



ANNUAL STATEMENT

For the Year Ended December 31, 2017

of the Condition and Affairs of the

FACTORY MUTUAL INSURANCE COMPANY

NAIC Group Code.....0065, 0065 (Current Period) (Prior Period)	NAIC Company Code..... 21482	Employer's ID Number..... 05-0316605
Organized under the Laws of RI	State of Domicile or Port of Entry RI	Country of Domicile US
Incorporated/Organized..... October 31, 1835	Commenced Business..... October 31, 1835	
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 & Chief Executive Officer	2. Jonathan Irving Mishara	Senior Vice President & Secretary
3. Theresa Ann Molloy	Vice President & Controller	4. William Alfred Mekrut #	Vice President & Treasurer

OTHER

Bret Nils Ahnell	Executive Vice President	Kevin Scott Ingram	Senior Vice President
Jonathan William Hall	Chief Operating Officer	Christopher Johnson	Executive Vice President
Paul Edward LaFleche	Senior Vice President	Jeanne Ruth Lieb	Senior Vice President
Jonathan Irving Mishara	Senior Vice President	Enzo Rebula	Senior Vice President
Michael Robert Turner	Executive Vice President		

DIRECTORS OR TRUSTEES

Frank Thomas Connor	Colin Richard Day	Daniel Lee Knotts	Thomas Alan Lawson
John Anderson Luke Jr	Gracia Catherine Martore	Christine Mary McCarthy	Stuart Blain Parker
Edward Joseph Rapp	Shivan Sivaswamy Subramaniam	Israel Ruiz	Michel Giannuzzi
Glenn Rodney Landau #			

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 & Chief Executive Officer	2. (Printed Name) Senior Vice President & Secretary	3. (Printed Name) Vice President & Controller
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me
This 23rd day of February 2018
John A. Soares III Notary Public
Expires July 5, 2021

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 _____

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	4,522,442,521		4,522,442,521	4,229,339,398
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	10,220,077,668		10,220,077,668	8,998,941,237
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 (\$.....254,128,195, Schedule E-Part 1), cash equivalents (\$.....739,900,999, Schedule E-Part 2) and short-term investments (\$.....36,023,896, Schedule DA).....	1,030,053,090		1,030,053,090	718,368,255
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....	1,903,317,568		1,903,317,568	1,916,532,990
9. Receivables for securities.....	1,705,619		1,705,619	2,251,622
10. Securities lending reinvested collateral assets (Schedule DL).....	44,119,498		44,119,498	48,419,145
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	17,721,715,964	.0	17,721,715,964	15,913,852,647
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	54,078,664		54,078,664	51,741,609
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	579,243,454	51,829,073	527,414,381	530,215,499
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) and contracts subject to redetermination (\$.....0).....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	164,316,329		164,316,329	77,410,961
16.2 Funds held by or deposited with reinsured companies.....	13,653,457		13,653,457	10,048,948
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.....	488,828,432		488,828,432	40,573,091
18.2 Net deferred tax asset.....			.0	
19. Guaranty funds receivable or on deposit.....	161,009		161,009	191,916
20. Electronic data processing equipment and software.....	35,850,447	31,213,843	4,636,604	4,478,833
21. Furniture and equipment, including health care delivery assets (\$.....0).....	45,878,450	45,878,450	.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	24,439,698	24,439,698	.0	
24. Health care (\$.....0) and other amounts receivable.....			.0	
25. Aggregate write-ins for other-than-invested assets.....	395,513,283	214,853,228	180,660,055	135,748,656
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	19,523,679,187	368,214,292	19,155,464,895	16,764,262,160
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTAL (Lines 26 and 27).....	19,523,679,187	368,214,292	19,155,464,895	16,764,262,160

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 through 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Pension asset.....	171,357,107	171,357,107	.0	
2502. CSV life insurance.....	102,501,036		102,501,036	101,997,818
2503. Cash clearing accounts.....	69,008,836		69,008,836	25,815,393
2598. Summary of remaining write-ins for Line 25 from overflow page.....	52,646,304	43,496,121	9,150,183	7,935,445
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	395,513,283	214,853,228	180,660,055	135,748,656

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	3,326,000,928	1,742,695,515
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	29,520,143	96,927,855
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	210,946,724	158,637,459
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....	514,970,773	538,874,056
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	17,125,138	20,127,937
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		
7.2 Net deferred tax liability.....	562,454,668	538,576,000
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 \$.....480,221,857 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).....	1,260,073,503	1,391,724,586
10. Advance premium.....	6,574,803	1,009,636
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	225,695,866	275,709,950
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....	7,852,457	7,463,784
14. Amounts withheld or retained by company for account of others.....	9,261,763	11,609,375
15. Remittances and items not allocated.....	6,599,890	7,506,434
16. Provision for reinsurance (including \$....49,600 certified) (Schedule F, Part 8).....	141,920,647	99,917,267
17. Net adjustments in assets and liabilities due to foreign exchange rates.....	138,613,653	200,392,464
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	63,531,926	30,025,815
20. Derivatives.....		
21. Payable for securities.....	12,340,459	24,332,743
22. Payable for securities lending.....	44,119,498	48,419,145
23. Liability for amounts held under uninsured plans.....		
24. Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	76,085,052	50,956,572
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	6,653,687,891	5,244,906,593
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	6,653,687,891	5,244,906,593
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....		
31. Preferred capital stock.....		
32. Aggregate write-ins for other-than-special surplus funds.....	1,250,000	1,250,000
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....		
35. Unassigned funds (surplus).....	12,500,527,004	11,518,105,567
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).....	12,501,777,004	11,519,355,567
38. TOTAL (Page 2, Line 28, Col. 3).....	19,155,464,895	16,764,262,160

DETAILS OF WRITE-INS

2501. Miscellaneous accounts payable.....	79,179,052	54,818,572
2502. SSAP 92 defined benefit plan contra liability.....	(3,094,000)	(3,862,000)
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	76,085,052	50,956,572
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above).....	0	0
3201. Guaranty funds.....	1,250,000	1,250,000
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above).....	1,250,000	1,250,000

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4).....	3,026,293,802	2,819,104,150
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7).....	3,167,990,980	1,436,643,626
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	134,852,014	99,351,892
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	880,921,355	812,187,376
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	4,183,764,349	2,348,182,894
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	(1,157,470,547)	470,921,256
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	260,452,588	242,762,854
10. Net realized capital gains (losses) less capital gains tax of \$.....93,317,000 (Exhibit of Capital Gains (Losses)).....	173,303,902	135,637,059
11. Net investment gain (loss) (Lines 9 + 10).....	433,756,490	378,399,913
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....338,093).....	(338,093)	(433,879)
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	(4,317,358)	(13,268,344)
15. Total other income (Lines 12 through 14).....	(4,655,451)	(13,702,223)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(728,369,508)	835,618,946
17. Dividends to policyholders.....		
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).....	(728,369,508)	835,618,946
19. Federal and foreign income taxes incurred.....	(394,965,583)	234,056,971
20. Net income (Line 18 minus Line 19) (to Line 22).....	(333,403,925)	601,561,975
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	11,519,355,567	10,546,654,001
22. Net income (from Line 20).....	(333,403,925)	601,561,975
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....(229,336,000).....	1,573,545,106	373,743,063
25. Change in net unrealized foreign exchange capital gain (loss).....	37,643,717	10,442,523
26. Change in net deferred income tax.....	(253,214,925)	22,139,000
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	(74,892,322)	72,604,957
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	(42,003,380)	(11,492,499)
29. Change in surplus notes.....		
30. Surplus (contributed to) withdrawn from Protected Cells.....		
31. Cumulative effect of changes in accounting principles.....		
32. Capital changes:		
32.1 Paid in.....		
32.2 Transferred from surplus (Stock Dividend).....		
32.3 Transferred to surplus.....		
33. Surplus adjustments:		
33.1 Paid in.....		
33.2 Transferred to capital (Stock Dividend).....		
33.3. Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....		
37. Aggregate write-ins for gains and losses in surplus.....	74,747,166	(96,297,453)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	982,421,437	972,701,566
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	12,501,777,004	11,519,355,567
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 through 0503 plus 0598) (Line 5 above).....	0	0
1401. Miscellaneous income (expense).....	621,474	(116,383)
1402. Balances recovered (charged off).....	49,256	(9,740,969)
1403. Loss on foreign exchange.....	(4,988,088)	(3,410,992)
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above).....	(4,317,358)	(13,268,344)
3701. SSAP 102 and SSAP 92 amortization / actuarial gains (losses).....	74,747,166	(96,297,453)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above).....	74,747,166	(96,297,453)

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	2,845,811,746	2,773,975,923
2. Net investment income.....	266,343,229	304,845,020
3. Miscellaneous income.....	(4,655,451)	(13,702,223)
4. Total (Lines 1 through 3).....	3,107,499,524	3,065,118,720
5. Benefit and loss related payments.....	1,768,908,910	1,554,933,394
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	990,339,279	842,990,838
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....102,609,657 tax on capital gains (losses).....	146,606,758	242,318,481
10. Total (Lines 5 through 9).....	2,905,854,947	2,640,242,713
11. Net cash from operations (Line 4 minus Line 10).....	201,644,577	424,876,007
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	2,414,587,828	2,081,231,307
12.2 Stocks.....	794,753,747	903,838,046
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	121,855,144	169,931,052
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	(302,302)	212,793
12.7 Miscellaneous proceeds.....	546,002	13,068,442
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	3,331,440,419	3,168,281,640
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	2,731,426,950	2,430,510,470
13.2 Stocks.....	467,450,660	1,035,610,675
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....	54,573,722	263,686,761
13.6 Miscellaneous applications.....	11,992,284	910,360
13.7 Total investments acquired (Lines 13.1 to 13.6).....	3,265,443,616	3,730,718,266
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).....	65,996,803	(562,436,626)
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.....		
16.6 Other cash provided (applied).....	44,043,455	72,181,434
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	44,043,455	72,181,434
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	311,684,835	(65,379,185)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	718,368,255	783,747,440
19.2 End of year (Line 18 plus Line 19.1).....	1,030,053,090	718,368,255

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

20.0001		
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FACTORY MUTUAL INSURANCE COMPANY UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire.....	366,835,404	203,358,016	180,683,565	389,509,855
2. Allied lines.....	790,730,889	444,706,488	382,859,022	852,578,355
3. Farmowners multiple peril.....	.0		.0	.0
4. Homeowners multiple peril.....	.0		.0	.0
5. Commercial multiple peril.....	.0		.0	.0
6. Mortgage guaranty.....	.0		.0	.0
8. Ocean marine.....	4,261,875	3,201,827	2,541,525	4,922,177
9. Inland marine.....	778,462,166	391,057,838	343,817,459	825,702,545
10. Financial guaranty.....	.0		.0	.0
11.1 Medical professional liability - occurrence.....	.0		.0	.0
11.2 Medical professional liability - claims-made.....	.0		.0	.0
12. Earthquake.....	.0		.0	.0
13. Group accident and health.....	.0		.0	.0
14. Credit accident and health (group and individual).....	.0		.0	.0
15. Other accident and health.....	.0		.0	.0
16. Workers' compensation.....	.0		.0	.0
17.1 Other liability - occurrence.....	.0		.0	.0
17.2 Other liability - claims-made.....	.0		.0	.0
17.3 Excess workers' compensation.....	.0		.0	.0
18.1 Products liability - occurrence.....	.0		.0	.0
18.2 Products liability - claims-made.....	.0		.0	.0
19.1, 19.2 Private passenger auto liability.....	.0		.0	.0
19.3, 19.4 Commercial auto liability.....	.0		.0	.0
21. Auto physical damage.....	.0		.0	.0
22. Aircraft (all perils).....	.0		.0	.0
23. Fidelity.....	.0		.0	.0
24. Surety.....	.0		.0	.0
26. Burglary and theft.....	.0		.0	.0
27. Boiler and machinery.....	738,122,109	349,400,417	350,171,932	737,350,594
28. Credit.....	.0		.0	.0
29. International.....	.0		.0	.0
30. Warranty.....	.0		.0	.0
31. Reinsurance - nonproportional assumed property.....	216,219,734		.0	216,219,734
32. Reinsurance - nonproportional assumed liability.....	10,542		.0	10,542
33. Reinsurance - nonproportional assumed financial lines.....	.0		.0	.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0
35. TOTALS.....	2,894,642,719	1,391,724,586	1,260,073,503	3,026,293,802

DETAILS OF WRITE-INS

3401. ....	.0		.0	.0
3402. ....	.0		.0	.0
3403. ....	.0		.0	.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	.0	.0	.0	.0
3499. Totals (Lines 3401 through 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.....	180,683,565				180,683,565
2.	Allied lines.....	382,859,022				382,859,022
3.	Farmowners multiple peril.....					0
4.	Homeowners multiple peril.....					0
5.	Commercial multiple peril.....					0
6.	Mortgage guaranty.....					0
8.	Ocean marine.....	2,541,525				2,541,525
9.	Inland marine.....	343,817,459				343,817,459
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.....					0
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.....	350,171,932				350,171,932
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.....	1,260,073,503	0	0	0	1,260,073,503
36.	Accrued retrospective premiums based on experience.....					
37.	Earned but unbilled premiums.....					0
38.	Balance (sum of Lines 35 through 37).....					1,260,073,503

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 through 3403 plus 3498) (Line 34 above).....	0	0	0	0	0

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

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.....	414,056,710	54,238,909	82,986,663	31,519,095	152,927,783	366,835,404
2. Allied lines.....	919,419,559	129,214,885	160,395,880	68,459,816	349,839,619	790,730,889
3. Farmowners multiple peril.....						0
4. Homeowners multiple peril.....						0
5. Commercial multiple peril.....						0
6. Mortgage guaranty.....						0
8. Ocean marine.....	131,417	3,377,247	1,513,397	49,723	710,463	4,261,875
9. Inland marine.....	838,511,550	122,274,628	180,356,085	63,722,619	298,957,478	778,462,166
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.....						0
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.....	527,151,768	76,465,972	329,024,695	44,080,634	150,439,692	738,122,109
28. Credit.....						0
29. International.....						0
30. Warranty.....						0
31. Reinsurance - nonproportional assumed property.....	XXX	286,734,834		70,515,100		216,219,734
32. Reinsurance - nonproportional assumed liability.....	XXX		10,542			10,542
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.....	2,699,271,004	672,306,475	754,287,262	278,346,987	952,875,035	2,894,642,719

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 through 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.....	280,512,414	345,362,857	47,984,176	577,891,095	717,534,061	360,304,443	935,120,713	240.1
2.	Allied lines.....	523,069,805	51,616,242	125,709,074	448,976,973	1,239,025,530	333,351,122	1,354,651,381	158.9
3.	Farmowners multiple peril.....				.0	.0		.0	.0
4.	Homeowners multiple peril.....				.0	.0		.0	.0
5.	Commercial multiple peril.....				.0	.0		.0	.0
6.	Mortgage guaranty.....				.0	.0		.0	.0
8.	Ocean marine.....	244,495	120,358	239,864	124,989	36,823,527	33,116,220	3,832,296	77.9
9.	Inland marine.....	185,819,572	112,582,066	65,674,697	232,726,941	500,663,162	205,063,886	528,326,217	64.0
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.....		28,167		28,167	517,908	527,843	18,232	.0
17.1	Other liability - occurrence.....	20,834,986	6,737,843	26,429,781	1,143,048	132,693,973	128,262,976	5,574,045	.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.....				.0	.0		.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).....	41,001	8,810	35,184	14,627	2,504,364	1,352,496	1,166,495	.0
23.	Fidelity.....	(56,027)			(56,027)	.0		(56,027)	.0
24.	Surety.....				.0	.0		.0	.0
26.	Burglary and theft.....				.0	.0		.0	.0
27.	Boiler and machinery.....	335,695,199	88,867,676	94,602,314	329,960,561	312,117,746	309,513,546	332,564,761	45.1
28.	Credit.....				.0	.0		.0	.0
29.	International.....				.0	.0		.0	.0
30.	Warranty.....				.0	.0		.0	.0
31.	Reinsurance - nonproportional assumed property.....	XXX	45,693,473	73,586,557	(27,893,084)	.0		(27,893,084)	(12.9)
32.	Reinsurance - nonproportional assumed liability.....	XXX	28,580,498	6,812,221	21,768,277	384,120,657	371,202,983	34,685,951	329,026.3
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
35.	TOTALS.....	1,346,161,445	679,597,990	441,073,868	1,584,685,567	3,326,000,928	1,742,695,515	3,167,990,980	104.7

