Management's Discussion & Analysis of
Financial Condition and Results of Operations

Quarter Ended March 31, 2022

Management's Discussion & Analysis of Financial Condition and Results of Operations

The following discussion highlights significant factors influencing results of operations and changes in financial position of Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Insurance group of entities (the "Company" or "LMHC"), for the three months ended March 31, 2022 and 2021. This Management's Discussion & Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's December 31, 2021 Audited Consolidated Financial Statements and March 31, 2022 Unaudited Consolidated Financial Statements located on the Company's Investor Relations website at www.libertymutualgroup.com/investors. The Company's discussions related to net income are presented in conformity with U.S. generally accepted accounting principles ("GAAP") on an after-tax basis. All other discussions are presented on a pre-tax GAAP basis, unless otherwise noted. Further, the Company notes that it may make material information regarding the Company available to the public, from time to time, via the Company's Investor Relations website at www.libertymutualgroup.com/investors (or any successor site).

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Cautionary Statement Regarding Forward Looking Statements

This report contains forward looking statements that are intended to enhance the reader's ability to assess the Company's future financial and business performance. Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different.

Some of the factors that could cause actual results to differ include, but are not limited to the following: the occurrence of catastrophic events (including terrorist acts, war or conflicts, civil unrest, hurricanes, hail, tornados, tsunamis, earthquakes, floods, snowfall and winter conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or ability to collect reinsurance; disruptions to the Company's relationships with its independent agents and brokers; financial disruption or a prolonged economic downturn; prolonged epidemic or pandemic in countries in which we operate; the performance of the Company's investment portfolios; a rise in interest rates; risks inherent in the Company's alternative investments in private limited partnerships ("LP"), limited liability companies ("LLC"), commercial mortgages and direct investments in natural resources; difficulty in valuing certain of the Company's investments; subjectivity in the determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; the Company's inability to obtain price increases or maintain market share due to competition or otherwise; inadequacy of the Company's pricing models; changes to insurance laws and regulations; changes in the amount of statutory capital that the Company must hold to maintain its financial strength and credit ratings; regulatory restrictions on the Company's ability to change its methods of marketing and underwriting in certain areas; assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the ability of the Company's subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclicality of the property and casualty insurance industry; political, legal, operational and other risks faced by the Company's international business; potentially high severity losses involving the Company's surety products; loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of personal lines policies; inadequacy of the Company's controls to ensure compliance with legal and regulatory standards; changes in U.S. federal, foreign or state tax laws; risks arising out of the Company's securities lending program; the Company's utilization of information technology systems and its implementation of technology innovations; difficulties with technology or data security; insufficiency of the Company's business continuity plan in the event of a disaster; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; insufficiency of the Company's enterprise risk management models and modeling techniques; the Company's ability to identify and accurately assess complex and emerging risks, and changing climate conditions. The Company's forward-looking statements speak only as of the date of this report or as of the date they are made and should be regarded solely as the Company's current plans, estimates and beliefs. For a detailed discussion of these and other cautionary statements, visit the Company's Investor Relations website at www.libertymutualgroup.com/investors. The Company undertakes no obligation to update these forward-looking statements.

In December 2019, a novel coronavirus commonly referred to as "COVID-19" surfaced in Wuhan, China. The outbreak has since spread to other countries, including the United States, and efforts to contain the spread of this coronavirus have intensified and are ongoing. The outbreak and any preventative or protective actions that governments, other third parties or we may take in respect of the coronavirus may result in a continued period of business disruption and reduced operations. The extent to which the coronavirus impacts our future results will depend on developments which are highly uncertain and cannot be predicted, including litigation developments, legislative or regulatory actions and intervention, the length and severity of the coronavirus (including of second waves), the level of acceptance of the vaccines, and the actions of government actors to contain the coronavirus or treat its impact, among others. Possible effects on our business and operations include: disruptions to business operations resulting from working from home or from closures of our corporate or sales offices and the offices of our agents and brokers and quarantines of employees, customers, agents, brokers and suppliers in areas affected by the outbreak; disruptions to business operations resulting from travel restrictions and reduced consumer spending on new homes or new automobiles which could reduce demand for insurance; disruptions to business operations resulting from our customers having lower payrolls and revenues which could have an impact on insurance revenue; increased claims related to trade credit, general liability, workers compensation, and event cancellation coverage, among others; executive or legislative mandates or court decisions expanding property insurance policy coverage to cover business interruptions resulting from COVID-19 notwithstanding any exclusions set forth in such policies or conditions precedent generally required for liability under such policies; and disruption of the financial markets resulting in reductions in the value of our investment portfolio. A significant rise in the number of COVID-19 infections, infections in a wide range of countries and regions, or a prolongation of the outbreak, could create an adverse economic effect on the Company.

EXECUTIVE SUMMARY

The following highlights do not address all of the matters covered in the other sections of Management's Discussion & Analysis of Financial Condition and Results of Operations or contain all of the information that may be important to the investing public. This summary should be read in conjunction with the other sections of Management's Discussion & Analysis of Financial Condition and Results of Operations and the Company's 2022 Unaudited Consolidated Financial Statements.

Consolidated Results of Operations

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Net written premium	$11,567	$10,401	11.2%
Pre-tax operating income before limited partnerships income[1]	399	76	NM
Limited partnerships income	365	838	(56.4)
Net realized (losses) gains	(144)	254	NM
Unit linked life insurance	47	(56)	NM
Acquisition & integration costs	(9)	(4)	125.0
Restructuring costs	(2)	(1)	100.0
Consolidated net income	498	857	(41.9)
Less: Net income attributable to non-controlling interest	-	1	(100.0)
Net income attributable to LMHC	498	856	(41.8)
Net income attributable to LMHC excluding unrealized impact[2]	509	793	(35.8)
Cash flow provided by continuing operations	$786	$1,046	(24.9%)

1 Limited partnerships income includes LP, LLC and other equity method income within net investment income in the accompanying Consolidated Statements of Income and revenue and expenses from direct investments in natural resources.

2 Excludes unrealized gains on equity securities, unit linked life insurance, and the corresponding tax impact.

NM = Not Meaningful

	Three Months Ended March 31,		
	2022	**2021**	**Change (Points)**
Underlying combined ratio[1]	92.8%	91.6%	1.2
Combined ratio[2]	98.9%	101.5%	(2.6)

1 The underlying combined ratio is computed as the combined ratio excluding the impact of catastrophes and prior accident year development. Catastrophes are defined as a natural catastrophe, civil unrest, terror event, war or conflict exceeding $25 million in estimated ultimate losses, net of reinsurance, and before taxes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums. Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (including prior year losses related to catastrophes, prior year catastrophe reinstatement premium, and prior year commission expense) including earned premium attributable to prior years.

2 The combined ratio, expressed as a percentage, is a measure of underwriting profitability. This measure should only be used in conjunction with, and not in lieu of, underwriting income and may not be comparable to other performance measures used by the Company's competitors. The combined ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense less managed care income to earned premium; the ratio of insurance operating costs plus amortization of deferred policy acquisition costs less third-party administration income and fee income (primarily related to the Company's involuntary market servicing carrier operations) and installment charges to earned premium; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premium and reinsurance are not included in the combined ratio unless related to an asbestos and environmental commutation and certain other run off. Restructuring and acquisition and integration costs are not included in the combined ratio.

$ in Millions	As of March 31, 2022	As of December 31, 2021	Change
Short-term debt[1,2]	$485	$473	2.5%
Long-term debt	9,325	9,181	1.6
Total debt	$9,810	$9,654	1.6%
Unassigned equity	$29,906	$28,776	3.9%
Accumulated other comprehensive (loss) income	(3,606)	(960)	NM
Non-controlling interest	32	32	-
Total equity	$26,332	$27,848	(5.4%)

1 Short-term debt is the current maturity of the 4.95% Notes, due May 1, 2022.

2 Includes $12 million from the acquisition of State Automobile Mutual Insurance Company on March 1, 2022.

NM = Not Meaningful

Subsequent Events

Management has assessed material subsequent events through May 4, 2022, the date the financial statements were available to be issued.

CONSOLIDATED RESULTS OF OPERATIONS

The Company has identified consolidated pre-tax operating income (“PTOI”), and PTOI before limited partnerships income as non-GAAP financial measures. PTOI is defined by the Company as pre-tax income excluding net realized gains (losses), unit linked life insurance, loss on extinguishment of debt, discontinued operations, integration, other acquisition and restructuring related costs and cumulative effects of changes in accounting principles. Underlying PTOI is defined as PTOI excluding the impact of catastrophes and prior accident year development. Catastrophes are defined as a natural catastrophe, civil unrest, terror event, war or conflict exceeding $25 million in estimated ultimate losses, net of reinsurance, and before taxes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums. Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (including prior year losses related to catastrophes, prior year catastrophe reinstatement premium, and prior year commission expense) including earned premium attributable to prior years. PTOI before limited partnerships income is defined as PTOI excluding LP and LLC results recognized on the equity method and revenue and expenses from direct investments in natural resources. PTOI before limited partnerships income and PTOI are considered by the Company to be appropriate indicators of underwriting and operating results and are consistent with the way the Company internally evaluates performance. Net realized gains/(losses) and limited partnerships income results are significantly impacted by both discretionary and economic factors and are not necessarily indicative of operating results, and the timing and amount of integration, other acquisition and restructuring related costs and the extinguishment of debt are not connected to the management of the insurance and underwriting aspects of the Company’s business. Income taxes are impacted by permanent differences. References to Net Written Premium (“NWP”) represent the amount of premium recorded for policies issued during a fiscal period including audits, retrospectively rated premium related to loss sensitive policies, and assumed premium, less ceded premium. Assumed and ceded reinsurance premiums include premium adjustments for reinstatement of coverage when a loss has used some portion of the reinsurance provided, generally under catastrophe treaties (“reinstatement premium”), and changes in estimated premium. In addition, the majority of workers compensation premium is adjusted to the “booked as billed” method through the Corporate and Other segment. The Company believes that NWP is a performance measure useful to investors as it generally reflects current trends in the Company’s sale of its insurance products. The combined ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense less managed care income to earned premium; the ratio of insurance operating costs plus amortization of deferred policy acquisition costs less third-party administration income and fee income (primarily related to the Company’s involuntary market servicing carrier operations) and installment charges to earned premium; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premium and reinsurance are not included in the combined ratio unless related to an asbestos and environmental commutation and certain other run off. Restructuring and acquisition and integration costs are not included in the combined ratio. The combined ratio, expressed as a percentage, is a measure of underwriting profitability. The underlying combined ratio is computed as the combined ratio excluding the impact of catastrophes and prior accident year development. This measure should only be used in conjunction with, and not in lieu of, underwriting income and may not be comparable to other performance measures used by the Company’s competitors.

The Company’s discussions related to net income are presented on an after-tax GAAP basis. All other discussions are presented on a pre-tax GAAP basis, unless otherwise noted.

