

**ANNUAL STATEMENT**

**OF THE**

**BEACON MUTUAL INSURANCE COMPANY**

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**of** WARWICK

**in the state of** RHODE ISLAND

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF RHODE ISLAND**

**FOR THE YEAR ENDED**

**December 31, 2016**

**PROPERTY AND CASUALTY**

**2016**



ANNUAL STATEMENT

For the Year Ended December 31, 2016
OF THE CONDITION AND AFFAIRS OF THE

The Beacon Mutual Insurance Company

NAIC Group Code 3490 (Current Period) 3490 (Prior Period) NAIC Company Code 24017 Employer's ID Number 05-0458697
Organized under the Laws of Rhode Island, State of Domicile or Port of Entry RI
Country of Domicile US
Incorporated/Organized July 11, 1990 Commenced Business August 12, 1992
Statutory Home Office One Beacon Centre, Warwick, RI, US 02886-1378
Main Administrative Office One Beacon Centre, Warwick, RI, US 02886-1378
Mail Address One Beacon Centre, Warwick, RI, US 02886-1378
Primary Location of Books and Records One Beacon Centre, Warwick, RI, US 02886-1378
Internet Web Site Address www.beaconmutual.com
Statutory Statement Contact Ann Lazzareschi, alazzareschi@beaconmutual.com

OFFICERS

Table with 2 columns: Name, Title. 1. James Vincent Rosati, President & CEO; 2. Brian Joseph Spero, EVP, COO, General Counsel, Assistant Secretary; 3. Cynthia Lee Lawlor, Chief Financial Officer

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Pamela Lee Alarie, Vice President; Robert Glenn DeOrsey, Vice President; Rajani Mahadevan, Vice President; Timothy Francis Benson, Vice President; Michael Dennis Lynch, Vice President

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Harry Robert Bacon, Raymond Christopher Coia, Richard James DeRienzo, James Vincent Rosati; Carol Elaine Saccucci, Robert Anthony Walsh Jr., Myrth York, Linda D'Amaro Rossi; Kathleen Coyne-McCoy #

State of Rhode Island

County of Kent

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 lines for James Vincent Rosati, Brian Joseph Spero, Cynthia Lee Lawlor with printed names and titles.

Subscribed and sworn to (or affirmed) before me this on this day of , 2017, by

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	318,521,808		318,521,808	308,023,932
2. Stocks (Schedule D):				
2.1 Preferred stocks	861,800		861,800	861,800
2.2 Common stocks	17,813,966		17,813,966	14,199,049
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	11,173,328		11,173,328	11,558,043
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 2,564,552, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 5,733,174, Schedule DA)	8,297,726		8,297,726	10,691,883
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	35,455		35,455	82,849
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)	356,704,083		356,704,083	345,417,556
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	2,953,002		2,953,002	3,045,069
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,804,163	384,885	2,419,278	2,160,200
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 1,654,067 earned but unbilled premiums)	39,994,388	37,754	39,956,634	37,668,365
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	777,735		777,735	339,099
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				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	1,199,465	996,174	203,291	242,876
21. Furniture and equipment, including health care delivery assets (\$ 0)	148,346	148,346		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	145,860		145,860	18,562
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	3,074,673	2,054,697	1,019,976	1,073,921
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	407,801,715	3,621,856	404,179,859	389,965,648
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	407,801,715	3,621,856	404,179,859	389,965,648

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. Prepaid Expenses	1,995,247	1,995,247		
2502. SERP Accounts	1,007,208		1,007,208	1,036,845
2503. Miscellaneous Receivables	72,218	59,450	12,768	37,076
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	3,074,673	2,054,697	1,019,976	1,073,921

NONE

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	129,500,630	116,685,842
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	11,223	9,984
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	22,276,641	21,714,300
4. Commissions payable, contingent commissions and other similar charges	6,352,749	5,378,282
5. Other expenses (excluding taxes, licenses and fees)	6,810,970	6,886,712
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	9,069,108	9,149,082
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 89,285 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)	65,732,771	64,223,166
10. Advance premium	2,852,533	3,176,310
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	2,079,604	3,401,812
12. Ceded reinsurance premiums payable (net of ceding commissions)	126,957	119,739
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	179,334	219,508
15. Remittances and items not allocated	58,099	120,400
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates		
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	590,964	664,185
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	245,641,583	231,749,322
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	245,641,583	231,749,322
29. Aggregate write-ins for special surplus funds		
30. Common capital stock		
31. Preferred capital stock		
32. Aggregate write-ins for other-than-special surplus funds	20,758,685	20,758,685
33. Surplus notes		
34. Gross paid in and contributed surplus		
35. Unassigned funds (surplus)	137,779,591	137,457,641
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)	158,538,276	158,216,326
38. Totals (Page 2, Line 28, Col. 3)	404,179,859	389,965,648

DETAILS OF WRITE-IN LINES		
2501. Deferred Gain - CH Investments	582,007	600,658
2502. Miscellaneous Liabilities	8,957	15,428
2503. Retroactive Reinsurance Reserve Assumed		48,099
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	590,964	664,185
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page	<b>NONE</b>	
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201. Capital assessment by RI Dept of Labor to provide residual market	20,758,685	20,758,685
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)	20,758,685	20,758,685

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	132,407,436	127,217,017
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	83,499,657	77,076,149
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	22,285,036	20,672,615
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	40,128,491	39,664,383
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	145,913,184	137,413,147
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(13,505,748)	(10,196,130)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	11,885,774	11,713,175
10. Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses))	3,373,937	2,397,640
11. Net investment gain (loss) (Lines 9 + 10)	15,259,711	14,110,815
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 272,571 amount charged off \$ (843,459))	(571,188)	(602,984)
13. Finance and service charges not included in premiums	148,315	151,650
14. Aggregate write-ins for miscellaneous income	33,382	135,768
15. Total other income (Lines 12 through 14)	(389,491)	(315,566)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,364,472	3,599,119
17. Dividends to policyholders	1,000,000	2,637,740
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)	364,472	961,379
19. Federal and foreign income taxes incurred		
20. Net income (Line 18 minus Line 19) (to Line 22)	364,472	961,379
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	158,216,326	158,074,765
22. Net income (from Line 20)	364,472	961,379
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	(165,297)	(659,577)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax		
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	122,776	(160,241)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	321,951	141,561
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	158,538,277	158,216,326

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Retroactive Reinsurance Gain (Loss)	27,605	38,630
1402. Miscellaneous Income (Loss)	3,857	(53,132)
1403. Gain (Loss) on Disposal of Assets	1,920	270
1498. Summary of remaining write-ins for Line 14 from overflow page		150,000
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	33,382	135,768
3701.		
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)		

NONE

**CASH FLOW**

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	130,937,322	124,646,489
2. Net investment income	13,718,532	13,355,955
3. Miscellaneous income	(389,492)	(315,567)
4. Total (Lines 1 through 3)	144,266,362	137,686,877
5. Benefit and loss related payments	71,123,842	80,425,511
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	61,024,940	60,199,784
8. Dividends paid to policyholders	2,322,209	2,169,669
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	134,470,991	142,794,964
11. Net cash from operations (Line 4 minus Line 10)	9,795,371	(5,108,087)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	66,040,778	65,305,450
12.2 Stocks	27,995,661	20,663,463
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		123,771
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		13,709
12.8 Total investment proceeds (Lines 12.1 to 12.7)	94,036,439	86,106,393
13. Cost of investments acquired (long-term only):		
13.1 Bonds	76,496,485	54,359,118
13.2 Stocks	29,811,239	20,195,687
13.3 Mortgage loans		
13.4 Real estate		66,628
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	106,307,724	74,621,433
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)	(12,271,285)	11,484,960
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	81,757	32,674
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	81,757	32,674
<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)	(2,394,157)	6,409,547
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	10,691,883	4,282,336
19.2 End of year (Line 18 plus Line 19.1)	8,297,726	10,691,883

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

20.0001		
20.0002		
20.0003		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire				
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical professional liability—occurrence				
11.2 Medical professional liability—claims-made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	133,917,041	64,223,166	65,732,771	132,407,436
17.1 Other liability—occurrence				
17.2 Other liability—claims-made				
17.3 Excess workers' compensation				
18.1 Products liability—occurrence				
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability				
19.3,19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability				
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	133,917,041	64,223,166	65,732,771	132,407,436

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

NONE

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire					
2. Allied lines					
3. Farmowners multiple peril					
4. Homeowners multiple peril					
5. Commercial multiple peril					
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine					
10. Financial guaranty					
11.1 Medical professional liability—occurrence					
11.2 Medical professional liability—claims-made					
12. Earthquake					
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	64,011,605			1,721,166	65,732,771
17.1 Other liability—occurrence					
17.2 Other liability—claims-made					
17.3 Excess workers' compensation					
18.1 Products liability—occurrence					
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability					
19.3,19.4 Commercial auto liability					
21. Auto physical damage					
22. Aircraft (all perils)					
23. Fidelity					
24. Surety					
26. Burglary and theft					
27. Boiler and machinery					
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property					
32. Reinsurance-nonproportional assumed liability					
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	64,011,605			1,721,166	65,732,771
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					65,732,771

