



ANNUAL STATEMENT

For the Year Ended December 31, 2014
of the Condition and Affairs of the

AFFILIATED FM INSURANCE COMPANY

NAIC Group Code.....0065, 0065 (Current Period) (Prior Period)	NAIC Company Code..... 10014	Employer's ID Number..... 05-0254496
Organized under the Laws of Rhode Island Incorporated/Organized..... May 6, 1949	State of Domicile or Port of Entry Rhode Island Commenced Business..... June 1, 1950	Country of Domicile US
Statutory Home Office	270 Central Avenue..... Johnston RI US 02919-4949 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	
Main Administrative Office	270 Central Avenue..... Johnston RI US..... 02919-4949 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	401-275-3000 <i>(Area Code) (Telephone Number)</i>
Mail Address	P.O. Box 7500..... Johnston RI US 02919-0750 <i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i>	
Primary Location of Books and Records	270 Central Avenue..... Johnston RI US 02919-4949 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	401-275-3000 <i>(Area Code) (Telephone Number)</i>
Internet Web Site Address	www.fmglobal.com	
Statutory Statement Contact	Jeffrey Black <i>(Name)</i> jeffrey.black@fmglobal.com <i>(E-Mail Address)</i>	401-415-1559 <i>(Area Code) (Telephone Number) (Extension)</i> 401-946-8306 <i>(Fax Number)</i>

OFFICERS

Name	Title	Name	Title
1. Thomas Alan Lawson #	President	2. Jonathan Irving Mishara	Senior Vice President & Secretary
3. Joy Kristen Cave #	Vice President & Treasurer		

OTHER

Jeffrey Alfred Burchill	Senior Vice President	Jonathan William Hall	Chief Operating Officer
Paul Edward LaFleche	Senior Vice President	Jeanne Ruth Lieb	Senior Vice President
Jonathan Irving Mishara	Senior Vice President	Enzo Rebula	Senior Vice President

DIRECTORS OR TRUSTEES

Frank Thomas Connor	Colin Richard Day #	Walter Joseph Galvin	Thomas Alan Lawson #
John Anderson Luke Jr	Jonathan Douglas Mariner	Gracia Catherine Martore	Christine Mary McCarthy
John Ross Paloian	Stuart Blain Parker #	David Pulman	Edward Joseph Rapp
Shivan Sivaswamy Subramaniam	James Conrad Thyen	Alfred Joseph Verrecchia	

State of Rhode Island
County of Providence

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) Thomas Alan Lawson	_____ (Signature) Jonathan Irving Mishara	_____ (Signature) Theresa Ann Molloy
_____ 1. (Printed Name) President	_____ 2. (Printed Name) Senior Vice President & Secretary	_____ 3. (Printed Name) Vice President & Controller
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me
This 24th day of February 2015

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

John A. Soares III Notary Public
Expires July 5, 2017

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	1,286,837,236		1,286,837,236	1,088,356,127
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	847,688,594		847,688,594	868,034,807
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....1,751,163, Schedule E-Part 1), cash equivalents (\$.....23,430,520, Schedule E-Part 2) and short-term investments (\$.....51,378,310, Schedule DA).....	76,559,993		76,559,993	105,730,988
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....	5,171,031		5,171,031	800,000
10. Securities lending reinvested collateral assets (Schedule DL).....	19,839,273		19,839,273	27,677,864
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	2,236,096,127	.0	2,236,096,127	2,090,599,786
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	12,305,906		12,305,906	11,014,020
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	113,893,327	1,439,576	112,453,751	115,647,344
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums.....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	91,468,131		91,468,131	101,259,380
16.2 Funds held by or deposited with reinsured companies.....	49,236		49,236	42,632
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	
18.2 Net deferred tax asset.....			.0	
19. Guaranty funds receivable or on deposit.....	8,506		8,506	13,047
20. Electronic data processing equipment and software.....			.0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	71,023,418		71,023,418	2,690,564
24. Health care (\$.....0) and other amounts receivable.....			.0	
25. Aggregate write-ins for other than invested assets.....	5,312,595	.0	5,312,595	5,877,476
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	2,530,157,246	1,439,576	2,528,717,670	2,327,144,249
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	2,530,157,246	1,439,576	2,528,717,670	2,327,144,249

DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Equities and Deposits in Pools and Associations.....	350,000		350,000	350,000
2502. Accounts Receivable State Tax Refunds.....	994,963		994,963	720,034
2503. Cash Clearing Accounts.....	3,967,632		3,967,632	4,807,442
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	5,312,595	.0	5,312,595	5,877,476

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	397,070,652	367,576,922
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	9,699,733	540,793
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	50,319,026	49,704,664
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....	303,259	4,544
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	6,257,586	7,376,318
7.1 Current federal and foreign income taxes (including \$.....14,536,000 on realized capital gains (losses)).....	65,606,592	47,650,178
7.2 Net deferred tax liability.....	70,072,000	59,770,000
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 \$.....57,401,218 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).....	355,485,174	354,772,212
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....	208,516	200,171
12. Ceded reinsurance premiums payable (net of ceding commissions).....	110,394,238	121,260,320
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.....	530,370	539,212
15. Remittances and items not allocated.....	396,349	538,856
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....	8,409,098	9,522,545
17. Net adjustments in assets and liabilities due to foreign exchange rates.....	17,393,576	7,531,549
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....		
20. Derivatives.....		
21. Payable for securities.....	3,549,351	90
22. Payable for securities lending.....	19,839,273	27,677,864
23. Liability for amounts held under uninsured plans.....		
24. Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	15,533,108	10,406,818
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	1,131,067,901	1,065,073,056
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	1,131,067,901	1,065,073,056
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	4,000,000	4,000,000
31. Preferred capital stock.....	7,250,000	7,250,000
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	270,210,661	270,210,661
35. Unassigned funds (surplus).....	1,116,189,108	980,610,532
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	1,397,649,769	1,262,071,193
38. TOTALS (Page 2, Line 28, Col. 3).....	2,528,717,670	2,327,144,249

DETAILS OF WRITE-INS

2501. Miscellaneous Accounts Payable.....	15,533,108	10,406,818
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	15,533,108	10,406,818
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

Annual Statement for the year 2014 of the **AFFILIATED FM INSURANCE COMPANY**
STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4).....	385,918,761	387,503,031
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	188,681,219	184,220,186
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	13,873,848	11,687,477
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	101,408,474	108,302,550
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	303,963,541	304,210,213
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	81,955,220	83,292,818
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	54,321,123	52,743,964
10. Net realized capital gains (losses) less capital gains tax of \$.....14,536,000 (Exhibit of Capital Gains (Losses)).....	26,994,770	26,960,508
11. Net investment gain (loss) (Lines 9 + 10).....	81,315,893	79,704,472
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....82,357).....	(82,357)	(192,362)
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	484,608	157,857
15. Total other income (Lines 12 through 14).....	402,251	(34,505)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	163,673,364	162,962,785
17. Dividends to policyholders.....	409,823	399,850
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).....	163,263,541	162,562,935
19. Federal and foreign income taxes incurred.....	44,124,633	38,148,219
20. Net income (Line 18 minus Line 19) (to Line 22).....	119,138,908	124,414,716
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	1,262,071,193	1,034,098,207
22. Net income (from Line 20).....	119,138,908	124,414,716
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....12,498,000.....	23,548,039	115,508,648
25. Change in net unrealized foreign exchange capital gain (loss).....	(9,862,027)	(8,106,645)
26. Change in net deferred income tax.....	2,196,000	(2,932,000)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	(89,061)	1,822,400
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	1,113,447	198,742
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.....		(2,728,519)
33.2 Transferred to capital (Stock Dividend).....		
33.3. Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....	(507,500)	(507,500)
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.....	40,770	303,144
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	135,578,576	227,972,986
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	1,397,649,769	1,262,071,193
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Miscellaneous income / (expense).....	100	
1402. Balances recovered / (charged off).....	223,925	17,283
1403. Gain / (loss) on foreign exchange.....	260,583	140,574
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	484,608	157,857
3701. Gain / (Loss) on Foreign Exchange.....	40,770	303,144
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	40,770	303,144

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	378,870,173	424,537,216
2. Net investment income.....	57,918,765	56,157,926
3. Miscellaneous income.....	402,251	(34,507)
4. Total (Lines 1 through 3).....	437,191,189	480,660,635
5. Benefit and loss related payments.....	134,483,461	142,225,774
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	115,483,436	117,948,048
8. Dividends paid to policyholders.....	401,478	388,568
9. Federal and foreign income taxes paid (recovered) net of \$..... 12,680,550 tax on capital gains (losses).....	40,704,219	45,371,488
10. Total (Lines 5 through 9).....	291,072,594	305,933,878
11. Net cash from operations (Line 4 minus Line 10).....	146,118,595	174,726,757
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	407,135,757	326,600,548
12.2 Stocks.....	195,108,896	215,703,380
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	(21,513)	(51,507)
12.7 Miscellaneous proceeds.....	3,549,261	2,846,923
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	605,772,401	545,099,344
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	604,687,394	346,684,709
13.2 Stocks.....	102,942,591	247,033,485
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	4,371,031	6,144,230
13.7 Total investments acquired (Lines 13.1 to 13.6).....	712,001,016	599,862,424
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(106,228,615)	(54,763,080)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
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.....	507,500	507,500
16.6 Other cash provided (applied).....	(68,553,475)	(71,930,056)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(69,060,975)	(72,437,556)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(29,170,995)	47,526,121
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	105,730,988	58,204,867
19.2 End of year (Line 18 plus Line 19.1).....	76,559,993	105,730,988

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

20.0001		
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UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business		1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire.....	228,751,375	121,737,444	123,476,334	227,012,485
2.	Allied lines.....	128,981,536	68,263,403	66,627,137	130,617,802
3.	Farmowners multiple peril.....				0
4.	Homeowners multiple peril.....	1,807,543	916,486	942,995	1,781,034
5.	Commercial multiple peril.....	68,828,294	33,171,893	34,148,450	67,851,737
6.	Mortgage guaranty.....				0
8.	Ocean marine.....	17,335,172	8,635,477	8,491,654	17,478,995
9.	Inland marine.....	181,559,466	96,021,792	95,569,713	182,011,545
10.	Financial guaranty.....				0
11.1	Medical professional liability - occurrence.....				0
11.2	Medical professional liability - claims-made.....				0
12.	Earthquake.....				0
13.	Group accident and health.....				0
14.	Credit accident and health (group and individual).....				0
15.	Other accident and health.....				0
16.	Workers' compensation.....	110	55	57	108
17.1	Other liability - occurrence.....				0
17.2	Other liability - claims-made.....				0
17.3	Excess workers' compensation.....				0
18.1	Products liability - occurrence.....				0
18.2	Products liability - claims-made.....				0
19.1, 19.2	Private passenger auto liability.....				0
19.3, 19.4	Commercial auto liability.....				0
21.	Auto physical damage.....				0
22.	Aircraft (all perils).....				0
23.	Fidelity.....				0
24.	Surety.....				0
26.	Burglary and theft.....				0
27.	Boiler and machinery.....	51,284,074	26,025,662	26,228,834	51,080,902
28.	Credit.....				0
29.	International.....				0
30.	Warranty.....				0
31.	Reinsurance - nonproportional assumed property.....	(291,913,305)			(291,913,305)
32.	Reinsurance - nonproportional assumed liability.....	(2,542)			(2,542)
33.	Reinsurance - nonproportional assumed financial lines.....				0
34.	Aggregate write-ins for other lines of business.....	0	0	0	0
35.	TOTALS.....	386,631,723	354,772,212	355,485,174	385,918,761

DETAILS OF WRITE-INS

3401.	.....				0
3402.	.....				0
3403.	.....				0
3498.	Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0
3499.	Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0

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.....	123,476,334				123,476,334
2.	Allied lines.....	66,627,137				66,627,137
3.	Farmowners multiple peril.....					0
4.	Homeowners multiple peril.....	942,995				942,995
5.	Commercial multiple peril.....	34,148,450				34,148,450
6.	Mortgage guaranty.....					0
8.	Ocean marine.....	8,491,654				8,491,654
9.	Inland marine.....	95,569,713				95,569,713
10.	Financial guaranty.....					0
11.1	Medical professional liability - occurrence.....					0
11.2	Medical professional liability - claims-made.....					0
12.	Earthquake.....					0
13.	Group accident and health.....					0
14.	Credit accident and health (group and individual).....					0
15.	Other accident and health.....					0
16.	Workers' compensation.....	57				57
17.1	Other liability - occurrence.....					0
17.2	Other liability - claims-made.....					0
17.3	Excess workers' compensation.....					0
18.1	Products liability - occurrence.....					0
18.2	Products liability - claims-made.....					0
19.1, 19.2	Private passenger auto liability.....					0
19.3, 19.4	Commercial auto liability.....					0
21.	Auto physical damage.....					0
22.	Aircraft (all perils).....					0
23.	Fidelity.....					0
24.	Surety.....					0
26.	Burglary and theft.....					0
27.	Boiler and machinery.....	26,228,834				26,228,834
28.	Credit.....					0
29.	International.....					0
30.	Warranty.....					0
31.	Reinsurance - nonproportional assumed property.....					0
32.	Reinsurance - nonproportional assumed liability.....					0
33.	Reinsurance - nonproportional assumed financial lines.....					0
34.	Aggregate write-ins for other lines of business.....	0	0	0	0	0
35.	TOTALS.....	355,485,174	0	0	0	355,485,174
36.	Accrued retrospective premiums based on experience.....					0
37.	Earned but unbilled premiums.....					0
38.	Balance (sum of Lines 35 through 37).....					355,485,174

