SENTRY INSURANCE A MUTUAL COMPANY
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Audited Financial Report

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidated Statutory Financial Statements and Supplemental Schedules

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

SENTRY INSURANCE A MUTUAL COMPANY
AND SUBSIDIARIES AND AFFILIATES

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KPMG LLP
Suite 1050
833 East Michigan Street
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Board of Directors
Sentry Insurance a Mutual Company and Subsidiaries and Affiliates:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sentry Insurance a Mutual Company (SIAMCO) and its subsidiaries and affiliates (collectively, the Company), which comprise the consolidated statutory balance sheets as of December 31, 2016 and 2015, and the related consolidated statutory statements of operations and changes in policyholders' surplus, and cash flow for the years then ended, and the related notes to the consolidated statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance departments of the states in which SIAMCO and its subsidiaries and affiliates are domiciled. 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 these 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 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 the auditors' 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, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

As described in note 1 to the consolidated financial statements, the consolidated financial statements are prepared by the Company using statutory accounting practices prescribed or permitted by the insurance departments of the states in which SIAMCO and its subsidiaries and affiliates are domiciled, which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the consolidated financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the consolidated financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, 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 its operations and its cash flow for the years then ended, in accordance with statutory accounting practices prescribed or permitted by the insurance departments of the states in which SIAMCO and its subsidiaries and affiliates are domiciled described in note 1.

KPMG LLP

Milwaukee, Wisconsin
March 1, 2017

Consolidated Statutory Balance Sheets

December 31	**2016**	2015
(Millions)		
Assets		
Cash and investments		
Bonds	**$ 8,798.8**	$ 8,279.7
Common stocks	**1,170.4**	1,052.7
Company occupied properties	**44.3**	42.4
Policy loans	**12.6**	12.9
Cash and short-term investments	**21.7**	94.0
Partnerships	**1,150.5**	1,079.2
Other	**13.8**	23.8
Total cash and investments	**11,212.1**	10,584.7
Receivables		
Insurance premiums and reinsurance	**797.0**	755.5
Interest and dividends	**102.1**	99.0
Federal income tax recoverable	**16.9**	5.4
Other	**2.3**	2.4
EDP equipment and operating software	**10.9**	11.8
Other assets	**65.5**	59.8
Net deferred tax asset	**143.2**	178.6
Separate account assets	**3,436.8**	3,033.6
Total assets	**$15,786.8**	$14,730.8

See accompanying notes to consolidated statutory financial statements.

Consolidated Statutory Balance Sheets

December 31	**2016**	2015
(Millions)		
Liabilities		
Property and casualty losses and loss expenses	**$ 3,073.7**	$ 2,937.5
Life and other future policy benefits	**2,462.2**	2,319.9
Accident and health unpaid claims and claim expenses	**95.5**	93.5
Unearned premiums	**960.7**	912.9
Other policyholder funds	**12.8**	13.5
Accounts payable and accrued expenses	**777.1**	706.3
Other liabilities	**217.5**	274.3
Separate account liabilities	**3,435.5**	3,032.4
Total liabilities	**11,035.0**	10,290.3
Policyholders' Surplus		
Surplus note	**-**	7.0
Unassigned surplus	**4,751.8**	4,433.5
Total policyholders' surplus	**4,751.8**	4,440.5
Total liabilities and policyholders' surplus	**$15,786.8**	$14,730.8

See accompanying notes to consolidated statutory financial statements.

Consolidated Statutory Statements of Operations and Changes in Policyholders' Surplus

Years ended December 31	**2016**	2015
(Millions)		
Revenues		
Premiums earned	**$2,593.8**	$2,449.6
Net investment income	**473.1**	477.3
Total revenues	**3,066.9**	2,926.9
Expenses		
Insurance claims and policyholders' benefits	**2,151.7**	2,030.4
Operating expenses	**616.6**	563.4
Total expenses	**2,768.3**	2,593.8
Income before net realized losses	**298.6**	333.1
Net realized losses, net of tax	**(13.9)**	(44.3)
Income from operations before income tax	**284.7**	288.8
Income tax expense	**63.0**	4.5
Net income	**$ 221.7**	$ 284.3
Policyholders' Surplus		
Balance January 1	**$4,440.5**	$4,177.0
Florists policyholders' surplus, January 1, 2015	**-**	34.0
Net income	**221.7**	284.3
Change in net unrealized capital gains and losses	**68.0**	(42.2)
Change in nonadmitted assets	**12.6**	(2.1)
Deferred income tax	**2.9**	(68.8)
Postretirement benefit plans and other surplus changes	**6.1**	58.3
Change in policyholders' surplus	**311.3**	229.5
Balance December 31	**$4,751.8**	$4,440.5

See accompanying notes to consolidated statutory financial statements.

Consolidated Statutory Statements of Cash Flow

Years ended December 31	**2016**	2015
(Millions)		
Operating Activities		
Net premiums received	**$ 2,627.5**	$ 2,503.9
Net investment income received	**504.4**	504.4
Claims and policy benefits paid	**(1,734.6)**	(1,670.1)
Operating expenses paid	**(747.8)**	(711.4)
Income tax paid	**(82.5)**	(61.3)
Net cash provided by operating activities	**567.0**	565.5
Investing Activities		
Proceeds from investments sold, matured, or repaid:		
Bonds	**1,074.0**	948.3
Stocks	**145.5**	480.3
Partnerships	**157.3**	158.6
Other	**30.2**	-
Cost of investments acquired:		
Bonds	**(1,621.7)**	(1,728.0)
Stocks	**(172.4)**	(486.0)
Partnerships	**(233.9)**	(228.7)
Other	**-**	(1.8)
Net cash utilized in investing activities	**(621.0)**	(857.3)
Other cash applied	**(18.3)**	(60.5)
Change in cash and short-term investments	**(72.3)**	(352.3)
Balance January 1	**94.0**	440.0
Florists cash and short-term investments, January 1, 2015	**-**	6.3
Balance December 31	**$ 21.7**	$ 94.0

See accompanying notes to consolidated statutory financial statements.

NOTE 1 Principles of Consolidation and Basis of Presentation

Principles of Consolidation

The consolidated statutory financial statements of the Sentry Group include the accounts of Sentry Insurance a Mutual Company (SIAMCO) and its wholly-owned insurance subsidiaries including Sentry Lloyds of Texas (SLOT); Middlesex Insurance Company (MDX), which owns Patriot General Insurance Company (PG); Dairyland Insurance Company (DIC); Sentry Casualty Company (SCC); Sentry Select Insurance Company (SSIC); Viking Insurance Company of Wisconsin (VICW), which owns Peak Property and Casualty Insurance Corporation (Peak); Parker Centennial Assurance Company (PCAC); and Sentry Life Insurance Company (SLIC), which owns Sentry Life Insurance Company of New York (SLONY). SIAMCO shares common management with Dairyland County Mutual Insurance Company of Texas (DCM) and Florists' Mutual Insurance Company (FMIC), which owns Florists' Insurance Company (FIC). All of these entities are collectively referred to as the "Company." Additionally, FMIC and FIC are collectively referred to as "Florists."

As the result of an executed affiliation agreement, effective July 1, 2015, SIAMCO gained control of five of the eight seats on the Florists Board of Directors. SIAMCO and Florists entered into a Management, Services, and Cost-Sharing Agreement whereby SIAMCO provides Florists with certain management and administrative services. The accompanying consolidated statutory financial statements include the results of Florists from January 1, 2015, with beginning surplus and cash balances reflected as additions to the Consolidated Statement of Changes in Policyholders' Surplus and Consolidated Statement of Cash Flow, respectively.

The property and casualty companies, which include SIAMCO, SLOT, MDX, PG, DIC, SCC, SSIC, VICW, Peak, DCM, FMIC, and FIC, write consumer and business insurance through various distribution channels primarily throughout the United States. SLIC, SLONY, and PCAC write life and health insurance, with such business consisting primarily of individual life insurance, individual annuities, and group annuities (pension products).

SIAMCO is the lead company in a reinsurance pooling agreement with certain of its property and casualty insurance subsidiaries and affiliates. As part of the affiliation noted above, this agreement was amended to include FMIC effective July 1, 2015. Under this agreement, the participating property and casualty subsidiaries and affiliates cede all of their net business to SIAMCO and then assume a percentage of the total net pool from SIAMCO. Activity and balances under this agreement are eliminated in consolidation.

Annual approval to file the Company's consolidated audited statutory financial statements, which include life and health insurance subsidiaries, in lieu of separate audited financial statements for SIAMCO and its property and casualty insurance subsidiaries and affiliates is obtained from the Commissioners of the insurance departments of the states of domicile for these entities. Approval is granted based upon each property and casualty insurer's participation in the reinsurance pooling arrangement.

All other material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

SIAMCO and its insurance company subsidiaries and affiliates are required to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual (APPM)* subject to any deviations prescribed or permitted by the Commissioners in each insurer's domiciliary state. Prescribed statutory accounting practices are those practices that are incorporated directly or by reference in state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in a particular state.

The Commissioners of the states in which SIAMCO and its insurance company subsidiaries and affiliates are domiciled have the right to permit other specific practices that may deviate from prescribed practices. The Office of the Commissioner of Insurance of the State of Wisconsin, the Illinois Department of Insurance and the Texas Department of Insurance permitted SIAMCO and certain of its domestic insurance company subsidiaries and affiliates to present interest in Sentry Liquid Asset Partnership ("SLAP"), which owns several short-term securities and cash equivalents, as cash and short-term investments. The Company's interest in SLAP was $70.3 million and $110.7 million at December 31, 2016 and 2015, respectively. The NAIC's *APPM* would have required that the interest be displayed as other invested assets. Using this permitted practice caused no monetary effect on net income or statutory surplus for the years ended December 31, 2016 and 2015.

Use of Estimates

The preparation of financial statements in accordance with statutory accounting practices 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 these estimates.

NOTE 1 Principles of Consolidation and Basis of Presentation (continued)

The most significant estimates include those used in determining the liability for property and casualty losses and loss expenses, other than temporary impairment losses on invested assets, pensions and other post-employment benefits, and accruals related to federal income taxes. Although variability is inherent in these estimates, the recorded amounts reflect management's best estimates based on facts and circumstances.

The Company, like many other insurers, is subject to a number of risks, many of which are outside of management's control. Management strives, however, to manage those risks while optimizing results. While not all inclusive, below is a list and discussion of the more significant business risks that the Company is subject to in its everyday operations:

Market Risk is the risk that the Company is exposed to fluctuations in the fair market value of securities. The Company attempts to mitigate this risk through the active management of a diversified portfolio of securities.

Significant Business Concentrations Risk is the risk that the Company has a material concentration of risk in a single unaffiliated entity, group, or geographic location. The Company believes it does not have a concentration of financial instruments in a single investee, industry, or geographic location. Also, the Company does not have a concentration of business transactions with a particular customer, lender, distribution source, market, or geographic area in which business is conducted that makes the Company overly vulnerable to a single event that could cause a severe impact on the Company's financial position.

NOTE 2 Summary of Significant Statutory Accounting Policies

Investments

Investment securities are valued in accordance with the requirements of the NAIC as follows: Bonds that qualify are stated at amortized cost using the interest method; bonds not qualifying are carried at the lesser of amortized cost or fair value.

Under U.S. generally accepted accounting principles (GAAP), bonds would be classified as either trading, available-for-sale, or held-to-maturity. The carrying value for those securities classified as held-to-maturity would be amortized cost under GAAP. All other debt securities would be carried at fair value under GAAP, with unrealized gains and losses on securities in the trading and available-for-sale categories recognized in net income and directly in surplus, respectively. Common stocks are stated at fair value as required by the NAIC and GAAP.

Company-occupied properties and other real estate investments held for the production of income are stated at cost less accumulated depreciation. Real estate held for sale is carried at the lower of depreciated cost or fair value. Partnerships include private equity, hedge funds, emerging markets, and real estate investments that take the form of limited partnerships, limited liability companies, and trusts. Partnerships are carried at the Company's equity in the value of the underlying net assets of the investment determined in accordance with GAAP. Policy loans are carried at the aggregate of unpaid principal balances plus the accrued interest and are not in excess of the cash surrender value of the related policies. Short-term investments (primarily treasury bills and commercial paper with maturities less than one year) are carried at amortized cost, which approximates fair value.

As prescribed by the NAIC, an Asset Valuation Reserve (AVR) is maintained for life insurance company investments. The AVR mitigates fluctuations in the values of invested assets including bonds, stocks, mortgage loans, real estate, and other invested assets. Changes in the AVR are included in policyholders' surplus. An AVR is not allowed for GAAP purposes.

Realized capital gains and losses on life insurance company bonds attributable to interest rate changes are deferred in the Interest Maintenance Reserve (IMR) net of tax. The IMR adjusts the impact of realized gains and losses on policyholders' surplus by deferring realized gains and losses and amortizing them into investment income over the approximate remaining lives of the investments sold. An IMR is not allowed for GAAP purposes.

Fair value adjustments for securities carried at fair value are charged to policyholders' surplus as unrealized gains (losses) on investments net of any related deferred tax. Realized gains and losses are determined on the specific-identification method and are presented in the accompanying consolidated statutory statements of operations net of federal income tax, after adjustments for the IMR. Realized investment gains and losses also include valuation adjustments for impairment of bonds, stocks, company-occupied properties and other real estate investments, and partnerships with a decline in value that management considers to be other than temporary. In determining whether impairments are other than temporary, the Company considers the size and duration of the excess of carrying value over fair value for common stocks and partnerships and the likelihood and expected timing of a recovery in value. For bonds, the credit quality of the issuer is also considered. For company-occupied properties and other real estate investments, the excess of carrying value over an independent third-party assessment of fair value is considered. When it is determined that an investment is other-than-temporarily-impaired (OTTI), the Company writes the carrying value down to the fair value and recognizes a realized loss. For loan-backed and structured securities, the determination of OTTI is measured based on an estimate of the noninterest loss, which is recognized in operations. Such impairments result in the establishment of a new cost basis for these assets for book purposes.

Investment income is recorded when earned. Income on loan-backed and structured securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment income earned on the securities is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the securities. Net investment income also includes distributions paid to the Company by partnerships to the extent that the distributions are not in excess of undistributed accumulated earnings attributable to the partnerships.

Goodwill is calculated as the excess of the aggregate purchase price over the statutory capital and surplus of acquired subsidiaries. Goodwill, in aggregate, is limited to 10% of the acquiring entity's capital stock and surplus as shown in its most recently filed statement adjusted to exclude any net positive goodwill, EDP equipment, and net deferred tax assets. The remainder is reflected as a

NOTE 2 Summary of Significant Statutory Accounting Policies (continued)

nonadmitted asset through a charge to surplus. Goodwill is amortized on a straight-line basis over ten years with a corresponding charge to surplus. Under GAAP, goodwill is not subject to the 10% threshold and is not amortized, but subject to periodic impairment testing.

Separate Accounts
The life insurance subsidiaries issue group annuity contracts that include the option of placing deposits received in connection with these contracts in separate accounts. Life insurance subsidiaries have also issued variable annuity contracts and variable universal life contracts that require deposits to be placed in separate accounts. A separate account is an accounting entity segregated as a discrete operation within an insurance company. Separate account assets, consisting primarily of mutual funds, are reported at fair value and include the Company's interest in the separate accounts (seed money). Liabilities relating to contract holders are generally recorded at amounts equal to assets, but a contra-liability is recorded to adjust separate account liabilities to amounts computed using applicable statutory reserving tables. Separate account premium deposits, benefit expenses, and contract fee income for investment management and policy administration are reflected by the Company in the accompanying consolidated statutory statements of operations. Investment income and realized and unrealized capital gains and losses of the separate account assets accrue directly to contract holders and, therefore, are not included in the Company's consolidated statutory statements of operations. The Company's appreciation or depreciation of seed money investment is reflected in policyholders' surplus through recognition of surplus in the separate accounts.

