American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries

Consolidated Property & Casualty Statutory Financial Statements and Supplemental Information

December 31, 2016 and 2015

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Contents
December 31, 2016 and 2015

Report of Independent Auditors

To the Board of Directors of American Family Mutual Insurance Company:

We have audited the accompanying consolidated statutory financial statements of American Family Mutual Insurance Company and its Consolidated Property & Casualty Subsidiaries, which comprise the consolidated statutory balance sheets as of December 31, 2016 and 2015, and the related consolidated statutory statements of income, of changes in policyholders' surplus, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting practices prescribed or permitted by the applicable domiciliary state insurance departments (including the Office of the Commissioner of Insurance of the State of Wisconsin, the Illinois Department of Insurance, the Department of Financial Services of the State of New York, the Texas Department of Insurance, the California Department of Insurance, and the State of Georgia Office of Insurance and Safety Fire Commissioner). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1 to the financial statements, the consolidated financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the applicable domiciliary state insurance departments (including the Office of the Commissioner of Insurance of the State of Wisconsin, the Illinois Department of Insurance, the Department of Financial Services of the State of New York, the Texas Department of Insurance, the California Department of Insurance, and the State of

Georgia Office of Insurance and Safety Fire Commissioner), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the consolidated financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America are material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the consolidated financial statements referred to above 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, 2016 and 2015, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the applicable domiciliary state insurance departments (including the Office of the Commissioner of Insurance of the State of Wisconsin, the Illinois Department of Insurance, the Department of Financial Services of the State of New York, the Texas Department of Insurance, the California Department of Insurance, and the State of Georgia Office of Insurance and Safety Fire Commissioner) described in Note 1.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating 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 financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated 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 financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

PricewaterhouseCoopers LLP

February 24, 2017

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Consolidated Property & Casualty Statutory Balance Sheets
December 31, 2016 and 2015
(in thousands of dollars)

	2016	2015
Admitted Assets		
Bonds	$ 8,796,923	$ 8,137,651
Common stocks, including investments in unconsolidated subsidiaries	3,809,598	3,492,486
Real estate (net of accumulated depreciation of $245,908 and $231,727)	249,035	245,871
Cash, cash equivalents and short-term investments	437,769	590,604
Receivables for securities	95,682	110,258
Other invested assets	941,466	851,483
Total cash and invested assets	14,330,473	13,428,353
Property & casualty premiums receivable and agents' balances	1,389,317	1,288,089
Accrued investment income	87,515	84,075
Deferred tax assets	321,032	369,981
Electronic data processing equipment and software (net)	15,399	12,017
Other assets	64,661	182,088
Total admitted assets	16,208,397	15,364,603
Liabilities		
Property & casualty loss and loss adjustment expense reserve	3,830,886	3,584,759
Property & casualty unearned premiums	3,076,547	2,842,481
Drafts outstanding	72,933	77,441
Agent contract termination payments	697,175	660,007
Employee pension and other benefits	355,331	373,671
Income taxes payable	25,339	12,655
Debt	502,204	502,204
Payable for securities	209,074	173,096
Accrued expenses and other liabilities	571,933	635,199
Total liabilities	9,341,422	8,861,513
Policyholders' Surplus		
Special surplus funds	1,250	1,250
Unassigned surplus	6,865,725	6,501,840
Total policyholders' surplus	6,866,975	6,503,090
Total liabilities and policyholders' surplus	$ 16,208,397	$ 15,364,603

The accompanying notes are an integral part of these consolidated property & casualty statutory financial statements.

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries

Consolidated Property & Casualty
Statutory Statements of Income
Years Ended December 31, 2016 and 2015

(in thousands of dollars)

	2016	2015
Premiums and other income		
Property & casualty premiums earned	$ 7,069,017	$ 6,633,744
Net investment income	287,396	294,397
Net realized investment gains (losses)	72,260	206,301
Other income (expenses)	(12,637)	26,786
Total premiums and other income	7,416,036	7,161,228
Losses and expenses		
Property & casualty losses and loss adjustment expenses incurred	4,816,739	4,213,098
Underwriting expenses	2,275,977	2,149,057
Dividends to policyholders	1,763	1,607
Total losses and expenses	7,094,479	6,363,762
Income (loss) before income tax expense (benefit)	321,557	797,466
Income tax expense (benefit)	97,358	211,948
Net income (loss)	$ 224,199	$ 585,518

The accompanying notes are an integral part of these consolidated property & casualty statutory financial statements.

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Consolidated Property & Casualty
Statutory Statements of Changes in Policyholders' Surplus
Years Ended December 31, 2016 and 2015
(in thousands of dollars)

	2016	2015
Special surplus funds		
Beginning balance	$ 1,250	$ 1,465
Affordable care act fee	-	(215)
Ending balance	1,250	1,250
Unassigned surplus		
Beginning balance	6,501,840	6,028,618
Net income (loss)	224,199	585,518
Net change in unrealized capital gains (losses) of investments, net of deferred income tax	121,414	(100,789)
Change in nonadmitted assets	1,652	(19,791)
Change in net deferred income tax	22,861	(16,210)
Pension and termination benefits adjustments	(9,151)	17,124
Other	2,910	7,370
Ending balance	6,865,725	6,501,840
Total policyholders' surplus	$ 6,866,975	$ 6,503,090

The accompanying notes are an integral part of these consolidated property & casualty statutory financial statements.

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Consolidated Property & Casualty
Statutory Statements of Cash Flows
Years Ended December 31, 2016 and 2015
(in thousands of dollars)

	2016	2015
Cash from Operations		
Premiums collected net of reinsurance	$ 7,142,413	$ 6,732,407
Net investment income	386,723	380,501
Miscellaneous income (expenses)	(14,441)	36,685
Benefit and loss related payments	(3,834,742)	(3,527,061)
Commissions, expenses paid and aggregate write-ins for deductions	(2,916,657)	(2,732,040)
Dividends paid to policyholders	(1,397)	(1,521)
Federal income taxes (paid) recovered, net of tax on capital gains (losses)	(81,776)	(265,625)
Net cash provided by (used in) operations	680,123	623,346
Cash from Investments		
Proceeds from investments sold, matured, or repaid		
Bonds	9,790,790	9,416,529
Stocks	457,972	835,968
Real estate	2,061	3,262
Other invested assets	58,375	55,268
Net gains or (losses) on cash and short-term investments	(13)	10
Miscellaneous proceeds	73,283	110,471
Total investment proceeds	10,382,468	10,421,508
Cost of investments acquired (long-term only)		
Bonds	10,477,895	9,762,722
Stocks	507,947	790,558
Capital contribution to affiliate	82,849	46,473
Real estate	18,074	22,054
Other invested assets	145,260	133,958
Miscellaneous applications	21,606	109,875
Total investments acquired	11,253,631	10,865,640
Net cash provided by (used in) investments	(871,163)	(444,132)
Cash from Financing and Miscellaneous sources		
Capital and paid in surplus	10,000	5,000
Other cash provided (applied)	28,205	(34,795)
Net cash provided by (used in) financing and miscellaneous sources	38,205	(29,795)
Reconciliation of Cash, Cash Equivalents and Short-Term Investments		
Net change in cash, cash equivalents and short-term investments	(152,835)	149,419
Cash, cash equivalents and short-term investments		
Beginning of year	590,604	441,185
End of year	$ 437,769	$ 590,604
Income taxes (paid) recovered	$ (97,717)	$ (269,521)

The accompanying notes are an integral part of these consolidated property & casualty statutory financial statements.

1. Nature of Operations and Significant Statutory Accounting Policies

American Family Mutual Insurance Company (AFMIC) and its wholly-owned subsidiaries are engaged principally in the writing of property & casualty and life insurance policies within the United States and distributes products through agency and direct sales models, depending on the product and the state of business. AFMIC and its consolidated subsidiaries are herein referred to collectively as the "Companies" or the "Company".

AFMIC's agency sales distribution channel sells personal lines and commercial products predominantly through an exclusive agency force in AFMIC'S nineteen state operating territory.

Agents also sell life insurance products which are underwritten by the Company's subsidiary, American Family Life Insurance Company (AFLIC) which offers term, whole and universal life insurance policies. AFLIC cedes 100% of its variable universal life (VUL) and variable annuity (VA) business, which AFLIC no longer sells, under a 100% reinsurance agreement with a third party reinsurance company.

Personal lines policies are also sold through a direct sales distribution channel by its subsidiaries, PGC Holdings Corp. and its subsidiaries (PGC), and Homesite Group, Inc. and its subsidiaries (Homesite), respectively. Both PGC and Homesite are licensed to sell policies in all 50 states and the District of Columbia.

The accompanying consolidated property & casualty statutory financial statements have been prepared principally for filing with regulatory agencies and, as such, are prepared in conformity with accounting practices prescribed or permitted by the various domiciliary state insurance departments (statutory accounting practices or STAT).

The accompanying consolidated property & casualty statutory financial statements have been prepared in accordance with STAT which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying consolidated property & casualty statutory financial statements vary materially from financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) primarily because on a statutory basis: a) bonds are generally carried at amortized cost rather than fair value; b) policy acquisition costs, such as commissions and other costs directly related to acquiring business, are charged to operations as incurred and not deferred; c) deferred tax assets (DTAs) are generally limited to those temporary differences which reverse in the following three years and offset deferred tax liabilities (DTLs); d) PGC and non-property & casualty insurance companies are excluded from this consolidation; e) reinsurance recoverables on unpaid losses are offset against the liability for property & casualty losses and loss adjustment expenses; f) money market funds are reported as short-term investments rather than cash equivalents; g) the purchase method of accounting relies on carryover basis of accounting and the resulting goodwill will be amortized over a period of ten years; h) certain assets are considered nonadmitted and therefore excluded from surplus; see Note 1(k) below for a description of these items; i) the consolidated property & casualty statutory statements cash flows are presented in the required statutory format, in which cash, cash equivalents and short-term investments include cash on deposits and short-term, highly liquid investments that are readily convertible to cash; and j) debt is recorded on a cost basis rather than at fair value.

The effect of the foregoing differences in the accompanying consolidated property & casualty statutory financial statements is material. Consolidated GAAP policyholders' equity is $7,759,957 and $7,362,497 as of December 31, 2016 and 2015, respectively. Consolidated GAAP net income is $325,579 and $693,920 for the years ended December 31, 2016 and 2015, respectively.

The significant accounting policies used in the preparation of these consolidated property & casualty statutory financial statements include:

a. Principles of Consolidation

The accompanying consolidated property & casualty statutory financial statements include the accounts of AFMIC and its wholly-owned property & casualty subsidiaries which includes, after elimination of all significant intercompany balances and activity, American Standard Insurance Company of Wisconsin (ASIC), American Family Insurance Company (AFIC), American Standard Insurance Company of Ohio (ASICO), Midvale Indemnity Company (MIC), Homesite Insurance Company of the Midwest (HMW), Homesite Insurance Company (HCT), Homesite Insurance Company of California (HCA), Homesite Indemnity Company (HIC), Homesite Insurance Company of New York (HNY), Homesite Insurance Company of Illinois (HIL), Homesite Insurance Company of Georgia (HGA), Homesite Lloyds of Texas (HLTX), and Homesite Insurance Company of Florida (HFL). The accounts of AFLIC and PGC's insurance subsidiaries are not consolidated within this report and are presented on an equity basis of accounting.

One or several of the consolidated Companies are domiciled in Wisconsin, Illinois, California, New York, Georgia, or Texas. Prescribed statutory accounting practices (STAT) include the National Association of Insurance Commissioners' (NAIC) "Accounting Practices and Procedures Manual," state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in a particular state. In addition, the various domiciliary state insurance departments have a right to permit other specific practices that may deviate from prescribed practices. Annual approval is obtained from the various domiciliary state insurance departments to file consolidated audited financial statements in lieu of separate audited financial statements for each insurer based upon the 100% quota share reinsurance agreement. No permitted differences in statutory accounting practices between the various domiciliary state insurance departments and the NAIC are used in the preparation of the consolidated property & casualty statutory financial statements.

b. Cash and Invested Assets

Cash and cash equivalents represent cash and securities that have maturities of three months or less at purchase, and are carried at amortized cost, which approximates fair value. Short-term investments represent securities that have maturities of one year or less at purchase and consist primarily of money market funds carried at amortized cost, which approximates fair value.

Investments in bonds rated "1" (highest quality) or "2" (high quality) by the Securities Valuation Office (SVO) of the NAIC are reported in the consolidated property & casualty statutory financial statements at amortized cost. Bonds rated "3" (medium quality), "4" (low quality), "5" (lower quality) or "6" (lowest quality) by the SVO are reported at the lower of amortized cost or fair value. The interest method is used to amortize any purchase premium or discount, including estimates of future prepayments obtained from independent sources. Valuations for loan-backed securities include anticipated prepayments at the date of purchase and are adjusted for updated prepayment information using the retrospective method.

Investments in commercial mortgage-backed securities (CMBS) and non-agency residential mortgage-backed securities (RMBS) utilize a two-step process to obtain a valuation and rating in accordance with SSAP 43R, *Loan-Backed and Structured Securities*. The first step derives a rating for valuation by comparing the current amortized cost to the modeled range of values assigned to the six NAIC designations for each security. This determines whether the securities are stated at the lower of amortized cost or fair value per the above rules. The second step utilizes the same modeled range of values to derive a rating for reporting using the current carrying value as determined in the first step.

Ratings and valuations for investments in asset-backed and other structured securities (other than equipment trust certificates and credit tenant leases) that are otherwise rated by a credit rating provider (CRP) are calculated using a two-step process. The first step derives a rating for valuation based on the CRP rating and the NAIC model valuation table. The second step utilizes the model valuation table to derive a rating for reporting using the current carrying value as determined in the first step. Securities whose initial rating is NAIC 1 or NAIC 6 in step one are not further modified by step two.

The Company also invests in to-be-announced securities (TBAs), which are investments in forward-dated mortgage-backed securities. Each TBA position is disposed of before the trade settlement date as part of an income generation strategy. All TBA purchase and sale activities are recorded on the trade date and all cash is settled on a gross basis.

TBA positions outstanding as of the end of the year that were initiated through purchase and sale activities are presented net as bonds in the consolidated property & casualty statutory balance sheets. All purchase and sale activities of TBAs are included within cost of investments acquired - bonds and proceeds from investments sold, matured, or repaid - bonds in the consolidated property & casualty statutory statements of cash flows.

Common stocks are generally reported in the consolidated property & casualty statutory financial statements at fair value, which is based primarily on values published by independent pricing sources and quoted market prices.

Other invested assets consist primarily of investments in limited partnerships. The limited partnerships are carried at the Companies' pro rata share of the limited partnerships' GAAP equity, which approximates fair value. Unlike GAAP, changes in the carrying amounts of limited partnerships are recorded as unrealized gains or losses in unassigned surplus. These investments typically reflect a reporting lag of up to three months, dependent upon receipt of the limited partnership's financial statements. The Company also holds low income housing tax credits that are recorded at amortized cost.

Derivative instruments are accounted for on a fair value basis and are included within other assets or accrued expenses and other liabilities (as applicable) on the consolidated property & casualty statutory balance sheets. When certain derivatives meet specific criteria, they may be designated as accounting hedges and accounted for as fair value, cash flow, or foreign currency hedges. The Company did not elect to apply hedge accounting for the derivative instruments that were utilized during the reporting period. As a result, unrealized gains and losses on open derivative positions are recognized within unassigned surplus, with an adjustment to the carrying value of the derivative instrument. Interim settlements involving the receipt or payment of cash are included as a component of net investment income. The gain or loss recognized upon exiting a derivative position is recognized within net realized investment gains (losses). Cash flows from the derivatives are reported in cash from investments within the consolidated property & casualty statutory statements of cash flows.

Real estate assets consist of land, buildings and building improvements. Land is reported at cost. Buildings and improvements are carried at cost, less accumulated depreciation computed on the straight-line method over estimated useful lives ranging from twenty to forty-five years.

Investment income is recorded when earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on sales of investments are determined on a specific identification basis and are recorded directly in the accompanying consolidated property & casualty statutory statements of income. Unrealized gains and losses resulting from changes in the fair value of common stocks, those bonds rated 3-6, and limited partnerships are credited or charged to net change in unrealized capital gains (losses) of investments, a component of the Companies' unassigned surplus, net of deferred taxes. If there is a decline in an investment's net realizable value that is other-than-temporary, the decline is recorded as a realized loss and the cost of the investment is reduced to either its present value of expected future cash flows or its fair value depending on security type.

For all subsidiaries on the equity basis of accounting, those subsidiaries which are insurance companies are accounted for using statutory equity.

AmFam, Inc, a subsidiary of AFMIC, is valued and recorded using GAAP equity adjusted for unamortized statutory goodwill. All other subsidiaries are recorded on a GAAP equity basis. For statutory purposes, American Family Brokerage, Inc. (AFBI) and The AssureStart Insurance Agency, LLC (AIA), subsidiaries of AFMIC, are nonadmitted assets because these companies do not prepare separately audited financial statements. The accounting treatment of the aforementioned subsidiaries is consistent with the accounting treatment used in preparing the Company's Annual Statement filed with state insurance departments for AFMIC and its property & casualty subsidiaries. Dividends received and interest earned from these companies is recorded as net investment income.

c. Fair Value Measurements

Financial assets and financial liabilities recorded on the consolidated property & casualty statutory balance sheets at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1 Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2 Financial assets and financial liabilities whose values are based on the following:
Quoted prices for similar assets or liabilities in active markets;
Quoted prices for identical or similar assets or liabilities in non-active markets; or
Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs may reflect the Company's estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. In many instances, inputs used to measure fair value fall into different levels of the fair value hierarchy. In those instances, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is categorized is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

d. Premiums

Premiums written are recorded on the effective date of the contract and earned on a pro rata basis over the terms of the policies. Premiums earned include premiums assumed and are presented net of premiums ceded under various reinsurance contracts. Unearned premium represents the portion of written premium applicable to the unexpired portion of insurance in-force. Advance premium represents amounts received prior to policy effective dates.

Premiums receivable consists of accounts receivable for uncollected premium balances, bills receivable for premiums, and amounts due from agents and brokers. AFMIC routinely assesses the collectability of these receivables. Any premiums receivable which are greater than 90 days past due are nonadmitted. As of December 31, 2016 and 2015, nonadmitted amounts are $2,894 and $3,097, respectively. Based upon the Companies' experience, premiums receivable of $8,036 and $4,667 as of December 31, 2016 and 2015, respectively, are estimated to be uncollectible in excess of nonadmitted amounts; therefore, a corresponding additional provision for uncollectible amounts has been recorded in 2016 and 2015.

AFMIC considers an account delinquent if payment is not received according to the contractual terms of the related insurance policy. Typically, accounts are charged off after attempts to collect the funds are exhausted by internal and external sources. AFMIC generally does not charge interest on delinquent accounts.

The Companies annually evaluate whether a premium deficiency exists relating to short- and long-duration contracts. Anticipated investment income is considered as part of this evaluation. The Company reported no net premium deficiency reserves as of December 31, 2016 and 2015 after taking into account reinsurance cessions.

e. Property & Casualty Loss and Loss Adjustment Expense Reserve

The property & casualty loss and loss adjustment expense reserve includes amounts determined on the basis of claim evaluation and other estimates for reported losses, and includes estimates for losses incurred but not reported and anticipated salvage and subrogation recoveries. These estimates are continually reviewed and updated and any adjustments are charged to income as incurred.

Reinsurance recoveries are recorded as a reduction of losses and loss adjustment expenses in accordance with contract terms. The liabilities for property & casualty losses and unearned premiums are determined after deducting a share of reinsurance placed with other reinsurers.

