Ernst & Young LLP
200 Clarendon Street
Boston, MA 02116

Tel: +1 617 266 2000
Fax: +1 617 266 5843
ey.com

Report of Independent Registered Public Accounting Firm

The Board of Directors
Liberty Mutual Holding Company Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Liberty Mutual Holding Company Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), changes in total equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 6, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Valuation of incurred but not reported reserves
Description of the Matter	For property and casualty insurance products, the Company establishes reserves for unpaid losses and loss adjustment expenses to provide for the estimated costs of paying claims under insurance policies written by the Company. These reserves include estimates for both claims that have been reported and claims that have been incurred but not reported and include estimates of all losses and loss adjustment expenses associated with processing and settling these claims. At December 31, 2023, the liability for incurred but not reported (IBNR) reserves represented a significant portion of the $80,177 million of reserves for unpaid claims and claim adjustment expenses. As discussed in Notes 1 and 6 of the consolidated financial statements, this estimation process is based significantly on the assumption that past developments are an appropriate predictor of future events and involves a variety of actuarial techniques that analyze experience, trends, and other relevant factors. The subjectivity and uncertainty of estimating the ultimate cost to settle the liabilities for reported and unreported claims is caused by various factors including, frequency and severity of claims, economic conditions such as the legal, regulatory, judicial, inflation and social environment, policy pricing including terms and conditions, as well as changes in the claims handling process. As such, performing audit procedures to evaluate unpaid losses and loss adjustment expenses required a high degree of auditor judgment and an increased extent of effort, including the involvement of our actuarial specialists.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over management's process to estimate the IBNR reserves balance, including, among others, controls over inputs, methods, and assumptions in the Company's estimation process. To test the Company's estimate of IBNR reserves, we evaluated the methods and assumptions used by the Company. With the assistance of our actuarial specialists, we compared the Company's prior year assumptions of expected development of ultimate loss to actual losses incurred during the current year to identify potential management bias in the determination of the unpaid losses and loss adjustment expenses. We evaluated management's application of actuarial reserving methods and aforementioned factors, including actuarial assumptions and judgments impacting loss reserves. We independently projected reserves for selected lines of business using actual historical data and loss development patterns, as well as industry data and other benchmarks, and compared management's actuarially determined reserves to these independent estimates. We compared management's internally prepared actuarial analyses to internal experience and related industry trends for selected lines of business.
	Valuation of investments in securities
Description of the Matter	A subset of the Company's $68,901 million fixed-income and $18,139 million other investment portfolios exhibit higher estimation uncertainty when determining fair value. Investments in fixed maturities classified as available-for-sale and certain other investments are reported at fair value in the consolidated financial statements. As discussed in Note 10 of the consolidated financial statements, for certain securities, the Company obtains prices from third party valuation service providers, or uses broker quotes and internal pricing models. Each of those sources use not directly observable or unobservable inputs, such as credit spreads and interest rates beyond the observable curve, depending on the characteristics of the securities. As a result, determining the fair value for those securities required significantly more judgement. Auditing the fair value of the securities that exhibit higher estimation uncertainty was especially challenging due to the judgment involved in determining the fair value, including inputs and assumptions that are not directly observable or unobservable in the market.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's valuation process for securities that exhibit higher estimation uncertainty. This included, among other procedures, testing management's review and approval process over validating the fair value from third party valuation service providers and the assumptions used in determining the fair value for internally priced securities.

To test the Company's fair value calculations, we compared the valuation methods used by the Company to the methods used in prior periods and those used in the industry. With the assistance of our valuation specialists, we tested the fair value calculation for securities that exhibit higher estimation uncertainty, including, among other procedures, independently calculating a reasonable range of fair values for a sample of securities using assumptions based on independently obtained information or available transaction data for similar investments. We compared the ranges to management's estimates of fair value for the sample of selected securities.

Other Information

Management is responsible for the other information. The other information comprises the Q4 2023 Management's Discussion and Analysis of Financial Condition and Results of Operations, the Q4 2023 Earnings Release, and Q4 2023 Earnings Presentation, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

We have served as the Company's auditor since 1996.

March 6, 2024

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Liberty Mutual Holding Company Inc.

Opinion on Internal Control over Financial Reporting

We have audited Liberty Mutual Holding Company Inc.'s (the Company's) internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (the PCAOB) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive (loss) income, changes in total equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements") and our report dated March 6, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on the Effectiveness of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit.

We conducted our audit in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

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Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are 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.

Ernst & Young LLP

March 6, 2024

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Income

(dollars in millions)

	Years Ended December 31,		
	2023	**2022**	**2021**
Revenues			
Premiums earned	$ 45,877	$ 44,260	$ 39,297
Net investment income	2,958	2,715	5,295
Fee and other revenues	873	856	968
Net realized losses	(296)	(652)	(398)
Total revenues	49,412	47,179	45,162
Claims, Benefits and Expenses			
Benefits, claims and claim adjustment expenses	34,349	32,821	28,239
Operating costs and expenses	8,104	7,591	6,782
Amortization of deferred policy acquisition costs	6,015	5,886	5,832
Interest expense	529	506	476
Total claims, benefits and expenses	48,997	46,804	41,329
Acquisition & integration costs	(90)	(101)	(21)
Restructuring costs	(121)	(10)	(174)
Income from continuing operations before income tax expense and non-controlling interest	204	264	3,638
Income tax expense	35	14	694
Consolidated net income from continuing operations	169	250	2,944
Discontinued operations (net of income tax expense of $191, $67, and $46 in 2023, 2022, and 2021, respectively)	59	169	126
Consolidated net income	228	419	3,070
Less: Net income attributable to non-controlling interest	15	5	2
Net income attributable to Liberty Mutual Holding Company Inc.	$ 213	$ 414	$ 3,068

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Balance Sheets

(dollars in millions)

	December 31, 2023	December 31, 2022
Assets:		
Investments		
Fixed maturities, available for sale (net of allowance for credit losses of $37 in 2023) (amortized cost of $72,729 and $69,167)	$ 68,901	$ 62,860
Equity securities	996	1,099
Short-term investments	340	418
Mortgage loans (net of allowance for credit losses of $43 in 2023)	3,348	3,632
Other investments (net of allowance for credit loss of $61 in 2023)	18,139	15,382
Total investments	91,724	83,391
Cash and cash equivalents	9,518	12,531
Premium and other receivables	16,173	15,476
Reinsurance recoverables (net of allowance for credit losses of $152 in 2023)	19,080	18,777
Deferred tax asset	1,599	1,779
Deferred acquisition costs	3,544	3,855
Goodwill	5,437	5,412
Prepaid reinsurance premiums	2,812	2,605
Other assets	8,877	8,672
Assets held for sale	6,444	7,818
Total assets	$ 165,208	$ 160,316
Liabilities:		
Unpaid claims and claim adjustment expenses and future policy benefits:		
Property and casualty	$ 80,177	$ 76,986
Life	52	67
Unearned premiums	27,345	26,525
Funds held under reinsurance treaties	340	352
Short-term debt	552	547
Long-term debt	9,607	10,053
Accrued postretirement and pension benefits	3,040	3,003
Payable for investments purchased and loaned	2,853	3,034
Other liabilities	11,730	11,944
Liabilities held for sale	4,452	5,597
Total liabilities	140,148	138,108
Equity:		
Unassigned equity	29,991	29,822
Accumulated other comprehensive (loss)	(5,127)	(7,830)
Total policyholders' equity	24,864	21,992
Non-controlling interest	196	216
Total equity	25,060	22,208
Total liabilities and equity	$ 165,208	$ 160,316

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Comprehensive Income (Loss)

(dollars in millions)

	Years Ended December 31,		
	2023	**2022**	**2021**
Consolidated net income	$ 228	$ 419	$ 3,070
Other comprehensive income (loss), net of taxes:			
Change in unrealized gains (losses) on securities	2,174	(6,392)	(1,632)
Change in pension and post retirement plans funded status	(48)	(239)	658
Change in foreign currency translation and other adjustments	567	(249)	(205)
Other comprehensive income (loss), net of taxes	2,693	(6,880)	(1,179)
Comprehensive income (loss)	2,921	(6,461)	1,891
Less: Comprehensive income (loss) attributable to non-controlling interest	5	(5)	1
Comprehensive income (loss) attributable to Liberty Mutual Holding Company Inc.	$ 2,916	$ (6,456)	$ 1,890

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Changes in Total Equity

(dollars in millions)

	Unassigned Equity	Accumulated Other Comprehensive (Loss) Income	Total Policyholders' Equity	Non-Controlling Interest	Total Equity
Balance, January 1, 2021	$ 25,708	$ 218	$ 25,926	$ 31	$ 25,957
Comprehensive income (loss):					
Consolidated net income	3,068	-	3,068	2	3,070
Other comprehensive loss, net of taxes	-	(1,178)	(1,178)	(1)	(1,179)
Total comprehensive income (loss)	3,068	(1,178)	1,890	1	1,891
Balance, December 31, 2021	$ 28,776	$ (960)	$ 27,816	$ 32	$ 27,848
Cumulative effect from the adoption of ASC 842, Leases	90	-	90	-	90
Net increase due to mutual mergers and acquisitions	542	-	542	189	731
Comprehensive income (loss):					
Consolidated net income	414	-	414	5	419
Other comprehensive loss, net of taxes	-	(6,870)	(6,870)	(10)	(6,880)
Total comprehensive income (loss)	414	(6,870)	(6,456)	(5)	(6,461)
Balance, December 31, 2022	$ 29,822	$ (7,830)	$ 21,992	$ 216	$ 22,208
Cumulative effect from the adoption of ASC 326, CECL	(44)	-	(44)	-	(44)
Dividends related to non-controlling interest	-	-	-	(25)	(25)
Comprehensive income:					
Consolidated net income	213	-	213	15	228
Other comprehensive income (loss), net of taxes	-	2,703	2,703	(10)	2,693
Total comprehensive income	213	2,703	2,916	5	2,921
Balance, December 31, 2023	$ 29,991	$ (5,127)	$ 24,864	$ 196	$ 25,060

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Cash Flows

(dollars in millions)

	Years Ended December 31,		
	2023	**2022**	**2021**
Cash flows from operating activities:			
Consolidated net income	$ 228	$ 419	$ 3,070
Less income from Liberty Seguros – Latin America and Western Europe, net of tax expense	59	168	131
Income from operations excluding Liberty Seguros – Latin America and Western Europe discontinued operations	169	251	2,939
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	774	898	701
Realized losses	296	652	398
Undistributed private equity investment losses (gains)	186	(476)	(3,451)
Premium, other receivables, and reinsurance recoverables	(917)	(2,612)	(2,431)
Deferred acquisition costs	331	(237)	(274)
Liabilities for insurance reserves	3,529	7,370	7,006
Taxes payable, net of deferred	(535)	(463)	461
Pension plan contributions	(136)	-	-
Other, net	(147)	205	85
Total adjustments	3,381	5,337	2,495
Net cash provided by operating activities - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	3,550	5,588	5,434
Net cash provided by operating activities - Liberty Seguros – Latin America and Western Europe discontinued operations	199	(12)	136
Net cash provided by operating activities	3,749	5,576	5,570
Cash flows from investing activities:			
Purchases of investments	(28,032)	(41,156)	(82,351)
Sales and maturities of investments	21,738	40,243	76,327
Property and equipment purchased, net	(134)	(114)	(43)
Cash provided by (paid for) disposals, mutual merger and acquisitions	926	(1,069)	-
Other investing activities	(54)	(1,305)	(357)
Net cash used in investing activities - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	(5,556)	(3,401)	(6,424)
Net cash used in investing activities - Liberty Seguros – Latin America and Western Europe discontinued operations	(580)	(147)	(155)
Net cash used in investing activities	(6,136)	(3,548)	(6,579)
Cash flows from financing activities:			
Net activity in policyholder accounts	(37)	(24)	(77)
Debt financing, net	(526)	856	978
Net securities lending activity and other financing activities	(490)	(776)	2,762
Net cash (used in) provided by financing activities - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	(1,053)	56	3,663
Net cash (used in) provided by financing activities - Liberty Seguros – Latin America and Western Europe discontinued operations	(45)	381	(16)
Net cash (used in) provided by financing activities	(1,098)	437	3,647
Effect of exchange rate changes on cash - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	46	(134)	(66)
Effect of exchange rate changes on cash - Liberty Seguros – Latin America and Western Europe discontinued operations	82	2	(19)
Effect of exchange rate changes on cash	128	(132)	(85)
Net (decrease) increase in cash and cash equivalents - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	(3,013)	2,109	2,607
Net (decrease) increase in cash and cash equivalents - Liberty Seguros – Latin America and Western Europe discontinued operations	(344)	224	(54)
Net (decrease) increase in cash and cash equivalents	(3,357)	2,333	2,553
Cash and cash equivalents, beginning of year - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	12,531	10,422	7,815
Cash and cash equivalents, beginning of year - Liberty Seguros – Latin America and Western Europe discontinued operations	579	355	409
Cash and cash equivalents, beginning of year	13,110	10,777	8,224
Cash and cash equivalents, end of period - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	9,518	12,531	10,422
Cash and cash equivalents, end of period - Liberty Seguros – Latin America and Western Europe discontinued operations	235	579	355
Cash and cash equivalents, end of period	$ 9,753	$ 13,110	$ 10,777
Supplemental disclosure of cash flow information:			
Income taxes paid	$ 399	$ 423	$ 174

See accompanying notes to the audited consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Liberty Mutual Holding Company Inc., entities over which the Company exercises control including majority and wholly owned subsidiaries, and variable interest entities ("VIE") when the Company is deemed the primary beneficiary (collectively "LMHC" or the "Company"). The minority ownership of consolidated affiliates is represented in equity as non-controlling interest. All material intercompany transactions and balances have been eliminated.

The accompanying consolidated financial statements have been prepared in conformity with the U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include 1) unpaid claims and claim adjustment expense reserves, 2) reinsurance recoverables and associated credit loss allowance, 3) fair value determination of the investment portfolio, 4) impairment assessments of goodwill and intangible assets, 5) deferred income tax valuation allowance, and 6) pension and postretirement benefit obligations. While the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, these amounts ultimately could vary.

Nature of Operations

The Company conducts substantially all of its business through two businesses: US Retail Markets and Global Risk Solutions. A summary of each business follows:

US Retail Markets ("USRM"), with $30,802 of revenues in 2023, consists of Personal Lines and Business Lines. US Personal Lines sells automobile, homeowners and other types of property and casualty insurance coverage to individuals in the United States. US Retail Markets is organized into the following segments: Personal lines and Business lines.

Global Risk Solutions ("GRS"), with $17,940 of revenues in 2023, offers a wide array of property, casualty, automobile, specialty, life and health and reinsurance products distributed through multiple channels globally. Global Risk Solutions is organized into the following segments: Liberty Specialty Markets, Liberty Mutual Reinsurance, North America, Global Surety, Asia Retail Markets and Other Global Risk Solutions.

Adoption of New Accounting Standards

Effective January 1, 2023, the Company adopted ASC 326, *Measurement of Credit Losses on Financial Instruments*. As a result, the Company used modified retrospective transition and estimates allowance for credit losses on items measured at amortized cost within the scope of ASC 326-20, including mortgage loans, private loans, unfunded commitments, reinsurance recoverables, and premium receivables, to reflect management's estimate of expected credit losses considering historical losses, existing economic conditions, and reasonable and supportable forecasts. On January 1, 2023, the allowance for credit losses and liability for unfunded commitments increased by $56 (pre-tax), and the cumulative effect to opening retained earnings was a reduction of $(44). Adoption of ASC 326 for the AFS debt securities did not impact the transition adjustment as it is applied prospectively.

The Company adopted the FASB issued updated guidance for leases, ASC 842, which requires a lessee to recognize a right-of-use asset and a lease liability on the balance sheet for leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of income. The Company adopted the updated guidance for the quarter ended March 31, 2022, and elected to apply the package of practical expedients allowed in the transition guidance, as well as the option to recognize a cumulative effect adjustment to the opening balance of unassigned equity in the year of adoption. The Company also elected to use the risk-free rate for the measurement of all lease liabilities. The adoption resulted in the recognition of a right-of-use asset and a lease liability of $421 and an equity adjustment of $90, net of tax.

There are no accounting standards not yet adopted by the Company that are expected to have a material impact on the consolidated financial statements.

Accounting Policies

Investments

Fixed maturity securities classified as available for sale are debt securities that have principal payment schedules, are held for indefinite periods of time, and are used as a part of the Company's capital strategy or sold in response to risk and reward characteristics, liquidity needs or similar economic factors. These securities are reported at fair value with changes in fair values, net of deferred income taxes, reported in accumulated other comprehensive income.

Equity securities include common equities and non-redeemable preferred stocks and are reported at quoted fair values. Changes in fair values, net of deferred income taxes, are reported in net income.

Starting January 1, 2023, the Company has a portfolio monitoring process to assess whether a credit loss exists. For an available for sale security in an unrealized loss position, the Company assesses whether management with the appropriate authority has decided to sell or it is more likely than not that the Company will be required to sell before recovery of the amortized cost basis. If the security meets either of these criteria, the allowance for credit losses is written off and the amortized cost basis is written down to the debt security's fair value at the reporting date with any incremental impairment reported in earnings. If the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the Company utilizes both qualitative and quantitative inputs to determine if a credit loss is expected. These factors includes 1) the extent to which fair value is less than the amortized cost basis, 2) credit spreads for the security, 3) adverse conditions related to the security, the industry or geographic area, 4) assessment of the issuer being able to make payments.

When developing estimate of cash flows expected to be collected, the Company considers available information relevant to the collectability of the security, including information about past events, current conditions, and reasonable and supportable forecasts. This information includes 1) remaining payment terms of the security, 2) prepayment speeds, 3) value of the underlying collateral.

These considerations are part of the Company's portfolio monitoring process which includes a quarterly review of all securities to identify those whose fair value fell below their amortized cost basis by more than internally established thresholds. The securities identified, along with other securities for which the Company may have a concern, are evaluated to determine whether a credit loss exists. If the Company determines that a credit loss exists, an allowance for credit losses is recorded in the net realized gains (losses) line item of the statement of income, limited by the amount that the fair value is less than amortized cost basis. The Company calculates the present value of cash flows expected to be collected using the effective interest rate implicit in the security at the date of acquisition and compares it with the amortized cost basis of the security. The portion of the unrealized loss related to factors other than credit loss remains in other comprehensive income. Write-offs are deducted from the allowance in the period in which the securities are deemed uncollectible. Recoveries are recognized when received.

If the Company believes a decline in the value (including foreign exchange rates) of a particular fixed maturity security is temporary, the decline is recorded as an unrealized loss in policyholders' equity. If the decline is believed to be other-than-temporary, and the Company believes that it will not be able to collect all cash flows due on its fixed maturity securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment. A non-credit impairment loss is recognized in other comprehensive income, net of applicable taxes, as the difference between expected cash flows and fair value.

