



# 000000 - Sample Insurance Companies

**Report Revision Date:** 03/15/2016

Rating and Commentary <sup>1</sup>	Financial <sup>2</sup>	General Information <sup>3</sup>
<b>Best's Credit Rating:</b> N/A <b>Rating Rationale:</b> N/A <b>Report Commentary:</b> 03/15/2016	<b>Time Period:</b> 1st Quarter - 2016 <b>Last Updated:</b> 03/10/2016 <b>Status:</b> Quality Cross Checked	<b>Corporate Structure:</b> 04/13/2011 <b>States Licensed:</b> N/A <b>Officers and Directors:</b> N/A
 <a href="#">Best's Credit Rating Methodology</a>	<a href="#">Disclaimer</a>	 <a href="#">Best's Rating Guide</a>

## Additional Online Resources

<a href="#">Related News</a>	<a href="#">Archived AMB Credit Reports</a>
<a href="#">Rating Activity and Announcements</a>	<a href="#">Corporate Changes &amp; Retirements</a>
<a href="#">Company Overview</a>	<a href="#">Best's Country Risk Reports - United States</a>

<sup>1</sup>The Rating and Commentary date outlines the most recent updates to the Company's Rating, Rationale, and Report Commentary for key rating and business changes. Report commentary may include significant changes to Business Review, Financial Performance/Earnings, Capitalization, Investment/Liquidity, or Reinsurance sections of the report.

<sup>2</sup>The Financial date reflects the current status of the financial tables found within the body of the Report, including whether the data was loaded as received or had been run through our quality control cross-check process.

<sup>3</sup>The General Information date covers key areas that may have changed such as corporate structure, states licensed or officers and directors.

Associated Parent: [Sample Insurance Company Inc.](#)

## Sample Insurance Companies

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AMB #: 000000

Associated Parent: [000000](#)

NAIC #: N/A

FEIN #: N/A

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Report Revision Date: 03/15/2016

## Rating Rationale

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**Rating Rationale:** The ratings apply to Sample Insurance Companies' pool members (Sample Pool), led by Sample Insurance Company, and reinsured domestic affiliates. The ratings are based on the consolidated operating performance and financial condition of these domestic companies, collectively referred to as Sample Insurance.

The ratings reflect Sample Insurance's solid capitalization, historically favorable operating performance, dominant market profile and strong brand-name recognition, as the group ranked as the fourth-largest property casualty insurer in the United States at year-end 2014, based on net premiums written. The ratings further acknowledge the group's sustainable competitive advantages of its multiple distribution channels, active risk management of its catastrophe exposures, in-house expertise in alternative investments, and solid product and geographic diversification. Furthermore, Sample Insurance's enterprise risk management program has served as a competitive advantage in navigating through the financial, economic and catastrophic events of the past five years. Management's strategic objectives remain focused on improving Sample Insurance's financial performance through product, geographic and distribution channel diversification, while maintaining a sustainable competitive advantage in its core business operations. As part of this strategy, management remains focused on reducing business risk, diversifying earnings and improving operating leverage. In addition, Sample Insurance's extensive unbundled service capabilities, risk management services and strategic alliances with managed care networks provide a significant competitive advantage and a superior market profile. Lastly, the ratings also consider the financial flexibility provided by the ultimate parent, Sample Insurance Company Inc., which maintains financial leverage that is in line with its current ratings, as well as additional liquidity through its access to capital markets and lines of credit.

The positive rating factors are somewhat offset by the group's relatively high underwriting leverage measures and the deterioration in its operating results over the past several years, largely driven by weakened underwriting results, lower investment gains and substantial catastrophe losses in years 2012 through 2014. While Sample Insurance's capitalization was strained in 2010 and early 2011 following deteriorating operating results, unrealized capital losses and the capital outlay for the purchase of Safeco Corporation, policyholders' surplus and capitalization have improved following the recovery of the financial markets and currently support its ratings. Furthermore, while Sample Insurance has reported favorable prior year loss reserve development in most recent calendar years, modestly unfavorable development was reported in 2013 and 2014, largely relating to asbestos claims in 2012 and workers' compensation and other liability occurrence claims in 2014, which influenced underwriting results to some extent. However, barring substantial catastrophe losses, the group's underwriting and overall operating performance should improve in the near term reflecting more stringent underwriting and increased pricing in recent quarters. Despite some concerns, the outlooks reflect the group's solid risk-adjusted capitalization, historically profitable operating results, experienced management team, strong brand-name recognition, and solid product and geographic diversification.

While A.M. Best believes the ratings for Sample Insurance Companies' members are appropriately positioned at the current levels, negative rating actions could occur if the group's underwriting and operating performance falls below A.M. Best's expectations or risk-adjusted capitalization weakens to a level that no longer supports current ratings.

## Rating Unit Members

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Sample Insurance Companies ( AMB# 000000 )

[illegible]

## Rating Unit Members (Continued ...)

AMB#	Company	BEST'S		Pool %
		FSR	ICR	
000000	<a href="#">Sample Insurance Company</a>	A	a	
000000	<a href="#">Sample Insurance Company</a>	A	a	
000000	<a href="#">Sample Insurance Company</a>	A	a	
000000	<a href="#">Sample Insurance Company</a>	A	a	
000000	<a href="#">Sample Insurance Company</a>	A	a	
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000000	<a href="#">Sample Insurance Company</a>	A	a	

## Key Financial Indicators

Period Ending	Statutory Data (\$000)					
	Premiums Written		Pre-tax Operating Income	Net Income	Total Admitted Assets	Policyholder's Surplus
	Direct	Net				
2015	28,297,511	24,148,201	-630,362	-114,744	71,757,172	16,770,678
2014	26,658,768	22,257,623	-809,380	-498,335	68,038,555	15,987,817
2013	25,318,187	21,483,996	1,015,900	1,349,349	67,073,315	16,365,273
2012	24,772,894	20,630,466	1,062,908	922,398	65,204,208	14,722,635
2011	26,331,558	22,249,415	2,022,344	1,595,287	61,899,802	12,346,512
06/2015	14,528,391	12,278,294	-165,827	-6,796	74,329,517	16,443,937
06/2014	13,958,278	11,782,549	32,475	193,214	70,512,717	16,163,784

## Key Financial Indicators (Continued ...)

Period Ending	Profitability			Leverage			Liquidity	
	Combined Ratio	Investment Yield (%)	Pre-Tax ROR (%)	Non-Affiliated Investment Leverage	NPW to PHS	Net Leverage	Overall Liquidity (%)	Operating Cash-flow (%)
2015	110.5	3.9	-2.7	53.0	1.4	4.7	130.7	107.7
2014	111.2	3.9	-3.8	60.9	1.4	4.6	131.1	100.8
2013	104.2	4.3	4.8	55.2	1.3	4.3	132.7	103.5
2012	103.3	3.9	5.2	38.9	1.4	4.8	129.5	100.6
2011	102.2	5.2	8.9	42.0	1.8	5.7	125.7	111.1
5-Yr Avg	106.4	4.3	2.4	...	...	...	...	...
06/2015	106.2	3.0	-1.4	46.0	1.5	4.9	128.6	101.4
06/2014	108.9	4.3	0.3	60.7	1.4	4.7	130.1	107.3

Due to A.M. Best's consolidation procedures, historical data of recent acquisitions is included within the financial tables for all years.

(\*) Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

(\*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings.

## Business Profile

Sample Insurance is principally engaged in underwriting virtually all lines of personal and commercial property/casualty business and ranks as the fourth-largest insurance group in the United States, based on net premiums written. Sample Insurance's business mix is nearly evenly split, although over the past two years, personal lines have grown to exceed commercial lines. Private passenger automobile and homeowners are the group's largest lines of business, followed by workers' compensation, commercial multi-peril and other liability occurrence.

Sample Insurance continues to thrive on its name recognition, customer service, technological advantages, strategic alliances in managed care, and breadth of its products and value-added services. Insurance products and services are distributed primarily through independent agents and a direct sales force. The direct sales force affords Sample with a significant competitive expense advantage relative to its peers, while also enhancing the group's overall franchise value. In addition to independent agents and a direct sales force, the group also markets its commercial products to national insurance brokers. Furthermore, Sample Insurance utilizes an affinity marketing program, which currently offers insurance products through more than 15,000 sponsored affinity group relationships including employers, professional and alumni associations, credit unions, and other partnerships.

Sample Insurance's property/casualty operations are managed on a Strategic Business Unit (SBU) basis. On July 24, 2014, Sample Insurance announced the realignment of its four SBUs into Personal Insurance, Commercial Insurance, Sample International and Global Specialty.

The Personal Insurance business unit offers automobile, homeowners and other types of property and casualty insurance coverage, as well as life and annuity products, to individuals in the United States. Personal Insurance is comprised of two market segments: Personal Lines (including Individual Life) and independent agent distributions (under the Safeco Corporation ("Safeco") brand). Personal Lines products are distributed through licensed captive representatives, licensed telesales counselors, third-party producers (including banks for life products) and the Internet. Personal Lines' largest source of new business is through its sponsored affinity groups (including employers, professional and alumni associations, credit unions and other partnerships). Safeco products are distributed nationally through independent agents.

The Commercial Insurance business unit sells a wide array of property / casualty and group benefits insurance coverages through independent agents, brokers and benefit consultants throughout the United States. Commercial Insurance is organized into four market segments: Business Insurance, National Insurance, Group Benefits, and Other Commercial Insurance. Business Insurance serves the small and middle market segments through a regional operating model that combines local underwriting, market knowledge and service orientation with the scale advantages of a national company. National Insurance provides commercial lines products and services, including third-party administration, to large businesses. Group Benefits provides mid-sized and large businesses with short- and long-term disability insurance products and group life insurance. Other Commercial Insurance primarily consists of internal reinsurance and assumed business from state based workers' compensation involuntary market pools. Commercial Insurance is also a servicing carrier for state based workers' compensation involuntary market pools.