Due to the reasonably complex and dynamic process of establishing these reserves, which can be influenced by a variety of factors and assumptions, the actual ultimate losses and loss adjustment expenses which may emerge in future years may vary from the amounts recorded in these consolidated property & casualty statutory financial statements.

f. Reinsurance

In the normal course of business, the Companies seek to limit exposure to loss on any single insured and to certain aggregate loss limits. This is accomplished by ceding insurance to other insurance companies or reinsurers under quota share, excess of loss and coinsurance contracts. Liabilities related to insurance contracts are reported after the effects of reinsurance. Estimated reinsurance recoverables are recognized in a manner consistent with the liabilities related to the underlying reinsured contracts. After reinsurance cessions to external parties, ASIC, AFIC, ASICO, MIC and, with the exception of HNY, Homesite cedes the remaining insurance business to AFMIC under 100% quota share reinsurance contracts. HNY ultimately cedes 80% of all underwriting activity to the Company in respect to all policies issued or renewed on or after January 1, 2016. HNY ceded 100% of underwriting activity to AFMIC related to policies issued or renewed prior to January 1, 2016.

AFMIC is party to an affiliated reinsurance agreement with AFLIC under which AFMIC cedes long-term care business to AFLIC by way of a 100% quota share reinsurance agreement. AFMIC ceded reinsurance premiums of $4,492 and $4,674 during 2016 and 2015, respectively, and $115,784 and $105,880 of reserves at December 31, 2016 and 2015, respectively, under this agreement.

The Companies assume property reinsurance mainly outside the Companies' existing geographic operating territory in order to diversify the Companies' risk. Property & casualty earned premiums assumed under reinsurance contracts under this program during 2016 and 2015 were $143,178 and $118,339, respectively. Written premiums assumed during 2016 and 2015 were $163,926 and $129,041, respectively.

The Companies do not enter into finite reinsurance contracts; all reinsurance contracts involve a significant transfer of risk. Ceded reinsurance transactions do not relieve the Company of its primary obligation to the policyholder.

g. Income Taxes

The Companies file a consolidated federal income tax return with the following entities, which include AFMIC and its subsidiaries:

American Family Mutual Insurance Company (Parent Company)
American Standard Insurance Company of Wisconsin
American Family Life Insurance Company
American Family Financial Services, Inc.
AmFam, Inc.
American Family Brokerage, Inc.
American Family Insurance Company
American Standard Insurance Company of Ohio
Midvale Indemnity Company
Midvale Life Insurance Company of New York
PGC Holdings Corp. and Subsidiaries
Homesite Group Inc. and Subsidiaries

The consolidated federal income tax is allocated to each member company in the following manner: Companies having tax profits on a separate return basis will incur federal tax expense based on separate return taxable incomes. Companies with tax losses on a separate return basis will be compensated (at the current federal tax rate) for the reduction in the consolidated tax liability resulting from losses. Such compensation shall come directly from profitable companies that utilize those tax losses to reduce taxable incomes. A loss company may have to repay this current year compensation back to the profitable company if the profitable company later incurs losses that, on a separate return basis, may be carried back to offset its current year income. The reduction of the consolidated tax liability due to tax credits shall be allocated to the individual Companies producing such credits. Special additional taxes are similarly allocated to each member company.

The reporting of federal and foreign income taxes under STAT is similar to the reporting requirements under GAAP except for the following differences. Under STAT, the calculation of state income taxes incurred is limited to taxes due on the current year's taxable income and any adjustments due to changes in prior year returns. Therefore, deferred state income taxes are not recorded. Under GAAP, there is a requirement to reduce the amount of DTAs by a valuation allowance if it is more likely than not that some portion of the DTA will not be realized. STAT requires that the gross DTAs be subject to an admissibility test which also includes the more likely than not valuation allowance. Under STAT, any changes in DTAs and DTLs are to be recognized as a separate component of the change in unassigned surplus. Therefore, changes in the DTAs and DTLs will not be included in current year income. This differs from GAAP, which reports the change in deferred taxes (deferred tax provision) as a component of the total tax provision (sum of federal current and deferred) rather than as a direct adjustment to unassigned surplus. The gross change in the DTA/DTL related to unrealized capital gains and losses is charged directly to surplus by netting against the unrealized capital gains and losses. Under STAT, state current income taxes are included as an underwriting expense while under GAAP they are part of income tax expense.

h. Real Estate

The Company reviews real estate for impairment when conditions indicate that the net realizable value of the property has declined and is other-than-temporary. The decline is recorded as a realized loss and net book value is reduced to a value more indicative of expected selling price. There are no receivables on land held for sale, and the Company has no obligations for improvements.

i. Furniture and Equipment, and Electronic Data Processing Equipment and Software

Furniture and equipment and electronic data processing equipment and software (EDP) are carried at cost less accumulated depreciation. Furniture and equipment includes vehicles, furniture and equipment, leasehold improvements and telephone. EDP includes electronic data processing equipment and purchased and internally-developed software. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, ranging from three to forty-five years.

The Company reviews fixed assets for impairment when there is reason to believe that a fixed asset's carrying value might not be recoverable, and charges any impairments as an operating expense in the consolidated property & casualty statutory statements of income.

(in thousands of dollars)

The gross cost, accumulated depreciation, net cost, nonadmitted assets, and net admitted assets of major fixed asset classes as of December 31 are as follows:

	2016					
	Gross Cost	Accumulated Depreciation	Net Cost	Nonadmitted Asset	Net Admitted Asset	Depreciation Expense
Furniture and equipment	$ 205,872	$ (140,126)	$ 65,746	$ 65,746	$ -	$ 12,117
EDP equipment and software	857,828	(589,352)	268,476	253,077	15,399	59,657
	$ 1,063,700	$ (729,478)	$ 334,222	$ 318,823	$ 15,399	$ 71,774

	2015					
	Gross Cost	Accumulated Depreciation	Net Cost	Nonadmitted Asset	Net Admitted Asset	Depreciation Expense
Furniture and equipment	$ 216,125	$ (135,864)	$ 80,261	$ 80,261	$ -	$ 11,770
EDP equipment and software	792,358	(542,669)	249,689	237,672	12,017	59,852
	$ 1,008,483	$ (678,533)	$ 329,950	$ 317,933	$ 12,017	$ 71,622

j. Leases

The Company leases various office equipment and real estate under various noncancelable operating lease agreements with various expiration dates through 2021 and thereafter. Lease expense for 2016 and 2015 was $30,250 and $27,563, respectively.

As of December 31, 2016, the minimum aggregate lease commitments, prior to allocations to unconsolidated affiliates, were as follows:

Year ending December 31	Operating Leases
2017	$ 21,657
2018	20,583
2019	11,754
2020	4,704
2021 and thereafter	4,881
Total	$ 63,579

Certain lease commitments have renewal options extending through the year 2030. Some of these renewals are subject to adjustments in future periods.

The Company does not have any significant activity from acting as a lessor.

(in thousands of dollars)

k. Nonadmitted Assets

Certain assets designated as "nonadmitted assets", primarily consisting of DTAs, premium receivables greater than 90 days past due, State of Missouri guaranty funds receivable, non-operating software, furniture and equipment, and common stock of certain affiliated companies, have been excluded from the consolidated property & casualty statutory balance sheets through a direct charge against unassigned surplus. Changes in nonadmitted assets are reported as a direct adjustment to surplus in the consolidated property & casualty statutory statements of changes in policyholders' surplus.

The nonadmitted assets as of December 31 are as follows:

	2016	2015
Common stocks	$ 376	$ 145
Receivable for investments	-	21
Other invested assets	4,246	2,582
Uncollected premiums and EBUB	3,066	4,646
Net deferred tax assets	-	39
Software	253,077	237,672
Furniture and equipment	65,746	80,261
All other	30,144	32,941
Total nonadmitted assets	$ 356,655	$ 358,307

l. Statements of Cash Flows

Noncash investing activities include $28,248 and $78,659 of both acquisitions and disposals of common stock in 2016 and 2015, respectively, and $112,480 of acquisitions and $112,370 of disposals of bonds for 2016 and $93,061 of acquisitions and $93,061 of disposals of bonds for 2015. See Note 3(b) for charitable contributions of common stock which represents additional noncash investing activities.

m. Reclassifications and Revisions

Certain reclassifications have been made to prior year amounts in the accompanying consolidated property & casualty statutory financial statements to conform to current year presentation and allow for consistent financial reporting.

In 2016, the Company corrected an error related to the classification of the Company's TBAs by revising the 2015 consolidated property & casualty statutory financial statements. The effect of this correction, which the Company deems immaterial, resulted in reclassifications of $63,038 from derivatives (included within other assets) to bonds and $54,782 from derivatives (included within accrued expenses and other liabilities) to bonds on the 2015 consolidated property & casualty statutory balance sheet and net reclassifications of $54,782 from net cash provided by (used in) financing and miscellaneous sources to net cash provided by (used in) investments on the 2015 consolidated property & casualty statutory statement of cash flows. Various reclassifications and revisions were also performed within the notes to the consolidated property & casualty statutory financial statements as a result of these corrections (see Note 3).

(in thousands of dollars)

n. Subsequent Events

The Company has evaluated events subsequent to December 31, 2016 through February 24, 2017, the date these consolidated property & casualty financial statements were available to be issued. Except for the matter described in the next paragraph, no type I or type II events have occurred subsequent to December 31, 2016 that require disclosure or adjustment to the consolidated property & casualty financial statements at that date or for the year then ended.

Effective January 1, 2017 (the effective date), The Company reorganized its corporate structure (the reorganization). As part of the reorganization, the Company created American Family Insurance Mutual Holding Company (AFI MHC), which owns 100% of American Family Holdings (Holdings), an entity created on the effective date. Holdings owns 100% of American Family Mutual Company, S.I., the stock insurer into which AFMIC was converted. The Company does not expect the reorganization to have a material impact on the Company's consolidated financial statements.

2. Goodwill

The Company has recorded goodwill as a result of acquisitions accounted for under the statutory purchase method. The following presents a summary of the Company's goodwill at, and for the year ended, December 31:

			2016		2015	
Acquired Entity	Cost of Acquired Entity	Recorded Goodwill	Amortization Expense	Goodwill, Net	Amortization Expense	Goodwill, Net
Homesite	$ 666,447	$ 298,935	$ 29,879	$ 209,154	$ 29,879	$ 239,033
PGC	241,636	129,740	12,964	77,786	12,964	90,750
MIC	15,328	3,838	384	2,303	384	2,687
Total	$ 923,411	$ 432,513	$ 43,227	$ 289,243	$ 43,227	$ 332,470

3. Financial Instruments

a. Fair Value of Financial Instruments

The fair value guidance establishes a hierarchy for inputs used in determining fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Fair value is a market-based measure considered from the perspective of a market participant who owns an asset or owes a liability. Accordingly, when market observable data is not readily available, the Company's own assumptions are set to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from one level of the hierarchy to another.

When available, the Company uses the market approach to estimate the fair value of its financial instruments, which is based on quoted prices that are readily and regularly available in active markets. Generally, these are the most liquid of the Company's holdings and valuation of these securities does not involve management judgment. Matrix pricing and other similar techniques are other examples of the market approach. Matrix pricing values a particular security by utilizing the prices of securities with similar ratings, maturities, industry classifications, and/or coupons and interpolating among known values of these similar instruments to derive a price.

When quoted prices in active markets are not available, the Company uses the income approach, or a combination of the market and income approaches, to estimate the fair value of its financial instruments. The income approach involves using discounted cash flow and other standard valuation methodologies. The inputs in applying these market standard valuation methodologies include, but are not limited to, interest rates, benchmark yields, bid/ask spreads, dealer quotes, liquidity, term to maturity, estimated future cash flows, credit risk and default projections, collateral performance, deal and tranche attributes, and general market data.

The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Bonds: Comprised of U.S. Treasuries valued based on unadjusted quoted prices for identical assets in active markets.

Common Stocks: Comprised of actively traded, exchange listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Cash Equivalents: Comprised of U.S. Treasuries valued based on unadjusted quoted prices for identical assets in active markets.

Short-term Investments: Comprised of actively traded money market funds that have daily quoted net asset values for identical assets that the Company can access and U.S. Treasuries valued based on unadjusted quoted prices for identical assets in active markets.

Level 2 Measurements

Bonds: The majority of the Company's Level 2 fixed income securities are priced by leading, nationally recognized providers of market data and analytics. These securities are principally valued using the market and income approaches. When available, recent trades of identical or similar assets are used to price these securities. However, because many fixed income securities do not actively trade on a daily basis, pricing models are often used to determine security prices. The pricing models discount future cash flows at estimated market interest rates. These rates are derived by calculating the appropriate spreads over comparable U.S. Treasury securities based on credit quality, industry, and structure of the asset. Observable inputs used by the models include benchmark yields, bid/ask spreads, dealer quotes, liquidity, term-to-maturity, credit risk and default projections, collateral performance, deal and tranche attributes, and general market data. Inputs may vary depending on the type of security.

A small segment of Level 2 and Level 3 securities are priced internally using matrix pricing, broker quotes, and benchmark and spread analysis, or through third party vendors that specialize in difficult-to-price securities. Pricing for specific security types is as follows:

Corporates: Valued based on inputs including quoted prices for identical or similar assets in markets that are not active, benchmark yield curves, bid/ask spreads, and credit quality.

Common Stocks: Comprised of shares in Federal Home Loan Bank of Chicago (FHLBC) stock as discussed in Note 14. While not actively traded, the valuation for the FHLBC investment is perpetually quoted at $100 by the FHLBC.

Short-term Investments: Short-term investments are valued based on quoted prices for identical or similar assets in markets that are not active, benchmark yield curves, bid/ask spreads, and credit quality.

Derivative Instruments: Over-the-counter (OTC) derivatives, including interest rate swaps, are valued using models that rely on inputs such as interest rate yield curves that are observable for substantially the full term of the contract. These models discount cash flows at each coupon date and the valuation of interest rate swaps is the difference between the values of the discounted cash flows of the fixed and floating legs of the swap. Fair value is the estimated amount that the Company would receive (pay) to terminate the derivative contracts at the reporting date. Derivative assets (liabilities) are reported gross of collateral payable (receivable) for purposes of fair value disclosures in Note 3(a).

Level 3 Measurements

Bonds: The majority of Level 3 bonds are valued externally using pricing vendors that specialize in difficult-to-price securities. The vendors utilize a cash flow model that uses prepayment, default and severity assumptions, as well as benchmark yields, spreads and weighted average lives as inputs. The Company also holds one bond which is backed by property tax payments made by the Company and consistently priced at par as a result. Pricing for specific security types of Level 3 bonds carried at fair value are as follows:

Municipals: Valued internally based on a discounted cash flow model.

Residential Mortgage-backed Securities: Consist of TBAs which are valued using the market and income approaches by leading, nationally recognized providers of market data and analytics. When available, recent trades of identical or similar assets are used to price these securities.

Other Invested Assets: Valued using capital account balances as reported by the various limited partnerships, which approximate fair value.

(in thousands of dollars)

The following summarizes the Company's financial assets and financial liabilities carried at fair value on a recurring basis as of December 31. The fixed income securities' fair value does not agree to the amount presented on the consolidated property & casualty statutory balance sheets as the majority of the Company's fixed income securities are carried at amortized cost. The carrying value for these fixed income securities is described in Note 1(b).

2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2016
Financial assets				
Bonds				
Municipals	$ -	$ -	$ -	$ -
Corporates	-	163,274	-	163,274
Residential mortgage-backed securities	-	-	83,782	83,782
Common stocks	2,218,122	10,000	-	2,228,122
Short-term investments	288,928	-	-	288,928
Derivative assets	-	3,513	-	3,513
Total fair value financial assets	$ 2,507,050	$ 176,787	$ 83,782	$ 2,767,619
Derivative liabilities	$ -	$ -	$ -	$ -
Total fair value financial liabilities	$ -	$ -	$ -	$ -

2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2015
Financial assets				
Bonds				
Municipals	$ -	$ -	$ 13,957	$ 13,957
Corporates	-	244,792	-	244,792
Residential mortgage-backed securities	-	-	8,256	8,256
Common stocks	1,951,478	10,000	-	1,961,478
Short-term investments	266,623	-	-	266,623
Derivative assets	-	333	-	333
Total fair value financial assets	$ 2,218,101	$ 255,125	$ 22,213	$ 2,495,439
Derivative liabilities	$ -	$ 1,785	$ -	$ 1,785
Total fair value financial liabilities	$ -	$ 1,785	$ -	$ 1,785

(in thousands of dollars)

The following provides a summary of changes in fair value during the year ended December 31, of Level 3 financial assets and financial liabilities carried at fair value on a recurring basis at December 31:

2016

	Balance as of January 1, 2016	Total Realized and Unrealized Gains (Losses) included in Net Income	Surplus	Purchases	Sales	Settlements	Net Transfers In and/or (Out) of Level 3	Balance as of December 31, 2016	Total Gains (Losses) included in Net Income for Instruments Still Held at December 31, 2016
Financial assets									
Bonds									
Municipals	$ 13,957	$ -	$ -	$ -	$ -	$ -	$ (13,957)	$ -	$ -
RMBS	8,256	(374)	(21)	3,291,590	(3,215,669)	-	-	83,782	-
Total recurring Level 3 financial assets	$ 22,213	$ (374)	$ (21)	$ 3,291,590	$ (3,215,669)	$ -	$ (13,957)	$ 83,782	$ -

2015

	Balance as of January 1, 2015	Total Realized and Unrealized Gains (Losses) included in Net Income	Surplus	Purchases	Sales	Settlements	Net Transfers In and/or (Out) of Level 3	Balance as of December 31, 2015	Total Gains (Losses) included in Net Income for Instruments Still Held at December 31, 2015
Financial assets									
Bonds									
Municipals	$ 13,874	$ -	$ 83	$ -	$ -	$ -	$ -	$ 13,957	$ -
RMBS	-	591	18	3,118,527	(3,110,880)	-	-	8,256	-
Total recurring Level 3 financial assets	$ 13,874	$ 591	$ 101	$ 3,118,527	$ (3,110,880)	$ -	$ -	$ 22,213	$ -

The following summarizes the fair value of the Company's financial assets and financial liabilities by type as of December 31:

2016

	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Bonds	$ 8,782,417	$ 8,796,923	$ 1,049,499	$ 7,485,503	$ 247,415
Common stocks - unaffiliated	2,228,122	2,228,122	2,218,122	10,000	-
Cash equivalents	44,035	44,034	43,583	451	-
Short-term investments	392,477	392,512	352,049	40,428	-
Derivative assets	3,513	3,513	-	3,513	-
Other invested assets	943,091	940,303	-	-	943,091
Total financial assets	$ 12,393,655	$ 12,405,407	$ 3,663,253	$ 7,539,895	$ 1,190,506
Derivative liabilities	$ -	$ -	$ -	$ -	$ -
Total financial liabilities	$ -	$ -	$ -	$ -	$ -

2015

	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Bonds	$ 8,235,331	$ 8,137,651	$ 667,772	$ 7,448,852	$ 118,070
Common stocks - unaffiliated	1,961,478	1,961,478	1,951,478	10,000	-
Cash equivalents	103,581	103,581	103,581	-	-
Short-term investments	515,013	515,012	470,942	44,071	-
Derivative assets	333	333	-	333	-
Other invested assets	851,436	850,301	-	-	851,436
Total financial assets	$ 11,667,172	$ 11,568,356	$ 3,193,773	$ 7,503,256	$ 969,506
Derivative liabilities	$ 1,785	$ 1,785	$ -	$ 1,785	$ -
Total financial liabilities	$ 1,785	$ 1,785	$ -	$ 1,785	$ -

As part of its pricing procedures, the Company obtains quotes from leading providers of pricing data, and the Company's internal pricing policy is to use consistent sources for individual securities based on security type in order to maintain the integrity of its valuation process. These primary quotes are validated on a quarterly basis via comparison to a secondary pricing source, which may include quotes received from a different third party pricing data provider or recent trade activity obtained from reputable online trading sites. In addition, investment managers may be consulted to corroborate prices received from outside sources based on their knowledge of market trends and activity. As necessary, the Company utilizes pricing services that specialize in difficult-to-value securities to price esoteric or illiquid securities. Material discrepancies between the primary and secondary sources are investigated, reconciled and updated as warranted. This may involve challenging a price from the primary source if the Company determines the price provided does not meet expectations based on observed market, sector, or security trends and activity.

