BrickStreet Mutual Insurance Company and Subsidiaries

Consolidated Statutory-Basis Financial Statements and Supplementary Information

Years Ended December 31, 2017 and 2016

DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

Audit Committee of Board of Directors
Motorists Mutual Insurance Company, Affiliates and Subsidiaries
Columbus, Ohio

We have audited the accompanying consolidated statutory-basis financial statements of BrickStreet Mutual Insurance Company and its wholly owned subsidiaries, NorthStone Insurance Company, SummitPoint Insurance Company, PinnaclePoint Insurance Company, and HM Casualty Insurance Company (collectively, the Company), which comprise the consolidated statutory-basis statements of admitted assets, liabilities and policyholders' surplus as of December 31, 2017 and 2016, and the related consolidated statutory-basis statements of operations, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the consolidated statutory-basis financial statements.

Management's Responsibility for the Consolidated Statutory-Basis Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated statutory-basis financial statements in accordance with statutory accounting principles prescribed or permitted by the West Virginia Offices of the Insurance Commissioner and the Pennsylvania Insurance Department (Regulators); this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of statutory-basis financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described more fully in Note 1 to the consolidated statutory-basis financial statements, the consolidated statutory-basis financial statements are prepared by the Company in accordance with statutory accounting principles prescribed or permitted by the Regulators, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Regulators. The effects on the consolidated statutory-basis financial statements of the variances between the statutory accounting principles described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

DHG
DIXON HUGHES GOODMAN LLP

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, the consolidated statutory-basis financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2017 and 2016, or the results of their operations or their cash flows for the years then ended.

Opinion on Statutory-Basis of Accounting

In our opinion, the consolidated statutory-basis financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated admitted assets, liabilities and policyholders' surplus of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with statutory accounting principles prescribed or permitted by the Regulators.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic consolidated statutory-basis financial statements taken as a whole. The Supplementary Information on pages 35 through 50 consists of the consolidating statutory-basis statement of admitted assets, liabilities and policyholders' surplus as of December 31, 2017, and the related consolidating statutory-basis statements of operations and changes in policyholders' surplus for the year then ended, the consolidated summary investment schedule, and the consolidated supplemental investment risks interrogatories as of December 31, 2017. These schedules are presented for purposes of additional analysis and are not a required part of the basic consolidated statutory-basis financial statements. This additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated statutory-basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated statutory-basis financial statements or to the consolidated statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, it is inappropriate to and we do not express an opinion on the Supplementary Information in accordance with accounting principles generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the consolidated statutory-basis financial statements in accordance with statutory accounting principles prescribed or permitted by the West Virginia Offices of the Insurance Commissioner and the Pennsylvania Insurance Department as a whole.

Dixon Hughes Goodman LLP

Charlotte, North Carolina
May 17, 2018

BrickStreet Mutual Insurance Company and Subsidiaries
Consolidated Statutory-Basis Statements of Admitted Assets, Liabilities and Policyholders' Surplus
December 31, 2017 and 2016

	2017	2016
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	**$ 1,823,560,728**	$ 1,784,948,432
Common stocks	**175,764,689**	158,486,376
Property occupied by the Company	**19,338,115**	20,079,938
Properties held for sale	**474,181**	-
Cash, cash equivalents and short-term investments	**121,990,683**	66,017,743
Receivable for securities	**14,240,653**	1,984,828
Other invested assets	**748,550**	437,000
Total cash and invested assets	**2,156,117,599**	2,031,954,317
Accrued investment income	**14,813,915**	14,264,080
Premiums receivable	**133,212,929**	133,210,799
Deposits under assumption agreements	**1,064,549**	1,091,326
Net deferred income tax asset	**28,744,662**	45,076,885
Electronic data processing equipment and software, net	**2,816,093**	2,147,769
Other assets	**7,599,840**	27,798,102
Total admitted assets	**$ 2,344,369,587**	$ 2,255,543,278
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Liabilities:		
Loss reserves	**$ 1,004,572,494**	$ 971,118,870
Loss adjustment expense reserves	**153,098,950**	159,892,715
Reinsurance payable on paid losses and loss adjustment expenses	**283,441**	400,328
Commissions payable	**18,470,756**	14,718,778
Accounts payable and other accrued expenses	**72,108,748**	37,117,746
Federal income taxes payable	**325,127**	573,359
Unearned premiums	**163,495,750**	171,038,111
Premiums collected in advance	**2,159,660**	2,303,308
Ceded reinsurance premiums payable, net of ceding commissions	**985,509**	838,974
Remittances and items not allocated	**1,518,029**	1,181,582
Payable for securities	**8,021,070**	-
Funds held for others	**17,651,543**	7,708,530
Other liabilities	**102,950,192**	132,567,103
Total liabilities	**1,545,641,269**	1,499,459,404
Policyholders' surplus	**798,728,318**	756,083,874
Total liabilities and policyholders' surplus	**$ 2,344,369,587**	$ 2,255,543,278

See accompanying consolidated statutory-basis notes.

	2017	2016
Revenues:		
Premiums earned, net	**$ 384,694,179**	$ 320,259,648
Expenses:		
Losses incurred	**180,482,702**	170,513,300
Loss adjustment expenses incurred	**54,129,721**	52,250,079
Other underwriting expenses incurred	**130,819,135**	92,682,859
Net underwriting gain	**19,262,621**	4,813,410
Investment income:		
Investment income earned, net	**52,883,390**	49,325,536
Net realized capital gains	**7,471,210**	2,703,484
Net investment income	**60,354,600**	52,029,020
Other expenses:		
Net loss from agents' or premium balances charged off	**1,838,702**	1,642,263
Policyholder dividends	**1,344,439**	-
Other expense (income)	**28,976,348**	(779,440)
Total other expenses	**32,159,489**	862,823
Income before income taxes	**47,457,732**	55,979,607
Income tax expense	**14,813,332**	12,658,678
Net income	**$ 32,644,400**	$ 43,320,929

	Additional Paid-In Surplus	Special Surplus	Unassigned Surplus	Total
Balance, December 31, 2015	$ 12,319,535	$ -	$ 693,491,184	$ 705,810,719
Net income	-	-	43,320,929	43,320,929
Change in net unrealized capital losses, net of deferred income taxes	-	-	7,700,783	7,700,783
Change in net deferred income taxes	-	-	4,326,324	4,326,324
Change in nonadmitted assets	-	-	(5,074,881)	(5,074,881)
Retroactive reinsurance gain	-	731,540	(731,540)	-
Balance, December 31, 2016	12,319,535	731,540	743,032,799	756,083,874
Net income	-	-	32,644,400	32,644,400
Change in net unrealized capital gains, net of deferred income taxes	-	-	19,416,198	19,416,198
Change in net deferred income taxes	-	-	(29,528,531)	(29,528,531)
Change in nonadmitted assets	-	-	20,112,377	20,112,377
Retroactive reinsurance loss	-	(731,540)	731,540	-
Balance, December 31, 2017	$ 12,319,535	$ -	$ 786,408,783	$ 798,728,318

BrickStreet Mutual Insurance Company and Subsidiaries
Consolidated Statutory-Basis Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Premiums collected, net of reinsurance	**$ 371,204,299**	$ 323,958,621
Benefit and loss-related payments	**(142,386,339)**	(131,220,688)
Commissions and expenses paid	**(166,361,397)**	(136,969,593)
Net investment income received	**65,778,891**	61,848,911
Federal income taxes paid	**(20,967,027)**	(14,100,000)
Miscellaneous expenses paid	**(1,660,923)**	(862,820)
Net cash provided by operating activities	**105,607,504**	102,654,431
Cash flows from investing activities:		
Proceeds from sales, maturities or repayments of investments:		
Bonds	**616,552,354**	740,399,067
Stocks	**51,709,487**	59,508,464
Other invested assets	**9,200,000**	9,000,000
Miscellaneous applications	**8,021,465**	(2,444)
Total investment proceeds	**685,483,306**	808,905,087
Cost of investments acquired:		
Bonds	**667,365,047**	922,580,323
Stocks	**58,817,471**	59,808,020
Real estate	**482,116**	84,917
Other invested assets	**9,200,000**	9,000,000
Miscellaneous applications	**12,255,825**	5,152,302
Total investments acquired	**748,120,459**	996,625,562
Net cash used in investing activities	**(62,637,153)**	(187,720,475)
Cash flows from financing activities and miscellaneous sources:		
Purchase of equipment, net	**(839,650)**	(187,780)
Renewal rights	**-**	(13,000,000)
Cash received from acquisition of subsidiary	**30,025,155**	-
Retrospective reinsurance, net	**(57,544,047)**	130,346,405
Other cash provided (applied)	**41,361,131**	(14,582,820)
Net cash provided by financing activities and miscellaneous sources	**13,002,589**	102,575,805
Net increase in cash, cash equivalents and short-term investments	**55,972,940**	17,509,761
Cash, cash equivalents and short-term investments, beginning of period	**66,017,743**	48,507,982
Cash, cash equivalents and short-term investments, end of period	**$ 121,990,683**	$ 66,017,743

Notes to Consolidated Statutory-Basis Financial Statements

1. Nature of Business and Significant Accounting Policies

Nature of Business

BrickStreet Mutual Insurance Company (BrickStreet) began operations on January 1, 2006. BrickStreet is a mono-line workers' compensation carrier domiciled in the state of West Virginia and was founded as part of the transition of the state of West Virginia from a monopolistic state to a voluntary market. BrickStreet remains the leading provider (based on market share of direct premium written) for workers' compensation coverage in the state of West Virginia. Beginning in 2009, BrickStreet expanded into other states.

During 2012, BrickStreet acquired a wholly owned subsidiary, PennCommonwealth Casualty of America Corporation (PennCommonwealth). After acquisition, PennCommonwealth was renamed NorthStone Insurance Company (NorthStone) and BrickStreet invested $9.2 million in additional paid-in capital. NorthStone is a mono-line workers' compensation carrier domiciled in the Commonwealth of Pennsylvania. The two companies entered into a pooling arrangement whereby NorthStone cedes all business written to the pool and assumes back 2% of pool results.

During 2013, BrickStreet formed two new wholly owned subsidiaries domiciled in the State of West Virginia. Each subsidiary was capitalized with a cash contribution of $10.2 million. The two subsidiaries, SummitPoint Insurance Company (SummitPoint) and PinnaclePoint Insurance Company (PinnaclePoint) became parties to the pooling arrangement during 2013, assuming 2% of pooled business each. BrickStreet's portion of the pooling arrangement was reduced to 94%. The pooling arrangement remained unchanged in 2016 and 2017.

On January 1, 2017, BrickStreet acquired 100% of the outstanding common stock of HM Casualty Insurance Company (HMC). HMC is a mono-line workers' compensation carrier domiciled in the Commonwealth of Pennsylvania. BrickStreet assumes 100% of the business written by HMC.

BrickStreet and its subsidiaries are referred to collectively as the Company.

On a consolidated basis, 37% of direct premium is written in the state of West Virginia for the year ended December 31, 2017. As of December 31, 2017, the Company is licensed to write insurance in 19 jurisdictions located predominately in the eastern United States.

Basis of Consolidation

The consolidated statutory-basis financial statements include the accounts of BrickStreet, NorthStone, SummitPoint, PinnaclePoint, and HM Casualty as of December 31, 2017 and 2016. All significant intercompany accounts and transactions, including the pooling arrangement, have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated statutory-basis financial statements of the Company have been prepared in conformity with statutory accounting principles promulgated by the National Association of Insurance Commissioners (NAIC) and adopted, prescribed, or permitted by the West Virginia Offices of the Insurance Commissioner (WVOIC) and the Pennsylvania Insurance Department (PID). Together, the NAIC and any practices prescribed or permitted by the WVOIC or the PID form SAP.

