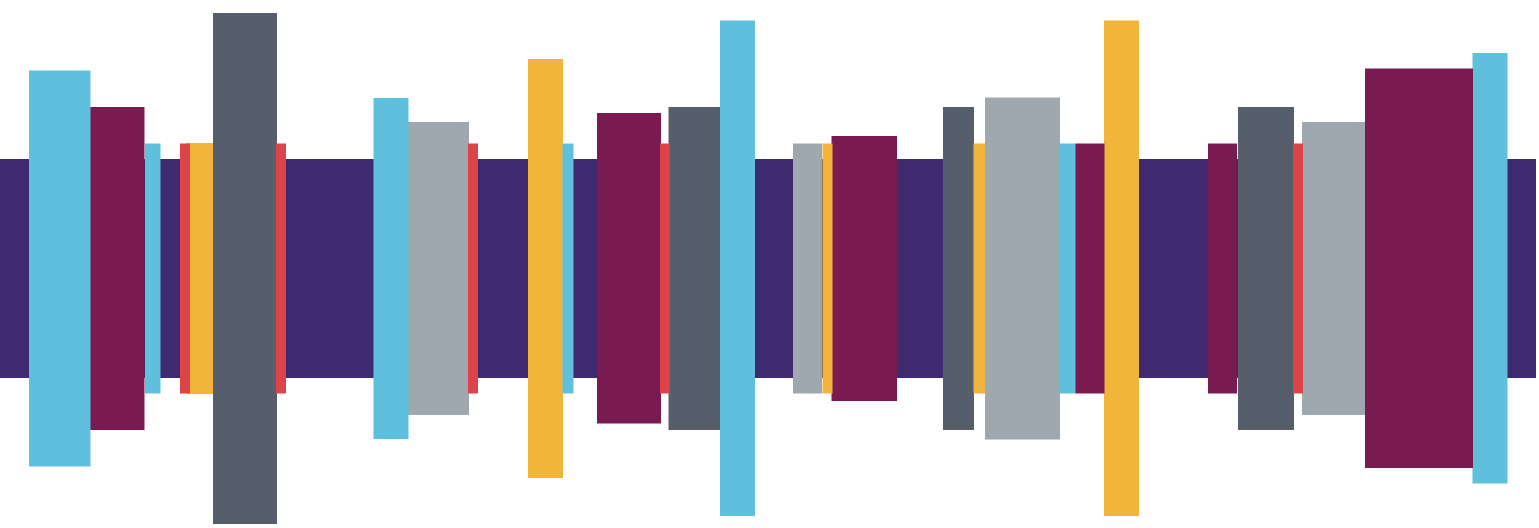
REDEFINING RESILIENCE.

185 YEARS OF STABILITY | ANNUAL REPORT 2020



FM Global®

RESILIENCE IS A CHOICE.

CONTENTS

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

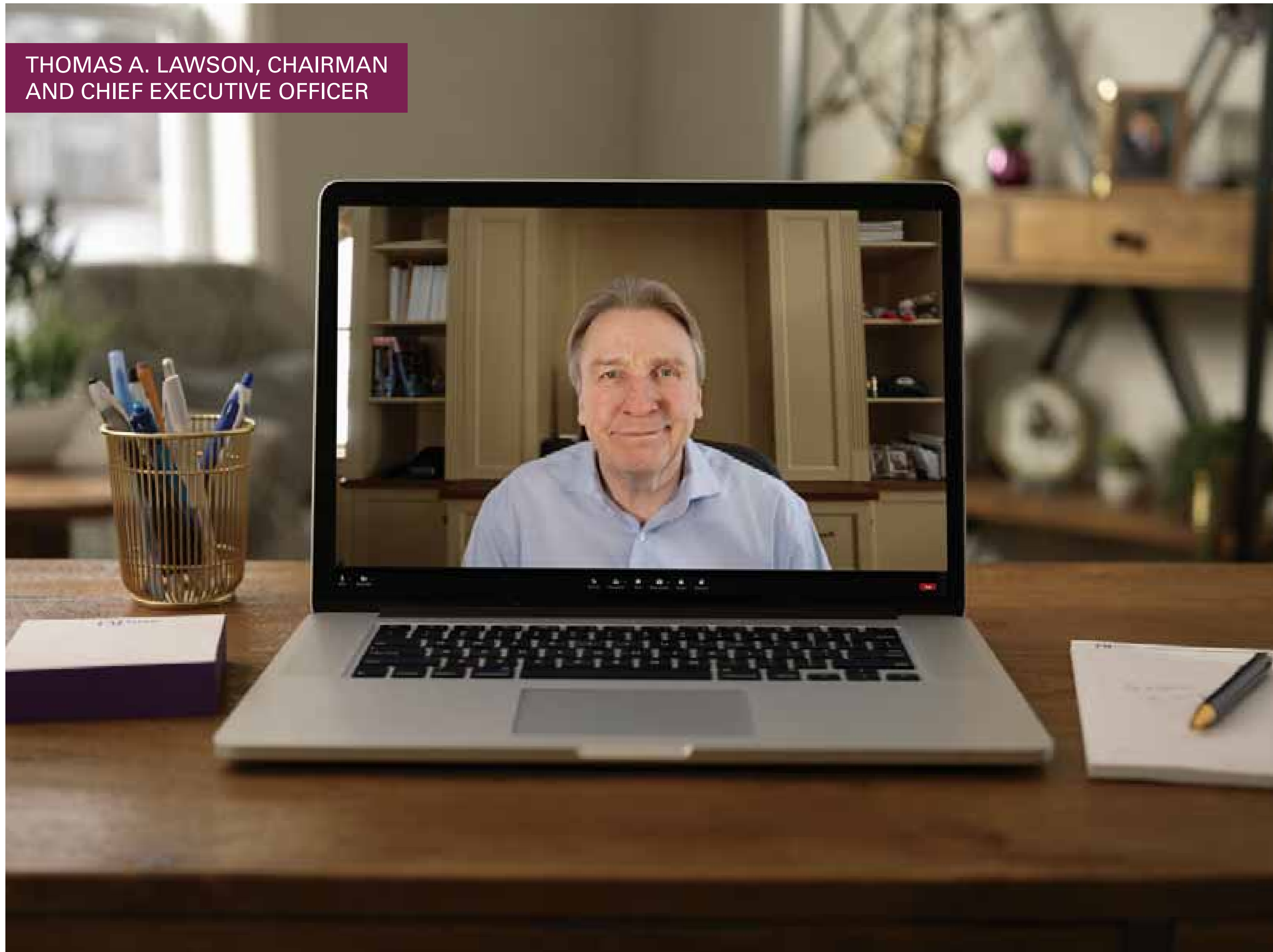
INDUSTRY RATINGS

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

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

2020.

The coronavirus pandemic has tested us both personally and professionally in ways we never could have imagined. Almost overnight, lockdowns, face coverings and virtual meetings became our new normal. Homes became offices, parents became teachers and everyday men and women became heroes, as they did their part to keep us going, to keep us connected, to keep us protected. The world can never forget the millions of people who have lost their lives to COVID-19. Our thoughts are with all those who have been adversely affected. One day when we look back, we will see 2020 as a defining moment in history—a moment during which we redefined what it means to be resilient. This Annual Report is dedicated to those who choose to remain steadfast in the face of adversity. Those who clearly remember that **Resilience Is A Choice.**



THOMAS A. LAWSON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Through it all, we didn’t just remain resilient, we **redefined resilience** together with our clients.

2020

15,000

REMOTE ENGINEERING VISITS CONDUCTED

90%

PLANNED VISITS COMPLETED

UNPRECEDENTED. RESILIENT.

Those two words immediately come to mind when reflecting on 2020.

In just 12 months, we saw devastating wildfires, a worldwide pandemic, a global stock market crash and rebound, tornadoes, floods, civil unrest, typhoons, derechos, a record-breaking Atlantic hurricane season, and the list goes on.

Last year was an unprecedented time to be in the business of risk management. Yet, through it all, we didn’t just remain resilient, we redefined resilience together with our clients.

When the pandemic forced the world into lockdown, we quickly adapted, utilizing technology already in place to transition to a virtual business environment.

Known for our boots-on the-ground approach, we expanded remote engineering services to continue meeting the needs of our clients. When their businesses pivoted to adapt to their own customers’ evolving needs, we worked with them to help solve new challenges. And we returned our research, testing and FM Approvals laboratories to full operation as quickly as possible.

The global pandemic may have changed how we do things, but it certainly didn’t change who we are. By staying true to our business model, we ended the year with a combined ratio of 92.5% and pretax operating income from insurance operations of US$385 million. Combined with the outstanding performance of our investment portfolio, our surplus increased from US$14.6 billion to US$16.5 billion—an all-time high that further demonstrates our financial strength and stability.

LONG-TERM RELATIONSHIPS

20.5
YEARS AVERAGE FM GLOBAL CLIENT TENURE

67%
CLIENTS INSURED WITH FM GLOBAL FOR 10+ YEARS

42%
CLIENTS INSURED WITH FM GLOBAL FOR 20+ YEARS

Throughout the year, we made noteworthy progress on initiatives that benefit our clients. With a focus on preventing industrial equipment failure and resulting damage due to computer malfunction, operator error or malicious cyber activity, our Industrial Control Systems evaluations were expanded to a larger client base. We introduced new technology, including both the Remote Visit by FM Global app as well as digital aerial imagery that helps us identify hardest-hit clients and prioritize response efforts following natural disasters.

Internally, organizational changes were made to strengthen our focus on the needs of the forest products, chemical and power generation industries. And we embarked on two multiyear initiatives with the goal of accelerating our business agility to better serve our policyholders.

The first multiyear initiative is focused on validating and implementing a new global operating model that will accelerate the delivery of our products and services, and in 2020, we launched a proof of concept to test that model. The second initiative is digitally enabling client interactions, particularly in the areas of risk assessment and management.

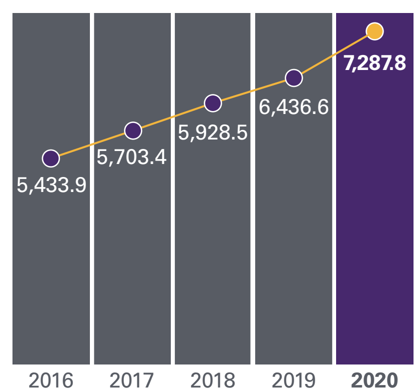
2020 Premium Trends

Despite the ongoing market turmoil, our consolidated gross in-force premium grew by 13.2% to an all-time high of US$7.3 billion, a favorable result reflecting the strength of our client relationships and our efforts in acquiring new business.

