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THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS



THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS
Annual Audited Financial Statements – Statutory Basis
December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS

Annual Audited Financial Statements – Statutory Basis

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KPMG LLP
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Independent Auditors' Report

To the Board of Directors
The Travelers Companies, Inc. and subsidiaries:

We have audited the accompanying financial statements of The Premier Insurance Company of Massachusetts, which comprise the balance sheet (statutory basis) as of December 31, 2017 and 2016, and the related statements of income (statutory basis), changes in capital and surplus (statutory basis), and cash flow (statutory basis) for the years then ended, and the related notes to the financial statements (statutory basis).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting practices prescribed or permitted by the State of Connecticut Insurance Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by The Premier Insurance Company of Massachusetts using statutory accounting practices prescribed or permitted by the State of Connecticut Insurance Department which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.



The effects on the financial statements of the variances between the statutory accounting practices described in Note 2 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of The Premier Insurance Company of Massachusetts as of December 31, 2017 and 2016, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of The Premier Insurance Company of Massachusetts as of December 31, 2017 and 2016, and the results of its operations and its cash flow for the years then ended, in accordance with statutory accounting practices prescribed or permitted by the State of Connecticut Insurance Department described in Note 2.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the Summary Investment Schedule, Supplemental Investment Risks Interrogatories, and Property and Casualty Interrogatories Relating to Reinsurance is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the State of Connecticut Insurance Department. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/KPMG LLP

Hartford, Connecticut
April 23, 2018

THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS
Balance Sheet (statutory basis)

(At December 31, in thousands)

	2017	2016
Assets		
Bonds	\$ 223,452	\$ 241,483
Cash and short-term investments	2,900	1,807
Other invested assets	1,172	1,172
Total cash and invested assets	227,524	244,462
Investment income due and accrued	2,536	2,774
Reinsurance - Amounts recoverable from reinsurers	1	5
Current federal and foreign income tax recoverable and interest thereon	867	110
Net deferred tax asset	642	1,611
Receivables from parent, subsidiaries and affiliates	10,021	10,757
Aggregate write-ins for other-than-invested assets	(3)	135
Total assets	\$ 241,588	\$ 259,854
Liabilities		
Losses	\$ 8,580	\$ 17,458
Loss adjustment expenses	1,420	4,697
Commissions payable, contingent commissions and other similar charges	-	16
Other expenses	1,011	3,532
Taxes, licenses and fees	(69)	(807)
Remittances and items not allocated	16	13
Aggregate write-ins for liabilities	441	615
Total liabilities	11,399	25,524
Surplus as regards policyholders		
Common capital stock	2,500	2,500
Gross paid in and contributed surplus	87,500	87,500
Unassigned funds (surplus)	140,189	144,330
Total surplus as regards policyholders	230,189	234,330
Total liabilities and surplus as regards policyholders	\$ 241,588	\$ 259,854

THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS
Statement of Income (statutory basis)

(For the year ended December 31, in thousands)	<u>2017</u>	<u>2016</u>
Underwriting Income		
Premiums earned	\$ (3)	\$ 26,222
Losses incurred	880	13,247
Loss adjustment expenses incurred	516	(1,116)
Other underwriting expenses incurred	(366)	6,099
Net underwriting gain (loss)	<u>(1,033)</u>	<u>7,992</u>
Investment Income		
Net investment income earned	7,943	8,543
Net realized capital gains (losses) [net of tax of \$(20) in 2017 and \$502 in 2016]	(317)	938
Net investment gain	<u>7,626</u>	<u>9,481</u>
Other Income		
Net gain (loss) from agents' or premium balances charged off	(37)	(246)
Finance and service charges not included in premiums	-	143
Aggregate write-ins for miscellaneous income (expense)	9	(64)
Total other income (expense)	<u>(28)</u>	<u>(167)</u>
Net income after capital gains tax and before all other federal and foreign income taxes	6,565	17,306
Federal and foreign income taxes incurred	484	2,233
Net income	<u>\$ 6,081</u>	<u>\$ 15,073</u>

Statement of Changes in Capital and Surplus (statutory basis)

(For the year ended December 31, in thousands)	<u>2017</u>	<u>2016</u>
Surplus as regards policyholders - December 31, prior year	\$ 234,330	\$ 234,018
Net income	6,081	15,073
Change in net unrealized capital gains	2	-
Change in net deferred income tax	(968)	(2,271)
Change in nonadmitted assets	44	210
Dividends to stockholder (cash)	(9,300)	(12,700)
Change in surplus as regards policyholders	<u>(4,141)</u>	<u>312</u>
Surplus as regards policyholders - December 31, current year	<u>\$ 230,189</u>	<u>\$ 234,330</u>

THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS
Statement of Cash Flow (statutory basis)

(For the year ended December 31, in thousands)

	2017	2016
Cash from Operations		
Premiums collected net of reinsurance	\$ 40	\$ 9,644
Net investment income	9,400	10,752
Miscellaneous income (expense)	(28)	(167)
Total	9,412	20,229
Benefit and loss related payments	9,754	27,676
Commissions, expenses paid and aggregate write-ins for deductions	5,194	11,271
Federal and foreign income taxes paid	1,221	2,727
Total	16,169	41,674
Net cash used in operations	(6,757)	(21,445)
Cash from Investments		
Proceeds from investments sold, matured or repaid:		
Bonds	26,089	55,579
Stocks	4	-
Total investment proceeds	26,093	55,579
Cost of investments acquired:		
Bonds	9,646	9,777
Total investments acquired	9,646	9,777
Net cash provided by investments	16,447	45,802
Cash from Financing and Miscellaneous Sources		
Cash provided (applied)		
Dividends to stockholder	(9,300)	(12,700)
Other cash provided (applied)	703	(10,260)
Net cash used in financing and miscellaneous sources	(8,597)	(22,960)
Net change in cash, cash equivalents and short-term investments	1,093	1,397
Cash and short-term investments - beginning of year	1,807	410
Cash and short-term investments - end of year	\$ 2,900	\$ 1,807

THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS (statutory basis)

1. ORGANIZATION AND NATURE OF OPERATIONS

The Premier Insurance Company of Massachusetts (the Company) is a wholly-owned subsidiary of The Travelers Indemnity Company (Indemnity), which in turn is an indirect wholly-owned subsidiary of The Travelers Companies, Inc. (TRV).

On January 1, 2018, the Company merged with and into its parent, Indemnity, with Indemnity being the surviving corporation. See Note 16 for additional detail.

The following depicts via indentations, the relationship at December 31, 2017 of the Company to TRV, a publicly traded insurance holding company:

The Travelers Companies, Inc.
Travelers Property Casualty Corp.
Travelers Insurance Group Holdings Inc.
The Travelers Indemnity Company
The Premier Insurance Company of Massachusetts

The Company is a stock property-casualty insurer licensed in Connecticut and Massachusetts. Since May 2015, new business, and since October 2015, renewal business has not been written by the Company but rather by another company in the Travelers Combined Pool, which is comprised of U.S.-domiciled companies that are direct or indirect wholly-owned subsidiaries of TRV.

Personal automobile policies provide coverage for liability to others for both bodily injury and property damage, and for physical damage to an insured's own vehicle from collision and various other perils. In addition, Massachusetts requires policies to provide first-party personal injury protection, referred to as no-fault coverage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Company prepares its statutory financial statements in conformity with the accounting practices prescribed or permitted by the State of Connecticut. The State of Connecticut requires that insurance companies domiciled in Connecticut prepare their statutory basis financial statements in accordance with the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the Connecticut Insurance Commissioner. The Company does not apply any statutory accounting practices that would be considered a permitted practice in its financial statements.
- B. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and losses and expenses during the reporting period. Actual results could differ from those estimates.
- C. Statutory accounting practices differ in certain respects from U.S. generally accepted accounting principles (US GAAP). The items of greatest significance are as follows:

Nonadmitted Assets: Certain assets designated as nonadmitted; some of which include, uncollected agents' balances over 90 days past due and a portion of deferred tax assets, are excluded from the statutory balance sheet and changes in such amounts are charged or credited directly to unassigned funds, a component of surplus as regards policyholders (policyholders' surplus).

