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Report of Independent Auditors

The Board of Directors
Liberty Mutual Holding Company Inc.

Opinion

We have audited the consolidated financial statements of Liberty Mutual Holding Company Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in total equity and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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Other Information

Management is responsible for the other information. The other information comprises the Q4 2025 Management’s Discussion and Analysis of Financial Condition and Results of Operations, the Q4 2025 Earnings Release, and Q4 2025 Earnings Presentation, but does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development information and the average historical claims duration information in Note 6 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

March 4, 2026

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Income

(dollars in millions)

	Years Ended December 31,	
	2025	2024
Revenues		
Premiums earned	\$ 44,213	\$ 45,515
Net investment income	6,075	4,742
Fee and other revenues	1,033	1,002
Net realized losses	(856)	(1,041)
Total revenues	50,465	50,218
 Claims and Expenses		
Claims and claim adjustment expenses	25,507	31,070
Operating costs and expenses	9,670	7,721
Amortization of deferred policy acquisition costs	5,967	6,040
Interest expense	508	504
Total claims and expenses	41,652	45,335
Loss on extinguishment of debt	(1)	-
Acquisition & integration costs	(178)	(87)
Restructuring costs	(75)	(59)
Income from continuing operations before income tax expense and non-controlling interest	8,559	4,737
Income tax expense	1,750	1,060
Consolidated net income from continuing operations	6,809	3,677
Discontinued operations (net of income tax expense of \$0 and \$195 in 2025 and 2024, respectively)	-	725
Consolidated net income	6,809	4,402
Less: Net income attributable to non-controlling interest	17	19
Net income attributable to Liberty Mutual Holding Company Inc.	\$ 6,792	\$ 4,383

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Balance Sheets

(dollars in millions)

December 31,

	2025	2024
Assets:		
Investments		
Fixed maturities, available for sale (net of allowance for credit losses of \$109 and \$32 in 2025 and 2024, respectively) (amortized cost of \$73,915 and \$73,348)	\$ 73,761	\$ 70,759
Equity securities	1,576	1,326
Short-term investments	571	499
Mortgage loans (net of allowance for credit losses of \$31 and \$29 in 2025 and 2024, respectively)	2,738	3,117
Other investments (net of allowance for credit loss of \$188 and \$86 in 2025 and 2024, respectively)	28,637	22,369
Total investments	107,283	98,070
Cash and cash equivalents	14,143	12,396
Premium and other receivables	14,447	15,134
Reinsurance recoverables (net of allowance for credit losses of \$151 and \$155 in 2025 and 2024, respectively)	20,359	19,212
Deferred tax asset	195	1,106
Deferred acquisition costs	3,735	3,536
Goodwill	5,457	5,436
Prepaid reinsurance premiums	2,772	2,725
Other assets	9,772	9,080
Total assets	\$ 178,163	\$ 166,695
Liabilities:		
Unpaid claims and claim adjustment expenses	\$ 83,167	\$ 82,102
Unearned premiums	26,123	26,537
Funds held under reinsurance treaties	333	306
Short-term debt	227	140
Long-term debt	8,812	8,856
Accrued postretirement and pension benefits	2,584	2,861
Payable for investments purchased and loaned	3,818	3,447
Other liabilities	13,212	11,794
Total liabilities	138,276	136,043
Equity:		
Unassigned equity	41,166	34,374
Accumulated other comprehensive (loss)	(1,506)	(3,928)
Total policyholders' equity	39,660	30,446
Non-controlling interest	227	206
Total equity	39,887	30,652
Total liabilities and equity	\$ 178,163	\$ 166,695

See accompanying notes to the audited consolidated financial statements.

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

	Years Ended December 31,	
	<u>2025</u>	<u>2024</u>
Consolidated net income	\$ 6,809	\$ 4,402
Other comprehensive income, net of taxes:		
Change in unrealized gains on securities	1,972	1,084
Change in pension and postretirement plans funded status	223	113
Change in foreign currency translation and other adjustments	250	8
Other comprehensive income, net of taxes	<u>2,445</u>	<u>1,205</u>
Comprehensive income	9,254	5,607
Less: Comprehensive income attributable to non-controlling interest	40	25
Comprehensive income attributable to Liberty Mutual Holding Company Inc.	<u>\$ 9,214</u>	<u>\$ 5,582</u>

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Changes in Total Equity

(dollars in millions)

	Unassigned	Accumulated Other Comprehensive (Loss) Income	Total Policyholders' Equity	Non-Controlling Interest	Total Equity
Balance, January 1, 2024	\$ 29,991	\$ (5,127)	\$ 24,864	\$ 196	\$ 25,060
Dividends related to non-controlling interest	-	-	-	(15)	(15)
Comprehensive income:					
Consolidated net income	4,383	-	4,383	19	4,402
Other comprehensive income, net of taxes	-	1,199	1,199	6	1,205
Total comprehensive income	4,383	1,199	5,582	25	5,607
Balance, December 31, 2024	\$ 34,374	\$ (3,928)	\$ 30,446	\$ 206	\$ 30,652
Dividends related to non-controlling interest	-	-	-	(19)	(19)
Comprehensive income:					
Consolidated net income	6,792	-	6,792	17	6,809
Other comprehensive income, net of taxes	-	2,422	2,422	23	2,445
Total comprehensive income	6,792	2,422	9,214	40	9,254
Balance, December 31, 2025	\$ 41,166	\$ (1,506)	\$ 39,660	\$ 227	\$ 39,887

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Cash Flows

(dollars in millions)

	Years Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Consolidated net income	\$ 6,809	\$ 4,402
Less income from Liberty Seguros – Latin America and Western Europe, net of tax expense	-	715
Income from operations excluding Liberty Seguros – Latin America and Western Europe discontinued operations	6,809	3,687
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	905	687
Realized losses	856	1,041
Undistributed private equity investment gains	(1,757)	(861)
Premium, other receivables, and reinsurance recoverables	318	954
Deferred acquisition costs	(191)	(9)
Liabilities for insurance reserves	(42)	1,169
Taxes payable, net of deferred	790	156
Other, net	188	(355)
Total adjustments	1,067	2,782
Net cash provided by operating activities - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	7,876	6,469
Net cash used in operating activities - Liberty Seguros – Latin America and Western Europe discontinued operations	-	(12)
Net cash provided by operating activities	7,876	6,457
Cash flows from investing activities:		
Purchases of investments	(85,566)	(67,790)
Sales and maturities of investments	80,296	62,421
Property and equipment purchased, net	(148)	(97)
Disposals and acquisitions, net	266	2,975
Other investing activities	(910)	303
Net cash used in investing activities - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	(6,062)	(2,188)
Net cash used in investing activities - Liberty Seguros – Latin America and Western Europe discontinued operations	-	(159)
Net cash used in investing activities	(6,062)	(2,347)
Cash flows from financing activities:		
Net activity in policyholder accounts	-	(59)
Debt financing, net	(133)	(1,048)
Net securities lending activity and other financing activities	(88)	(211)
Net cash used in financing activities - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	(221)	(1,318)
Net cash used in financing activities - Liberty Seguros – Latin America and Western Europe discontinued operations	-	(59)
Net cash used in financing activities	(221)	(1,377)
Effect of exchange rate changes on cash - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	154	(85)
Effect of exchange rate changes on cash - Liberty Seguros – Latin America and Western Europe discontinued operations	-	(5)
Effect of exchange rate changes on cash	154	(90)
Net increase in cash and cash equivalents - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	1,747	2,878
Net decrease in cash and cash equivalents - Liberty Seguros – Latin America and Western Europe discontinued operations	-	(235)
Net increase in cash and cash equivalents	1,747	2,643
Cash and cash equivalents, beginning of year - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	12,396	9,518
Cash and cash equivalents, beginning of year - Liberty Seguros – Latin America and Western Europe discontinued operations	-	235
Cash and cash equivalents, beginning of year	12,396	9,753
Cash and cash equivalents, end of period - excluding Liberty Seguros – Latin America and Western Europe discontinued operations	14,143	12,396
Cash and cash equivalents, end of period - Liberty Seguros – Latin America and Western Europe discontinued operations	-	-
Cash and cash equivalents, end of period	\$ 14,143	\$ 12,396
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 733	\$ 854

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Nature of Operations

The Company conducts substantially all of its business through two businesses: US Retail Markets and Global Risk Solutions. A summary of each business follows:

US Retail Markets (“USRM”), with \$29,413 of revenues in 2025, offers automobile, homeowners and other types of property and casualty insurance coverage to individuals in the United States. USRM is organized into the following segments: Personal lines and Small Commercial lines.

Global Risk Solutions (“GRS”), with \$19,174 of revenues in 2025, offers a wide array of property, casualty, automobile, specialty, life and health and reinsurance products distributed through multiple channels globally. GRS is organized into the following segments: Liberty International Insurance, Liberty Mutual Reinsurance, North America, Global Surety and Other GRS.

Adoption of New Accounting Standards

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

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

Accounting Policies

Investments

Fixed maturity securities classified as available for sale are debt securities that have principal payment schedules, are held for indefinite periods of time, and are used as a part of the Company’s capital strategy or sold in response to risk and reward characteristics, liquidity needs or similar economic factors. These securities are reported at fair value with changes in fair values, net of deferred income taxes, reported in accumulated other comprehensive income.

Equity securities include common equities and non-redeemable preferred stocks and are reported at quoted fair values. Changes in fair values, net of deferred income taxes, are reported in net income.

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, and 4) assessment of the issuer being able to make payments.

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

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

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 more than 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 other comprehensive income. 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.

Realized gains and losses on sales of investments are recognized in income using the specific identification method. The Company reviews fixed maturity securities and other investments for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: 1) the extent of the decline in fair value below book value, 2) the duration of the decline, 3) significant adverse changes in the financial condition or near term prospects for the investment or issuer, 4) significant changes in the business climate or credit ratings of the issuer, 5) general market conditions and volatility, 6) industry factors, 7) the past impairment of the security holding or the issuer and 8) changes in foreign exchange.

Cash equivalents are short-term, highly liquid investments that are both readily convertible into known amounts of cash and so near to maturity that they present insignificant risk of changes in value due to changing interest rates. The Company's cash equivalents include debt securities purchased with maturities of three months or less at acquisition and are carried at amortized cost, which approximates fair value.

Short-term investments are debt securities with maturities at acquisition between three months and one year, are considered available for sale, and are reported at fair value with changes in fair values, net of deferred income taxes, reported in accumulated other comprehensive income.

Any VIE for which the Company is the primary beneficiary is consolidated into the Company's financial statements.

Other investments are comprised of loans, limited partnerships and other alternative investments. Loans are reported at amortized cost less an allowance for potentially uncollectible amounts. Limited partnerships and other alternative investments are reported using the equity method of accounting and, accordingly, the Company's share of earnings are included in net investment income. Due to the availability of financial statements, other alternative investments and limited partnership investment income is generally recorded on a three-month lag. The Company elects the fair value option on certain other investments and these investments are carried at fair value. Accordingly, changes in fair value are included in net investment income or net realized gains (losses) in the accompanying consolidated statements of income. Also included in other investments are equity investments in privately held businesses that are carried at fair value with changes in fair value reported in other comprehensive income.

Mortgage and private loans are held for investment and stated at amortized cost less an allowance for loan loss for potentially uncollectible amounts.

The Company's mortgage loans are commercial mortgage loans collateralized by real estate properties and totaled \$2,738 and \$3,117, net of credit loss allowances as of December 31, 2025 and 2024. 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 December 31, 2025. The number of loans in the portfolio decreased from 2,165 as of December 31, 2024, to 1,881 as of December 31, 2025.

