Liberty Mutual Holding Company Inc.

Third Quarter 2018

Consolidated Financial Statements

Liberty Mutual Holding Company Inc.

Consolidated Statements of Operations

(dollars in millions)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Revenues				
Premiums earned	$ 9,622	$ 9,334	$ 28,270	$ 26,468
Net investment income	627	640	1,970	1,753
Fee and other revenues	263	216	780	614
Net realized (losses) gains	(104)	177	(8)	346
Total revenues	10,408	10,367	31,012	29,181
Claims, Benefits and Expenses				
Benefits, claims and claim adjustment expenses	6,744	8,214	19,516	20,600
Operating costs and expenses	1,806	1,635	5,330	4,795
Amortization of deferred policy acquisition costs	1,338	1,305	3,934	3,779
Interest expense	110	111	331	331
Interest credited to policyholders	16	10	40	29
Total claims, benefits and expenses	10,014	11,275	29,151	29,534
Loss on extinguishment of debt	(5)	-	(8)	(1)
Ironshore acquisition & integration costs	(7)	(38)	(31)	(74)
Restructuring costs	(26)	(23)	(57)	(23)
Income (loss) from continuing operations before income tax expense and non-controlling interest	356	(969)	1,765	(451)
Income tax expense (benefit)	73	(253)	383	(104)
Consolidated net income (loss) from continuing operations	283	(716)	1,382	(347)
Discontinued operations (net of income tax expense of $0, $28, $166 and $87 for the three and nine months ended September 30, 2018 and 2017, respectively)	-	52	530	161
Consolidated net income (loss)	283	(664)	1,912	(186)
Less: Net income attributable to non-controlling interest	1	1	1	2
Net income (loss) attributable to Liberty Mutual Holding Company Inc.	$ 282	$ (665)	$ 1,911	$ (188)

Net Realized (Losses) Gains	**2018**	**2017**	**2018**	**2017**
Other-than-temporary impairment losses	$ (282)	$ (33)	$ (333)	$ (156)
Other net realized gains	178	210	325	502
Total net realized (losses) gains	$ (104)	$ 177	$ (8)	$ 346

See accompanying notes to the unaudited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Statements of Comprehensive Income (Loss)

(dollars in millions)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Consolidated net income (loss)	$ 283	$ (664)	$ 1,912	$ (186)
Other comprehensive (loss) income, net of taxes:				
Unrealized (losses) gains on securities	(190)	110	(2,042)	729
Reclassification adjustment for losses and (gains) included in consolidated net income (loss)	24	(124)	56	(233)
Foreign currency translation and other adjustments	17	135	400	231
Other comprehensive (loss) income, net of taxes	(149)	121	(1,586)	727
Comprehensive income (loss)	$ 134	$ (543)	$ 326	$ 541

See accompanying notes to the unaudited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Balance Sheets

(dollars in millions)

(Unaudited)

	September 30, 2018	December 31, 2017
Assets:		
Investments		
Fixed maturities, available for sale, at fair value (amortized cost of $56,882 and $53,223)	$ 56,445	$ 54,040
Equity securities, available for sale, at fair value (cost of $3,928 and $2,390)	4,152	2,608
Short-term investments	417	494
Commercial mortgage loans	1,753	1,623
Other investments	6,303	7,128
Total investments	69,070	65,893
Cash and cash equivalents	5,503	4,827
Premium and other receivables	13,486	12,152
Accounts receivable	4,480	4,180
Reinsurance recoverables	15,914	16,899
Deferred income taxes	740	1,118
Deferred acquisition costs	3,467	3,232
Goodwill	5,599	5,650
Prepaid reinsurance premiums	1,860	1,638
Other assets	7,285	6,692
Assets held for sale	-	20,221
Total assets	$ 127,404	$ 142,502
Liabilities:		
Unpaid claims and claim adjustment expenses and future policy benefits:		
Property and casualty	$ 58,986	$ 59,217
Life	2,019	2,141
Other policyholder funds and benefits payable	22	18
Unearned premiums	21,780	20,338
Funds held under reinsurance treaties	394	262
Short-term debt	-	11
Long-term debt	8,255	8,314
Accrued postretirement and pension benefits	3,125	3,718
Other liabilities	11,809	11,086
Liabilities held for sale	-	16,709
Total liabilities	106,390	121,814
Equity:		
Unassigned equity	23,865	21,687
Accumulated other comprehensive loss	(2,878)	(1,026)
Total policyholders' equity	20,987	20,661
Non-controlling interest	27	27
Total equity	21,014	20,688
Total liabilities and equity	$ 127,404	$ 142,502

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)

	Nine Months Ended September 30,	
	2018	**2017**
Balance at beginning of the year	$ 20,688	$ 20,387
Comprehensive income:		
Consolidated net income (loss)	1,912	(186)
Other comprehensive (loss) income, net of taxes	(1,586)	727
Total comprehensive income	326	541
Balance at end of the period	$ 21,014	$ 20,928

See accompanying notes to the unaudited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Statements of Cash Flows

(dollars in millions)

(Unaudited)