DETAILS OF WRITE-INS

3401.	.....					0
3402.	.....					0
3403.	.....					0
3498.	Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0
3499.	Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0

(a) State here basis of computation used in each case: Daily Pro Rata

Annual Statement for the year 2014 of the **AFFILIATED FM INSURANCE COMPANY**
UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	269,259,080	1,283,050	325,029	6,968,805	35,146,979	228,751,375
2. Allied lines.....	157,400,510	4,404,375		6,111,728	26,711,621	128,981,536
3. Farmowners multiple peril.....						0
4. Homeowners multiple peril.....	1,839,764				32,221	1,807,543
5. Commercial multiple peril.....	82,612,318	1,116		3,290,936	10,494,204	68,828,294
6. Mortgage guaranty.....						0
8. Ocean marine.....	18,878,185	453,315	47,000		2,043,328	17,335,172
9. Inland marine.....	227,685,648	1,019,327		8,823,181	38,322,328	181,559,466
10. Financial guaranty.....						0
11.1 Medical professional liability - occurrence.....						0
11.2 Medical professional liability - claims-made.....						0
12. Earthquake.....						0
13. Group accident and health.....						0
14. Credit accident and health (group and individual).....						0
15. Other accident and health.....						0
16. Workers' compensation.....	110					110
17.1 Other liability - occurrence.....						0
17.2 Other liability - claims-made.....						0
17.3 Excess workers' compensation.....						0
18.1 Products liability - occurrence.....						0
18.2 Products liability - claims-made.....						0
19.1, 19.2 Private passenger auto liability.....						0
19.3, 19.4 Commercial auto liability.....						0
21. Auto physical damage.....						0
22. Aircraft (all perils).....						0
23. Fidelity.....						0
24. Surety.....						0
26. Burglary and theft.....						0
27. Boiler and machinery.....	51,520,650	302,464			539,040	51,284,074
28. Credit.....						0
29. International.....						0
30. Warranty.....						0
31. Reinsurance - nonproportional assumed property.....	XXX			291,913,305		(291,913,305)
32. Reinsurance - nonproportional assumed liability.....	XXX		(2,542)			(2,542)
33. Reinsurance - nonproportional assumed financial lines.....	XXX					0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
35. TOTALS.....	809,196,265	7,463,647	369,487	317,107,955	113,289,721	386,631,723

DETAILS OF WRITE-INS

3401.						0
3402.						0
3403.						0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0

(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.....	89,444,754	476,344	11,537,946	78,383,152	109,960,218	62,914,647	125,428,723	55.3
2. Allied lines.....	74,885,926	9,925,645	4,623,012	80,188,559	55,398,911	47,967,120	87,620,350	67.1
3. Farmowners multiple peril.....				0			0	0.0
4. Homeowners multiple peril.....	561,100			561,100	42,380	97,440	506,040	28.4
5. Commercial multiple peril.....	39,273,786		8,698,050	30,575,736	40,898,692	29,125,347	42,349,081	62.4
6. Mortgage guaranty.....				0			0	0.0
8. Ocean marine.....	15,584,835	580,535	980,143	15,185,227	29,701,557	17,624,744	27,262,040	156.0
9. Inland marine.....	215,652,986		108,323,440	107,329,546	61,056,798	102,858,291	65,528,053	36.0
10. Financial guaranty.....				0			0	0.0
11.1 Medical professional liability - occurrence.....				0			0	0.0
11.2 Medical professional liability - claims-made.....				0			0	0.0
12. Earthquake.....				0			0	0.0
13. Group accident and health.....				0			0	0.0
14. Credit accident and health (group and individual).....				0			0	0.0
15. Other accident and health.....				0			0	0.0
16. Workers' compensation.....	279,726		256,080	23,646	373,407	397,053	0	0.0
17.1 Other liability - occurrence.....	1,051,075	9,546	620,437	440,184	18,830,533	19,265,766	4,951	0.0
17.2 Other liability - claims-made.....				0			0	0.0
17.3 Excess workers' compensation.....				0			0	0.0
18.1 Products liability - occurrence.....	11,564,032		5,484,358	6,079,674	50,184,112	68,344,671	(12,080,885)	0.0
18.2 Products liability - claims-made.....				0			0	0.0
19.1, 19.2 Private passenger auto liability.....				0			0	0.0
19.3, 19.4 Commercial auto liability.....				0			0	0.0
21. Auto physical damage.....				0			0	0.0
22. Aircraft (all perils).....				0			0	0.0
23. Fidelity.....	6,670			6,670			6,670	0.0
24. Surety.....				0			0	0.0
26. Burglary and theft.....	(1,650)			(1,650)			(1,650)	0.0
27. Boiler and machinery.....	25,400,103		1,094,993	24,305,110	14,387,630	14,772,820	23,919,920	46.8
28. Credit.....				0			0	0.0
29. International.....				0			0	0.0
30. Warranty.....				0			0	0.0
31. Reinsurance - nonproportional assumed property.....	XXX		183,939,784	(183,939,784)			(183,939,784)	63.0
32. Reinsurance - nonproportional assumed liability.....	XXX	50,342	23	50,319	16,236,414	4,209,023	12,077,710	(475,126.3)
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0			0	0.0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0.0
35. TOTALS.....	473,703,343	11,042,412	325,558,266	159,187,489	397,070,652	367,576,922	188,681,219	48.9

DETAILS OF WRITE-INS

3401.				0			0	0.0
3402.				0			0	0.0
3403.				0			0	0.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	0.0

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 Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....	73,679,174	32,297,314	24,956,387	81,020,101	37,041,897	23,220	8,125,000	109,960,218	7,746,486
2. Allied lines.....	48,241,715		5,620,804	42,620,911	14,608,000		1,830,000	55,398,911	4,344,000
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....	42,380			42,380				42,380	
5. Commercial multiple peril.....	37,057,580		5,590,888	31,466,692	11,253,000		1,821,000	40,898,692	3,153,000
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....	26,831,806	461,000	5,861,249	21,431,557	8,288,000		18,000	29,701,557	2,942,000
9. Inland marine.....	90,939,319	191,278	63,804,299	27,326,298	38,846,500		5,116,000	61,056,798	5,944,000
10. Financial guaranty.....				0				0	
11.1 Medical professional liability - occurrence.....				0				0	
11.2 Medical professional liability - claims-made.....				0				0	
12. Earthquake.....				0				0	
13. Group accident and health.....				0				(a) 0	
14. Credit accident and health (group and individual).....				0				0	
15. Other accident and health.....				0				(a) 0	
16. Workers' compensation.....	1,379,884		1,146,252	233,632	2,377,873		2,238,098	373,407	297,496
17.1 Other liability - occurrence.....	8,227,669	111,000	6,846,260	1,492,409	21,006,411	673,000	4,341,287	18,830,533	12,051,384
17.2 Other liability - claims-made.....				0				0	
17.3 Excess workers' compensation.....				0				0	
18.1 Products liability - occurrence.....	25,227,225		22,728,569	2,498,656	116,513,483		68,828,027	50,184,112	12,659,660
18.2 Products liability - claims-made.....				0				0	
19.1, 19.2 Private passenger auto liability.....				0				0	
19.3, 19.4 Commercial auto liability.....				0				0	
21. Auto physical damage.....				0				0	
22. Aircraft (all perils).....				0				0	
23. Fidelity.....				0				0	
24. Surety.....				0				0	
26. Burglary and theft.....				0				0	
27. Boiler and machinery.....	11,317,317		275,687	11,041,630	3,436,000		90,000	14,387,630	1,181,000
28. Credit.....				0				0	
29. International.....				0				0	
30. Warranty.....				0				0	
31. Reinsurance - nonproportional assumed property.....	XXX			0	XXX			0	
32. Reinsurance - nonproportional assumed liability.....	XXX	322,789	(12,081,392)	12,404,181	XXX	3,832,695	462	16,236,414	
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0	XXX			0	
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0	0
35. TOTALS.....	322,944,069	33,383,381	124,749,003	231,578,447	253,371,164	4,528,915	92,407,874	397,070,652	50,319,026
DETAILS OF WRITE-INS									
3401.				0				0	
3402.				0				0	
3403.				0				0	
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	0	0

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(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.....	31,559,141			31,559,141
1.2 Reinsurance assumed.....	(255,798)			(255,798)
1.3 Reinsurance ceded.....	22,540,466			22,540,466
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	8,762,877	0	0	8,762,877
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		80,739,233		80,739,233
2.2 Reinsurance assumed, excluding contingent.....		1,548,128		1,548,128
2.3 Reinsurance ceded, excluding contingent.....		54,880,700		54,880,700
2.4 Contingent - direct.....				0
2.5 Contingent - reinsurance assumed.....				0
2.6 Contingent - reinsurance ceded.....				0
2.7 Policy and membership fees.....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	27,406,661	0	27,406,661
3. Allowances to manager and agents.....				0
4. Advertising.....		1,272,964		1,272,964
5. Boards, bureaus and associations.....		32,039		32,039
6. Surveys and underwriting reports.....		598,719		598,719
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....	3,710,717	32,138,620	526,628	36,375,965
8.2 Payroll taxes.....	223,604	2,259,118	23,408	2,506,130
9. Employee relations and welfare.....	610,917	5,777,890	85,582	6,474,389
10. Insurance.....	5,761	875,640	151	881,552
11. Directors' fees.....		40,962		40,962
12. Travel and travel items.....	127,390	2,131,635	3,744	2,262,769
13. Rent and rent items.....	337,492	2,656,284		2,993,776
14. Equipment.....	25,719	928,152	1,891	955,762
15. Cost or depreciation of EDP equipment and software.....				0
16. Printing and stationery.....	40,639	516,105	4,984	561,728
17. Postage, telephone and telegraph, exchange and express.....	24,252	1,686,813	121,120	1,832,185
18. Legal and auditing.....		428,759	25	428,784
19. Totals (Lines 3 to 18).....	5,106,491	51,343,700	767,535	57,217,726
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....		20,742,574		20,742,574
20.2 Insurance department licenses and fees.....		(248,390)		(248,390)
20.3 Gross guaranty association assessments.....		86,276		86,276
20.4 All other (excluding federal and foreign income and real estate).....				0
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	20,580,460	0	20,580,460
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	4,480	2,077,653	439,110	2,521,243
25. Total expenses incurred.....	13,873,848	101,408,474	1,206,645	(a) 116,488,967
26. Less unpaid expenses - current year.....	50,319,025	6,257,586		56,576,611
27. Add unpaid expenses - prior year.....	49,704,664	7,376,318		57,080,982
28. Amounts receivable relating to uninsured plans, prior year.....				0
29. Amounts receivable relating to uninsured plans, current year.....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	13,259,487	102,527,206	1,206,645	116,993,338

DETAILS OF WRITE-INS

2401. Bank Activity Fees.....	74	10,910	55,370	66,354
2402. Investment Management Fees.....			381,373	381,373
2403. Miscellaneous.....		140,007		140,007
2498. Summary of remaining write-ins for Line 24 from overflow page.....	4,406	1,926,736	2,367	1,933,509
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	4,480	2,077,653	439,110	2,521,243

(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).....9,156,740	9,793,493
1.1 Bonds exempt from U.S. tax.....	(a).....3,316,936	3,866,062
1.2 Other bonds (unaffiliated).....	(a).....27,367,392	27,490,219
1.3 Bonds of affiliates.....	(a).....	
2.1 Preferred stocks (unaffiliated).....	(b).....	
2.11 Preferred stocks of affiliates.....	(b).....	
2.2 Common stocks (unaffiliated).....	.....13,851,341	13,827,911
2.21 Common stocks of affiliates.....		
3. Mortgage loans.....	(c).....	
4. Real estate.....	(d).....	
5. Contract loans.....		
6. Cash, cash equivalents and short-term investments.....	(e).....219,761	224,800
7. Derivative instruments.....	(f).....	
8. Other invested assets.....		
9. Aggregate write-ins for investment income.....	.....332,334	332,334
10. Total gross investment income.....	54,244,505	55,534,819
11. Investment expenses.....		(g).....1,206,645
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....
13. Interest expense.....		(h).....7,051
14. Depreciation on real estate and other invested assets.....		(i).....0
15. Aggregate write-ins for deductions from investment income.....		.....0
16. Total deductions (Lines 11 through 15).....		1,213,696
17. Net investment income (Line 10 minus Line 16).....		54,321,123

DETAILS OF WRITE-INS

0901. Securities Lending Income.....	.....96,750	.....96,750
0902. Miscellaneous Income.....	.....62,454	.....62,454
0903. Fair Plan Income.....	.....173,130	.....173,130
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	332,334	332,334
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page.....		.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....		.....0

- (a) Includes \$.....1,568,024 accrual of discount less \$.....6,416,781 amortization of premium and less \$.....1,733,380 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 \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....32,673 accrual of discount less \$.....2,914 amortization of premium and less \$.....14,412 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....1,095,237		.....1,095,237		
1.1 Bonds exempt from U.S. tax.....	.....118,754		.....118,754		
1.2 Other bonds (unaffiliated).....	.....4,564,237		.....4,564,237		
1.3 Bonds of affiliates.....	.....0		.....0		
2.1 Preferred stocks (unaffiliated).....	.....0		.....0		
2.11 Preferred stocks of affiliates.....	.....0		.....0		
2.2 Common stocks (unaffiliated).....	.....38,731,455	.....(2,957,403)	.....35,774,052	.....36,046,039	
2.21 Common stocks of affiliates.....	.....0		.....0		
3. Mortgage loans.....	.....0		.....0		
4. Real estate.....	.....0		.....0		
5. Contract loans.....	.....0		.....0		
6. Cash, cash equivalents and short-term investments.....	.....(21,513)		.....(21,513)		
7. Derivative instruments.....	.....0		.....0		
8. Other invested assets.....	.....0		.....0		
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	44,488,170	(2,957,403)	41,530,767	36,046,039	0

DETAILS OF WRITE-INS

0901. ....	.....0		.....0		
0902. ....	.....0		.....0		
0903. ....	.....0		.....0		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0	.....0

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).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	.0	.0
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	1,439,576	1,350,515	(89,061)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....			.0
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....			.0
21. Furniture and equipment, including health care delivery assets.....			.0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....			.0
25. Aggregate write-ins for other than invested assets.....	.0	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	1,439,576	1,350,515	(89,061)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	1,439,576	1,350,515	(89,061)

DETAILS OF WRITE-INS

1101.....			.0
1102.....			.0
1103.....			.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501.....			.0
2502.....			.0
2503.....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	.0	.0

NOTES TO FINANCIAL STATEMENTS**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Accounting Practices, Impact of NAIC/State Differences**

The accompanying financial statements of Affiliated FM Insurance Company ("Company") have been prepared on the basis of accounting practices prescribed or permitted by the Rhode Island Division of Insurance.

