

Liberty Mutual Holding Company Inc.

Third Quarter 2024

Consolidated Financial Statements

## LIBERTY MUTUAL HOLDING COMPANY INC.

## Consolidated Statements of Operations

(dollars in millions)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenues</b>				
Premiums earned	\$ 11,438	\$ 11,521	\$ 34,216	\$ 34,050
Net investment income	1,153	797	3,450	2,178
Fee and other revenues	300	159	752	642
Net realized (losses) gains	(164)	87	(418)	(25)
Total revenues	12,727	12,564	38,000	36,845
<b>Claims, Benefits and Expenses</b>				
Benefits, claims and claim adjustment expenses	7,699	8,794	23,994	26,404
Operating costs and expenses	2,193	1,801	5,896	5,832
Amortization of deferred acquisition costs	1,505	1,482	4,365	4,638
Interest expense	121	128	379	399
Total claims, benefits and expenses	11,518	12,205	34,634	37,273
Acquisition & integration costs	(22)	(33)	(62)	(58)
Restructuring costs	(30)	(26)	(55)	(66)
Income (loss) from continuing operations before income tax expense and non-controlling interest	1,157	300	3,249	(552)
Income tax expense (benefit)	278	133	780	(67)
Consolidated net income (loss) from continuing operations	879	167	2,469	(485)
Discontinued operations (net of income tax (benefit) expense of \$(10) and \$232 in 2024 and \$28 and \$147 in 2023, for the three and nine months ended September 30, respectively)	18	48	691	50
Consolidated net income (loss)	897	215	3,160	(435)
Less: Net income (loss) attributable to non-controlling interest	5	(4)	16	6
Net income (loss) attributable to Liberty Mutual Holding Company Inc.	\$ 892	\$ 219	\$ 3,144	\$ (441)

See accompanying notes to the unaudited consolidated financial statements.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Consolidated Balance Sheets**

(dollars in millions)

(Unaudited)

	<b>September 30,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
<b>Assets:</b>		
Investments		
Fixed maturities, available for sale (net of allowance for credit losses of \$27 and \$37 in 2024 and 2023, respectively) (amortized cost of \$74,290 and \$72,729)	\$ 72,580	\$ 68,901
Equity securities	1,478	996
Short-term investments	450	340
Mortgage loans (net of allowance for credit losses of \$30 and \$43 in 2024 and 2023, respectively)	3,066	3,348
Other investments (net of allowance for credit losses of \$86 and \$61 in 2024 and 2023, respectively)	20,766	18,139
Total investments	98,340	91,724
Cash and cash equivalents	13,318	9,518
Premium and other receivables	15,979	16,173
Reinsurance recoverables (net of allowance for credit losses of \$154 and \$152 in 2024 and 2023, respectively)	19,171	19,080
Deferred tax asset	969	1,599
Deferred acquisition costs	3,717	3,544
Goodwill	5,457	5,437
Prepaid reinsurance premiums	2,690	2,812
Other assets	8,989	8,877
Assets held for sale	-	6,444
Total assets	\$ 168,630	\$ 165,208
<b>Liabilities:</b>		
Unpaid claims and claim adjustment expenses and future policy benefits:		
Property and casualty	\$ 82,729	\$ 80,177
Life	40	52
Unearned premiums	27,458	27,345
Funds held under reinsurance treaties	307	340
Short-term debt	140	552
Long-term debt	8,951	9,607
Accrued postretirement and pension benefits	2,955	3,040
Payable for investments purchased and loaned	3,799	2,853
Other liabilities	12,061	11,730
Liabilities held for sale	-	4,452
Total liabilities	138,440	140,148
<b>Equity:</b>		
Unassigned equity	33,135	29,991
Accumulated other comprehensive loss	(3,166)	(5,127)
Total policyholders' equity	29,969	24,864
Non-controlling interest	221	196
Total equity	30,190	25,060
Total liabilities and equity	\$ 168,630	\$ 165,208

See accompanying notes to the unaudited consolidated financial statements.

**LIBERTY MUTUAL HOLDING COMPANY INC.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
(dollars in millions)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Consolidated net income (loss)	\$ 897	\$ 215	\$ 3,160	\$ (435)
Other comprehensive income (loss), net of taxes:				
Change in unrealized gains (losses) on securities	1,884	(922)	1,773	(381)
Change in pension and postretirement plans funded status	19	23	57	68
Change in foreign currency translation and other adjustments	234	(212)	155	(90)
Other comprehensive income (loss), net of taxes	<u>2,137</u>	<u>(1,111)</u>	<u>1,985</u>	<u>(403)</u>
Comprehensive income (loss)	3,034	(896)	5,145	(838)
Less: comprehensive income (loss) attributable to non-controlling interest	5	(4)	16	6
Comprehensive income (loss) attributable to Liberty Mutual Holding Company Inc.	<u>\$ 3,029</u>	<u>\$ (892)</u>	<u>\$ 5,129</u>	<u>\$ (844)</u>

See accompanying notes to the unaudited consolidated financial statements.

