FM GLOBAL ANNUAL REPORT **2017**

UNCOMMON KNOWLEDGE

UNCOMMON KNOWLEDGE

ANNUAL REPORT 2017

FM Global®

CONTENTS

FM Global is a leading commercial property insurance company that forms long-term partnerships with its clients to support risk management objectives through a unique combination of engineering, underwriting and claims services. We work to ensure our clients' business continuity by safeguarding their properties with seamless, worldwide coverage and property loss prevention engineering solutions.

INDUSTRY RATINGS

Rating Agency	*Financial Strength*	*Rating Outlook*
A.M. Best	**A+** (Superior)	Stable
Fitch	**AA** (Very Strong)	Stable
S&P Global	**A+**	Stable

For additional ratings information,
view "Industry Ratings" at fmglobal.com.

CONTINUED STABILITY

2017 was certainly a challenging year. It was a year of unprecedented natural disasters, which had a significant impact on our industry, our company, our clients and our employees. In addition to hurricanes, earthquakes, wildfires and other natural events, we also experienced an untypical increased frequency in risk losses. We ended 2017 with a combined ratio of 129.9 percent, which included following through on our 10th membership credit (an approximate benefit of US$3.8 billion to our clients since 2001).

Despite our combined ratio, consolidated net income for 2017 was US$254 million versus US$797 million in 2016, and FM Global's surplus increased by more than US$1 billion to US$13 billion. Our capital base is stronger than ever—a testament to the strength and stability of a business model built for volatility.

This past year, we helped our clients deal with potentially devastating disasters. With FM Global's engineering advice, many clients managed to weather the events with minimal disruption, and of course our team members were there quickly to support clients who did experience an impact to their facilities following the significant natural catastrophes.

As a mutual company, we know that our resilience reflects your resilience.

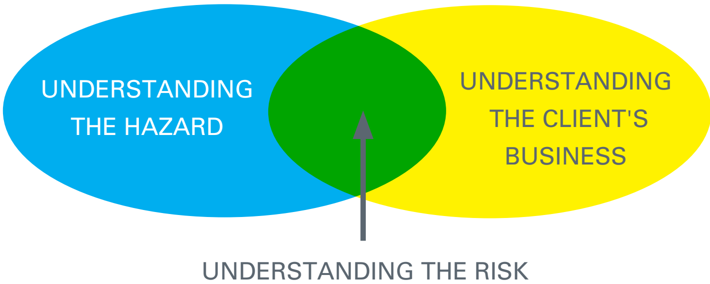
Thomas A. Lawson, Chairman and Chief Executive Officer

Other high notes of 2017 included the opening of a new insurance company in Luxembourg, and the opening of the new state-of-the-art FM Global Learning Center in Norwood, Mass., USA. Construction also continued on the FM Global Centre in Asia, a 125,000-square-foot (11,610-square-meter) loss prevention training and operations complex, located in Singapore. The facility, the first of its kind in Asia, will open in early 2019.

Through the FM Global Centre and our U.S.-based research and testing facilities, we are more focused than ever on turning science into solutions. In this report, you will read how this uncommon knowledge helps our clients better understand their risks and mitigate them.

As a mutual company, we know that our resilience reflects your resilience.

We are proud of the work we do—and the work our clients do—to protect the value created by their businesses.

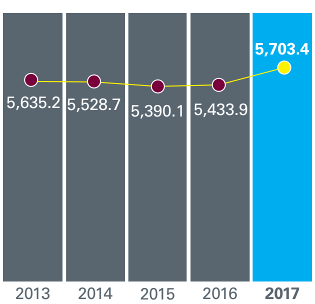


2017 Premium Trends

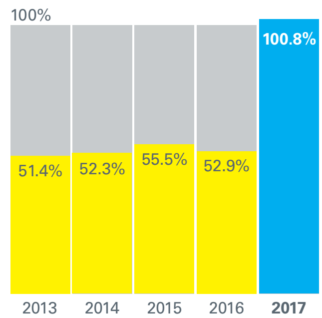
Despite a highly competitive marketplace, we retained approximately 97 percent of our clients. While we fell shy of our expectations for new business, the strong retention rate combined with a significant addition of new clients resulted in an overall increase in gross premium for the organization.

On a consolidated basis, FM Global (large commercial property) and AFM (middle-market property) are the sources of 95.4 percent of our overall premium in force, with Mutual Boiler Re and FM Global Cargo representing the balance. All lines showed top-line premium growth, generating a positive outcome. Consolidated net premium earned showed a slight increase at US$4.1 billion, excluding the impact of 12 months of membership credit.

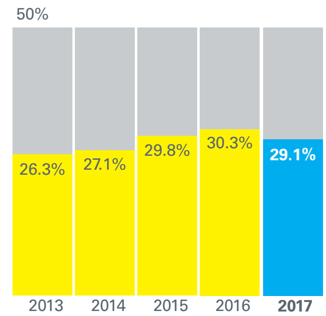
TOTAL GROSS PREMIUM
IN FORCE, US$M



LOSS RATIO



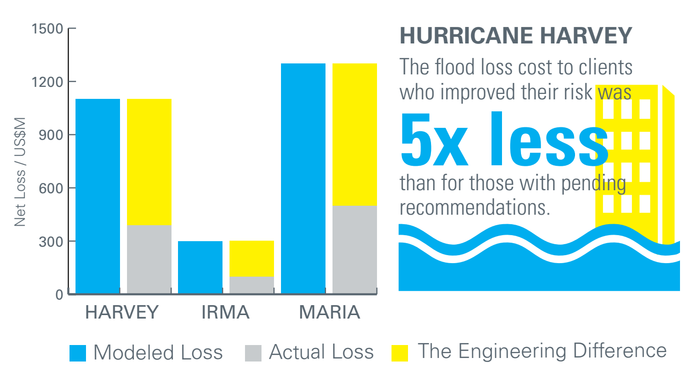
EXPENSE RATIO



Loss Trends

Our consolidated loss ratio for 2017 was 100.8 percent. The natural disaster loss ratio of 50.0 percent, due in large part to hurricanes Harvey, Irma and Maria, and the September earthquake in Central Mexico, far surpassed projections and raised our five-year average from 18.0 percent to 22.4 percent. The unprecedented U.S. hurricanes reinforced our belief that the majority of loss is preventable when proactively managed. We found that clients who had implemented our risk improvement recommendations fared significantly better post-Harvey/Irma/Maria compared with those clients with incomplete recommendations. Overall, our aggregate loss results continue to outperform catastrophe model predictions, due to our engineering differential.

KNOWLEDGE: A CORE VALUE



Knowledge-based risk improvement consistently produces results that benefit clients and outperform catastrophe model predictions.

Our 2017 risk loss ratio, a measure of losses predominantly from fire and explosion, increased from the prior-year ratio of 30.0 percent to 45.1 percent, due to the untypical severity of risk losses, including a very large fire at an unsprinklered facility. Fire remains the most significant risk exposure to our policyholders, and we thank them for their commitment in addressing this hazard. As an indicator of this commitment, they installed 97.4 million square feet (9 million square meters) of ceiling sprinklers worldwide in 2017.

Expense Trends

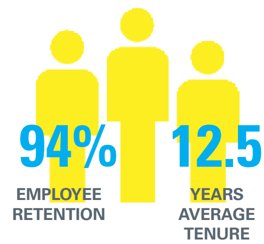
Our 2017 expense ratio was 29.1 percent. This metric is a priority and contributing factor in our ability to provide the most value to our clients. To increase efficiency, we are continuing our successful focus on business process improvement. We are also committed to providing faster, more innovative product development and flawless product delivery by leveraging the efforts of our agile technology transformation.

Investments

Our investment portfolio produced a 12.8 percent return on total assets, a very positive result that outperformed market benchmarks. Discussion and detailed breakdown of the results are provided in the Investment Report section beginning on page 21. In summary, strong returns from stocks during 2017, with FM Global's combined equity portfolio return of 22.5 percent, benefited our results. Performance was also enhanced by taxable bond returns above benchmark and beneficial allocation to municipal and high-yield fixed income securities. Our strong balance sheet and longer-term investment orientation continue to allow us to participate in the returns of higher opportunity/volatility asset classes.

Our investment portfolio produced a **12.8** percent return

EMPLOYEE RETENTION AND AVERAGE **TENURE**



Our Workforce

Our employee retention rate remained comparatively high at 94 percent, with average employee tenure at 12.5 years. Employee diversity remains a top priority. In 2017, we created more opportunities for groups within our employee population that have been underrepresented in leadership positions. This is an ongoing objective. Our progress was evident in the class of new field engineers—more than 40 percent of whom were women. Our other major focus is on leadership development and succession planning. Training is a major aspect of this objective. To provide our people with the best resources, we introduced a new internal learning management system.

CORPORATE **GOVERNANCE**

Leadership and Governance

At the end of the year, Shivan Subramaniam stepped down as chairman of the board. I thank him for the leadership he demonstrated as FM Global's first president and CEO, and later, as its chairman. His direction was pivotal in the growth of FM Global and our emergence as a world-class company in our industry. He will be greatly missed.

In 2017, we welcomed Glenn Landau, senior vice president and chief financial officer of International Paper, to our board of directors. Jonathan Mariner, retired chief investment officer for Major League Baseball, retired from our board. I want to thank him for his many contributions throughout the past eight years.

I would also like to thank our board of directors, eight advisory boards and five risk management executive councils for their oversight and support in providing the best property risk management products and services to our policyholder-owners.

INDUSTRY AND PUBLIC **RECOGNITION**

BEST INSURER
FOR PROPERTY AND BOILER AND MACHINERY
NATIONAL UNDERWRITER

BEST IN BIZ
FOR RESILIENCE INDEX
BUSINESS INSURANCE

2017 INNOVATION AWARD
FOR OUR GLOBAL FLOOD MAP
BUSINESS INSURANCE

RANKED #112
AMERICA'S BEST EMPLOYERS
FORBES

MOST HIGHLY REGARDED INSURER
FOR PROPERTY CLAIMS HANDLING
2017 ADVISEN CLAIMS SATISFACTION SURVEY

We will continue to invest in **research and technology** that will **speed the transfer of knowledge** into loss prevention solutions.

2018 Forecast and Landscape

The natural hazard losses of 2017 have altered the global insurance market landscape, creating new pressures in both the reinsurance and primary insurance markets. The industry remains well capitalized; however, sustained low interest rates have led to a renewed focus on disciplined underwriting. As always, we look at the merits and quality of risk along with prevailing market conditions to determine pricing and terms and conditions. We have the vision, strategy, innovative culture and resources to succeed in this environment and will continue to leverage emerging trends and technologies to deliver the best products and services based on the changing needs of the marketplace.

We will continue to invest in research and technology that will speed the transfer of knowledge into loss prevention solutions. We are in the midst of a business technology transformation, using agile principles to accelerate our time to market. We also know that innovation which originates outside our industry will be essential to future growth and success. In 2018, we will launch an innovation lab dedicated to exploring these emerging technologies and how we can leverage them for the benefit of our clients. These will all be focal points for us in 2018.

The fact that we are a knowledge-based company with a global presence is a distinct advantage for us and our clients. While research and learning facilities are vital to acquiring knowledge, they only create value through the application of that knowledge by those who train there: our employees and our clients. It is our people, and their ability to apply what they learn through client interaction, that make FM Global unique. Thanks to them, and to our clients' commitment to loss prevention, we will continue to manage volatility, protect our clients from loss, and develop solutions that meet their evolving property protection needs.

Thomas A. Lawson
Chairman and Chief Executive Officer

UNCOMMON KNOWLEDGE

ACHIEVING RESILIENCE THROUGH EXPERIENCE AND EXPERTISE

Whether it's power generation, distribution, manufacturing, entertainment or philanthropy, our clients bring uncommon knowledge to everything they do. At FM Global, we bring uncommon knowledge to property protection, combining engineering expertise, research and years of experience. This knowledge helps our clients thrive in their respective fields. Here are a few of their stories.

AmerisourceBergen's John Shook and FM Global's Greg Novatnack (background). AmerisourceBergen's Jon Szekely and Jim Adkins.

AMERISOURCEBERGEN: ENGINEERED FOR SUCCESS

As one of the largest distributors of pharmaceutical products in the United States, AmerisourceBergen is in the business of saving lives. A disruption at any of its 27 distribution centers around the country would mean hospitals, doctors and patients would suddenly be without crucial medications and medical supplies.

"Everything we do here is centered around creating healthier futures for our customers and their patients," explains Woody Hope, vice president of risk management. "We take that very seriously."

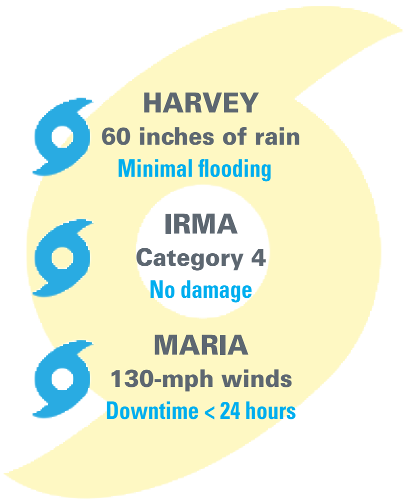
And in today's just-in-time world, the journey from manufacturer to pharmacy shelf only gets faster. AmerisouceBergen has made a substantial capital investment in state-of-the-art distribution centers, high-tech retrieval systems and miles of automated conveying equipment just to keep up with demand. And when they needed to add seven new facilities in just 18 months, they turned to FM Global.