As of December 31, 2017, the Company received a permitted practice from the WVOIC and the PID to file consolidated audited statutory-basis financial statements. In addition, as discussed further in Note 1 under "Permitted Practice," the Company received a permitted practice to account for a selected retroactive reinsurance agreement as prospective reinsurance. The Company was not subject to any other prescribed practices and does not have any other permitted practices that affect net income or policyholders' surplus.

The accompanying consolidated statutory-basis financial statements have been prepared in conformity with SAP, which varies from accounting principles generally accepted in the United States of America (GAAP). The more significant variances from GAAP are as follows:

- Investments in bonds are carried at amortized cost unless designated by the NAIC to be carried at prescribed fair values; under GAAP, investments in bonds are classified as either held-to-maturity, available-for-sale, or trading securities and, other than those classified as held-to-maturity, are carried at fair value, with the related unrealized gain or loss recorded as a component of other comprehensive income in equity (available-for-sale) or as a component of realized gains and losses in the statements of operations (trading).

- All single class and multi-class mortgage-backed/asset-backed securities, such as collateralized mortgage obligations (CMOs), when it is determined that a decline in fair value is other-than-temporary, the amortized cost basis is written down to the present value of future cash flows. The difference between the amortized cost basis and the present value of future cash flows is recognized as a realized loss in the consolidated statutory-basis statements of operations. For GAAP purposes, all securities held representing beneficial interests in securitized assets, such as CMOs, mortgage-backed securities and other asset-backed securities, excluding high credit quality securities, are written down to fair value if the decline is determined to be other-than-temporary. The credit component of the other-than-temporary impairment is recognized as a realized loss in the statements of income, and the non-credit component of the other-than-temporary impairment is recognized in other comprehensive income.

- The costs of acquiring and renewing business are expensed when incurred. Under GAAP, such costs, to the extent recoverable and capitalizable, would be deferred and amortized over the life of the associated policies.

- Certain assets (principally furniture, equipment, prepaid expenses, certain premiums receivable, 10% of earned but unbilled premiums receivable and deferred tax assets subject to admissibility limitation) have been designated as nonadmitted assets and excluded from assets by a charge to unassigned surplus. Under GAAP, such amounts are carried at cost less accumulated depreciation, amortization, or valuation allowance, as applicable.

- SAP allows deferred income taxes to be computed on temporary differences using a "balance sheet" approach, whereby statutory and tax-basis balance sheets are compared. The resulting net deferred tax asset or liability is recognized, with certain limitations, in the statutory-basis statements of admitted assets, liabilities and policyholders' surplus. The change in deferred taxes is credited or charged to unassigned surplus. Under GAAP, the change in deferred tax is recognized in the statements of operations. Management determination of the need for a valuation allowance is recognized consistently under both bases of accounting.

- The statutory-basis statements of cash flows do not conform to the presentation required by GAAP, including the presentation of the changes in cash and short-term investments instead of cash and cash equivalents. Additionally, for statutory purposes, there is no reconciliation between net income and cash from operations, which is required by GAAP when the direct method is used.

- Reserves are reported as liabilities net of ceded reinsurance; under GAAP, reserves relating to business in which the Company is not legally relieved of its liability are reported gross with an off-setting reinsurance recoverable presented as an asset.

Other significant accounting policies are as follows:

Use of Estimates

The preparation of consolidated statutory-basis financial statements in conformity with SAP requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the consolidated statutory-basis financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Investments

Bonds, including mortgage-backed securities, are reported at amortized cost or estimated fair value based on their NAIC rating. Amortization of bond premium or discount is calculated using the effective interest method. Significant changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method. Prepayment assumptions are obtained from broker-dealer surveys or internal estimates.

Common stocks are reported at estimated fair value and the related net unrealized gains (losses) are credited or charged to unassigned surplus. These unrealized gains (losses) are reported net of the applicable deferred income taxes.

Short-term investments are carried at cost, which approximates fair value, and represent investments with remaining maturities at acquisition of one year or less.

Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned at the ex-dividend date. All investment income due and accrued with amounts over 90 days past due is nonadmitted. The Company had no such amounts as of December 31, 2017 and 2016.

Realized capital gains and losses are determined using the specific identification basis and are included in the consolidated statutory-basis statements of operations.

Impairment of Investments

The Company regularly reviews its investments for possible impairment based on criteria including economic conditions, market prices, past experience and other issuer-specific developments, among other factors. If there is a decline in a security’s net realizable value, a determination is made as to whether that decline is temporary or “other-than-temporary.”

If a decline is considered to be temporary, the Company continues to account for the investment as prescribed. If it is believed that a decline is “other-than-temporary,” the Company writes down the carrying value of the investment to its estimated fair value or, in the case of loan-backed securities, its discounted cash flows, and records a realized loss in the consolidated statutory-basis statements of operations.

Debt

The Company became a member of the Federal Home Loan Bank (FHLB) of Pittsburgh on February 18, 2016 by purchasing Class B Membership Stock for $347,800. Through its membership, the Company has not conducted any business activity (borrowings) with the FHLB as of December 31, 2017. The Company has determined the estimated maximum borrowing capacity as $407,621,957. The Company calculated this amount in accordance with current FHLB capital stock market asset value. The Company has not pledged any collateral as a result of the stock purchase with the FHLB. The Company’s investment is recorded in common stocks in the accompanying consolidated statutory-basis statements of admitted assets, liabilities and policyholders’ surplus.

Property Occupied by the Company

Real estate acquired and occupied by the Company is reported at purchase price plus capital expenditures, less accumulated depreciation and encumbrances. Properties occupied by the Company are generally depreciated over 30 years. The net carrying value of property occupied by the Company as of December 31:

	2017	2016
Land and improvements, at cost	**$ 4,257,842**	$ 4,257,842
Buildings and improvements, at cost	**22,067,026**	22,059,090
	26,324,868	26,316,932
Accumulated depreciation	**(6,986,753)**	(6,236,994)
Net carrying value	**$ 19,338,115**	$ 20,079,938

Real estate depreciation amounted to $749,759 and $749,383 for the years ended December 31, 2017 and 2016, respectively. Maintenance and repairs are charged to expense as incurred.

Investments in property occupied by the Company are stated at depreciated cost less encumbrances.

Premiums

Premiums, net of amounts ceded to other insurance companies, are generally recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. Audit premiums that have been earned related to the 2017 calendar year policies have been estimated and recorded as premiums receivable, and included in current year net income. These unbilled premiums receivable represent an estimate of the differences between amounts earned ratably on individual policies and the amount to be billed on final settlement of the policy, and adjustment for differences between estimated payrolls and classifications, and actual amounts determined on audit.

Loss and Loss Adjustment Expense (LAE) Reserves

Loss and LAE reserves represent the estimated ultimate unpaid net cost of all reported and unreported losses incurred through December 31, 2017 and 2016. The Company does not discount loss and LAE reserves.

Management believes that the loss factors used to develop losses are a realistic estimate of the losses incurred for the periods evaluated. Since the loss and LAE reserves are based on estimates, the ultimate liability may be more or less than originally estimated. There can be no assurance that the ultimate settlement of losses and LAE will not vary significantly from the recorded loss and LAE reserves. Although considerable variability is inherent in such estimates, management believes that the reserves for losses and LAE are adequate and appropriate. The estimates are continually reviewed and adjusted as necessary, as experience develops or new information becomes known; such adjustments are included in current operations as they occur.

In addition to guaranteed-cost policies, the Company writes high deductible workers' compensation policies. The total high deductible reserves and billed recoverable on paid claims was $50,618,708 as of December 31, 2017. The collateral retained by the Company on its balance sheet was $50,797,373 and the amount of collateral retained off balance sheet was $51,530,247 as of December 31, 2017. Approximately $436,713 of billed receivable was past due 90 days and nonadmitted. Counterparty exposures on unpaid claims is summarized below:

Annual Statement Line of Business	Gross (of High Deductible) Loss Reserves	Reserve Credit for High Deductibles	Billed Recoverables on Paid Claims	Total High Deductibles and Billed Recoverables
Workers Compensation	$ 107,135,216	$ 45,512,595	$ 5,106,113	$ 50,618,708

The top ten deductible amounts for the highest ten unsecured high deductible policies are summarized below:

Policyholder	Unsecured High Deductible Amount
Reliant Senior Care Holdings	$ 1,033,726
United Coal Company LLC	346,138
West Virginia United Health System	312,229
Sugar Creek Rest Inc.	109,657
West Virginia University	81,623
Coronado Group LLC	81,060
Meadville Medical Center LLC	67,802
Eat N Park Hospitality, Inc.	59,190
Faulkner Harrisburg, Inc.	38,667
International Coal Group, Inc.	32,193

Reinsurance

Prospective reinsurance premiums, commissions, expense reimbursements, and reserves related to reinsured business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Prospective premiums ceded to other companies have been reported as a reduction of premium income; prospective premiums assumed from other companies have been reported as increases in premium income. Amounts applicable to prospective reinsurance ceded or assumed for unearned premium reserves and loss and LAE reserves have been reported as reductions or increases of these items, and expense allowances received or paid in connection with prospective reinsurance ceded or assumed have been accounted for as a reduction or increase in other underwriting expenses.

Retroactive reinsurance agreements, assumed or ceded, insure risk for events that have occurred prior to the effective date of the agreement. In retrospective reinsurance agreements, the assuming entity assumes liabilities and receives proceeds on insured losses that have previously been incurred. Amounts in which the proceeds exceed the liabilities assumed (retroactive gain), is reported with "Other expense (income)" in the consolidated statutory-basis statements of operations and the liability assumed is recorded as "Other liabilities" in the consolidated statutory-basis statements of admitted assets, liabilities and policyholders' surplus. The liability is adjusted for losses reimbursed and for changes in the estimate of the reserve. The cumulative retroactive gain is reported as special surplus in the consolidated statutory-basis statements of changes in policyholders' surplus until proceeds from the cedant are greater than amounts paid to settle those liabilities assumed or the retroactive reinsurance transaction becomes a loss in which it is reported directly as a reduction of unassigned surplus.

Permitted Practice

The Company applied and received approval for a permitted practice from the WVOIC to account for a retroactive reinsurance agreement, specifically an adverse development cover (ADC), with an unrelated third-party as prospective reinsurance in accordance with SSAP No. 62R, *Property and Casualty Reinsurance*. Under prospective reinsurance treatment, the Company reduced net earned premium for the consideration paid to the reinsurer, and reduced the loss and LAE reserves for the amount of reserves ceded to the reinsurer with the net impact flowing through the statutory-basis statement of operations, including all loss and LAE schedules and exhibits. In addition, there are no restrictions on surplus as there would be under retroactive reinsurance accounting. This accounting practice differs from SAP. The Company's risk-based capital would not have triggered a regulatory event had it not used this permitted practice. A reconciliation of the Company’s net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the WVOIC is shown below:

	2017 Balance Sheet		
	ADC under SSAP 62R	ADC under permitted practice	Difference between treatments
Loss reserves	$ 976,111,072	$1,004,572,494	$ (28,461,422)
Loss adjustment expense reserves	147,989,708	153,098,950	(5,109,242)
Other liabilities	136,520,856	102,950,192	33,570,644
Policyholders’ surplus	798,728,318	798,728,318	-

	2017 Income Statement		
	ADC under SSAP 62R	ADC under permitted practice	Difference between treatments
Losses incurred	$ 189,410,963	$ 180,482,702	$ 8,928,261
Loss adjustment expenses incurred	55,382,140	54,129,721	1,252,419
Other expense (income)	18,795,668	28,976,348	(10,180,680)

Income Tax

Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustment to such estimates from prior years. Deferred federal income tax assets (DTAs) and liabilities (DTLs) are recognized for expected future tax consequences of temporary differences between statutory and taxable income. Temporary differences are identified and measured using a balance sheet approach whereby statutory and tax balance sheets are compared. DTAs are admitted to the extent permissible under SAP. Changes in DTAs and DTLs are recognized as a separate component of unassigned surplus.