Private loans consist of lending to small businesses, pools of individual consumers, and individual companies. The Company's private loans totaled \$5,657 and \$4,251, net of credit loss allowance, as of December 31, 2025 and 2024, respectively, and are reported in the Other investments line item of the consolidated balance sheets. Credit rating is considered a key credit quality indicator when estimating expected credit loss allowances for private loans. Payments on private loans were current as of December 31, 2025.

Net investment income primarily consists of interest, dividends, and income from limited partnerships and certain other alternative investments. Interest income is recognized on an accrual basis using the effective interest method and dividend income is recognized at the ex-dividend date. Interest income for mortgage-backed fixed maturity securities is recognized using a constant effective yield based on anticipated prepayments over the economic life of the security. The mortgage-backed portfolio is accounted for under the retrospective method and prepayment assumptions are based on market expectations. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments and any resulting adjustment is included in net investment income.

The Company has designated non-derivative foreign currency denominated long-term debt and the related accrued interest as hedges of its net investment in certain foreign operations. Accordingly, the foreign currency translation of the debt instrument and accrued interest is recorded in accumulated other comprehensive loss, offsetting the foreign currency translation adjustment of the related net investment that is also recorded in accumulated other comprehensive loss. As of December 31, 2025, the Company had €1,250 million of outstanding long-term debt and approximately

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

€9 million of accrued interest designated as non-derivative hedges of its net investment in certain foreign operations. As of December 31, 2025, the foreign currency translation of the debt instrument and accrued interest recorded in accumulated other comprehensive loss was \$135.

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

All derivatives are recognized on the balance sheet at fair value and reported as other invested assets, other assets, or other liabilities. At the inception of the contract, the Company designates the derivative as either 1) a hedge of a fair value of a recognized asset ("fair value hedge"), 2) an economic hedge ("non-designated derivative"), or 3) a cash flow hedge.

The Company participated in foreign exchange forward contracts, exchange traded futures, and options in 2025 and 2024. Hedge accounting was applied for certain instruments when the derivative is highly effective in offsetting the change in fair value of the hedged item. Changes in fair value were recorded in other comprehensive income. For instruments where hedge accounting was not applied changes in fair value were recorded in net realized gains (losses) on the consolidated statements of income. These derivatives were not material to the Company's financial statements.

The Company entered into interest rate swap agreements that are classified as cash flow hedges. The effective portion of the gain or loss on these instruments is reported as a component of other comprehensive income and reclassified into earnings in the same period in which the hedged items affect earnings. The Company's cash flow hedges are 100% effective and are not material to the financial statements.

The Company owns fixed maturity securities that may have call, put, or conversion options embedded. These derivatives are not related to hedging and are not material to the Company's financial statements.

Goodwill and Intangible Assets

Goodwill is tested for impairment at least annually using either a qualitative or a quantitative process. The election of approach may be made at the reporting unit level. As of December 31, 2025, the Company has two reporting units: USRM and GRS. A reporting unit may elect to bypass the qualitative test and proceed directly to the quantitative test. The qualitative assessment is used to evaluate whether indicators of impairment exist; the reporting unit must determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If such an indication exists, the reporting unit performs the quantitative test. The quantitative test compares the carrying amount of the reporting unit to its fair value; if the carrying amount exceeds fair value, an impairment loss is recognized for the excess, not to exceed the carrying amount of goodwill. Other changes to the carrying amount of goodwill primarily result from acquisitions, dispositions, and foreign currency translation.

The Company recognized no goodwill or intangible impairments in 2025. In Q4 2024, the Safeco trade name intangible asset was reclassified from an indefinite-lived asset to a definite-lived asset. The reclassification triggered a review for impairment, resulting in an impairment charge of \$(127).

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.

Intangible assets that have finite useful lives are amortized over their useful lives. The carrying amounts of intangible assets with finite useful lives are reviewed regularly for indicators of impairment in value. Impairment is recognized only if the carrying amount of the intangible asset is not recoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and the asset's fair value.

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

The following table summarizes the carrying value of intangible assets from prior acquisitions classified as other assets on the consolidated balance sheets as of December 31, 2025 and 2024.

	Carrying Value December 31, 2025	Carrying Value December 31, 2024	Period (years)	Method
Ohio Casualty agency relationship	12	20	20	Straight-line
Safeco trade name	61	102	2.5	Straight-line
Ironshore trade name	16	18	15	Straight-line
Ironshore distribution channel	151	164	18-20	Straight-line
Licenses ⁽¹⁾	141	141	Not subject to amortization	Not subject to amortization
Tru distribution channel	5	6	15	Straight-line
Service agreement fees	3	3	6	Straight-line
AmTrust distribution channel	46	50	15-20	Straight-line
AmTrust value of business acquired	3	3	12	Over the Life
AmTrust trade name	1	1	15	Straight-line
State Auto Group agency relationship	19	22	10	Straight-line
State Auto Group internally developed software	4	7	5	Straight-line
AmGeneral Insurance trade name	10	11	20	Straight-line
AmGeneral Bancassurance distribution channel	31	33	20	Straight-line
AmGeneral Insurance other distribution network	7	8	20	Straight-line
JMalucelli Distribution Network	7	-	20	Straight-line
Total intangible assets	<u>\$517</u>	<u>\$589</u>		

⁽¹⁾ Includes Safeco, Ohio Casualty, Ironshore, and State Auto.

The Company recognized \$80 and \$28 of amortization expense on intangible assets related to these acquisitions for the years ended December 31, 2025 and 2024, respectively. Amortization expense is reflected in operating costs and expenses on the accompanying consolidated statements of income. Estimated amortization expense is expected to be \$80, \$54, \$28, \$28 and \$27 for the years ended December 31, 2026 through 2030, respectively. Total intangible assets are net of accumulated amortization of \$446 and \$366 as of December 31, 2025 and 2024, respectively.

Deferred Acquisition Costs

Costs that are directly related to the successful acquisition or renewal of insurance contracts are deferred and amortized over the respective policy terms. All other acquisition related costs, including market research, training, administration, unsuccessful acquisition or renewal efforts, and product development are charged to expense as incurred. For short-duration contracts, acquisition costs include commissions, underwriting expenses and premium taxes and are amortized in proportion to earned premiums. Deferred acquisition costs are reviewed annually for recoverability. Investment income is considered in the recoverability assessment.

Property and Equipment

The costs of buildings, furniture, equipment and internally developed software are depreciated, principally on a straight-line basis, over their estimated useful lives (a maximum of 39.5 years for buildings, 10 years for furniture, 3-5 years for equipment, and generally 5 years for internally developed software). Property and equipment asset balances net of accumulated depreciation are included in other assets on the consolidated balance sheets. Depreciation expense is included in operating costs and expenses on the consolidated statements of income. Expenditures for maintenance and repairs are charged to income as incurred while expenditures for improvements are capitalized and depreciated.

Insurance Liabilities and Reserves

For short-duration contracts, the Company establishes reserves for unpaid claims and claim adjustment expenses covering events that occurred in 2025 and prior years. These reserves reflect estimates of the total cost of claims reported but not yet paid and the cost of claims not yet reported, as well as the estimated expenses necessary to settle the claims. Reserve estimates are based on past loss experience modified for current claim trends, as well as prevailing social, economic and legal conditions. Final claim payments, however, may ultimately differ from the established reserves since these payments might not occur for several years. Reserve estimates are continually reviewed and updated, and any resulting adjustments are reflected in current operating results. The Company does not discount reserves other than discounting on the long-term indemnity portion of workers compensation settled claims, the long-term disability portion of group accident and health claims as permitted by insurance regulations in certain states, the long-term portion of certain workers compensation claims of foreign subsidiaries, reserves related to periodic payment orders on certain automobile policies and specific asbestos structured settlements. Reserves are reduced for estimated amounts of salvage and subrogation and deductibles recoverable from policyholders. The Company discounts the long-term indemnity portion of workers compensation claims at risk-free discount rates determined by reference to the US Treasury yield curve. The weighted average discount rates were 4.2% and 4.4% for 2025 and 2024, respectively. The held discounted reserves on these unpaid workers compensation claims, net of all reinsurance, as of December 31, 2025 and 2024, were \$903 and \$781, respectively.

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Guaranty Funds

Liabilities for guaranty fund and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the entity to pay an imposed or probable assessment has occurred. The liabilities for guaranty fund assessments are based on preceding year premium or multiple year's premiums depending upon the state law. Additionally, for those states that have loss-based assessments, liabilities for workers' compensation loss-based assessments are reserved based on workers' compensation loss reserves and workers' compensation paid losses. Liabilities for guaranty fund and other insurance-related assessments are not discounted and are included as part of other liabilities in the accompanying consolidated balance sheets. As of December 31, 2025 and 2024, the liability balance was \$84 and \$86, respectively. As of December 31, 2025 and 2024, included in other assets were \$3 and \$3, respectively, of related assets for premium tax offsets or policy surcharges. The related asset is limited to the amount that is determined based on future premium collections or policy surcharges from policies in force. Current Guaranty Fund Association assessments are expected to be paid over one year while loss-based assessments are expected to be paid over a period ranging from one year to the life expectancy of certain workers' compensation claimants and the recoveries are expected to occur over the same period of time. Premium tax offsets are expected to be realized within one year.

Long-Term Incentive and Performance Based Incentive Plans

The Company maintains short-term and long-term incentive compensation plans. Long-term plans vest over the requisite service period, are based upon notional units and are accounted for under ASC 718, *Compensation – Stock Compensation*, using the intrinsic value method. Additionally, the Company provides performance-based incentive compensation to the majority of employees meeting the participation requirements of the respective plans. Compensation cost related to these plans is determined in accordance with plan formulas and recorded over the years the employee service is provided.

Revenue Recognition

For short-duration insurance contracts, premiums are reported as earned income generally on a pro-rata basis over the terms of the related policies. For retrospectively rated policies and contracts, premium estimates are continually reviewed and updated and any resulting adjustments are reflected in current operating results. For loss portfolio transfers, premiums are fully recognized as written and earned at contract inception.

Reinsurance

All assets and liabilities related to ceded reinsurance contracts are reported on a gross basis in the accompanying consolidated balance sheets. Prospective reinsurance premiums, claims, and claim adjustment expenses are accounted for on a basis consistent with the terms of the reinsured contracts. The accompanying consolidated statements of income reflect premiums, benefits, and settlement expenses net of reinsurance ceded.

Transactions that do not transfer risk are included in other assets or other liabilities. 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 gain at inception. The deferred amounts are subsequently amortized using the effective interest method over the expected settlement period. The periodic amortization is reflected in the accompanying consolidated statements of income through 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. In transactions involving an acquisition whereas a reinsurance contract is entered into contemporaneously with the acquisition, the contract is accounted for as prospective reinsurance.

Amounts recoverable from reinsurers include unpaid losses estimated in a manner consistent with the claim liabilities associated with the reinsured business. The Company evaluates reinsurance collectability and a provision for uncollectible reinsurance is recorded where necessary.

Translation of Foreign Currencies

The Company translates the financial statements of its foreign operations into US dollars from the functional currency designated for each foreign unit, generally the currency of the primary economic environment in which that operation does its business. Assets and liabilities are translated into US dollars at period-end exchange rates, while income and expenses are translated using average rates for the period. Translation adjustments are recorded as a separate component of accumulated other comprehensive income, net of tax, to the extent applicable. Foreign currency amounts are re-measured to the functional currency, and the resulting foreign exchange gains or losses are reflected in earnings.

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.

