

Report on the Coordinated Multi-State Examination

of

**METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY  
METROPOLITAN CASUALTY INSURANCE COMPANY  
METROPOLITAN DIRECT PROPERTY AND CASUALTY INSURANCE COMPANY  
METROPOLITAN GENERAL INSURANCE COMPANY  
METROPOLITAN GROUP PROPERTY AND CASUALTY INSURANCE COMPANY**

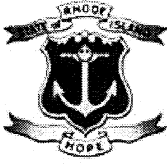
Warwick, Rhode Island

as of

December 31, 2016



State of Rhode Island and Providence Plantations  
Department of Business Regulation  
Insurance Division



State of Rhode Island and Providence Plantations  
DEPARTMENT OF BUSINESS REGULATION  
1511 Pontiac Avenue, Bldg. 69-2  
Cranston, Rhode Island 02920

**Insurance Division**

**DIRECTOR'S ORDER**

The attached Report of Examination as of December 31, 2016, of the condition and affairs of

METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY  
METROPOLITAN CASUALTY INSURANCE COMPANY  
METROPOLITAN GENERAL INSURANCE COMPANY  
METROPOLITAN DIRECT PROPERTY AND CASUALTY INSURANCE COMPANY  
METROPOLITAN GROUP PROPERTY AND CASUALTY INSURANCE COMPANY

was recently completed by duly qualified examiners, pursuant to the provisions of the Rhode Island General Laws.

Due consideration has been given to the comments of the examiners regarding the operation of the Companies and their financial condition, as reflected in the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this Department as of this date.

DEPARTMENT OF BUSINESS  
REGULATION

Dated: December 11, 2017

Elizabeth Kelleher Dwyer  
Deputy Director and Superintendant of Banking  
and Insurance

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November 16, 2017

Ms. Elizabeth Kelleher Dwyer  
Deputy Director and Superintendent of Banking and Insurance  
State of Rhode Island and Providence Plantations  
Department of Business Regulation  
1511 Pontiac Avenue, Bldg. 69-2  
Cranston, Rhode Island 02920

Dear Superintendent Dwyer:

In accordance with your instructions and pursuant to Chapters 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2016, of the financial condition and affairs of

**METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY  
METROPOLITAN CASUALTY INSURANCE COMPANY  
METROPOLITAN DIRECT PROPERTY AND CASUALTY INSURANCE COMPANY  
METROPOLITAN GENERAL INSURANCE COMPANY  
METROPOLITAN GROUP PROPERTY AND CASUALTY INSURANCE COMPANY**

located at 700 Quaker Lane, Warwick, Rhode Island. The report of such examination is herewith submitted.

The above companies are referred to within this report collectively as the “Companies” or the “Met P&C Group.” The Companies were previously examined as of December 31, 2011, and both the current and prior examinations were conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”) representing the Northeast Zone of the National Association of Insurance Commissioners.

## SCOPE OF EXAMINATION

The last examination of the Companies covered the four-year period from January 1, 2008 through December 31, 2011. The current examination covered the five-year period from January 1, 2012 through December 31, 2016 and was performed in compliance with the above mentioned sections of the General Laws of the State of Rhode Island, as amended. The current examination was conducted as a full scope coordinated multi-state risk-focused examination (“Coordinated Exam”) in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”), and it consisted of nine (9) insurers which combined, constitutes the Property & Casualty subgroup of the Met P&C Group. The Rhode Island Insurance Division served as the Exam Facilitator and the Lead State. In addition, Illinois and Texas participated in the Coordinated Exam, which encompassed the following companies.

Name of Insurer	State of Domicile
Metropolitan Property and Casualty Insurance Company	Rhode Island
Metropolitan Casualty Insurance Company	Rhode Island
Metropolitan Direct Property and Casualty Insurance Company	Rhode Island
Metropolitan General Insurance Company	Rhode Island
Metropolitan Group Property and Casualty Insurance Company	Rhode Island
Economy Fire & Casualty Company	Illinois
Economy Preferred Insurance Company	Illinois
Economy Premier Assurance Company	Illinois
Metropolitan Lloyds Insurance Company of Texas	Texas

The Coordinated Exam was performed as part of a global examination plan developed and managed by the State of New York, to facilitate the examination of all Metropolitan Life Insurance Company (“MLIC”) affiliates.

The Handbook requires that we plan and perform the examination to evaluate the financial

condition, assess corporate governance, identify current and prospective risks of the Companies and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Companies were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Companies' financial statements.

This examination report includes significant findings of fact, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.) are not included within the examination report but separately communicated to other regulators and/or the Companies.

### **COMPANY HISTORY**

#### **Metropolitan Property and Casualty Insurance Company**

Metropolitan Property and Casualty Insurance Company ("MPC") was incorporated on August 31, 1972, under the laws of the State of Delaware, as Metropolitan Property and

Liability Insurance Company. It commenced business on December 8, 1972 and on December 12, 1988, its name was changed to MetLife Property and Casualty Insurance Company. Subsequently, on January 11, 1990, the Delaware Department of Insurance approved the name change from MetLife Property and Casualty Insurance Company to its current name.

All of MPC's outstanding common capital stock is owned by MetLife, Inc. ("MetLife") a publicly held Delaware corporation, and all of its outstanding preferred capital stock is owned by MetLife Credit Corporation, a Delaware corporation.

During the period covered by this examination, the following stockholder dividends were paid by MPC:

Year	Amount	Payee	Transaction Type
2012	\$100,000,000	MetLife, Inc.	Common Stock – Extraordinary Dividend
	4,220,352	MetLife Credit Corp.	Preferred Stock – Extraordinary Dividends *
2013	100,000,000	MetLife, Inc.	Common Stock – Extraordinary Dividend
	4,053,140	MetLife Credit Corp.	Preferred Stock – Extraordinary Dividends *
2014	200,000,000	MetLife, Inc.	Common Stock – Ordinary Dividend
	3,996,265	MetLife Credit Corp.	Preferred Stock – Extraordinary Dividends *
2015	235,000,000	MetLife, Inc.	Common Stock – Extraordinary Dividend
	4,105,977	MetLife Credit Corp.	Preferred Stock – Ordinary Dividends *
2016	228,000,000	MetLife, Inc.	Common Stock – Ordinary Dividend
	4,939,139	MetLife Credit Corp.	Preferred Stock – Extraordinary Dividends *

\* Four separate dividends

In 2014, MPC recorded an adjustment related to pension, postretirement and postemployment obligations. The adjustment was due to the determination that the accounting should have been based on a multi-employer plan rather than a multiple-employer plan. As a result of this adjustment, MPC's assets decreased by \$7,235,000; liabilities



decreased by \$65,729,000 and surplus increased by \$58,494,000 which included a surplus contribution of, \$12,365,000 from MetLife, Inc.

Metropolitan Casualty Insurance Company

Metropolitan Casualty Insurance Company (“MetCas”) was incorporated on October 7, 1981 under the laws of the State of Delaware. It commenced business on April 1, 1982.

