LEVERAGE THE PAST TO CHANGE THE FUTURE

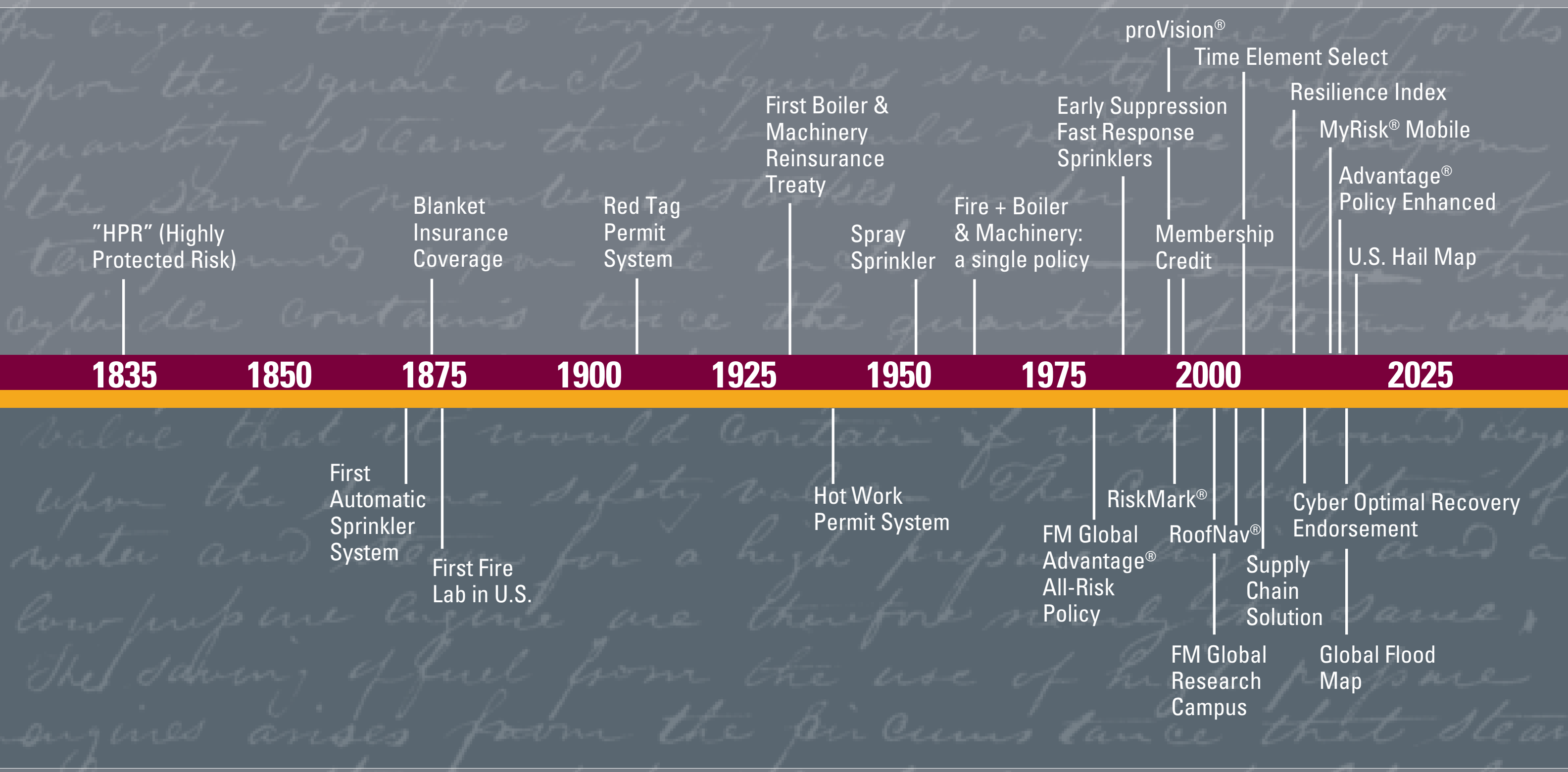
ANNUAL REPORT 2018

FM Global®

ZACHARIAH ALLEN MILL, USA, CIRCA 1822

FM GLOBAL CENTRE, SINGAPORE, 2018

A HISTORY OF INNOVATION



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

INDUSTRY RATINGS

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

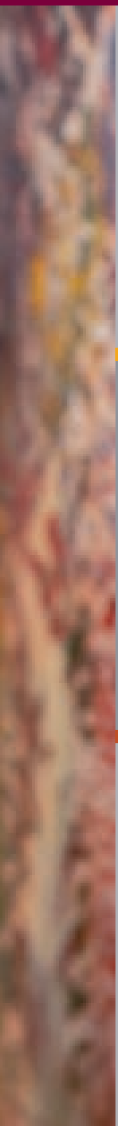
For additional ratings information, view "Industry Ratings" at fmglobal.com.

2018 was another challenging year. We again faced significant natural disasters, particularly Hurricane Michael on the U.S. Gulf Coast and the Camp Wildfire in California, while also experiencing a high level of risk losses. This combination resulted in a 2018 combined ratio of 128.6 percent, which included following through on our 10th membership credit (an approximate benefit of US$3.8 billion to our clients since 2001). During this period of increased loss activity, the strength of our insurance offering was again affirmed through our ability to rapidly and equitably respond to claims.

Despite our combined ratio, consolidated net income for 2018 was US$161 million, versus US$254 million in 2017; and despite the downturn in the stock market, our surplus remains strong at US$11.8 billion—all evidence of the strength and stability of a business model built for volatility.

2018 FM GLOBAL ENGINEERING NETWORK

1,860 ENGINEERS
72,652 SERVICED LOCATIONS
116,194 ENGINEERING VISITS
149 COUNTRIES SERVICED



> “We completed our business technology transformation and are accelerating our time-to-market for new products and services.”

This was also a year of noteworthy progress in several areas. We completed our business technology transformation and are accelerating our time-to-market for new products and services. Our innovation team introduced robotic process automation and artificial intelligence to our business processes, while continuing the development of drone technology to better support loss prevention efforts.

We introduced the Cyber Risk Assessment to help clients better understand this emerging risk. By centralizing our data analytics capabilities, we became more effective and efficient in turning our vast amount of data into powerful, actionable knowledge.

HURRICANE PROTECTION

EVERY **$1** **SPENT** ON HURRICANE PROTECTION IN THE U.S. **REDUCES LOSS EXPOSURE** BY AN AVERAGE OF **$105**

Our new Luxembourg-based company, FM Insurance Europe S.A., became fully operational and successfully transitioned all affected insurance policies by year-end. The FM Global Centre in Asia opened for business. This 125,000-square-foot (11,610-square-meter) loss prevention training and operations complex, located in Singapore, is the first facility of its kind in Asia. We continued our efforts to improve building codes and standards in emerging markets, both for the benefit of our clients and for the development of stronger infrastructure, making substantial inroads in Brazil, China and India.

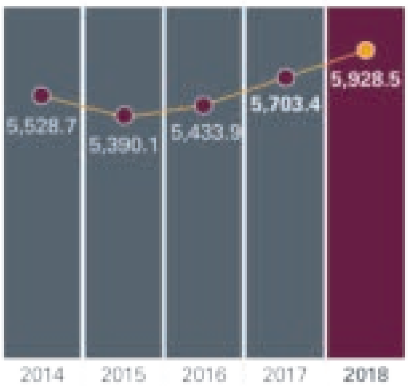
As you can see, despite the challenges faced in the past two years, we are moving forward strongly and purposefully. Our commitment to providing proven, resilient practices for property loss prevention is unwavering.

2018 Premium Trends

Despite the competitive market environment that dominated the year, we retained approximately 94 percent of our clients. Though we fell short of our expectations for new business, our high client retention, combined with the addition of new clients resulted in an increase in gross premium for the organization.

On a consolidated basis, FM Global (large commercial property) and AFM (middle-market property) are the sources of 95.2 percent of our overall premium in force, with Mutual Boiler Re and FM Global Cargo representing the balance. All lines showed top-line premium growth, generating a positive outcome.

TOTAL GROSS PREMIUM IN FORCE, US$M

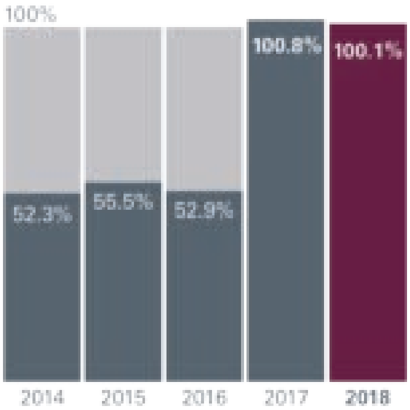


Loss Trends

Our consolidated loss ratio for 2018 was 100.1 percent. The natural disaster loss ratio of 43.7 percent exceeded projections and raised our five-year average from 22.4 percent to 29.4 percent. Consistent with last year's findings, clients who had implemented our risk improvement recommendations fared better than did clients who had not.

Our 2018 risk loss ratio, a measure of losses predominantly from fire, explosion and mechanical/electrical breakdown, increased from the prior-year ratio of 45.1 percent to 52.5 percent. Fire remains the most significant risk exposure to our policyholders. To address this hazard, our clients installed 104.1 million square feet (9.67 million square meters) of ceiling sprinklers worldwide in 2018. We thank them for their diligence in addressing this hazard and reducing their risk.

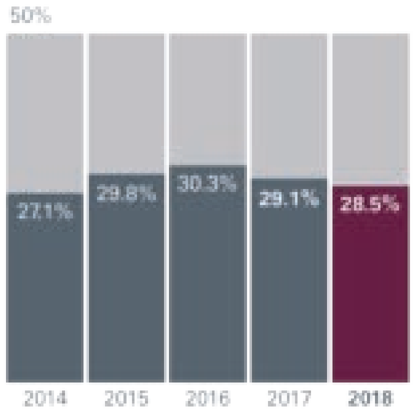
LOSS RATIO



Expense Trends

Our 2018 expense ratio was 28.5 percent, an improvement from last year's figure of 29.1 percent. Always a priority, this metric is a contributing factor in our ability to provide value to our clients. With our business technology transformation now complete, we continue to improve efficiencies through innovation and automation. Through our adoption of agile principles, we are achieving technology-driven goals faster, with our clients' needs at the core of product development.

EXPENSE RATIO



Investments

2018 was an important year in FM Global Investments as we introduced new leadership with the retirement of our prior chief investment officer. Long-term strategic portfolio construction, asset allocation and risk management were key focus areas in addition to the security selection process. Our primary strategic investment goal is to generate optimal risk-adjusted returns in a prudent manner, with liquidity and downside risk management as key considerations. These strategic building blocks enabled us to navigate through extreme financial market volatility in a measured manner, especially during the fourth quarter, maintaining strong liquidity for business operations purposes as needed.