DETAILS OF WRITE-INS

3401.									
3402.									
3403.									
3498.	Summary of remaining write-ins for Line 34 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	XXX
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above).....	.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.....	413,133,713	317,135,815	79,045,718	651,223,810	46,896,566	19,413,685		717,534,061	60,590,254
2. Allied lines.....	1,351,862,767	126,488,057	503,073,330	975,277,494	249,354,509	14,393,527		1,239,025,530	40,530,563
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....				0				0	
5. Commercial multiple peril.....				0				0	
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....	4,028,887	145,027	2,222,051	1,951,863	38,749,850	22,229,795	26,107,981	36,823,527	2,057,288
9. Inland marine.....	253,535,981	286,526,732	135,029,016	405,033,697	59,294,866	36,355,043	20,444	500,663,162	32,417,469
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.....		132,511		132,511		385,397		517,908	196
17.1 Other liability - occurrence.....	24,817,553	1,111,109	18,213,585	7,715,077	246,641,254	92,338,103	214,000,461	132,693,973	12,326,441
17.2 Other liability - claims-made.....				0				0	
17.3 Excess workers' compensation.....				0				0	
18.1 Products liability - occurrence.....				0				0	
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).....	395,245	(493)	174,294	220,458	3,930,360	401,413	2,047,867	2,504,364	105,257
23. Fidelity.....				0				0	
24. Surety.....				0				0	
26. Burglary and theft.....				0				0	
27. Boiler and machinery.....	250,626,090	107,097,050	73,463,157	284,259,983	21,950,472	5,907,291		312,117,746	8,896,326
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	169,620,805	46,702,977	122,917,828	XXX	355,141,556	93,938,727	384,120,657	54,022,930
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.....	2,298,400,236	1,008,256,613	857,924,128	2,448,732,721	666,817,877	546,565,810	336,115,480	3,326,000,928	210,946,724
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 through 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.....	76,086,842			76,086,842
1.2 Reinsurance assumed.....	29,965,876			29,965,876
1.3 Reinsurance ceded.....	11,629,178			11,629,178
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	94,423,540	0	0	94,423,540
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		3,507,556		3,507,556
2.2 Reinsurance assumed, excluding contingent.....		298,596,851		298,596,851
2.3 Reinsurance ceded, excluding contingent.....		187,205,741		187,205,741
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	114,898,666	0	114,898,666
3. Allowances to manager and agents.....				0
4. Advertising.....	14,559	15,564,004	(830)	15,577,733
5. Boards, bureaus and associations.....		30,104		30,104
6. Surveys and underwriting reports.....	1,507	10,384,010		10,385,517
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....	23,547,849	317,619,708	3,015,814	344,183,371
8.2 Payroll taxes.....	1,363,965	19,358,401	119,015	20,841,381
9. Employee relations and welfare.....	6,704,823	110,096,605	989,478	117,790,906
10. Insurance.....	13,369	3,134,578	486	3,148,433
11. Directors' fees.....		3,818,630		3,818,630
12. Travel and travel items.....	3,899,243	47,198,942	113,185	51,211,370
13. Rent and rent items.....	2,887,653	44,846,638	392,982	48,127,273
14. Equipment.....	(61,535)	3,580,219	3,234	3,521,918
15. Cost or depreciation of EDP equipment and software.....	328,366	35,776,005	1,114,295	37,218,666
16. Printing and stationery.....	263,031	3,085,616	34,220	3,382,867
17. Postage, telephone and telegraph, exchange and express.....	250,366	2,924,477	(191,574)	2,983,269
18. Legal and auditing.....	1,150,468	7,937,199		9,087,667
19. Totals (Lines 3 to 18).....	40,363,664	625,355,136	5,590,305	671,309,105
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....36,395.....		74,519,579		74,519,579
20.2 Insurance department licenses and fees.....	9,714	1,635,914	4,155	1,649,783
20.3 Gross guaranty association assessments.....		83,902		83,902
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).....	9,714	76,239,395	4,155	76,253,264
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	55,096	64,428,158	9,393,616	73,876,870
25. Total expenses incurred.....	134,852,014	880,921,355	14,988,076	(a).....1,030,761,445
26. Less unpaid expenses - current year.....	210,946,724	532,095,911		743,042,635
27. Add unpaid expenses - prior year.....	158,637,459	559,001,993		717,639,452
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).....	82,542,749	907,827,437	14,988,076	1,005,358,262

DETAILS OF WRITE-INS

2401. Bank Activity fees.....	537	507,133	409,698	917,368
2402. Investment management fees.....			8,904,629	8,904,629
2403. Consulting.....	39,111	62,624,187	597	62,663,895
2498. Summary of remaining write-ins for Line 24 from overflow page.....	15,448	1,296,838	78,692	1,390,978
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above).....	55,096	64,428,158	9,393,616	73,876,870

(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).....26,335,734	.....26,691,884
1.1 Bonds exempt from U.S. tax.....	(a).....46,001,980	.....46,356,631
1.2 Other bonds (unaffiliated).....	(a).....55,587,483	.....56,782,608
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....127,079,063	.....127,485,535
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).....9,864,815	.....9,877,792
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....12,698,225	.....12,698,225
9. Aggregate write-ins for investment income.....	.....3,470,374	.....3,470,374
10. Total gross investment income.....	.....281,037,674	.....283,363,049
11. Investment expenses.....	.....	(g).....14,983,921
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....4,155
13. Interest expense.....	.....	(h).....7,922,385
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).....	.....	.....22,910,461
17. Net investment income (Line 10 minus Line 16).....	.....	.....260,452,588

DETAILS OF WRITE-INS

0901. Bond Prepayment Penalty Reclass from Realized Gains/Losses.....	.....2,093,967	.....2,093,967
0902. Securities Litigation Income.....	.....684,993	.....684,993
0903. Miscellaneous Income.....	.....612,548	.....612,548
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....78,866	.....78,866
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....3,470,374	.....3,470,374
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....	.....0
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above).....	.....	.....0

- (a) Includes \$.....2,806,889 accrual of discount less \$.....38,252,506 amortization of premium and less \$.....13,756,363 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 \$.....1,034,257 accrual of discount less \$.....168,842 amortization of premium and less \$.....692,351 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.....	.....(99,647)	.....	.....(99,647)	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....1,826,207	.....	.....1,826,207	.....	.....
1.2 Other bonds (unaffiliated).....	.....9,488,468	.....	.....9,488,468	.....(494,270)	.....988,859
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	.....0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....236,225,353	.....(12,343,109)	.....223,882,244	.....889,238,585	.....
2.21 Common stocks of affiliates.....	.....	.....	.....0	.....435,318,689	.....
3. Mortgage loans.....	.....	.....	.....0	.....	.....
4. Real estate.....	.....	.....	.....0	.....	.....
5. Contract loans.....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....(202,207)	.....	.....(202,207)	.....(100,095)	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....35,577,527	.....(1,757,723)	.....33,819,804	.....20,246,196	.....
9. Aggregate write-ins for capital gains (losses).....	.....(2,093,967)	.....0	.....(2,093,967)	.....0	.....0
10. Total capital gains (losses).....	.....280,721,734	.....(14,100,832)	.....266,620,902	.....1,344,209,106	.....988,859

DETAILS OF WRITE-INS

0901. Bond Prepayment Penalty Reclass to Investment Income.....	.....(2,093,967)	.....	.....(2,093,967)	.....	.....
0902. ....	.....	.....	.....0	.....	.....
0903. ....	.....	.....	.....0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page...	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....(2,093,967)	.....0	.....(2,093,967)	.....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.....	51,829,073	44,645,899	(7,183,174)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
15.3 Accrued retrospective premiums and contracts subject to redetermination.....			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.....	31,213,843	31,872,609	658,766
21. Furniture and equipment, including health care delivery assets.....	45,878,450	37,602,244	(8,276,206)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0
23. Receivables from parent, subsidiaries and affiliates.....	24,439,698	21,548,880	(2,890,818)
24. Health care and other amounts receivable.....			0
25. Aggregate write-ins for other-than-invested assets.....	214,853,228	157,652,338	(57,200,890)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	368,214,292	293,321,970	(74,892,322)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	368,214,292	293,321,970	(74,892,322)

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 through 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Pension asset.....	171,357,107	129,451,444	(41,905,663)
2502. Prepaid expenses.....	28,713,170	13,052,918	(15,660,252)
2503. Miscellaneous receivable.....	2,709,314	3,074,339	365,025
2598. Summary of remaining write-ins for Line 25 from overflow page.....	12,073,637	12,073,637	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	214,853,228	157,652,338	(57,200,890)

NOTES TO FINANCIAL STATEMENTS**Note 1 – Summary of Significant Accounting Policies and Going Concern****A. Accounting Practices**

The accompanying financial statements of Factory Mutual 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 has no state prescribed or permitted practices.

	SSAP #	F/S Page	F/S Line #	2017	2016
NET INCOME					
(1) FACTORY MUTUAL INSURANCE COMPANY Company state basis (Page 4, Line 20, Columns 1 & 2)	XXX	XXX	XXX	\$ (333,403,925)	\$ 601,561,975
(2) State Prescribed Practice that are an increase/(decrease) from NAIC SAP				\$ -	\$ -
(3) State Permitted Practice that are an increase/(decrease) from NAIC SAP				\$ -	\$ -
(4) NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	\$ (333,403,925)	\$ 601,561,975
SURPLUS					
(5) FACTORY MUTUAL INSURANCE COMPANY Company state basis (Page 3, line 37, Columns 1 & 2)	XXX	XXX	XXX	\$ 12,501,777,004	\$ 11,519,355,567
(6) State Prescribed Practice that are an increase/(decrease) from NAIC SAP				\$ -	\$ -
(7) State Permitted Practice that are an increase/(decrease) from NAIC SAP				\$ -	\$ -
(8) NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	\$ 12,501,777,004	\$ 11,519,355,567

B. Use of Estimates in the Preparation of the Financial Statement

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 those 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, dividends and rent income 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:

(1) Basis for Short-Term Investments

Short-term debt securities are stated at amortized cost using the interest method.

(2) Basis for Bonds and Amortization Schedule

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.

(3) Basis for Common Stocks

Common Stocks, except investments in stocks of subsidiaries, are stated at fair value.

(4) Basis for Preferred Stocks

The Company has no preferred stocks.

(5) Basis for Mortgage Loans

The Company has no mortgage loans.

(6) Basis for Loan-Backed Securities and Adjustment Methodology

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.

NOTES TO FINANCIAL STATEMENTS**Note 1 – Summary of Significant Accounting Policies and Going Concern (continued from preceding page)**

(7) Accounting Policies for Investments in Subsidiaries, Controlled and Affiliated Entities

U.S. insurance subsidiaries (Affiliated FM Insurance Company, NAIC #10014, and Appalachian Insurance Company, NAIC #10316) are stated at statutory equity value in accordance with SSAP 97 paragraph 8(b)i. Foreign insurance companies (FM Insurance Company Limited, FM Insurance Europe S.A., FM Global de Mexico S.A. de C.V., and Risk Engineering Insurance Company Limited) are stated at the audited foreign basis equity converted to U.S statutory equity value in accordance with SSAP 97 paragraph 8(b)iv. Non-insurance subsidiaries (FMRE Holdings LLC) are stated at audited GAAP equity in accordance with SSAP 97 paragraph 8(b)iii.

(8) Accounting Policies for Investments in Joint Ventures, Partnerships and Limited Liability Entities

Investments in joint ventures, partnerships and limited liability corporations are stated at the underlying audited GAAP equity value.

(9) Accounting Policies for Derivatives

The Company has no derivatives.

(10) Anticipated Investment Income Used in Premium Deficiency Calculation

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

(11) Management's Policies and Methodologies for Estimating Liabilities for Losses and Loss/Claim Adjustment Expenses for A&H Contracts

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) Changes in the Capitalization Policy and Predefined Thresholds from Prior Period

The Company has not changed its capitalization policy from the prior period.

(13) Method Used to Estimate Pharmaceutical Rebate Receivables

The Company has no "pharmaceutical rebate receivables."

D. Going Concern

Based upon its evaluation of relevant conditions and events, management has concluded that the Company will continue as going concern.

Note 2 – Accounting Changes and Correction 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. Debt Restructuring

Not Applicable

C. Reverse Mortgages

Not Applicable

D. Loan-Backed Securities

(1) Description of Sources Used to Determine Prepayment Assumptions

Loan-backed bonds and structured securities are valued at amortized cost using the constant interest rate method, and using an effective yield based on current prepayment assumptions obtained from Bloomberg, rather than anticipated prepayments at the date of purchase. 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) Recognized OTTI securities

Not Applicable

NOTES TO FINANCIAL STATEMENTS**Note 5 – Investments (continued from preceding page)**

- (4) 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	\$	76,287
	2. 12 Months or Longer	\$	316,374
b. The aggregate related fair value of securities with unrealized losses:	1. Less than 12 Months	\$	21,541,280
	2. 12 Months or Longer	\$	15,638,209

- (5) Information Investor Considered in Reaching Conclusion that Impairments are Not Other-Than-Temporary

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.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

- (1) Policy for Requiring Collateral or Other Security

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) Disclose the Carrying Amount and Classification of Both Assets and Liabilities

Not Applicable

- (3) Collateral Received

a. Aggregate Amount Collateral Received	Fair Value
1. Securities Lending	
(a) Open	\$ -
(b) 30 Days or Less	24,136,615
(c) 31 to 60 Days	4,995,075
(d) 61 to 90 Days	9,987,808
(e) Greater Than 90 Days	5,000,000
(f) Sub-Total	44,119,498
(g) Securities Received	
(h) Total Collateral Received	\$ 44,119,498
2. Dollar Repurchase Agreement	
(a) Open	\$ -
(b) 30 Days or Less	
(c) 31 to 60 Days	
(d) 61 to 90 Days	
(e) Greater Than 90 Days	
(f) Sub-Total	
(g) Securities Received	
(h) Total Collateral Received	\$ -
b. The fair value of that collateral and of the portion of that collateral that it has sold or repledged	\$ 44,119,498

- c. Information about Sources and Uses of Collateral

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) Aggregate Value of the Reinvested Collateral

Not Applicable

NOTES TO FINANCIAL STATEMENTS**Note 5 – Investments (continued from preceding page)**

(5) Collateral Reinvestment

a. Aggregate Amount Collateral Reinvested	Amortized Cost	Fair Value
1. Securities Lending		
(a) Open	\$ -	\$ -
(b) 30 Days or Less	24,136,615	24,136,615
(c) 31 to 60 Days	4,995,075	4,995,075
(d) 61 to 90 Days	9,987,808	9,987,808
(e) 91 to 120 Days	5,000,000	5,000,000
(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	\$ 44,119,498	\$ 44,119,498
(l) Securities Received		
(m) Total Collateral Reinvested	\$ 44,119,498	\$ 44,119,498
2. Dollar Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less		
(c) 31 to 60 Days		
(d) 61 to 90 Days		
(e) 91 to 120 Days		
(f) 121 to 180 Days		
(g) 181 to 365 Days		
(h) 1 to 2 Years		
(i) 2 to 3 Years		
(j) Greater Than 3 Years		
(k) Sub-Total	\$ -	\$ -
(l) Securities Received		
(m) Total Collateral Reinvested	\$ -	\$ -

b. Explanation of Additional Sources of Liquidity for Maturity Date Mismatches

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

(6) Detail on Collateral Transactions Not Permitted by Contract or Custom to Sell or Repledge

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 \$140,810,031.

(7) Collateral for Securities Lending transactions that extend beyond one year from the reporting date.

The Company has no collateral with transactions that extend beyond one year.

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

H. Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

J. Real Estate

Not Applicable

K. Low-Income Housing Tax Credits (LIHTC)

Not Applicable

NOTES TO FINANCIAL STATEMENTS**Note 5 – Investments (continued from preceding page)**

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted					Current Year					Percentage	
	Current Year					6	7	8	9	10	11	
	1	2	3	4	5							Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- %	- %
b. Collateral held under security lending arrangements	44,119,498				44,119,498	48,419,145	(4,299,647)		44,119,498		0.2%	0.2%
c. Subject to repurchase agreements											- %	- %
d. Subject to reverse repurchase agreements											- %	- %
e. Subject to dollar repurchase agreements											- %	- %
f. Subject to dollar reverse repurchase agreements											- %	- %
g. Placed under option contracts											- %	- %
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock											- %	- %
i. FHLB capital stock											- %	- %
j. On deposit with states	5,692,354				5,692,354	5,877,367	(185,013)		5,692,354		- %	- %
k. On deposit with other regulatory bodies											- %	- %
l. Pledged as collateral to FHLB (including assets backing funding agreements)											- %	- %
m. Pledged as collateral not captured in other categories											- %	- %
n. Other restricted assets											- %	- %
o. Total Restricted Assets	\$ 49,811,852	\$ -	\$ -	\$ -	\$ 49,811,852	\$ 54,296,512	\$ (4,484,660)	\$ -	\$ 49,811,852		0.3%	0.3%

(a) Subset of column 1

(b) Subset of column 3

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

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

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate)

Not Applicable

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate)

Not Applicable

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Collateral Assets	1 Book/Adjusted Carrying Value (BACV)	2 Fair Value	3 % of BACV to Total Assets (Admitted and Nonadmitted)*	4 % of BACV to Total Admitted Assets**
a. Cash, Cash Equivalents and Short-Term Investments	\$ -	\$ -	- %	- %
b. Schedule D, Part 1			%	%
c. Schedule D, Part 2, Sec. 1			%	%
d. Schedule D, Part 2, Sec. 2			%	%
e. Schedule B			%	%
f. Schedule A			%	%
g. Schedule BA, Part 1			%	%
h. Schedule DL, Part 1	44,119,498	44,119,498	0.2%	0.2%
i. Other			%	%
j. Total Collateral Assets (a+b+c+d+e+f+g+i)	\$ 44,119,498	\$ 44,119,498	0.2%	0.2%

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

** Column 1 divided by Asset Page, Line 26 (Column 3)

	1 Amount	2 % of Liability to Total Liabilities
k. Recognized Obligation to Return Collateral Asset	\$ 44,119,498	0.7%

* Column 1 divided by Liability Page, Line 26 (Column 1)

NOTES TO FINANCIAL STATEMENTS**Note 5 – Investments (continued from preceding page)**

M. Working Capital Finance Investments

Not Applicable

N. Offsetting and Netting of Assets and Liabilities

Not Applicable

O. Structured Notes

Not Applicable

P. 5* Securities

Not Applicable

Q. Short Sales

Not Applicable

R. Prepayment Penalty and Acceleration Fees

	General Account	Protected Cell
(1) Number of CUSIPs	81	-
(2) Aggregate Amount of Investment Income	\$ 2,093,967	\$ -

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

A. Investments in Joint Ventures, Partnerships and Limited Liability Companies that Exceed 10% of Admitted Assets

Not Applicable

B. Investments in Impaired Joint Ventures, Partnerships and Limited Liability Companies

1. During 2017 the Company recognized other than temporary impairments on three private equity investments managed by Morgan Stanley. These investments were determined to be other-than-temporarily-impaired due to significantly depressed fair values for an extended period of time.