All of MetCas’s outstanding capital stock is owned by Metropolitan Property and Casualty Insurance Company.

Metropolitan Direct Property and Casualty Insurance Company

Metropolitan Direct Property and Casualty Insurance Company (“MetDirect”) was incorporated on May 24, 1949, under the laws of the State of Georgia, as the Great Southern Insurance Company. It commenced business on June 1, 1949. On April 25, 1952, its name was changed to Southern General Insurance Company, and on October 4, 1972, its name was changed to First General Insurance Company.

MetDirect became affiliated with the Met P&C Group on January 10, 1985 when its parent was acquired by MLIC through the purchase of Charter Security Life Insurance Company. Direct stock ownership of MetDirect was transferred in December 1986 to Metropolitan Property and Liability Insurance Company, which is currently known as Metropolitan Property and Casualty Insurance Company.

Effective February 13, 1998, its name was changed to its present name, Metropolitan Direct Property and Casualty Insurance Company. Effective February 1, 1993 MetDirect redomesticated from Georgia to Rhode Island. The “Petition for Redomestication” was formally approved by the appropriate regulatory agencies of both states.

All of MetDirect’s outstanding capital stock is owned by Metropolitan Property and Casualty Insurance Company.

Metropolitan General Insurance Company

Metropolitan General Insurance Company (“MetGen”) was incorporated on June 30, 1980 under the laws of the State of Delaware. It commenced business on October 13, 1981.

All of MetGen’s outstanding capital stock is owned by Metropolitan Property and Casualty Insurance Company.

Metropolitan Group Property and Casualty Insurance Company

Metropolitan Group Property and Casualty Insurance Company (“MetGroup”) was incorporated on December 10, 1976, under the laws of the State of Delaware, as Metropolitan Reinsurance Company. It commenced business on December 1, 1977, and became a subsidiary of Metropolitan Property and Casualty Insurance Company. Effective April 3, 1992, its name was changed to Metropolitan Group Property and Casualty Insurance Company.

Effective February 10, 1995, MPC, MetCas, MetGen and MetGroup redomesticated from Delaware to Rhode Island. The “Petition for Redomestication” was formally approved by the appropriate regulatory agencies of both states.

## **MANAGEMENT AND CONTROL**

### **Board of Directors**

The Certificates of Incorporation of each company in the Met P&C Group states that all corporate powers and authority of the corporation (except as at the time otherwise provided by law, by the Certificate of Incorporation or by the by-laws of the Corporation) shall be vested in and exercised by the Board of Directors.

The number of directors shall be determined from time to time by the Board, but such number shall not be less than three. The directors shall be elected annually by the stockholders to hold office until the next annual meeting of the stockholders. Each director shall hold office until the expiration of the term for which such director is elected and until a successor has been elected and has qualified, or until such director’s earlier death, resignation or removal.

At December 31, 2016, the members of the Board of Directors together with the principal business or professional affiliation of each director is as follows:

Name	Business Affiliation	Term Expires	MPC	MetCas	MetDirect	MetGen	MetGroup
Kishore Ponnaveolu, Chairman	President, Metropolitan Property and Casualty Insurance Company	None	•	•	•	•	•
Michael J. Bednarick	Vice President and Chief Financial Officer, MetLife Group, Inc.	None	•	•	•	•	•
Marlene B. Debel	Executive Vice President, MetLife Group, Inc.	None	•				
Todd B. Katz	Executive Vice President, Group Voluntary & Worksite Benefits, MetLife Group, Inc.	None	•				
Maria R. Morris	Executive Vice President, Global Employee Benefits, MetLife Group, Inc.	None	•				
Kevin S. Redgate	Managing Director, Global Portfolio Strategies MetLife Group, Inc.	None	•				
Stanley J. Talbi	Executive Vice President, Global Risk Management, MetLife Group, Inc.	None	•				
Barbara J. Furr	Vice President, Metropolitan Property and Casualty Insurance Company	None		•	•	•	•
Paul E. Gavin	Senior Vice President, MetLife Group, Inc.	None		•	•		

### **Committees**

The by-laws of each company in the Met P&C Group stipulates that the Board of Directors, by resolution adopted by a majority of the whole Board, may designate one or more Committees of the Board, each such Committee should consist of two or more Directors who may, from time to time, be fixed by resolution similarly adopted.

An Audit Committee is maintained and is, in general, responsible for overseeing management's design and conduct of the Company's accounting and financial reporting

processes and audits of the financial statements. Management is responsible for preparing the financial statements and for designing and implementing internal controls over financial reporting. The external auditors are responsible for auditing those financial statements. At December 31, 2016, the Audit Committee was comprised of Maria R. Morris, Chair; Kishore Ponnayolu and Stanley J. Talbi.

In addition, MPC maintains an Audit Council to support management in discharging its responsibility of maintaining an adequate system of internal control and financial reporting, and in that regard, compliance with all applicable laws and regulations. At December 31, 2016, the Audit Council was comprised of the following members:

Kishore Ponnayolu, Chair  
Michael J. Bednarick  
Robert F. Nostramo  
Richard A. Stevens

A MetLife Auto & Home Asset-Liability Management (“ALM”) Committee is also maintained by MPC to provide investment oversight responsibilities and is responsible for the asset-liability management of the individual product lines, portfolios and/or businesses, associated with the Companies’ lines of business. The members of the ALM Committee serving at December 31, 2016 are as follows:

Kishore Ponnayolu, Chairman  
Michael J. Bednarick  
Bryan E. Boudreau  
Daniel A. DeKeizer  
Stephen C. Radis  
Alan S. Turkiewicz

## Officers

The officers of the Companies shall be elected or appointed by the Board of Directors and shall hold office at the pleasure of the Board until the election, or appointment, and qualification of a successor.

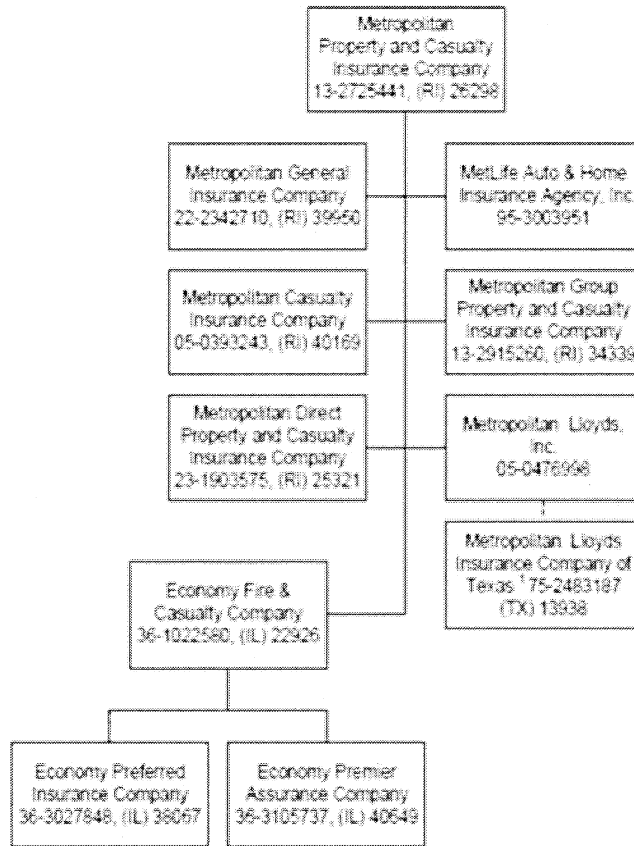
The officers serving each company, and their respective titles at December 31, 2016, are as follows:

