



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
LIBERTY MUTUAL INSURANCE COMPANY

Boston, Massachusetts

As of December 31, 2023

NAIC GROUP CODE 0111

NAIC COMPANY CODE 23043

EMPLOYER ID NUMBER 04-1543470

LIBERTY MUTUAL INSURANCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation

DIVISION OF INSURANCE

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MICHAEL T. CALJOUW
COMMISSIONER OF INSURANCE

KIMBERLEY DRISCOLL
LIEUTENANT GOVERNOR

May 27, 2025

The Honorable Michael T. Caljouw
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
One Federal Street
7th Floor, Suite 700
Boston, MA 02110-0212

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4 an examination has been made of the financial condition and affairs of

LIBERTY MUTUAL INSURANCE COMPANY

at its home office located at 175 Berkeley Street, Boston, Massachusetts 02116. The following report thereon is respectfully submitted.

Liberty Mutual Insurance Company

SCOPE OF EXAMINATION

Liberty Mutual Insurance Company (“Company” or “LMIC”) was last examined as of December 31, 2018 by the Commonwealth of Massachusetts Division of Insurance (“Division”). The current multi-state Coordinated Group Examination was also conducted by the Division and covers the five-year period from January 1, 2019 through December 31, 2023, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The current examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook* (“Handbook”), the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by Ernst & Young LLP (“EY”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Liberty Mutual Insurance Company Pool’s financial statements for the calendar years 2019 through 2023. A review and use of the Certified Public Accountants’ work papers was made to the extent deemed appropriate and effective.

Representatives from the firm of Risk & Regulatory Consulting, LLC (“RRC”) were retained by the Division to assist in the examination by performing certain examination procedures at the direction and under the overall management of the Division's examination staff. The assistance included a review of accounting records, information systems and information technology general controls (“ITGC’s”), investments, and actuarially determined loss and loss adjustment expense reserves of the Liberty Mutual Intercompany Reinsurance Pooling Agreement (the “LMIC Pool”) as of December 31, 2023.

Liberty Mutual Insurance Company

RRC was also engaged to conduct concurrent examinations of Liberty Mutual Mid-Atlantic Insurance Company (“LMMAIC”) and Montgomery Mutual Insurance Company (“MMIC”). Each of those examinations is the subject of separate reports.

This coordinated group financial examination of 69 licensed domestics was conducted in compliance with the *Coordination of Holding Company Group Exams* framework of the Handbook. The following participating states coordinated with the Division to conduct its examination:

- Arizona Department of Insurance (2 licensed domestics)
- California Department of Insurance (1 licensed domestic)
- Connecticut Insurance Department (1 licensed domestic)
- Illinois Department of Insurance (9 licensed domestics)
- Indiana Department of Insurance (10 licensed domestics)
- Iowa Insurance Division (3 licensed domestics)
- Minnesota Department of Commerce (2 licensed domestics)
- State of New Hampshire Insurance Department (19 licensed domestics)
- Ohio Department of Insurance (2 licensed domestics)
- Oregon Department of Consumer & Business Services, Division of Financial Regulation (4 licensed domestics)
- Texas Department of Insurance (6 licensed domestics)
- Wisconsin Office of the Commissioner of Insurance (7 licensed domestics)

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings identified during the current exam.

Prior Examination Findings

The following recommendations were contained in the prior report on examination and the subsequent actions taken by the Company in response to each:

1. It is recommended that the Company correct its current reinsurance accounting practices to comply with SSAP No. 62R and SSAP No. 63 requirements for recording reinsurance balances on a gross basis for each affected individual pool member. In addition, we recommend the Company:
 - document its amended accounting practice in a formal reinsurance accounting policy memo.
 - review its reinsurance process narratives / flowcharts and controls and update such, as necessary, for any changes in its reinsurance accounting practice and processes.
 - evaluate and amend the Liberty Mutual Second Amended and Restated Reinsurance Agreement for any provisions that are not in compliance with SSAP No. 62R and SSAP No. 63.
 - prospectively correct Schedule F for the revised gross reporting basis for each individual pool member as necessary.

Liberty Mutual Insurance Company

The Company took corrective actions and remediated the issue.

2. It is recommended that the Company ensure that appropriate key controls and documentation are in place associated with the different agreement types, monthly calculations and recording of related party fees/expenses, settlement of intercompany receivables/payables, and evaluation of non-admitted intercompany receivables. In addition, the Company should reevaluate all related party investment agreements and other related party contracts that are based on a method other than a cost-allocation to ensure compliance with SSAP No. 25 Affiliates and Other Related Parties.

The Company took corrective actions and partially remediated the issue, however there are still key elements of the finding that require further remediation.

COMPANY HISTORY

General

The Company was incorporated as a mutual insurance company on January 1, 1912 under the laws of the Commonwealth of Massachusetts and commenced business in July of that year. During the period covered by this examination the Company has undergone several significant changes, which are highlighted in more detail in the “Territory and Plan of Operations” section of this report.