2. The three private equity investments were written down to a total fair value of \$699,009 resulting in a realized loss of \$1,757,723. The fair value was determined based on the equity value of the private equity holdings.

Note 7 – Investment Income

A. The bases, by category of investment income, for excluding (nonadmitting) any investment income due and accrued:

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

B. The total amount excluded:

There were no accrued investment income amounts over 90 days past due as of December 31, 2017, or as of December 31, 2016.

Note 8 – Derivative Instruments

Not Applicable

NOTES TO FINANCIAL STATEMENTS**Note 9 – Income Taxes**

A. Deferred Tax Assets/(Liabilities)

1. Components of Net Deferred Tax Asset/(Liability)

	2017			2016			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	\$208,291,000	\$ 74,652,000	\$282,943,000	\$419,737,000	\$132,549,000	\$552,286,000	\$(211,446,000)	\$(57,897,000)	\$(269,343,000)
b. Statutory valuation allowance adjustment									
c. Adjusted gross deferred tax assets (1a-1b)	\$208,291,000	\$ 74,652,000	\$282,943,000	\$419,737,000	\$132,549,000	\$552,286,000	\$(211,446,000)	\$(57,897,000)	\$(269,343,000)
d. Deferred tax assets nonadmitted									
e. Subtotal net admitted deferred tax asset (1c-1d)	\$208,291,000	\$ 74,652,000	\$282,943,000	\$419,737,000	\$132,549,000	\$552,286,000	\$(211,446,000)	\$(57,897,000)	\$(269,343,000)
f. Deferred tax liabilities	19,429,668	825,968,000	845,397,668	35,558,000	1,055,304,000	1,090,862,000	(16,128,332)	(229,336,000)	(245,464,332)
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	\$188,861,332	\$(751,316,000)	\$(562,454,668)	\$384,179,000	\$(922,755,000)	\$(538,576,000)	\$(195,317,668)	\$171,439,000	\$(23,878,668)

2. Admission Calculation Components SSAP No. 101

	2017			2016			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	\$186,063,000	\$ -	\$186,063,000	\$184,513,000	\$ -	\$184,513,000	\$1,550,000	\$ -	\$1,550,000
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:				27,775,000		27,775,000	(27,775,000)		(27,775,000)
Adjusted gross deferred tax assets expected to be realized following the balance sheet date				27,775,000		27,775,000	(27,775,000)		(27,775,000)
Adjusted gross deferred tax assets allowed per limitation threshold			1,875,266,550			1,727,903,335			147,363,215
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	22,229,000	74,651,000	96,880,000	207,449,000	132,549,000	339,998,000	(185,220,000)	(57,898,000)	(243,118,000)
d. Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c)	\$208,292,000	\$74,651,000	\$282,943,000	\$419,737,000	\$132,549,000	\$552,286,000	\$(211,445,000)	\$(57,898,000)	\$(269,343,000)

3. Other Admissibility Criteria

	2017	2016
a. Ratio percentage used to determine recovery period and threshold limitation amount	697.6%	923.8%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$12,501,777,004	\$11,519,355,567

NOTES TO FINANCIAL STATEMENTS**Note 9 – Income Taxes (continued from preceding page)**

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.

	12/31/2017		12/31/2016		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)	\$ 208,291,000	\$ 74,652,000	\$ 419,737,000	\$ 132,549,000	\$ (211,446,000)	\$ (57,897,000)
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	- %	- %	- %	- %	- %	- %
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	\$ 208,291,000	\$ 74,652,000	\$ 419,737,000	\$ 132,549,000	\$ (211,446,000)	\$ (57,897,000)
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	- %	- %	- %	- %	- %	- %

(b) Does the company's tax planning strategies include the use of reinsurance? NO

B. Deferred Tax Liabilities Not Recognized

Not Applicable

C. Current and Deferred Income Taxes

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously not recognized by the Company and creates new taxes on certain foreign source earnings. As of December 31, 2017, the Company has made a reasonable estimate of the accounting impact on the existing deferred tax balances and the one-time transition tax. A net provisional expense of \$10,000,000 has been recognized as a component of the current income tax benefit on the Statements of Income and a net provisional benefit of \$372,748,000 as a separate component of gains and losses in unassigned funds (surplus).

1. Current Income Tax

	1 2017	2 2016	3 (Col 1-2) Change
a. Federal	\$ (446,662,148)	\$ 214,426,654	\$ (661,088,802)
b. Foreign	51,696,565	19,630,317	32,066,248
c. Subtotal	(394,965,583)	234,056,971	(629,022,554)
d. Federal income tax on net capital gains	93,317,000	73,036,000	20,281,000
e. Utilization of capital loss carry-forwards			
f. Other			
g. Federal and Foreign income taxes incurred	\$ (301,648,583)	\$ 307,092,971	\$ (608,741,554)

NOTES TO FINANCIAL STATEMENTS**Note 9 – Income Taxes (continued from preceding page)**

2. Deferred Tax Assets

	1	2	3
	2017	2016	(Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	\$ 17,767,000	\$ 48,717,000	\$ (30,950,000)
2. Unearned premium reserve	51,991,000	95,529,000	(43,538,000)
3. Policyholder reserves			
4. Investments			
5. Deferred acquisition costs			
6. Policyholder dividends accrual			
7. Fixed assets			
8. Compensation and benefits accrual	34,656,000	86,823,000	(52,167,000)
9. Pension accrual	49,208,000	78,636,000	(29,428,000)
10. Receivables - nonadmitted	10,843,000	15,540,000	(4,697,000)
11. Net operating loss carry-forward			
12. Tax credit carry-forward	6,633,000	22,567,000	(15,934,000)
13. Other (items <5% of total ordinary tax assets)	113,000	1,042,000	(929,000)
Other (items >=5% of total ordinary tax assets)			
14. Other - nonadmitted	30,292,000	41,706,000	(11,414,000)
15. Unrealized foreign exchange gain	6,788,000	29,177,000	(22,389,000)
99. Subtotal	\$ 208,291,000	\$ 419,737,000	\$ (211,446,000)
b. Statutory valuation allowance adjustment			
c. Nonadmitted			
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	208,291,000	419,737,000	(211,446,000)
e. Capital:			
1. Investments	74,652,000	132,549,000	(57,897,000)
2. Net capital loss carry-forward			
3. Real estate			
4. Other (items <5% of total capital tax assets)			
Other (items >=5% of total capital tax assets)			
5.			
99. Subtotal	\$ 74,652,000	\$ 132,549,000	\$ (57,897,000)
f. Statutory valuation allowance adjustment			
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	74,652,000	132,549,000	(57,897,000)
i. Admitted deferred tax assets (2d+2h)	\$ 282,943,000	\$ 552,286,000	\$ (269,343,000)

3. Deferred Tax Liabilities

	1	2	3
	2017	2016	(Col 1-2) Change
a. Ordinary:			
1. Investments	\$ 2,374,000	\$ 3,814,000	\$ (1,440,000)
2. Fixed assets	8,512,000	8,494,000	18,000
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other (items <5% of total ordinary tax liabilities)	572,668	683,000	(110,332)
Other (items >=5% of total ordinary tax liabilities)			
6.			
99. Subtotal	\$ 19,429,668	\$ 35,558,000	\$ (16,128,332)
b. Capital:			
1. Investments	825,968,000	1,055,304,000	(229,336,000)
2. Real estate			
3. Other (items <5% of total capital tax liabilities)			
Other (items >=5% of total capital tax liabilities)			
4.			
99. Subtotal	\$ 825,968,000	\$ 1,055,304,000	\$ (229,336,000)
c. Deferred tax liabilities (3a99+3b99)	\$ 845,397,668	\$ 1,090,862,000	\$ (245,464,332)
4. Net Deferred Tax Assets (2i – 3c)	\$ (562,454,668)	\$ (538,576,000)	\$ (23,878,668)

The Company has remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21% due to the Tax Cuts and Jobs Act. The Company is still analyzing certain aspects of the Act and refining the calculations, the provisional amount recorded related to the remeasurement of the deferred tax balance was \$(550,645,000) included in the change in unrealized gains and \$177,897,000 included in change in net deferred income tax.

NOTES TO FINANCIAL STATEMENTS**Note 9 – Income Taxes (continued from preceding page)**

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

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

	Amount	Effective Tax Rate (%)
Permanent Differences:		
Provision computed at statutory rate	\$ (222,268,378)	35.0%
Proration of tax exempt investment income	6,030,000	(0.9)%
Tax exempt income deduction	(16,112,000)	2.5%
Dividends received deduction	(26,367,000)	4.2%
Disallowed travel and entertainment	2,301,000	(0.4)%
Other permanent differences	7,279,720	(1.1)%
Temporary Differences:		
Total ordinary DTAs	181,000	0.0 %
Total ordinary DTLs	16,850,000	(2.7)%
Total capital DTAs		- %
Total capital DTLs		- %
Other:		
Statutory valuation allowance adjustment		- %
Accrual adjustment – prior year	(4,225,000)	0.6%
Effect of tax law and tax rate change	187,897,000	(29.6)%
Totals	(48,433,658)	7.6%
Federal and foreign income taxes incurred	(394,965,583)	62.2%
Realized capital gains (losses) tax	93,317,000	(14.7)%
Change in net deferred income taxes	253,214,925	(39.9)%
Total statutory income taxes	\$ (48,433,658)	7.6%

E. Operating Loss Carryforwards and Income Taxes Available for Recoupment

1. The amounts, origination dates and expiration dates of operating loss and tax credit carry forwards available for tax purposes:

Not Applicable

2. The following is income tax expense for current year and proceeding years that is available for recoupment in the event of future net losses:

Year	Amounts
2017	\$ 0
2016	\$ 301,460,000

3. The Company's aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Service Code is \$0 .

F. Consolidated Federal Income Tax Return

1. 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

2. The manner in which the Board of Directors sets forth for allocating the consolidated federal income tax:

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 monthly.

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 the Relationship Involved

The Company is not directly or indirectly owned or controlled by any other company, corporation, group of companies, partnership or individual.

B. Transactions

The Company lists its transactions with affiliates on Schedule Y Part 2. During 2017, the Company contributed capital of \$294,133,390 to FM Insurance Europe S.A., an insurance company subsidiary, in order to fund operations.

C. Dollar Amounts of Transactions and Changes in Terms of Intercompany Agreements

Not Applicable

NOTES TO FINANCIAL STATEMENTS**Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (continued from preceding page)**

D. Amounts Due From or To Related Parties

Affiliate	2017	2016
Affiliated FM Insurance Company	\$(3,054,397)	\$(70,055,295)
Appalachian Insurance Company	22,161,578	9,373,661
FM Insurance Company Ltd	(24,320,378)	51,993,506
FM Insurance Europe S.A.	(31,986,510)	-
FM Global de Mexico S.A. de C.V.	(17,003,768)	(12,856,017)
FMIC Holdings, Inc.	187,141	34,710
FM do Brasil Servicos de Prevencao de Perdas LTDA	(987,059)	(987,195)
FMIC Escritorio de Representacao No Brasil LTDA	(298,224)	(533,844)
Corporate Insurance Services, Inc.	139,602	866,293
FM Global Servicios de R.L de C.V.	1,630	82,538
FM Approvals LLC	(10,404,032)	(4,722,010)
TSB Loss Control Consultants	1,245,267	595,225
FM Engineering Consulting (Shanghai) Co. Ltd	142,174	(138,486)
FM Global Services LLC	(1,233,810)	(910,854)
FMRE Holdings LLC	1,871,222	(2,804,990)
Risk Engineering Insurance Company	7,639	36,943
Totals	\$(63,531,926)	\$(30,025,815)

E. Guarantees or Undertakings

The Company has entered into Performance Guarantee agreements with its affiliates FM Insurance Company Ltd, Affiliated FM Insurance Company, FM Asia Holdings Pte. Ltd., and FM Global de Mexico S.A. de C.V. See Note 14A for further information.

F. Material Management or Service Contracts and Cost-Sharing Arrangements

The Company provides certain accounting management and other services to its affiliates. Management fees are charged to affiliates for services rendered.

G. Nature of the Control Relationship That Could Affect Operations

Not applicable

H. Amount Deducted from the Value of Upstream Intermediate Entity or Ultimate Parent Owned

Not applicable

I. Investments in SCA that Exceed 10% of Admitted Assets

Not applicable

Note that the investment in FMIC Holdings, Inc. is valued utilizing the look-through approach as indicated in Item L and none of the values of the SCA entities owned by FMIC Holdings, Inc. exceeds 10% of the admitted assets of the Company.

J. Investments in Impaired SCAs

Not applicable

K. Investment in Foreign Insurance Subsidiary

Not applicable

L. Investment in Downstream Noninsurance Holding Company

This reporting entity utilizes the look-through approach for the valuation of a downstream non-insurance holding company (FMIC Holdings, Inc.) instead of obtaining audited financial statements of the downstream non-insurance holding company, and therefore makes the following disclosures:

1. The carrying value of the downstream non-insurance company is \$2,433,093,181.
2. The financial statements of the downstream non-insurance company are not audited.
3. The reporting entity has limited the value of its investment in the downstream non-insurance holding company to the value contained in the audited financial statements of applicable SCA entities owned by the downstream non-insurance holding company, and valued in accordance with paragraphs 21 through 24 of SSAP 97.
4. All liabilities, commitments, contingencies, guarantees or obligations of the downstream non-insurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the reporting entity's determination of the carrying value of the investment in the downstream non-insurance holding company, if not already recorded in the financial statements of the downstream non-insurance holding company.

M. All SCA Investments

The NAIC agreed with the company's prior year admitted values in all of its non-insurance SCA entity SUB 2 filings.

NOTES TO FINANCIAL STATEMENTS**Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (continued from preceding page)**

(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8b(i) Entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
	- %	\$ -	\$ -	\$ -
Total SSAP No. 97 8a Entities	XXX	\$ -	\$ -	\$ -
b. SSAP No. 97 8b(ii) Entities				
FMIC Escritorio de Representacao no Brazil LTDA	100.0%	\$ -	\$ -	\$ -
TSB Loss Control Consultants, Inc.	100.0%	\$ -	\$ -	\$ -
Total SSAP No. 97 8b(ii) Entities	XXX	\$ -	\$ -	\$ -
c. SSAP No. 97 8b(iii) Entities				
FMRE Holdings LLC	100.0%	\$ 1,077,554,893	\$ 1,077,554,893	\$ -
FM Approvals LLC	100.0%	\$ -	\$ -	\$ -
Total SSAP No. 97 8b(iii) Entities	XXX	\$ 1,077,554,893	\$ 1,077,554,893	\$ -
d. SSAP No. 97 8b(iv) Entities				
FM Global de Mexico S.A de C.V.	100.0%	\$ 35,031,894	\$ 35,031,894	\$ -
FM Insurance Company Limited	100.0%	\$ 854,931,940	\$ 854,931,940	\$ -
Risk Engineering Insurance Company Limited	100.0%	\$ 451,286,872	\$ 451,286,872	\$ -
FM Insurance Europe S.A.	100.0%	\$ 294,221,114	\$ 294,221,114	\$ -
Total SSAP No. 97 8b(iv) Entities	XXX	\$ 1,635,471,820	\$ 1,635,471,820	\$ -
e. Total SSAP No. 97 8b Entities (exception 8b(i) entities) (b + c + d)	XXX	\$ 2,713,026,713	\$ 2,713,026,713	\$ -
f. Aggregate Total (a + e)	XXX	\$ 2,713,026,713	\$ 2,713,026,713	\$ -

(2) NAIC Filing Response Information

SCA Entity (Should be the same entities as shown in M(1) above)	Type of NAIC Filing*	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method Resubmission Required Y/N	Code**
a. SSAP No. 97 8a Entities			\$ -			
Total SSAP No. 97 8a Entities	XXX	XXX	\$ -	XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities						
FMIC Escritorio de Representacao no Brazil LTDA	S1	08/04/2017	\$ -			
TSB Loss Control Consultants, Inc.	S1	08/04/2017	\$ -			
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities						
FMRE Holdings LLC			\$ 1,077,554,893			
FM Approvals LLC			\$ -			
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	\$ 1,077,554,893	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities						
FM Global de Mexico S.A de C.V.	S2	08/30/2017	\$ 35,031,894	Y	N	
FM Insurance Company Limited	S2	08/16/2017	\$ 854,931,940	Y	N	
Risk Engineering Insurance Company Limited	S2	08/16/2017	\$ 451,286,872	Y	N	
FM Insurance Europe S.A.	S1	10/27/2017	\$ 294,221,114	Y	N	
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	\$ 1,635,471,820	XXX	XXX	XXX
e. Total SSAP No. 97 8b Entities (exception 8b(i) entities) (b + c + d)	XXX	XXX	\$ 2,713,026,713	XXX	XXX	XXX
f. Aggregate Total (a + e)	XXX	XXX	\$ 2,713,026,713	XXX	XXX	XXX

* S1 – Sub-1, S2 – Sub-2 or RDF – Resubmission of Disallowed Filing

** I – Immaterial or M – Material

Risk Engineering Insurance Company Limited is a subsidiary of FMIC Holdings, Inc., a downstream non-insurance holding company, described above in Note 10(L). The value of Risk Engineering Insurance Company Limited is included within the SUB-2 filing for FMIC Holdings, Inc.