Name	Title	MPC	MetCas	MetDirect	MetGen	MetGroup
Kishore Ponnayolu	President	.	.	.	.	.
Marlene Beverly Debel	Executive Vice President	.	.	.	.	.
Jason Philip Manske	Senior Vice President and Chief Hedging Officer	.				
Mick Lloyd Noland	Senior Vice President	.	.	.	.	.
Robert Francis Nostramo	Senior Vice President and General Counsel	.	.	.	.	.
Maura Catherine Travers	Assistant General Counsel and Secretary	.	.	.	.	.
John Dennis McCallion	Treasurer	.	.	.	.	.
Michael John Abate	Vice President	.				
Robert Edward Bean	Vice President	.	.	.	.	.
Michael John Bednarick	Vice President and Chief Financial Officer	.	.	.	.	.
Charles Phillip Cavas	Vice President and Associate General Counsel	.				
Kevin Chean	Vice President	.	.	.	.	.
Darla Ann Finchum	Vice President	.	.	.	.	.

Barbara Jean Furr	Vice President	.	.	.	.	.
Paul Edward Gavin	Senior Vice President	.				
Lise Ann Hasegawa	Vice President	.	.	.	.	.
Richard Paul Lonardo	Vice President	.	.	.	.	.
Patrick John Meyer	Vice President	.				
Barry Gregory Morphis	Vice President	.	.		.	
Michael Valentine Neubauer	Vice President	.				
Brenda Ann Perkins	Vice President	.				
Christopher Timothy Rhodes	Vice President	.	.	.	.	.
Michael Joseph Romano	Vice President	.				
Joseph Urba Rupp, Jr.	Vice President	.				
Richard Andrew Stevens	Vice President and Controller	.	.	.	.	.
Calvin Tyrone Strong	Vice President	.	.	.	.	.
Donald Gerald Sullivan	Vice President	.				

**Organizational Structure**

As discussed within the “Company History” section above, MPC is a wholly owned subsidiary of MetLife. The following represents an abbreviated organizational chart as of December 31, 2016 and depicts MPC and its controlling subsidiaries:



<sup>1</sup> Metropolitan Lloyds Insurance Company of Texas, an affiliated association, provides automobile, homeowner and related insurance for the Texas market. It is an association of individuals designated as underwriters. Metropolitan Lloyds, Inc., a subsidiary of Metropolitan Property and Casualty Insurance Company, serves as the attorney-in-fact and manages the association.

## **Intercompany Agreements**

MPC and its controlling subsidiaries are a party to numerous intercompany agreements. A summary of each expense/cost sharing agreement is summarized below.

### **Services Agreement**

Effective January 1, 2003, MLIC transferred some of its employees to a service company, MetLife Group, Inc., where under the terms of a Services Agreement, MetLife Group, Inc. provides personnel to MLIC, and MPC and its subsidiaries. MetLife Group Inc. provides such personnel services as may be determined to be reasonably necessary in the conduct of



the operations of the other companies that are parties to the agreement, including without limitation, personnel qualified to perform the following services: legal, communications, human resources, broker-dealer, general management, controller, investment management, actuarial, treasury, benefits management, information system and technology, and claims, underwriting and policyholder services.

Master Services Agreement

Effective October 1, 2003, MPC and its subsidiary companies became party to a Master Services Agreement with MLIC and the other entities within MetLife's holding company system. This agreement governs the provision of services that MLIC provides to the Companies. Services provided include, but are not limited to, legal, communications, administrative, investment and policyholder service functions for the benefit of the Companies and established guidelines for reasonable determination of costs of services provided, based on time spent or use of services.

Global Services Agreement

Effective January 1, 2007, MPC and its subsidiary companies became party to a Global Services Agreement with MetLife Services and Solutions, LLC ("MetLife Services"), a Delaware limited liability company, which resulted in a Global Operations Center (the "Center") being established in India. The Center enhances the Companies' customer services model, leverages MetLife's significant international presence and helps to ensure the Companies' continued growth. Services consist of select business processes needed by the lines of business, as well as staff functions, as determined by the Companies to be reasonably necessary for its operations, including, without limitation, personnel qualified to perform the

following services: data entry processing services; claim administration services; case implementation services; financial control and reporting processes; correspondence services; quality assurance functions; billing and remittance processes; pre and post underwriting review; clinical consultation processes for claim administration; procurement; and reinsurance administration.

Effective November 1, 2008, MPC and its subsidiary companies entered into an Amended and Restated Global Services Agreement with MetLife Services that includes certain (i) management support services that MetLife Services provided to the Companies through an India-based affiliated vendor (MetLife Services East Private Limited) and (ii) additional Business Process Services that the Company requires. The Global Services Agreement was amended to permit MetLife Services to pass along charges from affiliated vendors that included a mark-up to cost.

*Services Agreement - Litigation*

Effective September 1, 2011, MPC entered into a Services Agreement for litigation and litigation support services between MLIC and MPC. Under this Services Agreement, MPC makes its staff attorneys with expertise in claims settlement matters available to perform various litigation and litigation support services and related procurement services to the extent requested by MLIC.

*Master Services Agreement – MetLife Auto & Home Insurance Agency*

Effective April 1, 2014, MPC entered into a Master Services Agreement (the “Agreement”) by which it is contractually obligated to provide services to MetLife Auto & Home Insurance

Agency, Inc., (“Met GA”) as reasonably necessary for the conduct of Met GA’s operations. Services include but are not limited to: legal, communications, human resources, general management, investment management, treasury, benefits management, systems technology, and insurance transactions.

*Global Services Agreement – MetLife International Holdings, Inc.*

Effective September 15, 2014, MPC and its subsidiary companies entered into a Services Agreement (the “Global Services Agreement”) with its affiliate, MetLife International Holdings, Inc., (“MIHI”). The Global Services Agreement enables MIHI to serve as a conduit for foreign vendors, including MIHI’s foreign subsidiaries and affiliates within the MetLife enterprise, and to provide shared services and facility use. Effective March 1, 2015, MetDirect entered into a similar agreement with MIHI.

*Master Services Agreement – Metropolitan Life Insurance Company*

Effective October 1, 2014, MPC and MLIC entered into an agreement under which MPC has experience in the operation of its business and has trained personnel, equipment and facilities for the conduct of its present and future operations and provides services, such as disability claims and fraud prevention and detection services and facilities to MLIC upon its request.