Our investment strategy continues to focus on helping FM Global to grow surplus, and plays a critical role in further strengthening our financial and industry leadership positions over the long run. Discussion and detailed breakdown of the results are provided in the Investment Report section beginning on page 27.

"We became more effective and efficient in turning our vast amount of data into powerful, actionable knowledge."

INDUSTRY AND PUBLIC RECOGNITION

INNOVATION AWARD FOR CYBER RISK ASSESSMENT—*BUSINESS INSURANCE*

MANSFIELD AWARD FOR CLAIMS EXCELLENCE—*INSURANCE NEWS*, AUSTRALIA

AFM "AMONG BEST CARRIERS" BROKER SURVEY—*INSURANCE BUSINESS AMERICA* (IBA)

#167

AMERICA'S BEST MIDSIZE EMPLOYERS—*FORBES MAGAZINE*

#221

BEST EMPLOYERS FOR DIVERSITY—*FORBES MAGAZINE*

Our Workforce

Our employee retention rate was strong at 93 percent, with an average employee tenure of 13.2 years. We are firmly committed to the ongoing development of a diverse, inclusive workforce. As expected for a well-established company, an increasing number of longtime employees are retiring after successful careers. It is imperative that we ensure their successors have the core skills and capabilities they need to move into those positions. For our organization to thrive, we must perpetuate a working environment where our people are engaged and encouraged to keep their skill sets sharp. Knowledge is a primary element of our business model; as we cultivate it, we will build successful careers and enhance our position as a knowledge and industry leader for years to come.

EMPLOYEE RETENTION AND AVERAGE TENURE

93%
EMPLOYEE RETENTION

13.2
YEARS AVERAGE TENURE

Leadership and Governance

In 2018, we welcomed David T. Walton, president and chief executive officer of Caterpillar Financial Services Corporation to our board of directors; and Edward J. Rapp, retired group president for Caterpillar Inc., retired from our board. I want to thank him for his many contributions over the past 10 years.

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

CORPORATE GOVERNANCE

FM GLOBAL BOARD OF DIRECTORS

ADVISORY BOARDS

Atlanta/ Dallas	Canada	Chicago/ St. Louis	Cleveland
Europe	New York	San Francisco	Washington, D.C./ Philadelphia

RISK MANAGEMENT EXECUTIVE COUNCILS

Canada	Central	Eastern	EMEA	Western

> "Despite the challenges faced in the past two years, we are moving forward strongly and purposefully."

2019 Forecast and Landscape

The increased frequency and severity of losses over the past two years has led to a general industry focus on disciplined underwriting and demonstrated the value of client efforts toward making their facilities more resilient to disruption. We have the vision, innovative culture, talent and resources to support our clients' efforts, and our mutual structure allows us to work responsibly and patiently with them to navigate through the risks that could undermine their resilience.

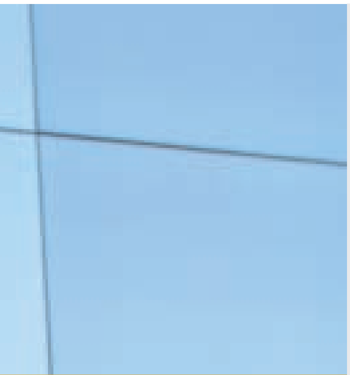
Actual experience has repeatedly demonstrated that losses are not inevitable and can be reduced or eliminated by the application of engineering-based loss prevention techniques. Using our research and analytical capabilities, we will continue to enhance our loss prevention expertise and work cooperatively with our policyholders to reduce the risk profiles at their facilities in their pursuit of resilience.

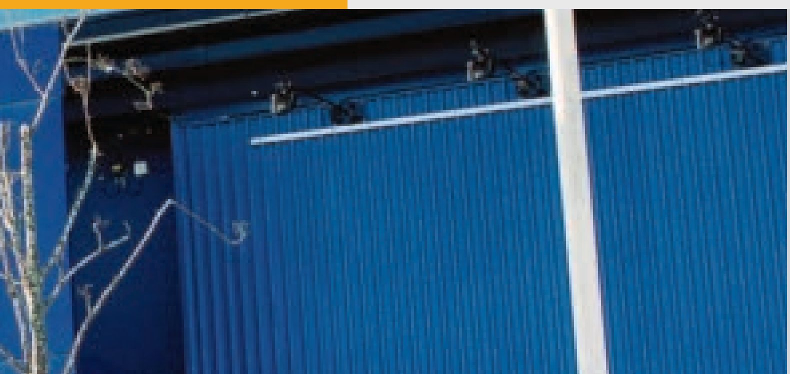
The strength of our business model was again reinforced in 2018. Our employees did a remarkable job of supporting our policyholders, especially those impacted by the disasters, and I continue to believe that our people are the key to our success. We are deeply grateful for their efforts and I am extremely proud of all they do.

Thanks to them, and to our clients' commitment to becoming resilient, we will continue to manage volatility, help our clients prevent loss, and deliver market-leading products and services that meet their ever-evolving needs on a worldwide basis.

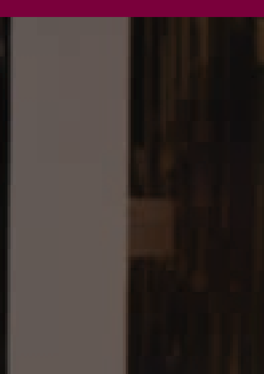
Thomas A. Lawson
Chairman and Chief Executive Officer

LEVERAGE THE PAST





TO CHANGE THE FUTURE



Our clients have a long history of success and we are proud to be part of their journeys. Some have been with us a very long time while others have only recently joined the FM Global family. Regardless of their tenure with us, we strive to take what we've learned throughout our history and use it to help protect their futures. Here are a few of their stories.

Gregory Ahrens, FM Global senior account manager; Julie Young, director, business risk management & insurance, Dell Technologies; Lisa Wade, risk manager, Dell Technologies; and Lenin Ramirez, FM Global senior account engineer, outside of Dell's headquarters in Round Rock, Texas, USA.

It wasn't just Dell's computers that were innovative. Its approach to manufacturing and customer service revolutionized the industry.

DELL PUTTING THE "U" IN COMPUTER

From humble beginning to tech giant, Dell never let risk get in its way

It all started in Room 2713 of Dobie Hall at the University of Texas at Austin in 1984.

A freshman biology major named Michael Dell was upgrading computers for his friends. Classmates would walk out with a little extra memory or a faster processor and Michael would pocket a little cash.

Three years later, Dell was making the fastest computers in the world and selling them all over the United States.

From his dorm-room start, Michael Dell built the legendary tech giant. The slanted E in its logo is known around the world and Dell Technologies now provides companies of all sizes across 180 countries with computers and just about everything else they need for their digital infrastructure. Dell Technologies, headquartered in Round Rock, Texas, USA, about 16 miles (25 km) from Dobie Hall, generated US$80 billion in revenue last year.

Since nearly the beginning, 1989 to be exact, FM Global has been there to help Dell navigate the risks that growth, changes in strategic direction and an evolving marketplace have brought from a property perspective.

It wasn't just Dell's computers that were innovative. Its approach to manufacturing and customer service revolutionized the industry. Need a computer? Give Dell a call and they'd build you one on the spot. The pioneering on-demand manufacturing model kept costs low, which Dell passed along to its customers. But the model wasn't without risk, and FM Global was there to help Dell understand the pitfalls. Dell was even a pioneer at FM Global, becoming the first company to utilize the Business Risk Consulting (BRC) service, which mapped the supply chain risks of on-demand manufacturing.

As the industry shifted, so did Dell's strategy. Dell found it could be more nimble and better meet customer demand through third-party manufacturers. The Dell-owned facilities gave way to a network of original design manufacturing (ODM) suppliers.

"We know that FM Global is going to do the right thing for Dell."

And FM Global was there. This strategic shift brought new risks from shipping and storing finished products to understanding the risk profile of original design manufacturing facilities around the world.

"With ODMs, there is significant business exposure," explains Julie Young, Dell's director, business risk management and insurance. "We have less control of things that could really impact us, so we need a lot of help from the local FM Global field engineers to understand what's going on in these locations."

And Dell continues to evolve. In 2016, Dell completed what has been called the biggest tech deal in history, bringing EMC Corporation under the Dell Technologies umbrella. And once again, FM Global was there.

"EMC and its affiliated companies did a lot of things that we didn't do," Young explains. "Even though Dell was a multibillion-dollar company, our risks were pretty vanilla. With all the cloud services and technologies EMC brought, it really changed our risk profile again."

The relationship with FM Global and the fact that EMC was also an FM Global client, allowed for a smooth integration of the two tech giants.

"It truly is a partnership," Young explains. "It is very clear that FM Global views it that way as well. We see FM Global as part of our department which is why we can operate with just two people. We know that FM Global is going to do the right thing for Dell."

1984 | Michael Dell starts computer company in his dorm room

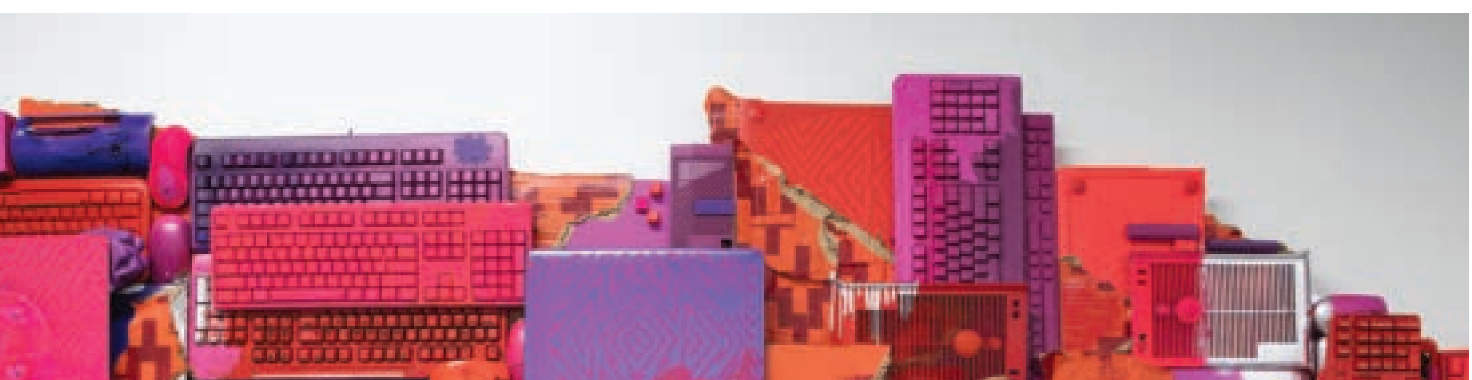
1988 | Dell Computer Corporation launched