Reinsurance: Reserves for losses and loss adjustment expenses (LAE) ceded to reinsurers have been reported as reductions of the related reserves rather than as assets as required by US GAAP.

Investments: Under US GAAP, bonds are categorized based on positive intent as "trading securities" (reported at fair value, with changes in fair value reported in earnings), "available for sale" securities (reported at fair value, with changes in fair value reported in equity), or "held to maturity" securities (reported at amortized cost). Under statutory reporting, bonds are valued according to statutory requirements as described below.

Deferred Tax Assets: Under statutory accounting practices, gross deferred tax assets are admitted subject to certain restrictions. The change in net deferred income tax is reported as a charge or credit directly to unassigned funds. Under US GAAP this change is reported as an adjustment to income.

Other significant statutory accounting policies are as follows:

Premiums are recognized as revenues pro rata over the policy period.

Realized investment gains and losses are included as a component of net income based upon specific identification of the investments sold on the trade date net of capital gains tax. Impairments are charged directly to net realized capital gains (losses) and are determined based on the continual review of investment portfolio valuations.

Unrealized investment gains and losses, net of deferred taxes, are credited or charged directly to unassigned funds.

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NOTES TO FINANCIAL STATEMENTS (statutory basis)

Amounts recoverable from reinsurers are estimated in a manner consistent with the loss liability associated with the reinsured business. The Company evaluates and monitors the financial condition of its reinsurers under voluntary reinsurance arrangements to minimize its exposure to significant losses from reinsurance insolvencies.

The provision for federal income taxes is comprised of two components: current income taxes and deferred income taxes. Deferred federal income taxes arise from changes during the year in cumulative temporary differences between the statutory basis and tax basis of assets and liabilities. Gross deferred tax assets are reduced by a statutory valuation allowance adjustment if, based on the weight of available evidence, it is more likely than not that some portion or all of the gross deferred tax assets will not be realized.

The Company utilizes anticipated investment income as a factor in the premium deficiency calculation.

Property-casualty reserves are established for loss and LAE and represent management's estimate of the ultimate cost of all unpaid reported and unreported claims incurred and related expenses. In establishing loss and LAE reserves, the Company also takes into account estimated recoveries, reinsurance, salvage and subrogation. The loss and LAE reserves are reviewed regularly by qualified actuaries employed by the Company. The Company continually refines its loss and LAE reserve estimates in a regular ongoing process as historical loss experience develops and additional claims are reported and settled. Because establishment of loss and LAE reserves is an inherently uncertain process involving estimates, currently established reserves may change. The Company reflects adjustments to loss and LAE reserves in the period in which the estimates change. Such changes in estimates could occur in a future period and may be material to the Company's net income in such period.

Invested assets are valued according to statutory requirements and the bases of valuation adopted by the NAIC as follows:

Short-term investments are stated at amortized cost and consist of investments with remaining maturities of one year or less at the time of acquisition.

Bonds generally are stated at amortized cost, except bonds that are defined by the NAIC as non-investment grade (NAIC Class 3-6) which are stated at the lower of amortized cost or NAIC fair value. Amortization is calculated using the constant yield method.

Common stocks of non-affiliates are stated at NAIC fair value based on fair values received from a third party organization.

Loan-backed and structured securities are amortized using the retrospective method, except for securities that have incurred a decline in fair value that is other-than-temporary which are amortized using the prospective method. The effective yield used to determine amortization is calculated based on actual historical and projected future cash flows, which are obtained from a nationally recognized securities data provider.

The Company's investment in a limited liability company is reported using the equity method of accounting, determined in accordance with statutory accounting valuation methods. Distributions of accumulated earnings received from this investment are recorded as net investment income.

3. INVESTMENTS

A. Bonds:

Bonds by investment type (in thousands):

	<u>Carrying value</u>	<u>Excess of fair value over carrying value</u>	<u>Excess of carrying value over fair value</u>	<u>Fair value</u>
<u>At December 31, 2017</u>				
U.S. government and government agencies and authorities	\$ 10,066	\$ 1	\$ (24)	\$ 10,043
States, territories and possessions	4,008	17	-	4,025
U.S. political subdivisions of states	58,178	3,228	-	61,406
U.S. special revenue and special assessment obligations	56,499	3,801	-	60,300
Industrial and miscellaneous	94,090	1,554	(267)	95,377
Loan-backed securities	299	30	-	329
Structured securities	312	41	-	353
Total bonds	<u>\$ 223,452</u>	<u>\$ 8,672</u>	<u>\$ (291)</u>	<u>\$ 231,833</u>

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NOTES TO FINANCIAL STATEMENTS (statutory basis)

	Carrying value	Excess of fair value over carrying value	Excess of carrying value over fair value	Fair value
<u>At December 31, 2016</u>				
U.S. government and government agencies and authorities	\$ 10,111	\$ 1	\$ (64)	\$ 10,048
States, territories and possessions	4,058	139	-	4,197
U.S. political subdivisions of states	60,917	2,173	(203)	62,887
U.S. special revenue and special assessment obligations	59,723	2,926	(38)	62,611
Industrial and miscellaneous	105,491	2,338	(484)	107,345
Loan-backed securities	387	40	-	427
Structured securities	796	70	-	866
Total bonds	<u>\$ 241,483</u>	<u>\$ 7,687</u>	<u>\$ (789)</u>	<u>\$ 248,381</u>

The carrying value of bonds is generally amortized cost, except bonds that are rated by the NAIC as non-investment grade (i.e. NAIC Class 3-6), which are reported at the lower of amortized cost or NAIC fair value. Unit prices published by the Securities Valuation Office (SVO), if available, are used to calculate the fair value amount disclosed. In the absence of SVO published unit prices, or when amortized cost is used by the SVO as unit price, quoted market prices by other third party organizations, if available, are used to calculate the fair value of financial instruments.

The carrying value and fair value of bonds at December 31, 2017, by maturity are shown below, separating out loan-backed and structured securities. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying value	Fair value
(in thousands)		
One year or less	\$ 13,884	\$ 13,966
Over 1 year through 5 years	105,196	107,576
Over 5 years through 10 years	28,119	29,246
Over 10 years	75,642	80,363
Loan-backed securities	299	329
Structured securities	312	353
Total bonds	<u>\$ 223,452</u>	<u>\$ 231,833</u>

Proceeds from sales of bonds were \$6.0 million and \$24.7 million in 2017 and 2016, respectively. In 2017, there were no gross gains and \$87 thousand of gross losses realized on those sales. In 2016, gross gains and gross losses realized on those sales were \$1.2 million and \$24 thousand, respectively.

Included in bonds are investments in non-investment grade bonds totaling \$274 thousand at both December 31, 2017 and 2016.

At December 31, 2017 and 2016, the Company had \$133 thousand and \$134 thousand of securities, respectively, on deposit at financial institutions in Massachusetts pursuant to requirements set forth by the Commonwealth of Massachusetts Division of Insurance.

The Company recognized \$316 thousand of investment income related to prepayment penalties and/or acceleration fees on 4 unique CUSIPs called by various issuers during 2017.

B. Loan-Backed and Structured Securities:

The Company applies the retrospective method of revaluing loan-backed securities. The Company's loan-backed securities are revalued quarterly using the constant effective yield method which includes an adjustment for estimated principal prepayments, if any. The effective yield used to determine amortization for these securities is recalculated and adjusted periodically based upon actual historical and/or projected future cash flows. The Company changes from the retrospective to prospective method for valuing the securities when an other-than-temporary impairment has been recorded.

For collateralized mortgage obligations, asset-backed securities and pass-through certificates prepayment assumptions are adjusted periodically.

When unit prices published by the SVO are not available, the Company uses a nationally recognized pricing service, as well as broker quotes in determining the fair value of its loan-backed securities.