The Sample International business unit provides property, casualty, health and life insurance products and services to individuals and businesses in four geographic regions: Latin America, including Venezuela, Brazil, Columbia, Argentina (Sample ART S.A., a workers' compensation business, was sold in June 2014, Sample Seguros Argentina S.A. remains), Chile and Ecuador (as a result of the Panamericana de Seguros del Ecuador S.A. and Cervantes S.A. Compania de Seguros y Reaseguros acquisitions in August 2014); Europe, including Spain, Portugal, Turkey, Poland, Ireland (as a result of the Quinn Insurance Limited ("QIL") acquisition in November 2013), United Kingdom (as a result of exercising the renewal rights option over the Great Britain and Northern Ireland portfolios of QIL) and Russia (as a result of the KIT Finance Insurance acquisition in March 2013); Asia, including Thailand, Singapore, China (including Hong Kong), and Vietnam; and India. Private passenger automobile insurance is the single largest line of business.

The Global Specialty business unit is composed of a wide array of products and services offered through three market segments: Sample International Underwriters ("SIU"), Sample Insurance Surety ("SIS"), and Sample Insurance Reinsurance ("SIR"). SIU, which sells specialty commercial insurance and reinsurance worldwide, writes casualty, specialty casualty, marine, energy, construction, aviation, property, crisis management and trade credit coverage and other specialty programs through offices in Asia, Australia, Europe, the Middle East, North America, and Latin America. SIU, through Sample's Lloyd's Syndicate 0000, also provides multi-line insurance and reinsurance worldwide written through the Lloyd's platform. SIS is a leading provider of nationwide contract and commercial surety bonds to businesses of all sizes. SIR provides reinsurance to domestic and foreign insurance and reinsurance companies.

## Scope of Operations

## Scope of Operations (Continued ...)

### Total Premium Composition & Growth Analysis

Period Ending	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	(\$000)	(%Chg)	(\$000)	(%Chg)	(\$000)	(%Chg)	(\$000)	(%Chg)
2015	28,297,511	6.1	933,208	32.4	5,082,518	-0.5	24,148,201	8.5
2014	26,658,768	5.3	704,648	12.4	5,105,793	14.5	22,257,623	3.6
2013	25,318,187	2.2	626,898	4.6	4,461,089	-5.9	21,483,996	4.1
2012	24,772,894	-5.9	599,187	-4.5	4,741,615	0.7	20,630,466	-7.3
2011	26,331,558	0.7	627,510	5.3	4,709,652	20.9	22,249,415	-2.7
5-Yr CAGR	...	1.6	...	9.4	...	5.5	...	1.1
06/2015	14,528,391	4.1	19,909,570	10.8	22,159,668	10.0	12,278,294	4.2
06/2014	13,958,278	6.7	17,965,463	7.0	20,141,192	6.4	11,782,549	7.8

## Territory

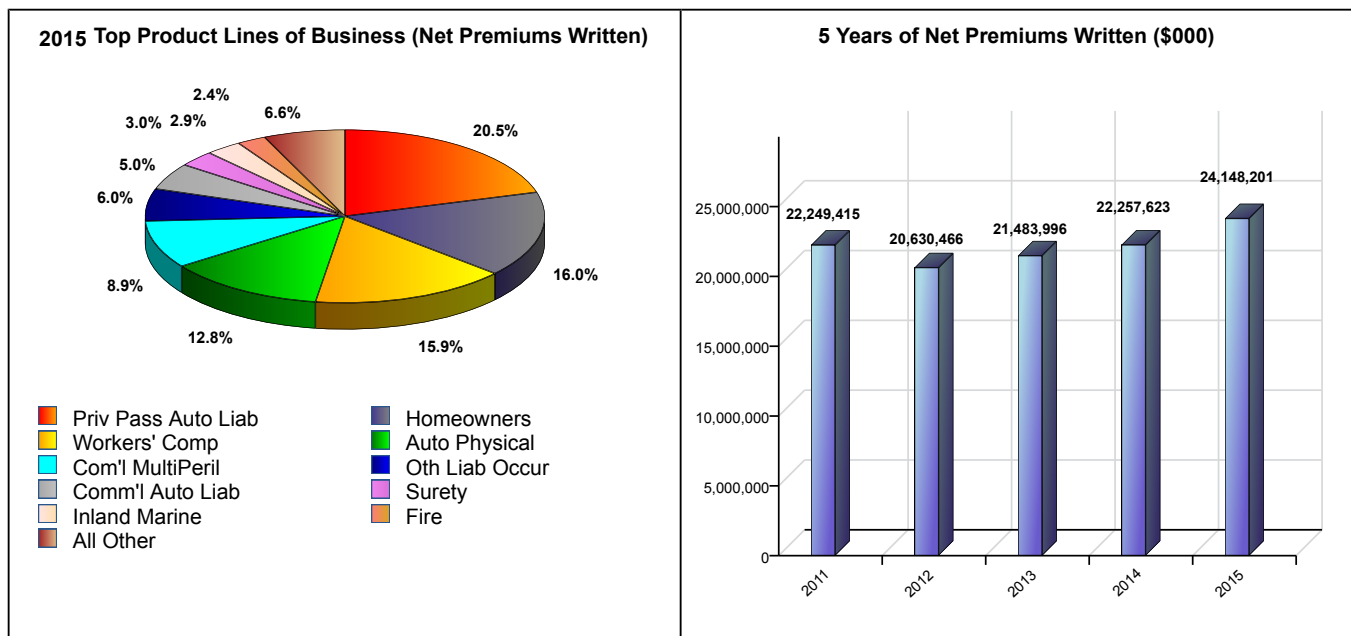
The individual member companies of the group collectively operate in all states, Puerto Rico and the U.S. Virgin Islands. It is also licensed in all provinces of Canada.

## Business Trends

### 2015 By-Line Business (\$000)

Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention %
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	
Priv Pass Auto Liab	4,959,382	17.5	164,385	17.6	166,544	3.3	4,957,224	20.5	96.7
Homeowners	4,628,086	16.4	5,935	0.6	778,048	15.3	3,855,973	16.0	83.2
Workers' Comp	4,179,078	14.8	188,928	20.2	538,742	10.6	3,829,264	15.9	87.7
Auto Physical	3,614,973	12.8	132,250	14.2	644,272	12.7	3,102,951	12.8	82.8
Com'l MultiPeril	2,296,973	8.1	42,723	4.6	189,616	3.7	2,150,080	8.9	91.9
Oth Liab Occur	1,904,888	6.7	106,522	11.4	558,695	11.0	1,452,715	6.0	72.2
Comm'l Auto Liab	1,239,507	4.4	17,787	1.9	50,827	1.0	1,206,467	5.0	96.0
Surety	725,674	2.6	6,378	0.7	14,211	0.3	717,842	3.0	98.1
Inland Marine	2,595,026	9.2	16,222	1.7	1,900,929	37.4	710,319	2.9	27.2
Fire	587,196	2.1	37,493	4.0	55,574	1.1	569,115	2.4	91.1
All Other	1,566,728	5.5	214,585	23.0	185,061	3.6	1,596,252	6.6	89.6
Total	28,297,511	100.0	933,208	100.0	5,082,518	100.0	24,148,201	100.0	82.6

## Business Trends (Continued ...)



## By-Line Reserve (\$000)

Product Line	2015	2014	2013	2012	2011
Priv Pass Auto Liab	4,120,115	4,052,640	4,157,965	4,113,250	4,086,913
Homeowners	1,106,061	1,082,818	936,380	814,081	1,070,502
Workers' Comp	15,739,846	14,783,380	14,596,712	14,591,839	14,495,977
Auto Physical	113,028	130,651	129,799	143,944	148,605
Com'l MultiPeril	3,059,911	3,081,863	2,952,996	2,852,094	2,925,058
Oth Liab Occur	4,175,674	3,860,226	3,894,134	3,873,938	4,136,490
Comm'l Auto Liab	1,814,015	1,744,393	1,733,276	1,812,695	1,958,097
Surety	180,123	223,119	346,590	384,796	332,218
Inland Marine	111,807	80,204	120,500	148,404	149,952
Fire	323,106	200,687	136,946	199,893	313,385
All Other	3,262,861	3,233,684	2,894,693	2,914,589	2,328,896
<b>Total</b>	<b>34,006,547</b>	<b>32,473,664</b>	<b>31,899,992</b>	<b>31,849,523</b>	<b>31,946,094</b>

## Market Share / Market Presence



## Market Share / Market Presence (Continued ...)

### Geographical Breakdown By Direct Premium Writings (\$000)

	2015	2014	2013	2012	2011
California	3,007,017	2,790,317	2,695,515	2,693,675	2,958,617
New York	2,259,294	2,208,229	2,109,102	1,993,727	2,031,956
Texas	1,893,386	1,732,939	1,599,091	1,588,129	1,701,881
Florida	1,508,213	1,411,989	1,314,230	1,402,142	1,656,724
New Jersey	1,291,075	1,219,756	1,173,572	1,162,300	1,210,938
Pennsylvania	1,235,359	1,134,404	1,106,427	1,060,894	1,105,184
Massachusetts	1,129,173	1,040,406	944,330	838,615	815,902
Washington	960,868	923,387	923,622	917,760	964,624
Illinois	839,677	808,333	839,920	847,816	928,082
Tennessee	793,761	686,737	504,960	469,667	518,665
All Other	13,379,689	12,702,273	12,107,417	11,798,168	12,438,985
Total	28,297,511	26,658,768	25,318,187	24,772,894	26,331,558

## Risk Management

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Sample Insurance Companies' risk management is done as part of the Sample Insurance Holding Company Inc. (SIHC) enterprise, which maintains an extensive Enterprise Risk Management (ERM) program that is comprehensive and integrated throughout its worldwide operations. Risk management is a core competency of the enterprise and central to the operational execution of its strategic plan. Oversight of ERM resides with the Enterprise Risk Management Committee (ERMC), chaired by the CEO and coordinated by the CFO, which evaluates exposures and directs ERM actions within the organization's operations. All strategic business unit (SBU) presidents and the CEO of Sample International Underwriters are members of the ERMC, along with key functional leaders with direct responsibility for key components of enterprise level risks (the CFO, Chief Actuary, General Counsel, Chief Investment Officer and Treasurer). The ERMC has oversight of all major enterprise exposures including credit risk, state premium concentrations in the context of regulatory risk, catastrophe exposure (terror and natural) and emerging risks related to policy coverage, litigation, regulatory and legislative issues. Board-level oversight of ERM is conducted through the Risk Committee of the Board of Directors (RCBD). The Director of ERM Analytics (equivalent to the Chief Risk Officer) attends Board of Directors and ERMC meetings. Capital modeling and allocation is performed across all SBUs and by line and country.