1989 | Becomes FM Global client

2001 | Becomes No. 1 computer services provider worldwide

2016 | Acquires EMC in the largest tech merger to date

2016 | FM Global integrates two insurance programs in just three months



CONTINUED STABILITY AT FM GLOBAL

94% CLIENT RETENTION

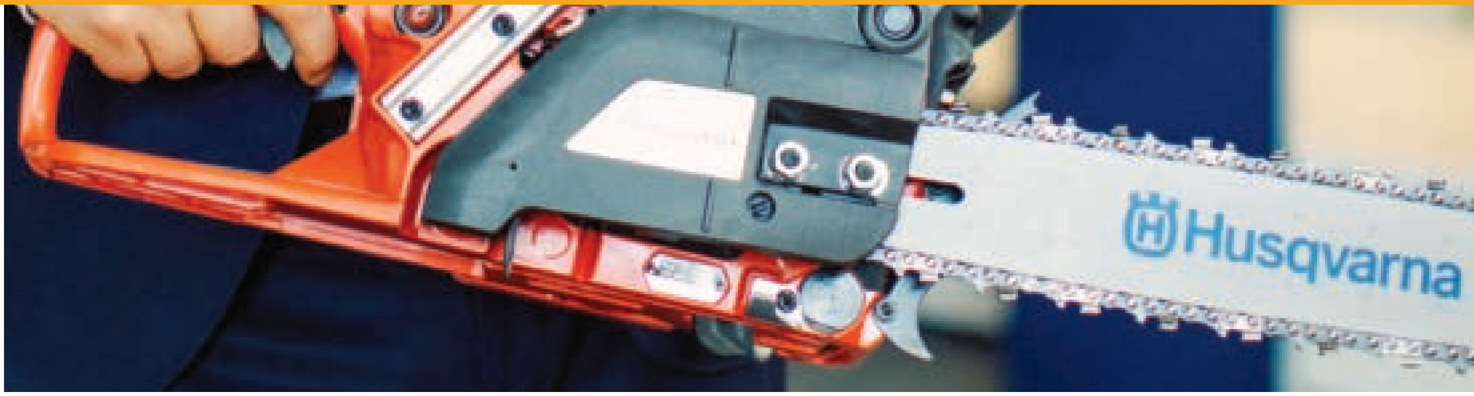
19 YEARS AVERAGE CLIENT TENURE

30 YEARS OF DELL + FM GLOBAL PARTNERSHIP

In 2018, Lenin Ramirez and Lisa Wade visited Dell's production facilities in Asia to better understand the company's risks.

James Chen, FM Global account manager; Mathijs Bolin, FM Global account engineer and Jonas Särnborg, Husqvarna Group risk manager, outside Husqvarna's concept store in Barkarby, Sweden.

"This is new territory for us and the industrial controls pilot gave us access to some industry best practices to follow."



HUSQVARNA AN ENTREPRENEUR'S MINDSET

Husqvarna Group evolves into leading producer of outdoor power products

The world has changed a lot since 1689.

And the Husqvarna Group has changed right along with it.

What started out as a rifle maker at the base of the Huskqvarna waterfall in Sweden, has evolved into the world's leader in outdoor power equipment.

Early on the company recognized it had a unique skill set and that its expertise had applications far beyond rifles. That has taken the company on a 330-year journey of adaptation, innovation and success.

By the 1800s, Husqvarna was a leading manufacturer of sewing machines. At the turn of the century, the company started building bicycles, which naturally led to motorcycles. By 1918 the company was producing lawnmowers, launching Husqvarna into the international outdoor products company it is today.

The Husqvarna Group now has 13,000 employees in 40 countries. Its chainsaws, trimmers, lawnmowers, watering products and diamond cutting tools are sold throughout the world under household names like Gardena, McCulloch and Poulan Pro.

And its spirit of innovation has never wavered.

"We have reinvented ourselves a couple of times," explains Husqvarna Group Risk Manager Jonas Särnborg. "We are entrepreneurs and that mindset has never left the company."

Through international expansion and numerous acquisitions, the Husqvarna Group now has 31 production facilities all over the world. New technology and ever-changing consumer tastes mean that Husqvarna's entrepreneurial spirit will always be needed.

"As battery technology was emerging, FM Global did extensive research to understand the emerging risk, and that knowledge is now applied to our warehouses globally."

EQUIPMENT BREAKDOWN STATS FROM FM GLOBAL

50%
OF LOSSES OVER US$10M DUE TO *EQUIPMENT BREAKDOWN*

23%
OF LOSSES ACROSS ALL INDUSTRIES DUE TO *EQUIPMENT BREAKDOWN*

31
GLOBAL FACILITIES: HUSQVARNA PROTECTS AGAINST *EQUIPMENT BREAKDOWN*

Since 2007 FM Global has been part of that journey, leveraging what it knows to help the Husqvarna Group navigate a world that is changing faster than ever.

"Ten years ago, we manufactured few battery products," explains Särnborg. "Today, battery products are everywhere. As battery technology was emerging, FM Global did extensive research to understand the emerging risk, and that knowledge is now applied to our warehouses globally."

The Husqvarna Group introduced the first solar-powered robotic lawnmower in 1995 but consumer demand for the product developed only recently. The explosive growth of the product line in recent years increased the importance of the main robotic lawnmower production facility in the United Kingdom. Working with FM Global, the Husqvarna Group developed a strategic plan to improve the risk of the facility, elevating the plant to Highly Protected Risk (HPR) status in just three years.

Today, the Husqvarna Group is embracing smart machinery with the goal of having Sweden's smartest manufacturing facility. The project moves almost the entire production process into the digital space, exposing Husqvarna Group to new cyber threats. The project has become a proving ground for FM Global's new Industrial Control Standards, designed to keep connected manufacturing safe. The industrial controls pilot has provided valuable information to both FM Global and Husqvarna Group.

"This is new territory for us and the industrial controls pilot gave us access to some industry best practices to follow," Särnborg says. "I think it added value for FM Global as well, giving them a live environment to test their standard against."

As the Husqvarna Group continues its innovation journey, it looks to FM Global to understand the risks.

"You can't build protection based on emotion," Särnborg adds. "We need to understand the facts. What is the risk? What is the exposure and what can we do about it? I'm confident that the FM Global risk engineers are giving us the very best recommendations."

1689 | Husqvarna opens rifle factory in southern Sweden

1918 | Lawnmower production begins

2007 | Becomes FM Global client

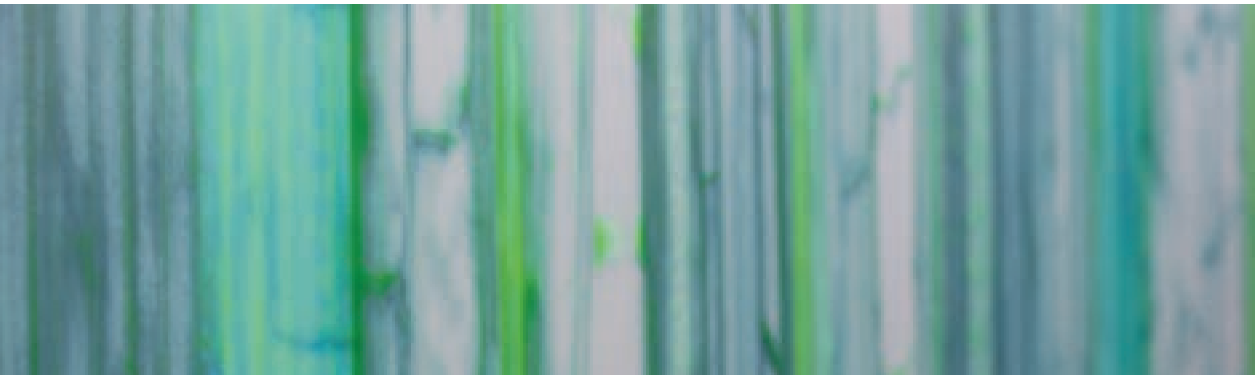
2013 | Orangeburg, SC, USA facility earns HPR status

2017 | Robotic lawn-mower manufacturing site achieves HPR and produces 1 millionth robot lawnmower

2018 | Pilots FM Global's industrial controls program to support its "Smart Plant" project

Mathijs Bolin, Jonas Särnborg and James Chen have worked together to protect Husqvarna facilities around the world.

Kelly O'Shea, Xylem vice president, chief corporate counsel & assistant corporate secretary; Bart Popa, FM Global senior account engineer; and John Warnet, FM Global senior account manager, at Xylem's headquarters in Rye Brook, New York, USA.



FM Global has been there throughout the journey.

XYLEM SOLVING WATER

A global water technology company redefines water while building resilience

Water. It is the most abundant chemical compound on the planet and yet, it is the world's most precious resource. By 2025, more than 1.8 billion people worldwide will be living in areas of absolute water scarcity.

Enter Xylem, a global water technology provider that harnesses the power of technology, data and expertise to solve water. A Fortune 1000 company with operations in more than 40 countries, Xylem is creating innovative and smart technology solutions to meet the world's water, wastewater and smart infrastructure needs.

FM Global has been there throughout the journey. As a trusted partner, FM Global has helped Xylem strengthen its business resilience as it has expanded its portfolio of water technology offerings.

Over the past seven years, Xylem has worked closely with FM Global to evaluate its assets and execute a robust plan to protect them.

"One of our top priorities has been to deepen our understanding of our entire manufacturing and distribution footprint…how each site contributes to the overall success of the company," explains Kelly O'Shea, former Senior Director of Risk Management and now Vice President, Chief Corporate Counsel & Assistant Corporate Secretary at Xylem Inc. "The FM Global account team has played an integral role in this work."

"We see the FM Global engineers as internal advisers."

1970 | ITT becomes FM Global client

2011 | Xylem becomes stand-alone company

2013 | Emmaboda, Sweden, location receives HPR award

2015 | Sprinkler project completed at Montecchio, Italy facility

2016 | Acquires smart technology leader Sensus

2018 | Montecchio earns HPR award

With deep knowledge of Xylem's production facilities, FM Global has helped Xylem advance its strategic approach to drive resilience. Today, a significant portion of Xylem's key facilities have attained Highly Protected Risk (HPR) status.

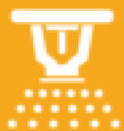
One priority was Xylem's production facility in Montecchio, Italy. The massive 350,000 square-foot (33,000-square-meter) location produces stainless steel components used in Xylem's water pumps. These products are used all over the world, from the agriculture and mining industries, to residential and municipal water systems.

As part of a companywide commitment to business resilience, Xylem, in consultation with FM Global, implemented a plan to upgrade and supplement the facility's sprinkler system while keeping the plant operational during construction.

Ultimately, the project was completed without a single lost day of production. With 90 percent of the square footage of the production facility now covered by sprinklers, Montecchio became the latest Xylem facility to earn an HPR award.

"We see the FM Global engineers as internal advisers," says Montecchio Plant Manager Davide Morsiani. "They are here to help us find the best way to make our facility safe with the most reasonable and sustainable investment."

SPRINKLERS INSTALLED BY FM GLOBAL CLIENTS



2017	2018	2015 – 2019
97.5 MILLION SQ FT	**104.1** MILLION SQ FT	**241,015** SQ FT AT XYLEM LOCATIONS

(LEFT) A cross-section of a Xylem water pump. (ABOVE) Bart Popa, John Warnet and Kelly O'Shea have driven risk improvements across Xylem's entire property portfolio.