**LIBERTY MUTUAL HOLDING COMPANY INC.**  
**Consolidated Statements of Changes in Total Equity**  
(dollars in millions)  
(Unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2024</b>	<b>2023</b>
Balance at beginning of the year	\$ 25,060	\$ 22,208
Cumulative effect from the adoption of new accounting standards	-	(44)
Comprehensive income (loss):		
Consolidated net income (loss)	3,160	(435)
Other comprehensive income (loss), net of taxes	1,985	(403)
Total comprehensive income (loss)	5,145	(838)
Dividends to non-controlling interest	(15)	(25)
Balance at end of the period	<u>\$ 30,190</u>	<u>\$ 21,301</u>

See accompanying notes to the unaudited consolidated financial statements.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Consolidated Statements of Cash Flows**

(dollars in millions)

(Unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Consolidated net income (loss)	\$ 3,160	\$ (435)
Less income from Liberty Seguros – Latin America and Western Europe, net of tax expense	678	50
Income (loss) from operations excluding Liberty Seguros – Latin America and Western Europe discontinued operations	2,482	(485)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	523	564
Realized losses	416	25
Undistributed private equity investment (losses) gains	(611)	104
Premium, other receivables, and reinsurance recoverables	366	(1,011)
Deferred acquisition costs	(157)	169
Liabilities for insurance reserves	2,267	3,318
Taxes payable, net of deferred	203	(427)
Pension plan contributions	-	(136)
Other, net	(587)	101
Total adjustments	2,420	2,707
Net cash provided by operating activities - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	4,902	2,222
Net cash (used in) provided by operating activities - Liberty Seguros – Latin America and Western Europe discontinued operations	(12)	159
Net cash provided by operating activities	4,890	2,381
<b>Cash flows from investing activities:</b>		
Purchases of investments	(46,679)	(21,895)
Sales and maturities of investments	42,696	16,497
Property and equipment purchased, net	(78)	(150)
Cash provided by dispositions	2,987	-
Other investing activities	714	141
Net cash used in investing activities - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	(360)	(5,407)
Net cash used in investing activities - Liberty Seguros – Latin America and Western Europe discontinued operations	(159)	(555)
Net cash used in investing activities	(519)	(5,962)
<b>Cash flows from financing activities:</b>		
Net activity in policyholder accounts	(59)	(21)
Debt financing, net	(1,055)	(531)
Net security lending activity and other financing activities	337	(413)
Net cash used in financing activities - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	(777)	(965)
Net cash used in financing activities - Liberty Seguros – Latin America and Western Europe discontinued operations	(59)	(21)
Net cash used in financing activities	(836)	(986)
Effect of exchange rate changes on cash - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	35	(46)
Effect of exchange rate changes on cash - Liberty Seguros – Latin America and Western Europe discontinued operations	(5)	7
Effect of exchange rate changes on cash	30	(39)
Net increase (decrease) in cash and cash equivalents - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	3,800	(4,196)
Net decrease in cash and cash equivalents - Liberty Seguros – Latin America and Western Europe discontinued operations	(235)	(410)
Net increase (decrease) in cash and cash equivalents	3,565	(4,606)
Cash and cash equivalents, beginning of year - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	9,518	12,531
Cash and cash equivalents, end of period - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	\$ 13,318	\$ 8,335

See accompanying notes to the unaudited consolidated financial statements.

# LIBERTY MUTUAL HOLDING COMPANY INC.

## Notes to Consolidated Financial Statements

(dollars in millions)

(Unaudited)

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

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

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

#### Adoption of New Accounting Standards

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

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

#### Accumulated Other Comprehensive Loss

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

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

	September 30, 2024	December 31, 2023
Unrealized losses on securities	\$(1,426)	\$(3,199)
Foreign currency translation and other adjustments	(492)	(623)
Pension and postretirement liability funded status	(1,248)	(1,305)
Accumulated other comprehensive loss	\$(3,166)	\$(5,127)

The following tables present the changes in the components of other comprehensive income (loss) for the three and nine months ended September 30, 2024 and 2023, respectively.

	Unrealized gains on securities	Change in pension and post retirement plans funded status	Foreign currency translation and other adjustments <sup>(1)</sup>	Total
<b>Three months ended September 30, 2024</b>				
Unrealized change arising during the period	\$2,097	\$-	\$232	\$2,329
Less: Reclassification adjustments included in consolidated net income	(268)	(24)	-	(292)
Total other comprehensive income before income tax	2,365	24	232	2,621
Less: Income tax expense (benefit)	481	5	(2)	484
Total other comprehensive income net of income tax	\$1,884	\$19	\$234	\$2,137

(1) Includes \$29 of non-controlling interest

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Notes to Consolidated Financial Statements

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(Unaudited)

	Unrealized loss on securities	Change in pension and post retirement plans funded status	Foreign currency translation and other adjustments <sup>(1)</sup>	Total
<b>Three months ended September 30, 2023</b>				
Unrealized change arising during the period	\$ (1,225)	\$-	\$ (196)	\$ (1,421)
Less: Reclassification adjustments included in consolidated net income	(73)	(29)	-	(102)
Total other comprehensive (loss) income before income tax expense	(1,152)	29	(196)	(1,319)
Less: Income tax (benefit) expense	(230)	6	16	(208)
Total other comprehensive (loss) income net of income tax expense	\$ (922)	\$23	\$ (212)	\$ (1,111)

(1) Includes \$(15) of non-controlling interest

	Unrealized gains on securities	Change in pension and post retirement plans funded status	Foreign currency translation and other adjustments <sup>(1)</sup>	Total
<b>Nine months ended September 30, 2024</b>				
Unrealized change arising during the period	\$ 1,854	\$-	\$ 178	\$ 2,032
Less: Reclassification adjustments included in consolidated net income	(403)	(72)	-	(475)
Total other comprehensive income before income tax	2,257	72	178	2,507
Less: Income tax expense	484	15	23	522
Total other comprehensive income, net of income tax	\$ 1,773	\$57	\$155	\$1,985

(1) Includes \$24 of non-controlling interest

	Unrealized loss on securities	Change in pension and post retirement plans funded status	Foreign currency translation and other adjustments <sup>(1)</sup>	Total
<b>Nine months ended September 30, 2023</b>				
Unrealized change arising during the period	\$ (710)	\$-	\$ (99)	\$ (809)
Less: Reclassification adjustments included in consolidated net income	(210)	(86)	-	(296)
Total other comprehensive (loss) income before income tax expense	(500)	86	(99)	(513)
Less: Income tax (benefit) expense	(119)	18	(9)	(110)
Total other comprehensive (loss) income, net of income tax expense	\$ (381)	\$68	\$ (90)	\$ (403)

(1) Includes \$(15) of non-controlling interest

**(2) DISPOSITIONS**

On July 29, 2024, the Company announced it had signed an agreement with Markerstudy Group to sell Hughes Insurance in Northern Ireland. The transaction is expected to close in the fourth quarter, subject to regulatory approval and customary closing conditions.

