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

Quarter Ended September 30, 2023

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

The following discussion highlights significant factors influencing results of operations and changes in financial position of Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Insurance group of entities (the "Company" or "LMHC"), for the nine months ended September 30, 2023 and 2022. This Management's Discussion & Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's December 31, 2022 Audited Consolidated Financial Statements and September 30, 2023 Unaudited Consolidated Financial Statements located on the Company's Investor Relations website at www.libertymutualgroup.com/investors. The Company's discussions related to net income are presented in conformity with US generally accepted accounting principles ("GAAP") on an after-tax basis. All other discussions are presented on a pre-tax GAAP basis, unless otherwise noted. Further, the Company notes that it may make material information regarding the Company available to the public, from time to time, via the Company's Investor Relations website at www.libertymutualgroup.com/investors (or any successor site).

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Cautionary Statement Regarding Forward Looking Statements

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

Some of the factors that could cause actual results to differ include, but are not limited to the following: the occurrence of catastrophic events (including terrorist acts, war or conflicts, civil unrest, hurricanes, hail, tornados, tsunamis, earthquakes, floods, snowfall and winter conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or ability to collect reinsurance; disruptions to the Company's relationships with its independent agents and brokers; financial disruption or a prolonged economic downturn; prolonged epidemic or pandemic in countries in which we operate; the performance of the Company's investment portfolios; a rise in interest rates; risks inherent in the Company's alternative investments in private limited partnerships ("LP"), limited liability companies ("LLC"), commercial mortgages and direct investments in natural resources; difficulty in valuing certain of the Company's investments; subjectivity in the determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; the Company's inability to obtain price increases or maintain market share due to competition or otherwise; inadequacy of the Company's pricing models; changes to insurance laws and regulations; changes in the amount of statutory capital that the Company must hold to maintain its financial strength and credit ratings; regulatory restrictions on the Company's ability to change its methods of marketing and underwriting in certain areas; assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the ability of the Company's subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclicality of the property and casualty insurance industry; political, legal, operational and other risks faced by the Company's international business; potentially high severity losses involving the Company's surety products; loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of personal lines policies; inadequacy of the Company's controls to ensure compliance with legal and regulatory standards; changes in US federal, foreign or state tax laws; risks arising out of the Company's securities lending program; the Company's utilization of information technology systems and its implementation of technology innovations; difficulties with technology or data security; insufficiency of the Company's business continuity plan in the event of a disaster; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; insufficiency of the Company's enterprise risk management models and modeling techniques; the Company's ability to identify and accurately assess complex and emerging risks, and changing climate conditions; and disruptions to the banking system.

The Company may also describe estimated impacts as a result of dispositions and acquisitions on the Company's financial results and condition, including to GAAP equity, which are deemed forward-looking statements and represent the Company's best estimates based on information available to us at this time. However, because these estimates involve making assumptions, including about future events, they are subject to business, economic and competitive uncertainties, many of which are beyond the Company's control, and are subject to change based on closing adjustments. Consequently, the actual impact on the Company's results could be materially different from those described herein. Some of the important factors that could cause actual results and outcomes to differ materially from those indicated in the forward-looking statements include, among others, the following: (i) the occurrence of any event, change, or other circumstances that could give rise to the termination of the signed transaction agreements; (ii) the inability of the parties to complete the proposed transaction, including due to failure to obtain certain regulatory approvals, or satisfy other conditions to closing the agreements; (iii) the possibility that the expected benefits of the sales are not realized when expected or at all; and (iv) any of the aforementioned risk factors listed in the above paragraphs that may also result in variability in possible outcomes.

The Company's forward-looking statements speak only as of the date of this report or as of the date they are made and should be regarded solely as the Company's current plans, estimates and beliefs. For a detailed discussion of

these and other cautionary statements, visit the Company's Investor Relations website at www.libertymutualgroup.com/investors. The Company undertakes no obligation to update these forward-looking statements.

EXECUTIVE SUMMARY

The following highlights do not address all of the matters covered in the other sections of Management's Discussion & Analysis of Financial Condition and Results of Operations or contain all of the information that may be important to the investing public. This summary should be read in conjunction with the other sections of Management's Discussion & Analysis of Financial Condition and Results of Operations and the Company's 2023 Unaudited Consolidated Financial Statements.

Consolidated Results of Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Net written premium	$12,160	$11,848	2.6%	$35,152	$34,615	1.6%
Pre-tax operating income (loss) before limited partnerships income[1]	210	(385)	NM	(488)	(322)	51.6
Limited partnerships income (loss)	62	(272)	NM	85	560	(84.8)
Net realized gains (losses)	87	69	26.1	(25)	(604)	(95.9)
Acquisition & integration costs	(33)	(23)	43.5	(58)	(80)	(27.5)
Restructuring costs	(26)	(5)	NM	(66)	(3)	NM
Discontinued operations, net of tax	48	66	(27.3)	50	104	(51.9)
Consolidated net income (loss)	215	(353)	NM	(435)	(197)	120.8
Less: Net (loss) income attributable to non-controlling interest	(4)	-	NM	6	1	NM
Net income (loss) attributable to LMHC	219	(353)	NM	(441)	(198)	122.7
Net income (loss) attributable to LMHC excluding unrealized impact[2]	132	(439)	NM	(554)	12	NM
Cash flow provided by continuing operations	$1,798	$2,158	(16.7%)	$2,222	$3,891	(42.9%)

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

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

NM = Not Meaningful

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	**2022**	**Change (Points)**	**2023**	**2022**	**Change (Points)**
Underlying combined ratio[1]	92.1%	94.7%	(2.6)	93.9%	94.8%	(0.9)
Combined ratio[2]	102.6%	106.7%	(4.1)	105.4%	103.6%	1.8

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

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

$ in Millions	As of September 30, 2023	As of December 31, 2022	Change
Short-term debt[1]	$529	$547	(3.3%)
Long-term debt	9,522	10,053	(5.3)
Total debt	$10,051	$10,600	(5.2%)
Unassigned equity	$29,337	$29,822	(1.6%)
Accumulated other comprehensive (loss)	(8,218)	(7,830)	4.9
Non-controlling interest	182	216	(15.7)
Total equity	$21,301	$22,208	(4.1%)

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

Subsequent Events

Management has assessed material subsequent events through November 8, 2023, the date the financial statements were available to be issued.

CONSOLIDATED RESULTS OF OPERATIONS

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

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

On July 13, 2023, the Company announced the realignment of its businesses to enhance focus on long-term strategic markets, while better leveraging scale advantages to drive improved profitability and faster innovation. The Company's realignment, effective August 1, 2023, featured the following changes:

- GRS formed the new Asia Retail Markets ("ARM") business unit by aligning the business segment previously known as Global Retail Markets East ("GRM East") with Global Risk Solutions, combining the full suite of capabilities, and leveraging our collective expertise, relationships, and scale in a region where we see potential for profitable growth.
- US Retail Markets ("USRM") consists of the US Personal Lines and Business Lines markets of the former Global Retail Markets business.

On June 15, 2023, the Company announced the sale of the Liberty Seguros operations known as WEM (Ireland, Northern Ireland, Portugal and Spain), the personal lines and small commercial insurance business headquartered in Madrid, Spain to Assicrurazioni Generali S.P.A..

On May 27, 2023, the Company announced the sale of the personal and small commercials business of Liberty Seguros in Brazil and Andes Multi-Country Market ("MCM") (Chile, Colombia, and Ecuador) to HDI International (of the Talanx Group). This includes the GRS Liberty Specialty Markets direct insurance business operations.

The Company expects to close on all transactions by the second quarter of 2024, pending regulatory approvals and other customary closing conditions. The results of the businesses held for sale are presented as discontinued operations in the accompanying Consolidated Statements of Operations and are no longer included within the financial results of USRM, GRS or Investments. The prior periods have been restated to reflect this change.

The aforementioned agreements for the sale of our Latin American and Western European retail businesses are expected to generate proceeds of approximately $4 billion. Upon close of the three transactions, the Company expects to realize approximately a $300 million net realized gain and an estimated $1.1 billion increase to GAAP equity.

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

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

On July 28, 2022, the Company completed its acquisition of Malaysian insurer AmGeneral. Liberty Insurance Berhad acquired 100% shares of AmGeneral, and AmBank Group's share of the sale proceeds were in the form of cash and consideration shares, which resulted in AmBank Group retaining a 30% interest in the Liberty Insurance Berhad and AmGeneral businesses. On March 31, 2023, the AmGeneral and Liberty Insurance Berhad operations were formally merged.

On June 6, 2022, LMGI issued $1.000 billion of Senior Notes, due 2052 (the "2052 Notes"). Interest is payable semi-annually at a fixed rate of 5.50%. The 2052 Notes mature on June 15, 2052.

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

On March 1, 2022, the Company completed its merger with State Automobile Mutual Insurance Company ("SAM"), a super-regional insurance company headquartered in Columbus, Ohio. Under the terms of the agreement, members of SAM became mutual members of the Company. The Company acquired all of the publicly held shares of common stock of SAM's subsidiary, State Auto Financial Corporation ("STFC"), for $52 per share in cash, totaling approximately $980 million. Direct costs related to the acquisition were expensed as incurred. Integration and acquisition costs principally consisting of non-recurring banking, legal, tax and accounting services, retention and severance costs are reflected separately on the Consolidated Statements of Operations. Financial results post acquisition date are included in the MD&A and Unaudited Consolidated Financial Statements.

The Company's two businesses are as follows:

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

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

Refer back to the additional risk factors that may impact the Company's financial results and condition are discussed in the section entitled "Cautionary Statement Regarding Forward Looking Statements". We undertake no obligation to update the estimated impact of these transactions after the date hereof. The Company does not obligate itself generally to make any other forward-looking statements in the future.

Overview – Consolidated

Consolidated NWP by significant line of business was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Private passenger automobile	$3,760	$3,702	1.6%	$10,788	$10,974	(1.7%)
Homeowners	2,766	2,696	2.6	7,200	6,949	3.6
Global Risk Solutions specialty insurance[1]	983	984	(0.1)	3,045	3,099	(1.7)
Global Risk Solutions reinsurance	517	588	(12.1)	2,362	2,115	11.7
Commercial property	889	794	12.0	2,090	1,921	8.8
Commercial multiple-peril	569	604	(5.8)	1,726	1,743	(1.0)
Commercial automobile	478	481	(0.6)	1,669	1,529	9.2
Workers compensation	434	494	(12.1)	1,387	1,463	(5.2)
Global Risk Solutions casualty[2]	562	614	(8.5)	1,293	1,606	(19.5)
Surety	378	335	12.8	1,107	1,015	9.1
US Retail Markets general liability	293	308	(4.9)	902	888	1.6
Global Risk Solutions inland marine[3]	146	148	(1.4)	445	444	0.2
Global Risk Solutions other reinsurance	(10)	140	NM	(107)	309	NM
Corporate reinsurance[4]	(81)	(456)	(82.2)	(148)	(588)	(74.8)
Other[5]	476	416	14.4	1,393	1,148	21.3
Total NWP	$12,160	$11,848	2.6%	$35,152	$34,615	1.6%

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

NWP for the three months ended September 30, 2023 was $12.160 billion, an increase of $312 million over the same period in 2022.

Significant changes by major line of business for the three months ended September 30, 2023 include:

- Private passenger automobile NWP increased $58 million. The increase reflects an increase in average written premium due to rate actions to offset elevated severity and frequency trends. This is partially offset by targeted actions in US personal lines and US business lines to reduce new business growth in response to previously mentioned unfavorable trends as well as ceded net written premium in US personal lines.
- Homeowners NWP increased $70 million. The increase reflects an increase in average written premium due to rate actions to offset elevated severity and frequency trends. This is partially offset by targeted actions in US personal lines and US business lines to reduce new business growth in response to previously mentioned unfavorable trends as well as ceded net written premium in US personal lines.

- Global Risk Solutions reinsurance NWP decreased $71 million. The decrease reflects reinstatement premiums in Q3 2022 that did not recur and de-risking of the portfolio in unprofitable and economically challenging products.
- Commercial property NWP increased $95 million. The increase reflects renewal rate increases.
- Global Risk Solutions other reinsurance NWP decreased $150 million. The decrease reflects more coverage being purchased.

NWP for the nine months ended September 30, 2023 was $35.152 billion, an increase of $537 million over the same period in 2022.