In 2001, the Company reorganized into a stock insurance company as part of a mutual holding company structure. As part of its reorganization, the Company formed (1) Liberty Mutual Holding Company Inc. (“LMHC”), a Massachusetts mutual holding company and the ultimate parent in the mutual holding company structure; (2) LMHC Massachusetts Holdings Inc. (“LMHC-MA”) a Massachusetts stock holding company, which is a direct, wholly-owned subsidiary of LMHC; and (3) Liberty Mutual Group Inc. (“LMGI”), a Massachusetts stock holding company which is a direct, wholly-owned subsidiary of LMHC-MA and the direct parent of the Company. The Company’s reorganization was part of a series of transactions that resulted in the Company, Liberty Mutual Fire Insurance Company (“LMFIC”) and Employers Insurance Company of Wausau (“EICOW”) reorganizing to stock companies under the common ownership of LMHC. As a result of the reorganization, the policyholders of LMIC, LMFIC and EICOW became members of and have equity rights in LMHC. In 2006, Liberty Mutual Personal Insurance Company (“LMPIC”) reorganized into a stock insurance company and became a wholly-owned stock subsidiary of LMGI. In 2010, LMPIC issued its first policies since becoming a subsidiary of LMGI. As a result, the policyholders of LMIC, LMFIC, EICOW and LMPIC are currently members of and have equity rights in LMHC. Collectively, all of the affiliated companies in the holding company system are referred to as the “Group”.

On August 24, 2007, the Company and three affiliates (LMFIC, Peerless Insurance Company (“PIC”), and EICOW) acquired all of the outstanding and issued voting shares of Ohio Casualty Corporation, a non-insurance holding company, which is the upstream parent of four property and casualty insurance companies. The Company directly acquired a 78% ownership in Ohio Casualty Corporation, while the Company’s affiliates acquired the remaining 22%.

Liberty Mutual Insurance Company

On June 9, 2010, the Company purchased LMFIC's 2.892% holdings of the shares of Liberty Insurance Holdings, Inc. ("LIH"), a non-insurance holding company and EICOW's 4.048% holdings of shares of LIH.

Effective January 1, 2013, the participants of the Peerless Amended and Restated Reinsurance Pooling Agreement were added to the LMIC Pool. Also, effective January 1, 2013, the Liberty Mutual Intercompany Reinsurance Agreement was renamed the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement, and the Peerless Amended and Restated Reinsurance Pooling Agreement was terminated. The entities, state of domicile and net retained activity (relative pool participation ratio) are shown below:

<u>Entity Name</u>	<u>State of Domicile</u>	<u>Pooling Percentage</u>
Liberty Mutual Insurance Company	MA	50%
Peerless Insurance Company	NH	20%
Employers Insurance Company of Wausau	WI	8%
Liberty Mutual Fire Insurance Company	WI	8%
The Ohio Casualty Insurance Company	NH	8%
Safeco Insurance Company of America	NH	6%

On April 1, 2014, the Company, with regulatory approval, sold its wholly owned non-insurance subsidiary, Summit Holdings Southeast Inc., and Summit Holdings Southeast Inc.'s two wholly owned insurance subsidiaries: Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company, to American Financial Group. Also, effective on April 1, 2014, the Company commuted its intercompany 100% quota share reinsurance agreements with Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company.

On May 1, 2017, the Company directly acquired 100% ownership and all of the issued and outstanding voting shares of Ironshore, Inc. ("Ironshore"), a holding company, which is the upstream parent of two property and casualty insurance companies and various subsidiaries that engage in insurance and non-insurance activity. Effective July 1, 2017, Ironshore Indemnity Inc. and Ironshore Specialty Insurance Company became members of the LMIC Pool.

On May 1, 2018, the Company sold Liberty Life Assurance Company of Boston, which provides group disability, group life, individual life and annuity products, to Lincoln Financial Group.

On March 1, 2022, LMHC completed the acquisition of State Auto Group, a super-regional property and casualty insurance holding company headquartered in Columbus, Ohio that distributes personal and small commercial coverages in 33 states. As a result, the following eleven (11) State Auto companies were added to the LMIC Pool:

1. American Compensation Insurance Company (MN domestic)
2. Bloomington Compensation Insurance Company (MN domestic)
3. Meridian Security Insurance Company (IN domestic)
4. Milbank Insurance Company (IA domestic)
5. Patrons Mutual Insurance Company of Connecticut (CT domestic)
6. Plaza Insurance Company (IA domestic)
7. Rockhill Insurance Company (AZ domestic)

Liberty Mutual Insurance Company

8. State Automobile Mutual Insurance Company (OH domestic)
9. State Auto Insurance Company of Ohio (OH domestic)
10. State Auto Insurance Company of Wisconsin (WI domestic)
11. State Auto Property & Casualty Insurance Company (IA domestic)

Capital Stock

The Company has authorized and outstanding 100,000 shares of common capital stock with a par value of \$100.00 per share as of December 31, 2023. All of the outstanding capital stock of the Company is owned by LMGI.

As of December 2023, LMIC also has 100,000 shares of Series A Preferred Stock authorized, of which 7,468 shares were issued, outstanding and held by its parent, LMGI. All shares have a stated par value of \$0.01.

Dividends to Stockholders

The following table illustrates ordinary dividends paid by the Company to its parent, LMGI, during the period covered by this examination:

<u>Stockholder Dividend</u>	
2023	\$ 64,766,000
2022	364,766,000
2021	64,766,000
2020	64,766,000
2019	<u>64,766,000</u>
Total	<u>\$ 623,830,000</u>

Dividends to Policyholders

Certain insurance contracts, primarily workers compensation policies, are issued with dividend plans to be paid subject to approval by the Company's Board of Directors. Incurred policyholder dividends for the years 2019 through 2023 are shown in the following schedule:

<u>Policyholder Dividend</u>	
2023	\$ 7,240,491
2022	6,964,802
2021	7,374,012
2020	8,105,712
2019	<u>6,265,862</u>
Total	<u>\$ 35,950,879</u>

MANAGEMENT AND CONTROL

LMHC & LMIC Board of Directors and LMHC Subcommittee Minutes

The minutes of meetings of the LMHC and LMIC Board of Directors (“Board”), or consent actions in lieu of meetings, and minutes of the LMHC Subcommittee meetings for the period under examination were read and they indicated that all actions were taken in accordance with the Company’s bylaws, committee’s charters and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified by the Board.