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6
	Direct Business (a)	2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire						
2. Allied lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril						
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical professional liability--occurrence						
11.2 Medical professional liability--claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	134,976,989		6,348,010		7,407,958	133,917,041
17.1 Other liability—occurrence						
17.2 Other liability—claims-made						
17.3 Excess workers' compensation						
18.1 Products liability—occurrence						
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability						
19.3,19.4 Commercial auto liability						
21. Auto physical damage						
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	134,976,989		6,348,010		7,407,958	133,917,041

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

NONE

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

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril								
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine								
10. Financial guaranty								
11.1 Medical professional liability—occurrence								
11.2 Medical professional liability—claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	70,326,747	4,458,263	4,100,141	70,684,869	129,500,630	116,685,842	83,499,657	63.063
17.1 Other liability—occurrence								
17.2 Other liability—claims-made								
17.3 Excess workers' compensation								
18.1 Products liability—occurrence								
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability								
19.3,19.4 Commercial auto liability								
21. Auto physical damage								
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	X X X							
32. Reinsurance-nonproportional assumed liability	X X X							
33. Reinsurance-nonproportional assumed financial lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	70,326,747	4,458,263	4,100,141	70,684,869	129,500,630	116,685,842	83,499,657	63.063

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

NONE

## UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 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									
2. Allied lines									
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril									
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine									
10. Financial guaranty									
11.1 Medical professional liability—occurrence									
11.2 Medical professional liability—claims-made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation	97,171,774	7,363,319	21,342,677	83,192,416	45,865,587	6,298,012	5,855,385	129,500,630	22,276,641
17.1 Other liability—occurrence									
17.2 Other liability—claims-made									
17.3 Excess workers' compensation									
18.1 Products liability—occurrence									
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability									
19.3,19.4 Commercial auto liability									
21. Auto physical damage									
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X				X X X				
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	97,171,774	7,363,319	21,342,677	83,192,416	45,865,587	6,298,012	5,855,385	129,500,630	22,276,641
<b>DETAILS OF WRITE-IN LINES</b>									
3401.									
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

NONE

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	3,967,684			3,967,684
1.2 Reinsurance assumed	687,660			687,660
1.3 Reinsurance ceded	215,462			215,462
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	4,439,882			4,439,882
2. Commission and brokerage:				
2.1 Direct, excluding contingent		8,739,502		8,739,502
2.2 Reinsurance assumed, excluding contingent		1,172,605		1,172,605
2.3 Reinsurance ceded, excluding contingent				
2.4 Contingent—direct		4,651,348		4,651,348
2.5 Contingent—reinsurance assumed				
2.6 Contingent—reinsurance ceded		138,174		138,174
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)		14,425,281		14,425,281
3. Allowances to manager and agents				
4. Advertising		316,252		316,252
5. Boards, bureaus and associations		621,771		621,771
6. Surveys and underwriting reports		47,112		47,112
7. Audit of assureds' records		183,041		183,041
8. Salary and related items:				
8.1 Salaries	10,744,478	6,922,327	75,852	17,742,657
8.2 Payroll taxes	796,556	513,292	5,624	1,315,472
9. Employee relations and welfare	2,836,243	1,827,644	20,023	4,683,910
10. Insurance	333,670	215,013	2,356	551,039
11. Directors' fees	135,657	87,416	958	224,031
12. Travel and travel items	88,472	158,056	1,050	247,578
13. Rent and rent items	864,212	578,739	7,658	1,450,609
14. Equipment	635,180	1,134,759	7,541	1,777,480
15. Cost or depreciation of EDP equipment and software	249,137	445,087	2,958	697,182
16. Printing and stationery	86,971	155,374	1,032	243,377
17. Postage, telephone and telegraph, exchange and express	246,513	440,401	2,926	689,840
18. Legal and auditing	701,069	779,648	5,412	1,486,129
19. Totals (Lines 3 to 18)	17,718,158	14,425,932	133,390	32,277,480
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0		11,109,739		11,109,739
20.2 Insurance department licenses and fees	126,996	81,834	897	209,727
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)		85,705		85,705
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	126,996	11,277,278	897	11,405,171
21. Real estate expenses			441,663	441,663
22. Real estate taxes			247,346	247,346
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			484,100	484,100
25. Total expenses incurred	22,285,036	40,128,491	1,307,396	(a) 63,720,923
26. Less unpaid expenses—current year	22,276,641	22,232,827		44,509,468
27. Add unpaid expenses—prior year	21,714,300	21,414,076		43,128,376
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	21,722,695	39,309,740	1,307,396	62,339,831

DETAILS OF WRITE-IN LINES				
2401. Professional Maintenance Expense			484,100	484,100
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)			484,100	484,100

(a) Includes management fees of \$ 0 to affiliates and \$ 0 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 762,066	725,904
1.1 Bonds exempt from U.S. tax	(a) 59,638	56,767
1.2 Other bonds (unaffiliated)	(a) 10,973,375	10,928,647
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 78,625	78,625
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	505,528	497,222
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 1,259,941	1,259,941
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 10,895	10,895
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	19,884	19,884
10. Total gross investment income	13,669,952	13,577,885
11. Investment expenses		(g) 1,306,499
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 897
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i) 384,715
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		1,692,111
17. Net investment income (Line 10 minus Line 16)		11,885,774

DETAILS OF WRITE-IN LINES		
0901. SERP Accounts	19,884	19,884
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)	19,884	19,884
1501.	<b>NONE</b>	
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 \$ 91,418 accrual of discount less \$ 1,413,753 amortization of premium and less \$ 222,236 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 1,259,941 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 1,306,499 investment expenses and \$ 897 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 384,715 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	747,462		747,462		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	665,674	(41,180)	624,494	(7,447)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	1,948,378		1,948,378	(178,821)	
2.21 Common stocks of affiliates				29,782	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)	53,603		53,603	(8,809)	
10. Total capital gains (losses)	3,415,117	(41,180)	3,373,937	(165,295)	

DETAILS OF WRITE-IN LINES					
0901. Capital Gain Pt. Judith Venture Fund	33,639		33,639	(47,395)	
0902. Realized gains on sales of investments with deferred gains	18,652		18,652		
0903. SERP Accounts	1,312		1,312	38,586	
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	53,603		53,603	(8,809)	

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First lines			
3.2 Other than first lines			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	384,885	235,574	(149,311)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	37,754	71,251	33,497
15.3 Accrued retrospective premiums and contracts subject to redetermination			
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			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	996,174	1,105,737	109,563
21. Furniture and equipment, including health care delivery assets	148,346	142,273	(6,073)
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other-than-invested assets	2,054,697	2,189,798	135,101
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	3,621,856	3,744,633	122,777
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	3,621,856	3,744,633	122,777

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. Prepaid Expenses	1,995,247	2,111,059	115,812
2502. Miscellaneous Receivables	59,450	78,739	19,289
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,054,697	2,189,798	135,101

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### A. Accounting Practices

The accompanying financial statements of The Beacon Mutual Insurance Company (the "Company") have been prepared in conformity with insurance accounting practices prescribed or permitted by the Rhode Island Insurance Department. The State of Rhode Island requires insurance companies domiciled in the State of Rhode Island to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual.

SSAP 97 requires investments in subsidiaries to be carried at the entity's underlying audited statutory equity. As the Castle Hill Insurance subsidiary ("Castle Hill") has been inactive since its inception, the State of Rhode Island has granted the subsidiary an exemption from filing audited financial statements. As such, the State of Rhode Island has also granted a permitted practice to allow Castle Hill to be recorded on the Company's balance sheet as an invested asset at its unaudited statutory equity value.

A summary of the impact of the permitted practice on the Company's net income and surplus as a result of recording Castle Hill as an invested asset is estimated to be as follows:

	SSAP #	F/S Page	F/S Line #	2016	2015
<b>NET INCOME</b>					
Rhode Island Basis	97	4	20	\$ 364,472	\$ 961,379
State Permitted Practice:					
Value of Castle Hill subsidiary					
NAIC SAP	97	4	20	<u>\$ 364,472</u>	<u>\$ 961,379</u>
<b>SURPLUS</b>					
Rhode Island Basis	97	3	37	\$158,538,277	\$ 158,216,326
State Permitted Practice:					
Value of Castle Hill subsidiary					
NAIC SAP	97	3	37	<u>(1,350,844)</u>	<u>(1,321,062)</u>
				<u>\$157,187,433</u>	<u>\$ 156,895,264</u>

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

The preparation of the financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the Company's loss and loss adjustment expense reserves which have a significant effect on Incurred Losses and Loss Adjustment Expenses and related Net Income. 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 for direct business and are based on reports received from ceding companies for reinsurance assumed. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as agent commissions, are charged to operations as incurred.