FM Global engineers worked with the company's team, incorporating years of experience protecting property into every building. Coupled with AmerisourceBergen's logistic and warehousing knowledge, the new facilities keep hundreds of millions of dollars of inventory moving and protected from fire, tornadoes and even earthquakes.

"FM Global brings a lot of 'street knowledge' about how to manage risk," said Jon Szekely, AmerisourceBergen's project director. "The earlier they are involved, the better. They really help us understand what our exposure is."

And when Hurricane Maria hit Puerto Rico with 130-mile-per-hour (209 kilometer-per-hour) winds last year, that street knowledge and engineering expertise really paid off. AmerisourceBergen's facility on the island had undergone extensive storm-hardening modifications over several years. So when Maria struck, AmerisourceBergen was ready. The facility suffered minimal damage and more importantly, stayed open, delivering critical medical supplies to the island.

THE VALUE OF RESILIENCY



AmerisourceBergen®

CRANE CURRENCY: WHEN RESILIENCE IS A NECESSITY

A tiny country in the middle of the Mediterranean Sea doesn't seem like an ideal place to build a US$100 million production facility. But a little knowledge can change how things look. When Crane Currency was looking to build its state-of-the-art bank note printing facility, Managing Director John Scott knew exactly where to go. Scott's knowledge as a 40-year industry veteran who has built facilities all over the world led him straight to the island of Malta, about 50 miles (80 kilometers) off the coast of Sicily.

Crane needed its new production facility to be within the European Union, near its customers and with minimum exposure to natural catastrophes. Malta offered all of that. Thanks to previous bank note production on the island, Malta also had an experienced workforce as well as space to build Crane's massive facility within a few miles of the port and airport.

With the location secure, Crane turned to FM Global to help deliver a highly protected facility. Crane built to FM Global standards, a Crane CFO mandate since 2014. The company also used FM Approved products when possible, and looked to FM Global for guidance in building an adequate water supply for the plant's fire suppression system on an island void of lakes and rivers.

An FM Global partner since 2001, Crane has always made resiliency a priority. As the provider of currency solutions to central banks around the world, resiliency is not an option; it's a necessity. Or, as Crane Currency Risk Manager Tim Golden points out, "The only good claim is no claim."

"The only good claim is no claim." – TIM GOLDEN, RISK MANAGER, CRANE CURRENCY


FM Global's Scott Strickling with Crane Currency's Ray Xuereb and Tim Golden.

2017 FM GLOBAL ENGINEERING NETWORK

1,860 ENGINEERS

68,200 SERVICED LOCATIONS

114,760 ENGINEERING VISITS

145 COUNTRIES SERVICED

CRANE CURRENCY®

“We have to be very proactive in understanding what potentially could go wrong.“

– NARMADA NANJUNDAN, DIRECTOR OF RISK, EKPC

EAST KENTUCKY
POWER COOPERATIVE
A Touchstone Energy Cooperative


FM Global’s Jeff Wood and Kelley Molnar with EKPC’s Narmada Nanjundan and Joe VonDerHaar.

EAST KENTUCKY POWER COMPANY: KNOWLEDGE IS POWER

"When running an electric utility, risk management is everything,” says Don Mosier, executive vice president and chief operating officer of East Kentucky Power Cooperative (EKPC).

For EKPC, that means constantly identifying risks, potential failures and procedural flaws at its four major power plants, providing electric power to its 16 owner-members, and keeping the lights on at 530,000 homes and businesses across 87 Kentucky, USA, counties.

“We have to be very proactive in understanding what potentially could go wrong,” says EKPC Director of Risk Narmada Nanjundan.

In an industry where 70 percent of losses come from mechanical or electrical breakdown and catastrophic failures can knock a plant offline for months, being proactive is the only option. That is one of the reasons EKPC has partnered with FM Global.

FM Global insures more than 2,000 power generation plants and has more than 180 engineers who specialize or are trained in power generation. Those responsible for developing FM Global technical guidance are turbine and generator experts who’ve worked in the industry. They bring years of knowledge in analytics, research and failure analysis that allows FM Global to provide its clients with best-in-class loss prevention recommendations.

“That’s why the relationship with FM Global is so important,” explains Michael McNalley, executive vice president and chief financial officer. “Not only does it protect us if there is a big loss, but more importantly, the relationship with FM Global has allowed us to do many things in the plants that really help prevent many kinds of accidents.”

REDUCING EQUIPMENT LOSS

THE J. PAUL GETTY TRUST: MOVING FORWARD, PROTECTING THE PAST

When the Getty Center opened in 1997, it was at the cutting edge of risk engineering. The Center is the showpiece of the J. Paul Getty Trust, the world's largest cultural and philanthropic organization dedicated to the visual arts. Perched on 110 acres in the Santa Monica Mountains, the Getty Center incorporates modern design, beautiful gardens and spectacular views of Los Angeles.

The Center's construction was well ahead of its time. Sophisticated fire and earthquake protection hide beneath the distinctive travertine stone. Pioneering earthquake technology, 1 million gallons of water stored on-site and a cutting-edge smoke ventilation system help protect the Center and its irreplaceable art collection and art historical archives.

And that commitment to risk engineering hasn't wavered. As the buildings aged, the Getty Center turned to FM Global, tapping into our vast engineering knowledge to help stay ahead of the curve. FM Global engineers review safety plans and apply the latest thinking to earthquake bracing and fire protection.

The J. Paul Getty Trust

"FM Global is in a much better position to know what the best solution is because of all the properties they insure," explains Linda Somerville, the Getty's risk manager. "They offer us an extra set of very competent eyes as we constantly look to improve and prevent."

All that work to stay at the forefront of safety and protection paid off during last year's California wildfires. The fires came within a few hundred yards of the property. But thanks in part to the on-site water supply, the ventilation system and the work of California firefighters, the Getty Center stayed just out of harm's way. "It's a continuous effort," Somerville adds, "but we are still ahead of our time."

Linda Somerville, The J. Paul Getty Trust, Abe Moyer, FM Global and Kathleen Habermann, Marsh

SHOWBIZ CINEMAS: STAYING ON TOP OF RISK

When Hurricane Harvey hit Texas, USA, in 2017, ShowBiz Cinemas was confident it was prepared. A year earlier, the regional movie theater chain became a client of FM Global's middle-market insurer AFM, bringing with it a staunch commitment to protecting its properties from loss and business interruption.

ShowBiz's leaders were already familiar with the FM Global Group's engineering expertise, so they knew that AFM would be a good partner in keeping their growing business resilient.

"We are very committed to mitigating risk," says Chris Cline, ShowBiz's vice president of construction and development. "ShowBiz is a 365-day-a-year business, so it's crucial that we keep our doors open."

During the initial inspection at one of ShowBiz's seven locations, AFM discovered that the placement and number of roof fasteners were inadequate, which could cause the roof to fail, and result in substantial property damage and extended downtime. AFM recommended an upgrade to prevent potential failure during high winds.

"AFM was extremely helpful, not only in identifying a US$9 million exposure," says Cline, "but also in giving us a detailed solution, which we brought to the roof contractor."

With the roof upgraded and AFM engineering in its corner, ShowBiz Cinemas was ready for Harvey, which hit just a few months later. Despite more than 60 inches (150 centimeters) of rain and winds nearing 100 miles per hour (161 kilometers-per-hour) in parts of Texas, none of ShowBiz's locations suffered property damage. Cline says, "We were literally high and dry."

"ShowBiz is a 365-day-a-year business, so it's crucial that we keep our doors open." – CHRIS CLINE, VICE PRESIDENT, SHOWBIZ CINEMAS

Chris Cline, ShowBiz Cinemas, and Rianne Belan, AFM.

SKF's Pietro Maurizio Fino with Michael Richtsteig, FM Global.

ENHANCED FINANCIAL MEASUREMENT OF RISK

In 2017, BRC positively impacted 154 clients' risk management and resilience efforts

68 BUSINESS RESILIENCE PLANNING ADVANCEMENT

44 RISK MANAGEMENT OBJECTIVES

42 RISK IMPROVEMENT SUPPORT

SKF: QUANTIFYING THE BUSINESS RISK

When SKF wanted to understand the risks at a crucial production facility, it tapped the knowledge of FM Global's Business Risk Consulting (BRC) team. BRC helped SKF understand the risk vulnerabilities at its sprawling manufacturing facility in Airasca, Italy, which annually produces nearly 19 million wheel hub bearing assembly units for the automotive industry.

"The Airasca plant plays a significant role in the world's car manufacturing industry," says Klas Iloson, SKF managing director of Group Risk Management. "If something were to happen there, it could have devastating consequences on the entire supply chain."

FM Global's BRC performed a business impact analysis to determine the reputational and financial implications of an incident at the Airasca facility. Their findings showed that even a small event could cause a significant long-term loss of market share in the highly competitive business.

"The business impact analysis helped us better understand the risk and its potential negative impact on our supply chain, facility and customers," says Aurelio Nervo, head of business and product development, SKF Automotive and Aerospace. "After that, we knew we had to address our risk issues head-on."

SKF made a major fire protection investment at the plant, upgrading its fire pumping station and water supply and installing 10,000 sprinkler heads covering 700,000 square feet (65,000 square meters) of factory space.

The result was a more resilient factory, a more reliable supply chain for the automotive industry and a highly protected risk award for the plant.

"It's a great satisfaction to have an HPR award," Iloson adds. "We show it to our customers so they can see our commitment to loss prevention."

FM GLOBAL AROUND THE WORLD

FM Global products and services are available around the world.
The countries listed below represent those where we regularly serve our clients.

Americas

Antigua and Barbuda
Argentina
Aruba
Bahamas
Barbados
Bolivia
Bonaire, St. Eustatius, and Saba
Brazil
Canada
Cayman Islands
Chile
Colombia
Costa Rica
Curaçao
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
St. Kitts and Nevis
St. Lucia
St. Maarten
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Turks and Caicos Islands
United States
Uruguay
Venezuela

Europe, Middle East and Africa

Albania
Algeria
Angola
Armenia
Austria
Azerbaijan
Bahrain
Belgium
Bosnia and Herzegovina
Botswana
Bulgaria
Burkina Faso
Cameroon
Croatia
Cyprus
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Gabon
Georgia
Germany
Ghana
Greece
Hungary
Iceland
Ireland
Israel
Italy
Jordan
Kazakhstan
Kenya
Kuwait
Kyrgyzstan
Latvia
Lebanon
Liechtenstein
Lithuania
Luxembourg
Macedonia
Madagascar
Malta
Montenegro
Morocco
Mozambique
Namibia
Netherlands
Norway
Oman
Poland
Portugal
Qatar
Romania
Russia
Saudi Arabia
Senegal
Serbia
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland
Tanzania
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom

Asia/Pacific

Australia
Bangladesh
Brunei
Cambodia
China
Hong Kong
India
Indonesia
Japan
Laos
Macau
Malaysia
New Zealand
Pakistan
Philippines
Singapore
South Korea
Sri Lanka
Taiwan
Thailand
Vietnam

BUSINESS OPERATIONS

In addition to its large-risk property insurance line of business, the FM Global Group comprises a number of other key business operations. Several of those are described in this section.

AFM specializes in commercial property insurance for the middle market. AFM provides tailored underwriting expertise and property loss control engineering through a select international network of broker partners. The organization has office locations in Australia, Canada, France, Germany, Italy, the Netherlands, the United Kingdom and throughout the United States, and it offers coverage in more than 60 countries.

FM Global Cargo provides cargo insurance coverage, automated certificate issuance and risk engineering services tailored to the international trade and transportation needs of global businesses.

Corporate Insurance Services (CIS) is FM Global's wholly owned brokerage operation, maintaining relationships with a variety of U.S. domestic insurers, Lloyd's of London, excess and surplus lines insurers, and specialty companies.

FM Global Emergency Response Consultants is an emergency services training organization providing comprehensive training for emergency response personnel and those responsible for organizing, managing and/or directing emergency response activities.

FM Approvals offers worldwide third-party testing and certification services for loss prevention products used in commercial and industrial property risk mitigation applications. The FM APPROVED certification mark is globally accepted by regulators and supports decisions about which products will best reduce property risk and help to make businesses more resilient.

Mutual Boiler Re provides boiler and machinery insurance in North America, specializing in mechanical, electrical and pressure systems breakdown treaty reinsurance and support services to the commercial property insurance marketplace. Today it works with more than 200 insurance companies, providing coverage to their policyholders.

INVESTMENT REPORT

The tables on page 22 show key measures of FM Global's investment portfolios, including asset class weights and returns relative to benchmarks. Return on total assets for 2017 was 12.82 percent, compared to benchmark at 11.60 percent.