***Discontinued Operations***

Discontinued operations for the three months ended September 30, 2024 includes the resolution of potential open claims related to the Company's 2018 sale of Liberty Life Assurance Company of Boston.

**Liberty Seguros – Latin America & Western Europe**

On May 27, 2023, the Company announced the sale of Liberty Seguros' personal and small commercial business in Brazil (the Brazil transaction), Chile, Colombia, and Ecuador (collectively, the Andes transaction) to Talanx Group. On June 15, 2023, the Company announced the sale of Liberty Seguros' personal and small commercial business operations in Ireland, Northern Ireland, Portugal, and Spain (collectively, the WEM transaction) to Generali Group. The Brazil transaction closed on November 22, 2023, resulting in a total loss of \$95, (including a cumulative translation adjustment loss of \$464). The WEM transaction closed January 31, 2024, resulting in a gain of \$717 (including a cumulative translation adjustment gain of \$88). The Andes transaction closed March 1, 2024, resulting in a loss of \$143 (including a cumulative translation adjustment loss of \$196).

A business is classified as held for sale when management, having the authority to approve the action, commits to a plan to sell the business, the sale is probable to occur within one year at a price that is reasonable in relation to its current fair value, and other criteria are met. A



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(Unaudited)

business classified as held for sale is recorded at the lower of carrying amount or estimated fair value less costs to sell. When the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized and updated each reporting period as appropriate. The results of operations classified as held for sale are reported as discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the entity's operations and financial results. Discontinued operations reporting requires that the results for prior periods are retrospectively reclassified as discontinued operations, results of operations are reported in a single line (net of tax) in the consolidated statements of operations, and assets and liabilities are reported as held for sale in the consolidated balance sheets the period in which the business is classified as held for sale.

The Company met the criteria for held-for-sale and discontinued operations in Q2 2023, accordingly, for the three and nine months ended September 30, 2024, and for all prior periods, the results of the disposal groups have been classified as discontinued operations in the consolidated statements of operations. As of September 30, 2024, and December 31, 2023, the assets and liabilities attributable to the disposal groups are reflected in assets and liabilities held for sale on the accompanying consolidated balance sheets. As a result of meeting held-for-sale criteria, a loss of \$141 was recorded in the second quarter of 2023.

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

	As of September 30, 2024	As of December 31, 2023
<b>Assets:</b>		
Total investments	\$-	\$5,012
Cash and cash equivalents	-	235
Premium and other receivables	-	374
Reinsurance recoverables	-	33
Deferred tax asset	-	81
Deferred acquisition costs	-	243
Goodwill	-	270
Prepaid reinsurance premiums	-	36
Other assets	-	160
<b>Total assets held for sale</b>	<b>\$-</b>	<b>\$6,444</b>
<b>Liabilities:</b>		
Unpaid claims and claim adjustment expenses and future policy benefits		
Property and casualty	\$-	\$1,407
Life	-	1,561
Unearned premiums	-	944
Funds held under reinsurance treaties	-	6
Other liabilities	-	534
<b>Total liabilities held for sale</b>	<b>\$-</b>	<b>\$4,452</b>

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(Unaudited)

The following table summarizes the amounts related to discontinued operations in the consolidated statements of operations, excluding the respective gain (loss) on sale for each of the three transactions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
Premiums earned	\$-	\$806	\$196	\$2,313
Net investment income	-	41	14	132
Fee and other revenues	-	24	6	79
Net realized losses	-	(13)	(5)	(92)
<b>Total revenues</b>	<b>\$-</b>	<b>\$858</b>	<b>\$211</b>	<b>\$2,432</b>
<b>Claims, Benefits and Expenses:</b>				
Benefits, claims and claim adjustment expenses	\$(8)	\$475	\$98	\$1,307
Operating costs and expenses	-	141	40	424
Amortization of deferred policy acquisition costs	-	140	47	404
Interest credited to policyholders	-	8	2	23
<b>Total claims, benefits and expenses</b>	<b>\$(8)</b>	<b>\$764</b>	<b>\$187</b>	<b>\$2,158</b>
Restructuring costs	(10)	(25)	(60)	(31)
Unit linked life insurance	-	7	(2)	(46)
<b>(Loss) income before income tax</b>	<b>(2)</b>	<b>76</b>	<b>(38)</b>	<b>197</b>
Income tax expense (benefit)	-	28	(6)	147
<b>Net (loss) income</b>	<b>\$(2)</b>	<b>\$48</b>	<b>\$(32)</b>	<b>\$50</b>

**(3) INVESTMENTS**

**Available for Sale Investments**

The amortized cost, gross unrealized gains and losses and fair values of available for sale investments as of September 30, 2024 and December 31, 2023, are as follows:

September 30, 2024	Amortized Cost	Credit Allowance	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	\$9,169	\$-	\$49	\$(343)	\$8,875
Residential MBS <sup>(1)</sup>	6,807	-	42	(380)	6,469
Commercial MBS	5,162	-	51	(162)	5,051
Other MBS and ABS <sup>(2)</sup>	5,794	-	53	(136)	5,711
U.S. state and municipal	5,381	-	39	(232)	5,188
Corporate and other	36,655	(27)	584	(1,178)	36,034
Foreign government securities	5,066	-	53	(126)	4,993
Redeemable Preferred Stock	256	-	3	-	259
<b>Total securities available for sale</b>	<b>\$74,290</b>	<b>\$(27)</b>	<b>\$874</b>	<b>\$(2,557)</b>	<b>\$72,580</b>

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(dollars in millions)

(Unaudited)

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

<sup>(1)</sup> Mortgage-backed securities ("MBS")

<sup>(2)</sup> Asset-backed securities ("ABS")

As of September 30, 2024 and December 31, 2023, the fair values of fixed maturity securities and equity securities loaned were approximately \$4,500 and \$3,098, respectively. Cash and short-term investments received as collateral in connection with the loaned securities were approximately \$3,163 and \$2,675 as of September 30, 2024 and December 31, 2023, respectively. Investments other than cash and short-term investments received as collateral in connection with the loaned securities were approximately \$1,435 and \$490 as of September 30, 2024 and December 31, 2023, respectively.