Real estate investments are classified in the balance sheet as properties occupied by the Company and carried at depreciated cost less encumbrances, if any. The fair values reported in Schedule A - Part 1 were obtained from an external independent appraisal company with values as of December 1, 2014.

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at amortized value using the interest method. Non-investment grade short-term investments are stated at the lower of amortized value or fair market value.

## NOTES TO FINANCIAL STATEMENTS

2. Bonds not backed by other loans are stated at amortized value using the interest method. Non-investment grade bonds are stated at the lower of amortized value or fair market value.
3. Common stocks, other than investments in stocks of subsidiaries, are stated at fair market value.
4. Redeemable preferred stocks are stated at cost or amortized cost in accordance with NAIC guidance. Perpetual preferred stocks are stated at fair market value. Non-investment grade preferred stocks are stated at the lower of amortized value or fair value.
5. The Company does not own mortgage loans.
6. Loan-backed securities are stated at amortized value. The retrospective adjustment method is used to value all loan-backed securities.
7. The Company values its investments in subsidiaries as follows: GAAP basis for BMIC Service Corporation and the Statutory Equity Method for Castle Hill Insurance Company as described in part Eight, Section 3a(ii) C and Part Eight Section 3 a (ii) A & F, respectively, of the NAIC Purposes and Procedures Manual of the Securities Valuation Office.
8. The Company has minor ownership interests in joint ventures and partnerships which are carried at fair market value.
9. The Company does not invest in derivatives.
10. The Company anticipates investment income as a factor in the premium deficiency calculation in accordance with SSAP No. 53 - Property-Casualty Contract Premiums and was not required to record a premium deficiency reserve as of December 31, 2016.
11. The Company provides reserves for unpaid insurance losses and loss adjustment expenses which cover events that occurred in the current and prior years. These reserves reflect estimates of the total cost of claims reported but not yet paid, and the cost of claims not yet reported, as well as the estimated expenses necessary to settle the claims. Reserve estimates are based on past loss experience modified for current claim trends as well as prevailing social, economic and legal conditions. Final claim payments may ultimately differ from the established reserves, particularly when these payments may not occur for several years. Reserve estimates are continually reviewed and updated and any resulting adjustments are reflected in current operating results.  
  
Reserves are reduced for amounts to be recovered through reinsurance agreements but are not discounted or reduced for estimated salvage and subrogation recoveries. Salvage and subrogation recoveries are recorded when received.
12. The Company has a written capitalization policy for the purchase of items such as land, buildings and improvements, leasehold improvements, furniture and equipment, leased property, software, electronic data processing equipment, vehicles and other equipment. No change has taken place during the year.
13. The Company has no pharmaceutical rebate receivables.

### 2. Accounting Changes and Corrections of Errors

#### A. Accounting Changes Other than Codification and Corrections of Errors

Not applicable

### 3. Business Combinations and Goodwill

There were no business combinations.

### 4. Discontinued Operations

Not applicable

### 5. Investments

- A. The Company does not invest in mortgages loans, including mezzanine real estate loans.



## NOTES TO FINANCIAL STATEMENTS

B. The Company does not invest in debt restructuring.

C. The Company does not invest in reverse mortgages.

D. Loan-Backed Securities

1. Prepayment assumptions for single class and multi-class mortgage backed/ asset-backed securities were obtained from an external investment manager.

2. Not applicable.

3. The Company did not recognize an other-than-temporary impairment during 2016.

4. The following summarizes gross unrealized investment losses on loan-backed and structured securities by the length of time that securities have continuously been in an unrealized loss position.

a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$	(1,556,818)
2. 12 Months or Longer		<u>(114,332)</u>
		(1,671,150)

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

1. Less than 12 Months		\$56,992,971
2. 12 Months or Longer		<u>8,841,765</u>
		65,834,736

5. All loan-backed and structured securities in an unrealized loss position were reviewed to determine whether an other-than-temporary impairment should be recognized. For those securities in an unrealized loss position as of December 31, 2016, the Company has not made a decision to sell any such securities. The Company evaluated its cash flow requirements and believes that its liquidity is adequate and it will not be required to sell these securities before recovery of their cost basis. As of December 31, 2016, the Company can attest that it has the intent and believes that it has the ability to hold these securities long enough to allow the cost basis of these securities to be recovered. The conclusions are determined by a detailed analysis of the underlying credit and cash flows on each security. It is possible that the Company could recognize other than temporary impairments in the future on some of the securities held at December 31, 2016 if future events, information, and the passage of time causes it to conclude that declines in value are other than temporary.

E. Repurchase Agreements

Not applicable

F. Writedowns for Impairments of Real Estate, Real Estate Sales and Retail Land Sales

Not applicable

G. Low Income Housing Tax Credits

Not applicable

H. Restricted Assets

### 1. Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted							8	9	Percentage	
	Current Year					6	7			10	11
	1	2	3	4	5						
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total	Total From Prior Year	Increase/Decrease	Total Nonadmitted Restricted	Total Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
On deposit with states	\$ 839,084	\$ -	\$ -	\$ -	\$ 839,084	\$ 846,174	\$ (7,090)	\$ -	\$ 839,084	0.2%	0.2%
On deposit with regulatory bodies	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,292	\$ (292)	\$ -	\$ 400,000	0.1%	0.1%
Pledged as collateral not captured in other categories	\$ 21,498,159	\$ -	\$ -	\$ -	\$ 21,498,159	\$ 19,564,252	\$ 1,933,907	\$ -	\$ 21,498,159	5.3%	5.3%
<b>Total Restricted Assets</b>	<b>\$ 22,737,243</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,737,243</b>	<b>\$ 20,810,718</b>	<b>\$ 1,926,525</b>	<b>\$ -</b>	<b>\$ 22,737,243</b>	<b>5.6%</b>	<b>5.6%</b>

## NOTES TO FINANCIAL STATEMENTS

Restricted assets include those securities pledged to cedants as part of reinsurance collateral and to state and governmental agencies.

### 2. Detail of Assets Pledged as Collateral Not Captured in Other Categories

Restricted Asset Category	Gross (Admitted & Nonadmitted Restricted)					8	Percentage			
	Current Year						6	7	9	10
	1	2	3	4	5					
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total	Total From Prior Year	Increase/Decrease	Total Current Year Admitted Restricted	Gross (Admitted and Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Pledged to cedants as part of reinsurance collateral	\$ 5,323,060	\$ -	\$ -	\$ -	\$ 5,323,060	\$ 5,363,332	\$ (40,272)	\$ 5,323,060	1.3%	1.3%
Collateral trust agreement with ceding reinsurer	\$ 16,175,099	\$ -	\$ -	\$ -	\$ 16,175,099	\$ 14,200,920	\$ 1,974,179	\$ 16,175,099	4.0%	4.0%
Total Restricted Assets	\$ 21,498,159	\$ -	\$ -	\$ -	\$ 21,498,159	\$ 19,564,252	\$ 1,933,907	\$ 21,498,159	5.3%	5.3%

### 3. Detail of Other Restricted Assets

Not applicable

### 4. Collateral Received and Reflected as Assets

Not applicable

#### I. Working Capital Finance Investments

Not applicable

#### J. Offsetting and Netting of Assets and Liabilities

Not applicable

#### K. Structured Notes

Not applicable

#### L. 5\* Securities

The Company has no investment securities with a 5\* NAIC designation in the current or prior year.

### 6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. When it appears probable that the Company will be unable to recover the outstanding carrying value of an investment, or there is evidence indicating an inability of the investee to sustain earnings which would justify the carrying value of the investment, an other-than-temporary impairment is recognized in realized capital losses for the excess of the carrying value over the estimated fair value of the investment. During 2016, the Company did not recognize any impairments for its investments in Point Judith Venture Fund or Business Development Company of Rhode Island. The estimated fair value was determined by evaluating the Company's current equity value in the underlying investment, performed by assessing the corporations' balance sheet and current financial condition.

### 7. Investment Income

A. Due and accrued income was excluded from surplus for all investment income due and accrued with amounts that are over 90 days past due.

B. Amounts nonadmitted

None

### 8. Derivative Instruments

The Company has no derivative financial instruments.

### 9. Income Taxes

The Company is tax exempt under section 501 (c) (27) of the Internal Revenue Code.

## NOTES TO FINANCIAL STATEMENTS

### 10. Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties

#### A. Nature of Relationships

The Company is a non-profit public corporation organized and operated as a domestic mutual insurance company under the laws enacted by the Rhode Island legislature. In accordance with its enabling legislation, the Company is managed by a Board of Directors, the majority of whom serve via appointment by the Governor of the State of Rhode Island. The Company is not directly or indirectly owned or controlled by any other Company. The Company is a parent company of its wholly owned subsidiaries - BMIC Service Corporation and Castle Hill Insurance Company.