Stocks performed very well in 2017, with the S&P 500 returning 21.83 percent. This reflected earnings growth (estimated at approximately 11 percent for the year), which in turn reflected sound economic growth on a global basis combined with continued effective cost management and accretive redeployment of capital. To be noted, overseas stocks also performed well, with the MSCI ex. U.S. index of global stocks returning 18.30 percent in local currency terms, and 27.19 percent when translated into U.S. dollars (reflecting the significant decline in the U.S. dollar, particularly relative to the Euro). As shown in the tables, FM Global's stock portfolios returned 21.88 percent for our domestic holdings, 30.09 percent for overseas portfolios, and 22.48 percent on a combined basis (versus domestic/international weighted benchmark of 22.44 percent). This roughly neutral to benchmark return on stocks combined with an overweight to equities resulted in approximately half of the outperformance of FM Global's total invested assets.

The other half of total asset outperformance was due to index leading results in the internal bond portfolio at 2.74 percent versus benchmark 2.59 percent, combined with allocations to high yield bonds (which returned 7.12 percent) and municipal bonds (which returned 6.19 percent). Aggregating the primary FM Global bond portfolios, FM Global's weighted return on fixed income assets was 4.11 percent.

The Company ended 2017 with an asset allocation moderately overweight benchmark in stocks (note benchmark weight of 48 percent is a much larger position than most property insurer peers), with an underweight to bonds and an overweight to short-term investments. Stocks are supported by growing earnings and cash flow, as well as by the expectation of continued relatively low interest rates. Additionally, recent U.S. tax law changes are a positive factor regarding corporate profits, capital allocation flexibility and economic growth. FM Global's investment focus is on longer-term returns, partly enabled by the Company's strong capitalization which can tolerate shorter-term stock volatility. While the potential for a stock market correction lower is always present, most analysis indicates equities continue to provide a more attractive longer-term opportunity compared to fixed income.

Turning to real estate, in addition to providing functional support to FM Global's business operations, the real estate group manages 4.7 million $ft.^2$ (437,000 m^2) of investment properties. These real property assets provide an additional element of portfolio diversification. They also provide a cost-effective approach in meeting FM Global's ongoing real estate needs, while enhancing the value of its properties. For 2017, commercial properties produced $119.9 million in revenue and $40.2 million in cash flow.

† All financial values in U.S. dollars.

INVESTMENT REPORT

Rates of Return	2017 Portfolio	2017 Benchmark	2016 Portfolio	2016 Benchmark
Total managed investment portfolio	12.82%	11.60% [1]	6.65%	6.40% [1]
Debt securities				
Investment-grade taxable bonds	2.74%	2.59% [2]	2.54%	2.13% [2]
Municipal bonds*	6.19%	5.57% [3]	2.23%	1.69% [3]
High-yield bonds	7.12%	7.48% [4]	14.47%	17.49% [4]
Equity securities – total	22.48%	22.44% [5]	10.77%	11.17% [5]
Internally managed stock portfolio	21.88%	21.83% [6]	11.51%	11.96% [6]
International stock portfolios (ETF's and outside managed)	30.09%	27.19% [7]	3.72%	4.50% [7]

[1] Weighted S&P 500 Plus Global Stock Index (48%), Custom Barclays Index (45%), T Bill (7%)
[2] Custom Barclays Index
[3] Barclays Muni 2-12 Year
[4] Merrill Lynch U.S. High-Yield Master II Constrained Index
[5] S&P 500 Index (89%) plus MSCI All World ex. U.S. (11%)
[6] S&P 500
[7] MSCI All World ex. U.S.

* Taxable equivalent return.

Pretax Contribution to Surplus (in millions) †	2017	2016
Investment income	$ 357	$ 335
Realized gains	407	251
Unrealized gains (losses)	1,072	443
	$ 1,836	$ 1,029

As of December 31 Holdings (in millions) †	2017 Total	2017 Percentage	2016 Total	2016 Percentage
Equity securities	$ 8,644	48.8%	$ 7,673	48.1%
Taxable debt securities	4,584	25.9	4,116	25.8
Municipal debt securities	1,946	11.0	1,900	11.9
Short-term funds	1,708	9.6	1,403	8.8
Alternative investments:				
Private Equity	314	1.8	335	2.1
Hedge Funds	512	2.9	523	3.3
Total Portfolio before Real Estate	$ 17,708	100.0%	$ 15,950	100.0%
Short-term funds	616		609	
Total	$ 18,324		$ 16,559	

† All financial values in U.S. dollars.

MANAGEMENT'S STATEMENT ON **INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of FM Global is responsible for establishing and maintaining adequate internal control over financial reporting and for the preparation and integrity of the accompanying financial statements and other related information in this report. The consolidated financial statements of the Company and its subsidiaries, including the notes to consolidated financial statements, were prepared in accordance with U.S. generally accepted accounting principles and include judgments and estimates, which, in the opinion of management, are applied on an appropriately conservative basis. The Company maintains a system of internal and disclosure controls intended to provide reasonable assurance that assets are safeguarded from loss or material misuse, that transactions are authorized and recorded properly, and that the accounting records may be relied upon for the preparation of the financial statements. This system is tested and evaluated regularly for adherence and effectiveness by the Company's staff of internal auditors.

The audit committee of the Board of Directors, which comprises directors who are not employees of the Company, meets regularly with management and the internal auditors to review the Company's financial policies and procedures, its internal control structure, the objectivity of its financial reporting and the independence of the Company's independent public accounting firm. The internal auditors have free and direct access to the audit committee, and they meet periodically, without management present, to discuss appropriate matters.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are also subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

These consolidated financial statements are subject to an evaluation of internal control over financial reporting conducted under the supervision and with the participation of management, including the chief executive officer and chief financial officer. Based on that evaluation, conducted under the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, management concluded that its internal control over financial reporting was effective as of December 31, 2017 and December 31, 2016.

Thomas A. Lawson
President and
Chief Executive Officer

Kevin S. Ingram
Senior Vice President and
Chief Financial Officer

REPORT OF **INDEPENDENT AUDITORS**

The Board of Directors and Policyholders of Factory Mutual Insurance Company and Subsidiaries

We have audited the accompanying consolidated financial statements of Factory Mutual Insurance Company and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Factory Mutual Insurance Company and Subsidiaries at December 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-09, Financial Services—Insurance (Topic 944): Disclosures about Short-Duration Contracts requires that the short-duration insurance contract disclosures for years prior to 2017 presented in Note 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the FASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

Boston, Massachusetts
February 14, 2018

CONSOLIDATED **BALANCE SHEETS**

(in thousands)

December 31	2017	2016
Assets		
Investments:		
Debt securities	$ 6,529,600	$ 6,015,600
Equity securities	8,644,400	7,673,300
Other securities	825,800	858,300
Real estate	616,200	608,800
Total Investments	16,616,000	15,156,000
Cash and cash equivalents	1,834,800	1,485,300
Recoverable from reinsurers	1,931,300	1,267,400
Premium receivable	744,900	732,900
Prepaid reinsurance premium	282,000	247,200
Premises and equipment	457,500	426,700
Other assets	1,380,400	826,600
Total Assets	$ 23,246,900	$ 20,142,100
Liabilities		
Unpaid losses and loss adjustment expenses	$ 6,081,900	$ 3,864,900
Reserve for unearned premium	2,347,900	2,452,000
Current and deferred income taxes	750,200	825,800
Other liabilities	1,038,400	1,078,800
Total Liabilities	10,218,400	8,221,500
Policyholders' surplus		
Accumulated other comprehensive income	2,187,100	1,333,300
Retained earnings	10,841,400	10,587,300
Total Policyholders' surplus	13,028,500	11,920,600
Total Liabilities and Policyholders' surplus	$ 23,246,900	$ 20,142,100

See accompanying notes.

CONSOLIDATED **STATEMENTS OF INCOME**

(in thousands)

Year ended December 31	2017	2016
Gross premium earned	$ 5,342,600	$ 5,032,600
Ceded premium earned	(1,432,800)	(1,431,900)
Net premium earned	3,909,800	3,600,700
Investment-related income	485,100	451,800
Fee-related income	72,800	69,800
Total revenue	4,467,700	4,122,300
Net losses and loss adjustment expenses	3,939,400	1,903,400
Insurance-related expenses	1,107,700	1,060,800
Investment-related expenses	201,400	184,900
Fee-related expenses	55,000	54,200
Total losses, loss adjustment and other expenses	5,303,500	3,203,300
(Loss) / income from operations	(835,800)	919,000
Net realized investment gains	407,100	251,200
(Loss) / income before income taxes	(428,700)	1,170,200
Income tax (benefit) / expense	(682,800)	373,400
Net income	$ 254,100	$ 796,800

See accompanying notes.

CONSOLIDATED **STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands)

Year ended December 31	2017	2016
Net income	$ 254,100	$ 796,800
Other comprehensive income:		
Increase in net unrealized appreciation on investments in debt and equity securities, net of income tax expense of $378,200 in 2017 and $136,100 in 2016	694,200	306,900
Change in benefit plan assets and liabilities, net of income tax expense of $22,600 in 2017 and income tax benefit of $46,100 in 2016	46,700	(109,000)
Foreign currency translation adjustment, net of income tax expense of $27,200 in 2017 and $7,100 in 2016	112,900	(110,600)
Other comprehensive income	853,800	87,300
Comprehensive income	$ 1,107,900	$ 884,100

CONSOLIDATED STATEMENTS OF CHANGES IN **POLICYHOLDERS' SURPLUS**

(in thousands)

Year ended December 31	2017	2016
Retained earnings at beginning of year	$ 10,587,300	$ 9,790,500
Net income	254,100	796,800
Retained earnings at end of year	10,841,400	10,587,300
Accumulated other comprehensive income at beginning of year	1,333,300	1,246,000
Other comprehensive income	853,800	87,300
Accumulated other comprehensive income at end of year	2,187,100	1,333,300
Policyholders' surplus at end of year	$13,028,500	$11,920,600

See accompanying notes.

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

(in thousands)

Year ended December 31	2017	2016
Operating activities		
Net income	$ 254,100	$ 796,800
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	71,000	65,200
Increase in premium receivable	(12,000)	(127,500)
(Decrease) / increase in reserve for unearned premium	(104,100)	32,800
Increase / (decrease) in unpaid losses and loss adjustment expenses	2,217,000	(36,600)
(Increase) / decrease in recoverable from reinsurers	(663,900)	74,300
(Decrease) / increase in current and deferred income taxes	(933,100)	16,700
Net realized investment gains	(407,100)	(251,200)
Increase in prepaid reinsurance premium	(34,800)	(6,400)
Other	3,900	152,600
Net cash provided by operating activities	391,000	716,700
Investing activities		
Net (purchases) / sales of short-term investments	(112,200)	99,200
Purchases of debt, equity and other securities	(3,909,300)	(4,255,100)
Sales and maturities of debt, equity and other securities	4,098,600	3,724,600
Capital expenditures	(99,200)	(116,900)
Other	(19,400)	19,900
Net cash used in investing activities	(41,500)	(528,300)
Increase in cash and cash equivalents	349,500	188,400
Cash and cash equivalents at beginning of year	1,485,300	1,296,900
Cash and cash equivalents at end of year	$ 1,834,800	$ 1,485,300

See accompanying notes.

Note 1. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are stated in U.S. dollars and have been prepared on the basis of U.S. generally accepted accounting principles, which differ in some respects from statutory accounting practices prescribed or permitted by the State of Rhode Island and Providence Plantations, Department of Business Regulation, Insurance Division. On the basis of statutory accounting practices, consolidated policyholders' surplus was $12,501,800 and $11,519,400 at December 31, 2017 and 2016, respectively; net (loss) / income for the respective years then ended was $(363,700) and $695,800.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of management's estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The Company provides comprehensive lines of property coverage and supporting services for industrial and institutional properties throughout the world.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions were eliminated in consolidation.

Reclassification

Certain amounts reported in the 2016 Consolidated Financial Statements have been reclassified to conform to the 2017 presentation.

Cash Equivalents

Cash equivalents are short term, highly liquid investments that are both readily convertible into known amounts of cash and so near to maturity that they present insignificant risk of changes in value due to changing interest rates. Cash equivalents include money market funds carried at fair value and debt securities purchased with maturities of three months or less at acquisition and are carried at amortized cost, which approximates fair value. The effect of changes in foreign exchange rates on cash balances was immaterial.

Investments

Debt and equity securities are classified as available-for-sale and are stated at fair value with the unrealized appreciation or depreciation, net of tax, reported directly in other comprehensive income. The cost of securities sold is based upon the specific identification method.

The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage and asset-backed securities, over the estimated life of the security adjusted for anticipated prepayments. This amortization and accretion is included in investment-related income. For mortgage and asset-backed debt securities, the Company recognizes income using a constant effective yield based on anticipated prepayments over the economic life of the security. The mortgage and asset-backed debt securities are accounted for under the retrospective method and prepayment assumptions are based on market expectations. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments, and any resulting adjustment is included in investment-related income.

Note 1. Significant Accounting Policies *(continued)*

Other securities consist primarily of partnerships and alternative investments, which are accounted for under the equity method. As a result of the timing of the receipt of valuation data from the investment managers, these investments are generally reported on with up to a three-month lag. Changes in the Company's equity in the net assets of these investments are included in income as net realized investment gains.

Impairments in equity securities deemed to be other than temporary are reported as a component of income before income taxes. Impairments in debt securities deemed to be other-than-temporary are segregated into credit risk and non-credit risk impairments. Credit risk impairments are reported as a component of income before income taxes. Non-credit risk impairments are recognized in other comprehensive income. Securities are reviewed for both quantitative and qualitative considerations in the determination of impairments.

Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities. Borrowers of these securities must deposit with the agent an amount of cash and/or securities equal to 102 percent of the loaned securities' fair value for U.S. currency-denominated securities or 105 percent of the loaned securities' fair value for foreign-denominated securities. The portion of collateral received in securities is held in trust by the agent. The portion of collateral received in cash is invested by the agent in high-quality, short-term investments. The Company continues to receive the interest on the loaned debt securities as the beneficial owner, and the loaned debt securities are included in the investment portfolio of the Company. The cash collateral and the obligation to return that collateral are included in Other assets and Other liabilities, respectively, on the Consolidated Balance Sheets.

In the normal course of business, the Company has investments in variable interest entities (VIEs) primarily as a passive investor in residential mortgage-backed securities, commercial mortgage-backed securities, and private equity limited partnerships issued by third party VIEs. The Company is not the primary beneficiary of these VIEs. The Company's maximum exposure to loss with respect to these investments is limited to the investment carrying values included in the Company's Consolidated Balance Sheets and the unfunded commitments related to partnerships and private equity investments. The Company has unfunded commitments of $413,000 and $437,200 as of December 31, 2017 and 2016, respectively.

Income Taxes

The Company files consolidated U.S. and foreign income tax returns as required by law. The income tax expense is based on income before taxes reported in the consolidated financial statements. Deferred income taxes are provided, when appropriate, for the effects of temporary differences in reporting income and expenses for tax and financial reporting purposes. Deferred income taxes are also provided for unrealized appreciation or depreciation of investments, for pension and postretirement liabilities and for foreign currency translations.

The Internal Revenue Service (IRS) has completed its examination of the Company's federal income tax returns through 2012. There are no current IRS examinations in process.

Deferred Costs

Premium taxes and commissions, the principal business acquisition costs, are deferred to the extent recoverable and are amortized over the period during which the related premium is earned. Deferred costs are included in Other assets.

Certain pre-rental and other expenses incurred by the Company's real estate limited liability corporation subsidiaries are deferred and amortized over the lives of the various tenant leases.

Note 1. Significant Accounting Policies *(continued)*

Real Estate and Premises and Equipment

Premises and equipment are stated at net book value, and depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets. Upon retirement or sale, the cost of the asset disposed of and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in net realized investment gains. The net book value of the Company's investments in land and buildings is included in Real estate, whereas the net book value of the Company's occupied land and buildings, furniture, fixtures, and equipment is included in Premises and equipment.

Unpaid Losses and Loss Adjustment Expenses

Liabilities for unpaid losses and loss adjustment expenses are based on case estimates or reports from ceding companies. Estimates of incurred-but-not-reported (IBNR) reserves are based on historical experience and management analysis.

Although the above-described amounts are based on estimates, management believes recorded liabilities for unpaid losses and loss adjustment expenses are reasonable to cover the ultimate settlement cost of losses incurred. These estimates are continually reviewed and adjustments to such estimates are reflected in current operations.

Premiums

The Company issues term premium policies. The term premium is earned on a daily pro-rata basis over the life of the policy, which is typically one year. Unearned premium is the amount of unexpired written premium related to policies in force.

Translation of Foreign Currency

The Company translates the financial statements of its foreign operations into U.S. dollars from the functional currency applicable for each foreign unit, which is the currency of the country representing the primary economic environment in which each operation conducts business. Foreign currency balances are re-measured to the respective functional currencies, and the resulting foreign exchange gains or losses are reflected in earnings. Functional currency assets and liabilities are then translated into U.S. dollars at the exchange rates in effect at the end of the period, while income and expenses are translated at average rates. Foreign currency translation adjustments are recorded as a separate component of the Consolidated Statements of Comprehensive Income, net of income taxes.

Reinsurance

In the normal course of business, the Company seeks to reduce losses that may arise from catastrophes or other events by reinsuring certain levels of risk with other insurance enterprises. Reinsurance premium and losses and loss adjustment expenses ceded under these arrangements are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Retirement Income Plans and Postretirement Benefit Plans Other than Pensions

Noncontributory retirement income plans cover the vast majority of employees. The Company's funding policy is generally to contribute the net periodic pension cost each year, as determined pursuant to the guidance in *Compensation – Employee Benefits (ASC 715)*. However, the contribution for any year will not be less than the minimum required contribution, nor greater than the maximum tax-deductible contribution allowed in each country with plans in place.

Note 1. Significant Accounting Policies *(continued)*

The Company provides certain health care and life insurance benefits for retired employees and their dependents. The plans are contributory, with retiree contributions adjusted annually, and contain other cost-sharing features, such as deductibles and coinsurance. Current service and interest costs of postretirement health care and life insurance benefits are expensed on an accrual basis.

Investment-Related and Fee-Related Income

Investment-related income primarily consists of interest and dividends from the Company's investment portfolio and income from leased office space, which is earned as services are provided, or over the term of applicable leases. Fee-related income primarily consists of fees for ancillary services.

Recent Accounting Pronouncements Adopted

In May 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-09, *Disclosures about Short-Duration Contracts*, which applies to all insurance entities that issue short-duration contracts as defined in ASC 944, *Financial Services – Insurance,* which requires an insurance entity to provide additional disclosures for its short-duration insurance contracts, including the presentation of incurred and paid claims development tables by accident year. The update is effective for annual reporting periods beginning after December 15, 2016. The Company has adopted this ASU and included the required disclosures in Note 6.

Accounting Standards Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes existing revenue recognition guidance with a single model, unless a contract is within the scope of another standard. Under the new guidance, companies must allocate the total contract price to distinct contract components on a standalone selling price basis and recognize revenue upon fulfillment of each performance obligation and provide additional disclosures. The FASB subsequently issued ASU 2015-14, which defers the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2018. The Company is evaluating the impact, if any, that adoption will have on its consolidated financial position, results of operations, and related disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires equity investments to be measured at fair value, with changes in fair value recognized in net income. The update is effective for annual reporting periods beginning after December 15, 2017. The Company is evaluating the impact that adoption will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing lease guidance. Under the new guidance, lessees are to recognize in the statement of financial position a right-of-use asset and a lease payments liability that represent the right to use the underlying asset and the related obligations over the lease term. The update is effective for annual reporting periods beginning on or after December 15, 2019. The Company is evaluating the impact that adoption will have on its financial statements and related disclosures.

(in thousands)

Note 1. Significant Accounting Policies *(continued)*

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires that an employer reports service costs with other compensation costs arising from services rendered by employees during the period. The update is effective for annual reporting periods beginning on or after December 15, 2018. The Company is evaluating the impact that adoption will have on its financial statements and related disclosures.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities*. ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium. The update is effective for annual reporting periods beginning on or after December 15, 2019. The Company is evaluating the impact that adoption will have on its financial statements and related disclosures.

Note 2. Investments

Debt and Equity Securities

The following is a summary of securities at December 31, 2017:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. treasury securities and obligations of U.S. government agencies	$ 957,200	$ 16,300	$ (11,900)	$ 961,600
Obligations of states and political subdivisions	1,909,100	42,200	(5,200)	1,946,100
Mortgage and asset-backed securities:				
Agency	896,300	16,000	(8,500)	903,800
Commercial	112,700	800	(400)	113,100
Other mortgage and asset-backed securities	223,200	3,900	(1,400)	225,700
U.S. corporate securities	1,248,400	37,000	(6,800)	1,278,600
Foreign government securities	758,100	700	(5,800)	753,000
Other debt securities	350,800	500	(3,600)	347,700
Total debt securities	6,455,800	117,400	(43,600)	6,529,600
Equity securities:				
Consumer discretionary	513,700	715,800	(200)	1,229,300
Consumer staples	335,700	431,400	(200)	766,900
Energy	309,400	235,400	(800)	544,000
Financials	498,600	656,600	(900)	1,154,300
Health care	662,000	483,000	(24,300)	1,120,700
Industrials	280,000	393,300	(7,700)	665,600
Information technology	296,600	881,400	(300)	1,177,700
Mutual funds (international and emerging markets)	922,300	430,100	(2,500)	1,349,900
All other sectors	312,400	323,800	(200)	636,000
Total equity securities	4,130,700	4,550,800	(37,100)	8,644,400
Total debt and equity securities	$ 10,586,500	$ 4,668,200	$ (80,700)	$15,174,000

(in thousands)

Note 2. Investments *(continued)*

The following is a summary of securities at December 31, 2016:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. treasury securities and obligations of U.S. government agencies	$ 875,400	$ 25,300	$ (11,100)	$ 889,600
Obligations of states and political subdivisions	1,837,800	31,900	(19,600)	1,850,100
Mortgage and asset-backed securities:				
Agency	789,500	25,200	(8,000)	806,700
Commercial	119,500	1,000	(2,000)	118,500
Other mortgage and asset-backed securities	212,200	5,400	(800)	216,800
U.S. corporate securities	1,178,100	48,500	(7,200)	1,219,400
Foreign government securities	542,400	2,300	(4,100)	540,600
Other debt securities	373,300	3,400	(2,800)	373,900
Total debt securities	5,928,200	143,000	(55,600)	6,015,600
Equity securities:				
Consumer discretionary	560,100	501,000	(3,800)	1,057,300
Consumer staples	327,500	341,400	(3,500)	665,400
Energy	277,100	279,500	(400)	556,200
Financials	527,000	521,700	(600)	1,048,100
Health care	641,100	361,800	(6,300)	996,600
Industrials	292,100	301,700	(800)	593,000
Information technology	299,400	645,100	(1,100)	943,400
Mutual funds (international and emerging markets)	942,900	261,000	(17,900)	1,186,000
All other sectors	378,400	250,400	(1,500)	627,300
Total equity securities	4,245,600	3,463,600	(35,900)	7,673,300
Total debt and equity securities	$ 10,173,800	$ 3,606,600	$ (91,500)	$13,688,900

During the years ended December 31, 2017 and 2016: purchases of debt securities were $3,138,200 and $2,769,000, respectively; purchases of equity securities were $740,700 and $1,297,400, respectively; proceeds from the sale of debt securities were $2,693,900 and $2,213,500, respectively; and proceeds from the sale of equity securities were $1,226,100 and $1,293,900, respectively.

The gross realized gains and (losses) on sales of debt and equity securities totaled $420,500 and $(43,800) in 2017, and $383,600 and $(86,600) in 2016.

(in thousands)

Note 2. Investments *(continued)*

The amortized cost and fair value of debt securities at December 31, 2017 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ 369,600	$ 370,500
Due after one year through five years	2,181,800	2,210,400
Due after five years through 10 years	2,310,700	2,338,900
Due after 10 years	361,500	367,200
Subtotal	5,223,600	5,287,000
Mortgage and asset-backed securities	1,232,200	1,242,600
Total debt securities	$ 6,455,800	$ 6,529,600

The Company has temporarily loaned certain debt securities with a fair value of $274,300 and $129,300 at December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, the Company held total collateral values of $280,100 and $132,000 related to these securities, of which cash collateral included in Other assets and Other liabilities were $88,200 and $78,800, respectively.

Included in the Company's debt security portfolio are securities with unrealized losses deemed to be temporary. The total unrealized loss on these securities was $43,600 (fair value of $3,144,100) at December 31, 2017, and $55,600 (fair value of $2,764,300) at December 31, 2016. The amount of loss that existed for 12 months or more was immaterial for both 2017 and 2016. In reaching its conclusion that these impairments are temporary, the Company considered issuer specific circumstances as well as the fact that the Company does not intend to sell these securities and it is unlikely that the Company will be required to sell before they recover in value or mature.

Included in the Company's equity security portfolio are securities with unrealized losses deemed to be temporary. The total unrealized loss on these securities was $37,100 (fair value of $305,600) at December 31, 2017 and $35,900 (fair value of $522,700) at December 31, 2016. The amount of loss that existed for 12 months or more was immaterial for both 2017 and 2016. In reaching its conclusion that these impairments are temporary, the Company considered the duration and severity of the decline as well as the near-term prospects of the issuer. The Company believes these securities will appreciate over time, and the Company has the ability and intent to hold these securities.

During the years ended December 31, 2017 and 2016, net realized investment gains on other securities were $55,000 and $10,500, respectively.

Credit Risk

All debt security investments have credit exposure to the extent that a counterparty may default on an obligation to the Company. To manage credit risk, the Company focuses on high-quality debt securities, reviews the credit strength of all companies in which it invests, limits its exposure in any one investment and monitors the portfolio quality.

(in thousands)

Note 3. Fair Value

The valuation techniques required by the *Fair Value Measurements (ASC 820)* guidance are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions determined by the Company.

These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Significant inputs to the valuation model are unobservable.

The Company retains independent pricing vendors to assist in valuing invested assets. In compliance with the *ASC 820* guidance, the Company conducted a review of the primary pricing vendor, validating that the inputs used in that vendor's pricing process are deemed to be market-observable as defined in the standard.

When available, the Company uses quoted market prices to determine the fair value of investment securities, and they are included in Level 1.