Articles of Organization and Bylaws

The Company’s Articles of Organization (“Articles”) and bylaws were reviewed and there were no amendments to the Articles or bylaws during the examination period.

Annual Meeting of the Stockholder

In accordance with the bylaws, the annual meeting of the stockholder is held during the first six months of the calendar year, the purpose of which is to elect a Board and to act upon such matters as may properly arise at that meeting. Minutes of stockholder meetings were reviewed for the period covered by this examination and all meetings were held in accordance with the Company’s bylaws.

LMHC Board of Directors

LMHC’s Board is responsible for providing oversight of the entire organization, including the Company. According to the LMHC bylaws, the Group’s business shall be managed by the Board which may exercise all of the powers of the Company, except as otherwise provided by the Articles or bylaws. The LMHC Board shall consist of not less than ten nor more than twenty-two persons as determined by vote of a majority of the Board. Directors are elected for a period of one, two or three years, as designated by the Board or members nominating candidates.

As of December 31, 2023, the LMHC’s Board was comprised of thirteen Directors, eleven of whom are independent, as follows:

<u>Name</u>	<u>Title</u>
David H. Long	Executive Chairman (former Chief Executive Officer), LMHC
William C. Van Faasen	Chairman, Emeritus Blue Cross Blue Shield of Massachusetts, Inc.
Timothy M. Sweeney	President and Chief Executive Officer, LMHC
Joseph L. Hooley	Retired Chairman and Chief Executive Officer, State Street Corporation
Myrtle S. Potter	President and Chief Executive Officer, Sumitomo Pharma America, Inc.
Nancy W. Quan	Chief Technical and Innovation Officer, Coca-Cola Company

Liberty Mutual Insurance Company

<u>Name</u>	<u>Title</u>
Ellen A. Rudnick	Senior Advisor, Polsky Center for Entrepreneurship & Innovation at the University of Chicago
Angel A. Ruiz	Chairman, MediaKind
George Serafeim	Charles M. Williams Professor of Business Administration, Harvard Business School
Martin P. Slark	Retired Chief Executive Officer, Molex LLC
Eric A. Spiegel	Retired President and Chief Executive Officer, Siemens Corporation
Annette M. Verschuren	Chair and Chief Executive Officer, NRstor, Inc.
Anne Waleski	Retired Executive Vice President & Chief Financial Officer, Markel Corporation

Committees of the LMHC Board of Directors

During the period covered by this examination and in accordance with the LMHC bylaws, the LMHC Board of Directors may create an Executive Committee and Investment Committee and delegate any or all of the powers granted to the LMHC Board by law and LMHC bylaws. Many aspects of corporate governance for the Group as a whole are handled by Committees of LMHC.

The LMHC Board may elect, or by vote, authorize the Chief Executive Officer to appoint members of an Executive Committee and Investment Committee, and such other committees as may be required from time to time. As of December 31, 2023, standing committees of the LMHC Board include a Finance & Audit Committee, Compensation Committee, Executive Committee, Investment Committee, Governance & Sustainability Committee, and Risk Committee. In addition, the LMHC Finance & Audit Committee is the designated Audit Committee for the Company. These LMHC committees serve the Company in a governance perspective and are responsible for the approval of entity level decisions, investment strategies and transactions, and compensation matters.

At the LMHC level, a list of members serving on the Committees as of December 31, 2023 is as follows:

Finance & Audit Committee

Nancy W. Quan
Angel Ruiz
Eric A. Spiegel
Annette M. Verschuren
Anne Waleski*

Executive Committee

David H. Long*
William C. Van Faasen
Timothy M. Sweeney
Myrtle S. Potter
George Serafeim
Eric A. Spiegel
Anne Waleski

Risk Committee

Timothy M. Sweeney
Jay Hooley
Myrtle S. Potter
Ellen A. Rudnick
Angel A. Ruiz
Martin P. Slark
Eric A. Spiegel*

Liberty Mutual Insurance Company

Compensation Committee

William C. Van Faasen
Jay Hooley
Myrtle S. Potter*
Nancy Quan
Anne Waleski

Investment Committee

Timothy M. Sweeney
George Serafeim*
Martin P. Slark
Eric A. Spiegel
Annette M. Verschuren

Governance & Sustainability Committee

David H. Long*
William C. Van Faasen
Timothy M. Sweeney
Jay Hooley
Myrtle S. Potter
Ellen A. Rudnick
George Serafeim
Anne Waleski

* Committee Chair

LMIC Board of Directors

According to the LMIC bylaws, the Company's business and affairs shall be managed by the LMIC Board which may exercise all of the powers of the Company, except as otherwise provided by the Articles or bylaws. The LMIC Board, a Management Board by nature, shall consist of not less than seven nor more than twenty-four persons as determined by vote of a majority of the LMIC Board or by vote of the stockholders. Directors are elected for a period of one year, with all LMIC Board members' terms expiring annually.

