,397,998 of interest accretion in the Statement of Income for the current year related to tabular discount on Workers' Compensation. The December 31, 2019 liabilities subject to discount were carried at a value representing a discount of \$117,220,063 net of all reinsurance.

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

Schedule P Lines of Business	Tabular discount Included in Schedule P, Part 1 *	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	196,355,821	102,855,202
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	\$ 196,355,821	\$ 102,855,202

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

B. Non-tabular Discount

Not applicable.

### Note 33 - Asbestos/Environmental Reserves

A. Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

## NOTES TO FINANCIAL STATEMENTS

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

In 2019, 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 \$275,000,000 including: \$190,000,000 of asbestos reserves, and \$85,000,000 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, 2019, 2018, 2017, 2016, and 2015 before consideration of the NICO Reinsurance Transaction. Refer to Note 23f.

### Asbestos

1. Direct -		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
a.	Beginning reserves:	\$879,429,255	\$740,188,964	\$774,439,191	\$734,485,562	\$762,752,297
b.	Incurred losses and LAE	41,421,717	163,905,946	88,670,837	154,569,999	126,989,490
c.	Calendar year payments	180,662,008	129,655,719	128,624,467	126,303,263	106,982,073
d.	Ending reserves	<u>\$740,188,964</u>	<u>\$774,439,191</u>	<u>\$734,485,561</u>	<u>\$762,752,297</u>	<u>\$782,759,714</u>
2. Assumed Reinsurance -		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
a.	Beginning reserves*:	\$286,626,082	\$276,572,986	\$255,949,495	\$265,307,679	\$248,127,345
b.	Incurred losses and LAE	5,868,205	(2,476,924)	25,333,329	(2,322,094)	(7,440,615)
c.	Calendar year payments	15,921,301	18,744,881	15,975,145	14,858,241	12,821,332
d.	Ending reserves	<u>\$276,572,986</u>	<u>\$255,351,181</u>	<u>\$265,307,679</u>	<u>\$248,127,345</u>	<u>\$227,865,398</u>

\*Includes Ironshore acquisition in 2017

## NOTES TO FINANCIAL STATEMENTS

3.	Net of Ceded Reinsurance -					
		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
a.	Beginning reserves:	\$459,023,905	\$340,799,247	\$336,003,375	\$337,545,527	\$389,750,105
b.	Incurred losses and LAE	3,065,964	31,144,307	42,936,041	100,387,034	125,104,774
c.	Calendar year payments	121,290,622	35,940,179	41,393,889	48,182,457	92,519,261
d.	Ending reserves	<u>\$340,799,247</u>	<u>\$336,003,375</u>	<u>\$337,545,527</u>	<u>\$389,750,105</u>	<u>\$422,335,618</u>
4.	Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
a.	Direct Basis			\$537,925,189		
b.	Assumed Reinsurance Basis			\$162,128,757		
c.	Net of Ceded Reinsurance Basis			\$285,983,714		
5.	Ending Reserves for LAE included above (Case, Bulk & IBNR)					
a.	Direct Basis			\$473,667,080		
b.	Assumed Reinsurance Basis			\$6,869,701		
c.	Net of Ceded Reinsurance Basis			\$213,978,786		

### Environmental

1.	Direct -					
		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
a.	Beginning reserves:	\$210,301,637	\$181,183,686	\$186,350,297	\$193,197,317	\$207,212,296
b.	Incurred losses and LAE	14,740,307	40,124,443	32,160,670	54,601,495	55,959,780
c.	Calendar year payments	43,858,258	34,957,832	25,313,650	40,586,516	41,619,731
d.	Ending reserves	<u>\$181,183,686</u>	<u>\$186,350,297</u>	<u>\$193,197,317</u>	<u>\$207,212,296</u>	<u>\$221,552,346</u>
2.	Assumed Reinsurance -					
		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
a.	Beginning reserves*:	\$30,215,301	\$21,895,685	\$20,855,856	\$25,430,924	\$22,492,071
b.	Incurred losses and LAE	(4,904,000)	(82,374)	6,067,609	(410,591)	1,727,335
c.	Calendar year payments	3,415,616	2,035,761	1,492,540	2,528,263	2,893,913
d.	Ending reserves	<u>\$21,895,685</u>	<u>\$19,777,550</u>	<u>\$25,430,925</u>	<u>\$22,492,071</u>	<u>\$21,325,493</u>
	*Includes Ironshore acquisition in 2017					
3.	Net of Ceded Reinsurance -					
		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
a.	Beginning reserves:	\$149,437,068	\$131,057,498	\$128,018,132	\$137,576,256	\$141,249,209
b.	Incurred losses and LAE	159,049	24,552,997	25,488,255	24,984,025	43,060,036
c.	Calendar year payments	18,538,619	27,592,363	15,930,131	21,311,072	30,392,611
d.	Ending reserves	<u>\$131,057,498</u>	<u>\$128,018,132</u>	<u>\$137,576,256</u>	<u>\$141,249,209</u>	<u>\$153,916,634</u>

B.	Ending Reserves for Bulk + IBNR included above (Loss & LAE)				
a.	Direct Basis			\$137,635,990	
b.	Assumed Reinsurance Basis			\$10,446,158	
c.	Net of Ceded Reinsurance Basis			\$85,356,981	
C.	Ending Reserves for LAE included above (Case, Bulk & IBNR)				
a.	Direct Basis			\$105,313,790	
b.	Assumed Reinsurance Basis			\$2,290,140	
c.	Net of Ceded Reinsurance Basis			\$68,122,895	

### Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 35 - Multiple Peril Crop Insurance**

Not applicable.

### **Note 36 - Financial Guaranty Insurance Contracts**

Not applicable.

# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? Massachusetts
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes  No
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2018
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/20/2015
- 3.4 By what department or departments?  
Massachusetts Division of Insurance  
 .....  
 .....  
 .....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- If yes, complete and file the merger history data file with the NAIC.

## GENERAL INTERROGATORIES

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

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

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

6.2 If yes, give full information:

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

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

7.2 If yes,

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

1 Nationality	2 Type of Entity

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

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

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

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

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

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

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

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

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

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

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



## GENERAL INTERROGATORIES

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

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

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

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

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

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

12.11 Name of real estate holding company	Various
12.12 Number of parcels involved	15
12.13 Total book/adjusted carrying value	\$ 1,070,726,044

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

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

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

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

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

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

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

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

## GENERAL INTERROGATORIES

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

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

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

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

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

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

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

## BOARD OF DIRECTORS

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

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

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

## FINANCIAL

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

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

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

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

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

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

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

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

## GENERAL INTERROGATORIES

- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 22.2 If answer is yes:
- |  |    |  |
|--|----|--|
| 22.21 Amount paid as losses or risk adjustment | \$ |  |
| 22.22 Amount paid as expenses                  | \$ |  |
| 22.23 Other amounts paid                       | \$ |  |
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 1,269,562

## 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)  
 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
- 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. \$ 486,800,349
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ \_\_\_\_\_
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [ ] N/A [ ]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [X] No [ ] N/A [ ]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- |  |    |             |
|--|----|-------------|
| 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2                   | \$ | 327,328,003 |
| 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | \$ | 327,328,003 |
| 24.103 Total payable for securities lending reported on the liability page                                       | \$ | 327,328,003 |
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes [X] No [ ]