Significant changes by major line of business for the nine months ended September 30, 2023 include:

- Private passenger automobile NWP decreased $186 million. The decrease reflects targeted actions to reduce new business growth and targeted underwriting actions to address persistent severity and frequency trends and higher ceded net written premium.
- Homeowners NWP increased $251 million. The increase reflects an increase in average written premium due to rate actions to offset rising personal lines severity and frequency trends and the acquisition of SAM.
- Global Risk Solutions reinsurance NWP increased $247 million. The increase reflects renewal rate increases.
- Commercial property NWP increased $169 million. The increase reflects renewal rate increases.
- Global Risk Solutions casualty NWP decreased $313 million. The decrease reflects lower premium from de-risking of the portfolio in unprofitable and economically challenging products.
- Global Risk Solutions other reinsurance NWP decreased $416 million. The decrease reflects an increase in reinsurance costs and more coverage being purchased.

Consolidated NWP by business was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
US Retail Markets	$8,043	$7,981	0.8%	$22,790	$22,604	0.8%
Global Risk Solutions	4,208	4,357	(3.4)	12,506	12,605	(0.8)
Corporate and Other	(91)	(490)	(81.4)	(144)	(594)	(75.8)
Total NWP	$12,160	$11,848	2.6%	$35,152	$34,615	1.6%
Foreign exchange effect on growth			0.1			(0.3)
NWP growth excluding foreign exchange[1]			2.5%			1.9%

1 Determined by assuming constant foreign exchange rates between periods.

Consolidated NWP by geographic distribution channels was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
US	$9,607	$10,346	(7.1%)	$29,382	$30,295	(3.0%)
International excluding foreign exchange[1]	2,537	1,502	68.9	5,868	4,320	35.8
Foreign exchange[1]	16	-	NM	(98)	-	NM
Total NWP	$12,160	$11,848	2.6%	$35,152	$34,615	1.6%

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

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

Results of Operations – Consolidated

$ in Millions	Three Months Ended September 30, 2023	2022	Change	Nine Months Ended September 30, 2023	2022	Change
Revenues	$12,564	$12,031	4.4%	$36,845	$34,828	5.8%
Underlying PTOI before limited partnerships income	1,456	857	69.9	3,415	2,423	40.9
Catastrophes	(1,110)	(1,391)	(20.2)	(4,451)	(3,155)	41.1
Net incurred losses attributable to prior years:						
- Asbestos and environmental[1]	-	-	-	-	-	-
- All other[2]	56	292	(80.8)	548	410	33.7
Current accident year re-estimation[3]	(192)	(143)	34.3	-	-	-
Pre-tax operating income (loss) before limited partnerships income	210	(385)	NM	(488)	(322)	51.6
Limited partnerships income (loss)[4]	62	(272)	NM	85	560	(84.8)
Pre-tax operating income (loss)	272	(657)	NM	(403)	238	NM
Net realized gains (losses)	87	69	26.1	(25)	(604)	(95.9)
Acquisition & integration costs	(33)	(23)	43.5	(58)	(80)	(27.5)
Restructuring costs	(26)	(5)	NM	(66)	(3)	NM
Pre-tax income (loss)	300	(616)	NM	(552)	(449)	22.9
Income tax expense (benefit)	133	(197)	NM	(67)	(148)	(54.7)
Consolidated net income (loss) from continuing operations	167	(419)	NM	(485)	(301)	61.1
Discontinued operations, net of tax	48	66	(27.3)	50	104	(51.9)
Consolidated net income (loss)	215	(353)	NM	(435)	(197)	120.8
Less: Net income attributable to non-controlling interest	(4)	-	NM	6	1	NM
Net income (loss) attributable to LMHC	219	(353)	NM	(441)	(198)	122.7
Net income (loss) attributable to LMHC excluding unrealized impact[5]	132	(439)	NM	(554)	12	NM
Cash flow provided by continuing operations	$1,798	$2,158	(16.7%)	$2,222	$3,891	(42.9%)

1 Asbestos and environmental is gross of the related adverse development reinsurance (the "NICO Reinsurance Transaction", which is described further in Reinsurance).
2 Net of earned premium and reinstatement premium attributable to prior years of $8 million and $40 million for the three and nine months ended September 30, 2023, and $107 million and $152 million for the same periods in 2022.
3 Re-estimation of the current accident year loss reserves for the six months ended June 30, 2023.
4 Limited partnerships income includes LP, LLC and other equity method income within net investment income in the accompanying Consolidated Statements of Operations and revenue and expenses from direct investments in natural resources.
5 Excludes unrealized gains on equity securities, unit linked life insurance, and the corresponding tax impact.
NM = Not Meaningful

Limited Partnerships Income (Loss) $ in Millions	Three Months Ended September 30, 2023	2022	Change	Nine Months Ended September 30, 2023	2022	Change
Limited partnerships income (loss)[1]	$67	($270)	(124.8%)	$91	$568	(84.0%)
Direct investment in natural resources revenues[2]	(1)	1	(200.0)	4	3	33.3
Direct investment in natural resources expenses[3]	(4)	(3)	33.3	(10)	(11)	(9.1)
Total limited partnerships income (loss)	$62	($272)	(122.8%)	$85	$560	(84.8%)

1 Included within net investment income in the accompanying Consolidated Statements of Operations.
2 Included within fee & other revenues in the accompanying Consolidated Statements of Operations.
3 Included within operating costs and expenses in the accompanying Consolidated Statements of Operations.

Net Investment Income $ in Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Taxable interest income	$620	$517	$2,002	$1,406
Tax-exempt interest income	28	37	89	115
Dividends	7	8	22	33
Limited partnerships income (loss)	67	(270)	91	568
Mortgage loans	54	40	166	95
Other investment income	117	3	105	18
Gross investment income	$893	$335	$2,475	$2,235
Investment expenses[1]	(96)	(92)	(297)	(271)
Total net investment income	$797	$243	$2,178	$1,964

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

Net Realized Gains (Losses) $ in Millions	Sales & Settlements	Impairments	Unrealized Gains	Total
Three Months Ended September 30, 2023:				
Fixed maturities	($68)	$-	$-	($68)
Equities	2	-	-	$2
Derivatives	3	-	78	81
Other	(9)	2	79	72
Total	($72)	$2	$157	$87
Three Months Ended September 30, 2022:				
Fixed maturities	$17	($28)	$-	($11)
Equities	(43)	-	38	(5)
Derivatives	22	-	15	37
Other	(4)	(21)	73	48
Total	($8)	($49)	$126	$69

Net Realized (Losses) Gains $ in Millions	Sales & Settlements	Impairments	Unrealized Gains (Losses)	Total
Nine Months Ended September 30, 2023:				
Fixed maturities	($191)	($12)	$-	($203)
Equities	6	-	10	16
Derivatives	33	-	77	110
Other	16	(6)	42	52
Total	($136)	($18)	$129	($25)
Nine Months Ended September 30, 2022:				
Fixed maturities	($163)	($28)	$-	($191)
Equities	(78)	-	(444)	(522)
Derivatives	7	-	28	35
Other	10	(38)	102	74
Total	($224)	($66)	($314)	($604)

Unrealized (Losses) Gains Related to Equity Securities[1]	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	2023	2022	Change	2023	2022	Change
Net gains (losses) recognized during the period on equity securities	$79	$111	(28.8%)	$52	($342)	NM
Less: Net (losses) gains recognized during the period on equity securities sold during the period	(1)	44	NM	16	(401)	NM
Unrealized gains (losses) recognized during the reporting period on equity securities still held at the reporting date	$80	$67	19.4%	$36	$59	(39.0%)

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

Third Quarter Results:

Pre-tax operating income (loss) before limited partnerships income for the three months ended September 30, 2023 was $210 million, versus ($385) million for the same period in 2022. Underlying pre-tax operating income before limited partnerships income was $1.456 billion, an increase of $599 million over the same period in 2022. The increase in underlying pre-tax operating income primarily reflects:

- Higher net investment income.
- Lower employee related costs in Corporate.
- Decrease in small catastrophe losses compared to the same period in 2022 in US Retail Markets.
- Favorable expenses compared to prior year driven by reduced advertising spend, lower personnel expenses, and lower variable expenses as a result of reductions in new business in US Retail Markets.
- Favorable current year loss activity in Global Risk Solutions.
- Lower commissions in Global Risk Solutions.
- Earned profit on rate growth.

Partially offset by:

- Elevated non-catastrophe losses in the US driven by personal property and personal auto due to increased severity in US Retail Markets.
- Higher expenses due to an increase in employee related costs in Global Risk Solutions.

Including the impact of catastrophes, net incurred losses attributable to prior years, and current year re-estimation, the increase in pre-tax operating income before limited partnerships income primarily reflects:

- Lower current year catastrophe losses due to Hurricane Ian in Q3 2022 in Global Risk Solutions.
- The changes to underlying PTOI mentioned above.
- Higher limited partnerships income.

Partially offset by:

- Unfavorable prior accident year activity due to greater reserve releases in Q3 2022 in Global Risk Solutions.
- Higher-than-expected catastrophe losses in the US driven by several hail and wind related events that resulted in significantly elevated severity in Q3 2023 versus Q3 2022.
- Lower net incurred losses attributed to prior years from US catastrophe losses that have favorably developed compared to the same time period in 2022 in US Retail Markets.
- Higher current accident year re-estimation from adverse development on long-tail lines, primarily in US personal lines.

Limited partnerships income (loss), including operating income from direct investments in natural resources, for the three months ended September 30, 2023 was $62 million, versus ($272) million for the same period in 2022. The change primarily reflects:

- More favorable valuations driven by private capital investments.

Partially offset by:

- Less favorable valuations in energy investments.

Revenues for the three months ended September 30, 2023 were $12.564 billion, an increase of $533 million over the same period in 2022. The major components of revenues are net premium earned, net investment income, net realized gains (losses), and fee and other revenues.

Net premium earned for the three months ended September 30, 2023 was $11.521 billion, an increase of $12 million over the same period in 2022. The increase primarily reflects the premium earned associated with the changes in NWP previously discussed.

Net investment income for the three months ended September 30, 2023 was $797 million, an increase of $554 million over the same period in 2022. The increase primarily reflects:

- More favorable valuations across the limited partnership investments, primarily driven by private capital investments.
- Increase in taxable interest income.

Net realized gains for the three months ended September 30, 2023 were $87 million, an increase of $18 million over the same period in 2022. The net realized gains in the current quarter were primarily driven by:

- $89 million net change in unrealized gains on energy holdings.
- $81 million of net gains on derivatives.

Partially offsetting losses was:

- $68 million of net losses on fixed maturity sales.

The prior period was impacted by:

- $70 million of net change in unrealized gains on energy holdings.
- $37 million net gains on derivatives.

Offset by:

- $28 million impairment of fixed maturities.
- $21 million impairment on intangible assets.

Fee and other revenues for the three months ended September 30, 2023 were $159 million, a decrease of $51 million from the same period in 2022.

Claims, benefits and expenses for the three months ended September 30, 2023 were $12.205 billion, a decrease of $414 billion from the same period in 2022. The decrease primarily reflects:

- Lower current year catastrophe losses in Global Risk Solutions.
- Favorable current year loss activity in Global Risk Solutions.
- Lower commissions in Global Risk Solutions.
- Favorable expenses compared to prior year driven by reduced advertising spend, lower personnel expenses, and lower variable expenses as a result of lower new business in US Retail Markets.

Partially offset by:

- Higher expenses due to an increase in employee related costs in Global Risk Solutions.
- Unfavorable prior accident year activity due to greater reserve releases in Q3 2022 in Global Risk Solutions.
- Higher-than-expected catastrophe losses in the US driven by elevated severity and frequency of events in Q3 2023 versus Q3 2022 in US Retail Markets.

Income tax expense (benefit) on continuing operations for the three months ended September 30, 2023 was $133 million, versus ($197) million for the same period in 2022. The Company's effective tax rate for the three months ended September 30, 2023 was 44% compared to 32% for the same period in 2022. The increase in the effective tax rate primarily reflects:

- The tax impact of permanent book-to-tax differences and non-US operations as compared to the pre-tax income (loss) in the relevant period.

Discontinued operations, net of tax, for the three months ended September 30, 2023 were $48 million, a decrease of $18 million from the same period in 2022.

Net income (loss) attributable to LMHC for the three months ended September 30, 2023 was $219 million, versus ($353) million for the same period in 2022.

Cash flow provided by continuing operations for the three months ended September 30, 2023 was $1.798 billion, a decrease of $360 million from the same period in 2022. The decrease reflects unfavorable paid loss activity and premium collections.

