Liberty Mutual Holding Company Inc.

Second Quarter 2026

Consolidated Financial Statements

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Operations

(dollars in millions)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Revenues				
Premiums earned	$ 10,928	$ 10,990	$ 21,892	$ 21,985
Net investment income	1,947	1,372	3,587	2,687
Fee and other revenues	343	260	602	506
Net realized gains (losses)	33	(123)	(56)	(193)
Total revenues	13,251	12,499	26,025	24,985
Claims and Expenses				
Claims and claim adjustment expenses	5,964	6,463	12,379	14,016
Operating costs and expenses	2,274	2,095	4,234	4,060
Amortization of deferred policy acquisition costs	1,586	1,428	3,176	2,886
Interest expense	135	126	262	253
Total claims and expenses	9,959	10,112	20,051	21,215
Loss on extinguishment of debt	(1)	-	(1)	-
Acquisition & integration costs	(27)	(28)	(54)	(52)
Restructuring costs	(21)	(8)	(24)	(23)
Income before income tax expense and non-controlling interest	3,243	2,351	5,895	3,695
Income tax expense	606	501	1,203	816
Consolidated net income	2,637	1,850	4,692	2,879
Less: Net income attributable to non-controlling interest	3	5	6	9
Net income attributable to Liberty Mutual Holding Company Inc.	$ 2,634	$ 1,845	$ 4,686	$ 2,870

See accompanying notes to the unaudited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Balance Sheets

(dollars in millions)

(Unaudited)

		June 30, 2026		December 31, 2025
Assets:				
Investments				
Fixed maturities, available for sale (net of allowance for credit losses of $105 and $109 in 2026 and 2025, respectively) (amortized cost of $75,751 and $73,915)	$	75,003	$	73,761
Equity securities		1,970		1,576
Short-term investments		170		571
Mortgage loans (net of allowance for credit losses of $44 and $31 in 2026 and 2025, respectively)		2,908		2,738
Other investments (net of allowance for credit losses of $270 and $188 in 2026 and 2025, respectively)		32,730		28,637
Total investments		112,781		107,283
Cash and cash equivalents		13,272		14,143
Premium and other receivables		15,484		14,447
Reinsurance recoverables (net of allowance for credit losses of $154 and $151 in 2026 and 2025, respectively)		20,641		20,359
Deferred tax asset		-		195
Deferred acquisition costs		3,759		3,735
Goodwill		5,430		5,457
Prepaid reinsurance premiums		2,945		2,772
Other assets		10,811		9,772
Total assets	$	185,123	$	178,163
Liabilities:				
Unpaid claims and claim adjustment expenses	$	84,400	$	83,167
Unearned premiums		26,551		26,123
Funds held under reinsurance treaties		297		333
Short-term debt		227		227
Long-term debt		9,519		8,812
Deferred tax liability		310		-
Accrued postretirement and pension benefits		2,451		2,584
Payable for investments purchased and loaned		5,289		3,818
Other liabilities		12,008		13,212
Total liabilities		141,052		138,276
Equity:				
Unassigned equity		45,852		41,166
Accumulated other comprehensive loss		(1,999)		(1,506)
Total policyholders' equity		43,853		39,660
Non-controlling interest		218		227
Total equity		44,071		39,887
Total liabilities and equity	$	185,123	$	178,163

See accompanying notes to the unaudited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Comprehensive Income

(dollars in millions)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Consolidated net income	$ 2,637	$ 1,850	$ 4,692	$ 2,879
Other comprehensive income (loss), net of taxes:				
Change in unrealized gains (losses) on securities	120	489	(479)	1,104
Change in pension and postretirement plans funded status	(1)	13	(35)	28
Change in foreign currency translation and other adjustments	(2)	165	19	209
Other comprehensive income (loss), net of taxes	117	667	(495)	1,341
Comprehensive income	2,754	2,517	4,197	4,220
Less: comprehensive income attributable to non-controlling interest	1	17	5	23
Comprehensive income attributable to Liberty Mutual Holding Company Inc.	$ 2,753	$ 2,500	$ 4,192	$ 4,197

See accompanying notes to the unaudited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Changes in Total Equity

(dollars in millions)

(Unaudited)

	Six Months Ended June 30,	
	2026	**2025**
Balance at beginning of the year	$ 39,887	$ 30,652
Comprehensive income:		
Consolidated net income	4,692	2,879
Other comprehensive (loss) income, net of taxes	(495)	1,341
Total comprehensive income	4,197	4,220
Dividends to non-controlling interest	(13)	(19)
Balance at end of the period	$ 44,071	$ 34,853

See accompanying notes to the unaudited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Cash Flows

(dollars in millions)

(Unaudited)

	Six Months Ended June 30,	
	2026	**2025**
Cash flows from operating activities:		
Consolidated net income	$ 4,692	$ 2,879
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	398	356
Realized losses	56	193
Undistributed private equity investment gains	(1,279)	(581)
Premium, other receivables, and reinsurance recoverables	(1,754)	(1,570)
Deferred acquisition costs	(37)	(85)
Liabilities for insurance reserves	1,906	1,761
Taxes payable, net of deferred	331	603
Other, net	(1,570)	(1,352)
Total adjustments	(1,949)	(675)
Net cash provided by operating activities	2,743	2,204
Cash flows from investing activities:		
Purchases of investments	(65,172)	(43,453)
Sales and maturities of investments	60,032	39,518
Property and equipment sold (purchased), net	125	(40)
Cash provided by dispositions, net of cash on hand	25	288
Other investing activities	(197)	606
Net cash used in investing activities	(5,187)	(3,081)
Cash flows from financing activities:		
Debt financing, net	745	(132)
Net security lending activity and other financing activities	834	108
Net cash provided by (used in) financing activities	1,579	(24)
Effect of exchange rate changes on cash	(6)	174
Net decrease in cash and cash equivalents	(871)	(727)
Cash and cash equivalents, beginning of year	14,143	12,396
Cash and cash equivalents, end of period	$ 13,272	$ 11,669

See accompanying notes to the unaudited consolidated financial statements.