## GENERAL INTERROGATORIES

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

	25.21 Subject to repurchase agreements	\$ _____
	25.22 Subject to reverse repurchase agreements	\$ _____
	25.23 Subject to dollar repurchase agreements	\$ _____
	25.24 Subject to reverse dollar repurchase agreements	\$ _____
	25.25 Placed under option agreements	\$ _____
	25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$ _____
	25.27 FHLB Capital Stock	\$ 14,382,400
	25.28 On deposit with states	\$ 1,235,873,391
	25.29 On deposit with other regulatory bodies	\$ 1,251,389,397
	25.30 Pledged as collateral - excluding collateral pledged to an FHLB	\$ 924,211,609
	25.31 Pledged as collateral to FHLB - including assets backing funding agreements	\$ 161,246,614
	25.32 Other	\$ _____

25.3 For category (25.26) provide the following:

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

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

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

**LINES 26.3 through 26.5 : FOR LIFE/FRATERNAL REPORTING ENTITIES ONLY:**

26.3 Does the reporting entity utilize derivatives to hedge variable annuity guarantees subject to fluctuations as a result of interest rate sensitivity? Yes  No

26.4 If the response to 26.3 is YES, does the reporting entity utilize:

	26.41 Special accounting provision of SSAP No. 108	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
	26.42 Permitted accounting practice	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
	26.43 Other accounting guidance	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

26.5 By responding YES to 26.41 regarding utilizing the special accounting provisions of SSAP No. 108, the reporting entity attests to the following: Yes  No

- The reporting entity has obtained explicit approval from the domiciliary state.
- Hedging strategy subject to the special accounting provisions is consistent with the requirements of VM-21.
- Actuarial certification has been obtained which indicates that the hedging strategy is incorporated within the establishment of VM-21 reserves and provides the impact of the hedging strategy within the Actuarial Guideline Conditional Tail Expectation Amount.
- Financial Officer Certification has been obtained which indicates that the hedging strategy meets the definition of a Clearly Defined Hedging Strategy within VM-21 and that the Clearly Defined Hedging Strategy is the hedging strategy being used by the company in its actual day-to-day risk mitigation efforts.

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

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

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

## GENERAL INTERROGATORIES

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

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

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

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

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
Napier Park Global Capital	U

28.0597 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 invested assets? Yes [ ] No [X]

28.0598 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 invested 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	N/A	N/A	DS
N/A	Liberty Mutual Invest	N/A	N/A	DS
N/A	StanCorp	N/A	N/A	DS
N/A	Prudential Mortgage	N/A	N/A	DS
N/A	Napier Park Global C	N/A	SEC	DS

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

## GENERAL INTERROGATORIES

29.2 If yes, complete the following schedule:

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

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

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

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	15,444,503,527	15,897,270,685	452,767,158
30.2 Preferred stocks	4,940,000	4,940,000	
30.3 Totals	15,449,443,527	15,902,210,685	452,767,158

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

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

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

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

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

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

32.2 If no, list exceptions:  
 .....  
 .....  
 .....

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

34 By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:  
 a. The security was purchased prior to January 1, 2018.

## GENERAL INTERROGATORIES

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

35. By assigning FE to a Schedule BA non-registered private fund, the reporting entity is certifying the following elements of each self-designated FE fund:
- a. The shares were purchased prior to January 1, 2019.
  - b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
  - c. The security had a public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO prior to January 1, 2019.
  - d. The fund only or predominantly holds bonds in its portfolio.
  - e. The current reported NAIC Designation was derived from the public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO.
  - f. The public credit rating(s) with annual surveillance assigned by an NAIC CRP has not lapsed.

Has the reporting entity assigned FE to Schedule BA non-registered private funds that complied with the above criteria? Yes [ ] No [X]

## OTHER

36.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 31,276,048

36.2 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 .....	\$ 8,975,015
.....	\$ .....
.....	\$ .....

37.1 Amount of payments for legal expenses, if any? \$ 29,358,392

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

38.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 1,850,570

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

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





# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

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

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

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

All years prior to most current three years:

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

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

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

1.7 Group policies:

Most current three years:

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

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

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

All years prior to most current three years:

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

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

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

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 118,690,809		\$ 89,062,144	
2.2 Premium Denominator	\$ 15,957,232,885		\$ 15,538,384,730	
2.3 Premium Ratio (2.1 / 2.2)	0.01		0.01	
2.4 Reserve Numerator	\$ 98,279,469		\$ 85,646,707	
2.5 Reserve Denominator	\$ 29,991,404,811		\$ 28,231,964,799	
2.6 Reserve Ratio (2.4 / 2.5)	0.00		0.00	

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

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

3.21 Participating policies \$ 21,268,600

3.22 Non-participating policies \$ 2,301,801,371

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

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

.....

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:  
 The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property and worker's compensation exposures, we utilize RMS's RiskLink v17.0 and AIR's Touchstone v6.2 software. For workers' compensation, Liberty Mutual utilizes RiskLink v17.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
 The Company purchases a combination of quota share reinsurance, per risk excess of loss reinsurance, excess of loss per event catastrophe reinsurance and aggregate programs.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ ] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss  
 The Company purchases aggregate coverage to substantially replace nonreinstated catastrophe layers.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [X] No [ ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 24
- 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
- 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 37 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or, Yes [ ] No [X]  
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]  
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No [X]

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No
- 11.2 If yes, give full information  
 The Company guarantees policies issued by Liberty Mutual Insurance Europe SE., Liberty Specialty Markets Singapore Pte Limited, Liberty Specialty Markets Hong Kong Limited, and Liberty Specialty Markets Bermuda Limited.
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |  |    |            |
|---|--|----|------------|
| 12.11 Unpaid losses   |  | \$ | 38,907,538 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ | 24,736,755 |
- 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? \$ 4,272,410
- 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 |  |  | % |
| 12.42 To   |  |  | % |
- 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          |  | \$ | 1,555,461,528 |
| 12.62 Collateral and other funds |  | \$ | 399,658,927   |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 697,713,755
- 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. \_\_\_\_\_
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes  No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 Premiums and recoverables were allocated pursuant to allocation agreements, including the intercompany pooling agreement.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes  No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes  No
- 14.5 If the answer to 14.4 is no, please explain:  
 N/A
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No
- 15.2 If yes, give full information  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- 16.1 Does the reporting entity write any warranty business? Yes  No   
 If yes, disclose the following information for each of the following types of warranty coverage:
- |                  |    | 1                         | 2                       | 3                         | 4                          | 5                        |
|------------------|----|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
|                  |    | Direct Losses<br>Incurred | Direct Losses<br>Unpaid | Direct Written<br>Premium | Direct Premium<br>Unearned | Direct Premium<br>Earned |
| 16.11 Home       | \$ |                           |                         |                           |                            |                          |
| 16.12 Products   | \$ |                           |                         |                           |                            |                          |
| 16.13 Automobile | \$ |                           |                         |                           |                            |                          |
| 16.14 Other*     | \$ |                           | (68,103)                |                           |                            |                          |