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 Commissioner' (NAIC) *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the Rhode Island Division of Insurance.

The Company applies paragraph 5(a) of SSAP 23, rather than paragraph 5(b) of SSAP 23, with respect to the methodology applied in translating the Company's Canadian branch to USD. This is consistent with the methodology used in prior years, and a permitted practice has been approved by the State of Rhode Island. The total adjustment to convert the balance sheet to USD is 17,393,576, which appears on line 17 – "Net adjustment in assets and liabilities due to foreign exchange rates", on page 3 – "Liabilities" of the 2014 annual statement. There is no net impact on surplus, and the effect on 2014 net income would be an increase to net income in the amount of 160,337 (which would be offset by a corresponding decrease to surplus).

	State of Domicile	2014	2013
NET INCOME			
(1) AFFILIATED FM INSURANCE COMPANY state basis (Page 4, Line 20, Columns 1 & 2)	RI	119,138,908	124,414,716
(2) State Prescribed Practices that increase/decrease NAIC SAP			
(3) State Permitted Practices that increase/decrease NAIC SAP			
Application of SSAP 23 regarding translating the Canadian branch to USD	RI	(160,337)	(356,261)
(4) NAIC SAP (1 – 2 – 3 = 4)	RI	119,299,245	124,770,977
SURPLUS			
(5) AFFILIATED FM INSURANCE COMPANY state basis (Page 3, line 37, Columns 1 & 2)	RI	1,397,649,769	1,262,071,193
(6) State Prescribed Practices that increase/decrease NAIC SAP			
(7) State Permitted Practices that increase/decrease NAIC SAP			
Application of SSAP 23 regarding translating the Canadian branch to USD	RI		
(8) NAIC SAP (5 – 6 – 7 = 8)	RI	1,397,649,769	1,262,071,193

B. Use of Estimates

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

C. Accounting Policies

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

Net investment income earned consists primarily of interest and dividends less investment related expenses. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include writedowns for impairments considered to be other than temporary.

In addition, the Company utilizes the following accounting policies:

- Short-term investments are stated at amortized cost using the interest method.
- Non loan-backed bonds with NAIC designations 1 or 2 are stated at amortized cost using the interest method. Non loan-backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. See paragraph 6 for loan-backed and structured securities.
- Common Stocks are stated at fair value.
- The Company has no preferred stocks.
- The Company has no mortgage loans.
- U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by NAIC vendor, whether rated (by either NAIC approved rating organization or NAIC Securities Valuation Office), and relationship of amortized value to par value and amortized value to fair value.
- The Company has no interest in subsidiaries.

NOTES TO FINANCIAL STATEMENTS**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued from preceding page)**

8. The Company has no investments in joint ventures, partnerships and limited liability corporations.
9. The Company has no derivatives.
10. The Company does not anticipate investment income when evaluating the need for premium deficiency reserves.
11. Unpaid losses and loss adjustment expenses (including Asbestos and Environmental reserves) include amounts determined from individual case estimates and an amount for IBNR (incurred-but-not-reported) loss estimates. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
12. The Company has not changed its capitalization policy from the prior period.
13. The Company has no "pharmaceutical rebate receivables."

NOTE 2 – ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS - NOT APPLICABLE**NOTE 3 – BUSINESS COMBINATIONS AND GOODWILL - NOT APPLICABLE****NOTE 4 – DISCONTINUED OPERATIONS - NOT APPLICABLE****NOTE 5 – INVESTMENTS**

- A. Mortgage Loans, including Mezzanine Real Estate Loans - Not applicable
- B. Troubled Debt Restructuring for Creditors - Not applicable
- C. Reverse Mortgages - Not applicable
- D. Loan-Backed and Structured Securities

(1) Description of Sources Used to Determine Prepayment Assumptions

Loan-backed bonds and structured securities are valued at amortized costs using the constant interest rate method, not including anticipated prepayment at the date of purchase. Loan-backed securities are valued using an effective yield based on current prepayment assumptions obtained from Bloomberg. Prepayment assumptions are reviewed periodically and updated in response to changes in market interest rates.

(2) Other-Than-Temporary-Impairment (OTTI) Loss Recognized in the Aggregate - Not applicable

(3) OTTI by CUSIP - Not applicable

(4) Impaired Securities for which OTTI Not Recognized

All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a.	The aggregate amount of unrealized losses:	1.	Less than 12 Months	248,480
		2.	12 Months or Longer	294,622
b.	The aggregate related fair value of securities with unrealized losses:	1.	Less than 12 Months	43,844,739
		2.	12 Months or Longer	32,136,460

(5) OTTI Additional Information

All loan-backed and structured securities in an unrealized loss position were reviewed to determine whether other-than-temporary impairments should be recognized. The Company asserts that it has the intent and ability to hold these securities long enough to allow the cost basis of these securities to be recovered. These conclusions are supported by a detailed analysis of the underlying credit and cash flows of each security. Unrealized losses are primarily attributable to credit spread widening and increased liquidity discounts. It is possible that the Company could recognize other-than-temporary impairments in the future on some of the securities, if future events, information and the passage of time causes it to conclude that declines in value are other-than temporary.

NOTES TO FINANCIAL STATEMENTS**NOTE 5 – INVESTMENTS (continued from preceding page)****E. Repurchase Agreements and/or Securities Lending Transactions****(1) Policies Requiring Collateral**

Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities. Borrowers of these securities must deposit an amount of cash and/or securities equal to 102% of the fair value of domestic securities or 105% of the fair value of foreign securities loaned as of the transaction date. The collateral level is monitored daily and additional cash calls are made by the agent if needed to retain the 102% or 105% collateral amount. The agent holds any securities pledged as collateral in trust for the borrower, and invests any cash collateral pledged as collateral in high quality short term securities. The cash collateral received under the securities lending agreement and invested in short term securities is included in the "Securities lending reinvested collateral assets" on Page 2 Line 10 and the offsetting liability in the "Payable for securities lending" on Page 3 Line 22.

(2) Collateral Pledged - Not applicable**(3) Collateral Received**

a.	Aggregate Amount of Cash Collateral Received	Fair Value
1.	Repurchase Agreement - NONE	
(a)	Open	
(b)	30 Days or Less	
(c)	31 to 60 Days	
(d)	61 to 90 Days	
(e)	Greater Than 90 Days	
(f)	Sub-Total	
(g)	Securities Received	
(h)	Total Collateral Received	
2.	Securities Lending	
(a)	Open	
(b)	30 Days or Less	16,839,273
(c)	31 to 60 Days	3,000,000
(d)	61 to 90 Days	
(e)	Greater Than 90 Days	
(f)	Sub-Total	19,839,273
(g)	Securities Received	
(h)	Total Collateral Received	19,839,273
3.	Dollar Repurchase Agreement - NONE	
(a)	Open	
(b)	30 Days or Less	
(c)	31 to 60 Days	
(d)	61 to 90 Days	
(e)	Greater Than 90 Days	
(f)	Sub-Total	
(g)	Securities Received	
(h)	Total Collateral Received	
b.	The fair value of that collateral and of the portion of that collateral that it has sold or repledged	19,839,273

c. The securities acquired from the use of the cash collateral are managed by the agent using conservative guidelines regarding the type, duration and quality of investments permitted.

(4) The Company has no collateral administered by an affiliated agent.

NOTES TO FINANCIAL STATEMENTS**NOTE 5 – INVESTMENTS (continued from preceding page)**

(5) Collateral Reinvestment

a.	Aggregate Amount of Cash Collateral Reinvested	Amortized Cost	Fair Value
1.	Repurchase Agreement - NONE		
(a)	Open		
(b)	30 Days or Less		
(c)	31 to 60 Days		
(d)	61 to 90 Days		
(e)	91 to 120 Days		
(f)	121 to 180 Days		
(g)	181 to 365 Days		
(h)	1 to 2 Years		
(i)	2 to 3 Years		
(j)	Greater Than 3 Years		
(k)	Sub-Total		
(l)	Securities Received		
(m)	Total Collateral Reinvested		
2.	Securities Lending		
(a)	Open		
(b)	30 Days or Less	16,839,273	16,839,273
(c)	31 to 60 Days	3,000,000	3,000,000
(d)	61 to 90 Days		
(e)	91 to 120 Days		
(f)	121 to 180 Days		
(g)	181 to 365 Days		
(h)	1 to 2 Years		
(i)	2 to 3 Years		
(j)	Greater Than 3 Years		
(k)	Sub-Total	19,839,273	19,839,273
(l)	Securities Received		
(m)	Total Collateral Reinvested	19,839,273	19,839,273
3.	Dollar Repurchase Agreement - NONE		
(a)	Open		
(b)	30 Days or Less		
(c)	31 to 60 Days		
(d)	61 to 90 Days		
(e)	91 to 120 Days		
(f)	121 to 180 Days		
(g)	181 to 365 Days		
(h)	1 to 2 Years		
(i)	2 to 3 Years		
(j)	Greater Than 3 Years		
(k)	Sub-Total		
(l)	Securities Received		
(m)	Total Collateral Reinvested		

b. The agent matches the maturity dates of the cash collateral with the expected return dates of that collateral.

(6) In addition to the cash collateral, the Company also receives collateral in the form of government securities. These securities are held by the agent and are not traded or repledged. The current fair value of the securities collateral is 93,094,228.

(7) Collateral for Securities Lending transactions that extend beyond one year from the reporting date - Not applicable

F. Writedowns for Impairments of Real Estate, Real Estate Sales, Retail Land Sales Operations and Real Estate with Participating Mortgage Loan Features - Not applicable

G. Low-Income Housing Tax Credits - Not applicable

NOTES TO FINANCIAL STATEMENTS**NOTE 5 – INVESTMENTS (continued from preceding page)****H. Restricted Assets****(1) Restricted Assets (Including Pledged) Summarized by Restricted Asset Category**

Restricted Asset Category	Gross Restricted							8	Percentage	
	Current Period					6	7		9	10
	1	2	3	4	5					
Total General Account (G/A)	G/A Supporting Protected Cell Restricted Assets (a)	Total Protected Cell Restricted Assets	Protected Cell Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Period Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets	
a. Subject to contractual obligation for which liability is not shown									0.000	0.000
b. Collateral held under security lending arrangements	19,839,273				19,839,273	27,677,864	(7,838,591)	19,839,273	0.784	0.785
c. Subject to repurchase agreements									0.000	0.000
d. Subject to reverse repurchase agreements									0.000	0.000
e. Subject to dollar repurchase agreements									0.000	0.000
f. Subject to dollar reverse repurchase agreements									0.000	0.000
g. Placed under option contracts									0.000	0.000
h. Letter stock or securities restricted as to sale-excluding FHLB capital stock									0.000	0.000
i. FHLB capital stock									0.000	0.000
j. On deposit with state	5,056,640				5,056,640	5,912,188	(855,548)	5,056,640	0.200	0.200
k. On deposit with other regulatory bodies									0.000	0.000
l. Pledged as collateral to FHLB (including assets backing funding agreements)									0.000	0.000
m. Pledged as collateral not captured in other categories									0.000	0.000
n. Other restricted assets									0.000	0.000
o. Total Restricted Assets	24,895,913				24,895,913	33,590,052	(8,694,139)	24,895,913	0.984	0.985

(a) Subset of column 1

(b) Subset of column 3

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories - Not applicable

(3) Detail of Other Restricted 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****NOTE 6 – JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES - NOT APPLICABLE****NOTE 7 – INVESTMENT INCOME****A. Accrued Investment Income**

The Company non-admits investment income due and accrued if the amounts are over 90 days past due.

B. Amounts Non-admitted

There were no accrued investment income amounts over 90 days past due as of December 31, 2014, and as of December 31, 2013.