On an annual basis, the Company reviews quality control measures and data assumptions from its pricing sources to determine if any significant changes have occurred that may indicate issues or concerns regarding their evaluation or market coverage. In addition, an annual analysis is performed on a sample of securities to further validate the inputs, assumptions, and methodologies used by the primary source to price those securities.

During the course of the valuation process, if it is determined the material inputs used to price a security are unobservable, the Company will transfer that security to Level 3.

All transfers into or out of a particular level are recognized as of the beginning of the reporting period. In 2016, the Company transferred $13,957 of municipal bonds from Level 3 as this bond moved from being reported at fair value to being reported at amortized cost. Previously, this security was priced by another vendor using unobservable inputs. There were no transfers into or out of Level 3 during 2015.

b. Common Stocks – Unaffiliated

The aggregate cost of unaffiliated stocks at December 31, 2016 and 2015 was $1,392,056 and $1,306,314, respectively. Net unrealized appreciation of unaffiliated stocks stated at fair value includes gross unrealized gains of $853,548 and $686,463 and gross unrealized losses of $17,482 and $31,299 at December 31, 2016 and 2015, respectively.

(in thousands of dollars)

The fair value and unrealized losses, categorized by stocks in loss positions for less than 12 months and stocks in loss positions for more than 12 months, at December 31 are as follows:

	2016							
	Less than 12 Months			12 Months or More			Total	
	Number of Issues	Fair Value	Unrealized Losses	Number of Issues	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:								
Common stock - unaffiliated	153	$ 100,929	$ (8,635)	444	$ 31,921	$ (8,847)	$ 132,850	$ (17,482)
Total	153	$ 100,929	$ (8,635)	444	$ 31,921	$ (8,847)	$ 132,850	$ (17,482)

	2015							
	Less than 12 Months			12 Months or More			Total	
	Number of Issues	Fair Value	Unrealized Losses	Number of Issues	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:								
Common stock - unaffiliated	487	$ 200,609	$ (24,703)	280	$ 16,148	$ (6,596)	$ 216,757	$ (31,299)
Total	487	$ 200,609	$ (24,703)	280	$ 16,148	$ (6,596)	$ 216,757	$ (31,299)

The Company believes that declines in fair value related to these stocks are temporary. In determining whether the declines in fair value are temporary, the Company considers severity of impairment, duration of impairment, forecasted market price recovery, and the intent and ability of the Company to hold the investment until the market price has recovered.

During 2016 and 2015, the Company recorded other-than-temporary impairments (OTTI) in its stock portfolio, resulting in a total realized loss of $18,929 and $13,056, respectively.

Proceeds from sales of stocks during 2016 and 2015 were $444,814 and $785,533, respectively. These amounts exclude spin-offs, tax-free exchanges, taxable exchanges and returns of capital. Gross gains of $80,655 and $190,377, and gross losses of $33,276 and $53,124 were realized on those sales during 2016 and 2015, respectively. The basis of the securities sold was determined using specific identification.

The Company made charitable contributions of common stock with a fair value of $10,026 and $36,272 during 2016 and 2015, respectively. As a result of these donations, the Company realized gains of $7,338 and $29,707 during 2016 and 2015, respectively.

The Company's common stock portfolios are primarily invested in large, mid, and small cap stocks which are managed to their respective indices. A portion of the large cap portfolio is weighted toward dividend paying stocks within the Russell 3000 Index. Further separation of equity securities by geography or industry concentration is not deemed relevant.

(in thousands of dollars)

c. Financial Information for Unconsolidated Subsidiaries

Condensed financial information regarding AFMIC's indirect wholly-owned subsidiary, AFLIC, which has not been consolidated is shown as follows:

	December 31, 2016	December 31, 2015
Balance Sheets		
Assets	$ 5,497,453	$ 5,331,746
Liabilities	4,496,092	4,386,636
Statutory surplus	1,001,361	945,110
Liabilities and stockholders' equity	$ 5,497,453	$ 5,331,746

	Year Ended December 31, 2016	Year Ended December 31, 2015
Results of Operations		
Revenues	$ 579,938	$ 581,260
Realized gains (losses), net of tax	(2,153)	(19,972)
Expenses	497,145	486,113
Income (loss) before income tax expense (benefit)	80,640	75,175
Income tax expense (benefit)	28,489	23,442
Net income (loss)	$ 52,151	$ 51,733

Condensed financial information regarding other subsidiaries which are also wholly-owned (directly or indirectly) operating subsidiaries of AFMIC are not included in the above tables for purposes of this disclosure due to total admitted assets of these entities representing less than 10% of the Company's total admitted assets.

The Company submitted to the NAIC SUB-2 filings which presented support for the valuation of two directly held subsidiaries. The NAIC approved the filings and affirmed the Company's valuation of these subsidiaries. The following summarizes the valuations approved by the NAIC:

Description of SCA Investment	Date of Filing	Gross Amount	Nonadmitted Asset Amount	Admitted Asset Amount	NAIC Valuation Amount
AmFam, Inc.	6/2/2016	$ 2,240,231 *	$ -	$ 2,240,231	$ 2,240,231
AFBI	6/2/2016	145	(145)	-	-
Total:		$ 2,240,376	$ (145)	$ 2,240,231	$ 2,240,231

* Includes $1,473,108 related to unconsolidated subsidiaries

(in thousands of dollars)

d. Bonds

The carrying value and fair value of long-term bonds at December 31 are as follows:

	2016			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Description of Securities:				
U.S. governments	$ 1,174,791	$ 520	$ (19,125)	$ 1,156,186
States, territories and possessions	610,159	8,178	(7,814)	610,523
Political subdivisions of states, territories and possessions	892,181	6,135	(10,616)	887,700
Special revenue & special assessment	3,566,849	45,999	(39,938)	3,572,910
Industrial and miscellaneous unaffiliated	2,552,943	25,301	(23,146)	2,555,098
Totals	$ 8,796,923	$ 86,133	$ (100,639)	$ 8,782,417

	2015			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Description of Securities:				
U.S. governments	$ 791,160	$ 611	$ (7,058)	$ 784,713
States, territories and possessions	568,888	13,052	(610)	581,330
Political subdivisions of states, territories and possessions	928,868	15,809	(1,449)	943,228
Special revenue & special assessment	3,426,327	88,638	(6,774)	3,508,191
Industrial and miscellaneous unaffiliated	2,422,408	17,265	(21,804)	2,417,869
Totals	$ 8,137,651	$ 135,375	$ (37,695)	$ 8,235,331

The fair value and unrealized losses, categorized by bonds in loss positions for less than 12 months and bonds in loss positions for more than 12 months, at December 31 are as follows:

	2016							
	Less Than 12 Months			12 Months or More			Total	
	Number of Issues	Fair Value	Unrealized Losses	Number of Issues	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:								
U.S. governments	63	$ 1,036,287	$ (18,037)	5	$ 34,091	$ (1,088)	$ 1,070,378	$ (19,125)
States, territories and possessions	76	313,448	(6,438)	3	42,095	(1,376)	355,543	(7,814)
Political subdivisions of states, territories and possessions	174	487,168	(10,375)	10	19,557	(241)	506,725	(10,616)
Special revenue & special assessment	600	1,872,065	(39,551)	13	40,951	(387)	1,913,016	(39,938)
Industrial and miscellaneous unaffiliated	372	1,188,562	(21,186)	28	61,969	(1,960)	1,250,531	(23,146)
	1,285	$ 4,897,530	$ (95,587)	59	$ 198,663	$ (5,052)	$ 5,096,193	$ (100,639)

	2015							
	Less Than 12 Months			12 Months or More			Total	
	Number of Issues	Fair Value	Unrealized Losses	Number of Issues	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:								
U.S. governments	56	$ 581,088	$ (4,268)	8	$ 110,543	$ (2,790)	$ 691,631	$ (7,058)
States, territories and possessions	34	126,651	(510)	4	50,877	(100)	177,528	(610)
Political subdivisions of states, territories and possessions	52	169,737	(1,194)	8	26,591	(255)	196,328	(1,449)
Special revenue & special assessment	200	677,646	(5,362)	39	125,264	(1,412)	802,910	(6,774)
Industrial and miscellaneous unaffiliated	511	1,367,562	(19,711)	21	46,864	(2,093)	1,414,426	(21,804)
	853	$ 2,922,684	$ (31,045)	80	$ 360,139	$ (6,650)	$ 3,282,823	$ (37,695)

If the Company has the intent to sell or will more likely-than-not be required to sell a structured fixed income security prior to full recovery, the Company writes down the security to its current fair value with the entire write-down recorded as a realized investment loss in the consolidated property & casualty statutory statements of income. If the Company does not have the intent to sell but the security is in an unrealized loss position, the Company determines if any of the decline in value is due to a credit-related loss (the present value of the expected future cash flows (PVCF) is less than amortized cost). Other-than-temporary, credit-related impairments are recorded as a realized investment loss in the consolidated property & casualty statutory statements of income when the PVCF is less than the amortized cost.

The Company recognized no OTTI in realized investment loss due to the intent to sell structured securities in 2016 and 2015. There were no credit-related impairments recorded on structured securities in 2016 and 2015, and the Company does not hold any structured securities with a recognized other-than-temporary, credit-related impairment.

In determining whether losses on non-structured securities are expected to be temporary, the Company considers severity of impairment, duration of impairment, forecasted market price recovery and the intent and ability of the Company to hold the investment until the market price recovers or the investment matures to assist in determining if a potential credit loss exists. Additionally the Company may rely on the details of settlements reached in bankruptcy proceedings or other restructurings to determine ultimate collectability of these investments.

Credit-related OTTI losses recorded on non-structured securities were $8,472 and $22,452 during 2016 and 2015, respectively. The Company recognized $2,015 and $243 of OTTI due to the intent to sell non-structured securities in 2016 and 2015, respectively.

During 2016 and 2015, for its bond portfolio, the Company recorded total OTTI in investment losses in the consolidated property & casualty statutory statements of income of $10,487 and $22,695, respectively. These amounts include both credit-related impairments as well as impairments taken due to the intent to sell securities. The Company believes that all other unrealized investment losses related to bonds are temporary.

(in thousands of dollars)

The carrying value and fair value of bonds, including short-term and cash equivalent bonds, at December 31, 2016 by contractual maturity are shown as follows. Expected maturities may differ from contractual maturities because borrowers may exercise the right to call or prepay obligations with or without penalties. Because most mortgage-backed and asset-backed securities provide for periodic payments throughout their lives, they are listed in a separate category as follows:

	December 31, 2016	
	Carrying Value	Fair Value
Due in one year or less	$ 909,195	$ 909,894
Due after one year through five years	3,623,609	3,637,214
Due after five years through ten years	2,810,087	2,777,236
Due after ten years	458,040	466,380
Subtotal	7,800,931	7,790,724
Mortgage-backed securities	683,042	680,287
Asset-backed securities	749,496	747,918
Total	$ 9,233,469	$ 9,218,929

Proceeds from sales of long-term bonds during 2016 and 2015 were $9,101,271 and $8,666,914, respectively. Gross gains of $94,139 and $146,449 and gross losses of $31,398 and $38,289 were realized on those sales during 2016 and 2015, respectively. The basis of the securities sold was determined using specific identification.

At December 31, 2016 and 2015, investments with an amortized cost of $44,463 and $52,108, respectively, were on deposit with various regulatory authorities to comply with insurance laws.

(in thousands of dollars)

The Company invests in structured notes, which are characterized by non-fixed coupon payments, with the exception of securities tied to a non-leveraged typical interest rate index (such as LIBOR and T-Bill rates). Loan-backed securities are excluded from this category. The following table details the securities that the Company has determined meet this definition at December 31, 2016. None of these positions are classified as mortgage-referenced securities.

	December 31, 2016		
CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value
010685HD0	$ 10,758	$ 11,405	$ 11,043
01728LBX9	1,852	1,758	1,723
01728VFV7	26,451	26,747	26,668
040507HN8	8,916	8,833	9,086
13033LY50	2,248	2,058	2,232
130536LV5	5,006	5,008	5,005
20772JHL9	4,006	4,014	4,002
24023DAC8	3,799	3,831	3,792
249002BA3	4,105	4,011	4,103
251237W66	4,985	5,325	5,184
25477GGQ2	10,000	10,019	10,000
29271LAE4	800	678	678
369300AN8	503	485	485
388640S54	5,285	5,034	5,244
398905AK5	1,000	988	988
42824CAN9	1,742	1,736	1,742
4520013L2	4,496	4,477	4,497
454798TG4	1,380	1,343	1,380
46613PSY3	1,765	2,028	1,900
491189EE2	17,702	18,649	18,132
51166FCN7	2,000	2,001	2,000
57582PBS8	2,323	2,576	2,478
57582PDM9	34,555	33,281	34,645
57582PK41	2,250	2,250	2,250
576004FR1	4,130	4,390	4,204
59261AHV2	12,830	12,282	12,655
607167DX8	3,500	3,499	3,500
626717AF9	573	580	574
645918S20	4,508	4,500	4,500
658268CD7	4,078	3,941	3,945
659155FN0	13,953	13,796	13,946
7092235D9	2,250	2,250	2,250
74966NAA4	3,730	3,553	3,553
786134PG5	17,441	18,690	17,966
88283LJZ0	5,617	5,424	5,607
89602NZ72	11,322	11,354	11,333
912828PP9	3,282	3,864	3,657
913366BU3	3,500	4,343	3,710
92848XAA8	5,000	5,002	5,000
96634RAQ5	4,975	4,949	4,977
P09646AD5	4,642	4,724	4,504
Total	$ 263,258	$ 265,676	$ 265,138

(in thousands of dollars)

e. Other Invested Assets

During 2016 and 2015, the Company recorded OTTI in the other invested assets portfolio of $4,851 and $20,516, respectively. The other-than-temporarily impaired investments were generally mature partnerships that had completed their initial investment period. Some were in the process of liquidating investment holdings. These partnerships may have experienced losses due to poor performance of a specific investment, poor performance of a particular sector, or unfavorable market conditions in general. As there was no clear indication of full recovery of value of these investments, OTTI losses were realized.

The Company believes that no additional other invested assets in the portfolio are other-than-temporarily impaired. In making this determination, the Company considers severity of impairment, age of the partnership, percent of the total commitment funded, performance of the underlying investments, sector of the underlying investments, and the intent and ability of the Company to hold the investment until the value has fully recovered.

Low Income Housing Tax Credits (LIHTC)

The schedule of LIHTC unexpired tax credits and the required holding periods as of December 31, 2016 are listed as follows:

Entity Description	Years of Unexpired Tax Credits	Required Holding Period
MAHF XVI	1	2019
MO TAX VI	0	2017
MAHF XVIII	4	2021
MAHF XIX	4	2021

None of the above LIHTC properties are currently subject to any regulatory reviews or contingent commitments.

Transferable and Non-transferable State Tax Credits

The carrying value of transferable state tax credits and total unused transferable state tax credits were not material to the Company as of December 31, 2016 and 2015. The Company did not hold any non-transferable state tax credits as of December 31, 2016 and 2015.

f. Derivative Instruments

In order to mitigate interest rate risk with respect to the Company's investment portfolio and general operations, the Company has entered into certain interest rate derivatives. All interest rate swap instruments are subject to enforceable master netting agreements and the Company elects to net derivative asset and derivative liability positions with the same counterparty on the consolidated property & casualty statutory balance sheets. Cash collateral payable (receivable) is recorded net within other assets or accrued expenses and other liabilities on the consolidated property & casualty statutory balance sheets.

(in thousands of dollars)

Derivative instruments as of December 31, 2016 and 2015 are as follows:

2016

Derivatives designated as:	Notional (Par) Value	Purpose	Balance Sheet Classification	Balance Sheet Fair Value	Statement of Changes in Policyholders' Surplus Classification	Statement of Changes in Policyholders' Surplus Amount Realized
Non-hedging instruments						
Assets:						
Interest rate swaps	$ 726,200	Manage Duration	Other assets	$ 3,513	Unassigned surplus	$ 9,606
Liabilities:						
Interest rate swaps	-	Manage Duration	Accrued expenses and other liabilities	-	Unassigned surplus	-
Total open positions	$ 726,200			$ 3,513		$ 9,606
Closed:						
Interest rate swaps	$ 500,000	Manage Duration	N/A		Realized capital gain (loss)	$ (22,746)
Total closed positions						$ (22,746)
Total						$ (13,140)

2015

Derivatives designated as:	Notional (Par) Value	Purpose	Balance Sheet Classification	Balance Sheet Fair Value	Statement of Changes in Policyholders' Surplus Classification	Statement of Changes in Policyholders' Surplus Amount Realized
Non-hedging instruments						
Assets:						
Interest rate swaps	$ 20,000	Manage Duration	Other assets	$ 333	Unassigned surplus	$ (2,708)
Liabilities:						
Interest rate swaps	1,066,200	Manage Duration	Accrued expenses and other liabilities	(1,785)	Unassigned surplus	7,378
Total open positions	$1,086,200			$ (1,452)		$ 4,670
Closed:						
Interest rate swaps	$ 871,300	Manage Duration	N/A		Realized capital gain (loss)	$ (27,200)
Total closed positions						$ (27,200)
Total						$ (22,530)

(in thousands of dollars)

The following table provides gross and net amounts for the Company's derivative instruments:

	2016											
									Amounts Not Offset on Balance Sheet			
Derivatives Designated as:	Gross Amount		Counterparty Netting		Cash Collateral (Received) Pledged		Net Amount on Balance Sheet		Securities Collateral (Received) Pledged		Net Amount	
Assets	$	8,601	$	(5,088)	$	(4,507)	$	(994)	$	-	$	(994)
Liabilities		(5,088)		5,088		-		-		-		-
Total	$	3,513	$	-	$	(4,507)	$	(994)	$	-	$	(994)

	2015											
									Amounts Not Offset on Balance Sheet			
Derivatives Designated as:	Gross Amount		Counterparty Netting		Cash Collateral (Received) Pledged		Net Amount on Balance Sheet		Securities Collateral (Received) Pledged		Net Amount	
Assets	$	7,504	$	(7,171)	$	-	$	333	$	-	$	333
Liabilities		(8,956)		7,171		332		(1,453)		918		(535)
Total	$	(1,452)	$	-	$	332	$	(1,120)	$	918	$	(202)

Collateral pledged as initial margin to the Chicago Mercantile Exchange (CME) is not subject to a master netting agreement and is therefore excluded from collateral pledged (received) in the previous table.

Counterparty credit risk is evaluated closely to ensure that the party or collateral backing the derivative transaction will meet the financial obligations of the contract. For bilateral over-the-counter interest rate swap transactions the amount of counterparty exposure depends on the creditworthiness of and collateral provided by the counterparty. The Company actively monitors and evaluates the financial qualifications of counterparties to its swap agreements and requires these counterparties to provide sufficient collateral security through the execution of a legally enforceable Credit Support Annex (CSA). The CSA requires collateral to be exchanged when predetermined exposure limits are exceeded and permits either party to net collateral transfers due for transactions covered under the agreements. As of December 31, 2016 and 2015, the Company pledged bonds with a carrying value and fair value of $0 and $918, respectively, as collateral to counterparties. Bonds pledged by the Company as collateral are included in bonds on the consolidated property & casualty statutory balance sheets. There were no bonds pledged by counterparties to the Company as of December 31, 2016 and 2015. The Company pledged cash of $0 and $240 as collateral to counterparties and counterparties pledged $680 and $0 in cash collateral to the Company as of December 31, 2016 and 2015, respectively. Cash collateral pledged to (by) the Company is recorded net within in other assets or accrued expenses and other liabilities on the consolidated property & casualty statutory balance sheets as previously described.