\* Disclose type of coverage: GL

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that is exempt from the statutory provision for unauthorized reinsurance? Yes [ ] No [X]

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

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

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

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

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

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

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

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

**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2019	2018	2017	2016	2015
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	15,598,170,913	15,068,933,203	14,747,605,005	13,280,706,517	12,920,645,090
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	10,891,336,694	10,496,346,885	9,940,043,810	9,399,145,420	8,956,661,763
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	9,696,953,192	9,572,025,943	9,262,571,356	8,902,410,982	8,758,713,580
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,392,051,685	1,216,269,402	977,735,210	841,575,578	888,127,587
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	546,094,933	732,341,718	370,670,992	297,637,346	380,546,687
6. Total (Line 35)	38,124,607,417	37,085,917,151	35,298,626,373	32,721,475,843	31,904,694,707
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	6,969,983,933	7,003,727,496	6,771,964,286	6,060,240,866	5,793,488,617
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,815,247,863	3,706,989,928	2,595,426,875	2,489,435,508	2,355,401,772
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,512,809,102	4,363,874,378	4,265,393,673	4,151,321,519	4,050,660,565
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	657,528,655	577,352,965	465,061,209	400,396,352	427,018,992
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	178,620,188	263,539,831	177,259,739	148,038,421	189,517,886
12. Total (Line 35)	16,134,189,741	15,915,484,598	14,275,105,782	13,249,432,666	12,816,087,832
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(702,030,304)	(67,970,155)	(1,540,802,453)	(422,319,804)	28,931,752
14. Net investment gain (loss) (Line 11)	1,172,243,580	2,857,816,874	529,573,001	545,305,247	680,665,509
15. Total other income (Line 15)	58,612,243	(290,182,935)	11,610,122	11,219,731	(6,289,199)
16. Dividends to policyholders (Line 17)	6,265,862	8,220,582	6,796,773	8,884,883	9,677,688
17. Federal and foreign income taxes incurred (Line 19)	(75,843,008)	(402,204,243)	(97,994,788)	(278,991,553)	(279,390,338)
18. Net income (Line 20)	598,402,665	2,893,647,445	(908,421,315)	404,311,844	973,020,712
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	51,103,579,523	48,830,564,857	46,020,754,541	44,001,881,687	42,343,216,506
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	2,320,546,814	2,011,787,572	1,545,946,132	1,202,011,937	1,193,023,397
20.2 Deferred and not yet due (Line 15.2)	3,749,084,403	3,632,858,640	3,517,985,022	3,308,300,952	3,097,481,861
20.3 Accrued retrospective premiums (Line 15.3)	148,352,424	173,281,022	194,726,669	199,664,574	196,996,385
21. Total liabilities excluding protected cell business (Page 3, Line 26)	34,292,195,090	32,465,234,407	31,489,431,268	27,473,676,194	26,527,948,893
22. Losses (Page 3, Line 1)	17,882,077,092	16,732,409,112	16,391,595,471	14,282,969,304	13,988,339,788
23. Loss adjustment expenses (Page 3, Line 3)	3,650,776,695	3,432,800,188	3,267,135,983	2,950,907,996	2,928,798,889
24. Unearned premiums (Page 3, Line 9)	8,007,146,482	7,851,429,449	7,503,154,587	6,929,723,299	6,580,520,311
25. Capital paid up (Page 3, Lines 30 & 31)	10,000,075	10,000,000	10,000,000	10,000,000	10,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	16,811,384,434	16,365,330,449	14,531,323,273	16,528,205,493	15,815,267,613
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	2,613,286,167	2,877,673,035	1,020,240,458	603,518,517	1,352,176,567
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	16,811,384,434	16,365,330,449	14,665,993,622	16,632,057,566	15,908,372,744
29. Authorized control level risk-based capital	4,331,454,312	4,106,950,603	4,142,674,161	3,412,337,603	3,203,773,191
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	37.3	35.4	33.2	35.8	36.6
31. Stocks (Lines 2.1 & 2.2)	39.6	41.5	43.7	29.0	28.8
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	1.5	1.5	1.6	1.7	1.6
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.6	0.6	0.7	0.8	0.9
34. Cash, cash equivalents and short-term investments (Line 5)	1.9	1.2	1.0	3.1	2.2
35. Contract loans (Line 6)					
36. Derivatives (Line 7)	0.0	0.1	0.1	0.0	0.1
37. Other invested assets (Line 8)	18.4	17.9	19.1	29.1	29.3
38. Receivables for securities (Line 9)	0.0	0.2	0.1	0.1	0.0
39. Securities lending reinvested collateral assets (Line 10)	0.8	1.7	0.4	0.5	0.7
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	15,890,286,437	15,558,830,351	16,351,779,441	9,864,622,544	9,358,448,827
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)		14,827,800		14,827,800	59,659,217
46. Affiliated mortgage loans on real estate					
47. All other affiliated	6,279,037,795	5,908,127,122	6,232,346,407	9,545,403,006	9,371,684,718
48. Total of above Lines 42 to 47	22,169,324,232	21,481,785,273	22,584,125,848	19,424,853,350	18,789,792,762
49. Total investment in parent included in Lines 42 to 47 above					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	131.9	131.3	155.4	117.5	118.8

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2019	2018	2017	2016	2015
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	79,082,534	(1,035,176,416)	(764,286,013)	4,902,750	(1,281,553,202)
52. Dividends to stockholders (Line 35)	(64,766,000)	(64,766,000)	(69,727,700)	(67,859,641)	(64,766,000)
53. Change in surplus as regards policyholders for the year (Line 38)	446,053,983	1,834,007,176	(1,996,882,220)	712,937,880	(754,032,375)
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	8,873,757,820	9,019,556,497	7,368,934,353	7,902,459,177	7,597,206,999
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	6,371,586,557	5,944,677,632	5,607,553,716	5,323,465,115	4,872,825,467
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	5,135,845,586	5,202,090,301	4,784,932,081	4,215,094,493	4,207,612,042
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	327,600,861	185,310,149	130,143,004	19,146,887	245,666,397
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	269,152,416	197,113,802	116,198,760	79,212,006	115,298,786
59. Total (Line 35)	20,977,943,240	20,548,748,381	18,007,761,914	17,539,377,678	17,038,609,691
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	4,038,780,391	3,977,910,738	3,222,376,119	3,502,571,250	3,362,609,971
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,141,643,630	2,043,117,102	1,505,221,069	1,439,352,127	1,258,161,731
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,453,088,844	2,396,117,091	2,311,444,789	2,019,090,121	2,000,195,390
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	160,697,594	91,852,448	60,497,383	9,144,762	119,427,253
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	45,505,467	94,460,817	57,177,308	39,490,813	57,334,949
65. Total (Line 35)	8,839,715,926	8,603,458,196	7,156,716,668	7,009,649,073	6,797,729,294
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	62.5	57.8	66.0	56.6	55.6
68. Loss expenses incurred (Line 3)	12.6	12.2	13.5	13.2	12.7
69. Other underwriting expenses incurred (Line 4)	29.3	30.4	31.7	33.4	31.4
70. Net underwriting gain (loss) (Line 8)	(4.4)	(0.4)	(11.2)	(3.3)	0.2
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	28.7	31.0	30.4	32.5	30.6
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	75.1	70.0	79.5	69.8	68.4
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)	96.0	97.3	98.2	80.2	81.0
<b>One Year Loss Development (\$000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	433,065	(357,758)	440,185	105,091	(84,128)
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)	2.6	(2.5)	2.7	0.7	(0.5)
<b>Two Year Loss Development (\$000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	34,647	195,920	473,162	(43,462)	(97,120)
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)	0.2	1.2	3.0	(0.3)	(0.6)