As of December 31, 2023, the Company's Board was comprised of nine affiliated Directors as follows:

<u>Name</u>	<u>Title</u>
Vlad Y. Barbalat	President and Chief Investment Officer of Liberty Mutual Investments
Neeti B. Johnson	EVP and President of Global Risk Solutions, LMGI
Hamid T. Mirza	EVP and President of US Retail Markets, LMGI
Monica A. Caldas	EVP and Chief Technology Officer, LMGI
Damon P. Hart	EVP and Chief Legal Officer and Secretary, LMGI
Christopher L. Peirce	EVP and Chief Financial Officer, LMGI
Melanie M. Foley	EVP and Chief Purpose Officer, LMGI
James M. MacPhee	EVP and Chief Operating Officer, LMGI
Timothy M. Sweeney	Chief Executive Officer, LMGI

LMIC Officers

Corporate officers are elected by the LMIC Board at the annual stockholder meeting, and serve for one year in accordance with the Company's bylaws. The elected principal senior officers of the Company and their respective titles at December 31, 2023 were as follows:

<u>Name of Officer</u>	<u>Title</u>
Timothy M. Sweeney	President
Damon P. Hart	EVP and Chief Legal Officer and Secretary
Nik Vasilakos	EVP and Treasurer
Vlad Y. Barbalot	EVP and Chief Investment Officer

Liberty Mutual Insurance Company

<u>Name of Officer</u>	<u>Title</u>
Neeti B. Johnson	EVP
Christopher L. Peirce	EVP and Chief Financial Officer
Monica A. Caldas	EVP and Chief Information Officer
James M. MacPhee	EVP
Paul Sanghera	EVP and Comptroller
Hamid T. Mirza	EVP
Melanie M. Foley	EVP

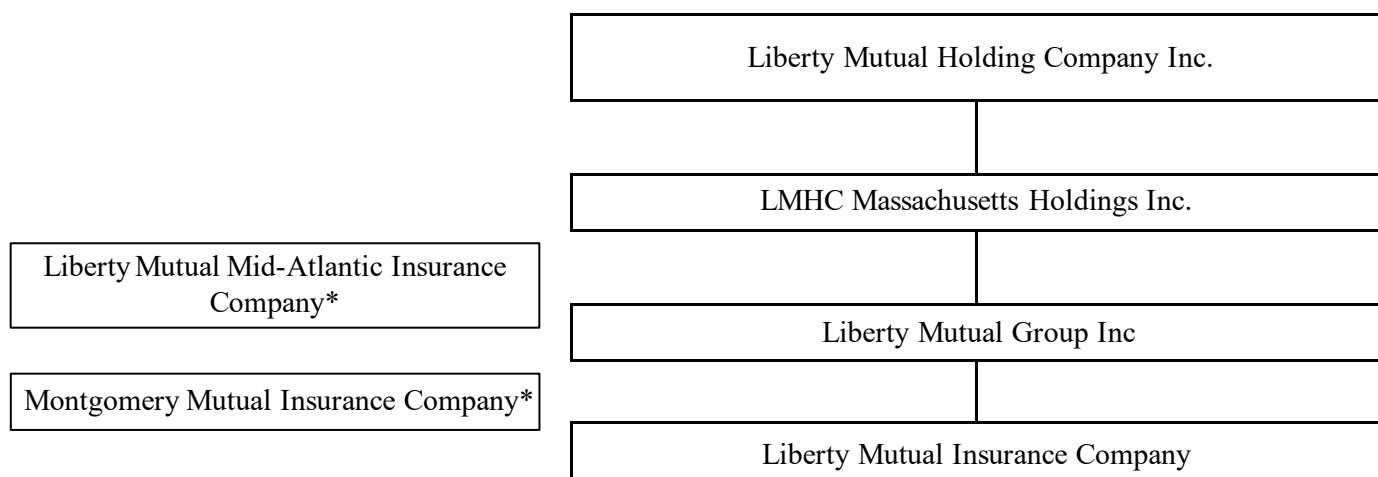
Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of the Massachusetts General Laws, Chapter 175, Section 206C and 211 CMR 7.00. LMHC is the “ultimate controlling person” of the Group per the Form B, as filed with the Division.

Organizational Chart

The Company’s ultimate parent is LMHC, which operates in 27 countries and key markets around the globe which include the United States, Canada, 10 countries in Europe, nine countries throughout Asia and the Pacific and five countries in Latin America. In the United States there are 69 licensed insurance companies domiciled in thirteen (13) different states. Additionally, there are a number of non-insurance entities within the LMHC organizational structure.

The following is an abbreviated organizational chart as of December 31, 2023 depicting the Company’s relationship to its ultimate controlling parent and other Massachusetts domiciled insurers:



*The Company is a mutual company and therefore not owned by any business entity, although, LMHC controls the Company’s Board.

Please refer to the Company’s December 31, 2023 Annual Statement filing, Schedule Y for a complete organizational chart.

Liberty Mutual Insurance Company

Transactions and Agreements with Affiliates

In addition to the legal entities noted above, the Company has in place various management agreements with other insurance entities within the Group. As many of these entities are mutual insurers, technically owned by their policyholders, they are affiliated with the Company through these management agreements and the Company controls a majority of each company's Board.

Management Services Agreements

The Company is party to a management service agreement with LMGI whereby LMGI provides the Company with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by LMGI.

The Company has in place various management and service agreements with most of its subsidiaries and affiliates whereby the Company may provide office space, supplies, equipment, telephone and wire services, the use of computers and office equipment and services of personnel employed by the Company and LMGI, including, but not limited to, claims handling, credit and collections, sales and underwriting, and a wide variety of computer activities.

The Company is charged or reimbursed respectively for the cost of the services acquired from LMGI or provided to its subsidiaries and affiliates under these agreements.