When quoted market prices are unavailable, the Company uses quotes from independent pricing vendors based on recent trading activity and other relevant information. Debt securities are priced by an independent vendor using evaluated market pricing models that vary by asset class. These models incorporate available trade, bid, and other market information, and for structured securities also incorporate cash flow and, when available, loan performance data. The pricing models apply available market information through processes such as benchmark curves, benchmarking of similar securities, and sector groupings. The vendors also integrate observed market movements, sector news and relevant credit information into the evaluated pricing applications and models. These investments are included in Level 2 and are primarily comprised of debt securities.

The Company did not hold any assets classified as Level 3 in 2017 or 2016.

The following table presents the Company's invested assets measured at fair value as of December 31, 2017:

Invested Assets, at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities	$ 6,529,600	$ 26,500	$ 6,503,100
Equity securities	8,644,400	8,537,000	107,400
Total	$ 15,174,000	$ 8,563,500	$ 6,610,500

(in thousands)

Note 3. Fair Value *(continued)*

The following table presents the Company's invested assets measured at fair value as of December 31, 2016:

Invested Assets, at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities	$ 6,015,600	$ 12,000	$ 6,003,600
Equity securities	7,673,300	7,576,000	97,300
Total	$ 13,688,900	$ 7,588,000	$ 6,100,900

All debt securities are measured at fair value and are classified as Level 2 with the exception of certain short-term securities which are priced using quoted market prices and therefore classified as Level 1. See Note 2 for a breakout of debt securities by category.

All equity securities are priced using quoted market prices and classified as Level 1 with the exception of certain mutual funds which are priced by the manager using other observable inputs and therefore classified as Level 2. See Note 2 for a breakout of equity securities by category.

There were no transfers of securities between Levels 1 and 2 in 2017 or 2016.

Securities lending collateral held at December 31, 2017 and 2016 is classified as Level 1.

Note 4. Membership Credit

The Company's Board of Directors approved a membership credit to eligible policyholders in 2017 and 2016. The reduction to gross premium written was $415,200 and $407,200 for December 31, 2017 and December 31, 2016, respectively.

Note 5. Reinsurance

The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from potential reinsurer insolvencies. While such evaluations are intended to minimize the Company's exposure, the ultimate collection of reinsurance recoverables depends on the financial soundness of the individual reinsurers. The reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible.

The effect of reinsurance on written premium is as follows:

	Year ended December 31	
	2017	2016
Gross written premium	$ 5,191,800	$ 5,073,400
Ceded written premium	(1,411,800)	(1,478,300)
Net written premium	$ 3,780,000	$ 3,595,100

Ceded losses and loss adjustment expenses incurred for the years ended December 31, 2017 and 2016 were $1,232,800 and $392,300, respectively.

(in thousands)

Note 6. Unpaid Losses and Loss Adjustment Expenses

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

	Year ended December 31	
	2017	2016
Gross unpaid as of January 1	$ 3,864,900	$ 3,901,500
Less: unpaid reinsurance recoverables	1,146,200	1,241,600
Net unpaid as of January 1	$ 2,718,700	$ 2,659,900
Net incurred related to:		
Current year	4,122,000	2,182,500
Prior years	(182,600)	(279,100)
Total net incurred	3,939,400	1,903,400
Net paid related to:		
Current year	1,161,300	724,300
Prior years	1,169,100	1,120,300
Total net paid	2,330,400	1,844,600
Gross unpaid as of December 31	6,081,900	3,864,900
Less: unpaid reinsurance recoverables	1,754,200	1,146,200
Net unpaid as of December 31	$ 4,327,700	$ 2,718,700

The 2017 and 2016 decreases in net incurred on insured events for prior years was due to the reduction of incurred-but-not-reported (IBNR) reserves based on actual experience and decreases on a small number of individual losses.

The Company's liability is categorized as either continuing (commercial property) or discontinued lines of business (asbestos, environmental and other mass tort-related claims, which applies to business that is in runoff).

In establishing the liability for continuing losses and LAE there is uncertainty in management's estimates that cause these estimates to differ from ultimate payments. In establishing the liability for unpaid losses and LAE related to discontinued lines of business, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy and management can reasonably estimate the Company's liability. Liabilities have also been established to cover additional exposures on reported and IBNR claims. Developed case law and adequate claim history do not exist for such claims, primarily because significant uncertainty exists about the outcomes of coverage litigation and whether past claim experience will be representative of future claim experience.

The Company is the subject of various asserted and unasserted claims and lawsuits covering a wide variety of claims-related issues that arise out of the normal course of its business activities. Contingent liabilities arising from litigation and other matters are not considered material in relation to the consolidated financial position or operations of the Company.

(in thousands)

Note 6. Unpaid Losses and Loss Adjustment Expenses *(continued)*

The following disclosures reflect only commercial property insurance from the Company's continuing book of business and excludes other short-duration lines of business that are considered immaterial (e.g., homeowners and pools and associations) and discontinued lines of business.

The Company's liability is segmented into three major categories: reserves for reported claims (estimates made by claims adjusters), IBNR representing reserves for unreported claims and supplemental reserves for reported claims, and LAE.

In addition to discussions with claims representatives, the Company generally uses the cumulative incurred development method to establish IBNR loss reserves. This method assumes that the future change (adverse or redundant) in cumulative incurred losses will be consistent with historical patterns.

LAE reserves represent management's estimate of future expenses for investigating and settling claims. The LAE reserve is based on a historical ratio of actual loss adjustment expenses paid in comparison to the actual loss payments.

There have been no significant changes to the methodology used to establish IBNR.

Due to the short-tail nature of commercial property insurance, the disclosures below reflect the undiscounted information as of December 31, 2017, and for each of the four previous accident years.

All amounts have been translated from local currencies to U.S. dollars using the December 31, 2017, foreign exchange rates for all years presented to isolate changes in foreign exchange from loss development.

The Company compiles and aggregates its claims data by grouping the claims according to the year in which the claim occurred (accident year). With respect to cumulative reported claims, the amount represents the accumulation of individual claims which is measured by individual claimant. Individual claims that do not result in a liability are excluded from the calculation of the cumulative claim frequency.

	Incurred Loss and LAE, Net of Reinsurance, as of December 31,					As of December 31, 2017	
Accident Year	2013	2014	2015	2016	2017	IBNR	Cumulative Reported Claims
	Supplemental and Unaudited						
2013	$1,598,900	$1,423,600	$1,410,100	$1,408,600	$ 1,409,100	$ 1,100	8,280
2014		2,083,800	1,902,400	1,851,100	1,828,900	3,100	9,502
2015			1,973,400	1,734,700	1,695,400	9,600	8,259
2016				2,111,000	1,957,000	46,800	8,910
2017					4,034,800	486,100	8,262
Total					$ 10,925,200		

(in thousands)

Note 6. Unpaid Losses and Loss Adjustment Expenses *(continued)*

	Cumulative Paid Loss and LAE, Net of Reinsurance, as of December 31,				
Accident Year	2013	2014	2015	2016	2017
	Supplemental and Unaudited				
2013	$504,700	$1,108,500	$1,337,200	$1,395,700	$ 1,404,900
2014		785,700	1,578,800	1,761,300	1,799,900
2015			579,400	1,326,600	1,557,900
2016				723,800	1,582,500
2017					1,126,200
Total					$ 7,471,400
Unpaid losses and LAE prior to 2013, net of reinsurance					$ 16,000
Total unpaid losses and LAE, net of reinsurance					$ 3,469,800

The following disclosure presents the average annual payout of incurred claims by age, net of reinsurance, as of December 31, 2017:

	Average Annual Percentage of Payments on Incurred Claims by Age, Net of Reinsurance				
Years	1	2	3	4	5
	Supplemental and Unaudited				
	35.6%	43.5%	13.3%	3.1%	0.7%

The following is a reconciliation of the information in this disclosure to the consolidated gross liability for unpaid loss and LAE reported in the financial statements:

	As of December 31, 2017
Commercial property	$ 3,469,800
Other short-duration insurance lines of business	32,300
Unpaid losses and LAE, net of reinsurance	$ 3,502,100
Commercial property	$ 1,114,900
Reinsurance recoverable on unpaid losses and LAE	$ 1,114,900
Discontinued lines of business	$ 1,475,400
Foreign exchange	(10,500)
Other gross unpaid losses and LAE	$ 1,464,900
Total gross unpaid losses and LAE	$ 6,081,900

(in thousands)

Note 7. Real Estate and Premises and Equipment

Real Estate and Premises and Equipment at December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Land and buildings	$ 1,397,000	$ 1,330,600
Furniture, fixtures, and equipment	465,200	426,400
Accumulated depreciation	(788,500)	(721,500)
Total	$ 1,073,700	$ 1,035,500

During 2017 and 2016, depreciation expense for Real estate and Premises and equipment was $71,000 and $65,200, respectively.

The Company entered into a build-to-suit lease agreement in 2016 for a new operating office in Singapore. During the construction phase, a financing obligation is recognized equal to all costs funded by the landlord and costs incurred to date are reported as construction in process. The transaction will not qualify for sale-leaseback accounting and the building will be included in Premises and equipment on the Consolidated Balance Sheets when construction is complete.

Note 8. Leases

In connection with its various operating offices located throughout the world, the Company leases office space, automobiles, and equipment. These leases are classified as operating leases.

Future minimum lease payments at December 31, 2017, under operating leases with terms of one year or more are, in aggregate, $255,300. The future minimum lease payments for each of the five succeeding years from 2018 to 2022 are $41,200, $36,900, $28,700, $20,200, and $19,300, respectively.

During 2017 and 2016, rent expense for all operating leases was $43,600 and $41,800, respectively.

Note 9. Income Taxes

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21% as of January 1, 2018, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously not recognized by the Company, and creates new taxes on certain foreign source earnings. As of December 31, 2017, the Company has made an estimate of the accounting impact on the existing deferred tax balances and the one-time transition tax. A net provisional benefit amount of $498,700 has been recognized, which is included as a component of the Income tax benefit on the Consolidated Statements of Income.

The Company has remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. The provisional amount recorded related to the remeasurement of the deferred tax balance was a tax benefit of $508,700, however the Company is still analyzing certain aspects of the Act and refining the calculations.

(in thousands)

Note 9. Income Taxes *(continued)*

The one-time transition tax is based on the Company's total post-1986 tax-basis earnings and profits (E&P) that was previously not recognized for U.S. income tax purposes. The Company has recorded a provisional amount for the one-time transition tax liability for the foreign subsidiaries, resulting in an increase in income tax expense of $10,000. This amount may change when the Company completes the calculation of the total post-1986 E&P for these foreign subsidiaries and the amounts held in cash or other specified assets. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in these entities (i.e., basis difference in excess of that subject to the one-time transition tax) is not practicable.

The following is the current and deferred income tax expense (benefit) for the years ended December 31, 2017 and 2016:

	2017	2016
Current income tax (benefit) / expense	$ (241,000)	$ 426,000
Effect of change in tax law	(498,700)	–
Deferred income tax expense / (benefit)	56,900	(52,600)
Total income tax (benefit) / expense	$ (682,800)	$ 373,400

A reconciliation of income tax expense / (benefit) computed at U.S. Federal statutory tax rates to the income tax expense / (benefit) as included in the accompanying Consolidated Statements of Income follows for the years ended December 31, 2017 and 2016:

	2017	2016
Income tax (benefit) / expense at U.S. Federal statutory tax rate	$ (150,100)	$ 409,500
Tax effect of:		
Nontaxable investment income	(41,400)	(37,300)
Effect of tax law change	(498,700)	–
Effect of foreign operations	8,600	12,500
Other	(1,200)	(11,300)
Actual income tax (benefit) / expense	$ (682,800)	$ 373,400

(in thousands)

Note 9. Income Taxes *(continued)*

The significant components of the net deferred tax liability at December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred tax liabilities:		
Deferred acquisition costs	$ (16,200)	$ (24,700)
Unrealized appreciation	(922,700)	(1,157,700)
Deferred foreign income	–	(26,800)
Other investment items	(6,700)	(3,100)
Other	(32,700)	(37,000)
Total deferred tax liabilities	(978,300)	(1,249,300)
Deferred tax assets:		
Unpaid claims discounting	20,100	53,200
Unearned premium reserve	70,700	125,700
Compensation accruals	35,200	90,100
Benefit plan expenses	32,100	49,600
Unrealized investment losses	40,600	78,700
Unrelieved foreign tax	34,200	19,800
Tax credits	–	26,800
Other	41,900	77,500
Total deferred tax assets	274,800	521,400
Valuation allowance	(49,300)	(19,800)
Net deferred tax assets	225,500	501,600
Net deferred tax liability	$ (752,800)	$ (747,700)

The Company has established a valuation allowance for its foreign subsidiary's unrelieved foreign tax and the recognition of future expenses of a benefit plan.

Income tax paid during 2017 and 2016 was $252,000 and $366,300, respectively. In addition, the Company received no income tax refunds during 2017 and $17,200 in 2016.

The Company's unrecognized tax benefits are immaterial and it does not expect any material changes within 12 months of the reporting date.

Included in Other assets on the Consolidated Balance Sheets are current income taxes recoverables of $459,000 and $29,400 at December 31, 2017 and 2016, respectively.