The amortized cost and fair value of fixed maturities as of September 30, 2024, by contractual maturity are as follows:

	<b>Amortized Cost</b>	<b>Fair Value</b>
Due to mature:		
One year or less	\$4,535	\$4,500
Over one year through five years	25,447	25,054
Over five years through ten years	19,320	18,946
Over ten years	7,225	6,849
MBS and ABS of government and corporate agencies	17,763	17,231
Total fixed maturities	<u>\$74,290</u>	<u>\$72,580</u>

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Net Realized (Losses) Gains</b>				
Impairments	\$(12)	\$2	\$(43)	\$(18)
Other net realized losses	(187)	(73)	(402)	(137)
Valuation changes on equity investments, derivatives, other	35	158	27	130
Total net realized (losses) gains	<u>\$(164)</u>	<u>\$87</u>	<u>\$(418)</u>	<u>\$(25)</u>

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(dollars in millions)

(Unaudited)

The following table summarizes the Company's gross realized gains and losses by asset type for the three and nine months ended September 30, 2024 and 2023:

<i>Components of Net Realized (Losses) Gains</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Fixed maturities:				
Gross realized gains	\$72	\$65	\$219	\$112
Gross realized losses	(340)	(133)	(610)	(315)
Equities:				
Gross realized gains	68	7	76	25
Gross realized losses	(6)	(5)	(28)	(9)
Derivatives:				
Gross realized gains	119	91	212	146
Gross realized losses	(24)	(10)	(79)	(36)
Other:				
Gross realized gains	14	93	100	176
Gross realized losses	(67)	(21)	(308)	(124)
Total net realized (losses) gains	<u>\$(164)</u>	<u>\$87</u>	<u>\$(418)</u>	<u>\$(25)</u>

Included in the above are unrealized gains (losses) related to equity securities still held of \$40 and \$9 respectively, for the three and nine months ended September 30, 2024 and \$80 and \$36, respectively, for the three and nine months ended September 30, 2023.

During the three months ended September 30, 2024 and 2023, the Company recorded \$(12) and \$2 of impairment losses, respectively. During the nine months ended September 30, 2024 and 2023, the Company recorded \$(43) and \$(18) of impairment losses, respectively. Included in the impairment losses are impairment charges for assets measured at fair value on a non-recurring basis which are summarized in the following table for the nine months ended September 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Natural resources	\$-	\$8
Real estate	(31)	-
Software	(12)	(13)
Total	<u>\$(43)</u>	<u>\$(5)</u>

During the three months ended September 30, 2024 and 2023, proceeds from sales of fixed maturities available for sale were \$12,970 and \$2,301, respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled \$66 and \$(327) in 2024 and \$18 and \$(81) in 2023. During the three months ended September 30, 2024 and 2023, proceeds from sales of equities at fair value were \$498 and \$61, respectively. The gross realized gains (losses) on sales of equities at fair value totaled \$16 and \$(7) in 2024 and \$3 and \$(2) in 2023. During the nine months ended September 30, 2024 and 2023, proceeds from sales of fixed maturities available for sale were \$37,132 and \$9,818, respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled \$166 and \$(520) in 2024 and \$51 and \$(234) in 2023. During the nine months ended September 30, 2024 and 2023, proceeds from sales of equities at fair value were \$666 and \$176, respectively. The gross realized gains (losses) on sales of equities at fair value totaled \$301 and \$(35) in 2024 and \$12 and \$(6) in 2023.

The following tables present the gross unrealized losses and fair value of fixed maturity securities by the length of time that individual securities have been in a continuous unrealized loss position for which an allowance for credit losses has not been recorded as of September 30, 2024 and December 31, 2023:

**LIBERTY MUTUAL HOLDING COMPANY INC.**

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(dollars in millions)

(Unaudited)

September 30, 2024	Less Than 12 Months		12 Months or Longer	
	Fair Value of		Fair Value of	
	Investments with		Investments with	
	Unrealized	Unrealized	Unrealized	Unrealized
	Losses	Losses	Losses	Losses
U.S. government and agency securities	\$(2)	\$188	\$(341)	\$6,070
Residential MBS	(1)	219	(379)	4,690
Commercial MBS	(2)	147	(160)	3,519
Other MBS and ABS	(1)	771	(135)	1,988
U.S. state and municipal	(2)	249	(230)	3,258
Corporate and other	(17)	1,517	(1,161)	16,657
Foreign government securities	(2)	323	(124)	2,163
Total securities available for sale	\$(27)	\$3,414	\$(2,530)	\$38,345

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

As of September 30, 2024, there were 6,656 securities that were in an unrealized loss position for 12 months or longer. The Company monitors the difference between the amortized cost and estimated fair value of fixed maturity securities to ascertain whether declines in value are temporary in nature. The Company currently does not have the intent to sell these securities and has determined it is not more likely than not that it would be required to sell these fixed maturity securities before they recover their fair value.

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

	2024	2023
Balance at January 1,	\$37	\$-
Credit losses on securities not previously reported	34	22
Net increase (decrease) on credit losses on securities previously reported	-	-
Reductions of allowance related to sales	(44)	-
Write-offs	-	(11)
Balance at September 30,	\$27	\$11

The Company believes the unrealized loss position as of September 30, 2024 does not contain credit loss because (i) the Company did not intend to sell these fixed maturity AFS securities; (ii) it is not more likely than not that the Company will be required to sell the fixed maturity AFS securities before recovery of their amortized cost basis; and (iii) the difference between the present value of cash flows expected to be collected from the security and the amortized cost basis of the security was due to factors other than credit loss.