(dollars in millions)

1. Summary Of Significant Accounting Policies

Basis of Presentation

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

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

Adoption of New Accounting Standards

The Company adopted the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires expanded disclosures related to the tax rate reconciliation and income taxes paid. ASU 2023-09 is effective for the Company for annual fiscal years beginning after December 15, 2025. Disclosures are required to be provided on a prospective basis, with retrospective application permitted. Adoption of ASU 2023-09 affects the footnote disclosure and will not have an impact on the Company's consolidated financial position.

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

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists principally of unrealized gains and losses on certain investments in debt securities, foreign currency translation adjustments, and pension and postretirement liability adjustments.

The components of accumulated other comprehensive loss excluding non-controlling interest, net of related deferred acquisition costs and taxes, are as follows:

	June 30, 2026	December 31, 2025
Unrealized losses on securities	$(622)	$(143)
Foreign currency translation and other adjustments	(373)	(394)
Pension and postretirement liability funded status	(1,004)	(969)
Accumulated other comprehensive loss	$(1,999)	$(1,506)

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

(Unaudited)

The following tables present the changes in the components of other comprehensive (loss) income for the three and six months ended June 30, 2026 and 2025, respectively.

	Three months ended June 30, 2026			
	Unrealized gains on securities	**Change in pension and post-retirement plans funded status**	**Foreign currency translation and other adjustments [(1)]**	**Total**
Unrealized change arising during the period	$67	$-	$1	$68
Less: Reclassification adjustments included in consolidated net income	(74)	1	-	(73)
Total other comprehensive income (loss), before income tax (benefit) expense	141	(1)	1	141
Less: Income tax (benefit) expense	21	-	3	24
Total other comprehensive income (loss), net of income tax (benefit) expense	$120	$(1)	$(2)	$117

(1) Included $(1) related to non-controlling interest

	Three months ended June 30, 2025			
	Unrealized gains on securities	**Change in pension and post-retirement plans funded status**	**Foreign currency translation and other adjustments [(1)]**	**Total**
Unrealized change arising during the period	$567	$1	$159	$727
Less: Reclassification adjustments included in consolidated net income	(51)	(15)	-	(66)
Total other comprehensive income, before income tax expense (benefit)	618	16	159	793
Less: Income tax expense (benefit)	129	3	(6)	126
Total other comprehensive income, net of income tax expense (benefit)	$489	$13	$165	$667

(1) Included $13 related to non-controlling interest

	Six months ended June 30, 2026			
	Unrealized loss on securities	**Change in pension and post-retirement plans funded status**	**Foreign currency translation and other adjustments [(1)]**	**Total**
Unrealized change arising during the period	$(713)	$-	$24	$(689)
Less: Reclassification adjustments included in consolidated net income	(109)	44	-	(65)
Total other comprehensive (loss) income, before income tax (benefit) expense	(604)	(44)	24	(624)
Less: Income tax (benefit) expense	(125)	(9)	5	(129)
Total other comprehensive (loss) income, net of income tax (benefit) expense	$(479)	$(35)	$19	$(495)

(1) Included $(2) related to non-controlling interest

(dollars in millions)

	Six months ended June 30, 2025			
	Unrealized gains on securities	Change in pension and post-retirement plans funded status	Foreign currency translation and other adjustments [(1)]	Total
Unrealized change arising during the period	$1,263	$1	$189	$1,453
Less: Reclassification adjustments included in consolidated net loss	(136)	(34)	-	(170)
Total other comprehensive income, before income tax expense (benefit)	1,399	35	189	1,623
Less: Income tax expense (benefit)	295	7	(20)	282
Total other comprehensive income, net of income tax expense (benefit)	$1,104	$28	$209	$1,341

(1) Included $15 related to non-controlling interest

2. Acquisitions, Mergers And Dispositions

Acquisitions

On April 11, 2025, the Company completed the acquisition of JMalucelli Travelers Seguros in Colombia. On August 11, 2025, JMalucelli Travelers Seguros assumed the new name Liberty Colombia Compañía de Seguros S.A.

Dispositions

A business is classified as held for sale when management, having the authority to approve the action, commits to a plan to sell the business, the sale is probable to occur within one year at a price that is reasonable in relation to its current fair value, and other criteria are met. A business classified as held for sale is recorded at the lower of carrying amount or estimated fair value less costs to sell. When the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized and updated each reporting period as appropriate.

On March 2, 2025, the Company announced the agreement to sell its operations in Thailand (the Thailand transaction) and Vietnam (the Vietnam transaction) to Chubb Limited. The Thailand transaction closed on March 31, 2025, resulting in a gain of $150. The Vietnam transaction closed on February 2, 2026, resulting in a total loss of $(29), (including a cumulative translation adjustment loss of $(11)).

(dollars in millions)

3. Investments

Available for Sale Investments

The amortized cost, gross unrealized gains and losses and fair values of available for sale investments as of June 30, 2026 and December 31, 2025, are as follows:

June 30, 2026	Amortized Cost	Credit Allowance	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US government and agency securities	$9,597	$-	$13	$(108)	$9,502
Residential MBS[1]	5,564	-	13	(203)	5,374
Commercial MBS	5,492	(52)	23	(113)	5,350
Other MBS and ABS[2]	6,859	-	20	(82)	6,797
US state and municipal	5,100	-	107	(85)	5,122
Corporate and other	36,762	(21)	217	(439)	36,519
Foreign government securities	5,935	-	38	(50)	5,923
Redeemable preferred stock	442	(32)	7	(1)	416
Total securities available for sale	$75,751	$(105)	$438	$(1,081)	$75,003