The Company determines an other-than-temporary impairment by utilizing discounted cash flow modeling to determine the present value of the security and comparing the present value with the amortized cost of the security. If the amortized cost is greater than the present value of the expected cash flows, the difference is considered a credit loss and recognized in net realized capital gains (losses). The Company estimates the present value of the security by projecting future cash flows of the assets underlying the securitization, allocating the flows to the various tranches based on the structure of the securitization, and determining the present value of the cash flows using the effective yield of the security at the date of acquisition (or the most recent implied rate used to accrete the security if the implied rate has changed as a result of changes in expected cash flows). The Company incorporates levels of delinquencies, defaults and severities as well as credit attributes of

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NOTES TO FINANCIAL STATEMENTS (statutory basis)

the remaining assets in the securitization, along with other economic data, to arrive at its best estimate of the parameters applied to the assets underlying the securitization.

The Company had no loan backed-or structured securities with other-than-temporary impairments recognized in 2017.

C. Concentrations:

At December 31, 2017 and 2016, the Company was not exposed to any concentration of credit risk of a single issuer greater than 5% of policyholders' surplus of the Company.

The Company seeks to mitigate credit risk by actively monitoring the creditworthiness of counterparties, obtaining collateral as deemed appropriate and applying controls that include credit approvals, limits of credit exposure and other monitoring procedures.

D. Other-Than-Temporary Impairment of Certain Securities:

The Company recognizes an impairment loss when an invested asset's value declines below cost, adjusted for accretion, amortization and previous other-than-temporary impairments (new cost basis), and the change is deemed to be other-than-temporary, or if it is determined that the Company will not be able to recover all amounts due pursuant to the issuers' contractual obligations prior to sale or maturity. When the Company determines that an invested asset is other-than-temporarily impaired, the invested asset is written down to fair value for securities other than loan-backed and structured securities, and the amount of the impairment is included in earnings as a realized capital loss. The fair value then becomes the new cost basis of the investment and any subsequent recoveries in fair value are recognized at disposition.

The Company recognizes a realized loss when impairment is deemed to be other-than-temporary even if a decision to sell an invested asset has not been made. When the Company intends to sell a temporarily impaired invested asset and the Company does not expect the fair value of the invested asset to fully recover prior to the expected time of sale, the invested asset is deemed to be other-than-temporarily impaired in the period in which the decision to sell is made.

Factors considered in determining whether a decline is other-than-temporary include the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery, the length of time and the extent to which fair value has been below cost and the financial condition and near-term prospects of the issuer.

The Company's process for reviewing invested assets for impairments during any quarter includes the following:

- Identification and evaluation of investments that have possible indications of other-than-temporary impairment, which includes an analysis of investments with gross unrealized investment losses that have fair values less than 80% of cost for six consecutive months or more;
- Review of portfolio manager(s) recommendations for other-than-temporary impairments based on the investee's current financial condition, liquidity, near-term recovery prospects and other factors;
- Consideration of evidential matter, including an evaluation of factors or triggers that would or could cause individual investments to qualify as having other-than-temporary impairments; and
- Determination of the status of each analyzed investment as other-than-temporary or not, with documentation of the rationale for the decision.

The following tables summarize, for all bonds in an unrealized loss position at December 31, 2017 and 2016, the aggregate fair value and gross unrealized loss by length of time those securities that have been continuously in an unrealized loss position. The gross unrealized loss is the amount by which cost or amortized cost exceeds fair value for securities rated in all NAIC classes.

(in thousands)	<u>Less than 12 months</u>		<u>12 months or longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
<u>At December 31, 2017</u>						
U.S. government and government agencies and authorities	\$ 2,008	\$ 5	\$ 1,994	\$ 19	\$ 4,002	\$ 24
Industrial and miscellaneous	<u>19,502</u>	<u>115</u>	<u>10,514</u>	<u>152</u>	<u>30,016</u>	<u>267</u>
Total bonds	<u>\$ 21,510</u>	<u>\$ 120</u>	<u>\$ 12,508</u>	<u>\$ 171</u>	<u>\$ 34,018</u>	<u>\$ 291</u>

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NOTES TO FINANCIAL STATEMENTS (statutory basis)

(in thousands)	<u>Less than 12 months</u>		<u>12 months or longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
<u>At December 31, 2016</u>						
U.S. government and government agencies and authorities	\$ 8,012	\$ 64	\$ -	\$ -	\$ 8,012	\$ 64
U.S. political subdivisions of states	8,740	203	-	-	8,740	203
U.S. special revenue and special assessment obligations	1,901	38	-	-	1,901	38
Industrial and miscellaneous	<u>31,842</u>	<u>466</u>	<u>1,104</u>	<u>22</u>	<u>32,946</u>	<u>488</u>
Total bonds	\$ 50,495	\$ 771	\$ 1,104	\$ 22	\$ 51,599	\$ 793

There were no impairments related to bonds in 2017. Impairments related to bonds were \$8 thousand in 2016.

4. FAIR VALUE MEASUREMENTS

The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement in its entirety. The three levels of the hierarchy are as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

A. 1. Securities measured and reported at fair value:

At December 31, 2017, the Company holds Level 3 industrial and miscellaneous common stock measured and reported at its fair value of \$0.

At December 31, 2016, the Company holds Level 2 industrial and miscellaneous bonds and Level 3 industrial and miscellaneous common stock both measured and reported at their fair value of \$0.

There were no transfers between Level 1 and Level 2 during 2017 or 2016.

2. Level 2 and Level 3 valuation techniques:

The Company holds common stock where the fair value estimate is determined by an internal fund manager based on recent filings, operating results, balance sheet stability, growth and other business and market sector fundamentals. Due to the significant unobservable inputs in these valuations, the Company includes the fair value estimate for this investment in Level 3.

The fair values of bonds are determined by the Company in accordance with NAIC guidelines. These securities are generally priced by the SVO or by a third party organization.

B. The Company uses various financial instruments in the normal course of its business. Certain insurance contracts are excluded by SSAP No. 100, *Fair Value*, and, therefore, are not included in the amounts discussed.

The carrying values of cash, short-term investments and investment income accrued approximate their fair values.

C. The following tables provide the aggregate fair value and reported aggregate admitted asset value by type of financial instrument; and the hierarchy level in which the fair values fall (in thousands):

(At December 31, 2017)	Aggregate	Admitted	Level 1	Level 2	Level 3
<u>Description</u>	<u>Fair Value</u>	<u>Assets</u>			
Short term bonds	\$ 3,153	\$ 3,153	\$ 731	\$ 2,422	\$ -
Long term bonds	231,833	223,452	10,043	221,790	-
Common stock	-	-	-	-	-

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NOTES TO FINANCIAL STATEMENTS (statutory basis)

(At December 31, 2016)	Aggregate	Admitted	Level 1	Level 2	Level 3
Description	Fair Value	Assets			
Short term bonds	\$ 2,148	\$ 2,148	\$ 520	\$ 1,628	\$ -
Long term bonds	248,381	241,483	10,048	238,333	-
Common stock	-	-	-	-	-

5. INVESTMENT INCOME

A. Policyholders' surplus excludes due and accrued investment income if amounts are over 90 days past due.

B. The Company had no past due accrued investment income at December 31, 2017 and 2016.

6. INCOME TAXES

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

	December 31, 2017		
	Ordinary	Capital	Total
1. a. Gross deferred tax assets	\$ 798	\$ -	\$ 798
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred tax assets	798	-	798
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal (net deferred tax assets)	798	-	798
f. Deferred tax liabilities	156	-	156
g. Net admitted deferred tax asset (liability)	\$ 642	\$ -	\$ 642

	December 31, 2016		
	Ordinary	Capital	Total
a. Gross deferred tax assets	\$ 1,709	\$ 1	\$ 1,710
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred tax assets	1,709	1	1,710
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal (net deferred tax assets)	1,709	1	1,710
f. Deferred tax liabilities	99	-	99
g. Net admitted deferred tax asset (liability)	\$ 1,610	\$ 1	\$ 1,611

	Change		
	Ordinary	Capital	Total
a. Gross deferred tax assets	\$ (911)	\$ (1)	\$ (912)
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred tax assets	(911)	(1)	(912)
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal (net deferred tax assets)	(911)	(1)	(912)
f. Deferred tax liabilities	57	-	57
g. Net admitted deferred tax asset (liability)	\$ (968)	\$ (1)	\$ (969)

2. Admission Calculation Components SSAP No. 101:

	December 31, 2017		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	\$ 741	\$ -	\$ 741
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)	26	-	26
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	26	-	26

