Maine Employers' Mutual Insurance Company

MEMIC Indemnity Company

MEMIC Casualty Company

Maine Employers' Mutual Insurance Company

Financial Statements (Statutory Basis)
December 31, 2017 and 2016

Maine Employers' Mutual Insurance Company
Index
December 31, 2017 and 2016

To the Board of Directors of
Maine Employers' Mutual Insurance Company

We have audited the accompanying statutory basis financial statements of Maine Employers' Mutual Insurance Company (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2017 and 2016, and the related statutory statements of income, changes in capital and surplus, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Maine Bureau of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 over financial reporting. 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 opinions.

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

As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by Maine Bureau of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United

States of America. The effects on the financial statements of the variances between the statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Other Matter - Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Company as of December 31, 2017, are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by the Maine Bureau of Insurance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated, in all material respects, in relation to the statutory basis financial statements taken as a whole.

Johnson Lambert LLP

Atlanta, Georgia
March 23, 2018

Maine Employers’ Mutual Insurance Company
Statements of Admitted Assets, Liabilities and Capital and Surplus (Statutory Basis)
December 31, 2017 and 2016

	2017	2016
Admitted Assets		
Invested assets		
Bonds, at carrying value (NAIC fair value: $470,714,279 and $481,702,998 at December 31, 2017 and 2016, respectively)	$ 458,355,659	$ 471,669,316
Common stocks, at NAIC fair value (cost: $99,329,418 and $96,934,676 at December 31, 2017 and 2016, respectively)	176,185,548	154,755,016
Common stocks of affiliates	177,573,781	153,691,043
Other invested assets	22,034,840	20,952,649
Cash, cash equivalents and short-term investments	10,816,320	9,104,944
Total cash and invested assets	844,966,148	810,172,968
Premium balances receivable	55,807,643	51,938,501
Investment income due and accrued	4,043,817	4,225,526
EDP equipment (net of accumulated depreciation of $5,293,801 and $4,718,722 in 2017 and 2016, respectively)	4,127,197	3,989,578
Reinsurance recoverable on paid loss and loss adjustment expenses	708,418	590,927
Federal income tax recoverable	2,709,218	3,198,350
Net deferred income taxes	1,966,458	8,959,675
Due from affiliates	2,388,149	3,679,103
Total admitted assets	$ 916,717,048	$ 886,754,628
Liabilities		
Loss reserves	$ 336,150,349	$ 325,113,958
Loss adjustment expense reserves	29,039,853	31,539,447
Unearned premium reserves	76,664,178	74,173,862
Reinsurance premiums payable	1,098,797	1,124,339
Commissions payable	5,928,027	7,086,774
Advance premium	2,233,363	1,777,263
Premium taxes and assessments payable	1,519,854	1,695,344
Amounts withheld for others	1,541,880	1,736,938
Other liabilities	23,543,671	27,491,634
Total liabilities	477,719,972	471,739,559
Commitments and contingencies (Note 13)		
Capital and Surplus		
Capital contributions	3,180,808	3,180,808
Deferred gain	1,288,264	937,720
Unassigned surplus	434,528,004	410,896,541
Total capital and surplus	438,997,076	415,015,069
Total liabilities and capital and surplus	$ 916,717,048	$ 886,754,628

The accompanying notes are an integral part of these statutory basis financial statements.

Maine Employers' Mutual Insurance Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2017 and 2016

	2017	2016
Underwriting income		
Premiums earned, net	$ 159,046,541	$ 151,804,322
Loss and underwriting expenses		
Losses incurred, net	108,377,318	110,315,938
Loss adjustment expenses incurred, net	16,073,788	3,823,684
Underwriting expenses		
Commissions	11,394,030	12,444,711
Premium taxes	2,906,098	2,800,556
Guarantee fund, rating bureau and other assessments	1,018,816	477,150
Supervision, acquisition and collection expense	10,503,969	8,958,597
Loss control expenses	4,297,117	3,873,742
General expenses	1,974,205	4,597,487
Total underwriting expenses	32,094,235	33,152,243
Total loss and underwriting expenses	156,545,341	147,291,865
Net underwriting income	2,501,200	4,512,457
Investment income		
Net investment income	18,810,642	18,882,352
Net realized capital gains less capital gains tax of $2,328,739 and $2,063,990, respectively	4,772,480	6,203,588
Total investment income	23,583,122	25,085,940
Other (expense) income		
Bad debt expense	(266,400)	(102,722)
Service fee income	177,472	180,996
Other expense	-	(5,000)
Net other (expense) income	(88,928)	73,274
Income before dividends and federal income taxes	25,995,394	29,671,671
Dividends to policyholders	21,000,000	20,000,000
Income after dividends, before federal income taxes	4,995,394	9,671,671
Benefit for federal income taxes	(4,236,064)	(844,367)
Net income	$ 9,231,458	$ 10,516,038

The accompanying notes are an integral part of these statutory basis financial statements.

Maine Employers' Mutual Insurance Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2017 and 2016

	2017	2016
Capital and surplus at beginning of year	$ 415,015,069	$ 393,359,317
Net income	9,231,458	10,516,038
Change in net deferred income taxes	(773,297)	988,716
Change in nonadmitted assets	1,406,470	(4,376,695)
Change in deferred gain on capital contributions	350,544	(484,992)
Change in net unrealized appreciation of invested assets (net of deferred taxes of $6,219,920 and $4,912,790 at December 31, 2017 and 2016, respectively)	13,766,832	15,012,685
Change in capital and surplus	23,982,007	21,655,752
Capital and surplus at end of year	$ 438,997,076	$ 415,015,069

The accompanying notes are an integral part of these statutory basis financial statements.

Maine Employers' Mutual Insurance Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2017 and 2016

	2017	2016
Cash from operations		
Premiums collected, net	$ 157,713,769	$ 152,080,270
Investment income received, net	20,726,860	20,714,317
Other (expense) income	(88,928)	73,274
Cash provided from operations	178,351,701	172,867,861
Benefit and loss related payments	(97,458,418)	(89,343,391)
Commissions and expenses paid	(50,782,690)	(48,962,654)
Dividends paid to policyholders	(21,000,000)	(20,000,039)
Federal income taxes recovered	2,396,456	2,761,901
Cash used in operations	(166,844,652)	(155,544,183)
Net cash provided from operations	11,507,049	17,323,678
Cash from investing activities		
Proceeds from investments sold, matured or repaid		
Bonds	69,475,230	92,949,531
Common stocks	24,055,566	20,905,951
Total investment proceeds	93,530,796	113,855,482
Costs of investments acquired		
Bonds	(79,576,543)	(101,290,189)
Common stocks	(25,359,398)	(26,099,957)
Other invested assets	(1,145,946)	-
Total cost of investments acquired	(106,081,887)	(127,390,146)
Net cash used in investments	(12,551,091)	(13,534,664)
Cash from financing and miscellaneous sources		
Other sources (uses)	2,755,418	(8,077,150)
Net cash provided from (used in) financing and miscellaneous sources	2,755,418	(8,077,150)
Net increase (decrease) in cash	1,711,376	(4,288,136)
Cash, cash equivalents and short-term investments		
Beginning of year	9,104,944	13,393,080
End of year	$ 10,816,320	$ 9,104,944
Noncash transaction		
Contribution of bonds	$ 22,352,989	$ -

The accompanying notes are an integral part of these statutory basis financial statements.

1. Organization

Maine Employers' Mutual Insurance Company (the "Company") was established through a legislative action by the State of Maine on November 13, 1992 and commenced business effective January 1, 1993. The Company was established to replace the State of Maine Workers' Compensation Residual Market Pool. The Company is a mutual insurance company and is not a state agency or instrument of the State of Maine for any purpose. The Company is the parent of the MEMIC Group which comprises the following legal entities: MEMIC Indemnity Company ("MEMIC Indemnity"), a 100% owned property and casualty insurance subsidiary domiciled in New Hampshire, MEMIC Casualty Company ("MEMIC Casualty"), a 100% owned property and casualty insurance company domiciled in New Hampshire, MEMIC Services, Inc. ("MEMIC Services"), a 100% owned non-insurance subsidiary which provides agency services to the MEMIC Group and Casco View Holdings, LLC ("CVH"), a 100% owned non-insurance limited liability company formed for the management and ownership of current and future investments in real estate for the Company, who is the single member.

The Company is licensed in fifteen states and writes workers' compensation insurance and employers' liability insurance incidental to and written in connection with workers' compensation coverage for employers in twelve states. The Company writes its business primarily through independent agents and brokers. Approximately 94% of premium written during 2017 and 2016 was for Maine workers' compensation and employment practices liability insurance policies.

In 1996, the Company obtained approval from the Maine Bureau of Insurance (the "Bureau") and established a wholly-owned subsidiary, MEMIC Services, which provided agency services during 2017 and 2016.

In 1999, the Company obtained approval from the New Hampshire Insurance Department to form a subsidiary, MEMIC Indemnity, to write workers' compensation insurance in New Hampshire. The Company is the sole shareholder for MEMIC Indemnity. MEMIC Indemnity commenced writing business September 1, 2000 and is licensed to write workers' compensation and or employers' liability insurance in 50 states and the District of Columbia with approximately 85% of premium written in the States of Connecticut, Florida, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont, and Virginia. In 2000, the Company capitalized MEMIC Indemnity Company (MEMIC Indemnity) with a $12,000,000 investment and supplemented its original investment by contributing an additional $92,000,000 consisting of non-cash contribution of bonds and cash, between 2001 and 2016. The Company contributed additional capital of $13,000,000 in the form of fixed income securities and cash towards its investment in MEMIC Indemnity in 2017. The $13,000,000 capital contribution, noted as a change in common stock, includes $12,909,076 non-cash contribution of bonds and $90,924 in cash during 2017. As a result of the contribution of fixed income securities, the Company recognized a deferred gain in surplus since the realized component of the difference between the fair value and book/adjusted carrying value as of the date of transfer cannot be recognized under SSAP No. 25 until the transferred securities mature or are sold by MEMIC Indemnity. A deferred gain of $923,390 remains as a deferred gain in capital and surplus as of December 31, 2017. To date, the Company has contributed $117,000,000 to MEMIC Indemnity.

During 2007, the Company obtained approval from the Bureau to write employment practices liability insurance ("EPLI") for State of Maine policies only. The Company commenced writing policies for this line of business in 2008.

On October 19, 2009, the Company formed Casco View Holdings, LLC, (“CVH”), a Maine limited liability company for the management and ownership of current and future investments in real estate. Initially, on January 4, 2010, the Company transferred its entire interest in the property located at 245-253 Commercial Street, Portland, Maine, which comprises certain income producing property along with a capital contribution of $500,000 and related tenant security deposits of $86,485 to CVH. As consideration for the said transfer of real estate, the Company received all of the membership interests in CVH. To date, the Company has invested $18,106,501 in CVH, CVHII and CVHIII. The Company records its membership interests in CVH, CHVII and CVHIII in other invested assets.

The Company owns 100% of the common stock of MEMIC Casualty, a property and casualty insurance company domiciled in New Hampshire. MEMIC Casualty changed its state of domicile from Vermont to New Hampshire effective January 1, 2015. The Vermont Department of Financial Regulation, acting as rehabilitator, converted the former Granite Manufacturers’ Mutual Indemnity Company (“GMMIC”) to a stock company and on December 12, 2011, the Company purchased GMMIC. In conjunction with the transaction, GMMIC was renamed to MEMIC Casualty Company. There are no outstanding liabilities associated with this former incorporation. MEMIC Casualty is licensed to write workers’ compensation insurance in Connecticut, Florida, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Vermont and Virginia and commenced writing policies in May 2012. In 2011, the Company capitalized MEMIC Casualty with a $5,183,951 investment and supplemented its original investment by contributing an additional $14,000,000 consisting of non-cash contribution of bonds and cash, between 2012 and 2013. The Company contributed additional capital of $10,000,000 in the form of fixed income securities and cash towards its investment in MEMIC Casualty in 2017. The $10,000,000 capital contribution, noted as a change in common stock, includes $9,443,913 non-cash contribution of bonds and $556,087 in cash during 2017. As a result of the contribution of the fixed income securities the Company recognized a deferred gain in surplus since the realized component of the difference between the fair value and book/adjusted carrying value as of the date of transfer cannot be recognized under SSAP No. 25 until the transferred securities mature or are sold by MEMIC Casualty. A deferred gain of $364,874 remains as a deferred gain in capital and surplus as of December 31, 2017. To date, the Company has contributed $29,183,951 to MEMIC Casualty.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Company are prepared in conformity with statutory accounting practices of the National Association of Insurance Commissioners (“NAIC”) as prescribed or permitted by the Maine Bureau of Insurance (“statutory accounting”).

The Maine Bureau of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Maine for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Maine Insurance Laws. The NAIC Accounting Practices and Procedures Manual (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the State of Maine. Prescribed Maine Laws can and do deviate from NAIC SAP and, further, the Superintendent of Insurance has the right to permit other specific practices which deviate from prescribed practices.

Statutory accounting practices differ in certain respects from accounting principles generally accepted in the United States of America (“GAAP”). The effects of such differences on the accompanying financial statements, which could be significant, have not been determined. The most significant differences generally include the following:

a. Statutory accounting requires that policy acquisition costs such as commissions, premium taxes and other items directly related to pricing or renewing business would be charged to current operations as incurred. Under GAAP, policy acquisition costs would be deferred and then amortized ratably over the periods covered by the policies;

b. The statutory provision for federal income taxes represents estimated amounts currently payable based on taxable income or loss reported in the current accounting period. Deferred income taxes are provided in accordance with SSAP 101, "*Income Taxes, A Replacement of SSAP No 10R and SSAP No. 10"* ("SSAP 101") and changes in deferred income taxes are recorded through surplus. The realization of any resulting deferred tax asset ("DTAs") is limited based on certain criteria in accordance with SSAP 101. The GAAP provision would include a provision for taxes currently payable, as well as deferred taxes, both of which would be recorded in the statements of income;

c. Under statutory accounting, certain assets designated as "nonadmitted assets" (principally premiums receivable over 90 days past due, a portion of DTAs, intercompany receivables, prepaid assets, miscellaneous receivables, non-operating system software, and office furniture and equipment) are charged directly to unassigned surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible or to expense prepaid assets over the term of the related benefit. Non-operating system software and office furniture and equipment, ("Fixed Assets"), are capitalized and amortized or depreciated, respectively, over the estimated useful lives;

d. Statutory results of MEMIC Indemnity and MEMIC Casualty are reflected on the statutory equity method. The investment in MEMIC Services is accounted for under GAAP equity adjusted to a statutory basis which results in a net liability on the Company's statements of admitted assets, liabilities, capital and surplus. Adjustments include nonadmitted DTAs, receivables over 90 days past due and furniture and equipment. The results of operations of these subsidiaries are recorded directly in unassigned surplus. Under GAAP, the subsidiary would be reported in the financial statements on a consolidated basis;

e. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available-for-sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost;

f. Reinsurance balances relating to unpaid loss and loss adjustment expenses and unearned premium are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;

g. Under GAAP, the inclusion of a statement of comprehensive income, detailing the income effects of unrealized gains and losses, foreign exchange transactions, and pension liability adjustments is required;

h. For statutory cash flow purposes, included as cash and cash equivalents are short-term investments which mature within one year as opposed to three months; and

i. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Management Estimates

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Invested Assets

Invested assets are valued in accordance with the statutory basis of valuation prescribed by the NAIC. Cash includes cash, cash equivalents and short-term mutual fund investments, which are short-term investments which mature within one year; the carrying value of these investments approximate fair value. The Company's cash is held at major commercial banks. At times, cash balances at financial institutions may exceed insurable amounts. The Company believes it mitigates its risks by depositing cash in or investing through major financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Only investments with original maturities of three months or less qualify under this definition.

Investment grade non-loan-backed bonds with NAIC designation 1 or 2 are stated at amortized value using the interest method. Non-investment grade non-loan-backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by an NAIC vendor, whether rated (by either NAIC approved rating organization or NAIC Securities Valuation Office), and relationship of amortized value to par value and amortized value to fair value. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds. Credit related declines in the fair value of loan-backed or structured securities are to be reflected as a realized loss in the income statement. Refer to Note 15 for the Company's evaluation of SSAP 43R on these financial statements.

Unaffiliated common stocks and actively traded mutual funds are generally stated at the fair value. The fair values of common stocks and actively traded mutual funds are based on quoted market prices in active markets. Where declines in the value of marketable securities are deemed other-than-temporary, the loss is reported as a component of net realized capital gains (losses). The net unrealized gains and losses on these marketable securities, after deductions of applicable deferred income taxes, are credited or charged directly to policyholders' surplus.

Other invested assets consists of the investment in CVH, a nonmarketable alternative equity investment and surplus debentures. The investment in CVH is measured on the equity basis under GAAP. Nonmarketable alternative equity investment consists of venture capital funds carried at fair value based on the Company's proportionate interest in the fund's net asset value. On October 18, 2017, the Company received Notice of Appointment of Receiver for this fund. The current carrying value of this asset is $0 as of December 31, 2017 and 2016. The investment grade surplus debenture included in other invested assets with an NAIC designation of 1 is stated at amortized value using the interest method.

The investment in the affiliates MEMIC Indemnity and MEMIC Casualty are stated at the net asset value of the affiliate determined on a statutory basis. Changes in net asset value of these affiliates are charged or credited directly to unassigned surplus.

Investment income is recorded on an accrual basis. Realized capital gains and losses are reported, net of tax, in operating results based on the specific identification of investments sold. Unrealized capital gains and losses from the valuation of investments at fair value are credited or charged directly to unassigned surplus, net of federal income taxes, unless determined to be other-than-temporary (OTTI) and included as a component of net realized capital gains and losses. Specific impairments are determined based on a continual review of investment portfolio valuations. Bi-annually, a by cusip review of common stocks, bonds and other invested assets with a market to carrying value less than 75% is conducted to determine if OTTI has occurred and whether an impairment should be recognized.

Premiums and Unearned Premium Reserves

Direct and assumed premiums, net of amounts ceded to other insurance companies, are earned on a monthly pro rata basis over the in-force period and ceded premiums are written and earned concurrently for the workers' compensation line of business. Ceded premiums for employment practices liability insurance are earned on a monthly pro rata basis over the in-force period. Accordingly, unearned premium reserves are established for the pro rata portion of direct and assumed premiums written for workers' compensation and employment practices liability insurance direct and ceded premium which are applicable to the unexpired terms of the policies in force, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are immediately recorded as written and earned premiums once such amounts can be reasonably estimated. When the anticipated losses, loss adjustment expenses, commissions, and other acquisition and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies, a premium deficiency reserve is recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company does anticipate investment income when evaluating the need for any premium deficiency reserve. There was no premium deficiency reserve recorded for 2017 or 2016.

Equities and Deposits in Pools

The Company is required to participate in involuntary pools in several states where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses and other operations of involuntary pools, based on the Company's proportionate share of similar business written in the state. The National Council on Compensation Insurance, ("NCCI"), services the majority of the states where the Company participates in involuntary pools. The loss reserves that are reported to NCCI by the servicing carriers are gross of loss discounting. By application of incurred loss development and tail development factors, any discount included in the case reserves reported by servicing carriers is factored out (or unwound). NCCI also provides each participating company with an estimate of its share of discounted liabilities. The discounting assumptions include a 3.5% discount rate for incurred but not reported loss and loss adjustment expense reserves and the mortality table used is the 2007 U.S. Life Table. Underwriting results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the pool are recorded separately in the financial statements rather than netted against each other. Premiums receivable on involuntary pool business are recorded in premium balances receivable on the statements of admitted assets, liabilities and capital and surplus.

Loss and Loss Adjustment Expense Reserves
Losses and loss adjustment expenses are recorded as incurred so as to match such costs with premiums over the contract periods. Loss reserves are established for losses and loss adjustment expenses based upon claim evaluations and include an estimated provision for both reported and unreported claims incurred and related expenses. The assumptions used in determining loss and loss adjustment expense reserves have been developed after considering the experience of the Company, industry experience, and projections by independent actuaries. The ultimate loss and loss adjustment expense reserves may vary from the amounts reflected in the accompanying financial statements. The methods utilized in estimating and establishing the reserves are continually reviewed and updated and any adjustments are reflected in current operating results. Allowances for subrogation recoveries are included in the Company's estimate of loss reserves. See the summary of reserve development in Note 6.

High Deductibles
The Company writes a single, high deductible policy, secured with a letter of credit, in the State of Maine. The Company requires this high deductible policyholder to provide an evergreen, irrevocable, clean letter of credit to secure obligations up to the deductible limits. This letter of credit requirement is reviewed periodically, as necessary, or annually in conjunction with the policy renewal to determine appropriate increases or decreases.

The Company does not record a reserve credit for high deductible reserves outstanding or an admitted deductible recovery accrual since the amounts are immaterial to the financial statements as a whole. There are no unsecured amounts of high deductibles, no amounts overdue or in dispute. Accordingly, there are no counterparty high deductible policyholders with unsecured liabilities or no unsecured high deductible recoverables for individual obligors or that of a Group under the same management or control which are greater than 1% of Capital and Surplus.

Nonadmitted Assets
The following nonadmitted assets were excluded from the statements of admitted assets, liabilities and capital and surplus as of December 31, 2017 and 2016:

	2017	2016
Premiums receivable over 90 days past due	$ 2,232,023	$ 1,841,352
Intercompany receivable	392,390	412,602
Fixed assets, net of accumulated amortization or	11,125,552	12,789,078
Prepaid assets and other miscellaneous receivables	946,012	1,059,415
Total nonadmitted assets	$ 14,695,977	$ 16,102,447

Depreciation and amortization expense on nonadmitted fixed assets was $1,078,094 and $815,341 in 2017 and 2016, respectively.

Federal Income Taxes
The Company files a consolidated tax return with MEMIC Indemnity, MEMIC Casualty, MEMIC Services, and CVH. In accordance with a tax sharing agreement, the provision for federal income taxes is recorded based upon amounts expected to be reported as if the Company filed a separate federal income tax return. Additionally, under this agreement, the Company will be reimbursed for the utilization of tax operating losses, tax credits, and capital loss carry forwards to the extent the Companies would have utilized these tax attributes on a separate return basis.

The provision for federal income taxes includes amounts currently payable or recoverable and deferred income taxes, computed under the asset/liability method, which results from temporary differences between the tax basis and book basis of assets and liabilities. SSAP No. 101, "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10" outlines the statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, (1) restricts the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold; (2) outlines the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) requires the disclosure of tax planning strategies that relate to reinsurance; and, (4) requires consideration of reversal patterns of DTAs and deferred tax liabilities ("DTLs") in determining the extent to which DTLs could offset DTAs on the statements of admitted assets, liabilities and capital and surplus. The Company files a consolidated federal income tax return and therefore the disclosures required under SSAP No. 101 for uncertain tax positions are considered in these statutory financial statements.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes and are measured at enacted tax rates. As of December 31, 2016, the Company measured its deferred tax items at an effective tax rate of 34%. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Act) was signed into law. Among other things, the Act reduced the Company's corporate federal tax rate to a flat 21%. As a result, the Company's deferred tax items are measured at an effective tax rate of 21% as of December 31, 2017. The amount of the gross deferred tax asset calculated is then reduced for any valuation allowance and an admissibility test. The admissibility test is based on the realization threshold table and other limitations. The Company also admitted deferred tax assets that can be used to offset against deferred tax liabilities.