Investment and Cash Management Agreements

The Company is a party to an investment management agreement with Liberty Mutual Investment Advisors LLC ("LMIA") whereby LMIA provides services to the Company.

The Company is also a party to an investment and cash management agreement with Liberty Mutual Group Asset Management Inc. ("LMGAMI"). LMGAMI provides various accounting, financial reporting and record keeping services in support of the Company's cash liquidity management services discussed below, as well as acting as a sub-advisor and providing investment management services to manage the assets of the Liberty Mutual Retirement Plan Master Trust investment portfolio.

The Company is the appointed investment advisor to manage the investment portfolio of the Liberty Mutual Retirement Plan Master Trust. At its discretion, LMIC may appoint a sub-advisor to assist with management of the investment portfolio.

Revolving Credit Agreements

As of December 31, 2023, the Company is a party to revolving loan agreements under which the Company may lend funds to twenty-two different subsidiaries and affiliates for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments. Credit lines available under these arrangements range from \$4.8 million to \$1.95 billion from each party. There were no outstanding loans as of December 31, 2023.

Liberty Mutual Insurance Company

<u>Affiliate Company</u>	<u>Credit Line</u>
Liberty Mutual Fire Insurance Company	\$ 165,000,000
Employers Insurance Company of Wausau	170,000,000
Liberty Mutual Group Inc.	1,950,000,000
Peerless Insurance Company	600,000,000
Safeco Insurance Company of America	200,000,000
The Ohio Casualty Insurance Company	250,000,000
State Auto Mutual Insurance Company	25,000,000
Liberty Corporate Capital Limited	100,000,000
Liberty International Holdings, Inc.	20,000,000
Liberty Specialty Markets Bermuda Limited	100,000,000
Liberty Mutual Insurance Europe SE	254,960,000
Liberty International European Holdings, S.L.U.	287,209,000
Liberty Specialty Markets Hong Kong Limited	19,209,713
Liberty Specialty Markets Singapore Pte. Ltd	21,226,594
Liberty International Insurance Limited	25,612,950
LMG Insurance Public Company Limited	29,297,590
Liberty Insurance Pte Ltd (Singapore)	53,066,485
Liberty Compañía de Seguros Generales S.A.	39,059,361
Liberty Seguros S.A. (Colombia)	39,804,162
Liberty Seguros S.A. (Ecuador)	10,000,000
Liberty Insurance Limited	4,822,740
Liberty Managing Agency Limited	250,000,000

Under similar arrangements, LMIC is able to borrow funds from seven different subsidiaries and affiliates for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments. Credit lines available under these agreements range from \$100 million to \$1.95 billion from each party. There were no outstanding borrowings as of December 31, 2023.

<u>Affiliate Company</u>	<u>Credit Line</u>
Liberty Mutual Fire Insurance Company	165,000,000
Employers Insurance Company of Wausau	170,000,000
Liberty Mutual Group Inc.	1,950,000,000
Peerless Insurance Company	600,000,000
Safeco Insurance Company of America	200,000,000
The Ohio Casualty Insurance Company	250,000,000
Liberty Specialty Markets Bermuda Limited	100,000,000

Tax Sharing Agreement

The Company's federal income tax return is consolidated with other affiliates in the federal income tax return of LMHC. The income tax allocation is subject to a written tax sharing agreement and allocation is based upon separate return calculations with credit applied for losses as appropriate. The Company has the enforceable right to recoup prior year payments in the event of future losses.

Guarantees with Affiliates

The Company has made guarantees on behalf of the following affiliates:

Liberty Mutual Insurance Company

Affiliate Company	Maximum Future Payments	Guarantee Description
Summit Asia Investments Holdings Pte. Ltd.	29,922,953	Guarantee of all obligations to Citigroup Inc., its subsidiaries and affiliates
Liberty Specialty Markets Hong Kong Limited	Unlimited	Guarantee of any undisputed obligations
Liberty Information Technology Limited	15,275,593	Future noncancellable lease obligation
Liberty Specialty Markets Singapore Pte. Limited	Unlimited	Guarantee of any undisputed obligations
Liberty Specialty Markets Hong Kong Limited	20,344,366	Guarantee of all obligations to Citigroup Inc., its subsidiaries and affiliates
Liberty Mutual Insurance Europe SE	Unlimited	Guarantee of obligations until LMIE achieves spec. S&P rating
American First Insurance Company	5,000,000	Reduction in fair value of “qualifying Louisiana investments”
Liberty Personal Insurance Company	7,000,000	Reduction in fair value of “qualifying Louisiana investments”
Safeco Insurance Company of Oregon	15,000,000	Reduction in fair value of “qualifying Louisiana investments”
San Diego Insurance Company	19,497,445	Guarantee of reinsurance agreement obligations
Liberty Surplus Insurance Corporation	1,000,000	Minimum capital and surplus levels of at least \$500,000 each
Any Liberty Mutual Group company with JPMorgan Chase Bank	500,000,000	Guarantee to cover any overdraft of funds in the custodial accounts
Liberty Specialty Markets Bermuda Limited	Unlimited	Guarantee of any undisputed obligations
Liberty Corporate Capital Limited and Liberty Corporate Capital (Two)	1,575,172,812	Guarantee of certain payment obligations
Liberty Specialty Markets Holdco S.L.U.	425,000,000	Performance of certain capital contribution obligations
Liberty Seguros, S.A de C.V.	250,000	Guarantee of rent obligations
Ironshore Specialty Insurance Company	135,204	Letter of Credit with Citibank Europe
Ironshore Specialty Insurance Company	340,000	Letter of Credit with Deutsche Bank

TERRITORY AND PLAN OF OPERATION

The Company is the largest member of the Group. The Group is a diversified international group of insurance and non-insurance companies that underwrites virtually all lines of personal and commercial property and casualty business with private passenger automobile, homeowners and auto physical damage being the Group's largest lines of business, followed by specialty insurance, commercial multiperil, and workers' compensation. In 2023, the Group ranks as the fifth largest property and casualty insurance group in the United States, and the fifth largest global property and casualty insurance group based on direct premiums written.