Fixed Assets

Fixed assets are depreciated using the straight-line method over the following lives:

Description	Useful Life
Software licenses and maintenance agreements	1 year or term
Personal computers and accessories	3 years
EDP processing equipment and operating software	3 years
Non-operating system software	5 years
Cars and light trucks	5 years
Furniture and office equipment	7 years
Buildings	30 years
Leasehold improvements	Lesser of life of the lease or 10 years

Risks and Uncertainties

The Company writes workers' compensation in thirteen jurisdictions. The Company's business is impacted by the effects of economic and political forces in the jurisdictions in which it does business, continuing market pricing pressures on new and renewal business, the ability to effectively manage expenses, competition, and federal and state legislation or governmental regulations of insurance companies. Also, the Company is subject to regulatory requirements, as explained in Note 7.

Application of Recent Accounting Pronouncements

In 2017, the NAIC adopted revisions to Statement of Statutory Accounting Principles (SSAP) No. 2R – Revised, *Cash, Cash Equivalents, and Short-Term Investments* (SSAP 2R), which clarified that all money market mutual funds shall be classified as cash equivalents. The Company appropriately classified its money market mutual funds as cash equivalents as of December 31, 2017 and 2016, respectively. Therefore, the revisions to SSAP 2R, did not have any reclassification impacts to the statutory-basis statements of admitted assets, liabilities and policyholders' surplus.

In August of 2016, the NAIC adopted nonsubstantive revisions to statutory accounting that required permitted or prescribed practice disclosures that results in different statutory accounting reporting and clarifies which financial statement line item is impacted, and not just the net income or surplus impact. The revisions were effective for the annual period ending after December 15, 2016.

In 2016, the NAIC adopted revisions to SSAP No. 26, *Bonds (SSAP 26)*, SSAP No. 30, *Unaffiliated Common Stock (SSAP 30)*, SSAP No. 32, *Preferred Stock (SSAP 32)*, and SSAP No. 2, *Cash, Drafts, and Short-Term Investments (SSAP 2)*, which clarifies that all money market mutual funds shall be classified as short-term investments. All short-term investments will continue to be accounted for in the same manner as similar long-term investments. The revisions to SSAP 26, SSAP 30, SSAP 32 and SSAP 2 were effective September 30, 2016. The adoption of these revisions to these SSAPs did not have an impact on the Company's consolidated statutory-basis financial statements.

The NAIC adopted Accounting Standards Update (ASU) 2014-15 (ASU 2014-15) related to Disclosures of Uncertainties about Ability to Continue as a Going Concern, which amended SSAP No. 1, *Accounting Policies, Risks and Uncertainties, and Other Disclosures* (SSAP 1). Effective December 31, 2016, the amended SSAP 1 requires the reporting entity to evaluate and disclose whether substantial doubt exists about their ability to continue as a going concern and nonadmit investments whose audited financial statements include opinion disclaimers or going concern doubts. The evaluation should be completed for obligations within one year after the financial statements are issued. Management has completed its assessment for the year ended December 31, 2017 and there were no items noted, which would merit disclosure.

2. Investments

The amortized cost/cost, gross unrealized gains, gross unrealized losses and estimated fair value of the Company's investments as of December 31 are as follows:

	2017			
	Amortized Cost/Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds:				
U.S. Treasury securities	$ 61,260,148	$ 38,786	$ (314,919)	$ 60,984,015
Foreign government	7,640,637	81,759	(15,443)	7,706,953
States, territories and possessions	58,970,373	1,922,053	(61,193)	60,831,233
Political subdivisions of states, territories and possessions	103,703,205	3,178,402	(221,606)	106,660,001
Special revenue and special assessment	337,053,104	11,666,183	(639,164)	348,080,123
Public utilities	120,504,456	3,504,965	(367,830)	123,641,591
Mortgage-backed securities residential single class	245,841,224	2,825,707	(1,969,096)	246,697,835
Mortgage-backed securities residential multi-class	10,659,847	256	(192,345)	10,467,758
Industrial and miscellaneous	598,916,191	7,408,402	(4,221,649)	602,102,944
Commercial class mortgage and asset-backed securities	127,357,183	1,502,081	(758,095)	128,101,169
Foreign securities	151,654,360	1,971,409	(557,065)	153,068,704
Total bonds	1,823,560,728	34,100,003	(9,318,405)	1,848,342,326
Common stocks:				
Public utilities	1,393,827	537,995	(7,740)	1,924,082
Banks, trusts and insurance companies	13,050,161	5,947,942	(33,554)	18,964,549
Industrial and miscellaneous	119,770,260	36,681,634	(1,575,836)	154,876,058
Total common stocks	134,214,248	43,167,571	(1,617,130)	175,764,689
	$ 1,957,774,976	$ 77,267,574	$ (10,935,535)	$ 2,024,107,015

	2016			
	Amortized Cost/Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds:				
U.S. Treasury securities	$ 80,028,388	$ 70,135	$ (320,049)	$ 79,778,474
Foreign government	12,616,823	34,682	(162,196)	12,489,309
States, territories and possessions	53,722,255	1,467,888	(438,282)	54,751,861
Political subdivisions of states, territories and possessions	106,077,074	2,163,791	(882,788)	107,358,077
Special revenue and special assessment	311,408,519	8,470,286	(2,614,143)	317,264,662
Public utilities	115,769,233	3,051,582	(1,159,297)	117,661,518
Mortgage-backed securities residential single class	240,394,838	3,521,928	(3,233,648)	240,683,118
Mortgage-backed securities residential multi-class	13,232,175	8,767	(139,409)	13,101,533
Industrial and miscellaneous	589,824,442	4,677,669	(8,503,089)	585,999,022
Commercial class mortgage and asset-backed securities	117,214,762	1,964,309	(857,533)	118,321,538
Foreign securities	144,659,923	1,749,923	(1,304,573)	145,105,273
Total bonds	1,784,948,432	27,180,960	(19,615,007)	1,792,514,385
Common stocks:				
Public utilities	1,576,023	429,758	(19,376)	1,986,405
Banks, trusts and insurance companies	11,964,810	3,580,110	(61,836)	15,483,084
Industrial and miscellaneous	123,663,413	19,948,923	(2,595,449)	141,016,887
Total common stocks	137,204,246	23,958,791	(2,676,661)	158,486,376
	$ 1,922,152,678	$ 51,139,751	$ (22,291,668)	$ 1,951,000,761

For bonds, amortized cost represents statement values determined based on procedures set by the NAIC, which require that securities rated below investment grade be valued at the lower of amortized cost or fair value.

For common stocks, cost represents the acquisition price adjusted for any other-than-temporary impairments. Unrealized capital gains and losses on investments in common stocks, net of deferred income taxes, are reported directly in policyholders' surplus and do not affect operations.

The book/adjusted carrying value and estimated fair value of bonds as of December 31, 2017 are shown below by contractual maturity periods. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Book/Adjusted Carrying Value	Estimated Fair Value
Due in one year or less	$ 60,593,678	$ 60,914,642
Due in one through five years	493,300,482	496,845,471
Due in five through ten years	492,267,224	500,479,132
Due in ten through twenty years	211,912,346	220,231,980
Due after twenty years	61,025,098	64,262,358
Asset-backed	120,603,646	120,341,981
Mortgage-backed	383,858,254	385,266,762
	$ 1,823,560,728	$ 1,848,342,326

The principal components of net investment income for the years ended December 31 are as follows:

	2017	2016
Bonds	**$ 50,390,960**	$ 47,047,301
Common stocks	**4,416,000**	4,345,950
Cash, cash equivalents and short-term investments	**293,927**	218,311
Rental income	**2,026,730**	1,962,447
Other invested assets	**173,300**	-
Total investment income	**57,300,917**	53,574,009
Less investment expenses	**(4,417,527)**	(4,257,473)
Investment income earned, net	**$ 52,883,390**	$ 49,325,536

Gross realized gains and losses from sales of investment securities consist of the following:

	2017		
	Gross Realized Gains	**Gross Realized Losses**	**Net Realized Gains (Losses)**
Bonds	**$ 2,844,213**	**$ (2,330,069)**	**$ 514,144**
Common stocks	**10,414,341**	**(1,319,233)**	**9,095,108**
Cash and cash equivalents	**1,405**	**(1,010)**	**395**
	$ 13,259,959	**$ (3,650,312)**	**9,609,647**
Capital gains tax			**(2,138,437)**
Net realized capital gains			**$ 7,471,210**

	2016 Gross Realized Gains	2016 Gross Realized Losses	2016 Net Realized Gains (Losses)
Bonds	$ 8,131,274	$ (7,442,171)	$ 689,103
Common stocks	6,101,927	(1,118,010)	4,983,917
Real estate	-	(2,444)	(2,444)
	$ 14,233,201	$ (8,562,625)	5,670,576
Capital gains tax			(2,967,092)
Net realized capital gains			$ 2,703,484

Assets with a carrying value of $12,519,424 and $10,065,544 with a fair value of $12,403,698 and $10,029,545 as of December 31, 2017 and 2016, respectively, were on deposit with governmental agencies as required by law in various jurisdictions in which the Company conducts business.

As of December 31, 2017 and 2016, bonds and short-term investments with a carrying value of $20,428,793 and $20,173,439, respectively, were held in trust to secure amounts due under reinsurance agreements.

Investment Concentration, Risk and Impairment

The Company monitors its portfolio closely to ensure that all other-than-temporary impairments are identified and recognized in earnings as they occur. The table below summarizes unrealized losses on all securities held by both asset class and length of time that a security has been in an unrealized loss position:

	2017					
	Less than 12 months		More than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$ 38,561,604	$ (225,301)	$ 9,719,027	$ (89,618)	$ 48,280,631	$ (314,919)
Foreign government	2,386,688	(15,443)	-	-	2,386,688	(15,443)
States, territories and possessions	1,875,524	(24,388)	1,792,425	(36,805)	3,667,949	(61,193)
Political subdivisions of states, territories and possessions	24,322,437	(132,049)	4,625,765	(89,557)	28,948,202	(221,606)
Special revenue and special assessment	33,326,906	(291,560)	16,510,689	(347,604)	49,837,595	(639,164)
Public utilities	15,650,168	(117,080)	10,127,855	(250,750)	25,778,023	(367,830)
Mortgage-backed securities residential single class	68,742,539	(311,546)	70,886,738	(1,657,550)	139,629,277	(1,969,096)
Mortgage-backed securities residential multi-class	6,702,003	(59,653)	3,752,990	(132,692)	10,454,993	(192,345)
Industrial and miscellaneous	182,895,850	(1,138,856)	122,399,623	(3,082,793)	305,295,473	(4,221,649)
Commercial class mortgage and asset-backed securities	33,967,110	(223,108)	11,351,724	(534,987)	45,318,834	(758,095)
Foreign securities	45,243,509	(295,771)	13,421,996	(261,294)	58,665,505	(557,065)
Common stocks	9,983,713	(914,123)	2,122,946	(703,007)	12,106,659	(1,617,130)
	$ 463,658,051	$ (3,748,878)	$ 256,992,751	$ (7,186,657)	$ 730,369,829	$ (10,935,535)