NOTES TO FINANCIAL STATEMENTS**NOTE 8 – DERIVATIVE INSTRUMENTS - NOT APPLICABLE****NOTE 9 – INCOME TAXES****A. Deferred Tax Assets/(Liabilities)****1. Components of Net Deferred Tax Asset/(Liability)**

	2014			2013			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	39,612,000	2,132,000	41,744,000	35,312,000	3,240,000	38,552,000	4,300,000	(1,108,000)	3,192,000
b. Statutory valuation allowance adjustment									
c. Adjusted gross deferred tax assets (1a-1b)	39,612,000	2,132,000	41,744,000	35,312,000	3,240,000	38,552,000	4,300,000	(1,108,000)	3,192,000
d. Deferred tax assets nonadmitted									
e. Subtotal net admitted deferred tax asset (1c-1d)	39,612,000	2,132,000	41,744,000	35,312,000	3,240,000	38,552,000	4,300,000	(1,108,000)	3,192,000
f. Deferred tax liabilities	7,599,000	104,217,000	111,816,000	6,603,000	91,719,000	98,322,000	996,000	12,498,000	13,494,000
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	32,013,000	(102,085,000)	(70,072,000)	28,709,000	(88,479,000)	(59,770,000)	3,304,000	(13,606,000)	(10,302,000)

2. Admission Calculation Components

	2014			2013			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	16,142,000		16,142,000	17,985,000		17,985,000	(1,843,000)		(1,843,000)
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:	23,470,000		23,470,000	7,049,000		7,049,000	16,421,000		16,421,000
1) Adjusted gross deferred tax assets expected to be realized following the balance sheet date	23,470,000		23,470,000	7,049,000		7,049,000	16,421,000		16,421,000
2) Adjusted gross deferred tax assets allowed per limitation threshold			209,647,465			189,310,679			20,336,786
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities		2,132,000	2,132,000	10,278,000	3,240,000	13,518,000	(10,278,000)	(1,108,000)	(11,386,000)
d. Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c))	39,612,000	2,132,000	41,744,000	35,312,000	3,240,000	38,552,000	4,300,000	(1,108,000)	3,192,000

3. Other Admissibility Criteria

	2014	2013
a. Ratio percentage used to determine recovery period and threshold limitation amount	1,252,900	1,123,234
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	1,397,649,769	1,262,071,193

4. Impact of Tax Planning Strategies

(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.

	2014		2013		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col. 1-3) Ordinary	6 (Col. 2-4) Capital
1. Adjusted gross DTAs amount from Note 9A1(c)	39,612,000	2,132,000	35,312,000	3,240,000	4,300,000	(1,108,000)
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.000	0.000	0.000	0.000	0.000	0.000
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	39,612,000	2,132,000	35,312,000	3,240,000	4,300,000	(1,108,000)
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.000	0.000	0.000	0.000	0.000	0.000

(b) Does the company's tax planning strategies include the use of reinsurance? NO**B. Deferred Tax Liabilities Not Recognized - Not applicable**

NOTES TO FINANCIAL STATEMENTS**NOTE 9 – INCOME TAXES (continued from preceding page)**

C. Current and Deferred Income Taxes

1. Current Income Tax

	1 2014	2 2013	3 (Col 1-2) Change
a. Federal	39,727,649	44,685,012	(4,957,363)
b. Foreign	4,396,984	(6,536,793)	10,933,777
c. Subtotal	44,124,633	38,148,219	5,976,414
d. Federal income tax on net capital gains	14,536,000	14,517,000	19,000
e. Utilization of capital loss carry-forwards			
f. Other			
g. Federal and Foreign income taxes incurred	58,660,633	52,665,219	5,995,414

2. Deferred Tax Assets

	1 2014	2 2013	3 (Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	4,469,000	4,590,000	(121,000)
2. Unearned premium reserve	24,497,000	24,625,000	(128,000)
3. Policyholder reserves			
4. Investments			
5. Deferred acquisition costs			
6. Policyholder dividends accrual			
7. Fixed assets			
8. Compensation and benefits accrual			
9. Pension accrual			
10. Receivables - nonadmitted	491,000	463,000	28,000
11. Net operating loss carry-forward			
12. Tax credit carry-forward	5,873,000	5,022,000	851,000
13. Other (including items <5% of total ordinary tax assets)	4,282,000	612,000	3,670,000
99. Subtotal	39,612,000	35,312,000	4,300,000
b. Statutory valuation allowance adjustment			
c. Nonadmitted			
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	39,612,000	35,312,000	4,300,000
e. Capital:			
1. Investments	2,132,000	3,240,000	(1,108,000)
2. Net capital loss carry-forward			
3. Real estate			
4. Other (including items <5% of total capital tax assets)			
99. Subtotal	2,132,000	3,240,000	(1,108,000)
f. Statutory valuation allowance adjustment			
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	2,132,000	3,240,000	(1,108,000)
i. Admitted deferred tax assets (2d+2h)	41,744,000	38,552,000	3,192,000

3. Deferred Tax Liabilities

	1 2014	2 2013	3 (Col 1-2) Change
a. Ordinary:			
1. Investments			
2. Fixed assets			
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other (including items <5% of total ordinary tax assets)	7,599,000	6,603,000	996,000
99. Subtotal	7,599,000	6,603,000	996,000
b. Capital:			
1. Investments	104,217,000	91,719,000	12,498,000
2. Real estate			
3. Other (including items <5% of total capital tax assets)			
99. Subtotal	104,217,000	91,719,000	12,498,000
c. Deferred tax liabilities (3a99+3b99)	111,816,000	98,322,000	13,494,000

4. Net Deferred Tax Assets (2i – 3c)	(70,072,000)	(59,770,000)	(10,302,000)
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Deferred Tax Assets - Ordinary
09C2(a)(13)

	1 2014	2 2013	3 (Col 1-2) Change
13. Other (Items <5% of total ordinary deferred tax assets)	52,000	35,000	17,000
Other (items >= 5% of total ordinary deferred tax assets):			
14. Foreign exchange	4,230,000	577,000	3,653,000
98. Subtotal items >= 5% of total ordinary deferred tax assets	4,230,000	577,000	3,653,000
99. Total	4,282,000	612,000	3,670,000

NOTES TO FINANCIAL STATEMENTS**NOTE 9 – INCOME TAXES (continued from preceding page)**

Deferred Tax Liabilities - Ordinary
09C3(a)(05)

	1 2014	2 2013	3 (Col 1-2) Change
5. Other (Items <5% of total ordinary deferred tax liabilities) Other (items >= 5% of total ordinary deferred tax liabilities):			
6. Accrued dividends	494,000	502,000	(8,000)
7. Deferred foreign income	5,873,000	5,021,000	852,000
8. Bond discount	1,232,000	1,080,000	152,000
98. Subtotal items >= 5% of total ordinary deferred tax assets	7,599,000	6,603,000	996,000
99. Total	7,599,000	6,603,000	996,000

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

Among the more significant book to tax adjustments were the following:

	2014	
	Amount	Effective Tax Rate (%)
Permanent Differences:		
Provision computed at statutory rate	62,230,633	35.0
Proration of tax exempt investment income	619,000	0.4
Tax exempt income deduction	(1,190,000)	(0.7)
Dividends received deduction	(2,877,000)	(1.6)
Disallowed travel and entertainment	4,000	0.0
Other permanent differences	1,218,000	0.7
Temporary Differences:		
Total ordinary DTAs	(3,681,000)	(2.1)
Total ordinary DTLs		
Total capital DTAs		
Total capital DTLs		
Other:		
Statutory valuation allowance adjustment		
Accrual adjustment – prior year	141,000	0.1
Other		
Totals	56,464,633	31.8
Federal and foreign income taxes incurred	44,124,633	24.8
Realized capital gains (losses) tax	14,536,000	8.2
Change in net deferred income taxes	(2,196,000)	(1.2)
Total statutory income taxes	56,464,633	31.8

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

- At December 31, 2014, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.
- The following is income tax expense for 2014 and 2013 that is available for recoupment in the event of future net losses:

Year	Amount
2014	403,827,000
2013	392,792,000

- The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Return

- The Company's federal income tax return is consolidated with the following entities:

Factory Mutual Insurance Company (Parent)	FMIC Holdings, Inc.
Affiliated FM Insurance Company	TSB Loss Control Consultants, Inc.
Appalachian Insurance Company	Corporate Insurance Services, Inc.
Risk Engineering Insurance Company Limited	Watch Hill Insurance Company

- The method of allocation among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled annually.

NOTES TO FINANCIAL STATEMENTS**NOTE 9 – INCOME TAXES (continued from preceding page)**

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

NOTE 10 – INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

A. Nature of Relationships

All of the common stock outstanding of the Company is owned by FMIC Holdings, Inc. (Johnston, RI), which is a wholly-owned subsidiary of Factory Mutual Insurance Company, (NAIC #21482) Johnston, RI. In addition to owning 100% of the common stock, FMIC Holdings, Inc. also owns 47,500 shares of the 7% cumulative preferred stock (\$100 par value) outstanding. Appalachian Insurance Company, a wholly-owned subsidiary of FMIC Holdings, Inc. owns 25,000 shares of the 7% cumulative preferred stock (\$100 par value) outstanding.

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

The Company lists its transactions with affiliates on Schedule Y Part 2. There were no non-insurance transactions between the Company and any affiliates, which exceeded one-half of 1% of admitted assets.

C. Change in Terms of Intercompany Arrangements - Not applicable

D. Amounts Due to or from Related Parties

The amounts reported due to (from) affiliates are as follows:

Affiliate	2014	2013
Factory Mutual Insurance Company (Parent)	69,934,998	2,463,717
FM Insurance Company Ltd	(240,297)	(159,474)
FM Global de Mexico S.A. de C.V.	1,661,217	386,321
FMIC Holdings, Inc.	(332,500)	-
Total	71,023,418	2,690,564

Settlement terms/procedures are 60 days or 90 days from the end of each quarter.

E. Guarantees or Undertakings for Related Parties - Not applicable

F. Management, Service Contracts, Cost Sharing Agreements

The Company receives certain accounting, management and other services from its parent Factory Mutual Insurance Company (NAIC #21482). Management fees are charged as part of a cost sharing agreement approved by the state of domicile.

G. Nature of Relationships that Could Affect Operations

The Company is owned by FMIC Holdings Inc., a wholly owned subsidiary of Factory Mutual Insurance Company (NAIC #21482).

H. Amounts Deducted for Investment in Upstream Company - Not applicable

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets - Not applicable

J. Write-down for Impairments of Investments in Affiliates - Not applicable

K. Foreign Insurance Subsidiary Valued Using CARVM - Not applicable

L. Downstream Holding Company Valued Using Look-Through Method - Not applicable

NOTE 11 – DEBT - NOT APPLICABLE**NOTE 12 – RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS**

A. Defined Benefit Plans

The Company has no employees. All services necessary for functioning of the Company are provided by its parent, Factory Mutual Insurance Company (NAIC #21482), pursuant to a management and services agreement, which provides for compensatory expense allocations. Included in the expense allocations were amounts related to non-contributory retirement income plans and postretirement benefit plans sponsored by Factory Mutual Insurance Company. Refer to Note 12G for the amounts and allocation methodology.

B. Description of Investment Policies - Not applicable

C. Fair Value of Plan Assets - Not applicable

NOTES TO FINANCIAL STATEMENTS**NOTE 12 – RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS (continued from preceding page)**

D. Rate of Return Assumptions - Not applicable

E. Defined Contribution Plans

The Company has no employees. All services necessary for functioning of the Company are provided by its parent, Factory Mutual Insurance Company (NAIC #21482), pursuant to a management and services agreement, which provides for compensatory expense allocations. Included in the expense allocations were amounts related to savings plans sponsored by Factory Mutual Insurance Company. Refer to Note 12G for the amounts and allocation methodology.

F. Multiemployer Plans - Not applicable

G. Consolidated/Holding Company Plans

As stated above in Note 12A and Note 12E, the Company has no employees. All services necessary for functioning of the Company are provided by its parent, Factory Mutual Insurance Company (NAIC #21482), pursuant to a management and services agreement, which provides for compensatory expense allocations. Included in the expense allocations were amounts for defined benefit plans and defined contribution plans sponsored by Factory Mutual Insurance Company, as follows:

The net expense allocated to the Company related to defined benefit plans was 1,271,227 in 2014 and 8,944,680 in 2013.

The net expense allocated to the Company related to defined contribution plans was 2,364,000 in 2014 and 2,184,000 in 2013.

The net expense incurred by the Company for these plans is based on the percentage allocations per the intercompany pooling agreement discussed below in Note 26. The Company has no legal obligation for benefits under the plans

H. Postemployment Benefits and Compensated Absences - Not applicable

I. Impact of Medicare Modernization Act on Postretirement Benefits - Not applicable

NOTE 13 – CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

A. Outstanding Shares

All of the common stock, 80,000 shares (\$50 par value), is owned by FMIC Holdings, Inc. (Johnston, RI), which is a wholly-owned subsidiary of Factory Mutual Insurance Company, (NAIC #21482) Johnston, RI.

The Company has outstanding 72,500 shares of 7% cumulative preferred stock.

Detailed support is shown on Schedule Y Part 1.

B. Dividend Rate of Preferred Stock

7% Cumulative

C. Dividend Restrictions

The maximum amount of dividends, which can be paid by State of Rhode Island insurance companies to shareholders without prior approval of the Insurance Commissioner, is subject to restrictions relating to statutory surplus and net income. The maximum dividend payout which may be made without prior approval is the lesser of:

- a. 10% of surplus as regards policyholders as of the 31st day of December next preceding, or
- b. Net income, not including realized gains, for the twelve month period ending the 31st day of December next preceding, but shall not include pro rata distributions of any class of the insurer's own securities.

For 2014, the maximum dividend payout that could have been made without prior approval was 97,454,208. For 2015, the maximum dividend payout that may be made without prior approval is 92,144,138.