In the event of uncertain tax positions, amounts would need to be evaluated and disclosed or accrued. Liabilities would be reflected on the statements of admitted assets, liabilities, and capital and surplus and the related interest and penalties would be included on the statements of income as underwriting expenses.

EDP Equipment

EDP equipment is stated at cost, net of accumulated depreciation. Depreciation is computed principally using the straight-line method based on the estimated useful lives of assets, which is generally three to five years. Depreciation expense for the years ended December 31, 2017 and 2016 was $545,617 and $421,728, respectively. Expenditures for maintenance and repairs relating to EDP equipment and certain fixed assets which are nonadmitted are charged to expense as incurred. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the statement of admitted assets, liabilities and capital and surplus and any gain or loss on the transaction is reflected in current operating results.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

3. Capital Contributions and Surplus Restrictions

As authorized by specific provisions of Maine state law, the Company was established as a special purpose workers' compensation insurer without any initial capital or surplus. To provide capital, the Company's policyholders were required to make capital contributions based upon a percentage of their final audited premiums for policies with effective dates prior to January 1, 1996. Capital contributions were based on the estimated annual premium and are subsequently adjusted, as necessary, based upon cancellations and premium audits. In 1998, the Company received approval from the Insurance Department to return capital contributions to the extent authorized by the Board of Directors and the Insurance Department. The Company returned $0 in capital contributions in 2017 and 2016. Cumulative capital contributions remaining are $3,180,808 as of December 31, 2017 and 2016.

There are no advances to surplus not repaid or other surplus restrictions other than the capital contribution portion of surplus discussed above, dividend restrictions discussed in Note 4 and statutory deposits in Note 9.

4. Dividend Restrictions

The Company is subject to regulatory limitations with respect to statutory surplus levels and dividends. Under these regulations, annual dividends cannot exceed greater than 10% of the insurer's surplus as of the prior year-end or the net gain from operations for the twelve-month period ended in the prior year. The maximum amount of dividends which can be paid by the Company to policyholders without prior approval of the Superintendent of Insurance during 2017 and 2016 was $41,501,507 and $39,335,932, respectively. Dividends to policyholders amounted to $21,000,000 and $20,000,000 in 2017 and 2016, respectively. The 100% participating mutual dividend declared during 2017, of $21,000,000, was based on policy year 2014 for eligible policyholders.

5. Income Taxes

The components of the net deferred tax asset / (liability) at December 31 are as follows:

		December 31, 2017		
		1	2	3 (Col 1+2)
		Ordinary	Capital	Total
a.	Gross deferred tax assets	$ 20,260,025	$ 873,198	$ 21,133,223
b.	Statutory valuation allowance adjustment	-	-	-
c.	Adjusted gross deferred taxes (1a - 1b)	20,260,025	873,198	21,133,223
d.	Deferred tax assets nonadmitted	-	-	-
e.	Subtotal net admitted deferred tax asset (1c - 1d)	20,260,025	873,198	21,133,223
f.	Deferred tax liabilities	2,519,205	16,647,560	19,166,765
g.	Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 17,740,820	$ (15,774,362)	$ 1,966,458

		December 31, 2016		
		4	5	6 (Col 4+5)
		Ordinary	Capital	Total
a.	Gross deferred tax assets	$ 30,665,538	$ 1,499,425	$ 32,164,963
b.	Statutory valuation allowance adjustment	-	-	-
c.	Adjusted gross deferred taxes (1a - 1b)	30,665,538	1,499,425	32,164,963
d.	Deferred tax assets nonadmitted	-	-	-
e.	Subtotal net admitted deferred tax asset (1c - 1d)	30,665,538	1,499,425	32,164,963
f.	Deferred tax liabilities	2,578,682	20,626,606	23,205,288
g.	Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 28,086,856	$ (19,127,181)	$ 8,959,675

		Change		
		7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a.	Gross deferred tax assets	$ (10,405,513)	$ (626,227)	$ (11,031,740)
b.	Statutory valuation allowance adjustment	-	-	-
c.	Adjusted gross deferred taxes (1a - 1b)	(10,405,513)	(626,227)	(11,031,740)
d.	Deferred tax assets nonadmitted	-	-	-
e.	Subtotal net admitted deferred tax asset (1c - 1d)	(10,405,513)	(626,227)	(11,031,740)
f.	Deferred tax liabilities	(59,477)	(3,979,046)	(4,038,523)
g.	Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ (10,346,036)	$ 3,352,819	$ (6,993,217)

Admission calculation components

	December 31, 2017		
	1	2	3
	Ordinary	Capital	(Col 1+2) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 949,817	$ 40,937	$ 990,754
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1and 2(b)2 below:	8,028,533	346,026	8,374,559
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	8,028,533	346,026	8,374,559
2. Adjusted gross deferred tax assets allowed per limitation threshold	64,589,487	346,026	64,935,513
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	11,281,675	486,235	11,767,910
d. Deferred tax assets admitted as the result of application of SSAP 101Total 2(a)+2(b)+2(c)	$ 20,260,025	$ 873,198	$ 21,133,223

	December 31, 2016		
	4	5	6
	Ordinary	Capital	(Col 4+5) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 898,186	$ 43,918	$ 942,104
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1and 2(b)2 below:	14,558,217	711,840	15,270,057
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	14,558,217	711,840	15,270,057
2. Adjusted gross deferred tax assets allowed per limitation threshold	59,598,032	711,840	60,309,872
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	15,209,135	743,667	15,952,802
d. Deferred tax assets admitted as the result of application of SSAP 101Total 2(a)+2(b)+2(c)	$ 30,665,538	$ 1,499,425	$ 32,164,963

	Change		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 51,631	$ (2,981)	$ 48,650
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1and 2(b)2 below:	(6,529,684)	(365,814)	(6,895,498)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	(6,529,684)	(365,814)	(6,895,498)
2. Adjusted gross deferred tax assets allowed per limitation threshold	4,991,455	(365,814)	4,625,461
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	(3,927,460)	(257,432)	(4,184,892)
d. Deferred tax assets admitted as the result of application of SSAP 101Total 2(a)+2(b)+2(c)	$ (10,405,513)	$ (626,227)	$ (11,031,740)

Other admissibility criteria:

	2017	2016
a. Ratio percentage used to determine recovery period and threshold limitation amount	800%	1169%
b. Amount of adjusted capital and surplus used to determine recovery period and threshhold limitation in 2(b)2 above	$432,903,421	$402,065,815

Impact on tax planning strategies:

	2017		2016		Change	
	1	2	3	4	5	6
	Ordinary	Capital	Ordinary	Capital	(Col. 1-3) Ordinary	(Col. 2-4) Capital
a. Determination of adjusted gross DTAs and net admitted DTAa, by tax character, as a percentage.						
1 Adjusted gross DTAs amount from Note 5A1(c).	20,260,025	873,198	30,665,538	1,499,425	(10,405,513)	(626,227)
2 Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3 Net Admitted Adjusted Gross DTAs amount from Note 5A1(e)	20,260,025	873,198	30,665,538	1,499,425	(10,405,513)	(626,227)
4 Percentage of net admitted adjusted from DTAs by tax character admitted because of the impact of tax planning strategies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

b. Does the company's tax planning strategies include the use of reinsurance? Yes [ ] No [X]

Current and deferred income taxes

Current income taxes:	2017	2016	Change
a. Federal	$ (3,332,448)	$ (1,493,389)	$ (1,839,059)
b. Provision to return	(15,355)	(24,057)	8,702
c. Prior year tax assessed/adjusted in current year	(888,261)	673,079	(1,561,340)
e. Subtotal	(4,236,064)	(844,367)	(3,391,697)
f. Federal income tax on net capital gains	2,328,739	2,063,990	264,749
i. Federal and foreign income taxes incurred	$ (1,907,325)	$ 1,219,623	$ (3,126,948)

Deferred Tax Assets

	2017	2016	Change
a. Ordinary:			
Discounting of unpaid losses	$ 8,038,662	$ 14,034,162	$ (5,995,500)
Unearned premium reserves	3,313,697	5,164,677	(1,850,980)
Compensation and benefits accrual	3,342,820	6,643,986	(3,301,166)
Nonadmitted assets	3,086,155	4,387,225	(1,301,070)
AMT credit	2,478,691	435,488	2,043,203
Other (including items < 5% of total ordinary tax assets)	-	-	-
Subtotal	20,260,025	30,665,538	(10,405,513)
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	-	-	-
d. (2a99-2b-2c)	20,260,025	30,665,538	(10,405,513)
e. Capital:			
Investments	873,198	1,499,425	(626,227)
Subtotal	873,198	1,499,425	(626,227)
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	-	-	-
h. Admitted capital deferred tax assets (2e99-2f-2g)	873,198	1,499,425	(626,227)
i. Admitted deferred tax assets (2d+2h)	$ 21,133,223	$ 32,164,963	$ (11,031,740)

Deferred Tax Liabilities

	2017	2016	Change
a. Ordinary:			
Investments	$ 201,510	$ 348,268	$ (146,758)
Fixed assets	2,285,896	2,189,445	96,451
Additional acquisition costs	31,799	40,969	(9,170)
Subtotal	2,519,205	2,578,682	(59,477)
b. Capital:			
Investments	16,647,560	20,626,606	(3,979,046)
Subtotal	16,647,560	20,626,606	(3,979,046)
c. Deferred tax liabilities (3a99+3b99)	19,166,765	23,205,288	(4,038,523)
Net Deferred Tax Assets/Liabilities (2i-3c)	$ 1,966,458	$ 8,959,675	$ (6,993,217)

Change in net deferred income taxes

	2017	2016	Change
a. Adjusted gross deferred tax assets	$ 21,133,223	$ 32,164,963	$ (11,031,740)
b. Total deferred tax liabilities	19,166,765	23,205,288	4,038,523
c. Net deferred tax assets (liabilities)	$ 1,966,458	$ 8,959,675	$ (6,993,217)
d. Tax effect of change in unrealized gains (losses)			$ (6,219,920)
e. Total change in net deferred income tax			(773,297)
			$ (6,993,217)

There were no deferred tax liabilities that were not recognized.

Among the more significant book to tax adjustments in 2017 and 2016 were the following:

	2017	2016
Provision computed at statutory rate	$ 2,700,340	$ 4,324,977
Change in nonadmitted assets	(609,407)	(3,250,163)
Prior year true-up (to current)	(15,355)	(24,057)
Prior year true-up (to deferred)	(10,187)	434,799
Legislative rate change	(317,097)	-
Permanent differences	(1,994,061)	(1,927,728)
Additional tax assessed on prior year amended	-	673,079
Prior year tax assessed/adjusted in current year	(888,261)	-
Totals	$ (1,134,028)	$ 230,907
Federal and foreign income taxes incurred	(4,236,064)	(844,367)
Realized capital gains (losses) tax	2,328,739	2,063,990
Change in net deferred income taxes	773,297	(988,716)
Total statutory income taxes	$ (1,134,028)	$ 230,907

As of December 31, 2017 and 2016, the Company does not have any investment tax credits, net operating loss or capital loss carry forwards available to offset against future taxable income. The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is $0 and $990,754 for 2017 and 2016, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2017 and 2016, the Company has no uncertain tax positions requiring disclosure in these financial statements or any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date. Had the Company identified such positions, these amounts would be evaluated and disclosed or accrued. Liabilities would be reflected on the statements of admitted assets, liabilities and capital and surplus and the related interest and penalties would be included on the statements of income as underwriting expenses. As of December 31, 2017, the Company incurred AMT of $1,871,580 on a consolidated basis. As of December 31, 2017, the Company had $2,478,691 in AMT credits to offset against future regular tax.

The Company is included in a consolidated federal income tax return with the following entities:

Casco View Holdings, LLC, a 100% owned noninsurance entity,
MEMIC Indemnity Company, a 100% owned property and casualty insurance subsidiary,
MEMIC Casualty Company, a 100% owned property and casualty insurance subsidiary, and
MEMIC Services, Inc., a 100% owned insurance services subsidiary.

The Company has a written agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Company's 2014 consolidated federal income tax return was under examination by the Internal Revenue Service during 2017; the exam has concluded, and the Company has confirmed its agreement with the proposed adjustments. The Company expects the final notification of closing in

March 2018. The adjustments proposed and accepted by the Company will not result in any material change to the estimates or amounts included in these financial statements.

6. Liabilities for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liabilities for loss reserves and loss adjustment expense reserves for the years ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
Net balances at January 1,	$ 356,653,405	$ 348,175,591
Incurred related to		
Current year	131,363,469	118,755,294
Prior years	(6,912,363)	(4,615,672)
Total incurred	124,451,106	114,139,622
Paid related to		
Current year	38,716,279	33,779,473
Prior years	77,198,030	71,882,335
Total paid	115,914,309	105,661,808
Net balances at December 31	$ 365,190,202	$ 356,653,405

The liabilities for loss and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience, and projections by independent actuaries. However, the reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements. At the end of 2017 and 2016, the amount of reserve credit recorded for high deductibles on unpaid losses was $0 and the amounts billed and recoverable for collateralized high deductible policies was also $0.

During 2017, the Company's incurred losses related to prior years decreased by $6,912,363 as a result of favorable loss development principally in the 2009, 2011, 2013, and 2016 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

During 2016, the Company's incurred losses related to prior years decreased by $4,615,672 as a result of favorable loss development principally in the 2003, 2007, 2010, and 2014 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

Original estimates are increased or decreased as additional information becomes known regarding individual claims. There was no impact on reserves or surplus as a result of development of retrospectively rated policies.

7. Reinsurance

In 1998, the Company obtained approval from the Bureau to assume business from other insurance carriers through a quota share reinsurance agreement for workers' compensation. This contract was terminated at the end of 2004. This business could only be assumed when the Company wrote a policy for the insured in Maine. The assumed business related to this contract occurred between the 1998 and 2004 policy years.

There were no loss reserve or loss adjustment expenses incurred on this former assumed business during 2017 or 2016, however, loss reserves and loss adjustment expenses outstanding for reinsurance assumed under these contracts are as follows:

	2017	2016
Loss and loss adjustment expense reserves	$ 1,272,664	$ 1,330,155

In 2017 and 2016, the Company wrote policies in the States of Connecticut, Illinois, New Hampshire, New Jersey, Massachusetts, South Carolina, Vermont and Virginia and is therefore required to participate in the National Workers' Compensation Reinsurance pool and the Massachusetts Reinsurance Pool (the "Pools") as it relates to those states. Participation requires that the Company share in the losses and expenses of the Pool. Pool results are accounted for on a gross basis whereby the Company's portion of premium, losses, expenses and other operations of the Pool are recorded separately in the financial statements. The difference between discounted and undiscounted incurred but not reported loss and loss adjustment expense liabilities for NCCI are $40,287 and $34,233 for 2017 and 2016, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expense for reinsurance assumed from pools are as follows:

	2017	2016
Premiums earned	$ 1,019,352	$ 910,975
Loss and loss adjustment expenses incurred	607,830	574,010
Unearned premiums	324,816	296,099
Loss and loss adjustment expense reserves	1,319,447	1,211,520
Underwriting expenses incurred	251,851	219,776

The Company reinsures portions of risks with other insurance companies through excess of loss reinsurance agreements. Such agreements serve to limit the Company's maximum loss on catastrophes and large losses. To the extent that any reinsurer might be unable to meet its obligations, the Company would be liable for such defaulted amounts.

Under the Company's excess of loss agreements, the Company's net retention for losses on a per occurrence basis is $5,000,000 for 2017 and 2016. In addition, for 2017 and 2016, the Company maintains additional coverage up to $100,000,000 on a per occurrence basis.

The Company also has aggregate excess of loss coverage for policies effective 1999 to 2002 whereby the Company can recover losses exceeding 71% of direct workers' compensation premiums earned but not exceeding 86% of direct workers' compensation premiums earned.

Amounts deducted from premiums, reserves and expenses for reinsurance ceded to other companies for excess of loss workers compensation were as follows:

	2017	2016
Premiums earned	$ 2,991,976	$ 3,091,040
Loss and loss adjustment expense reserves	10,911,174	12,853,561

The Company cedes risk to another insurance company through an 85% quota share reinsurance agreement for policy year 2011-2017, and 100% quota share reinsurance agreement for policy years 2008-2010 for its EPLI line of business. In the event this quota share reinsurance treaty was cancelled, an immaterial amount of ceding commissions would be returned. Amounts deducted from premiums, reserves and expenses for reinsurance ceded to other companies for EPLI were as follows:

	2017	2016
Premiums earned	$ 2,384,371	$ 2,213,080
Loss and loss adjustment expenses incurred	1,669,060	1,549,156
Unearned premiums	1,132,337	1,050,871
Loss and loss adjustment expense reserves	6,999,702	6,074,657
Ceding commissions	323,025	299,301

Of the 2017 and 2016 ceded loss and loss adjustment expense case and incurred but not reported reserves above for all lines of business, 100% of the balances are comprised of amounts with three reinsurance carriers.

The Company had no unsecured reinsurance recoverables for paid and unpaid loss and loss adjustment expenses, including incurred but not reported reserves, from a reinsurer that exceeded 3% of capital and surplus at December 31, 2017.

The Company had unsecured reinsurance recoverables for paid and unpaid loss and loss adjustment expenses, including incurred but not reported reserves, from a reinsurer that exceeded 3% of capital and surplus at December 31, 2016 as follows:

General Reinsurance Corp.	$ 13,376,000

The Company has no reinsurance contracts that contain the following features (a) a contract term longer than two years and that is noncancellable by the Company during the contract term; (b) a limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer; (c) aggregate stop loss reinsurance coverage; (d) a unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party; (e) a provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or (f) payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. The Company has neither ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards to policyholders or the reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards to policyholders nor has the Company ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statements and accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles. Additionally, the Company has not ceded any risk under any reinsurance contract where (a) the written premiums ceded to the reinsurer represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statements or (b) 25% or more of the written premium ceded to the reinsurer has been retroceded back to the Company in a separate reinsurance contract. Accordingly, the Company has not included the Supplemental Schedule of Reinsurance Disclosures.

In February 2017, the Company commuted an excess of loss reinsurance contract with General Reinsurance Corp. Proceeds from this commutation were $3,859. The outstanding reserve position on this reinsurance treaty prior to commutation was $0, therefore the Company had a gain of $3,859 as a result of this commutation.

In December 2016, the Company commuted an excess of loss reinsurance contract with General Reinsurance Corp. Proceeds from this commutation were $154,992. The outstanding reserve position on this reinsurance treaty prior to commutation was $0, therefore the Company had a gain of $154,992 as a result of this commutation.

8. Premiums Written and Earned

During the years ended December 31, 2017 and 2016, direct, assumed and ceded premiums were as follows:

	2017		2016	
	Written	Earned	Written	Earned
Direct	$ 165,946,601	$ 163,403,536	$ 159,819,613	$ 156,197,467
Assumed	1,048,069	1,019,352	930,893	910,975
Ceded	(5,457,813)	(5,376,347)	(5,375,783)	(5,304,120)
Net premiums	$ 161,536,857	$ 159,046,541	$ 155,374,723	$ 151,804,322

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. At December 31, 2017 and 2016, the Company had fixed income securities on deposit with a carrying value of $3,674,354 and $3,689,854, respectively, included in bonds on the statements of admitted assets, liabilities and capital and surplus. The amounts on deposit with the states, all of which are admitted, represent <1% of total assets or total admitted assets at the end of 2017.

10. Investments

The cost and fair value of investments in equity securities including unaffiliated common stocks and actively traded mutual funds, excluding investments in affiliates, were as follows:

		Gross Unrealized		
	Cost	Gains	Losses	Fair Value
At December 31, 2017				
Common stocks	$ 99,329,418	$ 78,227,550	$ (1,371,420)	$ 176,185,548
At December 31, 2016				
Common stocks	$ 96,934,676	$ 59,148,526	$ (1,328,186)	$ 154,755,016

The cost and equity value, of the investments in common stocks of affiliates, were as follows:

		Gross Unrealized		
	Cost	Gains	Losses	Equity Value
At December 31, 2017				
Common stocks of affiliates	$ 146,407,480	$ 31,389,830	$ (223,529)	$ 177,573,781
At December 31, 2016				
Common stocks of affiliates	$ 123,407,480	$ 30,507,092	$ (223,529)	$ 153,691,043

The Company owns 100% of the common stock of MEMIC Services at a cost of $223,529. The Company recorded a liability of $303,632 and $329,395 as of December 31, 2017 and 2016, respectively, for the statutory equity of remaining liabilities the Company would honor, in good faith, should MEMIC Services cease operations. Such amounts have been charged directly to unassigned surplus and are included in other liabilities on the statement of admitted assets, liabilities and capital and surplus.

The Company owns 100% of the common stock of MEMIC Indemnity at a cost of $117,000,000 and $104,000,000 as of December 31, 2017 and 2016, respectively.

The Company owns 100% of the common stock of MEMIC Casualty at a cost of $29,183,951 and $19,183,951 as of December 31, 2017 and 2016, respectively.

Summary financial data for common stock of affiliates, which includes MEMIC Indemnity and MEMIC Casualty, is as follows:

	2017	2016
Admitted assets	$ 593,400,015	$ 500,651,779
Liabilities	415,826,235	346,960,736
Capital and surplus	177,573,780	153,691,043
Statutory net income	1,916,580	2,487,801

The carrying value and fair values of bonds at December 31, 2017 and 2016, are as follows:

	2017			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 23,434,712	$ 547,947	$ (131,299)	$ 23,851,360
States, territories & possessions	63,628,787	3,104,628	(167,123)	66,566,292
Political subdivisions of states	114,281,739	4,798,440	(275,714)	118,804,465
Industrial & miscellaneous	115,536,291	4,679,100	(219,398)	119,995,993
Asset backed securities	141,474,130	1,371,208	(1,349,169)	141,496,169
Total bonds	$ 458,355,659	$ 14,501,323	$ (2,142,703)	$ 470,714,279

	2016			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 25,641,205	$ 909,037	$ (40,774)	$ 26,509,468
States, territories & possessions	62,870,851	2,666,124	(515,319)	65,021,656
Political subdivisions of states	113,631,136	4,016,754	(858,579)	116,789,311
Industrial & miscellaneous	107,311,903	4,220,204	(377,788)	111,154,319
Asset backed securities	162,214,221	1,727,643	(1,713,620)	162,228,244
Total bonds	$ 471,669,316	$ 13,539,762	$ (3,506,080)	$ 481,702,998

Bonds with a NAIC SVO rating of three to six have been recorded at the lower of cost or fair value in accordance with statutory accounting unless they are a residential mortgage-backed security/commercial mortgage-backed security ("RMBS/CMBS") security with a Securities Valuation Office rating and independently modeled. The model determines the intrinsic price of the security and the price at which the percentage difference between the carrying price and the intrinsic price equals the midpoint between the risk-based capital charges for each NAIC designation. This is the maximum price point at which a security can be carried for each NAIC designation. These prices are referred to as break points. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds. The Company currently does not hold any securities with a NAIC SVO rating of three to six as of December 31, 2017.