Our large commercial property business grew at a rate of 12.7% to US$5.7 billion. Correspondingly, AFM, positioned in the commercial property middle market, grew by a slightly higher rate of 13.3% to US$1.2 billion.

On a consolidated basis, FM Global (large commercial property) and AFM (middle-market property) are the sources of 95% of our overall premium in-force, with Mutual Boiler Re and FM Global Cargo representing the balance. All business lines showed top-line premium growth.

TOTAL GROSS PREMIUM IN-FORCE, US$M



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

$105

LEARN MORE AT FMGLOBAL.COM
KEYWORD: ROI HURRICANE

Loss Trends

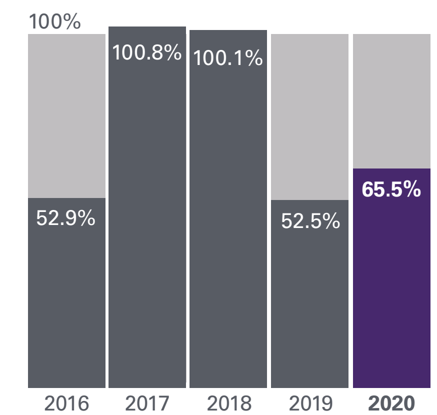
Our consolidated loss ratio for 2020 was 65.5%, slightly higher than planned due to a significant amount of natural hazard/aggregation losses, with COVID-19 being the largest of those losses. The resulting natural hazard/aggregation loss ratio of 32.3% was higher than our five-year average of 31.0%. However, from a natural hazard perspective, we benefited from the diligence of our field engineers and the continuous risk improvement efforts of our clients. Consistent with findings in recent years, clients who chose to implement our risk improvement recommendations fared significantly better than clients who did not. Similarly, use of FM Approved products helped control losses at client facilities despite an active year of natural hazards.

5%
AVERAGE DECLINE IN SHAREHOLDER VALUE OF DAMAGED FIRMS IN YEAR AFTER MAJOR FLOODS

LEARN MORE AT FMGLOBAL.COM
KEYWORD: REPUTATION VALUE

Our risk loss ratio, a measure of losses predominantly from fire, explosion and equipment breakdown, decreased from the prior-year ratio of 42.3% to 29.3% and was below our plan of 35%, despite several large losses. Controlling these types of losses continued to be a priority and we worked with our clients to assess their risk and support their risk improvement efforts. We increased our focus on equipment breakdown by hiring additional engineers with expertise in this area and providing training to our staff. However, fire remains the most significant risk exposure to our policyholders. To that end, FM Approvals certified the first composite intermediate bulk container to address the risk posed by the storage of ignitable liquids. In addition, our clients installed 52.9 million square feet (4.9 million square meters) of ceiling sprinklers worldwide.

LOSS RATIO



>3 in 4
COMPANIES ARE UNDERPREPARED FOR CLIMATE-RELATED FINANCIAL RISKS

LEARN MORE AT FMGLOBAL.COM
KEYWORD: UNDERPREPARED

INDUSTRY AND PUBLIC RECOGNITION

2020 INNOVATION AWARD
FOR THE FM GLOBAL CYBER LAB

BUSINESS INSURANCE

CYBER SECURITY PRODUCT OF THE YEAR FOR FM GLOBAL'S
INDUSTRIAL CONTROL SYSTEMS EVALUATION

CIR (CONTINUITY INSURANCE AND RISK) MAGAZINE

2020 MANSFIELD AWARD FOR EXCELLENCE IN
CORPORATE PROPERTY INSURANCE CLAIMS SERVICE

#1

RANKED #1 AND THE MOST HIGHLY REGARDED
INSURER IN PROPERTY CLAIMS HANDLING

ADVISEN CLAIMS SATISFACTION SURVEY

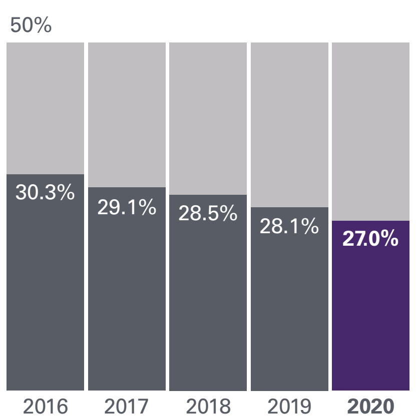
FORTUNE 500

FORTUNE 500 LIST
OF AMERICA'S LARGEST COMPANIES

Expense Trends

Our 2020 expense ratio was 27.0%, an improvement from last year's figure of 28.1%, primarily due to less travel during the pandemic. Always a priority, this metric is a gauge of our ability to provide value to our clients.

EXPENSE RATIO



Investments

2020 was a year of very resilient investment performance for us, despite an unprecedented investing environment with extreme financial markets volatility. The pandemic triggered one of the deepest recessions in recent history, resulting in a sharp downside correction in global equity markets. Asset markets and our portfolio sharply recovered, as policymakers acted at a record pace given the size of monetary and fiscal stimulus. The shift in the operating environment and consumption patterns accelerated long-term strategic trends, resulting in significant financial markets dispersion.

Our investment strategy to build a resilient portfolio with increased diversification benefited from the market recovery. The prudent approach also allowed us to navigate through volatile market conditions, protecting the downside, managing capital preservation and maintaining strong liquidity for smooth business operations purposes. The strategically managed resilient portfolio construction led to very strong positive results and outperformance for our investment portfolio.

Our focus on long-term strategic asset allocation, security selection and portfolio construction continued to add significant value to our investment portfolio amid an extremely volatile financial markets environment. The primary strategic goal for the investment portfolio continues to be to generate optimal risk adjusted returns in a prudent manner, with a focus on quality, liquidity and risk management as key underlying building blocks.

All asset classes in our investment portfolio generated strong returns in 2020, including U.S. and international equities, fixed income, and private and liquid alternatives. Cash returns were lower than recent years due to the drop in short-term policy and money market rates. The investment portfolio results contributed significantly to our surplus growth, along with the insurance business activities for the year.

The investment results demonstrate the resilience of our business model and the consistent focus on the strategic role of the investment portfolio in growing and protecting the surplus. The investment portfolio continues to further strengthen our financial position and leadership in the property insurance business over the long run.

92%

OF POLICIES DELIVERED TO CLIENTS ON OR BEFORE EFFECTIVE DATE

99%

OF POLICIES DELIVERED TO CLIENTS WITHIN 30 DAYS OF INCEPTION

Our Leadership and Governance

I would 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. Their continued guidance was invaluable—and appreciated—given the unprecedented nature of 2020 and the unique business environment in which we found ourselves operating. They faced challenges within their own organizations, yet they still made time to engage with us and participate in meetings, which, like many of our client offerings, were transformed to virtual events. I am grateful for their time, as their insight helps us understand their changing needs, as well as the risks and challenges their organizations are facing.

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

Our advisory boards and risk management executive councils allow clients to express changing needs directly to us, helping to determine our long-term strategy.

We will continue to focus on fundamentals, while also innovating for future risk in those areas where it provides the greatest benefit to our clients.

Our Workforce

In 2020, our employees demonstrated that they really are among the most dedicated in the industry. Despite personal and professional challenges, they continued to effectively support our business, finding innovative ways to provide the same quality of service our clients and partners have come to expect. Their resilience during these uncertain times has been inspiring. I am thankful for our workforce and proud of what they accomplished. Their hard work is reflected in our results.

With an employee retention rate of nearly 96% and average employee tenure of approximately 12 years, we are firmly committed to ensuring FM Global is a great place to work and a home for top talent. This includes the ongoing development of a diverse workforce and inclusive workplace.

Throughout 2020, we continued to foster a culture of inclusion that links our actionable commitment to diversity with business strategy. The FM Global Foundation made a sizable donation to the Equal Justice Initiative and double-matched employee giving related to inclusion and equality. We provided training and education, and we expanded our partnerships with diverse professional and collegiate associations that offer recruiting opportunities, as well as professional development and networking opportunities for our employees. We also established our first business resource groups—the Multicultural Forum and the Women's Forum—and conducted our first companywide inclusion survey, through which we identified areas of opportunity for 2021 and beyond. Ultimately, we want to create a workplace where all employees feel a sense of belonging. This resolve will make us a stronger organization.

Another area of focus in 2021 is exploring how we will work in the future. The current pandemic has had a dramatic effect on our work environment, accelerating trends that had already started to take shape. As we continue to evolve our best practices, we'll be looking at those trends and what we learned during the pandemic to define changes to our workplace strategy—how we serve our clients, engage with our employees and provide the tools and resources to do so effectively. Our goal is to create and enhance working models where our people thrive and continue to provide excellent client service.

95.7%
AVERAGE
EMPLOYEE RETENTION

12
YEARS AVERAGE
EMPLOYEE TENURE

2021 Forecast and Landscape

Given the state of the market, we knew 2020 would be difficult, although we never imagined the year we saw. While we hope 2021 will be less challenging, we are bracing ourselves for more of the same. From an industry perspective, ongoing COVID-19 losses, predictions of another active hurricane season, low interest rates and the continuing need for attaining a sustainable level of pricing all add up to a prolonged hardening market. As such, our blueprint for success in 2021 remains unchanged: We will continue to focus on fundamentals, while also innovating for future risk in those areas where it provides the greatest benefit to our clients.

We will build on what we learn through our global operating model proof of concept, strengthening our internal processes and leveraging technology to accelerate the delivery of our products and services as well as our business agility to better meet our clients' changing needs. While our current operating model has served us well for many years, the world is changing as a result of the pandemic, presenting us with a new reality in terms of how we work and how we conduct business.

In 2021, we also will enhance our clients' digital experience by making it easier for them to do business with us, receive relevant insightful information as well as foster opportunities for collaboration. We will continue work underway in risk engineering, underwriting and claims to meet these objectives. We will leverage our expertise, client relationships, data and new technology, like artificial intelligence and machine learning, to provide our clients what they want, when they want it and how they want it. And we will do this through a range of initiatives that span the client journey, from identifying and obtaining coverage through use and renewal of that coverage.

Risk identification, risk assessment and cost-effective risk improvement are the mainstays of our business strategy, new initiatives, product enhancements and process improvements. As a mutual organization, we make decisions with the intent of helping our clients be more resilient. Our business model still resonates after 185 years because we have clients who continue to choose resilience over commodity insurance coverage. And our employees are the engine that drives our success.

We are deeply grateful to our clients and our people for the strides we made in 2020—together, we redefined resilience—and for the stability of FM Global as we enter 2021.

Thomas A. Lawson
Chairman and Chief Executive Officer

REDEFINING RESILIENCE.