The CEO, CFO or a designee reports on risk management activities three times per year to the RCBD and a minimum of annually to the full Board of Directors. The RCBD also reports to the full Board at least three times per year. If macro-economic or market conditions dictate, the full Board receives updates more frequently. The RCBD reviews whether risk tolerances are acceptable a minimum of three times per year, while the full Board makes such reviews a minimum of once per year. Risk metrics and risk management activities are reported to the SBUs quarterly.

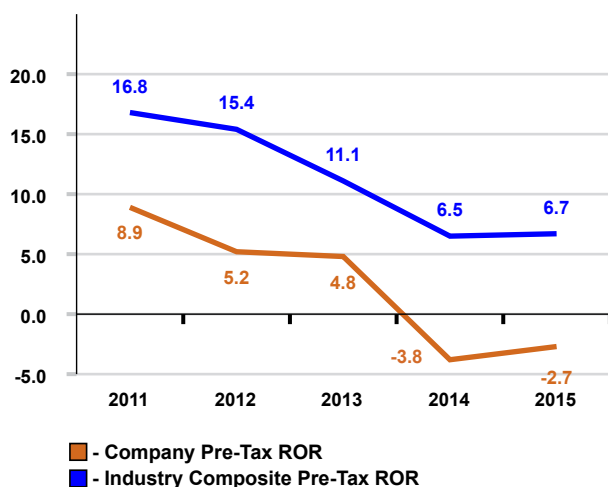
## Operating Performance

**Operating Results:** Sample Insurance has generated modest operating results as evidenced by its five-year pretax return on premium and surplus measures that trail the commercial casualty composite average. The group's overall earnings have been enhanced by solid levels of investment income which have offset underwriting losses in recent years, 2013 and 2014 being exceptions primarily due to unusually high underwriting losses stemming from significant catastrophe losses. On a total return basis, earnings have historically benefited from realized capital gains; however, given the investment market volatility in recent years, profitability was negatively impacted by realized capital losses in 2010 and 2011. In addition, adverse loss reserve development in prior accident years has continued to impact operating results to some extent. While near term earnings are dependent on management's ability to maintain prudent underwriting and pricing standards amidst continued challenging market conditions, Sample Insurance's diversification initiatives, as well as its multiple distribution channels and extensive service capability, provide the group with significant operating flexibility. However, competitive market conditions, the low interest rate environment and ongoing exposure to catastrophe losses will continue to challenge Sample Insurance's operating performance over the near term.

### Profitability Analysis

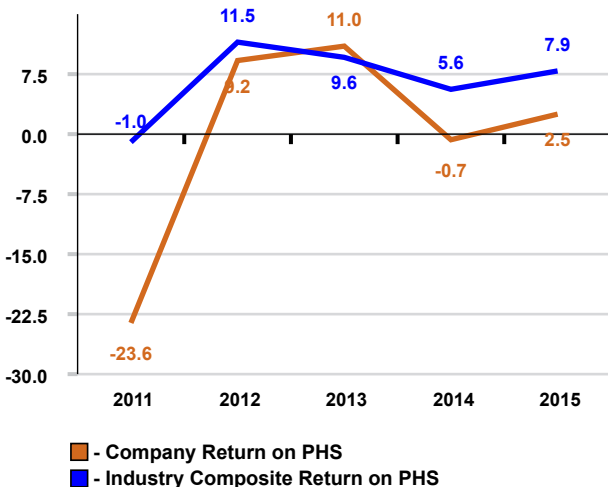
Period Ending	Company							Industry Composite		
	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return	Pre-Tax ROR	Return on PHS	Operating Ratio	Pre-Tax ROR	Return on PHS	Operating Ratio
2015	-630,362	-390,940	-114,744	417,317	-2.7	2.5	101.4	6.7	7.9	92.4
2014	-809,380	-652,934	-498,335	-108,741	-3.8	-0.7	101.8	6.5	5.6	93.1
2013	1,015,900	1,133,629	1,349,349	1,704,420	4.8	11.0	93.7	11.1	9.6	88.2
2012	1,062,908	947,065	922,398	1,246,580	5.2	9.2	93.8	15.4	11.5	84.6
2011	2,022,344	1,664,578	1,595,287	-3,460,022	8.9	-23.6	90.6	16.8	-1.0	83.6
5-Yr Avg/Tot	2,661,409	2,701,398	3,253,955	-200,447	2.4	-0.3	96.3	11.3	6.8	88.4
06/2015	-165,827	-113,439	-6,796	-794,349	-1.4	-6.2	100.3	XX	XX	XX
06/2014	32,475	104,015	193,214	638,435	0.3	3.2	98.3	XX	XX	XX

Pre-Tax ROR Comparison with Industry Composite



\* Industry Composite - Commercial Casualty Composite

Return on PHS Comparison with Industry Composite



\* Industry Composite - Commercial Casualty Composite

## Underwriting Results

**Underwriting Results:** Sample Insurance has reported below-average underwriting results over the recent five-year period, as its five-year average combined ratio is approximately three points higher than the commercial casualty composite. The group's combined ratio has deteriorated in recent years reflecting competitive markets, unfavorable loss trends in select lines of business, less favorable loss-reserve development and an increase in loss activity in the group's reinsurance business resulting from several large loss events. In years 2012 through 2014, the group's combined ratio increased largely due to higher catastrophe losses (equating to approximately 5.3 points, 10.5 points and 7.8 points on the combined ratio in those years, respectively, as compared with 3.5 points in 2011), a swing from favorable to unfavorable prior year loss reserve development in 2013 and 2014 (largely due to the workers' compensation and other liability occurrence lines, in part, due to asbestos development in 2013) and losses associated with business growth.

In recent years, the group's premium volume has been restrained by competitive market conditions, deteriorating macroeconomic conditions, planned premium reductions in workers' compensation insurance, and a change from direct distribution to third party distribution in some commercial markets. Recent slowed growth in commercial lines has been offset by increases in the private passenger automobile and homeowners' business due to strong customer retention, new business growth and positive rate increases, resulting in more substantial overall growth.

Sample Insurance's global diversification strategy, which began in the early 1990s, has expanded its revenue streams across lines of business while reducing dependence on any single product line, distribution channel or geographic region. As a result, the group's mix of business has shifted towards personal lines, particularly private passenger auto liability, the independent agency channel, and international personal and small commercial business policies in targeted countries with an emerging middle class. In addition, Sample Insurance implemented a dedicated claims unit, enhanced its mass marketing program, and developed a system and infrastructure to handle direct-response marketing. Sample Insurance has aggressively used advertising, as it has proven to be a successful, ever-increasing tool to grow in this environment. Furthermore, the addition of business from recent acquisitions also provides the group with enhanced geographic and product diversification. Complementing this effort has been management's plan in the commercial markets to reduce risk through significant emphasis on enterprise risk management and loss control, broadening its fee-based products and pricing, expansion of unbundled service and managed care operations, while restructuring the claims operation in recent years to hold down loss costs.

### Underwriting Experience

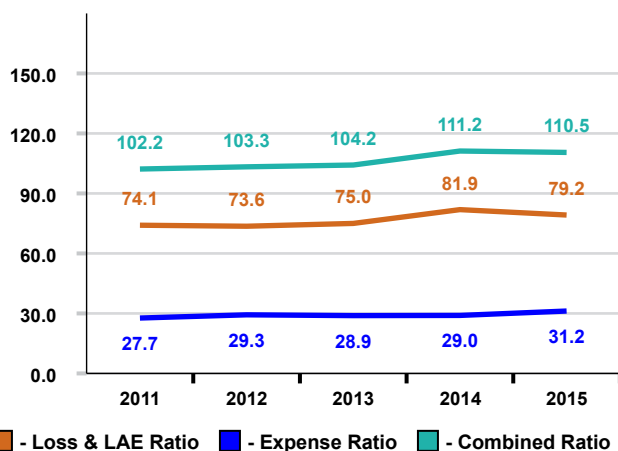
Year	Net Undrw Income (\$000)	Loss Ratios			Expense Ratios			Div. Pol.	Comb. Ratio
		Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.		
2015	-2,731,990	64.0	15.2	79.2	6.9	24.3	31.2	0.2	110.5
2014	-2,627,855	66.1	15.9	81.9	6.2	22.8	29.0	0.3	111.2
2013	-1,011,681	60.5	14.6	75.0	7.0	21.9	28.9	0.3	104.2
2012	-726,952	58.1	15.6	73.6	6.9	22.4	29.3	0.3	103.3
2011	-386,804	60.7	13.4	74.1	6.7	21.0	27.7	0.3	102.2
5-Yr Avg	-7,485,282	61.9	14.9	76.8	6.7	22.5	29.3	0.3	106.4
06/2015	-871,247	58.8	13.5	72.2	XX	XX	33.8	0.2	106.2
06/2014	-1,154,156	63.1	14.1	77.2	XX	XX	31.5	0.2	108.9