	2016					
	Less than 12 months		More than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$ 44,089,981	$ (320,049)	$ -	$ -	$ 44,089,981	$ (320,049)
Foreign government	6,052,275	(162,196)	-	-	6,052,275	(162,196)
States, territories and possessions	15,756,695	(438,282)	-	-	15,756,695	(438,282)
Political subdivisions of states, territories and possessions	47,301,027	(882,788)	-	-	47,301,027	(882,788)
Special revenue and special assessment	102,200,495	(2,611,243)	1,997,100	(2,900)	104,197,595	(2,614,143)
Public utilities	35,999,746	(1,159,297)	-	-	35,999,746	(1,159,297)
Mortgage-backed securities residential single class	137,505,386	(3,219,774)	251,734	(13,874)	137,757,120	(3,233,648)
Mortgage-backed securities residential multi-class	9,266,615	(112,606)	1,456,314	(26,803)	10,722,929	(139,409)
Industrial and miscellaneous	279,296,307	(8,189,065)	15,461,216	(314,024)	294,757,523	(8,503,089)
Commercial class mortgage and asset-backed securities	36,654,130	(819,622)	3,073,798	(37,911)	39,727,928	(857,533)
Foreign securities	83,366,580	(1,301,916)	1,997,630	(2,657)	85,364,210	(1,304,573)
Common stocks	18,243,741	(1,061,254)	17,613,250	(1,615,407)	35,856,991	(2,676,661)
	$ 815,732,978	$ (20,278,092)	$ 41,851,042	$ (2,013,576)	$ 857,584,020	$ (22,291,668)

The number of securities in an unrealized loss position as of December 31, 2017 and 2016 was 655 and 822, respectively. The Company's unrealized losses on its bonds were caused primarily by changes in interest rates. Since the decline in fair value is attributable to changes in interest rates and not credit quality, and the Company has the intent and ability to hold these securities through recovery of the amortized cost basis, the Company does not consider these investments other-than-temporarily impaired. For common stocks, unrealized losses were attributable to general stock market trends and cycles. Because the Company has the ability and intent to hold these investments until the recovery of estimated fair value, the Company does not consider these investments to be other-than-temporarily impaired.

One of the primary statistics that the Company monitors with respect to debt securities is the fair value to amortized cost ratio. Securities with a fair value to amortized cost ratio in the 90% to 99% range are typically securities that have been impacted by increases in market interest rates or sector spreads. Securities in the 80% to 89% range are typically securities that have been impacted by increased market yields, specific credit concerns, or both. These securities are monitored to ensure that the impairment is not other-than-temporary. Securities with a fair value to amortized cost ratio less than 80% are considered to be "potentially distressed securities," and are subjected to rigorous review. The following factors are considered for both bonds and equities: the length of time a security's fair value has been below cost or amortized cost, industry factors or conditions related to a geographic area that are negatively affecting the security, downgrades by rating agencies, the valuation of assets specifically pledged to support the credit, the overall financial condition of the issuer, past-due interest or principal payments, and the Company's intent and ability to hold the security for a sufficient time to allow for a recovery in value. The Company did not recognize any impairments on the bond or stock portfolio in 2017, but the Company recorded $2,762,760 of impairment on the Company's bond portfolio in 2016.

Structured Notes

Structured notes are recorded as bonds in the consolidated statutory-basis statements of admitted assets, liabilities and policyholders' surplus, which are direct debt issuance by a corporation, municipality, or government entity, ranking pari-passu with the issuer's debt issuances of equal seniority where either: (1) the coupon and/or principal payments are linked, in whole or in part, to prices or payment streams from an index or indices, or assets deriving their value from other than the issuer's credit quality; or (2) the coupon and/or principal payments are leveraged by a formula that is different from either a fixed coupon, or a non-leveraged floating rate coupon linked to an interest rate index, including but not limited to London Interbank Offered Rate (LIBOR) or the prime rate. Information regarding structured notes is as follows as of December 31, 2017:

CUSIP Identification	Actual Cost	Estimated Fair Value	Book-Adjusted Carrying Value	Mortgage-Referenced Security (Y/N)
42824CAG4	$ 1,282,650	$ 1,276,150	$ 1,274,382	N
709223XW6	1,032,370	1,276,610	1,039,464	N
71884WAJ0	350,607	325,044	331,667	N
724479AL4	170,219	157,106	170,508	N

3. Fair Value

SSAP No. 100, *Fair Value*, clarifies the definition of estimated fair value and establishes a hierarchy for measuring estimated fair value. The hierarchy established by this standard consists of three levels to indicate the quality of the estimated fair value measurements as described below:

Level 1 - Quoted Prices in Active Markets for Identical Assets and Liabilities: Unadjusted quoted prices for identical assets or liabilities in active markets that are readily and regularly obtainable.

Level 2 - Significant Other Observable Inputs: Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. These inputs can include quoted prices for similar but not identical assets or liabilities other than quoted prices in Level 1.

Level 3 - Significant Unobservable Inputs: Unobservable inputs that are supported by little or no market activity and are significant to the determination of estimated fair value of assets or liabilities. Unobservable inputs reflect the entity's assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following table represents assets measured at estimated fair value:

	December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Estimated Total Fair Value
Common stocks	**$ 175,764,689**	**$ -**	**$ -**	**$ 175,764,689**

	December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Estimated Total Fair Value
Common stocks	$ 158,486,376	$ -	$ -	$ 158,486,376

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3. The Company had no transfers into or out of any of the levels during the years ended December 31, 2017 and 2016.

The following tables reflect the estimated fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures). The estimated fair values are categorized into the three-level fair value hierarchy as described above.

	December 31, 2017				
	Admitted Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
Bonds	**$ 1,823,560,728**	**$ -**	**$ 1,774,129,305**	**$ 74,013,021**	**$ 1,848,142,326**
Common stocks	**175,764,689**	**175,764,689**	**-**	**-**	**175,764,689**
Cash, cash equivalents and short-term investments	**121,990,683**	**104,877,224**	**17,109,764**	**-**	**121,986,988**
Receivable for securities	**14,240,653**	**14,240,653**	**-**	**-**	**14,240,653**
Accrued investment income	**14,813,915**	**-**	**14,813,915**	**-**	**14,813,915**
Total assets	**$ 2,150,320,668**	**$ 294,882,566**	**$ 1,806,052,984**	**$ 74,013,021**	**$ 2,174,948,571**
Payable for securities	**$ 8,021,070**	**$ 8,021,070**	**$ -**	**$ -**	**$ 8,021,070**

	December 31, 2016				
	Admitted Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
Bonds	$ 1,784,948,432	$ -	$ 1,704,044,714	$ 88,469,671	$ 1,792,514,385
Common stocks	158,486,376	158,486,376	-	-	158,486,376
Cash, cash equivalents and short-term investments	66,017,743	66,017,743	-	-	66,017,743
Receivable for securities	1,984,828	1,984,828	-	-	1,984,828
Accrued investment income	14,264,080	-	14,264,080	-	14,264,080
Total assets	$ 2,026,138,461	$ 226,488,947	$ 1,718,308,794	$ 88,469,671	$ 2,033,267,412

Bonds and Common Stocks

When available, estimated fair values are based on quoted prices in active markets that are readily and regularly obtainable. Generally, these investments are classified in Level 1 and are the most liquid of the Company's securities holdings and valuation of these securities does not involve management's judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Generally, these investments are classified as Level 2.

When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management's judgment or estimation, and cannot be supported by reference or market activity. Even though these inputs are unobservable, management believes they are consistent with those which other market participants would use when pricing such securities and are considered appropriate given the circumstances. Generally, these investments are classified as Level 3.

Cash, Cash Equivalents and Short-term Investments

The estimated fair value approximates carrying value. Given the nature of cash, cash equivalents and short-term investments these investments are generally classified as Level 1 or Level 2.

Accrued Investment Income

Due to short-term nature, the Company believes there is minimal risk of material changes in interest rates or credit of the issuer, such that estimated fair value approximates carrying value. These amounts are generally classified as Level 2.

Receivable or Payable for Securities

The estimated fair value approximates carrying value as these assets or obligations are short-term in nature. These amounts are generally classified as Level 1.

4. Reinsurance

Certain premiums and losses are ceded to other insurance companies under a catastrophic excess-of-loss reinsurance agreement. The ceded reinsurance agreement is intended to provide the Company with the ability to maintain its exposure to losses within its capital resources. This reinsurance agreement does not relieve the Company from its primary obligation to policyholders, as it remains liable to its policyholders to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under reinsurance contracts. Therefore, the Company is subject to credit risk with respect to the obligations of its reinsurers, and any failure on the part of these reinsurers could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company limits the maximum net loss it can sustain for a single occurrence through the purchase of catastrophe coverage. For the annual treaty periods of 2017 and 2016 (beginning on July 1 and ending June 30), the catastrophe excess-of-loss treaty generally provides coverage for 100% of losses in excess of the Company's retention of $5 million, up to an ultimate net loss of $100 million. The ceded excess exposure is treated as the risk and liability of the assuming reinsurance carrier.

The Company assumes specific risks from selected carriers. The assumed reinsurance agreements are intended to provide the Company with the ability to provide coverage to selected policyholders whose primary business is in states where the Company has been licensed, but where the Company has not begun writing direct business. Risks assumed are subject to the underwriting standards used to write direct business.

A reconciliation of direct to net premiums, on both a written and an earned basis, is as follows:

	2017		2016	
	Written	**Earned**	**Written**	**Earned**
Direct premiums	**$ 360,108,309**	**$ 363,128,853**	$ 258,910,395	$ 253,693,698
Assumed premiums	**20,318,879**	**25,002,762**	103,365,497	70,177,531
Ceded premiums	**(3,267,362)**	**(3,437,436)**	(2,768,970)	(3,611,581)
	$ 377,159,826	**$ 384,694,179**	$ 359,506,922	$ 320,259,648

Reserves for losses and loss adjustment expenses have been increased by amounts assumed from ceding companies of $46,033,155 and $73,871,347 in 2017 and 2016, respectively.

The Company does not have any unsecured aggregate recoverable for losses, paid and unpaid, including incurred but not reported, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholders' surplus.

The amount of assumed commissions that would be receivable from ceding companies, if all assumptive reinsurance treaties were cancelled at December 31, 2017, is $352,354.

During 2015, BrickStreet entered into a retroactive reinsurance agreement with an unrelated third-party reinsurer. In exchange for $18.75 million in premium, the reinsurer will provide adverse development cover (ADC) for claims arising from policies with effective dates from January 1, 2005 to December 31, 2014, with coverage under the Federal Coal Mine Health and Safety Act (30 U.S.C. Section 801-945), including any amendments enacted before or after the effective date of the reinsurance contract. The Company applied and received approval for a permitted practice from the WVOIC to account for this reinsurance agreement as prospective reinsurance in accordance with SSAP No. 62R. The effects of the permitted practice is shown in Note 1. The reinsurer assumes losses and LAE of up to $75 million of a $78.95 million reinsurance layer in excess of $150.5 million. As of December 31, 2017 and 2016, the attachment point had been reached on an incurred basis and the Company has recorded a reduction in reserves related to this contract for $33.6 million and $23.4 million, respectively. There are currently no paid recoverable amounts recorded as of December 31, 2017 and 2016.

On July 1, 2016, BrickStreet entered into certain transactions with an unaffiliated insurance company. The Company acquired the workers compensation book of business from HM Insurance Group, Inc. (HMIG). The transaction was approved by the WVOIC as well as the PID. The multi-faceted transaction consisted of the following:

- The Company paid $13 million to acquire the renewal rights to an approximately $115 million book of business in the state of Pennsylvania.
- The Company entered into a retroactive reinsurance agreement where it will receive 102% of the undiscounted value of the unpaid loss and LAE liabilities of HMIG for assuming those liabilities, which are estimated at approximately $164.7 million.
- The Company will employee approximately 115 employees that previously wrote and managed the book of business for HMIG.
- The Company entered into a purchase agreement to acquire HMC from HMIG for statutory surplus plus $3 million. This purchase was approved and effective January 1, 2017.