No additional income taxes have been provided for any undistributed foreign earnings or outside basis differences which continue to be indefinitely reinvested. Determining the amount of any related unrecognized deferred tax liability is not practicable.

On July 4, 2025, the US enacted H.R. 1, otherwise known as the One Big Beautiful Bill Act ("OBBBA"). The OBBBA includes a broad range of tax reform provisions impacting corporations, including extensions and modifications to both domestic and international provisions of the Tax Cuts

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and Jobs Act of 2017, as well as adjustments to certain Inflation Reduction Act incentives. The impact of the enacted tax law changes is reflected in these financials, and the Company will continue to evaluate any impacts as Treasury issues further guidance; however, it is not expected to have a material effect on the Company's consolidated results of operations or financial position.

Global intangible low-taxed income ("GILTI") is treated by the Company as a period expense.

Fee and Other Revenues

Fee and other revenues primarily consist of revenues from the Company's partner carrier referral programs and service fees generated from processing business for involuntary assigned risk pools, self-insured customers, and risk retention groups. Service fees are earned on a pro-rata basis over the term of the related policies. Fee income from service contracts is recognized as the Company completes its performance obligations, which is primarily on a pro-rata basis over the contract service period or the underlying policy periods.

Discontinued Operations

Disposal of businesses that are considered strategic shifts in the Company's operations are reflected as discontinued operations in the accompanying 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, for the years ended December 31, 2025 and 2024 are as follows:

	As of December 31,	
	2025	2024
Unrealized loss on securities	\$(143)	\$(2,115)
Foreign currency translation and other adjustments	(394)	(621)
Pension and post-retirement liability funded status	(969)	(1,192)
Accumulated other comprehensive loss	<u>\$(1,506)</u>	<u>\$(3,928)</u>

The following tables presents the changes in the components of other comprehensive income for the years ended December 31, 2025 and 2024, respectively.

	Unrealized gains on securities	Pension and post-retirement plans funded status	Foreign currency translation and other adjustments⁽¹⁾	Total
Year ended December 31, 2025				
Change arising during the period	\$1,872	\$216	\$206	\$2,294
Less: Reclassification adjustments included in consolidated net income	(656)	(66)	-	(722)
Total other comprehensive income, before income tax expense	2,528	282	206	3,016
Less: Income tax expense (benefit)	556	59	(44)	571
Total other comprehensive income	<u>\$1,972</u>	<u>\$223</u>	<u>\$250</u>	<u>\$2,445</u>

(1) Includes \$23 of non-controlling interest

	Unrealized gains on securities	Pension and post-retirement plans funded status	Foreign currency translation and other adjustments⁽¹⁾	Total
Year ended December 31, 2024				
Change arising during the period	\$371	\$49	\$43	\$463
Less: Reclassification adjustments included in consolidated net income	(984)	(93)	-	(1,077)
Total other comprehensive income, before income tax expense	1,355	142	43	1,540
Less: Income tax expense	271	29	35	335
Total other comprehensive income	<u>\$1,084</u>	<u>\$113</u>	<u>\$8</u>	<u>\$1,205</u>

(1) Includes \$6 of non-controlling interest

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(2) ACQUISITIONS, MERGERS AND DISPOSITIONS

Acquisitions

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

Dispositions

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

On July 29, 2024, the Company announced it had signed an agreement with Markerstudy Group to sell Hughes Insurance in Northern Ireland. The transaction closed November 4, 2024.

On March 2, 2025, the Company announced the agreement to sell its operations in Thailand (the Thailand transaction) and Vietnam (the Vietnam transaction) to Chubb Limited. The Thailand transaction closed on March 31, 2025, resulting in a gain of \$150. The Vietnam transaction is subject to certain closing conditions and regulatory approval, which is expected by the first quarter of 2026. The Company met the criteria for held-for-sale accounting in Q1 2025 for the Vietnam transaction, and as a result, a loss of \$(29) was recorded.

Discontinued Operations

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 income, and assets and liabilities are reported as held for sale in the consolidated balance sheets for the period in which the business is classified as held for sale.

Discontinued operations for the year ended December 31, 2024 include 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 Western Europe Market or "WEM" transaction) to Generali Group. The Company met the criteria for held-for-sale and discontinued operations in Q2 2023, accordingly, for the twelve months ended December 31, 2024, and for all prior periods, the results of the disposal groups have been classified as discontinued operations in the consolidated statements of income. As of December 31, 2025 and December 31, 2024, the balances of both the assets and liabilities attributable to the disposal groups were \$0 as of those dates.

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 \$755 (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)).

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

	Years Ended December 31,	
	2025	2024
Revenues:		
Premiums earned	\$-	\$196
Net investment income	-	14
Fee and other revenues	-	6
Net realized losses	-	(5)
Total revenues	\$-	\$211
Claims, Benefits and Expenses:		
Claims, benefits, and claim adjustment expenses	\$-	\$100
Operating costs and expenses	-	40
Amortization of deferred policy acquisition costs	-	47
Interest credited to policyholders	-	2
Total claims, benefits and expenses	\$-	\$189
Restructuring costs	-	(60)
Unit linked life insurance	-	(2)
Loss before income tax benefit	-	(40)
Income tax benefit	-	(5)
Net loss	\$-	\$(35)

(3) INVESTMENTS

Components of Net Investment Income

	Years Ended December 31,	
	2025	2024
Taxable interest income	\$3,462	\$3,114
Tax-exempt interest income	125	96
Dividends	61	54
Limited partnerships income	2,167	1,273
Mortgage loans	213	209
Other investments	524	423
Gross investment income	6,552	5,169
Investment expenses ⁽¹⁾	(477)	(427)
Net investment income	\$6,075	\$4,742

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

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Net Realized Losses

	Years Ended December 31,	
	2025	2024
Impairment losses	\$(229)	\$(176)
Other net realized losses	(531)	(1,037)
Valuation changes on equity investments, derivatives, other	(96)	172
Total net realized losses	\$(856)	\$(1,041)

Components of Net Realized Losses

	Years Ended December 31,	
	2025	2024
Fixed maturities		
Gross realized gains	\$333	\$316
Gross realized losses	(981)	(1,287)
Equities		
Gross realized gains	98	84
Gross realized losses	(38)	(34)
Derivatives		
Gross realized gains	77	222
Gross realized losses	(44)	(142)
Other		
Gross realized gains	407	265
Gross realized losses	(708)	(465)
Net realized losses	\$(856)	\$(1,041)

Included in the above realized losses are unrealized (losses) gains related to equity securities still held of \$(94) and \$146 and for the twelve months ended December 31, 2025 and 2024, respectively.

During the years ended December 31, 2025 and 2024, the Company recorded \$(229) and \$(176) 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 years ended December 31, 2025 and 2024:

	Years ended December 31,	
	2025	2024
Natural Resources	\$(128)	\$-
Real Estate	(63)	(31)
Software	(38)	(18)
Intangibles	-	(127)
Total	\$(229)	\$(176)

The Company tests for impairment on its natural resource investments by comparing the undiscounted cash flows expected to be generated by a project to the property's carrying value. When a property's carrying value is greater than the expected future cash flows, impairment expense is recognized to the extent that the carrying value of the property exceeds its discounted expected cash flows.

In employing the discounted cash flow method described above, key inputs regarding natural resource investments are commodity prices, locational basis difference, production, project development costs, and the discount rate which are based on management's expectations about outcomes with respect to these variables. Specifically, the Company uses a long-term forward price curve and applies a discount rate to the projected future cash flows. Regarding the sensitivity of the key inputs, an increase in the locational basis difference, project development costs, or discount rate will lead to a decrease in fair value, and an increase in prices or production will lead to an increase in fair value.

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During the years ended December 31, 2025 and 2024, proceeds from sales of fixed maturities available for sale were \$64,042 and \$52,890, respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled \$321 and \$(828) in 2025 and \$233 and \$(1,158) in 2024. During the years ended December 31, 2025 and 2024, proceeds from sales of equities were \$1,770 and \$1,142, respectively. The gross realized gains (losses) on sales of equities totaled \$64 and \$(35) in 2025 and \$39 and \$(33) in 2024.

Components of Change in Net Unrealized Investment Gains

	Years Ended December 31,	
	2025	2024
Fixed maturities	\$2,522	\$1,359
Other	6	(13)
Adjustments to deferred acquisition costs	-	9
Net change in unrealized investment gains	2,528	1,355
Less: Deferred income tax expense	(556)	(271)
Net change in unrealized investment gains, net of tax	<u>\$1,972</u>	<u>\$1,084</u>

Available for Sale Investments

The amortized cost, gross unrealized gains and losses, and fair values of available for sale investments as of December 31, 2025 and 2024 are as follows:

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

December 31, 2024	Amortized Cost	Credit Allowance	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US government and agency securities	\$10,600	\$-	\$5	\$(388)	\$10,217
Residential MBS ⁽¹⁾	7,263	-	6	(546)	6,723
Commercial MBS	5,035	-	13	(202)	4,846
Other MBS and ABS ⁽²⁾	6,233	-	34	(151)	6,116
US state and municipal	4,966	-	11	(292)	4,685
Corporate and other	34,290	(32)	199	(1,154)	33,303
Foreign government securities	4,679	-	24	(120)	4,583
Redeemable Preferred Stock	282	-	4	-	286
Total securities available for sale	<u>\$73,348</u>	<u>\$(32)</u>	<u>\$296</u>	<u>\$(2,853)</u>	<u>\$70,759</u>

⁽¹⁾ Mortgage-backed securities ("MBS")

⁽²⁾ Asset-backed securities ("ABS")

Approximately 53.1% of the Company's mortgage and asset-backed fixed maturity portfolio is explicitly backed by the US government (Government National Mortgage Association and Small Business Association) or by government-sponsored entities (Federal Home Loan Mortgage Corporation and Federal National Mortgage Association). Approximately 98.5% of the holdings are rated BBB and above. The commercial MBS portfolio is well diversified and of high quality with approximately 96.7% rated A or above.

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As of December 31, 2025, no single issuer, excluding US Treasuries, agency securities and MBS, accounted for more than 0.74% of invested assets.

As of December 31, 2025 and 2024, securities carried at \$2,868 and \$2,674, respectively, were on deposit with state regulatory authorities as required by law.

As of December 31, 2025 and 2024, the fair values of fixed maturity securities and equity securities loaned were approximately \$3,689 and \$3,722, respectively. Cash and short-term investments received as collateral in connection with the loaned securities were approximately \$2,770 and \$2,648 as of December 31, 2025 and 2024, respectively. Investments other than cash and short-term investments received as collateral in connection with the loaned securities were approximately \$1,009 and \$1,154 as of December 31, 2025 and 2024, respectively.

The amortized cost and fair value of fixed maturities as of December 31, 2025 by contractual maturity are as follows:

	Amortized Cost	Fair Value
Due to mature:		
One year or less	\$2,590	\$2,587
Over one year through five years	27,131	27,174
Over five years through ten years	17,988	18,096
Over ten years	8,011	7,982
MBS and ABS of government and corporate agencies	18,195	17,922
Total fixed maturities	<u>\$73,915</u>	<u>\$73,761</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.

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 December 31, 2025 and 2024.