## Underwriting Results (Continued ...)

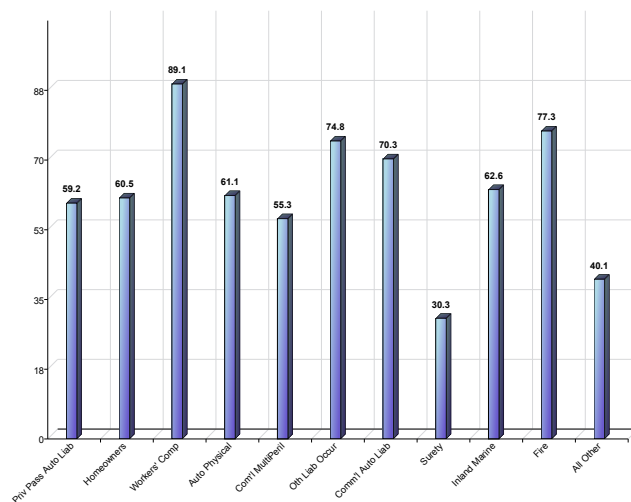
### Loss Ratio By Line

Product Line	2015	2014	2013	2012	2011	5-Yr. Avg.
Priv Pass Auto Liab	59.2	59.2	60.8	59.8	60.9	60.0
Homeowners	60.5	78.4	60.6	59.2	72.1	66.5
Workers' Comp	89.1	84.2	78.8	72.0	66.5	77.3
Auto Physical	61.1	61.6	55.1	53.9	59.2	58.4
Com'l MultiPeril	55.3	67.6	61.0	55.7	61.1	60.2
Oth Liab Occur	74.8	53.0	64.5	49.8	35.8	55.8
Comm'l Auto Liab	70.3	67.7	51.5	51.1	57.4	59.3
Surety	30.3	7.5	14.5	21.4	15.6	17.8
Inland Marine	62.6	60.0	59.9	63.9	61.4	61.6
Fire	77.3	61.3	40.2	62.1	104.8	69.7
All Other	40.1	66.4	56.6	55.0	45.7	52.5
Total	64.0	66.0	60.7	58.5	60.1	61.9

Combined Ratio



2015 Pure Loss Ratio by Product Line



## Underwriting Results (Continued ...)

### Direct Loss Ratios By State

	2015	2014	2013	2012	2011	5-Yr. Avg.
California	58.0	54.9	54.5	47.8	51.2	53.3
New York	82.7	64.0	63.7	55.5	54.4	64.5
Texas	66.7	67.0	42.5	50.7	94.8	64.7
Florida	58.7	58.1	64.6	48.4	46.8	54.8
New Jersey	88.6	68.3	56.5	59.1	54.7	65.7
Pennsylvania	56.9	62.3	86.0	58.6	54.5	63.5
Massachusetts	56.1	64.7	55.9	57.9	58.2	58.6
Washington	42.1	35.2	42.6	48.6	51.7	44.1
Illinois	53.8	75.3	71.0	62.2	69.7	66.4
Tennessee	66.8	99.4	65.0	59.9	64.5	72.5
All Other	61.1	66.4	58.5	60.8	62.8	61.9
Total	62.9	64.5	58.8	56.9	60.8	60.9

## Investment Results

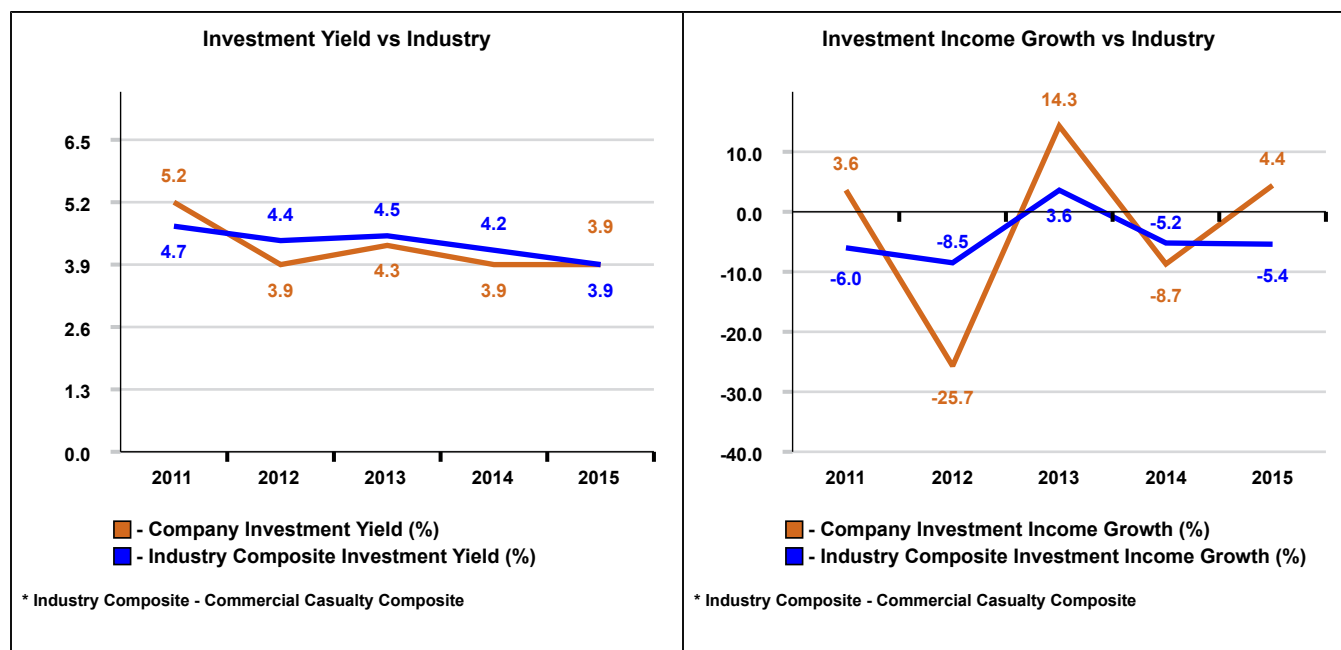
**Investment Results:** Sample Insurance's investment strategy remains committed to maximizing long-term returns through a diversified portfolio of high-quality investments. The group maintains a prudent investment portfolio comprised of intermediate-term government and government agency securities, high quality corporate bonds, and mortgage backed securities. Investments in equity securities are lower in recent years and represented less than 4% of total invested assets and less than 10% of policyholders' surplus at year-end 2014.

In earlier years, the group reported growth in investment income reflective of an increase in the invested asset base, driven by strong cash flow from operations and the proceeds received from the group's debt offerings. During 2010, the group reported an increase in investment income, driven primarily by an increase in the invested asset base due to solid operating cash flows, as well as the cash proceeds received from a mid-year debt issuance. However, growth in the level of investment income was somewhat suppressed by lower investment yields available on the fixed income portfolio. Furthermore, the group reported realized capital losses due to impairment losses on fixed income and equity securities caused by volatility in the financial markets. In 2011, the group's net investment income declined significantly due to a reduction in affiliated dividend income, the low interest rate environment and a change in the group's investment strategy to reduce its total equity exposure. Sample Insurance's net investment income recovered some in 2012, increasing approximately \$0.3 billion. In 2013, the group's net investment income declined \$0.2 billion largely due the continued low interest rate environment and its impact on investment yields. In 2014, improved operating cash flows and a modest improvement in invested assets combined with a flat yield on investments resulted in a modest increase net investment income. The group's five-year average yield is nearly on par with the commercial casualty composite.

## Investment Results (Continued ...)

### Investment Gains (\$000)

Year	Company							Industry Composite	
	Net Investment Income (\$000)	Realized Capital Gains (\$000)	Unrealized Capital Gains (\$000)	Investment Income Growth (%)	Investment Yield (%)	Return on Invested Assets (%)	Total Return (%)	Investment Income Growth (%)	Investment Yield (%)
2015	2,119,900	276,196	532,061	4.4	3.9	4.5	5.5	-5.4	3.9
2014	2,030,294	154,598	389,594	-8.7	3.9	4.2	4.9	-5.2	4.2
2013	2,223,725	215,720	355,071	14.3	4.3	4.8	5.5	3.6	4.5
2012	1,944,980	-24,667	324,182	-25.7	3.9	3.9	4.6	-8.5	4.4
2011	2,617,343	-69,291	-5,055,309	3.6	5.2	5.1	-4.8	-6.0	4.7
5-Yr Avg/Tot	10,936,242	552,557	-3,454,402	-3.6	4.3	4.5	3.1	-4.4	4.4
06/2015	705,027	106,643	-787,553	-40.8	3.0	3.5	2.2	XX	XX
06/2014	1,190,918	89,199	445,221	29.2	4.3	4.6	5.0	XX	XX



## Balance Sheet Strength

### Capitalization

**Capitalization:** Sample Insurance has reported modest decline in policyholder surplus during the recent five-year period, as evidenced by its five-year compounded annual growth rate (CAGR) of -0.2%. The group reported strong growth in policyholder surplus in earlier years reflective of favorable underwriting performance, increasing levels of investment income and capital contributions from its parent, Sample Insurance Group, Inc. (SIGI). During March 2007 and August 2008, SIGI raised an additional \$500 million and \$750 million of new debt, respectively, and contributed the entire proceeds to the insurance subsidiaries. During March 2009, SIGI raised an additional \$1.0 billion of hybrid capital, the proceeds of which were utilized to strengthen overall capitalization of the insurance subsidiaries, as well as for general corporate purposes. During May 2010, SIGI raised an additional \$1.25 billion of hybrid capital, the proceeds of which were used to fund a portion of the acquisition of Safeco Corp. Despite the additional proceeds, surplus declined in 2010 as a result of additional non-admitted goodwill, in combination with substantial unrealized losses in the investment portfolio and other than temporary impairment (OTTI) charges recorded in its fixed income and equity portfolios given the volatility in the financial markets. In 2011, the group's policyholder surplus increased rather significantly, driven by modest operating income, unrealized capital gains and other changes in surplus, primarily related to a change in non-admitted goodwill from acquisitions and deferred tax assets. Policyholder's surplus further increased in 2012, driven by net income, unrealized capital gains and a capital contribution, partially offset by stockholder dividends. In 2013, the group's surplus declined modestly largely reflecting its net loss and stockholder dividends, partially mitigated by unrealized capital gains. In 2014, surplus increased again largely reflecting realized and unrealized capital gains, which more than offset operating losses. Given the group's business plans, modest growth expectations and cycle management initiatives, A.M. Best believes Sample Insurance will generate surplus growth organically over the near term, although at reduced levels given current market conditions and lower investment returns due to the lower interest rate environment and the group's relatively modest equity exposure.

Sample Insurance's overall capitalization adequately supports the current financial strength rating as measured by Best's Capital Adequacy Ratio (BCAR). A.M. Best's view of capitalization also considers the equity built into the group's large unearned premium reserve. The group's capital position is reflective of profitable operating results in recent years (2013 and 2014 being exceptions), capital contributions from its parent company, SIGI, and its moderate exposure to natural catastrophes. In addition, the group's policyholders' surplus at year-end 2014 included surplus notes of \$623 million. The group's capitalization also reflects the financial flexibility of the ultimate holding company, Sample Insurance Holding Company, Inc. (SIHC).