Nonadmitted Assets
For statutory accounting purposes, certain assets designated as "nonadmitted" (principally deferred income tax assets, certain receivables, prepaid pension deposits, depreciated cost of application software, aircraft, and office furniture and equipment) have been excluded from the balance sheet and charged to policyholders' surplus. GAAP would recognize such assets at the lower of depreciated cost or net realizable value. Nonadmitted assets were $256.3 million and $268.9 million at December 31, 2016 and 2015, respectively.

Company-Occupied Properties
Buildings are depreciated on a straight-line basis over estimated useful lives ranging from 20 to 50 years. Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or estimated useful life, whichever is shorter.

EDP Equipment and Operating Software
Electronic data processing equipment and capitalized software are depreciated on a straight-line basis over three to five years, depending on the class of property.

Property and Casualty Losses and Loss Expenses
The liabilities for losses are based upon management's best estimates of losses reported and losses incurred but not reported (IBNR), relating to direct and assumed premiums written; losses assumed from joint underwriting associations and assigned risk pools; and losses ceded to reinsurers. The liabilities for loss expenses are established by estimating future expenses to be incurred in the settlement of claims provided for in the liabilities for losses. Estimates of losses and loss expenses, net of salvage and subrogation, are continually reviewed. Changes to the estimates are reported without discounting in the current accounting periods. In establishing the liabilities for unpaid claims and claim adjustment expenses for asbestos-related illnesses and toxic waste cleanup, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate the Company's liability. In addition, liabilities have been established to cover additional exposures on both known and unasserted claims. These liabilities for losses and loss expenses are intended to represent the Company's ultimate liability for these items. Estimation of ultimate liabilities for these claims is usually difficult due to outstanding issues such as the verification of coverage, definition of an occurrence, determination of ultimate damages, and allocation of such damages to financially responsible parties. Therefore, any estimation of these liabilities is subject to significantly greater than normal variation and uncertainty.

NOTE 2 Summary of Significant Statutory Accounting Policies (continued)

Life Policy Benefits

Liabilities for traditional life and limited-payment life contracts are computed using methods, mortality and morbidity tables, and interest rates that conform to the valuation laws of the states of Wisconsin and New York. The liabilities are primarily calculated on a modified reserve basis. The effect of using a modified reserve basis partially offsets the effect of immediately expensing acquisition costs by providing a policy benefit reserve increase in the first policy year that is less than the reserve increase in renewal years. Future policy benefits for life policies and contracts were primarily determined using the Commissioner's Reserve Valuation Method (CRVM) with interest rates ranging from 2.50 percent to 6.00 percent. Additional statutory policy deficiency reserves are established when the valuation of net premium exceeds the gross premium.

Future policy benefits for annuity contracts, primarily for individual and group deferred annuities, were primarily determined using the Commissioner's Annuity Reserve Valuation Method (CARVM) with interest rates ranging from 3.50 percent to 11.25 percent. Reserves are established using the larger of the benefit amount calculated using CARVM or the cash surrender value.

Group health reserves consist predominantly of long-term disability reserves representing the present value of amounts not yet due calculated using standard disability tables and various interest rates.

Reserves for universal life-type, annuity, and deposit contracts are based on the contract account balance, if future benefit payments in excess of the account balance are not guaranteed, or on the present value of future payments when such payments are guaranteed.

Under GAAP, traditional life reserves would be computed using mortality, withdrawal, interest rate, and expense assumptions that are based on company experience, including a provision for adverse deviation. Reserves for universal life-type and investment contracts would generally be based on the contract account value.

Revenue Recognition

Property and casualty premiums written are recognized as earned ratably over the respective terms of the policy. Unearned premiums represent the portion of the premiums written that relate to the unexpired policy period, net of deductions for premiums ceded to reinsurers. All property and casualty written premium is recognized on the effective date of the policy. Certain commercial property and casualty policies are retrospectively rated; premiums under such policies are based upon the insureds' loss experience and are accrued as written premium. Premiums for annuity contracts are recognized when received. Premiums for traditional life insurance policies and limited payment contracts are recognized as income on the policy anniversary date. Amounts collected on policies that do not subject the Company to any risks arising from policyholder mortality or morbidity (deposit contracts), such as supplementary contracts without life contingencies, are recorded as increases to policyholder account balances. Revenues for these policies consist of net investment income and policy charges. Under GAAP, revenue on contracts without significant mortality or longevity risk (investment contracts) would be accounted for similar to deposit contracts.

If unearned premiums and any future installment premiums on existing property and casualty and accident and health policies are determined to be insufficient to cover anticipated losses, loss adjustment expenses, and maintenance costs, a premium deficiency reserve is established. The Company anticipates investment income as a factor in the premium deficiency calculation.

Acquisition Costs

Costs directly related to the acquisition of insurance premiums, such as commissions and premium tax, are charged to operations as incurred. Under GAAP, certain acquisition costs would be capitalized and amortized over the policy period or expected life of the contract.

Policy Dividends

Provisions for dividends payable to policyholders are made when declared. Under GAAP, dividends for life insurance policies would be anticipated and may be considered as a planned contractual benefit when computing the value of future policy benefits. GAAP also requires that dividends for property and casualty policies be accrued as earned.

Pension Plan and Other Postretirement Benefits

SIAMCO has defined benefit pension plans, which cover eligible employees. SIAMCO also provides certain healthcare, dental, and life insurance benefits to retired employees and their dependents. Effective January 1, 2010, employees hired January 1, 2010, and after are not eligible to participate in either the defined pension plan or the postretirement healthcare and dental benefit plans.

NOTE 2 Summary of Significant Statutory Accounting Policies (continued)

The Company is required to recognize the funded status of the plans on its balance sheet. When there is an excess of fair value of plan assets over benefit obligations, an asset is recorded and subsequently nonadmitted through a charge to surplus. Under GAAP, no charge to surplus is required. When benefit obligations exceed the fair value of plan assets, a liability is recorded on the Company's balance sheet. Any amounts recorded in unassigned surplus are subsequently recognized as net periodic benefit cost. Actuarial gains and losses that arise in future periods and are not recognized as net periodic benefit cost in those periods will be recognized as increases or decreases to unassigned surplus, net of tax, as they arise. Actuarial gains and losses recognized in unassigned surplus are adjusted as they are subsequently recognized as a component of net periodic benefit cost.

Reinsurance

Reinsurance premiums, commission expense reimbursements, and reserves related to reinsured business ceded are accounted for on a basis consistent with that used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums and losses ceded have been reported as reductions of premiums earned and insurance claims in the accompanying consolidated statement of operations. Under GAAP, ceded unearned premium and ceded loss and loss adjustment expense reserves would be classified as assets, instead of as a reduction of the related liability.

Reinsurance premiums, commissions, and reserves related to reinsured business assumed are accounted for on a basis consistent with that used if the policies had been directly issued.

Federal Income Tax

SIAMCO files a consolidated federal income tax return with its subsidiaries. The method of allocation between the companies is subject to a written agreement, approved by the board of directors. Allocation is based upon separate return calculations with current credit for net losses. Federal income tax is based on taxable income currently payable.

FMIC files a consolidated federal income tax return with its subsidiaries. The method of allocation between the companies is subject to a written agreement, approved by the board of directors. Allocation is based upon separate return calculations with current credit for net losses. Federal income tax is based on taxable income currently payable.

In accordance with guidance specified in the NAIC's *APPM*, the Company utilizes a balance sheet approach of accounting for federal income taxes. Under this method, deferred tax assets (net of any nonadmitted portion and statutory valuation allowance) and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the statutory financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates on which those temporary differences are expected to be recovered or settled. The change in deferred taxes is charged or credited directly to surplus. GAAP accounting requires these changes to be recorded through the income statement. The admissibility of net deferred tax assets recorded is subject to various limitations set forth in the NAIC's *APPM*.

The discussion above highlights the significant differences between statutory accounting practices followed by the Company and GAAP. The aggregate effect of the foregoing variances from GAAP has not been determined, but is presumed to be material.

Reclassification and Comparability

The accompanying consolidated statutory financial statements include the results of Florists from January 1, 2015, with beginning surplus and cash balances reflected as additions to the Consolidated Statement of Changes in Policyholders' Surplus and Consolidated Statement of Cash Flow, respectively.

NOTE 3 Investments

Bonds

The carrying value, gross unrealized gains and losses, and estimated fair value of bonds as of December 31, 2016 and 2015 are as follows:

December 31, 2016	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(Millions)				
U.S. government and government agencies	**$ 940.8**	**$ 22.7**	**$ 9.7**	**$ 953.8**
All other governments	**46.3**	**1.1**	**0.1**	**47.3**
States, territories, and possessions	**80.6**	**1.8**	**0.8**	**81.6**
Political subdivisions of states, territories, and	**1,029.2**	**46.3**	**2.9**	**1,072.6**
Special revenue and special assessment	**1,896.7**	**81.4**	**20.3**	**1,957.8**
Industrial and miscellaneous	**4,805.2**	**244.3**	**36.5**	**5,013.0**
Total	**$ 8,798.8**	**$ 397.6**	**$ 70.3**	**$ 9,126.1**

December 31, 2015	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(Millions)				
U.S. government and government agencies	$ 857.6	$ 32.0	$ 2.9	$ 886.7
All other governments	42.2	1.5	0.1	43.6
States, territories, and possessions	78.7	2.7	0.2	81.2
Political subdivisions of states, territories, and	1,118.4	69.7	1.0	1,187.3
Special revenue and special assessment	1,701.0	114.8	4.5	1,811.3
Industrial and miscellaneous	4,481.8	208.3	66.1	4,623.8
Total	$ 8,279.7	$ 429.0	$ 74.8	$ 8,633.9

The carrying value and estimated fair value of bonds and short-term investments as of December 31, 2016, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without call or prepayment penalties. As most loan-backed and structured securities provide for periodic payments throughout their lives, they are listed separately.

December 31, 2016	Carrying Value	Estimated Fair Value
(Millions)		
Due in one year or less (a)	**$ 325.5**	**$ 329.0**
Due after one year through five years	**1,622.4**	**1,683.3**
Due after five years through ten years	**3,513.1**	**3,607.1**
Due after ten years	**3,028.9**	**3,180.5**
Subtotal	**8,489.9**	**8,799.9**
Loan-backed and structured securities	**421.2**	**438.5**
Total	**$ 8,911.1**	**$ 9,238.4**

(a) These amounts reflect permitted practices, See Note 1, Principles of Consolidation and Basis of Presentation, for additional information.

NOTE 3 Investments (continued)

The Company had two 5* securities with a total book adjusted carrying value of $3.7 million and a total fair value of $5.2 million as of December 31, 2016. The Company had three 5* securities with a total book adjusted carrying value to $3.7 million and a total fair value of $5.4 million as of December 31, 2015.

There are no securities purchased prior to January 1, 1994, where historical cash flows are not available. Prepayment assumptions for single-class and multi-class mortgage and asset-backed securities were obtained from data pricing services. The Company uses data pricing services, broker quotes, and the Capital Markets & Investment Analysis Office of the NAIC to determine fair value. The Company has no negative yield situations requiring a change from the retrospective to prospective methodology.

Gross gains and losses realized from the disposition of bonds, which are reflected in the accompanying consolidated statutory financial statements, are as follows:

Years ended December 31	2016	2015
(Millions)		
Bond sales:		
Proceeds	**$ 198.0**	$ 237.0
Gross gains	**3.3**	3.3
Gross losses	**1.3**	2.7
Other bond dispositions:		
Proceeds	**$ 876.0**	$ 711.3
Gross gains	**4.7**	6.4
Gross losses	**1.3**	0.5

Common Stocks
The cost of common stocks, which includes unmanaged index exchange traded funds, was $978.5 million and $954.1 million as of December 31, 2016 and 2015, respectively.

Partnerships
Partnerships include investments in limited partnerships and limited liability companies at a cost of $965.5 million and $901.9 million as of December 31, 2016 and 2015, respectively.

Partnerships are carried at the Company's pro rata share of the limited partnerships' and limited liability companies' GAAP equity. These investments reflect a reporting lag of up to three months, dependent upon the receipt of the reporting entity's audited financial statements.

The carrying values of partnerships are as follows:

December 31, 2016	Carrying Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
(Millions)				
Private equity (a)	**$ 746.0**	**$ 399.2**	**-**	**-**
Hedge fund (b)	**118.9**	**-**	**Annually**	**30-95 days**
Real estate (c)	**281.9**	**263.1**	**-**	**-**
Emerging markets (d)	**3.7**	**-**	**-**	**-**
Total (e)	**$ 1,150.5**	**$ 662.3**		

NOTE 3 Investments (continued)

December 31, 2015	Carrying Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
(Millions)				
Private equity (a)	$ 698.7	$ 393.0	-	-
Hedge fund (b)	131.8	-	Annually	30-95 days
Real estate (c)	242.2	247.7	-	-
Emerging markets (d)	6.5	-	-	-
Total (e)	$ 1,079.2	$ 640.7		

(a) This category includes investments in private equity partnerships that invest primarily in early stage venture companies, growth equity, leveraged buyouts, mezzanine debt, distressed turnaround situations, and fund of private equity funds. These investments are usually not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets held by the partnerships. The life of these partnerships typically ranges from 8 to 15 years.

(b) This category includes investments in hedge funds that invest both long and short common stocks, corporate bonds, government bonds, treasuries, commodities, and currencies. Hedge fund managers have the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

(c) This category includes investments in real estate partnerships that invest primarily in U.S. commercial real estate. These investments are usually not redeemable. Distributions from each fund will be received as the underlying assets are liquidated. The life of these partnerships typically ranges from 8 to 12 years.

(d) This category includes an investment in a limited partnership that primarily holds investments in non-U.S. corporate debts. The term of this partnership has been extended for two terms of one year each to allow for an orderly liquidation of any remaining investments.

(e) These amounts reflect permitted practices, See Note 1, Principles of Consolidation and Basis of Presentation, for additional information.

Unrealized Gains and Losses

Gross unrealized gains and losses related to investments in bonds, common stocks, partnerships, and other invested assets are as follows:

	2016		2015	
Years ended December 31	Balance Sheet	Surplus Change	Balance Sheet	Surplus Change
(Millions)				
Unrealized gains	**$ 475.8**	**$ 100.2**	$ 375.6	$ (34.3)
Unrealized losses	**(27.3)**	**4.4**	(31.7)	(9.2)
Net investment unrealized gains (losses)	**$ 448.5**	**104.6**	$ 343.9	(43.5)
Florists unrealized gains (losses), January 1, 2015		**-**		(1.6)
Deferred tax benefit (expense)		**(36.6)**		15.8
Goodwill amortization		**-**		(12.9)
Change in net unrealized capital gains (losses)		**$ 68.0**		$ (42.2)

NOTE 3 Investments (continued)

Investment Income

Sources of net investment income for 2016 and 2015 are as follows:

Years ended December 31	2016	2015
(Millions)		
Interest:		
Bonds	**$ 351.8**	$ 344.8
Short-term investments (a)	**0.3**	0.3
Other interest	**0.1**	0.4
Dividends:		
Common stocks	**23.9**	22.1
Real estate	**14.0**	13.0
Contract loans	**0.9**	0.9
Partnerships (a)	**106.6**	122.9
Amortization of IMR	**1.7**	1.5
Gross investment income	**499.3**	505.9
Investment expense	**(19.6)**	(21.4)
Interest expense	**(2.7)**	(3.4)
Depreciation on real estate	**(3.9)**	(3.8)
Net investment income	**$ 473.1**	$ 477.3

(a) These amounts reflect permitted practices, see Note 1, Principles of Consolidation and Basis of Presentation, for additional information.

As of December 31, 2016 and 2015, investments carried at $348.1 million and $341.1 million, respectively, were on deposit with various governmental agencies as required by law. The Company's cash and invested assets include $179.9 million in collateral received from insureds to secure estimated future obligations to the Company. This represents 1.1% of the Company's total admitted assets. The Company has recorded an equivalent liability to recognize the future obligation to return collateral which represents 1.6% of total liabilities.