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

December 31, 2024	Less Than 12 Months		12 Months or Longer	
	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
US government and agency securities	\$(71)	\$4,155	\$(317)	\$4,300
Residential MBS	(39)	2,044	(507)	4,367
Commercial MBS	(11)	984	(191)	2,987
Other MBS and ABS	(6)	1,445	(145)	1,833
US state and municipal	(15)	1,158	(277)	3,029
Corporate and other	(160)	12,505	(994)	12,036
Foreign government securities	(16)	2,076	(104)	1,633
Total Securities Available for Sale	<u>\$(318)</u>	<u>\$24,367</u>	<u>\$(2,535)</u>	<u>\$30,185</u>

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As of December 31, 2025, there were 4,219 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:

	2025	2024
Balance at January 1,	\$32	\$37
Credit losses on securities not previously reported	123	42
Reductions of allowance related to sales	(46)	(47)
Balance at December 31,	\$109	\$32

The Company believes the unrealized loss position as of December 31, 2025 does not contain credit loss because 1) the Company did not intend to sell these fixed maturity available for sale securities; 2) it is not more likely than not that the Company will be required to sell the fixed maturity available for sale securities before recovery of their amortized cost basis; and 3) the difference between the present value of cash flows expected to be collected from the security and the amortized cost basis of the security was due to factors other than credit loss.

As of December 31, 2025, the unrealized losses associated with the US government and agency securities, US state and municipal, and foreign government securities were attributable primarily to movement in interest rates and does not reflect a deterioration in the credit quality of the issuers.

Credit ratings express opinions of the credit quality of a security. Securities rated investment grade (those rated BBB- or higher by Standard and Poor's, or S&P, or Baa3 or higher by Moody's) are generally considered to have a low credit risk. As of December 31, 2025, 93% of the fair value of the Company's Corporate bond and other securities was rated investment grade, and the portion of the Company's Corporate bond and other securities rated below investment grade had an amortized cost basis of \$5,389 and a fair value of \$5,320.

As of December 31, 2025, 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 December 31, 2025, accrued interest was \$578. 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 December 31, 2025.

Allowances on Loan Securities

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

	Mortgage	Private	Total
Balance at January 1, 2024	\$43	\$61	\$104
Net increase/(decrease) due to credit losses	(14)	25	11
Balance at December 31, 2024	\$29	\$86	\$115
Net increase/(decrease) due to credit losses	15	115	130
Net increase/(decrease) due to sales, maturities, and write-offs	(13)	(13)	(26)
Balance at December 31, 2025	\$31	\$188	\$219

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 December 31, 2025, and 2024, respectively, the Company has determined that it was 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

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(dollars in millions)

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 \$19,877 and \$15,660 as of December 31, 2025 and 2024, respectively, and the Company's maximum exposure to loss was \$29,215 and \$24,191 as of December 31, 2025 and 2024, respectively. The assets are included primarily in other investments in 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, 2024 to 2025 is primarily related to valuation changes and new commitments to VIEs related to energy transition and infrastructure, partially offset by a decrease in traditional private equity.

From time to time we have established certain special purpose entities, including trusts (which are deemed to be VIEs and which are referred to herein as "Warehouse SPVs"), to enter into credit facilities for the purpose of financing the purchase of loans or other receivables assets from third parties on a forward flow basis. Such Warehouse SPVs have entered into credit agreements and related agreements with one or more lenders (which may include affiliates of the Company), and with one or more third-parties acting as administrative agent, trustee, collateral agent and in certain additional capacities. The assets of these consolidated Warehouse SPVs are not available to satisfy the claims of creditors of the Company. In addition, the creditors of such Warehouse SPVs have no recourse to the general credit or assets of the Company and the liabilities of such Warehouse SPVs can only be satisfied from the respective Warehouse SPVs' assets. As of December 31, 2025, the aggregate net asset value of all such Warehouse SPVs is \$826.

Limited Partnership Investments

As of December 31, 2025 and 2024, the carrying values of limited partnership investments were \$20,494 and \$16,359, respectively. These investments consist of traditional private equity partnerships, real estate partnerships, natural resources partnerships (primarily energy, metals and mining, and agriculture and timber), other partnership funds, and equity method investments. Included in the carrying values of limited partnership investments are \$0 and \$616 of limited partnership investments where the Company has elected the fair value option as of December 31, 2025 and 2024, 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) DEFERRED ACQUISITION COSTS

The following reflects the policy acquisition costs deferred for amortization against future income and related amortization charged to income:

	Years Ended December 31,	
	2025	2024
Balance at beginning of year	\$3,536	\$3,544
Acquisition costs deferred and other	6,166	6,032
Amortization charged to income	(5,967)	(6,040)
Balance at end of year	<u>\$3,735</u>	<u>\$3,536</u>

(5) REINSURANCE

In the ordinary course of business, the Company assumes reinsurance and 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.

A summary of reinsurance financial data reflected within the accompanying consolidated statements of income is presented below:

	2025		2024	
	Written	Earned	Written	Earned
Direct	\$48,032	\$48,694	\$48,873	\$49,712
Assumed	3,920	3,914	4,649	4,480
Ceded	8,386	8,395	8,559	8,677
Net premiums	<u>\$43,566</u>	<u>\$44,213</u>	<u>\$44,963</u>	<u>\$45,515</u>

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The Company reported reinsurance recoverables of \$20,359 and \$19,212 as of December 31, 2025 and 2024, respectively, net of allowance for credit losses of \$151 and \$155, respectively. The following table summarizes the Company's reinsurance recoverables by reinsurers' Standard & Poor's ("S&P") rating (or the rating of any guarantor) as of December 31, 2025:

S&P Rating	Reinsurance Recoverables	Collateral Held	Net Recoverables ⁽¹⁾
AAA	\$ -	\$ -	\$ -
AA+, AA, AA-	7,724	8,312	3,655
A+, A, A-	6,027	1,381	4,709
BBB+, BBB, BBB- BB+ or below	-	-	-
Involuntary pools	3,056	-	3,056
Voluntary pools	162	128	159
Other ⁽²⁾	3,541	4,611	698
Gross recoverables ⁽³⁾	<u>\$20,510</u>	<u>\$14,432</u>	<u>\$12,277</u>
Less: allowance	151		
Net recoverables	<u><u>\$20,359</u></u>		

(1) Net recoverables represent gross recoverables less applicable collateral that can be specifically applied against recoverable balances.

(2) Includes \$923 and \$2,618 of reinsurance recoverables from non-rated reinsurers and captive and program business, respectively.

(3) Includes \$1,350 and \$19,160 of paid and unpaid reinsurance recoverables, respectively.

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 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.

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 income.

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

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

Since the NICO Casualty Reinsurance Transaction is accounted for as retroactive reinsurance in the Company's consolidated financial statements, to the extent there is unfavorable development of losses covered by this reinsurance, an additional reinsurance benefit is recognized in the

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consolidated statements of income until those benefits exceed the loss on the transaction. Reinsurance benefits will be deferred and are amortized into earnings over the period when underlying claims are settled.

As the aggregate development on the contract has exceeded the original pre-tax loss of \$173, deferred gains are now being recorded. The Company reported deferred gain amortization of \$25 and \$21 for the twelve months ended December 31, 2025 and December 31, 2024, respectively. As of December 31, 2025 and 2024, deferred gains were \$186 and \$212. Limits remaining on the contract as of December 31, 2025, were \$517.

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 \$387 and \$0 as of December 31, 2025.

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

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

The Company reported the net position of the contract as a loss of \$793 and \$0 as of December 31, 2025 and December 31, 2024, respectively. Limits remaining on the contract in total, and for asbestos and environmental liabilities, respectively, were \$4,042 and \$0 as of December 31, 2025.

In addition, the Company has an aggregate reinsurance recoverable from Nationwide Indemnity Company in the amount of \$961 and \$995 as of December 31, 2025 and 2024, respectively. The reinsurance recoverable is guaranteed by Nationwide Mutual Insurance Company, which has a financial strength rating of A+ from S&P. Additionally, the Company has significant reinsurance recoverable concentrations with Swiss Re Group, Everest Re Group, Berkshire Hathaway Insurance Group, and Lloyd's of London totaling \$1,214, \$995, \$753, and \$670, respectively, as of December 31, 2025, net of offsetting collateral under the contracts.

Catastrophe Exposure

The Company writes insurance and reinsurance contracts that cover catastrophic events, both natural and man-made. Although the Company purchases reinsurance to mitigate its exposure to certain catastrophic events, claims from catastrophic events could cause substantial volatility in its financial results for any fiscal year and have a material adverse effect on its financial condition.

On November 26, 2002, the Terrorism Risk Insurance Act of 2002 ("the Terrorism Act") was enacted into Federal law and established the Terrorism Risk Insurance Program ("the Program"), a temporary Federal program in the Department of the Treasury, that provided for a system of shared public and private compensation for certain insured losses resulting from acts of terrorism or war committed by or on behalf of a foreign interest. The Program was scheduled to terminate on December 31, 2005. In December 2005, the Terrorism Risk Insurance Extension Act of 2005 ("the Terrorism Extension Act") was enacted into Federal law, reauthorizing the prior program through December 31, 2007, while reducing the Federal role under the Program. In December 2007, the Terrorism Risk Insurance Program Reauthorization Act of 2007 was enacted into Federal law, extending coverage to include domestic acts of terrorism and reauthorizing the Program through December 31, 2014. In January 2015, the Terrorism Risk Insurance Program Reauthorization Act of 2015 ("the 2015 Reauthorization") was enacted into Federal law, extending the effectiveness of the Terrorism Act through December 31, 2020, while further reducing the Federal role under the program. In December 2019, the Terrorism Risk Insurance Program Reauthorization Act of 2019 ("the 2019 Reauthorization") was enacted into Federal law, further extending the effectiveness of the Terrorism Act through December 31, 2027. The five acts are hereinafter collectively referred to as "the Acts."

For a loss to be covered under the Program (subject losses), the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism by the US Secretary of the Treasury. The annual aggregate industry loss minimum is \$100 through 2015. The original Program excluded from participation certain of the following types of insurance: Federal crop insurance, private mortgage

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insurance, financial guaranty insurance, medical malpractice insurance, health or life insurance, flood insurance, and reinsurance. The Terrorism Extension Act exempted from coverage certain additional types of insurance, including commercial automobile, professional liability (other than directors and officers), surety, burglary and theft, and farm-owners multi-peril. In the case of a war declared by Congress, only workers compensation losses are covered by the Acts. The Acts generally require that all commercial property casualty insurers licensed in the United States participate in the Program. The 2015 Reauthorization increased the loss minimum by \$20 annually until it reaches \$200 in 2020 and will remain at that threshold thereafter until 2027 as a result of the 2019 Reauthorization. Under the 2015 Reauthorization, a participating insurer was entitled through 2015 to be reimbursed by the Federal Government for 85% of subject losses, after an insurer deductible, subject to an annual cap. Under the 2015 Reauthorization, the Federal reimbursement percentage decreases by 1% annually starting at 85% in 2016 to 80% in 2020 and will remain at that threshold thereafter until 2027 as a result of the 2019 Reauthorization. The 2019 Reauthorization did not change the program cap of \$100,000 or the Company's deductible which remains at 20% of the Company's prior year earned premium for the covered lines.

The deductible for any calendar year is equal to 20% of the insurer's direct earned premiums for covered lines for the preceding calendar year. The Company's estimated deductible under the Program is \$2,231 for 2025. The annual cap limits the amount of aggregate subject losses for all participating insurers to \$100,000. Once subject losses have reached the \$100,000 aggregate during a program year, participating insurers will not be liable under the Program for additional covered terrorism losses for that program year. The Company has had no terrorism-related losses since the Program was established. Because the interpretation of the Acts is untested, there is substantial uncertainty as to how they will be applied to specific circumstances. It is also possible that future legislative action could change the Acts. Further, given the unpredictable frequency and severity of terrorism losses, as well as the limited terrorism coverage in the Company's own reinsurance program, future losses from acts of terrorism, particularly "unconventional" acts of terrorism involving nuclear, biological, chemical or radiological events, could be material to the Company's operating results, financial position and/or liquidity in future periods. The Company will continue to manage this type of catastrophic risk by monitoring and controlling terrorism risk aggregations to the best of its ability.