The carrying value and fair value of bonds, including those held in short-term investments of $1,782,824, included in one year or less, and the surplus debenture included in other invested assets with a carrying value of $498,941 and a fair value of $507,031 included in over ten years, at December 31, 2017, by contractual maturity are as follows:

Maturity	Carrying Value	Fair Value
One year or less	$ 9,436,728	$ 9,555,087
Over one year through five years	139,612,920	142,602,550
Over five years through ten years	69,425,811	71,304,694
Over ten years	242,161,965	249,541,810
	$ 460,637,424	$ 473,004,141

Bonds subject to early or unscheduled prepayments have been included above based upon their contractual maturity dates. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset backed securities have been categorized based on the date when the issue is expected to be paid off and the principal is projected to be paid to investors.

Proceeds from the sales of investments in debt and equity securities, excluding proceeds from equity security spinoffs and mergers, and the gross realized gains and losses on those sales for the years ended December 31, 2017 and 2016, are summarized as follows:

	2017		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds	$ 16,535,772	$ 309,658	$ (299)
Common stocks	22,687,354	7,011,680	(773,275)
	$ 39,223,126	$ 7,321,338	$ (773,574)

	2016		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds	$ 53,945,080	$ 2,687,773	$ (157,552)
Common stocks	20,501,831	6,131,790	(519,181)
	$ 74,446,911	$ 8,819,563	$ (676,733)

At December 31, 2017 and 2016, the Company owned no securities that were in an unrealized loss position that management determined were other-than-temporary and given current market conditions would not recover. The Company did not record any OTTI during 2017 or 2016.

The fair value and gross unrealized loss of investment securities and the amount of time the security has been in an unrealized loss position as of December 31, 2017 and 2016 are as follows:

	2017					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1-2)						
U.S. Government & government agencies & authorities	$ 15,202,828	$ (131,299)	$ -	$ -	$ 15,202,828	$ (131,299)
States, territories & possessions	4,831,182	(40,740)	7,294,283	(126,383)	12,125,465	(167,123)
Political subdivisions of states	6,968,368	(48,364)	9,828,185	(227,350)	16,796,553	(275,714)
Industrial & miscellaneous	12,064,570	(123,115)	5,902,137	(96,283)	17,966,707	(219,398)
Asset backed securities	23,452,221	(94,724)	69,473,467	(1,254,445)	92,925,688	(1,349,169)
Common stocks - unaffiliated	6,712,440	(657,878)	2,993,957	(713,542)	9,706,397	(1,371,420)
	$ 69,231,609	$ (1,096,120)	$ 95,492,029	$ (2,418,003)	$ 164,723,638	$ (3,514,123)

	2016					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1-2)						
U.S. Government & government agencies & authorities	$ 10,754,570	$ (40,774)	$ -	$ -	$ 10,754,570	$ (40,774)
States, territories & possessions	15,297,607	(515,319)	-	-	15,297,607	(515,319)
Political subdivisions of states	17,944,039	(858,579)	-	-	17,944,039	(858,579)
Industrial & miscellaneous	19,573,455	(364,069)	1,234,375	(13,719)	20,807,830	(377,788)
Asset backed securities	89,103,821	(1,623,419)	2,529,594	(90,201)	91,633,415	(1,713,620)
Common stocks - unaffiliated	6,802,873	(530,232)	5,215,572	(797,954)	12,018,445	(1,328,186)
	$ 159,476,365	$ (3,932,392)	$ 8,979,541	$ (901,874)	$ 168,455,906	$ (4,834,266)

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates.

The major categories of net investment income for the years ended December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Bonds	$ 16,017,712	$ 16,613,672
Common stocks	3,593,295	3,206,889
Cash and short-term investments	60,294	42,081
Other investment income	459,231	323,061
Total investment income	20,130,532	20,185,703
Less: Investment expenses	(1,319,890)	(1,303,351)
Net investment income	$ 18,810,642	$ 18,882,352

11. Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Valuation techniques used to derive fair value of investment securities are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent resources such as active markets or nationally recognized pricing services. Unobservable inputs reflect comparable securities or valuations received from various broker or dealer quotes.

Items Measured and Reported at Fair Value by Levels 1, 2 and 3

The Company has categorized its assets and liabilities that are reported on the statements of admitted assets, liabilities and capital and surplus at fair value into three-level fair value hierarchy as reflected in the following table. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 - Quoted Prices in Active Markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, includes exchange-traded preferred and common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 - Significant Other Observable Inputs: This category is for items measured at fair value on a recurring basis includes bonds, which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded.

Level 3 - Significant Other Unobservable Inputs: The Company has no assets or liabilities measured at fair value in this category. There are no Level 3 fair value assets which were transferred in or out during 2017. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decrease an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation.

	2017			
	Level 1	Level 2	Level 3	Total
Assets on statements of admitted assets, liabilities and capital and surplus at fair value				
Common stocks				
Industrial & miscellaneous	$ 164,066,610	$ -	$ -	$ 164,066,610
Mutual funds	12,118,938	-	-	12,118,938
Total common stocks	176,185,548	-	-	176,185,548
Total assets, measured at fair value	$ 176,185,548	$ -	$ -	$ 176,185,548

	2016			
	Level 1	Level 2	Level 3	Total
Assets on statements of admitted assets, liabilities and capital and surplus at fair value				
Common stocks				
Industrial & miscellaneous	$ 138,813,740	$ -	$ -	$ 138,813,740
Mutual funds	15,941,276	-	-	15,941,276
Total common stocks	154,755,016	-	-	154,755,016
Other - short-term investments	4,285,872	-	-	4,285,872
Total assets, measured at fair value	$ 159,040,888	$ -	$ -	$ 159,040,888

At the end of each reporting period, the Company evaluates whether any event has occurred, or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3. The Company has no derivative assets or liabilities or assets carried at fair value on a nonrecurring basis.

The table below reflects the fair values and admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures) as of December 31, 2017 and 2016. The fair values are also categorized into the three-level fair value hierarchy as described above.

	2017					
Type of Financial Instrument	Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds						
U.S. Government & government agencies & authorities	$ 23,851,360	$ 23,434,712	$ -	$ 23,851,360	$ -	$ -
States, territories & possessions	66,566,292	63,628,787	-	66,566,292	-	-
Political subdivisions of states	118,804,465	114,281,739	-	118,804,465	-	-
Industrial & miscellaneous	120,503,024	116,035,232	-	120,503,024	-	-
Asset backed securities	141,496,169	141,474,130	-	141,496,169	-	-
Common stocks	176,185,548	176,185,548	176,185,548	-	-	-
Cash, cash equivalents & short-term investments	10,816,320	10,816,320	10,566,834	249,486	-	-
Total assets	$ 658,223,178	$ 645,856,468	$ 186,752,382	$ 471,470,796	$ -	$ -

	2016					
Type of Financial Instrument	Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds						
U.S. Government & government agencies & authorities	$ 26,509,468	$ 25,641,205	$ -	$ 26,509,468	$ -	$ -
States, territories & possessions	65,021,656	62,870,851	-	65,021,656	-	-
Political subdivisions of states	116,789,311	113,631,136	-	116,789,311	-	-
Industrial & miscellaneous	111,154,319	107,311,903	-	111,154,319	-	-
Asset backed securities	162,228,244	162,214,221	-	162,228,244	-	-
Common stocks	154,755,016	154,755,016	154,755,016	-	-	-
Cash, cash equivalents & short-term investments	9,104,944	9,104,944	9,104,944	-	-	-
Total assets	$ 645,562,958	$ 635,529,276	$ 163,859,960	$ 481,702,998	$ -	$ -

The Company held no structured notes as of December 31, 2017 or 2016.

12. Employee Benefit Plans

The Company has adopted a qualified defined contribution discretionary, 401(k) and profit sharing plan (the "Plan") covering substantially all full-time employees who meet the plans' eligibility requirements. If approved by the Board of Directors, this discretionary component of the defined contribution plan is determined to be 3-6% of the covered employees' annual eligible compensation. Employees become eligible to participate upon completion of three months of service and are fully vested in the plan after three years of service. The amount expensed for the discretionary portion for the Plan was $1,565,326 and $1,371,314 in 2017 and 2016, respectively.

The 401(k) and profit sharing portion of the Plan provides for a tax deferred profit sharing contribution by the Company and an employee elective contribution with a matching provision. In 2017 and 2016, with respect to the 401(k) component of the Plan, the Company will contribute an amount up to 100% of the employees' 401(k) contributions to a maximum of 5% of an employee's annual compensation. An employee's contribution may not exceed 60% of their annual salary or the maximum amount allowed as determined by the Internal Revenue Code. These Company contributions become fully vested after five years. The Company incurred $1,259,025 and

$1,086,888 of expense related to the 401(k) component of the Plan in 2017 and 2016, respectively. With respect to the profit sharing component of the Plan, each eligible participant may receive a profit sharing contribution in an amount to be determined by the Board of Directors not to exceed 6% plus an additional allocation for employees earning more than the taxable wage base. The Company incurred $1,782,228 and $1,472,064 of expense related to the profit sharing component of the Plan in 2017 and 2016, respectively.

The Company sponsors a non-qualified, deferred compensation plan (the "Compensation Plan") and trust for certain key executives providing for payments upon retirement, death or disability. The Compensation Plan permits eligible officers to defer a portion of their compensation. The Compensation Plan provides that, in the event of liquidation of the Company, all assets of the Compensation Plan will be available to meet the obligations of the Company. Included in common stocks and other liabilities are amounts of $12,118,938 and $15,941,276 at December 31, 2017 and 2016, respectively, related to the Compensation Plan. In accordance with NAIC SAP, the increase or decrease in market value of the assets of the Plan are recorded into income or expense to the Company. The Company incurred $2,328,731 and $687,112 of expense related to the Compensation Plan in 2017 and 2016, respectively.

A Long Term Incentive Plan ("LTIP") was established by the Compensation Committee of the Board of Directors (the "Committee") effective January 1, 2007, for certain members of management and highly compensated individuals (participants). Participants are granted a fixed dollar base award (the "Award") contingent upon the anticipated growth of imputed surplus. The final earned amount of the Award is based on the actual growth levels of imputed surplus and is calculated upon imputed surplus as compared to Target, Threshold and Maximum Growth levels for an applicable performance period, generally three years. The actual earned amount of the 2015-2016 Award can range from 0% to 150% of the fixed dollar base Award based upon growth of imputed surplus. The 2017 award is calculated using a direct combined ratio and actual earned amounts can range from 0% to 200%. Participants vest in the plan over three years, or a shorter period, under certain established conditions. The Company has incurred $1,456,323 and $139,569 of expense related to the LTIP in 2017 and 2016, respectively.

13. Commitments and Contingent Liabilities

The Company leases office space, various office equipment and vehicles under lease arrangements through 2021. Future minimum lease payments under operating leases at December 31, 2017 are as follows:

2018	$ 1,461,709
2019	1,311,634
2020	1,144,893
2021	932,969
Total future minimum lease payments	$ 4,851,205

Total rent and lease expense to all related and unrelated parties was $1,592,289 and $1,555,021 for the years ended December 31, 2017 and 2016, respectively. Included in future minimum lease payments are the future rents due through 2021 from the Company to CVH and CVHII.

From time to time, the Company may purchase annuities to settle claims. Certain types of annuities provide annuitants with recourse against the Company if the insurer fails to pay under the annuities as agreed. Under these arrangements, the Company remains contingently liable to the annuitant.

The Company is involved in litigation with respect to claims arising in the ordinary course of business, which is considered in establishing loss and loss adjustment expense reserves. The Company periodically reviews its overall loss and loss adjustment expense reserve position as well as its provision for reinsurance. The Company's management believes the resolution of such litigation is not expected to have a material adverse effect on the financial position or the operating results of the Company.

The Company is subject to guaranty funds and other assessments by states in which it has direct written premium. Guaranty fund assessments should be accrued at the time of insolvencies. Certain assessments that are unknown to the Company are accrued at the time of assessment. In the case of premium based assessments, the expense is accrued at the time the premiums are written, or, in the case of loss-based assessments, at the time the losses are incurred.

The Company has recorded an expense for guaranty fund and other assessments of $(2,748,040) and $539,822 at December 31, 2017 and 2016, respectively. Of these amounts, the Company has accrued a net liability at December 31, 2017 and 2016, of $734,179 and $925,993, respectively. The incurred credit of $(2,748,040) is the result of the company receiving $3,069,041 from the Maine Workers' Compensation Residual Market Pool in September 2017. This amount is a refund of surcharges collected from the Company policyholders during the period 1995 through 2001.The guaranty fund and other assessment amounts represent management's best estimate of its liability for assessments based on information received from the states in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies and other factors related to the funding requirements of the various assessments. There is no related premium tax benefit asset recorded from guaranty funds on the statements of admitted assets, liabilities and capital and surplus or statements of income.

The State of Maine Workers' Compensation Board (the "Board") assesses insurance companies, associations, and self-insured employers' amounts based upon their written premium levels. At December 31, 2017 and 2016, the assessment was 2.57**%** and 2.46%, respectively, of written premium. To fund this amount, the Company is required to assess its policyholders these amounts and submit amounts collected to the Board on a quarterly basis. The balance of $1,131,042 and $772,796 represents amounts due to the Board as of December 31, 2017 and 2016, respectively, and are included in amounts withheld for others on the statements of assets, liabilities and capital and surplus.

14. Related Party Transactions

The Company owns 100% of the common stock of its insurance services subsidiary, MEMIC Services. The Company paid the affiliate, MEMIC Services, $7,586 and $31,350 during 2017 and 2016, respectively, for agency services provided to the Company.

The Company charges management fees and other services to MEMIC Indemnity in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company charged MEMIC Indemnity $29,201,770 and $22,411,571 for underwriting, claims, loss control, managed care and investment management fees and was charged $586,286 and $415,572 for other claims services that were provided from MEMIC Indemnity for 2017 and 2016, respectively. Certain other direct costs are paid by the Company and charged back to MEMIC Indemnity.

The Company is the sole member of CVH. CVH is the sole member of CVH II and CVH III. The Company records all member contributions to CVH in other invested assets. CVH paid the Company $45,000 for management services during 2017 and 2016. In addition, the Company leased office space from CVH and paid $216,540 and $206,584 for rent and parking during 2017 and 2016, respectively. In addition, the Company leased office space from CVHII and paid $1,061,020 and $1,010,130 for rent and parking during 2017 and 2016, respectively. The Company was also charged $46,920 and $44,400 for parking from CVHIII during 2017 and 2016, respectively.

The Company charges management fees and other services to MEMIC Casualty in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company charged MEMIC Casualty $2,584,887 and $1,325,906 for underwriting, claims, loss control, managed care and investment management fees during 2017 and 2016, respectively. Certain other direct costs are paid by the Company and charged back to MEMIC Casualty.

At December 31, 2017 and 2016, the Company reported a net receivable of $2,388,149 and $3,679,103, respectively, in net admitted amounts due from affiliates. These amounts are settled periodically in accordance with the terms of certain cost sharing agreements.

The amounts due from (to) affiliates as of December 31, 2017 and 2016 are as follows:

	2017	2016
MEMIC Indemnity Company	$ 2,624,323	$ 3,925,985
MEMIC Services, Inc.	-	-
MEMIC Casualty Company	(130,906)	(283,164)
Casco View Holdings, LLC	(105,268)	36,282
Total due from (to) affiliates	$ 2,388,149	$ 3,679,103

15. Loan-Backed Securities

The Company has elected to use the prospective method of determining prepayment assumptions. Prepayment assumptions are derived primarily from projected cash flow information obtained from recognized external sources. Where projected cash flow information is not publicly available the information is obtained from external asset managers or by internal estimates. The Company uses IDC Corporation in determining the market value of its loan-backed securities. There have been no changes from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

The Company has no loan-backed securities that have a recognized OTTI where the Company either has the intent to sell; or does not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis.

The following table summarizes unrealized losses on loan-backed securities by the length of time that the securities have continuously been in unrealized loss positions.

	2017	2016
Aggregate amount of unrealized loss		
Less than twelve months	$ 88,012	$ 1,623,419
Twelve months or longer	1,254,446	90,201
Total	$ 1,342,458	$ 1,713,620
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$ 21,462,422	$ 89,103,821
Twelve months or longer	69,473,467	2,529,594
Total	$ 90,935,889	$ 91,633,415

There is no additional information necessary to describe the general categories of information that the Company considered in reaching the conclusion that the impairments are not other-than-temporary. The Company asserts that it has the intent and ability to hold these securities long enough to allow the cost basis of these securities to be recovered.

The Company has no repurchase agreements and/or securities lending transactions or low-income housing tax credits in the current year or prior year. The Company has investments in real estate through its wholly-owned subsidiary CVH in the current year. The cumulative amount of credit losses on loan-backed and structured securities still held as of December 31, 2017 and 2016 are immaterial to the Company.

16. Subsequent Events

Subsequent events have been considered through March 23, 2018, for these statutory financial statements which are available to be issued on March 23, 2018.

In February 2018, the Company commuted an excess of loss reinsurance contract with General Reinsurance Corporation. Proceeds from this commutation were $1,186,255. The outstanding reserve position on this reinsurance treaty prior to the commutation was $0, therefore the Company had a gain of $1,186,255 as a result of this commutation.

In March 2018, the Company contributed additional capital of $12,000,000 and $10,000,000 to MEMIC Indemnity and MEMIC Casualty, respectively. This $22,000,000 capital contribution of bonds and cash will be recorded as a change in common stock. As a result of this noncash contribution of bonds, the Company will recognize an immaterial deferred gain in surplus since the realized component of the difference between the fair value and book/adjusted carrying value as of the date of transfer cannot be recognized under SSAP No. 25 until the transferred securities mature or are sold by MEMIC Indemnity or MEMIC Casualty.

SUMMARY INVESTMENT SCHEDULE

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
Investment Categories	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage
1. Bonds:						
1.1 U.S. treasury securities	23,434,713	2.8	23,434,713		23,434,713	2.8
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies		0.0			0	0.0
1.22 Issued by U.S. government sponsored agencies		0.0			0	0.0
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)		0.0			0	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	13,768,035	1.6	13,768,035		13,768,035	1.6
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	29,425,367	3.5	29,425,367		29,425,367	3.5
1.43 Revenue and assessment obligations	137,981,648	16.3	137,981,648		137,981,648	16.3
1.44 Industrial development and similar obligations		0.0			0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	6,159,983	0.7	6,159,983		6,159,983	0.7
1.512 Issued or guaranteed by FNMA and FHLMC	81,125,782	9.6	81,125,782		81,125,782	9.6
1.513 All other		0.0			0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	12,833,622	1.5	12,833,622		12,833,622	1.5
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521		0.0			0	0.0
1.523 All other	10,403,231	1.2	10,403,231		10,403,231	1.2
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	129,938,651	15.4	129,938,651		129,938,651	15.4
2.2 Unaffiliated non-U.S. securities (including Canada)	13,284,626	1.6	13,284,626		13,284,626	1.6
2.3 Affiliated securities		0.0			0	0.0
3. Equity interests:						
3.1 Investments in mutual funds		0.0			0	0.0
3.2 Preferred stocks:						
3.21 Affiliated		0.0			0	0.0
3.22 Unaffiliated		0.0			0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated	177,573,781	21.0	177,573,781		177,573,781	21.0
3.32 Unaffiliated	176,185,549	20.9	176,185,549		176,185,549	20.9
3.4 Other equity securities:						
3.41 Affiliated		0.0			0	0.0
3.42 Unaffiliated		0.0			0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated		0.0			0	0.0
3.52 Unaffiliated		0.0			0	0.0
4. Mortgage loans:						
4.1 Construction and land development		0.0			0	0.0
4.2 Agricultural		0.0			0	0.0
4.3 Single family residential properties		0.0			0	0.0
4.4 Multifamily residential properties		0.0			0	0.0
4.5 Commercial loans		0.0			0	0.0
4.6 Mezzanine real estate loans		0.0			0	0.0
5. Real estate investments:						
5.1 Property occupied by company		0.0			0	0.0
5.2 Property held for production of income (including $..........0 of property acquired in satisfaction of debt)		0.0			0	0.0
5.3 Property held for sale (including $.........0 property acquired in satisfaction of debt)		0.0			0	0.0
6. Contract loans		0.0			0	0.0
7. Derivatives		0.0			0	0.0
8. Receivables for securities		0.0			0	0.0
9. Securities lending (Line 10, Asset Page reinvested collateral)		0.0		XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	10,816,320	1.3	10,816,320		10,816,320	1.3
11. Other invested assets	22,034,840	2.6	22,034,840		22,034,840	2.6
12. Total invested assets	844,966,148	100.0	844,966,148	0	844,966,148	100.0

* 1 1 1 4 9 2 0 1 7 2 8 5 0 0 1 0 0 *

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2017

(To be filed by April 1)

Of Maine Employers' Mutual Insurance Company

Address (City, State, Zip Code): Portland ME 04101

NAIC Group Code.....1332 NAIC Company Code.....11149 Employer's ID Number.....01-0476508

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

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

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $......916,717,048

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	MEMIC INDEMNITY COMPANY	Common Stock Subsidiary	$....147,547,721	................16.1 %
2.02	MEMIC CASUALTY COMPANY	Common Stock Subsidiary	$......30,026,059	..................3.3 %
2.03	PASADENA TX INDEP SCH DIST	Long Term Bonds	$........7,500,000	..................0.8 %
2.04	WELLS FARGO & COMPANY	Bonds/Common Stock	$........5,815,082	..................0.6 %
2.05	CITIGROUP INC	Bonds/Common Stock	$........5,683,063	..................0.6 %
2.06	MET TRANSPRTN AUTH NY REVENUE	Long Term Bonds	$........5,282,824	..................0.6 %
2.07	DALLAS-FORT WORTH TX INTERNATI	Long Term Bonds	$........5,110,812	..................0.6 %
2.08	BANK OF AMERICA CORP	Bonds/Common Stock	$........4,972,798	..................0.5 %
2.09	CVS HEALTH CORP	Bonds/Common Stock	$........4,875,074	..................0.5 %
2.10	CHAIT 2016	Long Term Bonds	$........4,499,763	..................0.5 %