Year-to-date Results:

Pre-tax operating loss before limited partnerships income for the nine months ended September 30, 2023 was ($488) million, an increase of $166 million over the same period in 2022. Underlying pre-tax operating income before limited partnerships income was $3.415 billion, an increase of $992 million over the same period in 2022. The acquisition of SAM on March 1, 2022 resulted in two additional months of non-catastrophe loss exposure, earned premium, and expenses for US personal lines and US business lines in 2023 compared to the same period last year. Additionally, the acquisition of AmGeneral on July 28, 2022 resulted in seven months of additional loss exposure, earned premium, and expenses in ARM compared to the same period last year. The increase in underlying pre-tax operating income primarily reflects:

- Decrease in small catastrophe losses compared to the same period in 2022 in US Retail Markets.
- Higher earned premium driven by increased average written premium from rate actions to offset rising personal lines frequency and severity trends.
- Favorable current year loss activity in Global Risk Solutions.
- Higher net investment income.
- Lower employee related costs in Corporate.

Partially offset by:

- Elevated non-catastrophe losses in the US driven by personal auto due to increased severity and frequency and personal property due to higher severity in US Retail Markets.
- Higher expenses due to an increase in employee related costs in Global Risk Solutions.

Including the impact of catastrophes, net incurred losses attributable to prior years, the increase in pre-tax operating loss before limited partnerships income primarily reflects:

- Higher-than-expected catastrophe losses in the US driven by elevated severity and frequency of events in the first nine months of 2023.
- Additional catastrophe loss exposure from the previously mentioned SAM acquisition.

Partially offset by:

- Favorable net incurred losses attributed to prior years driven by prior US catastrophe losses that have favorably developed in US Retail Markets.
- Lower current year catastrophe losses due to Hurricane Ian in 2022 in Global Risk Solutions.
- Favorable prior accident year activity due to releases in 2023 in Global Risk Solutions.

Limited partnership income, including operating income from direct investments in natural resources, for the nine months ended September 30, 2023 was $85 million, a decrease of $475 million from the same period in 2022. The decrease primarily reflects:

- Less favorable valuations across the limited partnership investments, primarily driven by private capital and energy investments.

Revenues for the nine months ended September 30, 2023 were $36.845 billion, an increase of $2.017 billion over the same period in 2022. The major components of revenues are net premium earned, net investment income, net realized gains (losses), and fee and other revenues.

Net premium earned for the nine months ended September 30, 2023 was $34.050 billion, an increase of $1.208 billion over the same period in 2022. The increase primarily reflects the premium earned associated with the changes in NWP previously discussed.

Net investment income for the nine months ended September 30, 2023 was $2.178 billion, an increase of $214 million over the same period in 2022. The increase primarily reflects:

- Increase in taxable interest income.
- Offset by less favorable valuations across the limited partnership investments, primarily driven by private capital.

Net realized losses for the nine months ended September 30, 2023 were $25 million, a decrease of $579 million from the same period in 2022. The net realized losses in the current period were primarily impacted by:

- $191 million net losses on fixed maturities.
- $12 million impairments on fixed maturity holdings.

Partially offsetting losses were:

- $110 million net gains on derivative.
- $45 million of net change in unrealized gains on energy holdings.

The prior period was impacted by:

- $444 million net change in equity unrealized losses.
- $163 million of net losses on fixed maturity sales.

Partially offset by:

- $88 million of net change in unrealized gains on energy holdings.

Fee and other revenues for the nine months ended September 30, 2023 were $642 million, an increase of $16 million over the same period in 2022.

Claims, benefits and expenses for the nine months ended September 30, 2023 were $37.273 billion, an increase of $2.079 billion over the same period in 2022. The increase primarily reflects:

- Higher-than-expected catastrophe losses in the US driven by elevated severity and frequency of events in the first nine months of 2023.
- Higher US personal lines non-catastrophe losses driven by elevated frequency and severity trends.
- Additional claims, benefits, and expenses from the previously mentioned acquisition of SAM.

Partially offset by:

- Lower advertising spend and variable expenses driven by strategic actions taken to limit new business production in US Retail Markets.

Income tax (benefit) on continuing operations for the nine months ended September 30, 2023 was ($67) million, versus ($148) million from the same period in 2022. The Company's effective tax rate for the nine months ended September 30, 2023 was 12% compared to 33% for the same period in 2022. The decrease in the effective tax rate, representative of a tax benefit on a pre-tax loss for both periods, primarily reflects:

- The tax impact of permanent book-to-tax differences and non-US operations as compared to the pre-tax income (loss) in the relevant period.

Discontinued operations, net of tax, for the nine months ended September 30, 2023 were $50 million, a decrease of $54 million from the same period in 2022.

Net loss attributable to LMHC for the nine months ended September 30, 2023 was ($441) million, an increase of $243 million over the same period in 2022.

Cash flow provided by continuing operations for the nine months ended September 30, 2023 was $2.222 billion, a decrease of $1.669 billion from the same period in 2022. The decrease reflects unfavorable paid loss activity and premium collections.

CONSOLIDATED	Three Months Ended September 30, 2023	2022	Change (Points)	Nine Months Ended September 30, 2023	2022	Change (Points)
Combined ratio						
Claims and claim adjustment expense ratio	65.4%	66.7%	(1.3)	66.0%	66.7%	(0.7)
Underwriting expense ratio	26.7	28.0	(1.3)	27.9	28.1	(0.2)
Subtotal	92.1	94.7	(2.6)	93.9	94.8	(0.9)
Catastrophes	9.6	13.2	(3.6)	13.1	10.0	3.1
Net incurred losses attributable to prior years:						
- Asbestos and environmental	-	-	-	-	-	-
- All other[1]	(0.8)	(2.5)	1.7	(1.6)	(1.2)	(0.4)
Current accident year re-estimation[2]	1.7	1.3	0.4	-	-	-
Total combined ratio	102.6%	106.7%	(4.1)	105.4%	103.6%	1.8

1 Net of earned premium and reinstatement premium attributable to prior years.
2 Re-estimation of the current accident year loss reserves for the six months ended June 30, 2023.

Third Quarter Results:

The consolidated underlying combined ratio for the three months ended September 30, 2023 was 92.1%, a decrease of 2.6 points from the same period in 2022. The decrease primarily reflects:

- Decrease in claims and claim adjustment expense ratio primarily driven primarily by a decrease in small catastrophe losses compared to the same period in 2022 in US Retail Markets.
- Decrease in the underwriting expense ratio driven by reduced advertising spend, personnel expenses, and variable expenses in US Retail Markets.
- Favorable current year loss activity in Global Risk Solutions.
- Lower commissions in Global Risk Solutions.

Partially offset by:

- Higher expenses due to an increase in employee related costs in Global Risk Solutions.

Including the impact of catastrophes, net incurred losses attributable to prior years, and current year re-estimation, the total combined ratio for the three months ended September 30, 2023 was 102.6%, a decrease of 4.1 points from the same period in 2022. The decrease primarily reflects:

- Lower current year catastrophe losses due to Hurricane Ian in 2022 in Global Risk Solutions.
- Lower net incurred losses attributed to prior years from US catastrophe losses that have favorably developed compared to the same time period in 2022 in US Retail Markets.

Partially offset by:

- Unfavorable prior accident year activity due to greater reserve releases in Q3 2022 in Global Risk Solutions.
- Previously mentioned unfavorable catastrophe losses driven by elevated severity of events in Q3 2023 versus Q3 2022 in US Retail Markets.
- Higher current accident year re-estimation from adverse development on long-tail lines, primarily in US personal lines in US Retail Markets.

Year-to-date Results:

The consolidated underlying combined ratio for the nine months ended September 30, 2023 was 93.9%, a decrease of 0.9 points from the same period in 2022. The decrease primarily reflects:

- Decrease in claims and claim adjustment expense ratio primarily driven primarily by a decrease in small catastrophe losses compared to the same period in 2022 in US Retail Markets.
- Decrease in the underwriting expense ratio driven by reduced advertising spend, personnel expenses, and variable expenses in US Retail Markets.

- Favorable current year loss activity in Global Risk Solutions.
- Higher premium earned in Global Risk Solutions.
- Lower commissions in Global Risk Solutions.

Partially offset by:

- Higher expenses due to an increase in employee related costs in Global Risk Solutions.

Including the impact of catastrophes, net incurred losses attributable to prior years, the total combined ratio for the nine months ended September 30, 2023 was 105.4%, an increase of 1.8 points over the same period in 2022. The increase primarily reflects:

- Previously mentioned unfavorable catastrophe losses driven by elevated severity and frequency of events in the first nine months of 2023.

Partially offset by:

- Previously mentioned decrease in underlying combined ratio.
- Lower current year catastrophe losses due to Hurricane Ian in 2022 in Global Risk Solutions.
- Favorable prior accident year activity due to releases in 2023 in Global Risk Solutions.

US RETAIL MARKETS

Overview – US Retail Markets

US Retail Markets consists of Personal Lines and Business Lines. US Personal Lines sells automobile, homeowners and other types of property and casualty insurance coverage to individuals in the United States. These products are distributed through approximately 1,470 licensed employee Comparion agents, 850 licensed telesales counselors, independent agents, third-party producers, online, and sponsored affinity groups. US Business Lines serves small commercial customers through an operating model that combines local underwriting, market knowledge and service with the scale advantages of a national company. On March 1, 2022, the Company completed the acquisition of SAM, a super-regional insurance holding company headquartered in Columbus, Ohio. With this acquisition, the US began including US Personal and Business Lines coverages sold under the recently acquired SAM brand.

NWP by market segment was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Personal lines	6,730	6,588	2.2%	18,539	18,490	0.3%
Business lines	1,313	1,393	(5.7)	4,251	4,114	3.3%
Total USRM NWP	$8,043	$7,981	0.8%	$22,790	$22,604	0.8%

NWP by line of business was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Private passenger automobile	$3,497	$3,451	1.3%	$10,020	$10,337	(3.1%)
Homeowners	2,766	2,696	2.6	7,200	6,949	3.6
Commercial multiple-peril	534	568	(6.0)	1,638	1,653	(0.9)
Commercial automobile	276	291	(5.2)	1,035	963	7.5
General liability	293	308	(4.9)	902	888	1.6
Commercial property	177	163	8.6	528	468	12.8
Workers compensation	116	152	(23.7)	387	431	(10.2)
Life and health	-	-	-	1	1	-
Other[1]	384	352	9.1	1,079	914	18.1
Total NWP	$8,043	$7,981	0.8%	$22,790	$22,604	0.8%

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

Third Quarter Results:

NWP for the three months ended September 30, 2023 was $8.043 billion, an increase of $62 million over the same period in 2022. The increase primarily reflects:

- US personal lines driven by an increase in average written premium due to rate actions to offset elevated severity and frequency trends.

Partially offset by:

- Targeted actions in both personal and business lines to reduce new business growth and targeted underwriting actions to address persistent severity and frequency trends.
- Increased ceded net written premium in US personal lines.

Year-to-date Results:

NWP for the nine months ended September 30, 2023 was $22.790 billion, an increase of $186 million over the same period in 2022. The acquisition of SAM on March 1, 2022 resulted in two additional months of topline production for US personal lines and US business lines in 2023 compared to the same period last year. The remaining increase primarily reflects:

- US personal lines driven by an increase in average written premium due to rate actions to offset elevated severity and frequency trends.

Partially offset by:

- Targeted actions in US personal lines and US business lines to reduce new business growth and targeted underwriting actions to address persistent severity and frequency trends.
- Increased ceded net written premium in US personal lines.

Results of Operations – US Retail Markets

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Revenues	$7,764	$7,742	0.3%	$23,005	$22,015	4.5%
Underlying PTOI	$608	$393	54.7	$1,569	$1,117	40.5
Catastrophes	(1,006)	(620)	62.3	(3,915)	(2,053)	90.7
Net incurred losses attributable to prior years[1]	52	225	(76.9)	509	373	36.5
Current accident year re-estimation[2]	(192)	(143)	34.3	-	-	-
Pre-tax operating (loss) income	($538)	($145)	NM	($1,837)	($563)	NM

1 Net of earned premium and reinstatement premium attributable to prior years of zero and ($4) million for the three and nine months ended September 30, 2023, respectively.
2 Re-estimation of the current accident year loss reserves for the six months ended June 30, 2023.
NM = Not Meaningful

Third Quarter Results:

Pre-tax operating loss for the three months ended September 30, 2023 was ($538) million, an increase of $393 million over the same period in 2022. Underlying pre-tax operating income was $608 million, an increase of $215 million over the same period in 2022. The change in underlying pre-tax operating income primarily reflects:

- Decrease in small catastrophe losses compared to the same period in 2022.
- Favorable expenses compared to prior year driven by reduced advertising spend, lower personnel expenses, and lower variable expenses as a result of reductions in new business.