Catastrophes

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

Non-Catastrophe Reinsurance

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

Catastrophe Reinsurance

For 2025, 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 \$2,800 of loss in excess of \$1,000 of retained loss in the United States, Canada, and the Caribbean, excluding certain reinsurance exposures (the initial \$1,500 of this limit is largely available on an All Perils basis); 2) aggregate excess of loss coverage for \$500 in excess of \$2,400 of losses, subject to a \$100 per event deductible, covering all natural perils; 3) per occurrence excess of loss coverage targeting our reinsurance exposures; and 4) quota share reinsurance coverage. These programs are structured to meet the Company's established tolerances under its Enterprise Risk Management Program.

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

The Company purchases workers compensation catastrophe reinsurance, including coverage for its domestic commercial operations and certain specialty operations' US exposures. This program provides significant reinsurance protection in excess of \$100 per occurrence retention, including coverage for terrorism events and/or losses for a single event at a single insured location in excess of \$75.

Catastrophe Bond Reinsurance

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

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

On December 19, 2023, the Company entered into a multi-year property catastrophe reinsurance agreement, effective January 1, 2024, with Mystic IV 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 IV 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.

Florida Hurricane Catastrophe Fund

The Company participates in the Florida Hurricane Catastrophe Fund ("FHCF"), a state-mandated catastrophe fund that provides reimbursement to insurers for a portion of their Florida hurricane losses. FHCF resources may be insufficient to meet the obligations of FHCF. Limits, premium and reimbursements from FHCF apply on a per company basis. If losses fall disproportionately on one insurance entity within the Company, recovery from FHCF could be less than anticipated. On June 1, 2025, the Company renewed coverage for 90% of approximately \$54 excess of \$30. Recoveries from FHCF inure to the sole benefit of the Company. If the Company fails to recover as anticipated from FHCF there could be an adverse effect on the Company's business, financial condition or results of operations.

(6) UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

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

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

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

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

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

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

	<u>2025</u>	<u>2024</u>
Balance as of January 1	\$82,102	\$80,177
Less: unpaid reinsurance recoverables ⁽¹⁾	13,778	13,616
Net balance as of January 1	68,324	66,561
Balance attributable to acquisitions and dispositions ⁽²⁾	(59)	-
Incurred attributable to:		
Current year	27,037	30,125
Prior years ⁽³⁾	(1,561)	890
Discount accretion attributable to prior years	11	39
Total incurred	25,487	31,054
Paid attributable to:		
Current year	13,979	14,998
Prior years	13,200	13,895
Total paid	27,179	28,893
Amortization of deferred retroactive reinsurance gain	2	12
Net adjustment due to foreign exchange	714	(410)
Add: unpaid reinsurance recoverables ⁽¹⁾	15,878	13,778
Balance as of December 31	<u>\$83,167</u>	<u>\$82,102</u>

⁽¹⁾ In addition to the unpaid reinsurance recoverable balances noted above, and as a result of retroactive reinsurance agreements, the Company has recorded retroactive reinsurance recoverable balances of \$3,302 and \$4,182 as of December 31, 2025 and 2024, respectively.

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

⁽³⁾ Does not include decreases in allowance related to reinsurance recoverables due to prior year development of \$(5) and \$1 as of December 31, 2025 and 2024, respectively.

In 2025, the change in incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive loss, is primarily attributable to favorable development in personal auto, workers compensation, and homeowners lines of business, partially offset by casualty/general liability, commercial multi peril/fire, and specialty insurance lines of business. 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 on casualty/general liability, commercial multi peril/fire, specialty insurance, and reinsurance lines of business, partially offset by favorable development in workers' compensation and personal auto lines of business.

For certain commercial lines of insurance, the Company offers experience-rated insurance contracts whereby the ultimate premium is dependent upon the claims incurred. As of December 31, 2025 and 2024, the Company held \$1,931 and \$2,070 respectively, of unpaid claims and claim adjustment expenses related to experience-rated contracts. Premiums receivable included accrued retrospective and unbilled audit premiums of \$253 and \$195 as of December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, the Company recognized an increase of premium income of \$92 and \$123, respectively, relating to prior years.

Unpaid claims and claim adjustment expenses are recorded net of anticipated salvage and subrogation of \$1,425 and \$1,321 as of December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, the reserve for unpaid claim reserves was reduced by \$10,707 and \$9,886, respectively, for large dollar deductibles. Large dollar deductibles billed and recoverable were \$481 and \$431 as of December 31, 2025 and 2024, respectively.

The following is information about incurred and paid claims development as of December 31, 2025, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

Supplementary information provided includes information about incurred and paid claims development for the years ended December 31, 2016, to 2024, and information about average historical claims duration as of December 31, 2025. Due to the composition of the Company, comprising organically grown and acquired business, there is a mixture of claim count definitions. However, these definitions have been consistently applied throughout the history shown. We have disclosed our claim count methodologies below, unless it is impracticable to do so.

Disclosures about claim development by accident year are presented for the number of years for which claims incurred typically remain outstanding, up to 10 years.

The impact of current and prior year acquisitions and dispositions are presented on a retrospective basis.

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(dollars in millions)

USRM - Private Passenger Auto
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance
As of December 31, 2025

AY	-----Supplemental and unaudited-----				2025	Total of incurred but not reported liabilities plus expected development on reported claims	Cumulative number of reported claims ⁽¹⁾
	2022	2023	2024	2025			
2022	10,338	10,257	10,112	9,888	282	3,226,689	
2023	-	10,053	9,763	9,343	565	2,788,423	
2024	-	-	7,966	7,342	814	2,048,874	
2025	-	-	-	6,527	2,313	1,428,909	
				Total	\$33,100		

(1) Note that 100% of claim count information is disclosed on a per occurrence basis.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

AY	-----Supplemental and unaudited-----			
	2022	2023	2024	2025
2022	5,856	7,947	8,855	9,315
2023	-	5,523	7,351	8,192
2024	-	-	4,214	5,615
2025	-	-	-	3,132
			Total	26,254
			All net outstanding liabilities prior to 2022, net of reinsurance	1,434
			Liabilities for unpaid claims and claim adjustment expense	\$8,280

Average annual percentage payout of incurred claims (Supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4
55.9%	19.9%	9.1%	4.6%

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(dollars in millions)

GRS NI - Commercial Multiple-Peril

(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance⁽²⁾

As of December 31, 2025

AY	Supplemental and unaudited										Total of incurred but not reported liabilities plus expected development on reported claims	Cumulative number of reported claims ⁽¹⁾
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
2016	52	48	51	68	69	69	70	71	71	69	(1)	3,145
2017	-	157	157	187	178	181	182	183	182	183	(1)	3,508
2018	-	-	86	115	107	113	124	122	119	119	(5)	2,876
2019	-	-	-	151	150	133	135	140	138	138	(6)	3,113
2020	-	-	-	-	137	103	104	101	99	100	(6)	4,306
2021	-	-	-	-	-	146	121	115	117	116	(1)	4,945
2022	-	-	-	-	-	-	60	51	42	43	(1)	5,924
2023	-	-	-	-	-	-	-	50	38	42	2	5,951
2024	-	-	-	-	-	-	-	-	57	38	6	4,852
2025	-	-	-	-	-	-	-	-	-	56	31	3,695
	Total										\$904	

(1) Note that 100% of claim count information is disclosed on a per claimant basis.

(2) Prior to 2018, the US Small Commercial (SC) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

(3) GRS NI is mostly comprised of GRS North America Major Accounts and Middle Market segments.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2025

AY	Supplemental and unaudited										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
2016	17	36	41	50	60	63	64	66	67	68	
2017	-	44	97	148	154	168	173	177	179	183	
2018	-	-	23	49	86	96	110	116	121	123	
2019	-	-	-	50	97	109	119	131	138	141	
2020	-	-	-	-	45	74	87	95	99	104	
2021	-	-	-	-	-	53	88	110	120	125	
2022	-	-	-	-	-	-	16	49	35	38	
2023	-	-	-	-	-	-	-	16	30	34	
2024	-	-	-	-	-	-	-	-	22	21	
2025	-	-	-	-	-	-	-	-	-	21	
	Total										\$858
	All net outstanding liabilities prior to 2016, net of reinsurance										2
	Liabilities for unpaid claims and claim adjustment expense										\$48

Average annual percentage payout of incurred claims (Supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
36.5%	31.3%	10.3%	8.2%	8.7%	4.4%	2.3%	2.5%	1.6%	1.2%

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

The aggregate amount of discount related to the time value of money deducted to derive the liabilities as of December 31, 2025 and 2024 were \$60 and \$64, respectively. Prior to 2018, the US Small Commercial and National Insurance businesses now reported in USRM and GRS, respectively, were managed under the former Commercial Insurance SBU. Discount related to time value of money was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective. Calendar year 2017 and prior discount related to time value of money is reported in GRS NI – Workers Compensation.

The amounts of discount accretion recognized for the years ended December 31, 2025 and 2024 were \$7 and \$7, respectively. These amounts are included in the financial statement line item claims and claim adjustment expenses.

GRS NI - Workers Compensation

(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

AY	-----Supplemental and unaudited-----										Total of incurred but not reported liabilities plus expected development on reported claims	Cumulative number of reported claims ⁽¹⁾
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
2016	947	942	846	815	793	761	756	737	724	683	84	155,139
2017	-	962	914	880	882	840	830	819	809	766	154	156,848
2018	-	-	929	573	782	764	754	740	723	686	144	166,191
2019	-	-	-	792	678	904	906	902	884	868	166	175,733
2020	-	-	-	-	769	609	801	767	729	716	187	179,899
2021	-	-	-	-	-	773	590	796	757	765	218	204,470
2022	-	-	-	-	-	-	785	640	765	781	205	204,021
2023	-	-	-	-	-	-	-	792	672	753	290	185,772
2024	-	-	-	-	-	-	-	-	646	608	374	178,762
2025	-	-	-	-	-	-	-	-	-	523	330	163,258
											Total	\$7,149

(1) Note that 100% of claim count information is disclosed on a per claimant basis.

(2) Prior to 2018, the US Small Commercial (SC) and National Insurance (NI) businesses now reported in USRM and GRS respectively were managed under the former Commercial Insurance SBU. Accident year development was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective.

(3) GRS NI is mostly comprised of GRS North America Major Accounts and Middle Market segments.

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2025

AY	-----Supplemental and unaudited-----									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2016	126	294	387	442	476	505	507	516	524	535
2017	-	130	289	386	443	485	516	502	516	543
2018	-	-	121	208	295	354	398	424	440	457
2019	-	-	-	127	303	405	483	531	563	587
2020	-	-	-	-	94	224	301	367	411	436
2021	-	-	-	-	-	94	238	320	391	425
2022	-	-	-	-	-	-	94	250	344	407
2023	-	-	-	-	-	-	-	89	212	283
2024	-	-	-	-	-	-	-	-	72	168
2025	-	-	-	-	-	-	-	-	-	66
									Total	\$3,907
									All net outstanding liabilities prior to 2016, net of reinsurance	4,717
									Liabilities for unpaid claims and claim adjustment expense	\$7,959

Average annual percentage payout of incurred claims (Supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
14.2%	18.6%	11.7%	8.6%	5.5%	3.9%	0.9%	1.8%	2.4%	1.6%

The aggregate amount of discount related to the time value of money deducted to derive the liabilities as of December 31, 2025 and 2024 were \$369 and \$393, respectively. Prior to 2018, the US Small Commercial and National Insurance businesses now reported in USRM and GRS, respectively, were managed under the former Commercial Insurance SBU. Discount related to time value of money was not explicitly analyzed separately between the two books of business, but rather in total from a Commercial Insurance perspective. Calendar year 2017 and prior discount related to time value of money is reported in GRS NI – Workers Compensation.