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2. Adjusted gross deferred tax assets per limitation threshold.	xxxx	xxxx	34,432
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.	31	-	31
d. Deferred tax assets admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	798	-	798
Deferred tax liabilities netted against deferred tax assets	156	-	156
Total	<u>\$ 642</u>	<u>\$ -</u>	<u>\$ 642</u>

December 31, 2016

	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	\$ 1,614	\$ 1	\$ 1,615
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)	39	-	39
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	39	-	39
2. Adjusted gross deferred tax assets per limitation threshold.	xxxx	xxxx	34,908
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.	56	-	56
d. Deferred tax assets admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	1,709	1	1,710
Deferred tax liabilities netted against deferred tax assets	99	-	99
Total	<u>\$ 1,610</u>	<u>\$ 1</u>	<u>\$ 1,611</u>

Change

	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	\$ (873)	\$ (1)	\$ (874)
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)	(13)	-	(13)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	(13)	-	(13)
2. Adjusted gross deferred tax assets per limitation threshold.	xxxx	xxxx	(476)
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.	(25)	-	(25)
d. Deferred tax assets admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	(911)	(1)	(912)
Deferred tax liabilities netted against deferred tax assets	57	-	57
Total	<u>\$ (968)</u>	<u>\$ (1)</u>	<u>\$ (969)</u>

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	<u>2017</u>	<u>2016</u>
3. a. Ratio percentage used to determine recovery period and threshold limitation amount.	25,708%	16,444%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above.	\$ 229,547	\$ 232,719

4. Impact of Tax Planning Strategies:

December 31, 2017

	<u>Ordinary</u>	<u>Capital</u>
a. Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage.		
1. Adjusted gross deferred tax assets amounts from Note 6A1(c).	\$ 798	\$ -
2. Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies.	0%	0%
3. Net admitted adjusted gross deferred tax assets amounts from Note 6A1(e).	\$ 798	\$ -
4. Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies.	0%	0%

December 31, 2016

	<u>Ordinary</u>	<u>Capital</u>
a. Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage.		
1. Adjusted gross deferred tax assets amounts from Note 6A1(c).	\$ 1,709	\$ 1
2. Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies.	0%	0%
3. Net admitted adjusted gross deferred tax assets amounts from Note 6A1(e).	\$ 1,709	\$ 1
4. Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies.	0%	0%

Change

	<u>Ordinary</u>	<u>Capital</u>
a. Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage.		
1. Adjusted gross deferred tax assets amounts from Note 6A1(c).	\$ (911)	\$ (1)
2. Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies.	0%	0%
3. Net admitted adjusted gross deferred tax assets amounts from Note 6A1(e).	\$ (911)	\$ (1)
4. Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies.	0%	0%

b. Does the Company's tax-planning strategies include the use of reinsurance? Yes No

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NOTES TO FINANCIAL STATEMENTS (statutory basis)

B. The provisions for incurred tax on earnings are as follows (in thousands):

	<u>December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
1. Current Income Tax:			
Federal	\$ 484	\$ 2,233	\$ (1,749)
Foreign	-	-	-
Subtotal	<u>484</u>	<u>2,233</u>	<u>(1,749)</u>
Federal income taxes on net capital gains	(20)	502	(522)
Federal and foreign income taxes incurred	<u>\$ 464</u>	<u>\$ 2,735</u>	<u>\$ (2,271)</u>

2. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets are as follows:

	<u>December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
<u>Ordinary:</u>			
Discounting of unpaid losses	\$ 157	\$ 233	\$ (76)
Compensation and benefits accrual	623	1,415	(792)
Other	18	61	(43)
Total ordinary deferred tax assets	<u>\$ 798</u>	<u>\$ 1,709</u>	<u>\$ (911)</u>
Statutory valuation allowance adjustment	-	-	-
Nonadmitted deferred tax assets	-	-	-
Admitted ordinary deferred tax assets	<u>\$ 798</u>	<u>\$ 1,709</u>	<u>\$ (911)</u>
<u>Capital:</u>			
Investments	\$ -	\$ 1	\$ (1)
Total capital deferred tax assets	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (1)</u>
Statutory valuation allowance adjustment	-	-	-
Nonadmitted deferred tax assets	-	-	-
Admitted capital deferred tax assets	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (1)</u>
Total admitted deferred tax assets:	<u>\$ 798</u>	<u>\$ 1,710</u>	<u>\$ (912)</u>

3. The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities are as follows:

	<u>December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
<u>Ordinary:</u>			
Investments	\$ 66	\$ 91	\$ (25)
Loss and LAE reserve discounting (transition rule)	90	-	90
Fixed assets	-	8	(8)
Total ordinary deferred tax liabilities	<u>\$ 156</u>	<u>\$ 99</u>	<u>\$ 57</u>
<u>Capital:</u>			
Investments	\$ -	\$ -	\$ -
Total capital deferred tax liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred tax liabilities:	<u>\$ 156</u>	<u>\$ 99</u>	<u>\$ 57</u>

4. Net admitted deferred tax asset/(liability) \$ 642 \$ 1,611 \$ (969)

5. Deferred income taxes do not include any benefit from investment tax credits.

6. Deferred income taxes do not include a benefit from net operating losses.

7. The decrease to net deferred tax assets for the effects of enactment of the Tax Cuts and Jobs Act (TCJA) of 2017 is \$429 thousand.

The Company has recorded provisional amounts due under the transition rule relating to the change in discounting of incurred losses based on information available at December 31, 2017. The amounts payable under the transition rules related to discounting have been estimated but are subject to change once the U.S. Treasury issues guidance sometime in 2018. Adjustments to temporary differences will result from the reduced income tax rate applied to the deferred taxes associated with this item. Provisional amounts may also be adjusted to the extent future clarifications of the TCJA of 2017 are provided.

8. There are no adjustments to gross deferred tax assets because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset.

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NOTES TO FINANCIAL STATEMENTS (statutory basis)

9. The change in net deferred income taxes is comprised of the following:

	<u>December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Total deferred tax assets	\$ 798	\$ 1,710	\$ (912)
Total deferred tax liabilities	156	99	57
Net deferred tax asset/(liability)	<u>\$ 642</u>	<u>\$ 1,611</u>	<u>(969)</u>
Tax effect of unrealized gains (losses)			1
Change in net deferred income tax			<u>\$ (968)</u>

C. The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate before income tax. The significant items causing this difference are as follows (in thousands):

	<u>December 31, 2017</u>
Rate Reconciliation:	
Pretax net income	\$ 6,545
Taxes at statutory rate	2,291
Increase (decrease) attributable to:	
Nontaxable investment income	(1,273)
Impact of TCJA at enactment	429
Other	(15)
	<u>\$ 1,432</u>
Federal and foreign taxes incurred	\$ 464
Change in net deferred taxes	968
Total statutory income tax	<u>\$ 1,432</u>
Effective tax rate	21.9%

- D. 1. The Company has no net operating loss carryforward available for tax purposes.
2. Federal income taxes incurred by the Company in 2017, 2016, and 2015 of \$499 thousand, \$2.7 million, and \$112 thousand, respectively, will be available for recoupment in the event of future losses.
3. The Company has no protective tax deposits with the Internal Revenue Service (IRS) under Section 6603 of the Internal Revenue Code.
- E. 1. The Company is included in a consolidated federal income tax return with its ultimate parent company, TRV.
2. The Company is a party to a tax allocation agreement that sets forth the manner in which total consolidated federal income tax is allocated among companies included in the consolidated return. Member companies included in the TRV consolidated return are allocated taxes annually based upon their separate taxable income. Companies with a current federal income tax receivable from TRV will receive settlement to the extent that such receivables are for tax benefits that have been utilized in the consolidated federal income tax return. Member companies are reimbursed by TRV in the event the IRS levies upon a member's assets for unpaid taxes in excess of the amount specifically allocated to a member.
- In the event that the consolidated group develops an Alternative Minimum Tax (AMT), each company with an AMT on a separate company basis will be allocated a portion of the consolidated AMT. Settlement of the AMT will be made in the same manner and timing as the regular federal income tax. For 2017, the consolidated group does not expect to be in an AMT position. For 2018 and forward, the TCJA of 2017 repealed the AMT.
- F. The Company does not believe it is reasonably possible that the liability related to any federal or foreign tax loss contingencies may significantly increase within the next 12 months.

7. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

- A. (1) The principal banking functions for the property-casualty operations of TRV and its affiliated property-casualty insurance companies are handled by Indemnity. Settlements between the companies are made at least monthly.
- (2) TRV maintains a private short-term investment pool, known as the Travelers Money Market Liquidity Pool (TRVMMLP), in which affiliated companies may participate. This pool is managed by Indemnity. Each company may convert its position in the pool into cash at any time and may also use its position in the pool to settle transactions with other affiliated participants in the pool. The position of each company in the pool is calculated and adjusted daily. Each participating insurance company carries its share of the pool as a short-term investment. The Company's share of the TRVMMLP was \$3.2 million and \$2.1 million at December 31, 2017 and 2016, respectively.
- B. At December 31, 2017 and 2016, the Company had \$10.0 million and \$10.8 million receivable from Indemnity, respectively. Substantially all of the accounts between and among the Company and its affiliates are settled at least monthly through the TRVMMLP or in cash.

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C. Material management or service contracts and cost sharing arrangements, involving the Company or any affiliate, other than cost allocation arrangements, are as follows:

<u>TYPE OF CONTRACT AND DESCRIPTION</u>	<u>SERVICING COMPANY</u>	<u>OTHER PARTY</u>
Reinsurance Allocation	The Travelers Indemnity Company	Travelers P&C ⁽¹⁾
Corporate Services	The Travelers Indemnity Company	The Premier Insurance Company of Massachusetts

⁽¹⁾ "Travelers P&C" includes The Travelers Indemnity Company and some or all of its insurance subsidiaries and affiliates.

8. CAPITAL AND SURPLUS AND DIVIDEND RESTRICTIONS

At December 31, 2017, the Company had 100,000 shares of common stock authorized, 50,000 shares issued and outstanding with a par value of \$50 per share.

On December 20, 2017 and December 19, 2016, the Company paid ordinary dividends of \$9.3 million and \$12.7 million, respectively, to its parent company, Indemnity. Timely notice of each dividend was provided to the State of Connecticut Insurance Department.

There are no restrictions on the use of the Company's unassigned funds and such funds are held for the benefit of the shareholder.

9. LIABILITIES, CONTINGENCIES AND ASSESSMENTS

A. Assessments:

The Company is subject to guaranty association and other insurance-related assessments. At December 31, 2017, the Company has no known or estimable assessment liability.

B. All Other Contingencies:

In the ordinary course of business, the Company is a defendant or codefendant in various litigation matters.

10. REINSURANCE

The Company participates in reinsurance in order to limit losses and minimize exposure to large risks.

Through March 2009, the Company was a servicing carrier for the Massachusetts residual market managed by Commonwealth Automobile Reinsurers (CAR). As such, the Company was obligated to accept all auto risks submitted to the Company on a direct basis if they did not meet Massachusetts Automobile Insurance Plan (MAIP) eligibility criteria. Accepted risks that did not meet Company underwriting criteria were ceded to CAR. A ceding commission was paid by CAR to offset expenses. The Company shared in CAR's overall underwriting results. Its participation was determined by a utilization formula which weights its voluntary and ceded market shares, while allowing credits for writing voluntary business in certain classes and territories. The Company remains primarily liable as the direct insurer on all risks reinsured.

A. Unsecured Reinsurance Recoverables:

The Company did not have any unsecured aggregate recoverables for ceded losses, loss adjustment expenses and unearned premiums recoverable from any reinsurer at December 31, 2017, that exceeded 3% of the Company's policyholders' surplus.

11. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company accounts for pension and postretirement benefit expenses as consolidated/holding company plans under SSAP No. 102, *Pensions* and SSAP No. 92, *Postretirement Benefits Other Than Pensions*.

A. Consolidated/Holding Company Plans:

1. Employee Retirement Plans:

The Company participates in a qualified noncontributory defined benefit pension plan sponsored by TRV that provides benefits, primarily under a cash balance formula, for substantially all employees of the Company and its property-casualty affiliates. In addition the Company participates in nonqualified defined benefit pension plans sponsored by TRV which cover certain highly-compensated employees of the Company and its property-casualty affiliates. The Company has no legal obligation for benefits under these plans. The Company is charged for its allocable share of pension expense for these plans based on its allocated and/or direct salary costs in accordance with an expense allocation agreement. The Company's allocated share of the pension expense was \$139 thousand and \$405 thousand for 2017 and 2016, respectively.

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2. Postretirement Benefit Plan:

The Company participates in a postretirement health and life insurance benefit plan sponsored by TRV for employees of the Company and its property-casualty affiliates that satisfy certain age and service requirements and for certain retirees. The Company has no legal obligation for benefits under this plan. The Company is charged for its allocable share of postretirement benefit expense for this plan based on its allocated and/or direct salary costs in accordance with an expense allocation agreement. The Company's allocated share of the postretirement benefit expense was \$4 thousand and \$17 thousand for 2017 and 2016, respectively.

3. 401(k) Savings Plan:

The Company participates in a 401(k) savings plan sponsored by TRV for substantially all employees of the Company and its property-casualty affiliates. The Company has no legal obligation for benefits under this plan. The Company is charged for its allocable share of expense for this plan based on its allocated and/or direct salary costs in accordance with an expense allocation agreement. The Company's allocated share of the 401(k) savings plan expense was \$169 thousand and \$572 thousand for 2017 and 2016, respectively.

B. Incentive Plans:

The Company participates in a share-based incentive compensation plan, The Travelers Companies, Inc. Amended and Restated 2014 Stock Incentive Plan (the 2014 Incentive Plan), the purposes of which are to align the interests of TRV's non-employee directors, executive officers and other employees with those of TRV's shareholders and to attract and retain personnel by providing incentives in the form of share-based awards. The 2014 Incentive Plan permits grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock, deferred stock units, performance awards and other share-based or share-denominated awards with respect to TRV's common stock. TRV has a policy of issuing new shares to settle the exercise of stock option awards and the vesting of other equity awards.

The number of shares of TRV's common stock initially authorized for grant under the 2014 Incentive Plan was 10 million shares. In May 2017 and 2016, TRV's shareholders authorized an additional 2.5 million and 4.4 million shares of TRV's common stock, respectively, for grant under the 2014 Incentive Plan. The following are not counted towards the combined 16.9 million shares available and will be available for future grants under the 2014 Incentive Plan: (i) shares of common stock subject to awards that expire unexercised, that are forfeited, terminated or canceled, that are settled in cash or other forms of property, or otherwise do not result in the issuance of shares of common stock, in whole or in part; (ii) shares that are used to pay the exercise price of stock options and shares used to pay withholding taxes on awards generally; and (iii) shares purchased by TRV on the open market using cash option exercise proceeds; provided, however, that the increase in the number of shares of common stock available for grant pursuant to such market purchases shall not be greater than the number that could be repurchased at fair market value on the date of exercise of the stock option giving rise to such option proceeds. In addition, the 16.9 million shares authorized by shareholders for issuance under the 2014 Incentive Plan will be increased by any shares subject to awards under The Travelers Companies, Inc. Amended and Restated 2004 Stock Incentive Plan (2004 Incentive Plan) that were outstanding as of May 27, 2014 and subsequently expire, are forfeited, canceled, settled in cash or otherwise terminate without the issuance of shares.

Stock Option Awards

Stock option awards granted to eligible officers and key employees have a ten-year term. All stock options are granted with an exercise price equal to the closing price of TRV's common stock on the date of grant. The stock options granted generally vest upon meeting certain years of service criteria. Except as the Compensation Committee of the TRV Board of Directors may allow in the future, stock options cannot be sold or transferred by the participant. Stock options outstanding under the 2014 Incentive Plan and the 2004 Incentive Plan generally vest three years after grant date (cliff vest).