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	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	X X X	X X X	X X X	355,533	115,813	127,118	15,075	22,917	2,331	4,295	372,349	X X X
2. 2010	12,825,558	2,492,977	10,332,581	7,319,738	1,335,089	574,008	75,703	1,006,808	6,156	422,247	7,483,606	X X X
3. 2011	13,557,901	2,986,968	10,570,933	8,201,290	1,667,703	614,430	105,804	1,018,340	7,219	527,045	8,053,334	X X X
4. 2012	14,643,997	3,235,193	11,408,804	8,362,413	1,778,503	631,738	114,999	1,053,046	6,483	608,420	8,147,212	X X X
5. 2013	15,460,975	3,482,868	11,978,107	7,896,237	1,750,167	577,659	96,059	1,046,111	9,094	483,963	7,664,687	X X X
6. 2014	15,856,257	3,509,225	12,347,032	7,994,151	1,747,833	551,816	76,601	1,026,413	11,593	398,749	7,736,353	X X X
7. 2015	16,376,932	3,801,904	12,575,028	8,251,978	1,867,338	526,226	65,135	1,022,230	12,159	533,205	7,855,802	X X X
8. 2016	16,800,258	3,812,618	12,987,640	8,264,174	1,853,670	429,307	54,720	1,045,478	21,486	314,383	7,809,083	X X X
9. 2017	17,606,919	3,813,437	13,793,482	8,889,287	2,076,822	323,311	41,167	1,019,323	6,820	311,197	8,107,112	X X X
10. 2018	18,398,094	2,859,697	15,538,397	7,494,569	1,229,098	186,805	14,199	974,521	804	374,828	7,411,794	X X X
11. 2019	19,011,131	3,033,524	15,977,607	5,494,193	1,132,604	71,113	6,190	745,828	441	289,929	5,171,899	X X X
12. Totals	X X X	X X X	X X X	78,523,563	16,554,640	4,613,531	665,652	9,981,015	84,586	4,268,261	75,813,231	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	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	2,828,205	1,040,664	2,083,990	801,665	172,404	103,689	733,814	282,796	58,915	128	15,712	3,648,386	X X X
2. 2010	176,712	38,412	291,881	18,290	7,141	1,531	32,786	2,877	12,440		2,836	459,850	X X X
3. 2011	188,262	34,091	323,009	17,213	7,407	1,487	59,810	2,967	11,070		4,780	533,800	X X X
4. 2012	253,904	55,996	477,870	45,045	13,695	3,351	88,631	5,588	14,451		8,222	738,571	X X X
5. 2013	276,337	70,967	512,562	71,644	20,349	7,230	92,004	9,027	41,222		9,965	783,606	X X X
6. 2014	366,204	96,796	374,525	73,728	16,744	3,905	103,188	10,888	31,160		11,325	706,504	X X X
7. 2015	511,603	96,174	470,817	112,746	28,743	3,588	132,943	12,842	41,899	13	37,135	960,642	X X X
8. 2016	768,821	119,743	503,985	166,334	45,323	6,439	181,140	19,881	87,808	40	31,655	1,274,640	X X X
9. 2017	1,284,682	140,009	1,031,723	293,234	62,742	10,809	315,644	29,183	136,988	5	140,046	2,358,539	X X X
10. 2018	1,611,723	236,560	1,935,883	251,147	43,082	5,057	439,869	33,952	190,580	7	190,656	3,694,414	X X X
11. 2019	2,043,285	255,732	4,064,219	461,918	37,145	3,561	577,707	30,671	403,503		286,583	6,373,977	X X X
12. Totals	10,309,738	2,185,144	12,070,464	2,312,964	454,775	150,647	2,757,536	440,672	1,030,036	193	738,915	21,532,929	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	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	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	3,069,866	578,520
2. 2010	9,421,514	1,478,058	7,943,456	73.459	59.289	76.878			50.000	411,891	47,959
3. 2011	10,423,618	1,836,484	8,587,134	76.882	61.483	81.233			50.000	459,967	73,833
4. 2012	10,895,748	2,009,965	8,885,783	74.404	62.128	77.885			50.000	630,733	107,838
5. 2013	10,462,481	2,014,188	8,448,293	67.670	57.831	70.531			50.000	646,288	137,318
6. 2014	10,464,201	2,021,344	8,442,857	65.994	57.601	68.380			50.000	570,205	136,299
7. 2015	10,986,439	2,169,995	8,816,444	67.085	57.077	70.111			50.000	773,500	187,142
8. 2016	11,326,036	2,242,313	9,083,723	67.416	58.813	69.941			50.000	986,729	287,911
9. 2017	13,063,700	2,598,049	10,465,651	74.196	68.129	75.874			50.000	1,883,162	475,377
10. 2018	12,877,032	1,770,824	11,106,208	69.991	61.923	71.476			50.000	3,059,899	634,515
11. 2019	13,436,993	1,891,117	11,545,876	70.680	62.341	72.263			50.000	5,389,854	984,123
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	17,882,094	3,650,835

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
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	One Year	Two Year
1. Prior	11,493,029	11,625,731	11,677,646	11,936,150	11,997,905	12,034,380	12,062,059	12,136,972	11,908,120	12,058,082	149,962	(78,890)
2. 2010	6,868,238	6,866,281	6,896,034	6,973,092	6,905,100	6,908,893	6,905,476	6,917,733	6,922,068	6,945,949	23,881	28,216
3. 2011	XXX	7,495,325	7,492,408	7,524,464	7,524,818	7,519,988	7,530,877	7,549,976	7,554,503	7,577,466	22,963	27,490
4. 2012	XXX	XXX	7,803,283	7,862,123	7,788,875	7,743,327	7,773,961	7,801,245	7,832,854	7,836,409	3,555	35,164
5. 2013	XXX	XXX	XXX	7,274,607	7,352,768	7,301,015	7,299,506	7,373,072	7,386,542	7,380,604	(5,938)	7,532
6. 2014	XXX	XXX	XXX	XXX	7,359,619	7,338,673	7,316,402	7,396,881	7,392,767	7,406,754	13,987	9,873
7. 2015	XXX	XXX	XXX	XXX	XXX	7,568,102	7,632,162	7,711,609	7,659,890	7,773,532	113,642	61,923
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	7,863,820	7,936,901	7,923,413	7,979,824	56,411	42,923
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,426,149	9,312,582	9,326,565	13,983	(99,584)
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,906,348	9,946,967	40,619	XXX
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,402,258	XXX	XXX
											12. Totals	
											433,065	34,647