While Sample Insurance's overall capitalization improved in recent years, policyholder surplus declined approximately 27% in 2010, resulting in elevated underwriting leverage measures, lower liquidity ratios and a deterioration in the group's risk-adjusted capitalization. While its underwriting leverage measures have improved since that time (albeit modestly increasing in 2011 and 2014 as compared with 2012), these measures are still relatively high compared with the commercial casualty composite. A.M. Best will continue to monitor Sample Insurance's capitalization to assess its sustainability to weather any additional negative effects from both the underwriting and investment markets.

### Capital Generation Analysis (\$000)

Year	Source of Surplus Growth							% Change in PHS
	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains	Net Contributed Capital	Other Changes	Change in PHS	
2015	-630,362	276,196	-239,422	532,061	17,480	348,064	782,861	4.9
2014	-809,380	154,598	-156,447	389,594	-247,040	-21,675	-377,457	-2.3
2013	1,015,900	215,720	-117,729	355,071	-50,874	-10,907	1,642,639	11.2
2012	1,062,908	-24,667	115,843	324,182	-141,068	1,270,611	2,376,123	19.2
2011	2,022,344	-69,291	357,766	-5,055,309	-599,282	-551,861	-4,611,165	-27.2
5-Yr Total	2,661,409	552,557	-39,989	-3,454,402	-1,020,785	1,034,232	-187,000	-0.2
06/2015	-165,827	106,643	-52,389	-787,553	677,145	-209,536	-326,740	-1.9
06/2014	32,475	89,199	-71,540	445,221	-461,588	-880	175,967	1.1



## Capitalization (Continued ...)

### Quality of Surplus (\$000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus	Year End Policyholders Surplus	Conditional Reserves	Adjusted Policyholders Surplus
2015	633,293	...	8,806,187	7,331,198	16,770,678	103,320	16,873,997
2014	805,539	...	8,978,685	6,203,592	15,987,817	136,509	16,124,325
2013	805,444	...	9,179,611	6,380,219	16,365,273	158,071	16,523,344
2012	805,348	...	8,709,914	5,207,373	14,722,635	146,048	14,868,683
2011	902,075	...	8,308,813	3,135,624	12,346,512	299,768	12,646,280
06/2015	633,326	...	8,720,654	7,089,958	16,443,937	102,206	16,546,144
06/2014	633,259	...	8,505,686	7,024,839	16,163,784	136,501	16,300,285

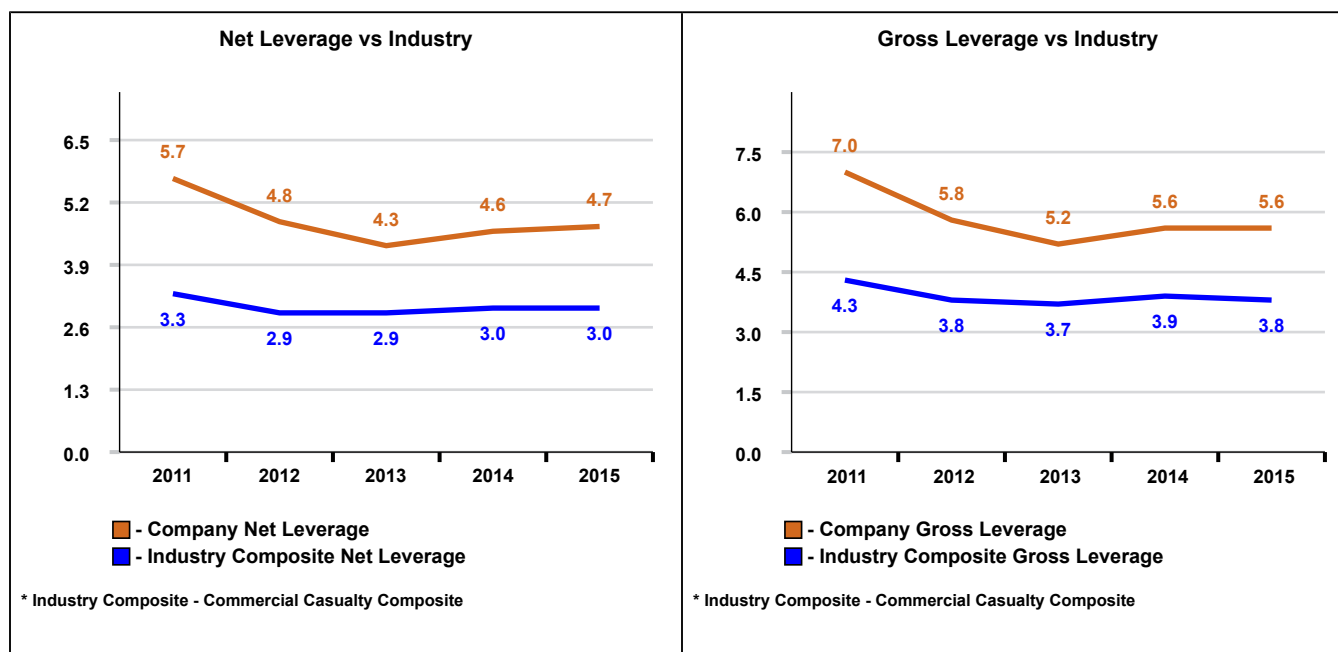
## Underwriting Leverage

### Leverage Analysis

Year	Company				Industry Composite			
	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage
2015	1.4	2.0	4.7	5.6	0.8	1.5	3.0	3.8
2014	1.4	2.0	4.6	5.6	0.8	1.5	3.0	3.9
2013	1.3	1.9	4.3	5.2	0.7	1.5	2.9	3.7
2012	1.4	2.2	4.8	5.8	0.7	1.5	2.9	3.8
2011	1.8	2.6	5.7	7.0	0.9	1.6	3.3	4.3
06/2015	1.5	2.1	4.9	XX	XX	XX	XX	XX
06/2014	1.4	2.0	4.7	XX	XX	XX	XX	XX

Current BCAR: 161.4

## Underwriting Leverage (Continued ...)



## Ceded Reinsurance Analysis (\$000)

Year	Company				Industry Composite		
	Ceded Reinsurance Total	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)
2015	15,640,390	82.6	61.2	93.3	82.6	59.1	84.5
2014	15,855,184	81.3	66.2	99.2	81.6	59.4	84.5
2013	14,559,104	82.8	60.9	89.0	81.2	57.6	80.4
2012	15,443,101	81.3	72.0	104.9	82.6	61.2	84.8
2011	15,938,419	82.5	90.2	129.1	84.6	70.6	97.6

## 2015 Reinsurance Recoverables (\$000)

	Paid & Unpaid Losses	Incurred But Not Reported (IBNR) Losses	Unearned Premiums	Other Recoverables *	Total Reinsurance Recoverables
US Affiliates	23,995,657	24,343,448	15,896,374	339,864	64,575,343
Foreign Affiliates	43,883	53,453	7,763	-60,501	44,598
US Insurers	2,343,117	3,005,721	605,495	-965,327	4,989,006
Pools/Associations	2,108,860	938,945	184,347	-27,723	3,204,429
Other Non-Us	815,117	1,226,494	299,184	-311,817	2,028,978
Total(ex Us Affils)	5,310,977	5,224,613	1,096,789	-1,365,368	10,267,011
Grand Total	29,306,634	29,568,061	16,993,163	-1,025,504	74,842,354

\* Includes Commissions less Funds Withheld

## Loss Reserves

**Loss Reserves:** While Sample Insurance experienced significant adverse prior year loss reserve development in earlier calendar years, the group has experienced favorable development during three of the past five calendar years (2013 and 2014 being the exceptions), with accident years 2006-2014 recording redundancies, except for 2012. In 2012 and 2013, relatively modest unfavorable prior year loss reserve development occurred largely due to development of asbestos claims, as well as development in the workers' compensation and other liability occurrence lines. The favorable results in calendar years 2008 through 2011 were driven by the solid performance within the private passenger auto, commercial multi-peril and commercial auto liability lines, offset by adverse development occurring primarily within the other liability occurrence line, as well as older workers' compensation accident year reserves. While Sample Insurance reported significant adverse development in accident years 1999 through 2003, largely related to deterioration in commercial automobile and workers' compensation lines of business, accident years 2004 and subsequent years have developed favorably to date with the exception of accident year 2012, reflective of pricing discipline and the group's increasing use of technology, particularly its price monitoring initiatives.

Sample Insurance's workers' compensation reserves represented nearly 50% of the group's total reserves at year-end 2014. Sample does not discount reserves other than tabular discounting on the long-term indemnity portion of workers' compensation claims and specific asbestos structured settlements. For statutory basis accounting, the tabular discounting on workers' compensation claims is based upon Unit Statistical Plan tables as approved by the respective states.

Sample Insurance's potential asbestos and environmental (A&E) liability primarily stems from its pre-1987 commercial liability policies, historically written on a primary level with some low levels of excess. After significant reserve charges occurring annually during the 2003 through 2007 period, Sample's three-year survival ratio has improved. The measure improves further when adjusted for buyouts, structured settlements and commutations in place, however, still trails the A.M. Best benchmark composite. In recent years, aggressive litigation and resolution strategies, combined with its role as a primary carrier, have played a major role in contributing to Sample Insurance's higher than average paid loss activity. In 2011, Sample Insurance completed a biennial account level study of its asbestos exposure which indicated a required reserve increase of \$383 million. In 2013, a ground up study indicated a required asbestos reserve increase of \$292 million, primarily related to mesothelioma claims. Since 1994, Sample Insurance has centralized all environmental staff into a dedicated department comprised of environmental specialists including claims, legal, systems, reinsurance and consulting to handle A&E claims and litigation.