The Company's charter provides extraordinary provisions to ensure the continued adequacy of the Company's capitalization and solvency. Most importantly, the Company's charter provides for the implementation and continuation of a special state-wide capital assessment funding mechanism to be administered by the Rhode Island Department of Labor and Training, as a means to establish and maintain the reserves and surplus required for the company to meet policyholder obligations and serve Rhode Island's residual risk market. Provisions for the Capital Assessment are set forth in Public Law 2003, Chapter 410, Section 19 which provides that the Director of the Rhode Island Department of Business Regulation shall place an assessment (for the benefit of the Company) upon all premiums for workers' compensation and employers' liability insurance written or renewed within the State in an amount required to ensure both the solvency of the Company and the Company's ability to establish surplus reasonably adequate to allow it to write required insurance. If required, such law provides for continuing capital assessment funding of the Company at whatever level may be necessary to assure the Company's future solvency on an indefinite basis.

#### B. Detail of Transactions Greater than ½% of Admitted Assets

Not applicable

#### C. Change in Terms of Intercompany Arrangements

None

#### D. Amounts Due to or from Related Parties

At the end of the current year, the Company reported \$145,860 due from its subsidiary BMIC Service Corporation. No amount is due from Castle Hill Insurance Company at year end. The inception-to-date impairment of the BMIC Service Corporation receivable is \$97,616 at December 31, 2016 and 2015. No impairments or recoveries on impaired receivables were necessary during 2016. The Company recognized a recovery on impaired receivables of \$150,000 in 2015. The balance due from BMIC Service Corp on the financials is net of the impairment. The Company has no current year amounts payable to its subsidiaries.

#### E. Guarantees or Contingencies for Related Parties

Not applicable

#### F. Management, Service Contracts, Cost Sharing Arrangements

The Company has agreed to provide certain management and data processing services to its wholly-owned subsidiaries.

#### G. Nature of Relationships that Could Affect Operations

Not applicable

#### H. Amount Deducted for Investment in Upstream Company

Not applicable

#### I. Detail of Investments in SCA Entity Greater than 10% of Admitted Assets

Not applicable

#### J. Writedown or Impairments of Investments in SCA Entities

No impairment was recorded in 2016.

## NOTES TO FINANCIAL STATEMENTS

### K. Foreign Insurance Subsidiary Valued Using CARVM

Not applicable

### L. Downstream Holding Company Valued Using Look-Through Method

Not applicable.

### M. Non-Insurance Subsidiary, Controlled and Affiliated (SCA) Entities Valuations

The Company owns 100% of an insurance agency, BMIC Service Corp; after determining that BMIC Service Corp would not recover its original cost within a reasonable timeframe, the Company permanently impaired the investment (\$15,000) bringing the value to zero. As a result, no value is reflected in the Company's financial statements. The NAIC agreed with the Company's prior year valuation and Sub-2 filing.

SCA Entity	Type of NAIC Filing	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received	NAIC Disallowed Entities Valuation Method, Resubmission Required	Code
BMIC Service Corp	SUB 2	03/21/16	0	Y	N	I

### N. Insurance SCA Entities Utilizing Prescribed or Permitted Practices

The Company owns one insurance SCA entity, Castle Hill Insurance Company. As Castle Hill has been inactive since its inception, the State of Rhode Island has granted a permitted practice to exempt Castle Hill from filing audited financials and an actuarial opinion. There is no impact to Castle Hill's financials for this exemption. This exemption did not trigger any risk-based capital or other regulatory event. The impact of carrying the unaudited statutory equity value on the Company's books is reflected in Note 1.

## 11. Debt

The Company does not have any capital notes or reverse repurchase agreements at December 31, 2016.

The Company has an irrevocable standby letter of credit with Bank of America for the benefit of General Reinsurance Corporation. The credit limit was \$3,431,903 and \$4,107,134 as of December 31, 2016 and 2015, respectively. To collateralize this letter of credit, the Company was required to deposit US Agency securities with Bank of America. The carrying value of the deposit is \$5,323,060 and \$5,363,332 at December 31, 2016 and 2015 respectively.

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

### A. Defined Benefit Plan

The Company has no defined benefit plans

### B. Investment policies and strategies of defined benefit plans

Not applicable

### C. Fair value of each class of plan assets of defined benefit plans

Not applicable

### D. Narrative description of the basis used to determine the overall expected rate of return on assets assumption

Not applicable

## NOTES TO FINANCIAL STATEMENTS

### E. Defined Contribution Plans

The Company sponsors a qualified 401(k) defined contribution plan for all employees. The Company matches 50% of the employee's contribution up to 6% of an individual's gross salary and may contribute additional amounts as authorized by the Board of Directors within IRS limitations on compensation, elective deferrals and annual additions. Employees vest ratably in the matching contribution over five years. The Company's expense under this plan totaled \$1,872,391 and \$1,739,969 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016, the fair value of plan assets was \$61,469,293.

### F. Multiemployer Plan

Not applicable

### G. Consolidated/Holding Company Plans

Not applicable

### H. Postemployment Benefits and Compensated Absences

During 2003, the Company entered into employment agreements with certain key employees; the Company's total commitment for officers under these employment agreements was \$1,814,705 at December 31, 2016.

The Company also established a Rabbi Trust for a former executive officer, during 2002, with an initial value of \$1,358,258. The account included bonds, equities and money market funds; the fair value of the trust at December 31, 2016 is \$0 as 100% of the remaining funds were distributed during 2016. During 2007, an additional trust was established for an active senior executive with initial funding of \$75,000. Additional annual payments of \$75,000 were made for years 2008 through 2016. This trust account includes bonds, equities and money market funds; the fair value of the trust was \$1,007,208 at December 31, 2016 and is listed in other assets of the Company.

Obligations for post-employment benefits and compensated absences have been accrued for in accordance with SSAP 11 in prior periods.

### I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 02-17)

The Company does not sponsor a postretirement health care benefit plan.

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

### A. Authorized and Outstanding Shares

Not applicable

### B. Dividend Rate of Preferred Stock

Not applicable

### C. Dividend Restrictions

Policyholder dividends are paid out of unassigned surplus in accordance with a percentage or amounts approved by the Board of Directors. Dividends declared and unpaid are recorded as a liability. The Company is required to satisfy the legal minimum capital requirements of its domiciliary state - Rhode Island. Under the terms of its enabling act, the Company may declare a dividend when there is an excess of assets over liabilities and minimum surplus requirements.

The Company maintains a shared earnings program in support of its loss prevention and claim cost containment initiatives. Shared earnings are computed 18 months after policy inception based on an individual policy's incurred loss experience. These shared earnings plans are estimated, accrued and accounted for as retrospectively rated policies.

### D. Dates and Amounts of Dividends Paid

In December 2016, the Board of Directors declared a dividend of .74% of final audit premium, representing approximately \$1,000,000, to be paid to all eligible policyholders of record as of December 30, 2016. In December 2015, the Board of Directors declared a dividend of 2% of final audit premium, representing approximately \$2,637,740, to be paid to all eligible policyholders of record as of December 30, 2015.

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## NOTES TO FINANCIAL STATEMENTS

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E. Amount of Ordinary Dividends that May Be Paid

No restriction other than stated above.

F. Restrictions on Unassigned Funds

There were no restrictions placed on the Company's surplus.

G. Mutual Surplus Advances

Not applicable

H. Company Stock Held for Special Purposes

Not applicable

I. Changes in Special Surplus Funds

Not applicable

J. Change in Unassigned Funds

The portion of unassigned funds (surplus) represented by cumulative unrealized gains (net of losses) is as follows:

Unrealized gains or (losses): (\$165,297)

K. Surplus Notes

Not applicable

L. Impact of Quasi-Reorganizations

Not applicable

M. Date of Quasi-Reorganizations

Not applicable

14. Liabilities, Contingencies and Assessments

A. Contingent Commitments

Not applicable

B. Assessments

Not applicable

C. Gain Contingencies

Not applicable

D. Extra Contractual Obligation and Bad Faith Losses

Not applicable

E. Product Warranties

Not applicable

F. Joint and Several Liabilities

Not applicable

G. All Other Contingencies

The Company is and may become involved in various actions and legal proceedings arising out of and incidental to its normal course of business. Management, based on its review with counsel, is unable to reasonably estimate the impact and scope of any potential liability, if any, that may exist as a result of these actions or proceedings.

## NOTES TO FINANCIAL STATEMENTS

### 15. Leases

#### A. Lessee Leasing Arrangements

1. The Company leases office equipment under various noncancelable operating lease agreements that expire in 2020. Total lease and rent expense for 2016 and 2015 was approximately \$1,296,859 and \$1,319,767, respectively. Rental expense recognized as part of occupancy costs and included in lease and rent expense totalled \$1,211,941 in each year.
2. Future minimum aggregate lease commitments are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2017	48,028
2018	35,175
2019	31,703
2020	<u>7,318</u>
	\$ 122,224

#### B. Lessor Leasing Arrangements

The Company owns a commercial real estate building which leases office space to a tenant. The typical lease period is five years. The Company is responsible for the payment of property tax, insurance, and repair and maintenance costs related to the leased property. The Company records expenses related to the building as investment expenses and accrues lease payments due as investment income.