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

Americas

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

Europe, Middle East and Africa

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

Asia/Pacific

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

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

Member of the FM Global Group

Corporate Insurance Services

Member of the FM Global Group

Member of the FM Global Group

Member of the FM Global Group

Member of the FM Global Group

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

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

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

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

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

Mutual Boiler Re provides boiler and machinery insurance in North America, specializing in mechanical, electrical and pressure systems breakdown treaty reinsurance and support services to the commercial property insurance marketplace. Today it works with more than 250 insurance companies, providing coverage to their policyholders.

The tables on page 28 provide a summary of FM Global's investment portfolios as of the end of 2018, including asset allocations and net asset values.

The financial markets environment in 2018 was overall very positive in the first three quarters, as bottom-up fundamentals remained strong amid a strong economic landscape with global synchronized growth and U.S. fiscal easing, and outlook remained positive. This optimism was, however, met with increased uncertainty due to global trade policy, geo-political concerns and Federal Reserve monetary policy outlook as communicated to the markets. The heightened uncertainty very quickly led to increases in market volatility in the fourth quarter, and a severe retracement in equity markets globally. U.S. equities detracted more than international equities in the fourth quarter, with international equities underperforming U.S. equities for the full year.

Late-stage investment cycle valuations kept equity allocations in check for FM Global's investment portfolio, and the proactive adjustments in allocations enabled us to navigate through the market volatility in a prudent manner. FM Global's equities allocation was lower at year-end 2018 at 40.5 percent as compared to 48.8 percent at year-end 2017. The reduction in allocations was primarily due to net sales in equities during the year and lower mark to market values. The adjustments in the portfolio resulted from sound bottom-up security level analysis-based process and top-down global macro considerations applied at the asset class and portfolio levels.

Fixed income allocations were increased, especially in the second half of the year, with net purchases in taxable debt securities and a smaller reduction in municipal debt securities. There was minimal change in allocations to the non-investment grade debt securities. This category remains a relatively small portion of the total fixed income allocation.

While the alternatives assets portfolio reflects little change in values and allocations from the prior year, the portfolio construction is undergoing long-term strategic adjustments. The alternatives portfolio is being constructed with more direct fund investments as opposed to fund of funds.

There was also an increase in the cash allocation due to market volatility and higher relative expected returns considerations. The cash allocation was also kept high for prudent liquidity management, maintaining strong liquidity for business operations purposes in volatile financial markets.

The investment portfolio ended 2018 with an asset allocation underweight to target policy allocation in equities, with the fixed income allocation just below target policy weights, and an overweight to short-term investments.

At the total portfolio level, there was increased focus on long-term strategic portfolio construction, asset allocation and risk management. An asset allocation study was conducted in the fourth quarter and will be used for 2019 strategic asset allocations. The primary strategic goal for Investments is to generate optimal risk adjusted returns, while managing downside risks in a prudent manner and maintaining strong liquidity for business cash flow purposes as needed, to enable FM Global to preserve and grow surplus over the long term. Investments continue to play a key role in building continued strength of FM Global's financial position and leadership in the property insurance business.

Real Estate

In addition to providing functional support to FM Global's business operations, the real estate group manages 3.5 million $ft.^2$ (329,000 m^2) of investment properties. These real property assets provide an additional element of portfolio diversification. They also provide a cost-effective approach in meeting FM Global's ongoing real estate needs, while enhancing the value of its properties. For 2018, commercial properties produced $122.9 million in revenue and $41.9 million in cash flow.

† All financial values in U.S. dollars.

Pretax Contribution to Surplus (in millions) †	2018	2017
Investment income	$ 393	$ 357
Net realized gains	940	407
Unrealized gains / (losses)	(1,608)	1,072
Total	$ (275)	$ 1,836

As of December 31 Holdings (in millions) †	2018 Total	 Percentage	2017 Total	 Total
Equity securities	$ 6,968	40.8%	$ 8,644	48.8%
Taxable debt securities	5,498	32.2	4,584	25.9
Municipal debt securities	1,604	9.4	1,946	11.0
Short-term funds	2,136	12.5	1,708	9.6
Alternative investments:				
Private equity	305	1.8	314	1.8
Hedge funds	559	3.3	512	2.9
Total	$ 17,070	100.0%	$ 17,708	100.0%

† All financial values in U.S. dollars.

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

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

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

These consolidated financial statements are subject to an evaluation of internal control over financial reporting conducted under the supervision and with the participation of management, including the chief executive officer and chief financial officer. Based on that evaluation, conducted under the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, management concluded that its internal control over financial reporting was effective as of December 31, 2018 and December 31, 2017.

Thomas A. Lawson
Chairman and
Chief Executive Officer

Kevin S. Ingram
Executive Vice President and
Chief Financial Officer

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

We have audited the accompanying consolidated financial statements of Factory Mutual Insurance Company and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in policyholders' surplus and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Factory Mutual Insurance Company and Subsidiaries at December 31, 2018 and 2017, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-09, *Financial Services – Insurance (Topic 944): Disclosures about Short-Duration Contracts* requires that the short-duration insurance contract disclosures for years prior to 2018 presented in Note 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the FASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

Boston, Massachusetts
February 26, 2019

CONSOLIDATED **BALANCE SHEETS**

(in thousands)

December 31	2018	2017
Assets		
Investments:		
Debt securities	$ 7,101,700	$ 6,529,600
Equity securities	6,968,400	8,644,400
Other securities	864,300	825,800
Real estate	605,000	616,200
Total Investments	15,539,400	16,616,000
Cash and cash equivalents	2,207,800	1,834,800
Recoverable from reinsurers	1,516,800	1,931,300
Premium receivable	877,900	744,900
Prepaid reinsurance premium	283,900	282,000
Premises and equipment	502,000	457,500
Other assets	1,279,700	1,380,400
Total Assets	$ 22,207,500	$ 23,246,900
Liabilities		
Unpaid losses and loss adjustment expenses	$ 6,286,200	$ 6,081,900
Reserve for unearned premium	2,618,600	2,347,900
Current and deferred income taxes	356,300	750,200
Other liabilities	1,119,500	1,038,400
Total Liabilities	10,380,600	10,218,400
Policyholders' surplus		
Accumulated other comprehensive income	1,335,300	2,187,100
Retained earnings	10,491,600	10,841,400
Total Policyholders' surplus	11,826,900	13,028,500
Total Liabilities and Policyholders' surplus	$ 22,207,500	$ 23,246,900

See accompanying notes.

CONSOLIDATED **STATEMENTS OF INCOME**

(in thousands)

Year ended December 31	2018	2017
Gross premium earned	$ 5,499,200	$ 5,342,600
Ceded premium earned	(1,607,400)	(1,432,800)
Net premium earned	3,891,800	3,909,800
Investment-related income	525,100	485,100
Fee-related income	70,300	72,800
Total revenue	4,487,200	4,467,700
Net losses and loss adjustment expenses	3,893,900	3,939,400
Insurance-related expenses	1,076,100	1,107,700
Investment-related expenses	211,600	201,400
Fee-related expenses	56,400	55,000
Total losses, loss adjustment and other expenses	5,238,000	5,303,500
Loss from operations	(750,800)	(835,800)
Net realized investment gains	940,100	407,100
Income / (loss) before income taxes	189,300	(428,700)
Income tax expense / (benefit)	27,900	(682,800)
Net income	$ 161,400	$ 254,100

See accompanying notes.

CONSOLIDATED **STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands)

Year ended December 31	2018	2017
Net income	$ 161,400	$ 254,100
Other comprehensive income / (loss):		
(Decrease)/increase in net unrealized appreciation on investments in debt and equity securities, net of income tax benefit of $332,400 in 2018 and income tax expense of $378,200 in 2017	(1,275,300)	694,200
Change in benefit plan assets and liabilities, net of income tax expense of $12,700 in 2018 and $22,600 in 2017	46,900	46,700
Foreign currency translation adjustment, net of income tax benefit of $21,900 in 2018 and income tax expense of $27,200 in 2017	(134,600)	112,900
Other comprehensive income / (loss)	(1,363,000)	853,800
Comprehensive income / (loss)	$ (1,201,600)	$ 1,107,900

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

(in thousands)

Year ended December 31	2018	2017
Retained earnings at beginning of year	$ 10,841,400	$ 10,587,300
Reclassification adjustment for stranded tax items	(511,200)	–
Net income	161,400	254,100
Retained earnings at end of year	10,491,600	10,841,400
Accumulated other comprehensive income at beginning of year	2,187,100	1,333,300
Other comprehensive income / (loss)	(1,363,000)	853,800
Reclassification adjustment for stranded tax items	511,200	–
Accumulated other comprehensive income at end of year	1,335,300	2,187,100
Policyholders' surplus at end of year	$ 11,826,900	$ 13,028,500

See accompanying notes.

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

(in thousands)

Year ended December 31	2018	2017
Operating activities		
Net income	$ 161,400	$ 254,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	75,000	71,000
Increase in premium receivable	(133,000)	(12,000)
Increase in unpaid losses and loss adjustment expenses	204,300	2,217,000
Increase / (decrease) in reserve for unearned premium	270,700	(104,100)
Decrease / (increase) in recoverable from reinsurers	414,500	(663,900)
Increase / (decrease) in current and deferred income taxes	222,800	(933,100)
Net realized investment gains	(940,100)	(407,100)
Increase in prepaid reinsurance premium	(1,900)	(34,800)
Other	(48,600)	3,900
Net cash provided by operating activities	225,100	391,000
Investing activities		
Net sales / (purchases) of short-term investments	127,500	(112,200)
Purchases of debt, equity and other securities	(4,967,900)	(3,909,300)
Sales and maturities of debt, equity and other securities	5,087,200	4,098,600
Capital expenditures	(99,100)	(99,200)
Other	200	(19,400)
Net cash provided by / (used) in investing activities	147,900	(41,500)
Increase in cash and cash equivalents	373,000	349,500
Cash and cash equivalents at beginning of year	1,834,800	1,485,300
Cash and cash equivalents at end of year	$ 2,207,800	$ 1,834,800

See accompanying notes.

(in thousands)

Note 1. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are stated in U.S. dollars and have been prepared on the basis of U.S. generally accepted accounting principles, which differ in some respects from statutory accounting practices prescribed or permitted by the State of Rhode Island and Providence Plantations, Department of Business Regulation, Insurance Division. On the basis of statutory accounting practices, consolidated policyholders' surplus was $11,241,300 and $12,501,800 at December 31, 2018 and 2017, respectively; net loss for the respective years then ended was $103,200 and $363,700.

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

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

Principles of Consolidation

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

Reclassification

Certain amounts reported in the notes to the 2017 Consolidated Financial Statements have been reclassified to conform to the 2018 presentation.