If 2020 taught us anything, it's that increased complexities are redefining resilience for the modern business world. And the choice to be resilient has never been more important. At FM Global, we've been redefining resilience for 185 years and we've been helping our clients do the same. Here are a few of their stories. You'll see that the partnerships we form with our clients are about a lot more than risk improvements or closed recommendations.

CAMPARI GROUP

MONICA QUATELA, CORPORATE INSURANCE DIRECTOR

PLANTING THE SEED

Monica Quatela, corporate insurance director of Campari Group, was sitting in a classroom at FM Global's Learning Center in Norwood, Massachusetts, USA, looking for inspiration.

Campari, the makers of Skyy Vodka, Wild Turkey Bourbon and other well-known spirits, had only recently begun reshaping their insurance program. A new FM Global client, Campari was no longer interested in simply transferring their risk. They were ready to manage it. Quatela was hoping the loss prevention class would help her redefine resilience across the company.

"I was in a four-day class with two of my colleagues," Quatela recalls. "It was a hands-on, shared experience. And at some point, everything just clicked. It was like you put a seed in our heads and it grew day by day. First we made small choices to be resilient and then some very big choices."

Since that class five years ago, Campari's key locations in Italy and the U.S. have all made great strides in reducing their risk.

They took small but important steps at first, focusing on low-cost, high-return human element recommendations like revamping maintenance and operating procedures. As Campari developed more trust in FM Global, they moved to investing millions of U.S. dollars in sprinkler and other systems to make the storage of alcohol-based ignitable liquids (like vodka, bourbon and rum) less risky.

"FM Global was very patient with us," explains Luca Enrico, Campari's corporate banking, tax & insurance senior director. "We needed time to create a loss prevention culture within Campari. Day by day, FM Global was able to show us that the interest of FM Global and Campari was the same."

Drawing on its 185 years of experience, FM Global slowly demonstrated the value of its research-based recommendations. Campari added sprinkler protection to both production and storage facilities. But with large quantities of ignitable liquids, FM Global's research and loss history showed that sprinklers are not enough. Campari also invested in systems to limit the accidental release of alcohol-based liquids from tanks and supply lines and contain those liquids to a limited area in the event of a fire. Campari has come to rely on FM Global's expertise in all aspects of risk mitigation.

That was no surprise to Quatela. She knew FM Global's reputation before coming to Campari, having worked as a broker and for another FM Global client. But the engineering services weren't the only reason FM Global was a logical choice.

Campari has grown both organically and through acquisitions, purchasing more than 30 companies over 25 years. That left Campari with a disjointed insurance program with separate policies in each country in which they operated. Before joining FM Global, Campari brought their insurance program under one umbrella and needed an insurer that could offer worldwide coverage. Through its World*Reach*® program, FM Global could do just that.

"We were able to get consistent coverage across our entire portfolio and also meet all regulatory requirements," Quatela adds.

The global insurance program was just an added benefit of partnering with FM Global. The real value was FM Global's research, knowledge and expertise. That became clear about a year after the class in Norwood. Quatela, her two classmates and the rest of the Campari senior management team in the U.S. were invited to the FM Global Research Campus to witness a full-scale fire test. The group watched as racks of wooden barrels filled with alcohol, just like the ones at their plants, went up in flames.

"Suddenly, we had new champions of risk improvement," Quatela says. "Fortunately, we didn't have to experience our own loss to make loss prevention an enterprisewide priority. They all understood the risk to the organization and the value of having an engineering resource like FM Global to manage that risk."

To learn more about Campari Group and FM Global, visit:
risk.fmglobal.com/campari.

"First we made small choices to be resilient and then some very big choices."

MONICA QUATELA, CORPORATE INSURANCE DIRECTOR, CAMPARI GROUP

CATALENT

TEJAL KARIA, HEAD OF GLOBAL RISK MANAGEMENT

RELIABLY RESILIENT

By March of last year, the coronavirus pandemic had a firm hold on the world.

It quickly became clear that it would take a vaccine to finally quell the virus. Pharmaceutical companies were already hard at work.

So too was Catalent. A vital linchpin in the manufacturing and distribution of pharmaceutical products, Catalent serves nearly every major pharmaceutical, biologics and consumer health product company in the industry.

And with the prospect that millions of vaccines would soon be needed, expansion of Catalent's facility in Bloomington, Indiana, USA, took on a whole new urgency. The expansion, which included construction of a new building as well as the installation and validation of new equipment, would typically take two years. It needed to be done in just eight months.

Catalent wasn't just redefining resilience, it was accelerating it. Catalent had looked to FM Global for guidance on meeting the high standards of its customers for more than 10 years. In Bloomington, that meant ensuring resilience wasn't sacrificed for speed.

FM Global engineers were at the ready. They accelerated plan reviews, making sure their process didn't slow down the project. Local FM Global engineers were on-site whenever needed and their familiarity with local contractors helped speed the process even more.

"We have considerable experience in facility and capacity expansion in Bloomington," explains Tejal Karia, Calatent's head of global risk management. "It was the combined experience of our team and the FM Global team working together that allowed us to accelerate this project. Together, we made sure that it was absolutely done the right way."

Today, Catalent is supporting 80 COVID-19-related compounds, including several of the leading vaccines, tests and treatments. Many of those compounds are flowing through the newly expanded Bloomington facility.

Bloomington is just the latest example of FM Global and Catalent working together to ensure the supply of critical medications and treatments that are relied on by millions across the globe.

Bloomington was already a model facility before the expansion, earning Facility of the Year honors in both 2007 and 2017 from the International Society of Pharmaceutical Engineers. It was, and remains, a highly protected risk (HPR), the highest standard of resilience at FM Global. It is just one of many HPR facilities in Catalent's portfolio.

"We believe our customers value how we maintain and operate our facilities," Karia adds. "The fact that our facilities are well protected provides further assurance of our ability to be a trusted partner for our customers, and ultimately the patients who rely on our treatments."

And to remain that trusted partner, Catalent has chosen to invest millions of U.S. dollars to redefine resilience at many of its key locations.

At its facility in St. Petersburg, Florida, USA, Catalent invested more than US$2 million to upgrade its ignitable liquid storage capabilities. The massive 453,000-square-foot (42,000-square-meter) complex is the company's primary softgel development and manufacturing facility, capable of producing 18 billion capsules a year.

In Swindon, U.K., Catalent invested in additional sprinkler protection at the 253,000-square-foot (23,500-square-meter) facility that houses its Zydis® fast-dissolving tablet development and manufacturing operation. Catalent has chosen to invest in risk improvement at many of its other key locations as well. The list includes its Kansas City, Missouri, USA, site, home to the Center of Excellence for its biologics analytical services business, and the Center of Excellence for sterile liquid fill and finishing processes in Woodstock, Illinois, USA.

"Risk mitigation is a priority for us," Karia adds. "We need to deliver our products in a timely manner, without disruption and with the highest standards of quality. Risk mitigation and loss prevention are common goals for Catalent and FM Global, which is what makes it such a great partnership."

To learn more about Catalent and FM Global, visit: **risk.fmglobal.com/catalent.**

"The fact that our facilities are well protected provides further assurance of our ability to be a trusted partner for our customers, and ultimately the patients who rely on our treatments."

TEJAL KARIA, HEAD OF GLOBAL RISK MANAGEMENT, CATALENT

PARKDALE INC.

DAVIS WARLICK, EXECUTIVE VICE PRESIDENT

ANSWERING THE CALL

It was a warm day in March at Parkdale Inc. headquarters just outside of Charlotte, North Carolina, USA, when the phone rang on Andy Warlick's desk. It was a plea for help from the U.S. government.

The pandemic had created an acute shortage of face masks and surgical gowns throughout the United States. To protect the thousands of healthcare workers on the coronavirus front lines, millions of masks and gowns were needed—and needed fast.

Warlick, the CEO of Parkdale Inc., one of the largest textile producers in the world, hung up the phone. He called in Davis Warlick, Parkdale's executive vice president, who immediately got to work.

Two days later, Parkdale had a supply chain in place to deliver 600 million masks in the next 90 days. A plan for 60 million gowns would soon follow. The plans and the speed at which they were developed was a testament to the resilience of Parkdale Inc., its partners and the entire textile industry.

"It was just an incredible response from everyone in the industry," explains Davis Warlick. "These are very resilient companies and everyone stepped up. Customers, suppliers, companies that were competitors—they were all around the table. We worked together to solve this problem.

"We could not have done this without our employees, who showed their extraordinary dedication during this time of crisis, or partners, including FM Global. FM Global was instrumental in helping us overcome the logistic challenges of distributing the masks and gowns."

Distribution meant creating a nationwide network of warehouses nearly overnight, which introduced new risks from earthquakes and hurricanes. FM Global provided full coverage for these perils for the life of the warehouses and helped Parkdale avoid flood zones, protecting tens of millions of U.S. dollars in inventory.

The government contract for the masks and gowns was a lifeline for the industry, which had been hit hard by the pandemic. Parkdale manufactured the yarn and passed it on to its customers to make the final product, redefining itself as a supply chain manager.

Many of those customers had stopped manufacturing because of the pandemic, resulting in the shutdown of several Parkdale facilities. With the help of FM Global, Parkdale was able to shut down those facilities safely, and more importantly, restart them quickly to meet the aggressive delivery dates stipulated in the contract.

The masks and gowns weren't the only way Parkdale helped during the pandemic. Its subsidiary, U.S. Cotton, developed and manufactured a new polyester-tipped swab that is now being used in COVID-19 testing. The company also brought in bulk shipments of hand sanitizer from its subsidiary in Mexico to help with the shortage in the U.S. Once again, FM Global was there to help Parkdale understand and mitigate the risk.

"FM Global looked at our facility and told us that we couldn't safely store large quantities of flammable liquid like hand sanitizer," Davis Warlick explains. "The FM Global engineers recommended storing the hand sanitizer in temporary containers away from the main production building and warehouses. That way we could still meet the demand without introducing new risks."

The response to the pandemic was just the latest example of Parkdale's ability to redefine resilience and itself. The company opened a single manufacturing site in 1916, making yarn for U.S. military uniforms. Today, it produces over 8,000 tons (7,250 metric tons) of products per week at 29 manufacturing plants in the U.S., Mexico and South America. It has evolved into a supplier of cotton-based consumer products and a producer of blended yarns (cotton and synthetic fibers) used in most fabrics today. And for the last 18 years, it has partnered with FM Global.

"We take great pride in our company," Davis Warlick adds. "This is a family-run business so focusing on risk improvement comes naturally. It's why we chose to join the FM Global family."