Prior to January 1, 2023, the Company reviewed fixed maturity securities and other investments for impairment on a quarterly basis. These investments are reviewed for both quantitative and qualitative considerations including, but not limited to: 1) the extent of the decline in fair value below book value, 2) the duration of the decline, 3) significant adverse changes in the financial condition or near term prospects of the investment or issuer, 4) significant change in the business climate or credit ratings of the issuer, 5) general market conditions and volatility, 6) industry factors, 7) the past impairment of the security holding or the issuer and 8) impact of foreign exchange rates on foreign currency denominated securities. For fixed maturity securities that the Company does not intend to sell or for which it is more likely than not that the Company would not be required to sell before an anticipated recovery in value, the Company separates impairments into credit loss and non-credit loss components. The determination of the credit loss component of the impairment charge is based on the Company's best estimate of the present value of the cash flows expected to be collected from the fixed maturity security compared to its amortized cost and is reported as part of net realized gains (losses). The non-credit component, the residual difference between the credit impairment component and the fair value, is recognized in other comprehensive income. The factors considered in making an evaluation for credit versus non-credit other-than-temporary impairment include the following: 1) failure of the issuer of the security to make scheduled interest or principal payments (including the payment structure of the fixed maturity security and the likelihood the issuer will be able to make payments that increase in the future), 2) performance indicators of the underlying assets in the security (including default and delinquency rates), 3) vintage, 4) geographic concentration and 5) industry analyst reports, sector credit ratings, and volatility of the security's fair value. In addition, the Company's accounting policy for other-than-temporary impairment recognition requires an other-than-temporary impairment charge be recorded when it is determined the security will be sold or it is more likely than not that the Company will be required to sell the security before recovery of the security's amortized cost basis (all fixed maturity securities and certain preferred equity securities) or the Company does not have the intent and ability to hold certain equity securities for a period of time that is sufficient to allow for any anticipated recovery in fair value.

The Company is required to review its natural resource and other equity method investments when facts and circumstances indicate that carrying values may not be recoverable. In performing a quarterly review, the fair value of the Company's investment is estimated using indicators including, but not limited to, market comparables and analyses, commodity prices, and discounted cash flows and a realized loss is recognized for the excess, if any, of the investment's carrying value over its estimated fair value.

Realized gains and losses on sales of investments are recognized in income using the specific identification method. The Company reviews fixed maturity securities, and other investments for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to, 1) the extent of the decline in fair value below book value, 2) the duration of the decline, 3) significant adverse changes in the financial condition or near term prospects for the investment or issuer, 4) significant changes in the business climate or credit ratings of the issuer, 5) general market conditions and volatility, 6) industry factors, 7) the past impairment of the security holding or the issuer, and 8) changes in foreign exchange.

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. The Company's cash equivalents include debt securities purchased with maturities of three months or less at acquisition and are carried at amortized cost, which approximates fair value.

Short-term investments are debt securities with maturities at acquisition between three months and one year, are considered available for sale, and are reported at fair value with changes in fair values, net of deferred income taxes, reported in accumulated other comprehensive income.

Any VIE for which the Company is the primary beneficiary is consolidated into the Company's financial statements.

Other investments are comprised of loans, limited partnerships and other alternative investments. Loans are reported at amortized cost less an allowance for potentially uncollectible amounts. Limited partnerships and other alternative investments are reported using the equity method of accounting and, accordingly, the Company's share of earnings are included in net investment income. Due to the availability of financial statements, other alternative investments and limited partnership investment income is generally recorded on a three-month lag. The Company elects the fair value option on certain other investments and these investments are carried at fair value. Accordingly, changes in fair value are included in net investment income or net realized gains in the accompanying consolidated statements of income. Also included in other investments are equity investments in privately held businesses that are carried at fair value with changes in fair value reported in other comprehensive income.

Mortgage and private loans are held for investment and stated at amortized cost less an allowance for loan loss for potentially uncollectible amounts.

The Company's mortgage loans are commercial mortgage loans collateralized by real estate properties and totaled $3,348 net of credit loss allowances. Loan to value ratio and debt service coverage ratio are considered key credit quality indicators when estimating expected credit loss allowance for mortgage loans. Payments on mortgage loans were current as of December 31, 2023. The number of loans in the portfolio decreased from 2,716 as of December 31, 2022, to 2,431 as of December 31, 2023.

Private loans consist of lending to small businesses, pools of individual consumers, and individual companies. The Company's private loans totaled $2,987, net of credit loss allowance, as of December 31, 2023 and are reported in the "Other investments" line item of the Consolidated Balance Sheet. Credit rating is considered a key credit quality indicator when estimating expected credit loss allowances for private loans. Payments on private loans were current as of December 31, 2023.

Net investment income primarily consists of interest, dividends, and income from limited partnerships and certain other alternative investments. Interest income is recognized on an accrual basis using the effective interest method and dividend income is recognized at the ex-dividend date. Interest income for mortgage-backed fixed maturity securities is recognized using a constant effective yield based on anticipated prepayments over the economic life of the security. The mortgage-backed portfolio is accounted for under the retrospective method and prepayment assumptions are based on market expectations. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments and any resulting adjustment is included in net investment income.

The Company has designated non-derivative foreign currency denominated long-term debt and the related accrued interest as hedges of its net investment in certain foreign operations. Accordingly, the foreign currency translation of the debt instrument and accrued interest is recorded in accumulated other comprehensive loss, offsetting the foreign currency translation adjustment of the related net investment that is also recorded in accumulated other comprehensive loss. As of December 31, 2023, the Company had €2,250 million of outstanding long-term debt and approximately €34 million of accrued interest designated as non-derivative hedges of its net investment in certain foreign operations. As of December 31, 2023, the foreign currency translation of the debt instrument and accrued interest recorded in accumulated other comprehensive loss was $68.

The Company participates in a securities lending program to generate additional income, whereby certain domestic fixed maturity securities and equity securities are loaned for a short period of time from the Company's portfolio to qualifying third parties via a lending agent. Terms of the agreement are for borrowers of these securities to provide collateral of at least 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or permitted securities as outlined in the securities lending agreement. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company; however, the Company records a liability for the amount of cash collateral held, representing its obligation to return the collateral related to the loaned securities.

All derivatives are recognized on the balance sheet at fair value and reported as other invested assets, other assets, or other liabilities. At the inception of the contract, the Company designates the derivative as 1) a hedge of a fair value of a recognized asset ("fair value hedge"), 2) an economic hedge ("non-designated derivative"), or 3) a cash flow hedge.

The Company participated in foreign exchange forward contracts, exchange traded futures, and options in 2023 and 2022, as well as participated in commodity swaps and commodity options in 2020. Hedge accounting was applied for certain instruments when the derivative is highly effective in offsetting the change in fair value of the hedged item. Changes in fair value were recorded in other comprehensive income. For instruments where hedge accounting was not applied changes in fair value were recorded in net realized gains (losses) on the consolidated statements of income. These derivatives were not material to the Company's financial statements.

The Company entered into interest rate swap agreements that are classified as cash flow hedges. The effective portion of the gain or loss on these instruments is reported as a component of other comprehensive income and reclassified into earnings in the same period in which the hedged items affect earnings. The Company's cash flow hedges are 100% effective and are not material to the financial statements.

(dollars in millions)

The Company owns fixed maturity securities that may have call, put or conversion options embedded. These derivatives are not related to hedging and are not material to the Company's financial statements.

Goodwill and Intangible Assets

Goodwill is tested for impairment at least annually using either a qualitative or a quantitative process. Election of the approach can be made at the reporting unit level. As of December 31, 2023, the Company has two reporting units – USRM and GRS. The reporting unit has the option to skip the qualitative test and move directly to completion of the quantitative process. The qualitative approach can be used to evaluate if there are any indicators of impairment. Through this process, the reporting unit must determine if there is indication that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If it is determined that there is an indication of potential impairment, the reporting unit must complete the quantitative process. The quantitative approach is a two-step process. The first step is performed to identify potential impairment and, if necessary, the second step is performed for the purpose of measuring the amount of impairment, if any. Impairment is recognized only if the carrying amount is not recoverable from the discounted cash flows using a "market" rate and is measured as the difference between the carrying amount and the implied fair value. Other changes in the carrying amount of goodwill are primarily caused by acquisitions, dispositions, and foreign currency translation adjustments. In 2023, goodwill increased by $25 driven primarily by Liberty International Holdings Inc. foreign currency translation.

The Company recognized no goodwill or intangible impairments in 2023 and $21 of intangibles impairments related to Ironshore trade name in 2022.

Indefinite-lived intangible assets held by the Company are reviewed for impairment on at least an annual basis using a qualitative process. The classification of the asset as indefinite-lived is reassessed, and an impairment is recognized if the carrying amount of the asset exceeds its fair value.

Intangible assets that have finite useful lives are amortized over their useful lives. The carrying amounts of intangible assets with finite useful lives are reviewed regularly for indicators of impairment in value. Impairment is recognized only if the carrying amount of the intangible asset is not recoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and the asset's fair value.

The Company has intangible assets included in other assets on the accompanying consolidated balance sheets related to State Auto Group, AmGeneral Insurance Berhad, AmTrust, QBE Holdings service agreement fees, Ironshore, Safeco, and Ohio Casualty Corporation ("Ohio Casualty") acquisitions that occurred in 2022, 2022, 2019, 2018, 2017, 2008, and 2007, respectively. The following table summarizes the carrying value of intangible assets the Company recognized in other assets on the consolidated balance sheets as of December 31, 2023 and 2022.

	Carrying Value December 31, 2023	Carrying Value December 31, 2022	Period (years)	Method
Safeco agency relationship	$-	$30	15	Straight-line
Ohio Casualty agency relationship	27	35	20	Straight-line
Safeco trade name	229	229	Not subject to amortization	Not subject to amortization
Ironshore trade name	18	23	15	Straight-line
Ironshore distribution channel	177	189	18-20	Straight-line
Licenses [1]	141	141	Not subject to amortization	Not subject to amortization
QBE Holdings service agreement fees	4	9	6	Straight-line
AmTrust distribution channel	54	59	15-20	Straight-line
AmTrust value of business acquired	4	5	12	Over the Life
AmTrust trade name	1	2	15	Straight-line
State Auto Group agency relationship	25	28	10	Straight-line
State Auto Group trade name	-	2	1	Straight-line
State Auto Group internally developed software	10	12	5	Straight-line
State Auto Group value of business acquired	-	21	1	Straight-line
AmGeneral Insurance value of business acquired	-	12	1	Straight-line
AmGeneral Insurance trade name	11	12	20	Straight-line
AmGeneral Bancassurance distribution channel	35	37	20	Straight-line
AmGeneral Insurance other distribution network	8	9	20	Straight-line
Total intangible assets	$744	$855		

[1] Includes Safeco, Ohio Casualty, Ironshore and State Auto.

The Company recognized $111, $204 and $73 of amortization expense on intangible assets related to these acquisitions for the years ended December 31, 2023, 2022, and 2021, respectively. Amortization expense is reflected in operating costs and expenses on the accompanying consolidated statements of income. Estimated amortization expense is expected to be $40, $38, $37, $32 and $26 for the years ended December 31, 2024 through

2028, respectively. The intangible assets above are net of accumulated amortization of $1,208 and $1,097 as of December 31, 2023 and 2022, respectively.

Deferred Acquisition Costs

Costs that are directly related to the successful acquisition or renewal of insurance contracts are deferred and amortized over the respective policy terms. All other acquisition related costs, including market research, training, administration, unsuccessful acquisition or renewal efforts, and product development are charged to expense as incurred. For short-duration contracts, acquisition costs include commissions, underwriting expenses and premium taxes and are amortized in proportion to earned premiums. Deferred acquisition costs are reviewed annually for recoverability. Investment income is considered in the recoverability assessment.

Property and Equipment

The costs of buildings, furniture, equipment and internally developed software are depreciated, principally on a straight-line basis, over their estimated useful lives (a maximum of 39.5 years for buildings, 10 years for furniture, 3-5 years for equipment, and 5 years for internally developed software). Property and equipment asset balances net of accumulated depreciation are included in other assets on the consolidated balance sheet. Depreciation expense is included in operating costs and expenses on the consolidated statements of income. Expenditures for maintenance and repairs are charged to income as incurred while expenditures for improvements are capitalized and depreciated.

Insurance Liabilities and Reserves

For short-duration contracts, the Company establishes reserves for unpaid claims and claim adjustment expenses covering events that occurred in 2023 and prior years. These reserves reflect estimates of the total cost of claims reported but not yet paid and the cost of claims not yet reported, as well as the estimated expenses necessary to settle the claims. Reserve estimates are based on past loss experience modified for current claim trends, as well as prevailing social, economic and legal conditions. Final claim payments, however, may ultimately differ from the established reserves, since these payments might not occur for several years. Reserve estimates are continually reviewed and updated, and any resulting adjustments are reflected in current operating results. The Company does not discount reserves other than discounting on the long-term indemnity portion of workers compensation settled claims, the long-term disability portion of group accident and health claims as permitted by insurance regulations in certain states, the long-term portion of certain workers compensation claims of foreign subsidiaries, reserves related to periodic payment orders on certain automobile policies and specific asbestos structured settlements. Reserves are reduced for estimated amounts of salvage and subrogation and deductibles recoverable from policyholders. The Company discounts the long-term indemnity portion of workers compensation claims at risk-free discount rates determined by reference to the U.S. Treasury yield curve. The weighted average discount rates were 4.5% and 4.5% for 2023 and 2022, respectively. The held discounted reserves on these unpaid workers compensation claims, net of all reinsurance, as of December 31, 2023 and 2022, were $785 and $814, respectively.

Guaranty Funds

Liabilities for guaranty fund and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the entity to pay an imposed or probable assessment has occurred. The liabilities for guaranty fund assessments are based on preceding year premium or multiple year's premiums depending upon the state law. Additionally, for those states that have loss-based assessments, liabilities for workers' compensation loss-based assessments are reserved based on workers' compensation loss reserves and workers' compensation paid losses. Liabilities for guaranty funds and other insurance-related assessments are not discounted and are included as part of other liabilities in the accompanying consolidated balance sheets. As of December 31, 2023 and 2022, the liability balance was $90 and $86, respectively. As of December 31, 2023 and 2022, included in other assets were $3 and $2, respectively, of related assets for premium tax offsets or policy surcharges. The related asset is limited to the amount that is determined based on future premium collections or policy surcharges from policies in force. Current Guaranty Fund Association assessments are expected to be paid over one year while loss-based assessments are expected to be paid over a period ranging from one year to the life expectancy of certain workers' compensation claimants and the recoveries are expected to occur over the same period of time. Premium tax offsets are expected to be realized within one year.

Long-Term Incentive and Performance Based Incentive Plans

The Company maintains short-term and long-term incentive compensation plans. Long-term plans vest over the requisite service period, are based upon notional units and are accounted for under ASC 718, *Compensation – Stock Compensation*, using the intrinsic value method. Additionally, the Company provides performance-based incentive compensation to the majority of employees meeting the participation requirements of the respective plans. Compensation cost related to these plans is determined in accordance with plan formulas and recorded over the years the employee service is provided.

Revenue Recognition

For short-duration insurance contracts, premiums are reported as earned income generally on a pro-rata basis over the terms of the related policies. For retrospectively rated policies and contracts, premium estimates are continually reviewed and updated and any resulting adjustments are reflected in current operating results. For traditional long-duration insurance contracts (including term and whole life contracts and annuities), premiums are earned when due. For loss portfolio transfers, premiums are fully recognized as written and earned at contract inception. For annuities and structured settlements without significant mortality or morbidity risk (investment contracts) and universal life contracts (long-duration contracts with terms that are not fixed or guaranteed), revenues represent investment income earned on the related assets. Universal life and annuity contract revenues also include mortality, surrender, and administrative fees charged to policyholders.

Reinsurance
All assets and liabilities related to ceded reinsurance contracts are reported on a gross basis in the accompanying consolidated balance sheets. Prospective reinsurance premiums, claims, and claim adjustment expenses are accounted for on a basis consistent with the terms of the reinsured contracts. The accompanying consolidated statements of income reflect premiums, benefits, and settlement expenses net of reinsurance ceded.

Transactions that do not transfer risk are included in other assets or other liabilities. Ceded transactions that transfer risk but are retroactive are included in reinsurance recoverables. The excess of estimated liabilities for claims and claim costs over the consideration paid net of experience adjustments is established as a deferred credit at inception. The deferred amounts are subsequently amortized using the effective interest method over the expected settlement period. The periodic amortization is reflected in the accompanying consolidated statements of income through benefits, claims and claim adjustment expenses. In transactions where the consideration paid exceeds the estimated liabilities for claims and claim costs, a loss is recognized. If the adverse development net of experience adjustments exceeds the original loss, deferred gains are recorded. The deferred gains are subsequently recognized into earnings over the expected settlement period of the reserves. In transactions involving an acquisition whereas a reinsurance contract is entered into contemporaneously with the acquisition, the contract is accounted for as prospective reinsurance.

Amounts recoverable from reinsurers include unpaid losses estimated in a manner consistent with the claim liabilities associated with the reinsured business. The Company evaluates reinsurance collectability, and a provision for uncollectible reinsurance is recorded where necessary.

Translation of Foreign Currencies
The Company translates the financial statements of its foreign operations into U.S. dollars from the functional currency designated for each foreign unit, generally the currency of the primary economic environment in which that operation does its business. Assets and liabilities are translated into U.S. dollars at period-end exchange rates, while income and expenses are translated using average rates for the period. Translation adjustments are recorded as a separate component of accumulated other comprehensive income, net of tax, to the extent applicable. Foreign currency amounts are re-measured to the functional currency, and the resulting foreign exchange gains or losses are reflected in earnings.

Income Taxes
The income tax provision is calculated under the liability method of accounting. The Company recognizes deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return bases of assets and liabilities based on enacted tax rates and other provisions of the tax laws. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that all or some portion of the deferred tax assets will not be realized.

No additional income taxes have been provided for any undistributed foreign earnings or outside basis differences which continue to be indefinitely reinvested. Determining the amount of any related unrecognized deferred tax liability is not practicable. Immaterial deferred income taxes have been recorded for discontinued operations.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act ("IRA"). For tax years beginning after December 31, 2022, the IRA imposes a new corporate alternative minimum tax ("CAMT") on applicable corporations with average adjusted financial statement income in excess of $1,000 for the three prior tax years. The Company is an applicable corporation subject to the CAMT; however, it is not expected to have a material effect on the Company's consolidated results of operations or financial position.

As of December 31, 2023, the U.S. Treasury Department and the Internal Revenue Service ("IRS") are still in the process of issuing various regulations in accordance with the Tax Cuts and Jobs Act of 2017. Accordingly, future adjustments to the financial statements may be necessary as regulations are issued.

Global intangible low-taxed income ("GILTI") is treated by the Company as a period expense.

Fee and Other Revenues
Fee and other revenues primarily consist of revenues from the Company's partner carrier referral programs, energy production operations, universal life cost of insurance and administrative fees, and service fees generated from processing business for involuntary assigned risk pools, self-insured customers, and risk retention groups. Service fees are earned on a pro-rata basis over the term of the related policies. The Company accounts for oil and gas sales from its interests in producing wells under the sales method. The sales method requires that the Company recognize revenue based on the amount of natural gas and oil sold to purchasers on its behalf, which may be different from the Company's entitled production based on its interest in the properties. Fee income from service contracts are recognized as the Company completes its performance obligations, which is primarily on a pro-rata basis over the contract service period or the underlying policy periods.

Discontinued Operations
Disposal of businesses that are considered strategic shifts in the Company's operations are reflected as discontinued operations in the accompanying consolidated financial statements.