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

	Bonds	1	2
3.01	NAIC 1	$....417,587,604	................45.6 %
3.02	NAIC 2	$......40,958,499	..................4.5 %
3.03	NAIC 3	$.............59,036	..................0.0 %
3.04	NAIC 4	$.........................	..................0.0 %
3.05	NAIC 5	$.........................	..................0.0 %
3.06	NAIC 6	$.........................	..................0.0 %
	Preferred Stocks	3	4
3.07	P/RP-1	$.........................	..................0.0 %
3.08	P/RP-2	$.........................	..................0.0 %
3.09	P/RP-3	$.........................	..................0.0 %
3.10	P/RP-4	$.........................	..................0.0 %
3.11	P/RP-5	$.........................	..................0.0 %
3.12	P/RP-6	$.........................	..................0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

4.02	Total admitted assets held in foreign investments	$.........................	..................0.0 %
4.03	Foreign-currency-denominated investments	$.........................	..................0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$.........................	..................0.0 %

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

		1	2
5.01	Countries designated NAIC 1	$.........................	..................0.0 %
5.02	Countries designated NAIC 2	$.........................	..................0.0 %
5.03	Countries designated NAIC 3 or below	$.........................	..................0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1:	$.........................	..................0.0 %
6.02	Country 2:	$.........................	..................0.0 %
	Countries designated NAIC 2:		
6.03	Country 1:	$.........................	..................0.0 %
6.04	Country 2:	$.........................	..................0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$.........................	..................0.0 %
6.06	Country 2:	$.........................	..................0.0 %

	1	2
7. Aggregate unhedged foreign currency exposure	$.........................	..................0.0 %

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

		1	2
8.01	Countries designated NAIC 1	$	0.0 %
8.02	Countries designated NAIC 2	$	0.0 %
8.03	Countries designated NAIC 3 or below	$	0.0 %

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

		1	2
	Countries designated NAIC 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

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

	1 Issuer	2 NAIC Designation	3	4
10.01			$	0.0 %
10.02			$	0.0 %
10.03			$	0.0 %
10.04			$	0.0 %
10.05			$	0.0 %
10.06			$	0.0 %
10.07			$	0.0 %
10.08			$	0.0 %
10.09			$	0.0 %
10.10			$	0.0 %

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

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

11.02	Total admitted assets held in Canadian Investments	$	0.0 %
11.03	Canadian currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

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

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

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

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

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

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

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

	1 Name of Issuer	2	3
13.02	MEMIC INDEMNITY COMPANY	$ 147,547,721	16.1 %
13.03	MEMIC CASUALTY COMPANY	$ 30,026,059	3.3 %
13.04	SPDR S&P MIDCAP 400 ETF TRST	$ 21,258,258	2.3 %
13.05	ISHARES MSCI EAFE ETF	$ 3,121,764	0.3 %
13.06	APPLE INC	$ 2,918,033	0.3 %
13.07	JOHNSON & JOHNSON	$ 2,512,026	0.3 %
13.08	EXXON MOBIL CORP	$ 2,445,717	0.3 %
13.09	WELLS FARGO & CO	$ 2,267,845	0.2 %
13.10	MICROSOFT CORP	$ 2,196,154	0.2 %
13.11	AT&T INC	$ 2,158,462	0.2 %

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

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

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

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

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

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

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

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

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

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

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

	Loan-to-Value	Residential		Commercial		Agricultural	
		1	2	3	4	5	6
17.01	above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02	91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03	81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04	71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05	below 70%	$	0.0 %	$	0.0 %	$	0.0 %

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

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

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

	Description	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

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

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No [ ]

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

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans	$	0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

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

		At Year-End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.0 %	$	$	$
20.02	Repurchase agreements	$	0.0 %	$	$	$
20.03	Reverse repurchase agreements	$	0.0 %	$	$	$
20.04	Dollar repurchase agreements	$	0.0 %	$	$	$
20.05	Dollar reverse repurchase agreements	$	0.0 %	$	$	$

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

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$	0.0 %	$	0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$	0.0 %	$	$	$
22.02 Income generation	$	0.0 %	$	$	$
22.03 Replications	$	0.0 %	$	$	$
22.04 Other	$	0.0 %	$	$	$

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

MEMIC Indemnity Company

Financial Statements
(Statutory Basis)
December 31, 2017 and 2016

MEMIC Indemnity Company
Index
December 31, 2017 and 2016

Page(s)

To the Board of Directors of
MEMIC Indemnity Company

We have audited the accompanying statutory basis financial statements of MEMIC Indemnity Company (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2017 and 2016, and the related statutory statements of income, changes in capital and surplus, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Insurance Department of the State of New Hampshire. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 over financial reporting. 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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of New Hampshire, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

Opinion on Regulatory Basis of Accounting
In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Other Matter – Report on Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Company as of December 31, 2017 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by the Insurance Department of the State of New Hampshire. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, such are fairly stated, in all material respects, in relation to the statutory basis financial statements taken as a whole.

Johnson Lambert LLP

Atlanta, Georgia
March 23, 2018

MEMIC Indemnity Company
Statements of Admitted Assets, Liabilities and Capital and Surplus (Statutory Basis)
December 31, 2017 and 2016

	2017	2016
Admitted Assets		
Invested assets		
Bonds, at carrying value (fair value: $369,815,631 and $315,298,191 at December 31, 2017 and 2016, respectively)	$ 365,817,971	$ 313,918,742
Common stocks, at fair value (cost: $51,713,191 and $46,642,859 at December 31, 2017 and 2016, respectively)	62,295,119	51,672,547
Other invested assets, at carrying value (fair value: $2,028,124 at December 31, 2017)	1,995,764	-
Cash, cash equivalents and short-term investments	17,058,784	15,056,530
Total cash and invested assets	447,167,638	380,647,819
Premium balances receivable	71,722,047	59,492,850
Receivable for securities sold	85	139
Investment income due and accrued	3,122,372	2,720,615
EDP equipment (net of accumulated depreciation of $571,824 and $558,217 at December 31, 2017 and 2016, respectively)	146,566	32,984
Reinsurance recoverable on paid loss and loss adjustment expenses	494,510	464,291
Net deferred income taxes	5,971,251	10,091,295
Total admitted assets	$ 528,624,469	$ 453,449,993
Liabilities		
Loss reserves	$ 233,013,890	$ 190,047,758
Loss adjustment expense reserves	30,706,588	26,327,106
Unearned premium reserves	90,925,502	77,413,867
Advance premium	511,943	489,422
Reinsurance premiums payable	1,955,713	2,043,816
Other liabilities	1,218,989	2,973,980
Premium taxes and assessments payable	7,695,479	7,552,332
Amounts withheld for others	3,362,366	1,616,600
Commissions payable	7,763,702	5,482,227
Due to parent	2,624,322	3,925,985
Federal income tax payable	1,298,254	1,978,459
Total liabilities	381,076,748	319,851,552
Commitments and contingencies (Note 13)		
Capital and surplus		
Common stock, 1,000,000 shares authorized, 100,000 shares issued and outstanding, $30 par value	3,000,000	3,000,000
Gross paid-in and contributed surplus	114,000,000	101,000,000
Unassigned surplus	30,547,721	29,598,441
Total capital and surplus	147,547,721	133,598,441
Total liabilities and capital and surplus	$ 528,624,469	$ 453,449,993

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Indemnity Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2017 and 2016

	2017	2016
Underwriting income		
Premiums earned, net	$ 182,380,321	$ 155,985,649
Loss and underwriting expenses		
Losses incurred, net	116,725,386	106,118,924
Loss adjustment expenses incurred, net	24,436,708	15,937,020
Underwriting expenses		
Commissions	16,042,717	12,301,067
Premium taxes	4,400,009	5,086,250
Guarantee fund, rating bureau and other assessments	2,065,505	1,684,367
Supervision, acquisition and collection expenses	17,394,426	13,879,974
Loss control	4,928,664	3,953,435
General expenses	2,563,213	1,912,845
Total underwriting expenses	47,394,534	38,817,938
Total loss and underwriting expenses	188,556,628	160,873,882
Net underwriting loss	(6,176,307)	(4,888,233)
Investment income		
Net investment income	10,958,250	9,595,554
Net realized capital gains (less capital gains tax of $1,133,759 and $617,830, respectively)	2,200,825	1,199,318
Total investment income	13,159,075	10,794,872
Other (expense) income		
Bad debt expense	(973,476)	(386,035)
Service fee income	49,447	48,622
Net other expense	(924,029)	(337,413)
Income before dividends and federal income taxes	6,058,739	5,569,226
Dividends to policyholders	4,114,711	2,389,228
Income after dividends, before federal income taxes	1,944,028	3,179,998
Provision for federal income taxes	109,973	1,360,629
Net income	$ 1,834,055	$ 1,819,369

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Indemnity Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2017 and 2016

	2017	2016
Capital and surplus at beginning year	$ 133,598,441	$ 125,642,663
Net income	1,834,055	1,819,369
Change in net deferred income taxes	(2,837,265)	1,546,276
Change in nonadmitted assets	(1,733,958)	1,264,194
Change in net unrealized appreciation of invested assets (net of deferred taxes of $1,892,712 and $1,708,393 as of December 31, 2017 and 2016, respectively)	3,686,448	3,325,939
Capital contributions	13,000,000	-
Change in capital and surplus	13,949,280	7,955,778
Capital and surplus at end of year	$ 147,547,721	$ 133,598,441

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Indemnity Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2017 and 2016

	2017	2016
Cash from operations		
Premiums collected, net	$ 183,610,270	$ 157,003,937
Investment income received, net	12,945,879	11,249,408
Other expense	(924,029)	(337,413)
Cash provided from operations	195,632,120	167,915,932
Benefit and loss related payments	73,789,472	64,271,179
Commissions and expenses paid	66,782,128	49,728,008
Dividends paid to policyholders	4,114,711	2,502,910
Federal income taxes paid	1,923,937	2,505,534
Cash used in operations	146,610,248	119,007,631
Net cash provided from operations	49,021,872	48,908,301
Cash from investing activities		
Cash provided by (used in) investments		
Proceeds from bonds sold, matured or repaid	34,109,640	32,617,340
Proceeds from common stocks sold	19,172,244	14,259,889
Cost of bonds acquired	(75,462,231)	(75,293,531)
Cost of stocks acquired	(20,907,992)	(20,490,981)
Cost of other invested assests	(1,995,740)	-
Net cash used in investing activities	(45,084,079)	(48,907,283)
Cash from financing and miscellaneous sources		
Other cash		
Capital and paid in surplus	90,924	-
Other (uses) sources	(2,026,463)	239,580
Net cash (used in) provided from financing and miscellaneous sources	(1,935,539)	239,580
Net change in cash	2,002,254	240,598
Cash, cash equivalents and short-term investments		
Beginning of year	15,056,530	14,815,932
End of year	$ 17,058,784	$ 15,056,530
Noncash transaction		
Receipt of bonds	$ 12,909,076	$ -

The accompanying notes are an integral part of these statutory basis financial statements.

1. Organization

MEMIC Indemnity Company (the "Company"), a wholly-owned subsidiary of Maine Employers' Mutual Insurance Company ("MEMIC"), was incorporated on February 24, 2000. MEMIC has contributed $117,000,000 to capitalize and fund operations of the Company since 2000. The Company is licensed to write workers' compensation and or employers' liability insurance in 50 states and the District of Columbia with approximately 85% of premium written during 2017 in the States of Connecticut, Florida, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont and Virginia. The Company writes its business primarily through independent agents and brokers in the various states.

2. Summary of Significant Accounting Policies

Basis of Presentation
The financial statements of the Company are prepared in conformity with statutory accounting practices of the National Association of Insurance Commissioners ("NAIC") as prescribed or permitted by the New Hampshire Insurance Department ("statutory accounting").

The New Hampshire Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of New Hampshire for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under New Hampshire Insurance Law. The NAIC Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of New Hampshire. There are no differences between the Company's net income, capital and surplus as recognized under NAIC SAP and the practices prescribed and permitted by the State of New Hampshire.

Statutory accounting practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). The effects of such differences on the accompanying financial statements, which could be significant, have not been determined. The most significant differences generally include the following:

a. Statutory accounting requires that policy acquisition costs such as commissions, premium taxes and other items directly related to placing or renewing business would be charged to current operations as incurred. Under GAAP, policy acquisition costs would be deferred and then amortized ratably over the periods covered by the policies;

b. The statutory provision for federal income taxes represents estimated amounts currently payable based on taxable income or loss reported in the current accounting period. Deferred income taxes are provided in accordance with SSAP 101, *Income Taxes, A Replacement of SSAP 10R and SSAP 10, effective January 1, 2012.* SSAP 101 provides new requirements for tax loss contingencies and the calculation and admissibility of deferred tax assets ("DTAs"). The realization of any resulting deferred tax asset is limited based on certain criteria in accordance with SSAP 101. The GAAP provision would include a provision for taxes currently payable, as well as deferred taxes, both of which would be recorded in the statements of income;

c. Under statutory accounting, certain assets designated as "nonadmitted assets" (principally premiums and deductible recoveries past due greater than 90 days, a portion of DTAs, prepaid assets, non-operating system software and office furniture and equipment) are charged directly to unassigned surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible or to expense prepaid assets over the term of the related benefit. Office furniture and equipment and non-operating system software are capitalized and depreciated over the estimated useful lives;

d. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available-for-sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost;

e. Reinsurance balances relating to unpaid loss and loss adjustment expenses and unearned premium are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;

f. Under GAAP, the inclusion of a statement of comprehensive income, detailing the income effects of unrealized gains and losses, foreign exchange transactions, and pension liability adjustments is required;

g. For statutory cash flow purposes, included as cash and cash equivalents are short-term investments which mature within one year as opposed to three months; and

h. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Management Estimates
The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Invested Assets
Invested assets are valued in accordance with the statutory basis of valuation prescribed by the NAIC. Cash includes cash, cash equivalents, money market mutual funds and short-term investments, which are short-term investments which mature within one year; the carrying value of these investments approximates fair value. The Company's cash is held at major commercial banks. At times, cash balances at financial institutions may exceed insurable amounts. The Company believes it mitigates its risks by depositing cash in or investing through major financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Only investments with original maturities of three months or less qualify under this definition. Included in cash and cash equivalents are policyholder deposits for high deductible policies that have opted to provide cash in lieu of a letter of credit. See the summary of collateral on deposit in Note 13 and discussion of high deductibles in Note 16.

Investment grade non-loan backed bonds and surplus debentures, included in other invested assets, with NAIC designation 1 or 2 are stated at amortized value using the interest method. Non-investment grade non-loan-backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by an NAIC vendor, whether rated (by either NAIC approved rating organization or NAIC Securities Valuation Office), and relationship of amortized value to par value and amortized value to fair value.

Common stocks are generally stated at the fair value. Where declines in the value of marketable securities are deemed other-than-temporary, the loss is reported as a component of net realized capital gains and losses. The net unrealized gains and losses on these marketable securities, after deductions of applicable deferred income taxes, are credited or charged directly to policyholders' surplus.

Investment income is recorded on an accrual basis. Realized capital gains and losses are reported, net of tax, in operating results based on the specific identification of investments sold. Unrealized capital gains and losses from the valuation of investments at fair value are credited or charged directly to unassigned surplus, net of federal income taxes, unless determined to be other-than-temporary (OTTI) and included as a component of net realized capital (losses) gains. Specific impairments are determined based on a continual review of investment portfolio valuations. Bi-annually, a by cusip review of bonds, common stocks and other invested assets, with a market to carrying value less than 75%, is conducted to determine if OTTI has occurred and whether an impairment should be recognized.

Premiums and Unearned Premium Reserves
Direct and assumed premiums, net of amounts ceded to other insurance companies, are earned on a monthly pro rata basis over the in-force period. Ceded premiums are written and earned concurrently. Accordingly, unearned premium reserves are established for the pro rata portion of direct and assumed premiums written which are applicable to the unexpired terms of the policies in-force, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are immediately recorded as written and earned premiums once such amounts can be reasonably estimated. When the anticipated losses, loss adjustment expenses, commissions, and other acquisition and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies, a premium deficiency reserve is recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company does anticipate investment income when evaluating the need for any premium deficiency reserve. There was no premium deficiency reserve recorded for 2017 or 2016.

Equities and Deposits in Pools
The Company is required to participate in involuntary pools in several states where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses and other operations of involuntary pools, based on the Company's proportionate share of similar business written in the state. The National Council on Compensation Insurance, ("NCCI") services the majority of the states where the Company participates in involuntary pools. The loss reserves that are reported to NCCI by the servicing carriers are gross of loss discounting. By application of incurred loss development and tail development factors, any discount included in the case reserves reported by servicing carriers is factored out (or unwound). NCCI also provides each participating company with an estimate of its share of discounted liabilities. The discounting assumptions include a 3.5% discount rate for incurred but not reported loss and loss adjustment expense reserves and the mortality table used is the 2007 U.S. Life Table. Underwriting results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the pool are recorded separately in the financial statements rather than netted against each other. Premiums receivable on involuntary pool business are recorded in premium balances receivable on the statements of admitted assets, liabilities and capital and surplus.

Loss and Loss Adjustment Expense Reserves
Loss and loss adjustment expenses are recorded as incurred so as to match such costs and premiums over the contract periods. Loss reserves are established for losses and loss adjustment expenses based upon claim evaluations and include an estimated provision for both reported and unreported claims incurred and related expenses. The assumptions used in determining loss and loss adjustment expense reserves have been developed after considering the experience of the Company, industry experience, and projections by independent actuaries. The ultimate loss and loss adjustment expense reserves may vary from the amounts reflected in the accompanying financial statements. The method utilized in estimating and establishing the reserves is continually reviewed and updated and any adjustments are reflected in current operating results. Allowances for subrogation recoveries are included in the Company's estimate of loss reserves. See the summary of reserve development in Note 6.

Nonadmitted Assets
The following nonadmitted assets were excluded from the statements of admitted assets, liabilities and capital and surplus as of December 31, 2017 and 2016:

	2017	2016
Premium balances receivable over 90 days past due	$ 446,820	$ 459,914
Deductible recoverable over 90 days past due	168,837	-
Deferred income taxes	1,846,085	2,456,018
Fixed assets, net of accumulated depreciation	3,264,086	790,579
Other assets	123,879	409,238
Total nonadmitted assets	$ 5,849,707	$ 4,115,749

Depreciation expense on nonadmitted fixed assets was $324,029 and $123,254 in 2017 and 2016, respectively.

Federal Income Taxes
The Company files a consolidated tax return with MEMIC and three affiliates, MEMIC Casualty Company ("MEMIC Casualty"), MEMIC Services, Inc. ("MEMIC Services"), and Casco View Holdings, LLC ("CVH"). In accordance with a tax-sharing agreement, the provision for federal income taxes is recorded based upon amounts expected to be reported as if the Company filed a separate federal income tax return. Additionally, under this agreement, the Company will be reimbursed for the utilization of tax operating losses, tax credits, and capital loss carry forwards to the extent the Companies would have utilized these tax attributes on a separate return basis.

The provision for federal income taxes includes amounts currently payable or recoverable and deferred income taxes, computed under the asset/liability method, which results from temporary differences between the tax basis and book basis of assets and liabilities. SSAP No. 101, "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10" outlines the statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, which was effective on January 1, 2012, (1) restricts the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold; (2) outlines the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) requires the disclosure of tax planning strategies that relate to reinsurance; and, (4) requires consideration of reversal patterns of DTAs and deferred tax liabilities ("DTLs") in determining the extent to which DTLs could offset DTAs on the statement of admitted assets, liabilities and capital and surplus. The Company files a consolidated federal income tax return and therefore the disclosures required under SSAP No. 101 for uncertain tax positions are considered in these statutory financial statements.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes and are measured at enacted tax rates. As of December 31, 2016, the Company measured its deferred tax items at an effective tax rate of 34%. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Act) was signed into law. Among other things, the Act reduced the Company's corporate federal tax rate to a flat 21%. As a result, the Company's deferred tax items are measured at an effective tax rate of 21% as of December 31, 2017. The amount of the gross deferred tax asset calculated is then reduced for any valuation allowance and an admissibility test. The admissibility test is based on the realization threshold table and other limitations. The Company also admitted deferred tax assets that can be used to offset against deferred tax liabilities.

In the event of uncertain tax positions, amounts would need to be evaluated and disclosed or accrued. Liabilities would be reflected on the statements of admitted assets, liabilities, and capital and surplus and the related interest and penalties would be included on the statements of income as underwriting expenses.

EDP Equipment
EDP equipment is stated at cost, net of accumulated depreciation. Depreciation is computed principally by use of the straight-line method based on the estimated useful lives of assets, which is generally three to five years. Depreciation expense for the years ended December 31, 2017 and 2016 was $40,584 and $24,510, respectively. Expenditures for maintenance and repairs relating to EDP equipment and certain fixed assets which are nonadmitted are charged to expense as incurred. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the statements of admitted assets, liabilities and capital and surplus and any gain or loss on the transaction is reflected in current operating results.

Reclassifications
Certain prior year amounts have been reclassified to conform to current year presentation.

3. Capital and Surplus

Total contributions from MEMIC were $117,000,000 and $104,000,000 as of December 31, 2017 and 2016. MEMIC contributed capital of $13,000,000 and $0 during 2017 and 2016, respectively. The $13,000,000, noted as a change in capital and surplus, included $12,909,076 in non-cash contributions of bonds and $90,924 in cash.

4. Dividend Restrictions

The Company may declare a dividend without New Hampshire Insurance Department approval so long as such dividend is not considered extraordinary. In the case of extraordinary dividends, prior approval is required. An extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding 12 months, exceeds 10% of such insurer's capital and surplus as of December 31, limited to the prior year-end's unassigned surplus. The maximum amount of dividends which can be paid by the Company to stockholders without prior approval of the Commissioner of Insurance is $13,359,844 and $12,564,266 during 2017 and 2016, respectively. There were no stockholder dividends declared during 2017 or 2016. Policyholder dividends declared and paid during 2017 and 2016 were $4,114,711 and $2,389,228, respectively, of which $0 remains unpaid as of 2017 and 2016.