The amounts of discount accretion recognized for the years ended December 31, 2025 and 2024 were \$33 and \$27, respectively. These amounts are included in the financial statement line item claims and claim adjustment expenses.

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

GRS Global Specialty - Reinsurance

(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

AY	-----Supplemental and unaudited-----										Total of incurred but not reported liabilities plus expected development on reported claims
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
2016	349	459	443	424	406	407	375	380	386	431	91
2017	-	708	756	687	707	706	691	709	713	748	9
2018	-	-	393	450	449	459	427	471	472	490	73
2019	-	-	-	803	835	819	849	842	816	845	193
2020	-	-	-	-	548	565	569	534	526	553	200
2021	-	-	-	-	-	904	896	936	905	938	297
2022	-	-	-	-	-	-	1,045	1,055	1,019	1,195	554
2023	-	-	-	-	-	-	-	1,191	1,289	1,277	355
2024	-	-	-	-	-	-	-	-	1,179	1,151	507
2025	-	-	-	-	-	-	-	-	-	1,429	529
	Total										\$9,057

(1) Claims count is unavailable for the line of business since underlying claim count information is not maintained by cedants and not included in cession statements

(2) GRS Global Specialty is mostly comprised of GRS North America Specialty Lines and GRS Liberty Specialty Markets

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2025

AY	-----Supplemental and unaudited-----										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
2016	45	157	211	219	236	236	257	264	271	292	
2017	-	117	280	218	203	190	222	227	241	275	
2018	-	-	72	95	117	130	147	170	189	171	
2019	-	-	-	367	459	643	673	702	720	737	
2020	-	-	-	-	277	347	416	380	371	333	
2021	-	-	-	-	-	256	304	260	296	310	
2022	-	-	-	-	-	-	418	467	522	596	
2023	-	-	-	-	-	-	-	471	608	625	
2024	-	-	-	-	-	-	-	-	611	683	
2025	-	-	-	-	-	-	-	-	-	958	
	Total										\$4,980
	All net outstanding liabilities prior to 2016, net of reinsurance										701
	Liabilities for unpaid claims and claim adjustment expense										<u>\$4,778</u>

Average annual percentage payout of incurred claims (Supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
35.4%	11.4%	5.5%	1.3%	1.5%	0.8%	2.9%	0.0%	3.0%	5.0%

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

USRM State Auto – Commercial Lines

(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance⁽²⁾

As of December 31, 2025

AY	-----Supplemental and unaudited-----										Total of incurred but not reported liabilities plus expected development on reported claims	Cumulative number of reported claims ⁽¹⁾
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
2016	562	546	534	528	524	512	526	527	528	528	6	51,105
2017	-	565	545	518	493	477	493	491	489	487	4	43,517
2018	-	-	443	425	395	377	394	388	389	393	3	36,102
2019	-	-	-	360	335	303	303	303	296	280	(31)	33,425
2020	-	-	-	-	373	382	401	410	423	429	36	30,658
2021	-	-	-	-	-	452	504	534	576	615	139	34,336
2022	-	-	-	-	-	-	581	627	697	742	141	35,583
2023	-	-	-	-	-	-	-	678	797	835	221	30,681
2024	-	-	-	-	-	-	-	-	618	657	274	20,927
2025	-	-	-	-	-	-	-	-	-	410	219	10,958
Total												\$5,376

(1) Note that 100% of claim count information is disclosed on a per claimant basis.

(3) USRM SA Commercial Lines is mostly comprised of Workers' Compensation, Commercial Auto Liability, General Liability and Commercial Multiple-Peril

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2025

AY	-----Supplemental and unaudited-----									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2016	114	228	326	397	445	466	480	503	511	515
2017	-	121	245	316	372	402	436	454	461	468
2018	-	-	97	189	238	284	324	351	363	374
2019	-	-	-	94	169	211	247	275	293	300
2020	-	-	-	-	124	223	274	317	352	370
2021	-	-	-	-	-	145	264	358	420	449
2022	-	-	-	-	-	-	155	331	447	524
2023	-	-	-	-	-	-	-	189	354	468
2024	-	-	-	-	-	-	-	-	132	243
2025	-	-	-	-	-	-	-	-	-	71
Total										\$3,782
All net outstanding liabilities prior to 2016, net of reinsurance										157
Liabilities for unpaid claims and claim adjustment expense										\$1,751

Average annual percentage payout of incurred claims *(Supplemental and unaudited)*

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
23.8%	22.2%	14.7%	11.4%	8.1%	5.7%	3.0%	2.8%	1.4%	0.8%

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses (“CAE”)

Net outstanding liabilities for unpaid claims and CAE⁽¹⁾	December 31, 2025
USRM Private Passenger Auto	\$8,280
USRM SC – Commercial Multiple-Peril	3,023
GRS NI – Commercial Multiple-Peril	48
USRM SC – Workers Compensation	1,945
GRS NI – Workers Compensation	7,959
USRM SC – General Liability	1,438
GRS NI – General Liability	4,799
GRS Global Specialty – Reinsurance	4,778
USRM SC – Commercial Automobile Liability	1,518
GRS NI – Commercial Automobile Liability	1,974
GRS Global Specialty – General Liability	11,723
USRM State Auto – Commercial Lines	1,751
Other Insurance Lines	15,696
	\$64,932
Liabilities for unpaid claims and allocated CAE, net of reinsurance	\$64,932
Reinsurance recoverable on unpaid claims	
USRM Private Passenger Auto	810
USRM SC – Commercial Multiple-Peril	4
GRS NI – Commercial Multiple-Peril	22
USRM SC – Workers Compensation	200
GRS NI – Workers Compensation	2,817
USRM SC – General Liability	(12)
GRS NI – General Liability	787
GRS Global Specialty – Reinsurance	151
USRM SC – Commercial Automobile Liability	56
GRS NI – Commercial Automobile Liability	1,284
GRS Global Specialty – General Liability	4,007
USRM State Auto – Commercial Lines	52
Other Insurance Lines	5,700
	\$15,878
Total reinsurance recoverable on unpaid claims	\$15,878
Unallocated claims adjustment expenses	2,829
Impact of discounting	(472)
	\$83,167
Total gross liability for unpaid claims and CAE	\$83,167

⁽¹⁾ Gross of retroactive reinsurance recoverable of \$3,814 for all lines of business. (See Note 5 for further discussion)

Asbestos and Environmental Reserves

As of December 31, 2025 and 2024, the Company’s unpaid claims and claim adjustment expense reserves, net of associated reinsurance recoverables, includes \$1,438 and \$1,123, respectively, for asbestos and environmental-related claims before consideration of the NICO Reinsurance Transaction.

Net asbestos losses paid in 2025 and 2024 were \$100 and \$137, respectively. The Company incurred \$268 and \$85 of asbestos reserves before consideration of the NICO Reinsurance Transaction, net of change in allowance for doubtful accounts during the years ended December 31, 2025 and 2024, respectively.

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

Net environmental losses paid in 2025 and 2024 were \$51 and \$92, respectively. The Company incurred \$197 and \$88 of environmental reserves before consideration of the NICO Reinsurance Transaction, net of change in allowance for doubtful accounts during the years ended December 31, 2025 and 2024, respectively.

(7) DEBT OUTSTANDING

Debt outstanding as of December 31, 2025 and December 31, 2024 includes the following:

Short-term debt:

	2025	2024
7.875% Surplus Notes, due 2026	\$227	\$-
8.50% Surplus Notes, due 2025	-	140
Total short-term debt	\$227	\$140

Long-term debt:

	2025	2024
2.75% €750 million Notes, due 2026	\$-	\$776
7.875% Surplus Notes, due 2026	-	227
7.625% Notes, due 2028	3	3
4.569% Notes, due 2029	1,000	1,000
4.625% €500 million Notes, due 2030	586	517
3.91% - 4.25% Federal Home Loan Bank Borrowings, due 2032	300	300
7.00% Notes, due 2034	124	124
6.50% Notes, due 2035	271	271
3.875% €750 million Notes, due 2035	881	-
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 ⁽¹⁾	500	500
5.50% Notes, due 2052	1,000	1,000
3.95% Notes, due 2060	746	746
4.30% Junior Subordinated Notes, due 2061 ⁽²⁾	800	800
7.80% Junior Subordinated Notes, due 2087 ⁽³⁾	437	437
10.75% Junior Subordinated Notes, due 2088 ⁽⁴⁾	35	35
7.697% Surplus Notes, due 2097	260	260
Subtotal	9,256	9,309
Unamortized costs	(444)	(453)
Total long-term debt	\$8,812	\$8,856

(1) The par value call date is three months prior to and on December 15, 2026, after which the notes are callable at par during the three-month period prior to and on each succeeding interest reset date.

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

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

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

Debt Transactions and In-Force Credit Facilities

On October 30, 2025, Liberty Mutual Group Inc (“LMGI”) redeemed its €750 million 2.75% Senior Notes, due 2026 (the “2026 Notes”) in full.

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

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

On May 23, 2024, €500 million of 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 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.

LIBERTY MUTUAL HOLDING COMPANY INC.

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(dollars in millions)

LMIC, Peerless Insurance Company (“PIC”), Liberty Mutual Fire Insurance Company (“LMFIC”), Employers Insurance Company of Wausau (“EICOW”), Safeco Insurance Company of America, and Ohio Casualty Insurance Company are members of the Federal Home Loan Bank (“FHLB”). On March 21, 2012, LMFIC borrowed \$150 at a rate of 3.91% with a maturity date of March 22, 2032. On March 23, 2012 and April 2, 2012, LMIC borrowed \$127 at a rate of 4.24% with a maturity date of March 23, 2032 and \$23 at a rate of 4.25% with a maturity date of April 2, 2032, respectively. As of December 31, 2025, all outstanding FHLB borrowings are fully collateralized.

State Automobile Mutual Insurance Company (“SAM”), State Auto Property & Casualty Insurance Company (“SPC”), 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 was 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.

Facility Agreement for Senior Notes Issuance

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

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

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

As of December 31, 2025, no senior notes have been issued under the facility agreement.

Interest

The Company paid \$490 and \$492 of interest in 2025 and 2024, respectively.

LIBERTY MUTUAL HOLDING COMPANY INC.