Partially offset by:

- Elevated non-catastrophe losses in the US driven by personal property and personal auto due to increased severity.

Including the impact of catastrophes, net incurred losses attributable to prior years, and current accident year re-estimation, the increase in pre-tax operating loss primarily reflects:

- Higher-than-expected catastrophe losses in the US driven by several hail and wind related events that resulted in significantly elevated severity in Q3 2023 versus Q3 2022.
- Lower net incurred losses attributed to prior years from US catastrophe losses that have favorably developed compared to the same time period in 2022.
- Higher current accident year re-estimation from adverse development on long-tail lines, primarily in US personal lines.

Revenues for the three months ended September 30, 2023 were $7.764 billion, an increase of $22 million over the same period in 2022. The increase primarily reflects:

- Higher net investment income than the same period last year.

Partially offset by:

- Slightly lower earned premium in US driven by targeted actions to slow new business growth.

Claims, benefits, and expenses for the three months ended September 30, 2023 were $8.299 billion, an increase of $411 million over the same period in 2022. The increase primarily reflects:

- Higher-than-expected catastrophe losses in the US driven by elevated severity and frequency of events in Q3 2023 versus Q3 2022.

Partially offset by:

- Favorable expenses compared to prior year driven by reduced advertising spend, lower personnel expenses, and lower variable expenses as a result of lower new business.

Year-to-date Results:

Pre-tax operating loss for the nine months ended September 30, 2023 was ($1.837) billion, an increase of $1.274 billion over the same period in 2022. Underlying pre-tax operating income was $1.569 billion, an increase of $452 million over the same period in 2022. The acquisition of SAM on March 1, 2022 resulted in two additional months of non-catastrophe loss exposure, earned premium, and expenses for US personal lines and US business lines in 2023 compared to the same period last year.

The remaining change in underlying pre-tax operating income primarily reflects:

- Decrease in small catastrophe losses compared to the same period in 2022.
- Higher earned premium driven by increased average written premium from rate actions to offset rising personal lines frequency and severity trends.
- Higher net investment income than the same period last year.

Partially offset by:

- Elevated non-catastrophe losses in the US driven by personal auto due to increased severity and frequency and personal property due to higher severity.

Including the impact of catastrophes and net incurred losses attributable to prior years, the increase in pre-tax operating loss primarily reflects:

- Higher-than-expected catastrophe losses in the US driven by elevated severity and frequency of events in the first nine months of 2023.
- Additional catastrophe loss exposure from the previously mentioned SAM acquisition.

Partially offset by:

- Favorable net incurred losses attributed to prior years driven by prior US catastrophe losses that have favorably developed.

Revenues for the nine months ended September 30, 2023 were $23.005 billion, an increase of $990 million over the same period in 2022. The increase primarily reflects:

- Additional earned premium from the previously mentioned acquisition of SAM.
- Higher earned premium due to the rate actions previously discussed.
- Higher net investment income than the same period last year.

Claims, benefits, and expenses for the nine months ended September 30, 2023 were $24.841 billion, an increase of $2.264 billion over the same period in 2022. The increase primarily reflects:

- Previously mentioned higher-than-expected catastrophe losses in the US driven by elevated severity and frequency of events in the first nine months of 2023.
- Higher US personal lines non-catastrophe losses driven by elevated severity trends.
- Additional claims, benefits, and expenses from the previously mentioned acquisition of SAM.

Partially offset by:

- Lower advertising spend and variable expenses driven by strategic actions taken to limit new business production.

US RETAIL MARKETS	Three Months Ended September 30, 2023	2022	Change (Points)	Nine Months Ended September 30, 2023	2022	Change (Points)
Combined ratio						
Claims and claim adjustment expense ratio	69.0%	70.8%	(1.8)	69.0%	70.1%	(1.1)
Underwriting expense ratio	24.3	24.9	(0.6)	25.3	25.6	(0.3)
Underlying combined ratio	93.3	95.7	(2.4)	94.3	95.7	(1.4)
Catastrophes	13.5	8.3	5.2	17.7	9.6	8.1
Net incurred losses attributable to prior years[1]	(0.7)	(3.0)	2.3	(2.3)	(1.7)	(0.6)
Current accident year re-estimation[2]	2.6	1.9	0.7	-	-	-
Total combined ratio	108.7%	102.9%	5.8	109.7%	103.6%	6.1

1 Net of earned premium and reinstatement premium attributable to prior years.
2 Re-estimation of the current accident year loss reserves for the six months ended June 30, 2023

Third Quarter Results:

The US Retail Markets underlying combined ratio for the three months ended September 30, 2023 was 93.3%, a decrease of 2.4 points from the same period in 2022. This decrease primarily reflects:

- Decrease in claims and claim adjustment expense ratio primarily driven primarily by a decrease in small catastrophe losses compared to the same period in 2022.
- Decrease in the underwriting expense ratio driven by reduced advertising spend, personnel expenses, and variable expenses.

Including the impact of catastrophes, net incurred losses attributable to prior years, and current accident year re-estimation, the total combined ratio for the three months ended September 30, 2023 was 108.7%, an increase of 5.8 points over the same period in 2022. The increase primarily reflects:

- Previously mentioned unfavorable catastrophe losses driven by elevated severity of events in Q3 2023 versus Q3 2022.
- Higher current accident year re-estimation from adverse development on long-tail lines, primarily in US personal lines.

Partially offset by:

- Lower net incurred losses attributed to prior years from US catastrophe losses that have favorably developed compared to the same time period in 2022.
- Previously mentioned decrease in the underlying combined ratio.

Year-to-date Results:

The US Retail Markets underlying combined ratio for the nine months ended September 30, 2023 was 94.3%, a decrease of 1.4 points from the same period in 2022. The decrease primarily reflects:

- Decrease in claims and claim adjustment expense ratio primarily driven primarily by a decrease in small catastrophe losses compared to the same period in 2022.
- Decrease in the underwriting expense ratio driven by reduced advertising spend, personnel expenses and variable expenses.

Including the impact of catastrophes, net incurred losses attributable to prior years, the total combined ratio for the nine months ended September 30, 2023 was 109.7%, an increase of 6.1 points over the same period in 2022. The increase primarily reflects:

- Previously mentioned unfavorable catastrophe losses driven by elevated severity and frequency of events in the first nine months of 2023.

Partially offset by:

- Previously mentioned decrease in the underlying combined ratio.
- Favorable net incurred losses attributed to prior years driven by prior US catastrophe losses that have favorably developed.

GLOBAL RISK SOLUTIONS

Overview – Global Risk Solutions

Global Risk Solutions ("GRS") offers a wide array of property, casualty, automobile, specialty, life and health and reinsurance products and services distributed through multiple channels globally. The segments for Global Risk Solutions are as follows:

- Liberty Specialty Markets ("LSM") – Includes most Global Risk Solutions business outside of North America excluding Liberty Mutual Reinsurance.
- Liberty Mutual Reinsurance ("LM Re") - Sells insurance for (Re)/insurers to transfer risk away from (Re)/insurance companies.
- North America ("NA") – North America includes admitted and non-admitted property and casualty.
- Global Surety – A global leader providing surety guarantees to businesses ranging from multinational to local in most industry segments.
- Asia Retail Markets ("ARM") – sells property and casualty, health and life insurance products and services to individuals and businesses in the Asia Market (Thailand, Singapore, Hong Kong, Vietnam), Malaysia, India, and China. Private passenger automobile insurance is the single largest line of business.
- Other Global Risk Solutions primarily consists of internal reinsurance programs, Ironshore international entities and a large global inland marine program.

Effective August 1, 2023, GRS formed the new ARM business unit by aligning the business segment previously known as GRM East with Global Risk Solutions, combining the full suite of capabilities, and leveraging our collective expertise, relationships, and scale in a region where we see potential for profitable growth.

On July 28, 2022, the Company completed its acquisition of Malaysian insurer AmGeneral. Liberty Insurance Berhad acquired 100% shares of AmGeneral, and AmBank Group's share of the sale proceeds were in the form of cash and consideration shares, which resulted in AmBank Group holding a 30% interest in the Liberty Insurance Berhad and AmGeneral businesses. On March 31, 2023, the AmGeneral and Liberty Insurance Berhad operations were formally merged.

Effective July 1, 2022, LM Re became a fourth segment of GRS, alongside NA, LSM and Global Surety. Previously, the business was embedded within LSM. LM Re will allow GRS to capitalize on the relative value and capital optimization between insurance and reinsurance, and strategically increase our reinsurance profile.

Global Risk Solutions NWP by market segment was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
North America	$1,867	$1,879	(0.6%)	$4,925	$5,114	(3.7%)
Liberty Specialty Markets	900	892	0.9	2,564	2,607	(1.6)
Liberty Mutual Reinsurance	512	581	(11.9)	2,357	2,109	11.8
Asia Retail Markets	412	380	8.4	1,213	1,010	20.1
Global Surety	378	336	12.5	1,107	1,015	9.1
Other Global Risk Solutions	139	289	(51.9)	340	750	(54.7)
Total NWP	$4,208	$4,357	(3.4%)	$12,506	$12,605	(0.8%)
Foreign exchange effect on growth			0.5			(0.7)
NWP growth excluding foreign exchange[1]			(3.9%)			(0.1%)

1 Determined by assuming constant foreign exchange rates between periods.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	2023	2022	Change	2023	2022	Change
Specialty insurance[1]	$983	$984	(0.1%)	$3,045	$3,099	(1.7%)
Reinsurance	517	588	(12.1)	2,362	2,115	11.7
Commercial property	712	631	12.8	1,562	1,453	7.5
Casualty[2]	562	614	(8.5)	1,293	1,606	(19.5)
Surety	378	335	12.8	1,107	1,015	9.1
Workers Compensation	337	354	(4.8)	1,002	1,016	(1.4)
Private passenger automobile	263	251	4.8	768	637	20.6
Commercial automobile	202	190	6.3	634	566	12.0
Inland marine[3]	146	148	(1.4)	445	444	0.2
Commercial multiple-peril	35	36	(2.8)	88	90	(2.2)
Other reinsurance	(10)	140	NM	(107)	309	NM
Other[4]	83	86	(3.5)	307	255	20.4
Total NWP	$4,208	$4,357	(3.4%)	$12,506	$12,605	(0.8%)

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

Third Quarter Results:

NWP for the three months ended September 30, 2023, was $4.208 billion, a decrease of $149 million from the same period in 2022.

The decrease primarily reflects:

- Higher cessions due to more coverage being purchased
- De-risking of the portfolio in unprofitable and economically challenging products
- Lower new business premium
- Reinstatement premiums in Q3 2022 that did not recur

Partially offset by:

- Renewal rate increases across most lines of business, totaling 7.0% excluding ARM
- Growth in lines with inflation-sensitive exposure bases
- Growth in lines with project-based business, particularly surety lines

Additionally, internal reinsurance changes in 2023 created offsetting differences amongst segments and lines.

Year-to-date Results:

NWP for the nine months ended September 30, 2023, was $12.506 billion, a decrease of $99 million from the same period in 2022.

The decrease primarily reflects:

- Higher cessions due to an increase in reinsurance costs and more coverage being purchased
- De-risking of the portfolio in unprofitable and economically challenging products
- Lower new business premium
- Reinstatement premiums in 2022 that did not recur

Partially offset by:

- Renewal rate increases across most lines of business, totaling 9.5% excluding ARM
- Growth in lines with inflation-sensitive exposure bases
- Growth in lines with project-based business, particularly surety lines

- The acquisition of AmGeneral on July 28, 2022 resulted in seven months of additional production in ARM compared to the same period last year

Additionally, internal reinsurance changes in 2023 created offsetting differences amongst segments and lines.