Future minimum lease payments receivable under the noncancelable leasing arrangement as of December 31, 2016 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2016	48,000
2017	48,000
2018	48,000
2019	<u>24,000</u>
	\$ 168,000

#### C. Sale-leaseback Transactions

The Company is not involved in any sales – leaseback arrangement.

### 16. Information About Financial Instruments With Off-Balance Sheet Risk

The Company does not have any financial instruments with off-balance sheet risk.

### 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

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

Not Applicable

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

Not Applicable

#### C. Wash Sales

1. Occasionally, market conditions prevail such that a security fitting a sell profile will resurface quickly as an attractive investment for purchase. In these circumstances, investment opportunities are taken irrespective of the proximity of prior transaction dates.
2. At December 31, 2016, no securities with an NAIC Designation 3 or below were sold and reacquired within 30 days of the sale date.

### 18. Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

The Company does not write Accident & Health business.

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

The Company does not utilize managing general agents or third party administrators to write business.

## NOTES TO FINANCIAL STATEMENTS

### 20. Fair Value Measurement

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

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

The Company has categorized its assets and liabilities that are measured at fair value into the three-level fair value hierarchy as reflected in the table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

*Level 1* –Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

*Level 2* --Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, prepayment speeds, spreads and yield curves.

*Level 3* --Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following tables provide information as of December 31, 2016 and 2015 about the Company's financial assets and liabilities measured at fair value.

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets at fair value (in 000's):				
Short-term investments	\$ 5,733	\$ -	\$ -	\$ 5,733
Bonds	-	345	-	345
Preferred stock	-	-	-	-
Common stock	16,463	-	-	16,463
Total assets at fair value	<u>\$ 22,196</u>	<u>\$ 345</u>	<u>\$ -</u>	<u>\$ 22,541</u>

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets at fair value (in 000's):				
Short-term investments	\$ 11,190	\$ -	\$ -	\$ 11,190
Bonds	-	-	-	-
Preferred stock	-	-	-	-
Common stock	12,878	-	-	12,878
Total assets at fair value	<u>\$ 24,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,068</u>

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3 as stated in paragraph 3 below.

During 2016, the Company had no transfers into or out of Level 3.

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

The Company has no material assets or liabilities measured at fair value in the Level 3 category.

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

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3. During the current year, no transfers into or out of Level 3 were required.



## NOTES TO FINANCIAL STATEMENTS

### 4. Inputs and Techniques Used for Level 2 and Level 3 Fair Values

The Company has no assets or liabilities measured at fair value in the Level 3 category.

The Company's investments in bond and debt securities and preferred stock reported at fair value are classified in Level 2. Fair values of the investments reported in this category are provided by independent pricing services. Where independent pricing services provide fair values, the Company has obtained an understanding of the methods, models and inputs used in pricing and has controls in place to validate that the amounts provided represent current fair values.

Typical inputs to models used by independent pricing services include but are not limited to benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data, and industry and economic events. Because some preferred and common stocks do not trade daily, independent pricing services regularly derive fair values using recent trades of securities with similar features. When recent trades are not available, pricing models are used to estimate the fair values of securities by discounting future cash flows at estimated market interest rates.

5. The Company has no derivative assets or liabilities.

### B. Combination of Fair Value Information

Not applicable

### C. Other Fair Value Disclosures

The following tables provide information as of December 31, 2016 and 2015 about the Company's financial assets and liabilities, including those measured at other than fair value in the Statements of Admitted Assets, Liabilities, and Policyholders' Surplus.

	December 31, 2016					
	Level 1	Level 2	Level 3	Aggregate Fair Value	Admitted Assets	Not Practicable (Carrying Value)
Assets at fair value (in 000's):						
Bonds and debt securities	\$ 17,546	\$ 309,013	\$ -	\$ 326,559	\$ 318,521	\$ -
Short-term investments	5,733	-	-	5,733	5,733	-
Preferred stock	-	1,010	-	1,010	862	-
Common stock	16,463	-	-	16,463	16,463	-
Total assets at fair value	<u>\$ 39,742</u>	<u>\$ 310,023</u>	<u>\$ -</u>	<u>\$ 349,765</u>	<u>\$ 341,579</u>	<u>\$ -</u>

	December 31, 2015					
	Level 1	Level 2	Level 3	Aggregate Fair Value	Admitted Assets	Not Practicable (Carrying Value)
Assets at fair value (in 000's):						
Bonds and debt securities	\$ 23,473	\$ 291,997	\$ -	\$ 315,470	\$ 308,024	\$ -
Short-term investments	11,190	-	-	11,190	11,190	-
Preferred stock	-	1,059	-	1,059	862	-
Common stock	12,878	-	-	12,878	12,878	-
Total assets at fair value	<u>\$ 47,541</u>	<u>\$ 293,056</u>	<u>\$ -</u>	<u>\$ 340,597</u>	<u>\$ 332,954</u>	<u>\$ -</u>

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

Not applicable

### 21. Other Items

#### A. Unusual or Infrequent Items

Not applicable

## NOTES TO FINANCIAL STATEMENTS

B. Trouble Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

No securities other than those indicated in Schedule E Part 3 have been pledged as collateral.

D. Business Interruption Insurance Recoveries

Not applicable

E. State Transferable Tax Credits

During 2016 and 2015 there were no transferable state tax credits.

F. Subprime Mortgage Related Risk Exposure

1. The Company's exposure to subprime lending is limited to investments within the fixed income investment portfolio which contains asset-backed securities that are backed by subprime loans. The Company believes its greatest exposure is to unrealized losses from declines in asset values rather than realized losses resulting from future defaults. The Company manages its subprime risk exposure by limiting its holdings in these types of securities, continuing its conservative investment guidelines, maintaining high credit quality investments, and performing ongoing analysis of its portfolio.

2. Direct Exposure – Mortgage Loans

Not applicable

3. Direct Exposures – Other Investment Classes

a. Structured Securities

The values of structured securities in the investment portfolio with subprime exposure are as indicated below. These securities represent less than 1% of the total fixed income investment portfolio.

	Cost	Book/Adjusted Carrying Value	Fair Value	Other-Than-Temporary Impairments Recognized	Rating
Subprime/HELOC	\$271,707	\$287,920	\$301,669	-	B+/CCC-

4. Underwriting Exposure

Not applicable

G. Insurance-linked Securities

Not applicable

22. Events Subsequent

There were no events occurring subsequent to the end of the current year through the date of this filing meriting disclosure.

23. Reinsurance

A. Unsecured Reinsurance Recoverables

Unsecured reinsurance recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses, and unearned premium in excess of 3% of the Company's policyholder surplus is as follows:

<u>NAIC Code</u>	<u>Federal ID#</u>	<u>Name of Reinsurance</u>	(000 omitted)
22039	13-2673100	General Reinsurance Corp.	<u>Amount</u> \$27,697

B. Reinsurance Recoverables in Dispute

The Company has no reinsurance recoverable balances in dispute at December 31, 2016.

## NOTES TO FINANCIAL STATEMENTS

### C. Reinsurance Assumed and Ceded and Protected Cells

All reinsurance premiums are paid on earned premium; therefore return commission is zero. At December 31, 2016, the unearned premium reserves for direct and assumed premiums were \$60,964,152 and \$3,047,453, respectively. The unearned premium reserves for ceded premiums was \$89,285 at December 31, 2016.

Certain ceded reinsurance contracts provide for additional or return contingent commission based on actual loss experience of the reinsured business. The annual contingent commission adjustment was settled during 2016 and there is no payable or receivable at December 31, 2016.

### D. Uncollectible Reinsurance

None

### E. Commutation of Ceded Reinsurance

The Company commuted one reinsurance contract during 2016 with General Reinsurance Corp. The Company recognized the amounts received from the reinsurer as a reduction to losses and direct cost containment (DCC) paid and reduced reserves to recognize the effect of releasing the reinsurer from its obligation under the contract. The net effect of the commutation was an increase in losses incurred and DCC incurred. This amount is shown below by Statement of Income classification:

Losses Incurred	\$ 1,810,990
DCC Incurred	<u>(7,253)</u>
	\$ 1,803,737

The gains or losses resulting from commutations are not recognized until the dates of final settlement between the Company and the reinsurer.