To learn more about Parkdale Inc. and FM Global, visit: **risk.fmglobal.com/parkdale.**

"We could not have done this without our employees, who showed their extraordinary dedication during this time of crisis, or partners, including FM Global."

DAVIS WARLICK, EXECUTIVE VICE PRESIDENT, PARKDALE INC.

UNITED THERAPEUTICS CORPORATION

CHRIS DONNELLY, ENTERPRISE RISK MANAGER

BREATHING EASY

When you make life-sustaining medications, you can never run out.

People's lives depend on the resilience of your manufacturing plants, your warehouses and your research facilities.

When Chris Donnelly joined United Therapeutics in 2012, she was keenly aware of the importance of her role as head of enterprise risk management. And she knew just the insurance partner she wanted.

“We strive to be one of the most resilient, socially responsible biotechnology companies in the world,” Donnelly explains. “One of the ways you do that is to partner with the best companies and that’s why we chose FM Global, because there is no one better in commercial property insurance.”

By 2012, United Therapeutics had come a long way.

It had emerged as the leader in the treatment of pulmonary arterial hypertension (PAH), a rare and life-threatening lung disease. Driven by founder Martine Rothblatt, whose daughter’s diagnosis with PAH inspired the company’s formation, United Therapeutics continues to push the boundaries of what’s possible in its quest to treat and ultimately cure PAH.

Its cutting-edge research, innovative drugs and pioneering therapies have helped thousands of people with PAH lead active, productive lives.

Since the beginning, United Therapeutics has understood its importance to the patients who rely on its medications and treatments. The company has vowed to have a two-year supply of every drug it produces on hand and ready for distribution at all times. With that as a backdrop, Donnelly knew that she had the support she needed to redefine resilience as an enterprisewide effort to protect those drugs and the company’s infrastructure.

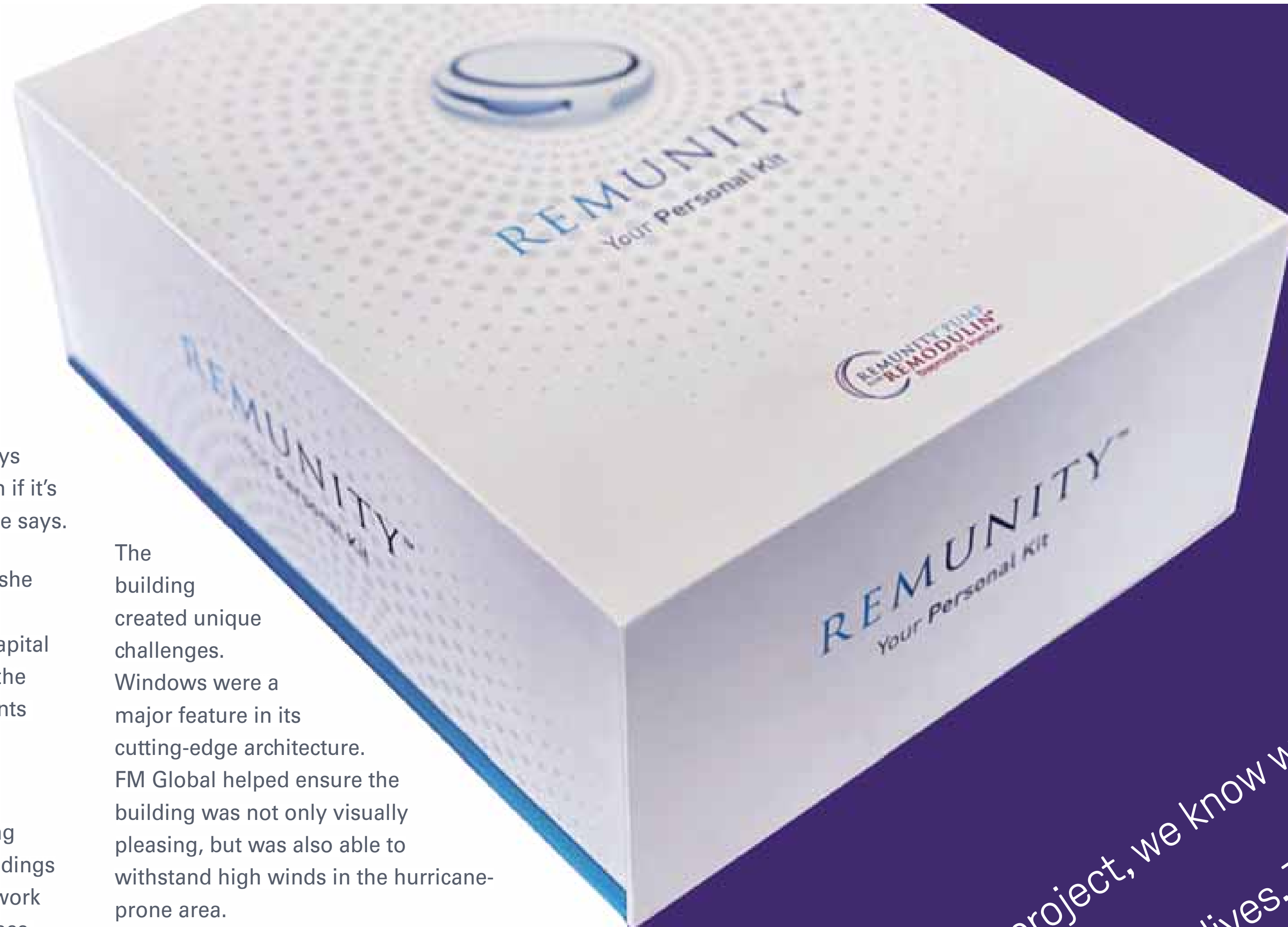
“At United Therapeutics, we always choose to do the right thing, even if it’s not the least expensive thing,” she says.

The first project with FM Global, she recalls, was to retrofit an existing warehouse with sprinklers. The capital expenditure was significant, but the risk to United Therapeutics’ patients was just too great to leave the building unprotected.

That philosophy affects everything United Therapeutics does. Its buildings are designed to create inspiring work environments for its 900 employees, but also have a minimal impact on the environment. The shining example is its new Unisphere building in downtown Silver Spring, Maryland, USA, which generates more energy than it consumes.

“Any time we have an idea for a new project, FM Global is always at the table with us,” explains Avi Halpert, United Therapeutics’ vice president of real estate and construction. “We are always pushing the boundaries of building and design. FM Global has such depth and expertise, we’re able to do it with confidence.”

Above all, United Therapeutics is driven by its mission to make life better for people with respiratory diseases. In Jacksonville, Florida, USA, United Therapeutics teamed with the Mayo Clinic to build a facility that reassesses donated organs to help transplant centers determine suitability for transplantation.



The building created unique challenges. Windows were a major feature in its cutting-edge architecture. FM Global helped ensure the building was not only visually pleasing, but was also able to withstand high winds in the hurricane-prone area.

It’s clear that innovative ideas won’t stop at United Therapeutics as the company continues to redefine resilience and success.

The company is experimenting with drones to deliver organs for transplant more quickly and recently announced plans for a facility that will create artificial lungs using 3-D printing technology. The hope is that manufactured lungs and other organs will create an unlimited transplant supply, curing PAH and other diseases.

And whatever United Therapeutics comes up with, FM Global will be there to help.

“When we start a project, we know we’re going to have an impact on people’s lives,” Halpert concludes. “That’s the passion that drives this company. And it’s obvious that FM Global is equally passionate about what it brings in terms of building safety.”

To learn more about United Therapeutics and FM Global, visit: **risk.fmglobal.com/unitedtherapeutics.**

“When we start a project, we know we’re going to have an impact on people’s lives. That’s the passion that drives this company. And it’s obvious that FM Global is equally passionate about what it brings in terms of building safety.”

AVI HALPERT, VICE PRESIDENT OF REAL ESTATE AND CONSTRUCTION, UNITED THERAPEUTICS

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
Guyana
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
Cote d'Ivoire (Ivory Coast)
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.

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, Spain, the United Kingdom and throughout the United States, and it offers coverage in more than 70 countries.

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

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 nearly 300 insurance companies, providing coverage to their policyholders.

RESILIENCE IS A CHOICE.

The table on page 36 provides a summary of FM Global's investment portfolio as of the end of 2020, including asset allocations and net asset values.

2020 was an unprecedented environment for investors. The COVID-19 pandemic triggered one of the deepest recessions in modern times, and one unlike previous downturns given the external shock of the virus and record levels of monetary and fiscal stimulus. While markets bottomed in late March, swift intervention from the Federal Reserve led to a stock market rally and tightening of spreads through the balance of the year despite a challenging economic outlook with rising COVID-19 cases and hospitalizations, elevated unemployment and business closures.

All things considered, 2020 was another year of resilient investment performance for FM Global. Asset markets delivered reasonably strong returns for the year, and our strategy to build a resilient portfolio with increased diversification to weather higher volatility in the strategic asset allocation framework generated excellent results for the investment portfolio on both an absolute and relative basis. Our focus on long-term strategic asset allocation, portfolio construction and security selection continued to add significant value to FM Global's investment portfolio. The strategic target asset allocation framework has been designed to generate comparable or better expected returns similar to prior years' policy framework, but at a reduced target risk with increased diversification. The decrease in strategic asset allocation to equities also helped reduce the overall portfolio risk in an unprecedented volatile year. The primary strategic goal for the investment portfolio continues to be generating optimal risk adjusted returns in a prudent manner, with focus on quality, liquidity, capital preservation and risk management as important underlying considerations as well.

The financial markets environment in 2020 was extremely volatile. The markets started the year positive and were then hit by the pandemic, resulting in a sharp decline in March when many countries started to shut down their economies as they went into partial or full lockdowns. That was followed by one of the sharpest recoveries in financial markets, thereafter, driven primarily by massive monetary and fiscal stimulus, which served as a backstop for the asset markets. The fiscal and monetary stimulus essentially led by the Fed and U.S. Treasury provided a floor for asset values, including equities, bonds, real assets, and other diversified asset class strategies as interest rates anchored at historic low levels. Commercial real estate lagged as residential assets surged higher, and private equity and credit strategies also came back from the lows as business and transactional activities essentially froze in March 2020. Fundamentally, many companies were under pressure in 2020, and the overall corporate earnings experienced a significant contraction from the prior year. Specifically, energy companies had seen earnings per share decline due to lower oil prices as a result of significantly reduced demand, while consumer discretionary companies saw earnings improve as social distancing measures eased. Markets gained additional momentum in the fourth quarter as the U.S. election result and positive news on COVID-19 vaccines helped more cyclical segments of the market to recover as well. The year 2020 ended strongly with positive returns across asset classes as optimism increased further for 2021 and a better control of the pandemic.