Results of Operations – Global Risk Solutions

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Revenues	$4,431	$4,497	(1.5%)	$13,135	$12,797	2.6%
Underlying PTOI	645	517	24.8	1,736	1,594	8.9
Catastrophes	(122)	(857)	(85.8)	(602)	(1,212)	(50.3)
Net incurred losses attributable to prior years[1]	8	81	(90.1)	54	1	NM
Pre-tax operating income (loss)	$531	($259)	NM	$1,188	$383	NM

1 Net of earned premium and reinstatement premium attributable to prior years of $20 million and $44 million for the three and nine months ended September 30, 2023, and $108 million and $152 million for the same periods in 2022.
NM = Not Meaningful

Third Quarter Results:

Pre-tax operating income (loss) for the three months ended September 30, 2023 was $531 million, versus ($259) million for the same period in 2022. Underlying pre-tax operating income for the three months ended September 30, 2023 was $645 million, an increase of $128 million over the same period in 2022. The increase in underlying pre-tax operating income primarily reflects:

- Favorable current year loss activity
- Lower commissions
- Profit margin on higher earned premium
- Higher net investment income

Partially offset by:

- Higher expenses due to an increase in employee related costs

Including the impact of catastrophes and net incurred losses attributable to prior years, the change in pre-tax operating income primarily reflects:

- Lower current year catastrophe losses due to Hurricane Ian in Q3 2022
- The changes to underlying PTOI mentioned above

Partially offset by:

- Unfavorable prior accident year activity due to greater reserve releases in Q3 2022

Revenues for the three months ended September 30, 2023 were $4.431 billion, a decrease of $66 million from the same period in 2022. The decrease primarily reflects:

- The changes to NWP mentioned above

Claims, benefits and expenses for the three months ended September 30, 2023 were $3.901 billion, a decrease of $855 million from the same period in 2022. The decrease primarily reflects:

- Lower current year catastrophe losses
- Favorable current year loss activity
- Lower commissions

Partially offset by:

- Higher expenses due to an increase in employee related costs
- Unfavorable prior accident year activity due to greater reserve releases in Q3 2022

Year-to-date Results:

Pre-tax operating income for the nine months ended September 30, 2023 was $1.188 billion, an increase of $805 million over the same period in 2022. Underlying pre-tax operating income for the nine months ended September 30, 2023 was $1.736 billion, an increase of $142 million over the same period in 2022. The acquisition of AmGeneral on July 28, 2022 resulted in seven months of additional loss exposure, earned premium, and expenses in ARM compared to the same period last year. The remaining change in underlying pre-tax operating income primarily reflects:

- Profit margin on higher earned premium
- Favorable current year loss activity
- Higher net investment income
- Lower commissions

Partially offset by:

- Higher expenses due to an increase in employee related costs
- Unfavorable foreign exchange
- A worker's compensation surplus refund from the state of Minnesota in 2022 that did not recur

Including the impact of catastrophes and net incurred losses attributable to prior years, the change in pre-tax operating income primarily reflects:

- Lower current year catastrophe losses due to Hurricane Ian in 2022
- The changes to underlying PTOI mentioned above
- Favorable prior accident year activity due to releases in 2023

Revenues for the nine months ended September 30, 2023 were $13.135 billion, an increase of $338 million over the same period in 2022. The increase primarily reflects:

- Higher premium earned due to growth in the second half of last year
- Earnings from prior year writings on multi-year policies
- Higher net investment income

Claims, benefits and expenses for the nine months ended September 30, 2023 were $11.902 billion, a decrease of $520 million from the same period in 2022. The decrease primarily reflects:

- Lower current year catastrophe losses
- Favorable prior accident year activity due to releases in 2023
- Favorable current year loss activity
- Lower commissions

Partially offset by:

- Higher expenses due to an increase in employee related costs

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
GLOBAL RISK SOLUTIONS	**2023**	**2022**	**Change (Points)**	**2023**	**2022**	**Change (Points)**
Combined Ratio						
Claims and claim adjustment expense ratio	58.5%	61.4%	(2.9)	59.5%	60.9%	(1.4)
Underwriting expense ratio	31.6	30.9	0.7	31.6	30.9	0.7
Dividend ratio	0.1	0.1	-	0.1	0.1	-
Underlying combined ratio	90.2	92.4	(2.2)	91.2	91.9	(0.7)
Catastrophes	3.0	21.3	(18.3)	5.0	10.4	(5.4)
Net incurred losses attributable to prior years[1]	-	(2.5)	2.5	(0.3)	-	(0.3)
Total combined ratio	93.2%	111.2%	(18.0)	95.9%	102.3%	(6.4)

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

Third Quarter Results:

The Global Risk Solutions underlying combined ratio for the three months ended September 30, 2023 was 90.2%, a decrease of 2.2 points from the same period in 2022. The decrease primarily reflects:

- Favorable current year loss activity
- Lower commissions

Partially by:

- Higher expenses due to an increase in employee related costs

Including the impact of catastrophes and net incurred losses attributable to prior years, the total combined ratio for the three months ended September 30, 2023 was 93.2%, a decrease of 18.0 points from the same period in 2022. The decrease primarily reflects:

- Lower current year catastrophe losses due to Hurricane Ian in Q3 2022
- The changes to the underlying combined ratio mentioned above

Partially offset by:

- Unfavorable prior accident year activity due to greater reserve releases in Q3 2022

Year-to-date Results:

The Global Risk Solutions underlying combined ratio for the nine months ended September 30, 2023 was 91.2%, a decrease of 0.7 points from the same period in 2022. The decrease primarily reflects:

- Favorable current year loss activity
- Higher premium earned
- Lower commissions

Partially offset by:

- Higher expenses due to an increase in employee related costs

Including the impact of catastrophes and net incurred losses attributable to prior years, the total combined ratio for the nine months ended September 30, 2023 was 95.9%, a decrease of 6.4 points from the same period in 2022. The decrease primarily reflects:

- Lower current year catastrophe losses due to Hurricane Ian in 2022
- The changes to underlying PTOI mentioned above
- Favorable prior accident year activity due to releases in 2023

CORPORATE AND OTHER

Overview – Corporate and Other

Corporate and Other includes the following significant items:

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

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

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

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

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

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

- Interest expense on the Company's outstanding debt.

- Certain risks of its businesses that the Company reinsures as part of its risk management program, post-2023 risks on US homeowners business covered by externally ceded homeowners' quota share reinsurance treaties, and other externally ceded catastrophe and non-catastrophe reinsurance treaties which are described further in "Reinsurance".

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

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

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

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

- Income related to limited partnership investments.

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

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Reinsurance, net	($81)	($456)	(82.2%)	($148)	($588)	(74.8%)
Workers compensation[1]	(19)	(12)	58.3	(2)	16	NM
Other	9	(22)	NM	6	(22)	NM
Total NWP	($91)	($490)	(81.4%)	($144)	($594)	(75.8%)

1 Booked as billed adjustment.
NM = Not Meaningful

Third Quarter Results:

NWP for the three months ended September 30, 2023 was ($91) million, an increase of $399 million over the same period in 2022. The increase primarily reflects:

- Higher assumed on internal reinsurance treaties
- Lower ceded premium on external reinsurance treaties

Partially offset by:

- The workers compensation booked as billed adjustment

Year-to-date Results:

NWP for the nine months ended September 30, 2023 was ($144) million, an increase of $450 million over the same period in 2022. The increase primarily reflects:

- Higher assumed on internal reinsurance treaties

Partially offset by:

- Higher ceded premium on external reinsurance treaties
- The workers compensation booked as billed adjustment

Results of Operations – Corporate and Other

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Revenues	$369	($208)	NM	$705	$16	NM
Underlying pre-tax operating income (loss) before limited partnerships income	203	(53)	NM	110	(288)	NM
Catastrophes	18	86	(79.1)	66	110	(40.0)
Net incurred losses attributable to prior years:						
-Asbestos and environmental[1]	-	-	-	-	-	-
-All other[1,2]	(4)	(14)	(71.4)	(15)	36	NM
Pre-tax operating income (loss) before limited partnerships income	217	19	NM	161	(142)	NM
Limited partnership income[3]	62	(272)	NM	85	560	(84.8)
Pre-tax operating income (loss)	$279	($253)	NM	$246	$418	(41.1%)

1 Asbestos and environmental is gross of the NICO Reinsurance Transaction, which is described further in “Reinsurance”.
2 Net of earned premium attributable to prior years of ($11) million and zero for the three and nine months ended September 30, 2023 and 2022.

3 Partnerships, LLC and other equity method income includes LP, LLC and other equity method income within net investment income in the accompanying Consolidated Statements of Operations and revenue and expenses from direct investments in natural resources.
NM = Not Meaningful

Third Quarter Results:

Revenues for the three months ended September 30, 2023 were $369 million, versus ($208) million for the same period in 2022. The major components of revenues are net premium earned, net investment income (including limited partnerships income), net realized gains (losses), and fee and other revenues.

Pre-tax operating income for the three months ended September 30, 2023 was $279 million, an increase of $532 million over the same period in 2022.

Underlying pre-tax operating income before limited partnerships income (loss) was $203 million, versus ($53) million for the same period in 2022. The increase in underlying pre-tax operating income primarily reflects:

- Higher net investment income
- Lower employee related costs

Including the impact of catastrophes, net incurred losses attributable to prior years, and limited partnerships income, the increase in pre-tax operating income primarily reflects:

- Higher limited partnerships income

Net premium earned for the three months ended September 30, 2023 was ($41) million, an increase of $123 million over the same period in 2022.

Net investment income including limited partnerships income for the three months ended September 30, 2023 was $351 million, versus ($144) million for the same period in 2022. The increase primarily reflects:

- More favorable valuations across the limited partnership investments, primarily driven by private capital investments.

Net realized gains for the three months ended September 30, 2023 were $85 million, an increase of $15 million over the same period in 2022. The net realized gains in the current period were primarily impacted by:

- $89 million net change in unrealized gains on energy holdings.
- $81 million of net gains on derivatives.

Partially offsetting losses was:

- $68 million of net losses on fixed maturity sales.

The prior period was impacted by:

- $70 million of net change in unrealized gains on energy holdings.
- $37 million net gains on derivatives.

Offset by:

- $28 million impairment of fixed maturities.
- $21 million impairment on intangible assets.

Claims, benefits, and expenses for the three months ended September 30, 2023 were $5 million, versus ($25) million for the same period in 2022. The increase primarily reflects:

- Lower reinsurance recoveries

Partially offset by:

- Lower employee related costs

Year-to-date Results:

Revenues for the nine months ended September 30, 2023 were $705 million, an increase of $689 million over the same period in 2022. The major components of revenues are net premium earned, net investment income (including limited partnerships income), net realized gains (losses), and fee and other revenues.

Pre-tax operating income for the nine months ended September 30, 2023 was $246 million, a decrease of $172 million from the same period in 2022.

Underlying pre-tax operating income (loss) before limited partnerships income (loss) was $110 versus ($288) million for the same period in 2022. The increase in underlying pre-tax operating income primarily reflects:

- Higher net investment income

Partially offset by:

- Higher employee related costs

Including the impact of catastrophes, net incurred losses attributable to prior years, and limited partnerships income, the decrease in pre-tax operating income primarily reflects:

- Lower limited partnerships income

Net premium earned for the nine months ended September 30, 2023 was ($120) million, an increase of $146 million over the same period in 2022.

Net investment income including limited partnerships income for the nine months ended September 30, 2023 was $841 million, an increase of $17 million over the same period in 2022. The increase primarily reflects:

- More favorable valuations across the limited partnership investments, primarily driven by private capital investments

Net realized losses for the nine months ended September 30, 2023 were ($71) million, a decrease of $526 million from the same period in 2022.
The net realized losses in the current period were primarily impacted by:

- $191 million net losses on fixed maturities.
- $12 million impairments on fixed maturity holdings.

Partially offsetting losses were:

- $110 million net gains on derivative.
- $45 million of net change in unrealized gains on energy holdings.

The prior period was impacted by:

- $444 million net change in equity unrealized losses.
- $163 million of net losses on fixed maturity sales.

Partially offset by:

- $88 million of net change in unrealized gains on energy holdings.

Claims, benefits, and expenses for the nine months ended September 30, 2023 were $530 million, an increase of $335 million over the same period in 2022. The increase primarily reflects:

- Unfavorable reinsurance recoveries

INVESTMENTS

General

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

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

Invested Assets (including cash and cash equivalents)

The following table summarizes the Company's invested assets by asset category as of September 30, 2023 and December 31, 2022:

Invested Assets by Type	**As of September 30, 2023**		**As of December 31, 2022**	
$ in Millions	**Carrying Value**	**% of Total**	**Carrying Value**	**% of Total**
Fixed maturities, available for sale, at fair value	$66,118	68.7%	$62,860	65.6%
Equity securities	969	1.0	1,099	1.1
Limited partnership investments	13,346	13.9	12,323	12.9
Mortgage loans	3,213	3.3	3,632	3.8
Short-term investments	384	0.4	418	0.4
Other investments	3,834	4.0	3,059	3.2
Cash and cash equivalents	8,335	8.7	12,531	13.0
Total invested assets	$96,199	100%	$95,922	100%

Total invested assets as of September 30, 2023 were $96.199 billion, an increase of $277 million or 0.3% over December 31, 2022. The increase was primarily related to an increase in fixed maturities, limited partnership, and other investments, partially offset by a decrease in cash and cash equivalents.