### F. Retroactive Reinsurance

#### Part (1)

1. Reserves Transferred:		Assumed
a. Initial Reserves		(\$1,845,479)
b. Adjustments – Prior Yr.		38,630
c. Adjustments – Current Yr.		<u>27,605</u>
d. Current Total		(\$1,779,244)
2. Consideration Paid or Received:		
a. Initial Consideration		\$ 1,845,479
b. Adjustments – Prior Yr.		-
c. Adjustments – Current Yr.		<u>-</u>
d. Current Total		\$ 1,845,479
3. Paid Losses Reimbursed or Recovered:		
a. Prior Year		\$ (11,774)
b. Current Year		<u>20,495</u>
c. Current Total		\$ 8,721
4. Special Surplus from Retroactive Reinsurance:		
a. Initial Surplus Gain or Loss		\$ -
b. Adjustments – Prior Year		38,630
c. Adjustments – Current Year		27,605
d. Current Year Restricted Surplus		<u>-</u>
e. Cumulative total Transferred to Unassigned Funds		\$ 66,235

In 2016, the Company has no ceded retroactive reinsurance.

#### 5. Insurers included in the above transactions:

Fairfield Insurance	NAIC#44784	\$1,779,244
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### G. Reinsurance Accounted for as a Deposit

Not applicable

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

Not applicable

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## NOTES TO FINANCIAL STATEMENTS

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I. Certified Reinsurer Rating Downgraded

Not applicable

J. Reinsurance Agreements Qualifying for Reinsurer Aggregation

Not applicable

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Method Used to Estimate

The Company maintains a shared earnings program in support of its loss prevention and claim cost containment initiatives. Shared earnings are computed 18 months after policy inception based on an individual policy's incurred loss experience. These shared plans are estimated, accrued and accounted for as retrospectively rated policies.

B. Method Used to Record

The Company records the retrospective premium accruals as earned by adjusting unearned premiums. These amounts are not recorded as premiums written until they are billed to the policyholders. Return premiums are recorded as liabilities and additional premiums are recorded as assets.

C. Amount and Percent of Net Retrospective Premiums

See Schedule P - Part 7A

D. Medical Loss Ratio Rebates

Not applicable

E. Calculation of Nonadmitted Accrued Retrospective Premiums

Not applicable

F. Risk-Sharing Provisions of the Affordable Care Act (ACA)

Not applicable

25. Changes in Incurred Losses and Loss Adjustment Expenses

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years increased by \$11.8 million during 2016. Increases of this nature take place as the result of commutation of claims during the year, increased severity of claims within reinsurance retention levels, and the ongoing review of claim reserves as additional information becomes available.

26. Intercompany Pooling Arrangements

Not applicable

27. Structured Settlements

a. Reserves Released due to Purchase of Annuities

The Company has purchased annuities with the claimant as payee and has received a signed release from the claimant eliminating any future liability for the Company. The Company has released reserves of \$2,094,305 and \$3,427,213 through the purchase of annuities during 2016 and 2015, respectively.

b. Annuity Life Insurers with Balances due Greater than 1% of Policyholder's Surplus

Not applicable

28. Health Care Receivables

Not applicable

29. Participating Policies

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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### 30. Premium Deficiency Reserves

The Company anticipates investment income as a factor in the premium deficiency calculation in accordance with SSAP No. 53 - Property-Casualty Contract Premiums and was not required to record a premium deficiency reserve as of December 31, 2016.

### 31. High Deductibles

The Company has no High Deductible plans.

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

The Company does not discount unpaid losses and unpaid loss adjustment expenses.

### 33. Asbestos/Environmental Reserves

The likelihood of material liability related to asbestos and environmental loss is remote since reported claim activity levels are minimal and the Company does not write lines of business which are typically exposed to such losses. To-date, payments of \$825,840 have been made for 19 claims including denial and dismissal settlements and claim related expenses; there are currently no outstanding reserves.

### 34. Subscriber Savings Accounts

Not applicable

### 35. Multiple Peril Crop Insurance

Not applicable

### 36. Financial Guaranty Insurance

Not applicable

## GENERAL INTERROGATORIES

### PART 1 – COMMON INTERROGATORIES

#### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No  ]
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A  ]
- 1.3 State Regulating? Rhode Island
- 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. 12/31/2015
- 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. 12/31/2011
- 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). 12/04/2012
- 3.4 By what department or departments?  
 Department of Business Regulation, State of Rhode Island  
 .....  
 .....  
 .....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A  ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A  ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No  ]
- 4.12 renewals? Yes  No  ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No  ]
- 4.22 renewals? Yes  No  ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No  ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

## GENERAL INTERROGATORIES

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

6.2 If yes, give full information:  
 .....  
 .....  
 .....

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

7.2 If yes,  
 7.21 State the percentage of foreign control. \_\_\_\_\_ %  
 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?  
 Pricewaterhouse Coopers, LLP; 185 Asylum Street, Suite 2400; Hartford, CT 06103  
 .....  
 .....

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

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

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

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

## GENERAL INTERROGATORIES

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

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

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

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

Yi Jing, Willis Towers Watson; 175 Powder Forest Drive, Weatogue, CT 06089-9658

.....  
 .....

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

12.11 Name of real estate holding company

\_\_\_\_\_

12.12 Number of parcels involved

\_\_\_\_\_

12.13 Total book/adjusted carrying value

\$ \_\_\_\_\_

12.2 If yes, provide explanation:

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

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

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

N/A

.....  
 .....

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

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

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

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

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

Yes  No

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

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

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

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

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



## GENERAL INTERROGATORIES

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

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

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

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

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

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

## 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	\$ _____

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

## GENERAL INTERROGATORIES

22.2 If answer is yes:

	22.21 Amount paid as losses or risk adjustment	\$ _____
	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  No

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

### INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes  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)  
 N/A  
 .....  
 .....  
 .....

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

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

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  No  N/A

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

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

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

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ \_\_\_\_\_

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ \_\_\_\_\_

24.103 Total payable for securities lending reported on the liability page \$ \_\_\_\_\_

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

## GENERAL INTERROGATORIES

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

25.21	Subject to repurchase agreements	\$ _____
25.22	Subject to reverse repurchase agreements	\$ _____
25.23	Subject to dollar repurchase agreements	\$ _____
25.24	Subject to reverse dollar repurchase agreements	\$ _____
25.25	Placed under option agreements	\$ _____
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$ _____
25.27	FHLB Capital Stock	\$ _____
25.28	On deposit with states	\$ <u>839,084</u>
25.29	On deposit with other regulatory bodies	\$ <u>400,000</u>
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	\$ <u>21,498,159</u>
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	\$ _____
25.32	Other	\$ _____

25.3 For category (25.26) provide the following:

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

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
Bank of America .....	100 Federal Street, Boston, MA 02110 .....
.....	.....

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

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

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

## GENERAL INTERROGATORIES

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

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

28.05 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["... that have access to the investment accounts"; "...handle securities"]

1 Name Firm or Individual	2 Affiliation
New England Asset Management	U

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

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

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
New England Asset Management	105900	KUR85E5PS4GQFZTFC130	Securities Exchange Commission	NO

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

29.2 If yes, complete the following schedule:

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

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

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

## GENERAL INTERROGATORIES

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	324,254,983	332,292,452	8,037,469
30.2 Preferred stocks	861,800	1,010,000	148,200
30.3 Totals	325,116,783	333,302,452	8,185,669

30.4 Describe the sources or methods utilized in determining the fair values:  
 Fair values have not been obtained from brokers/custodians; pricing has been obtained from pricing services such as Merrill Lynch Indices, Interactive Data Corp, Reuters, S&P and Bloomberg

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 [ ]

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:

.....

.....

.....

### OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 650,356

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

1 Name	2 Amount Paid
NCCI	\$ 622,652
.....	\$ .....
.....	\$ .....

34.1 Amount of payments for legal expenses, if any? \$ 79,926

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

1 Name	2 Amount Paid
Partridge Snow & Hahn, LLP	\$ 67,717
.....	\$ .....
.....	\$ .....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 80,000

## GENERAL INTERROGATORIES

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total 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
Roberts, Carroll, Feldstein & Peirce .....	\$ ..... 50,000
Government Strategies, Inc. ....	\$ ..... 25,000
	\$ .....

## 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	\$ _____		\$ _____	
2.2 Premium Denominator	\$ 132,407,436		\$ 127,217,017	
2.3 Premium Ratio (2.1 / 2.2)	_____		_____	
2.4 Reserve Numerator	\$ _____		\$ _____	
2.5 Reserve Denominator	\$ 215,800,099		\$ 200,796,168	
2.6 Reserve Ratio (2.4 / 2.5)	_____		_____	

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

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

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

3.22 Non-participating policies \$ \_\_\_\_\_

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 [X] No [ ]

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 has excess of loss workers' compensation treaties as well as catastrophe coverage which provides additional protection.

.....

.....