Certain OTC swap contracts were transacted and cleared through the central clearinghouse at the CME, where the CME serves as the counterparty for both parties to the swap contract. Rather than directly posting collateral to/from a traditional counterparty as in a bilateral agreement, the Company posts initial and variation margin per CME's requirements. Initial margin, which may consist of cash and/or securities, protects against "shock" events and is not used to settle market value variation movements. After initial execution of the swap contract, the CME uses a market-standard model to price (mark to market) accepted trades, and that price serves as the basis for variation margin requirements. Similar to the movement of collateral between counterparties in a bilateral agreement, centrally cleared swap contracts require variation margin to be posted (received) by the Company as the market value of the swap contract moves further out of (into) the money. As of December 31, 2016 and 2015, the Company pledged initial margin of $1,163 and $849 in cash and bonds with a carrying value and fair value of $2,998 and $5,432, respectively, to the CME. In addition, the Company pledged $0 and $93 in cash as variation margin to the CME as of December 31, 2016 and 2015, respectively. The CME posted $3,827 and $0 in cash as variation margin to the Company as of December 31, 2016 and 2015, respectively. Cash pledged as variation margin by (to) the Company is recorded net within other assets or accrued expenses and other liabilities on the consolidated property & casualty statutory balance sheets as previously described. Bonds pledged by the Company as margin are included in bonds on the consolidated property & casualty statutory balance sheets.

(in thousands of dollars)

Counterparty credit exposure by counterparty credit rating as it relates to open derivative positions as of December 31, 2016 and 2015, is as follows:

	2016			
Rating	Number of Counterparties	Notional (Par) Value	Credit Exposure	Exposure, Net of Collateral
Centrally cleared	1	$ 706,200	$ 3,091	$ -
A	1	20,000	422	-
Total	2	$ 726,200	$ 3,513	$ -

	2015			
Rating	Number of Counterparties	Notional (Par) Value	Credit Exposure	Exposure, Net of Collateral
Centrally cleared	1	$ 991,200	$ -	$ -
A+	1	60,000	-	-
A	1	20,000	333	333
A-	1	15,000	-	-
Total	4	$ 1,086,200	$ 333	$ 333

g. Net Investment Income

Net investment income for the years ended December 31 is summarized as follows:

	2016	2015
Bonds	$ 227,084	$ 225,284
Common stocks	51,539	48,675
Real estate	45,258	44,378
Other	85,628	88,217
Total investment income	409,509	406,554
Investment expenses	(122,113)	(112,157)
Net investment income	$ 287,396	$ 294,397

(in thousands of dollars)

4. Income Taxes

The components of the net deferred tax assets (liabilities) at December 31 are as follows:

1.	2016 Ordinary	2016 Capital	2016 Total	2015 Ordinary	2015 Capital	2015 Total
(a) Gross deferred tax assets (DTAs)	$ 794,707	$ -	$ 794,707	$ 756,285	$ -	$ 756,285
(b) Statutory valuation allowance adjustment	1,054	-	1,054	1,343	-	1,343
(c) Adjusted gross deferred tax assets ((a) - (b))	793,653	-	793,653	754,942	-	754,942
(d) Deferred tax assets nonadmitted	-	-	-	39	-	39
(e) Subtotal (net deferred tax assets) ((c) - (d))	793,653	-	793,653	754,903	-	754,903
(f) Deferred tax liabilities	106,843	365,778	472,621	100,106	284,816	384,922
(g) Net admitted deferred tax assets ((e) - (f))	$ 686,810	$ (365,778)	$ 321,032	$ 654,797	$ (284,816)	$ 369,981

2. Admission calculation components of SSAP No. 101	2016 Ordinary	2016 Capital	2016 Total	2015 Ordinary	2015 Capital	2015 Total
(a) Fed inc tax paid in prior years recov through loss carrybacks	$ 281,602	$ -	$ 281,602	$ 217,008	$ -	$ 217,008
(b) Adjusted gross deferred tax assets expected to be realized (Excluding the amount of def tax assets from (a) above after application of the threshold limitation (the lesser of b(1) and b(2) below)	168,177	-	168,177	199,967	-	199,967
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	168,177	-	168,177	199,967	-	199,967
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXXXX	XXXXX	1,031,394	XXXXX	XXXXX	970,619
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from (a) and (b) above) offset by gross deferred tax liabilities	343,873	-	343,873	337,928	-	337,928
(d) Deferred tax assets admitted as the result of application of SSAP 101, Total (a)+(b)+(c)	$ 793,653	$ -	$ 793,653	$ 754,903	$ -	$ 754,903

3.	2016	2015
(a) Ratio percentage used to determine recovery period and threshold limitation amount	759%	729%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 6,610,110	$ 6,188,196

4. Impact of Tax-Planning Strategies	2016 Ordinary	2016 Capital	2015 Ordinary	2015 Capital
(a) Determination of Adjusted Gross Deferred Tax Assets and Admited Deferred Tax Assets by Tax Character as a Percentage				
1. Adjusted Gross DTAs Amount from note A9(1)c.	793,653	-	756,285	-
2. Percentage of Adjusted Gross DTAs by Tax Character Attributable to the impact of Tax Planning Strategies	0%	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs from Note 9A(1)e	793,653	-	754,942	-
4. Percentage of Adjusted Gross DTAs by Tax Character Admitted Because of the Impact of Tax Planning Strategies	0%	0%	0%	0%
(b) Does the Company's tax-planning strategies include the use of reinsurance?	[ ] Yes	[X] No	[ ] Yes	[X] No

The components of current income tax expense (benefit) are as follows:

	2016	2015
Current Income Tax		
Federal	$ 64,614	$ 120,332
Foreign	-	-
Subtotal	64,614	120,332
Federal income tax on net capital gains	51,782	100,936
Other - audit, over and underaccrual	(19,038)	(9,320)
Federal and foreign income taxes incurred	$ 97,358	$ 211,948

(in thousands of dollars)

The main components of the net DTAs and DTLs as of December 31 are as follows:

	2016	2015
DTAs		
Ordinary		
Discounting of unpaid losses	$ 47,184	$ 48,287
Unearned premiums	222,598	205,666
Investments	13,405	12,308
Compensation and benefits accrual	321,321	294,181
Pension accrual	56,830	63,989
Nonadmitted assets	124,698	125,336
NOL carryforward	1,038	1,339
Other (including items <5% of total ordinary assets)	7,633	5,179
Subtotal	794,707	756,285
Statutory valuation allowance adjustment	1,054	1,343
Nonadmitted DTAs	-	39
Admitted ordinary deferred tax assets	793,653	754,903
Admitted deferred tax assets	$ 793,653	$ 754,903
DTLs		
Ordinary		
Investments	$ 4,181	$ 5,249
Fixed assets	97,072	94,805
Other (including items <5% of total ordinary liabilities	5,590	52
Subtotal	106,843	100,106
Capital		
Investments	365,778	284,816
Subtotal	365,778	284,816
Deferred tax liabilities	472,621	384,922
Net deferred tax assets (liabilities)	$ 321,032	$ 369,981

(in thousands of dollars)

The components of the change in net deferred tax as of December 31 are as follows:

	2016	2015	Change
Total DTAs	$ 793,653	$ 754,942	$ 38,711
Total DTLs	472,621	384,922	87,699
Net DTAs (DTLs)	$ 321,032	$ 370,020	(48,988)
Tax effect of investment unrealized gains (losses)			77,289
Foreign exchange gains (losses)			(513)
Employee and agent benefit plans			(3,835)
Pension			(1,092)
Change in net deferred income tax			$ 22,861

The actual federal income tax expense on operations for 2016 and 2015 differed from expected tax expense (benefit) as follows:

	2016			2015		
	Amount	Tax Effect at 35%	Effective Tax Rate	Amount	Tax Effect at 35%	Effective Tax Rate
Income (loss) before tax expense	$ 321,557	$ 112,545	35.00 %	$ 797,466	$ 279,113	35.00 %
Tax exempt interest	(76,528)	(26,785)	(8.33)	(81,706)	(28,597)	(3.58)
Dividends received deduction	(36,444)	(12,755)	(3.97)	(34,807)	(12,182)	(1.53)
Tax-exempt interest and dividend deduction proration	16,863	5,902	1.84	17,422	6,098	0.76
Treasury inflation protected securities	22	8	-	53	19	-
50% meals and entertainment adjustment	2,358	825	0.26	2,779	973	0.12
Other current year permanent items	1,443	505	0.16	818	286	0.04
Change in prior year permanent items	(9,565)	(3,348)	(1.04)	1,248	437	0.05
Nonadmitted assets	1,845	646	0.20	(20,588)	(7,206)	(0.90)
Audit interest	724	253	0.08	(196)	(69)	(0.01)
Excluded gain on stock contribution	(7,332)	(2,566)	(0.80)	(29,628)	(10,370)	(1.30)
Deferred tax balance and audit adjustments	(875)	(306)	(0.10)	(91)	(32)	-
Valuation allowance	(826)	(289)	(0.09)	(852)	(298)	(0.04)
Other	(3)	(1)	-	(2)	(1)	-
Foreign tax credit and penalties	(392)	(137)	(0.04)	(36)	(13)	-
Taxable income (loss)	$ 212,847	$ 74,497	23.17 %	$ 651,880	$ 228,158	28.61 %
Federal income tax incurred		97,358	30.28		211,948	26.58
Change in net deferred income tax		(22,861)	(7.11)		16,210	2.03
Total statutory income taxes (excluding taxes on unrealized gains/losses)		$ 74,497	23.17 %		$ 228,158	28.61 %

On a consolidated basis there were no carryforwards available for recoupment as of December 31, 2016 and 2015.

(in thousands of dollars)

The following are income tax expenses incurred in the current and prior years that are available for recoupment in the event of future net losses:

Year	Amount
2016	$ 97,832
2015	193,072
2014	123,252

On a consolidated basis the following is income tax expense for 2016, 2015, and 2014 that is available for recoupment in the event of future net losses:

Year	Amount
2016	$ 118,478
2015	228,514
2014	139,309

The guidance for accounting for uncertainty in income taxes prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Interest and penalties on tax uncertainties are classified as a federal tax expense. The total amount of interest accrued was $831 and $441 as of December 31, 2016 and 2015, respectively. The Company does not expect to have a significant change in unrecognized tax benefits in the next twelve months.

The examinations of the Company's consolidated federal income tax returns for the years 2011 and prior are closed, and the years 2012 through 2015 remain open under the IRS statute of limitations. The examinations of the Homesite and Subsidiaries' federal income tax return (filed separately until 2014) for the years 2012 and prior are closed, and the year 2013 remains open under the IRS statute of limitations. Homesite and its subsidiaries are currently under federal audit for tax year 2013.

5. Employee Benefit Plans

The Company has a non-contributory qualified pension plan (herein referred to as the Plan) covering substantially all employees except for those employees of PGC or Homesite. For AFMIC employees hired before January 1, 2009, and Agency Sales Managers hired before January 1, 2010, the benefits are based on years of credited service and highest average compensation (as defined in the Plan). For employees hired on or after January 1, 2009, and Agency Sales Managers hired on or after January 1, 2010, benefits are determined under a cash balance formula (as defined in the Plan). The asset valuation method used in 2016 for the funding calculation was the Two-Year Smoothed Value method. Benefit restrictions required under the Pension Protection Act of 2006 do not apply in 2016 given the funded status of the Plan.

Prior to December 31, 2015 the Company maintained two qualified pension plans. These two plans merged as of December 31, 2015. The merger did not impact the valuation of the qualified Plan's net assets or benefit obligations.

The Company provides certain health care benefits to substantially all employees and contributes toward eligible employees' postretirement health care using a fixed amount for each year of eligible service. Certain employees may also receive health care benefits upon retirement via conversion of unused sick days earned prior to 2008. In addition, the Company provides most employees with a life insurance benefit, for which the Company absorbs substantially all of the cost. The Company's portion of the costs of these programs is unfunded. The Company sponsors no other significant postretirement benefit plans and uses a measurement date of December 31 for valuing pension and other postretirement benefit plans (herein referred to as the Plans).

(in thousands of dollars)

The following table reflects the Plan's funded status, the Company's accrued postretirement benefits liability, and amounts recognized in the Company's consolidated property & casualty statutory balance sheets at December 31:

Change in benefit obligation

Pension Benefits

	Overfunded 2016	Overfunded 2015	Underfunded 2016	Underfunded 2015
1. Benefit obligation at beginning of year	$ -	$ -	$ 1,086,147	$ 1,070,535
2. Service cost	-	-	49,106	48,955
3. Interest cost	-	-	44,162	40,242
4. Contribution by plan participants	-	-	-	-
5. Actuarial (gain)/loss	-	-	30,922	(13,401)
6. Foreign currency exchange rate changes	-	-	-	-
7. Benefits paid	-	-	(69,078)	(60,184)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements, and special termination benefits	-	-	-	-
10. Benefit obligation, end of year	$ -	$ -	$ 1,141,259	$ 1,086,147

Postretirement Benefits

	Overfunded 2016	Overfunded 2015	Underfunded 2016	Underfunded 2015
1. Benefit obligation at beginning of year	$ -	$ -	$ 56,092	$ 55,707
2. Service cost	-	-	3,049	3,336
3. Interest cost	-	-	2,238	2,097
4. Contribution by plan participants	-	-	-	-
5. Actuarial (gain)/loss	-	-	322	(2,864)
6. Foreign currency exchange rate changes	-	-	-	-
7. Benefits paid	-	-	(2,193)	(2,184)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements, and special termination benefits	-	-	-	-
10. Benefit obligation, end of year	$ -	$ -	$ 59,508	$ 56,092

Postemployment & Compensated Absence Benefits

	Overfunded 2016	Overfunded 2015	Underfunded 2016	Underfunded 2015
1. Benefit obligation at beginning of year	$ -	$ -	$ 69,171	$ 65,723
2. Service cost	-	-	58,870	39,418
3. Interest cost	-	-	1,201	4,297
4. Contribution by plan participants	-	-	-	-
5. Actuarial (gain)/loss	-	-	-	-
6. Foreign currency exchange rate changes	-	-	-	-
7. Benefits paid	-	-	(54,288)	(40,267)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements, and special termination benefits	-	-	-	-
10. Benefit obligation, end of year	$ -	$ -	$ 74,954	$ 69,171

(in thousands of dollars)

	Pension Benefits 2016	Pension Benefits 2015	Postretirement Benefits 2016	Postretirement Benefits 2015	Postemployment 2016	Postemployment 2015
Change in plan assets						
a. Fair value of plan assets at beginning of year	$ 768,569	$ 749,341	$ -	$ -	$ -	$ -
b. Actual return on plan assets	61,371	(3,225)	-	-	-	-
c. Foreign currency exchange rate changes	-	-	-	-	-	-
d. Reporting entity contribution	84,574	82,637	2,193	2,184	54,288	40,267
e. Plan participants' contributions	-	-	-	-	-	-
f. Benefits paid	(69,078)	(60,184)	(2,193)	(2,184)	(54,288)	(40,267)
g. Business combinations, divestitures, and settlements	-	-	-	-	-	-
h. Fair value of plan assets at end of year	$ 845,436	$ 768,569	$ -	$ -	$ -	$ -

Funded status

	Pension Benefits 2016	Pension Benefits 2015	Postretirement Benefits 2016	Postretirement Benefits 2015
Overfunded				
a. Assets (nonadmitted)				
1. Prepaid benefit costs	$ -	$ -	$ -	$ -
2. Overfunded plan assets	-	-	-	-
3. Total assets (nonadmitted)	$ -	$ -	$ -	$ -
Underfunded				
b. Liabilities recognized				
1. Accrued benefit costs	$ (9,708)	$ 15,043	$ 61,614	$ 58,323
2. Liability for pension benefits	305,531	302,536	(2,106)	(2,231)
3. Total liabilities recognized	$ 295,823	$ 317,579	$ 59,508	$ 56,092
c. Unrecognized liabilities	$ -	$ -	$ -	$ -

Components of net periodic benefit cost

	Pension Benefits 2016	Pension Benefits 2015	Postretirement Benefits 2016	Postretirement Benefits 2015	Postemployment & Compensated Absence Benefits 2016	Postemployment & Compensated Absence Benefits 2015
a. Service cost	$ 49,106	$ 48,955	$ 3,049	$ 3,336	$ 58,870	$ 39,418
b. Interest cost	44,162	40,242	2,238	2,097	1,201	4,297
c. Expected return on plan assets	(50,855)	(49,604)	-	-	-	-
d. Incremental (asset) / obligation	(3,617)	(3,650)	-	-	-	-
e. Prior service cost / (credit)	(7,096)	(7,084)	157	157	-	-
f. Actuarial (gain) / loss	27,102	25,075	40	126	-	-
g. Gain or loss recognized due to a settlement or curtailment	1,028	885	-	-	-	-
h. Net periodic cost	$ 59,830	$ 54,819	$ 5,484	$ 5,716	$ 60,071	$ 43,715

The Company recognized additional pension expenses in connection with settlement accounting which resulted from lump sum distributions exceeding service and interest cost during the year of $1,028 and $885 for 2016 and 2015, respectively.

(in thousands of dollars)

Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

		Pension Benefits		Postretirement Benefits	
		2016	**2015**	**2016**	**2015**
a.	Items not yet recognized as a component of net periodic cost - prior year	$ 302,536	$ 278,335	$ (2,231)	$ 916
b.	Net transition asset or obligation recognized	3,617	3,816	-	-
c.	Net prior service cost or credit arising during the period	-	-	-	-
d.	Net prior service cost or credit recognized	7,096	7,084	(157)	(157)
e.	Net gain and loss arising during the period	20,412	37,629	322	(2,864)
f.	Net gain and loss recognized	(28,130)	(24,328)	(40)	(126)
g.	Items not yet recognized as a component of net periodic cost - current year	$ 305,531	$ 302,536	$ (2,106)	$ (2,231)

Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit costs

		Pension Benefits		Postretirement Benefits	
		2016	**2015**	**2016**	**2015**
a.	Net transition asset or obligation	$ (3,617)	$ (3,650)	$ -	$ -
b.	Net prior service cost or credit	(7,096)	(7,096)	157	157
c.	Net recognized gains and losses	24,426	25,812	145	75

Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit costs

		Pension Benefits		Postretirement Benefits	
		2016	**2015**	**2016**	**2015**
a.	Net transition asset or obligation	$ (14,467)	$ (18,084)	$ -	$ -
b.	Net prior service cost or credit	(38,899)	(45,995)	(5,457)	(5,300)
c.	Net recognized gains and losses	358,898	366,615	3,351	3,069

Weighted-average assumptions used to determine net periodic benefit cost as of December 31:	**2016**	**2015**
a. Weighted-average discount rate	4.19 %	3.83 %
b. Expected long-term rate of return on plan assets	6.75	6.75
c. Rate of compensation increase	3.50	3.25

Weighted-average assumptions used to determine projected benefit obligations as of December 31:		
d. Weighted-average discount rate	3.99 %	4.19 %
e. Rate of compensation increase	3.50	3.50

(in thousands of dollars)

The pension accumulated benefit obligation at December 31, 2016 and 2015 was $979,174 and $922,003, respectively.
Assumed health care cost trend rates do not have a significant effect on the amounts reported for the health care plans.

Annual rates of increase in the per capita costs of covered health benefits was assumed to be 7.25% (Pre-65) for both 2016 and 2015 and 7.75% and 6.75% (Post-65) of covered health care benefits were assumed for 2016 and 2015, respectively. Rates will gradually decrease to 5.00% by 2022.

Expected Cash Flows
Information about the expected cash flows for the Plans follows:

	Pension Benefits	Postretirement Benefits
Employer contributions		
2017 (expected)	$3,867 - $604,968	$ 3,489
Expected benefit payments		
2017	85,317	3,489
2018	88,003	3,841
2019	88,300	4,088
2020	91,978	4,247
2021	96,478	4,455
2022 - 2026	483,835	25,443

Expected contributions include a qualified pension benefits contribution within the range of $0 (minimum contribution) and $601,101 (maximum contribution) and postretirement contribution of $3,489 expected to be paid from the Company's assets in 2016.