On March 1, 2022, the Company completed its merger with State Automobile Mutual Insurance Company (SAM), a super-regional insurance company headquartered in Columbus, Ohio. Under the terms of the agreement, members of SAM and its subsidiaries became mutual members of the Company. The Company acquired all of the publicly held shares of common stock of SAM’s subsidiary, State Auto Financial Corporation (STFC), for $52 per share in cash, totaling approximately $980 million. 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 income. Financial results post acquisition date are included in the MD&A and Unaudited Consolidated Financial Statements.

Liberty Mutual Metals and Mining signed an agreement in August 2021 to sell a subsidiary entity (Baralaba Coal Company) and recorded an incremental impairment of $10 million in Q4, bringing the total YTD impairment to $509 million. The transaction closed in December 2021 with a realized loss incurred of $30 million.

On June 8, 2021, it was announced that Independence Energy ("ICO") was entering into a reverse takeover of Contango Oil and Gas, a public company, through an "Up-C" structure, whereby a new publicly traded company was established (Crescent Energy, ticker CRGY) with underlying ownership split 76% to ICO and its existing shareholders, and 24% to Contango's shareholders. The merger transaction closed on December 9, 2021 at which point the Company exchanged its 31% ownership in ICO, for a 23.5% ownership in a new operating entity, Crescent Energy OpCo LLC, whose shares are exchangeable 1-for-1 with the public company. This transaction furthers the evolution of our energy holdings from a direct investing model to an experienced operator that provides product expertise and geographic diversification.

On August 16, 2021, Liberty Mutual Group Inc. ("LMGI") issued $500 million of Series F Junior Subordinated Notes, due 2051 (the "Series F Notes"). Interest is payable semi-annually at a fixed rate of 4.125%. The Series F Notes may be redeemed in whole or in part three months prior to and on December 15, 2026, after which the notes may be redeemed during the three-month period prior to and on each succeeding interest reset date. The interest reset dates are on each five-year anniversary of December 15, 2021 until December 15, 2051.

On July 19, 2021, the Company announced it will be applying for regulatory approval to acquire Malaysian insurer AmGeneral Insurance Berhad ("AmGeneral"). Subject to receiving appropriate regulatory approvals, Liberty Insurance Berhad will acquire 100% shares of AmGeneral, and AmBank Group's share of the sale proceeds will be in the form of cash and consideration shares, which will result in AmBank Group holding a 30% interest in the Liberty Insurance Berhad and AmGeneral businesses. The AmGeneral and Liberty Insurance Berhad operations will, at a subsequent date, be formally merged.

On February 1, 2021, LMGI issued $800 million of Series E Junior Subordinated Notes, due 2061 (the "Series E Notes"). Interest is payable semi-annually at a fixed rate of 4.30%. The Series E Notes may be redeemed in whole or in part on February 1, 2026, after which the notes may be redeemed on any interest payment date thereafter until February 1, 2061.

The Company has offered eligible employees an early retirement option. The Company calculated the cost of irrevocable acceptances of this special termination benefit to be $577 million, which was recognized in the fourth quarter of 2020 and was reflected in restructuring costs in the Consolidated Statements of Income. A settlement loss of $172 million was accrued through the fourth quarter of 2021 due to the volume of lump sum cash payments.

On May 1, 2018, the Company completed the sale of Liberty Life Assurance Company of Boston ("LLAC"), which provides group disability, group life, individual life and annuity products, to Lincoln Financial Group. In connection with the Company's May 2018 sale of LLAC to Lincoln Financial Group, the Company agreed, pursuant to the master transaction agreement, to indemnify Protective Life Corporation and Protective Life Insurance Company (together with certain of their respective affiliates, "Protective"), Lincoln and other parties against certain liabilities. In late 2018, Protective initiated informal discussions with the Company regarding potential indemnification claims (the "Initial Claims") and in 2019 the Company began an investigation and evaluation of such Initial Claims. This investigation is ongoing. On April 30, 2019, Protective delivered to the Company a formal demand for indemnification related to the Initial Claims and in addition, demands for indemnification including matters unrelated to the Initial Claims (the "New Claims"). Based on the Company's investigation to date of the claims generally, the Company accrued a reserve of $52 million, net of tax, for the year ended December 31, 2019, presented in discontinued operations in the Consolidated Statements of Income, which is primarily related to the Initial Claims, and may be adjusted up or down as the Company's investigation of all claims continues. The Company intends to vigorously defend all claims. During 2020, the Company booked an additional $17 million, net of tax, presented in discontinued operations in the Consolidated Statements of Income to reflect a final closing balance sheet settlement related to the sale of LLAC.

At this time, if the Initial Claims and all of the New Claims are ultimately determined to have merit and if the monetary value of those claims were equal to the amount alleged to be due, the aggregate potential liability represented by the claims would not have a material adverse effect on the financial condition of the Company, although such aggregate potential liability may be material relative to the Company's results of operations for a single reporting period, depending on the facts and circumstances at such time.

The Company’s two businesses are as follows:

- Global Retail Markets combines the Company’s local expertise in growth markets outside the U.S. with strong and scalable U.S. capabilities in order to take advantage of opportunities to grow its business globally. Global Retail Markets is organized into the following segments: U.S., West, East, and Reinsurance.

- Global Risk Solutions offers a wide array of property, casualty, specialty and reinsurance products distributed through brokers and independent agents globally. Global Risk Solutions is organized into the following market segments: Liberty Specialty Markets, North America, Global Surety, and Other Global Risk Solutions.

Overview – Consolidated

Consolidated NWP by significant line of business was as follows:

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Private passenger automobile	$4,014	$3,718	8.0%
Homeowners	1,789	1,495	19.7
Global Risk Solutions specialty insurance[1]	1,083	1,069	1.3
Global Risk Solutions reinsurance	908	826	9.9
Commercial automobile	581	458	26.9
Global Risk Solutions casualty[2]	548	476	15.1
Commercial multiple-peril	531	480	10.6
Workers compensation	485	424	14.4
Commercial property	376	380	(1.1)
Surety	333	298	11.7
Global Retail Markets general liability	265	236	12.3
Global Risk Solutions inland marine[3]	147	141	4.3
Global Risk Solutions other reinsurance	140	(5)	NM
Corporate reinsurance[4]	(75)	16	NM
Other[5]	442	389	13.6
Total NWP	$11,567	$10,401	11.2%

1 Global Risk Solutions specialty insurance includes marine, energy, construction, aviation, warranty and indemnity, directors and officers, errors and omissions, trade credit, contingent lines and other.
2 Global Risk Solutions casualty primarily includes general liability, excess & umbrella and environmental lines of business.
3 Global Risk Solutions inland marine includes handset protection coverage for lost or damaged wireless devices.
4 NWP associated with internal reinsurance assumed into Corporate, net of corporate external placements.
5 Primarily includes NWP from allied lines, domestic inland marine, internal reinsurance, and life and health reported within Global Retail Markets.
NM = Not Meaningful

NWP for the three months ended March 31, 2022 was $11.567 billion, an increase of $1.166 billion over the same period in 2021.

Significant changes by major line of business for the three months ended March 31, 2022 include:

- Private passenger automobile NWP increased $296 million. The increase reflects higher retention and rate increases taken to offset rising personal lines severity and frequency trends and the acquisition of SAM.
- Homeowners NWP increased $294 million. The increase reflects higher retention and rate increases taken to offset rising personal lines severity and frequency trends and the acquisition of SAM.
- Commercial automobile NWP increased $123 million. The increase reflects expansion of an existing partnership, the acquisition of SAM, higher retention and favorable rate.
- Global Risk Solutions other reinsurance NWP increased $145 million. The increase reflects the net impact of internal reinsurance changes.
- Corporate reinsurance NWP decreased $91 million. The decrease reflects timing related to placements.
- Global Risk Solutions casualty NWP increased $72 million. The increase reflects favorable rate, new business and higher retention.

Consolidated NWP by business was as follows:

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Global Retail Markets	$7,690	$6,845	12.3%
Global Risk Solutions	3,954	3,560	11.1
Corporate and Other	(77)	(4)	NM
Total NWP	$11,567	$10,401	11.2%
Foreign exchange effect on growth			(0.8)
NWP growth excluding foreign exchange[1]			12.0%

1 Determined by assuming constant foreign exchange rates between periods.
NM = Not Meaningful

Consolidated NWP by geographic distribution channels was as follows:

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
U.S.	$9,491	$8,006	18.5%
International excluding foreign exchange[1]	2,159	2,395	(9.9)
Foreign exchange[1]	(83)	-	-
Total NWP	$11,567	$10,401	11.2%

1 Determined by assuming constant foreign exchange rates between periods.

For a more complete description of the Company's business operations, products and distribution channels, and other material information, please visit the Company's Investor Relations web site at www.libertymutualgroup.com/investors.

Results of Operations – Consolidated

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Revenues	$11,874	$11,815	0.5%
Underlying PTOI before limited partnerships income	$1,066	$1,077	(1.0%)
Catastrophes	(656)	(1,040)	(36.9)
Net incurred losses attributable to prior years:			
- Asbestos and environmental[1]	-	-	-
- All other[2]	(11)	39	NM
Pre-tax operating income before limited partnerships income	399	76	NM
Limited partnerships income[3]	365	838	(56.4)
Pre-tax operating income	764	914	(16.4)
Net realized (losses) gains	(144)	254	NM
Unit linked life insurance	47	(56)	NM
Acquisition & integration costs	(9)	(4)	125.0
Restructuring costs	(2)	(1)	100.0
Pre-tax income	656	1,107	(40.7)
Income tax expense	158	250	(36.8)
Consolidated net income	498	857	(41.9)
Less: Net income attributable to non-controlling interest	-	1	(100.0)
Net income attributable to LMHC	498	856	(41.8)
Net income attributable to LMHC excluding unrealized impact[4]	509	793	(35.8)
Cash flow provided by continuing operations	$786	$1,046	(24.9%)

1 Asbestos and environmental is gross of the related adverse development reinsurance (the "NICO Reinsurance Transaction", which is described further in Reinsurance).

2 Net of earned premium and reinstatement premium attributable to prior years of $8 million for the three months ended March 31, 2022, and $36 million for the same period in 2021.

3 Limited partnerships income includes LP, LLC and other equity method income within net investment income in the accompanying Consolidated Statements of Income and revenue and expenses from direct investments in natural resources.