Fixed maturities as of September 30, 2023 were $66.118 billion, an increase of $3.258 billion or 5.2% over December 31, 2022. The increase was primarily related to additional investments in US treasuries and corporate bonds, partially offset by unfavorable impact of increase in treasury rates. As of September 30, 2023, included in fixed maturities are commitments to purchase various residential mortgage-backed securities at a cost and fair value of $136 million and $139 million, respectively.

Equity securities as of September 30, 2023 were $969 million ($969 million common stock) versus $1.099 billion as of December 31, 2022 ($1.098 billion common stock and $1 million preferred stock), a decrease of $130 million or 11.8% from December 31, 2022.

The following table summarizes the Company's limited partnership investments as of September 30, 2023 and December 31, 2022:

Limited partnership investments	As of September 30, 2023		As of December 31, 2022	
$ in Millions	Carrying Value	% of Total	Carrying Value	% of Total
Traditional private equity	$5,561	41.7%	$5,439	44.1%
Real estate	3,318	24.9	3,050	24.8
Private credit	1,723	12.9	1,512	12.3
Natural resources – Energy	752	5.6	837	6.8
Natural resources – Other[1]	1,443	10.8	912	7.4
Other	549	4.1	573	4.6
Total limited partnership investments[2]	$13,346	100%	$12,323	100%

1 Included in Natural Resources – Other is $22 million and $24 million of investments in agriculture and timber as of September 30, 2023 and December 31, 2022, and $1,421 million and $889 million of investments in energy transition and infrastructure as of September 30, 2023 and December 31, 2022, respectively.

2 Included in total limited partnership investments are $537 million and $518 million of limited partnership investments where the Company has elected fair value option of as of September 30, 2023 and December 31, 2022, respectively.

Mortgage loans as of September 30, 2023, were $3.213 billion (net of $40 million of mortgage loan allowances or 1.2% of the outstanding loan portfolio), a decrease of $419 million or 11.5% from December 31, 2022. The decrease is primarily driven by $988 million in funding partially offset by $600 million in principal reductions. The entire mortgage loan portfolio is US-based. The number of loans in the portfolio decreased from 2,716 at December 31, 2022 to 2,488 at September 30, 2023.

Cash and cash equivalents as of September 30, 2023 were $ 8.335 billion, a decrease of $4.196 billion or 33.5% from December 31, 2022. The decrease primarily reflects:

- Decrease in cash from investing activities
  Partially offset by:
- Increase in cash from operations.

The following tables summarize the Company's available for sale portfolio by security type as of September 30, 2023 and December 31, 2022:

	As of September 30, 2023				
$ in Millions	Amortized Cost	Credit Allowance	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US government and agency securities	$9,639	$-	$1	($836)	$8,804
Residential MBS [1]	6,567	-	-	(778)	5,789
Commercial MBS	5,100	-	6	(410)	4,696
Other MBS and ABS [2]	5,065	-	4	(342)	4,727
US state and municipal	6,928	-	6	(692)	6,242
Corporate and other	34,936	(11)	37	(3,461)	31,501
Foreign government securities	4,577	-	2	(345)	4,234
Redeemable Preferred Stock	122	-	3	-	125
Total securities available for sale	$72,934	($11)	$59	($6,864)	$66,118

1 Mortgage-backed securities ("MBS")

2 Asset-backed securities ("ABS")

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

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

The following table summarizes the Company's mortgage and asset-backed fixed maturity portfolio by credit quality as of September 30, 2023:

Mortgage & Asset-Backed Fixed Maturities by Credit Quality[1]	As of September 30, 2023							
$ in Millions	**AAA**	**AA**	**A**	**BBB**	**BB**	**B or Lower**	**Total**	**% of Total**
Residential MBS	$5,591	$196	$-	$-	$-	$2	$5,789	38.0%
Commercial MBS	4,051	241	232	64	108	-	4,696	30.9
Other MBS and ABS	2,167	627	907	670	288	68	4,727	31.1
Total	$11,809	$1,064	$1,139	$734	$396	$70	$15,212	100.0%
% of Total	77.6%	7.0%	7.5%	4.8%	2.6%	0.5%	100%	

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

Approximately 63.4% of the Company's mortgage and asset-backed fixed maturity portfolio is explicitly backed by the US government (SBA and GNMA) or by government-sponsored entities (FNMA and FHLMC). Approximately 77.6% of the holdings are rated AAA. Included in the commercial mortgage-backed securities at September 30, 2023, were $3.717 billion in Agency CMBS and $979 million Non-agency CMBS. Included in the Other MBS and ABS at September 30, 2023 were $354 million AAA rated SBA Loans. The commercial mortgage-backed securities portfolio is well diversified and of high quality with approximately 86.3% rated AAA.

The following table summarizes the Company's US state and municipal fixed maturity portfolio of securities which are obligations of states, municipalities, and political subdivisions (collectively referred to as US state and municipal bonds) by credit quality as of September 30, 2023 and December 31, 2022:

US State and Municipal by Credit Quality[1]	As of September 30, 2023			As of December 31, 2022		
$ in Millions	**Fair Value**	**% of Total**	**Average Credit Rating**	**Fair Value**	**% of Total**	**Average Credit Rating**
State general obligation	$1,250	20.0%	AA	$1,489	20.9%	AA
Local general obligation	1,029	16.5	AA	1,234	17.3	AA
Revenue	3,825	61.3	A	4,278	60.0	A
Pre-refunded	138	2.2	AAA	130	1.8	AAA
Total US state and municipal	$6,242	100.0%	AA	$7,131	100%	AA

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

The municipal bond portfolio (taxable and tax-exempt) includes general obligation and revenue bonds issued by states, cities, counties, school districts, hospitals, educational institutions, and similar issuers. Included in the municipal bond portfolio at September 30, 2023 and December 31, 2022 were $138 million and $130 million, respectively, of pre-refunded bonds, which are bonds for which states or municipalities have established irrevocable trusts, which were created to satisfy their responsibility for payments of principal and interest.

The following table summarizes the Company's allocation of fixed maturities by credit quality as of September 30, 2023 and December 31, 2022:

Fixed Maturities by Credit Quality[1]	**As of September 30, 2023**		**As of December 31, 2022**	
$ in Millions	**Fair Value**	**% of Total**	**Fair Value**	**% of Total**
AAA	$23,124	35.0%	$21,839	34.7%
AA+, AA, AA-	7,775	11.8	8,149	13.0
A+, A, A-	16,209	24.5	14,198	22.6
BBB+, BBB, BBB-	14,286	21.5	13,984	22.2
Total investment grade	61,394	92.8	58,170	92.5
BB+, BB, BB-	1,889	2.9	2,182	3.5
B+, B, B-	2,339	3.5	2,076	3.3
CCC or lower	257	0.4	260	0.4
Unrated[2]	239	0.4	172	0.3
Total below-investment grade	4,724	7.2	4,690	7.5
Total fixed maturities	$66,118	100.0%	$62,860	100.0%

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

The Company's holdings of below investment grade securities primarily consist of an actively managed diversified portfolio of high yield securities and leveraged loans within the domestic insurance portfolios and investments in emerging market sovereign and corporate debt primarily in support of the Company's international insurance operations. Overall, the average credit quality rating stands at A+ as of September 30, 2023.

The following table summarizes available for sale fixed maturity securities by contractual maturity at September 30, 2023 and December 31, 2022. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid with or without call or prepayment penalties. Due to the potential for prepayment on MBS and ABS, they are not categorized by contractual maturity.

Fixed Maturities by Maturity Date	**As of September 30, 2023**		**As of December 31, 2022**	
$ in Millions	**Fair Value**	**% of Total**	**Fair Value**	**% of Total**
One year or less	$2,361	3.6%	$1,708	2.7%
Over one year through five years	23,621	35.7	20,271	32.2
Over five years through ten years	17,802	26.9	18,758	29.9
Over ten years	7,122	10.8	7,500	11.9
MBS and ABS	15,212	23.0	14,623	23.3
Total fixed maturities	$66,118	100.0%	$62,860	100%

During 2023, after taking into consideration changes in investment opportunities and its view of the current and prospective business and economic environment, the Company has made only minor adjustments to the average duration of its investment portfolio. The average duration of the investment portfolio as of September 30, 2023 was 4.01 years.

The following tables summarize the Company's gross unrealized losses and fair value of fixed income securities by the length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2023 and December 31, 2022 that are not deemed to be other-than-temporarily impaired:

	As of September 30, 2023			
$ in Millions	**Less Than 12 Months**		**12 Months or Longer**	
Unrealized Losses & Fair Value by Security Type	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
US Government and agency securities	($100)	$2,280	($736)	$6,475
Residential MBS	(95)	1,170	(683)	4,589
Commercial MBS	(51)	960	(359)	3,586
Other MBS and ABS	(35)	889	(307)	3,541
US state and municipal	(107)	2,122	(585)	3,958
Corporate and other	(984)	12,336	(2,477)	17,313
Foreign government securities	(80)	1,644	(265)	2,467
Total securities available for sale	($1,452)	$21,401	($5,412)	$41,929

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

Unrealized losses for fixed maturity securities increased from $6.386 billion as of December 31, 2022 to $6.864 billion as of September 30, 2023. The Company monitors the difference between the amortized cost and estimated fair value of fixed maturity securities to ascertain whether declines in value are temporary in nature. The Company currently does not have the intent to sell these securities and has determined it is not more likely than not that it would be required to sell these fixed maturity securities before they recover their fair value. The Company adopted ASC 326 on January 1, 2023. In accordance with ASC 326, 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.

The following tables summarize the Company's issuer and sector exposure[1] as of September 30, 2023:

Top 10 Issuers	**As of September 30, 2023**				
$ in Millions	**Fixed Maturity**	**Equity**	**Short-Term**	**Total Exposure**	**% of Invested Assets**
Bank of America Corp	$766	$-	$-	$766	0.80%
Citigroup Inc	644	-	-	644	0.67
Morgan Stanley	634	-	-	634	0.66
Goldman Sachs Group Inc	612	-	-	612	0.64
JP Morgan Chase & Co	610	-	-	610	0.63
Government of Canada	511	-	10	521	0.54
Government of United Kingdom	506	-	-	506	0.53
Wells Fargo & Co	465	-	-	465	0.48
Government of Australia	440	-	-	440	0.46
HSBC Holdings Plc	331	-	-	331	0.34
Total	$5,519	$-	$10	$5,529	5.75%

Top 10 Sectors	**As of September 30, 2023**				
$ in Millions	**Fixed Maturity**	**Equity**	**Short-Term**	**Total Exposure**	**% of Invested Assets**
Banking	$8,231	$4	$272	$8,507	8.83%
Real Estate	681	3,413	-	4,094	4.26
Foreign Government	2,708	-	21	2,729	2.84
Technology	1,982	542	-	2,524	2.62
Electric Utility	1,694	575	-	2,269	2.36
Insurance	1,564	90	-	1,654	1.72
Healthcare	1,096	368	-	1,464	1.52
US Municipal - State & US Territory	1,325	-	-	1,325	1.38
Independent Energy	492	753	-	1,245	1.29
Food and Beverage	1,169	24	-	1,193	1.24
Total	$20,942	$5,769	$293	$27,004	28.06%

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

As of September 30, 2023, investments in the energy sector accounted for $2.915 billion or 3.0% of total invested assets. The energy sector is comprised of investments in the following sub-sectors: independent energy, integrated energy, midstream, oil field services, and refining (*classification per Bloomberg Barclays Industry Groups*). Energy investments consist of investment grade bonds of $1.790 billion, bonds that were rated below investment grade of $359 million, publicly traded equity securities of $2 million, and natural resources partnerships and other equity method investments of $764 million. Agriculture and timber investments consist of natural resource partnerships of $22 million. In addition, the Company has direct investments in agriculture and timber of $199 million and oil and gas wells of $2 million which are included in other assets on the Consolidated Balance Sheets.