(dollars in millions)

Accumulated Other Comprehensive Income (Loss)
Accumulated other comprehensive income (loss) consists principally of unrealized gains and losses on certain investments in debt securities, foreign currency translation adjustments, and pension and postretirement liability adjustments.

The components of accumulated other comprehensive (loss) excluding non-controlling interest, net of related deferred acquisition costs and taxes, for the years ended December 31, 2023 and 2022 are as follows:

	As of December 31,	
	2023	2022
Unrealized loss on securities	$(3,199)	$(5,373)
Foreign currency translation and other adjustments	(623)	(1,200)
Pension and post retirement liability funded status	(1,305)	(1,257)
Accumulated other comprehensive loss	$(5,127)	$(7,830)

The following tables presents the changes in the components of other comprehensive income (loss) for the years ended December 31, 2023, 2022 and 2021, respectively.

Year ended December 31, 2023	Unrealized gains on securities	Pension and post retirement plans funded status	Foreign currency translation and other adjustments(1)	Total
Change arising during the period	$2,356	$(167)	$87	$2,276
Less: Reclassification adjustments included in consolidated net income	(344)	(107)	(464)	(915)
Total other comprehensive income (loss), before income tax expense (benefit)	2,700	(60)	551	3,191
Less: Income tax expense (benefit)	526	(12)	(16)	498
Total other comprehensive income (loss)	$2,174	$(48)	$567	$2,693

(1) Includes $(10) of non-controlling interest

Year ended December 31, 2022	Unrealized loss on securities	Pension and post retirement plans funded status	Foreign currency translation and other adjustments(1)	Total
Change arising during the period	$(8,301)	$(422)	$(209)	$(8,932)
Less: Reclassification adjustments included in consolidated net income	(259)	(111)	-	(370)
Total other comprehensive loss, before income tax (benefit) expense	(8,042)	(311)	(209)	(8,562)
Less: Income tax (benefit) expense	(1,650)	(72)	40	(1,682)
Total other comprehensive loss	$(6,392)	$(239)	$(249)	$(6,880)

(1) Includes $(10) of non-controlling interest

Year ended December 31, 2021	Unrealized loss on securities	Pension and post retirement plans funded status	Foreign currency translation and other adjustments(1)	Total
Change arising during the period	$(1,819)	$662	$(182)	$(1,339)
Less: Reclassification adjustments included in consolidated net income	262	(172)	-	90
Total other comprehensive (loss) income, before income tax (benefit) expense	(2,081)	834	(182)	(1,429)
Less: Income tax (benefit) expense	(449)	176	23	(250)
Total other comprehensive (loss) income	$(1,632)	$658	$(205)	$(1,179)

(1) Includes $(1) of non-controlling interest

(dollars in millions)

(2) ACQUISITIONS, MERGERS AND DISPOSITIONS

ACQUISITIONS

AmGeneral Insurance Berhad

On July 19, 2021, the Company announced they had applied for regulatory approval to acquire Malaysian insurer AmGeneral Insurance Berhad. The acquisition closed July 28, 2022. As a result of the transaction Liberty Insurance Berhad acquired 100% of shares of AmGeneral. AmBank Group's share of the sale proceeds were in the form of cash and consideration shares, which resulted in AmBank Group holding a 30% interest in the Liberty Insurance Berhad and AmGeneral businesses. The AmGeneral and Liberty Insurance Berhad operations formally merged in Q1 2023. The table below details the final allocation of assets acquired and liabilities assumed as of July 31, 2023.

Assets		
	Total investments	$835
	Cash and cash equivalents	42
	Premiums and other receivables	12
	Reinsurance recoverables	114
	Goodwill	97
	Other assets	104
	Total assets	**$1,204**
Liabilities		
	Unpaid claims and claims adjustment expenses	$410
	Unearned premium	177
	Deferred tax liability	7
	Other liabilities	87
	Total liabilities	**$681**

Direct costs related to the acquisition were expensed as incurred. Integration and acquisition costs principally consisting of non-recurring banking, legal, tax and accounting services, retention and severance costs are reflected separately on the consolidated statements of operations.

See Note 1 for the carrying value of intangible assets the Company recognized in other assets on the consolidated balance sheet as a result of the AmGeneral acquisition as of December 31, 2023 and December 31, 2022.

MERGERS

State Auto

On March 1, 2022, the Company completed its merger with State Auto Group, a super-regional insurance holding company headquartered in Columbus, Ohio. Under the terms of the agreement, State Auto mutual members became mutual members of Liberty Mutual and Liberty Mutual acquired all of the publicly held shares of common stock of State Auto Financial for $52 per share in cash, totaling approximately $980. As a mutual merger under ASC 805, *Business Combinations*, the fair value of SAM's member interest was estimated and used as a proxy for consideration in the merger. The Company recorded a direct increase to unassigned equity of $542, which represent the fair value of SAM's member interest. The table below details the final allocation of assets acquired and liabilities assumed as of March 31, 2023.

Assets		
	Total investments	$3,335
	Cash and cash equivalents	176
	Premiums and other receivables	650
	Reinsurance recoverable	189
	Goodwill	47
	Prepaid reinsurance premiums	16
	Deferred tax asset	75
	Other assets	467
	Total assets	$4,955

(dollars in millions)

Liabilities	
Unpaid claims and claim adjustment expenses	$1,799
Unearned premiums	1,233
Long-term debt	203
Other liabilities	198
Total liabilities	$3,433

Direct costs related to the merger were expensed as incurred. Integration and merger costs principally consisting of non-recurring banking, legal, tax and accounting services, retention and severance costs are reflected separately on the consolidated statements of operations.

See Note 1 for the carrying value of intangible assets the Company recognized in other assets on the consolidated balance sheet as a result of the State Auto merger as of December 31, 2023 and December 31, 2022.

DISPOSITIONS

In August 2021, the Company entered into an agreement to sell an Australian subsidiary entity (Baralaba Coal Company) and recorded an incremental impairment of $10 in Q4, bringing the total 2021 impairment to $509. The transaction closed in December 2021 with a realized loss incurred of $30. In December 2022, the Company recognized a $60 gain from contingent consideration related to the transaction. In 2023, the Company received the contingent consideration payment and recognized an additional gain of $5 in Q1 and $10 in Q4.

DISCONTINUED OPERATIONS

Liberty Seguros – Latin America & Western Europe

On May 27, 2023, the Company announced the sale of Liberty Seguros' personal and small commercial business in Brazil (the Brazil transaction), Chile, Colombia, and Ecuador (collectively, the Andes transaction) to Talanx Group. On June 15, 2023, the Company announced the sale of Liberty Seguros' personal and small commercial business operations in Ireland, Northern Ireland, Portugal, and Spain (collectively, the WEM transaction) to Generali Group. The Brazil transaction closed on November 22, 2023 resulting in a loss of $67 (including a cumulative translation adjustment loss of $464). The Andes and WEM transactions are each subject to regulatory approval, which is expected by the first half of 2024.

A business is classified as held for sale when management, having the authority to approve the action, commits to a plan to sell the business, the sale is probable to occur within one year at a price that is reasonable in relation to its current fair value, and other criteria are met. A business classified as held for sale is recorded at the lower of carrying amount or estimated fair value less costs to sell. When the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized and updated each reporting period as appropriate. The results of operations classified as held for sale are reported as discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the entity's operations and financial results. Discontinued operations reporting requires that the results for prior periods are retrospectively reclassified as discontinued operations, results of operations are reported in a single line (net of tax) in the consolidated statements of operations, and assets and liabilities are reported as held for sale in the Consolidated Balance Sheets the period in which the business is classified as held for sale.

The Company met the criteria for held-for-sale and discontinued operations in Q2 2023, accordingly, for the twelve months ended December 31, 2023, and for all prior periods, the results of the disposal groups have been classified as discontinued operations in the consolidated statements of income. As of December 31, 2023, and December 31, 2022, the assets and liabilities attributable to the disposal groups are reflected in assets and liabilities held for sale on the accompanying consolidated balance sheets. As a result of the transaction, a loss of $141 was recorded in the second quarter of 2023.

(dollars in millions)

The following tables detail the major assets and liabilities classified as held for sale in the consolidated balance sheets.

Assets	**As of December 31, 2023**	**As of December 31, 2022**
Total investments	$5,012	$4,624
Cash and cash equivalents	235	579
Premium and other receivables	374	880
Reinsurance recoverables	33	40
Deferred tax asset	81	151
Deferred acquisition costs	243	358
Goodwill	270	364
Prepaid reinsurance premiums	36	64
Other assets	160	758
Total assets held for sale	$6,444	$7,818
Liabilities		
Unpaid claims and claim adjustment expenses and future policy benefits		
Property and casualty	$1,407	$1,612
Life	1,561	1,473
Unearned premiums	944	1,533
Funds held under reinsurance treaties	6	4
Other liabilities	534	975
Total liabilities held for sale	$4,452	$5,597

The following table summarizes the amounts related to discontinued operations in the consolidated statements of operations, excluding the loss on sale of Brazil:

	Years Ended December 31,		
	2023	**2022**	**2021**
Revenues			
Premiums earned	$2,959	$2,654	$2,644
Net investment income	182	150	120
Fee and other revenues	111	115	99
Net realized (losses) gains	(52)	(142)	176
Total revenues	$3,200	$2,777	$3,039

(dollars in millions)

Claims, Benefits and Expenses			
Benefits, claims and claim adjustment expenses	$1,709	$1,613	$1,693
Operating costs and expenses	553	523	516
Amortization of deferred policy acquisition costs	512	480	477
Interest credited to policyholders	32	31	36
Total claims, benefits and expenses	$2,806	$2,647	$2,722
Restructuring costs	$(35)	$(12)	$(19)
Unit linked life insurance	(86)	118	(126)
Income before income tax expense	273	236	172
Income tax expense	147	67	46
Net income	$126	$169	$126

(3) INVESTMENTS

Components of Net Investment Income

	Years Ended December 31,		
	2023	**2022**	**2021**
Taxable interest income	$2,710	$2,021	$1,665
Tax-exempt interest income	118	150	144
Dividends	36	41	42
Limited partnerships income	99	716	3,663
Mortgage loans	216	143	84
Other investments	193	13	12
Gross investment income	3,372	3,084	5,610
Investment expenses (1)	(414)	(369)	(315)
Net investment income	$2,958	$2,715	$5,295

(1) Fees paid to external managers are included within the components of gross investment income.

Net Realized Losses

	Years Ended December 31,		
	2023	**2022**	**2021**
Other-than-temporary impairment losses	$(78)	$(90)	$(625)
Other net realized (losses) gains	(303)	(228)	19
Valuation changes on equity investments, derivatives, other	85	(334)	208
Total net realized losses	$(296)	$(652)	$(398)

(dollars in millions)

Components of Net Realized Losses

	Years Ended December 31,		
	2023	2022	2021
Fixed maturities			
Gross realized gains	$265	$176	$589
Gross realized losses	(610)	(437)	(337)
Equities			
Gross realized gains	57	208	387
Gross realized losses	(34)	(739)	(97)
Derivatives			
Gross realized gains	155	104	170
Gross realized losses	(125)	(66)	(131)
Other			
Gross realized gains	161	423	143
Gross realized losses	(165)	(321)	(1,122)
Net realized losses	$(296)	$(652)	$(398)

Included in the above realized losses are unrealized gains related to equity securities still held of $72, $35 and $174 for the twelve months ended December 31, 2023, 2022 and 2021, respectively.

During the years ended December 31, 2023, 2022, and 2021, the Company recorded $(78), $(90) and $(625) of impairment losses, respectively. Included in the impairment losses are impairment charges for assets measured at fair value on a non-recurring basis which are summarized in the following table for the years ended December 31, 2023, 2022, and 2021:

	Years ended December 31,		
	2023	2022	2021
Natural Resources	$7	$(21)	$(613)
Real Estate	(56)	(10)	-
Software	(17)	(5)	(2)
Intangible	-	(21)	-
Total	$(66)	$(57)	$(615)

The Company tests for impairment on its natural resource investments by comparing the undiscounted cash flows expected to be generated by a project to the property's carrying value. When a property's carrying value is greater than the expected future cash flows, impairment expense is recognized to the extent that the carrying value of the property exceeds its discounted expected cash flows.

In employing the discounted cash flow method described above, key inputs regarding natural resource investments are commodity prices, locational basis difference, production, project development costs and the discount rate which are based on management's expectations about outcomes with respect to these variables. Specifically, the Company uses a long term forward price curve and applies a discount rate to the projected future cash flows. Regarding the sensitivity of the key inputs, an increase in the locational basis difference, project development costs or discount rate will lead to a decrease in fair value, and an increase in prices or production will lead to an increase in fair value.

During the years ended December 31, 2023, 2022, and 2021, proceeds from sales of fixed maturities available for sale were $13,072, $28,120, and $63,929 respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled $64 and $(361) in 2023, $166 and $(402) in 2022, $531 and $(316) in 2021. During the years ended December 31, 2023, 2022, and 2021, proceeds from sales of equities were $198, $3,039, $638, respectively. The gross realized gains (losses) on sales of equities totaled $14 and $(20) in 2023, $146 and $(236) in 2022, and $73 and $(44) in 2021.

(dollars in millions)

Components of Change in Net Unrealized Investment Gains (Losses)

	Years Ended December 31,		
	2023	**2022**	**2021**
Fixed maturities	$2,704	$(8,148)	$(2,141)
Equities	-	-	-
Other	(6)	7	15
Adjustments to deferred acquisition costs	2	99	45
Net change in unrealized investment gains (losses)	2,700	(8,042)	(2,081)
Less: Deferred income tax (benefit) expense	(526)	1,650	449
Net change in unrealized investment gains (losses), net of tax	$2,174	$(6,392)	$(1,632)

Available for Sale Investments

The amortized cost, gross unrealized gains and losses and fair values of available for sale investments as of December 31, 2023 and 2022, are as follows:

December 31, 2023	**Amortized Cost**	**Credit Allowance**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. government and agency securities	$9,294	$-	$22	$(583)	$8,733
Residential MBS[1]	6,473	-	20	(524)	5,969
Commercial MBS	5,132	-	35	(268)	4,899
Other MBS and ABS[2]	5,162	-	15	(261)	4,916
U.S. state and municipal	6,619	-	43	(362)	6,300
Corporate and other	34,978	(37)	301	(2,039)	33,203
Foreign government securities	4,923	-	30	(225)	4,728
Redeemable Preferred Stock	148	-	5	-	153
Total securities available for sale	$72,729	$(37)	$471	$(4,262)	$68,901

December 31, 2022	**Amortized Cost**	**Credit Allowance**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. government and agency securities	$8,848	$-	$2	$(777)	$8,073
Residential MBS[1]	6,547	-	5	(605)	5,947
Commercial MBS	4,457	-	10	(310)	4,157
Other MBS and ABS[2]	4,911	-	3	(395)	4,519
U.S. state and municipal	7,698	-	19	(586)	7,131
Corporate and other	32,132	-	36	(3,389)	28,779
Foreign government securities	4,495	-	3	(324)	4,174
Redeemable Preferred Stock	79	-	1	-	80
Total securities available for sale	$69,167	$-	$79	$(6,386)	$62,860

(1) Mortgage-backed securities (“MBS”)
(2) Asset-backed securities (“ABS”)

Approximately 63.8% of the Company’s mortgage and asset-backed fixed maturity portfolio is explicitly backed by the U.S. government (Government National Mortgage Association “GNMA” and Small Business Association “SBA”) or by government-sponsored entities (Federal Home Loan Mortgage Corporation “FHLMC” and Federal National Mortgage Association “FNMA”). Approximately 77.6% of the holdings are rated AAA. The commercial MBS portfolio is well diversified and of high quality with approximately 86.0% rated AAA.

As of December 31, 2023, no single issuer, excluding U.S. Treasuries, agency securities and MBS, accounted for more than 0.81% of invested assets.

As of December 31, 2023 and 2022, securities carried at $2,719 and $2,644, respectively, were on deposit with state regulatory authorities as required by law.

(dollars in millions)

As of December 31, 2023 and 2022, the fair values of fixed maturity securities and equity securities loaned were approximately $3,098 and $3,281, respectively. Cash and short-term investments received as collateral in connection with the loaned securities were approximately $2,675 and $2,917 as of December 31, 2023 and 2022, respectively. Investments other than cash and short-term investments received as collateral in connection with the loaned securities were approximately $490 and $434 as of December 31, 2023 and 2022, respectively.

The amortized cost and fair value of fixed maturities as of December 31, 2023, by contractual maturity are as follows:

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$2,589	$2,559
Over one year through five years	25,979	24,949
Over five years through ten years	19,382	18,227
Over ten years	8,012	7,382
MBS and ABS of government and corporate agencies	16,767	15,784
Total fixed maturities	$72,729	$68,901

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The following tables summarize the gross unrealized losses and fair value of fixed maturity securities by the length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2023 and 2022 and that are not deemed to be other-than-temporarily impaired.

December 31, 2023	**Less Than 12 Months**		**12 Months or Longer**	
	Unrealized Losses	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
U.S. government and agency securities	$(43)	$803	$(540)	$6,772
Residential MBS	(52)	488	(472)	4,723
Commercial MBS	(10)	172	(258)	3,789
Other MBS and ABS	(2)	199	(259)	3,853
U.S. state and municipal	(5)	351	(357)	4,118
Corporate and other	(269)	3,258	(1,770)	19,816
Foreign government securities	(8)	562	(217)	2,890
Total Securities Available for Sale	$(389)	$5,833	$(3,873)	$45,961

December 31, 2022	**Less Than 12 Months**		**12 Months or Longer**	
	Unrealized Losses	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
U.S. government and agency securities	$(448)	$5,338	$(329)	$2,462
Residential MBS	(431)	4,569	(174)	1,165
Commercial MBS	(222)	3,513	(88)	584
Other MBS and ABS	(139)	1,974	(257)	2,475
U.S. state and municipal	(284)	4,374	(302)	1,664
Corporate and other	(1,610)	17,987	(1,778)	9,163
Foreign government securities	(97)	2,079	(227)	1,821
Total Securities Available for Sale	$(3,231)	$39,834	$(3,155)	$19,334

As of December 31, 2023, there were 7,743 securities that were in an unrealized loss position for 12 months or longer. The Company monitors the difference between the amortized cost and estimated fair value of fixed maturity securities to ascertain whether declines in value are temporary in nature. The Company currently does not have the intent to sell and has determined it is not more likely than not that it would be required to sell these fixed maturity securities before they recover their fair value.

(dollars in millions)

The following table is a roll-forward of the allowance for credit losses for fixed income securities:

	2023
Balance at January 1,	$-
Credit losses on securities not previously reported	48
Net increase/(decrease) on credit losses on securities previously reported	-
Reductions of allowance related to sales	-
Write-offs	(11)
Balance at December 31,	$37

The Company believes the unrealized loss position as of December 31, 2023 does not contain credit loss because 1) the Company did not intend to sell these fixed maturity available for sale securities; 2) it is not more likely than not that the Company will be required to sell the fixed maturity available for sale securities before recovery of their amortized cost basis; and 3) the difference between the present value of cash flows expected to be collected from the security and the amortized cost basis of the security was due to factors other than credit loss.

As of December 31, 2023, the unrealized losses associated with the U.S. government and agency securities, U.S. state and municipal, and Foreign government securities were attributable primarily to movement in interest rates and does not reflect a deterioration in the credit quality of the issuers.

