

Liberty Mutual Holding Company Inc.

Notes to Consolidated Financial Statements

(dollars in millions)

(Unaudited)

	<u>As of</u> <u>July 28,</u> <u>2022</u>
Assets	
Total investments	835
Cash and cash equivalents	42
Premiums and other receivables	12
Reinsurance recoverables	114
Goodwill	88
Other assets	104
Total assets	<u>1,195</u>
Liabilities	
Unpaid claims and claims adjustment expenses	410
Unearned premium	177
Deferred tax liability	7
Other liabilities	87
Total liabilities	<u>681</u>

Direct costs related to the acquisition were expensed as incurred. Integration and acquisition costs principally consisting of non-recurring banking, legal, tax and accounting services, retention and severance costs are reflected separately on the consolidated statements of income.

MERGERS

State Auto

On March 1, 2022, the Company completed its merger with State Auto Group, a super-regional insurance holding company headquartered in Columbus, Ohio. Under the terms of the agreement, State Auto mutual members became mutual members of Liberty Mutual and Liberty Mutual acquired all of the publicly held shares of common stock of State Auto Financial for \$52 per share in cash, totaling approximately \$980 million. As a mutual merger under ASC 805, *Business Combinations*, the fair value of SAM's member interest was estimated and used as a proxy for consideration in the merger. The Company recorded a direct increase to unassigned equity of \$542 million, which represent the fair value of SAM's member interest. The table below details the final allocation of assets acquired and liabilities assumed as of March 31, 2023.

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(Unaudited)

	<u>As of</u> <u>March 1,</u> <u>2022</u>
Assets	
Total investments	3,335
Cash and cash equivalents	176
Premiums and other receivables	650
Reinsurance recoverable	189
Goodwill	47
Prepaid reinsurance premiums	16
Deferred tax asset	75
Other assets	467
Total assets	4,955
Liabilities	
Unpaid claims and claim adjustment expenses	1,799
Unearned premiums	1,233
Long-term debt	203
Other liabilities	198
Total liabilities	3,433

Direct costs related to the merger were expensed as incurred. Integration and merger costs principally consisting of non-recurring banking, legal, tax and accounting services, retention and severance costs are reflected separately on the consolidated statements of income.

DISPOSITIONS

In August 2021, the Company entered into an agreement to sell an Australian subsidiary entity (Baralaba Coal Company) and recorded an incremental impairment of \$10 in Q4, bringing the total 2021 impairment to \$509. The transaction closed in December 2021 with a realized loss incurred of \$30. In December 2022, the Company recognized a \$60 gain from contingent consideration related to the transaction. In Q1 2023, the Company received a contingent consideration payment and recognized an additional gain of \$5.