As of September 30, 2024, the unrealized losses associated with the U.S. government and agency securities, U.S. state and municipal, and foreign government securities were attributable primarily to movement in interest rates and does not reflect a deterioration in the credit quality of the issuers.

Credit ratings express opinions of the credit quality of a security. Securities rated investment grade (those rated BBB- or higher by S&P) or Baa3 or higher by Moody's) are generally considered to have a low credit risk. As of September 30, 2024, 89% of the fair value of the Company's Corporate bond and other securities was rated investment grade, and the portion of the Company's Corporate bond and other securities rated below investment grade had an amortized cost basis of \$3,982 and a fair value of \$3,917.

# LIBERTY MUTUAL HOLDING COMPANY INC.

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As of September 30, 2024, the unrealized losses associated with the Company's MBS and ABS securities were attributable primarily to movement in interest rates. The Company assessed allowance for credit losses using the present value of expected cash flows which incorporates key assumptions, including credit spreads for the security, adverse conditions related to the security, the industry, or geographic area and assessment of the issuer being able to make payments.

Accrued interest is excluded from the amortized cost basis of the securities and is reported in the "Other assets" line item of the consolidated balance sheet. As of September 30, 2024, accrued interest was \$491. For identifying and measuring an impairment, the Company monitors accrued interest receivables and writes them off by reversing interest income. No amounts were written off as of September 30, 2024.

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

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

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

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

The Company's mortgage loans are commercial mortgage loans collateralized by real estate properties and totaled \$3,066 net of credit loss allowances. Loan to value ratio and debt service coverage ratio are considered key credit quality indicators when estimating expected credit loss allowance for mortgage loans. Payments on mortgage loans were current as of September 30, 2024.

Private loans consist of lending to small businesses, pools of individual consumers, and individual companies. The Company's private loans totaled \$3,547, net of credit loss allowance, as of September 30, 2024 and are reported in the "Other investments" line item of the consolidated balance sheet. Credit rating is considered a key credit quality indicator when estimating expected credit loss allowances for private loans. Payments on private loans were current as of September 30, 2024.

### Allowances on Loan Securities

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

	2024		
	Mortgage	Private	Total
Balance at January 1,	\$43	\$61	\$104
Net increase (decrease) due to credit losses	13	25	38
Net decrease due to sales, maturities, and write-offs	(26)	-	(26)
Balance at September 30,	\$30	\$86	\$116

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	2023		
	Mortgage	Private	Total
Balance at January 1,	\$9	\$-	\$9
Adoption impact of ASC 326	21	28	49
Net increase/(decrease) due to credit losses	8	15	23
Balance at September 30,	\$38	\$43	\$81

#### Variable Interest Entities

The Company invests in limited partnerships and other entities subject to VIE analysis under the VIE subsections of ASC 810, Consolidation. The Company analyzes each investment to determine whether it is a VIE, and if so, whether the Company is the primary beneficiary or a significant interest holder based on a qualitative and quantitative assessment. The Company evaluates the design of the entity, the risks to which the entity was designed to expose the variable interest holder and the extent of the Company's control of and variable interest in the VIE. As of September 30, 2024 and December 31, 2023, the Company has determined that it is not the primary beneficiary of any of its VIEs except for the Company's investment in its India joint venture, which is deemed immaterial.

The Company has variable interests in VIEs for which it is not the primary beneficiary and accounts for these VIEs under the equity method in accordance with ASC 323, Investments-Equity Method and Joint Ventures. The VIEs are principally private equity limited partnerships in which the Company has invested as a passive limited partner. The partnerships were deemed to be VIEs because the equity holders as a group lack the power to direct the activities that most significantly impact the respective entity's economic performance. The VIEs generate variability primarily from investment portfolio performance and that variability is passed to equity holders. The net carrying value of non-consolidated VIEs in which the Company has a variable interest was \$14,907 and \$13,168 as of September 30, 2024 and December 31, 2023, respectively, and the Company's maximum exposure to loss was \$22,608 and \$20,571 as of September 30, 2024 and December 31, 2023, respectively. The assets are included in other investments on the accompanying consolidated balance sheets. Maximum exposure to loss includes the carrying value and unfunded commitment of the VIE. The increase in the maximum exposure to loss from December 31, 2023 to September 30, 2024 is primarily related to valuation changes and new commitments to VIEs related to private credit and traditional private equity.

From time to time we have established certain special purpose entities, including trusts (which are deemed to be VIEs and which are referred to herein as "Warehouse SPVs"), to enter into credit facilities for the purpose of financing the purchase of loans or other receivables assets from third parties on a forward flow basis. Such Warehouse SPVs have entered into credit agreements and related agreements with one or more lenders (which may include affiliates of the Company), and with one or more third-parties acting as administrative agent, trustee, collateral agent and in certain additional capacities. The assets of these consolidated Warehouse SPVs are not available to satisfy the claims of creditors of the Company. In addition, the creditors of such Warehouse SPVs have no recourse to the general credit or assets of the Company and the liabilities of such Warehouse SPVs can only be satisfied from the respective Warehouse SPVs' assets. As of September 30, 2024, the aggregate net asset value of all such Warehouse SPVs is \$457.

#### Limited Partnership Investments

As of September 30, 2024 and December 31, 2023, the carrying values of limited partnership investments were \$15,546 and \$13,764, respectively. These investments consist of traditional private equity partnerships, real estate partnerships, natural resources partnerships (primarily energy, metals and mining, and agriculture and timber), and other partnership funds and equity method investments. Included in the carrying value of limited partnership investments are \$481 and \$556 of limited partnership investments where the Company has elected the fair value option as of September 30, 2024 and December 31, 2023, respectively. The Company's investments in limited partnership investments are long-term in nature. The Company believes these investments offer the potential for superior long term returns and are appropriate in the overall context of a diversified portfolio.

