(dollars in millions)

Private Loans
Private loans consist of lending to small businesses, pools of individual consumers, and individual companies. The Company's private loans totaled $2,376, net of credit loss allowance, as of March 31, 2023 and are reported in the "Other investments" line item of the Consolidated Balance Sheet. Credit rating is considered a key credit quality indicator when estimating expected credit loss allowances for private loans. Payments on private loans were current as of March 31, 2023.

Interest on loans
Interest income on a loan is recognized unless the loan is more than 90 days delinquent, at which time they are moved to non-accrual status. Amounts deemed uncollectable are written off. Subsequently collected amounts are recognized in the period in which the cash is collected. Accrued interest is excluded from the amortized cost of loans and is reported in the "Other assets" line item of the Consolidated Balance Sheet. As of March 31, 2023, accrued interest was $18 and $27 for mortgage loans and private loans, respectively.

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

	2023		
	Mortgage	**Private**	**Total**
Balance at January 1,	$9	$-	$9
Adoption impact of ASC 326	21	28	49
Net increase/(decrease) due to credit losses	1	9	10
Net decrease due to sales/maturities/write-offs	-	-	-
Balance at March 31,	$31	$37	$68

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 March 31, 2023 and December 31, 2022, the Company has determined that it is not the primary beneficiary of any of its VIEs except for the Company's investment in its India joint venture, which is deemed immaterial.

The Company has variable interests in VIEs for which it is not the primary beneficiary and accounts for these VIEs under the equity method in accordance with ASC 323, *Investments-Equity Method and Joint Ventures*. The VIEs are principally private equity limited partnerships in which the Company has invested as a passive limited partner. The partnerships were deemed to be VIEs because the equity holders as a group lack the power to direct the activities that most significantly impact the respective entity's economic performance. The VIEs generate variability primarily from investment portfolio performance and that variability is passed to equity holders. The net carrying value of non-consolidated VIEs in which the Company has a variable interest was $11,662 and $11,554 as of March 31, 2023 and December 31, 2022, respectively, and the Company's maximum exposure to loss was $18,893 and $18,279 as of March 31, 2023 and December 31, 2022, respectively. The assets are included in other investments on the accompanying consolidated balance sheets. Maximum exposure to loss includes the carrying value and unfunded commitment of the VIE. The increase in the maximum exposure to loss from December 31, 2022 to March 31, 2023, is primarily related to valuation changes and new commitments to VIEs related to private credit and energy transition and infrastructure, partially offset by a decrease in real estate.

Limited Partnership Investments
As of March 31, 2023 and December 31, 2022, the carrying values of limited partnership investments were $12,359 and $12,346, respectively. These investments consist of traditional private equity partnerships, real estate partnerships, natural resources partnerships (primarily energy, metals and mining, and agriculture and timber), and other partnership funds and equity method investments. Included in the carrying value of limited partnership investements are $489 and $518 of limited partnership investments where the Company has elected the fair value option as of March 31, 2023 and December 31, 2022, respectively. The Company's investments in limited partnership investments are long-term in nature. The Company believes these investments offer the potential for superior longterm returns and are appropriate in the overall context of a diversified portfolio.

(4) REINSURANCE

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

The Company reported reinsurance recoverables of $18,889 and $18,817 as of March 31, 2023 and December 31, 2022, respectively, net of allowance for credit losses of $142 and $140, respectively. Included in these balances are $1,141 and $1,022 of paid recoverables and $17,890 and $17,935 of unpaid recoverables (including retroactive reinsurance), respectively.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business. 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 GRM U.S. 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 GRM U.S. 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 GRM U.S. 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 GRM U.S. Business Lines and GRS National Insurance strategic business units as of December 31, 2018, as respects injuries or accidents occurring prior to January 1, 2019.

Since the NICO Casualty Reinsurance Transaction is accounted for as retroactive reinsurance in the Company's Consolidated Financial Statements, to the extent there is unfavorable development of losses covered by this reinsurance, an additional reinsurance benefit is recognized in the consolidated statements of 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 $4 and $2 for the three months ended March 31, 2023 and March 31, 2022, respectively. As of March 31, 2023 and December 31, 2022, deferred gains were $215 and $218. Limits remaining on the contract as of March 31, 2023, were $543.

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 $456 and zero as of March 31, 2023.