Credit ratings express opinions of the credit quality of a security. Securities rated investment grade (those rated BBB- or higher by S&P) or Baa3 or higher by Moody's) are generally considered to have a low credit risk. As of December 31, 2023, 88% of the fair value of the Company's Corporate bond and other securities was rated investment grade, and the portion of the Company's Corporate bond and other securities rated below investment grade had an amortized cost basis of $4,216 and a fair value of $4,039.

As of December 31, 2023, the unrealized losses associated with the Company's MBS and ABS securities were attributable primarily to movement in interest rates. The Company assessed allowance for credit losses using the present value of expected cash flows which incorporates key assumptions, including credit spreads for the security, adverse conditions related to the security, the industry, or geographic area and assessment of the issuer being able to make payments.

Accrued interest is excluded from the amortized cost basis of the securities and is reported in the "Other assets" line item of the Consolidated Balance Sheet. As of December 31, 2023, accrued interest was $483. For identifying and measuring an impairment, the Company monitors accrued interest receivables and writes them off by reversing interest income. No amounts were written off as of December 31, 2023.

Allowances on Loan Securities

The following table is a roll-forward of the allowance for credit losses for loan securities by segment:

	2023		
	Mortgage	**Private**	**Total**
Balance at January 1,	$9	$-	$9
Adoption impact of ASC 326	21	28	49
Net increase/(decrease) due to credit losses	13	33	46
Balance at December 31,	$43	$61	$104

Variable Interest Entities

The Company invests in limited partnerships and other entities subject to VIE analysis under the VIE subsections of ASC 810, *Consolidation*. The Company analyzes each investment to determine whether it is a VIE, and if so, whether the Company is the primary beneficiary or a significant interest holder based on a qualitative and quantitative assessment. The Company evaluates the design of the entity, the risks to which the entity was designed to expose the variable interest holder and the extent of the Company's control of and variable interest in the VIE. As of December 31, 2023 and 2022, respectively, the Company has determined that it was not the primary beneficiary of any of its VIEs except for the Company's investment in its India joint venture which is deemed immaterial.

The Company has variable interests in VIEs for which it is not the primary beneficiary and accounts for these VIEs under the equity method in accordance with ASC 323, *Investments – Equity Method and Joint Ventures*. The VIEs are principally private equity limited partnerships in which the Company has invested as a passive limited partner. The partnerships were deemed to be VIEs because the equity holders as a group lack the power to direct the activities that most significantly impact the respective entity's economic performance. The VIEs generate variability primarily from investment portfolio performance and that variability is passed to equity holders. The net carrying value of non-consolidated VIEs in which the Company has a variable interest was $13,168 and $11,534 as of December 31, 2023 and 2022, respectively and the Company's maximum exposure to loss was $20,571 and $18,233 as of December 31, 2023 and 2022, respectively. The assets are included primarily in other investments in the accompanying consolidated balance sheets. Maximum exposure to loss includes the carrying value and unfunded commitment of the VIE. There is no recourse provision to the general credit of the Company for any VIE beyond the full amount of the Company's loss exposure.

(dollars in millions)

From time to time we have established certain special purpose entities, including trusts (which are deemed to be VIEs and which are referred to herein as "Warehouse SPVs"), to enter into credit facilities for the purpose of financing the purchase of loans or other receivables assets from third parties on a forward flow basis. Such Warehouse SPVs have entered into credit agreements and related agreements with one or more lenders (which may include affiliates of the Company), and with one or more third-parties acting as administrative agent, trustee, collateral agent and in certain additional capacities. The assets of these consolidated Warehouse SPVs are not available to satisfy the claims of creditors of the Company. In addition, the creditors of such Warehouse SPVs have no recourse to the general credit or assets of the Company and the liabilities of such Warehouse SPVs can only be satisfied from the respective Warehouse SPVs' assets. As of December 31, 2023, the aggregate net asset value of all such Warehouse SPVs is $236.

Limited Partnership Investments

As of December 31, 2023 and 2022, the carrying values of limited partnership investments were $13,764 and $12,323, respectively. These investments consist of traditional private equity partnerships, real estate partnerships, natural resources partnerships (primarily energy, metals and mining, and agriculture and timber), other partnership funds, and equity method investments. Included in the carrying values of limited partnership investments are $556 and $518 of limited partnership investments where the Company has elected the fair value option as of December 31, 2023, and 2022, respectively. The Company's investments in limited partnership investments are long-term in nature. The Company believes these investments offer the potential for superior long-term returns and are appropriate in the overall context of a diversified portfolio.

(4) DEFERRED ACQUISITION COSTS

The following reflects the policy acquisition costs deferred for amortization against future income and related amortization charged to income:

	Years Ended December 31,		
	2023	**2022**	**2021**
Balance at beginning of year	$3,855	$3,649	$3,400
Acquisition costs deferred and other	5,704	6,092	6,081
Amortization charged to income	(6,015)	(5,886)	(5,832)
Balance at end of year	$3,544	$3,855	$3,649

(5) REINSURANCE

In the ordinary course of business, the Company assumes reinsurance and also cedes reinsurance to other insurers to reduce overall risk, including exposure to large losses and catastrophic events. The Company is also a member of various involuntary pools and associations and serves as a servicing carrier for residual market organizations.

A summary of reinsurance financial data reflected within the accompanying consolidated statements of income is presented below:

P&C	**2023**		**2022**		**2021**	
	Written	**Earned**	**Written**	**Earned**	**Written**	**Earned**
Direct	$50,890	$50,153	$49,480	$47,912	$43,574	$41,852
Assumed	3,764	3,593	4,177	3,895	3,490	3,396
Ceded	8,175	7,871	8,293	7,549	6,017	5,955
Net premiums	$46,479	$45,875	$45,364	$44,258	$41,047	$39,293

(dollars in millions)

The Company reported reinsurance recoverables of $19,080 and $18,777 as of December 31, 2023 and 2022, respectively, net of allowance for credit losses of $152 and $136, respectively. The following table summarizes the Company's reinsurance recoverables by reinsurers' Standard & Poor's ("S&P") rating (or the rating of any guarantor) as of December 31, 2023:

S&P Rating	**Reinsurance Recoverables**	**Collateral Held**	**Net Recoverables**(1)
AAA	$ -	$ -	$ -
AA+, AA, AA-	8,006	7,207	2,761
A+, A, A-	5,429	903	4,583
BBB+, BBB, BBB-	-	-	-
BB+ or below	-	-	-
Involuntary pools	2,901	-	2,901
Voluntary pools	164	124	160
Other(2)	2,732	4,735	800
Gross recoverables(3)	$19,232	$12,969	$11,205
Less: allowance	152		
Net recoverables	$19,080		

(1) Net recoverables represent gross recoverables less applicable collateral that can be specifically applied against recoverable balances.

(2) Includes **$937** and **$1,796** of reinsurance recoverables from non-rated reinsurers and captive and program business, respectively.

(3) Includes **$1,306** and **$17,926** of paid and unpaid reinsurance recoverables, respectively.

The Company remains contingently liable in the event reinsurers are unable to meet their obligations for paid and unpaid reinsurance recoverables and unearned premiums ceded under reinsurance agreements.

The reinsurance recoverables from state mandated involuntary pools and associations primarily represent the Company's servicing carrier business. As a servicing carrier, the Company retains no direct underwriting risk but instead cedes 100% of the involuntary market premium and losses back to the pool. Payment of losses is shared by the pool participants in proportion to their pool participation. Reinsurer credit risk with respect to any such involuntary pool or association is a function of the creditworthiness of all the pool participants.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business.
The Company evaluates and monitors the financial condition of its reinsurers under voluntary reinsurance arrangements to minimize its exposure to significant losses from reinsurer insolvencies. The Company reports its reinsurance recoverables net of an allowance for credit losses. The allowance is based upon the Company's ongoing review of amounts outstanding, length of collection periods, changes in reinsurer credit standing and other relevant factors, including information relating to past events, current conditions, and reasonable and supportable forecasts. The Company assesses allowance for credit losses by individual reinsurers and uses a probability-of-default method. Write-offs of reinsurance recoverable are recorded in the period in which they are deemed uncollectible and are recorded against allowance for credit losses. The establishment of reinsurance recoverables and the related allowance for credit losses is also an inherently uncertain process involving estimates. Changes in these estimates could result in additional charges to the accompanying consolidated statements of operations.

On November 5, 2019, Liberty Mutual Insurance Company ("LMIC") entered into a reinsurance transaction with National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc., on a combined aggregate excess of loss agreement for certain USRM U.S. Business Lines and GRS National Insurance workers compensation liabilities, commercial auto liability and general liability excluding umbrella and warranty ("NICO Casualty Reinsurance Transaction"). The first layer of the contract attaches at $300 below applicable held reserves at inception of $8,342 of combined aggregate reserves. The second layer of the contract provides adverse development coverage for $1,000 above a retention equal to $8,742. The contract includes a sublimit of $100 for certain general liability liabilities. At the closing of the NICO Casualty Reinsurance Transaction, but effective as of January 1, 2019, the Company ceded $300 of existing undiscounted liabilities, paid NICO total consideration of $462 and recorded a pre-tax loss of $173. This contract is accounted for on a retroactive basis.

In general terms, the covered business includes post December 31, 2018 development on: 1) certain workers compensation liabilities arising under policies on the books of the Company's USRM U.S. Business Lines and GRS National Insurance strategic business units as of December 31, 2018, as respects injuries or accidents occurring after December 31, 2013 and prior to January 1, 2019; 2) commercial auto liabilities arising under policies on the books of the Company's USRM U.S. Business Lines and GRS National Insurance strategic business units as of December 31, 2018 as respects injuries or accidents occurring prior to January 1, 2019; and 3) general liability excluding umbrella and warranty arising under policies on the books of the Company's USRM U.S. Business Lines and GRS National Insurance strategic business units as of December 31, 2018, as respects injuries or accidents occurring prior to January 1, 2019.

Since the NICO Casualty Reinsurance Transaction is accounted for as retroactive reinsurance in the Company's Consolidated Financial Statements, to the extent there is unfavorable development of losses covered by this reinsurance, an additional reinsurance benefit is recognized in the consolidated statements of income until those benefits exceed the loss on the transaction. Reinsurance benefits will be deferred and are amortized into earnings over the period when underlying claims are settled.

As the aggregate development on the contract has exceeded the original pre-tax loss of $173, deferred gains are now being recorded. The Company reported deferred gain amortization of $17 and $16 for the twelve months ended December 31, 2023 and December 31, 2022, respectively. As of December 31, 2023 and 2022, deferred gains were $237 and $218. Limits remaining on the contract as of December 31, 2023, were $507.

In conjunction with the Ironshore acquisition and effective May 1, 2017, the Company entered into a reinsurance transaction with NICO on a combined aggregate excess of loss agreement providing coverage for substantially all of Ironshore's reserves related to losses occurring prior to January 1, 2017. The first layer of the contract transfers $400 of held reserves at inception, for which the Company established reinsurance recoverables on the consolidated balance sheets. The second layer of the contract provides adverse development coverage for 95% of $500 above a retention equal to $3,006, minus paid losses between January 1, 2017 and May 1, 2017, which retention approximates the total held reserves on the covered business on Ironshore's opening balance sheet. The contract includes a sublimit of $277 for certain construction liability liabilities. The Company paid NICO consideration of $550, including interest accrued at the time of the settlement. The contract is accounted for on a prospective basis. Limits remaining on the contracts in total, and for construction liability liabilities, respectively, were $456 and $0 as of December 31, 2023.

On July 17, 2014, LMIC entered into a reinsurance transaction with NICO on a combined aggregate excess of loss agreement for substantially all of the Company's U.S. workers compensation, asbestos and environmental liabilities (the "NICO Reinsurance Transaction"), attaching at $12,522 of combined aggregate reserves, with an aggregate limit of $6,500 and sublimits of $3,100 for asbestos and environmental liabilities and $4,507 for certain workers compensation liabilities. At the closing of the NICO Reinsurance Transaction, but effective as of January 1, 2014, the Company ceded $3,320 of existing undiscounted liabilities under this retroactive reinsurance agreement. NICO will provide $3,180 of additional aggregate adverse development reinsurance. The Company paid NICO total consideration of $3,046 and recorded a pre-tax loss of $128. With respect to the ceded asbestos and environmental business, NICO has been given authority to handle claims, subject to the Company's oversight and control. With respect to the ceded workers compensation business, the Company will continue to handle claims. The contract is accounted for on a retroactive basis.

In general terms, the covered business includes post December 31, 2013 development on: 1) asbestos and environmental liabilities arising under policies of insurance and reinsurance with effective dates prior to January 1, 2005; and 2) workers compensation liabilities arising out of policies on the books of the Company's former Commercial Insurance Strategic Business Unit as of December 31, 2013, as respects injuries or accidents occurring prior to January 1, 2014.

As the aggregate of workers compensation and asbestos and environmental development, including the impact of an updated estimate for discount held as of the inception of the agreement, has exceeded the original pre-tax loss of $128, deferred gains are now being recorded. The Company reported a deferred gain amortization of $(3) and $15 for the twelve months ended December 31, 2023, and December 31, 2022, respectively. As of December 31, 2023 and 2022, deferred gains were $19 and $26. Limits remaining on the contract in total, and for asbestos and environmental liabilities, respectively, were $3,204 and $258 as of December 31, 2023.

In addition, the Company has an aggregate reinsurance recoverable from Nationwide Indemnity Company in the amount of $1,120 and $1,136 as of December 31, 2023 and 2022, respectively. The reinsurance recoverable is guaranteed by Nationwide Mutual Insurance Company, which has a financial strength rating of A+ from S&P. Additionally, the Company has significant reinsurance recoverable concentrations with Swiss Re Group, Berkshire Hathaway Insurance Group, Everest Re Group and Lloyd's of London totaling $958, $694, $624, and $604, respectively, as of December 31, 2023, net of offsetting collateral under the contracts.

Catastrophe Exposure

The Company writes insurance and reinsurance contracts that cover catastrophic events, both natural and man-made. Although the Company purchases reinsurance to mitigate its exposure to certain catastrophic events, claims from catastrophic events could cause substantial volatility in its financial results for any fiscal year and have a material adverse effect on its financial condition.

On November 26, 2002, the Terrorism Risk Insurance Act of 2002 ("the Terrorism Act") was enacted into Federal law and established the Terrorism Risk Insurance Program ("the Program"), a temporary Federal program in the Department of the Treasury, that provided for a system of shared public and private compensation for certain insured losses resulting from acts of terrorism or war committed by or on behalf of a foreign interest. The Program was scheduled to terminate on December 31, 2005. In December 2005, the Terrorism Risk Insurance Extension Act of 2005 ("the Terrorism Extension Act") was enacted into Federal law, reauthorizing the prior program through December 31, 2007, while reducing the Federal role under the Program. In December 2007, the Terrorism Risk Insurance Program Reauthorization Act of 2007 was enacted into Federal law, extending coverage to include domestic acts of terrorism and reauthorizing the Program through December 31, 2014. In January 2015, the Terrorism Risk Insurance Program Reauthorization Act of 2015 ("the 2015 Reauthorization") was enacted into Federal law, extending the effectiveness of the Terrorism Act through December 31, 2020, while further reducing the Federal role under the program. In December 2019, the Terrorism Risk Insurance Program Reauthorization Act of 2019 ("the 2019 Reauthorization") was enacted into Federal law, further extending the effectiveness of the Terrorism Act through December 31, 2027. The five acts are hereinafter collectively referred to as "the Acts."

For a loss to be covered under the Program (subject losses), the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism by the U.S. Secretary of the Treasury. The annual aggregate industry loss minimum is $100 through 2015. The original Program excluded from participation certain of the following types of insurance: Federal crop insurance, private mortgage insurance, financial guaranty insurance, medical malpractice insurance, health or life insurance, flood insurance, and reinsurance. The Terrorism Extension Act exempted from coverage certain additional types of insurance, including commercial automobile, professional liability (other than directors and officers), surety, burglary and theft, and farm-owners multi-peril. In the case of a war declared by Congress, only workers compensation losses are covered by the Acts. The Acts generally require that all commercial property casualty insurers licensed in the United States participate in the Program. The 2015 Reauthorization increased the loss minimum by $20 annually until it reaches $200 in 2020, and will remain at that threshold thereafter until 2027 as a result of the 2019 Reauthorization. Under the 2015 Reauthorization, a participating insurer was entitled through 2015 to be reimbursed by the Federal Government for 85% of subject losses, after an insurer deductible, subject to an annual cap. Under the 2015 Reauthorization, the Federal reimbursement percentage decreases by 1% annually starting at 85% in 2016 to 80% in 2020, and will remain at that threshold thereafter until 2027 as a result of the 2019 Reauthorization. The 2019 Reauthorization did not change the program cap of $100,000 or the Company's deductible which remains at 20% of the Company's prior year earned premium for the covered lines.

The deductible for any calendar year is equal to 20% of the insurer's direct earned premiums for covered lines for the preceding calendar year. The Company's estimated deductible under the Program is $2,075 for 2024. The annual cap limits the amount of aggregate subject losses for all participating insurers to $100,000. Once subject losses have reached the $100,000 aggregate during a program year, participating insurers will not be liable under the Program for additional covered terrorism losses for that program year. The Company has had no terrorism-related losses since the Program was established. Because the interpretation of the Acts is untested, there is substantial uncertainty as to how they will be applied to specific circumstances. It is also possible that future legislative action could change the Acts. Further, given the unpredictable frequency and severity of terrorism losses, as well as the limited terrorism coverage in the Company's own reinsurance program, future losses from acts of terrorism, particularly "unconventional" acts of terrorism involving nuclear, biological, chemical or radiological events, could be material to the Company's operating results, financial position and/or liquidity in future periods. The Company will continue to manage this type of catastrophic risk by monitoring and controlling terrorism risk aggregations to the best of its ability.

Catastrophes

Catastrophes are an inherent risk of the property-casualty insurance business and have contributed to material period-to-period fluctuations in the Company's results of operations and financial position. Catastrophe losses are severe losses resulting from natural and man-made events, including risks such as fire, earthquake, windstorm, explosion, terrorism, and other similar events. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in an area affected by the event and the severity of the event. The level of catastrophe losses experienced in any period cannot be predicted and can be material to the results of operations and financial position of the Company.

Non-Catastrophe Reinsurance

The Company purchases facultative and treaty reinsurance protection on a per risk, per policy, per loss and/or per occurrence basis. Treaty coverage is provided on a pro rata and excess of loss basis for portions of the Company's property, marine, terrorism, energy, third party motor, cyber, financial risk, surety, aviation and casualty lines portfolios.

Catastrophe Reinsurance

The Company has property catastrophe reinsurance coverage for its domestic business and certain specialty operations including: 1) hurricanes and earthquake reinsurance covering a substantial portion of $3,600 of loss in excess of $1,000 of retained loss in the United States, Canada and the Caribbean, excluding certain reinsurance exposures; 2) aggregate excess of loss programs ; and 3) quota share reinsurance programs. These programs are structured to meet the Company's established tolerances under its Enterprise Risk Management Program.

The Company purchases property catastrophe reinsurance coverage for the international property books to protect against international catastrophe events.