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions

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

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

Obligations and funded status are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Benefit obligations	$ 3,076,300	$ 2,787,300	$ 215,200	$ 204,700
Fair value of plan assets	2,965,300	2,623,600	155,500	144,600
Funded status, end of year	$ (111,000)	$ (163,700)	$ (59,700)	$ (60,100)

The accumulated benefit obligations for the pension and supplemental benefits plans were $2,593,800 and $2,341,400, at December 31, 2017 and 2016, respectively.

The net amounts recognized in Other assets and Other liabilities are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Asset	$ 171,100	$ 127,500	$ –	$ –
Liability	(282,100)	(291,200)	(59,700)	(60,100)
Total	$ (111,000)	$ (163,700)	$ (59,700)	$ (60,100)

Pretax amounts included in accumulated other comprehensive income are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Net actuarial loss	$ 806,500	$ 884,900	$ 49,200	$ 46,400
Prior service cost	8,200	500	5,000	6,500
Net transition asset	(300)	(400)	–	–
Total	$ 814,400	$ 885,000	$ 54,200	$ 52,900

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension and supplemental benefit plans with an accumulated benefit obligation in excess of plan assets are as follows:

	Dec. 31, 2017	Dec. 31, 2016
Projected benefit obligation, end of year	$ 282,100	$ 255,000
Accumulated benefit obligation, end of year	226,900	200,900
Fair value of plan assets, end of year	–	–

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The projected benefit obligation and fair value of plan assets for pension and supplemental benefit plans with a projected benefit obligation in excess of plan assets are as follows:

	Dec. 31, 2017	Dec. 31, 2016
Projected benefit obligation, end of year	$ 282,100	$ 545,500
Fair value of plan assets, end of year	–	254,300

Other changes in plan assets and benefit obligations recognized in the Consolidated Statements of Comprehensive Income are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Current year actuarial (gain) loss	$ (33,800)	$ 204,500	$ 6,200	$ 100
Amortization of actuarial loss	(44,600)	(43,300)	(3,400)	(4,500)
Prior service costs	8,300	–	–	–
Amortization of prior service cost	(600)	(100)	(1,500)	(1,700)
Amortization of net transition asset	100	100	–	–
Total recognized in other comprehensive (income) loss	(70,600)	161,200	1,300	(6,100)
Net periodic benefit cost	61,100	32,900	6,200	8,400
Total recognized in net periodic benefit cost and other comprehensive (income) loss	$ (9,500)	$ 194,100	$ 7,500	$ 2,300

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2018 are as follows:

	Pension and Supplemental Benefits	Other Benefits
Actuarial loss	$ 44,900	$ 3,300
Prior service cost	700	1,700
Net transition asset	(100)	–
Total	$ 45,500	$ 5,000

Assumptions

Weighted-average assumptions used to determine benefit obligations are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Discount rate	3.46%	3.84%	3.50%	3.98%
Rate of compensation increase	4.52%	4.55%	4.39%	4.40%

Assumed health care cost trend rates:

	Other Benefits	
	Dec. 31, 2017	Dec. 31, 2016
Initial rate	6.89%	6.97%
Ultimate rate	5.00%	5.00%
Years to ultimate	6 years	7 years

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Discount rate	3.80%	4.28%	3.98%	4.33%
Expected long-term return on plan assets	6.63%	7.17%	6.50%	6.00%
Rate of compensation increase	4.51%	4.54%	4.40%	4.42%

Assumed health care cost trend rates:

	Other Benefits	
	Dec. 31, 2017	Dec. 31, 2016
Initial rate	6.97%	7.44%
Ultimate rate	5.00%	5.00%
Years to ultimate	7 years	6 years

Pension and Supplemental Benefit Plan Assets

The Company's pension and supplemental benefit plan asset allocation and target allocation are as follows:

	Target Allocation	Percentage of Plan Assets	
Asset Class	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Equity securities	64%	64%	67%
Debt securities	28	24	23
Cash equivalents	5	8	5
Other	3	4	5
Total	100%	100%	100%

The maturities of debt securities are as follows:

	Dec. 31, 2017	Dec. 31, 2016
Maturity range	0 – 40 years	0 – 40 years
Weighted-average maturity	15.20 years	14.96 years

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The fair value measurements of pension and supplemental benefit plan assets at December 31, 2017, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities (a):				
Consumer discretionary	$ 186,400	$ 186,400	–	$ –
Consumer staples	112,500	112,500	–	–
Energy	101,100	101,100	–	–
Financials	248,500	248,500	–	–
Health care	198,300	198,300	–	–
Industrials	131,600	131,600	–	–
Information technology	240,200	240,200	–	–
Mutual funds	568,100	333,600	$ 234,500	–
All other sectors	104,100	104,100	–	–
Total equity securities	1,890,800	1,656,300	234,500	–
Debt securities (b):				
U.S. treasury securities and obligations of U.S. government agencies	233,900	–	233,900	–
Mortgage and asset-backed securities				
Agency	72,300	–	72,300	–
Other mortgage and asset-backed securities	25,500	–	25,500	–
U.S. corporate securities	234,600	–	234,600	–
Mutual funds	135,600	–	135,600	–
Other debt securities	–	–	–	–
Total debt securities	701,900	–	701,900	–
Cash equivalents	247,800	247,800	–	–
Other (c)	124,800	4,700	–	$ 120,100
Total	$ 2,965,300	$ 1,908,800	$ 936,400	$ 120,100

(a) Includes common stocks and equity mutual funds of which $96,500 were on loan under a securities lending program as of December 31, 2017.

(b) Includes $88,800 of debt securities that were on loan under a securities lending program as of December 31, 2017. The total collateralized value of these loaned securities for both items (a) and (b) was $189,300 and consisted of $120,400 in Level 1 short-term and money market investments and $68,900 in Level 2 government agency debt securities.

(c) Includes private equity partnerships and a real estate partnership.

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The change in the fair value of the Level 3 Plan investments during 2017 was as follows:

	Other Investments
Balance at January 1, 2017	$ 123,900
Realized gain	4,800
Unrealized gain relating to instruments still held at the reporting date	(300)
Purchases, sales, issuances, and settlements (net)	(8,300)
Balance at December 31, 2017	$ 120,100

The fair value measurements of pension and supplemental benefit plan assets at December 31, 2016, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities (a):				
Consumer discretionary	$ 165,800	$ 165,800	–	–
Consumer staples	108,600	108,600	–	–
Energy	115,800	115,800	–	–
Financials	250,400	250,400	–	–
Health care	181,600	181,600	–	–
Industrials	124,400	124,400	–	–
Information technology	221,600	221,600	–	–
Mutual funds	461,200	279,200	$ 182,000	–
All other sectors	135,100	135,100	–	–
Total equity securities	1,764,500	1,582,500	182,000	–
Debt securities (b):				
U.S. treasury securities and obligations of U.S. government agencies	187,800	–	187,800	–
Mortgage and asset-backed securities				
Agency	71,800	–	71,800	–
Other mortgage and asset-backed securities	22,200	–	22,200	–
U.S. corporate securities	193,000	–	193,000	–
Mutual funds	106,300	–	106,300	–
Other debt securities	8,500	–	8,500	–
Total debt securities	589,600	–	589,600	–
Cash equivalents	140,000	140,000	–	–
Other (c)	129,500	5,600	–	$ 123,900
Total	$ 2,623,600	$ 1,728,100	$ 771,600	$ 123,900

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

(a) Includes common stocks and equity mutual funds of which $141,400 were on loan under a securities lending program as of December 31, 2016.

(b) Includes $94,100 of debt securities that were on loan under a securities lending program as of December 31, 2016. The total collateralized value of these loaned securities for both items (a) and (b) was $240,800 and consisted of $174,100 in Level 1 short-term and money market investments and $66,700 in Level 2 government agency debt securities.

(c) Includes private equity partnerships and a real estate partnership.

The change in the fair value of the Level 3 Plan investments during 2016 was as follows:

	Other Investments
Balance at January 1, 2016	$ 116,800
Realized gain	2,900
Unrealized gain relating to instruments still held at the reporting date	2,000
Purchases, sales, issuances, and settlements (net)	2,200
Balance at December 31, 2016	$ 123,900

Other Postretirement Benefit Plan Assets

The Company's other postretirement benefit plan asset allocation and target allocations are as follows:

	Target Allocation	Percentage of Plan Assets	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Asset Class			
Equity securities	93%	89%	92%
Cash equivalents	7	10	7
Other	–	1	1
Total	100%	100%	100%

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The fair value measurements of other postretirement benefit plan assets at December 31, 2017, consisting of all Level 1 assets, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity securities:		
Consumer discretionary	$ 16,500	$ 16,500
Consumer staples	12,000	12,000
Energy	9,500	9,500
Financials	16,100	16,100
Health care	20,600	20,600
Industrials	15,600	15,600
Information technology	23,200	23,200
Mutual funds	14,000	14,000
All other sectors	11,800	11,800
Total equity securities	139,300	139,300
Debt securities:		
U.S. corporate securities	–	–
Total debt securities	–	–
Cash equivalents	15,700	15,700
Other (a)	500	500
Total	$ 155,500	$ 155,500

(a) Represents a real estate partnership.

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The fair value measurements of other postretirement benefit plan assets at December 31, 2016, consisting of all Level 1 assets, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity securities:		
Consumer discretionary	$ 14,800	$ 14,800
Consumer staples	11,700	11,700
Energy	11,300	11,300
Financials	17,300	17,300
Health care	19,800	19,800
Industrials	14,300	14,300
Information technology	22,300	22,300
Mutual funds	11,200	11,200
All other sectors	11,400	11,400
Total equity securities	134,100	134,100
Debt securities:		
U.S. corporate securities	–	–
Total debt securities	–	–
Cash equivalents	10,000	10,000
Other (a)	500	500
Total	$ 144,600	$ 144,600

(a) Represents a real estate partnership.

Pension and Postretirement Plans Asset Investment Narrative

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

Asset Class	Range
Equity securities	50 – 80%
Debt securities	10 – 50%
Short-term investments	0 – 15%

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

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

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

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

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

Cash Flows

Employer Contributions	Pension and Supplemental Benefits	Other Benefits
2016	$ 32,400	$ 1,000
2017	30,900	1,000
2018 (expected)	5,100	1,000

Contributions by participants to the other benefit plans were $6,600 and $5,500 for the years ended December 31, 2017 and 2016, respectively.

Benefit Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2016	$ 78,800	$ 12,600	$ 1,000
2017	90,500	13,300	1,000

Estimated Future Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2018	$ 96,200	$ 12,700	$ 900
2019	99,000	12,700	900
2020	104,200	12,900	900
2021	110,800	13,100	900
2022	117,700	13,100	900
2023 – 2027	674,200	62,400	4,000

(in thousands)

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The Company also sponsors a 401(k) savings plan whereby eligible employees may elect annually to contribute from 1 percent to 50 percent of their base pay on a pretax or after-tax basis. Employee contributions are restricted to Internal Revenue Service limits. The Company matches pretax and after-tax contributions up to 6 percent of the employee's base pay. Company contributions to the plan were $21,300 in 2017 and $20,900 in 2016.

Note 11. Components of Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income by component, net of income tax, for the year ended December 31, 2017 are as follows:

	Unrealized Appreciation on Investments in Debt and Equity Securities	Benefit Plan Assets and Liabilities	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income
Balance at January 1, 2017	$ 2,320,200	$ (624,900)	$ (362,000)	$ 1,333,300
Other comprehensive income before reclassifications	930,700	14,200	112,900	1,057,800
Amount reclassified from accumulated other comprehensive (loss) / income	(236,500)	32,500	–	(204,000)
Net current period other comprehensive income	694,200	46,700	112,900	853,800
Balance at December 31, 2017	$ 3,014,400	$ (578,200)	$ (249,100)	$ 2,187,100

The following are reclassifications out of accumulated other comprehensive income to net income for the year ended December 31, 2017:

Unrealized appreciation of investment in debt and equity securities:		
Net realized investment gains	$ 376,500	
Other than temporary impairment losses	(24,500)	
Total before tax	352,000	
Income tax expense	(115,500)	
Net of tax	$ 236,500	
Amortization of benefit plan amounts:		
Actuarial losses	$ (48,000)	(a)
Prior service cost	(2,100)	(a)
Net transition asset	100	(a)
Total before tax	(50,000)	
Income tax benefit	17,500	
Net of tax	$ (32,500)	

(a) These accumulated other comprehensive income components are included in the computation of net periodic cost (see Note 10).

(in thousands)

Note 11. Components of Accumulated Other Comprehensive Income *(continued)*

The changes in accumulated other comprehensive income by component, net of income tax, for the year ended December 31, 2016 are as follows:

	Unrealized Appreciation on Investments in Debt and Equity Securities	Benefit Plan Assets and Liabilities	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income
Balance at January 1, 2016	$ 2,013,300	$ (515,900)	$ (251,400)	$ 1,246,000
Other comprehensive income / (loss) before reclassifications	469,100	(141,400)	(110,600)	217,100
Amount reclassified from accumulated other comprehensive income	(162,200)	32,400	–	(129,800)
Net current period other comprehensive income / (loss)	306,900	(109,000)	(110,600)	87,300
Balance at December 31, 2016	$ 2,320,200	$ (624,900)	$ (362,000)	$ 1,333,300

The following are reclassifications out of accumulated other comprehensive income to net income for the year ended December 31, 2016:

Unrealized appreciation of investment in debt and equity securities:		
Net realized investment gains	$ 297,100	
Other than temporary impairment losses	(56,400)	
Total before tax	240,700	
Income tax expense	(78,500)	
Net of tax	$ 162,200	
Amortization of benefit plan amounts:		
Actuarial losses	$ (47,800)	(a)
Prior service cost	(1,800)	(a)
Net transition asset	100	(a)
Total before tax	(49,500)	
Income tax benefit	17,100	
Net of tax	$ (32,400)	

(a) These accumulated other comprehensive income components are included in the computation of net periodic cost (see Note 10).