**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
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
1. Prior	000	2,427,782	4,129,786	5,297,019	6,161,746	6,817,597	7,250,924	7,610,880	7,915,308	8,267,071	XXX	XXX
2. 2010	2,888,171	4,371,942	5,125,758	5,678,486	6,021,223	6,209,301	6,324,562	6,389,736	6,443,176	6,482,954	XXX	XXX
3. 2011	XXX	3,411,636	4,821,886	5,631,932	6,199,607	6,563,008	6,784,136	6,889,205	6,983,474	7,042,213	XXX	XXX
4. 2012	XXX	XXX	3,352,369	5,034,782	5,804,061	6,335,764	6,687,446	6,874,701	7,013,929	7,100,649	XXX	XXX
5. 2013	XXX	XXX	XXX	3,159,634	4,674,510	5,415,281	5,966,219	6,273,266	6,507,532	6,627,670	XXX	XXX
6. 2014	XXX	XXX	XXX	XXX	3,358,195	4,833,036	5,583,164	6,049,308	6,495,448	6,721,533	XXX	XXX
7. 2015	XXX	XXX	XXX	XXX	XXX	3,478,902	5,029,745	5,745,231	6,437,785	6,845,731	XXX	XXX
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	3,693,212	5,192,390	6,126,585	6,785,091	XXX	XXX
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,001,573	6,117,827	7,094,609	XXX	XXX
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,263,336	6,438,077	XXX	XXX
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,426,512	XXX	XXX

**SCHEDULE P – PART 4 – SUMMARY**

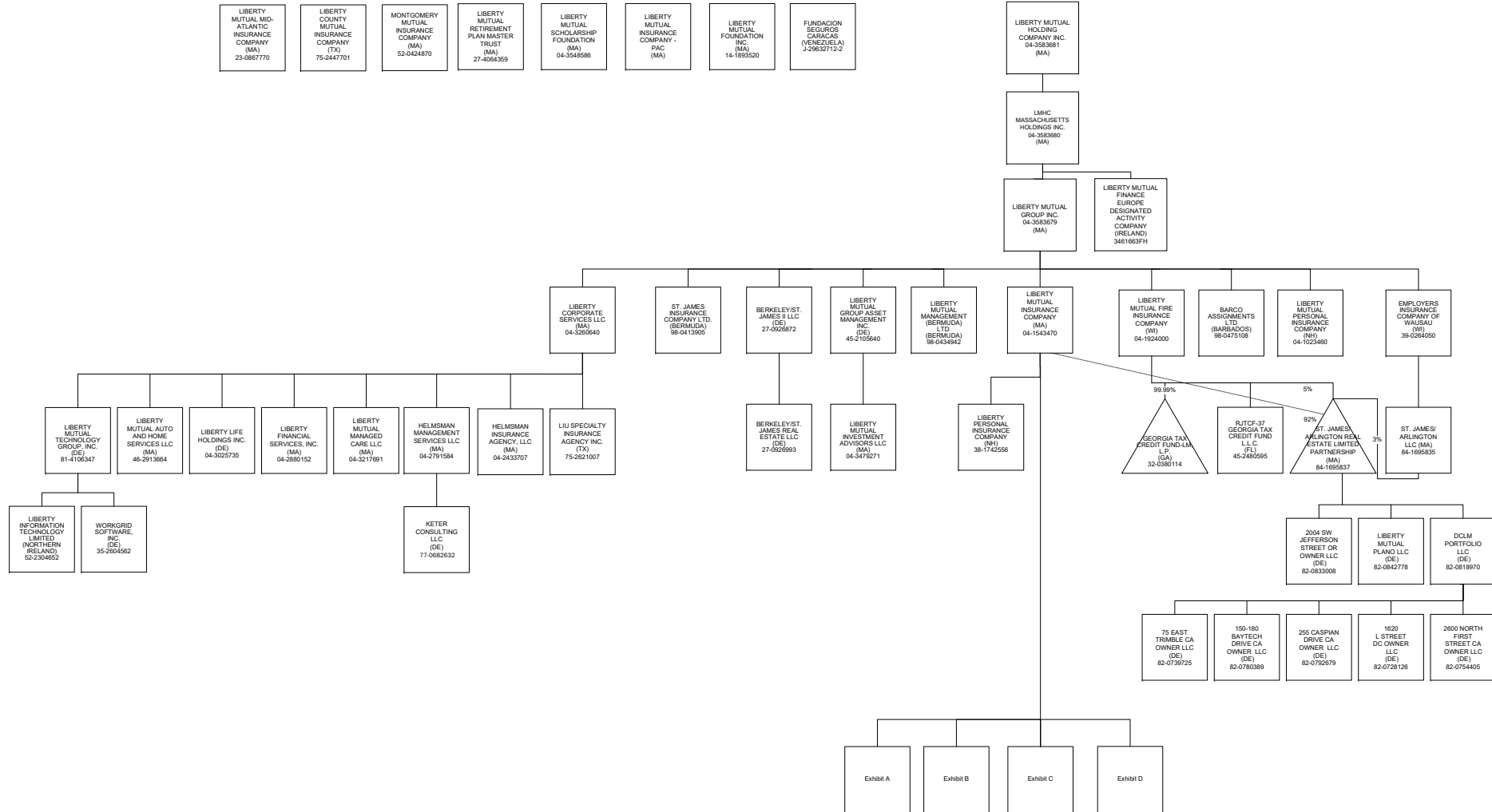
Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Prior	5,413,083	4,222,059	3,270,524	3,040,196	2,670,812	2,399,762	2,261,680	2,189,077	1,839,012	1,780,793
2. 2010	2,467,609	1,381,023	937,251	710,306	486,508	397,736	348,171	328,727	302,117	308,383
3. 2011	XXX	2,464,173	1,514,747	1,046,436	707,443	547,764	456,511	423,919	369,351	368,154
4. 2012	XXX	XXX	2,854,750	1,643,300	1,130,702	836,031	674,252	614,584	549,861	521,654
5. 2013	XXX	XXX	XXX	2,696,473	1,569,708	1,114,770	797,156	708,974	593,254	529,676
6. 2014	XXX	XXX	XXX	XXX	2,561,970	1,498,017	1,009,324	736,579	487,745	401,099
7. 2015	XXX	XXX	XXX	XXX	XXX	2,619,350	1,538,337	1,088,408	605,870	483,754
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	2,714,906	1,540,607	877,378	505,663
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,593,743	1,679,663	1,032,629
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,765,298	2,092,248
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,153,168