D. Dates and Amounts of Dividends Paid

There were ordinary dividends of 175,000 and 332,500 to Appalachian Insurance Company and FMIC Holdings, Inc., respectively, during 2014.

E. Amount of Ordinary Dividends That May Be Paid - Not applicable

F. Restrictions on Unassigned Funds - Not applicable

G. Mutual Surplus Advances - Not applicable

H. Company Stock Held for Special Purposes - Not applicable

NOTES TO FINANCIAL STATEMENTS**NOTE 13 – CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS (continued from preceding page)**

I. Changes in Special Surplus Fund - Not applicable

J. Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented by cumulative unrealized gains and losses is 297,741,000 and 262,052,000 for 2014 and 2013, respectively, less applicable deferred taxes of 104,217,000 and 91,718,000 for 2014 and 2013, respectively.

K. Surplus Notes - Not applicable

L. Impact of Quasi-Reorganizations - Not applicable

M. Date of Quasi-Reorganizations - Not applicable

NOTE 14 – LIABILITIES, CONTINGENCIES AND ASSESSMENTS

A. Contingent Commitments - Not applicable

B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Insurance company insolvencies in states where the Company writes business may result in guaranty fund assessments on future premiums.

The Company has accrued a liability for guaranty fund and other assessments of 150,000 and a related premium tax benefit asset of 8,000. The amount recorded represents management's best estimates based on information received from the states in which the company writes business. The liability is included in the taxes, licenses and fees liability and will be paid in the next year. The asset is included in the guaranty funds receivable asset and is expected to be realized over the five to ten years following payment.

The following reflects the current year change in the premium tax benefit asset. The Company also has the ability to recover certain assessments through policyholder surcharges. The related asset for these transactions, which appears within Page 2 line 25, is 266,000 and is not included in the following table.

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year –end		13,000
b.	Decreases current year:	Premium tax offset applied	6,000
c.	Increases current year:	Premium tax offset	1,000
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end		8,000

C. Gain Contingencies - Not applicable

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - Not applicable

E. Product Warranties - Not applicable

F. Other Contingencies

At December 31, 2014 and 2013 the Company had admitted premiums receivable assets of 112,453,751 and 115,647,344, respectively, in premiums receivable due from policyholders, agents and ceding insurers. The Company routinely assesses the collectability of these receivables. Based upon Company experience, any uncollectible premium receivables as of December 31, 2014 are not expected to exceed the nonadmitted amount totaling 1,439,576, and therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.

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

NOTE 15 – LEASES - NOT APPLICABLE**NOTE 16 – INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK - NOT APPLICABLE**

NOTES TO FINANCIAL STATEMENTS**NOTE 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

(1) Loaned Securities

Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities with a fair value of 110,516,741 and 85,284,247 at December 31, 2014 and December 31, 2013, respectively. Borrowers of these securities must deposit an amount of cash and/or securities equal to 102% of the fair value of domestic securities or 105% of foreign securities. The Company continues to receive the interest on the loaned debt securities as a beneficial owner, and the loaned debt securities are included in the investment portfolio of the Company. The agent holds any securities pledged as collateral in trust for the borrower, and invests any cash collateral pledged in high quality short term securities. There are no collateral transactions that extend beyond one year.

(2) Servicing Asset and Liabilities - Not applicable

(3) Servicing Assets and Liabilities Subsequently Measured at Fair Value - Not applicable

(4) Securitized Financial Assets that Transfer as a Sale - Not applicable

(5) Transfers of Financial Assets Accounted for as Secured Borrowing - Not applicable

(6) Transfers of Receivables with Recourse - Not applicable

(7) Repurchase Agreements - Not applicable

C. Wash Sales - Not applicable

NOTE 18 – GAIN OR LOSS FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS - NOT APPLICABLE**NOTE 19 – DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS - NOT APPLICABLE****NOTE 20 – FAIR VALUE MEASUREMENTS**

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

(1) Items Measured and Reported at Fair Value by Levels 1, 2 and 3

The Company categorizes its invested assets that are measured at fair value into the three-level fair value hierarchy. Item 4 provides a discussion of each of these three levels.

Assets at Fair Value	Level 1	Level 2	Level 3	Total
Common Stocks - Industrial and Miscellaneous	826,258,644			826,258,644
Common Stocks - Mutual Funds	21,429,950			21,429,950
Total	847,688,594			847,688,594

(2) Rollforward of Level 3 Items

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

(4) Inputs and Techniques Used for Fair Value

The valuation techniques required by the Fair Value Measurements guidance (SSAP 100) are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable

Level 3 Significant inputs to the valuation model are unobservable

NOTES TO FINANCIAL STATEMENTS**NOTE 20 – FAIR VALUE MEASUREMENTS (continued from preceding page)**

The Company retains independent pricing vendors to assist in valuing invested assets when the prices are not available from the SVO.

When available, the Company uses quoted market prices to determine the fair value of investment securities, and they are included in Level 1.

When quoted market prices are unavailable, the Company uses quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates, where applicable. These investments are included in Level 2 and are primarily comprised of fixed income securities which are NAIC rated 3 or below.

In infrequent circumstances, the pricing is not available from the pricing vendor and is based on significant unobservable inputs. In those circumstances, the investment security is classified in Level 3. There are no Level 3 investments at reporting date.

(5) Derivative Fair Values – Not applicable

B. Other Fair Value Disclosures – Not applicable

C. Fair Values for All Financial Instruments by Levels 1,2, and 3

The table below reflects the fair value and admitted values of all admitted assets and liabilities that are financial instruments. The fair values are also categorized into the three-level fair value hierarchy as described in Note 20A.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	1,338,104,274	1,286,837,236		1,286,837,236		
Common Stocks	847,688,594	847,688,594	847,688,594			
Cash, cash equivalents and short-term investments	76,559,993	76,559,993	76,559,993			
Securities lending reinvested collateral assets	19,839,273	19,839,273	19,839,273			
Total	2,282,192,134	2,230,925,096	944,087,860	1,286,837,236		

D. Financial Instruments for Which Not Practicable to Estimate Fair Value - Not applicable

NOTE 21 – OTHER ITEMS

A. Extraordinary Items - Not applicable

B. Troubled Debt Restructuring Debtors - Not applicable

C. Other Disclosures and Unusual Items

The Company records Canadian activity in Canadian dollars in the Annual Statement. The net balance of Canadian assets and liabilities which represent a portion of the Company's surplus, is adjusted to U.S. dollars through the "change in net unrealized foreign exchange" adjustment line on page 4, line 25. This has the effect of converting total surplus to U.S. Dollars.

D. Business Interruption Insurance Recoveries - Not applicable

E. State Transferable and Non-Transferable Tax Credits - Not applicable

F. Subprime Mortgage Related Risk Exposure

(1) The Company defines its exposure to sub prime mortgage related risk by considering securities with a weighted average FICO/Credit score of less than 660 to be sub prime. The company monitors the underlying collateral performance of these securities via monthly trustee reports, Bloomberg performance data and Rating Agency performance reports. The company has minimal exposure to sub prime securities and has no plans to increase its holding in sub prime securities at this time. This exposure will not materially affect the Company's unrealized losses or anticipated cash flows.

(2) Direct Exposure Through Investments in Subprime Mortgage Loans - Not applicable

NOTES TO FINANCIAL STATEMENTS**NOTE 21 – OTHER ITEMS (continued from preceding page)**

(3) Direct Exposure Through Other Investments

		Actual Cost	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
a.	Residential mortgage backed securities	724,044	788,848	1,486,495	
b.	Commercial mortgage backed securities				
c.	Collateralized debt obligations				
d.	Structured securities				
e.	Equity investments in SCAs				
f.	Other assets				
g.	Total	724,044	788,848	1,486,495	

(4) Underwriting Exposure to Subprime Mortgage Risk Through Mortgage Guaranty or Financial Guaranty Insurance Coverage - Not applicable

G. Joint and Several Liabilities - Not applicable

H. Risk Sharing Provisions of the Affordable Care Act - Not applicable

NOTE 22 – EVENTS SUBSEQUENT

Subsequent events have been considered through February 24, 2015 for these statutory financial statements which are to be issued February 24, 2015. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these statements.

A. ACA Fee Assessment Payable for Upcoming Year - Not applicable

B. Assessment Fee Assessment Paid - Not applicable

C. Premium Written Subject to ACA 9010 Assessment - Not Applicable

D. Total Adjusted Capital Before Surplus Adjustment - Not applicable

E. Authorized Control Level Before Surplus Adjustment - Not applicable

F. Total Adjusted Capital After Surplus Adjustment - Not applicable

G. Authorized Control Level After Surplus Adjustment - Not applicable

H. Would Reporting the ACA Assessment as of December 31, 2014 have triggered and RBC Action Level - Not applicable

NOTE 23 – REINSURANCE

A. Unsecured Reinsurance Recoverables - Not applicable

B. Reinsurance Recoverable in Dispute - Not applicable

C. Reinsurance Assumed and Ceded and Protected Cells

(1) The following table summarizes ceded and assumed unearned premiums and the related commission equity at the end of the current year, as applicable:

		Assumed Reinsurance		Ceded Reinsurance		Net	
		Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a.	Affiliates	1,830,959		10,995,000	3,848,250	(9,164,041)	(3,848,250)
b.	All Other	189,041	26,425	46,406,000	4,446,195	(46,216,959)	(4,419,770)
c.	Total	2,020,000	26,425	57,401,000	8,294,445	(55,381,000)	(8,268,020)
d.	Direct Unearned Premium Reserves			410,864,432			

(2) Profit Sharing Arrangements - Not applicable

(3) Protected Cells - Not applicable

NOTES TO FINANCIAL STATEMENTS**NOTE 23 – REINSURANCE (continued from preceding page)**

D. Uncollectible Reinsurance

- (1) The Company has written off in the current year reinsurance balance dues (from the companies listed below) in the amount of 379,713 which is reflected as:

	Statement of Income Account	Amount
a.	Losses incurred	382,829
b.	Loss adjustment expenses incurred	(3,116)
c.	Premiums earned	
d.	Other	
e.	Total	379,713
	Reinsurer	Amount
	Assicurazioni Generali S.P.A.	130,274
	Central Reinsurance Corp	17,396
	Continental Insurance Company	22,969
	I.R.B., 1ST. De Ress Do Brazil	28,552
	London & Edinburgh Insurance	5,122
	Nissan Fire & Marine Insurance	33,783
	PFA Tiard	35,145
	St. Paul Travelers Ins. Co. Ltd.	27,081
	Swiss Reinsurance America Corp.	232
	Union America Insurance Company	44,493
	Winterthur Schweizerische Vers	17,162
	Yasuda Fire & Marine	17,504
	Total	379,713

E. Commutation of Ceded Reinsurance - Not applicable

F. Retroactive Reinsurance - Not applicable

G. Reinsurance Accounted for as a Deposit - Not applicable

H. Run-off Agreements - Not applicable

I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation - Not applicable

NOTE 24 – RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION - NOT APPLICABLE**NOTE 25 – CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES**

As a result of changes in estimates of insured events related to prior years, the provision for losses and loss adjustment expenses decreased by 50,307,000. The decrease in the prior years was primarily due to the reduction of incurred-but-not-reported (IBNR) reserves based on actual experience and decreases on a small number of individual losses.

No additional premiums or return of premiums have been accrued as a result of prior year effects.

NOTE 26 – INTERCOMPANY POOLING ARRANGEMENTS

Factory Mutual Insurance Company (lead insurer), NAIC #21482, Affiliated FM Insurance Company, NAIC #10014, and Appalachian Insurance Company, NAIC #10316, are members of the FM Global Group and have entered into a Tripartite Quota Share Pooling Agreement (the agreement). The agreement became effective January 1, 1982. The current pooling percentages, amended as of January 1, 2005, are 86% Factory Mutual Insurance Company, 12% Affiliated FM Insurance Company, and 2% Appalachian Insurance Company. The percentages represent the policyholder's surplus of each company compared to the combined policyholder's surplus for the three companies.

All business written by each of the pool participants is subject to pooling. Also, reinsurance may be ceded on a facultative and/or treaty basis by any pool participant prior to pooling. There are no discrepancies between the assumed and ceded reinsurance schedules of the pool participants. Each pool participant establishes its respective provision for reinsurance Schedule F - Part 8 and the write-off of uncollectible reinsurance for its own facultative and treaty cessions. Uncollectible reinsurance has been furnished to insurance departments of those states where the company is licensed.

The parties agreed to pool net premiums earned, net losses and loss adjustment expenses incurred, and other underwriting expenses incurred. Each company agreed to cede and/or assume from the others that amount of net premium earned, reported in the NAIC Annual Statement, Page 4, Line 1, less that amount of dividends to policyholders reported on Page 4, Line 17, net losses and loss adjustment expenses incurred included in the NAIC Annual Statement, Page 4 Lines 2 and 3 and other underwriting expenses incurred reported in the NAIC Annual Statement, Page 4, Line 4, required to bring its share to the agreed upon percentage of the total. Also, premiums and losses that are assumed and ceded pursuant to stop loss reinsurance treaties between Factory Mutual Insurance Company (Asia Pacific branches) and Affiliated FM Insurance Company are excluded from the intercompany pooling agreement.

NOTES TO FINANCIAL STATEMENTS**NOTE 26 – INTERCOMPANY POOLING ARRANGEMENTS (continued from preceding page)**

The pooling activity is recorded and settled as current accident and occurrence year transactions for Schedule P reporting purposes. The pooling results are considered as written and earned in the current accident year. The pooling results of losses and loss adjustment expenses paid and incurred are reflected in the current occurrence year.