Realized investment gains and losses for the years ended December 31, 2016 and 2015 were as follows:

Years ended December 31	2016			2015		
(Millions)	**Realized Gains**	**Realized Losses**	**Net Realized Gains (Losses)**	**Realized Gains**	**Realized Losses**	**Net Realized Gains (Losses)**
Bonds	**$ 8.2**	**$ 9.1**	**$ (0.9)**	$ 9.6	$ 29.8	$ (20.2)
Common stock	**25.1**	**16.0**	**9.1**	66.5	50.3	16.2
Real estate	**0.5**	**-**	**0.5**	-	0.9	(0.9)
Partnerships	**0.6**	**13.6**	**(13.0)**	12.1	29.2	(17.1)
Other	**-**	**0.1**	**(0.1)**	-	0.1	(0.1)
	$ 34.4	**$ 38.8**	**(4.4)**	$ 88.2	$ 110.3	(22.1)
IMR gains (losses)			**(1.5)**			(2.8)
Less: Taxes on realized gains (losses)			**(8.0)**			(19.4)
Net realized gains (losses), net of tax			**$ (13.9)**			$ (44.3)

The Company realized net losses of $31.5 million and $92.0 million in 2016 and 2015, respectively, related to other than temporary impairments of bonds, stocks, real estate, and partnerships, and a net gain of $3.0 million and $4.9 million in 2016 and 2015, respectively, on called securities.

The Company realized no net losses in 2016 and 2015 related to other than temporary impairments of loan-backed securities.

NOTE 3 Investments (continued)

Impairment Analysis

The following tables show the fair value and unrealized losses for bonds and stocks, as of December 31, 2016 and 2015, respectively. The data is aggregated by investment category and length of time that individual securities have been in a continuous position where cost or amortized cost exceeds fair value.

	Less than 12 months		12 months or more		Total	
December 31, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Millions)						
U.S. government and government agencies	$ 378.2	$ 9.7	$ -	$ -	$ 378.2	$ 9.7
All other governments	11.7	0.1	-	-	11.7	0.1
States, territories, and possessions	10.9	0.8	-	-	10.9	0.8
Political subdivisions of states, territories, and possessions	173.5	2.9	-	-	173.5	2.9
Special revenue and special assessment	617.4	20.1	7.9	0.2	625.3	20.3
Industrial and miscellaneous	1,186.9	28.6	108.9	7.9	1,295.8	36.5
Subtotal, debt securities	2,378.6	62.2	116.8	8.1	2,495.4	70.3
Common stocks	80.7	5.8	4.8	0.7	85.5	6.5
Total	$ 2,459.3	$ 68.0	$ 121.6	$ 8.8	$ 2,580.9	$ 78.8

NOTE 3 Investments (continued)

December 31, 2015	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 months or more Fair Value	12 months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses
(Millions)						
U.S. government and government agencies	$ 241.0	$ 2.6	$ 17.1	$ 0.3	$ 258.1	$ 2.9
All other governments	9.3	0.1	-	-	9.3	0.1
States, territories, and possessions	18.3	0.2	0.7	-	19.0	0.2
Political subdivisions of states, territories, and possessions	54.4	0.5	14.8	0.5	69.2	1.0
Special revenue and special assessment	188.3	3.8	26.5	0.7	214.8	4.5
Industrial and miscellaneous	1,490.1	53.3	128.9	12.8	1,619.0	66.1
Subtotal, debt securities	2,001.4	60.5	188.0	14.3	2,189.4	74.8
Common stocks	175.5	14.2	-	-	175.5	14.2
Total	$2,176.9	$ 74.7	$188.0	$ 14.3	$2,364.9	$ 89.0

NOTE 3 Investments (continued)

The following tables show the fair value and unrealized losses for loan-backed securities, as of December 31, 2016 and 2015, respectively. The data is aggregated by investment category and length of time that individual securities have been in a continuous position where cost or amortized cost exceeds fair value

	Less than 12 months		12 months or more		Total	
December 31, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Millions)						
U.S. government and government agencies - MBS/ABS	$ 58.8	$ 1.9	$ -	$ -	$ 58.8	$ 1.9
Special Revenue - MBS/ABS	72.1	2.0	-	-	72.1	2.0
Industrial and Miscellaneous - MBS/ABS	35.1	0.3	4.8	-	39.9	0.3
Total	$ 166.0	$ 4.2	$ 4.8	$ -	$ 170.8	$ 4.2

	Less than 12 months		12 months or more		Total	
December 31, 2015	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Millions)						
U.S. government and government agencies - MBS/ABS	$ 21.0	$ 0.2	$ 7.1	$ 0.3	$ 28.1	$ 0.5
Special Revenue - MBS/ABS	35.1	0.7	-	-	35.1	0.7
Industrial and Miscellaneous - MBS/ABS	24.4	0.2	-	-	24.4	0.2
Total	$ 80.5	$ 1.1	$ 7.1	$ 0.3	$ 87.6	$ 1.4

The majority of the unrealized losses of the Company's investments were caused by bonds being purchased in a lower interest rate environment relative to the interest rate environment at December 31, 2016. Additionally, corporate bonds are generally priced at wider spreads relative to Treasury securities. Because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other than temporarily impaired at December 31, 2016. There were no loan-backed securities held at December 31, 2016 or 2015, which were previously other than temporarily impaired.

The Company's evaluation of other than temporary impairment of a particular security includes management making assumptions and estimates about the future earnings potential and operations of the issuer. Management considers such factors when evaluating whether a decline in fair value is other than temporary: (1) the Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; (2) the recoverability of principal and interest; (3) the duration and extent to which the fair value has been less than cost for equity securities or amortized cost for bonds; (4) the financial condition of the issuer along with future prospects, including relevant industry conditions and trends and rating agency implications; and (5) the specific reasons that a security is in a significant unrealized loss position, including market conditions, which could affect access to liquidity.

NOTE 3 Investments (continued)

Total unrealized losses that were in a continuous unrealized loss position for twelve months or more are comprised of 28 bonds and 1 stock and 69 bonds and no stocks at December 31, 2016 and 2015, respectively. Total unrealized losses that were in a continuous unrealized loss position for twelve months or less are comprised of 755 bonds and 67 stocks and 499 bonds and 130 stocks at December 31, 2016 and 2015, respectively.

The Company does not have a material concentration of subprime investments.

Company-Occupied Properties

The following table summarizes Company occupied properties used primarily in insurance operations:

December 31	**2016**	**2015**
(Millions)		
Buildings	**$ 135.6**	$ 129.5
Land and improvements	**6.7**	7.4
Total cost	**142.3**	136.9
Accumulated depreciation	**(98.0)**	(94.5)
Carrying value	**$ 44.3**	$ 42.4

Depreciation expense for company-occupied properties was $3.5 million and $3.6 million in 2016 and 2015, respectively.

Net investment income includes rental income of $14.0 million and $13.0 million in 2016 and 2015, respectively, for occupancy by the Company of its own buildings. A similar charge is included in operating expenses for both years.

NOTE 4 Disclosures about Fair Value of Financial Instruments

Statutory accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Certain financial instruments and all nonfinancial instruments are excluded from statutory fair value disclosure requirements. Therefore, the aggregate fair value amounts presented below do not represent the underlying fair value of the Company.

The following methods and assumptions were used to estimate the fair value of each class of significant financial instruments for which it is practicable to estimate that value:

For cash and short-term investments, insurance premiums and reinsurance receivables, interest and dividends receivables, and accounts payable and accrued expenses, the carrying amount approximates fair value due to their short-term nature. Policy loans are an integral part of the underlying life insurance contracts and have no stated maturity dates; therefore, no reasonable estimate of fair value can be made. Interest rates range from 5 to 8 percent.

For bonds, the estimated fair value is generally based on quotes provided by data pricing services, brokers, and the Capital Markets and Investment Analysis Office of the NAIC. The fair values of common stocks are based on quotes provided by data pricing services and market values from the Capital Markets and Investment Analysis Office of the NAIC. The fair value of assets held in separate accounts and the related liabilities are based on underlying market prices.

The estimated fair values of the Company's financial instruments are as follows:

December 31	2016		2015	
(Millions)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Assets:				
Bonds	**$ 8,798.8**	**$ 9,126.1**	$8,279.7	$ 8,633.9
Common stocks	**1,170.4**	**1,170.4**	1,052.1	1,052.1
Short-term investments (a)	**112.3**	**112.3**	166.1	166.1
Assets held in separate accounts	**3,436.8**	**3,436.8**	3,033.6	3,033.6
Liabilities:				
Liabilities held in separate accounts	**3,435.5**	**3,435.5**	3,032.4	3,032.4

(a) These amounts reflect permitted practices, See Note 1, Principles of Consolidation and Basis of Presentation, for additional information.

Included in various investment related line items in the consolidated statutory financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired or, for certain bonds, when carried at the lower of cost or fair value.

The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses a market approach and maximizes the use of observable inputs and minimizes the use of unobservable inputs.

When quoted prices in active markets are not available, the Company uses the income approach 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.
For disclosure purposes, based on a hierarchy defined by SSAP No. 100, *Fair Value*, the Company categorizes its financial instruments into a hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives highest priority to quotes in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

NOTE 4 Disclosures about Fair Value of Financial Instruments (continued)

The Company categorizes financial assets and liabilities as follows:

Level 1 – Management's valuations are based on unadjusted quoted prices in active markets for identical, unrestricted assets. Since valuations are based on quoted prices that are readily available in an active market, valuation of these assets does not involve any meaningful degree of judgment. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 financial assets and liabilities generally include common stocks and U.S. government debt securities, where management's valuations are based on quoted market prices.

Level 2 – Management's valuations are based on quoted market prices where such markets are not deemed to be sufficiently "active." In such circumstances, additional valuations metrics will be used, which involve direct or indirect observable market inputs. Level 2 financial assets and liabilities generally include debt securities other than debt issued by the U.S. government. Independent pricing services constitute a significant input in management's determination of the fair value of these types of bonds. In developing such quotes, dealers will use the terms of the security and market-based inputs. Terms of the security include coupon, maturity date, and any special provision that may enable the investor to redeem the security prior to its maturity date. Market-based inputs include the level of interest rates applicable to comparable securities in the market and current credit ratings of the security. A small segment of Level 2 securities are priced internally using matrix pricing, broker quotes, and benchmark and spread analysis.

Level 3 – Management's valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Valuations under Level 3 generally involve a significant degree of judgment on the part of management.

The following tables present the fair value hierarchy levels for the Company's assets and liabilities:

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
(Millions)				
Financial assets:				
Bonds	**$ 131.2**	**$ 8,994.9**	**$ -**	**$ 9,126.1**
Common stocks	**1,170.4**	**-**	**-**	**1,170.4**
Short-term investments (a)	**112.3**	**-**	**-**	**112.3**
Assets held in separate accounts	**-**	**3,436.8**	**-**	**3,436.8**
Total financial assets	**$ 1,413.9**	**$ 12,431.7**	**$ -**	**$ 13,845.6**
Liabilities:				
Liabilities held in separate accounts	**$ -**	**$ 3,435.5**	**$ -**	**$ 3,435.5**

December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
(Millions)				
Financial assets:				
Bonds	$ 158.9	$ 8,475.0	$ -	$ 8,633.9
Common stocks	1,051.3	0.8	-	1,052.1
Short-term investments (a)	155.3	-	10.8	166.1
Assets held in separate accounts	-	3,033.6	-	3,033.6
Total financial assets	$ 1,365.5	$ 11,509.4	$ 10.8	$ 12,885.7
Liabilities:				
Liabilities held in separate accounts	$ -	$ 3,032.4	$ -	$ 3,032.4

(a) These amounts reflect permitted practices, See Note 1, Principles of Consolidation and Basis of Presentation, for additional information.

NOTE 4 Disclosures about Fair Value of Financial Instruments (continued)

The following table summarizes the changes in fair value of assets utilizing Level 3 inputs for the years ended December 31, 2016 and 2015:

Years ended December 31	**2016**	**2015**
(Millions)		
Balance at beginning of year	**$ 10.8**	$ 9.8
Realized losses included in net income	**-**	-
Unrealized gains included in surplus	**-**	-
Purchases	**-**	1.0
Sales	**(10.8)**	-
Balance at end of year	**$ -**	$10.8

NOTE 5 EDP Equipment and Operating Software, Furniture and Equipment, and Leases and Leasehold Improvements

Depreciation expense for EDP equipment and operating software for both 2016 and 2015 was $6.7 million. The gross cost for EDP equipment and operating software was $94.5 million and $94.9 million as of December 31, 2016 and 2015, respectively. Related accumulated depreciation was $83.6 million and $83.0 million as of December 31, 2016 and 2015, respectively.

Depreciation expense for furniture and equipment was $1.6 million and $1.3 million for 2016 and 2015, respectively. Amortization expense for leasehold improvements was $0.2 million for 2016 and $0.1 million for 2015. The net admitted assets for furniture and equipment and leases and leasehold improvements were zero at December 31, 2016 and 2015.

The Company leases office equipment, vehicles, and office space under various lease agreements that expire through December 2025. External rental expenses for 2016 and 2015 were $10.7 million and $10.0 million, respectively.

At December 31, 2016, the minimum aggregate rental commitments for noncancellable office space leases totaled $22.6 million through 2025. Minimum aggregate rental commitments for noncancellable office space leases for the next succeeding five years are as follows:

Years ended December 31	Rental Commitment
(Millions)	
2017	$ 6.5
2018	5.2
2019	3.4
2020	2.9
2021	2.2
Thereafter	2.4

The Company has ten major leased office locations. These leases can be renewed for between five-year and seven-year increments. The lease agreements have immaterial escalation clauses. The Company has no lease commitments for vacated properties. The Company is not involved in any material sales-leaseback transactions and leasing is not a significant part of the Company’s business activities.

NOTE 6 Reserves for Losses and Loss Adjustment Expenses

Activity in the liability for losses and loss expenses relating to property and casualty and accident and health reserves is as follows:

Years ended December 31	**2016**	**2015**
(Millions)		
Reserves for losses and loss expenses at beginning of year	**$ 3,591.9**	$ 3,356.3
Less reinsurance recoverable on unpaid losses	**560.9**	490.4
Net reserves for losses and loss expenses at beginning of year	**3,031.0**	2,865.9
Florists net reserves for losses and loss expenses at January 1, 2015	**-**	78.8
Provision for losses and loss expenses for claims incurred:		
Current year	**1,512.2**	1,443.3
Prior years	**(59.1)**	(95.1)
Total incurred losses and loss expenses	**1,453.1**	1,348.2
Payments for losses and loss expenses on claims incurred:		
Current year	**571.3**	544.2
Prior years	**743.6**	717.7
Total paid losses and loss expenses	**1,314.9**	1,261.9
Net reserves for losses and loss expenses at end of year	**3,169.2**	3,031.0
Plus reinsurance recoverable on unpaid losses	**555.4**	560.9
Reserves for losses and loss expenses at end of year	**$ 3,724.6**	$ 3,591.9

Loss reserves reported above are presented net of reserve credits of $679.0 million and $639.8 million as of December 31, 2016 and 2015, respectively. These reserve credits relate to deductibles receivable from policyholders on certain policies considered “high deductible” policies. Unlike traditional insurance policies, the Company generally pays losses under the deductible limit on “high deductible” policies and then collects these amounts from the policyholder. To minimize credit risk, the Company continually monitors the condition of these risks, and in certain situations requires collateral in the form of letters of credit, cash deposits, trusts, or bonds. Ten percent of deductible recoverables in excess of collateral specifically held and identifiable on a per policy basis is reported as a nonadmitted asset. As of December 31, 2016 and 2015, $26.7 million and $23.6 million, respectively, was billed and recoverable on paid claims under these policies. In addition, the reserves are presented net of anticipated salvage and subrogation recoveries totaling $53.2 million and $74.4 million as of December 31, 2016 and 2015, respectively.

Favorable development on prior year incurred losses and loss expenses reflect lower than anticipated losses. To the extent this favorable development is attributable to loss sensitive contracts, premiums were adjusted accordingly.