All asset classes in the FM Global investment portfolio generated strong returns, including U.S. and international equities, fixed income, and private and liquid alternatives. Cash returns were lower with a reduction in short-term money markets and policy rates. The investment portfolio results contributed significantly to FM Global's surplus growth, along with the insurance business activities for the year. The investment results demonstrate FM Global's continued focus on the role Investments play in helping grow the surplus, further strengthening FM Global's overall financial position and leadership in the property insurance business over the long run.

Investment selection and asset allocation contributed strongly to the performance of the investment portfolio. The long-term focus on generating the optimal risk adjusted return allowed FM Global to take advantage of the market's performance in 2020 and make asset allocation changes as necessary per market conditions. In addition, the approach also enabled FM Global to continue to invest in longer horizon strategic alternative investments, although at a marginally slower pace. The portfolio construction strategy allowed FM Global to generate a strong annual return for the investment portfolio in 2020 and build a strong base for long-term investments, increasing the probability of stable returns in future years.

FM Global's equity allocations were slightly lower at year-end 2020 compared to at year-end 2019. The strategic reduction in equity allocations was largely driven for risk reduction purposes in an unprecedented volatile year, maintaining the upside strength as equity markets disconnected from the lagging economic conditions. Municipal fixed income allocation overall remained stable year over year, with marginal additions during 2020.

Total fixed income percentage allocations remained relatively steady during the year; however, there were changes within the portfolio construction of the overall fixed income portfolio, with increased diversification. The high-grade fixed income portfolio migrated back marginally from treasuries to investment grade credit as asset markets were supported by policy action in March. Within the updated asset allocation framework, the transition for most of the year included measured additions to the opportunistic fixed income bucket, adding to the overall strong performance of the total fixed income portfolio. The opportunistic fixed income allocation increased to just over 4% of total investment assets, and also included commitments to direct funds and dislocation strategies.

The alternative assets portfolio construction stayed on course, providing better downside risk management given diversifying characteristics of the absolute return liquid strategies within the asset class. The overall commitments to private alternatives direct funds were lower, given the strategic buildout in the prior two years. The portfolio construction diversification made further progress with selective private equity and private credit, including dislocation strategies. The portfolio construction over the last few years also included smaller commitments to real estate and infrastructure investments. In the liquid alternatives space, the existing investments coupled with the additions to positively differentiated, selective global macro and multi-strategy funds added extraordinary value with very strong consistent returns. The markets dislocation and increased volatility across asset classes provided for some of the best fund returns in a decade for FM Global's liquid alternatives portfolio.

The short-term cash and money market investments allocations were reduced during 2020 with rotation into the multi-asset bucket, with short duration high-quality fixed income strategies, to generate incremental yield prudently. There was continued focus to generate optimal returns within the cash, short-term and multi-asset buckets to maintain adequate liquidity as necessary for smooth business operations requirements.

In summary, the investment portfolio asset allocations ended 2020 with an overweight to global equities, underweight fixed income and alternatives, with an increase in net asset values of diversifying strategies and private alternatives funds. A new strategic multi-asset bucket was initiated at the start of 2020, and that was timely to include tail risk management and liquidity strategies, allowing for better capital preservation and liquidity, especially during the most volatile periods during the year. The strategic target allocation to cash was also lowered and allowed for a significant portion of the cash balances to be invested in the markets. Overall, the total investment portfolio delivered very strong absolute performance and relative outperformance in a tumultuous year amid unprecedented economic, health, social, geopolitical and financial market conditions. Performance contributions resulted from sound bottom-up security level analysis-based process and top-down global macro considerations applied at the asset class and portfolio levels.

From a strategic perspective at the total portfolio level, there was continued focus on long-term strategic portfolio construction, asset allocation and risk management as markets entered 2020 with a highly volatile first half of the year. The primary strategic goal for investments continues to be generating optimal risk adjusted returns for FM Global's investment portfolio and maintaining the high quality and liquid characteristics of the portfolio, while managing downside risks prudently and maintaining strong liquidity for business cashflow requirements, as necessary. This investment approach enables FM Global to preserve and grow surplus over the long term. FM Global Investments continue to play a key role in building FM Global's financial position and leadership in the property insurance business.

Real Estate

Hobbs Brook Management ("HBM") invests in and manages real estate assets on behalf of FM Global throughout the United States. In addition, HBM provides functional support to FM Global's business operations globally. The investment and management of commercial assets provide an additional element of portfolio diversification for FM Global; it also provides a cost-effective approach in meeting FM Global's ongoing real estate needs. In 2020, HBM managed 3.2 million ft² (297,000 m²) of commercial properties, which produced $117.6 million† in total revenue and $36.6 million† in cash flow.

Pretax Contribution to Surplus (in millions) †	2020	2019
Investment income	$ 358	$ 427
Realized gains	1,153	940
Unrealized gains	560	1,198
Total	$ 2,071	$ 2,565

As of December 31 Holdings (in millions) †	2020 Total	2020 Percentage	2019 Total	2019 Percentage
Equities:				
Equity securities	$ 8,807		$ 7,909	
Other – equity funds	461		400	
Total equities	$ 9,268	43.6%	$ 8,309	43.9%
Debt securities:				
Taxable debt securities	$ 7,158		$ 6,134	
Municipal debt securities	1,651		1,611	
Total debt securities	$ 8,809	41.4%	$ 7,745	40.9%
Other – alternative investments:				
Private equity	$ 591		$ 368	
Hedge funds	845		564	
Other alternative investments	45		–	
Total other – alternative investments	$ 1,481	7.0%	$ 932	4.9%
Short-term funds and cash	1,707	8.0%	1,959	10.3%
Total	$ 21,265	100.0%	$ 18,945	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, 2020 and December 31, 2019.

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, 2020 and 2019, 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, 2020 and 2019, 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 2020 presented in Note 5 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.

Boston, Massachusetts
February 26, 2021

Ernst & Young LLP

(in thousands)

December 31	2020	2019
Assets		
Investments:		
Debt securities	$ 8,808,800	$ 7,745,200
Equity securities	8,807,300	7,908,900
Other securities	1,941,900	1,331,700
Real estate	858,600	632,200
Total Investments	20,416,600	17,618,000
Cash and cash equivalents	1,707,200	1,959,200
Recoverable from reinsurers	2,481,400	2,025,700
Premium receivable	1,338,500	1,146,500
Prepaid reinsurance premium	371,000	328,900
Premises and equipment	540,000	562,000
Other assets	1,121,000	1,413,500
Total Assets	$ 27,975,700	$ 25,053,800
Liabilities		
Unpaid losses and loss adjustment expenses	$ 5,705,000	$ 5,508,200
Reserve for unearned premium	3,436,700	2,955,900
Current and deferred income taxes	947,900	727,900
Other liabilities	1,391,800	1,279,100
Total Liabilities	11,481,400	10,471,100
Policyholders' Surplus		
Accumulated other comprehensive loss	(574,100)	(753,800)
Retained earnings	17,068,400	15,336,500
Total Policyholders' Surplus	16,494,300	14,582,700
Total Liabilities and Policyholders' Surplus	$ 27,975,700	$ 25,053,800

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands)

Year ended December 31	2020	2019
Gross premium earned	$ 6,768,400	$ 6,084,900
Ceded premium earned	(2,062,000)	(1,874,000)
Net premium earned	4,706,400	4,210,900
Investment-related income	484,700	561,600
Fee-related income	71,200	80,000
Total revenue	5,262,300	4,852,500
Net losses and loss adjustment expenses	3,080,900	2,207,800
Insurance-related expenses	1,240,300	1,148,900
Investment-related expenses	258,700	220,600
Fee-related expenses	56,900	56,400
Total losses, loss adjustment and other expenses	4,636,800	3,633,700
Income from operations	625,500	1,218,800
Net realized investment gains	1,153,000	939,500
Net unrealized investment gains on equity securities	382,700	951,100
Income before income taxes	2,161,200	3,109,400
Income tax expense	429,300	630,100
Net income	$ 1,731,900	$ 2,479,300

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

Year ended December 31	2020	2019
Net income	$ 1,731,900	$ 2,479,300
Other comprehensive income		
Increase in net unrealized appreciation on investments in debt securities (available for sale), net of income tax expense of $36,400 in 2020 and $53,200 in 2019	140,700	193,300
Change in benefit plan assets and liabilities, net of income tax benefit of $25,900 in 2020 and income tax expense of $1,100 in 2019	(94,200)	(700)
Foreign currency translation adjustment, net of income tax expense of $9,900 in 2020 and $12,100 in 2019	133,200	83,900
Other comprehensive income	179,700	276,500
Comprehensive income	$ 1,911,600	$ 2,755,800

CONSOLIDATED STATEMENTS OF CHANGES IN POLICYHOLDERS' SURPLUS

(in thousands)

Year ended December 31	2020	2019
Retained earnings at beginning of year	$ 15,336,500	$ 10,491,600
Adoption of new accounting pronouncements	–	2,365,600
Net income	1,731,900	2,479,300
Retained earnings at end of year	17,068,400	15,336,500
Accumulated other comprehensive (loss) / income at beginning of year	(753,800)	1,335,300
Adoption of new accounting pronouncements	–	(2,365,600)
Other comprehensive income	179,700	276,500
Accumulated other comprehensive loss at end of year	(574,100)	(753,800)
Policyholders' surplus at end of year	$ 16,494,300	$ 14,582,700

See accompanying notes.

(in thousands)

Year ended December 31	2020	2019
Operating activities		
Net income	$ 1,731,900	$ 2,479,300
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	94,900	85,000
Increase in premium receivable	(192,000)	(268,600)
Increase / (decrease) in unpaid losses and loss adjustment expenses	196,800	(778,000)
Increase in reserve for unearned premium	480,800	337,300
Increase in recoverable from reinsurers	(455,700)	(508,900)
Increase in current and deferred income taxes	181,100	334,500
Net realized investment gains	(1,153,000)	(939,500)
Net unrealized investment gains on equity securities	(382,700)	(951,100)
Increase in prepaid reinsurance premium	(42,100)	(45,000)
Other	321,700	413,200
Net cash provided by operating activities	781,700	158,200
Investing activities		
Net purchases of short-term investments	(6,800)	(18,600)
Purchases of debt, equity and other securities	(9,019,000)	(6,972,900)
Sales and maturities of debt, equity and other securities	8,196,100	7,010,000
Capital expenditures	(214,900)	(237,300)
Other	10,900	(188,000)
Net cash used by investing activities	(1,033,700)	(406,800)
Decrease in cash and cash equivalents	(252,000)	(248,600)
Cash and cash equivalents at beginning of year	1,959,200	2,207,800
Cash and cash equivalents at end of year	$ 1,707,200	$ 1,959,200

See accompanying notes.