4 Excludes unrealized gains on equity securities, unit linked life insurance, and the corresponding tax impact.

NM = Not Meaningful

Limited Partnerships Income	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Limited partnerships income[1]	$369	$857	(56.9%)
Direct investment in natural resources revenues[2]	2	26	(92.3%)
Direct investment in natural resources expenses[3]	(6)	(45)	(86.7%)
Total limited partnerships income	$365	$838	(56.4%)

1 Included within net investment income in the accompanying Consolidated Statements of Income.

2 Included within fee & other revenues in the accompanying Consolidated Statements of Income.

3 Included within operating costs and expenses in the accompanying Consolidated Statements of Income.

Net Investment Income	Three Months Ended March 31,	
$ in Millions	**2022**	**2021**
Taxable interest income	$462	$444
Tax-exempt interest income	38	36
Dividends	9	5
Limited partnerships income	369	857
Mortgage loans	25	20
Other investment income	6	3
Gross investment income	909	1,365
Investment expenses[1]	(93)	(75)
Total net investment income	$816	$1,290

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

Net Realized (Losses) Gains $ in Millions	Sales & Settlements	Impairments	Unrealized (Losses) Gains	Total
Three Months Ended March 31, 2022:				
Fixed maturities	($114)	$-	$-	($114)
Equities	48	-	(219)	(171)
Derivatives	(50)	-	10	(40)
Other	(8)	(12)	201	181
Total	($124)	($12)	($8)	($144)
Three Months Ended March 31, 2021:				
Fixed maturities	$67	($5)	$-	$62
Equities	(2)	-	121	119
Derivatives	81	-	17	98
Other	(21)	-	(4)	(25)
Total	$125	($5)	$134	$254

Unrealized (Losses) Gains Related to Equity Securities[1]	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Net (losses) gains recognized during the period on equity securities	($18)	$117	NM
Less: Net (losses) recognized during the period on equity securities sold during the period	(62)	(4)	NM
Unrealized gains recognized during the reporting period on equity securities still held at the reporting date	$44	$121	(63.6%)

1 Included equities and equity like securities classified as other.
NM = Not Meaningful

Pre-tax operating income before limited partnerships income for the three months ended March 31, 2022 was $399 million, an increase of $323 million over the same period in 2021. Underlying pre-tax operating income before limited partnerships income was $1.066 billion, a decrease of $11 million from the same period in 2021. The decrease reflects higher non-catastrophe losses in U.S. personal lines and higher expenses in Global Risk Solutions, partially offset by profit margin on earned premium driven by strong topline results in both Global Retail Markets and Global Risk Solutions and improved current accident year losses in Global Risk Solutions. Including the impact of catastrophes and net incurred losses attributable to prior years, the increase in pre-tax operating income primarily reflects lower current year catastrophe losses due to lower frequency and severity of events in 2022 versus 2021 driven by the winter ice storm events. These were partially offset by higher net incurred losses attributable to prior years.

Total limited partnerships income, including operating income from direct investments in natural resources, for the three months ended March 31, 2022 was $365 million, a decrease of $473 million from the same period in 2021. The decrease reflects less favorable valuations across limited partnership investments, primarily driven by private capital investments.

Revenues for the three months ended March 31, 2022 were $11.874 billion, an increase of $59 million over the same period in 2021. The major components of revenues are net premium earned, net investment income, net realized gains (losses), and fee and other revenues.

Net premium earned for the three months ended March 31, 2022 was $10.951 billion, an increase of $898 million over the same period in 2021. The increase primarily reflects the premium earned associated with the changes in NWP previously discussed.

Net investment income including limited partnerships income for the three months ended March 31, 2022 was $816 million, a decrease of $474 million from the same period in 2021. The decrease reflects less favorable valuations across the limited partnership investments, primarily driven by private capital investments.

Net realized losses for the three months ended March 31, 2022 were $144 million, versus net realized gains of $254 million for the same period in 2021. The net realized losses in the current quarter were primarily driven by $219 million net change in equity unrealized losses, $114 million of net losses on fixed maturity sales and $50 million of net losses on derivatives. This was partially offset by $199 million net change in unrealized gains on energy holdings. The prior period was primarily driven by a $121 million net change in equity unrealized gains, $98 million of net gains on derivatives and $67 million of net gains from fixed maturity sales.

Fee and other revenues for the three months ended March 31, 2022 were $251 million, an increase of $33 million over the same period in 2021. The increase primarily reflects a workers compensation surplus refund from the state of Minnesota.

Claims, benefits and expenses for the three months ended March 31, 2022 were $11.254 billion, an increase of $607 million over the same period in 2021. The increase primarily reflects higher attritional losses in Global Risk Solutions and higher U.S. non-catastrophe losses in Global Retail Markets and higher net incurred losses attributable to prior years. These were partially offset by lower catastrophe losses due to lower frequency and severity of events compared to 2021 in Global Retail Markets.

Income tax expense on continuing operations for the three months ended March 31, 2022, was $158 million, a decrease of $92 million from the same period in 2021. The Company's effective tax rate for the three months ended March 31, 2022 was 24% compared to 23% for the same period in 2021. The Company's effective tax rate differs from the U.S. Federal statutory rate of 21% primarily due to the impact of non-U.S. operations partially offset by tax-exempt investment income.

Net income attributable to LMHC for the three months ended March 31, 2022 was $498 million, a decrease of $358 million from the same period in 2021.

Cash flow provided by continuing operations for the three months ended March 31, 2022 was $786 million, a decrease of $260 million from the same period in 2021. The decrease reflects unfavorable paid loss activity and expenses paid in Global Retail Markets, partially offset by timing of reinsurance payments.

CONSOLIDATED	Three Months Ended March 31, 2022	2021	Change (Points)
Underlying combined ratio			
Claims and claim adjustment expense ratio	64.1%	62.1%	2.0
Underwriting expense ratio	28.7	29.5	(0.8)
Subtotal	92.8	91.6	1.2
Catastrophes	6.0	10.4	(4.4)
Net incurred losses attributable to prior years:			
- Asbestos and environmental	-	-	-
- All other[1]	0.1	(0.5)	0.6
Total combined ratio	98.9%	101.5%	(2.6)

1 Net of earned premium and reinstatement premium attributable to prior years.

The consolidated underlying combined ratio for the three months ended March 31, 2022 was 92.8%, an increase of 1.2 points over the same period in 2021. The increase was primarily driven by an increase in the claims and claim adjustment expense ratio due to higher non-catastrophe losses in the U.S., primarily due to personal auto and personal property, partially offset by higher earned premium in both Global Retail Markets and Global Risk Solutions and an improved current accident year loss ratio due to rate in excess of loss trend and favorable business mix in Global Risk Solutions.

Including the impact of catastrophes and net incurred losses attributable to prior years the total combined ratio for the three months ended March 31, 2022 was 98.9%, a decrease of 2.6 points from the same period in 2021. The decrease was driven by lower current year catastrophe losses due to lower frequency and severity of events in 2022 versus 2021 driven by the winter ice storm events.

GLOBAL RETAIL MARKETS

Overview – Global Retail Markets

Global Retail Markets combines the Company's local expertise in growth markets outside the U.S. with strong and scalable U.S. capabilities to take advantage of opportunities to grow its business globally. Global Retail Markets is comprised of four segments: U.S., West, East, and Reinsurance.

U.S. consists of Personal Lines and Business Lines. U.S. Personal Lines sells automobile, homeowners and other types of property and casualty insurance coverage to individuals in the United States. These products are distributed through approximately 1,780 licensed employee sales representatives, 1,260 licensed telesales counselors, independent agents, third-party producers, online, and sponsored affinity groups. U.S. Business Lines serves small commercial customers through an operating model that combines local underwriting, market knowledge and service with the scale advantages of a national company. Starting in March of this year, U.S. will also include U.S. Personal and Business Lines coverages sold under our newly acquired State Auto brand.

West sells property and casualty, health and life insurance products and services to individuals and businesses in Brazil, the Andes Market (Colombia, Chile, Ecuador) and the Western Europe Market (Spain, Portugal, and Ireland). Private passenger automobile insurance is the single largest line of business.

East sells property and casualty, health and life insurance products and services to individuals and businesses in the Asia Market (Thailand, Singapore, Hong Kong, Vietnam), Malaysia, India, and China. Private passenger automobile insurance is the single largest line of business.

Global Retail Markets Reinsurance consists of certain internal reinsurance programs.

On March 1, 2022, the Company completed the acquisition of SAM, a super-regional insurance holding company headquartered in Columbus, Ohio.

On July 19, 2021, the Company announced it will be applying for regulatory approval to acquire Malaysian insurer AmGeneral. Subject to receiving appropriate regulatory approvals, Liberty Insurance Berhad will acquire 100% shares of AmGeneral, and AmBank Group's share of the sale proceeds will be in the form of cash and consideration shares, which will result in AmBank Group holding a 30% interest in the Liberty Insurance Berhad and AmGeneral businesses. The AmGeneral and Liberty Insurance Berhad operations will, at a subsequent date, be formally merged.

Global Retail Markets NWP by market segment was as follows:

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
U.S.	$6,763	$5,966	13.4%
West	593	542	9.4
East	329	329	-
Global Retail Markets Reinsurance	5	8	(37.5)
Total NWP	$7,690	$6,845	12.3%
Foreign exchange effect on growth			(0.4)
NWP growth excluding foreign exchange[1]			12.7%

1 Determined by assuming constant foreign exchange rates between periods.
NM = Not Meaningful

Global Retail Markets NWP by line of business was as follows:

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Private passenger automobile	$4,014	$3,718	8.0%
Homeowners	1,789	1,495	19.7
Commercial multiple-peril	504	452	11.5
Commercial automobile	388	326	19.0
General liability	265	236	12.3
Workers compensation	166	164	1.2
Commercial property	119	60	98.3
Life and health	118	123	(4.1)
Other[1]	327	271	20.7
Total NWP	$7,690	$6,845	12.3%

1 Premium related to internal reinsurance and other personal and commercial lines including personal accident, bonds, small and medium enterprise, and marine and cargo lines of business.

NWP for the three months ended March 31, 2022 was $7.690 billion, an increase of $845 million over the same period in 2021. This increase was driven by:

- U.S. personal lines due to higher retention as well as an increase in average written premium due to rate actions to offset rising personal lines severity and frequency trends.
- U.S. business lines driven by increased written premium due to the expansion of an existing partnership.
- The West region due to higher results in private passenger auto in Brazil and commercial property results in Chile, partially offset by lower private passenger auto results in the Western European Market.
- The acquisition of SAM on March 1, 2022, which primarily contributes to growth in private passenger auto, homeowners, and commercial auto.

Partially offsetting the premium increase was:

- The impact of foreign exchange as many international currencies weakened versus the U.S. dollar, most notably the euro.

Results of Operations – Global Retail Markets

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Revenues	$7,793	$7,287	6.9%
Underlying PTOI	$607	$873	(30.5%)
Catastrophes	(361)	(861)	(58.1)
Net incurred losses attributable to prior years	3	113	(97.3)
Pre-tax operating income	$249	$125	99.2%

Pre-tax operating income for the three months ended March 31, 2022 was $249 million, an increase of $124 million over the same period in 2021. Underlying pre-tax operating income was $607 million, a decrease of $266 million from the same period in 2021. The decrease was driven by higher non-catastrophe losses in the U.S. primarily in personal auto due to increased frequency and severity and personal property due to higher severity, partially offset by profit margin on earned premium. Inflationary trends have been a primary driver of the increase in severity in the quarter as auto severity was impacted by higher used car prices and upward pressure on repairable trends, and property was impacted by increasing material and labor costs. Including the impact of catastrophes and net incurred losses attributable to prior years, the increase was driven by lower catastrophe losses in the U.S. due to lower frequency and severity of events compared to 2021. Contributing to the large decrease in catastrophe losses were the winter ice storm events in 2021 which did not reoccur. Partially offsetting the increase were greater 2021 prior year catastrophe reserve releases in the U.S. related to accident year 2020 events that had favorably developed which did not reoccur.