Cumulative net losses of $(0.4) million and $(2.1) million as of December 31, 2016 and 2015, respectively and reinsurance recoverables of zero and $9.1 million as of December 31, 2016 and 2015, respectively, related to the Adverse Loss Development Reinsurance Agreement disclosed in Note 9, are not included in the above table.

NOTE 6 Reserves for Losses and Loss Adjustment Expenses (continued)

The Company has certain exposures for asbestos and environmental claims arising from the sale of product and general liability insurance and reinsurance. The Company estimates the full impact of the asbestos exposure by establishing full case reserves on all known losses and computing incurred but not reported losses based on previous experience. Activity related to these reserves is as follows:

Asbestos Losses – Direct

Years ended December 31	**2016**	**2015**
(Millions)		
Reserves for asbestos claims at beginning of year	**$ 133.4**	$ 130.0
Incurred losses and loss expenses	**11.0**	12.1
Paid losses and loss expenses	**(9.3)**	(8.7)
Reserves for asbestos claims at end of year	**$ 135.1**	$ 133.4

Asbestos Losses – Assumed Reinsurance

Years ended December 31	**2016**	**2015**
(Millions)		
Reserves for asbestos claims at beginning of year	**$ 69.9**	$ 58.9
Incurred losses and loss expenses	**(1.1)**	15.3
Paid losses and loss expenses	**(4.3)**	(4.3)
Reserves for asbestos claims at end of year	**$ 64.5**	$ 69.9

Asbestos Losses – Net of Reinsurance

Years ended December 31	**2016**	**2015**
(Millions)		
Reserves for asbestos claims at beginning of year	**$ 183.5**	$ 165.6
Incurred losses and loss expenses	**9.7**	33.4
Paid losses and loss expenses	**(9.4)**	(15.5)
Reserves for asbestos claims at end of year	**$ 183.8**	$ 183.5

NOTE 6 Reserves for Losses and Loss Adjustment Expenses (continued)

Environmental Losses – Direct

Years ended December 31	**2016**	**2015**
(Millions)		
Reserves for environmental claims at beginning of year	**$ 77.5**	$ 122.5
Florists reserves for environmental claims at January 1, 2015	**-**	0.4
Incurred losses and loss expenses	**26.0**	(41.4)
Paid losses and loss expenses	**(3.1)**	(4.0)
Reserves for environmental claims at end of year	**$ 100.4**	$ 77.5

Environmental Losses – Assumed Reinsurance

Years ended December 31	**2016**	**2015**
(Millions)		
Reserves for environmental claims at beginning of year	**$ 28.3**	$ 35.1
Florists reserves for environmental claims at January 1, 2015	**-**	-
Incurred losses and loss expenses	**(15.9)**	(6.2)
Paid losses and loss expenses	**(0.9)**	(0.6)
Reserves for environmental claims at end of year	**$ 11.5**	$ 28.3

Environmental Losses – Net of Reinsurance

Years ended December 31	**2016**	**2015**
(Millions)		
Reserves for environmental claims at beginning of year	**$ 98.7**	$ 143.8
Florists reserves for environmental claims at January 1, 2015	**-**	0.1
Incurred losses and loss expenses	**(6.9)**	(40.9)
Paid losses and loss expenses	**(3.2)**	(4.3)
Reserves for environmental claims at end of year	**$ 88.6**	$ 98.7

The above schedules do not include the impact of any recoveries for asbestos or environmental losses connected with the Adverse Loss Development Reinsurance Agreement described in Note 9.

NOTE 7 Life and Other Future Policy Benefits

Future policy benefits for life and annuities at December 31, 2016 and 2015 are as follows:

December 31	2016	2015
(Millions)		
Life		
Life insurance	$ 225.9	$ 229.4
Accidental death and disability benefits	7.2	7.6
Miscellaneous reserves	12.6	12.5
Future policy benefits – life	245.7	249.5
Annuities		
Aggregate reserves for annuity contracts	2,132.9	1,985.0
Structured settlements	77.8	79.9
Liabilities for premium and other deposit funds	2.4	1.5
Future policy benefits – annuities	2,213.1	2,066.4
Total future policy benefits – life and annuities	2,458.8	2,315.9
Policy and contract claims – life and annuities	3.4	4.0
Total life and other future policy benefits	$ 2,462.2	$ 2,319.9

The withdrawal characteristics of all annuity reserves and deposit liabilities at December 31, 2016 and 2015 are as follows:

December 31, 2016	General Account	Separate Account Nonguaranteed	Total	% of Total
(Millions)				
Subject to discretionary withdrawal:				
With market value adjustment	$ 2,060.2	$ -	$ 2,060.2	36.5%
At book value less current surrender charge of 5% or more	12.0	-	12.0	0.2%
At fair value	-	3,429.8	3,429.8	60.8%
Total with adjustment or at market value	2,072.2	3,429.8	5,502.0	97.5%
At book value without adjustment (minimal or no charge or adjustment)	45.0	-	45.0	0.8%
Total subject to discretionary withdrawal	2,117.2	3,429.8	5,547.0	98.3%
Not subject to discretionary withdrawal	95.9	-	95.9	1.7%
Total (gross)	2,213.1	3,429.8	5,642.9	100.0%
Reinsurance ceded	-	-	-	-
Total (net)	$ 2,213.1	$ 3,429.8	$ 5,642.9	100.0%

NOTE 7 Life and Other Future Policy Benefits (continued)

December 31, 2015	General Account	Separate Account Nonguaranteed	Total	% of Total
(Millions)				
Subject to discretionary withdrawal:				
With market value adjustment	$ 1,914.2	$ -	$ 1,914.2	37.7%
At book value less current surrender charge of 5% or more	11.6	-	11.6	0.2%
At fair value	-	3,012.1	3,012.1	59.4%
Total with adjustment or at market value	1,925.8	3,012.1	4,937.9	97.3%
At book value without adjustment (minimal or no charge or adjustment)	42.3	-	42.3	0.8%
Total subject to discretionary withdrawal	1,968.1	3,012.1	4,980.2	98.1%
Not subject to discretionary withdrawal	98.3	-	98.3	1.9%
Total (gross)	2,066.4	3,012.1	5,078.5	100.0%
Reinsurance ceded	-	-	-	-
Total (net)	$ 2,066.4	$ 3,012.1	$ 5,078.5	100.0%

NOTE 8 Separate Accounts

The life insurance subsidiaries utilize separate accounts to record and account for assets and liabilities for Employee Benefit Plans, Variable Annuities, and Variable Universal Life product lines.

All separate account assets are considered legally insulated from the general account except for the Company's interest in the separate accounts (seed money). The legal insulation of the separate account assets prevents such assets from being generally available to satisfy claims resulting from the general accounts. As of December 31, 2016 and 2015, the life companies' separate account statements included legally insulated assets of $3.4 billion and $3.0 billion, respectively.

Some separate account liabilities are guaranteed by the general account. As of December 31, 2016, the general account had a maximum guarantee for separate account liabilities of $0.4 million.

Activity and liabilities (primarily reserves) in the life insurance subsidiaries' separate accounts are as follows:

Years ended December 31	2016	2015
(Millions)		
Premiums, considerations, or deposits	**$ 1,323.8**	$ 1,112.7
Liabilities:		
Reserves carried at fair value	**$ 3,435.5**	$ 3,018.1
Non-policy liabilities	**-**	14.3
Total liabilities	**$ 3,435.5**	$ 3,032.4
Liabilities by withdrawal characteristics:		
Subject to discretionary withdrawal:		
With market value adjustment	**$ -**	$ -
At book value without market value adjustment and with current surrender charge of 5% or more	**-**	-
At fair value	**3,435.5**	3,018.1
At book value without market value adjustment and with current surrender charge less than 5%	**-**	-
Total reserves subject to discretionary withdrawal	**3,435.5**	3,018.1
Non-policy liabilities	**-**	14.3
Total liabilities	**$ 3,435.5**	$ 3,032.4
Reserves for asset default risk in lieu of AVR	**$ -**	$ -

Insurance claims and policyholders' benefits as reported on the consolidated statements of operations include amounts transferred to (from) separate accounts. These transfers reported in the life companies' separate accounts statements are as follows:

Years ended December 31	2016	2015
(Millions)		
Transfers to separate accounts	**$ 1,323.8**	$ 1,112.7
Transfers from separate accounts	**(1,207.6)**	(936.4)
Net transfers as reported in the separate accounts statements	**116.2**	176.3
Other	**(0.1)**	-
Net transfers as reported in the statements of operations	**$ 116.1**	$ 176.3

NOTE 9 Reinsurance

The Company cedes insurance to other insurers under various contracts, which cover individual risks or entire classes of business. There are no significant concentrations with any one reinsurer. Although the ceding of insurance does not discharge the Company from its primary liability to policyholders in the event any reinsurer might be unable to meet the obligations assumed under the reinsurance agreements, it is the practice of insurers to reduce their balances for amounts ceded. Amounts deducted in the accompanying consolidated statutory financial statements for reinsurance ceded to other insurers, excluding reinsurance recoverables for unpaid losses under the Adverse Loss Development Reinsurance Agreement (see below), are as follows:

Years ended December 31	**2016**	**2015**
(Millions)		
Insurance premiums and deposits ceded	**$ 143.6**	$ 151.8
Insurance benefits ceded	**149.9**	143.0

December 31	**2016**	**2015**
(Millions)		
Liabilities for losses and loss expenses ceded	**$ 585.2**	$ 588.4
Unearned premiums ceded	**34.0**	34.4

In conjunction with the September 30, 1999, acquisition of the John Deere Insurance Group, SIAMCO entered into an Adverse Loss Development Reinsurance Agreement (ALDR). This reinsurance agreement covers net losses incurred by the John Deere Insurance Group on or after July 1, 1999, on business written prior to this date. This transaction is accounted for as retroactive reinsurance, which requires that expected recoveries under the contract be recorded as a contra-liability rather than as a reduction of gross loss reserves, and that the net gain recognized under the contract, representing the difference between reserves ceded under the contract since inception and the reinsurance premium paid, be segregated within policyholders' surplus. SIAMCO commuted the ALDR in 2016, recording a net gain of $1.6 million. There were no net gains or losses recorded in 2015. The expected recoveries related to the ALDR and recorded in the accompanying consolidated statutory financial statements were zero and $9.1 million as of December 31, 2016 and 2015, respectively.

The Company is not currently participating in voluntary assumed reinsurance programs, but assumed case reserves remain outstanding. Business is also assumed from mandatory pools, primarily the National Council of Compensation Insurance (NCCI) workers' compensation pool.

NOTE 10 Benefit Plans

Qualified Pension Plan

SIAMCO sponsors a qualified noncontributory defined benefit pension plan (the Plan) covering all employees hired before January 1, 2010. SIAMCO made accrual entries based on actuarially determined amounts.

The following provides a reconciliation of benefit obligations, plan assets, and funded status related to the Plan.

December 31	**2016**	**2015**
(Millions)		
Benefit obligation at beginning of year	**$ 1,348.6**	$ 1,414.3
Service cost	**22.2**	25.5
Interest cost	**57.1**	54.5
Liability (gain) loss	**42.4**	(80.8)
Benefits paid	**(67.3)**	(64.9)
Benefit obligation at end of year	**$ 1,403.0**	$ 1,348.6

December 31	**2016**	**2015**
(Millions)		
Fair value of assets at beginning of year	**$ 1,204.6**	$ 1,225.7
Actual investment return (loss) on assets	**105.2**	8.8
Employer contributions	**55.0**	35.0
Benefits paid	**(67.3)**	(64.9)
Fair value of assets at end of year	**$ 1,297.5**	$ 1,204.6

The excess of benefit obligations over plan assets was $105.5 million and $144.0 million as of December 31, 2016 and 2015, respectively.

Years ended December 31	**2016**	**2015**
(Millions)		
Service cost	**$ 22.2**	$ 25.5
Interest cost	**57.1**	54.5
Actual investment (return) loss on assets	**(105.2)**	(8.8)
Amortization of (gain) loss	**9.8**	12.7
Difference between expected and actual return on assets	**42.9**	(57.7)
Total net periodic pension cost	**$ 26.8**	$ 26.2

NOTE 10 Benefit Plans (continued)

The accumulated benefit obligation for all participants was $1,343.1 million and $1,295.2 million as of December 31, 2016 and 2015, respectively. The fair value of plan assets of $1,297.5 million and $1,204.6 million reflects the fair value at the December 31, 2016 and 2015 measurement dates, respectively.

The following table provides a reconciliation of amounts in unassigned surplus that have not been recognized as components of net periodic pension cost:

December 31	2016	2015
(Millions)		
Items not yet recognized as a component of net periodic pension cost at beginning of year	**$ 226.3**	$ 262.1
Net (gain) and loss arising during the period	**(0.5)**	(23.1)
Net gain (loss) recognized during period	**(9.8)**	(12.7)
Items not yet recognized as a component of net periodic pension cost at end of year	**$ 216.0**	$ 226.3

At December 31, 2016, there was $216.0 million of net recognized losses in unassigned surplus that have not yet been recognized as components of net periodic pension cost. Net losses of $8.2 million recognized in unassigned surplus are expected to be recognized in net periodic pension cost in 2017.

The table below presents the fair value hierarchy for the balances of the assets of the Plan measured at fair value. Fair value of Level 1 assets is based on unadjusted quoted prices for identical assets in active markets that are accessible to SIAMCO. Fair value of Level 2 assets is based on quoted prices other than those included within Level 1 that are observable for the asset, either directly or indirectly. Fair value of Level 3 assets is estimated by SIAMCO using one or more significant unobservable inputs.

December 31, 2016	Level 1	Level 2	Level 3	Total
(Millions)				
Pooled separate accounts	**$ -**	**$ 798.7**	**$ -**	**$ 798.7**
Deposit Fund	**-**	**498.8**	**-**	**498.8**
Total investments at fair value	**$ -**	**$ 1,297.5**	**$ -**	**$ 1,297.5**

December 31, 2015	Level 1	Level 2	Level 3	Total
(Millions)				
Pooled separate accounts	$ -	$ 695.4	$ -	$ 695.4
Deposit Fund	-	509.2	-	509.2
Total investments at fair value	$ -	$ 1,204.6	$ -	$ 1,204.6

NOTE 10 Benefit Plans (continued)

The Plan assets are invested primarily in common stocks and corporate debt through a group annuity contract with SLIC that allows SIAMCO contributions to be allocated to the pooled separate accounts or the Deposit Fund at the discretion of SIAMCO. SIAMCO's allocation of investments is as follows:

	2016	2015	Target Allocation
Debt securities	**69%**	73%	55-90%
Equity securities	**31%**	27%	10-45%
Total	**100%**	100%	

The investment objectives are designed to (1) provide a long-term investment return that meets the actuarial assumption; (2) maximize investment returns commensurate with appropriate levels of risk; and (3) invest funds in a manner consistent with ERISA's fiduciary standards. Assets are allocated to provide adequate liquidity for Plan disbursements and managed such that all retirement benefit payments are met as they become due. The contract is valued at fair value at December 31, 2016 and 2015 as follows:

- The pooled separate accounts represent ownership of units of participation (Units), rather than ownership of specific assets. The value of the pooled separate accounts is determined by aggregating the value of all of the Units held by the Plan. The value of a Unit is the total value of the pooled separate accounts investments plus other assets less liabilities divided by the number of Units outstanding. The underlying investments in the pooled separate accounts are valued at fair value, which is generally determined by the quoted market prices of the underlying investments.

- The Deposit Fund represents contributions made under the contract, plus contractually established interest, less funds used to pay benefits and administrative expenses of the Plan.

The assumptions used in the calculations for SIAMCO's pension plan are as follows:

Weighted average assumptions used to determine net periodic pension cost:	2016	2015
Measurement date	**December 31**	December 31
Discount rate	**4.35%**	3.95%
Long-term rate of return on plan assets	**5.25%**	5.50%
Rate of compensation increase	**1-20%**	1-20%

Weighted average assumptions used to determine benefit obligations:	2016	2015
Measurement date	**December 31**	December 31
Discount rate	**4.15%**	4.35%
Rate of compensation increase	**1-20%**	1-20%

At December 31, 2016 and 2015, SIAMCO utilized a discount rate equivalent to the Citigroup Pension Liability Index, which reflects the yield of a portfolio of high quality, fixed income debt securities that would produce cash flows sufficient in timing and amount to pay projected future benefits.