N. Investment in Insurance SCAs

(1) Accounting Practice that Differs from NAIC Statutory Accounting Practices and Procedures

The Company's reported insurance SCA investments include one insurance company that has a permitted practice. Specifically, Affiliated FM Insurance Company (NAIC # 10014), applies paragraph 5(a) of SSAP 23, rather than paragraph 5(b) of SSAP 23, with respect to the methodology applied in translating its 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 Affiliated FM Insurance Company's balance sheet to USD is \$47,352,088, which appears on line 17 - "Net adjustment in assets and liabilities due to foreign exchange rates", on page 3 - "Liabilities" of its 2017 annual statement. There is no net impact on surplus for this practice, and the effect on 2017 net income would be a decrease to net income in the amount of \$3,197,070 (which would be offset by a corresponding increase to surplus).

(2) Monetary Effect on Net Income and Surplus

SCA Entity (Investments in Insurance SCA Entities)	Monetary Effect On NAIC SAP		Amount of Investment	
	Net Income Increase (Decrease)	Surplus Increase (Decrease)	Per Audited Statutory Equity	If the Insurance SCA Had Completed Statutory Financial Statements*
AFFILIATED FM INSURANCE COMPANY	\$ (3,197,070)	\$ -	\$ 1,779,872,466	\$ 1,779,872,466

* Per AP&P Manual (without permitted or prescribed practices)

NOTES TO FINANCIAL STATEMENTS**Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (continued from preceding page)**

(3) RBC Regulatory Event Because of Prescribed or Permitted Practice

Since there is no impact on surplus from this permitted practice, there is no effect on risk-based capital that would have triggered a regulatory event. There is no difference in the amount of the Company's investment in Affiliated FM Insurance Company from applying the permitted practice, rather than applying NAIC statutory accounting principles.

Note 11 – Debt

Not Applicable

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

A. Defined Benefit Plan

The Company sponsors noncontributory retirement income plans in the United States, Canada, and Australia covering the vast majority of employees. The benefits are generally based on years of service and the average of the highest consecutive 60 months of the employee's compensation within the 120 months prior to retirement. The Company's funding policy is to maintain a sufficiently funded level to ensure benefit security and to vary contribution levels as appropriate to business conditions. The Company also has supplemental retirement plans that are noncontributory defined benefit plans covering certain employees.

The Company provides health care and life insurance benefits for certain retired employees and their dependents. Employees not eligible for benefits under pre-merger plan provisions, under age 30 as of January 1, 2000, or hired after January 1, 2000, are ineligible for benefits. Other employees may become eligible if they meet certain age and service requirements. The plans are contributory, with retiree contributions adjusted annually, and contain other cost-saving features such as deductibles and coinsurance.

(1) Change in Benefit Obligation

	Overfunded	Overfunded	Underfunded	Underfunded
	2017	2016	2017	2016
a. Pension Benefits				
1. Benefit obligation at beginning of year	\$ 2,251,850,000	\$ 2,046,700,000	\$ 178,962,000	\$ 141,608,000
2. Service cost	59,475,000	48,403,000	2,360,000	1,638,000
3. Interest cost	90,966,000	89,338,000	7,051,000	6,056,000
4. Continuation by plan participants	556,000	664,000	-	-
5. Actuarial gain (loss)	146,329,000	137,247,000	13,766,000	35,287,000
6. Foreign currency exchange rate changes	364,000	490,000	-	-
7. Benefits paid	76,787,000	70,992,000	8,565,000	5,370,000
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	257,000
10. Benefit obligation at end of year	\$ 2,472,753,000	\$ 2,251,850,000	\$ 193,574,000	\$ 178,962,000
	Overfunded	Overfunded	Underfunded	Underfunded
b. Postretirement Benefits	2017	2016	2017	2016
1. Benefit obligation at beginning of year	\$ -	\$ -	\$ 209,822,000	\$ 206,026,000
2. Service cost			1,799,000	1,838,000
3. Interest cost			8,155,000	8,725,000
4. Continuation by plan participants			-	-
5. Actuarial gain (loss)			12,314,000	5,407,000
6. Foreign currency exchange rate changes			-	-
7. Benefits paid			12,957,000	12,174,000
8. Plan amendments			-	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits			-	-
10. Benefit obligation at end of year	\$ -	\$ -	\$ 219,133,000	\$ 209,822,000
	Overfunded	Overfunded	Underfunded	Underfunded
c. Special or Contractual Benefits per SSAP No. 11	2017	2016	2017	2016
1. Benefit obligation at beginning of year	\$ -	\$ -	\$ -	\$ -
2. Service cost				
3. Interest cost				
4. Continuation by plan participants				
5. Actuarial gain (loss)				
6. Foreign currency exchange rate changes				
7. Benefits paid				
8. Plan amendments				
9. Business combinations, divestitures, curtailments, settlements and special termination benefits				
10. Benefit obligation at end of year	\$ -	\$ -	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS**Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans (continued from preceding page)**

(2) Change in Plan Assets

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11	
	2017	2016	2017	2016	2017	2016
a. Fair value of plan assets at beginning of year	\$ 2,381,301,000	\$ 2,266,042,000	\$ 144,645,000	\$ 145,613,000	\$ -	\$ -
b. Actual return on plan assets	338,311,000	184,483,000	22,905,000	10,491,000		
c. Foreign currency exchange rate changes	729,000	1,058,000	-	-		
d. Reporting entity contribution	8,565,000	5,416,000	1,302,000	1,190,000		
e. Plan participants' contributions	556,000	664,000	-	-		
f. Benefits paid	85,352,000	76,362,000	13,337,000	12,649,000		
g. Business combinations, divestitures and settlements	-	-	-	-		
h. Fair value of plan assets at end of year	\$ 2,644,110,000	\$ 2,381,301,000	\$ 155,515,000	\$ 144,645,000	\$ -	\$ -

(3) Funded Status

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
a. Components				
1. Prepaid benefit costs	\$ 883,697,000	\$ 913,300,000	\$ -	\$ -
2. Overfunded plans assets	\$ (712,340,000)	\$ (783,849,000)	\$ -	\$ -
3. Accrued benefit costs	\$ (93,678,000)	\$ (86,998,000)	\$ (30,875,000)	\$ (28,809,000)
4. Liability for pension benefits	\$ (99,896,000)	\$ (91,964,000)	\$ (32,743,000)	\$ (36,368,000)
b. Assets and liabilities recognized				
1. Assets (nonadmitted)	\$ 171,357,000	\$ 129,451,000	\$ -	\$ -
2. Liabilities recognized	(193,574,000)	(178,962,000)	(63,618,000)	(65,177,000)
c. Unrecognized liabilities	\$ -	\$ -	\$ -	\$ -

(4) Components of Net Periodic Benefit Cost

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11	
	2017	2016	2017	2016	2017	2016
a. Service cost	\$ 61,835,000	\$ 50,041,000	\$ 1,799,000	\$ 1,838,000	\$ -	\$ -
b. Interest cost	98,017,000	95,394,000	8,155,000	8,725,000		
c. Expected return on plan assets	(161,765,000)	(164,817,000)	(9,021,000)	(8,383,000)		
d. Transition asset or obligation	(120,000)	(116,000)	1,749,000	1,749,000		
e. Gains and losses	47,085,000	49,282,000	3,218,000	3,854,000		
f. Prior service cost or credit	139,000	139,000	4,633,000	4,633,000		
g. Gain or loss recognized due to a settlement curtailment	-	-	-	-		
h. Total net periodic benefit cost	\$ 45,191,000	\$ 29,923,000	\$ 10,533,000	\$ 12,416,000	\$ -	\$ -

(5) Amounts in Unassigned Funds (Surplus) Recognized as Components of Net Periodic Benefit Cost

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
a. Items not yet recognized as a component of net periodic cost – prior year	\$ 875,811,000	\$ 772,578,000	\$ 66,000,000	\$ 72,937,000
b. Net transition asset or obligation recognized	116,000	260,000	-	-
c. Net prior service cost or credit arising during the period	-	-	-	-
d. Net prior service cost or credit recognized	(88,000)	(88,000)	26,000	26,000
e. Net gain and loss arising during the period	(16,470,000)	152,651,000	(1,570,000)	3,299,000
f. Net gain and loss recognized	(47,136,000)	(49,590,000)	(9,626,000)	(10,262,000)
g. Items not yet recognized as a component of net periodic cost – current period	\$ 812,233,000	\$ 875,811,000	\$ 54,830,000	\$ 66,000,000

(6) Amounts in Unassigned Funds (Surplus) Expected to be Recognized in the Next Fiscal Year as Components of Net Periodic Benefit Cost

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
a. Net transition asset or obligations	\$ (118,000)	\$ (116,000)	\$ 1,749,000	\$ 1,749,000
b. Net prior service cost or credit	\$ 139,000	\$ 139,000	\$ 4,492,000	\$ 4,633,000
c. Net recognized gains and losses	\$ 40,086,000	\$ 47,085,000	\$ 2,582,000	\$ 3,218,000

NOTES TO FINANCIAL STATEMENTS**Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans (continued from preceding page)**

- (7) Amounts in Unassigned Funds (Surplus) that have not yet been Recognized as Components of Net Periodic Benefit Cost

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
a. Net transition asset or obligations	\$ (321,000)	\$ (435,000)	\$ 3,060,000	\$ 4,808,000
b. Net prior service cost or credit	\$ 381,000	\$ 520,000	\$ 8,226,000	\$ 12,859,000
c. Net recognized gains and losses	\$ 812,173,000	\$ 875,726,000	\$ 43,544,000	\$ 48,333,000

- (8) Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost as of December 31

	2017	2016
a. Weighted-average discount rate	4.0%	4.3%
b. Expected long-term rate of return on plan assets	6.9%	7.3%
c. Rate of compensation increase	4.5%	4.5%
Weighted-average assumptions used to determine projected benefit obligations as of December 31		
d. Weighted-average discount rate	3.6%	4.0%
e. Rate of compensation increase	4.5%	4.5%

- (9) Accumulated Benefit Obligation for Defined Benefit Pension Plans

The amount of the accumulated benefit obligation for defined benefit pension plans was \$2,275,841,000 for the current year and \$2,068,746,000 for the prior year.

- (10) For Postretirement Benefits Other Than Pensions, the Assumed Health Care Cost Trend Rate(s)

The Company has two non-pension postretirement healthcare plans in the United States and Canada.

For the United States plan the assumed healthcare cost trend for the next year used to measure the expected cost of benefits covered by the plan is 7.00%. The ultimate trend rate of 5.00% is expected to be achieved in five years.

For the Canada plan the assumed healthcare cost trend for the next year used to measure the expected cost of benefits covered by the plan is 5.50%. The ultimate trend rate of 5.00% is expected to be achieved in three years.

- (11) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
a. Effect on total of service and interest cost components	\$ 463,000	\$ (394,000)
b. Effect on postretirement benefit obligation	\$ 12,107,000	\$ (10,432,000)

- (12) The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the year indicated:

Year(s)	Amount
a. 2018	\$ 102,368,000
b. 2019	\$ 107,271,000
c. 2020	\$ 112,016,000
d. 2021	\$ 118,078,000
e. 2022	\$ 125,241,000
f. 2023 through 2027	\$ 699,904,000

- (13) Estimate of Contributions Expected to be Paid to the Plan

The Company currently intends to make voluntary contributions to the defined benefit pension plans of \$8,480,000 in 2018. The Company currently intends to make voluntary contributions to other postretirement benefit plans of \$553,000 in 2018.

- (14) Amounts and Types of Securities Included in Plan Assets

Not Applicable

- (15) Alternative Method Used to Amortize Prior Service Amounts or Net Gains and Losses

Not Applicable

- (16) Substantive Comment Used to Account for Benefit Obligation

Not Applicable

- (17) Cost of Providing Special or Contractual Termination Benefits Recognized

Not Applicable

- (18) Significant Change in the Benefit Obligation or Plan Assets

Not Applicable

- (19) Amount and Time Plan Assets Expected to be Returned

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)**

(20) Accumulated Postretirement and Pension Benefit Obligation and Fair Value of Plan Assets for Defined Postretirement and Pension Benefit Plans

Not Applicable

(21) Full Transition Surplus Impact of SSAP 102

Not Applicable

B. Investment Policies and Strategies

Description of Investment Policies

The investment policy of the Plans specify the type of securities that may be used, limits on the amount of the asset classes and subclasses, and general principles used in managing the plan's assets. The overriding objective is to maximize long-term total return of plan assets within constraints established to control risk and volatility. Three primary asset classes represent the first layer of asset allocation, these being equity securities, debt securities, and cash equivalents. Since equity securities are expected to provide the highest long-term total return, exposure to equities is emphasized. As a representative example, current approved ranges for the three asset classes in the U.S. Pension fund (which is also the largest of the retirement plans) are as follows:

Equity securities include individual common stocks as well as equity mutual funds and private equity partnerships. All equity investments are based on fundamental analysis of investment variables, including earning prospects, cash flow, balance sheet strength, competitive positioning, and other factors. Diversification is emphasized, with specific size limits on individual stocks, international-oriented mutual funds, small capitalization-oriented funds and private equity. Investment returns are benchmarked against standard indices including the S&P 500 and MSCI global stock indices.

Debt securities include individual securities, primarily in the high-grade taxable subcategory, debt mutual funds, as well as an outside managed portfolio of U.S. high-yield bonds. Debt securities are actively managed, using many of the same investment disciplines as in the Company's general account. These disciplines include diversification of securities and ongoing analysis of the fundamental and valuation factors underlying the securities owned.

<u>Asset class</u>	<u>Range</u>
Equity securities	50 - 80%
Debt securities	10 - 50%
Cash equivalents	0 - 15%

Short-term investments, defined as debt securities with a maturity of less than one year, are held primarily for liquidity purposes and secondarily to reduce duration of fixed income securities when warranted by interest rate levels. Safety of principal is the primary consideration of investment in this asset class, and so only the highest quality investments are used. This will principally be money market funds and commercial paper carrying the highest quality ratings.