5. Income Taxes

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

	December 31, 2017		
	1 Ordinary	2 Capital	(Col 1+2) Total
a. Gross deferred tax assets	$ 10,653,973	$ 21,244	$ 10,675,217
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	10,653,973	21,244	10,675,217
d. Deferred tax assets nonadmitted	1,842,411	3,674	1,846,085
e. Subtotal net admitted deferred tax asset (1c - 1d)	8,811,562	17,570	8,829,132
f. Deferred tax liabilities	668,105	2,189,776	2,857,881
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 8,143,457	$ (2,172,206)	$ 5,971,251

	December 31, 2016		
	4 Ordinary	5 Capital	(Col 4+5) Total
a. Gross deferred tax assets	$ 14,393,893	$ 34,395	$ 14,428,288
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	14,393,893	34,395	14,428,288
d. Deferred tax assets nonadmitted	2,450,164	5,854	2,456,018
e. Subtotal net admitted deferred tax asset (1c - 1d)	11,943,729	28,541	11,972,270
f. Deferred tax liabilities	228,335	1,652,640	1,880,975
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 11,715,394	$ (1,624,099)	$ 10,091,295

	Change		
	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	$ (3,739,920)	$ (13,151)	$ (3,753,071)
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	(3,739,920)	(13,151)	(3,753,071)
d. Deferred tax assets nonadmitted	(607,753)	(2,180)	(609,933)
e. Subtotal net admitted deferred tax asset (1c - 1d)	(3,132,167)	(10,971)	(3,143,138)
f. Deferred tax liabilities	439,770	537,136	976,906
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ (3,571,937)	$ (548,107)	$ (4,120,044)

Admission calculation components:

	December 31, 2017		
	1 Ordinary	2 Capital	(Col 1+2) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 2,873,911	$ 5,731	$ 2,879,642
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:	3,085,457	6,152	3,091,609
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	3,085,457	6,152	3,091,609
2. Adjusted gross deferred tax assets allowed per limitation threshold	21,208,333	6,152	21,214,485
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	2,852,194	5,687	2,857,881
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 8,811,562	$ 17,570	$ 8,829,132

	December 31, 2016		
	4 Ordinary	5 Capital	(Col 4+5) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 4,090,819	$ 9,775	$ 4,100,594
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:	5,976,420	14,281	5,990,701
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	5,976,420	14,281	5,990,701
2. Adjusted gross deferred tax assets allowed per limitation threshold	18,221,197	14,281	18,235,478
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	1,876,490	4,485	1,880,975
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 11,943,729	$ 28,541	$ 11,972,270

	Change		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ (1,216,908)	$ (4,044)	$ (1,220,952)
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:	(2,890,963)	(8,129)	(2,899,092)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	(2,890,963)	(8,129)	(2,899,092)
2. Adjusted gross deferred tax assets allowed per limitation threshold	2,987,136	(8,129)	2,979,007
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	975,704	1,202	976,906
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ (3,132,167)	$ (10,971)	$ (3,143,138)

Other admissibility criteria:

	2017	2016
a. Ratio percentage used to determine recovery period and threshold limitation amount	601%	872%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$141,429,904	$123,474,162

Impact on tax planning strategies:

	2017		2016		Change	
	1	2	3	4	5	6
	Ordinary	Capital	Ordinary	Capital	(Col. 1-3) Ordinary	(Col. 2-4) Capital
a. Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage.						
1 Adjusted gross DTAs amount from Note 5A1(c).	10,653,973	21,244	14,393,893	34,395	(3,739,920)	(13,151)
2 Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3 Net Admitted Adjusted Gross DTAs amount from Note 5A1(e).	8,811,562	17,570	11,943,729	28,541	(3,132,167)	(10,971)
4 Percentage of net admitted adjusted from DTAs by tax character admitted because of the impact of tax planning strategies.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

b. Does the company's tax planning strategies include the use of reinsurance? Yes [ ] No [X]

Current and deferred income taxes:

Current income taxes:	2017	2016	Change
a. Federal	$ 210,506	$ 1,233,547	$ (1,023,041)
b. Provision to return	(46,011)	127,082	(173,093)
c. Prior year tax assessed/adjusted in current year	(54,522)	-	(54,522)
e. Subtotal	109,973	1,360,629	(1,250,656)
f. Federal income tax on net capital gains	1,133,759	617,830	515,929
i. Federal and Foreign income taxes incurred	$ 1,243,732	$ 1,978,459	$ (734,727)

Deferred Tax Assets

	2017	2016	Change
a. Ordinary:			
Discounting of unpaid losses	$ 4,803,907	$ 6,769,409	$ (1,965,502)
Unearned premium reserves	3,840,373	5,297,423	(1,457,050)
Accrued expenses	1,204,388	1,801,245	(596,857)
Other (including items < 5% of total ordinary tax assets)	805,305	525,816	279,489
Subtotal	10,653,973	14,393,893	(3,739,920)
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	1,842,411	2,450,164	(607,753)
d. Admitted ordinary deferred tax assets	8,811,562	11,943,729	(3,132,167)
e. Capital:			
Investments	21,244	34,395	(13,151)
Subtotal	21,244	34,395	(13,151)
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	3,674	5,854	(2,180)
h. Admitted capital deferred tax assets (2e99-2f-2g)	17,570	28,541	(10,971)
i. Admitted deferred tax assets (2d+2h)	$ 8,829,132	$ 11,972,270	$ (3,143,138)
Deferred Tax Liabilities			
a. Ordinary:			
Investments	$ 24,510	$ 31,211	$ (6,701)
Fixed Assets	613,978	151,370	462,608
Other	29,617	45,754	(16,137)
Subtotal	668,105	228,335	439,770
b. Capital:			
Investments	2,189,776	1,652,640	537,136
Subtotal	2,189,776	1,652,640	537,136
c. Deferred tax liabilities (3a99+3b99)	2,857,881	1,880,975	976,906
Net Deferred Tax Assets/Liabilities (2i-3c)	$ 5,971,251	$ 10,091,295	$ (4,120,044)

Change in net deferred income taxes

	2017	2016	Change
a. Adjusted gross deferred tax assets	$ 10,675,217	$ 14,428,288	$ (3,753,071)
b. Total deferred tax liabilities	2,857,881	1,880,975	(976,906)
c. Net deferred tax assets (liabilities)	$ 7,817,336	$ 12,547,313	$ (4,729,977)
d. Tax effect of change in unrealized gains (losses)			$ (1,892,712)
e. Total change in net deferred income tax			(2,837,265)
			$ (4,729,977)

There were no deferred tax liabilities that were not recognized.

Among the more significant book to tax adjustments in 2017 and 2016 were the following:

	2017	2016
Provision computed at statutory rate	$ 1,046,447	$ 1,291,262
Permanent differences	(884,241)	(648,897)
Prior year true up (to deferred)	(41,968)	(27,505)
Prior year true up (to current)	(46,011)	127,082
Legislative rate change	4,839,303	-
Prior year tax assessed/adjusted in current year	(54,522)	-
Change in nonadmitted assets	(778,011)	(309,759)
Totals	$ 4,080,997	$ 432,183
Federal and foreign income taxes incurred	109,973	1,360,629
Realized capital gains (losses) tax	1,133,759	617,830
Change in net deferred income taxes	2,837,265	(1,546,276)
Total statutory income taxes	$ 4,080,997	$ 432,183

As of December 31, 2017 and 2016, the Company does not have any investment tax credits, net operating loss or capital loss carry forwards available to offset against future taxable income. The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is $1,222,334 and $1,657,307 for 2017 and 2016, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2017 and 2016, the Company does not have any uncertain tax positions requiring disclosure in these financial statements or any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Company is included in a consolidated federal income tax return with the following entities:

Maine Employers' Mutual Insurance Company, parent company,
Casco View Holdings, LLC, a related party under common ownership,
MEMIC Casualty Company, a related party under common ownership,
MEMIC Services, Inc., a related party under common ownership.

The Company has a written agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Company's 2014 consolidated federal income tax return was under examination by the Internal Revenue Service during 2017; the exam has concluded, and the Company has confirmed its agreement with the proposed adjustments. The Company expects the final notification of closing in March 2018. The adjustments proposed and accepted by the Company will not result in any material change to the estimates or amounts included in these financial statements.

6. Liabilities for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liabilities for loss reserves and loss adjustment expense reserves for the years ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
Net balances at January 1,	$ 216,374,864	$ 172,693,203
Incurred related to		
Current year	144,680,315	126,288,874
Prior year	(3,518,221)	(4,232,930)
Total incurred	141,162,094	122,055,944
Paid related to		
Current year	33,600,864	29,144,985
Prior year	60,215,616	49,229,298
Total paid	93,816,480	78,374,283
Net balances at December 31,	$ 263,720,478	$ 216,374,864

The liabilities for loss and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience, and projections by independent actuaries. However, the reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements. At the end of 2017 and 2016, the amount of reserve credit recorded for high deductibles on unpaid losses was $0. The amounts billed and recoverable for admitted collateralized high deductible policies was $826,141 and $1,569,998 for the years ended 2017 and 2016, respectively. These amounts are included as a net recovery to paid losses in the applicable accident years and included in premium balances receivable on the statements of admitted assets, liabilities and capital and surplus. See Note 16.

During 2017, the Company's incurred losses related to prior years decreased by $3,518,221 as a result of favorable loss development principally in the 2013, 2015 and 2016 accident years. The favorable development is the result of ongoing analysis of recent loss development trends.

During 2016, the Company's incurred losses related to prior years decreased by $4,232,930 as a result of favorable loss development principally in the 2009, 2012, 2014 and 2015 accident years. The favorable development is the result of ongoing analysis of recent loss development trends.

Original estimates are increased or decreased as additional information becomes known regarding individual claims. There was no impact on reserves or surplus as a result of development of retrospectively rated policies.

7. Reinsurance

The Company assumed risks from another insurance company through a 100% quota share reinsurance agreement which was terminated effective for the 2005 policy year. There were no loss reserve and loss adjustment expense incurred on this business during 2017 or 2016, however, the following reserves remain outstanding:

	2017	2016
Loss and loss adjustment expense reserves	$ 115,117	$ 120,998

As a condition of writing policies in several states, the Company is required to participate in the National Workers' Compensation Reinsurance Pool, the Massachusetts Reinsurance Pool, the Michigan Compensation Replacement Facility, the New Mexico Workers' Compensation Reinsurance Pool and the Tennessee Reinsurance Mechanism (the "Pools") as it relates to those states. Participation requires that the Company share in the losses and expenses of the Pools. Pool results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the Pools are recorded separately in the financial statements. The difference between discounted and undiscounted incurred but not reported loss and loss adjustment expense liabilities from NCCI are $205,919 and $727,733 for 2017 and 2016, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

	2017	2016
Premiums earned	$ 9,027,133	$ 8,210,640
Loss and loss adjustment expenses incurred	5,483,859	5,318,735
Unearned premiums	2,829,368	2,529,194
Loss and loss adjustment expense reserves	15,263,572	14,436,130
Premiums receivable	1,051,328	813,951
Underwriting expenses incurred	2,041,086	1,840,457

The Company reinsures portions of risks with other insurance companies through excess of loss reinsurance agreements. Such agreements serve to limit the Company's maximum loss on catastrophes and large losses. To the extent that the reinsurer might be unable to meet its obligations, the Company would be liable for such defaulted amounts.

Under the Company's excess of loss agreements, the Company's net retention for losses on a per occurrence basis is $500,000 for 2017 and 2016. In addition, for 2017 and 2016, the Company maintains additional coverage up to $100,000,000 on a per occurrence basis.

Amounts deducted from premiums, reserves and expenses for reinsurance ceded and the balances payable are as follows:

	2017	2016
Premiums earned	$ 11,367,453	$ 9,593,288
Loss and loss adjustment expenses incurred	3,594,632	2,430,171
Loss and loss adjustment expense reserves	9,084,634	6,923,033
Premiums payable	1,955,713	2,043,816

The 2017 and 2016 ceded loss and loss adjustment expense case incurred and incurred but not reported reserves above are comprised of amounts with three reinsurance carriers although the Company has contracts with other carriers.

The Company had no unsecured reinsurance recoverables from a reinsurer that exceeded 3% of capital and surplus at December 31, 2017 or 2016.

The Company's reinsurance program was implemented in accordance with the New Hampshire Insurance Department's Consent Agreement dated March 8, 2000.

The Company has no reinsurance contracts that contain the following features (a) a contract term longer than two years and that is noncancelable by the Company during the contract term; (b) a limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer; (c) aggregate stop loss reinsurance coverage; (d) a unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party; (e) a provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or (f) payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. The Company has neither ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards to policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards to policyholders nor has the Company ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statements and accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles. Additionally, the Company has not ceded any risk under any reinsurance contract where (a) the written premiums ceded to the reinsurer represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statements or (b) 25% or more of the written premium ceded to the reinsurer has been retroceded back to the Company in a separate reinsurance contract. Accordingly, the Company has not included the Supplemental Schedule of Reinsurance Disclosures.

There were no commutations during 2017 or 2016.

8. Premiums Written and Earned

During the years ended December 31, 2017 and 2016, direct, assumed and ceded premiums were as follows:

	2017		2016	
	Written	Earned	Written	Earned
Direct	$ 197,932,102	$ 184,720,641	$ 168,914,202	$ 157,368,297
Assumed	9,327,307	9,027,133	8,250,354	8,210,640
Ceded	(11,367,453)	(11,367,453)	(9,593,288)	(9,593,288)
Net premiums	$ 195,891,956	$ 182,380,321	$ 167,571,268	$ 155,985,649

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. At December 31, 2017 and 2016, the Company had fixed income securities on deposit with a carrying value of $10,026,131 and $8,974,296, respectively, included in bonds on the statements of admitted assets, liabilities and capital and surplus. The amounts on deposit with the states, all of which are admitted, represent 1.89**%** and 1.90% of total assets and total admitted assets, respectively, at the end of 2017.

10. Investments

The carrying value and fair values of bonds and surplus debentures, noted as other invested assets, at December 31, 2017 and 2016 are as follows:

	2017			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 17,838,600	$ 671,649	$ (370,085)	$ 18,140,164
States, territories & possessions	45,714,423	892,431	(185,157)	46,421,697
Political subdivisions of states	80,224,245	1,172,302	(442,663)	80,953,884
Industrial & miscellaneous	121,067,853	2,825,247	(304,516)	123,588,584
Asset backed securities	100,972,850	556,678	(818,226)	100,711,302
Other invested assets	1,995,764	32,360	-	2,028,124
Total bonds	$ 367,813,735	$ 6,150,667	$ (2,120,647)	$ 371,843,755

	2016			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 17,957,287	$ 820,388	$ (431,116)	$ 18,346,559
States, territories & possessions	38,516,694	782,522	(621,822)	38,677,394
Political subdivisions of states	48,200,452	960,263	(1,169,599)	47,991,116
Industrial & miscellaneous	113,095,613	1,921,520	(606,902)	114,410,231
Asset backed securities	96,148,696	697,782	(973,587)	95,872,891
Total bonds	$ 313,918,742	$ 5,182,475	$ (3,803,026)	$ 315,298,191

The cost and fair value of equity securities were as follows:

2017	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 51,713,191	$ 11,150,448	$ (568,520)	$ 62,295,119

2016	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 46,642,859	$ 5,630,313	$ (600,625)	$ 51,672,547

Bonds with a NAIC SVO rating of three to six have been recorded at the lower of cost or fair value in accordance with statutory accounting unless they are a residential mortgage-backed security or commercial mortgage-backed security ("RMBS/CMBS") security with a Securities Valuation Officer rating and independently modeled. The model determines the intrinsic price of the security and the price at which the percentage difference between the carrying price and the intrinsic price equals the midpoint between the risk-based capital charges for each NAIC designation. This is the maximum price point at which a security can be carried for each NAIC designation. These prices are referred to as break points. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds. The Company currently holds one security with a NAIC SVO rating of three to six at market value as of December 31, 2017.

The carrying value and fair value of bonds and surplus debentures, including those held in short-term investments of $5,409,875, at December 31, 2017, by contractual maturity are as follows:

Maturity	Carrying Value	Fair Value
One year or less	$ 19,397,913	$ 19,401,062
Over one year through five years	77,174,078	78,486,394
Over five years through ten years	121,531,564	123,105,059
Over ten years through twenty years	63,423,308	64,032,849
Over twenty years	91,696,747	92,228,266
	$ 373,223,610	$ 377,253,630

Bonds subject to early or unscheduled prepayments have been included above based upon their contractual maturity dates. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset backed securities have been categorized based on the date when the issue is expected to be paid off and the principal is projected to be paid to investors.

Proceeds from sales of investments on debt and equity securities, excluding equity proceeds from spinoffs and mergers, and the gross realized gains and losses on those sales for the years ended December 31, 2017 and 2016, are summarized as follows:

	2017		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Common stocks	$ 18,208,962	$ 4,016,452	$ (681,521)
	$ 18,208,962	$ 4,016,452	$ (681,521)

	2016		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 6,168,128	$ 89,628	$ (379,059)
Common stocks	14,259,889	2,634,853	(528,274)
	$ 20,428,017	$ 2,724,481	$ (907,333)

At December 31, 2017 and 2016, the Company owned no securities that were in an unrealized loss position that management determined were other-than-temporary and given current market conditions would not recover. The Company did not record any OTTI during 2017 or 2016.

The fair value and gross unrealized loss of investment securities and the amount of time the security has been in an unrealized loss position as of December 31, 2017 and 2016 are as follows:

	2017					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds and surplus debentures (NAIC 1–2):						
U.S. Government & government agencies & authorities	$ 4,469,791	$ (65,169)	$ 6,744,367	$ (304,916)	$ 11,214,158	$ (370,085)
States, territories & possessions	5,636,325	(37,534)	7,799,361	(147,623)	13,435,686	(185,157)
Political subdivisions of states	16,339,112	(94,358)	19,116,034	(348,305)	35,455,146	(442,663)
Industrial & miscellaneous	26,454,420	(141,786)	4,028,946	(162,730)	30,483,366	(304,516)
Asset backed securities	34,595,245	(184,788)	32,823,743	(633,438)	67,418,988	(818,226)
Bonds (NAIC 3–6):						
Industrial & miscellaneous	-	-	852,500	(154,426)	852,500	(154,426)
Common stocks - unaffiliated	4,532,091	(320,433)	1,638,568	(248,087)	6,170,659	(568,520)
	$ 92,026,984	$ (844,068)	$ 73,003,519	$ (1,999,525)	$ 165,030,503	$ (2,843,593)

	2016					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds and (NAIC 1–2):						
U.S. Government & government agencies & authorities	$ 10,569,602	$ (431,116)	$ -	$ -	$ 10,569,602	$ (431,116)
States, territories & possessions	9,420,176	(600,832)	979,670	(20,990)	10,399,846	(621,822)
Political subdivisions of states	22,164,967	(1,125,679)	2,667,840	(43,920)	24,832,807	(1,169,599)
Industrial & miscellaneous	39,803,147	(581,168)	1,272,969	(25,734)	41,076,116	(606,902)
Asset backed securities	57,386,651	(973,466)	48,974	(121)	57,435,625	(973,587)
Bonds (NAIC 3–6):						
Industrial & miscellaneous	-	-	1,881,250	(168,984)	1,881,250	(168,984)
Common stocks - unaffiliated	4,225,201	(184,625)	4,650,901	(416,000)	8,876,102	(600,625)
	$ 143,569,744	$ (3,896,886)	$ 11,501,604	$ (675,749)	$ 155,071,348	$ (4,572,635)

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates.

The Company held the following structured notes as of December 31, 2017 and 2016:

	2017			
Cusip	Actual Cost	Fair Value	Statement Value	Mortgage Ref Security (YES/NO)
59156RBF4	$ 1,567,389	$ 1,569,045	$ 1,559,459	NO
912810FS2	430,883	558,949	512,254	NO
912810PV4	100,529	132,295	118,034	NO
Total	$ 2,098,801	$ 2,260,289	$ 2,189,747	

	2016						
Cusip		**Actual Cost**		**Fair Value**		**Statement Value**	**Mortgage Ref Security (YES/NO)**
59156RBF4	$	1,567,389	$	1,555,094	$	1,561,210	NO
912810FS2		430,883		548,856		504,021	NO
912810PV4		100,529		128,897		115,694	NO
Total	$	2,098,801	$	2,232,847	$	2,180,925	

The major categories of net investment income for the years ended December 31, 2017 and 2016 are summarized as follows:

		2017		2016
Bonds	$	9,993,737	$	8,894,834
Common stocks		1,668,342		1,349,409
Cash, cash equivalents and short-term investments		80,648		40,251
Other investment income		94		304
Total investment income		11,742,821		10,284,798
Less: Investment expenses		(784,571)		(689,244)
Net investment income	$	10,958,250	$	9,595,554

11. Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Valuation techniques used to derive fair value of investment securities are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent resources such as active markets or nationally recognized pricing services. Unobservable inputs reflect comparable securities or valuations received from various broker or dealer quotes.

Items Measured and Reported at Fair Value by Levels 1, 2 and 3.

The Company has categorized its assets and liabilities that are reported on the statements of admitted assets, liabilities and capital and surplus at fair value into a three-level fair value hierarchy as reflected in the following table. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 - Quoted Prices in Active Markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, includes exchange-traded preferred and common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 - Significant Other Observable Inputs: This category, for items measured at fair value on a recurring basis, includes bonds, which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded.

Level 3 - Significant Other Unobservable Inputs: The Company has no assets or liabilities measured at fair value in this category. There are no Level 3 fair value assets which were transferred in or out during 2017. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decrease an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation.

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on statements of assets, liabilities and capital and surplus, at fair value:				
Bonds				
Industrial & miscellaneous	$ -	$ 852,500	$ -	$ 852,500
Total bonds	-	852,500	-	852,500
Common stocks				
Industrial & miscellaneous	62,295,119	-	-	62,295,119
Total common stocks	62,295,119	-	-	62,295,119
Other - short-term investments	-	1,396,663	-	1,396,663
Total assets, measured at fair value	$ 62,295,119	$ 2,249,163	$ -	$ 64,544,282

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on statements of assets, liabilities and capital and surplus, at fair value:				
Bonds				
U.S. Government & government agencies & authorities	$ -	$ 868,750	$ -	$ 868,750
Industrial & miscellaneous	-	1,012,500	-	1,012,500
Total bonds	-	1,881,250	-	1,881,250
Common stocks				
Industrial & miscellaneous	51,672,547	-	-	51,672,547
Total common stocks	51,672,547	-	-	51,672,547
Other - short-term investments	6,893,394	-	-	6,893,394
Total assets, measured at fair value	$ 58,565,941	$ 1,881,250	$ -	$ 60,447,191

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2.

The Company has no derivative assets or liabilities or assets carried at fair value on a nonrecurring basis.

The table below reflects the fair values and admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures) as of December 31, 2017 and 2016. The fair values are also categorized into the three-level fair value hierarchy as described above.