A summary of stock option activity under the 2014 Incentive Plan and the legacy plans as of and for the year ended December 31, 2017 is as follows:

Stock Options	Number	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining	Aggregate Intrinsic Value (\$ in millions)
Outstanding, beginning of year	8,560,036	\$ 87.36		
Original grants	2,106,022	118.78		
Exercised	(1,784,731)	73.19		
Forfeited or expired	(168,860)	108.25		
Outstanding, end of year	8,712,467	\$ 97.45	6.9 Years	\$ 333
Vested at end of year ⁽¹⁾	5,530,589	\$ 89.67	6.1 Years	\$ 254
Exercisable at end of year	2,835,011	\$ 70.33	4.2 Years	\$ 185

⁽¹⁾ Represents awards for which the requisite service has been rendered, including those that are retirement eligible.

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On February 6, 2018, TRV, under the 2014 Incentive Plan, granted 1,632,361 stock option awards with an exercise price of \$140.85 per share. The fair value attributable to the stock option awards on the date of grant was \$20.13 per share.

Restricted Stock Units, Deferred Stock Units and Performance Share Award Programs

TRV issues restricted stock unit awards to eligible officers and key employees under the Equity Awards program established pursuant to the 2014 Incentive Plan. A restricted stock unit represents the right to receive a share of common stock. These restricted stock unit awards are granted at market price, generally vest three years from the date of grant, do not have voting rights and the underlying shares of common stock are not issued until the vesting criteria is satisfied. In addition, TRV's Board of Directors can be issued deferred stock units from (i) an annual award; (ii) deferred compensation (in lieu of cash retainer); and (iii) dividend equivalents earned on outstanding deferred compensation.

TRV also has a Performance Share Awards Program established pursuant to the 2004 Incentive Plan and which continues pursuant to the 2014 Incentive Plan. Under the program, TRV may issue performance share awards to certain employees of TRV who hold positions of Vice President (or its equivalent) or above. The performance share awards provide the recipient the right to earn shares of TRV's common stock based upon TRV's attainment of certain performance goals and the recipient meeting certain years of service criteria. The performance goals for performance share awards are based on TRV's adjusted return on equity over a three-year performance period. Vesting of performance shares is contingent upon TRV attaining the relevant performance period minimum threshold return on equity and the recipient meeting certain years of service criteria, generally three years for full vesting, subject to proration for certain termination conditions. If the performance period return on equity is below the minimum threshold, none of the performance shares will vest. If performance meets or exceeds the minimum performance threshold, a range of performance shares will vest (50% to 150% for awards granted in 2016, 2017 and 2018), depending on the actual return on equity attained.

The fair value of restricted stock units, deferred stock units and performance shares is measured at the market price of TRV stock at date of grant. Under terms of the 2014 Incentive Plan, holders of deferred stock units and performance shares may receive dividend equivalents.

The total fair value of shares that vested during the years ended December 31, 2017 and 2016 was \$166 million and \$175 million, respectively.

A summary of restricted stock units, deferred stock units and performance share activity under the 2014 Incentive Plan and the legacy plans as of and for the year ended December 31, 2017 is as follows:

Other Equity Instruments	Restricted and Deferred Stock Units		Performance Shares	
	Number	Weighted Average Grant-Date Fair Value	Number	Weighted Average Grant-Date Fair Value
Nonvested, beginning of year	1,376,492	\$ 97.75	796,618	\$ 106.03
Granted	640,913	120.03	393,509	118.78
Vested	(662,680) ⁽¹⁾	90.91	(396,608) ⁽²⁾	106.04
Forfeited	(67,755)	109.61	(43,445)	109.49
Performance-based adjustment	—	—	37,658 ⁽³⁾	110.09
Nonvested, end of year	<u>1,286,970</u>	\$ 111.74	<u>787,732</u>	\$ 112.40

⁽¹⁾ Represents awards for which the requisite service has been rendered.

⁽²⁾ Reflects the number of performance shares attributable to the performance goals attained over the completed performance period (three years) and for which service conditions have been met.

⁽³⁾ Represents the current year change in estimated performance shares to reflect the attainment of performance goals for the awards that were granted in each of the years 2015 through 2017.

In addition to the nonvested shares presented in the above table, there are related nonvested dividend equivalent shares. The number of nonvested dividend equivalent shares related to deferred stock units was 408 at the beginning of the year and 379 at the end of the year and the number of nonvested dividend equivalent shares related to performance shares was 28,480 at the beginning of the year and 26,584 at the end of the year. The dividend equivalent shares are subject to the same vesting terms as the deferred stock units and performance shares.

On February 6, 2018, TRV, under the 2014 Incentive Plan, granted 805,432 common stock awards in the form of restricted stock units, deferred stock units and performance share awards to participating officers, non-employee directors and other key employees. The restricted stock units and deferred stock units totaled 486,024 shares while the performance share awards totaled 319,408 shares. The fair value per share attributable to the common stock awards on the date of grant was \$140.85.

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NOTES TO FINANCIAL STATEMENTS (statutory basis)

12. LOSSES AND LOSS ADJUSTMENT EXPENSES

A. The table below is a reconciliation of beginning and ending reserve balances for losses and LAE for the years ended December 31, 2017 and 2016.

(in thousands)	<u>2017</u>	<u>2016</u>
Losses and LAE at beginning of year	\$ 22,155	\$ 41,351
Provision for losses and LAE for claims arising in:		
Current year	4	17,077
Prior years	<u>1,392</u>	<u>(4,946)</u>
Total incurred	<u>1,396</u>	<u>12,131</u>
Losses and LAE payments for claims arising in:		
Current year	-	11,809
Prior years	<u>13,551</u>	<u>19,518</u>
Total payments	<u>13,551</u>	<u>31,327</u>
Losses and LAE at end of year	<u>\$ 10,000</u>	<u>\$ 22,155</u>

The Company's unpaid losses are reported net of anticipated salvage and subrogation of \$0.8 million and \$2.0 million at December 31, 2017 and 2016, respectively.

B. Changes in Incurred Losses and LAE:

In 2017, the prior year-end total loss and LAE reserves developed unfavorably by \$1.4 million. This change includes unfavorable development of \$0.4 million in loss and defense and cost containment expense as well as unfavorable development of \$1.0 million in adjusting and other expense. These changes are primarily the result of ongoing analyses of recent loss data and trends. There are no additional premiums or return premiums as a result of these prior year effects.

13. STRUCTURED SETTLEMENTS

The Company has purchased an annuity from a life insurance company, under which the claimant is the payee and the Company is contingently liable as the owner of the annuity contract, to fund the structured settlement. This annuity contract is now the direct responsibility of the life insurance company from whom it has been purchased and the claim settled by the purchase of such annuity contract is treated as a closed claim. In the event that the life insurance company fails to make the required annuity payments, the Company would be required to make such payments if and to the extent the purchased annuity is not covered by state guaranty associations.

Loss reserves eliminated by the purchase of this annuity totaled \$28 thousand at December 31, 2017.

14. FIXED ASSETS

A. Electronic Data Processing (EDP) Equipment and Software:

TRV capitalizes software and EDP equipment in certain insurance subsidiaries. Operating system software and EDP equipment are admitted provided they are not in excess of limits prescribed by statutory accounting practices. Capitalized nonoperating system software is recorded as a nonadmitted asset. Depreciation of equipment and amortization of operating system software are calculated using the straight-line method over the shorter of its estimated useful life or 3 years. Nonoperating system software is amortized using the straight-line method over the shorter of its estimated useful life or 5 years. Depreciation and amortization are allocated among companies in accordance with normal expense and cost allocation methods. Depreciation and amortization expense related to EDP equipment and software for the Company totaled \$243 thousand and \$458 thousand in 2017 and 2016, respectively.

B. Furniture, Fixtures, Equipment and Leasehold Improvements:

Depreciation and amortization are allocated among companies in accordance with normal expense and cost allocation methods. Depreciation of furniture, fixtures and equipment and amortization of leasehold improvements for the Company totaled \$154 thousand and \$260 thousand in 2017 and 2016, respectively.