The defined benefit pension plan asset allocation and the target asset allocation, presented as a percentage of total plan assets, were as follows:

Asset Category	Percentage of Plan Assets	
	2017	Target Allocation
Equity Securities	63%	63%
Debt Securities	23%	27%
Cash	9%	6%
Other	5%	4%
Total	100%	100%

The defined benefit postretirement plan asset allocation and the target asset allocation, presented as a percentage of total plan assets, were as follows:

Asset Category	Percentage of Plan Assets	
	2017	Target Allocation
Equity Securities	89%	93%
Debt Securities	0%	0%
Cash	10%	7%
Other	1%	0%
Total	100%	100%

NOTES TO FINANCIAL STATEMENTS**Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans (continued from preceding page)**

C. Fair Value of Plan Assets

(1) Fair Value Measurements of Plans Assets at Reporting Date

Description for each class of plan assets	(Level 1)	(Level 2)	(Level 3)	Total
Equity securities				
Consumer discretionary	\$ 202,885,000	\$ -	\$ -	\$ 202,885,000
Consumer staples	\$ 124,496,000	\$ -	\$ -	\$ 124,496,000
Energy	\$ 110,634,000	\$ -	\$ -	\$ 110,634,000
Financials	\$ 264,662,000	\$ -	\$ -	\$ 264,662,000
Healthcare	\$ 218,829,000	\$ -	\$ -	\$ 218,829,000
Industrials	\$ 147,220,000	\$ -	\$ -	\$ 147,220,000
Information technology	\$ 263,411,000	\$ -	\$ -	\$ 263,411,000
Mutual funds	\$ 347,582,000	\$ 12,278,000	\$ -	\$ 359,860,000
All other sectors	\$ 115,785,000	\$ -	\$ -	\$ 115,785,000
Total equity securities	\$ 1,795,504,000	\$ 12,278,000	\$ -	\$ 1,807,782,000
Debt securities				
U.S. Treasury securities and	\$ -	\$ -	\$ -	\$ -
Obligations of U.S.	\$ -	\$ -	\$ -	\$ -
government agencies	\$ -	\$ 233,909,000	\$ -	\$ 233,909,000
Mortgage and asset-backed				
securities				
Agency	\$ -	\$ 72,347,000	\$ -	\$ 72,347,000
Other mortgage and asset-	\$ -	\$ -	\$ -	\$ -
backed securities	\$ -	\$ 25,508,000	\$ -	\$ 25,508,000
U.S. corporate securities	\$ -	\$ 234,635,000	\$ -	\$ 234,635,000
Mutual funds	\$ -	\$ 36,887,000	\$ -	\$ 36,887,000
Total debt securities	\$ -	\$ 603,286,000	\$ -	\$ 603,286,000
Cash equivalents	\$ 263,264,000	\$ -	\$ -	\$ 263,264,000
Other	\$ 5,283,000	\$ -	\$ 120,010,000	\$ 125,293,000
Total Plan Assets	\$ 2,064,051,000	\$ 615,564,000	\$ 120,010,000	\$ 2,799,625,000

(2) Fair Value Measurements in Level 3 of the Fair Value Hierarchy

Description for each class of plan assets	Beginning Balance at 1/1/2017	Transfers into Level 3	Transfers out of Level 3	Return on Assets Still Held	Return on Assets Sold	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2017
Other	\$123,831,000	\$ -	\$ -	\$ (319,000)	\$ (4,801,000)	\$ 5,551,000	\$ -	\$ 13,854,000	\$ -	\$120,010,000
Total Plan Assets	\$123,831,000	\$ -	\$ -	\$ (319,000)	\$ (4,801,000)	\$ 5,551,000	\$ -	\$ 13,854,000	\$ -	\$120,010,000

(3) Valuation Technique(s) and Inputs Used to Measure 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

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.

When pricing is not available from a pricing vendor it is based on significant unobservable inputs. In those circumstances, the investment security is classified in Level 3. These investments are primarily comprised of private equity funds and partnerships.

D. Basis Used to Determine Expected Long-Term Rate-of-Return

Expected rate of return assumptions are created based on assessments of future behavior of asset classes. As part of the process, historical relationships are considered. Using a three- to five-year outlook, estimates of numerous variables have been combined to gauge economic growth potential. Corporate cash flows are correlated with economic growth but also reflect productivity and profit margin trends, with positive cash flow trends driving favorable return to equity owners. Debt security returns are expected to produce somewhat lower returns with a lower level of volatility.

E. Defined Contribution Plans

The Company also sponsors a 401(k) savings plan whereby eligible employees may elect annually to contribute from 1% to 50% of their base pay on a pretax or after-tax basis. Employee contributions are restricted to Internal Revenue Service limits. The Company matches pretax contributions up to 6% of the employee's base pay. Company contributions to the Plan were \$18,318,000 in 2017 and \$17,974,000 in 2016.

NOTES TO FINANCIAL STATEMENTS

Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans (continued from preceding page)

- F. Multiemployer Plans
Not Applicable
- G. Consolidated/Holding Company Plans
See Note 12A
- H. Postemployment Benefits and Compensated Absences
Not Applicable
- I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)
Not Applicable

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

- A. Number of Share and Par or State Value of Each Class
Not Applicable
- B. Dividend Rate, Liquidation Value and Redemption Schedule of Preferred Stock Issues
Not Applicable
- C. Dividend Restrictions
Not Applicable
- D. Dates and Amounts of Dividends Paid
Not Applicable
- E. Profits that may be Paid as Ordinary Dividends to Stockholders
Not Applicable
- F. Restrictions Plans on Unassigned Funds (Surplus)
Not Applicable
- G. Amount of Advances to Surplus not Repaid
Not Applicable
- H. Amount of Stock Held for Special Purposes
Not Applicable
- I. Reasons for Changes in Balance of Special Surplus Funds from Prior Period
Not Applicable
- J. The Portion of Unassigned Funds (Surplus) Represented or Reduced by Unrealized Gains and Losses is: \$3,933,180,000.
- K. The Reporting Entity Issued the Following Surplus Debentures or Similar Obligations
Not Applicable
- L. The impact of any restatement due to prior quasi-reorganizations is as follows
Not Applicable
- M. Effective Date of Quasi-Reorganization for a Period of Ten Years Following Reorganization
Not Applicable

Note 14 – Liabilities, Contingencies and Assessments

- A. Contingent Commitments
- (1) Total SSAP No. 97, Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88, and SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Company contingent liabilities: \$412,993,563.

NOTES TO FINANCIAL STATEMENTS**Note 14 – Liabilities, Contingencies and Assessments (continued from preceding page)**

(2) Detail of Other Contingent Commitments

Factory Mutual Insurance Company, as owner of all the issued and outstanding common stock of FM Insurance Company Limited ("FMI"), has previously entered into a Performance Guarantee agreement with FMI. Specifically, Factory Mutual Insurance Company guarantees the full performance by FMI of its lawful obligations with respect to contracts of insurance and reinsurance issued by FMI on or after January 1, 2004. The agreement has no expiration date, but the terms allow Factory Mutual Insurance Company to terminate or modify the agreement in its sole discretion with respect to new contracts of insurance and reinsurance, not in effect on the date of such termination or modification.

Factory Mutual Insurance Company, as owner of all the issued and outstanding common stock of FMIC Holdings, Inc., the owner of all the issued and outstanding common stock of Affiliated FM Insurance Company ("AFM"), entered into a Performance Guarantee agreement for the benefit of the policyholders of AFM. Specifically, FMIC guarantees the full performance by AFM of its lawful obligations with respect to contracts of insurance and reinsurance issued by AFM on or after January 1, 2014.

Factory Mutual Insurance Company provided a parental guarantee to Singapore Science Park Ltd., the landlord in a real estate project in Singapore, to guarantee the obligations of the tenant, FM Asia Holdings Pte. Ltd., a wholly owned subsidiary of FMRE Holdings LLC, itself a wholly owned subsidiary of the Company.

Factory Mutual Insurance Company provided a parental guarantee to FM Global de Mexico S.A. de C.V., a wholly owned subsidiary, with respect to an insurance contract for a certain policyholder of FM Global de Mexico S.A. de C.V., whereby Factory Mutual Insurance Company guarantees the payment of losses to the policyholder per the contract terms.

There are no current or anticipated amounts payable under these agreements, nor are there any amounts anticipated to be payable. Should any amounts ever become payable, Factory Mutual Insurance Company would be required to contribute sufficient cash to these companies to enable them to fulfill their contractual obligations. There are no applicable carrying values with respect to these agreements, and due to their nature the likelihood of potential future payments is remote and not quantifiable or determinable.

(3) Aggregate Compilation of Guarantee Obligations

Not Applicable

B. Assessments

(1) Nature of Any Assets That Could Have a Material Financial Effect

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 \$500,000 and a related premium tax benefit asset of \$161,000.

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.

At times, the Company has the ability to recover a portion of the accrued assessment liability through policyholder surcharges. As of December 31, 2017, the asset related to policyholder surcharges, which appears within Page 2 line 25, is \$129,000.

(2) Assets Recognized From Paid and Accrued Premium Tax Offsets and Policy Surcharges

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$	192,000
b.	Decreases current year:	Premium tax offset applied	\$ 36,000
c.	Increases current year:	Premium tax credits generated	\$ 5,000
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$	161,000

(3) Undiscounted and Discounted Guaranty Fund Assessments

Not Applicable

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. Joint and Several Liabilities

Not Applicable

NOTES TO FINANCIAL STATEMENTS**Note 14 – Liabilities, Contingencies and Assessments (continued from preceding page)**

G. All Other Contingencies

At December 31, 2017 and 2016 the Company had admitted premiums receivable assets of \$527,414,381 and \$530,215,499, 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, 2017 are not expected to exceed the nonadmitted amount totaling \$51,829,073, 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. The Company has no asset that is considered impaired.

Note 15 – Leases

A. Lessee Operating Lease

(1) Lessee's Leasing Arrangements

a. Rental Expense

In connection with its various operating offices through North America, the Company leases office space, equipment and automobiles. These leases are classified as operating leases. Rental expense for all operating leases was \$56,159,376 in 2017 and \$53,343,627 in 2016.

b. Basis on Which Contingent Rental Payments are Determined

Not Applicable

c. Existence and Terms of Renewal or Purchase Options and Escalation Clauses

Not Applicable

d. Restrictions Imposed by Lease Agreements

Not Applicable

e. Identification of Lease Agreements that have been Terminated Early

Not Applicable

(2) Leases with Initial or Remaining Noncancelable Lease Terms in Excess of One Year

a. At January 1, 2018 the minimum aggregate rental commitments are as follows:

Year Ending December 31	Operating Leases
1. 2018	\$ 27,514,503
2. 2019	\$ 26,679,436
3. 2020	\$ 22,516,161
4. 2021	\$ 15,294,506
5. 2022	\$ 15,287,315
6. Total	\$ 199,367,251

Certain rental commitments have renewal options extending through the year 2048. Some of these renewals are subject to adjustments in future periods.

b. Total of Minimum Rentals to be Received in the Future under Noncancelable Subleases

Not Applicable

(3) For Sale-Leaseback Transactions

Not Applicable

B. Lessor Leases

Not Applicable

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

Not Applicable

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales

Not Applicable

NOTES TO FINANCIAL STATEMENTS**Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities (continued from preceding page)**

B. Transfer and Servicing of Financial Assets

(1) Description of any Loaned Securities

Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities with a fair value of \$181,243,100 and \$49,488,167 at December 31, 2017 and December 31, 2016, 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 Assets and Servicing Liabilities

Not Applicable

(3) When Servicing Assets and Liabilities are Measured at Fair Value

Not Applicable

(4) Securitizations, Asset-Based Financing Arrangements and Similar Transfers Accounted for as Sales

Not Applicable

(5) Disclosure Requirements for Transfers of Assets Accounted for as Secured Borrowing

Not Applicable

(6) Transfer of Receivables with Recourse

Not Applicable

(7) Securities Underlying Repurchase and Reverse Repurchase Agreements, Dollar Repurchase and Dollar Reverse Repurchase Agreements

Not Applicable

C. Wash Sales

Not Applicable

Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the 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. Fair Value Measurements

(1) Fair Value Measurements at Reporting Date

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.

	Level 1	Level 2	Level 3	Total	Net Asset Value (NAV) Included in Level 2
Assets at Fair Value					
Bonds	\$ -	\$ 59,563,151	\$ -	\$ 59,563,151	\$ -
Common Stocks - Industrial & Miscellaneous	\$ 5,621,893,315	\$ -	\$ -	\$ 5,621,893,315	\$ -
Common Stocks - Mutual Funds	\$ 873,522,720	\$ 107,383,503	\$ -	\$ 980,906,223	\$ -
Cash Equivalents	\$ 587,400,690	\$ -	\$ -	\$ 587,400,690	\$ -
Total	\$ 7,082,816,725	\$ 166,946,654	\$ -	\$ 7,249,763,379	\$ -
Liabilities at Fair Value					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

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

(3) Policies when Transfers Between Levels are Recognized

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.

NOTES TO FINANCIAL STATEMENTS**Note 20 – Fair Value Measurements (continued from preceding page)**

(4) Description of Valuation Techniques and Inputs Used in Fair Value Measurement

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

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 Value Disclosures

Not Applicable

B. Fair Value Reporting under SSAP 100 and Other Accounting Pronouncements

Not Applicable

C. Fair Value Level

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)	Net Asset Value (NAV) Included in Level 2
Bonds	\$4,571,493,855	\$ 4,522,442,521	\$ -	\$4,522,442,521	\$ -	\$ -	\$ -
Common Stocks	\$6,602,799,538	\$ 6,602,799,538	\$ 6,495,416,035	\$ 107,383,503	\$ -	\$ -	\$ -
Cash, Cash Equivalents and Short Term Investments	\$1,030,053,090	\$ 1,030,053,090	\$ 1,030,053,090	\$ -	\$ -	\$ -	\$ -
Securities Lending Reinvested Collateral Assets	\$ 44,119,498	\$ 44,119,498	\$ 44,119,498	\$ -	\$ -	\$ -	\$ -
Total	\$12,248,465,981	\$12,199,414,647	\$ 7,569,588,623	\$4,629,826,024	\$ -	\$ -	\$ -

D. Not Practicable to Estimate Fair Value

Not Applicable

Note 21 – Other Items

A. Unusual or Infrequent Items

Not Applicable

B. Troubled Debt Restructuring Debtors

Not Applicable

C. Other Disclosures

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

(1) Carrying Value of Transferable and Non-Transferable State Tax Credits Gross of any Related Tax Liabilities and Total Unused Transferable and Non-Transferable State Tax Credits by State and in Total

Description of State Transferable and Non-Transferable Tax Credits	State	Carrying Value	Unused Amount
Investment Tax Credit	RI	\$ -	\$ 2,084,126
Total		\$ -	\$ 2,084,126

NOTES TO FINANCIAL STATEMENTS**Note 21 – Other Items (continued from preceding page)**

- (2) Method of Estimating Utilization of Remaining Transferable and Non-Transferable State Tax Credits

The Company estimated the utilization of the remaining Transferable and Non-transferable State Tax Credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining Transferable and Non-transferable State Tax Credits.

- (3) Impairment Loss

Not Applicable

- (4) State Tax Credits Admitted and Nonadmitted

None

F. Subprime Mortgage Related Risk Exposure

- (1) Description of the Subprime-Mortgage-Related Exposure and Related Risk Management Policies

The Company defines its exposure to subprime mortgage related risk by considering securities with a weighted average FICO/Credit score of less than 660 to be subprime. 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 subprime securities and has no plans to increase its holding in subprime 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

- (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	\$ 1,329,852	\$ 1,343,215	\$ 3,878,629	\$ -
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities				
e. Equity investments in SCAs*				
f. Other assets				
g. Total	\$ 1,329,852	\$ 1,343,215	\$ 3,878,629	\$ -

* These investments comprise 0 % of the company's invested assets.

- (4) Underwriting Exposure to Subprime Mortgage Risk Through Mortgage Guaranty or Financial Guaranty Insurance Coverage

Not Applicable

G. Insurance-Linked Securities (ILS) Contracts

Not Applicable

Note 22 – Events Subsequent

Subsequent events have been considered through February 23, 2018 for these statutory financial statements which are to be issued February 23, 2018. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these statements.

A. - H. The Company does not write health insurance policies, and therefore is not subject to Section 9010 of the Affordable Care Act.

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverables

Not Applicable

B. Reinsurance Recoverable in Dispute

Not Applicable

C. Reinsurance Assumed and Ceded

- (1) Maximum Amount of Return Commission

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$ 141,006,364	\$ 2,835,413	\$ 61,776,000	\$ 12,355,200	\$ 79,230,364	\$ (9,519,787)
b. All Other	345,828,636	62,040,381	418,445,857	61,941,465	(72,617,221)	98,916
c. Total	\$ 486,835,000	\$ 64,875,794	\$ 480,221,857	\$ 74,296,665	\$ 6,613,143	\$ (9,420,871)
d. Direct Unearned Premium Reserves						\$ 1,253,464,987

NOTES TO FINANCIAL STATEMENTS**Note 23 – Reinsurance (continued from preceding page)**

(2) Additional or Return Commission

Not Applicable

(3) Types of Risks Attributed to Protected Cell

Not Applicable

D. Uncollectible Reinsurance

Not Applicable

E. Commutation of Ceded Reinsurance

Not Applicable

F. Retroactive Reinsurance

Not Applicable

G. Reinsurance Accounted for as a Deposit

Not Applicable

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

Not Applicable

I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not Applicable

J. Reinsurance Agreements Qualifying for Reinsurer Aggregation

Not Applicable

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not Applicable

Note 25 – Change in Incurred Losses and Loss Adjustment Expenses

A. 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 \$35,596,000. 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.

B. Information about Significant Changes in Methodologies and Assumptions

Not Applicable

Note 26 – Intercompany Pooling Arrangements

A. Identification of the Lead Entity and all Affiliated Entities Participating in the Intercompany Pool

Lead Entity and all Affiliated Entities	NAIC Company Code	Pooling Percentage
Factory Mutual Insurance Company (lead insurer)	21482	86.0%
Affiliated FM Insurance Company	10014	12.0%
Appalachian Insurance Company	10316	2.0%

The percentages represent the policyholder's surplus of each company compared to the combined policyholder's surplus for the three companies.