## 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:  
 N/A. The Company is a monoline workers' compensation carrier.
- 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?  
 Property insurance is not written
- 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
- 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 uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes  No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes  No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes  No
- 8.2 If yes, give full information  
 In 2002, 25 GenRe Insurance claims were capped at \$5,532,533 in the aggregate. Of the 25 capped claims, 23 are closed and will not have an impact on losses. Additionally, reinsurance claims with GenRe for the policy years 7/1/2003-6/30/2004, 7/1/2004-6/30/2005, 7/1/2005-6/30/2006, 7/1/2006-6/30/2007, 7/1/2007-6/30/2008, and 7/1/2008-6/30/2009 have been commuted.
- 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
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes  No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes  No
- 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   
 (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   
 (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



## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No
- 11.2 If yes, give full information  
 .....  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |          |
|---|----------|
| 12.11 Unpaid losses   | \$ _____ |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ _____ |
- 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? \$ \_\_\_\_\_
- 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          | \$ _____ |
| 12.62 Collateral and other funds | \$ _____ |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ \_\_\_\_\_
- 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:  
 .....  
 .....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes  No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes  No
- 14.5 If the answer to 14.4 is no, please explain:  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No
- 15.2 If yes, give full information  
 .....  
 .....
- 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<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>Earned |
|------------------|----|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home       | \$ | _____                          | \$                           | _____                          | \$                              | _____                         |
| 16.12 Products   | \$ | _____                          | \$                           | _____                          | \$                              | _____                         |
| 16.13 Automobile | \$ | _____                          | \$                           | _____                          | \$                              | _____                         |
| 16.14 Other*     | \$ | _____                          | \$                           | _____                          | \$                              | _____                         |

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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ _____
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	\$ _____

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

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

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.

\$ \_\_\_\_\_

**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
	2016	2015	2014	2013	2012
<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)	141,324,999	136,888,773	131,332,550	118,423,824	105,759,919
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	141,324,999	136,888,773	131,332,550	118,423,824	105,759,919
<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)	133,917,041	128,856,101	123,483,752	109,645,635	97,328,464
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	133,917,041	128,856,101	123,483,752	109,645,635	97,328,464
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(13,505,748)	(10,196,130)	(11,551,802)	(13,571,832)	(17,699,939)
14. Net investment gain (loss) (Line 11)	15,259,711	14,110,815	13,751,756	17,685,529	24,476,406
15. Total other income (Line 15)	(389,491)	(315,566)	18,740	210,184	16,670
16. Dividends to policyholders (Line 17)	1,000,000	2,637,740	2,000,000	2,335,344	4,220,408
17. Federal and foreign income taxes incurred (Line 19)					
18. Net income (Line 20)	364,472	961,379	218,694	1,988,537	2,572,729
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	404,179,859	389,965,648	391,783,785	391,246,692	396,643,662
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	2,419,278	2,160,200	2,084,689	2,899,097	2,806,789
20.2 Deferred and not yet due (Line 15.2)	39,956,634	37,668,365	34,527,343	30,071,731	25,796,870
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	245,641,583	231,749,322	233,709,020	233,712,748	239,166,726
22. Losses (Page 3, Line 1)	129,500,630	116,685,842	119,638,132	123,561,624	135,847,010
23. Loss adjustment expenses (Page 3, Line 3)	22,276,641	21,714,300	22,736,897	23,628,745	25,234,769
24. Unearned premiums (Page 3, Line 9)	65,732,771	64,223,166	62,584,082	57,707,999	50,884,215
25. Capital paid up (Page 3, Lines 30 & 31)					
26. Surplus as regards policyholders (Page 3, Line 37)	158,538,276	158,216,326	158,074,765	157,533,944	157,476,936
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	9,795,371	(5,107,913)	(2,458,268)	(12,051,181)	(9,791,518)
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	158,538,276	158,216,326	158,074,765	157,533,944	157,476,936
29. Authorized control level risk-based capital	18,649,086	17,960,776	18,436,633	17,056,823	16,177,542
<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)	89.3	89.2	90.9	90.0	84.1
31. Stocks (Lines 2.1 & 2.2)	5.2	4.4	4.5	4.9	9.6
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)	3.1	3.3	3.4	3.4	3.4
34. Cash, cash equivalents and short-term investments (Line 5)	2.3	3.1	1.2	1.7	2.8
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)	0.0	0.0	0.0	0.0	0.1
38. Receivables for securities (Line 9)			0.0		
39. Securities lending reinvested collateral assets (Line 10)					
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)	1,350,844	1,321,062	1,291,616	1,273,597	1,264,386
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47	1,350,844	1,321,062	1,291,616	1,273,597	1,264,386
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)	0.9	0.8	0.8	0.8	0.8

## FIVE – YEAR HISTORICAL DATA (Continued)

	1	2	3	4	5
	2016	2015	2014	2013	2012
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	(165,297)	(659,577)	847,331	(1,165,639)	(1,989,727)
52. Dividends to stockholders (Line 35)					
53. Change in surplus as regards policyholders for the year (Line 38)	321,951	141,561	540,821	57,008	1,316,822
<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)	74,785,010	81,790,285	77,645,389	78,848,733	76,077,639
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
59. Total (Line 35)	74,785,010	81,790,285	77,645,389	78,848,733	76,077,639
<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)	70,684,869	80,024,655	74,536,272	73,881,775	72,470,550
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
65. Total (Line 35)	70,684,869	80,024,655	74,536,272	73,881,775	72,470,550
<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)	63.1	60.6	59.5	59.9	64.5
68. Loss expenses incurred (Line 3)	16.8	16.3	16.0	16.4	17.3
69. Other underwriting expenses incurred (Line 4)	30.3	31.2	34.2	36.9	37.0
70. Net underwriting gain (loss) (Line 8)	(10.2)	(8.0)	(9.7)	(13.2)	(18.8)
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	30.3	31.0	32.8	34.4	35.8
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	79.9	76.8	75.6	76.3	81.8
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)	84.5	81.4	78.1	69.6	61.8
<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)	11,800	7,738	4,074	(3,221)	(8,711)
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)	7.5	4.9	2.6	(2.0)	(5.6)
<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)	17,328	11,063	(1,094)	(9,816)	(28,384)
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)	11.0	7.0	(0.7)	(6.3)	(18.1)

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

Yes [ ] No [ ]

If no, please explain:

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

**SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES****SCHEDULE P – PART 1 – SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	2,507	681	148	20	129		13	2,083	X X X
2. 2007	136,208	11,343	124,865	83,164	3,358	5,050	23	16,840		2,469	101,673	X X X
3. 2008	118,728	9,972	108,756	70,584	1,038	4,129	42	16,620		1,505	90,253	X X X
4. 2009	101,670	7,173	94,497	69,602	1,975	3,901	13	13,206		1,281	84,721	X X X
5. 2010	91,451	8,028	83,423	67,521	1,802	3,468	34	13,649		1,050	82,802	X X X
6. 2011	92,459	7,451	85,008	69,231		4,577		13,484		1,290	87,292	X X X
7. 2012	102,597	8,432	94,165	69,190	1,169	4,874	17	13,544		744	86,422	X X X
8. 2013	111,600	8,778	102,822	65,562		4,863		13,751		815	84,176	X X X
9. 2014	126,456	7,849	118,607	58,097		4,913		14,136		583	77,146	X X X
10. 2015	135,250	8,033	127,217	46,216		4,515		13,887		304	64,618	X X X
11. 2016	139,815	7,408	132,407	20,933		2,271		10,772		73	33,976	X X X
12. Totals	X X X	X X X	X X X	622,607	10,023	42,709	149	140,018		10,127	795,162	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	19,421	10,788	175		542	245			1,653			10,758	X X X
2. 2007	1,691		101		70				179			2,041	X X X
3. 2008	1,067		128		56		1		117			1,369	X X X
4. 2009	5,684		77		92		3		549			6,405	X X X
5. 2010	5,036	3,028	113	48	87	17	5		507			2,655	X X X
6. 2011	3,332	388	183	10	204	13	7		341			3,656	X X X
7. 2012	10,400	6,356	702	77	260	15	43	5	1,079			6,031	X X X
8. 2013	7,898	783	2,290	330	478	21	27	4	947			10,502	X X X
9. 2014	10,339		3,859	378	739		84	8	1,230			15,865	X X X
10. 2015	15,644		12,356	1,618	1,322		128	13	2,557			30,376	X X X
11. 2016	24,023		32,179	3,393	2,287		705	76	6,394			62,119	X X X
12. Totals	104,535	21,343	52,163	5,854	6,137	311	1,003	106	15,553			151,777	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	8,808	1,950
2. 2007	107,095	3,381	103,714	78,626	29,807	83,061				1,792	249
3. 2008	92,702	1,080	91,622	78,079	10,830	84,245				1,195	174
4. 2009	93,114	1,988	91,126	91,585	27,715	96,433				5,761	644
5. 2010	90,386	4,929	85,457	98,835	61,398	102,438				2,073	582
6. 2011	91,359	411	90,948	98,810	5,516	106,988				3,117	539
7. 2012	100,092	7,639	92,453	97,558	90,595	98,182				4,669	1,362
8. 2013	95,816	1,138	94,678	85,857	12,964	92,080				9,075	1,427
9. 2014	93,397	386	93,011	73,857	4,918	78,419				13,820	2,045
10. 2015	96,625	1,631	94,994	71,442	20,304	74,671				26,382	3,994
11. 2016	99,564	3,469	96,095	71,211	46,828	72,575				52,809	9,310
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	129,501	22,276