*Services Agreement - Hyatt*

Effective February 1, 2015, MPC and Hyatt Legal Plans, Inc. (“Hyatt”), its affiliate, entered into a Services Agreement. MPC has extensive experience in the business of property and casualty insurance and Hyatt has extensive experience in marketing and administering legal

services plans and has trained personnel, equipment and facilities for the conduct of its operations. Under the agreement, Hyatt will provide services and facilities to MPC in connection with legal services plans. Previously, on or about December 1, 1997, MPC and Hyatt had entered into a similar Services Agreement. The purpose of the current Services Agreement was to update the terms of services arrangements between the companies and replace the earlier Services Agreement.

### **TERRITORY AND PLAN OF OPERATION**

The Met P&C Group collectively, is licensed to transact business in all states and the District of Columbia.

The Companies are engaged in the property and casualty insurance business. Their primary business is the direct sale of automobile (65%) and homeowners insurance (33%), but it also sells selected property and casualty coverages (2%). The Met P&C Group began offering commercial property and casualty insurance in August 2014. Also in 2014, it introduced the Business Owner's Policy ("BOP") in five (5) states to expand its product portfolio and support business growth objectives. Throughout 2016, the Companies continued to expand availability of its BOP to 35 states. In 2015, the Companies also introduced its commercial automobile product and commercial umbrella products in select states. By the end of 2016, commercial automobile coverage was being marketed in 12 states.

Personal lines insurance is offered directly to employees at their employer's worksite, as well as through a variety of retail distribution channels, including MetLife captive agents, Group Marketing, Direct Response Marketing, and Independent Insurance Agents.

The Met P&C Group had previously been structured by functional areas (i.e., claims, pricing, sales, underwriting, etc.). Commencing July 1, 2015, the Met P&C Group migrated to a Product Management approach, where operations are divided into three areas: (1) Agency Product Management, (2) Group Benefits Product Management, and (3) Countrywide Product Management. Sales are divided between Agency Sales and Group Benefits Sales, reflecting the Met P&C Group's major channels, each of which produce approximately half of all premiums written. These areas are each managed separately, and are responsible for their own results of operations. Countrywide Product Management has more of a support and coordination role, including development of long term strategy. Examples of these include research, pricing and product development, portfolio and supporting managers of Agency and Group Benefits.

The Met P&C Group utilizes multiple companies to service a broad cross section of customers. The major market split among preferred, standard and non-standard risks served by company is shown below:

<b>Automobile Insurance</b>	<b>Market</b>
Metropolitan Property and Casualty Insurance Company	Standard Customers
Metropolitan Casualty Insurance Company	Preferred Customers
Metropolitan General Insurance Company	Non-Standard Customers
Metropolitan Group Property and Casualty Insurance Company	Standard Customers
Metropolitan Direct Property and Casualty Insurance Company	Standard Customers
Metropolitan Lloyds Insurance Company of Texas	Texas only
Economy Fire & Casualty Company	Standard Customers
Economy Preferred Insurance Company	Standard Customers
Economy Premier Assurance Company	Standard Customers
<b>Property Insurance</b>	<b>Market</b>
Metropolitan Property and Casualty Insurance Company	Standard Customers
Metropolitan Group Property and Casualty Insurance Company	Standard Customers

Metropolitan Lloyds Insurance Company of Texas	Texas only
Economy Fire & Casualty Company	Standard Customers
Economy Preferred Insurance Company	Standard Customers
Economy Premier Assurance Company	Standard Customers

## REINSURANCE

### Restated Quota Share Reinsurance Treaty

Effective January 1, 1991 (“Attachment Date”), MPC entered into a 100% Quota Share and Pooling Agreement (“Intercompany Agreement”) with its subsidiary companies, MetCas, MetGen, and MetDirect. MetGroup was added in 1992, and Metropolitan Lloyds Insurance Company of Texas was added in 1993.

During 2000, a Restated Quota Share Reinsurance Treaty (“Treaty”) was filed with the states of Illinois, Rhode Island and Texas, the domiciliary states for treaty participants. An intercompany reinsurance agreement has been in place between the members of Met P&C Group for some time, and the Treaty superseded the original reinsurance agreement. The Treaty added the purchased Economy Companies to the reinsurance arrangement. After extensive discussions and correspondence with the three states, the Treaty was approved, and became effective as of January 1, 2001.

Under the terms of the Treaty, each subsidiary obligates itself to cede, and MPC obligates itself to accept, a 100% interest in the liability on all business in force as of January 1, 2001, or written thereafter.

With respect to the Economy Companies, Economy Preferred Insurance Company and Economy Premier Assurance Company obligate themselves to cede, and Economy Fire &

Casualty Company (“EF&C”) obligates itself to accept, a 100% interest in the liability on all business in force as of January 1, 2001, or written thereafter, and EF&C, in turn, obligates itself to cede, and MPC obligates itself to accept, a 100% interest of its gross net liability on all business in force as of January 1, 2001, or written thereafter.

#### Other Assumed Reinsurance

The Met P&C Group’s assumed reinsurance, which is relatively insignificant, consists primarily of mandatory pools, associations and facilities.

#### Ceded Reinsurance

***Property catastrophe excess of loss.*** For the 2016 contract year, protection against hurricane losses in Florida was obtained through the state-run Florida Hurricane Catastrophe Fund, which provides a maximum recoverable amount of \$37 million in excess of \$13 million. For other regions, on January 1, 2016, the Met P&C Group entered into an annual catastrophe excess of loss treaty in which the maximum recoverable amount was \$206.5 million for each and every loss occurrence in excess of \$130 million. In the Northeast only, the Met P&C Group entered into annual treaties in which the maximum recoverable amount is \$113.8 million for each and every loss occurrence in excess of \$400 million.

***Property per risk excess of loss.*** The Met P&C Group’s property per risk excess of loss coverage has three treaties of protection: each current layer is effective through June 30, 2017. The first treaty provides up to \$3 million of coverage for each loss in excess of \$2 million. The second treaty provides \$2 million coverage in excess of \$3 million and the third

treaty provides up to \$10 million of coverage for each loss in excess of \$5 million. For a given occurrence, the entire program provides maximum coverage of \$19.6 million.

*Casualty excess of loss.* The Met P&C Group's casualty excess of loss coverage has three layers of protection: each layer is effective through June 30, 2017. The first layer covers up to \$2 million of losses for each occurrence in excess of \$3 million. (\$3 million excess of \$2 million for Commercial Lines of business). The second layer covers up to \$5 million of losses for each occurrence in excess of \$5 million. The third layer covers up to \$10 million of losses for each occurrence in excess of \$10 million.

#### Other Ceded Reinsurance

The Met P&C Group's other ceded reinsurance consists primarily of mandatory state run pools, associations, facilities, mine subsidence programs, and federal flood insurance. The Company ceded 100% of its directly written flood insurance to National Flood Insurance Program.



## FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Companies with the State of Rhode Island Department of Business Regulation and present the financial condition of the companies for the period ending December 31, 2016. The accompanying comments on financial statements reflect examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements:

Comparative Statement of Assets  
December 31, 2016 and December 31, 2011

Comparative Statement of Liabilities and Capital and Surplus  
December 31, 2016 and December 31, 2011

Statement of Income  
Year Ended December 31, 2016

Reconciliation of Capital and Surplus  
December 31, 2011 to December 31, 2016

Analysis of Examination Adjustments  
December 31, 2016

**METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY**  
**Comparative Statement of Assets**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$2,881,506,666	\$2,740,280,739	\$141,225,927
Preferred stocks	42,322,330	173,879,005	(131,556,675)
Common stocks	923,206,208	787,722,199	135,484,009
Properties occupied by the company	131,681	312,384	(180,703)
Properties held for the production of income	8,984,870	0	8,984,870
Cash, cash equivalents and short term investments	(135,724,696)	(111,136,242)	(24,588,454)
Derivatives	7,240,200	827,748	6,412,452
Other invested assets	188,555,767	125,634,351	62,921,416
Receivables for securities	631,192	49,781	581,411
Aggregate write-ins for invested assets	2,196	4,335	(2,139)
Investment income due and accrued	37,014,632	38,949,713	(1,935,081)
Uncollected premiums and agents' balances in the course of collection	13,738,722	18,135,129	(4,396,407)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,153,431,193	736,473,796	416,957,397
Amounts recoverable from reinsurers	5,078,770	2,833,550	2,245,220
Funds held by or deposited with reinsured companies	48,699	130,470	(81,771)
Current federal and foreign income tax recoverable and interest	0	21,188,050	(21,188,050)
Net deferred tax asset	146,463,908	122,628,340	23,835,568
Guaranty funds receivable or on deposit	1,119,304	1,083,871	35,433
Aggregate write-ins for other-than- invested assets	356,951,527	308,376,487	48,575,040
Total Assets	<u>\$5,630,703,169</u>	<u>\$4,967,373,706</u>	<u>\$663,329,463</u>

**METROPOLITAN PROPERTY AN CASUALTY INSURANCE COMPANY**  
**Comparative Statement of Liabilities and Capital and Surplus**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Losses	\$1,260,657,677	\$1,309,500,603	\$(48,842,926)
Reinsurance payable on paid losses and loss adjustment expenses	38,623	143,273	(104,650)
Loss adjustment expenses	288,020,600	314,055,535	(26,034,935)
Commissions payable, contingent commissions and other similar charges	45,107,115	35,618,899	9,488,216
Other expenses	29,244,154	95,810,054	(66,565,900)
Taxes, licenses and fees	15,425,511	11,802,155	3,623,356
Current federal and foreign income taxes	4,019,901	0	4,019,901
Unearned premiums	1,662,121,497	1,291,362,689	370,758,808
Advance premium	24,652,137	30,895,715	(6,243,578)
Dividends declared and unpaid: stockholders	648,830	538,948	109,882
Dividends declared and unpaid: policyholders	1,200,000	1,750,000	(550,000)
Ceded reinsurance premiums payable	6,262,427	6,881,462	(619,035)
Amounts withheld or retained for account of others	2,586,785	131,304	2,455,481
Remittance and items not allocated	2,472,826	2,196,511	276,315
Provision for reinsurance	0	61,356	(61,356)
Payable to parent, subsidiaries and affiliates	5,884,596	1,508,990	4,375,606
Derivatives	29,674	126,669	(96,995)
Payable for securities	0	87,851	(87,851)
Aggregate write-ins for liabilities	11,241,540	7,576,667	3,664,873
Total Liabilities	<u>3,359,613,893</u>	<u>3,110,048,681</u>	<u>249,565,212</u>
Deferred tax asset adjustment	0	14,330,000	(14,330,000)
Common capital stock	3,000,000	3,000,000	0
Preferred capital stock	315,000,000	315,000,000	0
Gross paid in and contributed surplus	1,101,058,129	1,088,693,363	12,364,766
Unassigned funds (surplus)	852,031,147	436,301,662	415,729,485
Total Capital and Surplus	<u>2,271,089,276</u>	<u>1,857,325,025</u>	<u>413,764,251</u>
Total Liabilities, Surplus and Other Funds	<u>\$5,630,703,169</u>	<u>\$4,967,373,706</u>	<u>\$663,329,463</u>

**METROPOLITAN PROPERTY AN CASUALTY INSURANCE COMPANY**

**Statement of Income**

**Year Ended December 31, 2016**

UNDERWRITING INCOME

Premiums earned	<u>\$3,527,710,773</u>
Losses incurred	2,243,415,093
Loss adjustment expenses incurred	366,258,730
Other underwriting expenses incurred	<u>925,392,937</u>
Total underwriting deductions	<u>3,535,066,760</u>
Net underwriting gain (loss)	<u>(7,355,987)</u>

INVESTMENT INCOME

Net investment income earned	153,422,162
Net realized capital gains (losses) less capital gains tax	<u>717,713</u>
Net investment gain (loss)	<u>154,139,875</u>

OTHER INCOME

Net gain (loss) from agents' balances or premium balances charged off	(10,317,343)
Finance and service charges not included in premiums	3,898,162
Aggregate write-ins for miscellaneous income	<u>(8,091,289)</u>
Total other income	<u>(14,510,470)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	132,273,418
Dividends to policyholders	<u>0</u>
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	132,273,418
Federal and foreign income taxes incurred	<u>1,011,785</u>
Net income	<u>\$131,261,633</u>

**METROPOLITAN PROPERTY AN CASUALTY INSURANCE COMPANY**  
**Reconciliation of Capital and Surplus**  
**December 31, 2011 to December 31, 2016**

Capital and Surplus, December 31, 2011			\$1,857,325,025
	<u>Gains</u>	<u>Losses</u>	
Net income	\$1,077,413,345		
Change in net unrealized capital gains of (losses) less capital gains tax	131,445,502		
Change in net unrealized foreign exchange capital gain (loss)	747,726		
Change in net deferred income tax		20,044,620	
Change in nonadmitted assets	95,205,050		
Change in provision for reinsurance	61,356		
Surplus adjustment: Paid In	12,364,765		
Dividends to stockholders		884,314,873	
Aggregate write-ins for gains and losses in surplus	<u>886,000</u>		
Total gains and losses	<u>\$1,318,123,744</u>	<u>\$904,359,493</u>	
Net change in capital and surplus for the period			<u>413,764,251</u>
Capital and Surplus, December 31, 2016			<u>\$2,271,089,276</u>

**METROPOLITAN PROPERTY AN CASUALTY INSURANCE COMPANY**  
**Analysis of Examination Adjustments**  
**December 31, 2016**

The examination of the Company, performed as of December 31, 2016, did not disclose any material misstatements to the financial statements contained in its 2016 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