B. Description of Lines and Types of Business Subject to the Pooling Agreement

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, and pursuant to an intercompany reinsurance agreement between the Canadian branches of Factory Mutual Insurance Company and Affiliated FM Insurance Company, are excluded from the intercompany pooling agreement.

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.

C. Description of Cessions to Non-Affiliated Reinsurance Subject to Pooling Agreement

Reinsurance may be externally ceded on a facultative and/or treaty basis by any pool participant prior to pooling.

NOTES TO FINANCIAL STATEMENTS**Note 26 – Intercompany Pooling Arrangements (continued from preceding page)**

D. Identification of all Pool Members that are Parties to Reinsurance Agreements with Non-Affiliated Reinsurers

Each pool participant has a contractual right of direct recovery from its own external reinsurers.

E. Explanation of Discrepancies Between Entries of Pooled Business

There are no discrepancies between the assumed and ceded reinsurance schedules of the pool participants.

F. Description of Intercompany Sharing of the Provision for Reinsurance

Each pool participant establishes its respective provision for reinsurance in Schedule F and the write-off of uncollectible reinsurance for its own facultative and treaty cessions.

G. Amounts Due To/From Lead Entity and all Affiliated Entities Participating in the Intercompany Pool

Name of Insurer	Amounts Receivable	Amounts Payable
Factory Mutual Insurance Company (lead insurer)	\$147,618,146	\$32,706,547
Affiliated FM Insurance Company	\$15,723,617	\$116,623,410
Appalachian Insurance Company	\$16,982,930	\$30,994,736

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, 2017 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

- Liability carried for premium deficiency reserve: \$0
- Date of most recent evaluation of this liability: February 8, 2018
- Was anticipated investment income utilized in the calculation? Yes [] No [X]

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. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of a liability due to asbestos losses?

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.

NOTES TO FINANCIAL STATEMENTS**Note 33 – Asbestos/Environmental Reserves (continued from preceding page)**

(1) Direct - Asbestos

	2013	2014	2015	2016	2017
a. Beginning reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 337,759,000	\$ 325,456,000	\$ 294,599,000	\$ 327,477,000	\$ 302,847,000
b. Incurred losses and loss adjustment expense	2,900,000	(10,612,000)	47,806,000	(4,769,000)	8,612,000
c. Calendar year payments for losses and loss adjustment expenses	15,203,000	20,245,000	14,928,000	19,861,000	19,377,000
d. Ending reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 325,456,000	\$ 294,599,000	\$ 327,477,000	\$ 302,847,000	\$ 292,082,000

(2) Assumed Reinsurance - Asbestos

	2013	2014	2015	2016	2017
a. Beginning reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 403,204,000	\$ 485,401,000	\$ 470,835,000	\$ 507,928,000	\$ 483,185,000
b. Incurred losses and loss adjustment expense	107,647,000	25,895,000	71,380,000	9,003,000	33,669,000
c. Calendar year payments for losses and loss adjustment expenses	25,450,000	40,461,000	34,287,000	33,746,000	32,321,000
d. Ending reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 485,401,000	\$ 470,835,000	\$ 507,928,000	\$ 483,185,000	\$ 484,533,000

(3) Net of Ceded Reinsurance - Asbestos

	2013	2014	2015	2016	2017
a. Beginning reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 346,570,000	\$ 458,239,000	\$ 434,431,000	\$ 454,195,000	\$ 435,952,000
b. Incurred losses and loss adjustment expense	129,000,000	5,464,000	41,771,000	6,401,000	35,609,000
c. Calendar year payments for losses and loss adjustment expenses	17,331,000	29,272,000	22,007,000	24,644,000	20,790,000
d. Ending reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 458,239,000	\$ 434,431,000	\$ 454,195,000	\$ 435,952,000	\$ 450,771,000

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

(1) Direct basis	\$ 262,968,000
(2) Assumed reinsurance basis	336,393,000
(3) Net of ceded reinsurance basis	\$ 340,706,000

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

(1) Direct basis	\$ 10,666,640
(2) Assumed reinsurance basis	51,602,257
(3) Net of ceded reinsurance basis	\$ 51,304,827

D. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of a liability due to environmental losses?

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

	2013	2014	2015	2016	2017
a. Beginning reserves	\$ 17,174,000	\$ 16,501,000	\$ 14,932,000	\$ 16,596,000	\$ 15,399,000
b. Incurred losses and loss adjustment expense	100,000	(540,000)	2,423,000	(187,000)	636,000
c. Calendar year payments for losses and loss adjustment expenses	773,000	1,029,000	759,000	1,010,000	985,000
d. Ending reserves	\$ 16,501,000	\$ 14,932,000	\$ 16,596,000	\$ 15,399,000	\$ 15,050,000

(2) Assumed Reinsurance - Environmental

	2013	2014	2015	2016	2017
a. Beginning reserves	\$ 61,126,000	\$ 72,348,000	\$ 76,213,000	\$ 86,914,000	\$ 83,974,000
b. Incurred losses and loss adjustment expense	13,185,000	5,979,000	12,509,000	962,000	1,623,000
c. Calendar year payments for losses and loss adjustment expenses	1,963,000	2,114,000	1,808,000	3,902,000	2,656,000
d. Ending reserves	\$ 72,348,000	\$ 76,213,000	\$ 86,914,000	\$ 83,974,000	\$ 82,941,000

NOTES TO FINANCIAL STATEMENTS**Note 33 – Asbestos/Environmental Reserves (continued from preceding page)**

(3) Net of Ceded Reinsurance - Environmental

	2013	2014	2015	2016	2017
a. Beginning reserves	\$ 49,543,000	\$ 61,054,000	\$ 62,778,000	\$ 71,983,000	\$ 64,243,000
b. Incurred losses and loss adjustment expense	13,000,000	3,874,000	10,627,000	(4,729,000)	2,452,000
d. Calendar year payments for losses and loss adjustment expenses	1,489,000	2,150,000	1,422,000	3,011,000	2,284,000
d. Ending reserves	\$ 61,054,000	\$ 62,778,000	\$ 71,983,000	\$ 64,243,000	\$ 64,411,000

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

(1) Direct basis	\$ 13,570,000
(2) Assumed reinsurance basis	64,861,000
(3) Net of ceded reinsurance basis	\$ 48,784,000

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

(1) Direct basis	\$ 542,235
(2) Assumed reinsurance basis	6,297,886
(3) Net of ceded reinsurance basis	\$ 7,284,246

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 [X] 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 [X] 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 [X]
- 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. 12/31/2017
- 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 [X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] N/A [X]
- 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 [X]
- 4.12 renewals? Yes [] No [X]
- 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 [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of 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 | 2 | 3 |
|----------------|-------------------|-------------------|
| Name of Entity | NAIC Company Code | State of Domicile |
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control _____ %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).
- | 1 | 2 |
|-------------|----------------|
| Nationality | Type of Entity |
| | |
- 8.1 Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If the response to 8.3 is yes, please provide below 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 | 2 | 3 | 4 | 5 | 6 |
|----------------|------------------------|-----|-----|------|-----|
| Affiliate Name | Location (City, State) | FRB | OCC | FDIC | SEC |
| | | | | | |
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP 200 Clarendon Street, Boston, MA 02116
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []
- 10.6 If the response to 10.5 is no or n/a, please explain:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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 - Principal, 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
- 12.11 Name of real estate holding company FMRE Holdings LLC
- 12.12 Number of parcels involved 36
- 12.13 Total book/adjusted carrying value \$ 1,077,554,893
- 12.2 If yes, provide explanation
FMRE Holdings LLC is a wholly owned subsidiary owning subsidiaries that own commercial office buildings that are leased.
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 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 No
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes No
- 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
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinator committee thereof? Yes 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 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 No

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes No
- 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 reporting in the statement? Yes No
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$ 0
- 21.22 Borrowed from others \$ 0
- 21.23 Leased from others \$ 0
- 21.24 Other \$ 0
- 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
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ 0
- 22.22 Amount paid as expenses \$ 0
- 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

GENERAL INTERROGATORIES**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 value and collateral value of securities loaned as of year end 2017 is \$181,243,100 and \$184,929,529 respectively. The amount of cash collateral carried on the balance sheet is \$44,119,498. 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. \$ 184,929,529

24.06 If answer to 24.04 is no, report amount of collateral for other programs \$ 0

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: \$ 44,119,498

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 44,119,498

24.103 Total payable for securities lending reported on the liability page: \$ 44,119,498

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 current 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 sale – excluding FHLB Capital Stock \$ 0

25.27 FHLB Capital Stock \$ 0

25.28 On deposit with states \$ 5,692,354

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: \$ 0

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

1 Name of Firm or Individual	2 Affiliation

GENERAL INTERROGATORIES**PART 1 - COMMON INTERROGATORIES**

Paul LaFleche, SVP Investments Manager	I
Daniel Richards VP, Portfolio Mgr Fixed Income	I
Scott Anthony, VP Sector Portfolio Mgr Fixed Income	I
Alliance Bernstein L.P.	U
Standish Mellon Asset Management	U
GCM Grosvenor LLC	U
Morgan Stanley & Co. LLC	U
Goldman Sachs Asset Management, L.P.	U
Blackrock Financial Management Inc	U
Pacific Investment Management Company LLC	U

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets? Yes [] No [X]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [] No [X]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
108477	Alliance Bernstein L.P.	0JK55UGWSWNF3X7K1Q85	SEC	DS
113972	Standish Mellon Asset Management	ME7YUCK4NF1W8VM8SP25	SEC	DS
169155	GCM Grosvenor LLC	549300PT67J6DFJCA91	SEC	DS
8209	Morgan Stanley & Co. LLC	6N8SC06AK49F0N7K1X52	SEC	DS
107738	Goldman Sachs Asset Management, L.P.	CF5M58QA35CFPUX70H17	SEC	DS
107105	Blackrock Financial Management Inc	549300LVXY1VJKE13M84	SEC	DS
104559	Pacific Investment Management Company LLC	549300KGPYQZXGMYYN38	SEC	DS

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

29.2 If yes, complete the following schedule:

1 CUSIP	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
01882C 10 4	ALLIANCE BERNSTEIN US STRATEGIC VALUE	\$ 107,383,503
464286 10 3	ISHARES AUSTRALIA ETF	\$ 35,334,250
464287 50 7	ISHARES CORE S&P MIDCAP ETF	\$ 85,401,000
464287 80 4	ISHARES CORE S&P SMALL-CAP ETF	\$ 15,362,000
78464A 69 8	SPDR S&P REGIONAL BANKING ETF	\$ 21,774,500
78464A 74 8	SPDR OIL & GAS EQUIP & SERVICES ETF	\$ 8,565,000
78464A 78 9	SPDR S&P INSURANCE ETF	\$ 9,210,000
78464A 87 0	SPDR S&P BIOTECH ETF	\$ 16,549,650
922042 71 8	VANGUARD INTL EQUITY ETF	\$ 14,307,600
922042 77 5	VANGUARD INTL EQUITY INDEX ETF	\$ 158,688,000
922042 85 8	VANGUARD MSCI EMERGING MARKET ETF	\$ 10,559,300
922042 86 6	VANGUARD PACIFIC ETF	\$ 42,282,000
922042 87 4	VANGUARD EUROPEAN ETF	\$ 59,150,000
92204A 87 6	VANGUARD UTILITIES ETF	\$ 68,718,146
92647K 30 9	VICTORY MUNDER INTL SMALL CAP FUND	\$ 234,880,675
L5458T 11 7	INVESCO US SENIOR LOAN GX FUND	\$ 92,696,915
464288 63 8	ISHARES INTERMEDIATE CREDIT FUND	\$ 43,684
29.2999	TOTAL	\$ 980,906,223

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
ALLIANCE BERNSTEIN INTL VALUE FUND	Oracle Corp	\$ 5,540,989	12/31/2017
ALLIANCE BERNSTEIN INTL VALUE FUND	Bank of America Corp	\$ 5,326,222	12/31/2017
ALLIANCE BERNSTEIN INTL VALUE FUND	Intel Corp	\$ 4,381,247	12/31/2017
ALLIANCE BERNSTEIN INTL VALUE FUND	Philip Morris International	\$ 4,327,555	12/31/2017
ALLIANCE BERNSTEIN INTL VALUE FUND	McKesson Corp	\$ 4,177,218	12/31/2017
ISHARES AUSTRALIA ETF	Commonwealth Bank of A	\$ 3,664,515	12/31/2017
ISHARES AUSTRALIA ETF	Westpac Banking Corp	\$ 2,798,826	12/31/2017
ISHARES AUSTRALIA ETF	BHP Billiton Ltd	\$ 2,559,260	12/31/2017
ISHARES AUSTRALIA ETF	Australia and New Zealand	\$ 2,217,224	12/31/2017
ISHARES AUSTRALIA ETF	National Australia Ban	\$ 2,090,021	12/31/2017

GENERAL INTERROGATORIES**PART 1 - COMMON INTERROGATORIES**

ISHARES CORE S&P MIDCAP ETF	Take Two Interactive	\$	615,741	12/31/2017
ISHARES CORE S&P MIDCAP ETF	SVB Financial Group	\$	593,537	12/31/2017
ISHARES CORE S&P MIDCAP ETF	NVR Inc	\$	587,559	12/31/2017
ISHARES CORE S&P MIDCAP ETF	MSCI Inc	\$	553,398	12/31/2017
ISHARES CORE S&P MIDCAP ETF	Teleflex Inc	\$	547,420	12/31/2017
ISHARES CORE S&P SMALL-CAP ETF	New Therapeutics	\$	177,892	12/31/2017
ISHARES CORE S&P SMALL-CAP ETF	Chemed Corp	\$	77,424	12/31/2017
ISHARES CORE S&P SMALL-CAP ETF	Five Below Inc	\$	76,503	12/31/2017
ISHARES CORE S&P SMALL-CAP ETF	Health Care Services Group	\$	74,352	12/31/2017
ISHARES CORE S&P SMALL-CAP ETF	ALLETE Inc	\$	72,970	12/31/2017
SPDR S&P REGIONAL BANKING ETF	Citizens Financial Group	\$	540,879	12/31/2017
SPDR S&P REGIONAL BANKING ETF	SVB Financial Group	\$	533,911	12/31/2017
SPDR S&P REGIONAL BANKING ETF	Signature Bank NY	\$	533,258	12/31/2017
SPDR S&P REGIONAL BANKING ETF	Regions Financial Corp	\$	530,862	12/31/2017
SPDR S&P REGIONAL BANKING ETF	BB&T Corp	\$	529,991	12/31/2017
SPDR OIL & GAS EQUIP & SERV	Noble Corp plc	\$	301,916	12/31/2017
SPDR OIL & GAS EQUIP & SERV	Oceaneering Intenational	\$	299,775	12/31/2017
SPDR OIL & GAS EQUIP & SERV	EnSCO PLC	\$	297,462	12/31/2017
SPDR OIL & GAS EQUIP & SERV	Nabors Industries Ltd	\$	297,034	12/31/2017
SPDR OIL & GAS EQUIP & SERV	Rowan Cos PLC	\$	295,407	12/31/2017
SPDR S&P INSURANCE ETF	Everest RE Group Ltd	\$	211,922	12/31/2017
SPDR S&P INSURANCE ETF	First American Financial	\$	208,422	12/31/2017
SPDR S&P INSURANCE ETF	American Financial Group	\$	207,041	12/31/2017
SPDR S&P INSURANCE ETF	Loews Corp	\$	206,488	12/31/2017
SPDR S&P INSURANCE ETF	American International	\$	205,936	12/31/2017
SPDR S&P BIOTECH ETF	Array BioPharma Inc	\$	285,647	12/31/2017
SPDR S&P BIOTECH ETF	Excelixis Inc	\$	283,826	12/31/2017
SPDR S&P BIOTECH ETF	Amicus Therapeutics Inc	\$	280,682	12/31/2017
SPDR S&P BIOTECH ETF	MiMedx Group Inc	\$	269,428	12/31/2017
SPDR S&P BIOTECH ETF	Immunomedics Inc	\$	267,773	12/31/2017
VANGUARD INTL EQUITY ETF	Open Text Corp	\$	43,352	12/31/2017
VANGUARD INTL EQUITY ETF	First Quantum Minerals	\$	41,349	12/31/2017
VANGUARD INTL EQUITY ETF	Onex Corp	\$	38,344	12/31/2017
VANGUARD INTL EQUITY ETF	Gildan Activewear Inc	\$	36,914	12/31/2017
VANGUARD INTL EQUITY ETF	CCL Industries Inc	\$	33,909	12/31/2017
VANGUARD INTL EQUITY INDES ETF	Tencent Holding LTD	\$	1,945,515	12/31/2017
VANGUARD INTL EQUITY INDES ETF	Nestle SA	\$	1,889,974	12/31/2017
VANGUARD INTL EQUITY INDES ETF	Novartis AG	\$	1,437,713	12/31/2017
VANGUARD INTL EQUITY INDES ETF	HSBC Holdings PLC	\$	1,425,018	12/31/2017
VANGUARD INTL EQUITY INDES ETF	Samsung Electronics Corp	\$	1,271,091	12/31/2017
VANGUARD MSCI EMERGING MARKET ETF	Tencent Holdings LTD	\$	550,773	12/31/2017
VANGUARD MSCI EMERGING MARKET ETF	Naspers Ltd	\$	230,615	12/31/2017
VANGUARD MSCI EMERGING MARKET ETF	Taiwan Semiconductor	\$	209,708	12/31/2017
VANGUARD MSCI EMERGING MARKET ETF	Taiwan Semiconductor	\$	162,296	12/31/2017
VANGUARD MSCI EMERGING MARKET ETF	China Construction	\$	158,178	12/31/2017
VANGUARD PACIFIC ETF	Samsung Electronic Corp	\$	1,265,923	12/31/2017
VANGUARD PACIFIC ETF	Toyota Motor Corp	\$	929,358	12/31/2017
VANGUARD PACIFIC ETF	Commonwealth Bank	\$	590,257	12/31/2017
VANGUARD PACIFIC ETF	AIA Group	\$	554,317	12/31/2017
VANGUARD PACIFIC ETF	Mitsubishi UFJ Filnancial	\$	515,418	12/31/2017
VANGUARD EUROPEAN ETF	Nestle SA	\$	1,471,061	12/31/2017
VANGUARD EUROPEAN ETF	Novartis AG	\$	1,119,118	12/31/2017
VANGUARD EUROPEAN ETF	HSBC Holdings PLC	\$	1,109,063	12/31/2017
VANGUARD EUROPEAN ETF	Roche Holding AG	\$	984,256	12/31/2017
VANGUARD EUROPEAN ETF	Royal Dutch Shell PLC	\$	794,976	12/31/2017
VANGUARD UTILITIES ETF	NextEra Energy Inc	\$	5,842,417	12/31/2017
VANGUARD UTILITIES ETF	Duke Energy Corp	\$	4,918,158	12/31/2017
VANGUARD UTILITIES ETF	Dominion Resources	\$	4,259,151	12/31/2017
VANGUARD UTILITIES ETF	Southern Co	\$	4,031,694	12/31/2017
VANGUARD UTILITIES ETF	Exelon Corp	\$	3,154,850	12/31/2017
VICTORY MUNDER INT'L SMALL CAP FUND	Vanguard FTSE Developed Market	\$	3,901,368	12/31/2017
VICTORY MUNDER INT'L SMALL CAP FUND	Brembo SpA	\$	2,872,591	12/31/2017
VICTORY MUNDER INT'L SMALL CAP FUND	Ipsen SA	\$	2,802,126	12/31/2017
VICTORY MUNDER INT'L SMALL CAP FUND	Lonza Group	\$	2,640,059	12/31/2017