#### (4) REINSURANCE

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

The Company reported reinsurance recoverables of \$19,171 and \$19,080 as of September 30, 2024 and December 31, 2023, respectively, net of allowance for credit losses of \$154 and \$152, respectively. Included in these balances are \$1,212 and \$1,306 of paid recoverables and \$18,113 and \$17,926 of unpaid recoverables (including retroactive reinsurance), respectively. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business.

## LIBERTY MUTUAL HOLDING COMPANY INC.

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

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

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

Since the NICO Casualty Reinsurance Transaction is accounted for as retroactive reinsurance in the Company's Consolidated Financial Statements, to the extent there is unfavorable development of losses covered by this reinsurance, an additional reinsurance benefit is recognized in the consolidated statements of 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, deferred gains are now being recorded. The Company reported deferred gain amortization of \$17 and \$10 for the nine months September 30, 2024 and September 30, 2023, respectively. As of September 30, 2024 and December 31, 2023, deferred gains were \$219 and \$237. Limits remaining on the contract as of September 30, 2024 were \$508.

In conjunction with the Ironshore acquisition and effective May 1, 2017, the Company entered into a reinsurance transaction with NICO on a combined aggregate excess of loss agreement providing coverage for substantially all of Ironshore's reserves related to losses occurring prior to January 1, 2017. The first layer of the contract transfers \$400 of held reserves at inception, for which the Company established reinsurance recoverables on the consolidated balance sheets. The second layer of the contract provides adverse development coverage for 95% of \$500 above a retention equal to \$3,006, minus paid losses between January 1, 2017 and May 1, 2017, which retention approximates the total held reserves on the covered business on Ironshore's opening balance sheet. The contract includes a sublimit of \$277 for certain construction liability liabilities. The Company paid NICO consideration of \$550, including interest accrued at the time of the settlement. The contract is accounted for on a prospective basis. Limits remaining on the contracts in total, and for construction liability liabilities, respectively, were \$423 and \$0 as of September 30, 2024.

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



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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, deferred gains are now being recorded. As of September 30, 2024 and December 31, 2023, deferred gains were \$24 and \$19. Limits remaining on the contract in total, and for asbestos and environmental liabilities, respectively, were \$3,204 and \$258 as of September 30, 2024.

#### **Non Catastrophe Reinsurance**

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

#### **Catastrophe Reinsurance**

The Company has property catastrophe reinsurance coverage for its domestic business and certain specialty operations including: 1) hurricanes and earthquake reinsurance covering a substantial portion of \$3,600 of loss in excess of \$1,000 of retained loss in the United States, Canada and the Caribbean, excluding certain reinsurance exposures; 2) 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 \$200 per occurrence retention, including coverage for terrorism events and/or losses for a single event at a single insured location in excess of \$75.

#### **Catastrophe Bond Reinsurance**

On December 19, 2023, the Company entered into a multi-year property catastrophe reinsurance agreement, effective January 1, 2024, with Mystic Re IV Ltd. ("Mystic IV"), a Bermuda domiciled reinsurer, to provide a total of \$300 of reinsurance coverage for the Company and its affiliates for named storms covering the US, Puerto Rico and US Virgin Islands, and earthquakes covering the US and Canada. The reinsurance agreement is collateralized. Such collateral is provided by Mystic Re IV Ltd using proceeds from the issuance of certain catastrophe bonds. The reinsurance agreement provides per occurrence coverage based on a weighted industry insured loss index. This loss index is weighted to align with the Company's commercial property and assumed reinsurance portfolios. The Company has not recorded any recoveries under this program.

On December 16, 2022, the Company entered into a multi-year property catastrophe reinsurance agreement, effective January 1, 2023, with Mystic IV to provide a total of \$150 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 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.

#### **Florida Hurricane Catastrophe Fund**

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

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**(5) DEBT OUTSTANDING**

Debt outstanding as of September 30, 2024 and December 31, 2023 includes the following:

<i>Short-term debt:</i>	<b>2024</b>	<b>2023</b>
8.50% Surplus notes, due 2025	\$140	\$ -
1.75% €500 million Notes, due 2024	-	552
Total short-term debt	<u>\$140</u>	<u>\$552</u>
<i>Long-term debt:</i>	<b>2024</b>	<b>2023</b>
8.50% Surplus Notes, due 2025	\$ -	\$140
2.75% €750 million Notes, due 2026	837	828
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	557	552
3.91% - 4.25% FHLB Borrowings, due 2033	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 <sup>(1)</sup>	500	500
5.50% Notes, due 2052	1,000	1,000
3.625% €500 million Junior Subordinated Notes, due 2059 <sup>(2)</sup>	-	552
3.95% Notes, due 2060	746	746
4.30% Junior Subordinated Notes, due 2061 <sup>(3)</sup>	800	800
7.80% Junior Subordinated Notes, due 2087 <sup>(4)</sup>	437	437
10.75% Junior Subordinated Notes, due 2088 <sup>(5)</sup>	35	35
7.697% Surplus Notes, due 2097	260	260
Subtotal	<u>9,410</u>	<u>10,088</u>
Unamortized costs	<u>(459)</u>	<u>(481)</u>
Total long-term debt	<u>\$8,951</u>	<u>\$9,607</u>

<sup>(1)</sup> 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.

<sup>(2)</sup> The par value call date and final fixed rate interest payment date is May 23, 2024, subject to certain requirements.

<sup>(3)</sup> The par value call date is February 1, 2026 after which the notes are callable at par on each subsequent interest payment date.

<sup>(4)</sup> The par value call date and final fixed rate interest payment date is March 15, 2037, subject to certain requirements.