Note 1. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are stated in U.S. dollars and have been prepared on the basis of U.S. generally accepted accounting principles, which differ in some respects from statutory accounting practices prescribed or permitted by the State of Rhode Island, Department of Business Regulation, Insurance Division. On the basis of statutory accounting practices, consolidated policyholders' surplus was $15,358,700 and $13,707,700 at December 31, 2020 and 2019, respectively; net income for the respective years then ended was $1,109,800 and $1,488,200.

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 2019 Consolidated Financial Statements have been reclassified to conform to the 2020 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.

Investments

Equity securities are carried at fair value with the unrealized appreciation or depreciation reported in the Consolidated Statements of Income.

Debt 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

Note 1. Significant Accounting Policies *(continued)*

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.

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 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% of the loaned securities' fair value for U.S. currency-denominated securities or 105% 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, in 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 $918,900 and $681,900 as of December 31, 2020 and 2019, respectively.

Income Taxes

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

The Company's tax returns for tax years 2015 – 2018 are currently under examination by the IRS. The statute of limitations for examination of tax years 2015 and later is still open.

Deferred Costs

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

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

Note 1. Significant Accounting Policies *(continued)*

Real Estate and Premises and Equipment

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

Unpaid Losses and Loss Adjustment Expenses

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

Although the above-described amounts are based on estimates, management believes the 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.

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 healthcare 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 healthcare and life insurance benefits are expensed on an accrual basis.

Note 1. Significant Accounting Policies *(continued)*

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, which is earned as the Company completes performance obligations.

Recent Accounting Pronouncements Adopted
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. Previously, the Company's equity securities were classified as available-for-sale and changes in fair value were recorded in other comprehensive income. The Company has adopted this ASU effective January 1, 2019. Upon adoption of this ASU, cumulative net unrealized gains on equity securities of $2,365,600, net of deferred income taxes of $624,600, were reclassified from accumulated other comprehensive income into retained earnings. Prior periods have not been restated.

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 has adopted this standard as of January 1, 2020. The adoption did not have an effect on the Company's financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* The guidance eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. ASU 2018-13 also eliminates the requirement for entities to disclose the amount of, and reasons for, transfers between Level 1 and Level 2 of the fair value hierarchy. The update is effective for annual reporting periods beginning on or after December 15, 2019. The Company has adopted this standard as of January 1, 2020. The adoption did not have an effect on the Company's financial statements and the related disclosures have been modified accordingly.

Note 1. Significant Accounting Policies *(continued)*

Accounting Standards Not Yet Adopted
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, 2021. The Company is evaluating the impact that the adoption will have on its financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans (Subtopic 715-20).* ASU 2018-14 eliminates the requirement for certain disclosures related to defined benefit pensions that are no longer cost effective, while clarifying the specific requirements of disclosures and adding other relevant disclosure requirements as applicable. The update is effective for annual reporting periods ending after December 15, 2021. The Company is evaluating the impact that the adoption will have on its financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* ASU 2018-15 aligns the accounting for implementation costs incurred in a software hosting arrangement (i.e., a cloud computing arrangement) that is a service contract with the guidance for capitalizing implementation costs incurred to develop or obtain internal-use software. Accordingly, the updated guidance requires an entity to determine whether these costs should be expensed as incurred or capitalized. The updated guidance also requires the entity to amortize the capitalized implementation costs as an expense over the term of the hosting arrangement. The update is effective for annual reporting periods beginning after December 15, 2020. 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, 2020:

	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	$ 1,388,300	$ 67,800	$ (6,300)	$ 1,449,800
Obligations of states and political subdivisions	1,588,400	87,100	(800)	1,674,700
Mortgage and asset-backed securities:				
Agency	1,303,800	50,400	(1,300)	1,352,900
Commercial	234,600	15,600	(100)	250,100
Other mortgage and asset-backed securities	357,500	10,300	(100)	367,700
U.S. corporate securities	1,755,000	132,000	(8,600)	1,878,400
Foreign government securities	930,600	39,100	(300)	969,400
Bond funds	382,300	7,400	(700)	389,000
Other debt securities	455,200	21,700	(100)	476,800
Total debt securities	8,395,700	431,400	(18,300)	8,808,800
Equity securities:				
Consumer discretionary	383,300	968,400	(12,500)	1,339,200
Consumer staples	219,600	302,300	(6,700)	515,200
Energy	102,700	62,500	(15,300)	149,900
Financials	389,000	395,800	(2,500)	782,300
Healthcare	424,700	378,900	(3,400)	800,200
Industrials	217,900	288,800	(1,800)	504,900
Information technology	218,300	1,089,600	(2,100)	1,305,800
Mutual funds (international and emerging markets)	2,090,100	573,100	(12,000)	2,651,200
Foreign	75,500	10,100	(300)	85,300
All other sectors	362,000	321,200	(9,900)	673,300
Total equity securities	4,483,100	4,390,700	(66,500)	8,807,300
Total debt and equity securities	$ 12,878,800	$ 4,822,100	$ (84,800)	$ 17,616,100

Note 2. Investments *(continued)*

The following is a summary of securities at December 31, 2019:

	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	$ 1,325,400	$ 47,000	$ (3,500)	$ 1,368,900
Obligations of states and political subdivisions	1,550,000	63,900	(1,300)	1,612,600
Mortgage and asset-backed securities:				
Agency	1,228,800	29,800	(900)	1,257,700
Commercial	195,300	6,400	(200)	201,500
Other mortgage and asset-backed securities	328,200	6,700	(200)	334,700
U.S. corporate securities	1,528,700	78,200	(6,400)	1,600,500
Foreign government securities	942,800	14,400	(2,600)	954,600
Other debt securities	410,000	4,900	(200)	414,700
Total debt securities	7,509,200	251,300	(15,300)	7,745,200
Equity securities:				
Consumer discretionary	389,800	763,200	(2,600)	1,150,400
Consumer staples	239,200	340,500	(5,000)	574,700
Energy	152,500	148,500	(3,100)	297,900
Financials	329,600	484,400	(900)	813,100
Healthcare	451,700	393,900	(800)	844,800
Industrials	205,600	268,000	(800)	472,800
Information technology	157,800	929,200	(800)	1,086,200
Mutual funds (international and emerging markets)	1,604,800	348,700	(4,300)	1,949,200
All other sectors	436,500	291,400	(8,100)	719,800
Total equity securities	3,967,500	3,967,800	(26,400)	7,908,900
Total debt and equity securities	$ 11,476,700	$ 4,219,100	$ (41,700)	$ 15,654,100

During the years ended December 31, 2020 and 2019, purchases of debt securities were $5,630,100 and $3,540,000, respectively; purchases of equity securities were $2,812,800 and $2,858,500, respectively; proceeds from the sale of debt securities were $4,724,300 and $3,033,500, respectively; and proceeds from the sale of equity securities were $3,228,100 and $3,726,100, respectively.

The gross realized gains and (losses) on sales of debt and equity securities totaled $1,078,500 and $(142,500) in 2020, and $953,400 and $(88,000) in 2019.

(in thousands)

Note 2. Investments *(continued)*

The net gains and losses recognized on equity securities during the years ended December 31, 2020 and 2019, totaled $1,254,900 and $1,798,300, respectively. At December 31, 2020, $872,200 is related to securities sold during the period and $382,700 is related to unrealized gains and losses on equity securities still held. At December 31, 2019, $847,200 is related to securities sold during the period and $951,100 is related to unrealized gains and losses on equity securities that were held.

The amortized cost and fair value of debt securities at December 31, 2020, 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	$ 293,800	$ 296,700
Due after one year through five years	2,793,100	2,913,300
Due after five years through ten years	2,575,300	2,760,000
Due after ten years	837,600	868,100
Subtotal	6,499,800	6,838,100
Mortgage and asset-backed securities	1,895,900	1,970,700
Total debt securities	$ 8,395,700	$ 8,808,800

The Company has temporarily loaned certain debt securities with a fair value of $151,400 and $163,200 at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Company held total collateral values of $154,400 and $166,500 related to these securities of which cash collateral included in other assets and other liabilities were $66,900 and $73,600, 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 $18,300 (fair value of $745,300) at December 31, 2020, and $15,300 (fair value of $1,097,400) at December 31, 2019. The amount of loss that existed for 12 months or more was immaterial for both 2020 and 2019. 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.

During the years ended December 31, 2020 and 2019, net realized investment gains on other securities were $170,600 and $54,700, 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.

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 2020 or 2019.

The following table presents the Company's invested assets measured at fair value as of December 31, 2020:

Invested Assets, at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities	$ 8,808,800	$ 19,300	$ 8,789,500
Equity securities	8,807,300	8,807,300	–
Total	$ 17,616,100	$ 8,826,600	$ 8,789,500

The following table presents the Company's invested assets measured at fair value as of December 31, 2019:

Invested Assets, at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities	$ 7,745,200	$ 14,000	$ 7,731,200
Equity securities	7,908,900	7,908,900	–
Total	$ 15,654,100	$ 7,922,900	$ 7,731,200

(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. 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. See Note 2 for a breakout of equity securities by category.

Securities lending collateral held at December 31, 2020 and 2019, is classified as Level 1.

Note 4. 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 recoverable 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	
	2020	2019
Gross written premium	$ 7,205,300	$ 6,438,200
Ceded written premium	(2,113,400)	(1,959,400)
Net written premium	$ 5,091,900	$ 4,478,800

Ceded losses and loss adjustment expenses incurred for the years ended December 31, 2020 and 2019, were $1,111,600 and $1,084,400, respectively.

Note 5. 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	
	2020	2019
Gross unpaid as of January 1	$ 5,508,200	$ 6,286,200
Less: unpaid reinsurance recoverable	1,843,000	1,362,900
Net unpaid as of January 1	3,665,200	4,923,300
Net incurred related to:		
Current year	3,322,600	2,653,100
Prior years	(241,700)	(445,300)
Total net incurred	3,080,900	2,207,800
Net paid related to:		
Current year	1,243,000	956,700
Prior years	1,992,500	2,509,200
Total net paid	3,235,500	3,465,900
Gross unpaid as of December 31	5,705,000	5,508,200
Less: unpaid reinsurance recoverable	2,194,400	1,843,000
Net unpaid as of December 31	$ 3,510,600	$ 3,665,200

The 2020 and 2019 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 claims history typically do not exist for the discontinued lines of business, primarily because significant uncertainty exists about the outcomes of coverage litigation and whether past claims experience will be representative of future claims 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, including LAE.