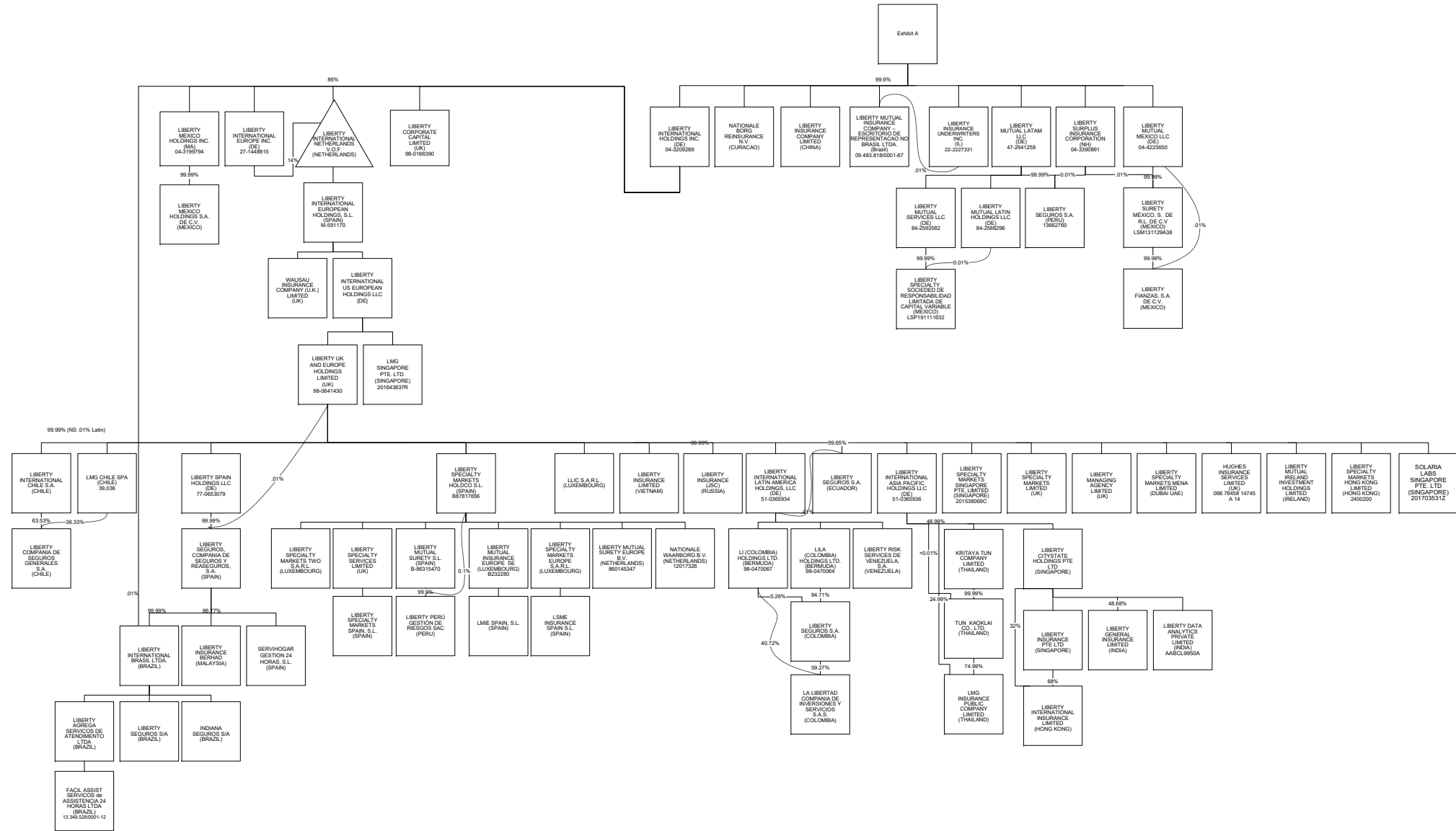
## SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 - ORGANIZATIONAL CHART