<sup>(5)</sup> The par value call date and final fixed rate interest payment date is June 15, 2038, subject to certain requirements.

**Debt Transactions and In-Force Credit Facilities**

On May 23, 2024, €500 million of Liberty Mutual Group Inc (“LMGI”) 3.625% Notes were paid at maturity. These Notes were redeemed early. On February 28, 2024, the company announced its intention to redeem the 3.625% €500 million LMGI Junior Subordinated Notes due 2059 on May 23, 2024, at redemption price.

On March 27, 2024, €500 million of Liberty Mutual Finance Europe DAC 1.75% Notes were paid at maturity.

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

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

LMIC, Peerless Insurance Company, Liberty Mutual Fire Insurance Company (“LMFIC”), Employers Insurance Company of Wausau, Safeco Insurance Company of America (“SICOA”), and Ohio Casualty Insurance Company (“OCIC”) are members of the Federal Home Loan Bank (“FHLB”). On March 21, 2012, LMFIC borrowed \$150 at a rate of 3.91% with a maturity date of March 22, 2032. On March 23, 2012 and April 2, 2012, LMIC borrowed \$127 at a rate of 4.24% with a maturity date of March 23, 2032 and \$23 at a rate of 4.25% with

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a maturity date of April 2, 2032, respectively. As of September 30, 2024, all outstanding Federal Home Loan Bank borrowings are fully collateralized. On December 29, 2022, SICOA and OCIC became members of FHLB Boston.

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

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

#### **(6) UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES**

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

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

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

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

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

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(Unaudited)

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

	<b>2024</b>	<b>2023</b>
Balance as of January 1	\$80,177	\$78,598
Less: unpaid reinsurance recoverables <sup>(1)</sup>	13,616	13,605
Net balance as of January 1	66,561	64,993
Balance attributable to acquisitions and dispositions <sup>(2)</sup>	-	(1,582)
Incurred attributable to:		
Current year	23,867	26,818
Prior years <sup>(3)</sup>	90	(499)
Discount accretion attributable to prior years	17	23
Total incurred	23,974	26,342
Paid attributable to:		
Current year	10,813	12,696
Prior years	11,115	11,130
Total paid	21,928	23,826
Amortization of deferred retroactive reinsurance gain	17	12
Net adjustment due to foreign exchange	211	(165)
Add: unpaid reinsurance recoverables <sup>(1)</sup>	13,894	13,363
Balance as of September 30	\$82,729	\$79,137

<sup>(1)</sup> In addition to the unpaid reinsurance recoverable balances noted above, and as a result of retroactive reinsurance agreements, the Company has recorded retroactive reinsurance recoverable balances of \$4,234 and \$4,249 as of September 30, 2024, and 2023 respectively.

<sup>(2)</sup> The balance attributable to acquisitions and dispositions in 2023 represents the divestiture of GRM West Operations.

<sup>(3)</sup> Does not include decreases in allowance related to reinsurance recoverables due to prior year development of \$8 and \$12 as of September 30, 2024 and 2023, respectively.

In 2024, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive loss, is primarily attributable to unfavorable development in specialty insurance, surety, and homeowners, partially offset by favorable development in workers' compensation and casualty/general liability lines of business. In 2023, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive loss, is primarily attributable to favorable development on homeowners, personal auto, workers' compensation, and reinsurance lines of business, partially offset by unfavorable development on the commercial property and casualty/general liability lines of business.

**Asbestos and Environmental Reserves**

The Company's asbestos and environmental reserves for unpaid claims and claim adjustment expenses, net of reinsurance before the NICO Reinsurance Transaction and including uncollectible reinsurance, were \$992 and \$1,179 as of September 30, 2024 and December 31, 2023, respectively.

**(7) INCOME TAXES**

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

The Company's effective tax rate on continuing operations differs from the US Federal statutory rate of 21% primarily due to the impact of non-US operations.

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

Balance at December 31, 2023	\$42
Additions for tax positions related to current year	4
Additions for tax positions of prior years	12
Balance at September 30, 2024	\$58

Included in the balance at September 30, 2024, is \$58 related to tax positions that would impact the effective tax rate.

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The Company recognizes interest and penalties related to unrecognized tax benefits in US Federal, state, and foreign income tax expense. For the three months ended September 30, 2024 and 2023, the Company recognized \$1 and \$1 of interest and penalties, respectively. For the nine months ended September 30, 2024 and 2023, the Company recognized \$4 and \$2 of interest and penalties, respectively. The Company had approximately \$28 and \$24 of interest and penalties accrued as of September 30, 2024, and December 31, 2023, respectively.

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

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

**(8) BENEFIT PLANS**

The net benefit costs for the three and nine months ended September 30, 2024 and 2023, include the following components:

<b>Three months ended September 30,</b>	<b>Pension Benefits</b>		<b>Supplemental Pension Benefits <sup>(1)</sup></b>		<b>Postretirement Benefits</b>	
	2024	2023	2024	2023	2024	2023
Components of net periodic benefit costs:						
Service costs	\$49	\$47	\$2	\$2	\$2	\$2
Interest costs	84	88	4	4	9	9
Expected return on plan assets	(125)	(123)	-	-	-	-
Amortization of unrecognized:						
Net loss (gain)	34	39	2	2	(3)	(3)
Prior service cost	(6)	(6)	(1)	(1)	(3)	(3)
<b>Net periodic benefit costs<sup>(2)</sup></b>	<b>\$36</b>	<b>\$45</b>	<b>\$7</b>	<b>\$7</b>	<b>\$5</b>	<b>\$5</b>

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

<sup>(2)</sup> All components of net periodic benefit costs are reported in operating costs and expenses on the accompanying consolidated statements of operations.