### Loss and ALAE Reserve Development: Calendar Year (\$000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2014	Development to Original (%)	Development to PHS (%)	Development to NPE (%)	Unpaid Reserves @ 12/2014	Unpaid Reserves to Development (%)
2015	33,756,114	33,756,114	...	...	145.3	33,756,114	100.0
2014	32,424,712	32,607,182	0.6	1.1	151.2	24,613,768	75.5
2013	31,844,809	32,264,890	1.3	2.6	153.2	19,154,992	59.4
2012	31,698,613	31,819,815	0.4	0.8	155.7	15,540,772	48.8
2011	31,950,112	31,842,098	-0.3	-0.9	140.8	12,972,735	40.7
2010	30,753,115	30,155,171	-1.9	-3.5	134.4	11,014,120	36.5

### Loss and ALAE Reserve Development: Accident Year (\$000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2014	Development to Original (%)	Unpaid Reserves @ 12/2014	Accident Year Loss Ratio	Accident Year Comb. Ratio
2015	9,142,346	9,142,346	...	9,142,346	77.6	109.0
2014	8,413,722	8,411,802	0.0	5,458,776	80.5	109.8
2013	8,187,859	8,246,479	0.7	3,614,220	76.2	105.4
2012	8,205,876	7,906,121	-3.7	2,568,037	73.8	103.4
2011	9,467,664	8,934,934	-5.6	1,958,615	75.7	103.7
2010	8,850,093	7,902,222	-10.7	1,412,585	66.2	96.4

## Loss Reserves (Continued ...)

### Asbestos And Environmental Reserves Analysis

Year	Company						Industry Composite		
	Net A&E Reserves (\$000)	Reserve Retention (%)	Net Incurred But Not Reported (IBNR) Mix (%)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)
2015	1,205,197	45.9	53.8	4.8	0.6	0.6	9.1	0.6	0.6
2014	1,322,901	48.9	50.8	5.3	1.6	1.1	9.1	0.5	0.6
2013	1,181,133	45.2	54.6	4.5	-0.5	0.6	7.2	0.7	0.5
2012	1,572,313	49.4	73.8	...	2.1	...	...	0.6	...
2011	1,391,956	44.2	57.4	...	0.1	...	...	0.3	...

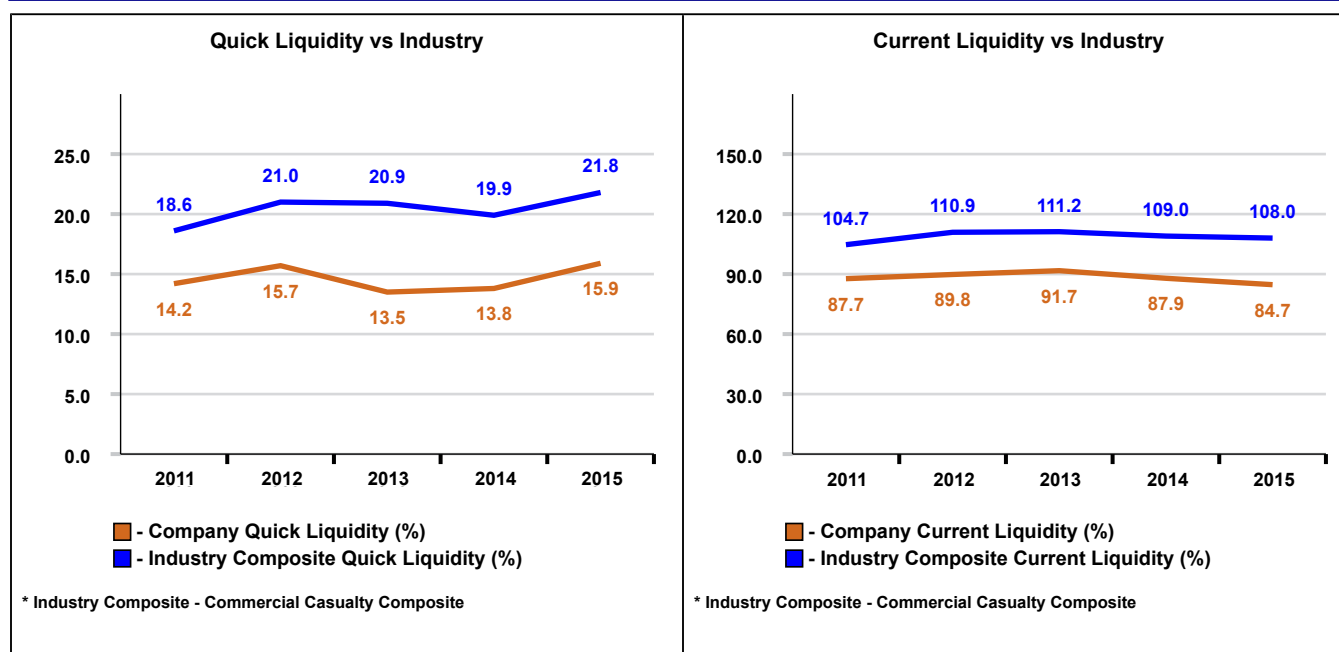
## Liquidity

**Liquidity:** Sample Insurance maintains a sound liquidity position as invested assets exceed current liabilities by a comfortable margin; however the group's liquidity measures have trended downward in recent years and trail the commercial casualty composite. Given the extraordinary long-term receivables associated with its large commercial accounts business, Sample Insurance's liquidity appears modest. However, most of the insurance contracts related to these receivables are retrospectively rated and are collateralized by letters of credit or other securities which enhances overall liquidity. While underwriting and operating cash flows have historically enhanced overall liquidity, both measures have declined in recent years, reflective of the reduction in premium and weaker earnings.

### Liquidity Analysis

Year	Company				Industry Composite			
	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS (%)	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS (%)
2015	15.9	84.7	130.7	10.6	21.8	108.0	144.9	10.9
2014	13.8	87.9	131.1	10.9	19.9	109.0	144.5	10.3
2013	13.5	91.7	132.7	9.4	20.9	111.2	146.2	9.0
2012	15.7	89.8	129.5	11.5	21.0	110.9	146.0	9.1
2011	14.2	87.7	125.7	18.4	18.6	104.7	140.8	11.9
06/2015	XX	75.1	128.6	12.4	XX	XX	XX	XX
06/2014	XX	81.9	130.1	12.4	XX	XX	XX	XX

## Liquidity (Continued ...)



## Cash Flow Analysis (\$000)

Year	Company					Industry Composite	
	Underwriting Cash Flow	Operating Cash Flow	Net Cash Flow	Underwriting Cash Flow (%)	Operating Cash Flow (%)	Underwriting Cash Flow (%)	Operating Cash Flow (%)
2015	-681,087	1,878,303	456,174	97.2	107.7	98.2	110.7
2014	-1,515,779	185,914	-269,985	93.5	100.8	96.5	107.6
2013	-1,061,766	813,267	-968,544	95.3	103.5	96.6	108.6
2012	-1,571,686	136,613	-603,087	92.8	100.6	98.4	109.5
2011	542,425	2,510,676	1,664,313	102.5	111.1	101.2	112.6
5-Yr Total	-4,287,893	5,524,773	278,871	...	...	...	...
06/2015	-566,780	181,146	-875,218	95.5	101.4	XX	XX
06/2014	-547,591	885,324	86,353	95.5	107.3	XX	XX

## Investments

**Investments:** Sample Insurance maintains a prudent investment portfolio with approximately 65% of invested assets in fixed income securities. The group's common stock leverage has trended lower in recent years and remained below 10% at year-end 2014, although net purchases on common stock occurred in years 2012 through 2014. In 2010, the group's statutory surplus was impacted by the volatility in the financial markets, as evidenced by substantial unrealized investment losses and other than temporary impairment (OTTI) charges recorded in its fixed income and equity portfolios.

The group has a moderate amount of affiliated stacking, primarily relating to its diversification into international markets, life and other financial services companies, as well as other businesses complementing its domestic property/casualty operations.

## Investments (Continued ...)

As a result, affiliated investment leverage has increased in recent years reflective of the investment associated with establishing a presence in global markets, which the group has identified for expansion.

### Investment Leverage Analysis (% of PHS)

Year	Company						Industry Composite	
	Class 3-6 Bonds	Real Estate / Mortgages	Other Invested Assets	Common Stock	Non - Affiliated Investment Leverage	Affiliated Investments	Class 3-6 Bonds	Common Stock
2015	17.2	6.7	19.6	9.6	53.0	63.2	7.1	10.3
2014	25.6	6.3	21.5	7.6	60.9	57.1	7.4	9.5
2013	24.8	6.3	18.6	5.5	55.2	47.7	7.2	9.0
2012	17.4	6.4	12.5	2.6	38.9	50.1	6.0	8.2
2011	12.1	7.3	16.4	6.2	42.0	53.0	5.4	9.1

## Investments - Bond Portfolio

### 2015 Distribution By Maturity

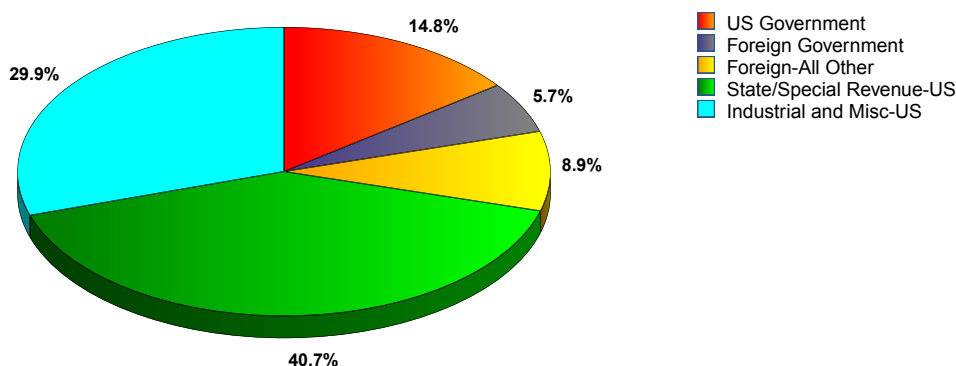
	Years					Years Average Maturity
	0-1	1-5	5-10	10-20	20+	
Government	1.5	5.9	6.0	5.1	1.1	8.5
Government Agencies & Muni.	3.5	12.2	10.7	10.2	2.3	8.5
Industrial & Misc.	9.3	15.9	13.8	1.5	1.0	4.9
Total	14.3	34.0	30.5	16.8	4.4	7.0

## Investments - Bond Portfolio (Continued ...)

### Bond Distribution By Issuer Type

	2015	2014	2013	2012	2011
Bonds (\$000)	36,481,597	36,616,308	37,332,519	37,073,160	34,287,113
US Government	14.8	11.4	11.5	16.3	6.8
Foreign Government	5.7	4.3	3.9	2.4	1.4
Foreign-All Other	8.9	6.7	5.8	3.9	3.8
State/Special Revenue-US	40.7	43.0	44.7	50.9	57.0
Industrial and Misc-US	29.9	34.6	34.1	26.6	31.0

2015 Bond Distribution By Issuer Type



### Bond Percent Private vs Public

	2015	2014	2013	2012	2011
Private Issues	12.0	6.5	7.8	3.7	3.1
Public Issues	88.0	93.5	92.2	96.3	96.9

### Bond Quality Percent

	2015	2014	2013	2012	2011
Class 1	78.4	73.7	75.6	83.6	86.5
Class 2	14.1	15.5	14.0	9.8	9.6
Class 3	2.8	4.4	4.7	3.5	2.5
Class 4	3.9	5.5	4.7	2.2	1.2
Class 5	0.4	0.6	0.8	0.4	0.2
Class 6	0.5	0.3	0.1	0.4	...