	Nine Months Ended September 30,	
	2018	**2017**
Cash flows from operating activities:		
Consolidated net income (loss)	$ 1,912	$ (186)
Less - income from Liberty Life Assurance Company of Boston, net of tax expense	530	161
Income (loss) from operations excluding Liberty Life Assurance Company of Boston discontinued operations	1,382	(347)
Adjustments to reconcile consolidated net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	631	544
Realized losses (gains)	8	(346)
Undistributed private equity investment gains	(557)	(431)
Premium, other receivables, and reinsurance recoverables	(983)	(3,107)
Deferred acquisition costs	(237)	(285)
Liabilities for insurance reserves	2,226	5,836
Taxes payable, net of deferred	451	(153)
Pension plan contributions	-	(403)
Other, net	(509)	156
Total adjustments	1,030	1,811
Net cash provided by operating activities - excluding Liberty Life Assurance Company of Boston discontinued operations	2,412	1,464
Net cash provided by operating activities - Liberty Life Assurance Company of Boston discontinued operations	227	595
Net cash provided by operating activities	2,639	2,059
Cash flows from investing activities:		
Purchases of investments	(38,274)	(22,722)
Sales and maturities of investments	35,241	25,077
Property and equipment purchased, net	(1,036)	(445)
Cash provided by (paid for) disposals and acquisitions	1,639	(2,556)
Other investing activities	394	(391)
Net cash used in investing activities - excluding Liberty Life Assurance Company of Boston discontinued operations	(2,036)	(1,037)
Net cash used in investing activities - Liberty Life Assurance Company of Boston discontinued operations	(529)	(1,227)
Net cash used in investing activities	(2,565)	(2,264)
Cash flows from financing activities:		
Net activity in policyholder accounts	(5)	(4)
Debt financing, net	(29)	136
Net security lending activity and other financing activities	301	294
Net cash provided by financing activities - excluding Liberty Life Assurance Company of Boston discontinued operations	267	426
Net cash (used in) provided by financing activities - Liberty Life Assurance Company of Boston discontinued operations	(496)	516
Net cash (used in) provided by financing activities	(229)	942
Effect of exchange rate changes on cash - excluding Liberty Life Assurance Company of Boston discontinued operations	33	75
Effect of exchange rate changes on cash - Liberty Life Assurance Company of Boston discontinued operations	-	-
Effect of exchange rate changes on cash	33	75
Net increase in cash and cash equivalents - excluding Liberty Life Assurance Company of Boston discontinued operations	676	928
Net decrease in cash and cash equivalents - Liberty Life Assurance Company of Boston discontinued operations	(798)	(116)
Net (decrease) increase in cash and cash equivalents	(122)	812
Cash and cash equivalents, beginning of year - excluding Liberty Life Assurance Company of Boston discontinued operations	4,827	3,860
Cash and cash equivalents, beginning of year - Liberty Life Assurance Company of Boston discontinued operations	798	748
Cash and cash equivalents, beginning of year	5,625	4,608
Cash and cash equivalents, end of period - excluding Liberty Life Assurance Company of Boston discontinued operations	5,503	4,788
Cash and cash equivalents, end of period - Liberty Life Assurance Company of Boston discontinued operations	-	632
Cash and cash equivalents, end of period	$ 5,503	$ 5,420

See accompanying notes to the unaudited consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying consolidated financial statements include the accounts of 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 U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include (1) unpaid claims and claim adjustment expense reserves, 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) recoverability of deferred acquisition costs, (5) valuation of goodwill and intangible assets, (6) deferred income tax valuation allowance, and (7) 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 Accounting Standards
Effective April 1, 2018, the Company adopted the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-12, *Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"). The amendments enable entities to better portray the economic results of their risk management activities in their financial statements. ASU 2017-12 expands an entity's ability to hedge risk components, eliminates the separate measurement and reporting of hedge ineffectiveness and simplifies the application of hedge accounting. The Company adopted the presentation and disclosure guidance in ASU 2017-12 on a prospective basis. The adoption did not have a material impact on the Company's financial statements.

Effective January 1, 2018, the Company adopted the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* ("ASU 2018-02") guidance which permits a reclassification from AOCI to retained earnings for stranded tax effects resulting from the newly enacted federal corporate tax rate from the Tax Cuts and Jobs Act of 2017 (the "Act"). The amount of the reclassification from AOCI to retained earnings is the difference between the historical corporate tax rate and the newly enacted 21% corporate tax rate on deferred tax items originally established through OCI and not net income. ASU 2018-02 allows entities to adopt in any interim or annual period for which financial statements have not yet been issued and apply the guidance either (1) in the period of adoption or (2) retrospectively to each period in which the effect of change in the tax rate is recognized. The Company applied the guidance in the period of adoption and decreased AOCI by approximately $267 and increased retained earnings by the same amount in the consolidated statements of changes in total equity as of the beginning of 2018.

Accounting Standards Not Yet Adopted
The Company will adopt the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 was issued to clarify the principles for recognizing revenue, however, insurance contracts and financial instrument transactions are not within the scope of this guidance. ASU 2014-09 is effective for non-public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company has evaluated the impact of the adoption of ASU 2014-09 and plans to elect to apply the modified retrospective approach. The adoption will not have a material impact on the Company's financial statements.

The Company will adopt the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10)*: *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 requires equity investments (excluding those accounted for under the equity method or those that result in consolidation) to be measured at fair value, with changes in fair value recognized in net income. ASU 2016-01 is effective for non-public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company has evaluated the impact of the adoption of ASU 2016-01. At inception, the adoption will result in a reclassification of accumulated unrealized gains and losses of the Company's equity investment portfolio from accumulated other comprehensive income to unassigned equity (no overall impact). Subsequent to adoption, changes in unrealized gains and losses of the Company's equity investment portfolio will impact its results of operations due to recognition in the statement of operations.

The Company will adopt the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715)*: *Improving the Presentation of Net Periodic Benefit Costs* ("ASU 2017-07") updated guidance to improve the presentation of net periodic pension cost and net periodic postretirement cost (net benefit costs). Net benefit costs comprise several components that reflect different aspects of an employer's financial arrangements as well as the cost of benefits provided to employees. ASU 2017-07 requires that the employer service cost component be reported in the same lines as other employee compensation cost and that the other components (non-service costs) be presented separately from the service cost and outside of a subtotal of income from operations if one is presented. ASU 2017-07 also allows only the service cost component to

be eligible for capitalization in assets when applicable. ASU 2017-07 is effective for reporting periods beginning after December 15, 2018. The adoption is not expected to have a material impact on the Company's financial statements.

The Company will adopt the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). The amendments will require a lessee to recognize a right-of-use asset and a lease liability on the balance sheet for leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The amendments of ASU 2016-02 are effective for non-public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact of the adoption of ASU 2016-02. The adoption is expected to have a material impact on the Company's financial statements.

The Company will adopt the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 replaces the current incurred loss model with an expected credit loss model, which measures credit losses on financial instruments measured at amortized cost, and will require companies to recognize an allowance for expected credit losses. In addition, ASU 2016-13 also amends the credit loss measurement guidance for available-for-sale debt securities and beneficial interests in securitized financial assets. This amendment removes certain factors to consider when determining whether credit losses should be recognized and will require companies to recognize expected credit losses through an allowance. ASU 2016-13 is effective for nonpublic business entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of the adoption of ASU 2016-13. The adoption is expected to have a material impact on the Company's financial statements.

The Company will adopt the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 modifies the current disclosure requirements on fair value measurements in Topic 820. The amendments of ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The guidance allows entities to early adopt in any interim or annual period before the mandatory effective date. The adoption is not expected to have a material impact to the Company's financial statements.