**METROPOLITAN CASUALTY INSURANCE COMPANY**  
**Comparative Statement of Assets**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$53,544,168	\$46,550,636	\$6,993,532
Cash, cash equivalents and short term investments	2,403,026	25,990	2,377,036
Other invested assets	0	792,433	(792,433)
Receivables for securities	25,238	0	25,238
Investment income due and accrued	567,341	582,917	(15,576)
Uncollected premiums and agents' balances in the course of collection	11,497,232	5,548,663	5,948,569
Deferred premiums, agents' balances and installments booked but deferred and not yet due	133,968,737	134,312,845	(344,108)
Current federal and foreign income tax recoverable and interest thereon	3,287	0	3,287
Net deferred tax asset	175,782	0	175,782
Guaranty funds receivable or on deposit	2,475	9,448	(6,973)
Aggregate write-ins for other-than-invested assets	1,425	979,000	(977,575)
Total Assets	\$202,188,711	\$188,801,932	\$13,386,779

**METROPOLITAN CASUALTY INSURANCE COMPANY**  
**Comparative Statement of Liabilities and Capital and Surplus**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Current federal and foreign income taxes	\$0	\$149,732	\$(149,732)
Net deferred tax liability	0	472,977	(472,977)
Ceded reinsurance premiums payable	145,465,968	139,861,508	5,604,460
Payable to parent, subsidiaries and affiliates	70,550	948,896	(878,346)
Payable for securities	439	0	439
Total Liabilities	<u>\$145,536,957</u>	<u>\$141,433,113</u>	<u>\$4,103,844</u>
Common capital stock	3,000,000	3,000,000	0
Gross paid in and contributed surplus	38,329,518	38,329,518	0
Unassigned funds (surplus)	<u>15,322,236</u>	<u>6,039,301</u>	<u>9,282,935</u>
Total Capital and Surplus	<u>56,651,754</u>	<u>47,368,819</u>	<u>9,282,935</u>
Total Liabilities, Surplus and Other Funds	<u>\$202,188,711</u>	<u>\$188,801,932</u>	<u>\$13,386,779</u>



**METROPOLITAN CASUALTY INSURANCE COMPANY**

**Statement of Income**

**Year Ended December 31, 2016**

UNDERWRITING INCOME

Premiums earned	\$0
Losses incurred	0
Loss adjustment expenses incurred	0
Other underwriting expenses incurred	0
Total underwriting deductions	0
Net underwriting gain (loss)	0

INVESTMENT INCOME

Net investment income earned	2,220,331
Net realized capital gains (losses) less capital gains tax	36,324
Net investment gain (loss)	2,256,655

OTHER INCOME

Net gain (loss) from agents' balances or premium balances charged off	(2,868,976)
Finance and service charges not included in premiums	1,706,026
Aggregate write-ins for miscellaneous income	1,164,407
Total other income	1,457
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	2,258,112
Dividends to policyholders	0
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	2,258,112
Federal and foreign income taxes incurred	280,671
Net income	\$1,977,441

**METROPOLITAN CASUALTY INSURANCE COMPANY**  
**Reconciliation of Capital and Surplus**  
**December 31, 2011 to December 31, 2016**

Capital and Surplus, December 31, 2011			\$47,368,819
	<u>Gains</u>	<u>Losses</u>	
Net income	\$9,527,341		
Change in net deferred income tax	653,109		
Change in nonadmitted assets	<u>                    </u>	<u>\$897,515</u>	
Total gains and losses	<u>\$10,180,450</u>	<u>\$897,515</u>	
Net change in capital and surplus for the period			<u>9,282,935</u>
Capital and Surplus, December 31, 2016			<u>\$56,651,754</u>

**METROPOLITAN CASUALTY INSURANCE COMPANY**  
**Analysis of Examination Adjustments**  
**December 31, 2016**

The examination of the Company, performed as of December 31, 2016, did not disclose any material misstatements to the financial statements contained in its 2016 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

**METROPOLITAN DIRECT PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**  
**Comparative Statement of Assets**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$25,585,509	\$28,135,690	\$(2,550,181)
Cash, cash equivalents and short term investments	5,623,739	109,186	5,514,553
Other invested assets	0	908,880	(908,880)
Receivables for securities	402,935	0	402,935
Investment income due and accrued	247,030	394,395	(147,365)
Uncollected premiums and agents' balances in the course of collection	3,143,896	3,169,984	(26,088)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	106,337,068	53,379,313	52,957,755
Net deferred tax asset	1,200,389	0	1,200,389
Guaranty funds receivable or on deposit	2,873	0	2,873
Aggregate write-ins for other-than-invested assets	145,013	77,153	67,860
Total Assets	<u>\$142,688,452</u>	<u>\$86,174,601</u>	<u>\$56,513,851</u>

**METROPOLITAN DIRECT PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**  
**Comparative Statement of Liabilities and Capital and Surplus**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Current federal and foreign income taxes	\$17,578	\$39,823	\$(22,245)
Net deferred tax liability	0	194,201	(194,201)
Ceded reinsurance premiums payable	109,480,963	56,549,297	52,931,666
Payable to parent, subsidiaries and affiliates	632,278	1,123,397	(491,119)
Aggregate write-ins for liabilities	0	2,453	(2,453)
Total Liabilities	<u>110,130,819</u>	<u>57,909,171</u>	<u>52,221,648</u>
Common capital stock	3,000,000	3,000,000	0
Gross paid in and contributed surplus	18,620,721	18,620,721	0
Unassigned funds (surplus)	<u>10,936,912</u>	<u>6,644,709</u>	<u>4,292,203</u>
Total Capital and Surplus	<u>32,557,633</u>	<u>28,265,430</u>	<u>4,292,203</u>
Total Liabilities, Surplus and Other Funds	<u>\$142,688,452</u>	<u>\$86,174,601</u>	<u>\$56,513,851</u>

**METROPOLITAN DIRECT PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**

**Statement of Income**  
**Year Ended December 31, 2016**

UNDERWRITING INCOME

Premiums earned	<u>\$0</u>
Losses incurred	0
Loss adjustment expenses incurred	0
Other underwriting expenses incurred	<u>0</u>
Total underwriting deductions	<u>0</u>
Net underwriting gain (loss)	<u>0</u>

INVESTMENT INCOME

Net investment income earned	1,305,321
Net realized capital gains (losses) less capital gains tax	<u>33,640</u>
Net investment gain (loss)	<u>1,338,961</u>

OTHER INCOME

Net gain (loss) from agents' balances or premium balances charged off	(3,944,153)
Finance and service charges not included in premiums	738,253
Aggregate write-ins for miscellaneous income	<u>3,204,066</u>
Total other income	<u>(1,834)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,337,127
Dividends to policyholders	<u>0</u>
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,337,127
Federal and foreign income taxes incurred	<u>168,688</u>
Net income	<u><u>1,168,439</u></u>

**METROPOLITAN DIRECT PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**  
**Reconciliation of Capital and Surplus**  
**December 31, 2011 to December 31, 2016**

Capital and Surplus, December 31, 2011			\$28,265,430
	<u>Gains</u>	<u>Losses</u>	
Net income	\$5,744,631		
Change in net deferred income tax	1,206,075		
Change in nonadmitted assets	<u>                    </u>	<u>\$2,658,503</u>	
Total gains and losses	<u>\$6,950,706</u>	<u>\$2,658,503</u>	
Net change in capital and surplus for the period			<u>4,292,203</u>
Capital and Surplus, December 31, 2016			<u><u>\$32,557,633</u></u>

**METROPOLITAN DIRECT PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**  
**Analysis of Examination Adjustments**  
**December 31, 2016**

The examination of the Company, performed as of December 31, 2016, did not disclose any material misstatements to the financial statements contained in its 2016 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.