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

VICTORY MUNDER INT'L SMALL CAP FUND	Atos SE	\$ 2,564,897	12/31/2017
INVESCO US SENIOR LOAN - GX FUND	First Data Corp	\$ 1,090,116	12/31/2017
INVESCO US SENIOR LOAN - GX FUND	Cayman Ltd	\$ 846,323	12/31/2017
INVESCO US SENIOR LOAN - GX FUND	IHeartCommunications Inc	\$ 819,441	12/31/2017
INVESCO US SENIOR LOAN - GX FUND	Energy Future Dip	\$ 774,019	12/31/2017
INVESCO US SENIOR LOAN - GX FUND	US Foods Inc	\$ 710,985	12/31/2017
ISHARES INTERMEDIATE CREDIT FUND	KFW	\$ 149	12/31/2017
ISHARES INTERMEDIATE CREDIT FUND	Blackrock Cash Fund	\$ 149	12/31/2017
ISHARES INTERMEDIATE CREDIT FUND	IADB	\$ 128	12/31/2017
ISHARES INTERMEDIATE CREDIT FUND	AVIBB	\$ 118	12/31/2017
ISHARES INTERMEDIATE CREDIT FUND	BAC	\$ 100	12/31/2017

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	\$ 4,623,447,407	\$ 4,672,498,741	\$ 49,051,334
30.2	Preferred Stocks	\$ 0	\$ 0	\$ 0
30.3	Totals	\$ 4,623,447,407	\$ 4,672,498,741	\$ 49,051,334

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 SVO pricing is not available, the securities are priced by our external pricing source, Interactive Data Pricing and Reference Data LLC.

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

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

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

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

32.2 If no, list exceptions:

33. By self-designating 5*GI securities, the reporting entity is certifying the following elements for each self-designation 5*GI security:

- a. Documentation necessary to permit a full credit analysis of the security does not exist.
- b. Issuer or obligor is current on all contracted interest and principal payments.
- c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5*GI securities? Yes [] No [X]

OTHER

34.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 602,127

34.2 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
AMERICAN INSURANCE ASSOCIATION	\$ 511,452

35.1 Amount of payments for legal expenses, if any? \$ 3,449,666

35.2 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
	\$

36.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0

36.2 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	2
Name	Amount Paid
	\$

GENERAL INTERROGATORIES**PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?			Yes []	No [X]
1.2	If yes, indicate premium earned on U.S. business only.		\$		0
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?		\$		0
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.		\$		0
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		\$		0
1.62	Total incurred claims		\$		0
1.63	Number of covered lives				0
	All years prior to most current three years:				
1.64	Total premium earned		\$		0
1.65	Total incurred claims		\$		0
1.66	Number of covered lives				0
1.7	Group policies:				
	Most current three years:				
1.71	Total premium earned		\$		0
1.72	Total incurred claims		\$		0
1.73	Number of covered lives				0
	All years prior to most current three years:				
1.74	Total premium earned		\$		0
1.75	Total incurred claims		\$		0
1.76	Number of covered lives				0
2.	Health Test:				
		1	2		
		Current Year	Prior Year		
2.1	Premium Numerator	\$ 0	\$ 0		
2.2	Premium Denominator	\$ 3,026,293,802	\$ 2,819,104,150		
2.3	Premium Ratio (2.1/2.2)	0.0%	0.0%		
2.4	Reserve Numerator	\$ 0	\$ 0		
2.5	Reserve Denominator	\$ 4,826,541,298	\$ 3,389,985,415		
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 []	No [X]
3.2	If yes, state the amount of calendar year premiums written on:				
3.21	Participating policies		\$		0
3.22	Non-participating policies		\$		0
4.	FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:				
4.1	Does the reporting entity issue assessable policies?			Yes []	No [X]
4.2	Does the reporting entity issue non-assessable policies?			Yes [X]	No []
4.3	If assessable policies are issued, what is the extent of the contingent liability of the policyholders?				%
4.4	Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.		\$		0
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 []
5.22	As a direct expense of the exchange			Yes []	No []
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? <u>The Company does not issue Workers' Compensation contracts.</u>				
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: <u>The Company uses the AIR Touchstone 5.1 software to model our catastrophe exposure in hurricane and earthquake prone areas where we have concentrations of business.</u>				
6.3	What provision has this reporting entity made (such as 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? <u>In addition to controlling the Company's exposure by loss prevention engineering, deductibles, and limits of liability, we purchase risk and catastrophe reinsurance.</u>				
6.4	Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?			Yes []	No [X]
6.5	If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss: <u>There are certain parts of the Company's catastrophe program in the high excess layers for which a reimbursement 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</u>				

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

position and its ability to purchase additional reinsurance if an event occurs, it was determined that a reinstatement clause is 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.	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 []
8.1	Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?	Yes []	No [X]
8.2	If yes, give full information		
9.1	Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results: (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term; (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer; (c) Aggregate stop loss reinsurance coverage; (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party; (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?	Yes []	No [X]
9.2	Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where: (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.	Yes []	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, <i>Property and Casualty Reinsurance</i> , 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 reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?	Yes [X]	No [] N/A []
11.1	Has the reporting entity guaranteed policies issued by any other entity and now in force?	Yes [X]	No []
11.2	If yes, give full information <u>See Notes to the Financial Statements #14 for details on guarantees.</u>		
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
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	\$	0
12.62	Collateral and other funds	\$	0

GENERAL INTERROGATORIES**PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

13.1	Largest net aggregate amount insured in any one risk (excluding workers' compensation):										\$	463,850,000
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.											3
14.1	Is the reporting entity a cedant in a multiple cedant reinsurance contract?											Yes [X] No []
14.2	If yes, please describe the method of allocating and recording reinsurance among the cedants: <u>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.</u>											
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 [X]
14.4	If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?											Yes [X] 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 [X]
15.2	If yes, give full information											
16.1	Does the reporting entity write any warranty business?											Yes [] No [X]
	If yes, disclose the following information for each of the following types of warranty coverage:											
		1	2	3	4	5						
		Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned						
16.11	Home	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
16.12	Products	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
16.13	Automobile	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
16.14	Other*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
	* 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. 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:											Yes [X] No []
17.11	Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5										\$	17,730,000
17.12	Unfunded portion of Interrogatory 17.11										\$	17,730,000
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										\$	17,730,000
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 accounts?											Yes [] No [X]
18.2	If yes, please provide the amount of custodial funds held as of the reporting date.										\$	0
18.3	Do you act as an administrator for health savings accounts?											Yes [] No [X]
18.4	If yes, please provide the balance of the funds administered as of the reporting date.										\$	0

FIVE-YEAR HISTORICAL DATA

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

	1 2017	2 2016	3 2015	4 2014	5 2013
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).....					
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	2,901,454,869	2,831,744,004	2,824,409,792	3,070,982,857	3,097,178,280
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	937,664,496	918,789,317	854,847,276	604,298,111	625,021,876
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	286,745,376	282,961,068	283,483,936	291,938,101	287,474,672
6. Total (Line 35).....	4,125,864,741	4,033,494,389	3,962,741,004	3,967,219,069	4,009,674,828
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).....					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	1,936,028,459	1,857,014,780	1,878,091,814	2,125,272,932	2,100,831,894
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	742,383,984	721,110,924	685,453,655	484,707,776	500,505,204
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	216,230,276	217,086,642	218,547,090	228,518,855	223,201,615
12. Total (Line 35).....	2,894,642,719	2,795,212,346	2,782,092,559	2,838,499,563	2,824,538,713
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....	(1,157,470,547)	470,921,256	372,777,718	633,290,990	594,066,275
14. Net investment gain (loss) (Line 11).....	433,756,490	378,399,913	385,052,769	367,023,124	365,436,044
15. Total other income (Line 15).....	(4,655,451)	(13,702,223)	(15,222,480)	(18,704,732)	(2,398,826)
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	(394,965,583)	234,056,971	192,528,895	310,785,002	294,617,242
18. Net income (Line 20).....	(333,403,925)	601,561,975	550,079,112	670,824,380	662,486,251
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	19,155,464,895	16,764,262,160	15,682,895,828	15,070,065,036	13,795,712,203
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	527,414,381	530,215,499	481,286,202	541,984,725	415,546,721
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).....	6,653,687,891	5,244,906,593	5,136,241,827	4,928,219,299	4,642,256,727
22. Losses (Page 3, Line 1).....	3,326,000,928	1,742,695,515	1,930,207,036	1,692,117,034	1,766,167,326
23. Loss adjustment expenses (Page 3, Line 3).....	210,946,724	158,637,459	155,342,000	158,858,474	158,359,867
24. Unearned premiums (Page 3, Line 9).....	1,260,073,503	1,391,724,586	1,415,616,390	1,417,758,943	1,312,020,891
25. Capital paid up (Page 3, Lines 30 & 31).....					
26. Surplus as regards policyholders (Page 3, Line 37).....	12,501,777,004	11,519,355,567	10,546,654,001	10,141,845,737	9,153,455,476
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....	201,644,577	424,876,007	532,796,242	587,410,630	426,310,102
Risk-Based Capital Analysis					
28. Total adjusted capital.....	12,501,777,004	11,519,355,567	10,546,654,001	10,141,845,737	9,153,455,476
29. Authorized control level risk-based capital.....	1,792,202,218	1,246,919,588	1,141,331,442	1,117,514,713	1,041,576,678
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).....	25.5	26.6	26.4	25.1	27.3
31. Stocks (Lines 2.1 & 2.2).....	57.7	56.5	55.6	57.5	56.5
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).....	5.8	4.5	5.3	4.7	4.0
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					
37. Other invested assets (Line 8).....	10.7	12.0	12.3	12.4	11.8
38. Receivables for securities (Line 9).....	0.0	0.0	0.0	0.1	0.0
39. Securities lending reinvested collateral assets (Line 10).....	0.2	0.3	0.4	0.2	0.4
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).....	3,617,278,129	2,885,607,991	2,691,526,706	2,597,913,531	2,309,437,037
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.....	1,077,554,893	1,058,205,255	993,433,806	943,670,260	819,309,638
48. Total of above lines 42 to 47.....	4,694,833,022	3,943,813,246	3,684,960,512	3,541,583,791	3,128,746,675
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).....	37.6	34.2	34.9	34.9	25.2

Annual Statement for the year 2017 of the **FACTORY MUTUAL INSURANCE COMPANY**
FIVE-YEAR HISTORICAL DATA
(Continued)

	1	2	3	4	5
	2017	2016	2015	2014	2013
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24).....	1,573,545,106	373,743,063	(65,463,722)	378,973,160	932,692,210
52. Dividends to stockholders (Line 35).....					
53. Change in surplus as regards policyholders for the year (Line 38).....	982,421,437	972,701,566	404,808,264	988,390,261	1,628,333,410
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).....	27,600,996	18,759,299	24,125,531	26,005,142	19,099,435
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	1,498,962,956	1,146,240,352	1,227,888,342	1,185,499,720	1,571,799,881
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	424,977,539	331,667,312	254,298,560	263,220,123	297,046,626
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	(56,027)	(53,778)	(47,733)	(43,293)	(108,793)
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	74,273,971	463,555,731	145,710,557	220,535,156	166,553,606
59. Total (Line 35).....	2,025,759,435	1,960,168,916	1,651,975,257	1,695,216,848	2,054,390,755
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).....	1,171,215	5,248,431	6,234,447	6,673,061	4,023,716
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	1,259,595,009	934,355,452	933,445,884	921,106,657	1,028,676,871
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	330,100,177	269,960,196	228,099,399	230,408,075	253,186,348
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	(56,027)	(53,778)	(47,733)	(43,293)	(108,793)
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	(6,124,807)	414,644,846	105,879,531	187,061,761	159,579,811
65. Total (Line 35).....	1,584,685,567	1,624,155,147	1,273,611,528	1,345,206,261	1,445,357,953
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).....	104.7	51.0	54.3	46.5	47.6
68. Loss expenses incurred (Line 3).....	4.5	3.5	3.7	3.6	3.0
69. Other underwriting expenses incurred (Line 4).....	29.1	28.8	28.7	26.7	28.0
70. Net underwriting gain (loss) (Line 8).....	(38.2)	16.7	13.4	23.2	21.4
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).....	30.6	29.5	29.2	26.3	27.6
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	109.1	54.5	58.0	50.2	50.6
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).....	23.2	24.3	26.4	28.0	30.9
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).....	(35,596)	(195,335)	40,397	(159,404)	166,153
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year-end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....	(0.3)	(1.9)	0.4	(1.7)	2.2
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).....	(203,489)	38,362	(103,555)	42,105	7,621
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).....	(1.9)	0.4	(1.1)	0.6	0.1

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?
If no, please explain:

Yes [] No []