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.

Securities Lending

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

Net Investment Hedge Instruments

The Company has designated non-derivative foreign-currency denominated long-term debt and the related accrued interest as hedges of its net investment in certain foreign operations. Accordingly, the foreign currency translation of the debt instrument and accrued interest is recorded in accumulated other comprehensive loss, offsetting the foreign currency translation adjustment of the related net investment that is also recorded in accumulated other comprehensive loss. As of September 30, 2018, the Company had €1,250 million of outstanding long-term debt and approximately €13 million of accrued interest designated as non-derivative hedges of its net investment in certain foreign operations. As of September 30, 2018, the foreign currency translation of the debt instrument and accrued interest recorded in accumulated other comprehensive loss was $(47). (See Note 5 for further discussion.)

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists principally of unrealized gains and losses on certain investments in debt and equity 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:

	September 30, 2018 [1]	December 31, 2017
Unrealized (losses) gains on securities	$(703)	$1,213
Foreign currency translation and other adjustments	(666)	(589)
Pension and post retirement liability funded status	(1,509)	(1,650)
Accumulated other comprehensive loss[2]	$(2,878)	$(1,026)

[1] Includes $267 impact of the Act.
[2] Components of accumulated other comprehensive loss consist of reclassification of certain tax effects from AOCI to retained earnings.
(See Note 1 for further discussion.)

The following tables present the consolidated other comprehensive (loss) income reclassification adjustments for the three and nine months ended September 30, 2018 and 2017, respectively.

Three months ended September 30, 2018	Unrealized losses 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	$(233)	$5	$(10)	$(238)
Less: Reclassification adjustments included in consolidated net income	(31)	(34)	-	(65)
Total other comprehensive (loss) income before income tax (benefit) expense	(202)	39	(10)	(173)
Less: Income tax (benefit) expense	(36)	8	4	(24)
Total other comprehensive (loss) income, net of income tax (benefit) expense	$(166)	$31	$(14)	$(149)

[1] Includes $(1) of non-controlling interest.

Three months ended September 30, 2017	Unrealized gains (losses) on securities	Change in pension and post retirement plans funded status	Foreign currency translation and other adjustments	Total
Unrealized change arising during the period	$185	$33	$101	$319
Less: Reclassification adjustments included in consolidated net loss	191	(39)	-	152
Total other comprehensive (loss) income before income tax expense	(6)	72	101	167
Less: Income tax expense	8	25	13	46
Total other comprehensive (loss) income, net of income tax expense	$(14)	$47	$88	$121

Nine months ended September 30, 2018 [1]	Unrealized losses on securities	Change in pension and post retirement plans funded status	Foreign currency translation and other adjustments[2]	Total
Unrealized change arising during the period	$(2,568)	$458	$(61)	$(2,171)
Less: Reclassification adjustments included in consolidated net income	(71)	(127)	-	(198)
Total other comprehensive (loss) income before income tax (benefit) expense	(2,497)	585	(61)	(1,973)
Less: Income tax (benefit) expense	(511)	123	1	(387)
Total other comprehensive (loss) income, net of income tax (benefit) expense	$(1,986)	$462	$(62)	$(1,586)

[1] Excludes $267 impact of the Act.
[2] Includes $(1) of non-controlling interest.

Nine months ended September 30, 2017	**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	$1,129	$33	$152	$1,314
Less: Reclassification adjustments included in consolidated net loss	358	(121)	-	237
Total other comprehensive income before income tax expense	771	154	152	1,077
Less: Income tax expense	275	54	21	350
Total other comprehensive income, net of income tax expense	$496	$100	$131	$727

[1] Includes $3 of non-controlling interest.

(2) ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

Ironshore Inc.

On May 1, 2017, the Company acquired Ironshore Inc. ("Ironshore") for approximately $2,926. The Company financed the acquisition primarily through short-term borrowings, which have been repaid using cash from operations.

The Company believes Ironshore is highly complementary to Global Risk Solutions and significantly increases scale and competitiveness in global specialty insurance and reinsurance lines.

The table below details the final fair value allocation of assets acquired and liabilities assumed as of May 1, 2018:

	As of May 1, 2017
Assets:	
Total investments	$5,081
Cash and cash equivalents	454
Premiums and other receivables	453
Reinsurance recoverables	1,231
Goodwill	740
Prepaid reinsurance premiums	390
Other assets	1,081
Total assets	$9,430
Liabilities:	
Unpaid claims and claim adjustment expenses	$4,284
Unearned premiums	1,302
Short-term debt	100
Long-term debt	298
Other liabilities	520
Total liabilities	$6,504

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

The following table summarizes the carrying value of intangible assets the Company recognized in other assets on the consolidated balance sheets as a result of the Ironshore acquisition as of September 30, 2018:

	Carrying Value September 30, 2018	**Period (years)**	**Method**
Value of business acquired	$13	2	Over the life
Trade name	68	15	Straight-line
Distribution channel	246	18-20	Straight-line
Syndicate capacity	150	Not subject to amortization	Not subject to amortization
Licenses	12	Not subject to amortization	Not subject to amortization
Total intangible assets	$489		

For the nine months ended September 30, 2018, the Company recognized $29 of amortization expense, which is reflected in insurance operating costs and expenses on the consolidated statements of operations. Estimated amortization for the years ended December 31, 2018 through 2022 is $38, $24, $21, $18 and $18 respectively.

In connection with the acquisition, on June 1, 2017, the Company repurchased $250 of Ironshore's 8.5% senior note maturing in 2020 for $298, which reflects the fair value of the long term debt reported on the opening balance sheet above.

DISPOSITIONS

Liberty Sigorta A.S.

On January 22, 2018, the Company's Spanish subsidiary, Liberty Seguros Compania de Seguros y Reaseguros S.A., entered into an agreement to sell its entire 99.44% interest in its Turkish insurance affiliate, Liberty Sigorta A.S., to Talanx International. The transaction closed on May 3, 2018.