(in thousands)

Note 5. 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 2020 or 2019.

Due to the short-tail nature of commercial property insurance, the disclosures below reflect the undiscounted information as of December 31, 2020, 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, 2020 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 Losses and LAE, Net of Reinsurance, as of December 31,					As of December 31, 2020	
Accident Year	2016	2017	2018	2019	2020	IBNR	Cumulative Reported Claims
	Supplemental and Unaudited						
2016	$2,171,100	$2,006,600	$1,959,100	$1,946,100	$ 1,938,100	$ (2,100)	9,080
2017		4,034,900	3,976,600	3,893,300	3,837,300	2,300	11,342
2018			3,895,500	3,519,500	3,396,600	(8,900)	11,094
2019				2,556,600	2,505,500	28,800	9,414
2020					3,204,300	239,600	7,537
Total					$ 14,881,800		

	Cumulative Paid Losses and LAE, Net of Reinsurance, as of December 31,				
Accident Year	2016	2017	2018	2019	2020
	Supplemental and Unaudited				
2016	$715,200	$1,557,100	$1,860,600	$1,915,800	$ 1,935,400
2017		1,046,400	2,808,000	3,634,100	3,750,700
2018			1,093,200	2,682,900	3,139,500
2019				873,200	2,243,000
2020					1,158,000
Total					$ 12,226,600
Unpaid Losses and LAE Prior to 2016, Net of Reinsurance					$ 34,400
Total Unpaid Losses and LAE, Net of Reinsurance					$ 2,689,600

Note 5. 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, 2020:

	Average Annual Percentage of Payments on Incurred Claims by Age, Net of Reinsurance				
Years	1	2	3	4	5
	Supplemental and Unaudited				
	32.8%	46.8%	16.5%	2.9%	1.0%

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

	As of December 31, 2020
Commercial property	$ 2,689,600
Other short-duration insurance lines of business	46,100
Unpaid losses and LAE, net of reinsurance	$ 2,735,700
Commercial property	$ 1,615,400
Reinsurance recoverable on unpaid losses and LAE	$ 1,615,400
Discontinued lines of business	$ 1,340,500
Foreign exchange	13,400
Other gross unpaid losses and LAE	$ 1,353,900
Total gross unpaid losses and LAE	$ 5,705,000

Note 6. Real Estate and Premises and Equipment

Real estate and premises and equipment at December 31, 2020 and 2019, are summarized as follows:

	2020	2019
Land and buildings	$ 1,723,200	$ 1,491,300
Furniture, fixtures and equipment	659,600	602,600
Accumulated depreciation	(984,200)	(899,700)
Total	$ 1,398,600	$ 1,194,200

During 2020 and 2019, depreciation expense for real estate and premises and equipment was $94,900 and $85,000, respectively.

(in thousands)

Note 7. 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, 2020, under operating leases with terms of one year or more are, in aggregate, $298,100. The future minimum lease payments for each of the five succeeding years from 2021 to 2025 are $51,400, $46,900, $40,800, $34,500 and $30,100, respectively.

During 2020 and 2019, rent expense for all operating leases was $63,200 and $59,900, respectively.

Note 8. Income Taxes

In response to the market volatility and economic instability prompted by COVID-19, the CARES Act was signed into law on March 27, 2020. The CARES Act ("the Act") was a relief package comprised of stimulus measures, tax provisions and certain technical corrections to the 2017 Tax Cuts and Jobs Act. FM Global has recognized no net impact to income tax for the year ended December 31, 2020, as a result of the CARES Act.

The following is the current and deferred income tax expense for the years ended December 31, 2020 and 2019:

	2020	2019
Current income tax expense	$ 300,800	$ 406,000
Tax expense due to change in tax law	–	6,200
Deferred income tax expense	128,500	217,900
Total income tax expense	$ 429,300	$ 630,100

A reconciliation of income tax expense computed at U.S. Federal statutory tax rates to the income tax expense as included in the accompanying Consolidated Statements of Income follows for the years ended December 31, 2020 and 2019:

	2020	2019
Income tax expense at U.S. Federal statutory tax rate	$ 453,800	$ 652,900
Tax effect of:		
Nontaxable investment income	(16,000)	(19,100)
Tax expense due to change in tax law	–	6,200
Effect of foreign operations	13,500	(4,800)
Tax credits	(14,000)	(5,000)
Other	(8,000)	(100)
Actual income tax expense	$ 429,300	$ 630,100

Note 8. Income Taxes *(continued)*

The significant components of the net deferred tax liability at December 31, 2020 and 2019, are as follows:

	2020	2019
Deferred tax liabilities:		
Deferred acquisition costs	$ (16,800)	$ (12,700)
Unrealized appreciation	(971,200)	(838,400)
Deferred foreign income	(45,500)	(23,600)
Other	(80,900)	(43,800)
Total deferred tax liabilities	(1,114,400)	(918,500)
Deferred tax assets:		
Unpaid claims discounting	15,100	14,000
Unearned premium reserve	105,900	89,200
Compensation accruals	67,500	61,100
Benefit plan expenses	57,200	21,900
Unrealized investment losses	38,400	39,800
Tax credits	33,100	25,800
Unrelieved foreign tax	38,100	43,400
Deferred foreign losses	23,800	48,800
Other	19,200	20,200
Total deferred tax assets	398,300	364,200
Valuation allowance	(77,900)	(90,700)
Net deferred tax assets	320,400	273,500
Net deferred tax liability	$ (794,000)	$ (645,000)

At December 31, 2020 and 2019, the Company established a valuation allowance for its foreign subsidiary's unrelieved foreign tax, foreign net operating losses and discretionary reserves in jurisdictions with insufficient evidence of future income.

Income tax paid during 2020 and 2019 was $251,000 and $311,600, respectively. In addition, the Company received income tax refunds of $15,000 during 2020 and $20,200 during 2019.

(in thousands)

Note 8. 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 adjusts these liabilities when its judgment 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 in the Consolidated Balance Sheets are current income taxes recoverable of $173,000 and $154,500 at December 31, 2020 and 2019, respectively.

Note 9. 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 healthcare 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. Certain retirees transitioned to the individual Medicare market effective January 1, 2014, and January 1, 2019. Certain other retirees transitioned on January 1, 2020. Retirees and dependents enrolled in the individual Medicare market participate in a Retiree Health Reimbursement Account.

Note 9. 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, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Benefit obligations	$ 3,831,000	$ 3,281,400	$ 198,800	$ 187,300
Fair value of plan assets	3,513,000	3,154,700	168,500	154,500
Funded status, end of year	$ (318,000)	$ (126,700)	$ (30,300)	$ (32,800)

The accumulated benefit obligations for the pension and supplemental benefit plans were $3,210,000 and $2,791,700 at December 31, 2020 and 2019, respectively.

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

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Asset	$ 116,300	$ 208,500	$ 16,800	$ 10,300
Liability	(434,300)	(335,200)	(47,100)	(43,100)
Total	$ (318,000)	$ (126,700)	$ (30,300)	$ (32,800)

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

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Net actuarial loss	$ 896,300	$ 776,600	$ 36,600	$ 39,400
Prior service cost / (credit)	6,300	6,600	(10,500)	(13,900)
Net transition asset	–	(100)	–	–
Total	$ 902,600	$ 783,100	$ 26,100	$ 25,500

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, 2020	Dec. 31, 2019
Projected benefit obligation, end of year	$ 476,800	$ 385,300
Accumulated benefit obligation, end of year	374,600	316,400
Fair value of plan assets, end of year	59,000	53,300

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, 2020	Dec. 31, 2019
Projected benefit obligation, end of year	$ 883,600	$ 734,400
Fair value of plan assets, end of year	449,400	399,300

(in thousands)

Note 9. 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, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Current year actuarial loss / (gain)	$ 167,200	$ 28,300	$ (300)	$ (1,400)
Amortization of actuarial loss	(47,500)	(26,600)	(2,500)	(3,500)
Amortization of prior service cost	(300)	(700)	3,400	3,400
Amortization of net transition asset	100	100	–	–
Total recognized in other comprehensive loss / (income)	119,500	1,100	600	(1,500)
Net periodic benefit cost	55,300	36,900	(3,300)	(100)
Total recognized in net periodic benefit cost and other comprehensive loss / (income)	$ 174,800	$ 38,000	$ (2,700)	$ (1,600)

The net periodic benefit cost consists of service costs and other periodic benefit costs, which include interest expense, expected return on assets, and amortization of gains and losses. The other periodic benefit components represent a benefit of $47,400 and $43,500 in 2020 and 2019, respectively, and are included as part of total losses, loss adjustment and other expenses on the accompanying Consolidated Statements of Income.

The estimated amounts that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2021 are as follows:

	Pension and Supplemental Benefits	Other Benefits
Actuarial loss	$ 63,300	$ 2,000
Prior service cost / (credit)	600	(3,400)
Total	$ 63,900	$ (1,400)

Assumptions

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

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Discount rate	2.58%	3.21%	2.25%	3.10%
Rate of compensation increase	4.21%	4.27%	4.14%	4.15%

Assumed healthcare cost trend rates:

	Other Benefits	
	Dec. 31, 2020	Dec. 31, 2019
Initial rate	5.87%	6.80%
Ultimate rate	4.96%	4.96%
Years to ultimate	6 years	4 years

Note 9. 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, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Discount rate	3.21%	4.08%	3.10%	4.06%
Expected long-term return on plan assets	6.75%	6.75%	6.50%	6.50%
Rate of compensation increase	4.27%	4.52%	4.15%	4.36%

Assumed healthcare cost trend rates:

	Other Benefits	
	Dec. 31, 2020	Dec. 31, 2019
Initial rate	6.80%	6.81%
Ultimate rate	4.96%	5.00%
Years to ultimate	4 years	5 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, 2021	Dec. 31, 2020	Dec. 31, 2019
Equity securities	56%	60%	74%
Debt securities	33	32	21
Cash equivalents	2	3	3
Other	9	5	2
Total	100%	100%	100%

The target allocation was adjusted in late 2019. Transition to the new allocation is expected to continue into 2021.