15. OTHER ITEMS

In October 2014, the Company's parent, Indemnity, entered into an agreement with an unaffiliated insurer approved by the Massachusetts Division of Insurance under the Rules of Operation of Commonwealth Automobile Reinsurers, to serve as an assigned risk company on behalf of Indemnity and its affiliates, including the Company. Under the terms of the agreement, which was effective January 1, 2015, the unaffiliated insurer accepts new assignments and renewals related to the new assignments from the MAIP on behalf of Indemnity and its affiliates. As a result of this agreement, the Company no longer wrote business assigned by MAIP beginning in 2015.

Indemnity records the fees paid to the unaffiliated insurer as miscellaneous other expense, as well as to other applicable expense items. In accordance with the terms of the intercompany services agreements between and among Indemnity, the Company and other affiliates, the expenses paid to the third party were allocated to the Company and other affiliates based upon the ratio of each respective entity's earned Massachusetts premium to the earned Massachusetts premium for all affiliates. The fees allocated by Indemnity to the Company totaled \$(1.4)

THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS (statutory basis)

million and \$0.7 million in 2017 and 2016 and are included in other underwriting expenses incurred. The fee of \$(1.4) million in 2017 represents a return of a portion of the fees paid in 2015.

16. SUBSEQUENT EVENTS

On January 1, 2018, in accordance with a Plan of Merger the Company merged with and into its parent, Indemnity, with Indemnity being the surviving corporation. At the time of the merger, the Company had a statutory carrying value of \$230.2 million.

All required regulatory approvals were obtained by the Company and Indemnity in connection with the Plan of Merger dated December 14, 2017.

There were no additional subsequent events requiring adjustment to the financial statements through April 23, 2018, the date the Company's statutory financial statements were available to be issued

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities.....	10,066,073	4.4	10,066,073	0	10,066,073	4.4
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies.....	0	0.0	0	0	0	0.0
1.22 Issued by U.S. government sponsored agencies.....	0	0.0	0	0	0	0.0
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities).....	0	0.0	0	0	0	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations.....	4,008,085	1.8	4,008,085	0	4,008,085	1.8
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations.....	58,177,731	25.6	58,177,731	0	58,177,731	25.6
1.43 Revenue and assessment obligations.....	56,499,086	24.8	56,499,086	0	56,499,086	24.8
1.44 Industrial development and similar obligations.....	0	0.0	0	0	0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA.....	27,387	0.0	27,387	0	27,387	0.0
1.512 Issued or guaranteed by FNMA and FHLMC.....	271,967	0.1	271,967	0	271,967	0.1
1.513 All other.....	0	0.0	0	0	0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA.....	0	0.0	0	0	0	0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521.....	0	0.0	0	0	0	0.0
1.523 All other.....	312,358	0.1	312,358	0	312,358	0.1
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities).....	94,089,633	41.4	94,089,633	0	94,089,633	41.4
2.2 Unaffiliated non-U.S. securities (including Canada).....	0	0.0	0	0	0	0.0
2.3 Affiliated securities.....	0	0.0	0	0	0	0.0
3. Equity interests:						
3.1 Investments in mutual funds.....	0	0.0	0	0	0	0.0
3.2 Preferred stocks:						
3.21 Affiliated.....	0	0.0	0	0	0	0.0
3.22 Unaffiliated.....	0	0.0	0	0	0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated.....	0	0.0	0	0	0	0.0
3.32 Unaffiliated.....	0	0.0	0	0	0	0.0
3.4 Other equity securities:						
3.41 Affiliated.....	0	0.0	0	0	0	0.0
3.42 Unaffiliated.....	0	0.0	0	0	0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated.....	0	0.0	0	0	0	0.0
3.52 Unaffiliated.....	0	0.0	0	0	0	0.0
4. Mortgage loans:						
4.1 Construction and land development.....	0	0.0	0	0	0	0.0
4.2 Agricultural.....	0	0.0	0	0	0	0.0
4.3 Single family residential properties.....	0	0.0	0	0	0	0.0
4.4 Multifamily residential properties.....	0	0.0	0	0	0	0.0
4.5 Commercial loans.....	0	0.0	0	0	0	0.0
4.6 Mezzanine real estate loans.....	0	0.0	0	0	0	0.0
5. Real estate investments:						
5.1 Property occupied by company.....	0	0.0	0	0	0	0.0
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....	0	0.0	0	0	0	0.0
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt).....	0	0.0	0	0	0	0.0
6. Contract loans.....	0	0.0	0	0	0	0.0
7. Derivatives.....	0	0.0	0	0	0	0.0
8. Receivables for securities.....	0	0.0	0	0	0	0.0
9. Securities lending (Line 10, Asset Page reinvested collateral).....	0	0.0	0	XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments.....	2,900,021	1.3	2,900,021	0	2,900,021	1.3
11. Other invested assets.....	1,171,700	0.5	1,171,700	0	1,171,700	0.5
12. Total invested assets.....	227,524,041	100.0	227,524,041	0	227,524,041	100.0



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2017

(To be filed by April 1)

Of THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS

Address (City, State, Zip Code): HARTFORD CT 06183

NAIC Group Code.....3548

NAIC Company Code.....12850

Employer's ID Number.....04-3175569

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$.....241,587,857

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	<u>Issuer</u>	<u>Description of Exposure</u>	<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
2.01	VARIOUS PRINCE WILLIAM CNTY VA GO.....	BOND.....	\$.....9,072,430	.....3.8 %
2.02	RALEIGH N C COMB ENTERPRISE SYS REV.....	BOND.....	\$.....6,577,948	.....2.7 %
2.03	VARIOUS MIDWAY TX ISD GO.....	BOND.....	\$.....6,108,553	.....2.5 %
2.04	CONNECTICUT ST-CWDW REV.....	BOND.....	\$.....4,081,906	.....1.7 %
2.05	MET COUNCIL MPLS-ST PAUL MN GO.....	BOND.....	\$.....4,046,314	.....1.7 %
2.06	BENTON CNTY WA SD#400 RICHLAND GO.....	BOND.....	\$.....4,010,901	.....1.7 %
2.07	MARYLAND ST GO.....	BOND.....	\$.....4,008,085	.....1.7 %
2.08	VIRGINIA ST HSG DEV AUTH.....	BOND.....	\$.....3,999,922	.....1.7 %
2.09	VARIOUS NEW JERSEY ENVIR INFR TRST REV.....	BOND.....	\$.....3,873,542	.....1.6 %
2.10	KING CNTY WA SWR REV.....	BOND.....	\$.....3,607,118	.....1.5 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	1	2
	<u>Bonds</u>	<u>Preferred Stocks</u>
3.01	NAIC 1.....	\$...210,862,741 .....87.3 %
3.02	NAIC 2.....	\$.....15,468,042 .....6.4 %
3.03	NAIC 3.....	\$.....274,418 .....0.1 %
3.04	NAIC 4.....	\$.....0 .....0.0 %
3.05	NAIC 5.....	\$.....0 .....0.0 %
3.06	NAIC 6.....	\$.....0 .....0.0 %
3.07	P/RP-1.....	\$.....0 .....0.0 %
3.08	P/RP-2.....	\$.....0 .....0.0 %
3.09	P/RP-3.....	\$.....0 .....0.0 %
3.10	P/RP-4.....	\$.....0 .....0.0 %
3.11	P/RP-5.....	\$.....0 .....0.0 %
3.12	P/RP-6.....	\$.....0 .....0.0 %

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?	Yes [X] No []
If response to 4.01 above is yes, responses are not required for interrogatories 5-10.		
4.02	Total admitted assets held in foreign investments	\$.....0 .....0.0 %
4.03	Foreign-currency-denominated investments	\$.....0 .....0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	\$.....0 .....0.0 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

	1	2
5.01	Countries designated NAIC 1.....	\$.....0 .....0.0 %
5.02	Countries designated NAIC 2.....	\$.....0 .....0.0 %
5.03	Countries designated NAIC 3 or below.....	\$.....0 .....0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	1	2
Countries designated NAIC 1:		
6.01	Country 1:	\$.....0 .....0.0 %
6.02	Country 2:	\$.....0 .....0.0 %
Countries designated NAIC 2:		
6.03	Country 1:	\$.....0 .....0.0 %
6.04	Country 2:	\$.....0 .....0.0 %
Countries designated NAIC 3 or below:		
6.05	Country 1:	\$.....0 .....0.0 %
6.06	Country 2:	\$.....0 .....0.0 %