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	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	One Year	Two Year	
1. Prior	138,877	126,789	112,174	101,408	100,465	95,507	92,410	88,309	88,224	88,202	(22)	(107)	
2. 2007	107,830	102,174	94,395	92,676	89,299	86,576	86,168	88,765	86,755	86,695	(60)	(2,070)	
3. 2008	XXX	84,231	85,750	83,289	77,607	76,653	76,486	75,744	75,180	74,885	(295)	(859)	
4. 2009	XXX	XXX	84,563	81,644	76,090	76,042	75,567	76,211	76,411	77,371	960	1,160	
5. 2010	XXX	XXX	XXX	76,022	70,119	71,877	71,614	71,564	71,495	71,301	(194)	(263)	
6. 2011	XXX	XXX	XXX	XXX	74,526	72,740	76,045	75,607	76,228	77,123	895	1,516	
7. 2012	XXX	XXX	XXX	XXX	XXX	72,829	70,713	74,930	77,098	77,830	732	2,900	
8. 2013	XXX	XXX	XXX	XXX	XXX	XXX	68,900	70,847	77,575	79,980	2,405	9,133	
9. 2014	XXX	XXX	XXX	XXX	XXX	XXX	XXX	71,727	72,476	77,645	5,169	5,918	
10. 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	76,340	78,550	2,210	XXX	
11. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	78,929	XXX	XXX	
											12. Totals	11,800	17,328

**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
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
1. Prior	000	34,048	50,958	59,544	65,597	68,262	70,548	75,227	77,143	79,097	XXX	XXX
2. 2007	27,723	54,203	65,963	72,997	76,936	81,080	82,956	82,337	84,657	84,833	XXX	XXX
3. 2008	XXX	21,739	45,872	58,896	65,943	69,309	71,688	73,256	73,490	73,633	XXX	XXX
4. 2009	XXX	XXX	22,460	44,923	58,064	65,355	69,509	71,661	72,954	71,515	XXX	XXX
5. 2010	XXX	XXX	XXX	19,837	42,857	55,129	62,826	66,311	68,406	69,153	XXX	XXX
6. 2011	XXX	XXX	XXX	XXX	23,047	47,788	61,476	68,165	71,816	73,808	XXX	XXX
7. 2012	XXX	XXX	XXX	XXX	XXX	22,951	47,028	59,942	69,839	72,878	XXX	XXX
8. 2013	XXX	XXX	XXX	XXX	XXX	XXX	22,356	47,655	63,415	70,425	XXX	XXX
9. 2014	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,720	47,311	63,010	XXX	XXX
10. 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	25,793	50,731	XXX	XXX
11. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,204	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
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Prior	56,731	38,727	25,437	12,949	10,006	4,205	1,973	393	333	175
2. 2007	37,123	18,264	9,326	4,836	2,529	728	299	646	204	101
3. 2008	XXX	27,073	12,179	6,547	3,130	966	457	408	109	129
4. 2009	XXX	XXX	26,746	9,312	2,444	1,701	293	325	73	80
5. 2010	XXX	XXX	XXX	19,521	3,960	2,281	872	601	188	70
6. 2011	XXX	XXX	XXX	XXX	22,862	5,413	3,086	998	352	180
7. 2012	XXX	XXX	XXX	XXX	XXX	24,958	7,272	2,172	1,025	663
8. 2013	XXX	XXX	XXX	XXX	XXX	XXX	22,212	4,772	2,360	1,983
9. 2014	XXX	XXX	XXX	XXX	XXX	XXX	XXX	26,713	7,691	3,557
10. 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	26,583	10,853
11. 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	29,415

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	1		Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9	
	Active Status	2	3	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	N									
2. Alaska	AK	N									
3. Arizona	AZ	N									
4. Arkansas	AR	N									
5. California	CA	N									
6. Colorado	CO	N									
7. Connecticut	CT	N									
8. Delaware	DE	N									
9. District of Columbia	DC	N									
10. Florida	FL	N									
11. Georgia	GA	N									
12. Hawaii	HI	N									
13. Idaho	ID	N									
14. Illinois	IL	N									
15. Indiana	IN	N									
16. Iowa	IA	N									
17. Kansas	KS	N									
18. Kentucky	KY	N									
19. Louisiana	LA	N									
20. Maine	ME	N									
21. Maryland	MD	N									
22. Massachusetts	MA	L									
23. Michigan	MI	N									
24. Minnesota	MN	N									
25. Mississippi	MS	N									
26. Missouri	MO	N									
27. Montana	MT	N									
28. Nebraska	NE	N									
29. Nevada	NV	N									
30. New Hampshire	NH	N									
31. New Jersey	NJ	N									
32. New Mexico	NM	N									
33. New York	NY	N									
34. North Carolina	NC	N									
35. North Dakota	ND	N									
36. Ohio	OH	N									
37. Oklahoma	OK	N									
38. Oregon	OR	N									
39. Pennsylvania	PA	N									
40. Rhode Island	RI	L	134,976,989	133,663,432	963,000	70,326,747	70,035,235	143,037,361	141,765		
41. South Carolina	SC	N									
42. South Dakota	SD	N									
43. Tennessee	TN	N									
44. Texas	TX	N									
45. Utah	UT	N									
46. Vermont	VT	N									
47. Virginia	VA	N									
48. Washington	WA	N									
49. West Virginia	WV	N									
50. Wisconsin	WI	N									
51. Wyoming	WY	N									
52. American Samoa	AS	N									
53. Guam	GU	N									
54. Puerto Rico	PR	N									
55. U.S. Virgin Islands	VI	N									
56. Northern Mariana Islands	MP	N									
57. Canada	CAN	N									
58. Aggregate Other Alien	OT	X X X									
59. Totals	(a) 2		134,976,989	133,663,432	963,000	70,326,747	70,035,235	143,037,361	141,765		

DETAILS OF WRITE-INS										
58001.	X X X									
58002.	X X X									
58003.	X X X									
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X									
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X									

NONE

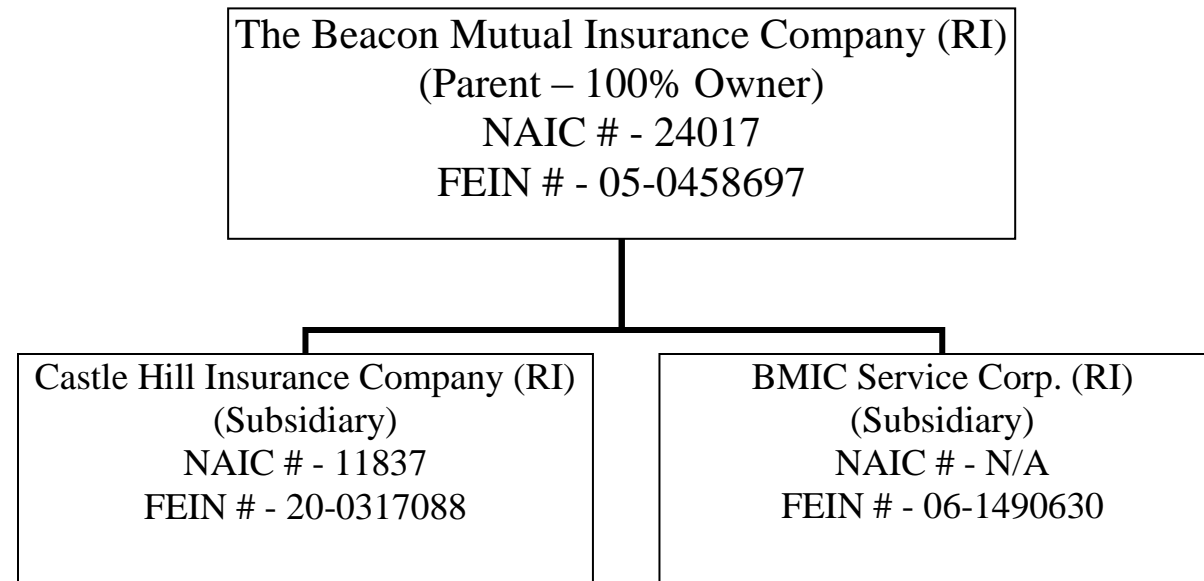
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

Explanation of basis of allocation of premiums by states, etc.										
None										

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

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

### PART 1 - ORGANIZATIONAL CHART





**OVERFLOW PAGE FOR WRITE-INS**

**Page 4 - Continuation  
STATEMENT OF INCOME**

REMAINING WRITE-INS AGGREGATED AT LINE 14 FOR MISCELLANEOUS INCOME	1	2
	Current Year	Prior Year
1404. Impaired Loss - Subsidiary		150,000
1497. Totals (Lines 1404 through 1496) (Page 4, Line 1498)		150,000

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