BrickStreet recorded all reserves prior to the July 1, 2017 effective date as retroactive reinsurance. The resulting retroactive reserve balance is shown as:

	Assumed	Ceded
Reserves Transferred		
Initial Reserves	$ (164,717,128)	$ -
Adjustments - Prior Year	(2,562,803)	-
Adjustments - Current Year	(28,999,982)	-
Current Total	$ (196,279,913)	$ -
Consideration Received		
Initial Consideration	$ 168,011,470	$ -
Adjustments - Prior Year	-	-
Adjustments - Current Year	-	-
Current Total	$ 168,011,470	$ -
Paid Losses Reimbursed		
Prior Years	$ (37,284,258)	$ -
Current Year	(57,544,047)	-
Current Total	$ (94,828,305)	$ -
Special Surplus from Retroactive Reinsurance		
Initial Gain or Loss	$ 3,294,342	$ -
Adjustments - Prior Years	(2,562,803)	-
Adjustments - Current Year	(28,999,982)	-
Current Year Restricted Surplus	-	-
Cumulative Total Transferred to Unassigned Funds	$ (28,268,443)	$ -
All Reinsurers Involved in Transaction with Summary Totals		
Highmark Casualty Insurance Company	$ (101,451,608)	$ -

As of December 31, 2017 and 2016, the Company reported $101,451,608 and $130,346,405 of retroactive assumed losses and loss adjustment expenses, which are reported as “Other liabilities” in the accompanying consolidated statutory-basis statements of admitted assets, liabilities and policyholders’ surplus.

5. Income Taxes

The components of the net deferred income tax asset recorded in the Company's statutory-basis statements of admitted assets, liabilities and policyholders' surplus at December 31 are as follows:

	2017			2016		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Total gross deferred tax assets	**$ 50,085,772**	**$ 198,832**	**$ 50,284,604**	$ 77,967,743	$ 1,598,053	$ 79,565,796
Statutory valuation allowance adjustment	**-**	**-**	**-**	-	-	-
Total adjusted gross deferred tax asset	**50,085,772**	**198,832**	**50,284,604**	77,967,743	1,598,053	79,565,796
Total deferred tax liabilities	**(2,876,340)**	**(8,725,593)**	**(11,601,933)**	(4,344,100)	(7,448,746)	(11,792,846)
Net deferred tax asset (liability)	**47,209,432**	**(8,526,761)**	**38,682,671**	73,623,643	(5,850,693)	67,772,950
Deferred tax assets nonadmitted	**(9,938,009)**	**-**	**(9,938,009)**	(22,564,206)	(131,859)	(22,696,065)
Net admitted deferred tax asset	**$ 37,271,423**	**$ (8,526,761)**	**$ 28,744,662**	$ 51,059,437	$ (5,982,552)	$ 45,076,885
Increase (decrease) in nonadmitted asset	**$ (12,626,197)**	**$ (131,859)**	**$ (12,758,056)**	$ (3,585,290)	$ 131,859	$ (3,453,431)

The following is the breakdown of the net admitted deferred income tax asset at December 31:

	2017			2016		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Can be recovered through loss carryback (Para. 11.a)	**$ 28,116,088**	**-**	**$ 28,116,088**	$ 29,443,596	$ -	$ 29,443,596
Lesser of:						
Adjusted gross deferred tax assets expected to be realized following the balance sheet date (Para. 11.b.i)	**628,573**	**-**	**628,573**	15,633,289	-	15,633,289
Adjusted gross deferred tax assets allowed per limitation threshold (Para. 11.b.ii)	**121,535,935**	**-**	**121,535,935**	111,983,602	-	111,983,602
Adjusted gross deferred tax assets offset against existing deferred tax liabilities (Para. 11.c)	**11,403,101**	**198,832**	**11,601,933**	10,326,652	1,466,194	11,792,846
Deferred tax assets admitted as a result of the application of SSAP No. 101	**$ 40,147,763**	**$ 198,832**	**$ 40,346,595**	$ 55,403,538	$ 1,466,194	$ 56,869,731

The following admissibility criteria were used in the calculation of Paragraphs 11.a, 11.b, and 11.c:

	2017	2016
Ratio percentage used to determine recovery period and threshold limitation amount	**1,099%**	1,236%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in Paragraph 11.b.ii. above	**$ 771,928,838**	$ 712,884,901

Management believes it will recognize the admitted deferred tax assets without the use of tax-planning strategies.

The provisions for income taxes incurred on earnings for the years ended December 31 are:

	2017	2016
Current income tax expense:		
Federal and foreign income tax	**$ 14,813,332**	$ 12,658,678
Realized capital gains tax	**2,138,437**	2,967,092
Federal and foreign income taxes incurred	**$ 16,951,769**	$ 15,625,770

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2017			2016		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Deferred tax assets:						
Discounting of unpaid losses and loss adjustment expense	**$ 26,265,002**	**$ -**	**$ 26,265,002**	$ 47,167,622	$ -	$ 47,167,622
Unearned premium reserve	**6,957,527**	**-**	**6,957,527**	12,133,900	-	12,133,900
Impaired asset	**-**	**-**	**-**	-	1,098,825	1,098,825
Nonadmitted assets	**3,417,028**	**-**	**3,417,028**	8,248,838	-	8,248,838
Net capital loss	**149,366**	**-**	**149,366**	-	-	-
Charitable contribution carryover	**1,794,341**	**-**	**1,794,341**	4,966,298	-	4,966,298
Other	**11,502,508**	**198,832**	**11,701,340**	5,451,085	499,228	5,950,313
Total deferred tax assets	**50,085,772**	**198,832**	**50,284,604**	77,967,743	1,598,053	79,565,796
Nonadmitted deferred tax assets	**(9,938,009)**	**-**	**(9,938,009)**	(22,564,206)	(131,859)	(22,696,065)
Admitted deferred tax assets	**40,147,763**	**198,832**	**40,346,595**	55,403,537	1,466,194	56,869,731
Deferred tax liabilities:						
Unrealized capital gains	**-**	**8,725,593**	**8,725,593**	-	7,448,746	7,448,746
Fixed assets	**2,850,328**	**-**	**2,850,328**	4,323,675	-	4,323,675
Other	**26,012**	**-**	**26,012**	20,425	-	20,425
Total deferred tax liabilities	**2,876,340**	**8,725,593**	**11,601,933**	4,344,100	7,448,746	11,792,846
Net admitted deferred tax assets (liabilities)	**$ 37,271,423**	**$ (8,526,761)**	**$ 28,744,662**	$ 51,059,437	$ (5,982,552)	$ 45,076,885

The change in net deferred income taxes is comprised of the following as of December 31:

	2017	**2016**	**Change**	**2016**	**2015**	**Change**
Total adjusted gross deferred tax assets	**$ 50,284,604**	**$ 79,565,796**	**$ (29,281,192)**	$ 79,565,796	$ 76,037,190	$ 3,528,606
Total gross deferred tax liabilities	**11,601,933**	**11,792,846**	**(190,913)**	11,792,846	8,679,297	3,113,549
Net deferred tax asset (liability)	**$ 38,682,671**	**$ 67,772,950**	**(29,090,279)**	$ 67,772,950	$ 67,357,893	415,057
Deferred tax on change in net unrealized capital gains			**(438,252)**			3,911,267
Changes in net deferred income taxes			**$ (29,528,531)**			$ 4,326,324

In 2017, there were no adjustments to gross deferred tax assets due to a change in circumstances that would lead to a change in judgment about the realizability of the related net deferred tax asset.

The following table is a reconciliation of tax rates between the statutory federal income tax rate and the Company's effective income tax rate:

	December 31, 2017	Effective Tax Rate	December 31, 2016	Effective Tax Rate
Provision computed at statutory rate	**$ 17,358,658**	**35.0 %**	$ 20,631,345	35.0 %
Nondeductible expenses	**501,207**	**1.0 %**	293,768	0.5 %
Tax-exempt interest	**(5,971,075)**	**(12.0) %**	(5,805,817)	(9.8) %
Proration on tax-exempt interest	**897,137**	**1.8 %**	870,873	1.5 %
Dividends received deduction	**(1,101,956)**	**(2.2) %**	(1,008,107)	(1.7) %
Proration on dividends received deduction	**165,293**	**0.3 %**	151,212	0.3 %
Prior year true-up	**(258,049)**	**(0.5) %**	157,609	0.3 %
Historical federal tax credit	**(800,000)**	**(1.6) %**	(1,000,000)	(1.7) %
Other	**38,811**	**0.1 %**	(6,200)	0.0 %
Change in nonadmitted assets	**4,047,093**	**8.2 %**	(2,985,263)	(5.1) %
Change in enacted federal tax rate	**31,604,181**	**63.7 %**	-	- %
Totals	**$ 46,480,300**	**93.7 %**	$ 11,299,446	19.2 %
Federal and foreign income taxes incurred	**$ 14,813,332**	**29.9 %**	$ 12,658,678	21.5 %
Realized capital gains tax	**2,138,437**	**4.3 %**	2,967,092	5.0 %
Change in net deferred income taxes	**29,528,531**	**59.5 %**	(4,326,324)	(7.3) %
Total statutory income taxes	**$ 46,480,300**	**93.7 %**	$ 11,299,446	19.2 %

On December 22, 2017, the President signed into law "H.R. 1", also known as the "Tax Cuts and Jobs Act". The provisions included in this act became effective as of January 1, 2018 and contain significant revisions to the U.S. tax code. Amongst the largest changes impacting corporations are the corporate income tax rate change from 35% to 21%, limitation on interest expense deductibility, and implementation of a territorial tax system. The Statutory Accounting Principles Working Group adopted INT-18-01: *Updated Tax Estimates under Tax Cuts and Jobs Act.* The interpretation provides guidance for how a reporting entity should recognize certain adjustments to deferred tax assets and deferred tax liabilities. The resulting revaluation impact on the Company was a decrease in surplus of $25,788,447.

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will increase within 12 months of the reporting date.

There were no unrecognized deferred tax liabilities.

As of December 31, 2017, the Company has no remaining capital loss carryforwards and approximately $439,313 of net operating loss carryforwards that will begin to expire in 2028, if unused. In addition, as of December 31, 2017, the Company has $8,544,483 of charitable contribution carryover that will begin to expire in 2018.

The following is income tax expense for 2017 and 2016 that is available for recoupment in the event of future net losses:

2017	**$**	**17,749,617**
2016		19,119,428

BrickStreet and its wholly owned subsidiaries file a consolidated federal income tax return, and are party to a federal income tax allocation agreement approved by the Board of Directors. Under the tax-sharing agreement, BrickStreet pays to or receives from its subsidiaries the amount, if any, by which the consolidated federal income tax liability was affected by virtue of inclusion of the subsidiaries in the consolidated federal income tax return. Effectively, this results in the Company's annual income tax provision being computed with adjustments, as if they filed a separate return. Intercompany tax balances are settled quarterly. Fiscal years ending on or after December 31, 2014 remain subject to examination by federal and state authorities.