The amount due to / from the lead entity and the pool participants as of December 31, 2014 are as follows:

Name of Insurer	Amounts Receivable	Amounts Payable
Factory Mutual Insurance Company (lead insurer)	74,007,402	88,444,998
Affiliated FM Insurance Company	65,536,724	69,842,009
Appalachian Insurance Company	22,908,274	4,165,393

The Combined Annual Statement eliminates the results of all intercompany activity.

NOTE 27 – STRUCTURED SETTLEMENTS - NOT APPLICABLE**NOTE 28 – HEALTH CARE RECEIVABLES - NOT APPLICABLE****NOTE 29 – PARTICIPATING POLICIES - NOT APPLICABLE****NOTE 30 – PREMIUM DEFICIENCY RESERVES**

The Company evaluated whether a premium deficiency reserve is required as of December 31, 2014 and determined that a premium deficiency reserve is not applicable.

The Company does not anticipate investment income when evaluating the need for a premium deficiency reserve.

- | | |
|---|------------------|
| 1. Liability carried for premium deficiency reserve: | None |
| 2. Date of most recent evaluation of this liability: | February 3, 2015 |
| 3. Was anticipated investment income utilized in the calculation? | NO |

NOTE 31 – HIGH DEDUCTIBLES - NOT APPLICABLE**NOTE 32 – DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES - NOT APPLICABLE****NOTE 33 – ASBESTOS/ENVIRONMENTAL RESERVES****A. Five-Year Rollforward of Asbestos Reserves, Direct, Assumed and Net**

The Company has potential exposure involving asbestos, environmental impairment liability, and other types of tort-related claims, which applies only to the casualty and assumed reinsurance business now in runoff. Management has indicated that liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and the Company's liabilities can be reasonably estimated. Additional reserves for such claims are established to cover further exposures on both known and unasserted claims based on facts currently known and the present state of the law and coverage litigation. The reserves for these types of claims are included in the foregoing loss and loss adjustment expense reserves and are subject to considerable uncertainty, due to the potential severity of the claims and the uncertain legal climate.

(1) Direct - Asbestos

	2010	2011	2012	2013	2014
a. Beginning reserves	229,100,000	196,844,000	184,829,000	161,492,000	165,794,000
b. Incurred losses and loss adjustment expense	(15,602,000)	2,000	(2,555,000)	24,000,000	2,000
c. Calendar year payments for losses and loss adjustment expenses	16,654,000	12,017,000	20,782,000	19,698,000	12,474,000
d. Ending reserves	196,844,000	184,829,000	161,492,000	165,794,000	153,322,000

NOTES TO FINANCIAL STATEMENTS**NOTE 33 – ASBESTOS/ENVIRONMENTAL RESERVES (contined from preceding page)**

(2) Assumed Reinsurance - Asbestos

	2010	2011	2012	2013	2014
a. Beginning reserves					
b. Incurred losses and loss adjustment expense			NONE		
c. Calendar year payments for losses and loss adjustment expenses					
d. Ending reserves					

(3) Net of Ceded Reinsurance - Asbestos

	2010	2011	2012	2013	2014
a. Beginning reserves	113,266,000	98,431,000	87,729,000	77,596,000	69,330,000
b. Incurred losses and loss adjustment expense	(5,180,000)	(3,859,000)	815,000	633,000	2,722,000
c. Calendar year payments for losses and loss adjustment expenses	9,655,000	6,843,000	10,948,000	8,899,000	6,454,000
d. Ending reserves	98,431,000	87,729,000	77,596,000	69,330,000	65,598,000

B. State the amount of the ending reserves for Asbestos Bulk and IBNR included in A (Loss and LAE)

(1) Direct basis	131,136,000
(2) Assumed reinsurance basis	NONE
(3) Net of ceded reinsurance basis	56,254,000

C. State the amount of the ending reserves for Asbestos loss adjustment expenses included in A (Case, Bulk and IBNR)

(1) Direct basis	50,590,000
(2) Assumed reinsurance basis	NONE
(3) Net of ceded reinsurance basis	19,782,000

D. Five-Year Rollforward of Environmental Reserves, Direct, Assumed and Net

The Company has potential exposure involving asbestos, environmental impairment liability, and other types of tort-related claims, which applies only to the casualty and assumed reinsurance business now in runoff. Management has indicated that liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and the Company's liabilities can be reasonably estimated. Additional reserves for such claims are established to cover further exposures on both known and unasserted claims based on facts currently known and the present state of the law and coverage litigation. The reserves for these types of claims are included in the foregoing loss and loss adjustment expense reserves and are subject to considerable uncertainty, due to the potential severity of the claims and the uncertain legal climate.

(1) Direct - Environmental

	2010	2011	2012	2013	2014
a. Beginning reserves	43,734,000	42,369,000	39,952,000	36,136,000	37,609,000
b. Incurred losses and loss adjustment expense				3,000,000	
c. Calendar year payments for losses and loss adjustment expenses	1,365,000	2,417,000	3,816,000	1,527,000	1,617,000
d. Ending reserves	42,369,000	39,952,000	36,136,000	37,609,000	35,992,000

(2) Assumed Reinsurance - Environmental

	2010	2011	2012	2013	2014
a. Beginning reserves					
b. Incurred losses and loss adjustment expense			NONE		
c. Calendar year payments for losses and loss adjustment expenses					
d. Ending reserves					

(3) Net of Ceded Reinsurance - Environmental

	2010	2011	2012	2013	2014
a. Beginning reserves	19,907,000	18,522,000	18,824,000	15,574,000	24,028,000
b. Incurred losses and loss adjustment expense	(747,000)	1,992,000	(639,000)	9,118,000	(3,282,000)
c. Calendar year payments for losses and loss adjustment expenses	638,000	1,690,000	2,611,000	664,000	1,568,000
d. Ending reserves	18,522,000	18,824,000	15,574,000	24,028,000	19,178,000

NOTES TO FINANCIAL STATEMENTS**NOTE 33 – ASBESTOS/ENVIRONMENTAL RESERVES (contined from preceding page)**

E. State the amount of the ending reserves for Environmental Bulk and IBNR included in D (Loss and LAE)

(1)	Direct basis	31,750,000
(2)	Assumed reinsurance basis	NONE
(3)	Net of ceded reinsurance basis	16,654,000

F. State the amount of the ending reserves for Environmental loss adjustment expenses included in D (Case, Bulk and IBNR)

(1)	Direct basis	2,702,000
(2)	Assumed reinsurance basis	NONE
(3)	Net of ceded reinsurance basis	616,000

NOTE 34 – SUBSCRIBER SAVINGS ACCOUNTS - NOT APPLICABLE

NOTE 35 – MULTIPLE PERIL CROP INSURANCE - NOT APPLICABLE

NOTE 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. 12/31/2012
- 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. 12/31/2012
- 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). 01/10/2014
- 3.4 By what department or departments?
Rhode Island Division of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Co. Code | 3
State of Domicile |
|---------------------|--------------------|------------------------|
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes No
- 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
- 7.2 If yes,
- 7.21 State the percentage of foreign control%
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (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
- 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
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1
Affiliate Name | 2
Location (City, State) | 3
FRB | 4
OCC | 5
FDIC | 6
SEC |
|---------------------|-----------------------------|----------|----------|-----------|----------|
| | | | | | |
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP 200 Clarendon Street, Boston, MA 02116
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes No
- 10.2 If the 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 17A of the Model Regulation, or substantially similar state law or regulation? Yes No
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: _____

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

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

Kathleen Odomirok, FCAS, MAAA - Executive Director, Ernst & Young LLP 200 Clarendon Street, Boston, MA 02116

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

- 12.2 If yes, provide explanation.

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

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

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

- 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? Yes [X] No []

- 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.

- 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 [X] No []

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

The Code of Ethics for senior managers has been expanded to include a reference to the fact that it supplements the Company's Code of Conduct, which all employees are subject to.

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

PART 1 - COMMON INTERROGATORIES - 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 []

PART 1 - COMMON INTERROGATORIES - 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 \$.....0

20.12 To stockholders not officers \$.....0

20.13 Trustees, supreme or grand (Fraternal only) \$.....0

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

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

20.23 Trustees, supreme or grand (Fraternal only) \$.....0

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

PART 1 - COMMON INTERROGATORIES - FINANCIAL

- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment
- 22.22 Amount paid as expenses
- 22.23 Other amounts paid
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....69,934,998

PART 1 - COMMON INTERROGATORIES - 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 [X]
- 24.02 If no, give full and complete information relating thereto.
JP Morgan Worldwide Securities Services and RBC (Toronto) hold custody of the securities
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).
The market values and collateral value of securities loaned as of year-end 2014 is \$110,516,741 and \$112,933,501 respectively. The amount of cash collateral on the balance sheet is \$19,839,273. See Note 17 for a description of the securities lending program.
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [] N/A []
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$.....112,933,501
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs.
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [] N/A []
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] N/A [X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [X] No [] N/A []
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$.....19,839,273
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$.....19,839,273
- 24.103 Total payable for securities lending reported on the liability page. \$.....19,839,273
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03) Yes [X] No []
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$.....0
- 25.22 Subject to reverse repurchase agreements \$.....0
- 25.23 Subject to dollar repurchase agreements \$.....0
- 25.24 Subject to reverse dollar repurchase agreements \$.....0
- 25.25 Placed under option agreements \$.....0
- 25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock \$.....0
- 25.27 FHLB Capital Stock \$.....0
- 25.28 On deposit with states \$.....5,056,640
- 25.29 On deposit with other regulatory bodies \$.....0
- 25.30 Pledged as collateral - excluding collateral pledged to an FHLB \$.....0
- 25.31 Pledged as collateral to FHLB - including assets backing funding agreements \$.....0
- 25.32 Other \$.....0
- 25.3 For category (25.26) provide the following:
- | 1
Nature of Restriction | 2
Description | 3
Amount |
|----------------------------|------------------|-------------|
| | | |
- 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? Yes [] No [] N/A [X]
If no, attach a description with this statement.

- 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
JP Morgan Worldwide Securities Services	383 Madison Avenue, New York, NY 10179
RBC Investor Services	200 Bay Street Toronto, Ontario, Canada

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

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

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]
- 28.04 If yes, give full and complete information relating thereto:

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

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
JP Morgan Worldwide Securities Services	Standish Mellon	Boston, MA
RBC Investor Services	BMO Asset Management	Toronto, Ontario

PART 1 - COMMON INTERROGATORIES - INVESTMENT

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 [X] No []

29.2 If yes, complete the following schedule:

1			2	3
CUSIP #			Name of Mutual Fund	Book/Adjusted Carrying Value
464286	10	3	ISHARES AUSTRALIA ETF	2,217,000
78797A	69	8	SPDR SERIES TRUST	1,628,000
922042	71	8	VANGUARD INTL EQUITY ETF	9,054,450
922042	86	6	VANGUARD PACIFIC ETF	8,530,500
29.2999. TOTAL				21,429,950

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

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	Date of Valuation
ISHARES AUSTRALIA ETF	COMMONWEALTH BANK OF AUSTRALIA	269,587	12/31/2014
ISHARES AUSTRALIA ETF	WESTPAC BANKING CORP	200,151	12/31/2014
ISHARES AUSTRALIA ETF	BHP BILLITON LTD	183,124	12/31/2014
ISHARES AUSTRALIA ETF	AUSTRALIA & NEW ZEALAND	171,729	12/31/2014
ISHARES AUSTRALIA ETF	NATIONAL AUSTRALIA BANK	154,325	12/31/2014
SPDR SERIES TRUST	UMB FINANCIAL CORP	23,573	12/31/2014
SPDR SERIES TRUST	SVB FINANCIAL GROUUP	23,557	12/31/2014
SPDR SERIES TRUST	PRIVATE BANCORP INC	23,492	12/31/2014
SPDR SERIES TRUST	FNB CORP/PA	23,378	12/31/2014
SPDR SERIES TRUST	BANK OF THE OZARKS INC	23,346	12/31/2014
VANGUARD INTL EQUITY ETF	OPEN TEXT CORP	33,139	12/31/2014
VANGUARD INTL EQUITY ETF	GILDAN ACTIVEWEAR INC	32,596	12/31/2014
VANGUARD INTL EQUITY ETF	KEYERA CORP	28,703	12/31/2014
VANGUARD INTL EQUITY ETF	DIXONS CARPHONE PLC	28,612	12/31/2014
VANGUARD INTL EQUITY ETF	DOLLARAMA INC	25,262	12/31/2014
VANGUARD PACIFIC ETF	TOYOTA MOTOR CORP	267,516	12/31/2014
VANGUARD PACIFIC ETF	SAMSUNG ELECTRONICS CO LTD	203,197	12/31/2014
VANGUARD PACIFIC ETF	COMMONWEALTH BANK OF AUSTRALIA	181,017	12/31/2014
VANGUARD PACIFIC ETF	WESTPAC BANKING CORP	139,730	12/31/2014
VANGUARD PACIFIC ETF	BHP BILLITON LTD	138,279	12/31/2014

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	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	1,341,061,902	1,392,328,940	51,267,038
30.2 Preferred stocks.....			0
30.3 Totals.....	1,341,061,902	1,392,328,940	51,267,038

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

Bonds and preferred stocks are priced by the SVO when available. When the SVO pricing is not available, the securities are priced by our external pricing source, IDC.

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. If SVO prices are not available, the company uses the pricing of its external pricing source, IDC.