Type of Financial Instrument	2017 Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds and surplus debentures						
U.S. Government & government agencies & authorities	$ 18,140,164	$ 17,838,600	$ -	$ 18,140,164	$ -	$ -
States, territories & possessions	46,421,697	45,714,423	-	46,421,697	-	-
Political subdivisions of states	80,953,884	80,224,245	-	80,953,884	-	-
Industrial & miscellaneous	125,616,708	123,063,617	-	125,616,708	-	-
Asset backed securities	100,711,302	100,972,850	-	100,711,302	-	-
Common stocks	62,295,119	62,295,119	62,295,119	-	-	-
Cash, cash equivalents & short-term investments	17,058,778	17,058,784	13,664,236	3,394,542	-	-
Total assets	$ 451,197,652	$ 447,167,638	$ 75,959,355	$ 375,238,297	$ -	$ -

Type of Financial Instrument	2016 Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds						
U.S. Government & government agencies & authorities	$ 18,346,559	$ 17,957,287	$ -	$ 18,346,559	$ -	$ -
States, territories & possessions	38,677,394	38,516,694	-	38,677,394	-	-
Political subdivisions of states	47,991,116	48,200,452	-	47,991,116	-	-
Industrial and miscellaneous	114,410,231	113,095,613	-	114,410,231	-	-
Asset backed securities	95,872,891	96,148,696	-	95,872,891	-	-
Common stocks	51,672,547	51,672,547	51,672,547	-	-	-
Cash, cash equivalents & short-term investments	15,056,530	15,056,530	15,056,530	-	-	-
Total assets	$ 382,027,268	$ 380,647,819	$ 66,729,077	$ 315,298,191	$ -	$ -

12. Employee Benefit Plans

The Company’s parent MEMIC has adopted a qualified defined contribution discretionary, 401(k) and profit sharing plan covering substantially all full-time employees who meet the plans' eligibility requirements. MEMIC has also adopted a non-qualified, deferred compensation plan for certain key executives and an Incentive Compensation Plan for certain members of senior management. The Company does not currently have any of its own employees. The salaries and employee benefit expenses that reside in the Company are a result of intercompany contracts for claims, underwriting, loss control, administration and management and not direct costs therefore, the Company did not incur any direct expense for any employee benefit plans during 2017 or 2016.

The Company has no obligations to former employees for benefits after their employment but before their retirement.

13. Commitment and Contingent Liabilities

The Company leases office space and various office equipment under lease arrangements through 2025. Future minimum lease payments under operating leases at December 31, 2017 are as follows:

2018	783,986
2019	680,504
2020	697,666
2021	434,414
2022	364,741
Thereafter	283,709
Total future minimum lease payments	$ 3,245,020

Total rent and lease expense was $673,011 and $596,175 for the years ended December 31, 2017 and 2016, respectively.

The Company is involved in litigation with respect to claims arising in the ordinary course of business, which is taken into account in establishing loss and loss adjustment expense reserves. The Company periodically reviews its overall loss and loss adjustment expense reserve position as well as its provision for reinsurance. The Company's management believes the resolution of such litigation is not expected to have a material adverse effect on the financial position or the operating results of the Company.

The Company is subject to guaranty funds and other assessments by states in which it has written business. Guaranty fund assessments should be accrued at the time of insolvencies. Certain assessments that are unknown to the Company are accrued at the time of assessment. In the case of premium based assessments, the expense is accrued at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has recorded an expense for guaranty fund and other assessments of $2,462,146 and $1,689,706 at December 31, 2017 and 2016, respectively. The Company has recorded a liability for guaranty fund and other assessments of $5,306,685 and $5,086,259 and no related premium tax benefit asset at December 31, 2017 and 2016, respectively. This amount represents management's best estimate of its liability for guaranty fund and other rating and various state insurance related assessments based on information received from the state in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies or market share. There is no related premium tax benefit asset recorded from guaranty funds on the statements of admitted assets, liabilities and capital and surplus or statements of income.

Certain High Deductible policyholders have opted to provide cash in lieu of a letter of credit as collateral for future deductible obligations up to their stated policy limits on a per claim basis or in the aggregate. Included in both cash and short-term investments and other liabilities on the statements of admitted assets, liabilities and capital and surplus is $624,178 and $269,178 as of 2017 and 2016, respectively, for this collateral on deposit, which represents <1% of total assets and total admitted assets in 2017 and 2016. See Note 16.

14. Related Party Transactions

MEMIC charges management and other fees to the Company in the normal course of business and in accordance with the terms of certain cost sharing agreements. In 2017 and 2016, the Company was charged $29,201,770 and $22,411,571, respectively, for administrative and management services, underwriting, claims and investment management fees, and received $586,286 and $415,572 for those services that were provided to MEMIC by the Company for claim services in 2017 and 2016, respectively. Certain other direct costs are paid by MEMIC, charged back to the Company and settled within the terms of the written cost sharing agreements.

The Company forwards charges from the parent company, MEMIC, for underwriting and claims services to MEMIC Casualty in the normal course of business. In 2017 and 2016, there was $1,170,687 and $860,578, respectively, in charges forwarded from the Company to MEMIC Casualty.

MEMIC Services charges agency service fees to the Company in the normal course of business in accordance with certain cost sharing agreements. The charge for these services during 2017 and 2016 was $2,007 and $31,624, respectively.

15. Loan-Backed Securities

The Company has elected to use the prospective method of determining prepayment assumptions. Prepayment assumptions are derived primarily from projected cash flow information obtained from recognized external sources. Where projected cash flow information is not publicly available the information is obtained from external asset managers or by internal estimates. There have been no changes from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

The Company has no loan-backed securities that have a recognized OTTI where the Company either has the intent to sell, or do not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis. Credit related declines in the fair value of loan-backed or structured securities would be reflected as a realized loss in the statements of income

The fair value and gross unrealized losses of non-agency residential mortgage-backed securities investment securities and the amount of time the securities have been in an unrealized loss position as of December 31, 2017 and 2016 are as follows:

	2017	2016
Aggregate amount of unrealized loss		
Less than twelve months	$ 184,788	$ 973,466
Twelve months or longer	633,438	121
Total	$ 818,226	$ 973,587
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$ 34,595,245	$ 57,386,651
Twelve months or longer	32,823,743	48,974
Total	$ 67,418,988	$ 57,435,625

The Company has no repurchase agreements and/or Securities Lending Transactions, no investments in real estate or low-income housing tax credits in the current year or prior year.

16. High Deductibles

The Company writes high deductible policies in several states. The Company defines high deductible policies based on the large deductible definitions by state for aggregate financial reporting purposes as outlined in the following table:

Coverage State	High Deductible Limit Per Claim/Occurrence	or	High Deductible Aggregate per policy
Massachusetts, Oregon	$ 75,000		$ 75,000
New York	25,000		25,000
Texas	25,000		100,000
All Other States & District of Columbia	100,000		100,000

In most cases, the Company requires high deductible policyholders to provide an evergreen, irrevocable, clean letter of credit to secure obligations up to the deductible limits. In other cases, the Company will accept a cash deposit in lieu of a letter of credit which remains in the custody of the Company and is included in cash, cash equivalents, short term investments and accrued liabilities on the Statements of Assets, Liabilities and Capital and Surplus. These letter of credit and cash in lieu of letter of credit requirements are reviewed periodically, as necessary, or annually in conjunction with the policy renewal to determine appropriate increases or decreases.

Premiums receivable includes amounts billed to policyholders under high deductible policies. Deductible amounts billed to policyholders reduce paid losses and loss adjustment expenses recognized by the Company. Management believes all high deductible amounts outstanding are recoverable based on the policyholders' payment practices and collateral held in the form of cash or irrevocable letters of credit. The Company does not record a reserve credit for high deductible reserves outstanding. Given the uncertainty and time of the payment of outstanding reserves, the Company does not believe a reserve credit for high deductibles is necessary and therefore, no such recovery accrual has been recorded for high deductible policy reserves

At December 31, 2017 and 2016, the Company recorded a net admitted deductible recovery accrual of $826,141 and $1,569,998, respectively, for amounts billed in January 2018 and 2017, respectively, under secured high deductible policies.

Counter Party Exposure Recorded on Unpaid Claims and Billed Recoverables on Paid Claims:

Annual Statement Line of Business	Gross (of High Deductible) Loss Reserves	Reserve Credit for High Deductibles	Billed Recoverables on Paid Claims	Total High Deductibles and Billed Recoverables
Workers' Compensation	$ 4,836,827	$ -	$ 994,978	$ 994,978

Unsecured amounts on high deductibles:

Total high deductibles and billed recoverables on paid claims	$	994,978
Collateral on balance sheet		624,178
Collateral off balance sheet		11,193,000
Total unsecured deductibles and billed recoverables on paid claims		170,888
Percentage unsecured		17.18%
High deductible recoverable amounts on paid claims		994,978
Amount of overdue nonadmitted (either due to aging or collateral)		168,837
Total over 90 days overdue admitted		-
Total overdue		168,837

There are two counterparty high deductible policyholders with unsecured liabilities.

Counterparty Ranking		Top Two Unsecured High Deductible Amounts
Counterparty 1	$	168,837
Counterparty 2		1,252

There are no unsecured high deductible recoverables for individual obligors or that of a Group under the same management or control which are greater than 1% of Capital and Surplus.

17. Subsequent Events

Subsequent events have been considered through March 23, 2018, for these statutory financial statements which are available to be issued on March 23, 2018.

In March 2018, the Company's parent, MEMIC, contributed an additional $12,000,000 in capital to the Company. This additional capital contribution, which will be recorded as a change in capital and surplus, includes a $10,377,617 noncash contribution of bonds and $1,622,383 in cash.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities	17,838,600	4.0	17,838,600		17,838,600	4.0
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies		0.0			0	0.0
1.22 Issued by U.S. government sponsored agencies		0.0			0	0.0
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)		0.0			0	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	14,518,736	3.2	14,518,736		14,518,736	3.2
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	38,531,888	8.6	38,531,888		38,531,888	8.6
1.43 Revenue and assessment obligations	72,888,040	16.3	72,888,040		72,888,040	16.3
1.44 Industrial development and similar obligations		0.0			0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	166,225	0.0	166,225		166,225	0.0
1.512 Issued or guaranteed by FNMA and FHLMC	74,021,545	16.6	74,021,545		74,021,545	16.6
1.513 All other		0.0			0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	1,701,672	0.4	1,701,672		1,701,672	0.4
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521		0.0			0	0.0
1.523 All other	14,294,046	3.2	14,294,046		14,294,046	3.2
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	114,014,904	25.5	114,014,904		114,014,904	25.5
2.2 Unaffiliated non-U.S. securities (including Canada)	17,842,315	4.0	17,842,315		17,842,315	4.0
2.3 Affiliated securities		0.0			0	0.0
3. Equity interests:						
3.1 Investments in mutual funds		0.0			0	0.0
3.2 Preferred stocks:						
3.21 Affiliated		0.0			0	0.0
3.22 Unaffiliated		0.0			0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated		0.0			0	0.0
3.32 Unaffiliated	62,295,119	13.9	62,295,119		62,295,119	13.9
3.4 Other equity securities:						
3.41 Affiliated		0.0			0	0.0
3.42 Unaffiliated		0.0			0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated		0.0			0	0.0
3.52 Unaffiliated		0.0			0	0.0
4. Mortgage loans:						
4.1 Construction and land development		0.0			0	0.0
4.2 Agricultural		0.0			0	0.0
4.3 Single family residential properties		0.0			0	0.0
4.4 Multifamily residential properties		0.0			0	0.0
4.5 Commercial loans		0.0			0	0.0
4.6 Mezzanine real estate loans		0.0			0	0.0
5. Real estate investments:						
5.1 Property occupied by company		0.0			0	0.0
5.2 Property held for production of income (including $.........0 of property acquired in satisfaction of debt)		0.0			0	0.0
5.3 Property held for sale (including $.........0 property acquired in satisfaction of debt)		0.0			0	0.0
6. Contract loans		0.0			0	0.0
7. Derivatives		0.0			0	0.0
8. Receivables for securities	85	0.0	85		85	0.0
9. Securities lending (Line 10, Asset Page reinvested collateral)		0.0		XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	17,058,784	3.8	17,058,784		17,058,784	3.8
11. Other invested assets	1,995,764	0.4	1,995,764		1,995,764	0.4
12. Total invested assets	447,167,723	100.0	447,167,723	0	447,167,723	100.0

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2017

(To be filed by April 1)

Of MEMIC Indemnity Company

Address (City, State, Zip Code): Manchester NH 03104

NAIC Group Code.....1332 NAIC Company Code.....11030 Employer's ID Number.....02-0515329

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

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

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $......528,624,469

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	CLARK CNTY NV SCH DIST	Long Term Bonds	$........4,789,022	..................0.9 %
2.02	AT&T INC	Bonds/Common Stock	$........3,828,976	..................0.7 %
2.03	WASHOE CNTY NV SCH DIST	Long Term Bonds	$........3,450,899	..................0.7 %
2.04	INTEL CORP	Bonds/Common Stock	$........3,388,173	..................0.6 %
2.05	QUALCOMM INC	Bonds/Common Stock	$........3,229,585	..................0.6 %
2.06	PENNSYLVANIA ST TURNPIKE COMMI	Long Term Bonds	$........2,934,030	..................0.6 %
2.07	MICROSOFT CORP	Long & Short Term Bonds	$........2,854,437	..................0.5 %
2.08	HAWAII ST HIGHWAY REVENUE	Long Term Bonds	$........2,732,179	..................0.5 %
2.09	SCHLUMBERGER HLDGS CORP	Long Term Bonds	$........2,619,567	..................0.5 %
2.10	HAMILTON CNTY OH	Long Term Bonds	$........2,516,720	..................0.5 %

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

	Bonds	1	2
3.01	NAIC 1	$....308,003,054	................58.3 %
3.02	NAIC 2	$......59,924,759	................11.3 %
3.03	NAIC 3	$.........................	..................0.0 %
3.04	NAIC 4	$...........852,500	..................0.2 %
3.05	NAIC 5	$.........................	..................0.0 %
3.06	NAIC 6	$...........432,203	..................0.1 %
	Preferred Stocks	3	4
3.07	P/RP-1	$.........................	..................0.0 %
3.08	P/RP-2	$.........................	..................0.0 %
3.09	P/RP-3	$.........................	..................0.0 %
3.10	P/RP-4	$.........................	..................0.0 %
3.11	P/RP-5	$.........................	..................0.0 %
3.12	P/RP-6	$.........................	..................0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

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

4.02	Total admitted assets held in foreign investments	$......13,909,022	..................2.6 %
4.03	Foreign-currency-denominated investments	$.........................	..................0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$.........................	..................0.0 %

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

		1	2
5.01	Countries designated NAIC 1	$........7,678,238	..................1.5 %
5.02	Countries designated NAIC 2	$........5,378,284	..................1.0 %
5.03	Countries designated NAIC 3 or below	$...........852,500	..................0.2 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1: United Kingdom	$........4,143,900	..................0.8 %
6.02	Country 2: Australia	$........1,499,555	..................0.3 %
	Countries designated NAIC 2:		
6.03	Country 1: United Kingdom	$........3,193,294	..................0.6 %
6.04	Country 2: Luxembourg	$........1,236,123	..................0.2 %
	Countries designated NAIC 3 or below:		
6.05	Country 1: United Kingdom	$...........852,500	..................0.2 %
6.06	Country 2:	$.........................	..................0.0 %

	1	2
7. Aggregate unhedged foreign currency exposure	$.........................	..................0.0 %

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

		1	2
8.01	Countries designated NAIC 1	$	0.0 %
8.02	Countries designated NAIC 2	$	0.0 %
8.03	Countries designated NAIC 3 or below	$	0.0 %

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

		1	2
	Countries designated NAIC 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

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

	1 Issuer	2 NAIC Designation	3	4
10.01	BP CAPITAL MARKETS PLC	1	$2,500,716	0.5 %
10.02	INVESCO FINANCE PLC	1	$1,643,184	0.3 %
10.03	ASTRAZENECA PLC	2	$1,508,163	0.3 %
10.04	WESTPAC BANKING CORP	1	$1,499,555	0.3 %
10.05	ALLERGAN FUNDING SCS	2	$1,236,123	0.2 %
10.06	VODAFONE GROUP PLC	2	$1,145,565	0.2 %
10.07	SHELL INTERNATIONAL FIN	1	$1,034,784	0.2 %
10.08	UBS GROUP FUNDING SWITZE	1	$1,000,000	0.2 %
10.09	TEVA PHARMACEUTICALS NE	2	$948,868	0.2 %
10.10	ENSCO PLC	4	$852,500	0.2 %

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

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

11.02	Total admitted assets held in Canadian Investments	$	0.0 %
11.03	Canadian currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

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

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

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

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

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

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

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

	1 Name of Issuer	2	3
13.02	NUCOR CORP	$1,422,475	0.3 %
13.03	TARGET CORP	$1,416,578	0.3 %
13.04	TEXAS INSTRUMENTS INC	$1,392,290	0.3 %
13.05	VALERO ENERGY CORP	$1,389,036	0.3 %
13.06	WELLS FARGO & CO	$1,385,945	0.3 %
13.07	BOEING CO/THE	$1,383,128	0.3 %
13.08	EMERSON ELECTRIC CO	$1,382,580	0.3 %
13.09	AT&T INC	$1,375,458	0.3 %
13.10	UNION PACIFIC CORP	$1,374,257	0.3 %
13.11	CUMMINS INC	$1,372,493	0.3 %

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

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

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

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

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

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

1	2	3
15.02 Aggregate statement value of investments held in general partnership interests	$	0.0 %
Largest three investments in general partnership interests:		
15.03	$	0.0 %
15.04	$	0.0 %
15.05	$	0.0 %

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

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

1 Type (Residential, Commercial, Agricultural)	2	3
16.02	$	0.0 %
16.03	$	0.0 %
16.04	$	0.0 %
16.05	$	0.0 %
16.06	$	0.0 %
16.07	$	0.0 %
16.08	$	0.0 %
16.09	$	0.0 %
16.10	$	0.0 %
16.11	$	0.0 %

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

	Loans	
16.12 Construction loans	$	0.0 %
16.13 Mortgage loans over 90 days past due	$	0.0 %
16.14 Mortgage loans in the process of foreclosure	$	0.0 %
16.15 Mortgage loans foreclosed	$	0.0 %
16.16 Restructured mortgage loans	$	0.0 %

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

Loan-to-Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02 91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03 81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04 71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05 below 70%	$	0.0 %	$	0.0 %	$	0.0 %

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

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

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

Description	2	3
18.02	$	0.0 %
18.03	$	0.0 %
18.04	$	0.0 %
18.05	$	0.0 %
18.06	$	0.0 %

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

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No [ ]

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

1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans	$	0.0 %
Largest three investments held in mezzanine real estate loans:		
19.03	$	0.0 %
19.04	$	0.0 %
19.05	$	0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.0 %	$	$	$
20.02 Repurchase agreements	$	0.0 %	$	$	$
20.03 Reverse repurchase agreements	$	0.0 %	$	$	$
20.04 Dollar repurchase agreements	$	0.0 %	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0 %	$	$	$

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

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$	0.0 %	$	0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$	0.0 %	$	$	$
22.02 Income generation	$	0.0 %	$	$	$
22.03 Replications	$	0.0 %	$	$	$
22.04 Other	$	0.0 %	$	$	$

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

MEMIC Casualty Company

Financial Statements
(Statutory Basis)
December 31, 2017 and 2016

MEMIC Casualty Company
Index
(Statutory Basis)
December 31, 2017 and 2016

JOHNSON LAMBERT LLP

To the Board of Directors of
MEMIC Casualty Company

We have audited the accompanying statutory basis financial statements of MEMIC Casualty Company (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2017 and 2016, and the related statutory statements of income, changes in capital and surplus, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted the Insurance Department of the State of New Hampshire. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 over financial reporting. 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 opinions.

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

As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of New Hampshire, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Other Matter – Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Company as of December 31, 2017 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by the Insurance Department of the State of New Hampshire. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated, in all material respects, in relation to the statutory basis financial statements taken as a whole.

Johnson Lambert LLP

Atlanta, Georgia
March 23, 2018

MEMIC Casualty Company
Statements of Admitted Assets, Liabilities and Capital and Surplus (Statutory Basis)
December 31, 2017 and 2016

	2017	2016
Admitted Assets		
Invested assets		
Bonds, at carrying value (fair value: $53,684,516 and $33,998,386 at December 31, 2017 and 2016, respectively)	$ 53,523,420	$ 34,146,665
Cash, cash equivalents and short-term investments	3,960,805	6,793,164
Total cash and invested assets	57,484,225	40,939,829
Premium balances receivable	5,626,258	4,994,705
Receivable for securities sold	500,000	-
Due from parent	130,906	283,164
Investment income due and accrued	372,656	199,988
Net deferred income taxes	661,501	784,100
Total admitted assets	$ 64,775,546	$ 47,201,786
Liabilities		
Loss reserves	$ 21,842,002	$ 15,680,137
Loss adjustment expense reserves	2,396,149	2,204,412
Unearned premium reserves	7,347,772	6,276,772
Advance premium	103,591	132,769
Reinsurance premiums payable	2,786	41,434
Other liabilities	1,399,267	1,677,934
Premium taxes and assessments payable	308,140	186,472
Amounts withheld for others	493,017	44,870
Commissions payable	551,685	409,731
Federal income tax payable	305,078	454,653
Total liabilities	34,749,487	27,109,184
Commitments and contingencies (Note 12)		
Capital and Surplus		
Common stock, 1,000,000 shares authorized,100,000 shares issued and outstanding, par value $30	3,000,000	3,000,000
Gross paid-in and contributed surplus	26,183,951	16,183,951
Unassigned surplus	842,108	908,651
Total capital and surplus	30,026,059	20,092,602
Total liabilities and capital and surplus	$ 64,775,546	$ 47,201,786

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Casualty Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2017 and 2016

	2017	2016
Underwriting income		
Premiums earned, net	$ 16,130,505	$ 14,348,981
Loss and underwriting expenses		
Losses incurred, net	10,500,153	9,108,605
Loss adjustment expenses incurred, net	1,849,382	1,803,113
Underwriting expenses		
Commissions	1,239,948	984,765
Premium taxes	383,829	280,904
Guarantee fund, rating bureau and other assessments	42,351	(33,934)
Supervision, acquisition and collection expenses	2,058,379	1,389,079
Loss control	451,313	370,893
General expenses	116,252	74,006
Total underwriting expenses	4,292,072	3,065,713
Total loss and underwriting expenses	16,641,607	13,977,431
Net underwriting (loss) gain	(511,102)	371,550
Investment income		
Net investment income	995,228	743,200
Net realized capital (losses) gains less capital gains tax of ($5,459) and $2,160, respectively	(10,596)	4,192
Total investment income	984,632	747,392
Other expenses		
Bad debt expense	(35,432)	(1,267)
Finance charges	3,600	3,250
Net other (expense) income	(31,832)	1,983
Income before dividends and federal income taxes	441,698	1,120,925
Dividends to policyholders	48,636	-
Income after dividends, before federal income taxes	393,062	1,120,925
Provision for federal income taxes	310,537	452,493
Net income	$ 82,525	$ 668,432

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Casualty Company
Statements of Changes in Capital and Surplus (Statutory Basis)
Years Ended December 31, 2017 and 2016

	2017	2016
Capital and surplus at beginning year	$ 20,092,602	$ 18,811,193
Net income	82,525	668,432
Change in net deferred income taxes	(271,597)	1,022,583
Change in net unrealized depreciation of invested assets (net of deferred taxes of ($11,806) and $11,806 as of December 31, 2017 and 2016, respectively)	22,917	(22,917)
Change in nonadmitted assets	99,612	(386,689)
Capital contributions	10,000,000	-
Change in capital and surplus	9,933,457	1,281,409
Capital and surplus at end of year	$ 30,026,059	$ 20,092,602

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Casualty Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2017 and 2016

	2017	2016
Cash from operations		
Premiums collected, net	$ 16,610,193	$ 13,570,405
Investment income received, net	998,142	819,612
Other (expense) income	(31,832)	1,983
Cash provided from operations	17,576,503	14,392,000
Benefit and loss related payments	4,338,288	4,023,877
Commissions and expenses paid	5,964,762	3,554,685
Dividends paid to policyholders	48,636	-
Federal income taxes paid	454,653	423,305
Cash used in operations	10,806,339	8,001,867
Net cash provided from operations	6,770,164	6,390,133
Cash from investing activities		
Cash provided by (used in) investments		
Proceeds from bonds sold, matured or repaid	7,006,822	3,508,519
Cost of bonds acquired	(17,596,577)	(9,544,191)
Net cash used in investing activities	(10,589,755)	(6,035,672)
Cash from financing and miscellaneous sources		
Other cash		
Capital and paid in surplus	556,087	-
Other sources (uses)	431,145	(552,698)
Net cash provided by (used in) financing and miscellaneous sources	987,232	(552,698)
Net decrease in cash	(2,832,359)	(198,237)
Cash, cash equivalents and short-term investments		
Beginning of year	6,793,164	6,991,401
End of year	$ 3,960,805	$ 6,793,164
Noncash transaction		
Receipt of bonds	$ 9,443,913	$ -

The accompanying notes are an integral part of these statutory basis financial statements.