Notes to Consolidated Financial Statements

(dollars in millions)

(8) INCOME TAXES

The components of US Federal, state and foreign income tax expense from continuing operations are:

Years ended December 31,	2025	2024
Current tax expense (benefit):		
US Federal	\$1,167	\$605
US Federal net operating loss utilization	-	(57)
State	22	49
Foreign	220	242
Total current tax expense	<u>1,409</u>	<u>839</u>
Deferred tax expense (benefit):		
US Federal	349	242
Foreign	(8)	(21)
Total deferred tax expense	<u>341</u>	<u>221</u>
Total US Federal, state and foreign income tax expense	<u>\$1,750</u>	<u>\$1,060</u>

A reconciliation of the income tax expense attributable to continuing operations computed at the US Federal statutory tax rate to the income tax expense as included in the consolidated statements of income is as follows:

Years ended December 31,	2025	2024
Expected US Federal income tax expense	\$1,797	\$995
Tax effect of:		
Nontaxable investment income	(21)	(16)
Change in valuation allowance	20	(32)
Revision to estimates	32	(11)
General business credits	(105)	(62)
State income taxes, net	16	39
Foreign rate differential	21	11
US impact from foreign operations	45	128
Foreign other	(45)	-
Other	(10)	8
Total income tax expense	<u>\$1,750</u>	<u>\$1,060</u>

The significant components of the deferred income tax assets and liabilities at December 31 are summarized as follows:

	2025	2024
Deferred tax assets:		
Unearned premium reserves	\$863	\$885
Unpaid claims discount	704	708
Employee benefits	678	594
Net operating losses	188	166
Investments	2	71
Credits	38	67
Other accrued expenses	110	106
Other	310	215
	<u>2,893</u>	<u>2,812</u>
Less: valuation allowance	(106)	(108)
Total deferred tax assets	<u>2,787</u>	<u>2,704</u>
Deferred tax liabilities:		
Deferred acquisition costs	663	636
Intangibles	133	143
Depreciation/amortization	246	50
Investments	1,225	433
Other	325	336
Total deferred tax liabilities	<u>2,592</u>	<u>1,598</u>
Net deferred tax assets/(liabilities)	<u>\$195</u>	<u>\$1,106</u>

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(dollars in millions)

On December 27, 2023, Bermuda enacted the Corporate Income Tax Act of 2023, which applies a 15% corporate income tax to certain Bermuda businesses effective January 1, 2025. Since its enactment, the Company has recorded a deferred tax asset related to this legislation offset by a full valuation allowance, as incremental Bermuda taxes are not expected to be incurred to utilize the assets. For the years ended December 31, 2025 and 2024, the deferred tax asset and offsetting valuation allowance were \$4 and \$26, respectively, with the decrease in the allowance recorded in other comprehensive income.

For the year ended December 31, 2025, the net increase in the valuation allowance recorded through the income statement is primarily due to the establishment of a \$53 valuation allowance on certain US and foreign deferred tax assets not expected to be realized, partially offset by utilization of \$33 of prior year branch foreign tax credit carryforwards. Management believes it is more likely than not that the remaining net deferred tax assets will be realized.

The Company's subsidiaries have foreign tax credit carryforwards of \$38 and gross net operating loss carryforwards of \$794 as of December 31, 2025. With respect to the foreign tax credit carryforwards, \$1 will begin to expire in 2026 and \$15 will begin to expire in 2033 if not utilized; the remaining foreign tax credit carryforwards of \$22 may be carried forward indefinitely. The gross net operating loss carryforwards available in the US and various non-US tax jurisdictions will begin to expire, if not utilized, as follows:

Year	Total
2026	\$8
2027	15
Thereafter or indefinite	771
Total	<u><u>\$794</u></u>

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

Balance at December 31, 2024	\$68
Additions for tax positions related to current year	12
Additions for tax positions of prior years	12
Reductions for tax positions of prior years	(1)
Lapse of statute of limitations	(4)
Balance at December 31, 2025	<u><u>\$87</u></u>

Included in the balance at December 31, 2025 is \$87 related to tax positions that would impact the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in US Federal, state, and foreign income tax expense. For the years ended December 31, 2025 and 2024, the Company recognized \$7 and \$6 of interest and penalties, respectively. The Company had \$37 and \$30 of interest and penalties accrued as of December 31, 2025 and December 31, 2024, respectively.

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

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

(9) BENEFIT PLANS

The Company sponsors non-contributory defined benefit pension plans ("the Plans") covering substantially all US employees. The benefits and eligibility are based on age, years of service, and the employee's final average compensation, as more fully described in the Plans. Some foreign subsidiaries also sponsor defined benefit pension plans. In 2014, the Company added a new cash balance benefit formula for all eligible US employees and froze credited service under the plan's final average pay formula. In 2016, the Company announced changes to the US pension plan which included freezing the final average pay formula effective December 31, 2020, and increasing pay credits under the cash balance formula from 4.5% to 5.0% of eligible pay effective January 1, 2018. In 2025, the Company announced that the US pension plan would be frozen effective January 1, 2026, with no further contribution of pay credits after that date. As a result of the plan freeze, an immaterial curtailment gain was recorded in December 2025. Beginning January 1, 2026, the Company will contribute retirement benefits for all eligible US employees solely through the 401(k) plan.

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

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The Company also provides certain postretirement healthcare and life insurance benefits (“Postretirement”) covering substantially all US employees. In 2014, the Company’s US postretirement medical and dental cost sharing arrangement changed to a defined contribution model with an annual dollar contribution amount based on age and years of eligible credited service. Life insurance benefits are based on a participant’s final compensation subject to the plan maximum. The postretirement plan is unfunded. In 2016, the Company announced employees hired on or after January 1, 2018, will not be eligible for coverage under the US postretirement health and life insurance plans. In 2017, the Company announced changes to the US postretirement health plan which included the transition of Medicare-eligible retirees to the Medicare marketplace exchange effective January 1, 2018.

Assets of the US tax-qualified, defined benefit pension plans consist primarily of investments held in a master trust with The Bank of New York Mellon. Assets of the plan are invested primarily in fixed income securities and in diversified public equities. As of December 31, 2025 and 2024, no assets of the plans were held in separate accounts of the Company.

The Company sponsors defined contribution plans for substantially all US (401(k) plan) employees who meet eligibility requirements. During 2025 and 2024, employees could contribute a percentage of their annual compensation on a before and after-tax basis, subject to Federal limitations. Company contributions are based on the employee’s contribution amount. In 2025 and 2024, the Company incurred matching contributions of \$149 and \$141, respectively, including the supplemental defined contribution plans.

Compensation expense related to the Company’s long-term and short-term incentive compensation plans was \$1,562 and \$1,317 for the years ended December 31, 2025 and 2024, respectively.

The following table sets forth the assets, obligations, and assumptions associated with the US pension and postretirement benefits.

	Pension		Supplemental Pension		Postretirement	
	2025	2024	2025	2024	2025	2024
Change in benefit obligations:						
Benefit obligation at beginning of year	\$6,557	\$7,069	\$349	\$375	\$722	\$784
Service costs	191	194	9	8	7	8
Interest costs	342	336	18	18	37	37
Actuarial losses (gains)	115	(458)	10	(20)	(85)	(55)
Benefits paid	(373)	(584)	(25)	(32)	(31)	(52)
Benefit obligations at end of year	\$6,832	\$6,557	\$361	\$349	\$650	\$722
Accumulated benefit obligations	\$6,832	\$6,557	\$361	\$349	\$650	\$722
Change in plan assets:						
Fair value of plan assets at beginning of year	\$6,250	\$6,815	\$-	\$-	\$-	\$-
Actual return on plan assets	728	19	-	-	-	-
Benefits paid	(373)	(584)	-	-	-	-
Fair value of plan assets at end of year	\$6,605	\$6,250	\$-	\$-	\$-	\$-
Funded status of Plan	\$(227)	\$(307)	\$(361)	\$(349)	\$(650)	\$(722)

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	Pension		Supplemental Pension		Postretirement	
	2025	2024	2025	2024	2025	2024
Amounts recognized in the Balance Sheets:						
Assets	\$-	\$-	\$-	\$-	\$-	\$-
Liabilities	(227)	(307)	(361)	(349)	(650)	(722)
Net liability at end of year	\$(227)	\$(307)	\$(361)	\$(349)	\$(650)	\$(722)
Amounts recognized in Accumulated Other Comprehensive Income (Loss):						
Net gain (loss)	\$1,570	\$1,801	\$64	\$57	\$(303)	\$(234)
Prior service costs	-	(27)	-	(1)	(16)	(23)
Total	\$1,570	\$1,774	\$64	\$56	\$(319)	\$(257)
Other changes in Plan assets and projected benefit obligation recognized in Other Comprehensive Income (Loss):						
Net actuarial (gains) losses	\$(122)	\$26	\$10	\$(20)	\$(85)	\$(55)
Amortization of net actuarial (loss) gain	(109)	(136)	(3)	(7)	16	13
Amortization of prior service cost	27	23	1	3	7	12
Total	\$(204)	\$(87)	\$8	\$(24)	\$(62)	\$(30)

The net benefit costs for the years ended December 31, 2025 and 2024 include the following components:

December 31, 2025	Supplemental		
	Pension	Pension	Postretirement
Components of net periodic benefit costs:			
Service costs	\$191	\$9	\$7
Interest costs	342	18	37
Expected return on plan assets	(491)	-	-
Amortization of unrecognized:			
Net loss (gain)	109	3	(16)
Prior service cost	(22)	(1)	(7)
Net periodic benefit costs	\$129	\$29	\$21
Curtailement gain	(5)	-	-
Total Net periodic benefit costs	\$124	\$29	\$21

December 31, 2024	Supplemental		
	Pension	Pension	Postretirement
Components of net periodic benefit costs:			
Service costs	\$194	\$8	\$8
Interest costs	336	18	37
Expected return on plan assets	(501)	-	-
Amortization of unrecognized:			
Net loss (gain)	136	7	(13)
Prior service cost	(23)	(3)	(12)
Net periodic benefit costs⁽¹⁾	\$142	\$30	\$20

(1) All components of net periodic benefits costs are reporting in operating costs and expenses on the accompanying consolidated statements of income.

The measurement date used to determine pension and other postretirement is December 31, 2025.

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Weighted-average actuarial assumptions for benefit obligations are set forth in the following table:

December 31,	2025	2024
Pension		
Discount rate	5.54%	5.71%
Rate of compensation increase	N/A	4.90%
Cash balance interest crediting rate	4.75%	4.75%
Supplemental Pension		
Discount rate	5.55%	5.70%
Rate of compensation increase	N/A	5.80%
Cash balance interest crediting rate	4.75%	4.75%
Postretirement		
Discount rate	5.60%	5.75%

Weighted-average actuarial assumptions for net periodic benefit costs are set forth in the following table:

December 31,	2025	2024
Pension		
Discount rate	5.71%	5.03%
Interest cost effective interest rate	5.42%	4.92%
Service cost discount rate	5.74%	5.00%
Expected return on plan assets	7.75%	7.50%
Rate of compensation increase	4.90%	4.90%
Cash balance interest crediting rate	4.75%	4.00%
Supplemental Pension		
Discount rate	5.70%	5.03%
Interest cost effective interest rate	5.39%	4.93%
Service cost discount rate	5.91%	5.14%
Rate of compensation increase	5.80%	5.80%
Cash balance interest crediting rate	4.75%	4.00%
Postretirement		
Discount rate	5.75%	5.06%
Interest cost effective interest rate	5.47%	4.94%
Service cost discount rate	5.93%	5.18%

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 company calculates service cost 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.

The Company calculates the market-related value of assets used in determining the expected return on plan assets component of net periodic pension cost. For asset classes such as investment grade fixed income securities and derivatives in the Immunizing Portfolio, changes in the fair value of these assets are recognized immediately for purposes of the market-related value. However, the Company recognizes changes in the fair value of the asset classes in the Growth Portfolio over a five-year period. These assets include public equities, private equity, common collective trust funds, non-investment grade fixed income, and emerging market fixed income.

Effective December 31, 2022, the Company adopted the Aon-Adjusted scale MP-2021.

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Plan Assets

The Company's overall investment strategy for the US pension plan's assets is to achieve a diversified mix of asset types, fund strategies, and managers. The US pension plan's primary investment goal is to ensure the Plan has sufficient assets to meet its current and future benefit obligations within reasonable and prudent levels of risk. The Plan's assets should have sufficient liquidity to meet benefit obligations, after giving all due consideration to the underlying characteristics of the Plan's liabilities.