The Company currently conducts its business through two Strategic Business Units (“SBU”): U.S. Retail Markets (“USRM”) and Global Risk Solution (“GRS”). Each operates independently in sales, underwriting, and claims, but uses shared services in other operational areas. USRM includes U.S. personal lines, U.S. business lines and small commercial lines, and includes mostly automobile, homeowners and small business insurance. GRS includes a wide array of property, casualty, automobile, specialty, life and health and reinsurance products distributed through multiple channels globally and is organized into the following five market segments: North America; Liberty Specialty Markets; Liberty Mutual Reinsurance (LM Re); Asia Retail Markets; and Global Surety; and Other GRS for LMHC’s reinsurance program.

The Company distributes products and services through direct sales representatives, independent

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agents and brokers, affinity groups, marketing alliances, direct response call centers and the Internet. The Company believes that this multi-channel distribution strategy permits potential customers to access the Company's full product portfolio through the channel of their choice.

Treatment of Policyholders – Market Conduct

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination. During the claims test work, it was noted that the Company investigates and settles claims on a timely and fair basis.

REINSURANCE

The Company's reinsurance program primarily consists of ceded and assumed business in the form of excess of loss contracts, catastrophe contracts, facultative treaties, adverse development covers and intercompany treaties. These contracts are primarily prospective in nature, however, the Company is party to a few large retroactive contracts in which the Company transferred liabilities for losses that had already occurred. These amounts are included in the balance sheet presentation.

The Global Reinsurance underwriting team, in conjunction with the Reinsurance Operations financial team are responsible for designing and administering effective ceded and assumed reinsurance programs. Global Reinsurance is the Company's integrated reinsurance purchasing group, supporting both internal and ceded reinsurance programs.

Liberty Mutual Intercompany Reinsurance Pooling Agreement

The Company shares the results of its underwriting operations through the LMIC Pool with a number of subsidiaries and affiliates. The Company is the lead insurer of the LMIC Pool and as such is the principal administrator of most pooling operations. After recording all of the affiliate transactions, LMIC records 100% of its external assumed and ceded reinsurance and the net underwriting activity is retroceded to the LMIC Pool participants in accordance with each company's pro-rata pooling participation percentage as noted below, except for Wausau Business Insurance Company, Wausau General Insurance Company and Wausau Underwriters Insurance Company, which cede 100% of its underwriting activity to Employers Insurance Company of Wausau, which then 100% retrocedes to LMIC to be included in the LMIC Pool. Some companies in the LMIC Pool assign legacy nonaffiliated ceded reinsurance treaties to LMIC and once assigned those reinsurance treaties are accounted for and reported on LMIC's financial statements including Schedule F.

The LMIC Pool participants and their respective pro-rata pooling percentages as of December 31, 2023 are as follows:

Liberty Mutual Insurance Company

	Legal Entity	NAIC #	2023 Pooling Percentage	State of Domicile
Lead Company	Liberty Mutual Insurance Company	23043	50%	MA
Affiliated Pool Companies	Peerless Insurance Company	24198	20%	NH
	Employers Insurance Company of Wausau	21458	8%	WI
	Liberty Mutual Fire Insurance Company	23035	8%	WI
	The Ohio Casualty Insurance Company	24074	8%	NH
	Safeco Insurance Company of America	24740	6%	NH
	American Compensation Insurance Company***	45934	0%	MN
	American Economy Insurance Company	19690	0%	IN
	America First Insurance Company	12696	0%	NH
	American Fire and Casualty Company	24066	0%	NH
	America First Lloyd's Insurance Company	11526	0%	TX
	American States Insurance Company	19704	0%	IN
	American States Insurance Company of Texas	19712	0%	TX
	American States Lloyds Insurance Company	31933	0%	TX

	Legal Entity	NAIC #	2023 Pooling Percentage	State of Domicile
	American States Preferred Insurance Company	37214	0%	IN
	Bloomington Compensation Insurance Company***	12311	0%	MN
	Colorado Casualty Insurance Company	41785	0%	NH
	Consolidated Insurance Company	22640	0%	IN
	Excelsior Insurance Company	11045	0%	NH
	First National Insurance Company of America	24724	0%	NH
	The First Liberty Insurance Corporation	33588	0%	IL
	General Insurance Company of America	24732	0%	NH
	Golden Eagle Insurance Corporation	10836	0%	NH
	Hawkeye-Security Insurance Company	36919	0%	WI
	Insurance Company of Illinois	26700	0%	IL
	Indiana Insurance Company	22659	0%	IN
	Ironshore Indemnity Inc.*	23647	0%	IL
	Ironshore Specialty Insurance Company*	25445	0%	AZ
	Liberty Insurance Corporation	42404	0%	IL
	Liberty Insurance Underwriters Inc.	19917	0%	IL
	Liberty County Mutual Insurance Company	19544	0%	TX
	LM General Insurance Company	36447	0%	IL
	Liberty Lloyds of Texas Insurance Company	11041	0%	TX
	LM Insurance Corporation	33600	0%	IL
	Liberty Mutual Mid-Atlantic Insurance Company	14486	0%	MA
	Liberty Mutual Personal Insurance Company	12484	0%	NH
	Liberty Northwest Insurance Corporation	41939	0%	OR
	Liberty Personal Insurance Company	11746	0%	NH
	Liberty Surplus Insurance Corporation	10725	0%	NH
	Meridian Security Insurance Company***	23353	0%	IN
	Mid-American Fire & Casualty Company	23507	0%	NH
	Milbank Insurance Company***	41653	0%	IA
	Montgomery Mutual Insurance Company	14613	0%	MA
	The Midwestern Indemnity Company	23515	0%	NH
	National Insurance Association	27944	0%	IN
	The Netherlands Insurance Company	24171	0%	NH
	North Pacific Insurance Company	23892	0%	OR
	Ohio Security Insurance Company	24082	0%	NH
	Oregon Automobile Insurance Company	23922	0%	OR
	Patrons Mutual Insurance Company of Connecticut***	14923	0%	CT
	Peerless Indemnity Insurance Company	18333	0%	IL