Note 12. Subsequent Events

Subsequent events were evaluated through February 14, 2018, the date the consolidated financial statements were issued. No material transactions occurred after the balance sheet date that would impact the consolidated financial statements.

CORPORATE GOVERNANCE

MANAGEMENT

Thomas A. Lawson
Chairman and
Chief Executive Officer

Jonathan W. Hall
Chief Operating Officer

Bret N. Ahnell
Executive Vice President

Chris Johnson
Executive Vice President

Michael R. Turner
Executive Vice President

Gerardo L. Alonso
Senior Vice President
Boston Operations

Darren J. Benson
Senior Vice President
Claims

Kevin L. Bradshaw
Senior Vice President
Western Division

Roberta H. Butler
Senior Vice President
Marketing and
Enterprise Learning

Brion E. Callori
Senior Vice President
Engineering and Research

Rodney C. Fisher*
Senior Vice President
Underwriting and Reinsurance

James R. Galloway
Senior Vice President
Division Manager
AFM

Randall E. Hodge
Senior Vice President
Underwriting and Reinsurance

Kevin S. Ingram
Senior Vice President
Finance

Derry K. Johnson
Senior Vice President
Sales

Paul E. LaFleche
Senior Vice President
Investments

Kenneth V. Lavigne
Senior Vice President
Canada Division

Michael C. Lebovitz
Senior Vice President
Innovation

Jeanne R. Lieb
Senior Vice President
Information Services

William M. Lonchar
Senior Vice President
Central Division

Jonathan I. Mishara
Senior Vice President
Law and Governmental Affairs

George J. Plesce
Senior Vice President
Client and Global Services

Enzo Rebula
Senior Vice President
Human Resources

Malcolm C. Roberts
Senior Vice President
Eastern Division

Stefano Tranquillo
Senior Vice President
EMEA/Asia Pacific Division

Neal H. Bear
Operations Senior Vice President
San Francisco Operations

Jeffrey J. Beauman
Vice President
All-Risk Underwriting

Sean A. Bishoff
Regional Senior Vice President
AFM

Lyndon D. Broad
Operations Senior Vice President
Australia Operations

Benoit Charbonneau
Operations Senior Vice President
Montreal Operations

Thomas M. Dusel
Vice President
Real Estate

Richard M. Gillen
Operations Senior Vice President
Mutual Boiler Re

Achim Hillgraf
Operations Senior Vice President
Frankfurt Operations

Johnell Holly
Operations Senior Vice President
New York Operations

Heidi L. Hull
Operations Senior Vice President
Cleveland Operations

Allan J. Johnson
Operations Senior Vice President
Forest Products and
Latin America Operations

David M. Johnson
Regional Senior Vice President
Asia Operations

Philip Johnson
Operations Senior Vice President
London Operations

Gervais Landry
Regional Senior Vice President
AFM

David L. Mackin
Regional Senior Vice President
AFM

Thierry Masurel
Operations Senior Vice President
Paris Operations

Cynthia A. Meek
Regional Senior Vice President
AFM

William A. Mekrut
Vice President
Treasurer

Theresa A. Molloy
Vice President
Controller

Brian M. Nyquist
Operations Senior Vice President
Business Technology
Transformation

James P. O'Brien
Operations Senior Vice President
Chicago Operations

James E. O'Neill
Operations Senior Vice President
Washington, D.C., Operations

Douglas S. Patterson
Operations Senior Vice President
Dallas Operations

Vincent A. Reyda
Operations Senior Vice President
Innovation Implementation

Lynette K. Schultheis
Regional Senior Vice President
AFM

Denis C. Shine
Operations Senior Vice President
St. Louis Operations

Carl W. Solly
Operations Senior Vice President
Atlanta Operations

Ziad Alex S. Tadmoury
Operations Senior Vice President
Compliance and Real Estate

David R. Thoman
Operations Senior Vice President
Los Angeles Operations

David M. Thompson
Operations Senior Vice President
Toronto Operations

Pentti Tofte
Vice President
Data Analytics

Steven J. Wrinkle
Operations Senior Vice President
Chemical Operations

*Retiring March 2018

RISK MANAGEMENT EXECUTIVE COUNCILS

Canada Division

Michael R. Butler
Senior Manager
Operational Risk and
Insurance Management
Vale Canada Limited

Anne J. Chalmers
Vice President
Risk and Security
Teck Resources Limited

Ginette Demers
Director, Risk Management and
Insurance
Domtar

Alina Kanadjian
Manager, Risk and Insurance
CAE Inc.

Véronick Marcotte
Vice President
Risk Management and Insurance
Tembec Industries Inc.

Darren W. Marsh
Manager
Operational Risk and Insurance
Nalcor Energy

Raluca Raileanu
Senior Risk Manager
Gildan

Adib Samaan
Director, Risk Management
J.D. Irving, Limited

Renee Simms
Assistant Vice President
Insurance
RioCan

Andy Slipp
Director, Business Services
and Risk Management
New Brunswick Power Corp.

Linda Stojcevski
Director
Global Risk Management
Magna International Inc.

Michel Turcotte
Senior Director
Risk and Insurance
Ivanhoe Cambridge

Chukie Wijegoonewardane
Director
Risk and Treasury
Chemtrade Logistics Inc.

Central Division

Brittany Altstaetter
Manager
Enterprise Risk Management
Worthington Industries, Inc.

Ian Ascher
Director of Corporate
Risk Management
The Kraft Heinz Company

Craig A. Bartol
Executive Director
Risk Management
Johnson Controls, Inc.

Lara Baugh
Director, Risk Management
Deere & Company

Ann Marie Bitta
Director
Global Risk Management
Abbott Laboratories

Mark Byers
Senior Director
Risk Management
*Coca-Cola Bottling Co.
Consolidated*

Stephen S. DiGiacinto
Vice President
Risk Management
Hallmark Cards, Inc.

Benji Dyches
Senior Risk and
Insurance Manager
Jabil Circuit Inc.

Karen J. Golden
Director
Risk Management
Navistar, Inc.

Chris Harden
Director, Risk Management
AGCO Corporation

Lisa Hough
Manager, Risk Management
Omaha Public Power District

Charles Kolodkin
Executive Director
Enterprise Risk and Insurance
Cleveland Clinic

Dennis J. Krause
Senior Director
Risk Management
Global Treasury
Mylan N.V.

Rodney Marler
Director, Corporate Risk
Credit and Treasury Operations
Ball Corporation

Dora Pisano
Director, Risk Management
Illinois Tool Works, Inc.

Katherine H. Schweikart
Senior Financial Manager
Risk Management
General Mills, Inc.

Mary Beth Smykowski
Director, Risk Management
Masco Corporation

Jeff Stevens
Manager
Risk Management and Insurance
Caterpillar Inc.

Karen H. Sullivan
Vice President
Risk Management and Insurance
Community Health Systems, Inc.

Douglas A. Troupe
Director
Insurance Risk Management
Tenaska Inc.

Bill Whitmire
Director
Corporate Risk Management
Shaw Industries Group, Inc.

Roxsann Wilson
Vice President
Risk Management
Cardinal Health, Inc.

RISK MANAGEMENT EXECUTIVE COUNCILS

Eastern Division

Ronald Allen
Director of Risk Management
Altria Group Inc.

Donald B. Aspinall, Jr.
Vice President, Global Risk Management
Comcast Corporation

Anthony Avitabile
Vice President of Industry Risk Management
Major League Baseball

Connie Bartels
Senior Director
Risk Management
United Technologies Corporation

Scott P. Borup
Vice President
Corporate Risk Management
Johnson & Johnson

James A. Breeding
Executive Director of Risk Management and Insurance
Rutgers, The State University of New Jersey

Christopher de Wolfe
Director of Risk Management
MARS Incorporated

Maria C. Diaz
Director
Global Risk Management
Xerox Corporation

Jason Duffy
Vice President
Insurance and Risk Management
FMR LLC

Katie Elflein
Senior Director
Risk Management
Celgene Corporation

Robert H. Fetter
Vice President
Risk Management
Thermo Fisher Scientific

Ruth A. Goodell
Senior Vice President
Insurance and Risk Management Services
Trinity Health Corporation

Michael E. Harrington
Director, Risk Management
Lockheed Martin Corporation

Kathleen M. Ireland
Vice President
Global Risk and Insurance
IBM Corporation

Kevin P. Lang
Director
Risk Management
Ingersoll-Rand plc

Gary W. Langsdale
University Risk Officer
The Pennsylvania State University

David H. McClain
Director
Insurance and Fleet Services
PPG Industries, Inc.

R. Scott McCurdy
Executive, Insurance
General Electric Company

Brian W. Merkley
Global Director
Corporate Risk Management
Huntsman Corporation

William Milaschewski
Director, Risk Management
Cabot Corporation

Kelly C. O'Shea
Senior Director, Enterprise and Global Risk Management
Xylem Inc.

Thomas Patchel
Director of Risk Management
TE Connectivity Ltd.

Peter F Roueche
Director, Enterprise Risk and Insurance
Eastman Chemical Company

Charles W. Scott, Jr.
Assistant Treasurer
FMC Corporation

Chris Tiberio
Director of Risk and Insurance Management
Praxair, Inc.

Mark Vandevere
Director of Risk Management and Real Estate
Triumph Group, Inc.

Steven T. Wilking
Managing Director
Risk Management
Tishman Speyer

EMEA Division

Robert Ashmore
Group Insurance Director
Reckitt Benckiser Group plc

Klaus Braukmann
Group Insurance Manager
Continental AG

Tony Dimond
Group Risk Officer
DS Smith

Martina Fernández Porto
Risk Management Director
INDITEX, S.A.

Carine Habay Bony
Corporate Insurance Director
Group Danone

David Howells
Director
Group Risk Management and Insurance
Tetra Laval International S.A.

Klas Iloson
Managing Director
SKF Reinsurance Company Ltd

Estelle Josso
Risk Manager
Hermès

Riri Kim
Insurance and Risk Director, Finance
JT International S.A.

Françoise Kumpf
Director Global Risk Management and Insurance
Philip Morris International Management S.A.

Adrian Latimer
Risk and Insurance Manager
Schlumberger Limited

Chris McCormack
Head of Group Insurance
and Risk
RELX Group

Ola Nilsson
Vice President
Risk Management
and Insurance
ESSITY AKTIEBOLAG (publ)

André J. Oude Hergelink
Director
Koninklijke Ten Cate bv

Peter Rehberg
Director Corporate Insurance
MAHLE International GmbH

Michael Rowe
Vice President
Corporate Insurance
and Risk Management
GlaxoSmithKline

Dieter Schmitt
Managing Director
Adidas Group

Monika Schumacher
Managing Director
Robert Bosch Risk and Insurance Management GmbH

Stefan Thrun
Head of Insurance
GEA Group AG

Johan Willaert
Corporate Risk Manager
Agfa Gevaert N.V.

Western Division

David E. Arick
Assistant Treasurer
Global Risk Management
International Paper Company

Eric Artho
Vice President
Finance and Treasurer
Neiman Marcus Group

Scott J. Bamford
Director Risk Management
WestRock Company

Tom Bandoni
Senior Director
Risk Management
flex

Ken Colyer
Senior Director
Corporate Accounting and
Reporting
Clearwater Paper Corporation

Marina Cronk
Vice President
Risk Management and Safety
Williams-Sonoma, Inc.

Renee N. Garbus
Vice President
Assistant Treasurer
PepsiCo, Inc.

Eric Guard
Vice President
Risk Management
Ross Stores, Inc.

Franc Hangarter
Managing Director, Corporate
Insurance and Risk Management
American Airlines

Michael Hartwich
Director Risk and Insurance
Intel Corporation

Kenneth Jeck
Vice President
Risk Management
National Oilwell Varco

John W. Lambdin
Director of Insurance
Weyerhaeuser Company

Rodrigo Levy
Corporate Business Controller
Empresas CMPC

David Little
Vice President
Global Risk Management
Las Vegas Sands Corporation

David Lopez
Vice President
Global Risk Management
Alfa, S.A.B. de C.V.

René A. Martinez
Director of Insurance and
Risk Management
CEMEX, S.A.B. de C.V.

Christopher Nassa
Vice President
Global Risk Management
CBRE

Drew Porter
Director of Risk Management
Cinemark USA, Inc.

Kevin Risse
Director, Risk Management
Western Digital Corporation

Scott Ritto
Vice President
Risk Management
Kilroy Realty Corporation

Paul D. Rytting
Director
Risk Management Division
The Church of Jesus Christ of Latter-Day Saints

Michael D. Tarling
Assistant Treasurer
Risk Management
and Insurance
The Boeing Company

Stephen M. Wilder
Vice President
Risk Management
The Walt Disney Company

Julie Young
Director, Risk Management
Dell Technologies Inc.