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

December 31, 2025	Amortized Cost	Credit Allowance	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US government and agency securities	$10,060	$-	$74	$(94)	$10,040
Residential MBS[1]	5,924	-	34	(184)	5,774
Commercial MBS	5,611	(52)	52	(91)	5,520
Other MBS and ABS[2]	6,660	-	40	(72)	6,628
US state and municipal	5,951	-	115	(137)	5,929
Corporate and other	33,768	(37)	536	(334)	33,933
Foreign government securities	5,576	-	48	(37)	5,587
Redeemable preferred stock	365	(20)	6	(1)	350
Total securities available for sale	$73,915	$(109)	$905	$(950)	$73,761

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

As of June 30, 2026 and December 31, 2025, the fair values of fixed maturity securities and equity securities loaned were approximately $4,619 and $3,689, respectively. Cash and short-term investments received as collateral in connection with the loaned securities were approximately $3,713 and $2,770 as of June 30, 2026 and December 31, 2025, respectively. Investments other than cash and short-term investments received as collateral in connection with the loaned securities were approximately $1,009 and $1,009 as of June 30, 2026 and December 31, 2025, respectively.

(dollars in millions)

The amortized cost and fair value of fixed maturities as of June 30, 2026, by contractual maturity are as follows:

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$2,258	$2,253
Over one year through five years	28,483	28,262
Over five years through ten years	18,446	18,344
Over ten years	8,649	8,623
MBS and ABS of government and corporate agencies	17,915	17,521
Total fixed maturities	$75,751	$75,003

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Due to the potential for prepayment on MBS and ABS, they are not categorized by contractual maturity.

Net Realized (Losses) Gains	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Other-than-temporary impairment losses	$-	$-	$-	$(12)
Other net realized losses	(103)	(123)	(175)	(30)
Valuation changes on equity investments, derivatives, other	136	-	119	(151)
Total net realized gains (losses)	$33	$(123)	$(56)	$(193)

The following table summarizes the Company's gross realized gains and losses by asset type for the three and six months ended June 30, 2026 and 2025:

Net Realized Gains (Losses)	Three Months Ended June 30,		Six Months Ended June 30,	
Components of Net Realized Gains (Losses)	**2026**	**2025**	**2026**	**2025**
Fixed maturities:				
Gross realized gains	$78	$43	$255	$120
Gross realized losses	(152)	(94)	(364)	(256)
Equities:				
Gross realized gains	128	91	138	72
Gross realized losses	(8)	(26)	(11)	(35)
Derivatives:				
Gross realized gains	41	15	66	45
Gross realized losses	(79)	(23)	(126)	(24)
Other:				
Gross realized gains	150	55	208	269
Gross realized losses	(125)	(184)	(222)	(384)
Total net realized gains (losses)	$33	$(123)	$(56)	$(193)

(dollars in millions)

Included in the above are unrealized gains (losses) related to equity securities still held of $139 and $112, respectively, for the three and six months ended June 30, 2026 and $3 and $(148), respectively, for the three and six months ended June 30, 2025.

During the three months ended June 30, 2026 and 2025, the Company recorded $0 and $0 of impairment losses. During the six months ended June 30, 2026 and 2025, the Company recorded $0 and $(12) of impairment losses, respectively. Included in the impairment losses are impairment charges for assets measured at fair value on a non-recurring basis related to software for the six months ended June 30, 2026 and 2025, of $0 and $(12) respectively.

During the three months ending June 30, 2026 and 2025, proceeds from sales of fixed maturities available for sale were $24,513 and $12,957, respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled $82 and $(142) in 2026 and $28 and $(73) in 2025. During the three months ending June 30, 2026, and 2025, proceeds from sales of equities at fair value were $614 and $797, respectively. The gross realized gains (losses) on sales of equities at fair value totaled $11 and $(7) in 2026 and $14 and $(30) in 2025. During the six months ending June 30, 2026, and 2025, proceeds from sales of fixed maturities available for sale were $51,546 and $32,245, respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled $253 and $(342) in 2026 and $95 and $(200) in 2025. During the six months ending June 30, 2026, and 2025, proceeds from sales of equities at fair value were $1,280 and $920, respectively. The gross realized gains (losses) on sales of equities at fair value totaled $36 and $(11) in 2026 and $15 and $(35) in 2025.

The following tables present the gross unrealized losses and fair value of fixed maturity securities by the length of time that individual securities have been in a continuous unrealized loss position for which an allowance for credit losses has not been recorded as of June 30, 2026 and December 31, 2025:

June 30, 2026	Less Than 12 Months		12 Months or Longer	
	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
US government and agency securities	$(42)	$6,295	$(66)	$924
Residential MBS	(19)	1,946	(184)	1,940
Commercial MBS	(29)	2,002	(84)	1,490
Other MBS and ABS	(18)	1,936	(64)	1,075
US state and municipal	(4)	584	(81)	1,217
Corporate and other	(225)	18,545	(214)	3,519
Foreign government securities	(35)	2,948	(15)	420
Redeemable preferred stock	-	168	(1)	79
Total Securities Available for Sale	$(372)	$34,424	$(709)	$10,664

(dollars in millions)

December 31, 2025	Less Than 12 Months		12 Months or Longer	
	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
US government and agency securities	$(8)	$2,618	$(86)	$1,231
Residential MBS	(1)	431	(183)	2,398
Commercial MBS	(4)	872	(87)	2,205
Other MBS and ABS	(7)	1,662	(65)	1,255
US state and municipal	(3)	502	(134)	2,215
Corporate and other	(59)	4,730	(275)	5,344
Foreign government securities	(17)	1,684	(20)	714
Redeemable preferred stock	(1)	79	-	-
Total Securities Available for Sale	$(100)	$12,578	$(850)	$15,362

As of June 30, 2026, there were 3,379 securities that were in an unrealized loss position for 12 months or longer. The Company monitors the difference between the amortized cost and estimated fair value of fixed maturity securities to ascertain whether declines in value are temporary in nature. The Company currently does not have the intent to sell 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 following table is a roll-forward of the allowance for credit losses for fixed maturity securities:

	2026	2025
Balance at January 1,	$109	$32
Credit losses on securities not previously reported	20	12
Reductions of allowance related to sales	(24)	(12)
Balance at June 30,	$105	$32

The Company believes the unrealized loss position as of June 30, 2026 does not contain credit loss because 1) the Company did not intend to sell these fixed maturity available for sale securities; 2) it is not more likely than not that the Company will be required to sell the fixed maturity available for sale securities before recovery of their amortized cost basis; and 3) the difference between the present value of cash flows expected to be collected from the security and the amortized cost basis of the security was due to factors other than credit loss.