The Company purchases workers compensation catastrophe reinsurance, including coverage for its domestic commercial operations and certain specialty operations' US exposures. This program provides significant reinsurance protection in excess of $330 per occurrence retention, including coverage for terrorism events and/or losses for a single event at a single insured location in excess of $75. These contracts generally exclude acts of terrorism which are "certified" by the US government where such certified terrorism events involve the intentional use of nuclear, chemical, or biological materials.

Catastrophe Bond Reinsurance

On December 16, 2022, the Company entered into a multi-year property catastrophe reinsurance agreement, effective January 1, 2023, with Mystic Re IV Ltd. ("Mystic IV"), a Bermuda domiciled reinsurer, to provide a total of $150 of reinsurance coverage for the Company and its affiliates for named storms and earthquakes covering U.S., Caribbean and Canada. The reinsurance agreement is collateralized. Such collateral is provided by Mystic IV using proceeds from the issuance of certain catastrophe bonds. The reinsurance agreement provides per occurrence indemnity coverage. The Company has not recorded any recoveries under this program

On June 16, 2021, the Company entered into a multi-year property catastrophe reinsurance agreement, effective July 1, 2021, with Mystic IV Ltd. ("Mystic IV"), a Bermuda domiciled reinsurer, to provide a total of $300 of reinsurance coverage for the Company and its affiliates for named storms and earthquakes covering U.S., Caribbean and Canada. The reinsurance agreement is collateralized. Such collateral is provided by Mystic IV using proceeds from the issuance of certain catastrophe bonds. The reinsurance agreement provides per occurrence indemnity coverage. The Company has not recorded any recoveries under this program.

On December 21, 2020, the Company entered into a multi-year property catastrophe reinsurance agreement, effective January 1, 2021, with Mystic IV, a Bermuda domiciled reinsurer, to provide a total of $300 of reinsurance coverage for the Company and its affiliates for named storms covering U.S. and earthquakes covering U.S. and Canada. The reinsurance agreement is collateralized. Such collateral is provided by Mystic IV using proceeds from the issuance of certain catastrophe bonds. The reinsurance agreement provides per occurrence coverage based on weighted industry insured loss index. This loss index is weighted to align with the Company's assumed reinsurance portfolio. The Company has not recorded any recoveries under this program.

Florida Hurricane Catastrophe Fund

The Company participates in the Florida Hurricane Catastrophe Fund ("FHCF"), a state-mandated catastrophe fund that provides reimbursement to insurers for a portion of their Florida hurricane losses. FHCF resources may be insufficient to meet the obligations of FHCF. Limits, premium and reimbursements from FHCF apply on a per company basis. If losses fall disproportionately on one insurance entity within the Company, recovery from FHCF could be less than anticipated. On June 1, 2023, the Company renewed coverage for 90% of approximately $53 excess of $25. Recoveries from FHCF inure to the sole benefit of the Company. If the Company fails to recover as anticipated from FHCF there could be an adverse effect on the Company's business, financial condition or results of operations.

(6) UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The Company establishes reserves for payment of claims and claim adjustment expenses that arise from the policies issued. As required by applicable accounting rules, no reserves are established until a loss, including a loss from a catastrophe, occurs. The Company's reserves are segmented into three major categories: reserves for reported claims (estimates made by claims adjusters); incurred but not reported claims reserves ("IBNR") representing reserves for unreported claims and supplemental reserves for reported claims; and reserves for the costs to settle claims. The Company establishes its reserves net of salvage and subrogation by line of business or coverage and year in which losses occur.

Establishing loss reserves, including loss reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the costs of repair materials, and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement can be. Accordingly, "short-tail" claims, such as property damage claims, tend to be easier to estimate than "long-tail" claims, such as workers compensation or general liability claims.

As information develops that varies from past experience, provides additional data, or augments data that previously was not considered sufficient for use in determining reserves, changes in the Company's estimate of ultimate liabilities may be required. The effects of these changes are reflected in current operating results.

In order to establish a reserve for IBNR claims, the actuarial teams within each of the SBUs use their experience and knowledge of the lines of business to estimate the potential future development of the incurred claims. The Company uses a number of actuarial methods and assumptions to develop an estimate of ultimate claim liabilities. Generally, these are a combination of exposure and experience based actuarial methods and review of other pertinent and available information from claims, underwriting, product and finance. Exposure based actuarial methods consider historical loss ratios and adjust for rate changes, premium and loss trends, industry trends and other information. These methods are typically used when developing an actuarial central estimate for more recent policy periods when claims data is insufficient to produce a reliable indication. As claims data becomes more reliable for a given policy period, more consideration is given to experience methods which review and monitor actual paid and reported development.

A comprehensive actuarial reserve review is performed for each product line at least once a year. The process and methods used for each product line vary depending on the circumstances and include input from claims, underwriting, product and finance. Each quarter the actuarial central estimate for each product line is reviewed and updated based upon development and presented to the reserving committee to conclude on the Company's best estimate of ultimate claim liabilities.

(dollars in millions)

Activity in property and casualty unpaid claims and claim adjustment expenses of the Company are summarized as follows:

	2023	2022	2021
Balance as of January 1	$76,986	$70,292	$65,792
Less: unpaid reinsurance recoverables(1)	13,575	12,508	$11,265
Net balance as of January 1	63,411	57,784	54,527
Balance attributable to acquisitions and dispositions(2)	-	1,646	(441)
Incurred attributable to:			
Current year	34,433	32,818	27,844
Prior years(3)	(87)	(79)	359
Discount accretion attributable to prior years	11	5	43
Total incurred	34,357	32,744	28,246
Paid attributable to:			
Current year	17,684	16,164	14,203
Prior years	13,621	12,105	10,092
Total paid	31,305	28,269	24,295
Amortization of deferred retroactive reinsurance gain	24	16	14
Net adjustment due to foreign exchange	74	(510)	(267)
Add: unpaid reinsurance recoverables(1)	13,616	13,575	12,508
Balance as of December 31	$80,177	$76,986	$70,292

(1) In addition to the unpaid reinsurance recoverable balances noted above, and as a result of retroactive reinsurance agreements, the Company has recorded retroactive reinsurance recoverable balances of $4,286, $4,304, and $4,233 as of December 31, 2023, 2022, and 2021, respectively.

(2) The balance attributable to acquisitions, mergers, and dispositions in 2022 represents the impact of the termination of our participation in Syndicates 2014 and 1980 via reinsurance to close transactions with Riverstone, as well as the mutual merger with State Auto Group, and the acquisition of AmGeneral. The balance attributable to acquisitions, mergers and dispositions in 2021 represents the impact of the termination of our participation in Syndicate 4000 via a reinsurance to close transaction with Riverstone.

(3) Does not include decreases in allowance related to reinsurance recoverables due to prior year development of $15, $(1), and $11 as of December 31, 2023, 2022, and 2021, respectively.

In 2023, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive loss, is primarily attributable to favorable development on homeowners, workers' compensation, and specialty lines of business, partially offset by unfavorable development on the casualty/general liability, reinsurance, and personal auto lines of business. In 2022, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive loss, is primarily attributable to favorable development on personal auto, specialty, and surety lines of business, partially offset by unfavorable development on casualty/general liability and reinsurance. In 2021, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive loss, is primarily attributable to unfavorable development on casualty runoff reserves and reinsurance lines of business, partially offset by favorable development on personal auto, workers' compensation, and homeowners.

In response to the COVID-19 pandemic, several states have passed amendments to expand workers' compensation coverage to ensure certain workers who contract the virus are eligible for compensation. In addition, some states have explored legislation that may expand the coverage obligations of certain insurance policies, such as business interruption policies. The Company continues to evaluate the potential exposures, but could experience increased claims frequency and severity depending on the terms and number of states implementing such changes.

For certain commercial lines of insurance, the Company offers experience-rated insurance contracts whereby the ultimate premium is dependent upon the claims incurred. As of December 31, 2023 and 2022, the Company held $1,928 and $1,925, respectively, of unpaid claims and claim adjustment expenses related to experience-rated contracts. Premiums receivable included accrued retrospective and unbilled audit premiums of $180 and $170 as of December 31, 2023 and 2022, respectively. For the years ended December 31, 2023, 2022, and 2021, the Company recognized an increase of premium income of $340, $436, and $271, respectively, relating to prior years.

Unpaid claims and claim adjustment expenses are recorded net of anticipated salvage and subrogation of $1,478 and $1,323 as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the reserve for unpaid claim reserves was reduced by $8,912 and $7,802, respectively, for large dollar deductibles. Large dollar deductibles billed and recoverable were $434 and $365 as of December 31, 2023 and 2022, respectively.

The following is information about incurred and paid claims development as of December 31, 2023, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

Supplementary information provided includes information about incurred and paid claims development for the years ended December 31, 2014, to 2022, and information about average historical claims duration as of December 31, 2023. Due to the composition of the Company, comprising organically grown and acquired business, there is a mixture of claim count definitions. However, these definitions have been consistently applied throughout the history shown. We have disclosed our claim count methodologies below, unless it is impracticable to do so.

(dollars in millions)

Disclosures about claim development by accident year are presented for the number of years for which claims incurred typically remain outstanding, up to 10 years.

The impact of current and prior year acquisitions and dispositions are presented on a retrospective basis.

USRM - Private Passenger Auto(2)
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2023					
	|------------*Supplemental and unaudited*---------|				**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims(1)**
AY	**2020**	**2021**	**2022**	**2023**		
2020	7,017	6,748	6,614	6,613	596	2,475,165
2021	-	8,434	8,316	8,314	307	3,066,831
2022	-	-	10,338	10,257	1,242	3,199,885
2023	-	-	-	10,053	3,009	2,593,614
			Total	$35,237		

(1) Note that 100% of claim count information is disclosed on a per occurrence basis.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	|-------------*Supplemental and unaudited*----------|			
AY	**2020**	**2021**	**2022**	**2023**
2020	3,613	4,726	5,329	5,753
2021	-	4,781	6,527	7,398
2022	-	-	5,856	7,947
2023	-	-	-	5,523
			Total	26,621
All net outstanding liabilities prior to 2020, net of reinsurance				1,187
Liabilities for unpaid claims and claim adjustment expense				$9,803

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4
56.0%	19.4%	9.8%	6.4%

(dollars in millions)

USRM BL - Commercial Multiple-Peril ("CMP")
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance(2)

As of December 31, 2023

	|-----	-----	-----	*Supplemental and unaudited*	-----	-----	-----	-----	-----|			
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims(1)**
2014	1,066	1,028	1,028	1,026	1,024	1,045	1,056	1,058	1,065	1,064	5	50,740
2015	-	1,007	1,007	1,000	1,018	1,011	1,017	1,021	1,038	1,042	3	46,321
2016	-	-	1,005	974	987	986	1,012	1,022	1,039	1,044	4	43,971
2017	-	-	-	1,097	1,109	1,042	1,084	1,073	1,081	1,096	28	44,801
2018	-	-	-	-	1,251	1,142	1,184	1,171	1,189	1,217	43	40,791
2019	-	-	-	-	-	1,177	1,173	1,148	1,126	1,121	38	38,656
2020	-	-	-	-	-	-	1,294	1,196	1,167	1,157	237	34,470
2021	-	-	-	-	-	-	-	977	999	997	242	28,013
2022	-	-	-	-	-	-	-	-	986	1,082	367	23,361
2023	-	-	-	-	-	-	-	-	-	1,120	652	16,389
								Total		$10,940		

(1)Note that 100% of claim count information is disclosed on a per occurrence basis.

(2) Prior to 2018, the US Business Lines (BL) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2023

	|-----	-----	-----	*Supplemental and unaudited*	-----	-----	-----	-----	-----|	
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	382	632	749	871	957	1,006	1,023	1,030	1,041	1,048
2015	-	362	588	718	847	917	956	984	1,005	1,026
2016	-	-	353	581	722	831	912	950	989	1,016
2017	-	-	-	395	689	798	856	935	995	1,037
2018	-	-	-	-	403	706	826	929	1,040	1,111
2019	-	-	-	-	-	374	622	748	867	975
2020	-	-	-	-	-	-	420	649	745	804
2021	-	-	-	-	-	-	-	324	534	594
2022	-	-	-	-	-	-	-	-	297	538
2023	-	-	-	-	-	-	-	-	-	291
									Total	8,440
			All net outstanding liabilities prior to 2014, net of reinsurance							268
			Liabilities for unpaid claims and claim adjustment expense							$2,768

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
32.9%	22.7%	10.3%	9.1%	8.1%	4.7%	3.0%	1.8%	1.5%	0.7%

(dollars in millions)

GRS NI - Commercial Multiple-Peril ("CMP")
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance(2)

	As of December 31, 2023											
	Supplemental and unaudited											
AY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of incurred but not reported liabilities plus expected development on reported claims	Cumulative number of reported claims(1)
2014	68	58	61	66	70	76	74	74	77	75	1	3,412
2015	-	32	33	30	32	37	37	38	41	40	1	2,268
2016	-	-	52	48	51	68	69	69	70	71	2	3,137
2017	-	-	-	157	157	187	178	181	182	183	1	3,505
2018	-	-	-	-	86	115	107	113	124	122	1	2,872
2019	-	-	-	-	-	151	150	133	135	140	2	3,111
2020	-	-	-	-	-	-	137	103	104	101	1	4,297
2021	-	-	-	-	-	-	-	146	121	115	2	4,923
2022	-	-	-	-	-	-	-	-	60	51	14	5,846
2023	-	-	-	-	-	-	-	-	-	50	20	5,271
									Total	$948		

(1)Note that 100% of claim count information is disclosed on a per claimant basis.

(2) Prior to 2018, the US Business Lines (BL) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

(3) GRS NI is mostly comprised of GRS North America Major Accounts and Middle Market segments.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2023									
	Supplemental and unaudited									
AY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	33	45	49	57	61	65	70	71	73	74
2015	-	12	22	24	27	29	32	34	36	38
2016	-	-	17	36	41	50	60	63	64	66
2017	-	-	-	44	97	148	154	168	173	177
2018	-	-	-	-	23	49	86	96	110	116
2019	-	-	-	-	-	50	97	109	119	131
2020	-	-	-	-	-	-	45	74	87	95
2021	-	-	-	-	-	-	-	53	88	110
2022	-	-	-	-	-	-	-	-	16	49
2023	-	-	-	-	-	-	-	-	-	16
									Total	$872
All net outstanding liabilities prior to 2014, net of reinsurance										6
Liabilities for unpaid claims and claim adjustment expense										$82

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
32.9%	30.8%	14.7%	7.9%	8.9%	4.7%	3.5%	3.2%	3.8%	2.0%

(dollars in millions)

USRM BL - Workers Compensation
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2023

	|------*Supplemental and unaudited*------|											
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims(1)**
2014	391	384	390	407	409	403	403	403	403	403	35	30,465
2015	-	340	342	355	356	340	339	339	339	339	56	26,564
2016	-	-	316	324	322	299	298	298	298	298	44	24,891
2017	-	-	-	335	333	299	297	297	297	297	44	24,647
2018	-	-	-	-	373	650	431	431	431	432	38	26,207
2019	-	-	-	-	-	407	642	406	409	420	49	22,784
2020	-	-	-	-	-	-	388	581	391	389	123	15,862
2021	-	-	-	-	-	-	-	376	546	359	164	14,095
2022	-	-	-	-	-	-	-	-	340	481	197	11,280
2023	-	-	-	-	-	-	-	-	-	275	159	7,348
									Total	$ 3,693		

(1) Note that 100% of claim count information is disclosed on a per claimant basis.

(2) Prior to 2018, the US Business Lines (BL) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

(3) GRS NI is mostly comprised of GRS North America Major Accounts and Middle Market segments.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2023

	|------*Supplemental and unaudited*------|									
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	71	161	214	243	261	275	289	301	307	312
2015	-	61	142	187	224	238	248	254	260	263
2016	-	-	58	132	170	197	213	221	228	232
2017	-	-	-	57	131	172	193	210	217	224
2018	-	-	-	-	61	240	292	319	340	353
2019	-	-	-	-	-	93	177	228	262	281
2020	-	-	-	-	-	-	71	134	171	198
2021	-	-	-	-	-	-	-	62	109	144
2022	-	-	-	-	-	-	-	-	59	113
2023	-	-	-	-	-	-	-	-	-	47
									Total	$2,167
					All net outstanding liabilities prior to 2014, net of reinsurance					1,144
					Liabilities for unpaid claims and claim adjustment expense					$2,670

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
17.5%	22.1%	12.1%	7.9%	4.9%	2.9%	2.4%	1.9%	1.2%	1.2%

(dollars in millions)

The aggregate amount of discount related to the time value of money deducted to derive the liabilities as of December 31, 2023 and 2022 were $69 and $75, respectively. Prior to 2018, the US Business Lines and National Insurance businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Discount related to time value of money was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective. Calendar year 2017 and prior discount related to time value of money is reported in GRS NI – Workers Compensation.

The amounts of discount accretion recognized for the years ended December 31, 2023 and 2022 were $9 and $10, respectively. These amounts are included in the financial statement line item benefits, claims and claim adjustment expenses.

GRS NI - Workers Compensation
(Claim counts in whole numbers)

	Incurred claims and allocated claim adjustment expenses, net of reinsurance											
	|--*Supplemental and unaudited* ---------------------------------|											
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims(1)**
2014	1,180	1,161	1,132	1,108	987	951	931	890	885	862	157	192,247
2015	-	1,033	1,035	1,013	870	848	839	794	789	770	161	167,192
2016	-	-	947	942	846	815	793	761	756	737	148	155,071
2017	-	-	-	962	914	880	882	840	830	819	226	156,779
2018	-	-	-	-	929	573	782	764	754	740	211	166,074
2019	-	-	-	-	-	792	678	904	906	902	227	175,488
2020	-	-	-	-	-	-	769	609	801	767	267	179,544
2021	-	-	-	-	-	-	-	773	590	796	303	203,799
2022	-	-	-	-	-	-	-	-	785	640	280	202,324
2023	-	-	-	-	-	-	-	-	-	792	537	170,372
									Total	$7,825		

(1) Note that 100% of claim count information is disclosed on a per claimant basis.

(2) Prior to 2018, the US Business Lines (BL) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

(3) GRS NI is mostly comprised of GRS North America Major Accounts and Middle Market segments.

(dollars in millions)

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2023

	|----*Supplemental and unaudited*----								|	
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	159	343	452	522	561	588	608	623	619	619
2015	-	131	293	385	454	494	521	532	531	537
2016	-	-	126	294	387	442	476	505	507	516
2017	-	-	-	130	289	386	443	485	516	502
2018	-	-	-	-	121	208	295	354	398	424
2019	-	-	-	-	-	127	303	405	483	531
2020	-	-	-	-	-	-	94	224	301	367
2021	-	-	-	-	-	-	-	94	238	320
2022	-	-	-	-	-	-	-	-	94	250
2023	-	-	-	-	-	-	-	-	-	89
									Total	$4,155
									All net outstanding liabilities prior to 2014, net of reinsurance	5,557
									Liabilities for unpaid claims and claim adjustment expense	$9,227

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
14.9%	19.4%	11.5%	8.1%	5.1%	3.6%	0.6%	1.0%	0.2%	0.0%

The aggregate amount of discount related to the time value of money deducted to derive the liabilities as of December 31, 2023 and 2022 were $411 and $434 respectively. Prior to 2018, the US Business Lines and National Insurance businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Discount related to time value of money was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective. Calendar year 2017 and prior discount related to time value of money is reported in GRS NI – Workers Compensation.