6. Loss And Loss Adjustment Expenses

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	2017	**2016**
Balances at January 1	**$1,154,401,568**	$1,091,682,397
Less reinsurance recoverable	**23,389,983**	-
Net balances at January 1	**1,131,011,585**	1,091,682,397
Incurred related to:		
Current year	**381,904,449**	296,959,146
Prior years	**(147,292,026)**	(74,195,767)
Total incurred	**234,612,423**	222,763,379
Paid related to:		
Current year	**70,713,013**	55,340,154
Prior years	**137,239,560**	128,094,037
Total paid	**207,952,573**	183,434,191
Net balances at December 31	**1,157,671,444**	1,131,011,585
Plus reinsurance recoverable	**77,033,899**	23,389,983
Balances at December 31	**$1,234,705,343**	$1,154,401,568

As a result of changes in estimates of insured events in prior years, the reserves for losses and LAE decreased by $147,292,026 and $74,195,767 in 2017 and 2016, respectively. Increases or decreases of this nature occur as the result of claim settlements during the current year, or as additional information is received regarding individual claims, which cause changes from the original estimates of the cost of these claims.

Data related to LAE costs in administering claims in the state of West Virginia has only been available since the state ended its monopoly in 2006. Based on the limited data available, management has estimated LAE in the past based on industry norms in those states that border West Virginia. During 2017 and 2016, management, in consultation with the Company's actuaries, continued to analyze the development of LAE costs and revised the estimate for both prior and current accident years. As a result, there was approximately $27.5 million and $8.9 million in positive development related to LAE for prior loss years during 2017 and 2016, respectively.

Incurred amounts in 2017 and 2016 related to prior accident years include the change in reserves for loss and loss adjustment expenses assumed for the period July 1, 2005 through December 31, 2005 through BrickStreet's novation transaction. These amounts represent the estimated assumed claims liability as of the date of assumption, adjusted for subsequent changes in those estimates during 2017 and 2016.

As of December 31, 2017 and 2016, the Company had approximately $45.5 million and $34.6 million, respectively, estimated reserve credit recorded for deductibles on unpaid claims. In addition, as of December 31, 2017 and 2016, the current amount billed and recoverable on paid claims of $5.1 million and $1.7 million, respectively, is included in premiums receivable.

7. Surplus and Dividend Restrictions

Surplus

The Company maintains minimum policyholders' surplus under the guidelines of the risk-based capital (RBC) requirements promulgated by the NAIC. The RBC calculation serves as a solvency level benchmark for property and casualty insurers and established required minimum capitalization levels based on a four-part formula. As of December 31, 2017, the adjusted capital of the Company was in excess of all required action levels.

Dividends

Under West Virginia insurance statute, the Company is required to maintain certain minimum amounts of policyholders' surplus. These amounts must be no less than $2,000,000. Dividends may be paid from the Company's surplus, which represents net realized savings and net realized earnings from its business. The Company did not declare or pay policyholder dividends in 2017 and 2016, respectively.

BrickStreet's wholly owned subsidiaries did declare and pay policyholder dividends of $1,344,439 in 2017.

Special Surplus

In accordance with SSAP No. 62R, cumulative gains on the Company's retroactive reinsurance agreement are reported as special surplus in the accompanying consolidated statutory-basis statements of changes in policyholders' surplus. The special surplus gain shall remain classified as special surplus until the actual retroactive reinsurance losses reimbursed exceeds the consideration received to assume those reserves or the retroactive reinsurance transaction becomes a loss. As of December 31, 2017 and 2016, the Company reported special surplus of $0 and $731,540, respectively.

Unassigned Funds

Unassigned funds included in policyholders' surplus in the accompanying statutory-basis statements of admitted assets, liabilities and policyholders' surplus are increased (decreased) by the following as of December 31:

	2017	2016
Nonadmitted assets	**$ (26,209,571)**	$ (46,264,173)
Unrealized capital gains, net of deferred tax of $8,725,593 in 2017 and $7,448,746 in 2016	**33,685,245**	14,269,047
Deferred tax assets	**38,682,671**	75,221,696

Certain assets, designated as nonadmitted assets, have been excluded from admitted assets and charged against policyholders' surplus as follows:

	2017	2016
Premiums receivable	**$ 1,023,627**	$ 541,414
Deferred tax assets	**9,938,009**	22,696,065
Electronic data processing equipment	**10,433,965**	10,525,278
Furniture and equipment	**1,291,821**	1,029,182
Other assets	**3,522,149**	11,472,234
Total nonadmitted assets	**$ 26,209,571**	$ 46,264,173

8. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

The Company is exposed to credit-related losses in the event that a bond issuer may default on its obligation. The Company mitigates its exposure to these credit-related losses by maintaining a diversified bond portfolio with high credit ratings.

The Company also is exposed to credit-related losses in the event that a reinsurer is unable to honor its liabilities to the Company. The Company mitigates its exposure to losses from insolvent reinsurers by continuously monitoring the credit rating of all of the Company's reinsurers.

The Company does not have any single policyholder that represents greater than 5% of the direct written premium in the current year.

The Company's cash deposits are held at a nationally recognized financial institution and, since the deposits are in excess of the federally insured limit, constitutes a concentration of credit risk. The Company mitigates its exposure to losses from these cash deposits by monitoring the financial stability of the financial institutions involved.

9. Commitments, Contingencies and Assessments

Various lawsuits against the Company have arisen in the course of the Company's business. Management does not consider contingent liabilities arising from litigation and other matters material in relation to the statutory-basis financial position of the Company.

During 2015, the Company received notification of various insolvencies. It is expected that the insolvencies will result in a prospective-based guaranty fund assessment against the Company in various jurisdictions. A liability for guaranty funding assessments has been recognized as the conditions in SSAP No. 35R, *Guaranty Fund and Other Assessments*, have been met. For premium-based assessments, the event that obligates the entity is writing the premiums, or being obligated to write or renew the premiums on which the assessments are expected to be based. The Company has accrued for expected assessments that will be based on premiums written in 2015 or earlier. The amount accrued is $1,643,500 and $539,500 for the years ended December 31, 2017 and 2016, respectively.

BrickStreet entered into a Limited Guaranty Agreement with Summit Community Bank for $1,500,000 on September 23, 2016. The limited guaranty is provided to the lender on behalf of a newly formed independent agency (the Agency) that conducts business with BrickStreet. The Agency's principal has personally guaranteed the principal balance to BrickStreet. BrickStreet will only be liable on the default of the Agency's loan with the borrower, Summit Community Bank. BrickStreet has entered into a security agreement with the Agency and its principal, where BrickStreet will have a security interest in 40% of workers' compensation commission and 100% of bonus commissions earned related to a separate independent insurance agency should the limited guaranty provisions be triggered. In addition, the Agency will pay BrickStreet a guaranty fee of 1% per annum of the interest due on the promissory note payable to borrower. The collectability of the loan balance will be assessed if the agency defaults on payments to the bank. No assessment has been considered necessary as of December 31, 2017.

As disclosed in Note 14 (Related-Party Transactions), the Company has committed to contributing $15 million to a tax-exempt organization.

10. Defined Contribution Plan

The Company sponsors a defined savings plan under Section 401(k) of the Internal Revenue Code covering substantially all of its employees. The Company matches employee contributions up to 7% of total compensation. Employer contributions are immediately vested when paid. Profit-sharing contributions, which can be made at the discretion of the Board of Directors, vest immediately. Total employer and profit-sharing contributions were $2,607,991 and $2,201,031 for the years ended December 31, 2017 and 2016, respectively.

The Company has also adopted an executive compensation plan that provides for deferred bonuses for selected executives. Executives are credited with deferred amounts when the Company hits certain targets and, if they remain with the Company for the required time periods, the amounts will be paid out. The total accrual for these amounts was $11,342,280 and $9,272,860 as of December 31, 2017 and 2016, respectively.

During 2017, the Company adopted an additional supplemental plan for selected executives. The plan provides for contributions at the Company's discretion with employee vesting at age 60 or when certain vesting events occur. The total accrual under this plan was $9,784,434 and $0 at December 31, 2017 and 2016, respectively.

During 2015, the Company adopted a supplemental plan for selected individuals. The plan provides for contributions at the Company's discretion with employee vesting at age 60 or when certain vesting events occur. The total accrual under this plan was $5,363,162 and $2,333,842 as of December 31, 2017 and 2016, respectively.

The accrual for defined contributions plan liabilities are included in "Accounts payable and other accrued expenses" in the accompanying consolidated statutory-basis statements of admitted assets, liabilities and policyholders' surplus.

11. Leases

The Company leases office space under various operating lease arrangements that expire on various dates through April 30, 2027. Office lease expense for the years ended December 31, 2017 and 2016 was $274,022 and $265,193, respectively. In 2017, the Company entered into a new operating lease agreement for a regional office in Pittsburgh, Pennsylvania. All future minimum rental payments are as follows:

2018	$ 970,825
2019	981,468
2020	888,026
2021	759,485
2022	744,619
Thereafter	3,404,446
	$ 7,748,870

In 2012, the Company and an unaffiliated entity, entered into a 15-year agreement to lease office space from the Company's home office in Charleston, West Virginia. The agreement stipulates a portion of the lease to be paid with cash and the remaining amount with advertising credits. Pursuant to the lease agreement, the Company recognized $325,000 of rental income per year in both 2017 and 2016. Future minimum rental income payments are as follows:

2018	$ 325,000
2019	325,000
2020	325,000
2021	325,000
2022	325,000
Thereafter	1,354,167
	$ 2,979,167

12. Non-Claim Expenses

The material components of the Company's non-claim expenses for the years ended December 31 are as follows:

	2017			
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
Claim adjustment expenses	**$ 11,229,583**	**$ -**	**$ -**	**$ 11,229,583**
Commissions	**-**	**34,011,747**	**-**	**34,011,747**
Advertising	**14,082**	**18,964,012**	**-**	**18,978,094**
Salaries	**22,760,241**	**26,519,650**	**108,425**	**49,388,316**
Employee relations and welfare	**8,819,471**	**12,387,049**	**101,839**	**21,308,359**
Rent and rent items	**1,385,318**	**1,368,157**	**3,203**	**2,756,678**
Cost or depreciation of EDP equipment and software	**4,625,914**	**3,696,943**	**16,488**	**8,339,345**
Legal and auditing	**1,393,586**	**3,630,831**	**3,141,072**	**8,165,489**
Depreciation on real estate	**-**	**-**	**749,759**	**749,759**
All other expenses	**3,901,526**	**30,240,746**	**296,741**	**34,439,013**
	$ 54,129,721	**$ 130,819,135**	**$ 4,417,527**	**$ 189,366,383**

	2016			
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
Claim adjustment expenses	$ 14,586,683	$ -	$ -	$ 14,586,683
Commissions	-	29,950,070	-	29,950,070
Advertising	5,042	4,449,971	12	4,455,025
Salaries	21,355,712	22,232,526	90,527	43,678,765
Employee relations and welfare	4,889,947	5,010,070	11,651	9,911,668
Rent and rent items	1,135,837	1,165,547	-	2,301,384
Cost or depreciation of EDP equipment and software	5,766,393	4,118,929	5,129	9,890,451
Legal and auditing	1,393,586	4,045,841	3,075,962	8,515,389
Depreciation on real estate	-	-	749,383	749,383
All other expenses	3,116,879	21,709,905	324,809	25,151,593
	$ 52,250,079	$ 92,682,859	$ 4,257,473	$ 149,190,411

13. Electronic Data Processing Equipment

Electronic data processing equipment carried by the Company as admitted assets as of December 31 is summarized as follows:

	2017	2016
Electronic data processing equipment, at cost	**$ 12,530,146**	$ 10,556,662
Accumulated depreciation	**(9,714,053)**	(8,408,893)
Total	**$ 2,816,093**	$ 2,147,769

Total depreciation expense on electronic data processing equipment for 2017 and 2016 was $1,305,160 and $928,871, respectively. Total depreciation and amortization for all remaining fixed assets, including real estate and nonadmitted fixed assets, was $7,606,970 and $8,208,944 for 2017 and 2016, respectively.

