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

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

(3) The par value call date and final fixed rate interest payment date is May 23, 2024, subject to certain requirements.

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

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

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

Debt Transactions and In-Force Credit Facilities

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

On December 2, 2022, Liberty Mutual Group, Inc. ("LMGI") issued EUR500 of Senior Notes, due 2030 (the "2030 Notes"). Interest is payable annually at a fixed rate of 4.625%. The 2030 Notes mature on December 2, 2030.

On November 23, 2022, $15 of State Auto Financial Corporation ("STFC") Notes were redeemed.

On November 3, 2022, $96 of State Auto Property & Casualty Insurance Company ("SPC") Federal Home Loan Bank (FHLB) borrowings were paid.

On September 21, 2022, $19 of State Automobile Mutual Insurance Company ("SAM") and $21 of SPC FHLB borrowings were paid.

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

On June 6, 2022, LMGI issued $1,000 of Senior Notes, due 2052 (the "2052 Notes"). Interest is payable semi-annually at a fixed rate of 5.50%. The 2052 Notes mature on June 15, 2052.

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

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

LMIC, Peerless Insurance Company ("PIC"), Liberty Mutual Fire Insurance Company ("LMFIC"), Employers Insurance Company of Wausau ("EICOW"), Safeco Insurance Company of America ("SICOA"), Ohio Casualty Insurance Company ("OCIC"), SAM, SPC and Rockhill Insurance Company ("RIC") are members of the Federal Home Loan Bank. On March 21, 2012, LMFIC borrowed $150 at a rate of 3.91% with a maturity date of March 22, 2032. On March 23, 2012 and April 2, 2012, LMIC borrowed $127 at a rate of 4.24% with a maturity date of March 23, 2032 and $23 at a rate of 4.25% with a maturity date of April 2, 2032, respectively. As of March 31, 2023, all outstanding Federal Home Loan Bank borrowings are fully collateralized. On December 29, 2022, SICOA and OCIC became members of FHLB Boston. Ironshore Indemnity Insurance ("III") and Ironshore Specialty Insurance Company ("ISIC") memberships were cancelled on February 24th and 25th, 2020, respectively. Final cancellation of membership has a five-year waiting period. III's waiting period was waived by FHLB, so final membership cancellation was effective on February 9, 2022. For ISIC, the effective date of its final membership cancellation will be February 2025.

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

(6) UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

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

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

(dollars in millions)

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

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

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

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

	2023	2022
Balance as of January 1	$78,598	$72,049
Less: unpaid reinsurance recoverables[(1)]	13,605	12,638
Net balance as of January 1	64,993	59,411
Balance attributable to acquisitions and dispositions[(2)]	-	1,524
Incurred attributable to:		
Current year	8,720	7,639
Prior years[(3)]	60	34
Discount accretion attributable to prior years	11	9
Total incurred	8,791	7,682
Paid attributable to:		
Current year	3,028	2,729
Prior years	5,155	4,297
Total paid	8,183	7,026
Amortization of deferred retroactive reinsurance gain	5	4
Net adjustment due to foreign exchange	58	(34)
Add: unpaid reinsurance recoverables[(1)]	13,599	12,967
Balance as of March 31	$79,263	$74,528

(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 $4,273 and $4,192 as of March 31, 2023 and 2022 respectively.

(2) The balance attributable to acquisitions, mergers, and dispositions in 2023 represents our participation in bond reinsurance agreement with Mystic Re IV. The balance attributable to acquisitions, mergers, and dispositions in 2022 represents the impact of the termination of our participation in Syndicates 2014 and 1980 via reinsurance to close transactions with Riverstone, as well as the mutual merger with State Auto Group, and the acquisition of AmGeneral.

(3) Does not include decreases in allowance related to reinsurance recoverables due to prior year development of $3 and $2 as of March 31, 2023 and 2022 respectively.

In 2023, 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 commercial property, specialty and homeowners lines of business, partially offset by favorable development on personal auto and workers' compensation lines of business. In 2022, 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 and general liability lines of business, partially offset by favorable development on workers' compensation.

In response to the COVID-19 pandemic, several states have passed amendments to expand Worker's Compensation coverage to ensure certain workers who contract the virus are eligible for compensation. In addition, some states have explored legislation that may expand the coverage obligations of certain insurance policies, such as business interruption policies. The Company continues to evaluate the potential exposures, but could experience increased claims frequency and severity depending on the terms and number of states implementing such changes.