As of June 30, 2026, the unrealized losses associated with the US government and agency securities, US state and municipal, and Foreign government securities were attributable primarily to movement in interest rates and does not reflect a deterioration in the credit quality of the issuers.

Credit ratings express opinions of the credit quality of a security. Securities rated investment grade (those rated BBB- or higher by S&P) or Baa3 or higher by Moody's) are generally considered to have a low credit risk. As of June 30, 2026, 93% of the fair value of the Company's Corporate bond and other securities was rated investment grade, and the portion of the Company's Corporate bond and other securities rated below investment grade had an amortized cost basis of $5,529 and a fair value of $5,424.

As of June 30, 2026, the unrealized losses associated with the Company's MBS and ABS securities were attributable primarily to movement in interest rates. The Company assessed allowance for credit losses using the present value of expected cash flows which incorporates key assumptions, including credit spreads for the security, adverse conditions related to the security, the industry, or geographic area and assessment of the issuer being able to make payments.

Accrued interest is excluded from the amortized cost basis of the securities and is reported in the "Other assets" line item of the Consolidated Balance Sheet. As of June 30, 2026, accrued interest was $583. For identifying and measuring an impairment, the Company monitors accrued interest receivables and writes them off by reversing interest income. No amounts were written off as of June 30, 2026.

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

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

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

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.

The Company's mortgage loans are commercial mortgage loans collateralized by real estate properties and totaled $2,908 net of credit loss allowances. Loan to value ratio and debt service coverage ratio are considered key credit quality indicators when estimating expected credit loss allowance for mortgage loans. Payments on mortgage loans were current as of June 30, 2026.

Private loans consist of lending to small businesses, pools of individual consumers, and individual companies. The Company's private loans totaled $7,129 net of credit loss allowance, as of June 30, 2026 and are reported in the "Other investments" line item of the Consolidated Balance Sheets. Credit rating is considered a key credit quality indicator when estimating expected credit loss allowances for private loans. Payments on private loans were current as of June 30, 2026.

(dollars in millions)

Allowances on Loan Securities

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

	2026		
	Mortgage	**Private**	**Total**
Balance at January 1,	$31	$188	$219
Net increase (decrease) due to credit losses	19	125	144
Net decrease due to sales, maturities, and write-offs	(6)	(43)	(49)
Balance at June 30,	$44	$270	$314

	2025		
	Mortgage	**Private**	**Total**
Balance at January 1,	$29	$86	$115
Net increase (decrease) due to credit losses	6	100	106
Net decrease due to sales, maturities, and write-offs	-	(7)	(7)
Balance at June 30,	$35	$179	$214

Variable Interest Entities

The Company invests in limited partnerships and other entities subject to VIE analysis under the VIE subsections of ASC 810, *Consolidation*. The Company analyzes each investment to determine whether it is a VIE, and if so, whether the Company is the primary beneficiary or a significant interest holder based on a qualitative and quantitative assessment. The Company evaluates the design of the entity, the risks to which the entity was designed to expose the variable interest holder and the extent of the Company's control of and variable interest in the VIE. As of June 30, 2026 and December 31, 2025, the Company has determined that it is not the primary beneficiary of any of its VIEs except for the Company's investment in its India joint venture, which is deemed immaterial.

The Company has variable interests in VIEs for which it is not the primary beneficiary and accounts for these VIEs under the equity method in accordance with ASC 323, Investments-Equity Method and Joint Ventures. The VIEs are principally private equity limited partnerships in which the Company has invested as a passive limited partner. The partnerships were deemed to be VIEs because the equity holders as a group lack the power to direct the activities that most significantly impact the respective entity's economic performance. The VIEs generate variability primarily from investment portfolio performance and that variability is passed to equity holders. The net carrying value of non-consolidated VIEs in which the Company has a variable interest was $22,198 and $19,877 as of June 30, 2026 and December 31, 2025, respectively, and the Company's maximum exposure to loss was $32,699 and $29,215 as of June 30, 2026 and December 31, 2025, respectively. The assets are included in other investments on the accompanying consolidated balance sheets. Maximum exposure to loss includes the carrying value and unfunded commitment of the VIE. The increase in the maximum exposure to loss from December 31, 2025 to June 30, 2026 is primarily related to valuation changes and new commitments to VIEs related to private credit, partially offset by a decrease in traditional private equity.

From time to time we have established certain special purpose entities, including trusts (which are deemed to be VIEs and which are referred to herein as "Warehouse SPVs"), to enter into credit facilities for the purpose of financing the purchase of loans or other receivables assets from third parties on a forward flow basis. Such Warehouse SPVs have entered into credit agreements and related agreements with one or more lenders (which may include affiliates of the Company), and with one or more third-parties acting as administrative agent, trustee, collateral agent and in certain additional capacities. The assets of these consolidated Warehouse SPVs are not available to satisfy the claims of creditors of the Company. In addition, the creditors of such Warehouse SPVs have no recourse to the general credit or assets of the Company and the liabilities of such Warehouse SPVs can only be satisfied from the respective Warehouse SPVs' assets. As of June 30, 2026, the aggregate net asset value of all such Warehouse SPVs is $781.