The expected long-term rate of return on funded plan assets was 6.75% in both 2016 and 2015. The expected rate of return on plan assets is based upon an analysis of historical returns and long-term capital market assumptions for each asset class. The expected returns by asset class contemplate a risk free interest rate environment as of the measurement date and then add a risk premium. The risk premium is a range of percentages and is based upon information and other factors such as expected reinvestment returns and asset manager performance. Finally, an underlying inflation assumption is incorporated to determine the overall expected long-term rate of return assumption.

(in thousands of dollars)

The target allocation, asset allocation, and fair value of plan assets for the Company's pension plan at the end of 2016 and 2015, by asset category, follow.

	Target Allocation		Percentage of Plan Assets, Year End		Fair Value of Plan Assets, Year End	
Asset Category	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Equity	55 %	55 %	59 %	56 %	$ 497,733	$ 423,811
Debt	40	40	36	38	302,656	292,819
Private equity	5	5	4	5	30,479	37,303
Cash equivalents	-	-	1	1	7,791	7,963
Total	100 %	100 %	100 %	100 %	$ 838,659	$ 761,896

The overall investment objective of the Plan is to maximize the risk adjusted return on assets over a long-term period, while ensuring the Plan is able to meet current and future obligations to plan participants. The primary considerations in developing target asset allocations are the Plan's overall investment objective, the investment objectives for the various assets, the necessary level of diversification, and maintaining an acceptable level of risk. The existing allocations are within the Company's tolerance for variation from target allocation.

The Plan's equity allocation seeks to provide long-term returns with a diversified basket of domestic and international equity securities and mutual funds. The Plan invests in actively managed domestic and international mutual funds and equity portfolios that seek to diversify equity risk, generate long-term growth of capital, and outperform benchmark indices. Actively managed equity allocations represent 38% and 36% of Plan assets at December 31, 2016 and 2015, respectively. The Plan also invests in a passively managed domestic large cap equity index portfolio that seeks to mirror the risk characteristics and return performance of the Russell 200 Index. This portfolio comprised approximately 21% and 20% of Plan assets at December 31, 2016 and 2015, respectively.

The pension bond fund seeks to maximize total return by investing in fixed income securities. The fund offers diverse exposure to the fixed income market by investing in a combination of investment grade bonds including corporate debt securities, U.S. Treasury and agency securities, mortgage-backed securities and asset-backed securities, and cash equivalents. The objective is to outperform Barclays' U.S. Aggregate Index. This fund comprised 31% and 34% of Plan assets at year-end 2016 and 2015, respectively. The Plan's bond allocation also includes an investment in a multi-sector fixed income value fund, representing 5% and 4% of Plan assets at year-end 2016 and 2015, respectively.

The alternative investments objective is to add diversification and produce superior long-term returns when compared to more traditional investment opportunities. This fund comprised 4% and 5% of Plan assets at year-end 2016 and 2015, respectively.

The Company has no significant concentrations of risk within Plan assets.

Plan assets at fair value are categorized in the same manner as Company assets, based on the reliability of inputs to the valuation techniques as described in Note 1(c).

Below is a summary of significant valuation techniques specific to Plan assets:

Level 1 Measurements

Equity Securities: *Common Stocks:* Comprised of actively traded, exchange listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Plan can access.

Bonds: *U.S. Government Securities*: Comprised of U.S. Treasuries valued based on unadjusted quoted prices for identical assets in active markets.

Short-term Investments: Comprised of actively traded money market funds that have daily quoted net asset values for identical assets that the Plan can access.

Level 2 Measurements

Equity Securities: *Mutual Funds:* Comprised of non-actively traded U.S. and international funds, including the multi-sector fixed income value fund, priced by the fund manager using observable inputs primarily consisting of quoted prices of the underlying investments.

Bonds: *Corporate Bonds and Notes, Foreign Bonds, and Municipal Bonds:* Valued using the market and income approaches based on inputs including quoted prices for identical or similar assets in markets that are not active, benchmark yield curves, bid/ask spreads, credit quality, and projected cash flows.

Level 3 Measurements

Limited Partnerships: Valued using capital account valuations as reported by the various limited partnerships, which approximates fair value.

(in thousands of dollars)

The following table summarizes the Plan's financial assets measured at fair value on a recurring basis as of December 31, 2016 and 2015:

	Assets at fair value as of December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Bonds				
U.S government securities	$ 48,180	$ -	$ -	$ 48,180
Corporate bonds and notes	-	182,364	-	182,364
Municipal bonds	-	817	-	817
Foreign bonds	-	25,735	-	25,735
Equity securities				
Common stocks	222,857	-	-	222,857
Mutual funds	-	320,435	-	320,435
Short-term investments	7,792	-	-	7,792
Limited partnerships*	-	-	30,479	30,479
Total financial assets at fair value	$ 278,829	$ 529,351	$ 30,479	$ 838,659

	Assets at fair value as of December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Bonds				
U.S government securities	$ 58,455	$ -	$ -	$ 58,455
Corporate bonds and notes	-	173,103	-	173,103
Municipal bonds	-	799	-	799
Foreign bonds	-	24,278	-	24,278
Equity securities				
Common stocks	188,330	-	-	188,330
Mutual funds	-	271,665	-	271,665
Short-term investments	7,963	-	-	7,963
Limited partnerships*	-	-	37,303	37,303
Total financial assets at fair value	$ 254,748	$ 469,845	$ 37,303	$ 761,896

* Limited partnerships were valued using 9/30 capital account valuations provided by the various limited partnerships, adjusted for any capital calls made and distributions received between 9/30 and 12/31.

All transfers into or out of a particular level are recognized as of the beginning of the reporting period. There were no transfers into or out of Level 1, 2, or 3 during 2016 or 2015.

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2016 and 2015:

	Limited Partnerships	
	2016	**2015**
Balance, beginning of year*	$ 37,303	$ 49,090
Purchases, sales, issuance and settlements, net	(6,824)	(11,787)
Balance, end of year*	$ 30,479	$ 37,303

*Based on 9/30 capital account valuations provided by the various limited partnerships, adjusted for any capital calls made and distributions received between 9/30 and 12/31.

Other Plans

AFMIC and consolidated property & casualty subsidiaries also participate in a qualified contributory 401(k) plan (herein referred to as the 401(k) Plan). Substantially all employees of AFMIC are eligible to enter into the 401(k) Plan. Employee participation in the 401(k) Plan is optional; participants contribute at least 1%, but no more than 30% of base compensation, subject to Internal Revenue Service limitations. AFMIC is required to make contributions each payroll period, as defined, to a trust fund. These contributions are based on a formula with a 100% match on the first 3% of eligible contributions plus 50% on the next 2% of eligible contributions. The Company's maximum annual contribution is 4% of eligible contributions. AFMIC recognized expense of $19,470 and $18,005 related to the 401(k) Plan in 2016 and 2015, respectively.

Homesite sponsors a defined contribution 401(k) plan for which substantially all Homesite employees are eligible to participate (Homesite Plan). Under the Homesite Plan, Homesite's matching contribution is equal to 50% of each participant's contribution, subject to a maximum of 5% of the participant's eligible compensation. Expenses related to the Homesite Plan of $5,496 and $4,271 were recognized during 2016 and 2015, respectively.

A liability of $71,856 and $66,892 was accrued for earned but unpaid compensated absences as of December 31, 2016 and 2015, respectively.

6. Agent Contract Termination Payments

Exclusive agents of the Company are eligible to receive payments upon termination after a period of covered service. Years of service exclude time under an advance compensation plan, not to exceed two years. For agents appointed prior to January 1, 2009 that have more than 10 years of covered service, payments are based on a percentage of service fees during the period of up to 12 months prior to termination (as defined in the agreement). For agents appointed on or after January 1, 2009 that have eight or more years of covered service, payments are based on a cash balance formula that utilizes sales and service fees (as defined in the agreement).

The Company uses a measurement date of December 31 for agent contract termination payments plan.

(in thousands of dollars)

The following sets forth the status of the agent contract termination payments plan's obligation reconciled with amounts reported in the Company's consolidated property & casualty statutory balance sheets at December 31:

	2016	2015
Change in benefit obligation		
Benefit obligation at beginning of year	$ 660,007	$ 675,164
Service cost	26,051	28,396
Interest cost	27,212	26,034
Contribution by plan participants	-	-
Actuarial (gain)/loss	21,999	(35,406)
Foreign currency exchange rate changes	-	-
Benefits paid	(38,094)	(34,181)
Plan amendments	-	-
Business combinations, divestitures, curtailments, settlements, and special termination benefits	-	-
Benefit obligation, end of year	$ 697,175	$ 660,007
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Actual return on plan assets	-	-
Foreign currency exchange rate changes	-	-
Reporting entity contribution	38,094	34,181
Plan participants' contributions		-
Benefits paid	(38,094)	(34,181)
Business combinations, divestitures, and settlements	-	-
Fair value of plan assets at end of year	$ -	$ -
Funded status		
Overfunded		
Assets		
Prepaid benefit costs	$ -	$ -
Overfunded plan assets	-	-
Total assets	$ -	$ -
Underfunded		
Liabilities recognized		
Accrued benefit costs	$ 740,005	$ 713,796
Liability for pension benefits	(42,830)	(53,789)
Total liabilities recognized	$ 697,175	$ 660,007
Unrecognized liabilities	$ -	$ -

	2016	2015
Components of net periodic benefit cost		
Service cost	$ 26,051	$ 28,396
Interest cost	27,212	26,034
Expected return on plan assets	-	-
Amortization of unrecognized transition obligation or transition asset	-	-
Amount of recognized (gains)/losses	(1,095)	(142)
Amount of prior service cost recognized	12,135	12,137
Amount of gain or loss recognized due to a settlement or curtailment	-	-
Net periodic cost	$ 64,303	$ 66,425

Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

	2016	2015
Items not yet recognized as a component of net periodic cost - prior year	$ (53,789)	$ (6,388)
Net transition asset or obligation recognized	-	-
Net prior service cost or credit arising during the period	-	-
Net prior service cost or credit recognized	(12,135)	(12,137)
Net gain and loss arising during the period	21,999	(35,406)
Net gain and loss recognized	1,095	142
Items not yet recognized as a component of net periodic cost - current year	$ (42,830)	$ (53,789)

Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year components of net periodic benefit costs

	2016	2015
Net transition asset or obligation	$ -	$ -
Net prior service cost or credit	1,335	12,137
Net recognized gains and losses	(127)	(157)

Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost

	2016	2015
Net transition asset or obligation	$ -	$ -
Net prior service cost or credit	1,335	13,472
Net recognized gains and losses	(44,165)	(67,260)

(in thousands of dollars)

	2016	2015
Assumptions used to determine projected benefit obligation as of December 31:		
Discount rate	4.00 %	4.30 %
Service fees increase		
AFMIC		
First 8 years after appointment	21.00	21.00
After first 8 years of appointment	3.25	3.25
ASIC		
First 6 years after appointment	8.00	8.00
After first 6 years of appointment	(4.00)	(4.00)
Expected return on plan assets	N/A	N/A
Assumptions used to determine net periodic benefit cost as of December 31:		
Discount rate	4.30	3.95
Service fees increase		
AFMIC		
First 8 years after appointment	21.00	21.00
After first 8 years of appointment	3.25	3.25
ASIC		
First 6 years after appointment	8.00	8.00
After first 6 years of appointment	(4.00)	(4.00)
Expected return on plan assets	N/A	N/A

The accumulated benefit obligation at December 31, 2016 and 2015 was $611,121 and $570,739, respectively.

Expected Cash Flows
Information about the expected cash flows for the agent contract termination payments plan follows:

Expected contract termination payments	
2017	$ 38,816
2018	40,224
2019	43,989
2020	46,937
2021	49,481
2022-2026	267,223

The above table reflects vested benefits expected to be paid from the Companies' assets.

(in thousands of dollars)

7. Property & Casualty Loss and Loss Adjustment Expense Reserve

Activity in the loss and loss adjustment expense reserve for property & casualty insurance, including health insurance, is summarized as follows:

	2016	2015
Net balance as of January 1	$ 3,584,759	$ 3,540,838
Incurred losses and loss adjustment expenses related to		
Current year	4,986,131	4,516,251
Prior years	(169,392)	(303,153)
Total incurred	4,816,739	4,213,098
Paid losses and loss adjustment expenses related to		
Current year	3,054,405	2,807,012
Prior years	1,516,207	1,362,165
Total paid	4,570,612	4,169,177
Net balance as of December 31	$ 3,830,886	$ 3,584,759

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years decreased by $169,392 and $303,153 during 2016 and 2015, respectively, as a result of re-estimation of unpaid losses and loss adjustment expenses. The lines of business primarily affected were Private Passenger Auto Liability for 2016, and Private Passenger Auto Liability and Homeowners/Farmowners for 2015. Increases or decreases of this nature occur as the result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from their original estimates of individual claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses.

8. Related Party Transactions

AFMIC guaranteed loans, notes and other debt and financial obligations of any kind incurred by its subsidiary, American Family Financial Services, Inc. (AFFS), to a maximum $10,000 at December 31, 2015. Effective March 1, 2016, this guarantee was terminated. There was no outstanding principal or interest guaranteed by AFMIC at December 31, 2016 and 2015.

AFMIC and ASIC each agreed to lend up to a maximum of $5,000 in short-term demand notes to AFFS in 2015. Effective March 1, 2016, these lines of credit were terminated. AFFS had no outstanding short-term demand notes payable to AFMIC or ASIC at December 31, 2015.
As of December 31, 2016 and 2015, on a consolidated basis, the Companies reported $37,583 and $148,058, respectively, due from affiliates and $92,607 and $126,746, respectively, due to affiliates. Terms of the settlement require that these amounts be settled within 90 days.

AFMIC has agreed to provide certain management and information systems services to its wholly-owned subsidiaries. AFMIC shares certain administrative, occupancy, marketing and tax expenses with other affiliated companies. Such expenses are allocated by AFMIC at cost in proportion to estimated utilization. Allocation methods are refined periodically to reflect current operations and resources utilized by the Company. In addition AFMIC is allocated expenses from its wholly-owned subsidiaries as a result of certain information systems and administrative services provided to the Company. These expenses are allocated to AFMIC at cost either in proportion to estimated utilization or via specific identification.

AFMIC contributed $78,849 and $51,473 to AmFam, Inc. in 2016 and 2015, respectively, of which the majority was used to provide capital support to PGC and support the Companies' non-insurance business developments of New Ventures, LLC (NV), a subsidiary of the Company.

During 2015, the Company received a cash distribution of $18,000 from AIA.

9. Commitments and Contingencies

The Company has various leases for property and equipment used in the normal course of business. These lease commitments are summarized in Note 1(j).

The Companies are contingently liable for cessions to reinsurers to the extent that any reinsurer might be unable to meet its obligations assumed under the various reinsurance contracts.

AFMIC enters into contractual agreements that require capital contributions to limited partnerships. These contributions are recorded on the consolidated property & casualty statutory financial statements as other invested assets. Capital is typically contributed to the partnerships over multiple years. At any time, AFMIC will have commitments to the partnerships that have not yet been funded. As of December 31, 2016 and 2015, AFMIC was obligated to contribute $581,012 and $435,983, respectively, in additional capital to various limited partnerships. These contributions are callable under the commitments to the partnerships over the lives of the partnerships.

The Companies are at times involved in lawsuits which are related to operations. In most cases, such lawsuits involve claims under insurance policies and other contracts of the Companies. Such lawsuits, either individually or in the aggregate, are not expected to have a material effect on the Companies' consolidated property & casualty statutory financial statements.

From time to time, mandatory assessments are levied on AFMIC and its insurance subsidiaries by the property & casualty guaranty fund associations of states in which the Companies are licensed. These assessments are to cover losses to policyholders of insolvent or rehabilitated insurance companies. Guaranty fund assessment liabilities, as of December 31, 2016 and 2015, were $20,979 and $20,999, respectively. Guaranty fund assets related to future premium tax credits were $13,623 and $13,296 for the years ended December 31, 2016 and 2015, respectively. Such estimates are subject to change as the associations determine more precisely the losses that have occurred and how such losses will be allocated to insurance companies.

(in thousands of dollars)

10. Structured Settlements

AFMIC has purchased annuities of which the claimant is the payee, but for which AFMIC is contingently liable. At December 31, 2016 and 2015, the present values of all such annuities were $107,636 and $112,596, of which $55,042 and $56,163 were from nonaffiliated life insurers, respectively.

11. Capital and Surplus and Dividend Restrictions

Authorized and outstanding shares and par values of subsidiary and affiliate common stock are as follows (presented as whole numbers):

Company	Authorized	Issued & Outsanding	Par Value
ASIC	10,000	6,000	$ 500
AFIC	850	300	10,000
ASICO	850	100	10,000
MIC	50,000	35,000	100
HMW	20,000	16,280	215
HCA	200,000	52,000	50
HCT	50,000	45,400	100
HIC	5,000	3,250	1,000
HIL	100,000	10,000	100
HNY	10,000	10,000	100
HGA	10,000	10,000	100
HFL	100,000	100,000	10
HLTX	-	-	-

The Companies' surplus may be available for distribution to its policyholders. Such distributions as dividends may be subject to prior regulatory approval. AFMIC paid $1,397 and $1,521 of workers' compensation policyholder dividends in 2016 and 2015, respectively. There were no restrictions placed on the Companies' surplus, including for whom the surplus is being held.

The portion of unassigned funds (surplus) represented or (reduced) by cumulative gross unrealized gains (losses) was $2,213,016 and $2,002,112 at December 31, 2016 and 2015, respectively.

12. Reinsurance

The following table summarizes assumed and ceded unearned premiums and the related commission equity at December 31:

	2016					
	Assumed		Ceded		Assumed Less Ceded	
(in thousands of dollars)	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
	$ 105,167	$ 19,892	$ 142,435	$ 2,938	$ (37,268)	$ 16,954
Totals	$ 105,167	$ 19,892	$ 142,435	$ 2,938	$ (37,268)	$ 16,954
Direct unearned premium reserve	$ 3,113,816					

	2015					
	Assumed		Ceded		Assumed Less Ceded	
(in thousands of dollars)	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
	$ 93,093	$ 17,696	$ 151,436	$ 2,901	$ (58,343)	$ 14,795
Totals	$ 93,093	$ 17,696	$ 151,436	$ 2,901	$ (58,343)	$ 14,795
Direct unearned premium reserve	$ 2,900,595					

Earned premiums ceded under reinsurance contracts during 2016 and 2015 were $147,311 and $161,087, respectively. Written premiums ceded under reinsurance contracts during 2016 and 2015 were $138,319 and $141,405, respectively. Unearned premiums ceded under reinsurance contracts were $142,444 and $151,436 at December 31, 2016 and 2015, respectively. Loss and loss adjustment expenses ceded under reinsurance contracts were $48,512 and $110,631 for the years ended December 31, 2016 and 2015, respectively.

These ceded reinsurance transactions do not relieve the Company of its primary obligation to the policyholder.

13. Environmental Reserves

AFMIC has environmental exposure from its business owners, other commercial multiple peril and general liability policies. Since the Company wrote very little commercial lines business prior to the introduction of the absolute pollution exclusion, its exposure to Superfund claims is immaterial to the Company.

AFMIC's methodology for reserving for reported losses is to establish a liability based on what AFMIC estimates it will ultimately pay. For bulk and IBNR reserves, AFMIC has established a loss adjustment expense reserve for its anticipated defense of such claims. This reserve was based on 1) an assessment of its amount of exposure (yearly writings), 2) the types of business written, and 3) loss and loss expense experience to date.