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

32.2 If no, list exceptions:

PART 1 - COMMON INTERROGATORIES - OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....73,052

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	2
Name	Amount Paid
Washington Surveying and Rating Bureau	41,763

34.1 Amount of payments for legal expenses, if any? \$.....810

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	2
Name	Amount Paid
Michael Chandler, Barrister	600
Stewart McKelvey	210

PART 1 - COMMON INTERROGATORIES - INVESTMENT

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

\$.....0

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
	0

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
 1.2 If yes, indicate premium earned on U.S. business only. \$.....0
 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?
 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. \$.....0
 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 Current Year	2 Prior Year
2.1 Premium Numerator.....		
2.2 Premium Denominator.....	\$.....385,918,761	.....387,503,031
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....		
2.5 Reserve Denominator.....	\$.....812,574,585	.....772,594,591
2.6 Reserve Ratio (2.4/2.5).....	.....0.0	.....0.0

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [X] No []
 3.2 If yes, state the amount of calendar year premiums written on:
 3.21 Participating policies \$.....1,839,764
 3.22 Non-participating policies \$.....807,356,501
 4. FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:
 4.1 Does the reporting entity issue assessable policies? Yes [] No []
 4.2 Does the reporting entity issue non-assessable policies? Yes [] 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 []
 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 []
 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 of loss?
The Company does not issue Workers' Compensation contracts.

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The Company uses the AIR Touchstone 2.0 software to model our catastrophe exposure in hurricane and earthquake prone areas where we have concentrations of business.

- 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?
In addition to controlling the Company's exposure by loss prevention engineering, deductibles, and limits of liability we purchase risk and catastrophe reinsurance.

- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [] No [X]

- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss:
There are certain parts of the Company's catastrophe program in high excess layers for which a reinstatement clause is not applicable. These parts of the program cover events that management considered and evaluated as less likely to occur and given the Company's strong surplus position and its ability to purchase additional reinsurance if an event occurs, it was determined that a reinstatement clause was not required for those parts of the program.

- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [] No [X]
 7.2 If yes, indicate the number of reinsurance contracts containing such provisions.

- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [] No []

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 8.2 If yes, give full information:
-
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - (c) Aggregate stop loss reinsurance coverage;
 - (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 - (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?
- Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 - (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract?
- Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 - (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 - (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 - (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?
- Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or
 - (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
 - (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.
- Yes [] No [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurance 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 [X] No [] N/A []
- 11.1 Has this reporting entity guaranteed policies issued by any other reporting entity and now in force? Yes [] No [X]
- 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 assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | |
|---|----------|
| 12.11 Unpaid losses | \$.....0 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$.....0 |
| | \$.....0 |
- 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: \$.....0
- 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 [X]
- 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 [X]
- 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): \$.....126,200,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.1

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 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:
The method of allocating and recording reinsurance with outside reinsurers is based proportionally on each company's share of occurrence and specific contract terms with respect to intercompany reinsurance agreements.
- 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 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home.....					
16.12 Products.....					
16.13 Automobile.....					
16.14 Other*.....					

* Disclose type of coverage:

- 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

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	\$.....8,534,000
17.12 Unfunded portion of Interrogatory 17.11	\$.....8,534,000
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$.....0
17.14 Case reserves portion of Interrogatory 17.11	\$.....0
17.15 Incurred but not reported portion of Interrogatory 17.11	\$.....8,534,000
17.16 Unearned premium portion of Interrogatory 17.11	\$.....0
17.17 Contingent commission portion of Interrogatory 17.11	\$.....0

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	\$.....0
17.19 Unfunded portion of Interrogatory 17.18	\$.....0
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$.....0
17.21 Case reserves portion of Interrogatory 17.18	\$.....0
17.22 Incurred but not reported portion of Interrogatory 17.18	\$.....0
17.23 Unearned premium portion of Interrogatory 17.18	\$.....0
17.24 Contingent commission portion of Interrogatory 17.18	\$.....0

- 18.1 Do you act as a custodian for health savings account? Yes No
- 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
- 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 2014	2 2013	3 2012	4 2011	5 2010
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	110	107	108	106	102
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	661,377,019	683,401,693	695,765,132	622,633,208	557,050,128
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	155,654,812	152,263,903	152,493,726	155,269,621	136,655,633
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	(2,542)	(8,375)		3	168
6. Total (Line 35).....	817,029,399	835,657,327	848,258,966	777,902,938	693,706,031
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	110	107	108	106	102
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	539,292,377	541,175,848	542,143,388	490,263,057	431,314,694
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	139,255,083	133,869,547	153,243,159	89,108,731	79,775,215
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	(291,915,847)	(287,457,500)	(251,161,959)	(190,159,084)	(163,420,415)
12. Total (Line 35).....	386,631,723	387,588,001	444,224,696	389,212,810	347,669,596
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....	81,955,220	83,292,818	61,338,227	(73,830,489)	72,021,133
14. Net investment gain (loss) (Line 11).....	81,315,893	79,704,472	64,687,618	51,496,648	61,635,854
15. Total other income (Line 15).....	402,251	(34,505)	(190,552)	(93,395)	(207,708)
16. Dividends to policyholders (Line 17).....	409,823	399,850	378,823	368,222	340,621
17. Federal and foreign income taxes incurred (Line 19).....	44,124,633	38,148,219	39,464,562	893,563	46,666,711
18. Net income (Line 20).....	119,138,908	124,414,716	85,991,908	(23,689,021)	86,441,946
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	2,528,717,670	2,327,144,249	2,302,162,676	1,874,643,261	1,915,425,380
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	112,453,751	115,647,344	127,686,692	121,499,543	113,024,653
20.2 Deferred and not yet due (Line 15.2).....					
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	1,131,067,901	1,065,073,056	1,268,064,469	969,063,222	982,063,530
22. Losses (Page 3, Line 1).....	397,070,652	367,576,922	562,923,744	373,027,211	364,365,549
23. Loss adjustment expenses (Page 3, Line 3).....	50,319,026	49,704,664	48,386,482	51,694,215	54,218,473
24. Unearned premiums (Page 3, Line 9).....	355,485,174	354,772,212	354,687,242	307,562,395	271,344,912
25. Capital paid up (Page 3, Lines 30 & 31).....	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
26. Surplus as regards policyholders (Page 3, Line 37).....	1,397,649,769	1,262,071,193	1,034,098,207	905,580,039	933,361,850
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....	146,118,595	174,726,757	50,587,762	33,905,327	118,468,116
Risk-Based Capital Analysis					
28. Total adjusted capital.....	1,397,649,769	1,262,071,193	1,034,098,207	905,580,039	933,361,850
29. Authorized control level risk-based capital.....	111,555,638	112,360,515	99,020,699	66,543,666	59,375,929
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	57.5	52.1	58.6	65.7	66.3
31. Stocks (Lines 2.1 & 2.2).....	37.9	41.5	34.7	27.1	19.1
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	3.4	5.1	3.2	2.8	7.4
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					
37. Other invested assets (Line 8).....					
38. Receivable for securities (Line 9).....	0.2	0.0	0.2		0.0
39. Securities lending reinvested collateral assets (Line 10).....	0.9	1.3	3.3	4.5	7.2
40. Aggregate write-ins for invested assets (Line 11).....					
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	0	0	0	0	0
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).....	0.0				

FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2014	2013	2012	2011	2010
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24).....	23,548,039	115,508,648	40,621,780	(9,334,705)	19,434,421
52. Dividends to stockholders (Line 35).....	(507,500)	(507,500)	(507,500)	(507,500)	(507,500)
53. Change in surplus as regards policyholders for the year (Line 38).....	135,578,576	227,972,985	128,518,168	(27,781,812)	105,147,837
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	12,904,379	19,706,457	20,942,192	10,655,292	14,852,059
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	390,384,005	619,814,429	421,031,383	284,649,826	208,130,997
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	81,400,359	133,525,190	102,440,057	88,721,668	50,676,771
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	6,670	(12,764)	(73,652)	(70,156)	6,829
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	50,342	11,289	33,077	27,920,400	62,316
59. Total (Line 35).....	484,745,755	773,044,601	544,373,057	411,877,030	273,728,973
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	6,543,504	7,768,386	10,434,225	5,061,829	7,613,243
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	265,899,607	414,612,748	337,759,346	225,596,132	174,758,813
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	70,627,173	103,285,671	75,744,502	56,809,739	34,779,968
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	6,670	(12,764)	(34,083)	(32,637)	23,082
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	(183,889,465)	(146,087,032)	(388,624,124)	27,920,400	(125,142,360)
65. Total (Line 35).....	159,187,489	379,567,009	35,279,866	315,355,463	92,032,746
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	48.9	47.5	56.7	91.8	47.0
68. Loss expenses incurred (Line 3).....	3.6	3.0	3.0	3.4	3.7
69. Other underwriting expenses incurred (Line 4).....	26.3	27.9	24.8	25.7	27.8
70. Net underwriting gain (loss) (Line 8).....	21.2	21.5	15.4	(20.9)	21.5
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	26.1	28.0	22.2	23.3	26.9
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	52.5	50.6	59.7	95.2	50.7
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).....	27.7	30.7	43.0	43.0	37.2
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	(50,307)	(10,941)	19,359	(70,306)	(60,741)
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).....	(4.0)	(1.1)	2.1	(7.5)	(7.3)
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(48,855)	40,875	(50,699)	(76,720)	(45,635)
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).....	(4.7)	4.5	(5.4)	(9.3)	(6.6)

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						10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	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				
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX.....	XXX.....	XXX.....	14,081	6,493	2,221	(9)	372		506	10,190	XXX.....
2. 2005.....	498,033	185,908	312,125	322,949	163,164	9,728	2,141	18,236	6,137	6,624	179,471	XXX.....
3. 2006.....	572,453	246,126	326,327	197,935	114,404	9,525	8,632	18,935	16,758	6,599	86,601	XXX.....
4. 2007.....	612,522	283,678	328,844	230,541	118,768	1,377	1,445	20,303	7,184	6,326	124,824	XXX.....
5. 2008.....	614,834	290,505	324,329	321,970	63,542	3,956	4,678	23,627	12,977	8,059	268,356	XXX.....
6. 2009.....	645,041	281,638	363,402	190,792	42,921	4,058	16,816	23,784	39,430	9,108	119,466	XXX.....
7. 2010.....	677,450	341,965	335,485	339,737	206,698	3,929	114	26,504	3,464	7,078	159,894	XXX.....
8. 2011.....	733,010	380,014	352,996	487,275	99,581	2,574	3,827	27,586	11,579	8,879	402,447	XXX.....
9. 2012.....	813,744	416,645	397,099	890,132	740,612	3,414	5,388	35,579	14,615	7,554	168,510	XXX.....
10. 2013.....	843,040	455,537	387,503	336,340	192,785	364	3,866	23,759	25,349	2,873	138,463	XXX.....
11. 2014.....	826,728	440,810	385,918	186,935	196,190	40	3,850	15,292	16,175	247	(13,947)	XXX.....
12. Totals.....	XXX.....	XXX.....	XXX.....	3,518,688	1,945,159	41,186	50,749	233,977	153,668	63,852	1,644,276	XXX.....

	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		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	36,232	18,640	144,403	75,407	10,367	6,755	41,467	27,021	6,952			111,598	XXX.....
2. 2005.....	253	40			0							213	XXX.....
3. 2006.....	46				0							46	XXX.....
4. 2007.....	223	6			0							217	XXX.....
5. 2008.....	437	0			1							438	XXX.....
6. 2009.....	376	36			4							345	XXX.....
7. 2010.....	80		1		10							91	XXX.....
8. 2011.....	1,642	271	3,014	550	80	11			184	43	228	4,045	XXX.....
9. 2012.....	33,229	52,488	30,383	2,732	672	164			2,781	654	1,129	11,027	XXX.....
10. 2013.....	30,656	2,545	22,728	4,146	914	225			3,822	899	1,706	50,306	XXX.....
11. 2014.....	253,152	50,722	57,369	9,571	4,569	1,189			20,214	4,757	3,937	269,065	XXX.....
12. Totals.....	356,327	124,749	257,898	92,406	16,618	8,344	41,467	27,021	33,953	6,353	7,000	447,390	XXX.....