Limited Partnership Investments

As of June 30, 2026 and December 31, 2025, the carrying values of limited partnership investments were $22,818 and $20,494, respectively. These investments consist of private equity, investment grade credit, corporate credit, real estate equity, energy and infrastructure equity, commercial real estate credit, energy and infrastructure credit, private credit, impact and tax credits, and other partnership funds investments. The Company has not elected the fair value option on any limited partnership investments as of June 30, 2026 and December 31, 2025. The Company's investments in limited partnership investments are long-term in nature. The Company believes these investments offer the potential for superior long-term returns and are appropriate in the overall context of a diversified portfolio.

4. Reinsurance

In the ordinary course of business, the Company assumes reinsurance and also cedes reinsurance to other insurers to reduce overall risk, including exposure to large losses and catastrophic events. The Company is also a member of various involuntary pools and associations and serves as a servicing carrier for residual market organizations. The Company remains contingently liable in the event reinsurers are unable to meet their obligations for paid and unpaid reinsurance recoverables and unearned premiums ceded under reinsurance agreements.

The Company reported reinsurance recoverables of $20,641 and $20,359 as of June 30, 2026 and December 31, 2025, respectively, net of credit losses of $154 and $151, respectively. Included in these balances are $1,503 and $1,350 of paid recoverables and $19,292 and $19,160 of unpaid recoverables (including retroactive reinsurance), respectively. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business.

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

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

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

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

As the aggregate development on the contract has exceeded the original pre-tax loss of $173, deferred gains are now being recorded. The Company reported deferred gain amortization of $28 and $16 for the six months ended June 30, 2026 and June 30, 2025, respectively. As of June 30, 2026 and December 31, 2025, deferred gains were $213 and $186. Limits remaining on the contract as of June 30, 2026 were $459.

In conjunction with the Ironshore acquisition and effective May 1, 2017, the Company entered into a reinsurance transaction with NICO on a combined aggregate excess of loss agreement providing coverage for substantially all of Ironshore's reserves related to losses occurring prior to January 1, 2017. The first layer of the contract transfers $400 of held reserves at inception, for which the Company established reinsurance recoverables on the consolidated balance sheets. The second layer of the contract provides adverse development coverage for 95% of $500 above a retention equal to $3,006, minus paid losses between January 1, 2017 and May 1, 2017, which retention approximates the total held reserves on the covered business on Ironshore's opening balance sheet. The contract includes a sublimit of $277 for certain construction liability liabilities. The Company paid NICO consideration of $550, including interest accrued at the time of the settlement. The contract is accounted for on a prospective basis. Limits remaining on the contracts in total, and for construction liability liabilities, respectively, were $403 and $0 as of June 30, 2026.

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

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

The Company reported the net position of the contract as a loss of $792 and $793 as of June 30, 2026 and December 31, 2025, respectively. Limits remaining on the contract in total, and for asbestos and environmental liabilities, respectively, were $4,040 and $0 as of June 30, 2026.

Catastrophes

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

Non-Catastrophe Reinsurance

The Company purchases facultative and treaty reinsurance protection on a per risk, per policy, per loss and/or per occurrence basis. Treaty coverage is provided on a pro rata and excess of loss basis for portions of the business written across most of the Company's significant lines of business.

Catastrophe Reinsurance

For 2026, the Company has property catastrophe reinsurance coverage for its domestic business and certain specialty operations including: (1) a North America per occurrence catastrophe excess of loss program providing a substantial portion of $2,750 of loss in excess of $1,000 of retained loss in the United States, Canada and the Caribbean, excluding certain reinsurance exposures, largely available on an All Perils basis; (2) a North America tail aggregate excess-of-loss program providing $600 of aggregate capacity, a substantial portion of which is excess of $3,150, subject to a $75 per-event deductible for USRM and a $25 per-event deductible for GRS, covering All Perils; (3) per occurrence excess of loss coverage targeting our reinsurance exposures; and (4) quota share reinsurance coverage. These programs are structured to meet the Company's established tolerances under its Enterprise Risk Management Program.

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

The Company purchases workers compensation catastrophe reinsurance, including coverage for its domestic commercial operations and certain specialty operations' US exposures. This program provides significant reinsurance protection in excess of $100 per occurrence retention, including coverage for terrorism events and/or losses for a single event at a single insured location in excess of $50.

Catastrophe Bond Reinsurance

On December 18, 2025, the Company entered into two multi-year property catastrophe reinsurance agreements, effective January 1, 2026, with Mystic Re IV Ltd. ("Mystic IV"), a Bermuda domiciled reinsurer, to provide a total of $150 of reinsurance coverage for the Company and its affiliates for named storms, earthquakes, severe weather, and fire covering the US, Canada, and Caribbean. The reinsurance agreements are fully collateralized. Such collateral is provided by Mystic IV using proceeds from issuance of certain catastrophe bonds. Both of the reinsurance agreements provide per occurrence indemnity coverage for the aforementioned perils. The Company has not recorded any recoveries under this program.

On December 23, 2024, the Company entered into three multi-year property catastrophe reinsurance agreements, effective January 1, 2025, with Mystic Re IV Ltd. ("Mystic IV"), a Bermuda domiciled reinsurer, to provide a total of $325 of reinsurance coverage for the Company and its affiliates for named storms covering the US, Canada, and Caribbean, and earthquakes covering the US, Canada, and Caribbean. The reinsurance agreements are fully collateralized. Such collateral is provided by Mystic IV using proceeds from issuance of certain catastrophe bonds. Two of the reinsurance agreements provide per occurrence indemnity coverage (with Severe Weather and Fire excluded), and one of the reinsurance agreements provides annual aggregate indemnity coverage (inclusive of Severe Weather and Fire). The Company has not recorded any recoveries under this program.