In selecting the expected long-term rate of return on assets, SIAMCO considered the average rate of earnings expected on the classes of funds invested or to be invested to provide for the benefits of these plans. This included considering the targeted asset allocation for the year and the expected returns likely to be earned over the next 20 years.

NOTE 10 Benefit Plans (continued)

Benefit payments, which reflect future service, are expected to be paid in the following fiscal years:

December 31	Estimated Future Pension Benefits
(Millions)	
2017	$ 68.2
2018	69.5
2019	70.1
2020	71.5
2021	73.2
Years 2022 – 2026	388.0

Nonqualified Pension Plans
SIAMCO sponsors nonqualified pension plans. The benefit obligation at December 31, 2016 and 2015 was $65.5 million and $62.4 million, respectively. The net periodic pension cost was $6.1 million and $6.5 million in 2016 and 2015, respectively.

Postretirement Benefits Other Than Pensions
In addition to pension benefits, SIAMCO provides certain healthcare, dental, vision, and life insurance benefits (postretirement benefits) for retired employees. Employees working for SIAMCO, who are age 55 plus having 10 or more years of service or at least age 65, may become eligible for these benefits. The measurement date for plan obligations is December 31, 2016 and 2015. This plan is not funded.

Life insurance benefits are based on coverage as an active employee and are capped at $100,000. The amount at retirement is based on a reducing annual schedule based on the year of retirement through 2013. The amount is reduced after retirement by 15 percent per year of the original amount in force, bottoming out at the greater of $3,000 or 10 percent of final benefits earnings base. Employees that retire after January 1, 2013 are not eligible for life insurance benefits.

NOTE 10 Benefit Plans (continued)

A summary of obligations, assets and funded status as of December 31, 2016 and 2015 and components of net periodic postretirement benefit cost for the years ended December 31, 2016 and 2015 are shown net of the subsidy effect provided for in the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

The changes in the postretirement benefit obligation are as follows:

December 31 (Millions)	2016	2015
Benefit obligation at beginning of year	**$ 275.3**	$ 282.1
Service cost	**5.6**	5.3
Interest cost	**11.2**	10.5
Actuarial (gain) loss	**4.9**	(11.5)
Benefits paid	**(12.4)**	(11.1)
Benefit obligation at end of year	**$ 284.6**	$ 275.3

The components of net periodic postretirement benefit cost are as follows:

Years ended December 31 (Millions)	2016	2015
Service cost	**$ 5.6**	$ 5.3
Interest cost	**11.2**	10.5
Net periodic postretirement benefit cost prior to amortization of nonvested prior service cost	**16.8**	15.8
Amortization of nonvested prior service cost	**10.9**	10.9
Total net periodic postretirement benefit cost	**$ 27.7**	$ 26.7

The components of the unfunded postretirement benefit obligation recorded in the consolidated statutory financial statements are as follows:

December 31 (Millions)	2016	2015
Retirees	**$ 134.9**	$ 130.5
Eligible active participants	**66.2**	64.3
Nonvested participants	**83.5**	80.5
Recorded unfunded postretirement benefit obligation	**$ 284.6**	$ 275.3

NOTE 10 Benefit Plans (continued)

The assumptions used to determine the benefit obligation are as follows:

Assumptions	2016	2015
Current healthcare cost trend rate	**8.00%**	7.00%
Healthcare cost trend rate graded to	**5.50%**	5.50%
Period healthcare cost trend rate is graded (years)	**10**	10

The assumption for the discount rate is the curve of annual spot rates applied to estimated future payments of the plan. Rates for select years are listed below:

Years from Measurement Date	2016	2015
1	**1.43%**	1.22%
5	**2.60%**	2.49%
10	**3.33%**	3.34%
20	**4.24%**	4.52%

The healthcare cost trend rate assumption has a significant effect on the amounts reported. Increasing the assumed healthcare cost trend rate by one percentage point in each year would increase the postretirement benefit obligation as of December 31, 2016 by $39.3 million and the estimated eligibility cost and interest cost components of net periodic postretirement benefit cost for 2016 by $2.7 million. A decrease of one percentage point would decrease the postretirement benefit obligation by $32.3 million as of December 31, 2016, and the eligibility and interest cost components of net periodic postretirement benefit cost for 2016 by $2.2 million.

Benefit payments, which reflect future service, are expected to be paid in the following fiscal years:

December 31	**Gross Estimated Future Benefits**	**Medicare D Subsidy**	**Net Estimated Future Benefits**
(Millions)			
2017	$ 13.8	$ -	$ 13.8
2018	14.7	-	14.7
2019	15.4	-	15.4
2020	16.2	-	16.2
2021	16.9	-	16.9
Years 2022 – 2026	84.3	-	84.3

Effective January 1, 2014, participating Medicare-eligible retirees and spouses have the option of either participating in the Sentry Group Plan that is eligible for the Retiree Drug Subsidy or to receive monthly subsidies to purchase individual Medicare coverage through an exchange. Beginning January 1, 2015, participating Medicare-eligible retirees and spouses were provided more choices to select an individual Medicare coverage through any carrier of their choice or through an established connector. Additionally, Sentry retirees that retired prior to the year 2000 have the option to continue to participate, along with their spouse, in the Sentry Group Plan. It is Sentry's intent to transition retirees to the individual marketplace.

NOTE 10 Benefit Plans (continued)

The following provides a reconciliation of amounts in unassigned surplus that have not been recognized as components of net periodic postretirement benefit cost as of December 31, 2016:

December 31	2016	2015
(Millions)		
Items not yet recognized as a component of net periodic postretirement benefit cost at beginning of year	**$ 28.9**	$ 51.3
Net prior service cost recognized during period	**(10.9)**	(10.9)
Net (gain) and loss arising during the period	**4.9**	(11.5)
Items not yet recognized as a component of net periodic postretirement benefit cost at end of year	**$ 22.9**	$ 28.9

At December 31, 2016, there were $1.9 million of net recognized gains and $24.8 million of recognized prior service cost in unassigned surplus that have not yet been recognized as components of net periodic pension cost. Prior service cost recognized in unassigned surplus of $10.9 million is expected to be recognized in net periodic postretirement cost in 2017.

Qualified 401(k) Plan
SIAMCO participates in a qualified 401(k) plan. Employees who meet certain eligibility requirements may elect to participate in the 401(k) plan and defer up to 75 percent of their income on a combined pretax, Roth, and after-tax basis subject to certain Internal Revenue Service (IRS) limitations. Based on eligibility, SIAMCO matches 25 to 100 percent of employee contributions up to the first 6 percent of base salary and eligible bonuses deposited by the employee. SIAMCO may also make additional annual discretionary matching contributions based on operating profit. SIAMCO's total contributions to the 401(k) plan were $15.5 million and $14.8 million for 2016 and 2015, respectively. The 401(k) plan offers a guaranteed insurance contract written by SLIC as an investment option.

Other Plans
FMIC sponsored a qualified defined benefit pension plan administered by Massachusetts Mutual Life Insurance Company covering all qualified employees. FMIC amended the plan to freeze all future benefit accruals effective December 31, 2005, with no new participants after this date. The excess benefit obligations over plan assets were $0.9 million and $2.9 million as of December 31, 2016 and 2015, respectively. Effective December 31, 2016, the FMIC Board of Directors approved a resolution to terminate the qualified defined benefit pension plan with a commitment to making the plan's assets sufficient to satisfy all obligations for plan benefits. The settlement of the plan liabilities is not expected to materially impact the financial statements.

FMIC also participated in a contributory 401(k) plan for all full time employees. FMIC made matching contributions of 50 percent of pre-tax employee contributions, up to 4 percent of eligible earnings. FMIC's total contributions to the 401(k) plan were $0.2 million for the years ended December 31, 2016 and 2015. The FMIC Board of Directors approved a resolution to freeze contributions to, and terminate the 401(k) plan, effective December 31, 2016.

NOTE 11 Income Tax

The provision for current federal income tax incurred as reported in the statutory financial statements is as follows:

Years ended December 31	2016	2015
(Millions)		
Federal income tax expense on operations	**$ 63.0**	$ 4.5
Federal income tax on net capital gains and losses	**8.0**	19.4
Current federal income tax expense incurred	**$ 71.0**	$ 23.9

Current federal income tax expense incurred is based upon a consolidated income tax provision for SIAMCO and its subsidiaries and FMIC and its subsidiaries. The provision for current federal income tax is different from that which would be obtained by applying the statutory federal income tax rate to pretax book income, which includes operations and realized gains and losses. The significant items causing this difference are as follows:

Year ended December 31	2016	Effective Rate
(Millions)		
Current federal income tax expense computed at statutory rate	**$ 102.4**	**35.0 %**
Nontaxable interest and dividends	**(23.8)**	**(8.1)%**
Net impact of prior year provision to return difference	**(8.7)**	**(3.0)%**
Credits for holding certain tax credit bonds	**(3.9)**	**(1.3)%**
Amortization of tax goodwill	**(3.5)**	**(1.2)%**
Nondeductible expenses	**0.7**	**0.2 %**
Other	**0.7**	**0.2 %**
Total income tax expense	**$ 63.9**	**21.8 %**

Reconciliation of total income tax expense:

Year ended December 31	2016	Effective Rate
(Millions)		
Current federal income tax expense incurred	**$ 71.0**	**24.2 %**
Change in net deferred income tax	**(7.1)**	**(2.4)%**
Total income tax expense	**$ 63.9**	**21.8 %**

NOTE 11 Income Tax (continued)

Year ended December 31	2015	Effective Rate
(Millions)		
Current federal income tax expense computed at statutory rate	$ 107.9	35.0 %
Nontaxable interest and dividends	(25.5)	(8.3)%
Credits for holding certain tax credit bonds	(3.9)	(1.3)%
Amortization of tax goodwill	(3.5)	(1.1)%
Change in statutory valuation allowance	9.4	3.1 %
Nondeductible expenses	0.6	0.2 %
Net impact of prior year provision to return difference	0.3	0.1 %
Other	0.9	0.3 %
Total income tax expense	$ 86.2	28.0 %

Reconciliation of total income tax expense:

Year ended December 31	2015	Effective Rate
(Millions)		
Current federal income tax expense incurred	$ 23.9	7.8%
Change in net deferred income tax	62.3	20.2%
Total income tax expense	$ 86.2	28.0%

NOTE 11 Income Tax (continued)

The Company records federal deferred income tax assets and liabilities which reflect the financial statement impact of cumulative temporary differences between the tax and financial statement basis of assets and liabilities. There are no temporary differences for which deferred tax liabilities are not recognized. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

December 31	**2016**	2015	**Change**
(Millions)			
Deferred Assets			
Investments			
Bonds	**$ 13.0**	$ 16.9	$ (3.9)
Stocks	**6.9**	14.8	(7.9)
Partnerships	**17.7**	11.2	6.5
Other nonadmitted assets	**68.6**	74.6	(6.0)
Unpaid losses and LAE	**76.2**	76.7	(0.5)
Pension and postretirement benefits	**121.2**	133.5	(12.3)
Unearned premiums	**67.5**	64.2	3.3
Net operating loss carryforward	**14.6**	13.8	0.8
Other liabilities	**48.8**	46.8	2.0
Total deferred tax assets	**434.5**	452.5	(18.0)
Statutory valuation allowance	**(14.5)**	(13.8)	(0.7)
Nonadmitted deferred tax assets	**(12.8)**	(11.1)	(1.7)
Admitted deferred tax assets	**407.2**	427.6	(20.4)
Deferred Liabilities			
Investments			
Bonds	**13.6**	15.6	(2.0)
Stocks	**84.6**	62.1	22.5
Partnerships	**99.2**	99.6	(0.4)
Other assets	**66.6**	71.7	(5.1)
Total deferred tax liabilities	**264.0**	249.0	15.0
Net admitted deferred tax assets	**$ 143.2**	$ 178.6	$ (35.4)

NOTE 11 Income Tax (continued)

Statutory accounting requires the reduction of deferred tax assets by a statutory valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. For SIAMCO and its subsidiaries, management's assessment is that it is more likely than not that gross deferred tax assets will be realized. FMIC and its subsidiaries have recorded a valuation allowance for 2016 and 2015 of $14.5 million and $13.8 million, respectively, to recognize only the portion of the deferred tax asset that in management's opinion is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income are reduced or increased

The net deferred tax assets and deferred tax liabilities are comprised of the following components:

December 31	**2016**			**2015**			**Change**		
(Millions)	**Ordinary**	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Total gross deferred tax assets	**$ 396.9**	**$ 37.6**	**$ 434.5**	$ 412.6	$ 39.9	$ 452.5	$ (15.7)	$ (2.3)	$ (18.0)
Statutory valuation allowance adjustment	**(14.5)**	**-**	**(14.5)**	(13.8)	-	(13.8)	(0.7)	-	(0.7)
Adjusted gross deferred tax assets	**382.4**	**37.6**	**420.0**	398.8	39.9	438.7	(16.4)	(2.3)	(18.7)
Deferred tax assets nonadmitted	**(12.8)**	**-**	**(12.8)**	(11.1)	-	(11.1)	(1.7)	-	(1.7)
Subtotal – net admitted deferred tax asset	**369.6**	**37.6**	**407.2**	387.7	39.9	427.6	(18.1)	(2.3)	(20.4)
Deferred tax liabilities	**226.4**	**37.6**	**264.0**	208.6	40.4	249.0	17.8	(2.8)	15.0
Net admitted deferred tax assets (net deferred tax liability)	**$ 143.2**	**$ -**	**$ 143.2**	$ 179.1	$ (0.5)	$ 178.6	$ (35.9)	$ 0.5	$ (35.4)

NOTE 11 Income Tax (continued)

The amount of admitted adjusted gross deferred tax assets admitted under each component of SSAP No. 101 – *Income Taxes* is as follows:

December 31	2016			2015			Change		
(Millions)	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	**$ 146.3**	**$ 37.6**	**$ 183.9**	$ 151.2	$ 39.9	$ 191.1	$ (4.9)	$ (2.3)	$ (7.2)
Adjusted gross deferred tax assets expected to be realized (excluding federal income taxes recoverable above) after application of threshold limitation	**97.1**	**-**	**97.1**	102.6	-	102.6	(5.5)	-	(5.5)
Adjusted gross deferred tax assets offset by gross deferred tax liabilities	**126.2**	**-**	**126.2**	133.9	-	133.9	(7.7)	-	(7.7)
Deferred tax assets admitted as a result of application of SSAP No. 101	**$ 369.6**	**$ 37.6**	**$ 407.2**	$ 387.7	$ 39.9	$ 427.6	$ (18.1)	$ (2.3)	$ (20.4)

SIAMCO and its insurance subsidiaries and affiliates maintain risk-based capital in excess of the 300% required for recognition of deferred tax assets to the maximum extent allowed.

The Company has determined that the impact of tax planning strategies on the adjusted gross and net admitted deferred tax assets is as follows:

	2016			2015			Change		
December 31, 2016	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Adjusted gross deferred tax assets (percent of total adjusted gross deferred tax assets)	**- %**	**100%**	**100%**	- %	100%	100%	- %	- %	- %
Net admitted adjusted gross deferred tax assets (percent of total net admitted adjusted gross deferred tax assets)	**- %**	**100%**	**100%**	- %	100%	100%	- %	- %	- %

The Company's tax planning strategies do not include the use of reinsurance.