The following are AFMIC's environmental reserves reported net of reinsurance at December 31:

	2016	2015
Environmental		
Beginning reserves	$ 3,648	$ 3,941
Incurred losses and loss adjustment expenses	(437)	2,218
Calendar year payments for losses and loss adjustment expenses	(53)	(2,511)
Ending reserves	$ 3,158	$ 3,648

Of the environmental reserves reported above, $3,050 and $2,700 relate to IBNR loss and IBNR loss adjustment expense reserves as of December 31, 2016 and 2015, respectively.

14. Long-Term Debt

The Company is a member of the FHLBC. The general nature of the FHLBC agreement is to provide a platform which provides the Company with the ability to receive advances from the FHLBC as a member of the bank. Through its membership, the Company has a 30-year fixed rate advance of $500,000 which was issued November 20, 2013. The Company pays monthly interest to FHLBC at a fixed annual interest rate of 5.12%, and principal is due in a balloon payment at the end of the advance's 30-year term. The Company paid $26,027 and $25,956 in interest on the advance during 2016 and 2015, respectively, and recorded accrued interest of $2,204 at both December 31, 2016 and 2015. The advance is fully collateralized with stock and qualified securities. The shares in FHLBC stock are considered Class B shares not eligible for redemption, and are recorded as common stocks in the consolidated property & casualty statutory balance sheet.

The following summarizes general account FHLBC capital stock balances as of December 31:

(in thousands of dollars, except share amounts)	2016	2015
Shares outstanding	100,000	100,000
Membership stock - Class B	$ 1,068	$ 4,849
Activity stock	8,932	5,151
Aggregate total - carrying value	10,000	10,000
Actual or estimated borrowing capacity	500,000	500,000
Collateral pledged - fair value	687,354	703,413
Collateral pledged - carrying value	671,415	686,183
Total borrowing	500,000	500,000

Borrowing capacity is calculated as the carrying value of FHLBC stock multiplied by 50, less any outstanding advances. The Company's borrowing capacity net of outstanding advances was $0 as of both December 31, 2016 and 2015.

American Family Mutual Insurance Company and
Consolidated Property & Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property & Casualty Statutory Balance Sheet
December 31, 2016
(in thousands of dollars)

	ASIC	ASICO	AFIC	MIC	Homesite Underwriting Entities Consol.	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Admitted Assets									
Bonds	$ 300,022	$ 7,165	$ 28,062	$ 5,330	$ 289,039	$ 8,167,305	$ -		$ 8,796,923
Common stocks, including investments in unconsolidated subsidiaries	-	-	-	-	-	4,540,990	(731,392)	(1)	3,809,598
Real estate (net of accumulated depreciation of $231,727)	-	-	-	-	-	249,035	-		249,035
Cash, cash equivalents and short-term investments	32,630	3,290	8,647	4,123	59,429	329,650	-		437,769
Receivables for securities	8,976	2	2	2	-	86,700	-		95,682
Other invested assets	-	-	-	-	-	941,466	-		941,466
Total cash and invested assets	341,628	10,457	36,711	9,455	348,468	14,315,146	(731,392)		14,330,473
Property & casualty premiums receivable and agents' balances	33,587	-	49	53	182,951	1,380,956	(208,279)	(3)	1,389,317
Accrued investment income	2,547	164	371	30	1,646	82,757	-		87,515
Income taxes receivable	87	-	96	263	-	-	(446)	(2),(4)	-
Deferred tax assets	450	-	-	-	177	320,669	(264)	(4)	321,032
Electronic data processing equipment and software (net)	-	-	-	-	-	15,399	-		15,399
Other assets	23,443	753	1,489	2,302	172,610	78,813	(214,749)	(2),(3)	64,661
Total admitted assets	$ 401,742	$ 11,374	$ 38,716	$ 12,103	$ 705,852	$ 16,193,740	$ (1,155,130)		$ 16,208,397
Liabilities									
Property & casualty loss and loss adjustment expense reserve	$ 83	$ -	$ 23	$ -	$ (7,015)	$ 3,980,529	$ (142,734)	(3)	$ 3,830,886
Property & casualty unearned premiums	-	-	-	-	5,998	3,070,549	-		3,076,547
Drafts outstanding	7,039	872	6,390	3	-	58,629	-		72,933
Agent contract termination payments	-	-	-	-	-	697,175	-		697,175
Employee pension and other benefits	-	-	-	-	-	355,331	-		355,331
Income taxes payable	-	1	-	-	637	42,455	(17,754)	(2)	25,339
Deferred tax liability	-	-	7	-	257	-	(264)	(4)	-
Debt	-	-	-	-	-	502,204	-		502,204
Payable for securities	14,156	-	-	-	-	194,918	-		209,074
Accrued expenses and other liabilities	37,328	2,239	8,679	(1,020)	362,715	424,976	(262,984)	(3)	571,933
Total liabilities	58,606	3,112	15,099	(1,017)	362,592	9,326,766	(423,736)		9,341,422
Policyholders' Surplus									
Special surplus funds	-	-	-	-	-	1,250	-		1,250
Unassigned surplus	343,136	8,262	23,617	13,120	343,260	6,865,724	(731,394)	(1)	6,865,725
Total policyholders' surplus	343,136	8,262	23,617	13,120	343,260	6,866,974	(731,394)		6,866,975
Total liabilities and policyholders' surplus	$ 401,742	$ 11,374	$ 38,716	$ 12,103	$ 705,852	$ 16,193,740	$ (1,155,130)		$ 16,208,397

References
(1) Elimination of affiliated common stock of property & casualty subsidiaries.
(2) Elimination of intercompany payables/receivables and intercompany balances related to underwriting expenses reinsured.
(3) Elimination of affiliated reinsurance premium.
(4) Net income taxes and deferred taxes.

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries

Supplemental Schedule of Consolidation

Consolidated Property & Casualty Statutory Balance Sheet

December 31, 2016

(in thousands of dollars)

	Homesite California	Homesite Insurance	Homesite Indemnity	Homesite Illinois	Homesite Midwest	Homesite New York	Homesite Georgia	Homesite Lloyds (TX)	Homesite Florida	Eliminations	Ref No.	Homesite Underwriting Entities Consol.
Admitted Assets												
Bonds	$ 29,019	$ 70,636	$ 31,265	$ 5,939	$ 105,571	$ 11,755	$ 17,126	$ 9,987	$ 7,741	$ -		$ 289,039
Common stocks, including investments in unconsolidated subsidiaries	-	-	-	-	-	-	-	-	-	-		-
Real estate	-	-	-	-	-	-	-	-	-	-		-
Cash, cash equivalents and short-term investments	2,710	2,818	3,471	2,280	29,771	11,014	2,735	1,672	2,958	-		59,429
Receivables for securities	-	-	-	-	-	-	-	-	-	-		-
Other invested assets	-	-	-	-	-	-	-	-	-	-		-
Total cash and invested assets	31,729	73,454	34,736	8,219	135,342	22,769	19,861	11,659	10,699	-		348,468
Property & casualty premiums receivable and agents' balances	16,650	58,215	14,194	2,931	94,033	9,189	6,620	14,802	2,638	(36,321)	(2)	182,951
Accrued investment income	159	386	141	27	569	64	228	43	29	-		1,646
Income taxes receivable	-	-	-	-	-	-	13	20	-	(33)	(3)	-
Deferred tax assets	-	35	-	69	-	27	-	17	29	-		177
Electronic data processing equipment and software (net)	-	-	-	-	-	-	-	-	-	-		-
Other assets	5,223	15,365	2,505	686	172,603	1,786	74	2,354	728	(28,714)	(1)	172,610
Total admitted assets	$ 53,761	$ 147,455	$ 51,576	$ 11,932	$ 402,547	$ 33,835	$ 26,796	$ 28,895	$ 14,123	$ (65,068)		$ 705,852
Liabilities												
Property & casualty loss and loss adjustment expense reserve	$ -	$ -	$ -	$ -	$ 28,714	$ 592	$ -	$ -	$ -	$ (36,321)	(1)	$ (7,015)
Property & casualty unearned premiums	-	-	-	-	-	5,998	-	-	-	-		5,998
Drafts outstanding	-	-	-	-	-	-	-	-	-	-		-
Agent contract termination payments	-	-	-	-	-	-	-	-	-	-		-
Employee pension and other benefits	-	-	-	-	-	-	-	-	-	-		-
Income taxes payable	51	118	38	80	64	315	-	-	4	(33)	(3)	637
Deferred tax liability	17	-	10	-	217	-	13	-	-	-		257
Debt	-	-	-	-	-	-	-	-	-	-		-
Payable for securities	-	-	-	-	-	-	-	-	-	-		-
Accrued expenses and other liabilities	16,645	60,290	11,327	2,384	270,959	8,763	5,029	12,970	3,062	(28,714)	(2)	362,715
Total liabilities	16,713	60,408	11,375	2,464	299,954	15,668	5,042	12,970	3,066	(65,068)		362,592
Policyholders' Surplus												
Special surplus funds	-	-	-	-	-	-	-	-	-	-		-
Unassigned surplus	37,048	87,047	40,201	9,468	102,593	18,167	21,754	15,925	11,057	-		343,260
Total policyholders' surplus	37,048	87,047	40,201	9,468	102,593	18,167	21,754	15,925	11,057	-		343,260
Total liabilities and policyholders' surplus	$ 53,761	$ 147,455	$ 51,576	$ 11,932	$ 402,547	$ 33,835	$ 26,796	$ 28,895	$ 14,123	$ (65,068)		$ 705,852

References

(1) Elimination of intercompany payables/receivables and intercompany balances related to underwriting expenses reinsured.

(2) Elimination of affiliated reinsurance premium.

(3) Net income taxes.

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property & Casualty Statutory Balance Sheet
December 31, 2015
(in thousands of dollars)

	ASIC	ASICO	AFIC	MIC	Homesite Underwriting Entities Consol.	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Admitted Assets									
Bonds	$ 302,688	$ 7,198	$ 23,992	$ 4,993	$ 281,978	$ 7,516,802	$ -		$ 8,137,651
Common stocks, including investments in unconsolidated subsidiaries	-	-	-	-	-	4,201,709	(709,223)	(1)	3,492,486
Real estate (net of accumulated depreciation of $231,727)	-	-	-	-	-	245,871	-		245,871
Cash, cash equivalents and short-term investments	41,943	1,548	5,284	5,968	41,256	494,605	-		590,604
Receivables for securities	31,754	2	2	1	-	78,499	-		110,258
Derivatives	-	-	-	-	-	333	-		333
Other invested assets	-	-	-	-	-	851,150	-		851,150
Total cash and invested assets	376,385	8,748	29,278	10,962	323,234	13,388,969	(709,223)		13,428,353
Property and casualty premiums receivable and agents' balances	33,646	-	225	26	149,024	1,277,902	(172,734)	(3)	1,288,089
Accrued investment income	2,541	164	292	23	1,176	79,879	-		84,075
Income taxes receivable	48	10	47	298	551	-	(954)	(2),(4)	-
Deferred tax assets	-	-	3	-	255	370,118	(395)	(4)	369,981
Electronic data processing equipment and software (net)	-	-	-	-	-	12,017	-		12,017
Other assets	20,342	1,497	5,224	2,070	135,600	170,213	(152,858)	(2),(3)	182,088
Total admitted assets	$ 432,962	$ 10,419	$ 35,069	$ 13,379	$ 609,840	$ 15,299,098	$ (1,036,164)		$ 15,364,603
Liabilities									
Property & casualty loss and loss adjustment expense reserve	$ (1)	$ -	$ 9	$ -	$ -	$ 3,702,257	$ (117,506)	(3)	$ 3,584,759
Property & casualty unearned premiums	-	-	-	-	-	2,842,481	-		2,842,481
Drafts outstanding	9,826	903	4,955	-	-	61,757	-		77,441
Agent contract termination payments	-	-	-	-	-	660,007	-		660,007
Employee pension and other benefits	-	-	-	-	-	373,671	-		373,671
Income taxes payable	-	-	-	-	-	28,407	(15,752)	(2)	12,655
Deferred tax liability	83	-	-	-	312	-	(395)	(4)	-
Debt	-	-	-	-	-	502,204	-		502,204
Payable for securities	28,820	-	-	-	-	144,276	-		173,096
Derivatives	-	-	-	-	-	1,453	-		1,453
Accrued expenses and other liabilities	55,898	1,516	7,084	591	282,450	479,495	(193,288)	(3)	633,746
Total liabilities	94,626	2,419	12,048	591	282,762	8,796,008	(326,941)		8,861,513
Policyholders' Surplus									
Special surplus funds	-	-	-	-	-	1,250	-		1,250
Unassigned surplus	338,336	8,000	23,021	12,788	327,078	6,501,840	(709,223)	(1)	6,501,840
Total policyholders' surplus	338,336	8,000	23,021	12,788	327,078	6,503,090	(709,223)		6,503,090
Total liabilities and policyholders' surplus	$ 432,962	$ 10,419	$ 35,069	$ 13,379	$ 609,840	$ 15,299,098	$ (1,036,164)		$ 15,364,603

References
(1) Elimination of affiliated common stock of property & casualty subsidiaries.
(2) Elimination of intercompany payables/receivables and intercompany balances related to underwriting expenses reinsured.
(3) Elimination of affiliated reinsurance premium.
(4) Net income taxes and deferred taxes.

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property & Casualty Statutory Balance Sheet
December 31, 2015
(in thousands of dollars)

	Homesite California	Homesite Insurance	Homesite Indemnity	Homesite Illinois	Homesite Midwest	Homesite New York	Homesite Georgia	Homesite Lloyds (TX)	Homesite Florida	Eliminations	Ref No.	Homesite Underwriting Entities Consol.
Admitted Assets												
Bonds	$ 30,818	$ 71,579	$ 33,016	$ 6,281	$ 105,309	$ 12,875	$ 8,950	$ 4,998	$ 8,152	$ -		$ 281,978
Common stocks, including investments in unconsolidated subsidiaries	-	-	-	-	-	-	-	-	-	-		-
Real estate	-	-	-	-	-	-	-	-	-	-		-
Cash, cash equivalents and short-term investments	1,048	2,935	1,194	1,928	22,738	1,120	1,915	5,611	2,767	-		41,256
Receivables for securities	-	-	-	-	-	-	-	-	-	-		-
Derivatives	-	-	-	-	-	-	-	-	-	-		-
Other invested assets	-	-	-	-	-	-	-	-	-	-		-
Total cash and invested assets	31,866	74,514	34,210	8,209	128,047	13,995	10,865	10,609	10,919	-		323,234
Property & casualty premiums receivable and agents' balances	12,893	48,202	14,129	2,925	75,250	8,522	5,010	11,194	1,284	(30,385)	(2)	149,024
Accrued investment income	145	330	123	19	425	57	35	18	24			1,176
Income taxes receivable	-	-	401	10	231	4	3	-	4	(102)	(3)	551
Deferred tax assets	-	141	13	51	-	7	-	17	26			255
Electronic data processing equipment and software (net)	-	-	-	-	-	-	-	-	-			-
Other assets	3,919	10,959	2,609	731	135,650	1,769	875	760	198	(21,870)	(1)	135,600
Total admitted assets	$ 48,823	$ 134,146	$ 51,485	$ 11,945	$ 339,603	$ 24,354	$ 16,788	$ 22,598	$ 12,455	$ (52,357)		$ 609,840
Liabilities												
Property & casualty loss and loss adjustment expense reserve	$ -	$ -	$ -	$ -	$ 21,870	$ -	$ -	$ -	$ -	$ (21,870)	(1)	$ -
Property & casualty unearned premiums	-	-	-	-	-	-	-	-	-	-		-
Drafts outstanding	-	-	-	-	-	-	-	-	-	-		-
Agent contract termination payments	-	-	-	-	-	-	-	-	-	-		-
Employee pension and other benefits	-	-	-	-	-	-	-	-	-	-		-
Income taxes payable	7	94	-	-	-	-	-	1	-	(102)	(3)	-
Deferred tax liability	12	-	-	-	281	-	19	-	-	-		312
Debt	-	-	-	-	-	-	-	-	-	-		-
Payable for securities	-	-	-	-	-	-	-	-	-	-		-
Derivatives	-	-	-	-	-	-	-	-	-	-		-
Accrued expenses and other liabilities	12,088	48,282	11,621	2,768	216,736	7,921	5,068	6,891	1,460	(30,385)	(2)	282,450
Total liabilities	12,107	48,376	11,621	2,768	238,887	7,921	5,087	6,892	1,460	(52,357)		282,762
Policyholders' Surplus												
Special surplus funds	-	-	-	-	-	-	-	-	-	-		-
Unassigned surplus	36,716	85,770	39,864	9,177	100,716	16,433	11,701	15,706	10,995	-		327,078
Total policyholders' surplus	36,716	85,770	39,864	9,177	100,716	16,433	11,701	15,706	10,995	-		327,078
Total liabilities and policyholders' surplus	$ 48,823	$ 134,146	$ 51,485	$ 11,945	$ 339,603	$ 24,354	$ 16,788	$ 22,598	$ 12,455	$ (52,357)		$ 609,840

References
(1) Elimination of intercompany payables/receivables and intercompany balances related to underwriting expenses reinsured.
(2) Elimination of affiliated reinsurance premium.
(3) Net income taxes.

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries

Supplemental Schedule of Consolidation

Consolidated Property & Casualty Statement of Income

Year Ended December 31, 2016

(in thousands of dollars)

	ASIC	ASICO	AFIC	MIC	Homesite Underwriting Entities Consol.	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Premiums and other income									
Property & casualty premiums earned	$ -	$ -	$ -	$ -	$ 5,578	$ 7,063,439	$ -		$ 7,069,017
Net investment income	5,890	276	610	111	3,393	277,116	-		287,396
Net realized investment gains (losses)	2,202	-	(121)	-	330	69,849	-		72,260
Other income	(226)	-	-	-	91	(12,502)	-		(12,637)
Total premiums and other income	7,866	276	489	111	9,392	7,397,902	-		7,416,036
Losses and expenses									
Property & casualty losses and loss adjustment expenses incurred	-	-	-	-	1,590	4,815,149	-		4,816,739
Underwriting expenses	-	-	-	-	(451)	2,276,428	-		2,275,977
Dividends to policyholders	-	-	-	-	-	1,763	-		1,763
Total losses and expenses	-	-	-	-	1,139	7,093,340	-		7,094,479
Income (loss) before income tax expense (benefit)	7,866	276	489	111	8,253	304,562	-		321,557
Income tax (benefit)	2,124	14	(96)	(259)	2,721	92,854	-		97,358
Net income (loss)	$ 5,742	$ 262	$ 585	$ 370	$ 5,532	$ 211,708	$ -		$ 224,199
Special surplus funds									
Beginning balance	$ -	$ -	$ -	$ -	$ -	$ 1,250	$ -		$ 1,250
ACA fee assessment	-	-	-	-	-	-			-
Ending balance	-	-	-	-	-	1,250	-		1,250
Unassigned surplus									
Beginning balance	338,336	8,000	23,021	12,788	327,078	6,501,840	(709,223)	(1)	6,501,840
Net income (loss)	5,742	262	585	370	5,532	211,708			224,199
Net change in unrealized capital gains (losses) of investments,					-				
net of deferred income tax	1	-	-	-	(16)	133,600	(12,171)	(2)	121,414
Change in nonadmitted assets	2	-	20	(38)	39	1,629	-		1,652
Change in net deferred income tax	8	-	(9)	-	(63)	22,925	-		22,861
Pension & termination benefits adjustments	-	-	-	-	-	(9,151)	-		(9,151)
Other	(953)	-	-	-	10,690	3,173	(10,000)	(2)	2,910
Ending balance	343,136	8,262	23,617	13,120	343,260	6,865,724	(731,394)		6,865,725
Total policyholders' surplus	$ 343,136	$ 8,262	$ 23,617	$ 13,120	$ 343,260	$ 6,866,974	$ (731,394)		$ 6,866,975

References:

(1) Elimination of property & casualty subsidiaries' surplus.

(2) Elimination of unrealized gain related to affiliated common stock of property & casualty subsidiaries.