(dollars in millions)

On December 19, 2023, the Company entered into a multi-year property catastrophe reinsurance agreement, effective January 1, 2024, with Mystic IV, a Bermuda domiciled reinsurer, to provide a total of $300 of reinsurance coverage for the Company and its affiliates for named storms covering the US., Puerto Rico and US Virgin Islands, and earthquakes covering the US and Canada. The reinsurance agreement is collateralized. Such collateral is provided by Mystic Re IV Ltd using proceeds from the issuance of certain catastrophe bonds. The reinsurance agreement provides per occurrence coverage based on a weighted industry insured loss index. This loss index is weighted to align with the Company's commercial property and assumed reinsurance portfolios. 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, 2025, the Company renewed coverage for 90% of approximately $54 excess of $30. 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.

5. Debt Outstanding

Debt outstanding as of June 30, 2026 and December 31, 2025 includes the following:

Short-term debt:	**2026**	**2025**
7.875% Surplus Notes, due 2026	$227	$227
Total short-term debt	$227	$227

(dollars in millions)

Long-term debt:	2026	2025
7.625% Notes, due 2028	2	3
4.569% Notes, due 2029	1,000	1,000
4.625% €500 million Notes, due 2030	572	586
3.91% - 4.25% Federal Home Loan Bank Borrowings, due 2032	300	300
7.00% Notes, due 2034	124	124
6.50% Notes, due 2035	271	271
3.875% €750 million Notes, due 2035	857	881
7.50% Notes, due 2036	19	19
5.25% Notes, due 2036	750	-
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(1)	500	500
5.50% Notes, due 2052	1,000	1,000
3.95% Notes, due 2060	746	746
4.30% Junior Subordinated Notes, due 2061(2)	800	800
7.80% Junior Subordinated Notes, due 2087(3)	432	437
10.75% Junior Subordinated Notes, due 2088(4)	33	35
7.697% Surplus Notes, due 2097	260	260
Subtotal	9,960	9,256
Unamortized costs	(441)	(444)
Total long-term debt	$9,519	$8,812

(1) 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.
(2) The par value call date is February 1, 2026 after which the notes are callable at par on each subsequent interest payment date.
(3) The par value call date and final fixed rate interest payment date is March 15, 2037, subject to certain requirements.
(4) The par value call date and final fixed rate interest payment date is June 15, 2038, subject to certain requirements.

Debt Transactions and In-Force Credit Facilities

On June 4, 2026, Liberty Mutual Group Inc. ("LMGI") repurchased $5 of the 7.80% Junior Subordinated Notes, due 2087. An immaterial loss was recorded on the transaction.

On May 11, 2026, LMGI amended and restated its five-year unsecured revolving credit facility of $1,000 with an expiration date of May 11, 2031. To date, no funds have been borrowed under the facility

On April 23, 2026, LMGI issued $750 of Senior Notes due 2036 (the "2036 Notes"). Interest is payable semi-annually at a fixed rate of 5.25%. The 2036 Notes mature on May 1, 2036.

On January 23, 2026, LMGI repurchased $2 of the 10.75% Junior Subordinated Notes, due 2088. An immaterial loss was recorded on the transaction.

On October 30, 2025, LMGI redeemed its €750 million 2.75% Senior Notes, due 2026 (the "2026 Notes") in full.

On September 26, 2025, LMGI issued €750 million of Senior Notes due 2035 (the "2035 Notes"). Interest is payable annually at a fixed rate of 3.875%. The 2035 Notes mature on September 26, 2035.

On May 15, 2025, $140 of LMIC 8.50% Surplus Notes were paid at maturity.

LMIC, Peerless Insurance Company, Liberty Mutual Fire Insurance Company ("LMFIC"), Employers Insurance Company of Wausau, Safeco Insurance Company of America, and Ohio Casualty Insurance Company are members of the Federal Home Loan Bank ("FHLB"). On March 21, 2012, LMFIC borrowed $150 at a rate of 3.91% with a maturity date of March 22, 2032. On March 23, 2012 and April 2, 2012, LMIC borrowed $127 at a rate of 4.24% with a maturity date of March 23, 2032 and $23 at a rate of 4.25% with a maturity date of April 2, 2032, respectively. As of June 30, 2026, all outstanding FHLB borrowings are fully collateralized.

State Automobile Mutual Insurance Company, State Auto Property & Casualty Insurance Company, and Rockhill Insurance Company memberships were cancelled on August 25, 2023. Final cancellation of FHLB memberships have a five-year waiting period, so final membership expiration dates are August 25, 2028.

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

Facility Agreement for Senior Notes Issuance

In November 2024, LMGI entered into a 30-year facility agreement with a Delaware trust upon completion of the sale of $1,250 of trust securities by that Delaware trust in a Rule 144A private placement. The trust invested the proceeds from the sale of the trust securities in a portfolio of principal and/or interest strips of U.S. Treasury securities. The facility agreement provides the Company the right to issue and sell to the trust from time to time up to an aggregate principal amount outstanding at any one time of $1,250 of the Company's 6.266% senior notes, which would be due August 15, 2054, in exchange for a corresponding amount of U.S. Treasury securities held by the trust. These senior notes will not be issued unless and until the issuance right is exercised. In return, the Company agreed to pay a semi-annual facility fee to the trust at a rate of 1.7787% per year applied to the maximum amount of senior notes that the Company could issue and sell to the trust. The Company may also direct the trust to grant the right to exercise the issuance right with respect to all or a designated amount of the senior notes to one or more assignees (who are our consolidated subsidiaries or persons to whom we have an obligation).

The issuance right will be exercised automatically in full upon the Company's failure to make certain payments to the trust, such as paying the facility fee or reimbursing the trust for its expenses, if the failure to pay is not cured within 30 days, or upon certain bankruptcy events involving the company. The Company is also required to exercise this issuance right if its consolidated stockholders' equity, calculated in accordance with U.S. GAAP but excluding accumulated other comprehensive income and equity of non-controlling interests, falls below $8,000, subject to adjustment from time to time in certain cases, and upon certain other events described in the facility agreement.