14. Related-Party Transactions

BrickStreet Foundation, Inc. (the Foundation), a company granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, is related through common management, whereby a portion of the management of the Foundation is the same as that of the Company. The Company pledged a $15 million contribution to the Foundation in 2017.

15. Subsequent Events

The Company evaluated the recognition and disclosure of subsequent events for its consolidated statutory-basis financial statements through May 17, 2018, the date the consolidated statutory-basis financial statements were available to be issued. There were no subsequent events, other than those discussed below, through the report date, that merit disclosure or which would have a material impact on the consolidated statutory-basis condition of the Company:

Effective January 1, 2018, BrickStreet Mutual Insurance Company and its subsidiaries entered into an intercompany reinsurance pooling agreement with the Motorists Pool Group. Each companies' share of the pool is listed below:

Affilliate	Pooling Share
Motorists Mutual Insurance Company	32.4%
MICO Insurance Company	0.0%
Consumers Insurance USA, Inc.	2.1%
Motorists Commercial Mutual Insurance Company	10.3%
Wilson Mutual Insurance Company	1.7%
Iowa Mutual Insurance Company	1.7%
Iowa American Insurance Company	0.6%
Phenix Mutual Fire Insurance Company	1.6%
BrickStreet Mutual Insurance Company	48.0%
NorthStone Insurance Company	0.0%
PinnaclePoint Insurance Company	0.8%
SummitPoint Insurance Company	0.8%
HM Casualty Insurance Company	0.0%

- The change in pooling participants and shares will necessitate a realignment of balance sheet related underwriting balances which was settled between pool members during the first quarter of 2018.
- BrickStreet Mutual Insurance Company made $15 million capital contributions to its subsidiaries SummitPoint Insurance Company and PinnaclePoint Insurance Company so that they may qualify for accredited reinsurance status in the State of Ohio.
- On October 30, 2017, the board of directors for HM Casualty Insurance Company approved a name change to AlleghenyPoint Insurance Company. The name change is effective January 1, 2018.

Supplementary Information

BrickStreet Mutual Insurance Company and Subsidiaries
Consolidating Statutory-Basis Statement of Admitted Assets, Liabilities and Policyholders' Surplus
December 31, 2017

	BrickStreet Mutual Insurance Company	NorthStone Insurance Company	SummitPoint Insurance Company	PinnaclePoint Insurance Company	HM Casualty Insurance Company	Elimination of Intercompany Balances	Consolidated
ADMITTED ASSETS							
Cash and invested assets:							
Bonds	$ 1,721,463,367	$ 31,112,883	$ 30,894,453	$ 32,845,376	$ 7,244,649	$ -	$ 1,823,560,728
Common stocks	229,092,515	-	-	-	-	(53,327,826)	175,764,689
Property occupied by the Company	19,338,115	-	-	-	-	-	19,338,115
Properties held for sale	474,181	-	-	-	-	-	474,181
Cash, cash equivalents and short-term investments	84,473,627	8,709,718	8,404,791	9,775,938	10,626,609	-	121,990,683
Receivable for securities	14,240,653	-	-	-	-	-	14,240,653
Other invested assets	748,550	-	-	-	-	-	748,550
Total cash and invested assets	2,069,831,008	39,822,601	39,299,244	42,621,314	17,871,258	(53,327,826)	2,156,117,599
Accrued investment income	14,073,181	236,521	221,477	241,393	41,343	-	14,813,915
Premiums receivable	133,212,928	20,310,041	18,088,447	29,723,327	10,340,944	(78,462,758)	133,212,929
Amounts recoverable from reinsurers	1,272,327	2,408,832	1,065,612	2,692,024	5,078,545	(12,517,340)	-
Deposits under assumption agreements	1,009,429	18,024	10,149	26,947	-	-	1,064,549
Federal income tax recoverable	44,781	-	95,632	-	-	(140,413)	-
Net deferred income tax asset	26,799,480	531,137	337,213	482,014	594,818	-	28,744,662
Electronic data processing equipment and software, net	2,816,093	-	-	-	-	-	2,816,093
Receivables from parent, subsidiaries and affiliates	15,430,554	-	-	-	-	(15,430,554)	-
Other assets	6,161,015	360,736	468,033	393,241	216,815	-	7,599,840
Total admitted assets	$ 2,270,650,796	$ 63,687,892	$ 59,585,807	$ 76,180,260	$ 34,143,723	$ (159,878,891)	$ 2,344,369,587

BrickStreet Mutual Insurance Company and Subsidiaries
Consolidating Statutory-Basis Statement of Admitted Assets, Liabilities and Policyholders' Surplus
December 31, 2017

(Continued)

	BrickStreet Mutual Insurance Company	NorthStone Insurance Company	SummitPoint Insurance Company	PinnaclePoint Insurance Company	HM Casualty Insurance Company	Elimination of Intercompany Balances	Consolidated
LIABILITIES AND POLICYHOLDERS' SURPLUS							
Liabilities:							
Loss reserves	$ 944,298,144	$ 20,091,450	$ 20,091,450	$ 20,091,450	$ -	$ -	$ 1,004,572,494
Loss adjustment expense reserves	143,913,013	3,061,979	3,061,979	3,061,979	-	-	153,098,950
Reinsurance payable on paid losses and loss adjustment expenses	11,528,454	424,109	424,109	424,109	-	(12,517,340)	283,441
Commissions payable	17,362,511	369,415	369,415	369,415	-	-	18,470,756
Accounts payable and other accrued expenses	65,289,386	1,608,159	1,790,560	1,849,316	1,571,327	-	72,108,748
Federal income taxes payable	-	148,456	-	250,960	66,124	(140,413)	325,127
Unearned premiums	153,686,005	3,269,915	3,269,915	3,269,915	-	-	163,495,750
Premiums collected in advance	968,354	258,306	90,900	788,566	53,534	-	2,159,660
Ceded reinsurance premiums payable, net of ceding commissions	8,978,285	17,645,782	15,424,188	27,059,068	10,340,944	(78,462,758)	985,509
Remittances and items not allocated	708,339	128,979	98,910	434,842	146,959	-	1,518,029
Payable for securities	8,021,070	-	-	-	-	-	8,021,070
Payable to parent, subsidiaries and affiliates	-	4,156,158	2,641,396	5,222,250	3,410,750	(15,430,554)	-
Funds held for others	14,906,360	492,171	774,928	1,135,257	342,827	-	17,651,543
Other liabilities	102,262,557	-	-	-	687,635	-	102,950,192
Total liabilities	1,471,922,478	51,654,879	48,037,750	63,957,127	16,620,100	(106,551,065)	1,545,641,269
Policyholders' surplus	798,728,318	12,033,013	11,548,057	12,223,133	17,523,623	(53,327,826)	798,728,318
Total liabilities and policyholders' surplus	$ 2,270,650,796	$ 63,687,892	$ 59,585,807	$ 76,180,260	$ 34,143,723	$ (159,878,891)	$ 2,344,369,587

BrickStreet Mutual Insurance Company and Subsidiaries
Consolidating Statutory-Basis Statement of Operations
Year Ended December 31, 2017

	BrickStreet Mutual Insurance Company	NorthStone Insurance Company	SummitPoint Insurance Company	PinnaclePoint Insurance Company	HM Casualty Insurance Company	Elimination of Intercompany Balances	Consolidated
Revenues:							
Premiums earned, net	$ 361,612,527	$ 7,693,884	$ 7,693,884	$ 7,693,884	$ -	$ -	$ 384,694,179
Expenses:							
Losses incurred	169,653,740	3,609,654	3,609,654	3,609,654	-	-	180,482,702
Loss adjustment expenses incurred	50,881,942	1,082,593	1,082,593	1,082,593	-	-	54,129,721
Other underwriting expenses incurred	122,969,989	2,616,382	2,616,382	2,616,382	-	-	130,819,135
Net underwriting gain	18,106,856	385,255	385,255	385,255	-	-	19,262,621
Investment income:							
Investment income earned, net	50,418,465	709,392	767,056	824,121	164,356	-	52,883,390
Net realized capital gains	7,299,087	53,901	58,183	58,195	1,844	-	7,471,210
Net investment income	57,717,552	763,293	825,239	882,316	166,200	-	60,354,600

See independent auditors' report on the supplementary information.

BrickStreet Mutual Insurance Company and Subsidiaries
Consolidating Statutory-Basis Statement of Operations
Year Ended December 31, 2017 **(Continued)**

	BrickStreet Mutual Insurance Company	NorthStone Insurance Company	SummitPoint Insurance Company	PinnaclePoint Insurance Company	HM Casualty Insurance Company	Elimination of Intercompany Balances	Consolidated
Other expenses:							
Net loss from agents' or premium balances charged off	$ 316,310	$ 177,544	$ 936,808	$ 73,618	$ 334,422	$ -	$ 1,838,702
Policyholder dividends	-	-	-	-	1,344,439	-	1,344,439
Other expense (income)	30,619,522	(208)	43,562	(225)	(1,686,303)	-	28,976,348
Total other expenses	30,935,832	177,336	980,370	73,393	(7,442)	-	32,159,489
Income before income taxes	44,888,576	971,212	230,124	1,194,178	173,642	-	47,457,732
Income tax expense	14,373,586	186,850	(102,086)	289,851	65,131	-	14,813,332
Net income	$ 30,514,990	$ 784,362	$ 332,210	$ 904,327	$ 108,511	$ -	$ 32,644,400

BrickStreet Mutual Insurance Company and Subsidiaries
Consolidating Statutory-Basis Statement of Changes in Policyholders' Surplus
Year Ended December 31, 2017

	BrickStreet Mutual Insurance Company	NorthStone Insurance Company	SummitPoint Insurance Company	PinnaclePoint Insurance Company	HM Casualty Insurance Company	Elimination of Intercompany Balances	Consolidated
Balance, December 31, 2016	$ 756,083,874	$ 11,342,274	$ 11,481,596	$ 11,468,427	$ -	$ (34,292,297)	756,083,874
Net income	30,514,990	784,362	332,210	904,327	108,511	-	32,644,400
Acquisition of statutory-basis surplus of subsidiary	-	-	-	-	19,193,089	(19,193,089)	-
Change in net unrealized capital gains, net of deferred income taxes	19,258,638	-	-	-	-	157,560	19,416,198
Change in net deferred income taxes	(28,047,363)	(661,897)	(600,158)	(572,195)	353,082	-	(29,528,531)
Change in nonadmitted assets	20,918,179	568,274	334,409	422,574	(2,131,059)	-	20,112,377
Balance, December 31, 2017	$ 798,728,318	$ 12,033,013	$ 11,548,057	$ 12,223,133	$ 17,523,623	$ (53,327,826)	$ 798,728,318

BrickStreet Mutual Insurance Company and Subsidiaries
Consolidated Summary Investment Schedule
December 31, 2017