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property & Casualty Statement of Income
Year Ended December 31, 2016
(in thousands of dollars)

	Homesite California	Homesite Insurance	Homesite Indemnity	Homesite Illinois	Homesite Midwest	Homesite New York	Homesite Georgia	Homesite Lloyds (TX)	Homesite Florida	Eliminations	Ref No.	Homesite Underwriting Entities Consol.
Premiums and other income												
Property & casualty premiums earned	$ -	$ -	$ -	$ -	$ -	$ 5,578	$ -	$ -	-	$ -		$ 5,578.00
Net investment income	353	846	381	74	1,266	144	108	136	85	-		3,393
Net realized investment gains (losses)	17	35	31	13	259	11	(73)	21	16	-		330
Other income	-	91	-	-	-	-	-	-	-	-		91
Total premiums and other income	370	972	412	87	1,525	5,733	35	157	101	-		9,392
Losses and expenses												
Property & casualty losses and loss adjustment expenses incurred	-	-	-	-	-	1,590	-	-	-	-		1,590
Underwriting expenses	(109)	(907)	(90)	(266)	(327)	1,474	(52)	(179)	5	-		(451)
Dividends to policyholders	-	-	-	-	-	-	-	-	-	-		-
Total losses and expenses	(109)	(907)	(90)	(266)	(327)	3,064	(52)	(179)	5	-		1,139
Income (loss) before income tax expense (benefit)	479	1,879	502	353	1,852	2,669	87	336	96	-		8,253
Income tax (benefit)	140	491	140	80	720	953	42	118	37	-		2,721
Net income (loss)	$ 339	$ 1,388	$ 362	$ 273	$ 1,132	$ 1,716	$ 45	$ 218	$ 59	$ -		$ 5,532
Special surplus funds												
Beginning balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
ACA fee assessment	-	-	-	-	-	-	-	-	-	-		-
Ending balance	-	-	-	-	-	-	-	-	-	-		-
Unassigned surplus												
Beginning balance	36,716	85,770	39,864	9,177	100,716	16,432	11,702	15,706	10,995	-		327,078
Net income (loss)	339	1,388	362	273	1,132	1,716	45	218	59	-		5,532
Net change in unrealized capital gains (losses) of investments, net of deferred income tax	(1)	(5)	(2)	-	(7)	(1)	-	-	-	-		(16)
Change in nonadmitted assets	-	-	-	39	-	-	-	-	-	-		39
Change in net deferred income tax	(6)	(106)	(23)	(21)	62	20	7	1	3	-		(63)
Pension & termination benefits adjustments	-	-	-	-	-	-	-	-	-	-		-
Other	-	-	-	-	690	-	10,000	-	-	-		10,690
Ending balance	37,048	87,047	40,201	9,468	102,593	18,167	21,754	15,925	11,057	-		343,260
Total policyholders' surplus	$ 37,048	$ 87,047	$ 40,201	$ 9,468	$ 102,593	$ 18,167	$ 21,754	$ 15,925	$ 11,057	$ -		$ 343,260

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property & Casualty Statement of Income
Year Ended December 31, 2015
(in thousands of dollars)

	ASIC	ASICO	AFIC	MIC	Homesite Underwriting Entities Consol.	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Premiums and other income									
Property & casualty premiums earned	$ -	$ -	$ -	$ -	$ -	$ 6,633,744	$ -		$ 6,633,744
Net investment income	6,529	282	779	45	2,558	284,204	-		294,397
Net realized investment gains (losses)	7,490	-	(1)	(29)	2,556	196,285	-		206,301
Other income	(1,012)	-	-	-	33	27,765	-		26,786
Total premiums and other income	13,007	282	778	16	5,147	7,141,998	-		7,161,228
Losses and expenses									
Property & casualty losses and loss adjustment expenses incurred	-	-	-	-	-	4,213,098	-		4,213,098
Underwriting expenses	-	-	-	-	(1,135)	2,150,192	-		2,149,057
Dividends to policyholders	-	-	-	-	-	1,607	-		1,607
Total losses and expenses	-	-	-	-	(1,135)	6,364,897	-		6,363,762
Income (loss) before income tax expense (benefit)	13,007	282	778	16	6,282	777,101	-		797,466
Income tax (benefit)	3,925	(10)	(47)	(299)	1,805	206,574	-		211,948
Net income (loss)	$ 9,082	$ 292	$ 825	$ 315	$ 4,477	$ 570,527	$ -		$ 585,518
Special surplus funds									
Beginning balance	$ -	$ -	$ -	$ -	$ -	$ 1,465	$ -		$ 1,465
ACA fee assessment	-	-	-	-	-	(215)	-		(215)
Ending balance	-	-	-	-	-	1,250	-		1,250
Unassigned surplus									
Beginning balance	329,309	7,708	17,205	12,460	316,673	6,028,618	(683,355)	(1)	6,028,618
Net income (loss)	9,082	292	825	315	4,477	570,527	-		585,518
Net change in unrealized capital gains (losses) of investments, net of deferred income tax	53	-	-	-	(79)	(84,895)	(15,868)	(2)	(100,789)
Change in nonadmitted assets	-	27	46	13	2,539	(22,416)	-		(19,791)
Change in net deferred income tax	(30)	(27)	(55)	-	(1,449)	(14,649)	-		(16,210)
Pension & termination benefits adjustments	-	-	-	-	-	17,124	-		17,124
Other	(78)	-	5,000	-	4,917	7,531	(10,000)	(2)	7,370
Ending balance	338,336	8,000	23,021	12,788	327,078	6,501,840	(709,223)		6,501,840
Total policyholders' surplus	$ 338,336	$ 8,000	$ 23,021	$ 12,788	$ 327,078	$ 6,503,090	$ (709,223)		$ 6,503,090

References:

(1) Elimination of property & casualty subsidiaries' surplus.

(2) Elimination of unrealized gain related to affiliated common stock of property & casualty subsidiaries.

American Family Mutual Insurance Company and
Consolidated Property & Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property & Casualty Statement of Income
Year Ended December 31, 2015
(in thousands of dollars)

	Homesite California	Homesite Insurance	Homesite Indemnity	Homesite Illinois	Homesite Midwest	Homesite New York	Homesite Georgia	Homesite Lloyds (TX)	Homesite Florida	Eliminations	Ref No.	Homesite Underwriting Entities Consol.
Premiums and other income												
Property & casualty premiums earned	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Net investment income	290	720	337	51	880	116	81	21	62	-		2,558
Net realized investment gains (losses)	337	474	294	142	1,089	107	63	-	50	-		2,556
Other income	-	33	-	-	-	-	-	-	-	-		33
Total premiums and other income	627	1,227	631	193	1,969	223	144	21	112	-		5,147
Losses and expenses												
Property & casualty losses and loss adjustment expenses incurred	-	-	-	-	-	-	-	-	-	-		-
Underwriting expenses	(81)	(615)	(76)	75	(249)	(63)	(36)	(106)	16	-		(1,135)
Dividends to policyholders	-	-	-	-	-	-	-	-	-	-		-
Total losses and expenses	(81)	(615)	(76)	75	(249)	(63)	(36)	(106)	16	-		(1,135)
Income (loss) before income tax expense (benefit)	708	1,842	707	118	2,218	286	180	127	96	-		6,282
Income tax (benefit)	405	381	274	20	623	(109)	115	47	49	-		1,805
Net income (loss)	$ 303	$ 1,461	$ 433	$ 98	$ 1,595	$ 395	$ 65	$ 80	$ 47	$ -		$ 4,477
Special surplus funds												
Beginning balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
ACA fee assessment	-	-	-	-	-	-	-	-	-	-		-
Ending balance	-	-	-	-	-	-	-	-	-	-		-
Unassigned surplus												
Beginning balance	36,194	84,213	38,953	9,118	98,801	16,250	11,585	10,624	10,935	-		316,673
Net income (loss)	303	1,461	433	98	1,595	395	65	80	47	-		4,477
Net change in unrealized capital gains (losses) of investments, net of deferred income tax	1	(59)	(30)	-	8	1	-	-	-	-		(79)
Change in nonadmitted assets	100	646	755	(38)	1,076	-	-	-	-	-		2,539
Change in net deferred income tax	118	(491)	(247)	(1)	(681)	(213)	51	2	13	-		(1,449)
Pension & termination benefits adjustments	-	-	-	-	-	-	-	-	-	-		-
Other	-	-	-	-	(83)	-	-	5,000	-	-		4,917
Ending balance	36,716	85,770	39,864	9,177	100,716	16,433	11,701	15,706	10,995	-		327,078
Total policyholders' surplus	$ 36,716	$ 85,770	$ 39,864	$ 9,177	$ 100,716	$ 16,433	$ 11,701	$ 15,706	$ 10,995	$ -		$ 327,078

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries

Supplemental Schedule of Consolidation

Consolidated Property & Casualty Statement of Cash Flows

Year Ended December 31, 2016

(in thousands of dollars)

	ASIC	ASICO	AFIC	MIC	Homesite Underwriting Entities Consol.	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Cash from Operations									
Premiums collected, net of reinsurance	$ (19,468)	$ (610)	$ 12,445	$ 4,105	$ 32,499	$ 7,166,755	$ (53,313)	(1)	$ 7,142,413
Net investment income	10,636	309	576	106	4,390	370,706	-		386,723
Miscellaneous income	(1,456)	-	-	-	91	(13,076)	-		(14,441)
Benefit and loss related payments	(1,665)	(43)	3,751	(233)	(27,308)	(3,834,472)	25,228	(2)	(3,834,742)
Commissions, expenses paid and aggregate write-ins for deductions	742	-	-	(99)	7,083	(2,924,383)	-		(2,916,657)
Dividends paid to policyholders	-	-	-	-	-	(1,397)	-		(1,397)
Federal income taxes (paid) recovered, net of tax on capital gains (losses)	(2,163)	(3)	47	294	(1,535)	(78,416)	-		(81,776)
Net cash from operations	(13,374)	(347)	16,819	4,173	15,220	685,717	(28,085)		680,123
Cash from Investments									
Proceeds from investments sold, matured, or repaid									
Bonds	661,371	-	5,244	1,230	145,522	8,977,423	-	(3)	9,790,790
Stocks	-	-	-	-	-	457,972	-		457,972
Real estate	-	-	-	-	-	2,061	-		2,061
Other invested assets	-	-	-	-	-	58,375	-		58,375
Net gains or (losses) on cash, cash equivalents and short-term investments	-	-	-	-	-	(13)	-		(13)
Miscellaneous proceeds	21,314	-	-	-	-	51,969	-		73,283
Total investment proceeds	682,685	-	5,244	1,230	145,522	9,547,787	-		10,382,468
Cost of investments acquired (long-term only)									
Bonds	659,797	-	9,481	1,569	153,769	9,653,279	-		10,477,895
Stocks	-	-	-	-	-	507,947	-		507,947
Capital contribution to affiliate	-	-	-	-	-	82,849	-	(3)	82,849
Real estate	-	-	-	-	-	18,074	-		18,074
Other invested assets	-	-	-	-	-	145,260	-		145,260
Miscellaneous applications	14,664	-	-	1	-	6,941	-		21,606
Total investment acquired	674,461	-	9,481	1,570	153,769	10,414,350	-		11,253,631
Net cash from investments	8,224	-	(4,237)	(340)	(8,247)	(866,563)	-		(871,163)
Cash from Financing and Miscellaneous Sources									
Capital and paid in surplus	-	-	-	-	10,000	-	-	(3)	10,000
Other cash provided (applied)	(4,163)	2,089	(9,219)	(5,678)	1,200	15,891	28,085	(1),(2)	28,205
Net cash from financing and miscellaneous sources	(4,163)	2,089	(9,219)	(5,678)	11,200	15,891	28,085		38,205
Reconciliation of Cash, Cash Equivalents and Short-Term Investments									
Net change in cash, cash equivalents and short-term investments	(9,313)	1,742	3,363	(1,845)	18,173	(164,955)	-		(152,835)
Cash, cash equivalents and short-term investments									
Beginning of year	41,943	1,548	5,284	5,968	41,256	494,605	-		590,604
End of year	$ 32,630	$ 3,290	$ 8,647	$ 4,123	$ 59,429	$ 329,650	$ -		$ 437,769

References:

(1) Elimination of the change in intercompany reinsurance premium.

(2) Elimination of the change in intercompany loss and LAE reinsurance.

(3) Elimination of intercompany investment transactions.

American Family Mutual Insurance Company and
Consolidated Property & Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property & Casualty Statement of Cash Flows
Year Ended December 31, 2016
(in thousands of dollars)

	Homesite California	Homesite Insurance	Homesite Indemnity	Homesite Illinois	Homesite Midwest	Homesite New York	Homesite Georgia	Homesite Lloyds (TX)	Homesite Florida	Eliminations	Ref No.	Homesite Underwriting Entities Consol.
Cash from Operations												
Premiums collected, net of reinsurance	$ (1,706)	$ (5,640)	$ 153	$ (44)	$ 34,871	$ 10,861	$ (3,144)	$ (2,079)	$ (773)	$ -		$ 32,499
Net investment income	532	1,181	492	77	1,683	224	(16)	117	100	-		4,390
Miscellaneous income	-	91	-	-	-	-	-	-	-	-		91
Benefit and loss related payments	(1,304)	(4,407)	104	44	(19,891)	(979)	802	(1,592)	(529)	444	(1)	(27,308)
Commissions, expenses paid and aggregate write-ins for deductions	818	3,064	(343)	(16)	1,733	(1,136)	563	2,591	253	(444)	(1)	7,083
Dividends paid to policyholders	-	-	-	-	-	-	-	-	-	-		-
Federal income taxes (paid) recovered, net of tax on capital gains (losses)	(96)	(466)	299	10	(425)	(635)	(52)	(140)	(30)	-		(1,535)
Net cash from operations	(1,756)	(6,177)	705	71	17,971	8,335	(1,847)	(1,103)	(979)	-		15,220
Cash from Investments												
Proceeds from investments sold, matured, or repaid												
Bonds	12,456	33,066	14,837	1,180	63,462	4,957	11,032	2,150	2,382	-		145,522
Stocks	-	-	-	-	-	-	-	-	-	-		-
Real estate	-	-	-	-	-	-	-	-	-	-		-
Other invested assets	-	-	-	-	-	-	-	-	-	-		-
Net gains or (losses) on cash, cash equivalents and short-term investments	-	-	-	-	-	-	-	-	-	-		-
Miscellaneous proceeds	-	-	-	-	-	-	-	-	-	-		-
Total investment proceeds	12,456	33,066	14,837	1,180	63,462	4,957	11,032	2,150	2,382	-		145,522
Cost of investments acquired (long-term only)												
Bonds	10,838	32,493	13,189	836	64,046	3,916	19,351	7,124	1,976	-		153,769
Stocks	-	-	-	-	-	-	-	-	-	-		-
Capital contribution to affiliate	-	-	-	-	-	-	-	-	-	-		-
Real estate	-	-	-	-	-	-	-	-	-	-		-
Other invested assets	-	-	-	-	-	-	-	-	-	-		-
Miscellaneous applications	-	-	-	-	-	-	-	-	-	-		-
Total investment acquired	10,838	32,493	13,189	836	64,046	3,916	19,351	7,124	1,976	-		153,769
Net cash from investments	1,618	573	1,648	344	(584)	1,041	(8,319)	(4,974)	406	-		(8,247)
Cash from Financing and Miscellaneous Sources												
Capital and paid in surplus	-	-	-	-	-	-	10,000	-	-	-		10,000
Other cash provided (applied)	1,800	5,487	(76)	(63)	(10,354)	518	986	2,138	764	-		1,200
Net cash from financing and miscellaneous sources	1,800	5,487	(76)	(63)	(10,354)	518	10,986	2,138	764	-		11,200
Reconciliation of Cash, Cash Equivalents and Short-Term Investments												
Net change in cash, cash equivalents and short-term investments	1,662	(117)	2,277	352	7,033	9,894	820	(3,939)	191	-		18,173
Cash, cash equivalents and short-term investments												
Beginning of year	1,048	2,935	1,194	1,928	22,738	1,120	1,915	5,611	2,767	-		41,256
End of year	$ 2,710	$ 2,818	$ 3,471	$ 2,280	$ 29,771	$ 11,014	$ 2,735	$ 1,672	$ 2,958	$ -		$ 59,429

References:

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries

Supplemental Schedule of Consolidation

Consolidated Property & Casualty Statement of Cash Flows

Year Ended December 31, 2015

(in thousands of dollars)

	ASIC	ASICO	AFIC	MIC	Homesite Underwriting Entities Consol.	AFMIC	Eliminations	Ref No.	AFMIC Consol.
Cash from Operations									
Premiums collected, net of reinsurance	$ 18,049	$ 1,061	$ 328	$ (12,824)	$ 7,806	$ 6,761,274	$ (43,287)	(1)	$ 6,732,407
Net investment income	10,384	302	771	68	4,480	364,496	-		380,501
Miscellaneous income	(583)	-	-	-	9,503	27,765	-		36,685
Benefit and loss related payments	(4,608)	(598)	(5,315)	(66)	(16,952)	(3,532,897)	33,375	(2)	(3,527,061)
Commissions, expenses paid and aggregate write-ins for deductions	(734)	-	-	(488)	3,796	(2,734,614)	-		(2,732,040)
Dividends paid to policyholders	-	-	-	-	-	(1,521)	-		(1,521)
Federal income taxes (paid) recovered, net of tax on capital gains (losses)	(5,101)	(1)	(1)	369	(1,110)	(259,781)	-		(265,625)
Net cash from operations	17,407	764	(4,217)	(12,941)	7,523	624,722	(9,912)		623,346
Cash from Investments									
Proceeds from investments sold, matured, or repaid									
Bonds	849,528	-	-	3,186	435,896	8,106,242	21,677	(3)	9,416,529
Stocks	-	-	-	-	-	835,968	-		835,968
Real estate	-	-	-	-	-	3,262	-		3,262
Other invested assets	-	-	-	-	1,615	53,653	-		55,268
Net gains or (losses) on cash, cash equivalents and short-term investments	-	-	(1)	-	-	11	-		10
Miscellaneous proceeds	28,339	-	-	-	-	82,132	-		110,471
Total investment proceeds	877,867	-	(1)	3,186	437,511	9,081,268	21,677		10,421,508
Cost of investments acquired (long-term only)									
Bonds	829,940	220	1,000	3,764	450,279	8,477,519	-		9,762,722
Stocks	-	-	-	-	-	790,558	-		790,558
Capital contribution to affiliate	-	-	-	-	-	51,473	(5,000)	(3)	46,473
Real estate	-	-	-	-	-	22,054	-		22,054
Other invested assets	-	-	-	-	-	133,958	-		133,958
Miscellaneous applications	31,708	-	-	1	-	78,166	-		109,875
Total investment acquired	861,648	220	1,000	3,765	450,279	9,553,728	(5,000)		10,865,640
Net cash from investments	16,219	(220)	(1,001)	(579)	(12,768)	(472,460)	26,677		(444,132)
Cash from Financing and Miscellaneous Sources									
Capital and paid in surplus	-	-	5,000	-	5,000	-	(5,000)	(3)	5,000
Other cash provided (applied)	(16,677)	(130)	4,698	10,948	(4,908)	(38,638)	9,912	(1),(2)	(34,795)
Net cash from financing and miscellaneous sources	(16,677)	(130)	9,698	10,948	92	(38,638)	4,912		(29,795)
Reconciliation of Cash, Cash Equivalents and Short-Term Investments									
Net change in cash, cash equivalents and short-term investments	16,949	414	4,480	(2,572)	(5,153)	113,624	21,677		149,419
Cash, cash equivalents and short-term investments									
Beginning of year	24,994	1,134	804	8,540	46,409	380,981	(21,677)		441,185
End of year	$ 41,943	$ 1,548	$ 5,284	$ 5,968	$ 41,256	$ 494,605	$ -		$ 590,604

References:

(1) Elimination of the change in intercompany reinsurance premium.