The amounts of discount accretion recognized for the years ended December 31, 2023 and 2022 were $32 and $41, respectively. These amounts are included in the financial statement line item benefits, claims and claim adjustment expenses.

(dollars in millions)

USRM BL - General Liability
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2023

	Supplemental and unaudited											
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims(1)**
2014	168	172	144	149	157	175	159	173	168	169	2	3,049
2015	-	140	122	123	138	159	165	177	178	180	1	3,126
2016	-	-	140	129	125	145	151	164	175	190	1	2,965
2017	-	-	-	153	159	168	168	170	186	190	2	2,983
2018	-	-	-	-	206	127	129	143	168	187	2	3,378
2019	-	-	-	-	-	310	291	291	280	278	29	3,429
2020	-	-	-	-	-	-	307	307	294	282	115	3,171
2021	-	-	-	-	-	-	-	317	315	289	135	2,940
2022	-	-	-	-	-	-	-	-	296	276	160	2,631
2023	-	-	-	-	-	-	-	-	-	375	312	1,555
									Total	2,416		

(1) Note that 100% of claim count information is disclosed on a per occurrence basis.

(2) Prior to 2018, the US Business Lines (BL) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2023

	Supplemental and unaudited									
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	5	39	59	91	131	143	148	155	164	166
2015	-	8	36	77	117	147	157	164	169	177
2016	-	-	7	30	86	108	131	143	155	169
2017	-	-	-	7	43	105	131	143	163	172
2018	-	-	-	-	14	53	81	103	132	165
2019	-	-	-	-	-	11	46	97	166	208
2020	-	-	-	-	-	-	12	40	69	117
2021	-	-	-	-	-	-	-	17	50	101
2022	-	-	-	-	-	-	-	-	12	57
2023	-	-	-	-	-	-	-	-	-	11
									Total	$1,343
All net outstanding liabilities prior to 2014, net of reinsurance										216
Liabilities for unpaid claims and claim adjustment expense										$1,289

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
4.4%	15.3%	19.6%	17.3%	14.8%	9.4%	4.3%	5.1%	4.8%	0.8%

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

GRS NI - General Liability
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	|---------*Supplemental and unaudited*---------								|			
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims**(1)
2014	596	576	593	591	630	644	661	667	672	674	93	67,255
2015	-	634	643	678	717	749	784	776	816	816	127	57,554
2016	-	-	565	575	594	674	718	730	805	805	103	59,513
2017	-	-	-	714	720	807	863	905	897	956	211	56,522
2018	-	-	-	-	667	389	209	239	241	244	152	46,408
2019	-	-	-	-	-	741	737	768	763	756	222	36,953
2020	-	-	-	-	-	-	651	676	680	682	351	24,712
2021	-	-	-	-	-	-	-	639	666	674	246	23,432
2022	-	-	-	-	-	-	-	-	658	677	214	20,893
2023	-	-	-	-	-	-	-	-	-	557	449	14,929
									Total	$6,841		

(1) Note that 100% of claim count information is disclosed on a per claimant basis.

(2) Prior to 2018, the US Business Lines (BL) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

(3) GRS NI is mostly comprised of GRS North America Major Accounts and Middle Market segments.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2023

	|---------*Supplemental and unaudited*---------								|	
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	20	73	167	297	382	442	481	507	540	548
2015	-	18	77	224	404	489	553	610	634	650
2016	-	-	20	84	244	364	447	536	616	645
2017	-	-	-	20	95	176	343	457	549	628
2018	-	-	-	-	23	(324)	(370)	(253)	(127)	(7)
2019	-	-	-	-	-	14	57	188	342	443
2020	-	-	-	-	-	-	12	44	117	200
2021	-	-	-	-	-	-	-	8	68	233
2022	-	-	-	-	-	-	-	-	12	125
2023	-	-	-	-	-	-	-	-	-	13
									Total	$3,478
									All net outstanding liabilities prior to 2013, net of reinsurance	876
									Liabilities for unpaid claims and claim adjustment expense	$4,239

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
2.8%	-8.4%	11.8%	22.0%	18.4%	17.2%	7.8%	3.5%	3.5%	1.1%

(dollars in millions)

GRS Global Specialty - Reinsurance
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	|---------*Supplemental and unaudited*							---------|		
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**
2014	336	427	436	432	448	433	408	406	417	424	17
2015	-	339	444	448	441	417	418	409	430	422	(8)
2016	-	-	357	469	454	434	416	416	385	389	21
2017	-	-	-	715	766	697	716	715	700	718	(44)
2018	-	-	-	-	399	460	456	466	434	477	41
2019	-	-	-	-	-	815	847	830	860	853	149
2020	-	-	-	-	-	-	559	576	580	547	117
2021	-	-	-	-	-	-	-	924	921	973	334
2022	-	-	-	-	-	-	-	-	1,067	1,079	585
2023	-	-	-	-	-	-	-	-	-	1,210	474
									Total	$7,092	

(1) Claims count is unavailable for the line of business since underlying claim count information is not maintained by cedants and not included in cession statements

(2) GRS Global Specialty is mostly comprised of GRS North America Specialty Lines and GRS Liberty Specialty Markets

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2023

	|---------*Supplemental and unaudited*								---------|
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	46	160	244	282	296	294	297	303	310	332
2015	-	46	143	227	266	268	279	290	287	296
2016	-	-	47	162	217	224	241	241	263	271
2017	-	-	-	119	283	221	206	194	226	231
2018	-	-	-	-	73	97	119	132	149	172
2019	-	-	-	-	-	371	464	649	679	708
2020	-	-	-	-	-	-	282	353	422	387
2021	-	-	-	-	-	-	-	263	312	269
2022	-	-	-	-	-	-	-	-	434	484
2023	-	-	-	-	-	-	-	-	-	489
									Total	$3,639
All net outstanding liabilities prior to 2014, net of reinsurance										288
Liabilities for unpaid claims and claim adjustment expense										$3,741

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
26.8%	15.7%	10.0%	2.6%	2.2%	2.3%	2.4%	0.9%	1.8%	5.2%

(dollars in millions)

USRM BL - Commercial Automobile Liability
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2023											
	|---Supplemental and unaudited---|											
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims(1)**
2014	422	426	438	500	524	535	539	547	549	550	11	34,790
2015	-	414	443	491	513	539	542	552	555	556	13	33,415
2016	-	-	469	512	526	597	607	621	625	627	9	33,536
2017	-	-	-	569	601	659	675	675	679	688	4	33,887
2018	-	-	-	-	628	435	377	333	342	361	5	31,040
2019	-	-	-	-	-	696	725	698	698	686	115	27,293
2020	-	-	-	-	-	-	538	565	534	534	114	16,130
2021	-	-	-	-	-	-	-	496	547	510	138	13,427
2022	-	-	-	-	-	-	-	-	530	545	225	11,249
2023	-	-	-	-	-	-	-	-	-	610	431	7,956
									Total	$5,667		

(1) Note that 100% of claim count information is disclosed on a per occurrence basis.

(2) Prior to 2018, the US Business Lines (BL) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2023									
	|---Supplemental and unaudited---|									
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	92	193	292	412	485	517	525	531	536	536
2015	-	92	193	315	453	507	525	533	537	541
2016	-	-	105	247	407	519	569	588	603	612
2017	-	-	-	124	285	431	517	581	640	670
2018	-	-	-	-	120	(4)	86	171	267	329
2019	-	-	-	-	-	71	194	296	408	522
2020	-	-	-	-	-	-	76	150	246	345
2021	-	-	-	-	-	-	-	62	164	269
2022	-	-	-	-	-	-	-	-	69	195
2023	-	-	-	-	-	-	-	-	-	71
									Total	$4,090
									All net outstanding liabilities prior to 2014, net of reinsurance	92
									Liabilities for unpaid claims and claim adjustment expense	$1,669

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
16.2%	13.7%	20.6%	19.3%	13.9%	7.6%	2.4%	1.1%	0.8%	0.1%

(dollars in millions)

GRS NI - Commercial Automobile Liability
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	|----------Supplemental and unaudited---------|											
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims(1)**
2014	281	285	312	344	415	394	396	383	382	381	9	56,701
2015	-	279	269	313	344	353	356	360	361	360	4	55,545
2016	-	-	278	315	345	377	385	382	393	395	15	55,772
2017	-	-	-	411	396	407	416	413	410	413	18	60,929
2018	-	-	-	-	421	689	766	761	759	757	8	63,116
2019	-	-	-	-	-	527	502	558	564	574	68	66,729
2020	-	-	-	-	-	-	420	402	423	412	108	64,972
2021	-	-	-	-	-	-	-	437	413	436	159	76,040
2022	-	-	-	-	-	-	-	-	514	510	253	87,712
2023	-	-	-	-	-	-	-	-	-	610	467	89,322
									Total	$4,848		

(1) Note that 100% of claim count information is disclosed on a per claimant basis.

(2) Prior to 2018, the US Business Lines (BL) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

(3) GRS NI is mostly comprised of GRS North America Major Accounts and Middle Market segments.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2023									
	|----------Supplemental and unaudited---------|									
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	47	113	192	271	337	354	366	369	371	372
2015	-	43	103	185	270	316	332	339	347	351
2016	-	-	41	112	198	282	326	352	369	377
2017	-	-	-	45	125	212	285	338	364	384
2018	-	-	-	-	52	403	542	628	693	728
2019	-	-	-	-	-	83	169	252	354	438
2020	-	-	-	-	-	-	26	79	159	236
2021	-	-	-	-	-	-	-	32	96	178
2022	-	-	-	-	-	-	-	-	52	133
2023	-	-	-	-	-	-	-	-	-	54
									Total	$3,251
					All net outstanding liabilities prior to 2014, net of reinsurance					38
					Liabilities for unpaid claims and claim adjustment expense					$1,635

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
10.0%	19.6%	19.6%	18.8%	12.8%	5.3%	3.5%	1.7%	0.8%	0.2%

(dollars in millions)

GRS Global Specialty - General Liability
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	Supplemental and unaudited											
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims**
2014	1,507	1,474	1,443	1,511	1,247	1,239	1,220	1,180	1,175	1,153	(55)	21,396
2015	-	1,670	1,668	1,814	1,600	1,786	1,779	1,736	1,707	1,587	31	34,049
2016	-	-	1,483	1,638	1,519	1,682	1,771	1,805	1,766	1,752	74	35,259
2017	-	-	-	1,392	1,434	1,683	1,772	1,661	1,696	1,724	87	35,991
2018	-	-	-	-	1,512	1,795	2,023	2,046	2,049	2,060	163	35,991
2019	-	-	-	-	-	2,132	2,237	2,330	2,398	2,371	446	42,780
2020	-	-	-	-	-	-	2,509	2,690	2,669	2,635	651	43,460
2021	-	-	-	-	-	-	-	2,719	2,916	2,800	1,081	37,283
2022	-	-	-	-	-	-	-	-	3,042	3,011	1,323	34,468
2023	-	-	-	-	-	-	-	-	-	3,041	1,552	25,400
									Total	$22,134		

(1) GRS Global Specialty is mostly comprised of GRS North America Specialty Lines and GRS Liberty Specialty Markets

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	Supplemental and unaudited									
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	112	298	528	698	758	874	916	947	998	1,046
2015	-	176	394	647	773	957	1,125	1,227	1,315	1,399
2016	-	-	164	393	575	721	914	1,033	1,211	1,327
2017	-	-	-	125	440	599	888	1,047	1,226	1,407
2018	-	-	-	-	130	320	645	903	1,236	1,479
2019	-	-	-	-	-	428	704	1,019	1,373	1,607
2020	-	-	-	-	-	-	199	537	816	1,077
2021	-	-	-	-	-	-	-	104	404	661
2022	-	-	-	-	-	-	-	-	275	731
2023	-	-	-	-	-	-	-	-	-	384
									Total	$11,118
									All net outstanding liabilities prior to 2014, net of reinsurance	736
									Liabilities for unpaid claims and claim adjustment expense	$11,752

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
9.5%	13.4%	13.0%	12.2%	10.5%	9.9%	7.7%	4.9%	4.9%	4.2%

(dollars in millions)

USRM State Auto – Commercial Lines
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance(2)

	As of December 31, 2023											
	Supplemental and unaudited											
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims(1)**
2014	428	436	437	428	419	414	410	405	413	418	13	43,536
2015	-	517	532	519	509	497	490	481	493	493	16	46,154
2016	-	-	562	546	534	528	524	512	526	526	14	50,986
2017	-	-	-	565	545	518	493	477	493	491	20	43,365
2018	-	-	-	-	443	425	395	377	394	388	13	36,008
2019	-	-	-	-	-	360	335	303	303	303	3	33,351
2020	-	-	-	-	-	-	373	382	401	408	50	30,525
2021	-	-	-	-	-	-	-	452	504	531	103	34,049
2022	-	-	-	-	-	-	-	-	581	620	153	34,754
2023	-	-	-	-	-	-	-	-	-	650	292	27,391
									Total	$4,828		

(1)Note that 100% of claim count information is disclosed on a per claimant basis.

(3) USRM SA Commercial Lines is mostly comprised of Workers' Compensation, Commercial Auto Liability, General Liability and Commercial Multiple-Peril

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2023									
	Supplemental and unaudited									
AY	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	120	218	287	327	356	374	382	386	394	398
2015	-	124	243	318	391	427	440	450	464	470
2016	-	-	114	228	326	397	445	466	480	502
2017	-	-	-	121	245	316	372	402	436	454
2018	-	-	-	-	97	189	238	284	324	350
2019	-	-	-	-	-	94	169	211	247	275
2020	-	-	-	-	-	-	124	223	274	315
2021	-	-	-	-	-	-	-	145	264	355
2022	-	-	-	-	-	-	-	-	155	323
2023	-	-	-	-	-	-	-	-	-	161
									Total	$3,603
					All net outstanding liabilities prior to 2014, net of reinsurance					100
					Liabilities for unpaid claims and claim adjustment expense					$1,325

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
26.4%	24.1%	15.2%	11.8%	8.2%	4.9%	2.5%	2.7%	1.5%	0.9%

(dollars in millions)

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses ("CAE")

Net outstanding liabilities for unpaid claims and CAE[1]	**December 31, 2023**
USRM Private Passenger Auto	$9,803
USRM BL – Commercial Multiple-Peril	2,769
GRS NI – Commercial Multiple-Peril	82
USRM BL – Workers Compensation	2,670
GRS NI – Workers Compensation	9,227
USRM BL – General Liability	1,289
GRS NI – General Liability	4,239
GRS Global Specialty – General Liability	11,752
USRM BL – Commercial Automobile Liability	1,669
GRS NI – Commercial Automobile Liability	1,635
GRS Global Specialty – Reinsurance	3,741
USRM State Auto – Commercial Lines	1,325
Other Insurance Lines	14,395
Liabilities for unpaid claims and allocated CAE, net of reinsurance	$ 64,596
Reinsurance recoverable on unpaid claims	
USRM Private Passenger Auto	732
USRM BL – Commercial Multiple-Peril	4
GRS NI – Commercial Multiple-Peril	52
USRM BL – Workers Compensation	218
GRS NI – Workers Compensation	2,893
USRM BL – General Liability	(1)
GRS NI – General Liability	718
GRS Global Specialty – General Liability	2,984
USRM BL – Commercial Automobile Liability	58
GRS NI – Commercial Automobile Liability	593
GRS Global Specialty – Reinsurance	292
Other Insurance Lines	5,105
Total reinsurance recoverable on unpaid claims	$ 13,648
Unallocated claims adjustment expenses	2,467
Impact of discounting	(534)
Total gross liability for unpaid claims and CAE	$ 80,177

(1) Gross of retroactive reinsurance recoverable of $4,831 for all lines of business. (See Note 5 for further discussion)

Asbestos and Environmental Reserves

The Company has exposure to asbestos and environmental claims that emanate principally from general liability policies written prior to the mid-1980s. In establishing the Company's asbestos and environmental reserves, the Company estimates case reserves for anticipated losses and bulk reserves for claim adjustment expenses and IBNR. The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves, including cessions reported by ceding reinsurers on assumed reinsurance contracts, are reported in unpaid claims and claim adjustment expenses, and ceded reserves are included in reinsurance recoverables on the accompanying consolidated balance sheets.

Upon their de-affiliation from the Nationwide Group and affiliation with the Company, Employers Insurance Company of Wausau ("EICOW"), Wausau Business Insurance Company ("WBIC"), Wausau General Insurance Company ("WGIC"), and Wausau Underwriters Insurance Company ("WUIC") entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

The process of establishing reserves for asbestos and environmental claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. A number of factors contribute to this greater uncertainty surrounding the establishment of asbestos and environmental reserves, including, without limitation: 1) the lack of available and reliable historical claims data as an indicator of future loss development, 2) the long waiting periods between exposure and manifestation of any bodily injury or property damage, 3) the difficulty in identifying the source of asbestos or environmental contamination, 4) the difficulty in properly allocating liability for asbestos or environmental damage, 5) the uncertainty as to the number and identity of insureds with potential exposure, 6) the cost to resolve claims, and 7) the collectability of reinsurance.

The uncertainties associated with establishing reserves for asbestos and environmental claims and claim adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: 1) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, 2) when the loss occurred and what policies provide coverage, 3) whether there is an insured obligation to defend, 4) whether a compensable loss or injury has occurred, 5) how policy limits are determined, 6) how policy exclusions are applied and interpreted, 7) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, 8) whether clean-up costs are covered as insured property damage, and 9) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim. The uncertainties cannot be reasonably estimated, but could have a material impact on the Company's future operating results and financial condition.

In 2023, the Company completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded asbestos and environmental unpaid claim liabilities. As part of the review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. Asbestos and environmental unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an immaterial increase to reserves.

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves and would be covered under the NICO Reinsurance Transaction subject to treaty terms and conditions.

As of December 31, 2023 and 2022, the Company's unpaid claims and claim adjustment expense reserves, net of associated reinsurance recoverables, includes $1,179 and $1,199, respectively, for asbestos and environmental-related claims before consideration of the NICO Reinsurance Transaction.

Net asbestos losses paid in 2023, 2022, and 2021 were $103, $110, and $78, respectively. The Company incurred $28, $21, and $67 of asbestos reserves before consideration of the NICO Reinsurance Transaction, net of change in allowance for doubtful accounts during the years ended December 31, 2023, 2022, and 2021, respectively.

Net environmental losses paid in 2023, 2022, and 2021 were $30, $53, and $71, respectively. The Company incurred $85, $75, and $81, of environmental reserves before consideration of the NICO Reinsurance Transaction, net of change in allowance for doubtful accounts during the years ended December 31, 2023, 2022, and 2021, respectively.