	2017		Admitted Assets as Reported in the Annual Statement	
	Amount	Percentage	Amount	Percentage
Bonds:				
U.S. Treasury securities	$ 61,260,148	2.8%	$ 61,260,148	2.8%
U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
Issued by U.S. government agencies	24,274,419	1.1%	24,274,419	1.1%
Issued by U.S. government-sponsored agencies	-	0.0%	-	0.0%
Foreign government (including Canada, excluding mortgage-backed securities)	7,640,637	0.4%	7,640,637	0.4%
Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
States, territories and possessions general obligations	58,970,373	2.7%	58,970,373	2.7%
Political subdivisions of states, territories and possessions and political subdivisions general obligations	103,703,205	4.8%	103,703,205	4.8%
Revenue and assessment obligations	442,482,721	20.5%	442,482,721	20.5%
Industrial development and similar obligations	15,074,839	0.7%	15,074,839	0.7%
Mortgage-backed securities (includes residential and commercial MBS):				
Pass-through securities:				
Issued or guaranteed by GNMA	1,782,230	0.1%	1,782,230	0.1%
Issued or guaranteed by FNMA and FHLMC	244,058,994	11.3%	244,058,994	11.3%
All other	-	0.0%	-	0.0%
CMOs and REMICs:				
Issued or guaranteed by GNMA, FNMA, FHLMC or VA	34,230,466	1.6%	34,230,466	1.6%
Issued by non-U.S. government issuers and collateralized by mortgage-backed securities issued or guaranteed by GNMA, FNMA, FHLMC or VA	-	0.0%	-	0.0%
All other privately issued	103,786,564	4.8%	103,786,564	4.8%
Other debt and other fixed-income securities (excluding short-term):				
Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	574,641,772	26.7%	574,641,772	26.7%
Unaffiliated foreign securities	151,654,360	7.0%	151,654,360	7.0%
Affiliated securities	-	0.0%	-	0.0%
Equity interests:				
Investments in mutual funds	43,898,075	2.0%	43,898,075	2.0%
Preferred stocks				
Affiliated	-	0.0%	-	0.0%
Unaffiliated	-	0.0%	-	0.0%
Publicly traded equity securities (excluding preferred stocks)				
Affiliated	-	0.0%	-	0.0%
Unaffiliated	131,458,914	6.1%	131,458,914	6.1%
Other equity securities				
Affiliated	-	0.0%	-	0.0%
Unaffiliated	407,700	0.0%	407,700	0.0%
Other equity interests including tangible personal property under lease				
Affiliated	-	0.0%	-	0.0%
Unaffiliated	-	0.0%	-	0.0%

	2017		Admitted Assets as Reported in the Annual Statement	
	Amount	**Percentage**	**Amount**	**Percentage**
Mortgage loans:				
Construction and land development	$ -	0.0%	$ -	0.0%
Agricultural	-	0.0%	-	0.0%
Single-family residential properties	-	0.0%	-	0.0%
Multifamily residential properties	-	0.0%	-	0.0%
Commercial loans	-	0.0%	-	0.0%
Real estate investments:				
Property occupied by Company	19,338,115	0.9%	19,338,115	0.9%
Property held for production of income (includes $0 of property acquired in satisfaction of debt)	-	0.0%	-	0.0%
Property held for sale ($0 including property acquired in satisfaction of debt)	474,181	0.0%	474,181	0.0%
Policy loans	-	0.0%	-	0.0%
Receivables for securities	14,240,653	0.7%	14,240,653	0.7%
Cash, cash equivalents and short-term investments	121,990,683	5.8%	121,990,683	5.8%
Other invested assets	748,550	0.0%	748,550	0.0%
Total invested assets	$ 2,156,117,599	100.0%	$ 2,156,117,599	100.0%

Address	**Charleston, West Virginia**
NAIC Group Code	**4768**
NAIC Company Code	**12372**
Employer's ID Number	**20-2394166**

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

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

1. Reporting entity's total admitted assets as reported in the Consolidated Statutory-Basis Statement of Admitted Assets, Liabilities and Policyholders' Surplus:

$ 2,344,369,587

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

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Federal National Mortgage Association	Bonds, MBS, CMO	$167,415,119	7.14%
2.02	Federal Home Loan Mortgage Corp	Bonds, MBS, CMO	103,717,437	4.42%
2.03	i-Shares Trust	Equity	33,178,304	1.42%
2.04	State of West Virginia	Municipal	12,885,244	0.55%
2.05	Capital One Multi-Asset Execution Trust	ABS	12,767,354	0.54%
2.06	Wells Fargo & Company	Bonds, Equity	12,709,506	0.54%
2.07	Microsoft Corporation	Bonds, Equity	11,509,219	0.49%
2.08	JPMorgan Chase & Co.	Bonds, Equity	11,356,001	0.48%
2.09	Apple Inc.	Bonds, Equity	11,279,704	0.48%
2.10	School Building Authority of West Virginia	Municipal	10,640,243	0.45%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds (including short-term investments) and preferred stocks by NAIC rating.

	NAIC Rating	Amount	Percentage of Total Admitted Assets
Bonds:			
3.01	NAIC-1	$ 1,710,952,489	72.99%
3.02	NAIC-2	127,729,771	5.45%
3.03	NAIC-3	1,990,420	0.08%
3.04	NAIC-4	-	-%
3.05	NAIC-5	-	-%
3.06	NAIC-6	-	-%
Preferred Stocks:			
3.07	P/RP-1	-	-%
3.08	P/RP-2	-	-%
3.09	P/RP-3	-	-%
3.10	P/RP-4	-	-%
3.11	P/RP-5	-	-%
3.12	P/RP-6	-	-%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?

Yes [ ] No [X]

4.02	Total admitted assets held in foreign investments	$ 151,258,596	6.45%
4.03	Foreign currency-denominated investments	-	-%
4.04	Insurance liabilities denominated in that same foreign currency	-	-%

If response to 4.01 above is yes, responses are not required for Interrogatories 5-10.

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

5.01	Countries rated NAIC-1	$ 139,992,669	5.97%
5.02	Countries rated NAIC-2	11,265,927	0.48%
5.03	Countries rated NAIC-3 or below	-	-%

6. Two largest foreign investment exposures to a single country, categorized by the country's NAIC sovereign rating:

			Amount	Percentage of Total Admitted Assets
	Countries rated NAIC-1:			
6.01	Country: United Kingdom	$	34,402,679	1.47%
6.02	Country: Ireland		16,510,667	0.70%
	Countries rated NAIC-2:			
6.03	Country: Mexico	$	4,884,746	0.21%
6.04	Country: Spain		2,932,984	0.13%
	Countries rated NAIC-3 or below:			
6.05	Country:	$	-	-%
6.06	Country:		-	-%

7.	**Aggregate unhedged foreign currency exposure:**	$	-	-%

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

8.01	Countries rated NAIC-1	$	-	-%
8.02	Countries rated NAIC-2		-	-%
8.03	Countries rated NAIC-3 or below		-	-%

9. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

	Countries rated NAIC-1:			
9.01	Country:	$	-	-%
9.02	Country:		-	-%
	Countries rated NAIC-2:			
9.03	Country:	$	-	-%
9.04	Country:		-	-%
	Countries rated NAIC-3 or below:			
9.05	Country:	$	-	-%
9.06	Country:		-	-%

10. Ten largest non-sovereign (i.e., non-governmental) foreign issues:

	Issuer	NAIC Rating	Amount	Percentage of Total Admitted Assets
10.01	HSBC Holdings PLC	1FE	$ 7,906,279	0.34%
10.02	Medtronic, Inc.	1FE	6,756,811	0.29%
10.03	UBS AG	1FE	6,499,460	0.28%
10.04	American Honda Finance Corporation	1FE	6,209,799	0.26%
10.05	Anheuser-Busch Inbev Finance Inc.	1FE	5,722,657	0.24%
10.06	Novartis Capital Corporation	1FE	5,147,210	0.22%
10.07	BNP Paribas	1FE	5,020,604	0.21%
10.08	Macquarie Bank Limited	2FE	4,499,586	0.19%
10.09	National Australia Bank Limited	1FE	4,495,437	0.19%
10.10	GlaxoSmithKline Capital PLC	1FE	4,218,984	0.18%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No []

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02	Total admitted assets held in Canadian investments	$ -	-%
11.03	Canadian currency-denominated investments	-	-%
11.04	Canadian-denominated insurance liabilities	-	-%
11.05	Unhedged Canadian currency exposure	-	-%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

12.02 Aggregate statement value of investments with contractual sales restrictions:

$ - -%

Largest 3 investments with contractual sales restrictions:

12.03	$ -	-%
12.04	-	-%
12.05	-	-%

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets?

Yes [ ] No [X]

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

Assets held in equity interests:

	Name of Issuer		Amount	Percentage of Total Admitted Assets
13.02	iShares Trust	$	33,178,304	1.415%
13.03	Vanguard Index Funds		3,063,728	0.131%
13.04	Apple Inc.		2,497,835	0.107%
13.05	Johnson & Johnson		2,443,703	0.104%
13.06	Exxon Mobil Corporation		2,381,649	0.102%
13.07	Vanguard Bond Index Funds		2,370,040	0.101%
13.08	Wells Fargo & Company		2,237,692	0.095%
13.09	AT&T Inc.		2,139,994	0.091%
13.10	The Home Depot, Inc.		2,078,196	0.089%
13.11	The Proctor & Gamble Company		2,064,635	0.088%

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

14.02 Aggregate statement value of assets held in nonaffiliated, privately placed equities:

$	-	-%

Largest 3 investments held in nonaffiliated, privately placed equities:

14.03		$	-	-%
14.04			-	-%
14.05			-	-%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

15.02 Aggregate statement value of investments held in general partnership interests:

	Name of Issuer	Amount	Percentage of Total Admitted Assets
		$ -	-%

Largest 3 investments in general partnership interests:

15.03		$ -	-%
15.04		-	-%
15.05		-	-%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	Type (Residential, Commercial, Agriculture)	Amount	Percentage of Total Admitted Assets
16.02		$ -	-%
16.03		-	-%
16.04		-	-%
16.05		-	-%
16.06		-	-%
16.07		-	-%
16.08		-	-%
16.09		-	-%
16.10		-	-%
16.11		-	-%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	Percentage of Total Admitted Assets
16.12	Construction loans	$ -	-%
16.13	Mortgage loans over 90 days past due	-	-%
16.14	Mortgage loans in the process of foreclosure	-	-%
16.15	Mortgage loans foreclosed	-	-%
16.16	Restructured mortgage loans	-	-%

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
17.01	Above 95%	$ -	-%	$ -	-%	$ -	-%
17.02	91% to 95%	-	-%	-	-%	-	-%
17.03	81% to 90%	-	-%	-	-%	-	-%
17.04	71% to 80%	-	-%	-	-%	-	-%
17.05	Below 70%	-	-%	-	-%	-	-%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	Description	Loans	Percentage of Total Admitted Assets
18.02	Construction loans	$ -	-%
18.03	Mortgage loans over 90 days past due	-	-%
18.04	Mortgage loans in the process of foreclosure	-	-%
18.05	Mortgage loans foreclosed	-	-%
18.06	Restructured mortgage loans	-	-%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets?

Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

19.02 Aggregate statement value of investments held in mezzanine real estate loans:

		Loans	Percentage of Total Admitted Assets
		$ -	-%
	Largest three investments held in mezzanine real estate loans:		
19.03	Construction loans	$ -	-%
19.04	Mortgage loans over 90 days past due	-	-%
19.05	Mortgage loans in the process of foreclosure	-	-%

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
20.01	Securities lending (do not include assets held as collateral for such transactions)	$ -	-%	$ -	$ -	$ -
20.02	Repurchase agreements	-	-%	-	-	-
20.03	Reverse repurchase agreements	-	-%	-	-	-
20.04	Dollar repurchase agreements	-	-%	-	-	-
20.05	Dollar reverse repurchase agreements	-	-%	-	-	-

21. Amounts and percentages indicated below for warrants not attached to other financial instruments, options, caps, and floors:

		Owned		Written	
21.01	Hedging	$ -	-%	$ -	-%
21.02	Income generation	-	-%	-	-%
21.03	Other	-	-%	-	-%

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

		At Year End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rdQtr
22.01	Hedging	$ -	-%	$ -	$ -	$ -
22.02	Income generation	-	-%	-	-	-
22.03	Replications	-	-%	-	-	-
22.04	Other	-	-%	-	-	-

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

		At Year End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
23.01	Hedging	$ -	-%	$ -	$ -	$ -
23.02	Income generation	-	-%	-	-	-
23.03	Replications	-	-%	-	-	-
23.04	Other	-	-%	-	-	-