NOTE 11 Income Tax (continued)

The change in net deferred income tax is comprised of the following:

December 31	2016	2015	Change
(Millions)			
Gross deferred tax assets	**$ 420.0**	$ 438.7	$ (18.7)
Gross deferred tax liabilities	**(264.0)**	(249.0)	(15.0)
Net deferred tax asset	**$ 156.0**	$ 189.7	(33.7)
Tax effect of surplus items:			
Unrealized gains (losses)			36.6
Deferred income tax			2.9
Pension and post-retirement benefits			12.3
Other capital items			(11.1)
Nonadmitted assets			6.0
Other			(3.0)
Change in net deferred income tax			$ 7.1

As of December 31, 2016, SIAMCO and its subsidiaries have no net operating loss carryforwards, no capital loss carryforwards, and no alternative minimum tax credit carryforwards. As of December 31, 2016, Florists had $42.8 million in net operating loss carryforwards that expire 2030 through 2034. SIAMCO and its subsidiaries incurred federal income tax of $82.4 million and $91.2 million for the tax years of 2016 and 2015, respectively. SLIC, SLONY, and PCAC incurred federal income tax of $0.3 million for the tax year of 2014. These amounts will be available for recoupment in the event of future net losses.

The Company's federal income tax returns are routinely audited by the IRS. Federal income tax returns of SIAMCO and its subsidiaries have been examined by the IRS through 2010. Tax years 2005-2007 were resolved by a Tax Court decision in 2015 with $0 net tax due. Tax years 2008-2010 were resolved by IRS Appeals with $0 tax due. Accruals for possible payment by SIAMCO and its subsidiaries for years 2005-2010 were adjusted in 2015. Tax years 2013-2015 remain open for the Company.

The following entities participate in SIAMCO's consolidated federal income tax return allocation agreement and the filing of a consolidated federal income tax return:

- Anchor Managing General Agency, Inc.
- Dairyland Insurance Company
- Middlesex Insurance Company
- Parker Centennial Assurance Company
- Patriot General Insurance Company
- Peak Property and Casualty Insurance Corporation
- Productivity Advantage, Inc.
- Sentry Aviation Services, Inc.
- Sentry Casualty Company
- Sentry Equity Services, Inc.
- Sentry Insurance a Mutual Company
- Sentry Insurance Holding Company, Inc.
- Sentry Life Insurance Company
- Sentry Life Insurance Company of New York
- Sentry Select Insurance Company
- Viking Insurance Company of Wisconsin
- WAULECO, Inc.

Florists' Insurance Company and Florists' Insurance Service, Inc. participate in FMIC's consolidated federal income tax return allocation agreement and the filing of a consolidated federal income tax return.

The method of allocation between SIAMCO and its subsidiaries and FMIC and its subsidiaries are subject to written agreements, approved separately by SIAMCO's and FMIC's board of directors. Allocation under both agreements is based on separate return calculations with current credit for net losses. Intercompany tax balances between SIAMCO and its subsidiaries and FMIC and its subsidiaries are settled quarterly. Under both agreements, a final settlement is made within 90 days after filing the federal income tax return.

NOTE 12 Commitments, Contingencies, Related-Party Transactions, and Subsequent Events

SIAMCO and its property and casualty insurance subsidiaries and affiliates have purchased structured settlement annuities from nonaffiliated insurance companies in settlement of claims liabilities. The claimant is the payee under these annuities, but SIAMCO and its subsidiaries and affiliates are contingently liable if the nonaffiliated insurance companies cannot meet their obligations under the annuities. The estimated contingent liability is less than $25 million as of December 31, 2016.

As disclosed in Note 3, the Company has $662.3 million of partnership commitments as of December 31, 2016.

In the normal course of business, there are various legal actions and proceedings pending against the Company. In the opinion of management, the ultimate resolution of these matters will not have a material adverse impact on the Company's consolidated statutory financial statements.

Premiums receivable, totaling $177.4 million and $183.8 million as of December 31, 2016 and 2015, respectively, were accrued as written under certain commercial property and casualty retrospectively rated policies. To minimize credit risk, the Company continually monitors the financial condition of these commercial risks and in certain circumstances requires collateral in the form of letters of credit, cash deposits, trusts, or bonds. Approximately 52 percent and 49 percent of the receivable balances in 2016 and 2015, respectively, were collateralized by letters of credit, cash deposits, trusts, or bonds. Net written premiums for these contracts were $111.3 million and $108.7 million for the years ended December 31, 2016 and 2015, respectively. These represent 6 percent of total net written premiums in 2016 and 2015.

Allowances for uncollectable premium balances totaled $19.0 million and $16.9 million as of December 31, 2016 and 2015, respectively. Premiums receivable on other than retrospectively rated policies totaled $602.8 million and $555.2 million as of December 31, 2016 and 2015, respectively. Of those amounts, $1.4 and $2.6 million was nonadmitted as of December 31, 2016 and 2015, respectively.

State guaranty funds can assess the Company for losses of insolvent or rehabilitated companies. Mandatory assessments may be partially recovered through a reduction in future premium tax in some states. The Company is also subject to mandatory assessments for second injury funds in those states where workers' compensation business is written. The Company records a liability that estimates the ultimate loss from these assessments. The liability for guaranty fund assessment was $4.9 million as of December 31, 2016 and 2015.

Dividends paid to SIAMCO and FMIC from their insurance subsidiaries, respectively, may be limited by regulatory requirements.

Included in the 2016 and 2015 operating expenses are the Company's $2.0 million and $2.1 million donations to the Sentry Foundation. All other material related-party transactions are eliminated in consolidation.

FMIC is a member of the Federal Home Loan Bank of Chicago (FHLB) and has outstanding notes payable of $4.0 million as of December 31, 2016. The principal balance is due at maturity on June 15, 2017. Interest is due monthly and accrues at a rate of 0.96%. During 2016, FMIC recorded interest payments of $39 thousand. FMIC holds $0.1 million of FHLB Class B capital stock, of which none is available for redemption as of December 31, 2016. Collateral with a carrying value of $4.3 million was pledged to FHLB at December 31, 2016.

On January 4, 2016, FMIC issued a surplus note to SIAMCO in the amount of $7.0 million with an interest rate equal to LIBOR plus 3.5% per annum and a maturity date of December 31, 2034. On February 16, 2016, FMIC paid cash of $7.1 million to Cede & Company – Dekania CDP II, Ltd. to retire the $7.0 million surplus note issued in 2004. An interest payment of $0.1 million was made during 2016.

Management of the Company has determined that there is no justification for substantial doubt regarding the entity's ability to continue as a going concern.

The Company evaluated subsequent events through March 1, 2017, the date the accompanying financial statements were available to be issued. No significant subsequent events were identified.

NOTE 13 Reconciliation of Property and Casualty Combined Annual Statement to Accompanying Consolidated Statutory Financial Statements

The following is a reconciliation of the Combined Annual Statement of Sentry Insurance a Mutual Company and its Affiliated Property and Casualty Insurers (Combined P&C) to the Consolidated Statutory Financial Statements incorporated herein (Consolidated):

At and for the year ended December 31, 2016	Combined P&C	Life and Health	Eliminations and Other	Consolidated
Total assets (billions)	**$ 9.9**	**$ 6.3**	**$ (0.4)**	**$ 15.8**
Surplus (billions)	**4.8**	**0.3**	**(0.3)**	**4.8**
Total revenues (billions)	**2.3**	**0.9**	**(0.1)**	**3.1**
Net income (millions)	**225.2**	**22.9**	**(26.4)**	**221.7**

At and for the year ended December 31, 2015	Combined P&C	Life and Health	Eliminations and Other	Consolidated
Total assets (billions)	$ 9.4	$ 5.7	$ (0.4)	$ 14.7
Surplus (billions)	4.4	0.3	(0.3)	4.4
Total revenues (billions)	2.2	0.8	(0.1)	2.9
Net income (millions)	296.2	15.1	(27.0)	284.3

Life and Health includes the balances of SLIC, SLONY, and PCAC. Eliminations and Other primarily relates to the elimination of SIAMCO's ownership of the Life and Health companies and intercompany dividends.

KPMG LLP
Suite 1050
833 East Michigan Street
Milwaukee, WI 53202-5337

Independent Auditors’ Report on Supplementary Information

The Board of Directors
Sentry Insurance a Mutual Company and Subsidiaries and Affiliates:

We have audited the consolidated financial statements, prepared in accordance with accounting practices prescribed or permitted by the insurance departments of the states in which Sentry Insurance a Mutual Company (SIAMCO) and its subsidiaries and affiliates are domiciled, of SIAMCO and its subsidiaries and affiliates as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated March 1, 2017 which contained an adverse opinion on the basis of U.S. generally accepted accounting principles and an unmodified opinion on the statutory basis of accounting described in note 1 to those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule and property and casualty consolidating schedule are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements but are supplementary information required by insurance departments of the states in which SIAMCO and its subsidiaries and affiliates are domiciled. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Milwaukee, Wisconsin
March 1, 2017

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Assets
December 31, 2016
(Millions)

				Reclassification and Elimination Entries		
Assets	Property & Casualty	Life & Health	Total	Debits	Credits	Consolidated
Cash and Investments						
Bonds	$ 6,061.0	2,737.8	8,798.8	-	-	$ 8,798.8
Common stocks	1,479.8	-	1,479.9	-	309.5 [a]	1,170.4
Company occupied properties	44.3	-	44.3	-	-	44.3
Policy loans	-	12.6	12.6	-	-	12.6
Cash and short-term investments	8.5	13.2	21.7	-	-	21.7
Partnerships	1,150.5	-	1,150.5	-	-	1,150.5
Other	13.9	-	13.8	-	-	13.8
Total cash and investments	8,758.0	2,763.6	11,521.6	-	309.5	11,212.1
Receivables						
Insurance premiums and reinsurance	789.9	7.1	797.0	-	-	797.0
Interest and dividends	62.0	40.1	102.1	-	-	102.1
Federal income tax recoverable	18.6	-	18.6	-	1.7 [b]	16.9
Due from affiliates	10.7	-	10.7	-	10.7 [c]	-
Other	1.3	1.0	2.3	-	-	2.3
Goodwill	-	-	-	-	-	-
EDP equipment and operating software	10.9	-	10.9	-	-	10.9
Other assets	65.1	0.4	65.5	-	-	65.5
Net deferred tax asset	134.1	9.1	143.2	-	-	143.2
Separate account assets	-	3,436.8	3,436.8	-	-	3,436.8
Total assets	$ 9,850.6	6,258.1	16,108.7	-	321.9	$ 15,786.8

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries and affiliates.
[b] Reclassification of federal income tax recoverable/payable.
[c] Elimination of intercompany receivables and payables.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Liabilities and Policyholders' Surplus
December 31, 2016
(Millions)

				Reclassification and Elimination Entries		
Liabilities	Property & Casualty	Life & Health	Total	Debits	Credits	Consolidated
Property and casualty losses and loss expenses	$ 3,160.6	-	3,160.6	86.9 [d]	-	$ 3,073.7
Life and other future policy benefits	-	2,462.2	2,462.2	-	-	2,462.2
Accident and health unpaid claims and claim expenses	-	8.7	8.6	-	86.9 [d]	95.5
Unearned premiums	951.5	9.1	960.7	-	-	960.7
Other policyholder funds	12.1	0.6	12.8	-	-	12.8
Accounts payable and accrued expenses	772.9	4.2	777.1	-	-	777.1
Federal income tax payable	0.3	1.4	1.7	1.7 [b]	-	-
Other liabilities	200.3	20.7	220.9	3.4 [c]	-	217.5
Due to affiliates	1.1	6.2	7.3	7.3 [c]	-	-
Separate account liabilities	-	3,435.5	3,435.5	-	-	3,435.5
Total liabilities	5,098.8	5,948.6	11,047.4	99.3	86.9	11,035.0
Policyholders' Surplus						
Common stock	-	5.7	5.7	5.7 [a]	-	-
Paid-in capital	-	82.5	82.5	82.5 [a]	-	-
Unassigned surplus	4,751.8	221.3	4,973.1	221.3 [a]	-	4,751.8
Total policyholders' surplus	4,751.8	309.5	5,061.3	309.5	-	4,751.8
Total liabilities and policyholders' surplus	$ 9,850.6	6,258.1	16,108.7	408.8	86.9	$ 15,786.8

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries and affiliates.
[b] Reclassification of federal income tax recoverable/payable.
[c] Elimination of intercompany receivables and payables.
[d] Reporting reclassification entries.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See independent auditors' report on consolidating information.

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Statement of Operations
December 31, 2016
(Millions)

	Property & Casualty	Life & Health	Total	Reclassification and Elimination Entries: Debits	Reclassification and Elimination Entries: Credits	Consolidated
Revenues						
Premiums earned	$ 1,965.8	732.4	2,698.1	104.3 [a]	-	$ 2,593.8
Net investment income	350.7	148.8	499.5	26.4 [b]	-	473.1
Total revenues	2,316.5	881.2	3,197.6	130.7	-	3,066.9
Expenses						
Insurance claims and policyholders' benefits	1,458.8	797.2	2,256.0	-	104.3 [a]	2,151.7
Operating expenses	567.1	49.6	616.6	-	-	616.6
Total expenses	2,025.9	846.8	2,872.6	-	104.3	2,768.3
Income before net realized gains	290.6	34.4	325.0	130.7	104.3	298.6
Net realized gains (losses), net of tax	(12.4)	(1.5)	(13.9)	-	-	(13.9)
Income from operations before income tax	278.2	32.9	311.1	130.7	104.3	284.7
Income tax expense	53.0	10.0	63.0	-	-	63.0
Net income	$ 225.2	22.9	248.1	130.7	104.3	$ 221.7

Reclassifications and Eliminations:
[a] Reporting reclassification entries.
[b] Elimination of intercompany dividends and interest.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See independent auditors' report on consolidating information.

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Changes in Policyholders' Surplus
December 31, 2016
(Millions)

	Property & Casualty	Life & Health	Total	Reclassification and Elimination Entries: Debits		Reclassification and Elimination Entries: Credits		Consolidated
Balance January 1	$ 4,440.5	315.0	4,755.6	315.0	[a]	-		$ 4,440.5
Net income	225.2	22.9	248.1	130.7		104.3		221.7
Change in unrealized capital gains (losses)	63.4	-	63.4	3.0	[c]	7.6	[a],[c]	68.0
Change in nonadmitted assets	11.3	-	11.3	1.7	[c]	3.0	[c]	12.6
Deferred income tax	2.8	0.1	2.9	-		-		2.9
Dividends to stockholders	-	(26.0)	(26.0)	-		26.0	[b]	-
Postretirement benefit plans and other surplus changes	8.5	(2.5)	6.0	0.3	[c]	0.4	[b]	6.1
Net change in policyholders' surplus	311.3	(5.5)	305.7	135.7		141.3		311.3
Balance December 31	$ 4,751.8	309.5	5,061.3	450.7		141.3		$ 4,751.8

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries and affiliates.
[b] Elimination of intercompany dividends and interest.
[c] Reporting reclassification entries.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See independent auditors' report on consolidating information.

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Statement of Cash Flow
December 31, 2016
(Millions)

	Property & Casualty	Life & Health	Total	Reclassification and Elimination Entries: Debits	Reclassification and Elimination Entries: Credits	Consolidated
Operating activities						
Net premiums received	$ 1,969.8	712.7	2,682.5	-	55.0 [a]	$ 2,627.5
Net investment income received	358.4	148.2	506.6	-	2.2 [b]	504.4
Claims and policy benefits paid	(1,078.6)	(656.0)	(1,734.6)	-	-	(1,734.6)
Operating expenses paid	(719.8)	(28.0)	(747.8)	-	-	(747.8)
Income taxes paid	(68.8)	(13.7)	(82.5)	-	-	(82.5)
Net cash provided by operating activities	461.0	163.2	624.2	-	57.2	567.0
Investing activities						
Sales of:						
Bonds	889.0	185.0	1,074.0	-	-	1,074.0
Stocks	145.5	-	145.5	-	-	145.5
Partnerships	157.3	-	157.3	-	-	157.3
Other	29.8	0.4	30.2	-	-	30.2
Purchases of:						
Bonds	(1,276.2)	(345.5)	(1,621.7)	-	-	(1,621.7)
Stocks	(172.4)	-	(172.4)	-	-	(172.4)
Partnerships	(233.9)	-	(233.9)	-	-	(233.9)
Net cash utilized in investing activities	(460.9)	(160.1)	(621.0)	-	-	(621.0)
Other cash provided (applied)	(75.0)	(0.5)	(75.5)	57.2 [a],[b]	-	(18.3)
Change in cash and short-term investments	(74.9)	2.6	(72.3)	57.2	57.2	(72.3)
Balance January 1	83.4	10.6	94.0	-	-	94.0
Balance December 31	$ 8.5	13.2	21.7	57.2	57.2	$ 21.7

Reclassifications and Eliminations:
[a] Elimination of intercompany pension deposits.
[b] Elimination of intercompany dividends.