<b>Nine months ended September 30,</b>	<b>Pension Benefits</b>		<b>Supplemental Pension Benefits <sup>(1)</sup></b>		<b>Postretirement Benefits</b>	
	2024	2023	2024	2023	2024	2023
Components of net periodic benefit costs:						
Service costs	\$146	\$141	\$6	\$6	\$6	\$6
Interest costs	252	260	13	13	28	28
Expected return on plan assets	(376)	(367)	-	-	-	-
Amortization of unrecognized:						
Net loss (gain)	102	118	5	5	(10)	(9)
Prior service cost	(17)	(17)	(2)	(2)	(9)	(9)
<b>Net periodic benefit costs<sup>(2)</sup></b>	<b>\$107</b>	<b>\$135</b>	<b>\$22</b>	<b>\$22</b>	<b>\$15</b>	<b>\$16</b>

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

<sup>(2)</sup> All components of net periodic benefit costs are reported in operating costs and expenses on the accompanying consolidated statements of operations.

The Company has contributed \$0 to the qualified plans as of September 30, 2024, and does not expect any additional contributions for 2024.

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### (9) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The hierarchy level assigned to each security in the Company's 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. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

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

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

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

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

#### **Fixed Maturities**

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

#### **U.S. Government and Agency Securities**

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

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#### **Mortgage-Backed Securities**

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

#### **Asset-Backed Securities**

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

#### **Municipal Securities**

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

#### **Corporate Debt and Other Securities**

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

#### **Foreign Government Securities**

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

#### **Equity Securities**

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

#### **Short-Term Investments**

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

#### **Other Investments**

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

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**Other Assets and Other Liabilities**

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

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

**Life Insurance Obligations**

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

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2024 and December 31, 2023:

<i>Assets, at Fair Value</i>	<b>As of September 30, 2024</b>			
	Level 1	Level 2	Level 3	Total
U.S. government and agency securities	\$8,654	\$221	\$-	\$8,875
Residential MBS	-	6,469	-	6,469
Commercial MBS	-	4,970	81	5,051
Other MBS and ABS	-	5,657	54	5,711
U.S. state and municipal	-	4,877	311	5,188
Corporate and other	-	35,708	326	36,034
Foreign government securities	-	4,991	2	4,993
Redeemable Preferred Stock	-	-	259	259
Total fixed maturities, available for sale	8,654	62,893	1,033	72,580
Common stock	879	5	594	1,478
Preferred stock	-	-	-	-
Total equity securities	879	5	594	1,478
Short-term investments	10	440	-	450
Other investments	157	524	1,479	2,160
Other assets	-	-	7	7
Total assets	\$9,700	\$63,862	\$3,113	\$76,675
 <i>Liabilities, at Fair Value</i>				
Life insurance obligations	\$-	\$-	\$(30)	\$(30)
Other liabilities	(5)	(48)	-	(53)
Total liabilities	\$(5)	\$(48)	\$(30)	\$(83)



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

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

	As of September 30, 2024			As of December 31, 2023		
	Purchases	Transfer in to Level 3	Transfer out of Level 3	Purchases	Transfer in to Level 3	Transfer out of Level 3
<b>Assets, at Fair Value</b>						
U.S. government and agency securities	\$-	\$-	\$-	\$-	\$-	\$-
Residential MBS	-	-	-	-	-	-
Commercial MBS	20	-	-	81	-	-
Other MBS and ABS	6	-	-	-	-	(33)
U.S. state and municipal	93	-	-	-	2	(154)
Corporate and other	110	14	(4)	149	75	(57)
Foreign government securities	-	5	(5)	6	-	-
Redeemable Preferred Stock	93	-	-	109	(17)	-
Total fixed maturities	322	19	(9)	345	60	(244)
Common stock	6	7	(8)	111	1	(1)
Preferred stock	-	-	-	-	-	(1)
Total equity securities	6	7	(8)	111	1	(2)
Short-term investments	-	-	-	38	-	(38)
Other investments	587	4	-	427	16	(8)
Total assets	\$915	\$30	\$(17)	\$921	\$77	\$(292)
<b>Liabilities, at Fair Value</b>						
Life insurance obligations	\$14	\$-	\$-	\$10	\$-	\$-
Total liabilities	\$14	\$-	\$-	\$10	\$-	\$-

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

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The Company had no material assets or liabilities that were measured at fair value on a nonrecurring basis during the nine months ended September 30, 2024.

#### **Fair Value Option**

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

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

#### **(10) COMMITMENTS AND CONTINGENT LIABILITIES**

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

As of September 30, 2024, the Company had unfunded commitments in traditional private equity partnerships, real estate, private credit, natural resources, and other of \$2,736, \$2,414, \$3,580, \$1,391 (\$1,358 of which is related to energy transition and infrastructure), and \$132, respectively.

As of September 30, 2024, the Company had commitments to purchase various residential MBS at a cost and fair value of \$27 and \$35, respectively.

The Company holds unfunded commitments related to commercial mortgage loans. The liability for expected credit losses related to these unfunded commitments is reported in Other Liabilities and is measured in a manner consistent with the approach of the funded mortgage loan portfolio. As of September 30, 2024 the amount of the liability for expected credit losses of unfunded commitments was \$27.

#### **(11) SUBSEQUENT EVENTS**

On November 4, 2024, the Hughes Insurance transaction closed.

On November 5, 2024, the Company entered into a 30-year facility agreement with a Delaware trust in connection with the sale by the trust of \$1,250 of precapitalized trust securities in a Rule 144A private placement. The trust invested the proceeds from the sale of the trust securities in a portfolio of principal and/or interest strips of U.S. Treasury securities. The facility agreement provides the Company the right to issue and sell to the trust from time to time, up to \$1,250 of the Company's 6.266% Senior Notes due August 15, 2054 in exchange for a corresponding amount of U.S. Treasury securities held by the trust. The Company will not issue the senior notes unless and until it exercises its issuance right under such facility agreement.

Management has assessed material subsequent events through November 7, 2024, the date the financial statements were available to be issued.