Prior to any involuntary exercise of the issuance right, the Company has the right to repurchase any or all of the 6.266% senior notes then held by the trust in exchange for U.S. Treasury securities. The Company may redeem any outstanding 6.266% senior notes, in whole or in part, prior to their maturity. Prior to May 15, 2054, the redemption price will equal the greater of par or a make-whole redemption price. On or after May 15, 2054, any outstanding 6.266% senior notes may be redeemed at par.

As of June 30, 2026, no senior notes have been issued under the facility agreement.

6. Unpaid Claims And Claim Adjustment Expenses

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

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

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

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

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

(dollars in millions)

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

	2026	2025
Balance as of January 1	$83,167	$82,102
Less: unpaid reinsurance recoverables[1]	15,878	13,778
Net balance as of January 1	67,289	68,324
Balance attributable to acquisitions and dispositions[2]	(3)	(59)
Incurred attributable to:		
Current year	12,649	14,356
Prior years[3]	(288)	(353)
Discount accretion attributable to prior years	15	16
Total incurred	12,376	14,019
Paid attributable to:		
Current year	4,971	6,760
Prior years	6,219	6,719
Total paid	11,190	13,479
Amortization of deferred retroactive reinsurance gain	28	23
Net adjustment due to foreign exchange	(55)	735
Add: unpaid reinsurance recoverables[1]	15,955	14,665
Balance as of June 30	$84,400	$84,228

(1) In addition to the unpaid reinsurance recoverable balances noted above, and as a result of retroactive reinsurance agreements, the Company has recorded retroactive reinsurance recoverable balances of $3,342 and $4,137 as of June 30, 2026 and 2025, respectively.

(2) The balance attributable to acquisitions, mergers, and dispositions in 2026 represents the divestiture of the Vietnam operations and 2025 represents the divestiture of the Thailand operations.

(3) Does not include decreases in allowance related to reinsurance recoverables due to prior year development of $3 and $(7) as of June 30, 2026 and 2025, respectively.

In 2026, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive loss, is primarily attributable to favorable development in personal auto, property, workers' compensation, and personal property lines of business, partially offset by unfavorable development in general liability, specialty, and casualty lines of business. In 2025, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive loss, is primarily attributable to favorable development in personal auto, property, credit lines and personal property, partially offset by specialty lines of business.

Asbestos and Environmental Reserves

The Company's asbestos and environmental reserves for unpaid claims and claim adjustment expenses, net of reinsurance before the NICO Reinsurance Transaction and including uncollectible reinsurance, were $1,365 and $1,438 as of June 30, 2026 and December 31, 2025, respectively.

7. Income Taxes

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

(dollars in millions)

The Company's effective tax rate differs from the US Federal statutory rate of 21% primarily due to the impact of general business credits, partially offset by non-US operations.

On July 4, 2025, the US enacted H.R. 1, otherwise known as the One Big Beautiful Bill Act ("OBBBA"). The OBBBA includes a broad range of tax reform provisions impacting corporations, including extensions and modifications to both domestic and international provisions of the Tax Cuts and Jobs Act of 2017, as well as adjustments to certain Inflation Reduction Act incentives. The Company will continue to evaluate any impacts as Treasury issues further guidance; however, it is not expected to have a material effect on the Company's consolidated results of operations or financial position.

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

Balance at December 31, 2025	**$87**
Additions for tax positions related to current year	2
Reductions for tax positions of prior years	(2)
Balance at June 30, 2026	$87

Included in the balance at June 30, 2026, is $87 related to tax positions that would impact the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in US Federal, state, and foreign income tax expense. For the three months ended June 30, 2026 and 2025, the Company recognized $0 of interest and penalties. For the six months ended June 30, 2026 and 2025, the Company recognized $5 and $6 of interest and penalties, respectively. The Company had $42 and $37 of interest and penalties accrued as of June 30, 2026, and December 31, 2025, respectively.

The US Federal statute of limitations has expired through the 2020 tax year. The Company is currently under IRS examination for the 2021 through 2023 tax years and has foreign entities that are open for examination in their local countries for tax years after 2015. Any adjustments that may result from the examinations of these income tax returns are not expected to have a material impact on the financial position, liquidity, or results of operations of the Company.

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

(dollars in millions)

8. Benefit Plans

The net benefit costs for the three and six months ended June 30, 2026 and 2025, include the following components:

Three months ended June 30,	Pension Benefits		Supplemental Pension Benefits [1]		Postretirement Benefits	
	2026	2025	2026	2025	2026	2025
Components of net periodic benefit costs:						
Service costs	$-	$47	$-	$2	$1	$2
Interest costs	83	85	5	5	7	10
Expected return on plan assets	(125)	(124)	-	-	-	-
Settlement gain	-	-	-	-	(4)	-
Amortization of unrecognized:						
Net loss (gain)	7	27	-	-	(5)	(5)
Prior service cost	-	(5)	-	-	(2)	(2)
Net periodic benefit (income) costs[2]	$(35)	$30	$5	$7	$(3)	$5

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

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

Six months ended June 30,	Pension Benefits		Supplemental Pension Benefits [1]		Postretirement Benefits	
	2026	2025	2026	2025	2026	2025
Components of net periodic benefit costs:						
Service costs	$1	$95	$-	$4	$2	$4
Interest costs	165	171	8	9	15	19
Expected return on plan assets	(250)	(246)	-	-	-	-
Settlement gain	-	-	-	-	(70)	-
Amortization of unrecognized:						
Net loss (gain)	12	55	1	1	(10)	(8)
Prior service cost	-	(11)	-	-	(4)	(4)
Net periodic benefit (income) costs[2]	$(72)	$64	$9	$14	$(67)	$11

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

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

The settlement gain is due to the transfer of certain postretirement life insurance obligations to a third party in the first quarter of 2026.