The following table summarizes the Company's unfunded commitments as of September 30, 2023 and December 31, 2022:

Unfunded Commitments	**As of September 30, 2023**		**As of December 31, 2022**	
$ in Millions	**Total**	**% of Total**	**Total**	**% of Total**
Traditional private equity	$2,594	27.1%	$2,333	27.3%
Real Estate	3,037	31.8	3,029	35.5
Private Credit	2,545	26.6	1,867	21.9
Natural resources – Energy	17	0.2	33	0.4
Natural resources – Energy transition and infrastructure	1,208	12.6	1,175	13.7
Natural resources – Timber and agriculture	16	0.2	24	0.3
Other	145	1.5	80	0.9
Total unfunded commitments	$9,562	100%	$8,541	100%

Unfunded commitments as of September 30, 2023 were $9.562 billion, an increase of $1.021 billion over December 31, 2022. The increase primarily reflects new commitments net of contributions related to private credit and traditional private equity. The unfunded energy investment commitments at September 30, 2023 and December 31, 2022 of $17 million and $33 million, respectively, related to energy partnerships.

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 September 30, 2023 the amount of the liability for expected credit losses of unfunded commitments was $21 million.

LIQUIDITY AND CAPITAL RESOURCES

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

LMIC, Peerless Insurance Company ("PIC"), Liberty Mutual Fire Insurance Company ("LMFIC"), Employers Insurance Company of Wausau ("EICOW"), Safeco Insurance Company of America ("SICOA"), Ohio Casualty Insurance Company ("OCIC") are members of the Federal Home Loan Bank ("FHLB"). The Company has $300 million of Federal Home Loan Bank borrowings with maturity dates through 2032. As of September 30, 2023, the outstanding Federal Home Loan Bank borrowings are fully collateralized.

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

Net cash flows are generally invested in marketable securities while keeping a certain amount in cash and short-term investments to meet unpredictable cash obligations. The Company monitors the duration of these investments, and purchases and sales are executed with the objective of having adequate cash available to satisfy its maturing liabilities. As the Company's investment strategy focuses on overall asset and liability durations, and not specific cash flows, asset sales may be required to satisfy obligations or rebalance asset portfolios. The Company's invested assets as of September 30, 2023 (including cash and cash equivalents) totaled $96.199 billion.

Debt outstanding as of September 30, 2023 and December 31, 2022 was as follows:

Short-term debt:

$ in Millions	**As of September 30, 2023**	**As of December 31, 2022**
4.25% Notes, due 2023[1]	$-	$547
1.75% €500 Million Notes, due 2024[1]	529	-
Total short-term debt	$529	$547

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

Long-term debt:

$ in Millions	As of September 30, 2023	As of December 31, 2022
1.75% €500 Million Notes, due 2024[1]	$-	$533
8.50% Surplus notes, due 2025	140	140
2.75% €750 Million Notes, due 2026	794	801
7.875% Surplus notes, due 2026	227	227
7.625% Notes, due 2028	3	3
4.569% Notes, due 2029	1,000	1,000
4.625% €500 Million Notes, due 2030	529	533
3.91% - 4.25% Federal Home Loan Bank Borrowings, due 2032	300	300
7.00% Notes, due 2034	124	124
6.50% Notes, due 2035	271	271
7.50% Notes, due 2036	19	19
6.50% Notes, due 2042	250	250
4.85% Notes, due 2044	564	564
4.50% Notes, due 2049	232	232
3.951% Notes, due 2050	1,248	1,248
4.125% Junior Subordinated notes, due 2051[2]	500	500
5.50% Notes, due 2052	1,000	1,000
3.625% €500 Million Junior Subordinated notes, due 2059[3]	529	533
3.95% Notes, due 2060	746	746
4.30% Junior Subordinated notes, due 2061[4]	800	800
7.80% Junior Subordinated notes, due 2087[5]	437	437
10.75% Junior Subordinated notes, due 2088[6]	35	35
7.697% Surplus notes, due 2097	260	260
Subtotal	10,008	10,556
Unamortized costs	(486)	(503)
Total long-term debt	$9,522	$10,053

(1) Short-term debt is the current maturities of the 4.25% Notes, due June 15, 2023 and the 1.75% Notes, due March 27, 2024.
(2) The par value call date is three months prior to and on December 15, 2026, after which the notes are callable at par during the three-month period prior to and on each succeeding interest reset date.
(3) The par value call date and final fixed rate interest payment date is May 23, 2024, subject to certain requirements.
(4) The par value call date is February 1, 2026 after which the notes are callable at par on each subsequent interest payment date.
(5) The par value call date and final fixed rate interest payment date is March 15, 2037, subject to certain requirements.
(6) The par value call date and final fixed rate interest payment date is June 15, 2038, subject to certain requirements.

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

Debt Transactions

On June 15, 2023, $547 million of LMGI 4.25% Notes were paid at maturity.

On December 15, 2022, $40 million of Rockhill Holding Company ("RHC") Notes were redeemed.

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

On November 23, 2022, $15 million of STFC Notes were redeemed.

On November 3, 2022, $96 million of SPC Federal Home Loan Bank (FHLB) borrowings were paid.

On September 21, 2022, $19 million of SAM and $21 million of SPC FHLB borrowings were paid.

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

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

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

Interest Expense

Consolidated interest expense for the three and nine months ended September 30, 2023 was $128 million and $399 million, respectively, a decrease of $5 million and an increase of $24 million over the same periods in 2022.

Holding Company Liquidity and Capital Resources

The Company conducts substantially all of its operations through its wholly owned insurance and service company subsidiaries, and therefore is primarily dependent on dividends, distributions, loans or other payments of funds from these entities to meet its current and future obligations. However, the subsidiaries are separate and distinct legal entities and have no obligation to make funds available to the Company, whether in the form of loans, dividends, or other distributions. As of September 30, 2023, the Company, through its downstream subsidiaries LMGI and LMFE, had $9.1 billion and $529 million, respectively, of debt outstanding, excluding discount and issuance costs.

The insurance subsidiaries' ability to pay dividends is restricted under applicable insurance law and regulations and may only be paid from unassigned surplus. Under the insurance laws of the domiciliary states of the insurance subsidiaries, an insurer may make an ordinary dividend payment if its surplus as regards to policyholders, following such dividend, is reasonable in relation to its outstanding liabilities, is adequate to its financial needs and does not exceed the insurer's unassigned surplus. However, no insurer may pay an extraordinary dividend without the approval or non disapproval of the domiciliary insurance regulatory authority. Insurance subsidiaries owned directly by LMGI are LMIC, Liberty Mutual Personal Insurance Company ("LMPICO"), LMFIC, EICOW and SAM. Under the insurance laws of Massachusetts, the domiciliary state of LMIC, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends made within the preceding 12 months, exceeds the greater of 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or the insurer's net income for the 12-month period ending on the preceding December 31. Under the insurance laws of New Hampshire, the domiciliary state of LMPICO, an extraordinary dividend is defined as (1) a dividend whose fair market value, together with other dividends paid within the preceding 12 months, exceeds the lesser of (a) 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or (b) the insurer's net income, excluding realized capital gains, for the calendar year preceding the date of the dividend, but not including pro rata distributions of any class of the insurer's own securities, or (2) the aggregate of the insurer's net income from the previous two calendar years that has not already been paid out as dividends, excluding realized capital gains and any dividends paid in the previous two calendar years. Under the insurance laws of Wisconsin, the domiciliary state of LMFIC and EICOW, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends paid within the preceding 12 months, exceeds the lesser of (a) 10% of the insurer's surplus with regard to policyholders as of the preceding December 31, or (b) the greater of (1) the insurer's net income for the calendar year preceding the date of the dividend, minus realized capital gains for that calendar year, or (2) the aggregate of the insurer's net income for the three calendar years preceding the date of the dividend, minus realized capital gains for those calendar years and minus dividends paid within the first two of the preceding three calendar years. Under the insurance laws of Ohio, the domiciliary state of SAM, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends made within the preceding 12 months, exceeds the greater of 10% of the insurer's surplus as regards policyholders as of the preceding December 31 or the insurer's net income for the 12-month period ending on the preceding December 31. Changes in the extraordinary dividend regulation of the domiciliary states of LMIC, LMPICO, LMFIC, EICOW and SAM could negatively affect LMGI's ability to pay principal and interest on its debt, as could a redomestication or merger of LMIC, LMPICO, LMFIC, EICOW or SAM to a different domiciliary state. The authorized control level risk-based capital (as of December 31, 2022) and 2023 available dividend capacity prior to needing regulatory approval for LMIC, LMFIC, EICOW and SAM were as follows:

$ in Millions	RBC Ratio[1]		Dividend Capacity[2]	Dividends Paid[3]
RBC Ratios and Dividend Capacity	**2022**	**2021**	**2023**	**2023**
LMIC	361%	389%	$2,090	$49
LMFIC	397%	560%	$-	$11
EICOW	400%	531%	$-	$-
SAM	2,178%	414%	$113	$-

1 Authorized control level risk-based capital as defined by the NAIC.
2 Represents the estimated maximum allowable dividend without prior regulatory approval in the state of domicile.
3 Dividends paid represent amounts paid during the nine months ended September 30, 2023. Available dividend capacity as of September 30, 2023 is calculated as 2023 dividend capacity less dividends paid for the preceding 12 months. Dividends paid October 1, 2022 through September 30, 2023 for LMIC, LMFIC, EICOW and SAM were $65 million, $385 million, $330 million and zero respectively

LMGI also has access to the following sources of funding:

- An unsecured revolving credit facility of $1 billion with an expiration date of April 18, 2027. To date, no funds have been borrowed under the facility.
- A management services agreement with LMIC pursuant to which LMGI is entitled to collect certain costs plus a management fee for services rendered by LMGI employees.
- Investment management agreements with affiliated entities pursuant to which an LMGI subsidiary investment advisor is entitled to recover annual expenses for investment management services performed by its employees.
- Liberty Corporate Services LLC ("LCS"), which through its subsidiaries collects fees and other revenues, primarily for claims administration, agency and IT services rendered for affiliated and non-affiliated entities. For the three and nine months ended September 30, 2023, LCS recorded $120 million and $387 million, respectively, in pre-tax income.
- Approximately $80 million of annual dividends related to non-redeemable perpetual preferred stock issuances by LMIC and LMFIC.

$ in Millions	As of September 30, 2023	As of December 31, 2022
Total long-term debt	$9,522	$10,053
Unamortized discount and debt issuance costs	(486)	(503)
Total long-term debt excluding unamortized discount and debt issuance costs	$10,008	$10,556
Total equity excluding accumulated other comprehensive income (loss)	$29,519	$30,038
Total capital excluding accumulated other comprehensive income (loss)[1]	$39,527	$40,594
Debt-to-capital capitalization excluding accumulated other comprehensive income (loss)[1]	25.3%	26.0%
Statutory surplus	$25,817	$26,739

1 Excludes unamortized discount and debt issuance costs

The total debt-to-capital capitalization ratio excluding accumulated other comprehensive loss is calculated by dividing (a) total debt excluding unamortized discount and debt issuance costs by (b) total capital excluding accumulated other comprehensive (loss) income. Net unrealized gains and losses on investments can be significantly impacted by both interest rate movements and other economic factors. Accordingly, in the opinion of the Company's management, the debt-to-total capital ratio calculated on this basis provides another useful metric for investors to understand the Company's financial leverage position. The Company's ratio of debt-to-capital (excluding accumulated other comprehensive (loss) income of 25.3% at September 30, 2023 was within the Company's target range.

REINSURANCE

Reinsurance Recoverables

The Company reported reinsurance recoverables of $19.055 billion and $18.777 billion at September 30, 2023 and December 31, 2022, respectively, net of allowance for doubtful accounts of $148 million and $136 million, respectively. Included in these balances are $1.592 billion and $1.008 billion of paid recoverables and $17.611 billion and $17.905 billion of unpaid recoverables (including retroactive reinsurance), respectively.

S&P Rating[1]	As of December 31, 2022			
$ in Millions	Gross Recoverables[2]	Collateral Held[3]	Net Recoverables[4]	% of Total Net Recoverables
Rated Entities				
AAA	$ -	$ -	$ -	-
AA+, AA, AA-	7,976	6,675	2,809	25%
A+, A, A-	5,110	660	4,527	41%
BBB+, BBB, BBB-	-	-	-	-
BB+ or below	-	-	-	-
Subtotal	13,086	7,335	7,336	66%
Pools & Associations				
State mandated involuntary pools and associations	2,991	-	2,991	26%
Voluntary	178	123	174	2%
Subtotal	3,169	123	3,165	28%
Non-Rated Entities[5]				
Captives & fronting companies	1,611	1,844	309	3%
Other	1,047	1,971	401	3%
Subtotal	2,658	3,815	710	6%
Grand Total	$18,913	$11,273	$11,211	100%

1 Standard & Poor's ratings are as of December 31, 2022.
2 Gross recoverables are defined as paid and unpaid claims and claim adjustment expense including IBNR and before both bad debt reserve set aside for potential uncollectible reinsurance and consideration of collateral.
3 Collateral refers to letters of credit, trust accounts, and funds held against outstanding and potential future claims and claim adjustment expenses related to reinsurance recoverable balances.
4 Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for each reinsurer at the ceding entity level. If the collateral held for a reinsurer at a ceding entity level is greater than the gross recoverable, net recoverables are reported as $0.
5 Reinsurers not rated by Standard & Poor's.