Liberty Mutual Insurance Company

	Plaza Insurance Company***	30945	0%	IA
	Rockhill Insurance Company***	28053	0%	AZ
	Safeco Insurance Company of Illinois	39012	0%	IL
	Safeco Insurance Company of Indiana	11215	0%	IN
	Safeco Insurance Company of Oregon	11071	0%	OR
	Safeco Lloyds Insurance Company	11070	0%	TX
	Safeco National Insurance Company	24759	0%	NH
	Safeco Surplus Lines Insurance Company	11100	0%	NH
	State Automobile Mutual Insurance Company***	25135	0%	OH
	State Auto Insurance Company of Ohio***	11017	0%	OH
	State Auto Property & Casualty Insurance Company***	25127	0%	IA
	State Auto Insurance Company of Wisconsin***	31755	0%	WI
	Wausau Business Insurance Company **	26069	0%	WI
	Wausau General Insurance Company**	26425	0%	WI
	Wausau Underwriters Insurance Company**	26042	0%	WI
	West American Insurance Company	44393	0%	IN
100% Quota Share Affiliated	LM Property and Casualty Insurance Company	32352	0%	IN

* Effective July 1, 2017, Ironshore Indemnity Inc. (“III”) and Ironshore Specialty Insurance Company (“ISIC”) became members of the LMIC Pool. All III and ISIC underwriting assets and liabilities were ceded to LMIC and retroceded to the LMIC Pool participants in accordance with each company’s LMIC Pool participation percentage as noted above.

** Wausau Business Insurance Company, Wausau General Insurance Company and Wausau Underwriters Insurance Company, each cedes 100% of its direct underwriting activity to Employers Insurance Company of Wausau, who then retrocedes 100% to the LMIC Pool.

*** Effective April 1, 2022, the entity was added to the LMIC Pool as part of the State Auto acquisition.

Assumed Reinsurance

The Company writes an external assumed reinsurance book of business in the US written on LMIC. The business written for insurance and reinsurance includes proportional and non-proportional treaty US Casualty (including Financial Risks), US Property, and US Marine business (began in 2018), Property Catastrophe Excess of Loss business. In addition, the Company participated in two pool arrangements in 2018 with USAIG (United States Aviation Insurance) and ANI (American Nuclear Insurer). The relationship with USAIG has since ended (as of YE 2019) and moved to runoff. Business written in total for this book in 2018 was approximately \$580M.

Business varies by program. As such, the Company writes different percentage shares of the business ceded by clients to the market and each is assessed on its own merits for appetite by the Company, profitability and for how it complements the overall portfolio of business.

The Casualty business covers mostly US exposures and ranges across lines of business including General Liability, Professional Lines Liability, Primary Casualty, Excess and Umbrella, Public Entity, Environmental and Auto. The Property business is also primarily US exposures. It includes business written in commercial and personal lines books and regional business, both catastrophic and non-catastrophic in nature. For this business, the Company records financial results aligned to bordereau and individual invoices received daily. For the pools, the Company records their respective share of the financial results from the pools as

Liberty Mutual Insurance Company

reported to them in monthly and annual statements.

In addition, the Company assumes risks via internal reinsurance agreements with various foreign affiliated entities. These agreements facilitate the purchase of global ceded reinsurance protection for the overall organization.

Involuntary Pools and Associations

Excluding the Company's LMIC Pool participation, the Company assumes a significant part of its business through participation in numerous involuntary pools and associations, the largest of which is the National Workers Compensation Pool. Insurers, including the Company, generally record their respective financial results from these pools and associations as reported to them in quarterly statements. Because of the reporting lags commonly associated with pools and associations, LMIC often supplements the reported results with more current estimates of its share of premiums and losses relating to this business.

Ceded Reinsurance

Corporate Reinsurance Programs

In addition to the LMIC Pool Agreement described above, LMIC administers corporate reinsurance programs placed with various external reinsurers on behalf of the Liberty Pool. The following is a summary of the U.S. Corporate Property Catastrophe and the Adverse Development Cover with National Indemnity Company ("NICO") in place as of December 31, 2023:

1) U.S. Corporate Property Catastrophe Program

The Company has property catastrophe reinsurance coverage for its domestic business and certain specialty operations including: 1) hurricanes and earthquake reinsurance covering the United States, Canada and the Caribbean, excluding certain reinsurance exposures; and 2) quota share reinsurance programs. These programs are structured to meet the Company's established tolerances under its Enterprise Risk Management Program. This program is comprised of several contracts including:

A) Homeowners Quota Share

This treaty provides quota share reinsurance coverage on a losses-occurring basis for domestic homeowner's multiline policies, covering both property and liability. LMIC retains a 92.9% participation.