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments						12 Number of Claims Reported-Direct and Assumed		
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments			10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX	XXX	XXX	54,977	33,669	4,409	1,703	7	(7)	1,864	24,029	XXX
2. 2008.....	3,043,700	719,342	2,324,358	2,732,539	766,845	26,768	2,285	74,423	9,782	23,595	2,054,817	XXX
3. 2009.....	3,358,963	757,262	2,601,701	798,682	131,635	26,344	143	89,373	2,439	9,521	780,181	XXX
4. 2010.....	3,230,937	829,057	2,401,879	1,499,050	197,729	2,769	3,941	64,693	19,060	13,436	1,345,782	XXX
5. 2011.....	3,374,597	847,435	2,527,162	3,427,072	1,014,165	7,618	501	84,342	8,192	13,651	2,496,173	XXX
6. 2012.....	3,803,061	959,893	2,843,168	2,153,499	524,922	29,019	4,988	75,542	4,869	11,351	1,723,281	XXX
7. 2013.....	3,870,242	1,096,002	2,774,240	1,278,770	174,187	14,382	2,305	76,814	4,226	7,917	1,189,248	XXX
8. 2014.....	3,881,846	1,149,085	2,732,761	1,579,800	228,307	7,839	1,277	81,840	4,803	7,409	1,435,092	XXX
9. 2015.....	3,948,178	1,163,942	2,784,236	1,551,301	373,358	8,369	608	85,062	5,606	3,604	1,265,160	XXX
10. 2016.....	4,013,303	1,194,199	2,819,104	1,626,018	283,574	6,284	1,305	83,317	5,734	(206)	1,425,005	XXX
11. 2017.....	4,261,210	1,234,915	3,026,295	1,089,761	213,555	2,600	621	50,980	4,176	(392)	924,989	XXX
12. Totals.....	XXX	XXX	XXX	17,791,468	3,941,946	136,401	19,677	766,393	68,882	91,750	14,663,757	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.....	207,020	68,058	762,820	336,115	25,208	9,967	10,478		43,710		635,093	XXX	
2. 2008.....	(270)	305			0						1,202	(574)	XXX
3. 2009.....	(1,120)				2						1,387	(1,118)	XXX
4. 2010.....	(1,294)	516	6,480		5						1,572	4,675	XXX
5. 2011.....	5,418		5,830		17						2,773	11,264	XXX
6. 2012.....	7,223	59,199	53,983		2,258				9,010		3,883	13,274	XXX
7. 2013.....	4,216		17,887		15						5,362	22,117	XXX
8. 2014.....	13,636	1,285	29,606		179		576		831		10,076	43,544	XXX
9. 2015.....	79,135	19,743	26,288		431		1,115		1,824		13,615	89,052	XXX
10. 2016.....	275,581	47,932	53,152		1,671		1,489		7,756		20,970	291,716	XXX
11. 2017.....	2,717,112	660,887	257,338		20,601		1,377		92,361		25,661	2,427,903	XXX
12. Totals.....	3,306,657	857,924	1,213,384	336,115	50,387	9,967	15,035	0	155,492	0	86,500	3,536,947	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
1. Prior..	XXX	XXX	XXX	XXX	XXX	XXX			XXX	565,666	69,428
2. 2008.	2,833,460	779,217	2,054,244	93.1	108.3	88.4			86.00	(574)	0
3. 2009.	913,281	134,218	779,063	27.2	17.7	29.9			86.00	(1,120)	2
4. 2010.	1,571,703	221,246	1,350,457	48.6	26.7	56.2			86.00	4,670	5
5. 2011.	3,530,296	1,022,858	2,507,438	104.6	120.7	99.2			86.00	11,248	17
6. 2012.	2,330,533	593,978	1,736,555	61.3	61.9	61.1			86.00	2,007	11,267
7. 2013.	1,392,083	180,718	1,211,365	36.0	16.5	43.7			86.00	22,102	15
8. 2014.	1,714,308	235,672	1,478,636	44.2	20.5	54.1			86.00	41,958	1,586
9. 2015.	1,753,526	399,315	1,354,211	44.4	34.3	48.6			86.00	85,680	3,371
10. 2016.	2,055,267	338,546	1,716,721	51.2	28.3	60.9			86.00	280,800	10,916
11. 2017.	4,232,131	879,238	3,352,892	99.3	71.2	110.8			86.00	2,313,564	114,339
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	3,326,001	210,947

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
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	One Year	Two Year
1. Prior.....	723,751	852,435	845,132	814,816	793,588	937,215	918,051	976,658	969,094	1,013,087	43,993	36,430
2. 2008.....	2,095,256	2,017,961	2,002,859	1,959,567	1,949,603	1,965,413	1,975,103	1,980,919	1,995,553	1,989,603	(5,950)	8,684
3. 2009.....	XXX	956,813	714,739	700,137	690,547	682,041	679,110	686,699	694,554	692,129	(2,425)	5,430
4. 2010.....	XXX	XXX	1,406,985	1,352,657	1,320,660	1,301,569	1,305,138	1,308,961	1,301,080	1,304,825	3,745	(4,136)
5. 2011.....	XXX	XXX	XXX	2,479,920	2,469,746	2,428,480	2,427,646	2,444,981	2,446,224	2,431,288	(14,936)	(13,693)
6. 2012.....	XXX	XXX	XXX	XXX	1,725,297	1,800,876	1,686,498	1,670,435	1,672,794	1,656,873	(15,922)	(13,562)
7. 2013.....	XXX	XXX	XXX	XXX	XXX	1,177,143	1,141,787	1,120,529	1,129,488	1,138,777	9,289	18,248
8. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	1,443,839	1,428,387	1,406,746	1,400,768	(5,978)	(27,619)
9. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,486,201	1,292,901	1,272,931	(19,970)	(213,270)
10. 2016.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,658,825	1,631,383	(27,442)	XXX
11. 2017.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,213,727	XXX	XXX
12. Totals.....											(35,596)	(203,489)

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
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
1. Prior.....	000	159,390	246,384	292,627	327,109	333,744	356,410	374,425	397,690	421,704	XXX	XXX
2. 2008.....	809,114	1,655,559	1,806,101	1,882,171	1,920,965	1,913,816	1,981,751	1,980,255	1,995,875	1,990,177	XXX	XXX
3. 2009.....	XXX	248,998	561,340	654,992	669,541	676,518	678,380	692,656	692,845	693,247	XXX	XXX
4. 2010.....	XXX	XXX	570,851	1,160,032	1,243,217	1,285,493	1,295,729	1,299,229	1,300,562	1,300,149	XXX	XXX
5. 2011.....	XXX	XXX	XXX	932,506	2,007,368	2,329,682	2,393,496	2,433,480	2,426,944	2,420,024	XXX	XXX
6. 2012.....	XXX	XXX	XXX	XXX	825,034	1,483,598	1,613,320	1,645,102	1,654,853	1,652,608	XXX	XXX
7. 2013.....	XXX	XXX	XXX	XXX	XXX	445,342	899,390	1,060,981	1,107,358	1,116,660	XXX	XXX
8. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	614,658	1,207,921	1,337,214	1,358,055	XXX	XXX
9. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	432,313	1,048,080	1,185,704	XXX	XXX
10. 2016.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	804,181	1,347,423	XXX	XXX
11. 2017.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	878,185	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
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Prior.....	382,564	466,700	415,079	357,700	316,461	435,500	387,780	440,344	413,233	437,182
2. 2008.....	218,816	95,581	69,585	45,397	36,994	4,000				
3. 2009.....	XXX	188,283	41,256	20,071	15,061	12,500	5,277		2,998	
4. 2010.....	XXX	XXX	177,613	55,746	31,655	23,161	15,410	12,960	4,397	6,480
5. 2011.....	XXX	XXX	XXX	214,129	138,016	36,642	20,449	14,155	14,795	5,830
6. 2012.....	XXX	XXX	XXX	XXX	116,482	80,940	63,888	57,928	78,316	53,983
7. 2013.....	XXX	XXX	XXX	XXX	XXX	106,725	55,669	17,921	17,303	17,887
8. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	116,703	35,052	29,778	30,183
9. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	185,875	62,669	27,404
10. 2016.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	148,632	54,641
11. 2017.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	258,716

FACTORY MUTUAL 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	28,603,524	31,708,740		6,804,852	5,148,946	5,897,318		
2. Alaska.....AK	L	11,705,117	13,449,823		2,538,133	519,402	930,935		
3. Arizona.....AZ	L	34,130,243	35,860,105		25,848,128	15,560,162	20,156,945		
4. Arkansas.....AR	L	20,904,756	22,628,976		9,285,028	7,555,119	8,264,071		
5. California.....CA	L	347,962,062	369,457,742		59,793,406	105,237,270	93,868,290		
6. Colorado.....CO	L	21,171,735	22,561,292		23,251,683	54,848,405	43,964,692		
7. Connecticut.....CT	L	26,647,322	30,726,358		3,651,395	7,918,483	10,200,268		
8. Delaware.....DE	L	2,240,765	2,576,419		952,041	3,266,488	3,252,247		
9. District of Columbia.....DC	L	10,368,242	10,995,099		2,399,422	3,269,768	5,951,479		
10. Florida.....FL	L	108,611,340	115,307,691		67,801,725	211,216,132	183,407,819		
11. Georgia.....GA	L	67,393,690	68,076,937		28,084,792	51,119,079	61,599,309		
12. Hawaii.....HI	L	7,340,929	7,803,135		15,000	327,417	410,774		
13. Idaho.....ID	L	9,571,903	10,351,454			(30,079)	1,076,746		
14. Illinois.....IL	L	82,200,975	88,233,779		15,733,002	21,583,928	38,995,635		
15. Indiana.....IN	L	41,931,387	43,792,263		13,954,028	25,616,988	18,461,782		
16. Iowa.....IA	L	30,051,766	29,719,081		8,193,570	21,166,823	17,232,370		
17. Kansas.....KS	L	16,105,222	17,132,657		11,952,978	19,658,888	10,016,804		
18. Kentucky.....KY	L	47,351,418	52,763,034		11,061,884	12,271,840	14,374,365		
19. Louisiana.....LA	L	48,248,973	53,099,169		13,290,607	35,489,977	59,639,898		
20. Maine.....ME	L	8,556,693	9,217,831		5,315,541	1,482,289	2,179,340		
21. Maryland.....MD	L	26,638,274	29,075,147		48,261,747	37,477,927	23,163,928		
22. Massachusetts.....MA	L	52,076,255	55,171,828		13,430,399	18,812,040	29,625,465		
23. Michigan.....MI	L	42,189,937	47,066,399		12,802,181	11,849,263	15,588,430		
24. Minnesota.....MN	L	40,025,212	41,246,826		6,878,822	12,503,731	9,944,748		
25. Mississippi.....MS	L	18,681,131	20,408,955		1,025,361	1,364,107	1,181,984		
26. Missouri.....MO	L	36,675,295	39,610,612		19,997,715	21,349,438	14,725,650		
27. Montana.....MT	L	5,236,248	5,858,271		7,838,355	11,870,256	4,295,753		
28. Nebraska.....NE	L	13,648,964	13,849,405		11,014,966	5,179,712	3,769,203		
29. Nevada.....NV	L	21,143,561	22,806,653		8,246,778	21,250,643	19,528,825		
30. New Hampshire.....NH	L	7,627,984	8,563,003		2,037,735	344,216	4,615,976		
31. New Jersey.....NJ	L	41,724,779	41,703,860		15,096,569	18,703,805	32,532,853		
32. New Mexico.....NM	L	5,653,152	6,677,402		3,471,118	3,716,380	6,771,382		
33. New York.....NY	L	104,391,357	105,352,807		24,885,287	111,990,533	316,987,674		
34. North Carolina.....NC	L	55,200,499	66,744,451		41,768,682	45,172,422	37,370,715		
35. North Dakota.....ND	L	19,323,989	19,937,265		5,559,855	(17,370,636)	10,766,727		
36. Ohio.....OH	L	60,378,257	67,710,251		60,755,402	25,571,839	50,969,105		
37. Oklahoma.....OK	L	23,495,025	24,275,683		103,211,510	8,604,837	7,382,185		
38. Oregon.....OR	L	33,352,069	37,882,204		1,616,853	6,013,664	4,645,274		
39. Pennsylvania.....PA	L	94,191,627	102,159,352		24,310,501	16,008,853	49,749,001		
40. Rhode Island.....RI	L	8,500,104	8,806,872		1,226,745	2,919,770	4,254,668		
41. South Carolina.....SC	L	36,707,913	38,775,237		25,260,013	13,917,782	21,663,013		
42. South Dakota.....SD	L	5,991,340	5,782,665			195,759	195,759		
43. Tennessee.....TN	L	55,992,965	60,985,549		59,052,640	264,081,578	253,032,942		
44. Texas.....TX	L	190,901,546	198,375,678		227,991,882	490,418,858	431,840,160		
45. Utah.....UT	L	17,132,023	18,638,018			3,408,632	4,035,633		
46. Vermont.....VT	L	5,157,844	5,965,228		502,513	2,709,188	2,280,320		
47. Virginia.....VA	L	36,645,626	41,036,646		550,106	10,936,283	8,950,098		
48. Washington.....WA	L	57,768,978	64,294,313		6,922,479	28,050,502	21,545,837		
49. West Virginia.....WV	L	4,842,618	5,653,147		21,260,717	818,002	1,877,954		
50. Wisconsin.....WI	L	39,938,693	42,807,863		1,960,328	14,949,066	10,442,673		
51. Wyoming.....WY	L	8,388,311	9,652,476		16,111,808	(677,724)	4,973,894		
52. American Samoa.....AS	N	238	292						
53. Guam.....GU	L	272,227	306,805						
54. Puerto Rico.....PR	L	23,036,061	23,711,117		21,776,812	639,440,713	619,598,839		
55. US Virgin Islands.....VI	L	137,592	139,002			12,804,987	12,804,987		
56. Northern Mariana Islands.....MP	L	29,672	29,736						
57. Canada.....CAN	L	279,789,365	282,157,376		140,686,461	216,862,861	187,552,528		
58. Aggregate Other Alien.....OT	XXX	255,286,212	255,835,398	0	100,721,891	96,249,871	136,672,843	0	0
59. Totals.....(a).55		2,699,271,004	2,854,515,377	0	1,346,161,446	2,760,726,482	2,965,218,113	0	0

DETAILS OF WRITE-INS

58001. AFG AFGHANISTAN	XXX	94,294	72,952						
58002. DZA ALGERIA.....	XXX	161,235	161,243						
58003. AGO ANGOLA.....	XXX	139,688	102,625						
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	254,890,995	255,498,578	0	100,721,891	96,249,871	136,672,843	0	0
58999. Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above)	XXX	255,286,212	255,835,398	0	100,721,891	96,249,871	136,672,843	0	0

(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 (other than their state of domicile see DSLI); (D) - DSLI - Domestic Surplus Lines Insurer (DSLI) - Reporting entities authorized to write Surplus Lines in the state of domicile; (N) - None of the above - Not allowed to write business in the state.

Explanation of Basis of Allocation of Premiums by States, etc.

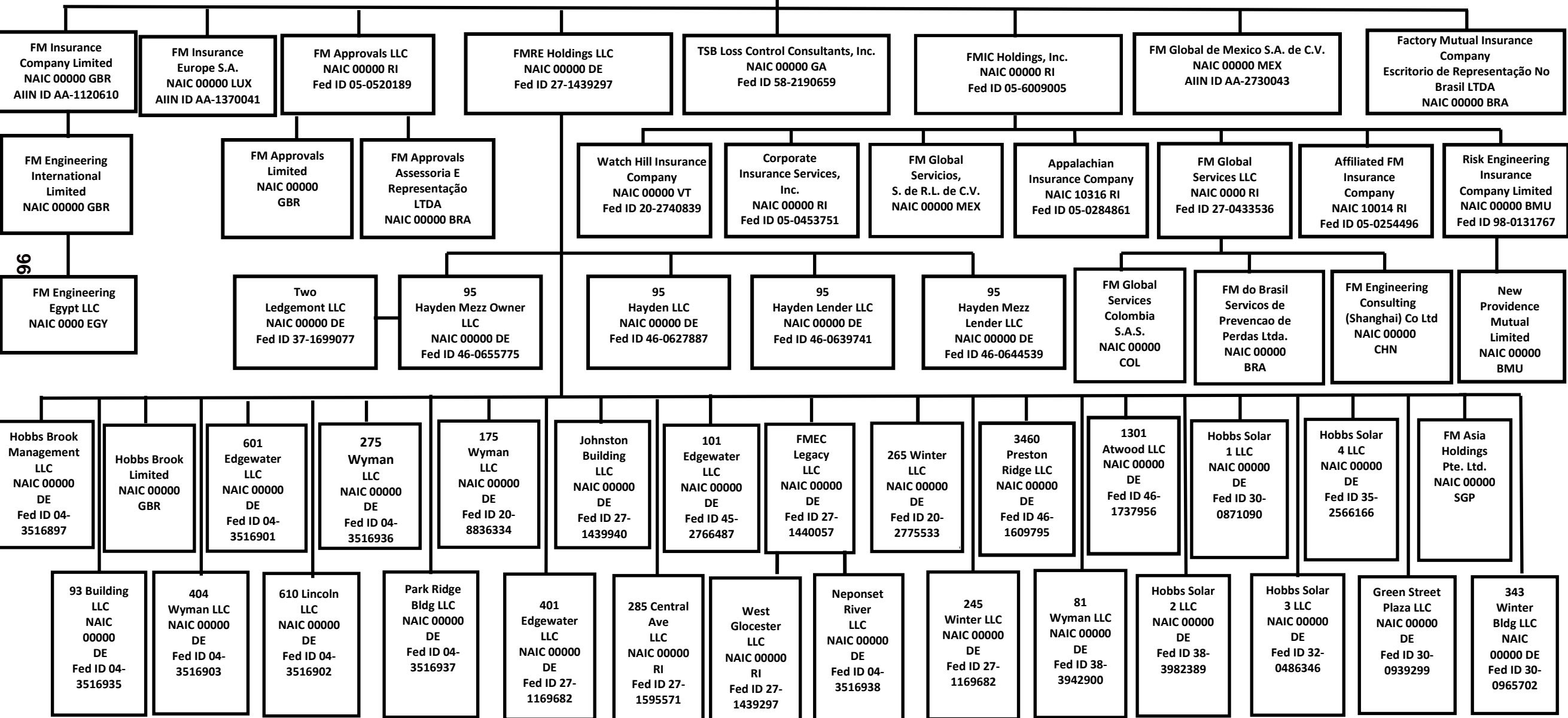
All premiums are allocated to the location of the property insured.

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

Organizational Chart
December 31, 2017

Policyholders

Factory Mutual Insurance Company
NAIC 21482 Fed ID 05-0316605 RI
100% OWNERSHIP of all Subs



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