

Liberty Mutual Holding Company Inc.

Notes to Consolidated Financial Statements

(dollars in millions)

(Unaudited)

The following tables summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022:

	As of March 31, 2023			
<i>Assets, at Fair Value</i>	Level 1	Level 2	Level 3	Total
U.S. government and agency securities	\$8,064	\$255	\$-	\$8,319
Residential MBS	-	5,921	-	5,921
Commercial MBS	-	4,167	81	4,248
Other MBS and ABS	-	4,663	50	4,713
U.S. state and municipal	-	6,750	318	7,068
Corporate and other	-	33,268	373	33,641
Foreign government securities	-	5,648	33	5,681
Redeemable Preferred Stock	-	-	80	80
Total fixed maturities, available for sale	8,064	60,672	935	69,671
Common stock	1,213	21	669	1,903
Preferred stock	-	1	-	1
Total equity securities	1,213	22	669	1,904
Short-term investments	5	1,273	10	1,288
Other investments	82	579	1,000	1,661
Other assets	-	-	9	9
Total assets	\$9,364	\$62,546	\$2,623	\$74,533

<i>Liabilities, at Fair Value</i>				
Life insurance obligations	-	-	(51)	(51)
Other liabilities	-	(81)	-	(81)
Total liabilities	\$-	\$(81)	\$(51)	\$(132)

	As of December 31, 2022			
<i>Assets, at Fair Value</i>	Level 1	Level 2	Level 3	Total
U.S. government and agency securities	\$7,859	\$251	\$-	\$8,110
Residential MBS	-	5,947	-	5,947
Commercial MBS	-	4,076	81	4,157
Other MBS and ABS	-	4,437	82	4,519
U.S. state and municipal	-	6,666	465	7,131
Corporate and other	-	30,885	378	31,263
Foreign government securities	-	5,370	33	5,403
Reedeemable Preferred Stock	-	-	80	80
Total fixed maturities, available for sale	7,859	57,632	1,119	66,610
Common stock	1,173	21	638	1,832
Preferred stock	-	-	1	1
Total equity securities	1,173	21	639	1,833
Short-term investments	11	520	1	532
Other investments	66	582	948	1,596
Other assets	-	-	9	9
Total assets	\$9,109	\$58,755	\$2,716	\$70,580

<i>Liabilities, at Fair Value</i>				
Life insurance obligations	-	-	(47)	(47)
Other liabilities	-	(101)	-	(101)
Total liabilities	\$-	\$(101)	\$(47)	\$(148)

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(Unaudited)

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

	As of March 31, 2023			As of December 31, 2022		
	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						
U.S. government and agency securities	\$-	\$-	\$-	\$-	\$-	\$-
Residential MBS	-	-	-	-	-	-
Commercial MBS	-	-	-	31	-	(44)
Other MBS and ABS	-	-	(33)	31	32	(10)
U.S. state and municipal	-	-	(154)	15	181	-
Corporate and other	49	1	(17)	976	1	(108)
Foreign government securities	3	-	-	24	8	-
Redemable Preferred Stock	-	-	-	55	24	-
Total fixed maturities	52	1	(204)	1,132	246	(162)
Common stock	109	-	(1)	2,516	66	(33)
Preferred stock	-	-	(1)	1	-	-
Total equity securities	109	-	(2)	2,517	66	(33)
Short-term investments	9	-	-	60	-	(1)
Other investments	63	7	(4)	699	-	(472)
Other assets	-	-	-	-	-	-
Total assets	\$233	\$8	\$(210)	\$4,408	\$312	\$(668)
Liabilities, at Fair Value						
Life insurance obligations	\$2	\$-	\$-	\$8	\$-	\$-
Total liabilities	\$2	\$-	\$-	\$8	\$-	\$-

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

The Company had no material assets or liabilities that were measured at fair value on a nonrecurring basis during the three months ended March 31, 2023.

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 1% of total invested assets.

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

(10) 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.

As of March 31, 2023, the Company had unfunded commitments in traditional private equity partnerships, real estate, private credit, natural resources, and other of \$2,355, \$2,771, \$2,146, \$1,443 (\$1,409 of which is related to energy transition and infrastructure), and \$79, respectively.

As of March 31, 2023, the Company had commitments to purchase various residential MBS at a cost and fair value of \$44.

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 March 31, 2023 the amount of the liability for expected credit losses of unfunded commitments was \$5.

(11) SUBSEQUENT EVENTS

Management has assessed material subsequent events through May 10, 2023, the date the financial statements were available to be issued.