Revenues for the three months ended March 31, 2022 were $7.793 billion, an increase of $506 million over the same period in 2021. The increase was driven by higher earned premiums due to the topline impacts previously discussed. Adding to the favorability was the additional revenue for the month of March related to the SAM acquisition. Partially offsetting the increase in revenue was a decline in unrealized gains due to market valuation changes on unit linked life insurance where the policyholder bears the investment risk and lower net investment income.

Claims, benefits, and expenses for the three months ended March 31, 2022 were $7.578 billion, an increase of $473 million over the same period in 2021. The increase was driven by higher U.S. non-catastrophe losses, increased spend on independent adjusters due to higher utilization, and higher variable expenses in the U.S. due to the increase in topline. Adding to the increase were the claims, benefits, and expenses for the month of March related to the SAM acquisition. The increase was also driven by greater 2021 prior year catastrophe reserve releases in the U.S. related to accident year 2020 events that had favorably developed which did not reoccur. Partially offsetting the increase were lower catastrophe losses in the U.S. due to lower frequency and severity of events compared to 2021 and the previously mentioned impacts of the winter ice storm events on 2021 results.

	Three Months Ended March 31,		
GLOBAL RETAIL MARKETS	**2022**	**2021**	**Change (Points)**
Underlying combined ratio			
Claims and claim adjustment expense ratio	65.4%	61.0%	4.4
Underwriting expense ratio	28.1	28.6	(0.5)
Subtotal	93.5	89.6	3.9
Catastrophes	4.8	12.5	(7.7)
Net incurred losses attributable to prior years	-	(1.6)	1.6
Total combined ratio	98.3%	100.5%	(2.2)

The Global Retail Markets underlying combined ratio for the three months ended March 31, 2022 was 93.5%, an increase of 3.9 points over the same period in 2021. The increase was driven by an increase in the claims and claim adjustment expense ratio due to higher non-catastrophe losses in the U.S. and increased spend on independent adjustors due to higher utilization. The increase in the claims and claim adjustment expense ratio was partially offset by a decrease in the underwriting expense ratio, primarily driven by earned premium growth.

Including the impact of catastrophes and net incurred losses attributable to prior years, the total combined ratio for the three months ended March 31, 2022 was 98.3%, a decrease of 2.2 points from the same period in 2021. The decrease was driven by the previously mentioned decrease in catastrophe losses due to lower frequency and severity of events in 2022 versus 2021. Partially offsetting the decrease were greater 2021 prior year catastrophe reserve releases in the U.S. related to accident year 2020 events that had developed favorably which did not reoccur.

GLOBAL RISK SOLUTIONS

Overview – Global Risk Solutions

Global Risk Solutions ("GRS") offers a wide array of property, casualty, specialty and reinsurance products and services distributed through brokers and independent agents globally. The segments for Global Risk Solutions are as follows:

- Liberty Specialty Markets ("LSM") – Includes most Global Risk Solutions business outside of North America along with global reinsurance.
- North America ("NA") – North America includes admitted and non-admitted property and casualty.
- Global Surety – A global leader providing surety guarantees to businesses ranging from multinational to local in most industry segments.
- Other Global Risk Solutions primarily consists of internal reinsurance programs, Ironshore international entities and a large global inland marine program.

Global Risk Solutions NWP by market segment was as follows:

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Liberty Specialty Markets	$1,784	$1,802	(1.0%)
North America	1,560	1,327	17.6
Global Surety	324	290	11.7
Other Global Risk Solutions	286	141	102.8
Total NWP	$3,954	$3,560	11.1%
Foreign exchange effect on growth			(1.5)
NWP growth excluding foreign exchange[1]			12.6%

1 Determined by assuming constant foreign exchange rates between periods.

Global Risk Solutions NWP by line of business was as follows:

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Specialty insurance[1]	$1,083	$1,069	1.3%
Reinsurance	908	826	9.9
Casualty[2]	548	476	15.1
Surety	333	298	11.7
Workers Compensation	318	275	15.6
Commercial property	257	320	(19.7)
Commercial automobile	193	132	46.2
Inland marine[3]	147	141	4.3
Other reinsurance	140	(5)	NM
Commercial multiple-peril	27	28	(3.6)
Total NWP	$3,954	$3,560	11.1%

1 Includes marine, energy, construction, aviation, warranty and indemnity, directors and officers, errors and omissions, trade credit, contingent lines and other.
2 Primarily includes general liability, excess & umbrella and environmental lines of business.
3 Includes handset protection coverage for lost or damaged wireless devices.
NM = Not Meaningful

NWP for the three months ended March 31, 2022, was $3.954 billion, an increase of $394 million over the same period in 2021.

The increase was driven by:

- Renewal rate increases across most lines of business, totaling 9%;
- Increase in retention of four points driven by areas with improved underwriting;
- Exposure changes from surety, mid-term endorsements and premium audits

Partially offset by:

- Ceded reinsurance program changes resulting in higher cessions due to more coverage being purchased and higher volume on direct written business

Additionally, internal reinsurance changes in 2022 created offsetting differences amongst segments and lines.

Results of Operations – Global Risk Solutions

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Revenues	$3,794	$3,548	6.9%
Underlying PTOI	$551	$438	25.8
Catastrophes	(302)	(195)	54.9
Net incurred losses attributable to prior years[1]	(27)	4	NM
Pre-tax operating income	$222	$247	(10.1%)

1 Net of earned premium and reinstatement premium attributable to prior years of $8 million for the three months ended March 31, 2022, and $36 million for the same period in 2021.
NM = Not Meaningful

Pre-tax operating income for the three months ended March 31, 2022 was $222 million, a decrease of $25 million from the same period in 2021. Underlying pre-tax operating income for the three months ended March 31, 2022 was $551 million, an increase of $113 million over the same period in 2021. The increase reflects an improved current accident year loss ratio due to rate in excess of loss trend, favorable business mix, profit margin on higher earned premium and a workers compensation surplus refund from the state of Minnesota. The increase was partially offset by higher expenses driven by investments in technology and operations to support profitable growth and increases in employee related costs as well as lower net investment income. Including the impact of catastrophes and net incurred losses attributable to prior years, the change in pre-tax operating income was due to unfavorable development on prior accident year catastrophes and higher current year catastrophe losses, roughly half of which was attributed to an IBNR estimate for the Russia-Ukraine conflict and the remainder largely driven by Australia floods and Europe windstorms.

Revenues for the three months ended March 31, 2022 were $3.794 billion, an increase of $246 million over the same period in 2021. The increase primarily reflects premium earned associated with the changes in NWP previously discussed and a workers compensation surplus refund from the State of Minnesota partially offset by lower net investment income.

Claims, benefits and expenses for the three months ended March 31, 2022 were $3.591 billion, an increase of $296 million over the same period in 2021. The increase reflects attritional losses due to growth, higher catastrophe losses as previously mentioned, unfavorable development on prior accident year catastrophes and higher expenses driven by investments in technology and operations to support profitable growth and increases in employee related costs. This is partially offset by an improved current accident year loss ratio due to rate in excess of loss trend and favorable business mix.

	Three Months Ended March 31,		
GLOBAL RISK SOLUTIONS	**2022**	**2021**	**Change (Points)**
Underlying combined ratio			
Claims and claim adjustment expense ratio	60.8%	63.3%	(2.5)
Underwriting expense ratio	29.4	30.2	(0.8)
Dividend ratio	0.1	0.1	-
Subtotal	90.3	93.6	(3.3)
Catastrophes	8.7	6.1	2.6
Net incurred losses attributable to prior years[1]	0.7	(0.4)	1.1
Total combined ratio	99.7%	99.3%	0.4

1 Net of earned premium and reinstatement premium attributable to prior years.

The Global Risk Solutions underlying combined ratio for the three months ended March 31, 2022 was 90.3%, a decrease of 3.3 points from the same period in 2021. The decrease in the claims and claim adjustment expense ratio was primarily driven by an improved current accident year loss ratio due to rate in excess of loss trend and favorable business mix. The decrease in the underwriting expense ratio was primarily driven by favorable commissions and higher earned premium partially offset by higher expenses due to investments in technology and operations to support profitable growth and increases in employee related costs.

Including the impact of catastrophes and net incurred losses attributable to prior years, the total combined ratio for the three months ended March 31, 2022 was 99.7%, an increase of 0.4 points over the same period in 2021. The increase was driven by higher catastrophe losses as previously mentioned and unfavorable development on prior accident year catastrophes.

CORPORATE AND OTHER

Overview – Corporate and Other

Corporate and Other includes the following significant items:

- Certain internal discontinued operations, which comprises: the run-off of certain commercial lines business, the run-off of the California workers compensation business of Golden Eagle Insurance Corporation and certain distribution channels related to Prudential Property and Casualty Insurance Company, Prudential General Insurance Company and Prudential Commercial Insurance Company (together, "PruPac") and Liberty Re annuity business.

- Cessions related to certain retroactive reinsurance agreements, including the NICO Reinsurance Transaction and NICO Casualty Reinsurance Transaction, which are described further in "Reinsurance".

- Effective January 1, 2015, Corporate began assuming certain pre-2014 voluntary and involuntary workers compensation claims from the businesses. The covered business materially aligns with the workers compensation business covered by the retroactive reinsurance agreement defined as the NICO Reinsurance Transaction, which is described further in "Reinsurance".

- Effective January 1, 2019, Corporate began assuming certain U.S. workers compensation, commercial auto, and general liability claims from the businesses. The covered business materially aligns with the casualty business covered by the retroactive reinsurance agreement defined as the NICO Casualty Reinsurance Transaction, which is described further in "Reinsurance," with two notable differences: 1) the internal treaty attaches at held reserves at inception and does not include a loss corridor, and 2) the internal treaty includes umbrella claims related to Business Lines within Global Retail Markets.

- Effective September 30, 2020, Corporate began assuming certain pre-2018 construction defect liabilities from Global Risk Solutions.

- Reserve changes on certain other casualty and property lines of business.

- Interest expense on the Company's outstanding debt.

- Certain risks of its businesses that the Company reinsures as part of its risk management program and pre-2019 and post-2020 risks on U.S. homeowners business covered by externally ceded homeowners' quota share reinsurance treaties.

- The Company reports its written premium on workers compensation contracts on the "booked as billed" method. The businesses report workers compensation written premium on the "booked at inception" method. Corporate and Other results reflect the difference between these two methods.

- Costs associated with certain long-term compensation plans and other corporate costs not fully allocated to the businesses.

- Property and casualty operations' investment income is allocated to the businesses based on planned ordinary investment income returns by investment category. The difference between allocated net investment income and actual net investment income is included in Corporate and Other.