Karl Zimmel
Director, Risk Management
and Facilities
UNS Energy Corporation

ADVISORY BOARDS

Canada

John D. Amodeo
Executive Vice President and
Chief Financial Officer
Samuel, Son & Co., Limited

Claude Boulanger
President and
Chief Executive Officer
Aluminerie Alouette Inc.

George J. Bunze
Vice Chairman and Director
Kruger Inc.

Fabiana Chubbs
Chief Financial Officer
Eldorado Gold Corporation

Robert Davis
Chairman and
Chief Executive Officer
The Innovak Group Inc.

Dennis A. DeChamplain
Senior Vice President and
Chief Financial Officer
ATCO Ltd.

Todd D. Eby
Vice President of Finance and
Chief Financial Officer
Hood Packaging Corporation

Paul A. Jewer
Executive Vice President and
Chief Financial Officer
High Liner Foods Incorporated

Shamsh Kassam
Chief Financial Officer
Stern Partners Inc.

Danny Kissoon
Senior Vice President, Operations
RioCan Management Inc.

M. Ross Langley
Executive Vice President
J.D. Irving Limited

Peter C. Rozee
Senior Vice President
Commercial and Legal Affairs
Teck Resources Limited

Derrick Sturge
Executive Vice President, Finance
and Chief Financial Officer
Nalcor Energy

Europe

Dr. Annette Beller
Chief Financial Officer
B. Braun Melsungen AG

Paolo Carugati
Chief Financial Officer
Polynt S.p.A.

Bruno Chapoulart
Chief Executive Officer
Andros et Cie

Roger J. Connor
President
Global Manufacturing and Supply
GlaxoSmithKline

Michel Decorte
Chief Financial Officer
Indaver

Erwin De Deyn
Chief Legal Officer
Vice President
Beaulieu International Group NV

Gerald Mayer
Chief Financial Officer
Member of the Board
AMAG Austria Metall AG

Tim Murray
Chief Executive Officer
Aluminium Bahrain B.S.C. (c)

Denis Musson
Group General Counsel and
Company Secretary
Imerys

Patrick Noonan
Senior Corporate Vice President
General Counsel and Secretary
Nexans S.A.

Erik Peeters
Chief Financial Officer
VPK Packaging Group

Xavier Roy-Contancin
Chief Financial Officer
Sequana

Chris Shaw
Executive Vice President
Operations and Supplier
Management
Cobham plc

Bas Sprong
Member of Executive Board
Senior Vice President Finance
Pon Holdings BV

Robert Swan
Group Head of Finance
Tetra Laval International

Marie-Claire Wastiaux
Senior Vice President
Chief Financial Officer
Hachette Livre

United States
Atlanta/Dallas

Ignacio Rincón Arredondo
Director Packaging Division
Bio-PAPPEL International
Bio-PAPPEL

Andrew H. Beck
Senior Vice President and
Chief Financial Officer
AGCO Corporation

Laura Bishop
Executive Vice President and
Chief Financial Officer
USAA

Frank H. Boykin
Chief Financial Officer
Mohawk Industries, Inc.

Andrew H. Dallas
Vice President
General Counsel and
Secretary
Riceland Foods, Inc.

Robert A. Feeser
President, Consumer Packaging
WestRock Company

Jo Ann Fuller
Vice President and
Chief Financial Officer
Seminole Electric
Cooperative, Inc.

Paula Gold-Williams
President and
Chief Executive Officer
CPS Energy

Elizabeth B. Higgins
Executive Vice President and
Chief Financial Officer
Oglethorpe Power Corporation

Brian W. Hobbs
Vice President
Legal and Corporate Services
Western Farmers Electric Cooperative

Kenneth G. Jackson
Executive Vice President and
Chief Financial Officer
Shaw Industries Group, Inc.

George C. Mitchell
Senior Vice President of Finance
Dallas Cowboys Football Club, Ltd.
Blue Star Investments Inc.

Van L. Richey
President and
Chief Executive Officer
American Cast Iron Pipe Company

Bruce A. Ridley
Vice President
Environmental, Health, Safety
and Operations
Packaging Corporation of America

Dellmer B. Seitter, III
Senior Vice President and
Chief Financial Officer
Printpack

Kimarie R. Stratos
Senior Vice President
General Counsel and
Chief Privacy Officer
Memorial Healthcare System

Elizabeth C. Woodard
Executive Vice President and
Chief Financial Officer
PowerSouth Energy Cooperative

Chicago/St. Louis

Patrick E. Allen
Senior Vice President and
Chief Financial Officer
Rockwell Collins, Inc.

David J. Aplington
Senior Vice President and
General Counsel
BJC Healthcare

Suzanne S. Bettman
Chief Administrative Officer and
General Counsel
LSC Communications, Inc.

Donald Brown
Executive Vice President
and Chief Financial Officer
NiSource, Inc.

Mark Condon
President and
Chief Executive Officer
J-Power USA

David A. Dohnalek
Senior Vice President
and Treasurer
The Boeing Company

Philip E. Donaldson
Executive Vice President
and Chief Financial Officer
Andersen Corporation

Sheri H. Edison
Vice President
General Counsel and Secretary
Bemis Company, Inc.

Matthew W. Geekie
Senior Vice President
Secretary and General Counsel
Graybar Electric Company, Inc.

David J. Honan
Executive Vice President and
Chief Financial Officer
Quad/Graphics, Inc.

Warren J. Kelleher
Vice President
Chief Financial Officer
and Treasurer
The Boler Company

John J. Kita
Executive Vice President and
Chief Financial Officer
A.O. Smith Corporation

Rodney P. Lehnertz
Senior Vice President
Finance and Operations
The University of Iowa

Michael B. Lucareli
Vice President, Finance and
Chief Financial Officer
Modine Manufacturing Company

Christopher P. Meyers
Vice President, Finance and
Chief Financial Officer
Amsted Industries

Richard D. Moore
Treasurer
Caterpillar, Inc.

Bradley W. Oachs
Chief Operating Officer
Allete/Minnesota Power

Mark W. Peterson
Executive Vice President and
Chief Financial Officer
Rexnord Corporation

Larry Schmid
Vice President and
Chief Financial Officer
Great River Energy

Gregory A. Van Dyke
Chief Financial Officer and
Treasurer
Tenaska, Inc./TPF

Teresa A. Warne
Vice President, Finance
American Crystal Sugar Company

Philip D. Wheeler, J.D.
Senior Vice President and
General Counsel
Mercy Health

Cleveland

Mark R. Belgya
Vice Chairman and
Chief Financial Officer
The J.M. Smucker Company

J. D. Carlson
Executive Vice President and
Chief Financial Officer
Penske Automotive Group

Jeffrey C. V. Deuch
Executive Vice President
Administration and
Chief Financial Officer
MTD Products Inc.

Philip D. Fracassa
Executive Vice President and
Chief Financial Officer
The Timken Company

ADVISORY BOARDS

Bentraum D. Huffman
Chief Operating Officer
Ellwood Group, Inc.

Michael McNalley
Executive Vice President and
Chief Financial Officer
East Kentucky Power Cooperative, Inc.

Vincent K. Petrella
Executive Vice President
Chief Financial Officer and
Treasurer
Lincoln Electric Holdings, Inc.

William A. Roberts
Vice President, Finance and
Chief Financial Officer
Buckeye Power, Inc.

Frank J. Roddy
Executive Vice President
Finance and Administration
Swagelok Company

Gregory M. Steinberg
Chief Financial Officer
American Greetings Corporation

New York

Erick Asmussen
Senior Vice President and
Chief Financial Officer
Momentive Performance Material Inc.

Mark S. Baydarian
Chief Financial Officer
Leviton Manufacturing Co., Inc.

Daniel J. Bialkowski
Vice President
Chief Financial Officer
Americas Styrenics LLC

Mark K. Cox
Senior Vice President
Chief Manufacturing,
Supply Chain, and
Engineering Officer
Eastman Chemical Company

Joseph G. Doran
Senior Managing Director and
Chief Financial Officer
Tishman Speyer

James F. Flynn
Senior Vice President
Finance and Administration
King Kullen Grocery Co., Inc.

Kyle F. Gendreau
Executive Director and
Chief Financial Officer
Samsonite International S.A.

Susan E. Gonzalez
Vice President and
General Counsel
InterGen N.V.

Thomas Greenlee
Executive Vice President, Finance
Southern Glazer's Wine and Spirits, LLC

Craig C. Harnett
Senior Executive Vice President
and Chief Financial Officer
National Hockey League

Eli Kay
Chief Financial Officer
JFK International Air Terminal, LLC

James H. Lapple
Vice President
Finance
The Rockefeller University

J. Keith McKinnish
Managing Director,
Portfolio Operations
KPS Capital Partners, LP

William Meaney
President and
Chief Executive Officer
Iron Mountain

Larry Schiffman
Chief Financial Officer
Sudler Management Corp.

Matthew M. Walsh
Executive Vice President
Chief Financial Officer
Catalent, Inc.

San Francisco

Howard Anson
Vice President of Finance
Triple Five Group of Companies

Daniel A. Doyle
Senior Vice President and Chief Financial Officer Puget Sound Energy

Charles N. Eldred
Executive Vice President and
Chief Financial Officer
PNM Resources

Carol R. Kaufman
Executive Vice President
Secretary
Chief Administrative Officer
and Chief Governance Officer
The Cooper Companies

James F. Lobdell
Senior Vice President of Finance
Chief Financial Officer and
Treasurer
Portland General Electric

Troy E. McHenry
Executive Vice President and
General Counsel
HCP, Inc.

Susan C. Miller
Senior Vice President
General Counsel and Secretary
Avery Dennison Corporation

Andrew Power
Chief Financial Officer
Digital Realty

Wayne M. Rancourt
Executive Vice President
Chief Financial Officer and
Treasurer
Boise Cascade Company

Erik Rasmussen
Executive Counsel
MultiCare Health System

Devin W. Stockfish
Senior Vice President,
Timberlands
Weyerhaeuser Company

Andrea K. Tarbox
Vice President and
Chief Financial Officer
KapStone Paper and
Packaging Corporation

Roger E. von Ting
Executive Vice President and
Chief Financial Officer
Watson Land Company

Washington, D.C./ Philadelphia

Daniel J. Abdun-Nabi
President and
Chief Executive Officer
Emergent BioSolutions Inc.

William J. Burke
Executive Vice President and
Chief Financial Officer
AMETEK, Inc.

Shelby J. Christensen
Senior Vice President
Real Estate Operations
Liberty Property Trust

James Edgemond
Chief Financial Officer
and Treasurer
United Therapeutics Corporation

Jonathan D. Fain
Chairman and
Chief Executive Officer
Teknor Apex Company

Steve G. Filton
Senior Vice President and
Chief Financial Officer
Universal Health Services, Inc.

Bruce A. Heugel
Senior Vice President and
Chief Financial Officer
B. Braun of America Inc.

Kevin P. Igo
Vice President
Treasury, Taxation and
Administration
Mannington Mills, Inc.

Ted J. Jastrzebski
Executive Vice President and
Chief Financial Officer
QVC, Inc.

Michael G. Lowery
President
Carpenter Co.

James Radin
Vice President
Global Supply Chain
McCormick & Company, Inc.

Charles W. Rayfield
Senior Vice President and
Chief Financial Officer
Knoll, Inc.

Joseph M. Savage
Executive Vice President and
Chief Financial Officer
Victaulic Company

Donald J. Smolenski
President
Philadelphia Eagles,
Limited Partnership

Vincent Sorgi
Senior Vice President and
Chief Financial Officer
PPL Corporation

Lawrence H. Wilt Jr.
Vice President and
Chief Financial Officer
Titan America LLC

BOARD OF DIRECTORS

Frank T. Connor **C**
Executive Vice President
and Chief Financial Officer
Textron Inc.

Colin Day **A F**
Retired Chief Executive
Essentra plc

Michel Giannuzzi **A**
Chairman and
Chief Executive Officer
Verallia Packaging S.A.S.

Daniel L. Knotts **A**
President and
Chief Executive Officer
RR Donnelley

Glenn R. Landau **F**
Senior Vice President and
Chief Financial Officer
International Paper Company

Thomas A. Lawson **E F**
Chairman and
Chief Executive Officer
Factory Mutual
Insurance Company

John A. Luke Jr. **C E**
Chairman
WestRock Company

Gracia C. Martore **A C E**
Retired President and
Chief Executive Officer
TEGNA Inc.

Christine M. McCarthy **E F**
Senior Executive Vice President
and Chief Financial Officer
The Walt Disney Company

Stuart B. Parker **F**
Chief Executive Officer
USAA

Edward J. Rapp **A C E**
Retired Group President
Caterpillar Inc.

Israel Ruiz **F**
Executive Vice President
and Treasurer
Massachusetts Institute
of Technology

Shivan S. Subramaniam **F**
Retired Chairman and
Chief Executive Officer
Factory Mutual
Insurance Company

A Audit Committee **C** Compensation Committee **E** Executive Committee **F** Finance Committee

W00272 Printed in USA

FM Insurance Company Limited
1 Windsor Dials, Windsor, Berkshire, SL4 1RS
Authorized by the Prudential Regulation
Authority and regulated by the
Financial Conduct Authority and
the Prudential Regulation
Authority.