1. Organization

All outstanding shares of MEMIC Casualty Company (the "Company") are owned by Maine Employers' Mutual Insurance Company ("MEMIC"), a property and casualty insurance company domiciled in the State of Maine. The Vermont Department of Financial Regulation, acting as rehabilitator, converted the former Granite Manufacturers' Mutual Indemnity Company ("GMMIC"), a property and casualty insurance carrier domiciled in the State of Vermont to write workers' compensation, to a stock company and on December 12, 2011, MEMIC purchased the Company. In conjunction with the transaction, GMMIC was renamed to MEMIC Casualty Company. There are no outstanding liabilities associated with this former incorporation. At the date of conversion, the Company acquired the residual assets and liabilities of GMMIC. MEMIC has contributed $29,183,951 to capitalize and fund operations of the Company since 2011. The Company is licensed to write workers' compensation insurance in Connecticut, Florida, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Vermont and Virginia, and commenced writing policies in May 2012.

2. Summary of Significant Accounting Policies

Basis of Presentation
The financial statements of the Company are prepared in conformity with statutory accounting practices of the National Association of Insurance Commissioners ("NAIC") as prescribed or permitted by the New Hampshire Insurance Department ("statutory accounting").

The New Hampshire Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of New Hampshire for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under New Hampshire Insurance Law. The NAIC Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of New Hampshire. There are no differences between the Company's net income, capital and surplus as recognized under NAIC SAP and the practices prescribed or permitted by the State of New Hampshire.

Statutory accounting practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). The effects of such differences on the accompanying financial statements, which could be significant, have not been determined. The most significant differences generally include the following:

a. Statutory accounting requires that policy acquisition costs such as commissions, premium taxes and other items directly related to placing or renewing business would be charged to current operations as incurred. Under GAAP, policy acquisition costs would be deferred and then amortized ratably over the periods covered by the policies;

b. The statutory provision for federal income taxes represents estimated amounts currently payable based on taxable income or loss reported in the current accounting period. Deferred income taxes are provided in accordance with SSAP 101, *Income Taxes, A Replacement of SSAP 10R and SSAP 10, effective January 1, 2012.* SSAP 101 provides requirements for tax loss contingencies and the calculation and admissibility of deferred tax assets ("DTAs"). The realization of any resulting deferred tax asset is limited based on certain criteria in accordance with SSAP 101. The GAAP provision would include a provision for taxes currently payable, as well as deferred taxes, both of which would be recorded in the statements of income;

c. Under statutory accounting, certain assets designated as "nonadmitted assets" (principally premiums and deductible recoveries past due greater than 90 days, a portion of DTAs, prepaid assets, non-operating system software and office furniture and equipment) are charged directly to unassigned surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible or to expense prepaid assets over the term of the related benefit. Office furniture and equipment and non-operating system software are capitalized and depreciated over the estimated useful lives;

d. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available-for-sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost;

e. Reinsurance balances relating to unpaid loss and loss adjustment expenses and unearned premium are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;

f. Under GAAP, the inclusion of a statements of comprehensive income, detailing the income effects of unrealized gains and losses, foreign exchange transactions, and pension liability adjustments is required;

g. For statutory cash flow purposes, included as cash and cash equivalents are short-term investments which mature within one year as opposed to three months; and

h. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Management Estimates
The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Invested Assets
Invested assets are valued in accordance with the statutory basis of valuation prescribed by the NAIC. Cash includes cash and cash equivalents, which are short-term investments which mature within one year; the carrying value of these investments approximates fair value. The Company's cash is held at major commercial banks. At times, cash balances at financial institutions may exceed insurable amounts. The Company believes it mitigates its risks by depositing cash in or investing through major financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that

they present insignificant risk of changes in value because of changes in interest rates. Only investments with original maturities of three months or less qualify under this definition. Included in cash and cash equivalents are policyholder deposits for high deductible policies that have opted to provide cash in lieu of a letter of credit. See the summary of collateral on deposit in Note 12 and discussion of high deductibles in Note 15.

Investment grade non-loan backed bonds with NAIC designation 1 or 2 are stated at amortized value using the interest method. Non-investment grade non-loan backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by an NAIC vendor, whether rated (by either NAIC approved rating organization or NAIC Securities Valuation Office), and relationship of amortized value to par value and amortized value to fair value.

Investment income is recorded on an accrual basis. Realized capital gains and losses are reported, net of tax, in operating results based on the specific identification of investments sold. Unrealized capital gains and losses from the valuation of investments at fair value are credited or charged directly to unassigned surplus, net of federal income taxes, unless determined to be other-than-temporary (OTTI) and included as a component of net realized capital (losses) gains. Specific impairments are determined based on a continual review of investment portfolio valuations. Bi-annually, a by cusip review of bonds with a market to carrying value less than 75% is conducted to determine if OTTI has occurred and whether an impairment should be recognized.

Premiums and Unearned Premium Reserves
Direct and assumed premiums, net of amounts ceded to other insurance companies, are earned on a monthly pro rata basis over the in-force period. Ceded premiums are written and earned concurrently. Accordingly, unearned premium reserves are established for the pro rata portion of direct and assumed premiums written which are applicable to the unexpired terms of the policies in-force, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are immediately recorded as written and earned premiums once such amounts can be reasonably estimated. When the anticipated losses, loss adjustment expenses, commissions, and other acquisition and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies, a premium deficiency reserve is recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company does anticipate investment income when evaluating the need for any premium deficiency reserve. There was no premium deficiency reserve recorded for 2017 or 2016.

Equities and Deposits in Pools
The Company is required to participate in any involuntary pools in the states in where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses and other operations of these involuntary pools, based on the Company's proportionate share of similar business written in those states. The National Council on Compensation Insurance ("NCCI") services the involuntary pools in the State of New Hampshire and Vermont. The loss reserves that are reported to NCCI by the servicing carriers are gross of loss discounting. By application of incurred loss development and tail development factors, any discount included in the case reserves reported by servicing carriers is factored out (or unwound). NCCI also provides each participating company with an estimate of its share of discounted liabilities. The discounting assumptions include a 3.5% discount rate on incurred but not reported loss and loss adjustment expense reserves and the mortality table used is the 2007 U.S. Life Table. Underwriting results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the pool are recorded separately in the

financial statements rather than netted against each other. Premiums receivable on involuntary pool business are recorded in premium balances receivable on the statements of admitted assets, liabilities and capital and surplus.

Loss and Loss Adjustment Expense Reserves
Loss and loss adjustment expenses are recorded as incurred so as to match such costs and premiums over the contract periods. Loss reserves are established for losses and loss adjustment expenses based upon claim evaluations and include an estimated provision for both reported and unreported claims incurred and related expenses. The assumptions used in determining loss and loss adjustment expense reserves have been developed after considering the experience of the Company, industry experience, and projections by independent actuaries. The ultimate loss and loss adjustment expense reserves may vary from the amounts reflected in the accompanying financial statements. The methods utilized in estimating and establishing the reserves are continually reviewed and updated and any adjustments are reflected in current operating results. Allowances for subrogation recoveries are included in the Company's estimate of loss reserves. See the summary of reserves in Note 6.

Nonadmitted Assets
The following nonadmitted assets were excluded from the statements of admitted assets, liabilities and capital and surplus as of December 31, 2017 and 2016:

	2017	2016
Premium balances receivable over 90 days past due	$ -	$ 108,068
Deferred income taxes	89,485	250,289
Fixed assets, net of accumulated depreciation	278,686	109,426
Total nonadmitted assets	$ 368,171	$ 467,783

Depreciation expense on nonadmitted fixed assets was $33,377 and $18,722 in 2017 and 2016, respectively.

Federal Income Taxes
The Company files a consolidated tax return with MEMIC and three affiliates, MEMIC Indemnity Company ("MEMIC Indemnity"), MEMIC Services, Inc. ("MEMIC Services") and Casco View Holdings, LLC ("CVH"). In accordance with a tax-sharing agreement, the provision for federal income taxes is recorded based upon amounts expected to be reported as if the Company filed a separate federal income tax return. Additionally, under this agreement, the Company will be reimbursed for the utilization of tax operating losses, tax credits, and capital loss carryforwards, to the extent the Companies would have utilized these tax attributes on a separate return basis.

The provision for federal income taxes includes amounts currently payable or recoverable and deferred income taxes, computed under the asset/liability method, which results from temporary differences between the tax basis and book basis of assets and liabilities. SSAP No. 101, "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10" outlines the statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, which was effective on January 1, 2012, (1) restricts the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold; (2) outlines the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) requires the disclosure of tax planning strategies that relate to reinsurance; and, (4) requires consideration of reversal patterns of DTAs and deferred tax liabilities ("DTLs") in determining the extent to which DTLs could offset DTAs on the statements of admitted assets, liabilities and capital and surplus.

The Company files a consolidated federal income tax return and therefore the disclosures required under SSAP No. 101 for uncertain tax positions are considered in these statutory financial statements.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes and are measured at enacted tax rates. As of December 31, 2016, the Company measured its deferred tax items at an effective tax rate of 34%. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Act) was signed into law. Among other things, the Act reduced the Company's corporate federal tax rate to a flat 21%. As a result, the Company's deferred tax items are measured at an effective tax rate of 21% as of December 31, 2017. The amount of the gross deferred tax asset calculated is then reduced for any valuation allowance and an admissibility test. The admissibility test is based on the realization threshold table and other limitations. The Company also admitted deferred tax assets that can be used to offset against deferred tax liabilities.

In the event of uncertain tax positions, amounts would need to be evaluated and disclosed or accrued. Liabilities would be reflected on the statements of admitted assets, liabilities, and capital and surplus and the related interest and penalties would be included on the statements of income as underwriting expenses.

Reclassifications
Certain prior year amounts have been reclassified to conform to current year presentation.

3. Capital and Surplus

Total contributions from MEMIC were $29,183,951 and $19,183,951 as of December 31, 2017 and 2016. MEMIC contributed capital of $10,000,000 in 2017. The $10,000,000 capital contribution, noted as a change in capital and surplus, included $9,443,913 in non-cash contributions of bonds and $556,087 in cash during 2017.

4. Dividend Restrictions

The Company may declare a dividend without the New Hampshire Insurance Department approval so long as such dividend is not considered extraordinary. In the case of extraordinary dividends, prior approval is required. An extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding 12 months, exceeds 10% of such insurer's capital and surplus as of December 31, limited to the prior year-end's unassigned surplus. The maximum amount of dividends which can be paid by the Company to stockholders without prior approval of the Commissioner of Insurance is $2,009,260 and $1,811,119 during 2017 and 2016, respectively. Policyholder dividends declared and paid during 2017 and 2016 were $48,636 and $0, respectively.

5. Income Taxes

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

	December 31, 2017		
	1	2	3 (Col 1+2)
	Ordinary	Capital	Total
a. Gross deferred tax assets	$ 815,392	$ -	$ 815,392
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	815,392	-	815,392
d. Deferred tax assets nonadmitted	89,485		89,485
e. Subtotal net admitted deferred tax asset (1c - 1d)	725,907	-	725,907
f. Deferred tax liabilities	64,406	-	64,406
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 661,501	$ -	$ 661,501

	December 31, 2016		
	4	5	6 (Col 4+5)
	Ordinary	Capital	Total
a. Gross deferred tax assets	$ 1,070,423	$ 11,806	$ 1,082,229
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	1,070,423	11,806	1,082,229
d. Deferred tax assets nonadmitted	247,559	2,730	250,289
e. Subtotal net admitted deferred tax asset (1c - 1d)	822,864	9,076	831,940
f. Deferred tax liabilities	47,840	-	47,840
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 775,024	$ 9,076	$ 784,100

	Change		
	7	8	9
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
a. Gross deferred tax assets	$ (255,031)	$ (11,806)	$ (266,837)
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	(255,031)	(11,806)	(266,837)
d. Deferred tax assets nonadmitted	(158,074)	(2,730)	(160,804)
e. Subtotal net admitted deferred tax asset (1c - 1d)	(96,957)	(9,076)	(106,033)
f. Deferred tax liabilities	16,566	-	16,566
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ (113,523)	$ (9,076)	$ (122,599)

Admission calculation components:

	December 31, 2017		
	1 Ordinary	2 Capital	(Col 1+2) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 661,501	$ -	$ 661,501
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-
2. Adjusted gross deferred tax assets allowed per limitation threshold	-	-	-
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	64,406		64,406
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 725,907	$ -	$ 725,907

	December 31, 2016		
	4 Ordinary	5 Capital	(Col 4+5) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 629,824	$ 6,947	$ 636,771
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	145,722	1,607	147,329
2. Adjusted gross deferred tax assets allowed per limitation threshold	145,722	1,607	147,329
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	47,318	522	47,840
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 822,864	$ 9,076	$ 831,940

	Change		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 31,677	$ (6,947)	$ 24,730
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	(145,722)	(1,607)	(147,329)
2. Adjusted gross deferred tax assets allowed per limitation threshold	(145,722)	(1,607)	(147,329)
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	17,088	(522)	16,566
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ (96,957)	$ (9,076)	$ (106,033)

Other admissibility criteria:

	2017	2016
a. Ratio percentage used to determine recovery period and threshold limitation amount	1544%	1498%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 29,364,558	$ 19,308,502

Impact on Tax Planning Strategies:

	2017		2016		Change	
	1	2	3	4	5	6
	Ordinary	Capital	Ordinary	Capital	(Col. 1-3) Ordinary	(Col. 2-4) Capital
a. Determination of adjusted gross deferred tax assets and net deferred tax assets, by tax character, as a percentage						
1 Adjusted gross DTAs amount from Note 5A1(c).	815,392	-	1,070,423	11,806	(255,031)	(11,806)
2 Percentage of adjusted gross DTAs by tax character attributable to impact of tax planning.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3 Net Admitted Adjusted Gross DTAs amount Note 5A1(e)	725,907	-	822,864	9,076	(96,957)	(9,076)
4 Percentage of net admitted adjusted from DTAs by tax because of the impact of strategies.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

b. Does the Company's tax planning strategies include the use of reinsurance? Yes [ ] No [X]

Current and deferred income taxes:

Current income tax:

	2017	2016	Change
a. Federal	$ 309,154	$ 368,125	$ (58,971)
b. Provision to return	1,383	84,368	(82,985)
d. Subtotal	310,537	452,493	(141,956)
e. Federal income tax on net capital gains	(5,459)	2,160	(7,619)
h. Federal and Foreign income taxes incurred	$ 305,078	$ 454,653	$ (149,575)

Deferred Tax Assets

		2017		2016		Change
a. Ordinary						
Discounting of unpaid losses	$	399,739	$	498,760	$	(99,021)
Unearned premium reserves		312,957		435,849		(122,892)
Accrued expenses		44,172		61,866		(17,694)
Other (including items < 5% of total ordinary tax assets)		58,524		73,948		(15,424)
Subtotal		815,392		1,070,423		(255,031)
b. Statutory valuation allowance adjustment		-		-		-
c. Nonadmitted		89,485		247,559		(158,074)
d. Admitted ordinary deferred tax assets (2a99-2b-2c)		725,907		822,864		(96,957)
e. Capital:						
Investments		-		11,806		(11,806)
Subtotal		-		11,806		(11,806)
f. Statutory valuation allowance adjustment		-		-		-
g. Nonadmitted		-		2,730		(2,730)
h. Admitted capital deferred tax assets (2e99-2f-2g)		-		9,076		(9,076)
i. Admitted deferred tax assets (2d+2h)	$	725,907	$	831,940	$	(106,033)

Deferred Tax Liabilities

		2017		2016		Change
a. Ordinary:						
Investments	$	4,010	$	6,577	$	(2,567)
Fixed assets		58,440		37,205		21,235
Additional acquisition costs		1,956		4,058		(2,102)
Subtotal		64,406		47,840		16,566
b. Capital:						
Investments		-		-		-
Subtotal		-		-		-
c. Deferred tax liabilities (3a99+3b99)		64,406		47,840		16,566
Net Deferred Tax Assets/Liabilities (2i-3c)	$	661,501	$	784,100	$	(122,599)

Change in net deferred income taxes

		2017		2016		Change
a. Adjusted gross deferred tax assets	$	815,392	$	1,082,229	$	(266,837)
b. Total deferred tax liabilities		64,406		47,840		16,566
c. Net deferred tax assets	$	750,986	$	1,034,389	$	(283,403)
d. Tax effect of change in unrealized gains (losses)					$	(11,806)
e. Total change in net deferred income tax						(271,597)
					$	(283,403)

There were no deferred tax liabilities that were not recognized.

Among the more significant book to tax adjustments in 2017 and 2016 were the following:

	2017	2016
Provision computed at statutory rate	$ 131,785	$ 381,849
PY true up (to deferred)	(584)	(81,104)
PY true up (to current)	1,383	84,367
Change in nonadmitted assets	(20,805)	(69,998)
Current year statutory valuation allowance adjustment	-	(883,044)
Legislative rate change	464,896	-
Totals	$ 576,675	$ (567,930)
Federal and foreign income taxes incurred	310,537	452,493
Realized capital gains (losses) tax	(5,459)	2,160
Change in net deferred income taxes	271,597	(1,022,583)
Total statutory income taxes	$ 576,675	$ (567,930)

As of December 31, 2017 and 2016, the Company does not have any investment tax credits, net operating loss or capital loss carryforwards available to offset against future taxable income. The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is $303,695 and $357,806 for 2017 and 2016, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2017 and 2016, the Company does not have any uncertain tax positions requiring disclosure in these financial statements or any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Company is included in a consolidated federal income tax return with the following entities:

Maine Employers' Mutual Insurance Company, parent company,
Casco View Holdings, LLC, a related party under common ownership,
MEMIC Indemnity Company, a related party under common ownership,
MEMIC Services, Inc., a related party under common ownership.

The Company has a written agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Company's 2014 consolidated federal income tax return was under examination by the Internal Revenue Service during 2017; the exam has concluded, and the Company has confirmed its agreement with the proposed adjustments. The Company expects the final notification of closing in March 2018. The adjustments proposed and accepted by the Company will not result in any material change to the estimates or amounts included in these financial statements.

6. Liabilities for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liabilities for loss reserves and loss adjustment expense reserves for the years ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
Net balances at January 1,	$ 17,884,549	$ 12,091,622
Incurred related to		
Current year	13,486,245	11,656,430
Prior year	(1,136,710)	(744,712)
Total incurred	$ 12,349,535	$ 10,911,718
Paid related to		
Current year	2,021,338	2,277,166
Prior year	3,974,595	2,841,625
Total paid	5,995,933	5,118,791
Net balances at December 31,	$ 24,238,151	$ 17,884,549

The liabilities for loss and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience, and projections by independent actuaries. However, the reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements. At the end of 2017, the amount of reserve credit recorded for high deductibles on unpaid losses was $0. The amounts billed and recoverable for collateralized high deductible policies was $71,500 and $66,377 for the years ended 2017 and 2016, respectively. These amounts are included as a net recovery to paid losses in the applicable accident years and included in premium balances receivable on the statement of admitted assets, liabilities and capital and surplus. See Note 15.

During 2017, the Company's incurred losses related to prior years decreased by $1,136,710 as a result of favorable loss development principally in the 2014 through 2016 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

During 2016, the Company's incurred losses related to prior years decreased by $744,712 as a result of favorable loss development principally in the 2014 and 2015 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

Original estimates are increased or decreased as additional information becomes known regarding individual claims. There was no impact on reserves or surplus as a result of development of retrospectively rated policies.

7. Reinsurance

As a condition of writing policies in the states in which it has workers' compensation business, the Company is required to participate in the National Workers' Compensation Reinsurance Pool (the "Pool") as it relates to those states. Participation requires that the Company share in the losses and expenses of the Pool. Pool results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the Pool are recorded separately in the financial statements. The difference between discounted and undiscounted incurred but not reported loss and loss adjustment expense liabilities from NCCI are $16,217 and $12,305 for 2017 and 2016, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

	2017	2016
Premiums earned	$ 344,588	$ 372,298
Loss and loss adjustment expenses incurred	222,216	231,593
Unearned premiums	99,590	98,987
Loss and loss adjustment expense reserves	396,575	353,554
Premiums receivable	66,395	62,333
Underwriting expenses incurred	69,460	74,912

The Company reinsures portions of risks with other insurance companies through excess of loss reinsurance agreements. Such agreements serve to limit the Company's maximum loss on catastrophes and large losses. To the extent that the reinsurer might be unable to meet its obligations, the Company would be liable for such defaulted amounts.

Under the Company's excess of loss agreements, the Company's net retention for losses on a per occurrence basis is $500,000 for 2017 and 2016. In addition, for 2017 and 2016, the Company maintains additional coverage up to $100,000,000 on a per occurrence basis.

Amounts deducted from premiums, reserves and expenses for reinsurance ceded were as follows:

	2017	2016
Premiums earned	$ 1,064,285	$ 901,673
Loss and loss adjustment expenses incurred	339,269	254,283
Loss and loss adjustment expense reserves	868,845	529,577

The 2017 and 2016 ceded loss and loss adjustment expense, case incurred and incurred but not reported reserves above are comprised of amounts with one reinsurance carrier although the Company has contracts with other carriers.

The Company had no unsecured reinsurance recoverables from a reinsurer that exceeded 3% of capital and surplus at December 31, 2017 or 2016.