Liberty Life Assurance Company of Boston

On January 19, 2018, the Company announced the sale of the Liberty Life Assurance Company of Boston ("LLAC"), which provides group disability, group life, individual life and annuity products, to Lincoln Financial Group. The transaction closed on May 1, 2018 resulting in a gain of approximately $464. Accordingly, for the nine months ended September 30, 2018 and for all prior periods, the results of LLAC have been classified as discontinued operations in the consolidated statements of operations. As of December 31, 2017, the assets and liabilities attributable to LLAC are reflected in assets and liabilities held for sale on the accompanying consolidated balance sheets.

The following table details the major assets and liabilities classified as held for sale on the consolidated balance sheets:

	As of September 30, 2018	As of December 31, 2017
Assets:		
Total investments	$-	$18,469
Cash and cash equivalents	-	798
Premiums and other receivables	-	89
Reinsurance recoverables	-	329
Deferred income taxes	-	(353)
Deferred acquisition costs	-	462
Other assets	-	427
Total assets held for sale	$-	$20,221
Liabilities:		
Unpaid claims and claim adjustment expenses	$-	$8,651
Other policyholder funds and benefits payable	-	7,334
Unearned premiums	-	2
Other liabilities	-	722
Total liabilities held for sale	$-	$16,709

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

	Nine Months Ended September 30,	
	2018	2017
Revenues:		
Premiums earned	$724	$1,598
Net investment income	269	582
Fee and other revenues	119	247
Net realized gains	5	49
Total revenues	$1,117	$2,476

Claims, Benefits and Expenses:		
Benefits, claims and claim adjustment expenses	$753	$1,669
Operating costs and expenses	164	325
Amortization of deferred policy acquisition costs	26	58
Interest credited to policyholders	79	176
Total claims, benefits and expenses	$1,022	$2,228
Income before income tax expense	$95	$248
Income tax expense	19	87
Net income	$76	$161

(3) INVESTMENTS

The amortized cost, gross unrealized gains and losses and fair values of available for sale investments as of September 30, 2018 and December 31, 2017, are as follows:

September 30, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$6,113	$6	$(89)	$6,030
Residential MBS[1]	5,939	31	(151)	5,819
Commercial MBS	2,712	5	(62)	2,655
Other MBS and ABS[2]	4,257	5	(69)	4,193
U.S. state and municipal	8,188	117	(121)	8,184
Corporate and other	24,591	209	(389)	24,411
Foreign government securities	5,082	128	(57)	5,153
Total fixed maturities	56,882	501	(938)	56,445
Common stock	3,884	284	(64)	4,104
Preferred stock	44	4	(-)	48
Total equity securities	3,928	288	(64)	4,152
Total securities available for sale	$60,810	$789	$(1,002)	$60,597

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$3,485	$13	$(32)	$3,466
Residential MBS[1]	5,819	51	(47)	5,823
Commercial MBS	2,711	19	(16)	2,714
Other MBS and ABS[2]	3,265	25	(18)	3,272
U.S. state and municipal	9,088	271	(35)	9,324
Corporate and other	23,894	502	(91)	24,305
Foreign government securities	4,961	196	(21)	5,136
Total fixed maturities	53,223	1,077	(260)	54,040
Common stock	2,345	221	(10)	2,556
Preferred stock	45	7	-	52
Total equity securities	2,390	228	(10)	2,608
Total securities available for sale	$55,613	$1,305	$(270)	$56,648

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

Of the $4,104 and $2,556 of common stock as of September 30, 2018 and December 31, 2017, respectively, $684 and $682, respectively, related to securities associated with non-guaranteed unit linked products where the policyholder bears the investment risk.

As of September 30, 2018 and December 31, 2017, the fair values of fixed maturity securities and equity securities loaned were approximately $1,672 and $1,702, respectively. Cash and short-term investments received as collateral in connection with the loaned securities were approximately $1,237 and $1,391 as of September 30, 2018 and December 31, 2017, respectively. Investments other than cash and short-

term investments received as collateral in connection with the loaned securities were approximately $480 and $368 as of September 30, 2018 and December 31, 2017, respectively.

The amortized cost and fair value of fixed maturities as of September 30, 2018, by contractual maturity are as follows:

	Amortized Cost	**Fair Value**
Due to mature:		
One year or less	$3,063	$3,068
Over one year through five years	21,758	21,633
Over five years through ten years	12,839	12,733
Over ten years	6,314	6,344
MBS and ABS of government and corporate agencies	12,908	12,667
Total fixed maturities	$56,882	$56,445

Actual 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.

The following table summarizes the Company's gross realized gains and losses by asset type for the three and nine months ended September 30, 2018 and 2017, respectively:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
Components of Net Realized (Losses) Gains	**2018**	**2017**	**2018**	**2017**
Fixed maturities:				
Gross realized gains	$48	$75	$160	$171
Gross realized losses	(82)	(16)	(244)	(75)
Equities:				
Gross realized gains	14	159	24	320
Gross realized losses	(11)	(48)	(17)	(105)
Other:				
Gross realized gains	193	17	447	147
Gross realized losses	(266)	(10)	(378)	(112)
Total net realized (losses) gains	$(104)	$177	$(8)	$346

During the three months ended September 30, 2018 and 2017, the Company recorded $(282) and $(33) of impairment losses, respectively. During the nine months ended September 30, 2018 and 2017, the Company recorded $(333) and $(156) of impairment losses, respectively. As of September 30, 2018 and December 31, 2017, other-than-temporary impairment losses recognized through accumulated other comprehensive loss were $(21) and $(22), respectively.

During the three months ended September 30, 2018 and 2017, proceeds from sales of fixed maturities available for sale were $9,385 and $8,881, respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled $42 and $(54) in 2018 and $62 and $(15) in 2017. During the three months ended September 30, 2018 and 2017, proceeds from sales of equities available for sale were $427 and $1,199, respectively. The gross realized gains (losses) on sales of equities available for sale totaled $10 and $(8) in 2018 and $159 and $(17) in 2017.

During the nine months ended September 30, 2018 and 2017, proceeds from sales of fixed maturities available for sale were $27,202 and $15,091, respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled $145 and $(201) in 2018 and $135 and $(40) in 2017. During the nine months ended September 30, 2018 and 2017, proceeds from sales of equities available for sale were $639 and $2,164, respectively. The gross realized gains (losses) on sales of equities available for sale totaled $20 and $(11) in 2018 and $310 and $(35) in 2017.