- Investment-related realized gains (losses) and real estate impairments.

- Income related to limited partnership investments.

- Fee and other revenues include revenues from certain non-insurance subsidiaries, including Liberty Energy, Liberty Metals and Mining and Liberty Mutual Agriculture and Timber. These subsidiaries generate revenue from the production and sale of oil, gas, and other natural resources and related limited partnership investments.

Corporate and Other NWP by line of business was as follows:

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Reinsurance, net	($75)	$16	NM
Workers compensation[1]	1	(15)	NM
Other	(3)	(5)	(40.0)
Total NWP	($77)	($4)	NM

1 Booked as billed adjustment.
NM = Not Meaningful

NWP for the three months ended March 31, 2022 was ($77) million, a decrease of $73 million from the same period in 2021. The decrease is driven by timing and a shift in renewal periods for reinsurance placements and the workers compensation booked as billed adjustment.

Results of Operations – Corporate and Other

	Three Months Ended March 31,		
$ in Millions	**2022**	**2021**	**Change**
Revenues	$287	$980	(70.7%)
Underlying pre-tax operating loss before limited partnerships income	($92)	($234)	(60.7)
Catastrophes	7	16	(56.3)
Net incurred losses attributable to prior years:			
-Asbestos and environmental[1]	-	-	-
-All other[1,2]	13	(78)	NM
Pre-tax operating loss before limited partnerships income	(72)	(296)	(75.7)
Limited partnership income[3]	365	838	(56.4)
Pre-tax operating income	$293	$542	(45.9%)

1 Asbestos and environmental is gross of the NICO Reinsurance Transaction, which is described further in "Reinsurance".
2 Net of earned premium attributable to prior years of zero for the three months ended March 31, 2022 and 2021.
3 Limited partnerships income includes LP, LLC and other equity method income within net investment income in the accompanying Consolidated Statements of Income and revenue and expenses from direct investments in natural resources.
NM = Not Meaningful

Pre-tax operating income for the three months ended March 31, 2022 was $293 million, a decrease of $249 million from the same period in 2021. Underlying pre-tax operating loss before limited partnerships income was ($92) million, a decrease of $142 million from the same period in 2021. The decrease in loss was driven by higher net investment income and lower employee related costs. Including the impact of catastrophes, net incurred losses attributable to prior years, and limited partnerships income, the decrease in pre-tax operating income is primarily driven by lower limited partnerships income, partially offset by favorable incurred losses attributable to prior years in the current period versus unfavorable, specifically due to strengthening of casualty run-off reserves in 2021 that did not recur in 2022.

Revenues for the three months ended March 31, 2022 were $287 million, a decrease of $693 million from the same period in 2021. The major components of revenues are net premium earned, net investment income (including limited partnerships income), net realized gains, and fee and other revenues.

Net premium earned for the three months ended March 31, 2022 was ($45) million, an increase of $28 million over the same period in 2021. The increase primarily reflects the reinsurance earnings impact of various property catastrophe placements due to lower earnings on ceded placements and higher earnings on assumed placements.

Net investment income including limited partnerships income for the three months ended March 31, 2022 was $422 million, a decrease of $404 million from the same period in 2021. The decrease reflects less favorable valuations across the limited partnership investments as a result of declining market conditions and one-time benefits in 2021 that did not recur in 2022, primarily due to private capital investments.

Net realized (losses) gains for the three months ended March 31, 2022 were ($91) million, versus net realized gains of $191 million for the same period in 2021. The net realized losses in the current period were driven by $108 million of net losses on fixed maturity sales and $40 million net losses on derivatives, partially offset by $54 million in equity realized gains. The prior period was primarily driven by a $68 million net change in equity unrealized gains, $98 million of net gains on derivatives, and $67 million of net gains on fixed maturity sales.

Fee and other revenues for the three months ended March 31, 2022 were $1 million, a decrease of $35 million from the same period in 2021. The decrease was primarily driven by lower natural resource revenues due to the Independence Energy "ICO" merger transaction that occurred later in 2021.

Claims, benefits, and expenses for the three months ended March 31, 2022 were $85 million, a decrease of $162 million from the same period in 2021. The decrease primarily reflects favorable incurred losses attributable to prior years, and lower employee related costs, as mentioned previously. Partially offsetting this is lower reinsurance recoveries related to catastrophe losses.

INVESTMENTS

General

The Company's investment strategy seeks long-term returns through disciplined security selection, portfolio diversity and an integrated approach to risk management. The Company selects and monitors investments to balance the goals of safety, stability, liquidity, growth and after-tax total return with its need to comply with regulatory investment requirements. A relatively safe and stable income stream is achieved by maintaining a broadly-based portfolio of investment grade bonds. These holdings are supplemented by investments in additional asset types with the objective of further enhancing the portfolio's diversification and expected returns. These additional asset types include commercial mortgages and other real estate financing investments, non-investment grade bonds, including leveraged loans, common and preferred stock, private equity and direct investments in natural resource ventures. Risk management is accomplished through asset liability management (including both interest rate risk and foreign currency risk), diversification, credit limits and a careful analytical review of each investment decision.

The Company's investment policy and strategy are reviewed and approved by the Investment Committee of its Board of Directors, which meets on a regular basis to review and consider investment activities, tactics and new investment classes. In addition, the Company predominantly uses a subsidiary investment advisor for managing and administering the investment portfolios of its domestic and foreign insurance operations.

Invested Assets (including cash and cash equivalents)

The following table summarizes the Company's invested assets by asset category as of March 31, 2022 and December 31, 2021:

Invested Assets by Type	**As of March 31, 2022**		**As of December 31, 2021**	
$ in Millions	**Carrying Value**	**% of Total**	**Carrying Value**	**% of Total**
Fixed maturities, available for sale, at fair value	$71,045	69.4%	$73,106	70.8%
Equity securities, at fair value	3,580	3.5	3,034	2.9
Limited partnership investments	11,899	11.6	11,134	10.8
Mortgage loans	3,110	3.0	2,659	2.6
Short-term investments	262	0.3	218	0.2
Other investments	2,564	2.5	2,267	2.3
Cash and cash equivalents	9,987	9.7	10,777	10.4
Total invested assets	$102,447	100.0%	$103,195	100.0%

Total invested assets as of March 31, 2022 were $102.447 billion, a decrease of $748 million or 0.7% from December 31, 2021. The decrease was primarily related to a decrease in fixed maturities and cash and cash equivalents, partially offset by an increase in limited partnership investments and equity securities.

Fixed maturities as of March 31, 2022 were $71.045 billion, a decrease of $2.061 billion or 2.8% from December 31, 2021. The decrease was primarily driven by the unfavorable impact of the increase in treasury rates. As of March 31, 2022, included in fixed maturities are commitments to purchase various residential mortgage-backed securities at a cost and fair value of $203 million and $200 million, respectively.

Equity securities as of March 31, 2022 were $3.580 billion ($3.572 billion common stock and $8 million preferred stock) versus $3.034 billion as of December 31, 2021 ($3.023 billion common stock and $11 million preferred stock), an increase of $546 million or 18.0% over December 31, 2021. Of the $3.580 billion of common stock at March 31, 2022, $734 million relates to securities associated with non-guaranteed unit linked life insurance where the policyholder bears the investment risk.

The following table summarizes the Company's limited partnership investments as of March 31, 2022 and December 31, 2021:

Limited partnership investments	**As of March 31, 2022**		**As of December 31, 2021**	
$ in Millions	**Carrying Value**	**% of Total**	**Carrying Value**	**% of Total**
Traditional private equity	$5,815	48.9%	$5,535	49.8%
Real estate	2,282	19.2	2,065	18.5
Private credit	1,302	11.0	1,237	11.1
Natural resources – Energy	962	8.1	794	7.1
Natural resources – Other[1]	905	7.5	873	7.8
Other	633	5.3	630	5.7
Total limited partnership investments[2]	$11,899	100%	$11,134	100.0%

1 Included in Natural Resources – Other is $9 million of investments in metals & mining as of March 31, 2022 and December 31, 2021, $132 million of investments in agriculture and timber as of March 31, 2022 and December 31, 2021, and $764 million and $732 million of investments in energy transition and infrastructure as of March 31, 2022 and December 31, 2021, respectively.

2 Included in total limited partnership investments are $813 million and $614 million of limited partnership investments where the Company has elected fair value option of as of March 31, 2022 and December 31, 2021, respectively.

Mortgage loans as of March 31, 2022 were $3.110 billion (net of $2 million of loan loss reserves or 0.1% of the outstanding loan portfolio), an increase of $451 million or 17.0% over December 31, 2021. The increase is primarily driven by $632 million in funding partially offset by $181 million in principal reductions. The entire mortgage loan portfolio is U.S.-based. The number of loans in the portfolio decreased from 3,285 at December 31, 2021 to 3,165 at March 31, 2022.

Cash and cash equivalents as of March 31, 2022 were $9.987 billion, a decrease of $790 million or 7.3% from December 31, 2021. The decrease primarily reflects a decrease in cash from investing activities partially offset by an increase in cash from operations.

The following tables summarize the Company's available for sale portfolio by security type as of March 31, 2022 and December 31, 2021:

	As of March 31, 2022			
$ in Millions	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. government and agency securities	$9,174	$13	($342)	$8,845
Residential MBS [1]	6,714	19	(203)	6,530
Commercial MBS	3,963	44	(77)	3,930
Other MBS and ABS [2]	5,043	7	(135)	4,915
U.S. state and municipal	8,856	170	(231)	8,795
Corporate and other	33,949	199	(1,355)	32,793
Foreign government securities	5,368	73	(204)	5,237
Total securities available for sale	$73,067	$525	($2,547)	$71,045

1 Mortgage-backed securities ("MBS")
2 Asset-backed securities ("ABS")

	As of December 31, 2021			
$ in Millions	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. government and agency securities	$11,421	$78	($43)	$11,456
Residential MBS	5,287	100	(19)	5,368
Commercial MBS	4,045	190	(19)	4,216
Other MBS and ABS	5,535	49	(33)	5,551
U.S. state and municipal	8,255	537	(12)	8,780
Corporate and other	31,986	847	(197)	32,636
Foreign government securities	5,051	132	(84)	5,099
Total securities available for sale	$71,580	$1,933	($407)	$73,106

The following table summarizes the Company's mortgage and asset-backed fixed maturity portfolio by credit quality as of March 31, 2022:

Mortgage & Asset-Backed Fixed Maturities by Credit Quality[1]	**As of March 31, 2022**							
$ in Millions	**AAA**	**AA**	**A**	**BBB**	**BB**	**B or Lower**	**Total**	**% of Total**
Residential MBS	$6,522	$-	$6	$-	$ -	$2	$6,530	42.5%
Commercial MBS	3,420	89	243	74	104	-	3,930	25.5
Other MBS and ABS	2,358	683	902	624	284	64	4,915	32.0
Total	$12,300	$772	$1,151	$698	$388	$66	$15,375	100.0%
% of Total	80.0%	5.0%	7.5%	4.6%	2.5%	0.4%	100%	

1 For purposes of this disclosure, credit quality is primarily based upon average credit ratings.

Approximately 62.8% of the Company's mortgage and asset-backed fixed maturity portfolio is explicitly backed by the U.S. government (SBA and GNMA) or by government-sponsored entities (FNMA and FHLMC). Approximately 80% of the holdings are rated AAA. Included in the commercial mortgage-backed securities at March 31, 2022, were $ 3.042 billion in Agency CMBS and $888 million Non-agency CMBS. Included in the Other MBS and ABS at March 31, 2022 were $369 million AAA rated SBA Loans. The commercial mortgage-backed securities portfolio is well diversified and of high quality with approximately 87.0% rated AAA.

