

Table of Contents

**SAFeway INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Property under capital leases and leasehold improvements is amortized on a straight-line basis over the shorter of the remaining terms of the leases or the estimated useful lives of the assets.

**Company-Owned Life Insurance Policies** Safeway has company-owned life insurance policies that have a cash surrender value. During 2013, Safeway borrowed against these policies. The Company has no current intention of repaying the loans prior to maturity or cancellation of the policies. Therefore, we offset the cash surrender value by the related loans. At January 3, 2015, the cash surrender value of the policies was \$57.1 million, and the balance of the policy loans was \$40.7 million, resulting in a net cash surrender value of \$16.4 million. At December 28, 2013, the cash surrender value of the policies was \$58.5 million, and the balance of the policy loans was \$40.9 million, resulting in a net cash surrender value of \$17.6 million.

**Employee Benefit Plans** The Company recognizes in its consolidated balance sheet an asset for its employee benefit plan's overfunded status or a liability for underfunded status. The Company measures plan assets and obligations that determine the funded status as of fiscal year end. See Note N.

**Self-Insurance** The Company is primarily self-insured for workers' compensation, automobile and general liability costs. The self-insurance liability is determined actuarially, based on claims filed and an estimate of claims incurred but not yet reported, and is discounted using a risk-free rate of interest. The present value of such claims was calculated using a discount rate of 1.50% in 2014, 1.75% in 2013 and 0.75% in 2012.

A summary of changes in Safeway's self-insurance liability is as follows (in millions):

	2014	2013	2012
Beginning balance	\$ 432.7	\$ 480.1	\$ 470.9
Expense, including the effect of discount rate	153.9	98.6	151.6
Claim payments	(151.2)	(137.2)	(142.5)
Disposal of discontinued operations	—	(8.8)	—
Currency translation	—	—	0.1
Reclass insurance recoveries to receivable	25.2	—	—
Ending balance	<u>460.6</u>	<u>432.7</u>	<u>480.1</u>
Less current portion	<u>(113.3)</u>	<u>(108.6)</u>	<u>(137.4)</u>
Long-term portion	<u>\$ 347.3</u>	<u>\$ 324.1</u>	<u>\$ 342.7</u>

Beginning in 2014, the Company has recorded estimated insurance recoveries as a receivable, rather than netting the recoveries against the liability.

The current portion of the self-insurance liability is included in other accrued liabilities, and the long-term portion is included in accrued claims and other liabilities in the consolidated balance sheets. The total undiscounted liability, net of insurance receivables, was \$477.4 million at year-end 2014 and \$477.2 million at year-end 2013.

**Deferred Rent**

**Rent Escalations.** The Company recognizes escalating rent provisions on a straight-line basis over the lease term.