All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See independent auditors' report on consolidating information.

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Assets
December 31, 2016
(Millions)

Assets	Sentry Insurance a Mutual Company	Dairyland Insurance Company	Dairyland County Mutual Insurance Company of Texas	Florists' Mututal Insurance Company	Florists' Insurance Company	Middlesex Insurance Company	Patriot General Insurance Company	Sentry Lloyds of Texas	Sentry Select Insurance Company	Sentry Casualty Company	Viking Insurance Company of Wisconsin	Peak Property and Casualty Insurance Corporation	Total	Reclassification and Elimination Entries: Debits	Reclassification and Elimination Entries: Credits	Consolidated Property and Casualty
Cash and Investments																
Bonds	$ 3,188.9	1,005.8	12.2	86.3	4.7	551.8	24.4	6.5	566.7	262.4	313.8	37.5	6,061.0	-	-	$ 6,061.0
Common stocks	2,685.3	4.8	-	5.8	-	25.2	-	-	0.1	-	28.0	-	2,749.2	-	1,269.4 [a]	1,479.8
Company occupied properties	36.4	-	-	5.8	-	-	-	-	-	-	2.1	-	44.3	-	-	44.3
Cash and short-term investments	(35.5)	8.3	1.3	1.6	0.3	9.3	0.7	1.0	10.1	4.6	4.7	2.1	8.5	-	-	8.5
Partnerships	1,076.5	86.5	-	-	-	25.9	-	-	25.0	-	-	-	1,213.8	-	63.3 [b],[c]	1,150.5
Other	11.6	-	-	2.3	-	-	-	-	-	-	-	-	13.9	-		13.9
Total cash and investments	6,963.2	1,105.4 X	13.5	101.8	5.0	612.2	25.1	7.5	601.9	267.0	348.6	39.6	10,090.7	-	1,332.7	8,758.0
Receivables																
Insurance premiums and reinsurance	429.6	135.8	-	15.2	0.8	81.7	0.3	-	80.1	20.0	39.0	6.6	809.1	-	19.2 [d]	789.9
Interest and dividends	31.6	10.3	0.2	0.7	-	5.6	0.3	-	6.3	2.6	3.9	0.5	62.0	-	-	62.0
Federal income tax recoverable	17.6	-	-	0.1	-	0.5	-	-	-	-	0.1	0.3	18.6	-	-	18.6
Due from affiliates	15.1	-	-	2.1	0.2	-	-	-	2.0	1.8	-	-	21.2	-	10.5 [e]	10.7
Other	0.7	0.2	-	-	-	0.1	-	-	0.2	-	0.1	-	1.3	-		1.3
EDP equipment and operating software	10.9	-	-	-	-	-	-	-	-	-	-	-	10.9	-	-	10.9
Other assets	40.4	8.2	-	1.4	-	6.0	-	-	5.0	1.7	2.3	-	65.1	-	-	65.1
Net deferred tax asset	78.2	12.9	-	2.4	-	11.6	-	-	11.5	3.1	14.9	-	134.6	-	0.5 [f]	134.1
Total assets	$ 7,587.3	1,272.8	13.7	123.7	6.0	717.7	25.7	7.5	707.0	296.2	408.9	47.0	11,213.5	-	1,362.9	$ 9,850.6

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries.
[b] Elimination of intercompany surplus notes.
[c] Elimination of intercompany loan.
[d] Elimination of intercompany reinsurance balances.
[e] Elimination of intercompany receivables and payables.
[f] Reclassification of net deferred tax asset/liability.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See Independent auditors' report on consolidating information.

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Liabilities and Policyholders' Surplus
December 31, 2016
(Millions)

Liabilities	Sentry Insurance a Mutual Company	Dairyland Insurance Company	Dairyland County Mutual Insurance Company of Texas	Florists' Mututal Insurance Company	Florists' Insurance Company	Middlesex Insurance Company	Patriot General Insurance Company	Sentry Lloyds of Texas	Sentry Select Insurance Company	Sentry Casualty Company	Viking Insurance Company of Wisconsin	Peak Property and Casualty Insurance Corporation	Total	Reclassification and Elimination Entries: Debits	Reclassification and Elimination Entries: Credits	Consolidated Property and Casualty
Property and casualty losses and loss expenses	$ 1,715.9	554.0	-	32.8	0.3	316.6	-	-	316.6	79.1	158.2	-	3,173.5	12.9 [d]	-	$ 3,160.6
Unearned premiums	513.8	166.5	-	9.5	-	95.1	-	-	95.2	23.8	47.6	-	951.5	-	-	951.5
Other policyholder funds	6.6	2.1	-	0.1	-	1.2	-	-	1.2	0.3	0.6	-	12.1	-	-	12.1
Accounts payable and accrued expenses	441.2	71.0	0.7	4.6	-	48.3	0.1	0.4	59.9	120.4	22.9	3.3	772.9	-	-	772.9
Federal income tax payable	-	0.3	-	-	-	-	-	-	-	-	-	-	0.3	-	-	0.3
Net deferred tax liability	-	-	-	-	-	-	0.3	-	-	-	-	0.2	0.5	0.5 [f]	-	-
Other liabilities	179.1	2.3	0.1	54.0	-	8.2	-	-	2.7	0.8	1.2	3.5	251.9	51.6 [c],[d]	-	200.3
Due to affiliates	7.2	1.2	0.4	-	-	1.5	0.1	-	-	-	0.2	1.0	11.6	10.5 [e]	-	1.1
Total liabilities	2,863.8	797.4	1.2	101.0	0.3	470.9	0.5	0.4	475.6	224.4	230.7	8.0	5,174.3	75.5	-	5,098.8
	2,863.8	797.4	1.1	101.0	0.4	470.9	0.5	0.5	475.6	224.4	230.7	8.0				
Policyholders' Surplus																
Common stock	-	4.0	-	-	1.5	4.2	4.0	-	5.0	4.7	3.0	3.0	29.4	29.4 [a]	-	-
Paid-in capital	-	12.5	-	-	1.9	11.9	4.5	0.2	26.9	31.4	149.4	3.5	242.0	242.0 [a]	-	-
Guaranty funds	-	-	-	-	-	-	-	1.9	-	-	-	-	1.9	1.9 [a]	-	-
Surplus notes	-	-	-	7.0	-	-	-	-	-	-	-	11.0	18.0	18.0 [b]	-	-
Unassigned surplus	4,723.5	458.9	12.5	15.7	2.3	230.7	16.7	5.0	199.5	35.7	25.8	21.5	5,747.9	996.1 [a]	-	4,751.8
Total policyholders' surplus	4,723.5	475.4	12.5	22.7	5.7	246.8	25.2	7.1	231.4	71.8	178.2	39.0	6,039.2	1,287.4	-	4,751.8
Total liabilities and policyholders' surplus	$ 7,587.3	1,272.8	13.7	123.7	6.0	717.7	25.7	7.5	707.0	296.2	408.9	47.0	11,213.5	1,362.9	-	$ 9,850.6

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries.
[b] Elimination of intercompany surplus notes.
[c] Elimination of intercompany loan.
[d] Elimination of intercompany reinsurance balances.
[e] Elimination of intercompany receivables and payables.
[f] Reclassification of net deferred tax asset/liability.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See Independent auditors' report on consolidating information.

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Statement of Operations
December 31, 2016
(Millions)

	Sentry Insurance a Mutual Company	Dairyland Insurance Company	Dairyland County Mutual Insurance Company of Texas	Florists' Mututal Insurance Company	Florists' Insurance Company	Middlesex Insurance Company	Patriot General Insurance Company	Sentry Lloyds of Texas	Sentry Select Insurance Company	Sentry Casualty Company	Viking Insurance Company of Wisconsin	Peak Property and Casualty Insurance Corporation	Total	Reclassification and Elimination Entries: Debits	Reclassification and Elimination Entries: Credits	Consolidated Property and Casualty
Revenues																
Premiums earned	$ 1,061.5	344.0	-	19.7	-	196.6	-	-	196.6	49.1	98.3	-	1,965.8	-	-	$ 1,965.8
Net investment income	317.7	41.9	0.4	1.4	0.2	21.2	0.8	0.1	21.9	8.4	12.2	0.5	426.7	76.0 [a]	-	350.7
Total revenues	1,379.2	385.9	0.4	21.1	0.2	217.8	0.8	0.1	218.5	57.5	110.5	0.5	2,392.5	76.0	-	2,316.5
Expenses																
Insurance claims and policyholders' benefits	787.7	255.3	-	14.6	-	145.9	-	-	145.9	36.5	72.9	-	1,458.8	-	-	1,458.8
Operating expenses	306.0	99.2	0.5	5.7	-	56.7	-	-	56.6	14.1	28.3	-	567.1	-	-	567.1
Total expenses	1,093.7	354.5	0.5	20.3	-	202.6	-	-	202.5	50.6	101.2	-	2,025.9	-	-	2,025.9
Income (loss) before net realized gains (losses)	285.5	31.4	(0.1)	0.8	0.2	15.2	0.8	0.1	16.0	6.9	9.3	0.5	366.6	76.0	-	290.6
Net realized gains (losses), net of tax	(10.3)	(0.9)	0.1	0.3	-	(0.3)	-	-	(0.4)	(0.6)	(0.3)	-	(12.4)	-	-	(12.4)
Income from operations before income tax	275.2	30.5	-	1.1	0.2	14.9	0.8	0.1	15.6	6.3	9.0	0.5	354.2	76.0	-	278.2
Income tax expense	37.1	6.4	-	(0.3)	0.1	2.7	0.1	-	4.0	1.7	1.2	-	53.0	-	-	53.0
Net income	$ 238.1	24.1	-	1.4	0.1	12.2	0.7	0.1	11.6	4.6	7.8	0.5	301.2	76.0	-	$ 225.2

Reclassifications and Eliminations:
[a] Elimination of intercompany dividends.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See Independent auditors' report on consolidating information.

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Changes in Policyholders' Surplus
December 31, 2016
(Millions)

	Sentry Insurance a Mutual Company	Dairyland Insurance Company	Dairyland County Mutual Insurance Company of Texas	Florists' Mutual Insurance Company	Florists' Insurance Company	Middlesex Insurance Company	Patriot General Insurance Company	Sentry Lloyds of Texas	Sentry Select Insurance Company	Sentry Casualty Company	Viking Insurance Company of Wisconsin	Peak Property and Casualty Insurance Corporation	Total	Reclassification and Elimination Entries: Debits	Reclassification and Elimination Entries: Credits	Consolidated Property and Casualty
Common stock:																
Balance at beginning of year	$ -	4.0	-	-	1.5	4.2	4.0	-	5.0	4.7	3.0	3.0	29.4	29.4 [a]	-	$ -
Sale of common stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of year	-	4.0	-	-	1.5	4.2	4.0	-	5.0	4.7	3.0	3.0	29.4	29.4	-	-
Paid-in capital:																
Balance at beginning of year	-	12.5	-	-	1.9	12.0	4.5	0.2	26.9	31.4	149.3	3.4	242.0	242.0 [a]	-	-
Capital contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of year	-	12.5	-	-	1.9	12.0	4.5	0.2	26.9	31.4	149.3	3.4	242.0	242.0	-	-
Guaranty funds:																
Balance at beginning of year	-	-	-	-	-	-	-	1.9	-	-	-	-	1.9	1.9 [a]	-	-
Additional contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of year	-	-	-	-	-	-	-	1.9	-	-	-	-	1.9	1.9	-	-
Surplus notes:																
Balance at beginning of year	-	-	-	7.0	-	-	-	-	-	-	-	11.0	18.0	11.0 [b]	-	7.0
Change in notes	-	-	-	-	-	-	-	-	-	-	-	-	-	7.0		(7.0)
Balance at end of year	-	-	-	7.0	-	-	-	-	-	-	-	11.0	18.0	18.0	-	-
Unassigned surplus:																
Balance at beginning of year	4,404.3	465.5	12.6	16.7	2.7	233.7	16.5	4.9	200.1	35.8	27.3	21.5	5,441.6	1,008.1 [a]	-	4,433.5
Net income	238.1	24.1	-	1.4	0.1	12.2	0.7	0.1	11.6	4.6	7.8	0.5	301.2	76.0		225.2
Change in net unrealized capital gains (losses)	52.6	0.3	-	(1.5)	-	-	-	-	0.2	-	(0.1)	-	51.5	-	11.9 [a]	63.4
Change in nonadmitted assets	12.0	0.4	(0.1)	0.1	-	(0.3)	-	-	-	-	(0.7)	-	11.3	-		11.3
Deferred income tax	0.6	1.1	-	(0.2)	-	0.5	-	-	0.4	0.3	-	-	2.8	-	-	2.8
Dividends to stockholders	-	(32.5)	-	-	(0.5)	(15.5)	(0.5)	-	(13.0)	(5.0)	(8.5)	(0.5)	(76.0)	-	76.0 [c]	-
Postretirement benefit plans and other surplus changes	15.9	-	-	(0.8)	-	-	-	-	0.2	-	0.1	0.1	15.5	-	-	15.5
Net change in unassigned surplus	319.2	(6.6)	(0.1)	(1.0)	(0.4)	(3.1)	0.2	0.1	(0.6)	(0.1)	(1.4)	0.1	306.3	76.0	87.9	318.3
Balance at end of year	4,723.5	458.9	12.5	15.7	2.3	230.6	16.7	5.0	199.5	35.7	25.9	21.6	5,747.9	1,084.1	87.9	4,751.8
Total policyholders' surplus at end of year	$ 4,723.5	475.4	12.5	22.7	5.7	246.8	25.2	7.1	231.4	71.8	178.2	39.0	6,039.2	1,375.4	87.9	$ 4,751.8

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries.
[b] Elimination of intercompany surplus note.
[c] Elimination of intercompany dividends.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See Independent auditors' report on consolidating information.