The following tables summarize the gross unrealized losses and fair value of fixed income and equity securities by the length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2018 and December 31, 2017, and that are not deemed to be other-than-temporarily impaired:

September 30, 2018	**Less Than 12 Months**		**12 Months or Longer**	
	Unrealized Losses	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
U.S. government and agency securities	$(54)	$4,769	$(35)	$1,016
Residential MBS	(59)	3,066	(92)	2,254
Commercial MBS	(32)	1,527	(30)	721
Other MBS and ABS	(41)	2,913	(28)	690
U.S. state and municipal	(53)	3,061	(68)	1,365
Corporate and other	(282)	13,940	(107)	2,932
Foreign government securities	(32)	1,898	(25)	829
Total fixed maturities	(553)	31,174	(385)	9,807
Common stock	(52)	1,641	(12)	277
Preferred stock	-	-	-	-
Total equities	(52)	1,641	(12)	277
Total	$(605)	$32,815	$(397)	$10,084

December 31, 2017	**Less Than 12 Months**		**12 Months or Longer**	
	Unrealized Losses	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
U.S. government and agency securities	$(20)	$2,544	$(12)	$486
Residential MBS	(21)	2,891	(26)	1,440
Commercial MBS	(12)	1,549	(4)	139
Other MBS and ABS	(6)	1,270	(12)	437
U.S. state and municipal	(8)	958	(27)	1,214
Corporate and other	(64)	7,575	(27)	1,115
Foreign government securities	(11)	1,260	(10)	411
Total fixed maturities	(142)	18,047	(118)	5,242
Common stock	(8)	599	(2)	21
Preferred stock	-	-	-	-
Total equities	(8)	599	(2)	21
Total	$(150)	$18,646	$(120)	$5,263

Unrealized losses increased from $270 as of December 31, 2017 to $1,002 as of September 30, 2018. Unrealized losses less than 12 months increased from $150 at December 31, 2017 to $605 as of September 30, 2018. Unrealized losses 12 months or longer increased from $120 as of December 31, 2017 to $397 as of September 30, 2018. Of the $12 of unrealized losses 12 months or longer on common stock, $3 relates to securities associated with non-guaranteed unit linked products where the policyholder bears the investment risk. As of September 30, 2018, there were 2,274 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.

If the Company believes a decline in the value (including foreign exchange rates) of a particular fixed maturity security is temporary, the decline is recorded as an unrealized loss in policyholders' equity. If the decline is believed to be other-than-temporary, and the Company believes that it will not be able to collect all cash flows due on its fixed maturity securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment. A non-credit impairment loss is recognized in other comprehensive income, net of applicable taxes, as the difference between expected cash flows and fair value. The Company has concluded that the remaining gross unrealized losses of fixed maturity securities as of September 30, 2018 are temporary.

For equity securities, if the decline is believed to be other-than-temporary, the carrying value of the investment is written down to fair value and a realized loss is recorded. The gross unrealized losses recorded on equity securities as of September 30, 2018 resulted primarily from decreases in quoted fair values from the dates that certain investment securities were acquired as opposed to fundamental changes in the issuer's financial performance and near-term financial prospects. The Company has concluded that the gross unrealized losses of equity securities as of September 30, 2018 are temporary, and the Company has the intent and ability to hold these securities until recovery.

The Company reviews fixed maturity securities, equity securities and other investments for impairment on a quarterly basis. These investments are reviewed for both quantitative and qualitative considerations including, but not limited to: (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. For fixed maturity securities that the Company does not intend to sell or for which it is more likely than not that the Company would not be required to sell before an anticipated recovery in value, the Company separates impairments into credit loss and non-credit loss components. The determination of the credit loss component of the impairment charge is based on the Company's best estimate of the present value of the cash flows expected to be collected from the fixed maturity security compared to its amortized cost and is reported as part of net realized gains. The non-credit component, the residual difference between the credit impairment component and the fair value, is recognized in other comprehensive income. The factors considered in making an evaluation for credit versus non-credit other-than-temporary impairment include the following: (a) failure of the issuer of the security to make scheduled interest or principal payments (including the payment structure of the fixed maturity security and the likelihood the issuer will be able to make payments that increase in the future), (b) performance indicators of the underlying assets in the security (including default and delinquency rates), (c) vintage, (d) geographic concentration and (e) industry analyst reports, sector credit ratings, and volatility of the security's fair value. In addition, the Company's accounting policy for other-than-temporary impairment recognition requires an other-than-temporary impairment charge be recorded when it is determined the security will be sold or it is more likely than not that the Company will be required to sell the security before recovery of the security's amortized cost basis (all fixed maturity securities and certain preferred equity securities) or the Company does not have the intent and ability to hold certain equity securities for a period of time that is sufficient to allow for any anticipated recovery in fair value.

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

The Company is required to review its oil and gas properties when facts and circumstances indicate that net book values may not be recoverable. In performing a quarterly review, an undiscounted cash flow test is performed at the lowest level for which identifiable cash flows are independent of cash flows from other assets. If the sum of the undiscounted future net cash flows is less than the net book value of the property, an impairment loss is recognized for the excess, if any, of the property's net book value over its estimated fair value.

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 September 30, 2018 and December 31, 2017, 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 $5,295 and $5,699 as of September 30, 2018 and December 31, 2017,

respectively, and the Company's maximum exposure to loss was $7,857 and $8,401 as of September 30, 2018 and December 31, 2017, 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 decrease in the maximum exposure to loss from December 31, 2017 to September 30, 2018 is primarily related to a reduction in VIEs held due to the sale of private equity limited partnerships in the secondary market.

(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 $15,914 and $16,899 as of September 30, 2018 and December 31, 2017, respectively, net of allowance for doubtful accounts of $212 and $218, respectively. Included in these balances are $947 and $725 of paid recoverables and $15,179 and $16,392 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 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 operations.

In conjunction with the Ironshore acquisition and effective May 1, 2017, the Company entered into a reinsurance transaction with National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc., 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 $2,991, 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 Company paid NICO consideration of $550, including interest accrued at the time of the settlement. The contract is accounted for on a prospective basis.