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

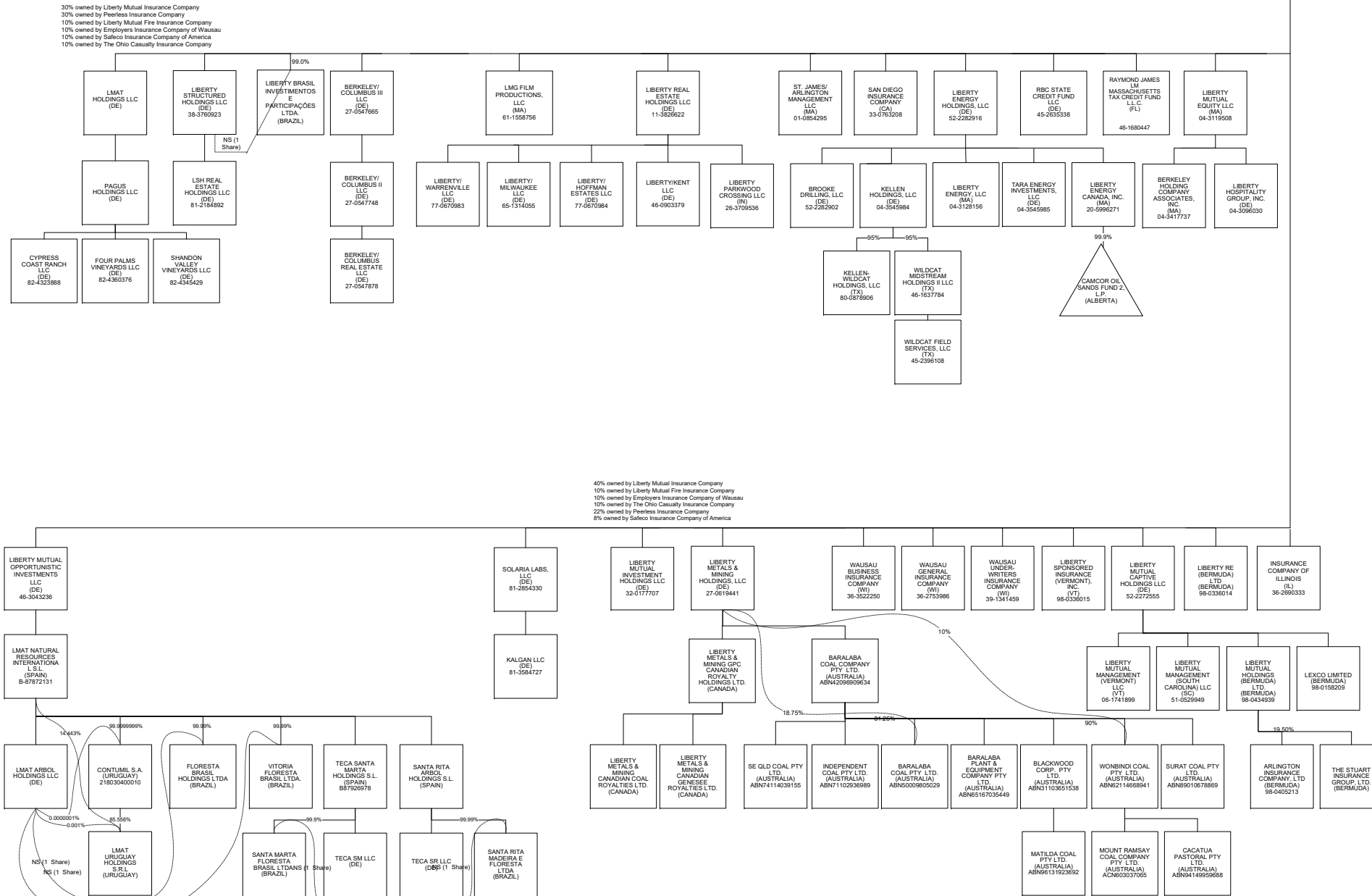
## PART 1 - ORGANIZATIONAL CHART



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

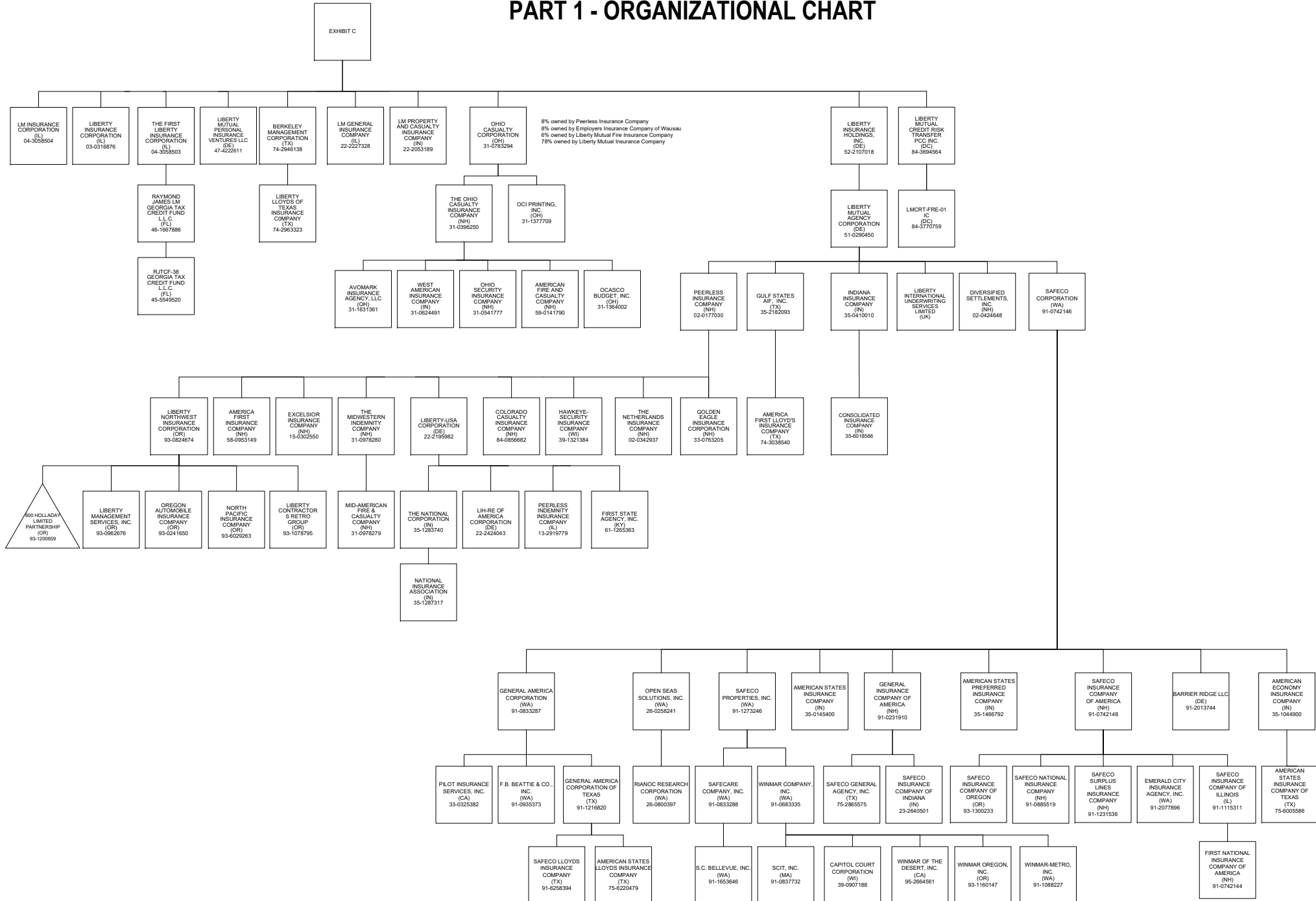
## PART 1 - ORGANIZATIONAL CHART

EXHIBIT B



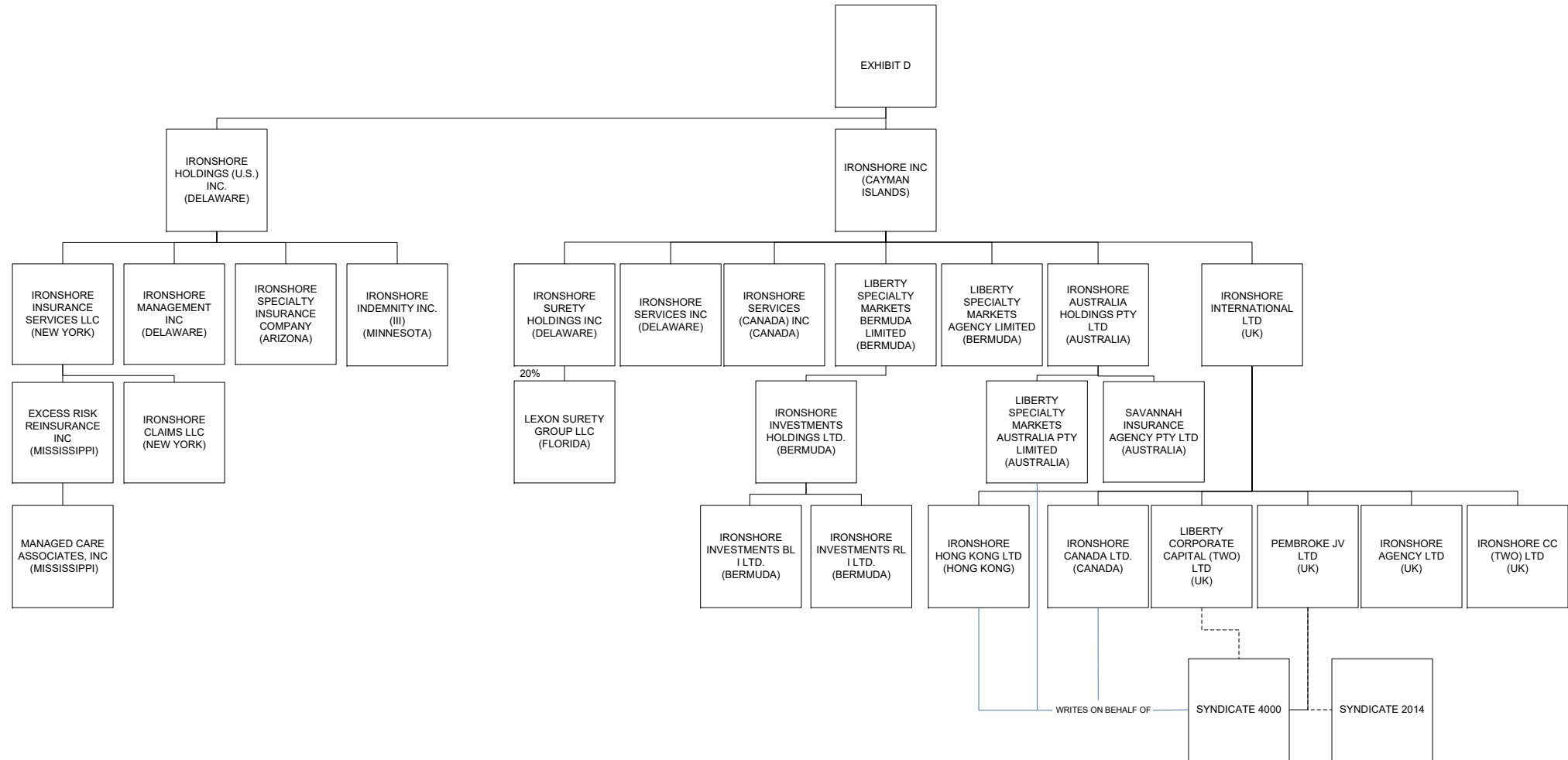
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