**METROPOLITAN GENERAL INSURANCE COMPANY**  
**Comparative Statement of Assets**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$35,342,440	\$30,589,719	\$4,752,721
Cash, cash equivalents and short term investments	3,198,925	462,377	2,736,548
Other invested assets	0	1,097,963	(1,097,963)
Receivables for securities	29,963	0	29,963
Investment income due and accrued	343,000	480,968	(137,968)
Uncollected premiums and agents' balances in the course of collection	241,756	394,353	(152,597)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,228,636	4,081,654	146,982
Guaranty funds receivable or on deposit	838	481	357
Receivables from parent, subsidiaries and affiliates	5,397	0	5,397
Aggregate write ins for other-than-invested assets	0	9,124	(9,124)
Total Assets	<u>\$43,390,955</u>	<u>\$37,116,639</u>	<u>\$6,274,316</u>

**METROPOLITAN GENERAL INSURANCE COMPANY**  
**Comparative Statement of Liabilities and Capital and Surplus**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Current federal and foreign income taxes	\$25,582	\$2,184	\$23,398
Net deferred tax liability	299,629	530,699	(231,070)
Ceded reinsurance premiums payable	4,470,392	4,476,007	(5,615)
Payable to parent, subsidiaries and affiliates	0	68,051	(68,051)
Aggregate write-ins for liabilities	0	85	(85)
Total Liabilities	<u>4,795,603</u>	<u>5,077,026</u>	<u>(281,423)</u>
Common capital stock	3,000,000	3,000,000	0
Gross paid in and contributed surplus	23,373,499	23,373,499	0
Unassigned funds (surplus)	<u>12,221,853</u>	<u>5,666,114</u>	<u>6,555,739</u>
Total Capital and Surplus	<u>38,595,352</u>	<u>32,039,613</u>	<u>6,555,739</u>
Total Liabilities, Surplus and Other Funds	<u><u>\$43,390,955</u></u>	<u><u>\$37,116,639</u></u>	<u><u>\$6,274,316</u></u>

**METROPOLITAN GENERAL INSURANCE COMPANY**  
**Statement of Income**  
**Year Ended December 31, 2016**

UNDERWRITING INCOME

Premiums earned	\$0
Losses incurred	0
Loss adjustment expenses incurred	0
Other underwriting expenses incurred	0
Total underwriting deductions	0
Net underwriting gain (loss)	0

INVESTMENT INCOME

Net investment income earned	1,466,938
Net realized capital gains (losses) less capital gains tax	33,350
Net investment gain (loss)	1,500,288

OTHER INCOME

Net gain (loss) from agents' balances or premium balances charged off	(133,741)
Finance and service charges not included in premiums	69,480
Aggregate write-ins for miscellaneous income	64,261
Total other income	0
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,500,288
Dividends to policyholders	0
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,500,288
Federal and foreign income taxes incurred	194,978
Net income	\$1,305,310

**METROPOLITAN GENERAL INSURANCE COMPANY**  
**Reconciliation of Capital and Surplus**  
**December 31, 2011 to December 31, 2016**

Capital and Surplus, December 31, 2011			\$32,039,613
	<u>Gains</u>	<u>Losses</u>	
Net income	\$6,312,188		
Change in net deferred income tax	354,543		
Change in nonadmitted assets	<u>                    </u>	<u>\$110,992</u>	
Total gains and losses	<u>\$6,666,731</u>	<u>\$110,992</u>	
Net change in capital and surplus for the period			<u>6,555,739</u>
Capital and Surplus, December 31, 2016			<u>\$38,595,352</u>

**METROPOLITAN GENERAL INSURANCE COMPANY**  
**Analysis of Examination Adjustments**  
**December 31, 2016**

The examination of the Company, performed as of December 31, 2016, did not disclose any material misstatements to the financial statements contained in its 2016 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

**METROPOLITAN GROUP PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**

**Comparative Statement of Assets**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$382,589,752	\$386,190,363	\$(3,600,611)
Cash, cash equivalents and short term investments	6,798,780	664,200	6,134,580
Receivables for securities	302,581	0	302,581
Other invested assets	0	2,278,186	(2,278,186)
Investment income due and accrued	4,474,670	4,915,367	(440,697)
Uncollected premiums and agents' balances in the course of collection	598,659	10,422,321	(9,823,662)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	273,875,189	138,227,816	135,647,373
Amounts recoverable from reinsurers	13,867,965	6,339,145	7,528,820
Funds held by or deposited with reinsured companies	73,798	393,336	(319,538)
Current federal and foreign income tax recoverable and interest thereon	4,644,993	0	4,644,993
Net deferred tax asset	6,683,952	730,000	5,953,952
Guaranty funds receivable or on deposit	73,312	8,001	65,311
Receivable from parent, subsidiaries and affiliates	1,741,294	0	1,741,294
Aggregate write-ins for other-than-invested assets	0	14,397	(14,397)
<b>Total Assets</b>	<b><u>\$695,724,945</u></b>	<b><u>\$550,183,132</u></b>	<b><u>\$145,541,813</u></b>

**METROPOLITAN GROUP PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**  
**Comparative Statement of Liabilities and Capital and Surplus**  
**December 31, 2016 and December 31, 2011**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Losses	\$0	\$62,926,507	\$(62,926,507)
Reinsurance payable on paid losses and loss adjustment expenses	1,079,424	2,924,723	(1,845,299)
Loss adjustment expenses	0	9,157,142	(9,157,142)
Current federal and foreign income taxes	0	25,215	(25,215)
Ceded reinsurance premiums payable	273,876,587	148,327,068	125,549,519
Funds held by company under reinsurance treaties	297,399	47,788,789	(47,491,390)
Provision for reinsurance	4,501,542	7,835,598	(3,334,056)
Payable to parent, subsidiaries and affiliates	0	2,930,350	(2,930,350)
Loss portfolio transfer	0	(72,083,651)	72,083,651
Provision for unauthorized reinsurer	0	24,346,657	(24,346,657)
Aggregate write-ins for liabilities	2,249,862	0	2,249,862
Total Liabilities	282,004,814	234,178,398	47,826,416
Deferred tax asset adjustment	0	620,000	(620,000)
Common capital stock	3,000,000	3,000,000	0
Gross paid in and contributed surplus	192,546,568	192,546,568	0
Unassigned funds (surplus)	218,173,563	119,838,166	98,335,397
Total Capital and Surplus	413,720,131	316,004,734	97,715,397
Total Liabilities, Surplus and Other Funds	\$695,724,945	\$550,183,132	\$145,541,813

**METROPOLITAN GROUP PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**  
**Statement of Income**  
**Year Ended December 31, 2016**