On July 17, 2014, Liberty Mutual Insurance Company ("LMIC") entered into a reinsurance transaction with NICO on a combined aggregate excess of loss agreement for substantially all of the Company's U.S. workers compensation, asbestos and environmental liabilities (the "NICO Reinsurance Transaction"), attaching at $12,522 of combined aggregate reserves, with an aggregate limit of $6,500 and sublimits of $3,100 for asbestos and environmental liabilities and $4,507 for certain workers compensation liabilities. At the closing of the NICO Reinsurance Transaction, but effective as of January 1, 2014, the Company ceded $3,320 of existing undiscounted liabilities under this retroactive reinsurance agreement. NICO will provide $3,180 of additional aggregate adverse development reinsurance. The Company paid NICO total consideration of $3,046. 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.

Since the NICO 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 operations 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.

During 2018, the company had net reserve releases driven by favorable development in workers compensation, partially offset by unfavorable development in asbestos and environmental. This resulted in the net position of the contract changing from a gross deferred gain of $240 to a loss of $195 as of September 30, 2018. In total, this activity had a minimal impact on net income.

The Company reported deferred gain amortization of ($35) and $18 at September 30, 2018 and 2017, respectively. As of September 30, 2018 and December 31, 2017, deferred gains were zero and $205, respectively, and are included in other liabilities within the accompanying consolidated balance sheets.

(5) DEBT OUTSTANDING

Debt outstanding as of September 30, 2018 and December 31, 2017 includes the following:

Short-term debt:	2018	2017
Short-term debt	$ -	$ 11

Long-term debt:	2018	2017
Junior Subordinated Notes, due 2067[1] [2]	$300	$300
5.00% Notes, due 2021	600	600
4.95% Notes, due 2022	750	750
4.25% Notes, due 2023	1,000	1,000
1.75% €500 million Notes, due 2024	581	600
8.50% Surplus Notes, due 2025	140	140
2.75% €750 million Notes, due 2026	871	901
7.875% Surplus Notes, due 2026	227	227
7.625% Notes, due 2028	3	3
3.91% - 4.25% Federal Home Loan Bank Borrowings due 2032	300	300
7.00% Notes, due 2034	231	231
6.50% Notes, due 2035	471	471
7.50% Notes, due 2036	19	19
7.80% Junior Subordinated Notes, due 2087[2]	700	700
10.75% Junior Subordinated Notes, due 2088[3]	52	66
6.50% Notes, due 2042	750	750
4.85% Notes, due 2044	1,050	1,050
7.697% Surplus Notes, due 2097	260	260
	8,305	8,368
Unamortized discount	(12)	(13)
Total long-term debt excluding unamortized debt issuance costs	8,293	8,355
Unamortized debt issuance costs	(38)	(41)
Total long-term debt	$8,255	$8,314

[1] 7.00% fixed rate became 6.324% starting March 15, 2017 through a swap. Bondholders are paid 3-month LIBOR + 2.905%.
[2] The par value call date and final fixed rate interest payment date is March 15, 2037, subject to certain requirements.
[3] 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
During the nine months ended September 30, 2018, the Company repurchased $14 of the 10.75% Junior Subordinated notes due 2088 compared to repurchases of $2 for the same period in 2017. Pre-tax losses of $8 were recorded on these transactions for the nine months ended September 30, 2018 compared to pre-tax losses of $1 for the same period in 2017 and are included in loss on extinguishment of debt in the accompanying consolidated statements of operations.

On December 1, 2017, LMIC replaced its $1,000 repurchase agreement with a $250 repurchase agreement for a three-year period, which terminates December 1, 2020. At September 30, 2018, no funds were borrowed under the facility.

On November 29, 2017, LMIC terminated its $1,000 repurchase agreement that was due to expire July 3, 2018.

On November 24, 2017, LMIC entered into a $250 repurchase agreement with an expiration date of November 24, 2020. At September 30, 2018, no funds were borrowed under the facility.

On October 9, 2017, Liberty Mutual Group Inc. ("LMGI") terminated its $1,000 commercial paper program.

On June 1, 2017, Ironshore Holdings (U.S.) Inc. redeemed in their entirety $250 8.5% Senior Notes due 2020 for $298. (See Note 2 for further discussion.)

On March 27, 2017, Liberty Mutual Finance Europe DAC ("LMFE") issued €500 million par value of Senior Notes due 2024 (the "2024 Notes"). Interest is payable annually at a fixed rate of 1.75%. The 2024 Notes mature on March 27, 2024.

On March 5, 2015, LMGI amended and restated its unsecured revolving credit facility from $750 to $1,000 with an expiration date of March 5, 2020. To date, no funds have been borrowed under the facility.

LMIC, Peerless Insurance Company ("PIC"), Liberty Mutual Fire Insurance Company ("LMFIC"), Employers Insurance Company of Wausau ("EICOW"), Ironshore Specialty Insurance Company ("ISIC") and Ironshore Indemnity Insurance ("III") are members of the Federal Home Loan Bank. On March 21, 2012, LMFIC borrowed $150 at a rate of 3.91% with a maturity date of March 22, 2032. On March 23, 2012 and April 2, 2012, LMIC borrowed $127 at a rate of 4.24% with a maturity date of March 23, 2032 and $23 at a rate of 4.25% with a maturity date of April 2, 2032, respectively. As of September 30, 2018, all of the outstanding Federal Home Loan Bank borrowings are fully collateralized.

On January 20, 2012, LMGI entered into two interest rate swap transactions having a notional amount of $300 with respect to LMGI's $300 Junior Subordinated Notes due 2067. Pursuant to the terms of the swap agreements, commencing on March 15, 2017 and effective through March 15, 2037, LMGI has agreed with the counterparties to pay a fixed rate of interest on the notional amount and the counterparties have agreed to pay a floating rate of interest on the notional amount.

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.

(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 strategic business units 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.

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

	2018	2017
Balance as of January 1	$59,217	$49,721
Less: unpaid reinsurance recoverables[1]	13,037	10,016
Net balance as of January 1	46,180	39,705
Balance attributable to acquisitions and dispositions[2]	(22)	2,665
Incurred attributable to:		
Current year	19,606	20,039
Prior years[3]	(109)	499
Discount accretion attributable to prior years	(19)	45
Total incurred	19,478	20,583
Paid attributable to:		
Current year	9,631	9,132
Prior years	8,958	8,330
Total paid	18,589	17,462
Amortization of deferred retroactive reinsurance gain	(33)	20
Net adjustment due to foreign exchange	(212)	429
Add: unpaid reinsurance recoverables[1][4]	12,184	12,256
Balance as of September 30	$58,986	$58,196

[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 $2,954 and $3,311 as of September 30, 2018 and 2017, respectively.
[2] The balance attributable to acquisitions and dispositions primarily represents an adjustment related to the sale of Liberty Sigorta A.S. as well as an Ironshore purchase price adjustment in 2018 and the acquisition of Ironshore in 2017.
[3] Does not include increases (decreases) in allowance related to reinsurance recoverables due to prior year development of $4 and ($14) as of September 30, 2018 and 2017, respectively.
[4] Includes ($11) related to Ironshore's ADC recovery adjustment for September 30, 2018.