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**OVERFLOW PAGE FOR WRITE-INS**


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

	Current Year			Prior Year
	1	2	3	4
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. Amounts receivable under high deductible policies	91,046,812	28,312	91,018,500	86,815,344
2505. Goodwill	45,000,000	45,000,000		
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	136,046,812	45,028,312	91,018,500	86,815,344

**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1	2
	Current Year	Prior Year
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES</b>		
2504. Retroactive reinsurance reserves	(1,863,976,972)	(1,588,338,541)
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	(1,863,976,972)	(1,588,338,541)



## 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. BRA BRAZIL	X X X	1,705,540	1,665,855		295,041	1,174,603	1,383,293		
58005. MEX MEXICO	X X X	992,520	951,364			865,625	692,216		
58006. BMU BERMUDA	X X X	880,216	561,557			2,114,570	6,828,380		
58007. TUR TURKEY	X X X	861,246	445,808			727,240	3,386		
58008. ARG ARGENTINA	X X X	600,953	402,993		1,318	282,331	133,378		
58009. SGP SINGAPORE	X X X	509,798	372,616			216,375	369,052		
58010. JAM JAMAICA	X X X	470,000	473,918		443,536	449,635	513,421		
58011. PER PERU	X X X	463,631	338,722		460,000	682,627	247,527		
58012. IRL IRELAND	X X X	411,894	365,725			825,206	38,310		
58013. PAN PANAMA	X X X	342,353	326,745		12,926	280,166	287,708		
58014. CHL CHILE	X X X	307,632	300,641		8,101	132,638	187,883		
58015. TTO TRINIDAD AND TOBAGO	X X X	301,960	283,348			319,760	374,759		
58016. ISL ICELAND	X X X	202,289	193,427		235,156	33,001	114,425		
58017. VGB BRITISH VIRGIN ISLANDS	X X X	157,454	179,638			276,930	4,438,803		
58018. BHS BAHAMAS	X X X	99,812	120,075		2,673	162,615	6,848		
58019. GUY GUYANA	X X X	98,770	96,992			145,711			
58020. DOM DOMINICAN REPUBLIC	X X X	87,714	172,294			226,268	102,423		
58021. URY URUGUAY	X X X	68,548	43,731		771	(7,003)	15,934		
58022. ISR ISRAEL	X X X	40,050	51,178			695,154	483,997		
58023. TUV TURKS AND CAICOS	X X X	39,600	34,383			11,607	11,607		
58024. BES BONAIRE	X X X	35,774	38,429			(2,851)	29,455		
58025. FIN FINLAND	X X X	33,826	34,523			23,202	25,133		
58026. IDN INDONESIA	X X X	26,906	32,923			53,762			
58027. GBR UNITED KINGDOM	X X X	26,588	59,212			(31,297)	(52,682)		
58028. FRA FRANCE	X X X	12,739	62,936			46,647	33,600		
58029. HND HONDURAS	X X X	12,500	21,465			124,453	812,811		
58030. ECU ECUADOR	X X X	7,797	13,255		15,000	31,544	46,777		
58031. CYP CYPRUS	X X X	3,547	11,738			8,598	13,519		
58032. ANT NETHERLAND ANTILLES	X X X	3,311					56,633		
58033. CHN CHINA	X X X	2,500	1,093			273,599	2,087,840		
58034. GIN GUINEA	X X X	1,302	5,135			7,932	17,783		
58035. CYM CAYMAN ISLANDS	X X X	1,040	7,215			1,067,696	625,263		
58036. GTM GUATEMALA	X X X	939	886			(13,824)	(2,245)		
58037. GEO GEORGIA	X X X	685	4,414		837	3,086	22,600		
58038. PHL PHILIPPINES	X X X	491	431			319	139		
58039. PRT PORTUGAL	X X X	325	116			129	52		
58040. IOT INDIAN OCEAN	X X X					(55,866)	128,453		
58041. BOL BOLIVIA	X X X					(14,339)	(1,916)		
58042. CHE SWITZERLAND	X X X		29,753			15,806	18,709		
58043. PRY PARAGUAY	X X X					(5,496)	587		
58044. VEN VENEZUELA	X X X					(14,501)	1,113		
58045. ABW ARUBA	X X X		753			(6,241)	13,080		
58046. DEU GERMANY	X X X		14,959			8,209	22,498		
58047. ARE UNITED ARAB EMIRATES	X X X					17	17		
58048. BEL BELGIUM	X X X		8			(22)	201,740		
58049. BRB BARBADOS	X X X					6,388	3,255		
58050. GNQ EQUATORIAL GUINEA	X X X					(4,150)	(11,217)		
58051. GRD GRENADA	X X X					(3,521)	3,527		
58052. IND INDIA	X X X					42			
58053. JPN JAPAN	X X X					(1)	(5)		
58054. KOR SOUTH KOREA	X X X						51,967		
58055. LUX LUXEMBOURG	X X X					8,667	1,254		
58056. MYS MALAYSIA	X X X						24,228		
58057. NIC NICARAGUA	X X X		5,102			35,864	36,753		
58058. NLD NETHERLANDS	X X X		3,550			2,677	44		
58059. NZL NEW ZEALAND	X X X					(223)	508,898		
58060. POL POLAND	X X X						(2)		
58061. SLV EL SALVADOR	X X X		1,523			(2,857)	(1,599)		
58062. THA TAIWAN	X X X					(694,292)	6,189,094		
58063. VNM VIETNAM	X X X					(5)	259		
58064. BLZ BELIZE	X X X								
58065. GHA GHANA	X X X		21,509			35,124			
58066. MAF SAINT-MARTIN	X X X					3,458	3,458		
58067. VCT SAINT VINCENT AND GRENA	X X X					(1,158)	(1,158)		
58068. HTI HAITI	X X X								
58069. CRI COSTA RICA	X X X					(4,535)	(11)		
58070. ESP SPAIN	X X X								
58071. HKG HONG KONG	X X X	(10,804)	(5,306)			(2)	26,235		
58072. LCA SAINT LUCIA	X X X	(45,900)	(34,205)			(807)	14,926		
58073. ITA ITALY	X X X	(125,214)	(75,666)			(56,523)	54,668		
Total (Lines 58004 through 58150) (Page 94, Line 58998)	X X X	8,630,332	7,636,761		1,475,359	10,459,767	27,238,883		

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