(dollars in millions)

(7) DEBT OUTSTANDING

Debt outstanding as of December 31, 2023 and December 31, 2022 includes the following:

Short-term debt:	**2023**	**2022**
4.25% Notes, due 2023(1)	$-	$547
1.75% €500 million Notes, due 2024(1)	552	-
Total short-term debt	$552	$547

Long-term debt:	**2023**	**2022**
1.75% €500 million Notes, due 2024(1)	$-	$533
8.50% Surplus Notes, due 2025	140	140
2.75% €750 million Notes, due 2026	828	801
7.875% Surplus Notes, due 2026	227	227
7.625% Notes, due 2028	3	3
4.569% Notes, due 2029	1,000	1,000
4.625% €500 million Notes, due 2030	552	533
3.91% - 4.25% Federal Home Loan Bank Borrowings due 2032	300	300
7.00% Notes, due 2034	124	124
6.50% Notes, due 2035	271	271
7.50% Notes, due 2036	19	19
6.50% Notes, due 2042	250	250
4.85% Notes, due 2044	564	564
4.50% Notes, due 2049	232	232
3.951% Notes, due 2050	1,248	1,248
4.125% Junior Subordinated Notes, due 2051(2)	500	500
5.50% Notes, due 2052	1,000	1,000
3.625% €500 million Junior Subordinated Notes, due 2059(3)	552	533
3.95% Notes, due 2060	746	746
4.30% Junior Subordinated Notes, due 2061(4)	800	800
7.80% Junior Subordinated Notes, due 2087(5)	437	437
10.75% Junior Subordinated Notes, due 2088(6)	35	35
7.697% Surplus Notes, due 2097	260	260
Subtotal	10,088	10,556
Unamortized costs	(481)	(503)
Total long-term debt	$9,607	$10,053

(1) Short-term debt is the current maturities of the 4.25% Notes, due June 15, 2023 and the 1.75% Notes, due March 27, 2024.

(2) The par value call date is three months prior to and on December 15, 2026, after which the notes are callable at par during the three-month period prior to and on each succeeding interest reset date.

(3) The par value call date and final fixed rate interest payment date is May 23, 2024, subject to certain requirements.

(4) The par value call date is February 1, 2026 after which the notes are callable at par on each subsequent interest payment date.

(5) The par value call date and final fixed rate interest payment date is March 15, 2037, subject to certain requirements.

(6) The par value call date and final fixed rate interest payment date is June 15, 2038, subject to certain requirements.

Debt Transactions and In-Force Credit Facilities

On June 15, 2023, $547 of Liberty Mutual Group, Inc. ("LMGI") 4.25% Notes were paid at maturity.

On December 15, 2022, $40 of Rockhill Holding Company Notes were redeemed.

On December 2, 2022, LMGI issued €500 million of Senior Notes, due 2030 ("the 2030 Notes"). Interest is payable annually at a fixed rate of 4.625%. The 2030 Notes mature on December 2, 2030.

On November 23, 2022, $15 of State Auto Financial Corporation Notes were redeemed.

On November 3, 2022, $96 of State Auto Property & Casualty Insurance Company ("SPC") Federal Home Loan Bank (FHLB) borrowings were paid.

On September 21, 2022, $19 of State Automobile Mutual Insurance Company ("SAM") and $21 of SPC FHLB borrowings were paid.

(dollars in millions)

On September 2, 2022, $11 of SAM FHLB borrowings were paid.

On June 6, 2022, LMGI issued $1,000 of Senior Notes, due 2052 ("the 2052 Notes"). Interest is payable semi-annually at a fixed rate of 5.50%. The 2052 Notes mature on June 15, 2052.

On May 2, 2022, $473 of LMGI 4.95% Notes were paid at maturity.

On April 18, 2022, LMGI amended and restated its five-year unsecured revolving credit facility of $1,000 with an expiration date of April 18, 2027. To date, no funds have been borrowed under the facility.

LMIC, Peerless Insurance Company ("PIC"), Liberty Mutual Fire Insurance Company ("LMFIC"), Employers Insurance Company of Wausau ("EICOW"), Safeco Insurance Company of America ("SICOA"), Ohio Casualty Insurance Company ("OCIC") are members of the Federal Home Loan Bank. On March 21, 2012, LMFIC borrowed $150 at a rate of 3.91% with a maturity date of March 22, 2032. On March 23, 2012 and April 2, 2012, LMIC borrowed $127 at a rate of 4.24% with a maturity date of March 23, 2032 and $23 at a rate of 4.25% with a maturity date of April 2, 2032, respectively. As of December 31, 2023, all outstanding Federal Home Loan Bank borrowings are fully collateralized. On December 29, 2022, SICOA and OCIC became members of FHLB Boston.

SAM, SPC and Rockhill Insurance Company memberships were cancelled on August 25, 2023. Final cancellation of FHLB memberships have a five-year waiting period, so final membership expiration dates are August 25, 2028. Ironshore Indemnity Insurance ("III") and Ironshore Specialty Insurance Company ("ISIC") memberships were cancelled on February 24th and 25th, 2020, respectively. III's five-year waiting period was waived by FHLB, so final membership cancellation was effective on February 9, 2022. For ISIC, the effective date of its final membership cancellation will be February 25, 2025.

Payments of interest and principal of the surplus notes are expressly subordinate to all policyholder claims and other obligations of LMIC. Accordingly, interest and principal payments are contingent upon prior approval of the Commissioner of Insurance of the Commonwealth of Massachusetts.

Interest
The Company paid $505, $488, $436 of interest in 2023, 2022 and 2021, respectively.

(8) INCOME TAXES

The components of U.S. Federal, state and foreign income tax expense from continuing operations are:

Years ended December 31,	**2023**	**2022**	**2021**
Current tax expense (benefit):			
U.S. Federal	$82	$268	$348
U.S. Federal net operating loss utilization	(36)	(19)	(29)
State	13	14	25
Foreign	207	133	112
Total current tax expense (benefit)	266	396	456
Deferred tax expense (benefit):			
U.S. Federal	(226)	(232)	224
Foreign	(5)	(150)	14
Total deferred tax expense (benefit)	(231)	(382)	238
Total U.S. Federal, state and foreign income tax expense	$35	$14	$694

(dollars in millions)

A reconciliation of the income tax expense attributable to continuing operations computed at the U.S. Federal statutory tax rate to the income tax expense as included in the consolidated statements of income is as follows:

Years ended December 31,	**2023**	**2022**	**2021**
Expected U.S. Federal income tax expense	$43	$56	$763
Tax effect of:			
Nontaxable investment income	(20)	(26)	(26)
Change in valuation allowance	63	24	149(1)
Establishment of deferred tax asset	(23)	-	-
Revision to estimates	(22)	11	(16)
General business credits	(23)	(25)	(22)
Disposition of subsidiary	-	-	(133)
State income tax	10	12	20
Foreign rate differential	1	(20)	(44)
U.S. impact from foreign operations	22	73	26
Foreign other	(5)	(91)	(24)
Other	(11)	-	1
Total income tax expense	$35	$14	$694

(1) Includes $131 related to an Australian subsidiary that was disposed of in 2021.

The significant components of the deferred income tax assets and liabilities at December 31 are summarized as follows:

	2023	**2022**
Deferred tax assets:		
Unearned premium reserves	$930	$912
Unpaid claims discount	651	610
Employee benefits	618	635
Net operating losses	183	303
Net unrealized losses	100	446
Credits	90	52
Other accrued expenses	103	96
Other	218	232
	2,893	3,286
Less: valuation allowance	(138)	(137)
Total deferred tax assets	2,755	3,149
Deferred tax liabilities:		
Deferred acquisition costs	637	705
Intangibles	177	188
Depreciation/amortization	103	177
Other	239	300
Total deferred tax liabilities	1,156	1,370
Net deferred tax assets/(liabilities)	$1,599	$1,779

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act of 2023, which will apply a 15% corporate income tax to certain Bermuda businesses beginning on January 1, 2025. Upon the enactment of this legislation, the Company recorded a deferred tax asset of $23. A full valuation allowance of the same amount was recorded as incremental Bermuda taxes are not anticipated to be incurred for purposes of utilizing the future deductions.

For the year ended December 31, 2022, the Company established a partial valuation allowance of $62 on certain deferred tax assets related to unrealized losses in the available-for-sale securities portfolio. During 2023, changes in market conditions resulted in a release of that valuation allowance which has been allocated to other comprehensive income. For the year ended December 31, 2023, the net increase in the valuation allowance recorded through the income statement is primarily due to additional foreign tax credits of $45 that are expected to expire unutilized and the $23 valuation allowance related to the aforementioned Bermuda deferred tax asset. Management believes it is more likely than not the remaining net deferred tax assets will be realized.

(dollars in millions)

The Company's subsidiaries have foreign tax credit carry forwards of $90 and gross net operating loss carry forwards of $845 as of December 31, 2023. With respect to the foreign tax credit carryforwards, $2 will begin to expire in 2024 and $88 will begin to expire in 2030 if not utilized. The gross net operating loss carryforwards available in the U.S. and various non-U.S. tax jurisdictions will begin to expire, if not utilized, as follows:

Year	Total
2024	$1
2025	2
2026	9
2027	17
Thereafter or indefinite	816
Total	$845

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at December 31, 2021	$37
Additions for tax positions related to current year	9
Additions for tax positions of prior years	11
Reductions for tax positions of prior years	(4)
Settlements	(1)
Removal of interest and penalties	(16)
Balance at December 31, 2022	$36
Additions for tax positions related to current year	3
Additions for tax positions of prior years	10
Reductions for tax positions of prior years	(7)
Balance at December 31, 2023	$42

Unrecognized tax benefits of $35 attributable to discontinued operations as of December 31, 2021 have been removed from the tabular rollforward of unrecognized tax benefits for continuing operations.

Interest and penalties (related to continuing operations) historically included in the tabular rollforward of unrecognized tax benefits have also been removed from the rollforward presentation.

Included in the balance at December 31, 2023 is $42 related to tax positions that would impact the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in U.S. Federal, state, and foreign income tax expense. For the years ended December 31, 2023, 2022 and 2021, the Company recognized $5, $4 and $3 of interest and penalties, respectively. The Company had approximately $24 and $19 of interest and penalties accrued as of December 31, 2023 and 2022, respectively.

The U.S. Federal statute of limitations has expired through the 2019 tax year; however, it remains open for certain impacts of the Tax Cuts and Jobs Act of 2017. The Company has been notified that the 2021 tax year has been selected for examination by the IRS. The Company has foreign entities that are open for examination in their local countries for tax years after 2013. Any adjustments that may result from the examinations of these income tax returns are not expected to have a material impact on the financial position, liquidity, or results of operations of the Company.

The Company does not expect any significant changes to its liability for unrecognized tax benefits during the next twelve months.

(9) BENEFIT PLANS

The Company sponsors non-contributory defined benefit pension plans ("the Plans") covering substantially all U.S. employees. The benefits and eligibility are based on age, years of service, and the employee's final average compensation, as more fully described in the Plans. Some foreign subsidiaries also sponsor defined benefit pension plans. In 2014, the Company added a new cash balance benefit formula for all eligible U.S. employees and froze credited service under the plan's final average pay formula. In 2016, the Company announced changes to the U.S. pension plan which included freezing the final average pay formula effective December 31, 2020, and increasing pay credits under the cash balance formula from 4.5% to 5.0% of eligible pay effective January 1, 2018.

The Company sponsors non-qualified supplemental pension plans for selected highly compensated employees to restore the pension benefits they would be entitled to under the Company's U.S. tax qualified, defined benefit pension plan had it not been for limits imposed by the Internal Revenue Code. The supplemental plans are unfunded.

The Company also provides certain postretirement healthcare and life insurance benefits ("Postretirement") covering substantially all U.S. employees. In 2014, the Company's U.S. postretirement medical and dental cost sharing arrangement changed to a defined contribution model with an annual dollar contribution amount based on age and years of eligible credited service. Life insurance benefits are based on a participant's final compensation subject to the plan maximum. The postretirement plan is unfunded. In 2016, the Company announced employees hired on or after January 1, 2018, will not be eligible for coverage under the U.S. postretirement health and life insurance plans. In 2017, the Company announced changes to the U.S. postretirement health plan which included the transition of Medicare-eligible retirees to the Medicare market place exchange effective January 1, 2018.

In 2020, the Company offered a voluntary early retirement option ("ERO") to U.S. employees meeting certain age and service requirements. Employees opting into the program received an enhanced pension benefit were required to terminate employment with the Company between December 31, 2021 and December 30, 2022. The Company recorded settlement charges in restructuring costs in the consolidated statement of income of $178 for the year ended December 31, 2021.

Assets of the U.S. tax-qualified, defined benefit pension plans consist primarily of investments held in a master trust with The Bank of New York Mellon. Assets of the plan are invested primarily in fixed income securities and in diversified public equities. As of December 31, 2023 and 2022, no assets of the plans were held in separate accounts of the Company.

The Company sponsors defined contribution plans for substantially all U.S. (401(k) plan) employees who meet eligibility requirements. During 2023, 2022, and 2021, employees could contribute a percentage of their annual compensation on a before and after-tax basis, subject to Federal limitations. Company contributions are based on the employee's contribution amount. In 2023, 2022, and 2021, the Company incurred matching contributions of $153, $140, and $131 respectively, including the supplemental defined contribution plans.

Compensation expense related to the Company's long-term and short-term incentive compensation plans was $870, $899, and $1,000 for the years ended December 31, 2023, 2022, and 2021, respectively.

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

The following table sets forth the assets, obligations, and assumptions associated with the U.S. pension and postretirement benefits.

	Pension		Supplemental Pension		Postretirement	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Change in benefit obligations:						
Benefit obligation at beginning of year	$6,958	$8,622	$ 356	$471	$ 778	$1,089
Service costs	188	163	8	8	8	14
Interest costs	346	213	18	11	38	26
Amendments	-	(12)	-	-	-	2
Curtailment	-	-	-	-	-	-
Settlement	-	-	-	-	-	-
Actuarial gains (losses)	220	(1,853)	16	(122)	7	(287)
Acquisition	-	460	-	11	-	6
Benefits paid	(643)	(635)	(23)	(23)	(47)	(65)
Other	-	-	-	-	-	(7)
Benefit obligations at end of year	$ 7,069	$6,958	$ 375	$356	$ 784	$778
Accumulated benefit obligations	$ 7,069	$6,958	$ 375	$356	$ 784	$778
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 6,755	$9,115	$ -	$-	$ -	$-
Actual return on plan assets	567	(2,208)	-	-	-	-
Acquisition	-	483	-		-	
Employer contribution	136	-	-	-	-	-
Benefits paid	(643)	(635)	-	-	-	-
Fair value of plan assets at end of year	$ 6,815	$6,755	$ -	$-	$ -	$-
Funded status of Plan	$ (254)	$(203)	$ (375)	$(356)	$ (784)	$(778)

	Pension		Supplemental Pension		Postretirement	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Amounts recognized in the Balance Sheets:						
Assets	$ -	$-	$ -	$-	$ -	$-
Liabilities	(254)	(203)	(375)	(356)	(784)	(778)
Net asset (liability) at end of year	$ (254)	$(203)	$ (375)	$(356)	$ (784)	$(778)
Amounts recognized in Accumulated Other Comprehensive Income (Loss):						
Net gain (loss)	$ 1,911	$1,926	$ 83	$73	$ (191)	$(211)
Prior service costs	(50)	(72)	(3)	(5)	(36)	(48)
Total	$ 1,861	$1,854	$ 80	$68	$ (227)	$(259)
Other changes in Plan assets and projected benefit obligation recognized in Other Comprehensive Income (Loss):						
Net actuarial gains (losses)	$ 142	$860	$ 16	$(122)	$ 7	$(287)
Amortization of net actuarial gain (loss)	(158)	(125)	(6)	(20)	12	(13)
Prior service costs	-	(12)	-	-	-	2
Amortization of prior service cost	23	21	3	3	12	13
Total	$ 7	$744	$ 13	$(139)	$ 31	$(285)

(dollars in millions)

The net benefit costs for the years ended December 31, 2023, 2022 and 2021, include the following components:

December 31, 2023	**Pension**	**Supplemental Pension**	**Postretirement**
Components of net periodic benefit costs:			
Service costs	$ 188	$ 8	$ 8
Interest costs	346	18	38
Expected return on plan assets	(489)	-	-
Amortization of unrecognized:			
Net (gain) loss	158	6	(12)
Prior service cost	(23)	(3)	(12)
Net periodic benefit costs	$ 180	$ 29	$ 22

December 31, 2022	**Pension**	**Supplemental Pension**	**Postretirement**
Components of net periodic benefit costs:			
Service costs	$163	$8	$14
Interest costs	213	11	26
Expected return on plan assets	(505)	-	-
Amortization of unrecognized:			
Net loss	125	20	13
Prior service cost	(21)	(3)	(13)
Net periodic benefit costs	$(25)	$36	$40

December 31, 2021	**Pension**	**Supplemental Pension**	**Postretiremen t**
Components of net periodic benefit costs:			
Service costs	$159	$7	$16
Interest costs	199	10	24
Expected return on plan assets	(511)	-	-
Amortization of unrecognized:			
Net loss	153	27	20
Prior service cost	(22)	(4)	(14)
Net periodic benefit costs[(1)]	$(22)	$40	$46
Settlement	177	-	-
Total Net periodic benefit costs	$155	$40	$46

(1) All components of net periodic benefit costs are reported in operating costs and expenses on the accompanying consolidated statements of income.

The measurement date used to determine pension and other postretirement is December 31, 2023.

(dollars in millions)

Weighted-average actuarial assumptions for benefit obligations are set forth in the following table:

December 31,	2023	2022
Pension		
Discount rate	5.03%	5.22%
Rate of compensation increase	4.90%	4.90%
Cash balance interest crediting rate	4.00%	4.00%
Supplemental Pension		
Discount rate	5.04%	5.22%
Rate of compensation increase	5.80%	5.80%
Cash balance interest crediting rate	4.00%	4.00%
Postretirement		
Discount rate	5.06%	5.24%

Weighted-average actuarial assumptions for net periodic benefit costs are set forth in the following table:

December 31,	2023	2022	2021
Pension			
Discount rate	5.23%	3.04%	3.02%
Interest cost effective interest rate	5.11%	2.46%	2.26%
Service cost discount rate	5.18%	2.88%	2.83%
Expected return on plan assets	7.50%	5.95%	6.00%
Rate of compensation increase	4.90%	4.70%	4.60%
Cash balance interest crediting rate	4.00%	2.00%	1.75%
Supplemental Pension			
Discount rate	5.22%	2.96%	2.81%
Interest cost effective interest rate	5.10%	2.38%	2.10%
Service cost discount rate	5.33%	3.18%	3.05%
Rate of compensation increase	5.80%	6.00%	5.90%
Cash balance interest crediting rate	4.00%	2.00%	1.75%
Postretirement			
Discount rate	5.25%	3.07%	2.91%
Interest cost effective interest rate	5.13%	2.49%	2.18%
Service cost discount rate	5.36%	3.34%	3.26%

On an annual basis, the Company reviews the discount rate assumption used to determine the benefit obligations and the composition of various yield curves to ensure that the assumed discount rate reflects the Company's best estimate of the rate of return inherent in a portfolio of high-quality debt instruments that would provide the cash flows necessary to settle the Company's projected benefit payments.

The discount rate assumption used to determine the benefit obligations was based on a yield curve approach where the cash flows related to the benefit plans' liability stream were discounted at an interest rate specifically applicable to the timing of the cash flows. The company calculates service cost by discounting the future cash flows attributable to the current year of service using spot rates specifically applicable to the timing of the cash flows. Interest cost is determined by multiplying each benefit obligation cash flow by the spot rate applicable to that timing of the cash flow.

In choosing the expected long-term rate of return on plan assets, the Company's Retirement Committee considered the historical returns of equity and fixed income markets in conjunction with current economic and financial market conditions.