(2) Elimination of the change in intercompany loss and LAE reinsurance.

(3) Elimination of intercompany investment transactions.

American Family Mutual Insurance Company and
Consolidated Property & Casualty Subsidiaries
Supplemental Schedule of Consolidation
Consolidated Property & Casualty Statement of Cash Flows
Year Ended December 31, 2015
(in thousands of dollars)

	Homesite California	Homesite Insurance	Homesite Indemnity	Homesite Illinois	Homesite Midwest	Homesite New York	Homesite Georgia	Homesite Lloyds (TX)	Homesite Florida	Eliminations	Ref No.	Homesite Underwriting Entities Consol.
Cash from Operations												
Premiums collected, net of reinsurance	$ (1,644)	$ (2,977)	$ (498)	$ 60	$ 16,492	$ (838)	$ (254)	$ (2,098)	$ (437)	$ -		$ 7,806
Net investment income	477	1,070	554	80	1,858	199	128	10	104	-		4,480
Miscellaneous income	-	33	-	-	9,470	-	-	-	-	-		9,503
Benefit and loss related payments	(1,985)	(525)	21	327	(15,382)	(54)	31	(125)	(137)	877	(1)	(16,952)
Commissions, expenses paid and aggregate write-ins for deductions	532	1,805	(77)	(172)	1,571	256	254	385	119	(877)	(1)	3,796
Dividends paid to policyholders	-	-	-	-	-	-	-	-	-	-		-
Federal income taxes (paid) recovered, net of tax on capital gains (losses)	(397)	(893)	(1,064)	(18)	1,410	106	(152)	(46)	(56)	-		(1,110)
Net cash from operations	(3,017)	(1,487)	(1,064)	277	15,419	(331)	7	(1,874)	(407)	-		7,523
Cash from Investments												
Proceeds from investments sold, matured, or repaid												
Bonds	49,338	102,122	53,311	11,056	165,772	20,847	14,314	5,005	14,131	-		435,896
Stocks	-	-	-	-	-	-	-	-	-	-		-
Real estate	-	-	-	-	-	-	-	-	-	-		-
Other invested assets	-	1,077	538	-	-	-	-	-	-	-		1,615
Net gains or (losses) on cash, cash equivalents and short-term investments	-	-	-	-	-	-	-	-	-	-		-
Miscellaneous proceeds	-	-	-	-	-	-	-	-	-	-		-
Total investment proceeds	49,338	103,199	53,849	11,056	165,772	20,847	14,314	5,005	14,131	-		437,511
Cost of investments acquired (long-term only)												
Bonds	50,333	107,025	55,377	10,996	172,145	21,058	14,474	4,997	13,874	-		450,279
Stocks	-	-	-	-	-	-	-	-	-	-		-
Capital contribution to affiliate	-	-	-	-	-	-	-	-	-	-		-
Real estate	-	-	-	-	-	-	-	-	-	-		-
Other invested assets	-	-	-	-	-	-	-	-	-	-		-
Miscellaneous applications	-	-	-	-	-	-	-	-	-	-		-
Total investment acquired	50,333	107,025	55,377	10,996	172,145	21,058	14,474	4,997	13,874	-		450,279
Net cash from investments	(995)	(3,826)	(1,528)	60	(6,373)	(211)	(160)	8	257	-		(12,768)
Cash from Financing and Miscellaneous Sources												
Capital and paid in surplus	-	-	-	-	-	-	-	5,000	-	-		5,000
Other cash provided (applied)	2,230	2,785	810	(178)	(12,208)	261	209	854	329	-		(4,908)
Net cash from financing and miscellaneous sources	2,230	2,785	810	(178)	(12,208)	261	209	5,854	329	-		92
Reconciliation of Cash, Cash Equivalents and Short-Term Investments												
Net change in cash, cash equivalents and short-term investments	(1,782)	(2,528)	(1,782)	159	(3,162)	(281)	56	3,988	179	-		(5,153)
Cash, cash equivalents and short-term investments												
Beginning of year	2,830	5,463	2,976	1,769	25,900	1,401	1,859	1,623	2,588	-		46,409
End of year	$ 1,048	$ 2,935	$ 1,194	$ 1,928	$ 22,738	$ 1,120	$ 1,915	$ 5,611	$ 2,767	$ -		$ 41,256

References:

(1) Elimination of the change in intercompany loss and LAE reinsurance.

SUPPLEMENTAL INFORMATION

Report of Independent Auditors

To the Board of Directors of American Family Mutual Insurance Company:

We have audited the consolidated statutory-basis financial statements of American Family Mutual Insurance Company and its Consolidated Property & Casualty Subsidiaries as of December 31, 2016 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated statutory-basis financial statements taken as a whole. The Supplemental Summary Investment Schedule, Supplemental Investment Risk Interrogatories, and Supplemental Schedule of Reinsurance Disclosures (collectively, the "supplemental schedules") of the Company as of December 31, 2016 and for the year then ended are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the consolidated statutory-basis financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated statutory-basis financial statements. The supplemental schedules have 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. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the consolidated statutory-basis financial statements taken as a whole.

PricewaterhouseCoopers LLP

February 24, 2017

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American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Supplemental Summary Investment Schedule
December 31, 2016 Schedule I

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	**Percentage**	**Amount**	**Percentage**
1 Bonds:				
11 U.S. treasury securities	$ 1,066,776,314	7.44%	$ 1,066,776,314	7.44%
12 U.S. government agency obligations:				
121 Issued by U.S. government agencies	-	0.00%	-	0.00%
122 Issued by U.S. government sponsored agencies	114,140,510	0.80%	114,140,510	0.80%
13 Non-U.S. government (including Canada, excluding mortgage-backed securities)	-	0.00%	-	0.00%
14 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
141 States, territories and general obligations	610,159,508	4.26%	610,159,508	4.26%
142 Political subdivisions of states, territories and possessions and political subdivisions general obligations	892,180,737	6.23%	892,180,737	6.23%
143 Revenue and assessment obligations	3,159,375,569	22.04%	3,159,375,569	22.04%
144 Industrial development and similar obligations	-	0.00%	-	0.00%
15 Mortgage-backed securities (includes residential and commercial MBS):				
151 Pass-through securities:				
1511 Issued or Guaranteed by GNMA	108,015,573	0.75%	108,015,573	0.75%
1512 Issued or Guaranteed by FNMA and FHLMC	242,986,621	170%	242,986,621	170%
1513 All other	-	0.00%	-	0.00%
152 CMOs and REMICs:				
1521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	50,346,641	0.35%	50,346,641	0.35%
1522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1521	-	0.00%	-	0.00%
1523 All Other	286,693,164	2.00%	286,693,164	2.00%
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	1,847,456,479	12.89%	1,847,456,479	12.89%
2.2 Unaffiliated Non-U.S. securities(including Canada)	418,793,132	2.92%	418,793,132	2.92%
2.3 Affiliated securities	-	0.00%	-	0.00%
3. Equity interests:				
3.1 Investments in mutual funds	3,238,423	0.02%	3,238,423	0.02%
3.2 Preferred stocks:				
3.21 Affiliated	-	0.00%	-	0.00%
3.22 Unaffiliated	-	0.00%	-	0.00%
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	-	0.00%	-	0.00%
3.32 Unaffiliated	2,214,883,873	15.46%	2,214,883,873	15.46%
3.4 Other equity securities:				
3.41 Affiliated	1,581,476,110	1104%	1,581,476,110	1104%
3.42 Unaffiliated	10,000,000	0.07%	10,000,000	0.07%
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	-	0.00%	-	0.00%
3.52 Unaffiliated	-	0.00%	-	0.00%
4. Mortgage loans:				
4.1 Construction and land development	-	0.00%	-	0.00%
4.2 Agricultural	-	0.00%	-	0.00%
4.3 Single family residential properties	-	0.00%	-	0.00%
4.4 Multifamily residential properties	-	0.00%	-	0.00%
4.5 Commercial loans	-	0.00%	-	0.00%
4.6 Mezzanine real estate loans	-	0.00%	-	0.00%
5. Real estate investments:				
5.1 Property occupied by company	240,765,977	168%	240,765,977	168%
5.2 Property held for production of income (includes $0 of property acquired in satisfaction of debt)	8,126,058	0.06%	8,126,058	0.06%
5.3 Property held for sale ($0 including property acquired in satisfaction of debt)	142,739	0.00%	142,739	0.00%
6. Contract loans	-	0.00%	-	0.00%
7. Derivatives (1)	(993,794)	-0.01%	(993,794)	-0.01%
8. Receivables for securities	95,681,024	0.67%	95,681,024	0.67%
9. Securities Lending	-	0.00%	-	0.00%
10. Cash, cash equivalents and short-term investments	437,768,088	3.06%	437,768,088	3.06%
11. Other invested assets	941,465,977	6.57%	941,465,977	6.57%
12. Total invested assets	$ 14,329,478,723	100.00%	$ 14,329,478,723	100.00%

(1) This amount is included in total invested assets in the statutory annual statement, and is included similarly in this schedule. However, the amount is included with other assets in the consolidated property & casualty statutory balance sheets in this audit report. As a result, total cash and invested assets from the consolidated property & casualty statutory balance sheets will not tie to total invested assets shown on this schedule.

American Family Mutual Insurance Company and Consolidated Property & Casualty Subsidiaries
Supplemental Investment Risk Interrogatories
December 31, 2016 — Schedule II

1. State the reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 16,208,397,226

2. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding U.S. government, U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, property occupied by the company and policy loans.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	AMFAM INC.	Affiliate Stock	$ 1,533,488,251	9.461%
2.02	JP Morgan Real Estate Income and Grow th, LP	Limited Partnership	$ 139,331,700	0.860%
2.03	California (State)	Bonds	$ 116,833,622	0.721%
2.04	New York State Dorm Auth	Bonds	$ 103,874,446	0.641%
2.05	Partners Group, USA Inc	Limited Partnership	$ 97,565,302	0.602%
2.06	Maranon Senior Credit Fund II, LP	Limited Partnership	$ 79,580,567	0.491%
2.07	JPMorgan Chase & Co	Bonds and Common Stock	$ 74,573,157	0.460%
2.08	New Jersey St Trans Tr Fd Auth	Bonds	$ 70,611,194	0.436%
2.09	Illinois (State)	Bonds	$ 67,362,156	0.416%
2.10	Metropolitan Transportation Authority	Bonds	$ 66,367,725	0.409%

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

	Bonds	1	2	Preferred Stocks	1	2
3.01	NAIC-1	$ 7,750,651,677	47.819%	P/RP-1	$ -	0.000%
3.02	NAIC-2	$ 980,487,654	6.049%	P/RP-2	$ -	0.000%
3.03	NAIC-3	$ 216,568,082	1.336%	P/RP-3	$ -	0.000%
3.04	NAIC-4	$ 245,231,473	1.513%	P/RP-4	$ -	0.000%
3.05	NAIC-5	$ 39,662,622	0.245%	P/RP-5	$ -	0.000%
3.06	NAIC-6	$ 866,250	0.005%	P/RP-6	$ -	0.000%

4. State the amounts and percentages on assets held in foreign investments:

4.01	Are assets held in foreign investment less than 2.5% of the reporting entity's total admitted assets?		Yes [ ]	No [X]
4.02	Total admitted assets held in foreign investments	$ 482,016,985	2.974%	
4.03	Foreign-currency-denominated investments	$ -	0.000%	
4.04	Insurance liabilities denominated in that same foreign currency	$ -	0.000%	

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

5. Aggregate foreign investment exposure by NAIC sovereign rating:

		1	2
5.01	Countries rated NAIC-1	$ 373,729,517	2.306 %
5.02	Countries rated NAIC-2	$ 77,750,275	0.480 %
5.03	Countries rated NAIC-3 or below	$ 30,537,193	0.188 %

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

			1	2
Countries rated NAIC-1:				
6.01	Ireland	$	74,505,978	0.460 %
6.02	United Kingdom	$	57,359,122	0.354 %
Countries rated NAIC-2:				
6.03	Mexico	$	35,669,905	0.220 %
6.04	Columbia	$	12,406,274	0.077 %
Countries rated NAIC-3 or below:				
6.05	Guernsey	$	15,132,816	0.093 %
6.06	British Virgin Islands	$	10,542,142	0.065 %

		1	2
7. Aggregate unhedged foreign currency exposure: N/A	$	-	- %

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

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

9. Two largest unhedged currency exposures to a single country, categorized by NAIC sovereign rating: N/A

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

10. List the 10 largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Rating		3	4
10.01	Allergan PLC	2	$	23,530,644	0.145 %
10.02	Accenture PLC	Common Stock	$	20,198,717	0.125 %
10.03	Credit Suisse Group AG	2	$	19,267,012	0.119 %
10.04	UBS Group AG	1	$	13,222,149	0.082 %
10.05	Aon PLC	2	$	12,723,805	0.079 %
10.06	EngenCAP ABS Trust Paymer	2	$	9,998,508	0.062 %
10.07	Tpref Funding I Ltd	1	$	9,902,186	0.061 %
10.08	Medtronic PLC	Common Stock	$	9,805,949	0.060 %
10.09	AerCap Holdings NV	2	$	9,633,662	0.059 %
10.10	Barclays PLC	2	$	9,615,501	0.059 %

11. State the amounts and percentages of the reporting entity's total admitted assets held in Canadian investment 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, responses are not required for the remainder of interrogatory 11.

11.02	Total admitted assets held in Canadian investments	$ -	0.000%
11.03	Canadian-currency-denominated investments	$ -	0.000%
11.04	Canadian-denominated insurance liabilities	$ -	0.000%
11.05	Unhedged Canadian currency exposure	$ -	0.000%

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

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$ -	0.000 %
	Largest 3 investments with contractual sales restrictions		
12.03		$ -	0.000 %
12.04		$ -	0.000 %
12.05		$ -	0.000 %

13. State the 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 equity's total admitted assets? Yes [ ] No [X]

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

	1 Name of Issuer	2	3
13.02	AMFAM, INC.	$ 1,533,488,251	9.461%
13.03	PARTNERS GROUP, USA INC	$ 97,565,302	0.602%
13.04	APPLE INC	$ 52,807,202	0.326%
13.05	JPMORGAN CHASE & CO	$ 42,367,872	0.261%
13.06	HOME DEPOT INC	$ 37,185,747	0.229%
13.07	WELLS FARGO	$ 34,516,881	0.213%
13.08	GENERAL ELECTRIC	$ 30,108,006	0.186%
13.09	VERIZON COMMUNICATIONS INC	$ 30,073,758	0.186%
13.10	CHEVRON CORP	$ 29,862,256	0.184%
13.11	PFIZER INC	$ 29,763,503	0.184%

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

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$ -	0.000 %
	Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03		$ -	0.000 %
14.04		$ -	0.000 %
14.05		$ -	0.000 %

15. State the aggregate amounts and percentages of the entity's total admitted assets held in general partnership interests:

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

Yes [X] No [ ]

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

	1	2		3
15.02	Aggregate statement value of investments held in general partnership interests	$	-	0.000 %
	Largest 3 investments held in general partnership interests:			
15.03		$	-	0.000 %
15.04		$	-	0.000 %
15.05		$	-	0.000 %

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

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

Yes [X] No [ ]

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

	1 Type (Residential, Commercial, Agricultural)	2		3
16.02		$	-	0.000 %
16.03		$	-	0.000 %
16.04		$	-	0.000 %
16.05		$	-	0.000 %
16.06		$	-	0.000 %
16.07		$	-	0.000 %
16.08		$	-	0.000 %
16.09		$	-	0.000 %
16.10		$	-	0.000 %
16.11		$	-	0.000 %

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

16.12	Construction loans	$	-	0.000 %
16.13	Mortgage loans over 90 days past due	$	-	0.000 %
16.14	Mortgage loans in the process of foreclosure	$	-	0.000 %
16.15	Mortgage loans foreclosed	$	-	0.000 %
16.16	Restructured mortgage loans	$	-	0.000 %

17. State the aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date: N/A

	Loan-to-Value	Residential			Commercial			Agricultural		
		1		2	3		4	5		6
17.01	above 95%	$	-	0.000 %	$	-	0.000 %	$	-	0.000 %
17.02	91% to 95%	$	-	0.000 %	$	-	0.000 %	$	-	0.000 %
17.03	81% to 90%	$	-	0.000 %	$	-	0.000 %	$	-	0.000 %
17.04	71% to 80%	$	-	0.000 %	$	-	0.000 %	$	-	0.000 %
17.05	below 70%	$	-	0.000 %	$	-	0.000 %	$	-	0.000 %

18. State the aggregate 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 in 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.

	Description 1	2	3
	Largest 5 investments in any one parcel or group of contiguous parcels of real estate:		
18.02		$ -	0.000 %
18.03		$ -	0.000 %
18.04		$ -	0.000 %
18.05		$ -	0.000 %
18.06		$ -	0.000 %

19. State the amounts and percentages of the reporting entity's total admitted assets held in mezzanine real estate loans: N/A

	Description 1	2	3
19.02	Aggregate statement value	$ -	0.000 %
	Largest 3 investments in mezzanine real estate loans:		
19.03		$ -	0.000 %
19.04		$ -	0.000 %
19.05		$ -	0.000 %

20. State the amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements: N/A

		At Year-End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
20.01	Securities lending (do not include assets held as collateral for such transactions)	$ -	0.000%	$ -	$ -	$ -
20.02	Repurchase agreements	$ -	0.000%	$ -	$ -	$ -
20.03	Reverse repurchase agreements	$ -	0.000%	$ -	$ -	$ -
20.04	Dollar repurchase agreements	$ -	0.000%	$ -	$ -	$ -
20.05	Dollar reverse repurchase agreements	$ -	0.000%	$ -	$ -	$ -

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

		Owned		Written	
		1	2	3	4
21.01	Hedging	$ -	0.000%	$ -	0.000%
21.02	Income generation	$ -	0.000%	$ -	0.000%
21.03	Other	$ -	0.000%	$ -	0.000%

22. State the 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	3rd Qtr
		1	2	3	4	5
22.01	Hedging	$ 6,094,545	0.038%	$ 9,222,196	$ 8,579,591	$ 6,475,632
22.02	Income generation	$ -	0.000%	$ -	$ -	$ -
22.03	Replications	$ -	0.000%	$ -	$ -	$ -
22.04	Other	$ -	0.000%	$ -	$ -	$ -

23. State the amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts: N/A

		At Year-End		At End of Each Quarter 1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
23.01	Hedging	$ -	0.000%	$ -	$ -	$ -
23.02	Income generation	$ -	0.000%	$ -	$ -	$ -
23.03	Replications	$ -	0.000%	$ -	$ -	$ -
23.04	Other	$ -	0.000%	$ -	$ -	$ -

1	Disclose any risks reinsured under a quota share reinsurance contract, entered into, renewed or amended on or after January 1, 1994, with any other entity that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g. a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? If yes, indicate the number of reinsurance contracts containing such provisions and if the amount of reinsurance credit taken reflects the reduction in quota share coverage caused by any applicable limiting provision(s).	No
2	Disclose if the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features that would have similar results:	No

a. A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

b. A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

c. Aggregate stop loss reinsurance coverage;

d. An unconditional or unilateral right by either party to commute the reinsurance contract, except for such provisions which are only triggered by a decline in the credit status of the other party;

e. A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

f. Payment schedules, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

3	Disclose if the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:	No

a. The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

b. Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.

4	If affirmative disclosure is required for items 2 or 3 above, provide the following information for each reinsurance contracts entered into, renewed or amended on or after January 1, 1994: a. A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting items 2 or 3; b. A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purposes to be achieved; and c. The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.	No
5	Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R - Property and Casualty Reinsurance, disclose if the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, during the period covered by the financial statement, and either: a. Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?	No
6	If affirmative disclosure is required for item 5 above, explain why the contract(s) is (are) treated differently for GAAP and SAP.	No