Cash Equivalents

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

Investments

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

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

Note 1. Significant Accounting Policies *(continued)*

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

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

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

In the normal course of business, the Company has investments in variable interest entities (VIEs) primarily as a passive investor in residential mortgage-backed securities, commercial mortgage-backed securities, and private equity limited partnerships issued by third party VIEs. The Company is not the primary beneficiary of these VIEs. The Company's maximum exposure to loss with respect to these investments is limited to the investment carrying values included in the Company's Consolidated Balance Sheets and the unfunded commitments related to partnerships and private equity investments. The Company has unfunded commitments of $443,800 and $413,000 as of December 31, 2018 and 2017, respectively.

Income Taxes

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

Tax years 2015 and later are still open to audit. There are no current IRS examinations in process.

Note 1. Significant Accounting Policies *(continued)*

Deferred Costs

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

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

Real Estate and Premises and Equipment

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

Unpaid Losses and Loss Adjustment Expenses

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

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

Premium

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

Translation of Foreign Currency

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

Note 1. Significant Accounting Policies *(continued)*

Reinsurance

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

Retirement Income Plans and Postretirement Benefit Plans Other than Pensions

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

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

Investment-Related and Fee-Related Income

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

Recent Accounting Pronouncements Adopted

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

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which permits recognition of a reclassification adjustment between accumulated other comprehensive income (AOCI) and retained earnings for stranded tax amounts related to the reduced corporate tax rate enacted under the Tax Cuts and Jobs Act of 2017. As permitted under its provisions, the Company early adopted the accounting guidance effective for the year ended December 31, 2018. The impact from early adoption resulted in a net increase to AOCI and a reduction to retained earnings of $511,200.

Note 1. Significant Accounting Policies *(continued)*

Accounting Standards Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes existing revenue recognition guidance with a single model, unless a contract is within the scope of another standard. Under the new guidance, companies must allocate the total contract price to distinct contract components on a standalone selling price basis and recognize revenue upon fulfillment of each performance obligation and provide additional disclosures. The FASB subsequently issued ASU 2015-14, which defers the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2018. The Company has determined that the adoption of this standard in 2019 will not have a significant impact on its consolidated financial position and results of operations. The Company is evaluating the impact that the adoption will have on its related disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires equity investments to be measured at fair value, with changes in fair value recognized in net income. The update is effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. The Company is evaluating the impact that the adoption will have on its financial statements and related disclosures.

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

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires that an employer reports service costs with other compensation costs arising from services rendered by employees during the period. The update is effective for annual reporting periods beginning on or after December 15, 2018. The Company believes service costs will not be material and will be reported in the related disclosures, so adoption of this standard should have minimal impact on its financial statements.

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

(in thousands)

Note 2. Investments

Debt and Equity Securities

The following is a summary of securities at December 31, 2018:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. Treasury securities and obligations of U.S. government agencies	$ 1,138,900	$ 25,000	$ (17,800)	$ 1,146,100
Obligations of states and political subdivisions	1,586,600	21,500	(8,700)	1,599,400
Mortgage and asset-backed securities:				
Agency	1,123,300	13,200	(21,600)	1,114,900
Commercial	163,800	600	(2,600)	161,800
Other mortgage and asset-backed securities	292,900	3,400	(2,200)	294,100
U.S. corporate securities	1,442,400	20,900	(41,700)	1,421,600
Foreign government securities	931,400	6,900	(1,600)	936,700
Other debt securities	433,100	700	(6,700)	427,100
Total debt securities	7,112,400	92,200	(102,900)	7,101,700
Equity securities:				
Consumer discretionary	563,100	602,300	(12,700)	1,152,700
Consumer staples	385,300	285,000	(11,700)	658,600
Energy	212,600	129,500	(8,400)	333,700
Financials	545,200	397,500	(6,500)	936,200
Health care	477,700	336,800	(25,400)	789,100
Industrials	291,900	220,400	(4,500)	507,800
Information technology	342,200	698,000	(11,700)	1,028,500
Mutual funds (international and emerging markets)	892,300	172,500	(23,500)	1,041,300
All other sectors	267,600	254,900	(2,000)	520,500
Total equity securities	3,977,900	3,096,900	(106,400)	6,968,400
Total debt and equity securities	$ 11,090,300	$ 3,189,100	$ (209,300)	$ 14,070,100

(in thousands)

Note 2. Investments *(continued)*

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

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

During the years ended December 31, 2018 and 2017: purchases of debt securities were $3,314,200 and $3,138,200, respectively; purchases of equity securities were $1,536,800 and $740,700, respectively; proceeds from the sale of debt securities were $2,280,000 and $2,693,900, respectively; and proceeds from the sale of equity securities were $2,570,700 and $1,226,100, respectively.

The gross realized gains and (losses) on sales of debt and equity securities totaled $1,071,900 and $(47,000) in 2018, and $420,500 and $(43,800) in 2017.

(in thousands)

Note 2. Investments *(continued)*

The amortized cost and fair value of debt securities at December 31, 2018 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ 111,100	$ 111,000
Due after one year through five years	2,657,500	2,665,900
Due after five years through ten years	2,405,300	2,397,400
Due after ten years	358,500	356,600
Subtotal	5,532,400	5,530,900
Mortgage and asset-backed securities	1,580,000	1,570,800
Total debt securities	$ 7,112,400	$ 7,101,700

The Company has temporarily loaned certain debt securities with a fair value of $109,000 and $274,300 at December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the Company held total collateral values of $111,400 and $280,100 related to these securities, of which cash collateral included in other assets and other liabilities were $87,200 and $88,200, respectively.

Included in the Company's debt security portfolio are securities with unrealized losses deemed to be temporary. The total unrealized loss on these securities was $102,900 (fair value of $3,886,700) at December 31, 2018, and $43,600 (fair value of $3,144,100) at December 31, 2017. The amount of loss that existed for 12 months or more was immaterial for both 2018 and 2017. In reaching its conclusion that these impairments are temporary, the Company considered issuer specific circumstances as well as the fact that the Company does not intend to sell these securities and it is unlikely that the Company will be required to sell before they recover in value or mature.

Included in the Company's equity security portfolio are securities with unrealized losses deemed to be temporary. The total unrealized loss on these securities was $106,400 (fair value of $921,200) at December 31, 2018 and $37,100 (fair value of $305,600) at December 31, 2017. The amount of loss that existed for 12 months or more was immaterial for both 2018 and 2017. In reaching its conclusion that these impairments are temporary, the Company considered the duration and severity of the decline as well as the near-term prospects of the issuer. The Company believes these securities will appreciate over time, and the Company has the ability and intent to hold these securities.

During the years ended December 31, 2018 and 2017, net realized investment gains on other securities were $45,100 and $55,000, respectively.

Credit Risk

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

Note 3. Fair Value

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

(in thousands)

Note 3. Fair Value *(continued)*

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

Level 1 Quoted prices for identical instruments in active markets.

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

Level 3 Significant inputs to the valuation model are unobservable.

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

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

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

The Company did not hold any assets classified as Level 3 in 2018 or 2017.

The following table presents the Company's invested assets measured at fair value as of December 31, 2018:

Invested Assets, at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities	$ 7,101,700	$ –	$ 7,101,700
Equity securities	6,968,400	6,968,400	–
Total	$ 14,070,100	$ 6,968,400	$ 7,101,700

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

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

(in thousands)

Note 3. Fair Value *(continued)*

All debt securities are measured at fair value and are classified as Level 2 with the exception of certain short-term securities, which were priced using quoted market prices and therefore classified as Level 1 at December 31, 2017. See Note 2 for a breakout of debt securities by category.

All equity securities are priced using quoted market prices and classified as Level 1 apart from certain mutual funds, which were priced by the manager using other observable inputs and therefore classified as Level 2 at December 31, 2017. See Note 2 for a breakout of equity securities by category.

There were no transfers of securities between Levels 1 and 2 in 2018 or 2017.

Securities lending collateral held at December 31, 2018 and 2017 is classified as Level 1.

Note 4. Membership Credit

In 2016 and 2017, the Company's Board of Directors approved a membership credit to eligible policyholders that renewed their policies during the membership credit periods of June 30, 2016 through June 29, 2017 and June 30, 2017 through June 29, 2018, respectively, in the form of a premium offset at the time of policy renewal. The membership credit is earned over the related policy renewal terms. The impact of membership credits during the years ended 2018 and 2017 was a reduction to gross written premium of $215,300 and $415,200, respectively; and a reduction to gross earned premium of $355,600 and $226,200, respectively.

Note 5. Reinsurance

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

The effect of reinsurance on written premium is as follows:

	Year ended December 31	
	2018	2017
Gross written premium	$ 5,789,000	$ 5,191,800
Ceded written premium	(1,692,400)	(1,411,800)
Net written premium	$ 4,096,600	$ 3,780,000

Ceded losses and loss adjustment expenses incurred for the years ended December 31, 2018 and 2017 were $465,500 and $1,232,800, respectively.

(in thousands)

Note 6. Unpaid Losses and Loss Adjustment Expenses

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

	Year ended December 31	
	2018	2017
Gross unpaid as of January 1	$ 6,081,900	$ 3,864,900
Less: unpaid reinsurance recoverables	1,754,200	1,146,200
Net unpaid as of January 1	4,327,700	2,718,700
Net incurred related to:		
Current year	4,012,800	4,122,000
Prior years	(118,900)	(182,600)
Total net incurred	3,893,900	3,939,400
Net paid related to:		
Current year	1,123,100	1,161,300
Prior years	2,175,200	1,169,100
Total net paid	3,298,300	2,330,400
Gross unpaid as of December 31	6,286,200	6,081,900
Less: unpaid reinsurance recoverables	1,362,900	1,754,200
Net unpaid as of December 31	$ 4,923,300	$ 4,327,700

The 2018 and 2017 decreases in net incurred on insured events for prior years were due to the reduction of incurred-but-not-reported (IBNR) reserves based on actual experience and decreases on a small number of individual losses.

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

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

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

The following disclosures reflect only commercial property insurance from the Company's continuing book of business and excludes other short-duration lines of business that are considered immaterial and discontinued lines of business.

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

(in thousands)

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

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

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

There have been no significant changes to the methodology used to establish IBNR during 2018 or 2017.

Due to the short-tail nature of commercial property insurance, the disclosures below reflect the undiscounted information as of December 31, 2018 and for each of the four previous accident years.

All amounts have been translated from the local currency to U.S. dollars using the December 31, 2018 foreign exchange rates for all years presented to isolate changes in foreign exchange from loss development.