	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
2. 2005.	351,166	171,482	179,684	70.5	92.2	57.6		12.00	213	0	
3. 2006.	226,442	139,794	86,647	39.6	56.8	26.6		12.00	46	0	
4. 2007.	252,445	127,404	125,041	41.2	44.9	38.0		12.00	217	0	
5. 2008.	349,991	81,198	268,793	56.9	28.0	82.9		12.00	437	1	
6. 2009.	219,014	99,203	119,811	34.0	35.2	33.0		12.00	341	4	
7. 2010.	370,261	210,276	159,985	54.7	61.5	47.7		12.00	81	10	
8. 2011.	522,355	115,862	406,492	71.3	30.5	115.2		12.00	3,835	210	
9. 2012.	996,190	816,653	179,536	122.4	196.0	45.2		12.00	8,391	2,635	
10. 2013.	418,584	229,814	188,770	49.7	50.4	48.7		12.00	46,694	3,612	
11. 2014.	537,572	282,454	255,118	65.0	64.1	66.1		12.00	250,227	18,837	
12. Totals	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	0	0	XXX.....	397,070	50,320

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
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	One Year	Two Year
1. Prior.....	152,910	194,765	193,902	187,378	193,096	187,791	189,535	191,904	204,472	206,507	2,035	14,603
2. 2005.....	175,720	193,825	193,825	170,845	177,621	177,726	170,542	169,915	169,542	167,585	(1,957)	(2,330)
3. 2006.....	XXX	101,096	79,639	79,639	85,917	85,021	84,623	84,462	84,357	84,471	114	9
4. 2007.....	XXX	XXX	154,636	121,046	116,118	112,733	112,165	112,277	112,321	111,922	(399)	(355)
5. 2008.....	XXX	XXX	XXX	299,283	258,647	249,284	246,293	260,301	258,597	258,143	(454)	(2,158)
6. 2009.....	XXX	XXX	XXX	XXX	182,455	140,558	133,976	138,796	135,739	135,457	(282)	(3,339)
7. 2010.....	XXX	XXX	XXX	XXX	XXX	196,910	142,583	141,670	138,235	136,946	(1,289)	(4,724)
8. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	392,253	392,005	409,582	390,345	(19,237)	(1,660)
9. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	205,347	172,890	156,446	(16,444)	(48,901)
10. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	199,831	187,437	(12,394)	XXX
11. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	240,543	XXX	XXX
12. Totals.....											(50,307)	(48,855)

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
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
1. Prior.....	000	26,995	28,621	42,715	48,940	59,327	66,710	82,312	92,043	101,862	XXX	XXX
2. 2005.....	41,958	134,764	186,782	168,479	169,272	169,514	169,500	169,088	169,278	167,372	XXX	XXX
3. 2006.....	XXX	(6,455)	61,050	75,823	84,719	84,720	84,388	84,267	84,320	84,424	XXX	XXX
4. 2007.....	XXX	XXX	24,161	92,770	109,044	112,376	111,854	111,992	112,096	111,705	XXX	XXX
5. 2008.....	XXX	XXX	XXX	91,649	207,618	240,577	244,670	259,669	258,054	257,706	XXX	XXX
6. 2009.....	XXX	XXX	XXX	XXX	41,554	112,501	122,251	134,513	135,291	135,112	XXX	XXX
7. 2010.....	XXX	XXX	XXX	XXX	XXX	(18,742)	101,873	132,735	135,050	136,854	XXX	XXX
8. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	175,195	323,419	383,493	386,440	XXX	XXX
9. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(183,704)	111,192	147,546	XXX	XXX
10. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	14,206	140,054	XXX	XXX
11. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(13,064)	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
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Prior.....	103,483	123,672	120,965	100,711	93,851	86,669	87,388	79,619	89,003	83,441
2. 2005.....	41,145	20,088	4,823	6						
3. 2006.....	XXX	30,573	6,233	24	0					
4. 2007.....	XXX	XXX	44,796	7,361	2,744			0		
5. 2008.....	XXX	XXX	XXX	60,665	18,057	4,070	598	4		
6. 2009.....	XXX	XXX	XXX	XXX	48,002	8,283	2,299	1,680		0
7. 2010.....	XXX	XXX	XXX	XXX	XXX	65,909	12,608	5,565	2,575	1
8. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	36,427	14,536	22,694	2,465
9. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	66,492	35,142	27,651
10. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	40,708	18,582
11. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	47,798

AFFILIATED FM INSURANCE COMPANY SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	L	5,483,469	5,541,592	903	2,146,632	881,350	503,616		
2. Alaska.....AK	L	4,320,194	4,622,982		547,291	313,680	604,944		
3. Arizona.....AZ	L	7,609,056	7,712,440	1,058	2,642,207	1,187,990	1,427,337		
4. Arkansas.....AR	L	6,758,043	6,401,279	208	7,375,638	7,417,653	109,646		
5. California.....CA	L	105,197,597	107,373,279	66,555	29,290,574	36,015,134	33,212,905		
6. Colorado.....CO	L	9,737,678	9,838,550	2,714	5,278,900	2,382,245	3,446,215		
7. Connecticut.....CT	L	4,157,106	4,450,363	6,456	1,875,543	1,403,461	422,072		
8. Delaware.....DE	L	1,080,351	1,069,795		673,144	2,310,841	1,641,459		
9. District of Columbia.....DC	L	6,678,822	6,499,314		965,248	(14,872,087)	538,863		
10. Florida.....FL	L	26,116,008	27,373,737	25,201	1,317,082	(462,528)	474,578		
11. Georgia.....GA	L	13,783,578	13,985,675	2,035	5,039,359	3,801,190	2,064,595		
12. Hawaii.....HI	L	813,729	1,039,005		148,916	(70,398)			
13. Idaho.....ID	L	3,194,846	3,105,136	3,605	313,441	346,654	397,393		
14. Illinois.....IL	L	32,435,104	32,533,237	7,115	22,352,534	(20,483,588)	52,277,541		
15. Indiana.....IN	L	10,307,935	10,106,449		5,045,139	4,583,904	1,315,853		
16. Iowa.....IA	L	3,441,978	3,514,373		584,713	1,219,415	736,912		
17. Kansas.....KS	L	3,063,069	2,909,532	771	718,186	546,424	48,343		
18. Kentucky.....KY	L	5,356,090	5,157,522	1,577	2,199,784	3,216,857	2,006,581		
19. Louisiana.....LA	L	13,270,543	12,872,175		6,829,045	1,442,100	4,625,797		
20. Maine.....ME	L	700,430	887,543	2,991	21,177	21,177			
21. Maryland.....MD	L	16,065,775	15,463,874	672	12,367,597	9,827,879	8,482,081		
22. Massachusetts.....MA	L	33,998,347	34,615,381	106,706	21,219,350	24,964,827	15,394,303		
23. Michigan.....MI	L	12,845,585	12,257,023	2,307	9,835,199	14,727,597	21,945,696		
24. Minnesota.....MN	L	10,111,156	10,070,264	4,917	2,131,221	3,808,255	2,714,392		
25. Mississippi.....MS	L	9,795,687	9,669,433		9,257,545	(828,467)	1,606,367		
26. Missouri.....MO	L	19,020,607	18,790,338	7,463	10,049,876	16,196,430	11,284,821		
27. Montana.....MT	L	2,249,528	2,150,751		1,397,227	2,024,266	1,076,148		
28. Nebraska.....NE	L	1,420,210	1,743,361		2,395,792	2,556,106	188,894		
29. Nevada.....NV	L	10,138,316	10,659,293		5,080,999	1,899,815	1,636,136		
30. New Hampshire.....NH	L	2,197,308	2,217,271	2,411	430,802	(79,769)	91,138		
31. New Jersey.....NJ	L	19,167,909	20,014,175	17,148	29,871,816	26,573,254	48,380,686		
32. New Mexico.....NM	L	2,187,275	2,266,583		2,105,475	2,657,776	6,451,345		
33. New York.....NY	L	80,491,457	79,724,165	6,997	104,476,375	56,027,321	127,331,878		
34. North Carolina.....NC	L	11,795,131	11,535,201	2,112	2,155,051	1,359,798	89,764		
35. North Dakota.....ND	L	772,341	723,045		608,808	75,895	19,325		
36. Ohio.....OH	L	18,740,414	19,871,628	4,794	9,610,556	30,970,141	34,405,646		
37. Oklahoma.....OK	L	4,765,183	4,177,036		534,581	2,127,668	1,938,123		
38. Oregon.....OR	L	15,118,307	15,182,702	1,348	3,197,252	223,065	1,088,799		
39. Pennsylvania.....PA	L	15,130,440	16,025,255	8,959	10,489,888	(916,000)	2,415,726		
40. Rhode Island.....RI	L	5,144,380	4,811,384	100,223	1,854,928	1,363,904	2,402,082		
41. South Carolina.....SC	L	4,028,056	4,074,032	996	523,814	1,422,959	1,103,635		
42. South Dakota.....SD	L	635,704	940,857		155,868	112,989	123,458		
43. Tennessee.....TN	L	14,619,890	14,100,991		8,460,744	30,263,491	25,848,711		
44. Texas.....TX	L	57,615,604	56,913,677		23,108,710	25,733,037	24,324,371		
45. Utah.....UT	L	11,256,478	10,999,938		152,821	(71,119)	409,470		
46. Vermont.....VT	L	905,655	895,373	135	8,402	15,260	6,859		
47. Virginia.....VA	L	10,750,723	9,806,327	4,517	7,518,315	12,664,730	7,529,409		
48. Washington.....WA	L	44,229,659	43,990,128	5,537	8,624,154	14,821,593	11,647,415		
49. West Virginia.....WV	L	329,307	343,540						
50. Wisconsin.....WI	L	8,114,636	8,608,107	925	8,277,261	2,828,400	2,261,905		
51. Wyoming.....WY	L	757,561	692,612		361,469	821,007	459,538		
52. American Samoa.....AS	N								
53. Guam.....GU	L								
54. Puerto Rico.....PR	L	404,043	388,435			23,217	23,217		
55. US Virgin Islands.....VI	L	5,568	5,286						
56. Northern Mariana Islands.....MP	L								
57. Canada.....CAN	L	99,936,368	106,755,431	10,469	82,076,891	83,336,319	104,179,242		
58. Aggregate Other Alien.....OT	XXX	946,029	1,009,529	0	0	3,599,950	3,600,000	0	0
59. Totals.....	(a) .55	809,196,262	818,486,403	409,823	473,703,341	402,333,064	576,315,231	0	0

DETAILS OF WRITE-INS

58001. AUS AUSTRALIA.....	XXX	3,588	3,457						
58002. AUT AUSTRIA.....	XXX	6,529	6,680						
58003. BGD BANGLADESH.....	XXX	2,307	36,718						
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	933,605	962,674	0	0	3,599,950	3,600,000	0	0
58999. Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above)	XXX	946,029	1,009,529	0	0	3,599,950	3,600,000	0	0

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

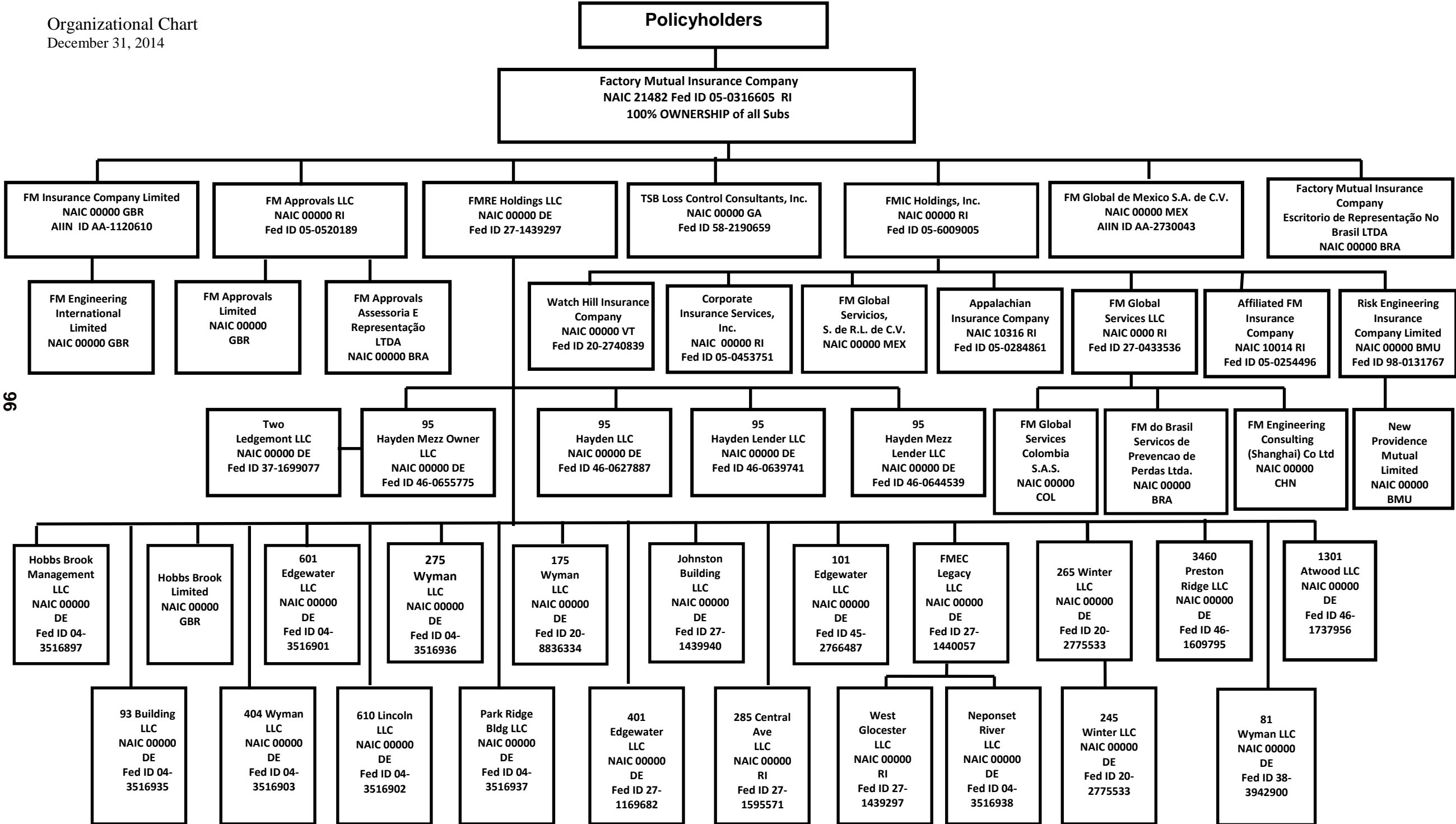
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

(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.

All Premiums are allocated to the location of the property insured.

Organizational Chart
December 31, 2014



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