The following table summarizes the Company's U.S. state and municipal fixed maturity portfolio of securities which are obligations of states, municipalities, and political subdivisions (collectively referred to as U.S. state and municipal bonds) by credit quality as of March 31, 2022 and December 31, 2021:

U.S. State and Municipal by Credit Quality[1]	**As of March 31, 2022**			**As of December 31, 2021**		
$ in Millions	**Fair Value**	**% of Total**	**Average Credit Rating**	**Fair Value**	**% of Total**	**Average Credit Rating**
State general obligation	$2,039	23.2%	AA	$1,969	22.4%	AA
Local general obligation	1,686	19.2	AA	1,735	19.8	AA
Revenue	5,000	56.8	A	4,971	56.6	A
Pre-refunded	70	0.8	AAA	105	1.2	AAA
Total U.S. state and municipal	$8,795	100.0%	AA	$8,780	100.0%	AA

1 For purposes of this disclosure, credit quality is primarily based upon average credit ratings.

The municipal bond portfolio (taxable and tax-exempt) includes general obligation and revenue bonds issued by states, cities, counties, school districts, hospitals, educational institutions, and similar issuers. Included in the municipal bond portfolio at March 31, 2022 and December 31, 2021 were $70 million and $105 million, respectively, of pre-refunded bonds, which are bonds for which states or municipalities have established irrevocable trusts, which were created to satisfy their responsibility for payments of principal and interest.

The following table summarizes the Company's allocation of fixed maturities by credit quality as of March 31, 2022 and December 31, 2021:

Fixed Maturities by Credit Quality[1]	**As of March 31, 2022**		**As of December 31, 2021**	
$ in Millions	**Fair Value**	**% of Total**	**Fair Value**	**% of Total**
AAA	$23,676	33.3%	$25,739	35.2%
AA+, AA, AA-	8,974	12.6	9,168	12.5
A+, A, A-	16,198	22.8	16,754	22.9
BBB+, BBB, BBB-	16,412	23.1	15,992	21.9
Total investment grade	65,260	91.8	67,653	92.5
BB+, BB, BB-	2,992	4.2	2,869	3.9
B+, B, B-	2,418	3.4	2,216	3.0
CCC or lower	254	0.4	237	0.4
Unrated[2]	121	0.2	131	0.2
Total below-investment grade	5,785	8.2	5,453	7.5
Total fixed maturities	$71,045	100.00%	$73,106	100.0%

1 For purposes of this disclosure, credit quality is primarily based upon average credit ratings.
2 Includes bank loans acquired as part of the Ironshore acquisition and externally managed convertible securities.

The Company's holdings of below investment grade securities primarily consist of an actively managed diversified portfolio of high yield securities and leveraged loans within the domestic insurance portfolios and investments in emerging market sovereign and corporate debt primarily in support of the Company's international insurance operations. Overall, the average credit quality rating stands at A+ as of March 31, 2022.

The following table summarizes available for sale fixed maturity securities by contractual maturity at March 31, 2022 and December 31, 2021. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid with or without call or prepayment penalties. Due to the potential for prepayment on MBS and ABS, they are not categorized by contractual maturity.

Fixed Maturity by Maturity Date	**As of March 31, 2022**		**As of December 31, 2021**	
$ in Millions	**Fair Value**	**% of Total**	**Fair Value**	**% of Total**
One year or less	$3,058	4.3%	$3,888	5.3%
Over one year through five years	23,454	33.0	25,658	35.1
Over five years through ten years	19,738	27.8	19,803	27.1
Over ten years	9,420	13.3	8,622	11.8
MBS and ABS	15,375	21.6	15,135	20.7
Total fixed maturities	$71,045	100.0%	$73,106	100.0%

During 2022, after taking into consideration changes in investment opportunities and its view of the current and prospective business and economic environment, the Company has made only minor adjustments to the average duration of its investment portfolio. The average duration of the investment portfolio as of March 31, 2022 was 4.3 years.

The following tables summarize the Company's gross unrealized losses and fair value of fixed income securities by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2022 and December 31, 2021 that are not deemed to be other-than-temporarily impaired:

	As of March 31, 2022			
$ in Millions	**Less Than 12 Months**		**12 Months or Longer**	
Unrealized Losses & Fair Value by Security Type	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
U.S. Government and agency securities	($312)	$7,590	($30)	$374
Residential MBS	(180)	5,278	(23)	319
Commercial MBS	(57)	2,095	(20)	158
Other MBS and ABS	(113)	3,766	(22)	507
U.S. state and municipal	(223)	3,678	(8)	80
Corporate and other	(1,176)	21,914	(179)	1,555
Foreign government securities	(109)	2,705	(95)	929
Total securities available for sale	($2,170)	$47,026	($377)	$3,922

	As of December 31, 2021			
$ in Millions	**Less Than 12 Months**		**12 Months or Longer**	
Unrealized Losses & Fair Value by Security Type	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
U.S. Government and agency securities	($32)	$6,373	($11)	$326
Residential MBS	(16)	1,755	(3)	126
Commercial MBS	(5)	431	(14)	152
Other MBS and ABS	(20)	2,993	(13)	95
U.S. state and municipal	(11)	916	(1)	29
Corporate and other	(143)	9,264	(54)	1,111
Foreign government securities	(55)	1,978	(29)	453
Total securities available for sale	($282)	$23,710	($125)	$2,292

Unrealized losses for fixed maturity securities increased from $407 million as of December 31, 2021 to $2.547 billion as of March 31, 2022. 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 these securities 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. The Company has concluded that the gross unrealized losses of fixed maturity securities as of March 31, 2022 are temporary.

The following tables summarize the Company's issuer and sector exposure[1] as of March 31, 2022:

Top 10 Issuers	**As of March 31, 2022**				
$ in Millions	**Fixed Maturity**	**Equity**	**Short-Term**	**Total Exposure**	**% of Invested Assets**
Bank of America Corp	$751	$-	$-	$751	0.73%
JP Morgan Chase & Co	735	-	-	735	0.72
Goldman Sachs Group Inc	700	-	-	700	0.68
Citigroup Inc	696	-	-	696	0.68
Morgan Stanley	672	-	-	672	0.66
Government of United Kingdom	601	-	-	601	0.59
Government of Brazil	538	-	-	538	0.53
Government of Canada	475	-	18	493	0.48
New York State Dormitory Authority	470	-	-	470	0.46
Wells Fargo & Co	454	-	-	454	0.44
Total	$6,092	$-	$18	$6,110	5.97%

Top 10 Sectors	**As of March 31, 2022**				
$ in Millions	**Fixed Maturity**	**Equity**	**Short-Term**	**Total Exposure**	**% of Invested Assets**
Banking	$8,866	$3	$171	$9,040	8.85%
Foreign Government	3,935	-	39	3,974	3.88
REITS	847	2,471	2	3,320	3.25
Technology	1,918	399	-	2,317	2.26
US Municipal - State & US Territory	2,126	-	-	2,126	2.08
Electric Utility	1,575	416	4	1,995	1.95
US Municipal - Local Govt	1,670	-	-	1,670	1.63
Insurance	1,398	92	1	1,491	1.46
Independent Energy	392	1,002	-	1,394	1.36
Healthcare	1,096	238	1	1,335	1.30
Total	$23,823	$4,621	$218	$28,662	28.02%

1 Tables exclude U.S. Treasury and agency securities, mortgage-backed securities, ETFs, and municipal obligations that are pre-refunded or escrowed to maturity.

As of March 31, 2022, investments in the energy sector accounted for $3.224 billion or 3.2% of total invested assets. The energy sector is comprised of investments in the following sub-sectors: independent energy, integrated energy, midstream, oil field services, and refining (*classification per Bloomberg Barclays Industry Groups*). Energy investments consist of investment grade bonds of $1.743 billion, bonds that were rated below investment grade of $478 million, publicly traded equity securities of $2 million, and natural resources partnerships and other equity method investments of $1.001 billion. Agriculture and timber investments consist of natural resource partnerships of $132 million. In addition, the Company has direct investments in agriculture and timber of $215 million and oil and gas wells of $4 million which are included in other assets on the Consolidated Balance Sheets.

The following table summarizes the Company's unfunded commitments as of March 31, 2022 and December 31, 2021:

Unfunded Commitments	**As of March 31, 2022**		**As of December 31, 2021**	
$ in Millions	**Total**	**% of Total**	**Total**	**% of Total**
Traditional private equity	$1,969	27.9%	$1,614	23.3%
Real Estate	2,569	36.4	2,499	36.1
Private Credit	1,592	22.6	1,983	28.7
Natural resources – Energy	34	0.5	38	0.6
Natural resources – Other[1]	810	11.5	721	10.4
Other	75	1.1	62	0.9
Total unfunded commitments	$7,049	100.0%	$6,917	100.0%

1 Includes energy, transition and infrastructure, and agriculture and timber commitments.

Unfunded commitments as of March 31, 2022 were $7.049 billion, an increase of $132 million over December 31, 2021. The increase is primarily driven by new commitments net of contributions related to real estate and private equity investments. The unfunded energy investment commitments at March 31, 2022 and December 31, 2021 of $34 million and $38 million, respectively, related to energy partnerships.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity requirements of the insurance subsidiaries are met primarily by funds generated from operations, asset maturities and income received on investments. Cash provided from these sources is used primarily for claims, claim adjustment expenses and operating expenses (underwriting and corporate benefit costs). There are certain cash outflows such as catastrophes and continued settlements of asbestos reserves that are unpredictable in nature and could create increased liquidity needs. The Company believes that the insurance subsidiaries' future business liquidity needs will be met from all the above sources. However, the Company maintains back up borrowing facilities as an additional contingent source of funds. These include:

- LMIC, Peerless Insurance Company ("PIC"), Liberty Mutual Fire Insurance Company ("LMFIC"), Employers Insurance Company of Wausau ("EICOW"), SAM, State Auto Property & Casualty Insurance Company ("SPC") and Rockhill Insurance Company ("RIC") are members of the Federal Home Loan Bank. The Company has $437 million of Federal Home Loan Bank borrowings with maturity dates through 2033. As of March 31, 2022, the outstanding Federal Home Loan Bank borrowings are fully collateralized. Ironshore Indemnity Insurance ("III") and Ironshore Specialty Insurance Company ("ISIC") memberships were cancelled on February 24th and 25th, 2020. III's membership was cancelled effective on February 9, 2022. For ISIC there is a five-year waiting period for final cancellation of membership, so the effective date of its membership cancellation will be February 2025.