In 2018, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive gain, is primarily attributable to favorable development due to prior year catastrophe releases and workers compensation, partially offset by unfavorable development in the general liability and commercial auto liability lines of business. In 2017, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive gain, is primarily attributable to unfavorable development in the commercial auto liability line 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 $1,111 and $957 as of September 30, 2018 and December 31, 2017, 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 law. 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. Deferred tax positions are not established for adjustments arising from foreign operations whose earnings are considered to be permanently reinvested.

On December 22, 2017, the U.S. enacted the Act which reduced the U.S. Federal corporate income tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings. At December 31, 2017, the Company made a reasonable estimate of the effects of the reduction in the U.S. Federal corporate income tax rate and the one-time transition tax, resulting in a tax expense of $252, of which $240 was considered provisional and $12 was due to the impact of proportional amortization on investments in qualified affordable housing projects.

During the quarter ended September 30, 2018, the Company recognized a provisional measurement benefit of $10, primarily due to filing the Company's 2017 U.S. Consolidated Federal Income Tax Return. Included in the $10 benefit is a net $2 expense related to the one-time

transition tax liability. The net provisional adjustment on the 2018 effective tax rate is immaterial. The Company is still analyzing certain aspects of the Act including the calculations of total post-1986 foreign E&P related to fiscal year-end entities. As a result, additional provisional measurements may be recorded within one year of the date of enactment of the Act.

The Company's effective tax rate on continuing operations 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.

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

Balance at December 31, 2017	$67
Additions for tax positions of prior years	39
Reductions for tax positions of prior years	(34)
Settlements	(2)
Translation	(8)
Balance at September 30, 2018	$62

Included in the tabular roll forward of unrecognized tax benefits are interest and penalties in the amount of $23 and $25 as of September 30, 2018 and December 31, 2017, respectively.

Included in the balance at September 30, 2018, is $46 related to tax positions that would impact the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in U.S. Federal, state, and foreign income tax expense. For the three months ended September 30, 2018 and 2017, the Company recognized $0 and $0 of interest and penalties, respectively. For the nine months ended September 30, 2018 and 2017, the Company recognized $(1) and $0 of interest and penalties respectively. The Company had approximately $22 and $25 of interest and penalties accrued as of September 30, 2018 and December 31, 2017, respectively.

The IRS has completed its review of the Company's U.S. Federal income tax returns through the 2012 tax year and the 2014 tax year. The 2013 tax year is currently under review for a Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") related exam. TEFRA regulates the audit procedures for partnerships. .Any adjustments that may result from the IRS 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 believes that the balance of unrecognized tax benefits could decrease by $2 within the next twelve months as a result of potential settlements with the IRS for prior years.

(8) BENEFIT PLANS

The net benefit costs for the three and nine months ended September 30, 2018 and 2017, include the following components:

Three months ended September 30,	**Pension Benefits**		**Supplemental Pension Benefits [1]**		**Postretirement Benefits**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Components of net periodic benefit costs:						
Service costs	$36	$36	$1	$2	$4	$4
Interest costs	78	71	4	4	9	10
Expected return on plan assets	(127)	(125)	-	-	-	-
Amortization of unrecognized:						
Net loss	40	45	5	6	1	-
Prior service cost	(6)	(6)	(2)	(2)	(4)	(4)
Net periodic benefit costs	$21	$21	$8	$10	$10	$10

[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 U.S. tax qualified, defined benefit pension plan had it not been for limits imposed by the Internal Revenue Code. The supplemental plans are unfunded.

Nine months ended September 30,	Pension Benefits		Supplemental Pension Benefits [1]		Postretirement Benefits	
	2018	2017	2018	2017	2018	2017
Components of net periodic benefit costs:						
Service costs	$113	$109	$4	$4	$14	$13
Interest costs	224	213	11	12	25	26
Expected return on plan assets	(379)	(375)	-	-	-	-
Settlement charge/curtailment	(12)	-	10	-	(8)	-
Amortization of unrecognized:						
Net loss	143	134	16	18	3	2
Prior service cost	(19)	(20)	(4)	(4)	(12)	(9)
Net periodic benefit costs	$70	$61	$37	$30	$22	$32

[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 U.S. tax qualified, defined benefit pension plan had it not been for limits imposed by the Internal Revenue Code. The supplemental plans are unfunded.

The settlement charge is due to a Supplemental Pension lump sum payment in excess of the settlement accounting threshold.

As a result of the LLAC sale a curtailment benefit of $21 was recognized and is reflected in discontinued operations on the consolidated statements of operations. In conjunction with the LLAC sale a plan remeasurement was completed which had an increase on the interest rate of approximately 50 basis points. As a result a benefit of $30 was recognized on the consolidated statements of operations and a $373 reduction to the pension obligation was recorded on the consolidated balance sheet.

The Company has contributed $3 to the qualified plans as of September 30, 2018 and expects to additionally contribute approximately $2.

(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 Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

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

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

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance on the overall reasonableness and consistent application of valuation methodologies and inputs and compliance with accounting standards through the execution of various processes and controls designed to ensure that the Company's assets and liabilities are appropriately valued. For fair values received from third parties or internally estimated, the Company's processes are designed to determine that the valuation methodologies and inputs are appropriate and consistently applied, the assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses

the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third party valuation sources for selected securities.

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

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

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

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

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

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

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

Foreign Government Securities
Foreign government securities include bonds issued or guaranteed by foreign governments. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads.

Accordingly, the fair value of foreign government securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Equity Securities
Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified within Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified within Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

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 and equity investments in privately held businesses. 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. Loans, limited partnership and other equity method investments, which represent the remainder of the other investment balance on the accompanying consolidated balance sheet 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 exchange-traded 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.