SENTRY INSURANCE A MUTUAL COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Statement of Cash Flow
December 31, 2016
(Millions)

	Sentry Insurance a Mutual Company	Dairyland Insurance Company	Dairyland County Mutual Insurance Company of Texas	Florists' Mutual Insurance Company	Florists' Insurance Company	Middlesex Insurance Company	Patriot General Insurance Company	Sentry Lloyds of Texas	Sentry Select Insurance Company	Sentry Casualty Company	Viking Insurance Company of Wisconsin	Peak Property and Casualty Insurance Corporation	Total	Reclassification and Elimination Entries: Debits	Reclassification and Elimination Entries: Credits	Consolidated Property and Casualty
Operating activities																
Net premiums received	$ 1,058.3	347.0	0.1	18.6	(0.2)	197.2	(0.1)	-	198.7	49.6	99.6	0.9	1,969.8	-	-	$ 1,969.8
Net investment income received	239.4	47.0	0.5	1.4	0.2	23.8	1.0	0.1	25.2	10.3	14.5	0.8	364.1	-	5.7 [a]	358.4
Claims and policy benefits paid	(581.6)	(189.0)	-	(11.3)	-	(109.0)	0.1	-	(107.9)	(25.5)	(53.4)	(1.1)	(1,078.6)	-	-	(1,078.6)
Operating expenses paid	(352.1)	(139.8)	(0.5)	(7.7)	-	(79.8)	-	0.1	(79.9)	(20.0)	(40.0)	-	(719.8)	-	-	(719.8)
Income taxes recovered (paid)	(42.1)	(10.6)	-	-	-	(5.2)	(0.2)	-	(6.0)	(2.3)	(2.4)	-	(68.8)	-	-	(68.8)
Net cash provided by operating activities	321.9	54.6	0.1	1.0	-	27.0	0.8	0.2	30.1	12.1	18.3	0.6	466.7	-	5.7	461.0
Investing activities																
Sales of:																
Bonds	508.7	138.8	3.5	9.4	0.5	80.7	4.0	3.0	73.1	24.3	41.3	6.2	893.7	-	4.7 [b]	889.0
Stocks	144.6	0.5	-	0.1	-	0.1	-	-	0.1	-	-	-	145.5	-	-	145.5
Partnerships	147.9	6.4	-	-	-	1.5	-	-	1.5	-	-	-	157.3	-	-	157.3
Other	4.8	5.6	-	1.1	-	6.9	-	0.5	6.3	2.9	1.7	-	29.8	-	-	29.8
Purchases of:																
Bonds	(695.1)	(220.7)	(3.4)	(16.0)	(0.2)	(110.5)	(4.0)	(3.5)	(105.1)	(54.8)	(62.1)	(5.5)	(1,280.9)	4.7 [b]	-	(1,276.2)
Stocks	(171.0)	(0.6)	-	(0.6)	-	(0.1)	-	-	(0.1)	-	-	-	(172.4)	-	-	(172.4)
Partnerships	(238.6)	(1.0)	-	-	-	(0.7)	-	-	(0.7)	-	-	-	(240.9)	7.0 [c]	-	(233.9)
Net cash provided (utilized) by investing activities	(298.7)	(71.0)	0.1	(6.0)	0.3	(22.1)	-	-	(24.9)	(27.6)	(19.1)	0.7	(467.9)	11.7	4.7	(460.9)
Other cash provided (applied)	(88.0)	1.5	0.1	(4.2)	(0.2)	0.9	(0.6)	-	2.5	16.0	(1.2)	(0.3)	(73.7)	(1.3) [a],[c]	-	(75.0)
Net change in cash and short-term investments	(64.8)	(14.9)	0.4	(9.2)	0.1	5.8	0.2	0.2	7.7	0.5	(2.0)	1.0	(74.9)	10.4	10.4	(74.9)
Balance January 1	29.3	23.2	1.0	10.8	0.2	3.5	0.5	0.8	2.4	4.1	6.7	1.1	83.4	-	-	83.4
Balance December 31	$ (35.5)	8.3	1.3	1.6	0.3	9.3	0.7	1.0	10.1	4.6	4.7	2.1	8.5	10.4	10.4	$ 8.5

Reclassifications and Eliminations:
[a] Elimination of intercompany dividends.
[b] Elimination of intercompany sales/purchases.
[c] Elimination of intercompany surplus note.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See Independent auditors' report on consolidating information.

KPMG LLP
Suite 1050
833 East Michigan Street
Milwaukee, WI 53202-5337

Independent Auditors' Report on Supplementary Information

The Board of Directors
Sentry Insurance a Mutual Company and Subsidiaries and Affiliates:

We have audited the consolidated financial statements, prepared in accordance with accounting practices prescribed or permitted by the insurance departments of the states in which Sentry Insurance a Mutual Company (SIAMCO) and its subsidiaries and affiliates are domiciled, of SIAMCO and its subsidiaries and affiliates as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated March 1, 2017 which contained an adverse opinion on the basis of U.S. generally accepted accounting principles and an unmodified opinion on the statutory basis of accounting described in note 1 to those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 through 3 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements but is supplementary information required by insurance departments of the states in which SIAMCO and its subsidiaries and affiliates are domiciled. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Milwaukee, Wisconsin
March 1, 2017

Sentry Insurance a Mutual Company and Subsidiaries and Affiliates
Supplemental Summary Investment Schedule
December 31, 2016

Investment Categories	Gross Investment Holdings Amount	Gross Investment Holdings Percentage	Admitted Assets as Reported in the Annual Statement Amount	Securities Lending Reinvested Collateral Amount	Total Amount	Percentage
1. Bonds:						
1.1 U.S. treasury securities	$ 128,559,092	1.147%	$ 128,559,092	$ -	$ 128,559,092	1.147%
1.2 U.S. government agency obligations:						
1.21 Issued by U.S. government agencies	627,251,883	5.594%	627,251,883	-	627,251,883	5.594%
1.22 Issued by U.S. government sponsored agencies	120,139,892	1.072%	120,139,892	-	120,139,892	1.072%
1.3 Non-U.S. government	46,348,991	0.413%	46,348,991	-	46,348,991	0.413%
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	80,562,800	0.719%	80,562,800	-	80,562,800	0.719%
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	1,029,210,931	9.179%	1,029,210,931	-	1,029,210,931	9.179%
1.43 Revenue and assessment obligations	1,652,221,422	14.736%	1,652,221,422	-	1,652,221,422	14.736%
1.44 Industrial development and similar obligations	253,776	0.002%	253,776	-	253,776	0.002%
1.5 Mortgage-backed securities:						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	61,731,810	0.551%	61,731,810	-	61,731,810	0.551%
1.512 Issued or guaranteed by FNMA and FHLMC	49,443,865	0.441%	49,443,865	-	49,443,865	0.441%
1.513 All other	13,000,804	0.116%	13,000,804	-	13,000,804	0.116%
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	198,148,946	1.767%	198,148,946	-	198,148,946	1.767%
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	15,830,261	0.141%	15,830,261	-	15,830,261	0.141%
1.523 All other	46,719,262	0.417%	46,719,262	-	46,719,262	0.417%
2. Other debt and other fixed income securities:						
2.1 Unaffiliated domestic securities	4,337,382,446	38.684%	4,337,382,446	-	4,337,382,446	38.684%
2.2 Unaffiliated non-U.S. securities	392,011,906	3.496%	392,011,906	-	392,011,906	3.496%
2.3 Affiliated securities	-	-	-	-	-	-
3. Equity interests:						
3.1 Investments in mutual funds	-	-	-	-	-	-
3.2 Preferred stocks:						
3.21 Affiliated	-	-	-	-	-	-
3.22 Unaffiliated	-	-	-	-	-	-
3.3 Publicly traded equity securities:						
3.31 Affiliated	-	-	-	-	-	-
3.32 Unaffiliated	1,169,655,255	10.432%	1,169,655,255	-	1,169,655,255	10.432%
3.4 Other equity securities:						
3.41 Affiliated	58,923	0.001%	58,923	-	58,923	0.001%
3.42 Unaffiliated	651,316	0.006%	651,316	-	651,316	0.006%
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated	-	-	-	-	-	-
3.52 Unaffiliated	-	-	-	-	-	-
4. Mortgage loans:						
4.1 Construction and land development	-	-	-	-	-	-
4.2 Agricultural	-	-	-	-	-	-
4.3 Single family residential properties	-	-	-	-	-	-
4.4 Multifamily residential properties	-	-	-	-	-	-
4.5 Commercial loans	-	-	-	-	-	-
4.6 Mezzanine real estate loans	-	-	-	-	-	-
5. Real estate investments:						
5.1 Property occupied by company	44,330,644	0.395%	44,330,644	-	44,330,644	0.395%
5.2 Property held for production of income	7,123,908	0.064%	7,123,908	-	7,123,908	0.064%
5.3 Property held for sale	2,278,701	0.020%	2,278,701	-	2,278,701	0.020%
6. Contract loans	12,559,865	0.112%	12,559,865	-	12,559,865	0.112%
7. Derivatives	-	-	-	-	-	-
8. Receivables for securities	4,517,318	0.040%	4,517,318	-	4,517,318	0.040%
9. Securities Lending	-	-	-	-	-	-
10. Cash, cash equivalents and short-term investments	21,693,801	0.193%	21,693,801	-	21,693,801	0.193%
11. Other invested assets	1,150,530,459	10.261%	1,150,530,459	-	1,150,530,459	10.261%
12. Total invested assets	$ 11,212,218,277	100.000%	$ 11,212,218,277	$ -	$ 11,212,218,277	100.000%

See independent auditors' report on supplementary information.

Sentry Insurance a Mutual Company and Subsidiaries and Affiliates
Supplemental Investment Risks Interrogatories Schedule
December 31, 2016

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

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 15,786,837,552

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

	Issuer	Description of Exposure		Amount	Percentage of Total Admitted Assets
2.01	APPLE INC	Equity-Publicly Traded and Other Debt/Unaffiliated	$	66,731,445	0.4%
2.02	MICROSOFT CORP	Equity-Publicly Traded and Other Debt/Unaffiliated	$	49,702,896	0.3%
2.03	IBM CORP	Equity-Publicly Traded and Other Debt/Unaffiliated	$	44,861,326	0.3%
2.04	UNITED PARCEL SERVICE	Equity-Publicly Traded and Other Debt/Unaffiliated	$	43,289,109	0.3%
2.05	AHEUSER-BUSCH CO	Equity-Publicly Traded and Other Debt/Unaffiliated	$	43,208,661	0.3%
2.06	GENERAL ELECTRIC CO	Equity-Publicly Traded and Other Debt/Unaffiliated	$	43,130,177	0.3%
2.07	UNITED TECHNOLOGIES CORP	Equity-Publicly Traded and Other Debt/Unaffiliated	$	39,398,355	0.2%
2.08	HYDRO-QUEBEC	Other Debt/Unaffiliated Foreign	$	37,795,048	0.2%
2.09	MERCK & CO INC	Equity-Publicly Traded and Other Debt/Unaffiliated	$	37,507,594	0.2%
2.10	INTEL CORP	Equity-Publicly Traded and Other Debt/Unaffiliated	$	36,611,503	0.2%

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

	Bonds			
3.01	NAIC-1	$	7,284,608,752	46.1%
3.02	NAIC-2	$	1,295,813,110	8.2%
3.03	NAIC-3	$	179,174,843	1.1%
3.04	NAIC-4	$	132,439,845	0.8%
3.05	NAIC-5	$	18,581,791	0.1%
3.06	NAIC-6	$	533,417	0.0%
	Preferred Stocks			
3.07	P/RP-1	$	-	0.0%
3.08	P/RP-2	$	-	0.0%
3.09	P/RP-3	$	-	0.0%
3.10	P/RP-4	$	-	0.0%
3.11	P/RP-5	$	-	0.0%
3.12	P/RP-6	$	-	0.0%

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?			No
4.02	Total admitted assets held in foreign investments	$	398,521,461	2.5%
4.03	Foreign-currency-denominated investments	$	50,510,598	0.3%
4.04	Insurance liabilities denominated in that same foreign currency	$	-	0.0%

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

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

Countries Rated NAIC-1	$	395,618,834	2.5%
Countries Rated NAIC-2	$	1,239,028	0.0%
Countries Rated NAIC-3	$	1,663,598	0.0%

6. Largest foreign investment exposures by country, categorized by NAIC sovereign rating:

Countries rated NAIC-1			
UNITED KINGDOM	$	113,289,923	0.7%
SWITZERLAND	$	60,594,898	0.4%
Countries rated NAIC-2			
PANAMA	$	1,239,028	0.0%
Countries rated NAIC-3			
MARSHAL ISLAND	$	954,116	0.0%
LIBERIA	$	709,482	0.0%

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7. Aggregate unhedged foreign currency exposure: $50,510,598

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

Countries Rated NAIC-1	$	50,510,598	0.32%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

Countries rated NAIC 1			
UNITED KINGDOM	$	29,174,451	0.18%
SWITZERLAND	$	18,239,370	0.12%

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

	Issuer	NAIC Rating			
10.01	HARBERT EUROPEAN REAL ESTATE FUND III, L.P.	NAIC-1	$	16,236,800	0.10%
10.02	RECKITT BENCKISER TSY 144A NOTES	NAIC-1	$	15,388,198	0.10%
10.03	PARTNERS GROUP REAL ESTATE SECONDARY 2009, L.P.	NAIC-1	$	15,152,077	0.10%
10.04	EURO CHOICE IV L.P.	NAIC-1	$	14,275,691	0.09%
10.05	PHILLIPS ELECTRONICS NV NOTES	NAIC-1	$	14,199,976	0.09%
10.06	PARTNERS GROUP ASIA-PACIFIC 2007, L.P.	NAIC-1	$	11,772,874	0.07%
10.07	GLAXOSMITHKLINE CAPITAL NOTES	NAIC-1	$	10,975,144	0.07%
10.08	HBK MERGER STRATEGIES FUND	NAIC-1	$	10,835,055	0.07%
10.09	SCHNEIDER ELECTRIC SE 144A NOTES	NAIC-1	$	10,171,486	0.06%
10.10	BAE SYSTEMS PLC SENIOR NOTES	NAIC-1	$	9,994,533	0.06%

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

11.01	Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?	Yes
	If response to 11.01 is yes, detail not required for the remainder of Interrogatory 11.	
11.02	Total admitted assets held in Canadian Investments	
11.03	Canadian-currency-denominated investments	
11.04	Canadian-denominated insurance liabilities	
11.05	Unhedged Canadian currency exposure	

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

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

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

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

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? No

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

	Name of Issuer			
13.02	APPLE INC	$	39,064,349	0.2%
13.03	MICROSOFT CORP	$	29,012,420	0.2%
13.04	WARBURG PINCUS PRIVATE EQUITY X, L.P.	$	25,487,384	0.2%
13.05	FRANCISCO PARTNERS III, L.P.	$	25,355,208	0.2%
13.06	WARBURG PINCUS PRIVATE EQUITY XI, L.P.	$	24,327,309	0.2%
13.07	ADVENT INTERNATIONAL GPE VII-B, L.P.	$	24,074,348	0.2%
13.08	HARBOURVEST 2013 DIRECT FUND, L.P.	$	23,773,182	0.2%
13.09	CATTERTON PARTNERS VI-B, L.P.	$	23,023,464	0.1%
13.10	GLOBAL INFRASTRUCTURE PARTNERS II-A1, L.P.	$	22,303,122	0.1%
13.11	EXXON MOBIL CORP	$	22,028,856	0.1%

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

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

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14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities		$	749,759,305	4.7%
	Largest three investments held in nonaffiliated, privately placed equities				
14.03		WARBURG PINCUS PRIVATE EQUITY X, L.P.	$	25,487,384	0.2%
14.04		FRANCISCO PARTNERS III, L.P.	$	25,355,208	0.2%
14.05		WARBURG PINCUS PRIVATE EQUITY XI, L.P.	$	24,327,309	0.2%

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

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

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

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

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

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

17. 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

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

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

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

19. Report the amounts and percentages of potential exposure for Mezzanine real estate loans. — N/A

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

20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$	-	0.0%
20.02	Repurchase agreements	$	-	0.0%
20.03	Reverse repurchase agreements	$	-	0.0%
20.04	Dollar repurchase agreements	$	-	0.0%
20.05	Dollar reverse repurchase agreements	$	-	0.0%

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

21.01	Hedging	$	-	0.0%
21.02	Income generation	$	-	0.0%
21.03	Other	$	-	0.0%

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

22.01	Hedging	$	-	0.0%
22.02	Income generation	$	-	0.0%
22.03	Replications	$	-	0.0%
22.04	Other	$	-	0.0%

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

23.01	Hedging	$	-	0.0%
23.02	Income generation	$	-	0.0%
23.03	Replications	$	-	0.0%
23.04	Other	$	-	0.0%

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Supplemental Schedule of Reinsurance Disclosures
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1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g. a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)? — Yes

2 If yes to item 1 above, indicate the number of reinsurance contracts containing such provisions: — 3

3 If yes to item 1 above, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? — Yes

4 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results: — 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. A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
e. A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
f. Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

5 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where: — 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 in a separate reinsurance contract.

6 If yes to items 4 or 5 above, please provide the following information for each reinsurance contract: — N/A

a. A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting items 4 or 5;
b. A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purpose 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.

7 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R - Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either: — No

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?

8 If yes to item 7 above, explain why the contract(s) is (are) treated differently for GAAP and SAP. — N/A

See independent auditors' report on supplementary information.