The Company has contributed $0 to the qualified plans as of June 30, 2026, and does not expect any additional contributions for 2026.

9. Fair Value Of Financial Instruments

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

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

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

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

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

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

Fixed Maturities

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

US Government and Agency Securities

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

Mortgage-Backed Securities

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

Asset-Backed Securities

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

Municipal Securities

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

Corporate Debt and Other Securities

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

Foreign Government Securities

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

Equity Securities

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

Short-Term Investments

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

Other Investments

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

Other Assets and Other Liabilities

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

Additionally, other assets and other liabilities classified within Level 2 and Level 3 represent the Company's derivatives which can be exchanged or traded over-the-counter ("OTC"). OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be corroborated by observable market data by correlation or other means, and model selection does not involve significant management judgment.

(dollars in millions)

Life Insurance Obligations

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2026 and December 31, 2025:

	As of June 30, 2026			
Assets at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
US government and agency securities	$9,326	$176	$-	$9,502
Residential MBS	-	5,354	20	5,374
Commercial MBS	-	5,228	122	5,350
Other MBS and ABS	-	6,748	49	6,797
US state and municipal	-	4,806	316	5,122
Corporate and other	-	36,350	169	36,519
Foreign government securities	-	5,923	-	5,923
Redeemable Preferred Stock	-	-	416	416
Total fixed maturities, available for sale	9,326	64,585	1,092	75,003
Common stock	1,395	3	572	1,970
Preferred stock	-	-	-	-
Total equity securities	1,395	3	572	1,970
Short-term investments	-	165	5	170
Other investments	182	94	2,490	2,766
Other assets	-	-	7	7
Total assets	$10,903	$64,847	$4,166	$79,916
Liabilities at Fair Value				
Life insurance obligations	$-	$-	$(21)	$(21)
Other liabilities	(3)	(12)	-	(15)
Total liabilities	$(3)	$(12)	$(21)	$(36)

(dollars in millions)

	As of December 31, 2025			
Assets at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
US government and agency securities	$9,860	$180	$-	$10,040
Residential MBS	-	5,772	2	5,774
Commercial MBS	-	5,396	124	5,520
Other MBS and ABS	-	6,577	51	6,628
US state and municipal	-	5,603	326	5,929
Corporate and other	-	33,618	315	33,933
Foreign government securities	-	5,587	-	5,587
Redeemable Preferred Stock	-	-	350	350
Total fixed maturities, available for sale	9,860	62,733	1,168	73,761
Common stock	986	3	587	1,576
Preferred stock	-	-	-	-
Total equity securities	986	3	587	1,576
Short-term investments	73	493	5	571
Other investments	183	143	2,014	2,340
Other assets	-	-	8	8
Total assets	$11,102	$63,372	$3,782	$78,256
Liabilities at Fair Value				
Life insurance obligations	$-	$-	$(28)	$(28)
Other liabilities	(1)	(28)	-	(29)
Total liabilities	$(1)	$(28)	$(28)	$(57)

(dollars in millions)

The following tables summarize the fair values of assets on a recurring basis classified as Level 3 within the fair value hierarchy as of six months ended June 30, 2026 and twelve months ended December 31, 2025.

	As of June 30, 2026			As of December 31, 2025		
	Purchases	**Transfer into Level 3**	**Transfer out of Level 3**	**Purchases**	**Transfer into Level 3**	**Transfer out of Level 3**
Assets, at Fair Value						
US government and agency securities	$-	$-	$-	$-	$-	$-
Residential MBS	-	18	-	2	-	-
Commercial MBS	-	-	-	42	-	-
Other MBS and ABS	5	-	-	-	-	-
US state and municipal	-	-	-	-	11	-
Corporate and other	-	-	-	99	12	(14)
Foreign government securities	-	-	-	-	-	-
Redeemable Preferred Stock	73	-	-	122	-	-
Total fixed maturities	78	18	-	265	23	(14)
Common stock	7	1	(1)	24	-	-
Preferred stock	-	-	-	-	-	-
Total equity securities	7	1	(1)	24	-	-
Short-term investments	-	-	-	5	-	-
Other investments	614	27	-	849	-	-
Total assets	$699	$46	$(1)	$1,143	$23	$(14)
Liabilities, at Fair Value						
Life insurance obligations	$3	$-	$-	$(4)	$-	$-
Total liabilities	$3	$-	$-	$(4)	$-	$-

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

The Company had no material assets or liabilities that were measured at fair value on a nonrecurring basis during the six months ended June 30, 2026 and 2025.

Fair Value Option

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

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

10. Commitments And Contingent Liabilities

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

As of June 30, 2026, the Company had unfunded commitments in traditional private equity partnerships, real estate, private credit, natural resources, and other of $3,697, $3,570, $5,858, $1,545, ($1,515 of which is related to energy transition and infrastructure), and $721, respectively.

As of June 30, 2026, the Company had commitments to purchase various residential MBS at a cost and fair value of $79 and $79, respectively.

The Company holds unfunded commitments related to commercial mortgage loans. The liability for expected credit losses related to these unfunded commitments is reported in Other liabilities and is measured in a manner consistent with the approach of the funded mortgage loan portfolio. As of June 30, 2026, the amount of the liability for expected credit losses of unfunded commitments was $48.

11. Subsequent Events

On July 30, 2026, the Company received a favorable award in arbitration against the Bolivarian Republic of Venezuela related to matters that arose prior to the balance sheet date. The award is for $1,570 and there are a number of additional steps required in process to pursue collection. Consistent with the accounting literature around gain contingencies, the Company has not recorded any receivable or related gain for this matter in its consolidated financial statements as of and for the period ended June 30, 2026.

Management has assessed material subsequent events through August 5, 2026, the date the financial statements were available to be issued.