## Investments - Equity Portfolio

	2015	2014	2013	2012	2011
Total Stocks (\$000)	4,106,499	3,717,305	3,755,870	3,302,839	3,631,663
Unaffiliated Common	39.1	32.5	23.9	11.7	21.0
Affiliated Common	51.3	57.8	62.2	52.8	45.2
Unaffiliated Preferred	9.6	9.6	13.9	15.9	16.0
Affiliated Preferred	...	...	...	19.6	17.8

## Investments - Mortgage Loans And Real Estate

	2015	2014	2013	2012	2011
Total Mortgage Loans and Real Estate (\$000)	1,420,943	1,319,833	1,369,071	1,330,262	1,373,001
Mortgage Loans	78.6	75.8	75.5	70.9	65.7
Property Occupied by Company	21.4	24.2	24.4	29.1	34.3
Property Held for Income	0.1	0.1	0.1	0.1	0.1

## Investments - Other Invested Assets

	2015	2014	2013	2012	2011
Total Other Invested Assets (\$000)	13,823,311	11,843,043	10,271,765	9,491,730	9,461,393
Cash	4.5	4.4	5.3	13.9	3.8
Short-Term	11.8	10.7	14.8	18.0	34.6
Schedule BA Assets	80.5	77.6	72.3	67.8	61.5
All Other	3.2	7.2	7.6	0.2	0.1



## History

**Date Incorporated:** 01/01/1926

**Date Commenced:** N/A

**Domicile:** MA

Sample Insurance Company, the cornerstone of the Sample Insurance Companies, was organized in Boston in 1925 with the primary purpose of providing workers' compensation insurance at cost. Since that time, the group has grown into one of the largest multi-line writers of property/casualty business in the U.S. Sample ranks 125th among the Fortune 500 largest corporations in the U.S. based on 2013 revenue.

A community of interest has existed since 1943 between the management of Sample Insurance Company and Sample Fire Insurance Company as well as Sample Life Assurance Company of Boston (a wholly owned subsidiary since 1964). Two subsidiaries, Sample Insurance Corporation and Sample Insurance Corporation, were formed in 1984 to afford expanded presence in key geographic areas as well as increased underwriting and pricing flexibility. In 1987, a Bermuda based stock insurance company, Sample Limited, was formed to provide an alternative source of excess lines coverage on a claims made basis. In 1989, Sample Life Insurance Company (formerly Sample Life Insurance Company) was acquired. In 1990, two additional subsidiaries were formed: SI Insurance Corporation, which underwrites commercial risks, and The First Sample Insurance Corporation, providing primarily personal lines coverages. In 1994, the U.S. contract surety bond operations of CIGNA were acquired. In 1996, mergers and acquisition activity included the acquisition of Sample Mexico Seguros S.A. and C.A. Venezuela Seguros Caracas. Most notably among Sample's 1997 M&A activities were the acquisitions of Sample General Insurance Company of Canada (since renamed Sample Insurance Company of Canada) and Sample Insurance de Seguros of Brazil, as well as Sample's affiliation agreement with Maryland-based, Sample Mutual Insurance Company.

In February 1998, Sample Insurance formed Sample Re, a UK-based reinsurer. Two subsidiaries were formed, Sample Massachusetts Trust, a holding company for international subsidiaries, and Sample Insurance Company of America, an Illinois property and casualty company. In May of 1998, Pennsylvania-based Merchants and Business Men's Sample Insurance Company agreed to affiliate with Sample. In December of 1998, Sample continued its expansion into South America by purchasing Sample Compania de Seguros Generales S.A. (since renamed Sample Seguros S.A.), a Colombian non-life company. This provides Sample with operations in each of its five target Latin American markets. Early in 1999, Sample International formed a new captive management service company, Sample International Management Bermuda Ltd. (SIMB). In forming SIMB, Sample International purchased essentially all of the assets of Sample International Management Ltd., a captive management group owned by Sample Group. Sample owns 80% of SIMB with Sample owning the remaining 20%.

On June 2, 1998, the California Superior Court approved an agreement to award the business of California-based Golden Eagle Insurance Company to Sample Insurance Company. Under the terms of the settlement agreement, a comprehensive rehabilitation plan was underwritten by Sample Insurance and two new subsidiaries were formed. The first, Golden Eagle Insurance Corporation, is a member of the Sample Insurance Company pool and writes all of the new and renewal business from the former Golden Eagle Insurance Company, now in liquidation. The second, Sample Insurance Company (Sample), is not rated and is used solely for the purpose of housing the financial results from the run-off of Golden Eagle Insurance Company's outstanding liabilities. Sample reinsures up to 135% of Golden Eagle Insurance Company's ceded assets to cover outstanding liabilities, in return for the renewal rights to Golden Eagle Insurance Company's business. Sample Insurance guarantees Sample's performance under this agreement.

During 1999 and 2000, Sample Insurance continued to add to its group of regional affiliated companies. Added in 1999 were Summit Holding Southeast, Inc. and Colorado Casualty Insurance Company, through acquisition. Summit Holdings includes two statutory insurance companies, Bridgefield Casualty Insurance Company and Bridgefield Employers Insurance Company, as well as U.S. Employers Insurance Inc., a Grand Cayman Island domiciled reinsurer. Colorado Casualty provided Sample Insurance with a presence in the mountain states region, as it expanded its distribution to independent agency placed main street commercial lines markets. Also during 1999, Sample Insurance affiliated with Employers Insurance of Wausau and acquired Wausau's affiliates. This affiliation served to further solidify Sample's position as the leading U.S. workers' compensation carrier, as Wausau's market strength within the Midwest and broker market bolsters Sample's market presence. Finally in 1999, due to ongoing soft reinsurance market conditions world-wide, Sample Insurance shut down operations of its U.K. based reinsurer, Sample Re. In 2000, Sample further strengthened its agency operations with the purchase of the U.S. operations of Guardian Royal Exchange (GRE) from AXA, following AXA's acquisition of GRE. This operation was renamed Sample Insurance Holdings, Inc. Operations provided Sample Insurance with a strong independent agency distribution system in the Northeast and Midwest.

During 2002, Sample Insurance continued its expansion domestically and internationally. In October, Sample announced the acquisition of the independent agency business of OneBeacon Insurance Group (excluding New England, New York and New Jersey), which provided Sample access to its approximately \$1.0 billion book of small commercial and personal lines independent agency business. In addition, Sample Insurance expanded into the Spanish market by acquiring Sample Seguros from the Hartford Financial Services Group and Royal & Sun Alliance's property and casualty and life insurance operations.

## History (Continued ...)

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At a Special Meeting on November 9, 2002, policyholders voted in favor of a plan to reorganize Sample Insurance Company into a mutual holding company structure. The Massachusetts Insurance Commissioner approved the plan on November 27, 2002, and on November 28, 2002, Sample Insurance Company reorganized to a stock insurance company, indirectly owned by its newly-formed parent Sample Insurance Holding Company, Inc. This was the first step in a series of transactions designed to bring Sample Insurance Company, Sample Fire Insurance Company and Employers Insurance Company of Wausau under a single mutual holding company structure. This process was completed in March 2003.

In May 2004, Sample Insurance announced the acquisition Sample Financial Inc.'s U.S. property/casualty operations in 47 states, excluding New Jersey, specialty auto and affinity business. This acquisition, which gave Sample Insurance a \$1.1 billion book of personal auto and homeowners renewals, was consistent with the group's strategy to diversify its product offerings by expanding its personal lines segment. The acquisition closed on October 31, 2004.

On January 9, 2005, Sample Insurance announced it concluded the acquisition process of MetLife's Spanish operations, including its non-life subsidiary Genesis Seguros Generales, S.A., and its life subsidiary, Seguros Genesis, S.A. The companies offer auto and homeowners insurance as well as individual life insurance and retirement savings products.

On January 20, 2005, Sample announced an agreement to sell its Canadian personal lines property and casualty operations to Meloche Monnex, Inc. On the same date, Sample opened an office in Chongqing as part of becoming the first foreign property/casualty insurer with a presence in western China.

On March 21, 2006, Sample announced the acquisition of the property/casualty operations of ING Chile Seguros Generales.

On June 16, 2007, Sample Insurance signed an agreement with Sert Holding A.S. for the acquisition of a majority of Seker Sigorta shares. Seker Sigorta, an insurer based in Turkey, is a mid-sized insurer that offers a full complement of property-casualty insurance products, with a concentration in personal lines insurance since 1955.

During August 2008, Sample Insurance finalized its acquisition of Ohio Casualty Corporation. Ohio Casualty Corporation is the holding company of The Ohio Casualty Insurance Company and four other property and casualty insurance companies. Ohio Casualty is a regional provider of property / casualty insurance products predominantly located within the mid-western and mid-Atlantic states.