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

The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017:

	As of September 30, 2018			
Assets, at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government and agency securities	$5,887	$143	$ -	$6,030
Residential MBS	-	5,819	-	5,819
Commercial MBS	-	2,629	26	2,655
Other MBS and ABS	-	4,181	12	4,193
U.S. state and municipal	-	8,052	132	8,184
Corporate and other	-	24,127	284	24,411
Foreign government securities	-	5,153	-	5,153
Total fixed maturities, available for sale	5,887	50,104	454	56,445
Common stock	4,044	24	36	4,104
Preferred stock	-	41	7	48
Total equity securities, available for sale	4,044	65	43	4,152
Short-term investments	-	366	51	417
Other investments	10	85	228	323
Other assets	-	3	16	19
Total assets	$9,941	$50,623	$792	$61,356
Liabilities, at Fair Value				
Life insurance obligations	$-	$-	$(87)	$(87)
Other liabilities	-	(38)	(5)	(43)
Total liabilities	$-	$(38)	$(92)	$(130)

	As of December 31, 2017			
Assets, at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government and agency securities	$3,302	$164	$-	$3,466
Residential MBS	-	5,776	47	5,823
Commercial MBS	-	2,710	4	2,714
Other MBS and ABS	-	3,238	34	3,272
U.S. state and municipal	-	9,179	145	9,324
Corporate and other	-	24,104	201	24,305
Foreign government securities	-	5,136	-	5,136
Total fixed maturities, available for sale	3,302	50,307	431	54,040
Common stock	2,512	5	39	2,556
Preferred stock	-	43	9	52
Total equity securities, available for sale	2,512	48	48	2,608
Short-term investments	12	446	36	494
Other investments	-	73	616	689
Other assets	-	1	63	64
Total assets	$5,826	$50,875	$1,194	$57,895
Liabilities, at Fair Value				
Life insurance obligations	$-	$-	$(126)	$(126)
Other liabilities	-	(51)	-	(51)
Total liabilities	$-	$(51)	$(126)	$(177)

The Company did not have significant transfers between Levels 1 and 2 for the nine months ended September 30, 2018.

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

	Balance January 1, 2018	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchases	Settlements	Sales and Maturities	Transfer in to Level 3	Transfer out of Level 3	Balance September 30, 2018
Assets, at Fair Value									
U.S. government and agency securities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential MBS	47	-	-	57	-	(32)	-	(72)	-
Commercial MBS	4	-	(1)	24	-	(1)	-	-	26
Other MBS and ABS	34	(2)	1	14	-	(1)	-	(34)	12
U.S. state and municipal	145	-	13	50	-	(4)	-	(72)	132
Corporate and other	201	(2)	(20)	146	-	(44)	3	-	284
Foreign government securities	-	-	-	-	-	-	-	-	-
Total fixed maturities	431	(4)	(7)	291	-	(82)	3	(178)	454
Common stock	39	-	(1)	4	-	(4)	-	(2)	36
Preferred stock	9	5	(2)	-	-	(5)	-	-	7
Total equity securities	48	5	(3)	4	-	(9)	-	(2)	43
Short-term investments	36	4	-	118	-	(107)	-	-	51
Other investments	616	149	(174)	22	-	(384)	-	(1)	228
Other assets	63	26	(15)	239	(1)	(296)	-	-	16
Total assets	1,194	$180	$(199)	$674	$(1)	$(878)	$3	$(181)	$792
Liabilities, at Fair Value									
Life insurance obligations	$(126)	$-	$30	$9	$-	$-	$-	$-	$(87)
Other liabilities	$ -	-	(5)	-	-	-	-	-	(5)
Total liabilities	$(126)	$-	$25	$9	$-	$-	$-	$-	$(92)

	Balance January 1, 2017	Net Realized Gains (Losses)	Net Unrealized (Losses) Gains	Purchases	Settlements	Sales and Maturities	Transfer in to Level 3	Transfer out of Level 3	Balance December 31, 2017
Assets, at Fair Value									
U.S. government and agency securities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential MBS	-	-	(1)	141	-	-	-	(93)	47
Commercial MBS	4	-	-	-	-	-	-	-	4
Other MBS and ABS	36	-	-	56	-	(21)	-	(37)	34
U.S. state and municipal	121	-	5	54	-	(7)	3	(31)	145
Corporate and other	86	-	2	224	-	(94)	4	(21)	201
Foreign government securities	-	-	-	-	-	-	-	-	-
Total fixed maturities	247	-	6	475	-	(122)	7	(182)	431
Common stock	33	-	-	32	-	(30)	5	(1)	39
Preferred stock	4	-	-	5	-	-	-	-	9
Total equity securities	37	-	-	37	-	(30)	5	(1)	48
Short-term investments	5	1	-	52	-	(22)	-	-	36
Other investments	505	9	45	90	-	(36)	3	-	616
Other assets	21	-	46	(4)	-	-	-	-	63
Total assets	$815	10	97	650	-	(210)	15	(183)	1,194
Liabilities, at Fair Value									
Life insurance obligations	$(136)	$ -	$(6)	$16	$ -	$ -	$ -	$ -	$(126)
Other liabilities	(1)	-	1	-	-	-	-	-	$ -
Total liabilities	$(137)	$ -	$(5)	$16	$ -	$ -	$ -	$ -	$(126)

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

There were no material unrealized gains (losses) for the period included in earnings attributable to the fair value relating to assets and liabilities classified as Level 3 that are still held as of September 30, 2018.

The Company's assets measured on a non-recurring basis are primarily related to direct investments in oil and gas production. These assets are measured on a non-recurring basis at the time of impairment and are not included in the tables presented above. The Company's had $26 assets classified as Level 3 as of September 30, 2018.

For the nine months ended September 30, 2018, there were impairments recognized of $298 for items measured at fair value on a nonrecurring basis.

The Company has not applied ASC 820, *Fair Value Measurements and Disclosures*, 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 September 30, 2018, the Company had unfunded commitments in traditional private equity partnerships, natural resources, real estate, and other of $1,039, $361 ($268 of which is related to energy investments), $649, and $767, respectively.

As of September 30, 2018, the Company had commitments to purchase various residential MBS at a cost and fair value of $629 and $628, respectively.

(11) SUBSEQUENT EVENTS

Management has assessed material subsequent events through November 1, 2018, the date the financial statements were available to be issued.