Net cash flows are generally invested in marketable securities while keeping a certain amount in cash and short-term investments to meet unpredictable cash obligations. The Company monitors the duration of these investments, and purchases and sales are executed with the objective of having adequate cash available to satisfy its maturing liabilities. As the Company's investment strategy focuses on overall asset and liability durations, and not specific cash flows, asset sales may be required to satisfy obligations or rebalance asset portfolios. The Company's invested assets as of March 31, 2022 (including cash and cash equivalents) totaled $102.447 billion.

Debt outstanding as of March 31, 2022 and December 31, 2021 was as follows:

Short-term debt:

$ in Millions	**As of March 31, 2022**	**As of December 31, 2021**
4.95% Notes, due May 1, 2022	$473	$473
0.23% Federal Home Loan Bank (FHLB) Borrowing due 2022[1]	12	-
Total short-term debt	$485	$473

1 FHLB short-term borrowings includes $12 million from the acquisition of SAM on March 1, 2022.

Long-term debt:

$ in Millions	As of March 31, 2022	As of December 31, 2021
4.25% Notes, due 2023	547	547
1.75% €500 Million Notes, due 2024	556	568
8.50% Surplus notes, due 2025	140	140
2.75% €750 Million Notes, due 2026	834	853
7.875% Surplus notes, due 2026	227	227
7.625% Notes, due 2028	3	3
4.569% Notes, due 2029	1,000	1,000
1.37% - 4.25% Federal Home Loan Bank Borrowings, due 2033[1]	425	300
Floating Rate Junior Subordinated Notes, due 2033[2]	16	-
7.00% Notes, due 2034	124	124
6.50% Notes, due 2035	271	271
Floating Rate Junior Subordinated Notes, due 2035[3]	41	-
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[4]	500	500
3.625% €500 Million Junior Subordinated notes, due 2059[5]	556	568
3.95% Notes, due 2060	746	746
4.30% Junior Subordinated notes, due 2061[6]	800	800
7.80% Junior Subordinated notes, due 2087[7]	437	437
10.75% Junior Subordinated notes, due 2088[8]	35	35
7.697% Surplus notes, due 2097	260	260
Subtotal	9,831	9,692
Unamortized discount	(448)	(453)
Long-term debt excluding unamortized debt issuance costs	9,383	9,239
Unamortized debt issuance costs	(58)	(58)
Total long-term debt	$9,325	$9,181

1 FHLB long-term borrowings includes $125 million from the acquisition of SAM on March 1, 2022.

2 Floating rate callable at par plus accrued interest on each quarterly interest payment date. The floating rate equals to three-month LIBOR plus 4.20%.

3 Floating rate callable at par plus accrued interest on each quarterly interest payment date. The floating rate equals to three-month LIBOR plus 3.70%.

4 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.

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

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

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

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

As part of its overall capital strategy, the Company previously announced that it may issue, repurchase or exchange debt depending on market conditions. Debt repurchases may be executed through open market or other appropriate transactions. The Company continues to evaluate market conditions and may periodically affect transactions in its debt, subject to applicable limitations.

Debt Transactions

On August 16, 2021, LMGI issued $500 million of Series F Junior Subordinated Notes, due 2051 (the "Series F Notes"). Interest is payable semi-annually at a fixed rate of 4.125%. The Series F Notes may be redeemed in whole or in part three months prior to and on December 15, 2026, after which the notes may be redeemed during the three-month period prior to and on each succeeding interest reset date. The interest reset dates are on each five-year anniversary of December 15, 2021 until December 15, 2051.

On June 1, 2021, $330 million of LMGI 5.00% Notes were paid at maturity.

On February 1, 2021, LMGI issued $800 million of Series E Junior Subordinated Notes, due 2061 (the "Series E Notes"). Interest is payable semi-annually at a fixed rate of 4.30%. The Series E Notes may be redeemed in whole or in part on February 1, 2026, after which the notes may be redeemed on any interest payment date thereafter until February 1, 2061.

Interest Expense

Consolidated interest expense for the three months ended March 31, 2022 was $122 million, an increase of $4 million over the same period in 2021.

Holding Company Liquidity and Capital Resources

The Company conducts substantially all of its operations through its wholly owned insurance and service company subsidiaries, and therefore is primarily dependent on dividends, distributions, loans or other payments of funds from these entities to meet its current and future obligations. However, the subsidiaries are separate and distinct legal entities and have no obligation to make funds available to the Company, whether in the form of loans, dividends or other distributions. As of March 31, 2022, the Company, through its downstream subsidiaries LMGI and LMFE, had $8.6 billion and $556 million, respectively, of debt outstanding, excluding discount and issuance costs.

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 its financial needs and does not exceed the insurer's unassigned surplus. However, no insurer may pay an extraordinary dividend without the approval or non disapproval 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 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. 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 its debt, as could a redomestication or merger of LMIC, LMPICO, LMFIC, EICOW or SAM to a different domiciliary state.

The authorized control level risk-based capital (as of December 31, 2021) and 2022 available dividend capacity prior to needing regulatory approval for LMIC, LMFIC, EICOW and SAM were as follows:

$ in Millions	**RBC Ratio[1]**		**Dividend Capacity[2]**	**Dividends Paid[3]**
RBC Ratios and Dividend Capacity	**2021**	**2020**	**2022**	**2022**
LMIC	389%	354%	$2,130	$316
LMFIC	560%	525%	$87	$4
EICOW	531%	488%	$83	$-
SAM	414%	404%	$77	$-

1 Authorized control level risk-based capital as defined by the NAIC.
2 Represents the estimated maximum allowable dividend without prior regulatory approval in the state of domicile.
3 Dividends paid represent amounts paid during the three months ended March 31, 2022. Available dividend capacity as of March 31, 2022 is calculated as 2022 dividend capacity less dividends paid for the preceding 12 months. Dividends paid April 1, 2021 through March 31, 2022 for LMIC, LMFIC, EICOW and SAM were $365 million, $15 million, zero and zero respectively.

LMGI also has access to the following sources of funding:

- An unsecured revolving credit facility of $1 billion with an expiration date of June 25, 2024. To date, no funds have been borrowed under the facility.
- A management services agreement with LMIC pursuant to which LMGI is entitled to collect certain costs plus a management fee for services rendered by LMGI employees.
- Investment management agreements with affiliated entities pursuant to which an LMGI subsidiary investment advisor is entitled to recover annual expenses for investment management services performed by its employees.
- Liberty Corporate Services LLC ("LCS"), which through its subsidiaries collects fees and other revenues, primarily for claims administration, agency and IT services rendered for affiliated and non-affiliated entities. For the three months ended March 31, 2022, LCS recorded $87 million in pre-tax income.
- Approximately $80 million of annual dividends related to non-redeemable perpetual preferred stock issuances by LMIC and LMFIC.

$ in Millions	**As of March 31, 2022**	**As of December 31, 2021**
Total long-term debt	$9,325	$9,181
Unamortized discount and debt issuance costs	(506)	(511)
Total long-term debt excluding unamortized discount and debt issuance costs	$9,831	$9,692
Total equity excluding accumulated other comprehensive (loss) income	$29,938	$28,808
Total capital excluding accumulated other comprehensive (loss) income[1]	$39,769	$38,500
Debt-to-capital capitalization excluding accumulated other comprehensive (loss) income[1]	24.7%	25.2%
Statutory surplus	$27,088	$26,481

1 Excludes unamortized discount and debt issuance costs

The total debt-to-capital capitalization ratio excluding accumulated other comprehensive loss is calculated by dividing (a) total debt excluding unamortized discount and debt issuance costs by (b) total capital excluding accumulated other comprehensive (loss) income. Net unrealized gains and losses on investments can be significantly impacted by both interest rate movements and other economic factors. Accordingly, in the opinion of the Company's management, the debt-to-total capital ratio calculated on this basis provides another useful metric for investors to understand the Company's financial leverage position. The Company's ratio of debt-to-capital (excluding accumulated other comprehensive (loss) income of 24.7% at March 31, 2022 was within the Company's target range.

REINSURANCE

Reinsurance Recoverables

The Company reported reinsurance recoverables of $18.107 billion and $17.776 billion at March 31, 2022 and December 31, 2021, respectively, net of allowance for doubtful accounts of $123 million and $123 million, respectively. Included in these balances are $913 million and $874 million of paid recoverables and $17.317 billion and $17.025 billion of unpaid recoverables (including retroactive reinsurance), respectively.

S&P Rating[1]	**As of December 31, 2021**			
$ in Millions	**Gross Recoverables[2]**	**Collateral Held[3]**	**Net Recoverables[4]**	**% of Total Net Recoverables**
Rated Entities				
AAA	$ -	$ -	$ -	-
AA+, AA, AA-	7,313	8,869	2,379	23%
A+, A, A-	4,906	489	4,469	42%
BBB+, BBB, BBB-	-	-	-	-
BB+ or below	-	-	-	-
Subtotal	12,219	9,358	6,848	65%
Pools & Associations				
State mandated involuntary pools and associations	2,856	-	2,856	27%
Voluntary	186	121	181	2%
Subtotal	3,042	121	3,037	29%
Non-Rated Entities[5]				
Captives & fronting companies	1,567	1,722	322	3%
Other	1,071	1,637	334	3%
Subtotal	2,638	3,359	656	6%
Grand Total	$17,899	$12,838	$10,541	100%

1 Standard & Poor's ratings are as of December 31, 2021.

2 Gross recoverables are defined as paid and unpaid claims and claim adjustment expense including IBNR and before both bad debt reserve set aside for potential uncollectible reinsurance and consideration of collateral.

3 Collateral refers to letters of credit, trust accounts, and funds held against outstanding and potential future claims and claim adjustment expenses related to reinsurance recoverable balances.

4 Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for each reinsurer at the ceding entity level. If the collateral held for a reinsurer at a ceding entity level is greater than the gross recoverable, net recoverables are reported as $0.