Effective January 1, 2020, the Company elected a change to its method of calculating the market-related value of assets ("MRVA") used to determine the expected return on plan assets component of net periodic pension cost. The Company previously calculated market-related value for its pension plan by recognizing changes in the fair value of plan assets over a period of five years on all classes of assets. As a result of the change in accounting method, the Company will no longer recognize changes in fair value for the asset classes, such as investment grade fixed income securities and derivatives in the Immunizing Portfolio over five years. Instead, changes in the fair value of these assets will be recognized immediately for purposes of the market-related value. However, the Company will continue to recognize changes in the fair value of the asset classes in the Growth Portfolio over a five-year period. These assets include public equities, private equity, common collective trust funds, non-investment grade fixed income, and emerging market fixed income. The change is preferable to better align pension assets and liabilities with the investment policy designed for the Immunizing Portfolio to hedge the Plan's liability risks, specifically to offset changes in the Plan's liability value due to market-related risk factors such as change in interest rate and credit spreads.

The adjustment is comprised of the difference between the net actuarial loss within AOCI before and after the change in methodology. The actual impact on 2020 expense of the MRVA methodology change compared to the current method resulted in an overall decrease of $90.

Effective December 31, 2022 the Company adopted the scale AonEndemicMP21. Effective December 31, 2021, the Company adopted the Scale MP-2021.
The weighted-average healthcare cost trend rates are expected to be 8.00% in 2023 graded down to 4.50% in 2023.

Plan Assets
The Company's overall investment strategy for the U.S. pension plan's assets is to achieve a diversified mix of asset types, fund strategies, and fund managers. The U.S. pension plan's primary investment goal is to maximize return within reasonable and prudent levels of risk while also taking into account the liability obligations of the Plan and the risks associated with such liabilities.

The U.S. pension plan's assets are administered by the Liberty Mutual Retirement Committee, which has the fiduciary responsibility for management of the U.S. pension plan's assets in accordance with the Liberty Mutual Retirement Benefit Plan Investment Policy Statement. Effective October 18, 2022, the Liberty Mutual Retirement Committee amended the Investment Policy Statement.

The U.S. pension plan's assets are held in a trust and managed by LMIC, a wholly owned subsidiary of the Company and by its subadvisor, Liberty Mutual Group Asset Management, Inc., which is also a wholly owned subsidiary of the Company.

The investment plan assets consist of two portfolios, an immunizing portfolio and a growth portfolio. The Immunizing Portfolio is designed to hedge the Plan's liability risks, specifically to offset changes in the Plan's liability value due to market-related risk factors such as changes in interest rates and credit spreads. The Growth Portfolio is invested in a diversified group of assets that seeks to generate a return in excess of the Plan's liabilities, within an acceptable level of risk. The target allocation for the plan's assets is: 55% Immunizing portfolio, 44% Growth portfolio, and 1% cash and short-term investments.

The investment strategy of the Immunizing Portfolio is to mitigate the plan's liabilities through the use of core fixed income instruments, such as corporate and sovereign bonds, swaps, and futures contracts.

The investment strategy of the Growth Portfolio is to maximize return over the long term through the use of public equities, private equity, real estate, private debt, infrastructure, non-investment grade fixed income, and emerging market fixed income.

(dollars in millions)

The following tables sets forth by level, within the fair value hierarchy, the Plans' assets at fair value as of December 31, 2023 and 2022.

Fair Value Measurements as of December 31, 2023

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets Level 1[(1)]	Significant Observable Inputs Level 2[(1)]	Significant Unobservable Inputs Level 3[(1)]
Cash, cash equivalents and short-term investments[(2)]	$ 663	$ 653	$ 10	$ -
Fixed maturities:				
U.S. government and agency securities	391	391	-	-
U.S. state and municipal	157	-	157	-
Corporate and other	2,814	-	2,814	-
Equity investments:				
Common collective trust	1,037	-	1,037	-
Equity investments	149	149	-	-
Limited Partnerships	1,600	-	-	1,600
Other assets	4	-	4	-
Total	$ 6,815	$ 1,193	$ 4,022	$ 1,600

(1) See Note 10 for description of the Fair Value Measurement inputs. Pension Limited Partnerships are valued at the latest fair value reported by the General Partner adjusted by cash flows. Also, the common collective trust assets are valued based on Net Asset Value ("NAV") from BlackRock.

(2) Cash equivalents in Level 2 include accrued income and other of $42.

Fair Value Measurements as of December 31, 2022

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets Level 1[(1)]	Significant Observable Inputs Level 2[(1)]	Significant Unobservable Inputs Level 3[(1)]
Cash, cash equivalents and short-term investments[(2)]	$704	$468	$236	$-
Fixed maturities:				
U.S. government and agency securities	211	211	-	-
U.S. state and municipal	172	-	172	-
Corporate and other	2,855	-	2,855	-
Equity investments:				
Common collective trust	975	-	975	-
Equity investments	224	156	68	-
Limited Partnerships	1,609	-	-	1,609
Other assets	5	-	5	-
Total	$6,755	$835	$4,311	$1,609

(1) See Note 10 for description of the Fair Value Measurement inputs. Pension Limited Partnerships are valued at the latest fair value reported by the General Partner adjusted by cash flows. Also, the common collective trust assets are valued based on Net Asset Value ("NAV") from BlackRock.

(2) Cash equivalents in Level 2 are net of investment payables of $(168).

(dollars in millions)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	As of December 31, 2023			As of December 31, 2022		
	Purchases	Transfer in to Level 3	Transfer out of Level 3	Purchases	Transfer in to Level 3	Transfer out of Level 3
Limited partnerships	$ 111	$ -	$ -	$124	$-	$-
Other assets	-	-	-	20	-	-
Equity investments	-	-	-	-	-	-
Total	$ 111	$ -	$ -	$144	$-	$-

The Plans' investments in limited partnerships are recorded at the carrying value as reported by the external fund managers, which is believed to approximate the fair value of the investments.

Cash Flows
Contributions - The Company contributed $136 to the qualified plans, and directly funded $23 to retirees in the supplemental pension plans in 2023. In addition, the Company directly funded $47 to retirees in the postretirement benefit plans in 2023.

The Company expects to contribute approximately $0 to the qualified plans, to directly fund $30 to retirees in the supplemental pension plans, and to directly fund $48 to the postretirement benefit plans in 2024.

Expected Future Benefit Payments - The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension	Supplemental Pension	Postretirement Plans
2024	422	30	48
2025	446	37	47
2026	466	24	47
2027	486	24	47
2028	502	25	48
2029-2032	2,712	132	245

(10) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach, which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's available for sale portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified based on the lowest level of input that is significant to the fair value measurement. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 — Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets or liabilities at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. The unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance on the overall reasonableness and consistent application of valuation methodologies and inputs and compliance with accounting standards through the execution of various processes and controls designed to ensure that the Company's assets and liabilities are appropriately valued. For fair values received from third parties or internally estimated, the Company's processes are designed to determine that the valuation methodologies and inputs are appropriate and consistently applied, the assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third party valuation sources for selected securities.

The Company used the following methods and assumptions in estimating the fair value of its financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. Government and Agency Securities

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on active markets and unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Mortgage-Backed Securities

The Company's portfolio of residential and commercial MBS is originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities

ABS include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipal Securities

The Company's municipal portfolio is comprised of bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

Corporate Debt and Other Securities

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign Government Securities
Foreign government securities include bonds issued or guaranteed by foreign governments. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Equity Securities
Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified within Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified within Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Short-Term Investments
The fair value of short-term investments is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of short-term investments is primarily classified within Level 2 of the fair value hierarchy.

Other Investments
Other investments include primarily foreign cash deposits, equity investments in privately held businesses and limited partnerships where the Company has elected the fair value option. Cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized within Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized within Level 3 of the hierarchy. Components of valuation include assumptions related to default rate, prepayment rate, recovery rate, and discount rate, some of which are based on unobservable or less observable inputs. Loans, limited partnership and other alternative investments, which represent the remainder of the other investment balance on the accompanying consolidated balance sheets are not subject to these disclosures and therefore are excluded from the table in this note.

Other Assets and Other Liabilities
Other assets primarily consist of fixed maturities, short-term investments, and equity securities of captive companies sponsored by the Company. These assets are measured based on the methodology for individual securities as discussed above.

Additionally, other assets and other liabilities classified within Level 2 represent the Company's derivatives which are traded over-the-counter ("OTC"). OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be corroborated by observable market data by correlation or other means, and model selection does not involve significant management judgment.

Life Insurance Obligations
Life insurance obligations include certain variable annuity contracts that provide guaranteed minimum income benefits. These benefits are accounted for as embedded derivatives and are bifurcated from the host contract and carried at fair value. The fair value of these embedded derivatives are computed on a recurring basis using assumptions predominately classified as Level 3 (significant unobservable) inputs. While some inputs are observable in the market, such as risk free rates, volatility and historical equity returns, the underlying future policyholder behavior inputs are highly unobservable. The significant policyholder behavior assumptions include lapse and the underlying annuitization rate.

(dollars in millions)

Assets and Liabilities Measured at Fair Value on a Recurring Basis
The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	As of December 31, 2023			
Assets, at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government and agency securities	$8,489	$244	$-	$8,733
Residential MBS	-	5,969	-	5,969
Commercial MBS	-	4,801	98	4,899
Other MBS and ABS	-	4,868	48	4,916
U.S. state and municipal	-	5,987	313	6,300
Corporate and other	-	32,847	356	33,203
Foreign government securities	-	4,724	4	4,728
Redeemable Preferred Stock	-	-	153	153
Total fixed maturities, available for sale	8,489	59,440	972	68,901
Common stock	389	14	593	996
Preferred stock	-	-	-	-
Total equity securities	389	14	593	996
Short-term investments	13	327	-	340
Other investments	116	624	1,199	1,939
Other assets	3	-	7	10
Total assets	$9,010	$60,405	$2,771	$72,186
Liabilities, at Fair Value				
Life insurance obligations	$-	$-	$(36)	$(36)
Other liabilities	-	(86)	-	(86)
Total liabilities	$-	$(86)	$(36)	$(122)

	As of December 31, 2022			
Assets, at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government and agency securities	$7,822	$251	$-	$8,073
Residential MBS	-	5,947	-	5,947
Commercial MBS	-	4,076	81	4,157
Other MBS and ABS	-	4,437	82	4,519
U.S. state and municipal	-	6,666	465	7,131
Corporate and other	-	28,410	369	28,779
Foreign government securities	-	4,141	33	4,174
Redeemable Preferred Stock	-	-	80	80
Total fixed maturities, available for sale	7,822	53,928	1,110	62,860
Common stock	439	21	638	1,098
Preferred stock	-	-	1	1
Total equity securities, available for sale	439	21	639	1,099
Short-term investments	11	406	1	418
Other investments	66	579	948	1,593
Other assets	-	-	10	10
Total assets	$8,338	$54,934	$2,708	$65,980
Liabilities, at Fair Value				
Life insurance obligations	$-	$-	$(47)	$(47)
Other liabilities	-	(101)	-	(101)
Total liabilities	$-	$(101)	$(47)	$(148)

(dollars in millions)

Changes in Level 3 Recurring Fair Value Measurements

The following tables summarize the fair values of assets on a recurring basis classified as Level 3 within the fair value hierarchy:

	As of December 31, 2023			As of December 31, 2022		
	Purchases	Transfer in to Level 3	Transfer out of Level 3	Purchases	Transfer in to Level 3	Transfer out of Level 3
Assets, at Fair Value						
U.S. government and agency securities	$-	$-	$-	$-	$-	$-
Residential MBS	-	-	-	-	-	-
Commercial MBS	81	-	-	31	-	(44)
Other MBS and ABS	-	-	(33)	31	32	(10)
U.S. state and municipal	-	2	(154)	15	181	-
Corporate and other	149	75	(57)	976	1	(108)
Foreign government securities	6	-	-	24	8	-
Redeemable Preferred Stock	109	(17)	-	55	24	-
Total fixed maturities	345	60	(244)	1,132	246	(162)
Common stock	111	1	(1)	2,516	66	(33)
Preferred stock	-	-	(1)	1	-	-
Total equity securities	111	1	(2)	2,517	66	(33)
Short-term investments	38	-	(38)	60	-	(1)
Other investments	427	16	(8)	699	-	(472)
Total assets	$921	$77	$(292)	$4,408	$312	$(668)
Liabilities, at Fair Value						
Life insurance obligations	$10	$-	$-	$8	$-	$-
Total liabilities	$10	$-	$-	$8	$-	$-

Transfers into and out of Level 3 were primarily due to changes in the observability of pricing inputs.

Fair Value Option

The Company has elected to apply the fair value option to certain financial instruments in limited circumstances. The fair value option election is made on an instrument by instrument basis. All periodic changes in the fair value of the elected instruments are reflected in the accompanying consolidated statements of income. The impact of the fair value option election is less than 1% of total invested assets.

The Company has not applied ASC 820 to non-financial assets and liabilities.

(11) COMMITMENTS AND CONTINGENT LIABILITIES

Various lawsuits against the Company have arisen in the normal course of business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

The Company is contingently liable for structured settlement obligations for which it has accepted assignments. The loss contingency would arise if the issuer of the guarantee contract related to the structured settlement liabilities were unable to fulfil their obligations. At December 31, 2023 and 2022, the contingent liability was $1,150 and $1,273, respectively.

As of December 31, 2023, the Company had unfunded commitments in traditional private equity partnerships, real estate, private credit, natural resources, and other of $2,566, $2,698, $2,945, $1,226, ($1,192 of which is related to energy transition and infrastructure), and $82, respectively.

As of December 31, 2023, the Company had commitments to purchase various residential MBS at a cost and fair value of $20 and $21 respectively.

The Company holds unfunded commitments related to commercial mortgage loans. The liability for expected credit losses related to these unfunded commitments is reported in Other Liabilities and is measured in a manner consistent with the approach of the funded mortgage loan portfolio. As of December 31, 2023 the amount of the liability for expected credit losses of unfunded commitments was $28.

As of December 31, 2023, the Company had $533 of undrawn letter of credit outstanding secured by assets of $611.

(dollars in millions)

(12) LEASES

The Company's leases consist principally of real estate operating leases that are recognized on a straight-line basis over the term of the lease. A right-of-use asset and lease liability is recognized as part of other assets and other liabilities, respectively, in the consolidated balance sheet.

Lease Cost	**As of December 31, 2023**	**As of December 31, 2022**
Operating leases	$140	$144
Short-term leases(1)	1	1
Lease expense	141	145
Less: Sublease income(2)	48	53
Net lease cost	$93	$92
Other Information on Operating Leases		
Cash payments to settle a lease liability reported in cash flow	$98	$98
Right-Of-Use Assets Obtained in Exchange for New Leases Liability		
Weighted average discount rate	1.1%	$1.0%
Weighted average remaining lease term in years	5.5 years	5.8 years

(1) Leases with an initial term of twelve months or less are not recorded on the balance sheet.

(2) Sublease income consists of rent from third parties of office space and is recognized as part of fee and other revenues in the consolidated statement of income.

Net operating lease expense was $126 for the year ended December 31, 2021.

The following table presents the contractual maturities of the Company's operating lease liabilities:

2024	$79
2025	65
2026	49
2027	43
2028	35
Thereafter	61
Total undiscounted lease payments	332
Less: present value adjustment	8
Operating lease liability	$324

The capital lease obligation as of December 31, 2023 and 2022, was $12 and $59 respectively, and is included in other liabilities in the accompanying consolidated balance sheet. Amortization of the lease obligation was $47 and $47 for the years ended December 31, 2023 and 2022. In 2021, the Company entered into an arrangement to sell and leaseback certain furniture and equipment. The interest rate on this lease is 1.23%. The transaction is accounted for as a capital lease. As of December 31, 2023, the Company's amortization of the lease obligation under the sale-leaseback agreement through maturity is approximately $12 for 2024 and $0 for 2025.

(13) POLICYHOLDERS' EQUITY

The statutory surplus of the Company's domestic insurance companies was $27,677 and $26,739 as of December 31, 2023 and 2022, respectively. The statutory net income of the Company's domestic insurance companies was $700, $646, and $1,197 for the years ended December 31, 2023, 2022, and 2021, respectively. The Company's domestic insurance subsidiaries prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual ("NAIC APP"), subject to any deviations prescribed or permitted by the insurance commissioners of the various insurance companies' states of domicile. The Company does not have any material permitted practices that deviate from the NAIC APP.

Dividends

The insurance subsidiaries' ability to pay dividends is restricted under applicable insurance law and regulations and may only be paid from unassigned surplus. Under the insurance laws of the domiciliary states of the insurance subsidiaries, an insurer may make an ordinary dividend payment if its surplus as regards to policyholders, following such dividend, is reasonable in relation to its outstanding liabilities, is adequate to meet its financial needs and does not exceed the insurer's unassigned surplus. However, no insurer may pay an extraordinary dividend without the approval or nondisapproval of the domiciliary insurance regulatory authority. Insurance subsidiaries owned directly by LMGI are LMIC, Liberty Mutual Personal Insurance Company ("LMPICO"), LMFIC, EICOW and SAM.

Under the insurance laws of Massachusetts, the domiciliary state of LMIC, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends made within the preceding 12 months, exceeds the greater of 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or the insurer's net income for the 12-month period ending on the preceding December 31. Under the insurance laws of New Hampshire, the domiciliary state of LMPICO, an extraordinary dividend is defined as 1) a dividend whose fair market value, together with other dividends paid within the preceding 12 months, exceeds the lesser of a) 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or b) the insurer's net income, excluding realized capital gains, for the calendar year preceding the date of the dividend, but not including pro rata distributions of any class of the insurer's own securities, or 2) the aggregate of the insurer's net income from the previous two calendar years that has not already been paid out as dividends, excluding realized capital gains and any dividends paid in the previous two calendar years. Under the insurance laws of Wisconsin, the domiciliary state of LMFIC and EICOW, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends paid within the preceding 12 months, exceeds the lesser of a) 10% of the insurer's surplus with regard to policyholders as of the preceding December 31, or b) the greater of 1) the insurer's net income for the calendar year preceding the date of the dividend, minus realized capital gains for that calendar year, or 2) the aggregate of the insurer's net income for the three calendar years preceding the date of the dividend, minus realized capital gains for those calendar years and minus dividends paid within the first two of the preceding three calendar years. Under the insurance laws of Ohio, the domiciliary state of SAM, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends made within the preceding 12 months, exceeds the greater of a) 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or b) the insurer's net income for the 12-month period ending on the preceding December 31.

Changes in the extraordinary dividend regulation of the domiciliary states of LMIC, LMPICO, LMFIC, EICOW and SAM could negatively affect LMGI's ability to pay principal and interest on the notes held at LMGI, as could a redomestication or merger of LMIC, LMPICO, LMFIC, EICOW, or SAM to a different domiciliary state. The maximum dividend payout in 2023 that may be made prior to regulatory approval is $2,462.

(14) SUBSEQUENT EVENTS

On March 1, 2024 the Andes transaction closed.

On February 28, 2024, LMGI announced its intention to redeem €500 million 3.625% Series D Junior Subordinated Notes due 2059, on May 23, 2024, at the redemption price.

On January 31, 2024 the WEM transaction closed.

Management has assessed material subsequent events through March 6, 2024, the date the financial statements were available to be issued.