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

	Incurred Loss and LAE, Net of Reinsurance, as of December 31,					As of December 31, 2018	
Accident Year	2014	2015	2016	2017	2018	IBNR	Cumulative Reported Claims
	Supplemental and Unaudited						
2014	$2,067,200	$1,885,400	$1,834,900	$1,822,600	$ 1,811,600	$ 2,300	8,679
2015		1,957,800	1,718,200	1,678,800	1,690,900	29,900	8,594
2016			2,099,900	1,934,100	1,887,200	3,600	8,997
2017				4,015,400	3,955,400	115,100	11,165
2018					3,871,400	422,300	9,248
Total					$ 13,216,500		

	Cumulative Paid Loss and LAE, Net of Reinsurance, as of December 31,				
Accident Year	2014	2015	2016	2017	2018
	Supplemental and Unaudited				
2014	$754,600	$1,564,500	$1,745,700	$1,783,300	$ 1,803,000
2015		544,500	1,310,200	1,536,800	1,586,800
2016			711,300	1,548,500	1,849,100
2017				1,040,800	2,790,800
2018					1,087,400
Total					$ 9,117,100
Unpaid Losses and LAE Prior to 2014, Net of Reinsurance					$ (6,400)
Total Unpaid Losses and LAE, Net of Reinsurance					$ 4,093,000

(in thousands)

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

The following disclosure presents the average annual payout of incurred claims by age, net of reinsurance, as of December 31, 2018:

	Average Annual Percentage of Payments on Incurred Claims by Age, Net of Reinsurance				
Years	1	2	3	4	5
	Supplemental and Unaudited				
	33.2%	44.7%	13.1%	2.5%	1.1%

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

	As of December 31, 2018
Commercial property	$ 4,093,000
Other short-duration insurance lines of business	41,100
Unpaid losses and LAE, net of reinsurance	$ 4,134,100
Commercial property	$ 749,000
Reinsurance recoverable on unpaid losses and LAE	$ 749,000
Discontinued lines of business	$ 1,421,500
Foreign exchange	(18,400)
Other gross unpaid losses and LAE	$ 1,403,100
Total gross unpaid losses and LAE	$ 6,286,200

Note 7. Real Estate and Premises and Equipment

Real estate and premises and equipment at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Land and buildings	$ 1,440,300	$ 1,397,000
Furniture, fixtures, and equipment	499,400	465,200
Accumulated depreciation	(832,700)	(788,500)
Total	$ 1,107,000	$ 1,073,700

During 2018 and 2017, depreciation expense for real estate and premises and equipment was $75,000 and $71,000, respectively.

(in thousands)

Note 8. Leases

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

Future minimum lease payments at December 31, 2018, under operating leases with terms of one year or more are, in aggregate, $275,600. The future minimum lease payments for each of the five succeeding years from 2019 to 2023 are $43,900, $38,900, $30,700, $25,000, and $24,500, respectively.

During 2018 and 2017, rent expense for all operating leases was $54,200 and $43,600, respectively.

Note 9. Income Taxes

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduced the U.S. federal corporate tax rate from 35 percent to 21 percent as of January 1, 2018, requiring companies to revalue their deferred tax balances, pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously not recognized by the Company, and created new taxes on certain foreign source earnings. A net tax expense / (benefit) amount of $6,900 and $(498,700) has been recognized, which is included as a component of the income tax expense / (benefit) on the Consolidated Statements of Income, for the years ended December 31, 2018 and 2017, respectively.

The Company has remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21 percent. The amount recorded related to the remeasurement of the deferred tax balance was a tax benefit of $511,200 in 2017.

The one-time transition tax is based on the Company's total post-1986 tax-basis earnings and profits (E&P) that was previously not recognized for U.S. income tax purposes. The Company has recorded an amount for the one-time transition tax liability for the foreign subsidiaries, resulting in an increase in income tax expense of $4,700 and $10,000 during the years ended December 31, 2018 and 2017, respectively. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in these entities (i.e., basis difference in excess of that subject to the one-time transition tax) is not practicable.

The Act also subjects a U.S. shareholder to current tax on Global Intangible Low-Taxed Income (GILTI) earned by certain foreign subsidiaries. The effect of GILTI on income tax is immaterial and is reported in the tax effect of foreign operations.

The following is the current and deferred income tax expense / (benefit) for the years ended December 31, 2018 and 2017:

	2018	2017
Current income tax expense / (benefit)	$ 76,000	$ (241,000)
Tax expense / (benefit) due to change in tax law	6,900	(498,700)
Deferred income tax (benefit) / expense	(55,000)	56,900
Total income tax expense / (benefit)	$ 27,900	$ (682,800)

(in thousands)

Note 9. Income Taxes *(continued)*

A reconciliation of income tax expense / (benefit) computed at U.S. Federal statutory tax rates to the income tax expense / (benefit) as included in the accompanying Consolidated Statements of Income follows for the years ended December 31, 2018 and 2017:

	2018	2017
Income tax expense / (benefit) at U.S. Federal statutory tax rate	$ 39,800	$ (150,100)
Tax effect of:		
Nontaxable investment income	(20,100)	(41,400)
Tax expense / (benefit) due to change in tax law	6,900	(498,700)
Effect of foreign operations	15,100	8,600
Other	(13,800)	(1,200)
Actual income tax expense / (benefit)	$ 27,900	$ (682,800)

The significant components of the net deferred tax liability at December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred tax liabilities:		
Deferred acquisition costs	$ (14,300)	$ (16,200)
Unrealized appreciation	(597,200)	(922,700)
Other investment items	–	(6,700)
Deferred tax on foreign income	(50,100)	(11,600)
Other	(34,700)	(21,100)
Total deferred tax liabilities	(696,300)	(978,300)
Deferred tax assets:		
Unpaid claims discounting	20,100	20,100
Unearned premium reserve	78,400	70,700
Compensation accruals	48,100	35,200
Benefit plan expenses	25,300	32,100
Unrealized investment losses	57,800	40,600
Tax credits	14,800	–
Deferred foreign losses	95,100	16,200
Unrelieved foreign tax	43,700	34,200
Other	42,600	25,700
Total deferred tax assets	425,900	274,800
Valuation allowance	(84,100)	(49,300)
Net deferred tax assets	341,800	225,500
Net deferred tax liability	$ (354,500)	$ (752,800)

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

Income tax paid during 2018 and 2017 was $241,000 and $252,000, respectively. In addition, the Company received income tax refunds of $436,000 during 2018 and no income tax refunds in 2017.

Note 9. Income Taxes *(continued)*

The calculation of the Company's tax liability involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across its global operations. A tax benefit is recognized when it is more likely than not that the position will be sustained on examination, on the basis of technical merits. The Company records unrecognized tax benefits as liabilities in accordance with *ASC 740* and adjust these liabilities when its judgement changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the unrecognized tax benefit. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

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

Included in other assets on the Consolidated Balance Sheets are current income taxes recoverable of $183,900 and $459,000 at December 31, 2018 and 2017, respectively.

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

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

The Company provides health care and life insurance benefits for certain retired employees and their dependents. Employees hired on or after January 1, 2000, and employees that were active employees on January 1, 2000 and had not reached the age of 30 as of January 1, 2000 are not eligible for retiree medical benefits. Eligibility of other employees hired prior to January 1, 2000 and retiring subsequent to that date depends on whether they meet certain age and service requirements at retirement. The plan is generally contributory, with retiree contributions adjusted annually, and contains other cost-sharing features, including deductibles and coinsurance. Certain retirees transitioned to the individual Medicare market effective January 1, 2014 and others will transition on January 1, 2019 and January 1, 2020 respectively. Retirees and dependents enrolled in the individual Medicare market participate in a Retiree Health Reimbursement Account.

(in thousands)

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

Obligations and funded status are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Benefit obligations	$ 2,886,200	$ 3,076,300	$ 169,200	$ 215,200
Fair value of plan assets	2,761,500	2,965,300	133,500	155,500
Funded status, end of year	$ (124,700)	$ (111,000)	$ (35,700)	$ (59,700)

The accumulated benefit obligations for the pension and supplemental benefits plans were $2,457,600 and $2,593,800, at December 31, 2018 and 2017, respectively.

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

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Asset	$ 157,200	$ 171,100	$ –	$ –
Liability	(281,900)	(282,100)	(35,700)	(59,700)
Total	$ (124,700)	$ (111,000)	$ (35,700)	$ (59,700)

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

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Net actuarial loss	$ 774,900	$ 806,500	$ 43,600	$ 49,200
Prior service cost / (credit)	7,300	8,200	(16,600)	5,000
Net transition asset	(200)	(300)	–	–
Total	$ 782,000	$ 814,400	$ 27,000	$ 54,200

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

	Dec. 31, 2018	Dec. 31, 2017
Projected benefit obligation, end of year	$ 267,500	$ 282,100
Accumulated benefit obligation, end of year	218,300	226,900
Fair value of plan assets, end of year	–	–

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

	Dec. 31, 2018	Dec. 31, 2017
Projected benefit obligation, end of year	$ 629,600	$ 282,100
Fair value of plan assets, end of year	347,700	–

(in thousands)

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

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

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Current year actuarial loss / (gain)	$ 13,300	$ (33,800)	$ (2,300)	$ 6,200
Amortization of actuarial loss	(44,900)	(44,600)	(3,300)	(3,400)
Prior service costs / (credit)	–	8,300	(19,900)	–
Amortization of prior service cost	(900)	(600)	(1,700)	(1,500)
Amortization of net transition asset	100	100	–	–
Total recognized in other comprehensive loss / (income)	(32,400)	(70,600)	(27,200)	1,300
Net periodic benefit cost	61,600	61,100	4,200	6,200
Total recognized in net periodic benefit cost and other comprehensive loss / (income)	$ 29,200	$ (9,500)	$ (23,000)	$ 7,500

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2019 are as follows:

	Pension and Supplemental Benefits	Other Benefits
Actuarial loss	$ 26,700	$ 3,500
Prior service cost / (credit)	700	(3,400)
Net transition asset	(100)	–
Total	$ 27,300	$ 100

Assumptions

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

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Discount rate	4.08%	3.46%	4.06%	3.50%
Rate of compensation increase	4.52%	4.52%	4.36%	4.39%

Assumed health care cost trend rates:

	Other Benefits	
	Dec. 31, 2018	Dec. 31, 2017
Initial rate	6.81%	6.89%
Ultimate rate	5.00%	5.00%
Years to ultimate	5 years	6 years

(in thousands)

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

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

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Discount rate	3.46%	3.80%	3.50%	3.98%
Expected long-term return on plan assets	6.72%	6.63%	6.50%	6.50%
Rate of compensation increase	4.52%	4.51%	4.39%	4.40%

Assumed health care cost trend rates:

	Other Benefits	
	Dec. 31, 2018	Dec. 31, 2017
Initial rate	6.89%	6.97%
Ultimate rate	5.00%	5.00%
Years to ultimate	6 years	7 years

Pension and Supplemental Benefit Plan Assets

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

	Target Allocation	Percentage of Plan Assets	
Asset Class	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Equity securities	55%	59%	64%
Debt securities	33	31	24
Cash equivalents	7	6	8
Other	5	4	4
Total	100%	100%	100%

The maturities of debt securities are as follows:

	Dec. 31, 2018	Dec. 31, 2017
Maturity range	0 – 40 years	0 – 40 years
Weighted-average maturity	16.73 years	15.20 years

(in thousands)

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

The fair value measurements of pension and supplemental benefit plan assets at December 31, 2018, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity securities (a):			
Consumer discretionary	$ 187,600	$ 187,600	–
Consumer staples	84,300	84,300	–
Energy	71,900	71,900	–
Financials	215,300	215,300	–
Health care	155,900	155,900	–
Industrials	104,600	104,600	–
Information technology	217,900	217,900	–
Mutual funds	495,300	290,000	$ 205,300
All other sectors	86,500	86,500	–
Total equity securities	1,619,300	1,414,000	205,300
Debt securities (b):			
U.S. Treasury securities and obligations of U.S. government agencies	358,800	–	358,800
Mortgage and asset-backed securities			
Agency	72,700	–	72,700
Other mortgage and asset-backed securities	18,000	–	18,000
U.S. corporate securities	282,700	–	282,700
Mutual funds	126,400	–	126,400
Total debt securities	858,600	–	858,600
Cash equivalents	160,200	160,200	–
Total	$ 2,638,100	$ 1,574,200	$ 1,063,900

(a) Includes common stocks and equity mutual funds of which $125,500 were on loan under a securities lending program as of December 31, 2018.