The Company has no reinsurance contracts that contain the following features (a) a contract term longer than two years and that is noncancellable by the Company during the contract term; (b) a limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer; (c) aggregate stop loss reinsurance coverage; (d) a unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party; (e) a provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or (f) payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. The Company has neither ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards to policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards to policyholders nor has the Company ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement and accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles. Additionally, the Company has not ceded any risk under any reinsurance contract where (a) the written premiums ceded to the reinsurer represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statements or (b) 25% or more of the written premium ceded to the reinsurer has been retroceded back to the Company in a separate reinsurance contract. Accordingly, the Company has not included the Supplemental Schedule of Reinsurance Disclosures.

There were no commutations during 2017 or 2016.

8. Premiums Written and Earned

During the years ended December 31, 2017 and 2016, direct, assumed and ceded premiums were as follows:

	2017		2016	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 17,920,599	$ 16,850,202	$ 14,322,172	$ 14,878,356
Assumed	345,191	344,588	368,514	372,298
Ceded	(1,064,285)	(1,064,285)	(901,673)	(901,673)
Net premiums	$ 17,201,505	$ 16,130,505	$ 13,789,013	$ 14,348,981

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. At December 31, 2017 and 2016, the Company had fixed income securities on deposit with a carrying value of $2,081,721 and $2,018,947, respectively, included in bonds on the statements of admitted assets, liabilities and capital and surplus. The amounts on deposit with the states, all of which are admitted, represent 3.20% and 3.21% of total assets and total admitted assets, respectively, at the end of 2017.

10. Investments

The carrying value and fair values of bonds at December 31, 2017 and 2016 are as follows:

	2017			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 3,429,741	$ 93,508	$ (95,294)	$ 3,427,955
Political subdivisions of states	17,637,504	210,847	(25,430)	17,822,921
Industrial & miscellaneous	14,317,650	189,325	(44,351)	14,462,624
Asset backed securities	18,138,525	25,509	(193,018)	17,971,016
Total bonds	$ 53,523,420	$ 519,189	$ (358,093)	$ 53,684,516

	2016			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 6,433,665	$ 105,699	$ (118,664)	$ 6,420,700
Political subdivisions of states	278,571	41,559	-	320,130
Industrial & miscellaneous	14,437,912	108,858	(105,448)	14,441,322
Asset backed securities	12,996,517	26,205	(206,488)	12,816,234
Total bonds	$ 34,146,665	$ 282,321	$ (430,600)	$ 33,998,386

The carrying value and fair value of bonds, including those held in short-term investments of $394,806, at December 31, 2017, by contractual maturity are as follows:

Maturity	Carrying Value	Fair Value
One year or less	$ 1,245,812	$ 1,243,550
Over one year through five years	11,870,250	11,848,568
Over five years through ten years	12,547,585	12,642,548
Over ten years	28,254,579	28,344,656
	$ 53,918,226	$ 54,079,322

Bonds subject to early or unscheduled prepayments have been included above based upon their contractual maturity dates. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset backed securities have been categorized based on the date when the issue is expected to be paid off and the principal is projected to be paid to investors. At December 31, 2017 and 2016, the Company did not own any securities that were in an unrealized loss position that management determined were other-than-temporary and given current market conditions would not recover. The Company did not record any OTTI on any securities during 2017 or 2016.

The fair value and gross unrealized loss of bonds and the amount of time these bonds have been in an unrealized loss position as of December 31, 2017 and 2016 are as follows:

	2017					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1–2)						
U.S. Government & government agencies & authorities	$ 930,941	$ (12,147)	$ 1,863,420	$ (83,147)	$ 2,794,361	$ (95,294)
Political subdivisions of states	3,126,076	(25,430)	-	-	3,126,076	(25,430)
Industrial & miscellaneous	3,352,158	(16,827)	671,829	(27,524)	4,023,987	(44,351)
Asset backed securities	8,497,303	(43,361)	6,133,435	(149,657)	14,630,738	(193,018)
	$ 15,906,478	$ (97,765)	$ 8,668,684	$ (260,328)	$ 24,575,162	$ (358,093)

	2016					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1–2)						
U.S. Government & government agencies & authorities	$ 4,272,613	$ (118,664)	$ -	$ -	$ 4,272,613	$ (118,664)
Industrial & miscellaneous	4,681,539	(87,597)	485,220	(17,851)	5,166,759	(105,448)
Asset backed securities	9,828,528	(205,910)	50,601	(578)	9,879,129	(206,488)
Bonds (NAIC 3–6)	-	-	217,188	(34,724)	217,188	(34,724)
	$ 18,782,680	$ (412,171)	$ 753,009	$ (53,153)	$ 19,535,689	$ (465,324)

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates.

Proceeds from sales of investments on debt securities and the gross realized gains and losses on those sales for the years ended December 31, 2017 and 2016 are summarized as follows:

	2017		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds	$ 3,751,857	$ 65,844	$ (81,823)
Total	$ 3,751,857	$ 65,844	$ (81,823)

	2016		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds	$ 628,271	$ 6,353	$ -
Total	$ 628,271	$ 6,353	$ -

The major categories of net investment income for the years ended December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Bonds	$ 1,047,781	$ 799,943
Cash and short-term investments	32,301	14,360
Other investment income	2	14
Total investment income	1,080,084	814,317
Less: Investment expenses	(84,856)	(71,117)
Net investment income	$ 995,228	$ 743,200

The Company held no structured notes as of December 31, 2017 or 2016.

11. Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Valuation techniques used to derive fair value of investment securities are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent resources such as active markets or nationally recognized pricing services. Unobservable inputs reflect comparable securities or valuations received from various broker or dealer quotes.

Items Measured and Reported at Fair Value by Levels 1, 2 and 3.

The Company has categorized its assets and liabilities that are reported on the statements of admitted assets, liabilities and capital and surplus at fair value into a three-level fair value hierarchy as reflected in the following table. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 - Quoted Prices in Active Markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, includes exchange-traded preferred and common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 - Significant Other Observable Inputs: This category is for items measured at fair value on a recurring basis includes bonds, which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded.

Level 3 - Significant Other Unobservable Inputs: The Company has no assets or liabilities measured at fair value in this category. There are no Level 3 fair value assets which were transferred in or out during 2017. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decrease an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation.

There are no assets on the statements of admitted assets, liabilities and capital and surplus, carried at fair value as of December 31, 2017.

As of December 31, 2016, the following were measured at fair value:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on statements of admitted assets, liabilities and capital and surplus, at fair value				
Bonds				
Industrial & miscellaneous	$ -	$ 217,188	$ -	$ 217,188
Total bonds	-	217,188	-	217,188
Other - short-term investments	930,015	-	-	930,015
Total assets, measured at fair value	$ 930,015	$ 217,188	$ -	$ 1,147,203

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1, 2 or 3. Transfers to and from Level 2 or 3 would be recognized when a purchase, sale or settlement increases or decreases an asset previously valued as a Level 1 or 2 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation. There were no Level 2 or 3 fair value assets during 2017. There were no level 3 assets during 2016. The Company has no derivative assets or liabilities or assets carried at fair value on a nonrecurring basis.

The table below reflects the fair values and admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures) as of December 31, 2017 and 2016. The fair values are also categorized into the three-level fair value hierarchy as described above.

2017

Type of Financial Instrument	Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds						
U.S. Government & government agencies & authorities	$ 3,427,955	$ 3,429,741	$ -	$ 3,427,955	$ -	$ -
Political subdivisions of states	17,822,921	17,637,504	-	17,822,921	-	-
Industrial & miscellaneous	14,462,624	14,317,650	-	14,462,624	-	-
Asset backed securities	17,971,016	18,138,525	-	17,971,016	-	-
Cash, cash equivalents & short-term investments	3,960,805	3,960,805	3,960,805	-	-	-
Total assets	$ 57,645,321	$ 57,484,225	$ 3,960,805	$ 53,684,516	$ -	$ -

2016

Type of Financial Instrument	Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds						
U.S. Government & government agencies & authorities	$ 6,420,700	$ 6,433,665	$ -	$ 6,420,700	$ -	$ -
Political subdivisions of states	320,130	278,571	-	320,130	-	-
Industrial & miscellaneous	14,441,322	14,437,912	-	14,441,322	-	-
Asset backed securities	12,816,234	12,996,517	-	12,816,234	-	-
Cash, cash equivalents & short-term investments	6,793,164	6,793,164	6,793,164	-	-	-
Total assets	$ 40,791,550	$ 40,939,829	$ 6,793,164	$ 33,998,386	$ -	$ -

12. Commitment and Contingent Liabilities

The Company is involved in litigation with respect to claims arising in the ordinary course of business, which is considered in establishing loss and loss adjustment expense reserves. The Company periodically reviews its overall loss and loss adjustment expense reserve position as well as its provision for reinsurance. The Company's management believes the resolution of such litigation is not expected to have a material adverse effect on the financial position or the operating results of the Company.

The Company is subject to guaranty funds and other assessments in New Hampshire, Pennsylvania and Vermont where it has written business. Guaranty fund assessments should be accrued at the time of insolvencies. Certain assessments that are unknown to the Company are accrued at the time of assessment. In the case of premium based assessments, the expense is accrued at the time the premiums are written, or, in the case of loss-based assessments, at the time the losses are incurred.

The Company has recorded an expense for the North Carolina and Pennsylvania Guaranty Funds as well as other Florida, Maryland, Massachusetts, New Hampshire, North Carolina, New York and Pennsylvania assessments of $103,455 and ($37,285) at December 31, 2017 and 2016, respectively. Of these amounts, the Company has accrued a net liability at December 31, 2017 and 2016 of $210,343 and $181,958, respectively, which is included in premium taxes and other assessments on the statements of admitted assets, liabilities and capital and surplus. This amount represents management's best estimate of its liability for guaranty fund and other rating and various state insurance related assessments based on information received from the state in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies or market share. There is no related premium tax benefit asset recorded from guaranty funds on the statements of admitted assets, liabilities and capital and surplus or statements of income.

Certain High Deductible policyholders have opted to provide cash in lieu of a letter of credit as collateral for future deductible obligations up to their stated policy limits on a per claim basis or in the aggregate. Included in both cash and short-term investments and other liabilities on the statements of admitted assets, liabilities and capital and surplus is $1,325,000 as of 2017 and 2016, for this collateral on deposit, which represents 2.03% and 2.05% of total assets and total admitted assets, respectively, in 2017. See Note 15.

The Company's parent, MEMIC, has adopted a qualified defined contribution discretionary, 401(k) and profit sharing plan covering substantially all full-time employees who meet the plans' eligibility requirements. MEMIC has also adopted a non-qualified, deferred compensation plan for certain key executives and an Incentive Compensation Plan for certain members of senior management. The Company does not currently have any of its own employees. The salaries and employee benefit expenses that reside in the Company are a result of intercompany contracts for claims, underwriting, loss control, administration and management and not direct costs therefore, the Company did not incur any direct expense for any employee benefit plans during 2017 or 2016.

The Company has no obligations to former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation pay.

13. Related Party Transactions

MEMIC charges management fees and other services to the Company in the normal course of business and in accordance with the terms of certain cost sharing agreements. In 2017 and 2016, there was $2,584,887 and $1,325,906, respectively, charged from MEMIC to the Company for administrative and management services, underwriting, claims, managed care and investment management fees. Certain other direct costs are paid by MEMIC, charged back to the Company and settled within the terms of the written cost sharing agreements.

MEMIC Indemnity forwards charges from the parent, MEMIC, for underwriting and claims services to the Company in the normal course of business in agreements between the Company and MEMIC. In 2017 and 2016, there was $1,170,687 and $860,578, respectively, in charges forwarded from MEMIC to MEMIC Indemnity to the Company.

MEMIC Services charges agency service fees to the Company in the normal course of business in accordance with certain cost sharing agreements. The charge for these services during 2017 and 2016 was $641 and $5,721, respectively.

14. Loan-Backed Securities

The Company has elected to use the prospective method of determining prepayment assumptions. Prepayment assumptions are derived primarily from projected cash flow information obtained from recognized external sources. Where projected cash flow information is not publicly available the information is obtained from external asset managers or by internal estimates. There have been no changes from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

The Company has no loan-backed securities that have a recognized OTTI where the Company either has the intent to sell, or do not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis. Credit related declines in the fair value of loan-backed or structured securities would be reflected as a realized loss in the statements of income

The fair value and gross unrealized losses of non-agency residential mortgage-backed securities investment securities and the amount of time the securities have been in an unrealized loss position as of December 31, 2017 and 2016 are as follows:

	2017	2016
Aggregate amount of unrealized loss		
Less than twelve months	$ 36,170	$ 205,910
Twelve months or longer	137,877	578
Total	$ 174,047	$ 206,488
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$ 7,503,184	$ 9,828,528
Twelve months or longer	5,646,992	50,601
Total	$ 13,150,176	$ 9,879,129

The Company has neither repurchase agreements and/or Securities Lending Transactions nor investments in real estate or low-income housing tax credits in the current year or prior year.

15. High Deductibles

The Company writes high deductible policies in several states. The Company defines high deductible policies based on the large deductible definitions by state for aggregate financial reporting purposes as outlined in the following table:

Coverage State	High Deductible Limit Per Claim/Occurrence	or	High Deductible Aggregate per policy
Massachusetts	$ 75,000		$ 75,000
New York	25,000		25,000
All Other States	100,000		100,000

In most cases, the Company requires high deductible policyholders to provide an evergreen, irrevocable, clean letter of credit to secure obligations up to the deductible limits. In other cases, the Company will accept a cash deposit in lieu of a letter of credit which remains in the custody of the Company and is included in cash, cash equivalents and short-term investments and accrued liabilities on the Statements of Assets, Liabilities and Capital and Surplus. These letter of credit and cash in lieu of letter of credit requirements are reviewed periodically, as necessary, or annually in conjunction with the policy renewal to determine appropriate increases or decreases.

Premiums receivable includes amounts billed to policyholders under high deductible policies. Deductible amounts billed to policyholders reduce paid losses and loss adjustment expenses recognized by the Company. Management believes all high deductible amounts outstanding are recoverable based on the policyholders' payment practices and collateral held in the form of cash or irrevocable letters of credit. The Company does not record a reserve credit for high deductible reserves outstanding. Given the uncertainty and time of the payment of outstanding reserves, the Company does not believe a reserve credit for high deductibles is necessary and therefore, no such recovery accrual has been recorded for high deductible policy reserves.

At December 31, 2017 and 2016, the Company recorded a net, admitted deductible recovery accrual of $71,500 and $66,377, respectively, for amounts billed in January 2018 and 2017, respectively, under secured high deductible policies.

Reserve Credit Recorded on Unpaid Claims and Amount Billed and Recoverable on Paid Claims for High Deductibles:

Annual Statement Line of Business	Gross (of High Deductible) Loss Reserves	Reserve Credit for High Deductibles	Billed Recoverables on Paid Claims	Total High Deductibles and Billed Recoverables
Workers' Compensation	$ 1,373,267	$ -	$ 71,500	$ 71,500

Unsecured amounts on high deductible policies:

Total high deductibles and billed recoverables on paid claims	$ 71,500
Collateral on balance sheet	1,325,000
Collateral off balance sheet	295,000
Total unsecured deductibles and billed recoverables on paid claim	-
Percentage unsecured	0.00%
High deductible recoverable amounts on paid claims	71,500
Amount of overdue nonadmitted (either due to aging or collateral)	-
Total over 90 days overdue admitted	-
Total overdue	-

There are no counterparty high deductible policyholders with unsecured liabilities. There are no unsecured high deductible recoverables for individual obligors or that of a Group under the same management or control which are greater than 1% of Capital and Surplus.

16. Subsequent Events

Subsequent events have been considered through March 23, 2018, for these statutory financial statements which are available to be issued on March 23, 2018.

In March 2018, the Company's parent, MEMIC, contributed an additional $10,000,000 in capital to the Company. This additional capital contribution, which will be recorded as a change in capital and surplus, includes $2,018,795 in bonds and $7,981,205 in cash.

SUMMARY INVESTMENT SCHEDULE

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
Investment Categories	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage
1. Bonds:						
1.1 U.S. treasury securities	3,429,740	5.9	3,429,740		3,429,740	5.9
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies		0.0			0	0.0
1.22 Issued by U.S. government sponsored agencies		0.0			0	0.0
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)		0.0			0	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	1,138,286	2.0	1,138,286		1,138,286	2.0
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	2,532,674	4.4	2,532,674		2,532,674	4.4
1.43 Revenue and assessment obligations	15,466,074	26.7	15,466,074		15,466,074	26.7
1.44 Industrial development and similar obligations		0.0			0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA		0.0			0	0.0
1.512 Issued or guaranteed by FNMA and FHLMC	9,904,776	17.1	9,904,776		9,904,776	17.1
1.513 All other		0.0			0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	503,199	0.9	503,199		503,199	0.9
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521		0.0			0	0.0
1.523 All other	1,669,039	2.9	1,669,039		1,669,039	2.9
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	18,630,319	32.1	18,630,319		18,630,319	32.1
2.2 Unaffiliated non-U.S. securities (including Canada)	249,313	0.4	249,313		249,313	0.4
2.3 Affiliated securities		0.0			0	0.0
3. Equity interests:						
3.1 Investments in mutual funds		0.0			0	0.0
3.2 Preferred stocks:						
3.21 Affiliated		0.0			0	0.0
3.22 Unaffiliated		0.0			0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated		0.0			0	0.0
3.32 Unaffiliated		0.0			0	0.0
3.4 Other equity securities:						
3.41 Affiliated		0.0			0	0.0
3.42 Unaffiliated		0.0			0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated		0.0			0	0.0
3.52 Unaffiliated		0.0			0	0.0
4. Mortgage loans:						
4.1 Construction and land development		0.0			0	0.0
4.2 Agricultural		0.0			0	0.0
4.3 Single family residential properties		0.0			0	0.0
4.4 Multifamily residential properties		0.0			0	0.0
4.5 Commercial loans		0.0			0	0.0
4.6 Mezzanine real estate loans		0.0			0	0.0
5. Real estate investments:						
5.1 Property occupied by company		0.0			0	0.0
5.2 Property held for production of income (including $.........0 of property acquired in satisfaction of debt)		0.0			0	0.0
5.3 Property held for sale (including $.........0 property acquired in satisfaction of debt)		0.0			0	0.0
6. Contract loans		0.0			0	0.0
7. Derivatives		0.0			0	0.0
8. Receivables for securities	500,000	0.9	500,000		500,000	0.9
9. Securities lending (Line 10, Asset Page reinvested collateral)		0.0		XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	3,960,805	6.8	3,960,805		3,960,805	6.8
11. Other invested assets		0.0			0	0.0
12. Total invested assets	57,984,225	100.0	57,984,225	0	57,984,225	100.0

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2017

(To be filed by April 1)

Of MEMIC Casualty Company

Address (City, State, Zip Code): Manchester NH 03104

NAIC Group Code.....1332 NAIC Company Code.....14164 Employer's ID Number.....03-6009096

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

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

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $........64,775,546

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	UBSBB 2012-C3 A4	Long Term Bonds	$........1,027,628	1.6 %
2.02	COMET	Long Term Bonds	$........1,001,966	1.5 %
2.03	DCENT 2017-A1 A1	Long Term Bonds	$...........909,053	1.4 %
2.04	CLARK CNTY NV ARPT REVENUE	Long Term Bonds	$...........800,000	1.2 %
2.05	CONNECTICUT ST HSG FIN AUTH HS	Long Term Bonds	$...........750,000	1.2 %
2.06	FORDO 2017-C A2B	Long Term Bonds	$...........750,000	1.2 %
2.07	INDEPENDENCE MO SCH DIST	Long Term Bonds	$...........623,424	1.0 %
2.08	RICHARDSON TX INDEP SCH DIST	Long Term Bonds	$...........592,336	0.9 %
2.09	FORT LUPTON CO WTR SYS REVENUE	Long Term Bonds	$...........590,294	0.9 %
2.10	NEW YORK CITY NY TRANSITIONAL	Long Term Bonds	$...........587,171	0.9 %

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

	Bonds	1	2
3.01	NAIC 1	$......50,020,261	77.2 %
3.02	NAIC 2	$........3,503,159	5.4 %
3.03	NAIC 3	$	0.0 %
3.04	NAIC 4	$	0.0 %
3.05	NAIC 5	$	0.0 %
3.06	NAIC 6	$	0.0 %
	Preferred Stocks	**3**	**4**
3.07	P/RP-1	$	0.0 %
3.08	P/RP-2	$	0.0 %
3.09	P/RP-3	$	0.0 %
3.10	P/RP-4	$	0.0 %
3.11	P/RP-5	$	0.0 %
3.12	P/RP-6	$	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

4.02	Total admitted assets held in foreign investments	$	0.0 %
4.03	Foreign-currency-denominated investments	$	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$	0.0 %

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

		1	2
5.01	Countries designated NAIC 1	$	0.0 %
5.02	Countries designated NAIC 2	$	0.0 %
5.03	Countries designated NAIC 3 or below	$	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1:	$	0.0 %
6.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
6.03	Country 1:	$	0.0 %
6.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$	0.0 %
6.06	Country 2:	$	0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$	0.0 %

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

		1	2
8.01	Countries designated NAIC 1	$	0.0 %
8.02	Countries designated NAIC 2	$	0.0 %
8.03	Countries designated NAIC 3 or below	$	0.0 %

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

		1	2
	Countries designated NAIC 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

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

	1 Issuer	2 NAIC Designation	3	4
10.01			$	0.0 %
10.02			$	0.0 %
10.03			$	0.0 %
10.04			$	0.0 %
10.05			$	0.0 %
10.06			$	0.0 %
10.07			$	0.0 %
10.08			$	0.0 %
10.09			$	0.0 %
10.10			$	0.0 %

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

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

11.02	Total admitted assets held in Canadian Investments	$	0.0 %
11.03	Canadian currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

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

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

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

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

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

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

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

	1 Name of Issuer	2	3
13.02		$	0.0 %
13.03		$	0.0 %
13.04		$	0.0 %
13.05		$	0.0 %
13.06		$	0.0 %
13.07		$	0.0 %
13.08		$	0.0 %
13.09		$	0.0 %
13.10		$	0.0 %
13.11		$	0.0 %

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

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

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

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

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

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

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

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

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

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

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

	Loan-to-Value	Residential		Commercial		Agricultural	
		1	2	3	4	5	6
17.01	above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02	91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03	81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04	71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05	below 70%	$	0.0 %	$	0.0 %	$	0.0 %

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

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

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

	Description	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

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

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No [ ]

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

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans	$	0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

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

		At Year-End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.0 %	$	$	$
20.02	Repurchase agreements	$	0.0 %	$	$	$
20.03	Reverse repurchase agreements	$	0.0 %	$	$	$
20.04	Dollar repurchase agreements	$	0.0 %	$	$	$
20.05	Dollar reverse repurchase agreements	$	0.0 %	$	$	$

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

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$	0.0 %	$	0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$	0.0 %	$	$	$
22.02 Income generation	$	0.0 %	$	$	$
22.03 Replications	$	0.0 %	$	$	$
22.04 Other	$	0.0 %	$	$	$

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$