On October 10, 2008, the company through its Brazilian subsidiary, Sample International Brasil Ltda., signed an agreement to buy 100% of Indiana Seguros, S.A. The acquisition closed in the fourth quarter of 2008.

On September 22, 2009, Sample Insurance, through its operating subsidiaries, finalized its acquisition of Safeco Corporation. Safeco Corporation is the holding company for fourteen wholly-owned insurance subsidiaries.

In April 2012, the company through its subsidiary Sample ITB UK and Europe Limited, entered into an agreement with Anglo Irish Bank (Anglo) to establish Sample Insurance Ireland Investment Holdings Company Limited (Ireland Holdings). Sample Insurance has 51% ownership of Ireland Holdings and consolidates the financial position and results of operations. Anglo has the remaining 49% ownership. On November 11, 2012, Ireland Holdings completed the acquisition of the Republic of Ireland business from Quinn Insurance Limited (QIL), a mid-sized insurer in Ireland. The operations of QIL were merged into the International strategic business unit.

In 2013, Sample Insurance expanded further internationally in two geographic regions: Russia with the acquisition of KIT Finance Insurance in March, and Chile and Ecuador with the acquisitions of Panamericana de Seguros del Ecuador S.A. and Cervantes S.A. Compania de Seguros y Reaseguros in August. In June 2013, Sample ART S.A., a workers' compensation business in Argentina, was sold. Also in 2013, Sample Insurance exercised a renewal rights option over the Great Britain and Northern Ireland portfolios of QIL, expanding Sample Insurance's geographic presence to the United Kingdom.

## Management

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Don Smith has been President and Chief Executive Officer of Sample Insurance since July 2012. Mr. Smith has also been a member of the board of directors since July 2011. Mr. Smith joined Sample Insurance in 1985 and has over 25 years of comprehensive experience in the property and casualty industry. Edward Smith, who retired as Chief Executive Officer in 2012, has been chairman of the board of directors since 2002.

## Reinsurance

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Sample Insurance utilizes both traditional and non-traditional reinsurance to reduce exposure to loss. The amount of coverage varies geographically to protect Sample's zonal aggregates. First event Property Catastrophe protection is provided through the Subsequent Event Plus cover with limits of \$650 million excess of \$650 million subject to a \$400 million non-named storm retention. If the non-named storm retention is not met, the Subsequent Event Plus cover provides second event property catastrophe protection with limits of \$650 million excess of \$650 million excess of a \$650 million annual aggregate deductible. Above Subsequent Event Plus, the entry and exit points of the Corporate Property Catastrophe Program are \$1.2 billion in the Northeast and Gulf, and \$1.3 billion in all other geographic locations in the United States. Sample also utilizes a 30% quota share on its Personal Markets homeowner's line with occurrence caps of \$1.75 billion and \$400 million for Hurricane and Earthquake/Fire Following, respectively. On March 6, 2013, the Company entered into two multi-year property catastrophe reinsurance agreements with Mystic Re III Ltd. ("Mystic III"), a Cayman Islands domiciled reinsurer, to provide \$275 million of reinsurance coverage for the Company and its affiliates for a U.S. hurricane or earthquake event. The reinsurance agreements are collateralized. Such collateral is provided by Mystic III using proceeds from the issuance of certain catastrophe bonds. The reinsurance agreements provide coverage based on actual reported losses by the Company and its affiliates. The Company has not recorded any recoveries under this program. Mystic III does not have any other reinsurance in force.

Sample Insurance's external workers compensation catastrophe coverage for both terror and non-terror events provides for a loss limit of \$500 million excess of a \$700 million retention. The maximum any one life (MAOL) limitation is \$10 million. The workers compensation catastrophe coverage also provides a limit of \$500 million for losses arising from a single event at a single insured location excess of a \$200 million retention. Coverage for terrorism is included except for losses caused by NBCR attacks.

## Consolidated Balance Sheet (\$000)

Admitted Assets	12/31/2015	12/31/2014	2015 %	2014 %
Bonds	36,481,597	36,616,308	50.8	53.8
Preferred Stock	392,966	358,292	0.5	0.5
Common Stock	1,605,447	1,208,750	2.2	1.8
Cash & Short-Term Invest	2,239,178	1,670,603	3.1	2.5
Real estate, investment	848	910	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	4,511,981	4,508,619	6.3	6.6
Investments in Affiliates	10,296,487	8,813,993	14.3	13.0
Real Estate, Offices	303,847	319,013	0.4	0.5
<b>Total Invested Assets</b>	<b>55,832,350</b>	<b>53,496,488</b>	<b>77.8</b>	<b>78.6</b>
Premium Balances	8,841,391	8,281,888	12.3	12.2
Accrued Interest	393,180	416,823	0.5	0.6
Life department	...	...	...	...
All Other Assets	6,690,251	5,843,357	9.3	8.6
<b>Total Assets</b>	<b>71,757,172</b>	<b>68,038,555</b>	<b>100.0</b>	<b>100.0</b>
<b>Liabilities &amp; Surplus</b>	<b>12/31/2015</b>	<b>12/31/2014</b>	<b>2015 %</b>	<b>2014 %</b>
Loss & LAE Reserves	34,006,547	32,473,664	47.4	47.7
Unearned Premiums	10,943,284	10,137,341	15.3	14.9
Conditional Reserve Funds	103,320	136,509	0.1	0.2
Derivatives	22,482	...	...	...
Life department	...	...	...	...
All Other Liabilities	9,910,860	9,303,225	13.8	13.7
<b>Total Liabilities</b>	<b>54,986,494</b>	<b>52,050,739</b>	<b>76.6</b>	<b>76.5</b>
Surplus notes	633,293	805,539	0.9	1.2
Capital & Assigned Surplus	8,806,187	8,978,685	12.3	13.2
Unassigned Surplus	7,331,198	6,203,592	10.2	9.1
<b>Total Policyholders' Surplus</b>	<b>16,770,678</b>	<b>15,987,817</b>	<b>23.4</b>	<b>23.5</b>
<b>Total Liabilities &amp; Surplus</b>	<b>71,757,172</b>	<b>68,038,555</b>	<b>100.0</b>	<b>100.0</b>

## Interim Balance Sheet (\$000)

<b>Admitted Assets</b>	<b>03/31/2015</b>	<b>06/30/2015</b>
Bonds	36,796,441	37,010,659
Preferred Stock	419,546	372,509
Common Stock	4,025,169	4,193,879
Cash & Short-Term Invest	1,523,845	1,372,559
Other Investments	13,727,486	14,329,163
<b>Total Invested Assets</b>	<b>56,492,487</b>	<b>57,278,770</b>
Premium Balances	12,472,793	9,800,274
Accrued Interest	375,542	389,227
Reinsurance Funds	4,440,539	1,952,937
All Other Assets	6,770,007	4,908,311
<b>Total Assets</b>	<b>80,551,367</b>	<b>74,329,517</b>

<b>Liabilities &amp; Surplus</b>	<b>03/31/2015</b>	<b>06/30/2015</b>
Loss & LAE Reserves	34,048,442	34,070,504
Unearned Premiums	11,099,420	11,409,592
Conditional Reserve Funds	103,276	102,206
Derivatives	18,008	6,767
All Other Liabilities	18,896,777	12,296,511
<b>Total Liabilities</b>	<b>64,165,924</b>	<b>57,885,580</b>
Capital & Assigned Surp	9,217,027	9,353,979
Unassigned Surplus	7,168,417	7,089,958
<b>Total Policyholders' Surplus</b>	<b>16,385,444</b>	<b>16,443,937</b>
<b>Total Liabilities &amp; Surplus</b>	<b>80,551,367</b>	<b>74,329,517</b>

## Consolidated Summary Of 2015 Operations (\$000)

Statement of Income	12/31/2015	Funds Provided from Operations	12/31/2015
Premiums earned	23,239,585	Premiums collected	23,592,676
Losses incurred	14,873,528	Benefit & loss-related pmts	13,619,447
LAE incurred	3,523,376		
Undwr expenses incurred	7,524,319	LAE & undwr expenses paid	10,601,008
Other expenses incurred	...	Other income / expense	...
Dividends to policyholders	50,351	Dividends to policyholders	53,309
Net underwriting income	-2,731,990	Underwriting cash flow	-681,087
		Net transfer	...
Net investment income	2,119,900	Investment income	2,326,639
Other income/expense	-18,272	Other income/expense	183,769
Pre-tax operating income	-630,362	Pre-tax cash operations	1,829,321
Realized capital gains	276,196		
Income taxes incurred	-239,422	Income taxes pd (recov)	-48,982
Net income	-114,744	Net oper cash flow	1,878,303

### Interim Income Statement (\$000)

	Period Ended 06/30/2015	Period Ended 06/30/2014	Increase / Decrease
Premiums earned	11,889,967	11,294,649	595,318
Losses incurred	6,990,599	7,127,662	-137,064
LAE incurred	1,599,381	1,589,846	9,535
Undwr expenses incurred	4,149,637	3,708,051	441,587
Other expenses incurred	...	...	...
Dividends to policyholders	21,598	23,247	-1,649
Net underwriting income	-871,247	-1,154,156	282,909
Net investment income	705,027	1,190,918	-485,891
Other income/expense	393	-4,287	4,680
Pre-tax operating income	-165,827	32,475	-198,302
Realized capital gains	106,643	89,199	17,444
Income taxes incurred	-52,389	-71,540	19,151
Net income	-6,796	193,214	-200,010

### Interim Cash Flow (\$000)

	Period Ended 06/30/2015	Period Ended 06/30/2014	Increase / Decrease
Premiums collected	12,056,035	11,523,259	532,776
Benefit & loss-related pmts	6,625,510	6,603,199	22,310
LAE & undwr expenses paid	5,977,819	5,443,526	534,293
Dividends to policyholders	19,486	24,124	-4,639
Underwriting cash flow	-566,780	-547,591	-19,189
Net transfer	...	...	...
Investment income	804,094	1,276,986	-472,892
Other income/expense	-57,906	147,618	-205,523
Pre-tax cash operations	179,409	877,013	-697,604
Income taxes pd (recov)	-1,738	-8,311	6,574
Net oper cash flow	181,146	885,324	-704,178

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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