Reinsurance Groups[1]	As of December 31, 2022		
$ in Millions	Gross Recoverables[2]	Collateral Held[3]	Net Recoverables[4]
1. Berkshire Hathaway Insurance Group	$5,059	$5,900	$638
2. Swiss Re Group	1,624	545	1,083
3. Nationwide Group	1,141	1	1,140
4. Everest Re Group	842	263	630
5. Lloyd's of London	584	-	584
6. Partner Re Group	473	86	387
7. Munich Re Group	437	11	427
8. Renaissance Re Holdings Group	344	119	231
9. CUMIS Insurance Society Group	337	-	337
10. Enstar Group Ltd	309	335	5
11. Hannover Re Group	309	71	238
12. Stonefort Reinsurance S.A.	292	359	-
13. Markel Corp	277	2	275
14. Exchange Indemnity Company	245	112	134
15. Chubb Ltd.	220	132	136
State Mandated Involuntary pools and associations	2,991	-	2,991
Voluntary pools and associations	178	123	174
All Other	3,251	3,214	1,801
Total Reinsurance Recoverables	$18,913	$11,273	$11,211

1 Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent.

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

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

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

Approximately 94% and 93% of the Company’s reinsurance recoverable balance, net of collateral held and including voluntary and involuntary pools and associations, was from reinsurers rated A- or better from A.M. Best and Standard & Poor’s, respectively, at December 31, 2022. Collateral held against outstanding gross reinsurance recoverable balances was $11.273 billion at December 31, 2022.

The remaining 6% and 7% of the Company’s net reinsurance recoverable balance is well diversified. No single reinsurer rated below A- or not rated by A.M. Best or Standard & Poor’s accounts for more than 1% of GAAP equity. In addition, the average net reinsurance recoverable balance from individual reinsurers rated below A- or not rated by A.M. Best and Standard & Poor’s was approximately $1 million as of December 31, 2022.

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

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

Adverse Development Reinsurance

On November 5, 2019, LMIC entered into a reinsurance transaction with NICO, a subsidiary of Berkshire Hathaway Inc, on a combined aggregate excess of loss agreement for certain USRM Business Lines and GRS National Insurance workers compensation, commercial auto liability and general liability excluding umbrella and warranty liabilities. The first layer of the contract attaches at $300 million below applicable held reserves at inception of $8.342 billion of combined aggregate reserves. The second layer of the contract provides adverse development coverage for $1.000 billion above a retention equal to $8.742 billion. The contract includes a sublimit of $100 million for certain general liability liabilities. At the closing of the NICO Casualty Reinsurance Transaction, but effective as of January 1, 2019, the Company ceded $300 million of existing undiscounted liabilities, paid NICO total consideration of $462 million and recorded a pre-tax loss of $173 million. This contract is accounted for on a retroactive basis.

In general terms, the covered business includes post December 31, 2018 development for Global Retail Markets US Business Lines and Global Risks Solutions National Insurance segment on: (1) certain workers compensation liabilities arising under policies on the books as of December 31, 2018 as respects injuries or accidents occurring after December 31, 2013 and prior to January 1, 2019; (2) commercial auto liabilities arising under policies on the books as of December 31, 2018 as respects injuries or accidents occurring prior to January 1, 2019; and (3) general liability excluding umbrella and warranty arising under policies as of December 31, 2018 as respects injuries or accidents occurring prior to January 1, 2019.

Since the NICO Casualty Reinsurance Transaction is accounted for as retroactive reinsurance in the Company's GAAP Consolidated Financial Statements, to the extent there is unfavorable development of losses covered by this reinsurance, an additional reinsurance benefit is recognized in the Consolidated Statements of 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.

As the aggregate development on the contract has exceeded the original pre-tax loss of $173 million, deferred gains are now being recorded. The Company reported deferred gain amortization of $10 million and $8 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. As of September 30, 2023 and December 31, 2022, deferred gains were $210 million and $218 million. Limits remaining on the contract as of September 30, 2023 were $541 million.

In conjunction with the Ironshore acquisition and effective May 1, 2017, the Company entered into a reinsurance transaction with NICO on a combined aggregate excess of loss agreement providing coverage for substantially all of Ironshore's reserves related to losses occurring prior to January 1, 2017. The first layer of the contract transfers $400 million of held reserves at inception, for which the Company established reinsurance recoverables on the Consolidated Balance Sheet. The second layer of the contract provides adverse development coverage for 95% of $500 million above a retention equal to $3.006 billion, minus paid losses between January 1, 2017 and May 1, 2017, which retention approximates the total held reserves on the covered business on Ironshore's opening balance sheet. The contract includes a sublimit of $277 million for certain construction liability liabilities. The Company paid NICO consideration of $550 million, including interest accrued at the time of the settlement. The contract is accounted for on a prospective basis. Limits remaining on the contracts in total, and for construction liability liabilities, respectively, were $456 million and zero as of September 30, 2023.

On July 17, 2014, LMIC entered into a reinsurance transaction with NICO on a combined aggregate excess of loss agreement for substantially all of the Company's US workers compensation, asbestos and environmental liabilities, attaching at $12.522 billion of combined aggregate reserves, with an aggregate limit of $6.500 billion and sublimits of $3.100 billion for asbestos and environmental liabilities and $4.507 billion for certain workers compensation liabilities. At the closing of the NICO Reinsurance Transaction, but effective as of January 1, 2014, the Company ceded $3.320 billion of existing undiscounted liabilities under this retroactive reinsurance agreement. NICO will provide $3.180 billion of additional aggregate adverse development reinsurance. The Company paid NICO total consideration of $3.046 billion and recorded a pre-tax loss of $128 million. 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.

As the aggregate development on the contract has exceeded the original pre-tax loss of $128 million, deferred gains are now being recorded. The Company reduced its deferred gain amortization of ($3) million and $0 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. As of September 30, 2023 and December 31, 2022, deferred gains were $23 million and $26 million. Limits remaining on the contract in total, and for asbestos and environmental liabilities, respectively, were $3.181 billion and $368 million as of September 30, 2023.

Non Catastrophe Reinsurance

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

Catastrophe Reinsurance

The Company has property catastrophe reinsurance coverage for its domestic business and certain specialty operations including: 1) hurricanes and earthquake reinsurance covering a substantial portion of $3.6 billion of loss in excess of $1.0 billion of retained loss in the United States, Canada, and the Caribbean, excluding certain reinsurance exposures; 2) per occurrence and aggregate excess of loss coverage targeting our reinsurance exposures; and 3) quota share reinsurance programs. These programs are structured to meet the Company's established tolerances under its Enterprise Risk Management Program.

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

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

Catastrophe Bond Reinsurance

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

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

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

Florida Hurricane Catastrophe Fund

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include (1) unpaid claims and claim adjustment expense reserves, including asbestos and environmental liability reserves and loss sensitive premium attributable to prior years, (2) reinsurance recoverables and associated credit loss allowance, (3) fair value determination and credit losses 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.

For additional discussion, please refer to footnote 1 in the Company's December 31, 2022 Audited Consolidated Financial Statements and footnote 1 in the Company's September 30, 2023 Unaudited Consolidated Financial Statements.

Unpaid Claims and Claim Adjustment Expenses

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

Establishing loss reserves, including loss reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve.

For additional discussion, please refer to footnote 6 in the Company's December 31, 2022 Audited Consolidated Financial Statements and footnote 6 in the Company's September 30, 2023 Unaudited Consolidated Financial Statements.

Asbestos and Environmental

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

For additional discussion, please refer to footnote 6 in the Company's December 31, 2022 Audited Consolidated Financial Statements and footnote 6 in the Company's September 30, 2023 Unaudited Consolidated Financial Statements.

Reinsurance Recoverables

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business. The Company evaluates and monitors the financial condition of its reinsurers under voluntary reinsurance arrangements to minimize its exposure to significant losses from reinsurer insolvencies. The Company reports its reinsurance recoverables net of an allowance for 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.

Ceded transactions that transfer risk but are retroactive are included in reinsurance recoverables. The excess of estimated liabilities for claims and claim costs over the consideration paid net of experience adjustments is established as a deferred credit at inception. The deferred amounts are subsequently amortized using the effective interest method over the expected settlement period. The periodic amortization is reflected in the accompanying Consolidated Statements of Operations through benefits, claims and claim adjustment expenses. In transactions where the consideration paid exceeds the estimated liabilities for claims and claim costs a loss is recognized. If the adverse development net of experience adjustments exceeds the original loss, deferred gains are recorded. The deferred gains are subsequently recognized into earnings over the expected settlement period of the reserves.

For additional discussion, please refer to footnote 5 in the Company's December 31, 2022 Audited Consolidated Financial Statements and footnote 4 in the Company's September 30, 2023 Unaudited Consolidated Financial Statements.

Fair Value Determination

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

The hierarchy level assigned to each security in the Company's investments portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. Securities are classified into three hierarchy levels: Level 1, Level 2 or Level 3.

Regarding fair value measurements, as of September 30, 2023, excluding other assets, the Company reflected $9.042 billion (13.0%) as level 1 (quoted prices in active markets) primarily consisting of US Treasuries and common equity securities. The majority of the Company's invested assets are reported as level 2 (quoted prices from other observable inputs). As of September 30, 2023, the Company reported $57.516 billion (83.0%) as level 2, consisting primarily of fixed maturity securities. Finally, the Company reported $2.782 billion (4.0%) as level 3 (unobservable inputs), primarily consisting of international and privately held securities for which a market price is not readily observable.

For additional discussion, please refer to footnote 10 in the Company's December 31, 2022 Audited Consolidated Financial Statements and footnote 9 in the Company's September 30, 2023 Unaudited Consolidated Financial Statements.

Impairment Losses on Investments

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

the past impairment of the security holding or the issuer, and (h) impact of foreign exchange rates on foreign currency denominated securities.

The Company adopted ASC 326 on January 1, 2023. In accordance with ASC 326, 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.

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

For additional discussion, please refer to footnote 1 in the Company's December 31, 2022 Audited Consolidated Financial Statements and footnote 3 in the Company's September 30, 2023 Unaudited Consolidated Financial Statements.

Goodwill and Intangible Assets

Goodwill is tested for impairment at least annually using either a qualitative or a quantitative process. Election of the approach can be made at the reporting unit level. The reporting unit has the option to skip the qualitative test and move directly to completion of the quantitative process. As of September 30, 2023, the Company has two reporting units – US Retail Markets and Global Risk Solutions.

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

The Company recognized $21 million of intangibles impairments related to Ironshore trade name in 2022.

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

Deferred Income Taxes

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

For the year ended December 31, 2022, the Company established a partial valuation allowance of $62 million on certain deferred tax assets related to unrealized losses in the available for sale securities portfolio. For the nine-month period ended September 30, 2023, changes in market conditions resulted in a partial release of the valuation allowance of $5 million. Changes in the valuation allowance have been allocated to other comprehensive income.

For additional discussion, please refer to footnote 8 in the Company's December 31, 2022 Audited Consolidated Financial Statements and footnote 7 in the Company's September 30, 2023 Unaudited Consolidated Financial Statements.

Pension and Postretirement Benefit Obligations

On an annual basis, the Company reviews the discount rate assumption used to determine the benefit obligations and the composition of various yield curves to ensure that the assumed discount rate reflects the Company's best estimate

of the rate of return inherent in a portfolio of high-quality debt instruments that would provide the cash flows necessary to settle the Company's projected benefit payments.

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

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

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

ABOUT THE COMPANY

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and fifth largest global property and casualty insurer based on 2022 gross written premium. The Company also ranks 86th on the Fortune 100 list of largest corporations in the US based on 2022 revenue. As of December 31, 2022, LMHC had $160.316 billion in consolidated assets, $138.108 billion in consolidated liabilities, and $50.0 billion in annual consolidated revenue.

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

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

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