(b) Includes $132,600 of debt securities that were on loan under a securities lending program as of December 31, 2018. The total collateralized value of these loaned securities for both items (a) and (b) was $263,500 and consisted of $150,400 in Level 1 short-term and money market investments and $113,100 in Level 2 government agency debt securities.

Pension assets as of December 31, 2018 include $123,400 of private equity partnerships and hedge funds measured at fair value using net asset value (NAV).

(in thousands)

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

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

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity securities (a):			
Consumer discretionary	$ 186,400	$ 186,400	–
Consumer staples	112,500	112,500	–
Energy	101,100	101,100	–
Financials	248,500	248,500	–
Health care	198,300	198,300	–
Industrials	131,600	131,600	–
Information technology	240,200	240,200	–
Mutual funds	568,100	333,600	$ 234,500
All other sectors	104,100	104,100	–
Total equity securities	1,890,800	1,656,300	234,500
Debt securities (b):			
U.S. Treasury securities and obligations of U.S. government agencies	233,900	–	233,900
Mortgage and asset-backed securities			
Agency	72,300	–	72,300
Other mortgage and asset-backed securities	25,500	–	25,500
U.S. corporate securities	234,600	–	234,600
Mutual funds	135,600	–	135,600
Total debt securities	701,900	–	701,900
Cash equivalents	247,800	247,800	–
Total	$ 2,840,500	$ 1,904,100	$ 936,400

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

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

Pension assets as of December 31, 2017 include $124,800 of private equity partnerships, hedge funds and a real estate partnership measured at fair value using net asset value (NAV).

(in thousands)

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

Other Postretirement Benefit Plan Assets

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

	Target Allocation	Percentage of Plan Assets	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Asset Class			
Equity securities	80%	87%	89%
Cash equivalents	20	13	10
Other	–	–	1
Total	100%	100%	100%

The fair value measurements of other postretirement benefit plan assets at December 31, 2018 and 2017, consisting of all Level 1 assets, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Dec. 31, 2018	Dec. 31, 2017
Equity securities:		
Consumer discretionary	$ 19,200	$ 16,500
Consumer staples	9,300	12,000
Energy	7,000	9,500
Financials	13,200	16,100
Health care	17,000	20,600
Industrials	9,200	15,600
Information technology	22,700	23,200
Mutual funds	11,400	14,000
All other sectors	7,400	11,800
Total equity securities	116,400	139,300
Cash equivalents	17,100	15,700
Total	$ 133,500	$ 155,000

Other postretirement benefit plan assets as of December 31, 2017 include $500 related to a real estate partnership measured at fair value using net asset value (NAV).

(in thousands)

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

Pension and Postretirement Plans Asset Investment Narrative

The investment policy of the pension and postretirement plans specify the types of securities that may be used, the limits on the amount of the asset classes and subclasses, and the general principles used in managing the plans' assets. The overriding objective is to maximize plan surplus and long-term total return of plan assets within constraints established to control risk and volatility. The asset allocation is segregated within three primary asset classes representing the first layer of asset allocation. The broad categories are equities, fixed income, and cash and cash equivalents. The broad equities allocation also includes limits within domestic small cap and international equities categories, and lower thresholds for private equity and real estate. The current approved ranges for the three asset classes in the U.S. pension fund, which is also the largest of the retirement plans, are as follows:

Asset Class	Range
Equities	50 – 80%
Fixed income	10 – 50%
Cash and cash equivalents	0 – 15%

The portfolio construction is based on prudent investment principles including diversification of securities and ongoing analysis of the fundamental and valuation factors underlying the securities owned, and external funds managed.

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

The fixed income allocation consists of debt securities, including individual securities, primarily in the high-grade taxable subcategory, debt mutual funds, as well as an outside managed portfolio of U.S. high-yield bonds. Debt securities are actively managed, using best practices investment disciplines and provide a lower risk, high quality complement to the total pension investment portfolio.

The cash and cash equivalent category includes short-term investments, defined as debt securities with a maturity of less than one year, and are held primarily for liquidity purposes and secondarily to reduce duration of fixed income securities when warranted by interest rate levels. Capital preservation is the primary consideration of investment in this asset class therefore, only the highest quality investments are used. This is principally money market funds and commercial paper carrying the highest quality ratings.

(in thousands)

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

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

Cash Flows

Employer Contributions	Pension and Supplemental Benefits	Other Benefits
2017	$ 30,900	$ –
2018	6,000	–
2019 (expected)	3,200	–

Contributions by participants to the other benefit plans were $1,400 and $6,600 for the years ended December 31, 2018 and 2017, respectively.

Benefit Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2017	$ 90,500	$ 13,300	$ 1,000
2018	105,500	12,800	900

Estimated Future Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2019	$ 99,700	$ 12,000	$ 900
2020	102,000	12,000	500
2021	108,500	12,000	500
2022	113,300	11,700	400
2023	119,200	11,300	400
2024 – 2028	693,300	51,700	1,600

The Company also sponsors a 401(k) savings plan whereby eligible employees may elect annually to contribute from 1 percent to 50 percent of their base pay on a pretax or after-tax basis. Employee contributions are restricted to Internal Revenue Service limits. The Company matches pretax and after-tax contributions up to 6 percent of the employee's base pay. Company contributions to the plan were $22,100 in 2018 and $21,300 in 2017.

(in thousands)

Note 11. Components of Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income by component, net of income tax, for the year ended December 31, 2018 are as follows:

	Unrealized Appreciation on Investments in Debt and Equity Securities	Benefit Plan Assets and Liabilities	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income
Balance at January 1, 2018	$ 3,014,400	$ (578,200)	$ (249,100)	$ 2,187,100
Other comprehensive (loss) / income before reclassifications	(568,000)	6,800	(134,600)	(695,800)
Amount reclassified from accumulated other comprehensive (loss) / income	(707,300)	40,100	–	(667,200)
Net current period other comprehensive (loss) / income	(1,275,300)	46,900	(134,600)	(1,363,000)
Reclassification adjustment for stranded tax items	618,100	(108,500)	1,600	511,200
Balance at December 31, 2018	$ 2,357,200	$ (639,800)	$ (382,100)	$ 1,335,300

The following are reclassifications out of accumulated other comprehensive income to net income for the year ended December 31, 2018:

Unrealized appreciation of investment in debt and equity securities:		
Net realized investment gains	$ 1,032,900	
Other than temporary impairment losses	(137,900)	
Total before tax	895,000	
Income tax expense	(187,700)	
Net of tax	$ 707,300	
Amortization of benefit plan amounts:		
Actuarial losses	$ (48,200)	(a)
Prior service cost	(2,600)	(a)
Net transition asset	100	(a)
Total before tax	(50,700)	
Income tax benefit	10,600	
Net of tax	$ (40,100)	

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

(in thousands)

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

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

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

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

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

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

Note 12. Subsequent Events

Subsequent events were evaluated through February 26, 2019, the date the consolidated financial statements were available to be issued. No material transactions occurred after the balance sheet date that would impact the consolidated financial statements.

Thomas A. Lawson
Chairman and
Chief Executive Officer

Bret N. Ahnell
Executive Vice President

Kevin S. Ingram
Executive Vice President
Chief Financial Officer

Chris Johnson
Executive Vice President

Malcolm C. Roberts
Executive Vice President

Michael R. Turner
Executive Vice President

Gerardo L. Alonso
Senior Vice President
Eastern Division

Darren J. Benson
Senior Vice President
Claims

Kevin L. Bradshaw
Senior Vice President
Western Division

Roberta H. Butler
Senior Vice President
Marketing and
Enterprise Learning

Brion E. Callori
Senior Vice President
Engineering and Research

Sanjay Chawla
Senior Vice President
Chief Investment Officer

Deanna R. Fidler
Senior Vice President
Chief Human Resources Officer

James R. Galloway
Senior Vice President
Division Manager
AFM

Randall E. Hodge
Senior Vice President
Chief Underwriting Officer

Derry K. Johnson
Senior Vice President
Sales

Kenneth V. Lavigne
Senior Vice President
Canada Division

Michael C. Lebovitz
Senior Vice President
Innovation

Jeanne R. Lieb
Senior Vice President
Information Services

Jonathan I. Mishara
Senior Vice President
Chief Legal Officer

James P. O'Brien
Senior Vice President
Central Division

George J. Plesce
Senior Vice President
Client and Global Services

Stefano Tranquillo
Senior Vice President
EMEA/Asia Pacific Division

Neal H. Bear
Operations Senior Vice President
San Francisco Operations

Lyndon D. Broad
Operations Senior Vice President
Boston Operations

Benoit Charbonneau
Operations Senior Vice President
Montreal Operations

Christopher M. Dempsey
Operations Senior Vice President
Chicago Operations

Richard M. Gillen
Operations Senior Vice President
Mutual Boiler Re

Achim Hillgraf
Operations Senior Vice President
Frankfurt Operations

Johnell Holly
Operations Senior Vice President
New York Operations

Heidi L. Hull
Operations Senior Vice President
Cleveland Operations

Allan J. Johnson
Operations Senior Vice President
Forest Products

Philip Johnson
Operations Senior Vice President
London Operations

Thierry Masurel
Operations Senior Vice President
Paris Operations

Brian M. Nyquist
Operations Senior Vice President
Business Technology
Transformation

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

Douglas S. Patterson
Operations Senior Vice President
Dallas Operations

Vincent A. Reyda
Operations Senior Vice President
Client Serivce and
Market Relations

Lynette K. Schultheis
Operations Senior Vice President
Australia Operations

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

Carl W. Solly
Operations Senior Vice President
Atlanta Operations

Ziad Alex S. Tadmoury
Interim President and CEO
Hobbs Brook Management LLC
Operations Senior Vice President
Compliance and Real Estate

David R. Thoman
Operations Senior Vice President
Los Angeles Operations

David M. Thompson
Operations Senior Vice President
Toronto Operations

Steven J. Wrinkle
Operations Senior Vice President
Chemical Operations

Sean A. Bishoff
Regional Senior Vice President
AFM

Rodrigo Diaz
Regional Senior Vice President
Latin America Operations

David M. Johnson
Regional Senior Vice President
Asia Operations

Gervais Landry
Regional Senior Vice President
AFM

Loïc Le Dréau
Regional Senior Vice President
AFM

David L. Mackin
Regional Senior Vice President
AFM

Cynthia A. Meek
Regional Senior Vice President
AFM

Jeffrey J. Beauman
Vice President
Chief Underwriter

Denise A. Hebert
Vice President
Treasurer

Theresa A. Molloy
Vice President
Controller

Pentti Tofte
Vice President
Data Analytics

Canada Division

Len Bourdin
Director, Corporate Health Safety and Risk Management
Millar Western

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

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

Ginette Demers
Director, Risk Management and Insurance
Domtar

Alina Kanadjian
Manager, Risk and Insurance
CAE Inc.