The US pension plan's assets are administered by the Liberty Mutual Retirement Committee, which has the fiduciary responsibility for management of the US pension plan's assets in accordance with the Liberty Mutual Retirement Benefit Plan Investment Policy Statement. Effective January 1, 2026, the Liberty Mutual Retirement Committee amended the Investment Policy Statement.

The US pension plan's assets are held in a trust and managed by LMIC, a wholly owned subsidiary of the Company and by its subadvisor, Liberty Mutual Group Asset Management, Inc., which is also a wholly owned subsidiary of the Company.

The investment plan assets consist of three portfolios, an Immunizing Portfolio, a Growth Portfolio, and a Cash Portfolio. The Immunizing Portfolio is designed to hedge the Plan's liability risks, specifically to offset changes in the Plan's liability value due to market-related risk factors such as changes in interest rates and credit spreads. The Growth Portfolio is invested in a diversified group of assets that seeks to generate a return in excess of the Plan's liabilities, within an acceptable level of risk.

The target allocation among these three portfolios is governed by a funded ratio-driven Glide Path. Under the Glide Path, as funded status improves, the allocation to the Growth Portfolio is reduced and the allocation to the Immunizing Portfolio is increased, subject to the targets and ranges specified in Section V of the IPS. The Investment Manager shall maintain portfolio allocations in accordance with the Glide Path and the IPS rebalancing rules, and shall manage transitions subject to the normal implementation/transition provisions described in the IPS.

The following tables sets forth by level, within the fair value hierarchy, the Plans' assets at fair value as of December 31, 2025 and 2024.

Fair Value Measurements as of December 31, 2025

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets Level 1 ⁽¹⁾	Significant Observable Inputs Level 2 ⁽¹⁾	Significant Unobservable Inputs Level 3 ⁽¹⁾
Cash, cash equivalents and short-term investments ⁽²⁾	\$420	\$400	\$20	\$-
Fixed maturities:				
US government and agency securities	513	513	-	-
US state and municipal	100	-	100	-
Corporate and other	2,762	-	2,762	-
Common collective trust	1,073	-	1,073	-
Equity investments	3	2	1	-
Limited Partnerships	1,731	-	-	1,731
Other assets	3	-	3	-
Total	\$6,605	\$915	\$3,959	\$1,731

⁽¹⁾ See Note 10 for description of the Fair Value Measurement inputs. Pension Limited Partnerships are valued at the latest fair value reported by the General Partner adjusted by cash flows. Also, the common collective trust assets are valued based on Net Asset Value ("NAV") from BlackRock.

⁽²⁾ Cash equivalents in Level 2 are net of investment payables of \$21.

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Fair Value Measurements as of December 31, 2024

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets Level 1 ⁽¹⁾	Significant Observable Inputs Level 2 ⁽¹⁾	Significant Unobservable Inputs Level 3 ⁽¹⁾
Cash, cash equivalents and short-term investments ⁽²⁾	\$852	\$790	\$62	\$-
Fixed maturities:				
US government and agency securities	77	77	-	-
US state and municipal	103	-	103	-
Corporate and other	2,418	-	2,418	-
Common collective trust	1,162	-	1,162	-
Equity investments	2	2	-	-
Limited Partnerships	1,632	-	-	1,632
Other assets	4	-	4	-
Total	\$6,250	\$869	\$3,749	\$1,632

(1) See Note 10 for description of the Fair Value Measurement inputs. Pension Limited Partnerships are valued at the latest fair value reported by the General Partner adjusted by cash flows. Also, the common collective trust assets are valued based on Net Asset Value ("NAV") from BlackRock.

(2) Cash equivalents in Level 2 include accrued income and other of \$42.

The Plans' investments in limited partnerships are recorded at the carrying value as reported by the external fund managers, which is believed to approximate the fair value of the investments. The Company had Level 3 purchases for limited partnerships of \$253 and \$223 as of December 31, 2025 and 2024, respectively.

Cash Flows

Contributions - The Company contributed \$0 to the qualified plans, and directly funded \$25 to retirees in the supplemental pension plans in 2025. In addition, the Company directly funded \$31 to retirees in the postretirement benefit plans in 2025.

The Company expects to contribute approximately \$0 to the qualified plans, to directly fund \$40 to retirees in the supplemental pension plans, and to directly fund \$42 to the postretirement benefit plans in 2026.

Expected Future Benefit Payments - The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension	Supplemental Pension	Postretirement Plans
2026	439	40	42
2027	453	24	42
2028	467	24	42
2029	478	24	43
2030	488	25	44
2031-2035	2,508	136	225

(10) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

- Level 1 — Valuations based on unadjusted quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.

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

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

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

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

Fixed Maturities

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

US Government and Agency Securities

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

Mortgage-Backed Securities

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

Asset-Backed Securities

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

Municipal Securities

The Company's municipal portfolio is comprised of bonds issued by US domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active,

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benchmark yields, binding broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

Corporate Debt and Other Securities

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

Foreign Government Securities

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

Equity Securities

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

Short-Term Investments

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

Other Investments

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

Other Assets and Other Liabilities

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

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

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

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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 December 31, 2025 and 2024:

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

Assets, at Fair Value	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
US government and agency securities	\$10,005	\$212	\$-	\$10,217
Residential MBS	-	6,723	-	6,723
Commercial MBS	-	4,769	77	4,846
Other MBS and ABS	-	6,066	50	6,116
US state and municipal	-	4,388	297	4,685
Corporate and other	-	32,966	337	33,303
Foreign government securities	-	4,582	1	4,583
Redeemable Preferred Stock	-	-	286	286
Total fixed maturities, available for sale	10,005	59,706	1,048	70,759
Common stock	774	4	548	1,326
Preferred stock	-	-	-	-
Total equity securities, available for sale	774	4	548	1,326
Short-term investments	11	488	-	499
Other investments	151	661	1,568	2,380
Other assets	-	-	3	3
Total assets	\$10,941	\$60,859	\$3,167	\$74,967
Liabilities, at Fair Value				
Life insurance obligations	\$-	\$-	\$(20)	\$(20)
Other liabilities	(2)	(59)	-	(61)
Total liabilities	\$(2)	\$(59)	\$(20)	\$(81)

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Changes in Level 3 Recurring Fair Value Measurements

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

	As of December 31, 2025			As of December 31, 2024		
	Purchases	Transfer in to Level 3	Transfer out of Level 3	Purchases	Transfer in to Level 3	Transfer out of Level 3
Assets, at Fair Value						
US government and agency securities	\$-	\$-	\$-	\$-	\$-	\$-
Residential MBS	2	-	-	-	-	-
Commercial MBS	42	-	-	20	-	-
Other MBS and ABS	-	-	-	6	-	-
US state and municipal	-	11	-	93	4	-
Corporate and other	99	12	(14)	134	28	(4)
Foreign government securities	-	-	-	-	5	(5)
Redeemable Preferred Stock	122	-	-	116	-	-
Total fixed maturities	265	23	(14)	369	37	(9)
Common stock	24	-	-	42	7	(8)
Preferred stock	-	-	-	-	-	-
Total equity securities	24	-	-	42	7	(8)
Short-term investments	5	-	-	-	-	-
Other investments	849	-	-	891	4	-
Total assets	\$1,143	\$23	\$(14)	\$1,302	\$48	\$(17)
Liabilities, at Fair Value						
Life insurance obligations	\$(4)	\$-	\$-	\$15	\$-	\$-
Total liabilities	\$(4)	\$-	\$-	\$15	\$-	\$-

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

Fair Value Option

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

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

(11) 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.

The Company is contingently liable for structured settlement obligations for which it has accepted assignments. The loss contingency would arise if the issuer of the guarantee contract related to the structured settlement liabilities were unable to fulfil their obligations. At December 31, 2025 and 2024, the contingent liability was \$1,278 and \$1,066, respectively.

As of December 31, 2025, the Company had unfunded commitments in traditional private equity partnerships, real estate, private credit, natural resources, and other of \$3,656, \$3,148, \$4,476, \$1,520, (\$1,489 of which is related to energy transition and infrastructure), and \$456, respectively.

As of December 31, 2025, the Company did not have commitments to purchase various residential MBS.

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 December 31, 2025 the amount of the liability for expected credit losses of unfunded commitments was \$32.

As of December 31, 2025, the Company had \$447 of undrawn letter of credit outstanding secured by assets of \$417.

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(dollars in millions)

(12) LEASES

The Company's leases consist principally of real estate operating leases that are recognized on a straight-line basis over the term of the lease. A right-of-use asset and lease liability is recognized as part of other assets and other liabilities, respectively, in the consolidated balance sheets.

Lease Cost	As of December 31, 2025	As of December 31, 2024
Operating leases	\$127	\$141
Short-term leases ⁽¹⁾	1	1
Lease expense	128	142
Less: Sublease income ⁽²⁾	59	55
Net lease cost	\$69	\$87

Other Information on Operating Leases

Cash payments to settle a lease liability reported in cash flow	\$79	\$91
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Right-Of-Use Assets Obtained in Exchange for New Leases Liability

Weighted average discount rate	2.5%	1.5%
Weighted average remaining lease term in years	5.1 years	5.4 years

(1) Leases with an initial term of twelve months or less are not recorded on the balance sheet.

(2) Sublease income consists of rent from third parties of office space and is recognized as part of fee and other revenues in the consolidated statements of income.

The following table presents the contractual maturities of the Company's operating lease liabilities:

2026	\$65
2027	56
2028	44
2029	28
2030	24
Thereafter	34
Total undiscounted lease payments	251
Less: present value adjustment	21
Operating lease liability	\$230

The capital lease obligation as of December 31, 2025 and 2024, was \$0 and \$0, respectively, and is included in other liabilities in the accompanying consolidated balance sheets. Amortization of the lease obligation was \$0 and \$12 for the years ended December 31, 2025 and 2024, respectively. In 2021, the Company entered into an arrangement to sell and leaseback certain furniture and equipment. The interest rate on this lease was 1.23%. The transaction was accounted for as a capital lease. As of December 31, 2024, the Company's lease obligation under the sale-leaseback agreement has been fully amortized.

(13) POLICYHOLDERS' EQUITY

The statutory surplus of the Company's domestic insurance companies was \$38,892 and \$32,208 as of December 31, 2025 and 2024, respectively. The statutory net income of the Company's domestic insurance companies was \$6,147 and \$4,563 for the years ended December 31, 2025 and 2024, respectively. The Company's domestic insurance subsidiaries prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual ("NAIC APP"), subject to any deviations prescribed or permitted by the insurance commissioners of the various insurance companies' states of domicile. The Company does not have any material permitted practices that deviate from the NAIC APP.

Dividends

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 meet its financial needs and does not exceed the insurer's unassigned surplus. However, no insurer may pay an extraordinary dividend without the approval or

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(dollars in millions)

nondisapproval 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 1) 10% of the insurer’s surplus with regard to policyholders as of the preceding December 31, or 2) the greater of a) the insurer’s net income for the calendar year preceding the date of the dividend, minus realized capital gains for that calendar year, or b) 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 1) 10% of the insurer’s surplus as regards policyholders as of the preceding December 31, or 2) 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 the notes held at LMGI, as could a redomestication or merger of LMIC, LMPICO, LMFIC, EICOW, or SAM to a different domiciliary state. The maximum dividend payout in 2026 that may be made prior to regulatory approval is \$3,935.

(14) SUBSEQUENT EVENTS

On February 2, 2026 the Vietnam transaction closed.

Management has assessed material subsequent events through March 4, 2026, the date the financial statements were available to be issued.