UNDERWRITING INCOME

Premiums earned	\$0
Losses incurred	0
Loss adjustment expenses incurred	0
Other underwriting expenses incurred	4,063
Total underwriting deductions	4,063
Net underwriting gain (loss)	(4,063)

INVESTMENT INCOME

Net investment income earned	16,121,603
Net realized capital gains (losses) less capital gains tax	17,631
Net investment gain (loss)	16,139,234

OTHER INCOME

Net gain (loss) from agents' balances or premium balances charged off	(11,015,557)
Finance and service charges not included in premiums	1,076,687
Aggregate write-ins for miscellaneous income	18,786,267
Total other income	8,847,397
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	24,982,568
Dividends to policyholders	0
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	24,982,568
Federal and foreign income taxes incurred	(3,043,187)
Net income	\$28,025,755



**METROPOLITAN GROUP PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**  
**Reconciliation of Capital and Surplus**  
**December 31, 2011 to December 31, 2016**

Capital and Surplus, December 31, 2011			\$316,004,734
	<u>Gains</u>	<u>Losses</u>	
Net income	\$84,476,640		
Change in net unrealized capital gains of (losses) less capital gains tax	2,015,647		
Change in net unrealized foreign exchange capital gain (loss)			
Change in net deferred income tax	573,012		
Change in nonadmitted assets	5,969,385		
Change in provision for reinsurance	3,334,056		
Dividends to stockholders		\$23,000,000	
Aggregate write-ins for gains and losses in surplus	<u>24,346,657</u>		
Total gains and losses	<u>\$120,715,397</u>	<u>\$23,000,000</u>	
Net change in capital and surplus for the period			<u>97,715,397</u>
Capital and Surplus, December 31, 2016			<u>\$413,720,131</u>

**METROPOLITAN GROUP PROPERTY AND CASUALTY**  
**INSURANCE COMPANY**  
**Analysis of Examination Adjustments**  
**December 31, 2016**

The examination of the Company, performed as of December 31, 2016, did not disclose any material misstatements to the financial statements contained in its 2016 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

## COMMENTS ON FINANCIAL STATEMENTS

### ASSETS

#### Bonds

\$3,378,568,537

The above amount is the aggregate net admitted value of bonds owned by the Rhode Island-domestic insurers in the Met P&C Group, and is the same as that reported in the 2016 Annual Statements.

All of the bonds owned at year-end 2016 are held in accordance with custodial agreements with third parties. Approximately 0.62% of the combined bond portfolio, which amounts to \$20,785,257, is held in the form of special deposits with various states.

Approximately ninety-five percent (95%) of all bonds in the combined portfolio at December 31, 2016, were rated as Class 1 and Class 2 based upon evaluation methods established by the National Association of Insurance Commissioners, Securities Valuation Office. Class 1 and Class 2 securities are considered the “highest quality” and “high quality,” respectively.

The aggregate book/adjusted carrying value of bonds owned by the five Rhode Island insurers at December 31, 2016, represents 50.3% of their combined total admitted assets. The book value, fair value, actual cost and par value of each insurer’s bond portfolio at December 31, 2016, are as follows:

<b>Insurer</b>	<b>Book/Adjusted Carrying Value</b>	<b>Fair Value</b>	<b>Actual Cost</b>	<b>Par Value</b>
Metropolitan Property and Casualty Ins. Co.	\$2,881,506,666	\$3,035,714,430	\$2,888,988,534	\$2,872,804,803
Metropolitan Casualty Ins. Co.	53,544,168	54,690,723	51,667,462	52,344,243
Metropolitan Direct Property and Casualty Ins. Co.	25,585,509	26,159,684	25,644,848	25,170,279
Metropolitan General Ins. Co.	35,342,442	35,774,281	35,689,848	33,851,379
Metropolitan Group Property and Casualty Ins. Co.	382,589,752	395,197,875	381,827,040	372,417,132
<b>Total</b>	<b>\$3,378,568,537</b>	<b>\$3,547,536,993</b>	<b>\$3,383,817,732</b>	<b>\$3,356,587,836</b>

### **LIABILITIES**

#### **Losses and Loss Adjustment Expenses**

**\$1,548,678,277**

Losses	\$1,260,657,677
Loss Adjustment Expenses	<u>288,020,600</u>
<b>Total</b>	<b><u>\$1,548,678,277</u></b>

The reserves for losses and loss adjustment expenses reflected above are the same as that reported by Metropolitan Property and Casualty Insurance Company in its 2016 Annual Statement. None of the other Rhode Island domiciled insurers in the Met P&C Group reported any Loss or Loss Adjustment Expense reserves. MPC's recorded reserves were reviewed for reasonableness by INS Regulatory Insurance Services, Inc. ("INS"), consulting actuaries for the Rhode Island Insurance Division. INS relied upon the underlying data reported by the Company, which was tested by the examiners without exception. INS' analyses included a review of the actuarial assumptions and methods utilized in determining the reserves, and such tests of actuarial calculations as deemed necessary.

Based upon the review performed by INS, the Met P&C Group's recorded reserves were

found to be calculated in accordance with commonly accepted reserving methods and are based on appropriate actuarial factors given the risk exposures under the policy provisions. INS also concluded that the reported reserves make reasonable provision for all unpaid loss and loss adjustment expense obligations of the Met P&C Group, in the aggregate, under the terms of its policies and agreements.

INS' review was performed in accordance with the NAIC's *Risk-Focused Surveillance Framework* and was focused on those areas which generate the most risk to the Met P&C Group.

#### **SUBSEQUENT EVENTS**

A review of the minutes to the board of directors' meetings for the period subsequent to the examination period was performed to ascertain whether any subsequent events have occurred which would have a material impact on the Companies' operations or financial statements. In addition, an inquiry was made of the Companies' management regarding subsequent events. Also, due to the potential significance of recent Catastrophes (hurricanes Harvey, Irma and Maria), the examiners also requested an assessment of the Companies' gross and net exposure. Management currently assesses the exposure to be minimal (\$45 million for hurricane Harvey, \$20 million for hurricane Irma and \$0 for hurricane Maria), which is both gross and net of reinsurance as reinsurance recoveries are not anticipated. The examiners noted that none of the Companies have any direct written premium in Puerto Rico. Based upon our review, there were no significant events or transactions that occurred subsequent to December 31, 2016.

## CONCLUSION

We have applied verification procedures to the data and information contained in this report using sampling techniques and other examination procedures as deemed appropriate. While sampling and other examination procedures do not give complete assurance that all errors and irregularities will be detected, had any been detected during the course of this examination, such errors and/or irregularities would have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of any errors or irregularities that could have a material effect on the financial condition of the Companies as presented in this report.

Participating in the examination with the undersigned were various staff insurance examiners from the Rhode Island Insurance Division. In addition, acknowledgment is made of The INS Companies for the services rendered to assist with the examination by providing consulting financial examiners, actuaries and information technology specialists.

Respectfully submitted,

*John Tudino Jr.*

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John Tudino Jr., CFE, CIE, CFSA  
Insurance Examiner-In-Charge  
Rhode Island Insurance Division