The maturities of debt securities are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Maturity range	0 – 51 years	0 – 52 years
Weighted-average maturity	19.22 years	17.62 years

(in thousands)

Note 9. 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, 2020, 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	$ 167,200	$ 167,200	$ –
Consumer staples	72,300	72,300	–
Energy	33,600	33,600	–
Financials	170,700	170,700	–
Healthcare	128,700	128,700	–
Industrials	107,500	107,500	–
Information technology	214,400	214,400	–
Mutual funds	680,600	414,300	266,300
Foreign	29,200	29,200	–
All other sectors	81,300	81,300	–
Total equity securities	1,685,500	1,419,200	266,300
Debt securities (b):			
U.S. Treasury securities and obligations of U.S. government agencies	123,400	–	123,400
Mortgage and asset-backed securities			
Agency	45,500	–	45,500
Other mortgage and asset-backed securities	10,400	–	10,400
U.S. corporate securities	354,700	–	354,700
Mutual funds	243,500	–	243,500
Foreign	3,700	–	3,700
Total debt securities	781,200	–	781,200
Common collective trusts	786,700	–	786,700
Cash equivalents	113,700	113,700	–
Total	$ 3,367,100	$ 1,532,900	$ 1,834,200

(a) Includes common stocks and equity mutual funds of which $49,300 were on loan under a securities lending program as of December 31, 2020.

(b) Includes $1,900 of debt securities that were on loan under a securities lending program as of December 31, 2020.

The total collateralized value of these loaned securities for both items (a) and (b) was $52,400 and consisted of $17,600 in Level 1 short-term and money market investments and $34,800 in Level 2 government agency debt securities.

Pension assets as of December 31, 2020, include $145,900 of private equity partnerships and hedge funds measured at fair value using net asset value (NAV).

Note 9. 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, 2019, 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	$ 202,100	$ 202,100	$ –
Consumer staples	86,700	86,700	–
Energy	68,000	68,000	–
Financials	227,200	227,200	–
Healthcare	166,400	166,400	–
Industrials	123,800	123,800	–
Information technology	237,400	237,400	–
Mutual funds	1,123,100	882,800	240,300
All other sectors	112,000	112,000	–
Total equity securities	2,346,700	2,106,400	240,300
Debt securities (b):			
U.S. Treasury securities and obligations of U.S. government agencies	189,000	–	189,000
Mortgage and asset-backed securities			
Agency	59,900	–	59,900
Other mortgage and asset-backed securities	10,100	–	10,100
U.S. corporate securities	266,000	–	266,000
Mutual funds	138,900	–	138,900
Total debt securities	663,900	–	663,900
Cash equivalents	93,100	93,100	–
Total	$ 3,103,700	$ 2,199,500	$ 904,200

(a) Includes common stocks and equity mutual funds of which $65,600 were on loan under a securities lending program as of December 31, 2019.

(b) Includes $49,400 of debt securities that were on loan under a securities lending program as of December 31, 2019.

The total collateralized value of these loaned securities for both items (a) and (b) was $117,700 and consisted of $85,100 in Level 1 short-term and money market investments and $32,600 in Level 2 government agency debt securities.

Pension assets as of December 31, 2019, include $51,000 of private equity partnerships and hedge funds measured at fair value using net asset value (NAV).

(in thousands)

Note 9. 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 allocation are as follows:

	Target Allocation	Percentage of Plan Assets	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Asset Class			
Equity securities	90%	93%	96%
Cash equivalents	10	7	4
Total	100%	100%	100%

The fair value measurements of other postretirement benefit plan assets at December 31, 2020 and 2019, consisting of all Level 1 assets, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Dec. 31, 2020	Dec. 31, 2019
Equity securities:		
Consumer discretionary	$ 28,400	$ 24,000
Consumer staples	11,700	10,700
Energy	5,100	8,400
Financials	14,700	14,700
Healthcare	21,200	20,800
Industrials	11,300	11,200
Information technology	37,700	30,400
Mutual funds	15,600	16,100
All other sectors	10,400	11,200
Total equity securities	156,100	147,500
Cash equivalents	12,400	7,000
Total	$ 168,500	$ 154,500

Note 9. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

Pension and Postretirement Plans Asset Investment Narrative

The strategic asset allocation framework was updated and was in an implementation phase during 2020. The investment policy of the pension and postretirement plans specify the broad asset classes used by the pension plan for investment purposes and the general principles used in managing the plans' assets. The strategic asset allocation framework includes the asset classes that may be used and the ranges for each of the asset classes and sub-classes. The overriding objective for managing pension investments is to optimize plan surplus and long-term total return of plan assets within constraints established to control risk and volatility. The strategic asset allocations and ranges were updated and segregated within four primary asset classes representing the primary layer of asset allocation. The broad categories are equities, fixed income, alternatives, and cash and cash equivalents. The primary equities allocation includes ranges for U.S. and international equities categories. The asset allocation framework includes sub-categories for core, long duration and opportunistic fixed income. Alternative investments were added as part of the strategic asset allocation framework, and ranges were also established for absolute return, private markets that include private equity and private credit, and real assets that include real estate and infrastructure. The current approved ranges for the four asset classes in the U.S. pension fund, which is also the largest of the retirement plans, are as follows:

Asset Class	Range
Equities	35 – 65%
Fixed income	30 – 60%
Alternatives	0 – 20%
Cash and cash equivalents	0 – 20%

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, and equity commingled and mutual funds. Equity investments are based on the fundamental analysis of investment variables, including earning prospects, cash flow, balance sheet strength, competitive positioning and other factors. Diversification has been emphasized with a measured increase in equity strategies with different styles and capitalization, managed by prudent investment managers, and include U.S. and international equities. Investment returns are benchmarked and monitored against standard indices, including S&P 500, Russell U.S. indices, and MSCI global stock indices.

The fixed income allocation consists of debt securities, including individual securities, primarily in the high-grade core and long duration fixed income sub-category strategies, debt mutual funds, as well as opportunistic fixed income strategies, managed by institutional investment managers and teams. Debt securities are actively managed, using best practice investment disciplines and for the majority of the fixed income portfolio, provide a lower risk, high-quality complement to the total pension investment portfolio.

The alternatives allocation includes private equity; private credit; real assets, including real estate and infrastructure; and absolute return liquid alternatives strategies. The portfolio also includes strategic and diversifying investments in the multi-asset mandates space.

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 allocation primarily includes money market funds, commercial paper carrying the highest quality ratings, and cash.

(in thousands)

Note 9. 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 and performance expectations of asset classes. As part of the process, historical relationships of asset classes and risk-free rates are considered. The analysis incorporates historical returns and long-term forward-looking return assumptions for the strategic asset allocations framework and mix, along with the baseline risk-free rate. The long-term expected rate of return is adjusted based on structural moves, if any, in the underlying market conditions, or any material changes to the strategic asset allocation mix. The expected return for the plan blends the return assumptions for the strategic asset allocation mix, including equities and other growth assets, and fixed income allocations, along with a nominal allocation to cash and cash equivalents for periodic pension benefit payments.

Cash Flows

Employer Contributions	Pension and Supplemental Benefits	Other Benefits
2019	$ 8,900	$ –
2020	18,200	–
2021 (expected)	4,300	–

Contributions by participants to the other benefit plans were $700 and $1,600 for the years ended December 31, 2020 and 2019, respectively.

Benefit Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2019	$ 178,100	$ 12,200	$ 800
2020	106,100	11,600	400

During 2019, the Company completed a voluntary lump sum window program for certain terminated vested participants in the pension plan. Lump sum payments made in connection with this program totaled $73,100 and resulted in a release of $83,400 of projected benefit obligations. The $10,300 accounting gain will be amortized and recognized in the Consolidated Statement of Income over 14 years, which began in 2020.

Estimated Future Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2021	$ 111,200	$ 12,400	$ 400
2022	115,100	11,900	400
2023	119,400	11,500	400
2024	124,100	11,100	300
2025	129,300	10,700	300
2026 – 2030	740,400	49,700	1,100

The Company also sponsors a 401(k) savings plan whereby eligible employees may elect annually to contribute from 1% to 50% 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% of the employee's base pay. Company contributions to the plan were $24,200 in 2020 and $22,500 in 2019.

Note 10. Components of Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss by component, net of income tax, for the year ended December 31, 2020, are as follows:

	Unrealized Appreciation on Investments in Debt Securities	Benefit Plan Assets and Liabilities	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
Balance at January 1, 2020	$ 184,900	$ (640,500)	$ (298,200)	$ (753,800)
Other comprehensive income / (loss) before reclassifications	197,200	(131,200)	133,200	199,200
Amount reclassified from accumulated other comprehensive loss	(56,500)	37,000	–	(19,500)
Net current period other comprehensive income / (loss)	140,700	(94,200)	133,200	179,700
Balance at December 31, 2020	$ 325,600	$ (734,700)	$ (165,000)	$ (574,100)

The following are reclassifications out of accumulated other comprehensive loss to net income for the year ended December 31, 2020:

Unrealized appreciation of investments in debt securities:		
Net realized investment gains	$ 75,200	
Other than temporary impairment losses	(3,300)	
Total before tax	71,900	
Income tax expense	(15,400)	
Net of tax	$ 56,500	
Amortization of benefit plan amounts:		
Actuarial losses	$ (50,000)	(a)
Prior service cost	3,100	(a)
Net transition asset	100	(a)
Total before tax	(46,800)	
Income tax benefit	9,800	
Net of tax	$ (37,000)	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic cost (see Note 9).

(in thousands)

Note 10. Components of Accumulated Other Comprehensive Loss *(continued)*

The changes in accumulated other comprehensive loss by component, net of income tax, for the year ended December 31, 2019, are as follows:

	Unrealized Appreciation on Investments in Debt Securities	Benefit Plan Assets and Liabilities	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income / (Loss)
Balance at January 1, 2019	$ 2,357,200	$ (639,800)	$ (382,100)	$ 1,335,300
Other comprehensive income / (loss) before reclassifications	216,700	(22,300)	83,900	278,300
Amount reclassified from accumulated other comprehensive loss	(23,400)	21,600	–	(1,800)
Net current period other comprehensive income / (loss)	193,300	(700)	83,900	276,500
Adoption of ASU 2016-01	(2,365,600)	–	–	(2,365,600)
Balance at December 31, 2019	$ 184,900	$ (640,500)	$ (298,200)	$ (753,800)

The following are reclassifications out of accumulated other comprehensive loss to net income for the year ended December 31, 2019:

Unrealized appreciation of investments in debt securities:		
Net realized investment gains	$ 29,700	
Other than temporary impairment losses	–	
Total before tax	29,700	
Income tax expense	(6,300)	
Net of tax	$ 23,400	
Amortization of benefit plan amounts:		
Actuarial losses	$ (30,100)	(a)
Prior service cost	2,700	(a)
Net transition asset	100	(a)
Total before tax	(27,300)	
Income tax benefit	5,700	
Net of tax	$ (21,600)	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic cost (see Note 9).

Note 11. Subsequent Events

Subsequent events were evaluated through February 26, 2021, 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.

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