5 Reinsurers not rated by Standard & Poor's.

Reinsurance Groups[1]	As of December 31, 2021		
$ in Millions	Gross Recoverables[2]	Collateral Held[3]	Net Recoverables[4]
1. Berkshire Hathaway Insurance Group	$4,394	$8,027	$241
2. Swiss Re Group	1,538	608	959
3. Nationwide Group	1,226	-	1,226
4. Everest Re Group	742	212	550
5. Lloyd's of London	537	-	537
6. Munich Re Group	421	20	407
7. Alleghany Corp	404	2	404
8. Partner Re Group	376	56	321
9. Enstar Group Ltd	366	343	24
10. CUMIS Insurance Society Group	332	-	332
11. UPINSCO	291	390	-
12. Builders Reinsurance S.A.	270	359	-
13. Hannover Re Group	261	50	213
14. Exchange Indemnity Company	256	122	136
15. Markel Corp	233	2	232
State Mandated Involuntary pools and associations	2,856	-	2,856
Voluntary pools and associations	186	121	181
All Other	3,210	2,526	1,922
Total Reinsurance Recoverables	$17,899	$12,838	$10,541

1 Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent.
2 Gross recoverables are defined as paid and unpaid claims and claim adjustment expense including IBNR and before both bad debt reserve set aside for potential uncollectible reinsurance and consideration of collateral.
3 Collateral refers to letters of credit, trust accounts, and funds held against outstanding and potential future claims and claim adjustment expenses related to reinsurance recoverable balances.
4 Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for each reinsurer at the ceding entity level. If the collateral held for a reinsurer at a ceding entity level is greater than the gross recoverable, net recoverables are reported as $0.

Approximately 94% of the Company's reinsurance recoverable balance, net of collateral held and including voluntary and involuntary pools and associations, was from reinsurers rated A- or better from A.M. Best and Standard & Poor's, respectively, at December 31, 2021. Collateral held against outstanding gross reinsurance recoverable balances was $12.838 billion at December 31, 2021.

The remaining 6% of the Company's net reinsurance recoverable balance is well diversified. No single reinsurer rated below A- or not rated by A.M. Best or Standard & Poor's accounts for more than 1% of GAAP equity. In addition, the average net reinsurance recoverable balance from individual reinsurers rated below A- or not rated by A.M. Best and Standard & Poor's was approximately $1 million as of December 31, 2021.

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.

The Company's reinsurance recoverables from Nationwide Indemnity Company have been fully guaranteed by its parent, Nationwide Mutual Insurance Company, which has a financial strength rating of A+ from Standard & Poor's and A+ from A.M. Best.

Adverse Development Reinsurance

On November 5, 2019, LMIC entered into a reinsurance transaction with NICO, a subsidiary of Berkshire Hathaway Inc, on a combined aggregate excess of loss agreement for certain GRM U.S. Business Lines and GRS National Insurance workers compensation, commercial auto liability and general liability excluding umbrella and warranty liabilities. The first layer of the contract attaches at $300 million below applicable held reserves at inception of $8.342 billion of combined aggregate reserves. The second layer of the contract provides adverse development coverage for $1.000 billion above a retention equal to $8.742 billion. The contract includes a sublimit of $100 million 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 million of existing undiscounted liabilities, paid NICO total consideration of $462 million and recorded a pre-tax loss of $173 million. This contract is accounted for on a retroactive basis.

In general terms, the covered business includes post December 31, 2018 development for Global Retail Markets U.S. Business Lines and Global Risks Solutions National Insurance segment on: (1) certain workers compensation liabilities arising under policies on the books 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 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 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 GAAP 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 million, deferred gains are now being recorded. The Company reported deferred gain amortization of $39 million and $37 million at March 31, 2022 and December 31, 2021, respectively. As of March 31, 2022 and December 31, 2021, deferred gains were $215 million and $226 million. Limits remaining on the contract as of March 31, 2022 were $559 million.

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 million of held reserves at inception, for which the Company established reinsurance recoverables on the Consolidated Balance Sheet. The second layer of the contract provides adverse development coverage for 95% of $500 million above a retention equal to $3.006 billion, 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 million for certain construction liability liabilities. The Company paid NICO consideration of $550 million, 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 $439 million and zero as of March 31, 2022.

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, attaching at $12.522 billion of combined aggregate reserves, with an aggregate limit of $6.500 billion and sublimits of $3.100 billion for asbestos and environmental liabilities and $4.507 billion 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 billion of existing undiscounted liabilities under this retroactive reinsurance agreement. NICO will provide $3.180 billion of additional aggregate adverse development reinsurance. The Company paid NICO total consideration of $3.046 billion. 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. This 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.

The Company reported the net position of the contract as a loss of $91 million and $92 million as of March 31, 2022 and December 31, 2021, respectively. Limits remaining on the contracts in total, and for asbestos and environmental liabilities, respectively, were $3.258 billion and $461 million as of March 31, 2022.

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 $3.1 billion of loss in excess of $500 million of retained loss in the United States, Canada and the Caribbean, excluding certain reinsurance exposures; 2) per occurrence and aggregate excess of loss coverage targeting our reinsurance exposures; 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' U.S. exposures. This program provides significant reinsurance protection in excess of $330 million per occurrence retention, including coverage for terrorism events and/or losses for a single event at a single insured location in excess of $75 million. These contracts generally exclude acts of terrorism which are "certified" by the U.S. government where such certified terrorism events involve the intentional use of nuclear, chemical, or biological materials.

Catastrophe Bond Reinsurance

On June 16, 2021, the Company entered into a multi-year property catastrophe reinsurance agreement, effective July 1, 2021, with Mystic Re IV Ltd. ("Mystic IV"), a Bermuda domiciled reinsurer, to provide a total of $300 million 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 Re IV, a Bermuda domiciled reinsurer, to provide a total of $300 million 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, 2021, the Company renewed coverage for 90% of approximately $50 million excess of $20 million. 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.

CRITICAL ACCOUNTING ESTIMATES

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, including asbestos and environmental liability reserves and loss sensitive premium attributable to prior years, (2) reinsurance recoverables and associated uncollectible allowance, (3) fair value determination and other-than-temporary impairments of the investment portfolio and direct working interests in oil and gas properties, (4) valuation 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.

For additional discussion, please refer to footnote 1 in the Company's December 31, 2021 Audited Consolidated Financial Statements and footnote 1 in the Company's March 31, 2022 Unaudited Consolidated Financial Statements.

Unpaid Claims and Claim Adjustment Expenses

Property and casualty insurance unpaid claims and claim adjustment expenses represent the Company's best estimate of amounts necessary to settle all outstanding claims, including claims that are incurred but not reported as of the reporting date. The Company's reserve projections are based primarily on detailed analysis of the facts in each case, experience with similar cases and various historical development patterns. Consideration is given to such historical patterns as field reserving trends and claims settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions and public attitudes. All of these factors can affect the estimation of reserves.

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.

For additional discussion, please refer to footnote 6 in the Company's December 31, 2021 Audited Consolidated Financial Statements and footnote 6 in the Company's March 31, 2022 Unaudited Consolidated Financial Statements.

Asbestos and Environmental

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.

For additional discussion, please refer to footnote 6 in the Company's December 31, 2021 Audited Consolidated Financial Statements and footnote 6 in the Company's March 31, 2022 Unaudited Consolidated Financial Statements.

Reinsurance Recoverables

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 estimated uncollectible reinsurance recoverables. 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. Accordingly, the establishment of reinsurance recoverables and the related allowance for uncollectible reinsurance recoverables is also an inherently uncertain process involving estimates. Changes in these estimates could result in additional charges to the accompanying Consolidated Statements of Income.

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.

For additional discussion, please refer to footnote 5 in the Company's December 31, 2021 Audited Consolidated Financial Statements and footnote 4 in the Company's March 31, 2022 Unaudited Consolidated Financial Statements.

Fair Value Determination

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 investments 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. Securities are classified into three hierarchy levels: Level 1, Level 2 or Level 3.

Regarding fair value measurements, as of March 31, 2022, excluding other assets, the Company reflected $11.973 billion (15.7%) as level 1 (quoted prices in active markets) primarily consisting of U.S. Treasuries and common equity securities. The majority of the Company's invested assets are reported as level 2 (quoted prices from other observable inputs). As of March 31, 2022, the Company reported $61.448 billion (80.3%) as level 2, consisting primarily of fixed maturity securities. Finally, the Company reported $3.061 billion (4.0%) as level 3 (unobservable inputs), primarily consisting of international and privately held securities for which a market price is not readily observable.

For additional discussion, please refer to footnote 10 in the Company's December 31, 2021 Audited Consolidated Financial Statements and footnote 9 in the Company's March 31, 2022 Unaudited Consolidated Financial Statements.

Impairment Losses on Investments

The Company reviews fixed maturity securities and other investments which include limited partnerships and other equity method investments (primarily traditional private equity, natural resource and real estate) for impairment on a quarterly basis. These investments are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, (g) the past impairment of the security holding or the issuer, and (h) impact of foreign exchange rates on foreign currency denominated securities.

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.

For additional discussion, please refer to footnote 1 in the Company's December 31, 2021 Audited Consolidated Financial Statements and footnote 3 in the Company's March 31, 2022 Unaudited Consolidated 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. The reporting unit has the option to skip the qualitative test and move directly to completion of the quantitative process. As of March 31, 2022, the Company has two reporting units – Global Retail Markets and Global Risk Solutions.

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.

The Company had no material goodwill or intangible asset impairments recognized in 2021.

For additional discussion, please refer to footnote 1 in the Company's December 31, 2021 Audited Consolidated Financial Statements.

Deferred Income Taxes

The income tax provision is calculated under the liability method of accounting. Deferred income tax assets and liabilities are recorded based upon the difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. The principal assets and liabilities giving rise to such differences are insurance loss reserves, unearned premiums, employee benefits, deferred policy acquisition costs, and net unrealized gains and losses on investments.

For additional discussion, please refer to footnote 8 in the Company's December 31, 2021 Audited Consolidated Financial Statements and footnote 7 in the Company's March 31, 2022 Unaudited Consolidated Financial Statements.

Pension and Postretirement Benefit Obligations

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. Effective January 1, 2016, service cost is calculated 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.

For additional discussion, please refer to footnote 9 in the Company's December 31, 2021 Audited Consolidated Financial Statements and footnote 8 in the Company's March 31, 2022 Unaudited Consolidated Financial Statements.

ABOUT THE COMPANY

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and sixth largest property and casualty insurer in the U.S. based on 2021 gross written premium. The Company also ranks 71st on the Fortune 100 list of largest corporations in the U.S. based on 2020 revenue. As of December 31, 2021, LMHC had $156.043 billion in consolidated assets, $128.195 billion in consolidated liabilities, and $48.200 billion in annual consolidated revenue.

LMHC, through its subsidiaries and affiliated companies, offers a wide range of property and casualty insurance products and services to individuals and businesses alike. In 2001 and 2002, the Company formed a mutual holding company structure, whereby the three principal mutual insurance companies, LMIC, LMFIC and EICOW, each became separate stock insurance companies under the ownership of LMHC. In 2022, SAM, formerly a mutual insurance company, also became a stock insurance company under the ownership of LMHC.

Functionally, the Company conducts substantially all of its insurance business through two business units, with each operating independently of the other in certain areas such as sales, underwriting, and claims, but, as appropriate, collaborating in other areas such as actuarial and financial. Management believes this structure provides increased synergy to the Company and permits each business unit to execute its business strategy and/or to make acquisitions without impacting or disrupting the operations of the other business unit.

LMHC employs over 50,000 people in 29 countries and economies around the world. For a full description of the Company's business operations, products and distribution channels, please visit Liberty Mutual's Investor Relations web site at www.libertymutualgroup.com/investors.