7. Aggregate unhedged foreign currency exposure..... \$.....00.0 %

8.	Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:	1	2
8.01	Countries designated NAIC 1.....	\$.....0	.....0.0 %
8.02	Countries designated NAIC 2.....	\$.....0	.....0.0 %
8.03	Countries designated NAIC 3 or below.....	\$.....0	.....0.0 %
9.	Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:		
	Countries designated NAIC 1:	1	2
9.01	Country 1:	\$.....0	.....0.0 %
9.02	Country 2:	\$.....0	.....0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	\$.....0	.....0.0 %
9.04	Country 2:	\$.....0	.....0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	\$.....0	.....0.0 %
9.06	Country 2:	\$.....0	.....0.0 %
10.	Ten largest non-sovereign (i.e. non-governmental) foreign issues:		
	1	2	
	<u>Issuer</u>	<u>NAIC Designation</u>	
		3	4
10.01	.....	\$.....0	.....0.0 %
10.02	.....	\$.....0	.....0.0 %
10.03	.....	\$.....0	.....0.0 %
10.04	.....	\$.....0	.....0.0 %
10.05	.....	\$.....0	.....0.0 %
10.06	.....	\$.....0	.....0.0 %
10.07	.....	\$.....0	.....0.0 %
10.08	.....	\$.....0	.....0.0 %
10.09	.....	\$.....0	.....0.0 %
10.10	.....	\$.....0	.....0.0 %
11.	Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:		
11.01	Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?		Yes [X] No []
	If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.		
11.02	Total admitted assets held in Canadian Investments.....	\$.....0	.....0.0 %
11.03	Canadian currency-denominated investments.....	\$.....0	.....0.0 %
11.04	Canadian-denominated insurance liabilities.....	\$.....0	.....0.0 %
11.05	Unhedged Canadian currency exposure.....	\$.....0	.....0.0 %
12.	Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.		
12.01	Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?		Yes [X] No []
	If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.		
	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions.....	\$.....0	.....0.0 %
	Largest three investments with contractual sales restrictions:		
12.03	.....	\$.....0	.....0.0 %
12.04	.....	\$.....0	.....0.0 %
12.05	.....	\$.....0	.....0.0 %
13.	Amounts and percentages of admitted assets held in the ten largest equity interests:		
13.01	Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?		Yes [X] No []
	If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.		
	1	2	3
	<u>Name of Issuer</u>		
13.02	.....	\$.....0	.....0.0 %
13.03	.....	\$.....0	.....0.0 %
13.04	.....	\$.....0	.....0.0 %
13.05	.....	\$.....0	.....0.0 %
13.06	.....	\$.....0	.....0.0 %
13.07	.....	\$.....0	.....0.0 %
13.08	.....	\$.....0	.....0.0 %
13.09	.....	\$.....0	.....0.0 %
13.10	.....	\$.....0	.....0.0 %
13.11	.....	\$.....0	.....0.0 %
14.	Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:		
14.01	Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?		Yes [X] No []
	If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.		
	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities.....	\$.....0	.....0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03	.....	\$.....0	.....0.0 %
14.04	.....	\$.....0	.....0.0 %
14.05	.....	\$.....0	.....0.0 %

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:										
15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []										
If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.										
	1			2				3		
15.02	Aggregate statement value of investments held in general partnership interests.....			\$.....0				0.0 %		
	Largest three investments in general partnership interests:									
15.03	.....			\$.....0				0.0 %	
15.04	.....			\$.....0				0.0 %	
15.05	.....			\$.....0				0.0 %	
16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:										
16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []										
If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.										
	1			2				3		
	<u>Type (Residential, Commercial, Agricultural)</u>									
16.02	.....			\$.....0				0.0 %	
16.03	.....			\$.....0				0.0 %	
16.04	.....			\$.....0				0.0 %	
16.05	.....			\$.....0				0.0 %	
16.06	.....			\$.....0				0.0 %	
16.07	.....			\$.....0				0.0 %	
16.08	.....			\$.....0				0.0 %	
16.09	.....			\$.....0				0.0 %	
16.10	.....			\$.....0				0.0 %	
16.11	.....			\$.....0				0.0 %	
Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:										
								<u>Loans</u>		
16.12	Construction loans.....			\$.....0				0.0 %		
16.13	Mortgage loans over 90 days past due.....			\$.....0				0.0 %		
16.14	Mortgage loans in the process of foreclosure.....			\$.....0				0.0 %		
16.15	Mortgage loans foreclosed.....			\$.....0				0.0 %		
16.16	Restructured mortgage loans.....			\$.....0				0.0 %		
17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:										
	<u>Loan-to-Value</u>			<u>Residential</u>			<u>Commercial</u>		<u>Agricultural</u>	
				1	2	3	4	5	6	
17.01	above 95%.....	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	
17.02	91% to 95%.....	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	
17.03	81% to 90%.....	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	
17.04	71% to 80%.....	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	
17.05	below 70%.....	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	\$.....0	0.0 %	
18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:										
18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []										
If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.										
Largest five investments in any one parcel or group of contiguous parcels of real estate:										
	<u>Description</u>			2				3		
18.02	.....			\$.....0				0.0 %	
18.03	.....			\$.....0				0.0 %	
18.04	.....			\$.....0				0.0 %	
18.05	.....			\$.....0				0.0 %	
18.06	.....			\$.....0				0.0 %	
19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.										
19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No []										
If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.										
	1			2				3		
19.02	Aggregate statement value of investments held in mezzanine real estate loans			\$.....0				0.0 %		
	Largest three investments held in mezzanine real estate loans:									
19.03	.....			\$.....0				0.0 %	
19.04	.....			\$.....0				0.0 %	
19.05	.....			\$.....0				0.0 %	
20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:										
				<u>At Year-End</u>			<u>At End of Each Quarter</u>			
						1st Qtr	2nd Qtr	3rd Qtr		
				1	2	3	4	5		
20.01	Securities lending agreements (do not include assets held as collateral for such transactions).....			\$.....0	0.0 %	\$.....0	\$.....0	\$.....0	\$.....0	
20.02	Repurchase agreements.....			\$.....0	0.0 %	\$.....0	\$.....0	\$.....0	\$.....0	
20.03	Reverse repurchase agreements.....			\$.....0	0.0 %	\$.....0	\$.....0	\$.....0	\$.....0	
20.04	Dollar repurchase agreements.....			\$.....0	0.0 %	\$.....0	\$.....0	\$.....0	\$.....0	
20.05	Dollar reverse repurchase agreements.....			\$.....0	0.0 %	\$.....0	\$.....0	\$.....0	\$.....0	

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

	<u>Owned</u>		<u>Written</u>	
	1	2	3	4
21.01 Hedging.....	\$.....0	.....0.0 %	\$.....0	.....0.0 %
21.02 Income generation.....	\$.....0	.....0.0 %	\$.....0	.....0.0 %
21.03 Other.....	\$.....0	.....0.0 %	\$.....0	.....0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
			3	4	5
22.01 Hedging.....	\$.....0	.....0.0 %	\$.....0	\$.....0	\$.....0
22.02 Income generation.....	\$.....0	.....0.0 %	\$.....0	\$.....0	\$.....0
22.03 Replications.....	\$.....0	.....0.0 %	\$.....0	\$.....0	\$.....0
22.04 Other.....	\$.....0	.....0.0 %	\$.....0	\$.....0	\$.....0

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
			3	4	5
23.01 Hedging.....	\$.....0	.....0.0 %	\$.....0	\$.....0	\$.....0
23.02 Income generation.....	\$.....0	.....0.0 %	\$.....0	\$.....0	\$.....0
23.03 Replications.....	\$.....0	.....0.0 %	\$.....0	\$.....0	\$.....0
23.04 Other.....	\$.....0	.....0.0 %	\$.....0	\$.....0	\$.....0

PROPERTY AND CASUALTY INTERROGATORIES RELATING TO REINSURANCE

- 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. 0
- 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 []
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - (c) Aggregate stop loss reinsurance coverage;
 - (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 - (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?
- Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 - (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.
- Yes [] 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.