

**Liberty Mutual Holding Company Inc.**

Notes to Consolidated Financial Statements

(dollars in millions)

(Unaudited)

**(3) INVESTMENTS**

The amortized cost, gross unrealized gains and losses and fair values of available for sale investments as of March 31, 2023 and December 31, 2022, are as follows:

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>March 31, 2023</b>				
U.S. government and agency securities	\$8,938	\$7	\$(626)	\$8,319
Residential MBS <sup>(1)</sup>	6,446	8	(533)	5,921
Commercial MBS	4,491	10	(253)	4,248
Other MBS and ABS <sup>(2)</sup>	5,055	4	(346)	4,713
U.S. state and municipal	7,470	38	(440)	7,068
Corporate and other	36,549	123	(3,031)	33,641
Foreign government securities	5,975	31	(325)	5,681
Redeemable Preferred Stock	79	1	-	80
Total securities available for sale	<b>\$75,003</b>	<b>\$222</b>	<b>\$(5,554)</b>	<b>\$69,671</b>
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>December 31, 2022</b>				
U.S. government and agency securities	\$8,885	\$2	\$(777)	\$8,110
Residential MBS <sup>(1)</sup>	6,547	5	(605)	5,947
Commercial MBS	4,457	10	(310)	4,157
Other MBS and ABS <sup>(2)</sup>	4,912	3	(396)	4,519
U.S. state and municipal	7,698	19	(586)	7,131
Corporate and other	34,868	48	(3,653)	31,263
Foreign government securities	5,788	20	(405)	5,403
Redeemable Preferred Stock	79	1	-	80
Total securities available for sale	<b>\$73,234</b>	<b>\$108</b>	<b>\$(6,732)</b>	<b>\$66,610</b>

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

(2) Asset-backed securities ("ABS")

There were no allowances for credit losses on available for sale securities in accordance with ASC 326 as of March 31, 2023.

As of March 31, 2023 and December 31, 2022, the fair value of common stock securities associated with non-guaranteed unit linked products where the policyholder bears the investment risk were approximately \$677 and \$633, respectively.

As of March 31, 2023 and December 31, 2022, the fair values of fixed maturity securities and equity securities loaned were approximately \$3,692 and \$3,281, respectively. Cash and short-term investments received as collateral in connection with the loaned securities were approximately \$3,013 and \$2,917 as of March 31, 2023 and December 31, 2022, respectively. Investments other than cash and short-term investments received as collateral in connection with the loaned securities were approximately \$758 and \$434 as of March 31, 2023 and December 31, 2022, respectively.

The amortized cost and fair value of fixed maturities as of March 31, 2023, by contractual maturity are as follows:

	<b>Amortized Cost</b>	<b>Fair Value</b>
Due to mature:		
One year or less	\$2,876	\$2,825
Over one year through five years	25,703	24,270
Over five years through ten years	22,067	20,178
Over ten years	8,365	7,516
MBS and ABS of government and corporate agencies	15,992	14,882
Total fixed maturities	<b>\$75,003</b>	<b>\$69,671</b>

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

The following table summarizes the Company's gross realized gains and losses by asset type for the three months ended March 31, 2023 and 2022:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2023</b>	<b>2022</b>
<i>Components of Net Realized Gains (Losses)</i>		
Fixed maturities:		
Gross realized gains	\$27	\$87
Gross realized losses	(77)	(201)
Equities:		
Gross realized gains	56	130
Gross realized losses	(16)	(301)
Derivatives:		
Gross realized gains	28	15
Gross realized losses	(18)	(55)
Other:		
Gross realized gains	11	214
Gross realized losses	(27)	(33)
Total net realized (losses)	<u>\$ (16)</u>	<u>\$ (144)</u>

Included in the above are unrealized gains related to equity securities still held of \$25 and \$44, respectively, for the three months ended March 31, 2023 and 2022.

As of March 31, 2023 and December 31, 2022, impairment losses recognized through accumulated other comprehensive loss were \$(1) and \$(3) respectively.

During the three months ended March 31, 2023 and 2022, the Company recorded \$(12) of impairment losses. Included in the impairment losses are impairment charges for assets measured at fair value on a non-recurring basis related to natural resources for the three months ended March 31, 2023 and 2022, of \$- and \$(12), respectively.

During the three months ended March 31, 2023 and 2022, proceeds from sales of fixed maturities available for sale were \$2,903 and \$19,613, respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled \$20 and \$(61) in 2023 and \$82 and \$(191) in 2022. During the three months ended March 31, 2023 and 2022, proceeds from sales of equities at fair value were \$56 and \$760, respectively. The gross realized gains (losses) on sales of equities at fair value totaled \$1 and \$(2) in 2023 and \$68 and \$(27) in 2022.

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 March 31, 2023, and that were not deemed to be other-than-temporarily impaired as of December 31, 2022. The Company adopted ASC 326 on January 1, 2023. Prior to that, the Company followed the other-than-temporary impairment accounting guidance:

<b>March 31, 2023</b>	<b>Less Than 12 Months</b>		<b>12 Months or Longer</b>	
	<b>Fair Value of</b>		<b>Fair Value of</b>	
	<b>Investments with</b>		<b>Investments with</b>	
	<b>Unrealized</b>	<b>Unrealized</b>	<b>Unrealized</b>	<b>Unrealized</b>
	<b>Losses</b>	<b>Losses</b>	<b>Losses</b>	<b>Losses</b>
U.S. government and agency securities	\$(156)	\$2,794	\$(470)	\$4,790
Residential MBS	(61)	1,216	(472)	4,434
Commercial MBS	(74)	1,860	(179)	2,179
Other MBS and ABS	(24)	617	(322)	3,817
U.S. state and municipal	(28)	1,310	(412)	3,848
Corporate and other	(472)	7,908	(2,559)	20,735
Foreign government securities	(31)	1,228	(294)	3,307
Total Securities Available for Sale	<u>\$ (846)</u>	<u>\$16,933</u>	<u>\$ (4,708)</u>	<u>\$43,110</u>