Darren W. Marsh
Manager
Operational Risk and Insurance
Nalcor Energy

John Ormond
Vice President
Risk Management
Yamana Gold

Raluca Raileanu
Senior Risk Manager
Gildan

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

Alain Simard
Risk and Real Estate Director
Saputo Inc.

Renee Simms
Assistant Vice President
Insurance
RioCan

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

Cathy Taylor
Director
Risk and Insurance
Centerra Gold, Inc.

Michel Turcotte
Senior Director
Risk and Insurance
Ivanhoe Cambridge

Chukie Wijegoonewardane
Director
Risk and Treasury
Chemtrade Logistics Inc.

Central Division

Brittany Altstaetter
Director
Enterprise Risk Management
Worthington Industries, Inc.

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

Lara Baugh
Director, Risk Management
Deere & Company

Ann Marie Bitta
Director
Global Risk Management
Abbott Laboratories

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

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

Benji Dyches
Senior Risk and Insurance
Jabil Circuit Inc.

John Farrell
Senior Manager Insurance and Risk Finance
Novelis, Inc.

Karen J. Golden
Director
Risk Management
Navistar, Inc.

Chris Harden
Director, Risk Management
AGCO Corporation

Lisa Hough
Manager, Risk Management
Omaha Public Power District

Charles Kolodkin
Executive Director
Enterprise Risk and Insurance
Cleveland Clinic

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

Michael G. McFarland
Director of Enterprise Risk Management
Great River Energy

Holly Meidl
Vice President, Risk Services
Ascension Care Management

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

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

Mary Beth Smykowski
Director, Risk Management
Masco Corporation

Jeff Stevens
Manager
Risk Management and Insurance
Caterpillar Inc.

Douglas A. Troupe
Director
Insurance Risk Management
Tenaska Inc.

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

Roxsann Wilson
Vice President
Risk Management
Cardinal Health, Inc.

Eastern Division

Ronald Allen
Director of Risk Management
Altria Group Inc.

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

Anthony Avitabile
Vice President of Industry Risk Management
Major League Baseball

Connie Bartels
Senior Director
Risk Management
United Technologies Corporation

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

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

Christopher de Wolfe
Director of Risk Management
MARS Incorporated

Maria C. Diaz
Director
Global Risk Management
Xerox Corporation

Jason Duffy
Vice President
Insurance and Risk Management
FMR LLC

Katie Elflein
Senior Director
Risk Management
Celgene Corporation

Robert H. Fetter
Vice President
Risk Management
Thermo Fisher Scientific

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

Terrie Graham
Director, Insurance and Risk Management
Raytheon Company

Michael E. Harrington
Director, Risk Management
Lockheed Martin Corporation

Kevin P. Lang
Director
Risk Management
Ingersoll-Rand plc

Gary W. Langsdale
University Risk Officer
The Pennsylvania State University

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

R. Scott McCurdy
Executive, Insurance
General Electric Company

Brian W. Merkley
Global Director
Corporate Risk Management
Huntsman Corporation

William Milaschewski
Director, Risk Management
Cabot Corporation

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

Thomas Patchel
Director of Risk Management
TE Connectivity Ltd.

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

Charles W. Scott, Jr.
Assistant Treasurer
FMC Corporation

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

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

Steven T. Wilking
Managing Director
Risk Management
Tishman Speyer

EMEA Division

Robert Ashmore
Group Insurance Director
Reckitt Benckiser Group plc

Klaus Braukmann
Group Insurance Manager
Conti Versicherungsdienst

Sonia Cambier
Global Head of Insurance and Prevention
Solvay S.A.

Tony Dimond
Group Risk Officer
DS Smith

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

Anne-Marie Fournier
Risk Manager
Kering

Carine Habay Bony
Group Insurance Director
Danone

Sabrina Hartusch
Global Head of Insurance
Triumph Holding AG

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

Klas Ilоson
Managing Director
SKF Reinsurance Company Ltd

Estelle Josso
Risk Manager
Hermès International

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

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

Adrian Latimer
Risk and Insurance Manager
Schlumberger Limited

Chris McCormack
Head of Group Insurance
and Risk
RELX Group

Ola Nilsson
Vice President
Risk Management
and Insurance
Essity Aktiebolag (publ)

André Oude Hergelink
Director
TEN CATE ASSURANTIëN BV

Monica Quatela
Corporate Insurance Manager
Davide Campari-Milano S.p.A.

Michael Rowe
Vice President
Corporate Insurance
and Risk Management
GlaxoSmithKline

Stefan Thrun
Head of Insurance
GEA Group AG

Western Division

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

Eric Artho
Vice President
Finance and Treasurer
Neiman Marcus Group

Scott J. Bamford
Director Risk Management
WestRock Company

Tom Bandoni
Senior Director
Risk Management
flex

Ada Cheng
Senior Vice President and
Assistant Treasurer
PepsiCo, Inc.

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

Adnan Delic
Group Head of Technical Risk
and Insurance
Mondi Group

Eric Guard
Vice President
Risk Management
Ross Stores, Inc.

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

Michael Hartwich
Director Risk and Insurance
Intel Corporation

Kenneth Jeck
Vice President
Risk Management
National Oilwell Varco

John W. Lambdin
Director of Insurance
Weyerhaeuser Company

W. David Little
Senior Vice President
Global Risk Management
Las Vegas Sands Corp

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

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

Christopher Nassa
Senior Vice President
CBRE

Drew Porter
Director of Risk Management
Cinemark USA, Inc.

Kevin Risse
Director, Risk Management
Western Digital Corporation

Scott Ritto
Vice President
Risk Management
Kilroy Realty Corporation

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

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

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

Julie Young
Director, Risk Management
Dell Technologies Inc.

Karl Zimmel
Director, Risk Management
and Facilities
UNS Energy Corporation

Canada

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

David Angel
Executive Vice President and
Chief Financial Officer
Kruger Inc.

Rohit Bhardwaj
Vice President, Finance and
Chief Financial Officer
Chemtrade Logistics Income Fund

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

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

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

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

Shamsh Kassam
Chief Financial Officer
Stern Partners Inc.

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

Jamie Porter
Chief Financial Officer
Alamos Gold Inc.

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

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

Europe

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

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

Bruno Chapoulart
Chief Executive Officer
Andros et Cie

Michel Decorte
Chief Financial Officer
Indaver

Erwin De Deyn
Vice President
Chief Legal Officer
Beaulieu International Group N.V.

Gerald Mayer
Chief Financial Officer
AMAG Austria Metall AG

Tim Murray
Chief Executive Officer
Aluminium Bahrain B.S.C. ©

Denis Musson
General Counsel and
Company Secretary
Imerys

Erik Peeters
Chief Financial Officer
VPK Packaging Group

Xavier Roy-Contancin
Chief Financial Officer
Sequana

Chris Shaw
Chief Operations Officer
Cobham plc

Bas Sprong
Chief Financial Officer
Pon Holdings BV

Robert Swan
Head of Holdings
Tetra Laval International S.A.

United States Atlanta/Dallas

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

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

Laura Bishop
Executive Vice President and
Chief Financial Officer
USAA

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

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

Robert A. Feeser
President, Consumer Packaging
WestRock Company

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

Paula Gold-Williams
President and
Chief Executive Officer
CPS Energy

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

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

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

Robert D. Ramsey, Jr.
Senior Vice President and
Chief Financial Officer
Franciscan Missionaries of
Our Lady Health System, Inc.

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

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

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

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

Chicago/St. Louis

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

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

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

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

Mark Condon
President and
Chief Executive Officer
J-Power USA

David A. Dohnalek
Senior Vice President of Finance
and Treasurer
The Boeing Company
Chairman
Boeing Capital Corporation

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

Sheri H. Edison
Senior Vice President
Chief Legal Officer and Secretary
Bemis Company, Inc.

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

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

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

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

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

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

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

Richard D. Moore
Treasurer
Caterpillar, Inc.

Bradley W. Oachs
Chief Operating Officer
Allete/Minnesota Power

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

Michelle T. Strobel
Vice President and
Chief Financial Officer
Great River Energy

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

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

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

Cleveland

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

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

Richard R. Davis
Vice President of Finance
Chief Financial Officer
Ellwood Group, Inc.

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

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

Jason Lapina
Senior Vice President and
Chief Financial Officer
Giant Eagle, Inc.

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

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

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

New York

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

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

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

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

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

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

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

Eli Kay
Chief Financial Officer
JFK International Air Terminal, LLC

James H. Lapple
Vice President
Finance
The Rockefeller University

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

William Meaney
President and
Chief Executive Officer
Iron Mountain

Larry Schiffman
Chief Financial Officer
Sudler Management Corp.

Matthew M. Walsh
Executive Vice President
Chief Financial Officer
Allergan plc

San Francisco

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

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

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

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

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

Andrew Power
Chief Financial Officer
Digital Realty

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

Erik Rasmussen
Executive Counsel
MultiCare Health System

Devin W. Stockfish
President and
Chief Executive Officer
Weyerhaeuser Company

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

Washington, D.C./ Philadelphia

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

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

Kenneth W. Cornew
Senior Executive Vice President
and Chief Commercial Officer
Exelon
President and CEO
Exelon Generation

James Edgemond
Chief Financial Officer
and Treasurer
United Therapeutics Corporation

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

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

David J. Gray
Senior Vice President for
Finance and Business/Treasurer
The Pennsylvania State University

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

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

Laura K. Kennedy, Esq.
Senior Vice President
Chief Ethics, Compliance and
Risk Officer
Emergent BioSolutions

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

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

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

Donald J. Smolenski
President
Philadelphia Eagles,
Limited Partnership

Vincent Sorgi
Executive Vice President and
Chief Financial Officer
PPL Corporation

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

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

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

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

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

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

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

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

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

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

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

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

David T. Walton **F**
President and
Chief Executive Officer
Caterpillar Financial Services
Corporation

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

FM Global