B) Property Catastrophe Excess of Loss

- i) Property Catastrophe Excess of Loss (Named Storms and Earthquake Only)
Covers business classified by the company as Property business including commercial lines automobile physical damage coverages and personal lines automobile physical damage with losses directly resulting from a Named Storm (i.e. hurricanes) and Earthquake occurring anywhere in the United States, Canada, and the Caribbean including Bermuda and The Bahamas.
- ii) Property Catastrophe Excess of Loss (All Perils)
Covers business classified by the company as Property business including commercial lines automobile physical damage coverages and personal lines automobile physical damage with losses directly resulting from any one

Liberty Mutual Insurance Company

disaster, accident or loss or series of disasters, accidents or losses arising out of one event occurring anywhere in the United States, Canada, and the Caribbean including Bermuda and The Bahamas.

iii) Property Catastrophe Excess of Loss (Placed with Mystic Re)

Includes Index and Indemnity Bonds, covers business classified by the company as Property business including commercial lines automobile physical damage coverages and personal lines automobile physical damage with losses directly resulting from a Named Storm (i.e. hurricanes) and Earthquake. Mystic Re indemnity cat bonds cover events occurring anywhere in the United States, Canada, and the Caribbean – including Bermuda and The Bahamas. The Mystic Re index bond is triggered based on a state-weighted PCS industry event loss, and covers Named Storm events that occur in the United States, Puerto Rico and The Bahamas, and Earthquake events that occur in the United States, Puerto Rico, The Bahamas and all territories of Canada.

iv) Multi-Year Property Catastrophe Excess of Loss Treaty (All Perils)

This treaty is comprised of a single layer and has a reinstatement at 100% provision. It covers business classified by the Company as Property business including commercial lines automobile physical damage coverages and personal lines automobile physical damage with losses directly resulting from any one disaster, accident or loss or series of disasters, accidents or losses arising out of one event occurring anywhere in the United States, Canada, and the Caribbean including Bermuda and The Bahamas.

2) Adverse Development Cover - National Indemnity Company

LMIC entered into an adverse development cover with NICO, a subsidiary of Berkshire Hathaway Inc., effective January 1, 2014 which provides coverage for LMIC's U.S. commercial workers' compensation and asbestos and environmental ("A&E") exposures. Specifically, the treaty provides \$6.5 billion of aggregate coverage on carried undiscounted loss and allocated loss adjustment expense reserves of \$15.8 billion as of December 31, 2013, with an attachment point of \$12.5 billion on combined undiscounted workers' compensation and A&E reserves. Sub-limits are also in place, consisting of \$3.1 billion on A&E and \$4.5 billion on workers' compensation large deductible policy reserves. In conjunction with the treaty, Resolute Management, an affiliate of NICO, assumed claim handling responsibility for A&E claims. Liberty Mutual retained the handling of workers' compensation claims. The contract is accounted for on a retroactive basis.

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 Ironshore's reserves related to losses occurring prior to January 1, 2017. The first layer of the contract transfers \$0.4 billion 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 \$0.5 billion above a retention equal to approximately \$3 billion, minus paid losses between January 1, 2017 and May 1, 2017, which retention

Liberty Mutual Insurance Company

approximates the total held reserves on the covered business on Ironshore's opening balance sheet. The contract includes a sublimit of \$0.277 billion for certain construction liability liabilities. The contract is accounted for on a retroactive basis.

On November 5, 2019, LMIC entered into a reinsurance transaction with NICO, a subsidiary of Berkshire Hathaway Inc, on a combined aggregate excess of loss agreement for certain USRM Business Lines and GRS National Insurance workers compensation, commercial auto liability and general liability excluding umbrella and warranty liabilities. The first layer of the contract attaches at \$300 million below applicable held reserves at inception of \$8.3 billion of combined aggregate reserves. The second layer of the contract provides adverse development coverage for \$1 billion above a retention equal to \$8.7 billion. The contract includes a sublimit of \$100 million for certain general liability liabilities. This contract is accounted for on a retroactive basis.

3) Auto Physical Damage Quota Share

This treaty provides quota share reinsurance coverage on a losses-occurring basis for domestic personal lines Private Passenger Auto Physical Damage policies. LMIC retains an 80.0% participation. Treaty is placed with an affiliated entity Liberty Specialty Markets Bermuda Limited.

4) Global Casualty Excess of Loss and Quota Share

This treaty covers Liberty Mutual Group's global excess casualty portfolio which is approximately \$3.5 billion of annual GWP. The program is comprised of an Excess of Loss component and a Quota Share component, with the covered subject business being identical for both treaties. The Excess of Loss is a risks attaching treaty that provides coverage at an individual risk (insured) level, with multiple excess layers being considered a single layer for the application of the retention. There are two layers that in total cover \$40M xs \$10M at a risk level, and both layers are 60% placed. The Quota Share is 35% placed and covers the same risks as the Excess of Loss from ground up to \$50M max at an individual risk level.

In addition to the LMIC Pool Agreement described above, the Company has unsecured reinsurance recoverables that exceed 3% of the Company's policyholder's surplus with the National Workers' Compensation Reinsurance Pool and Swiss Re Group, as shown below:

Reinsurer	Balance
National Workers' Compensation Reinsurance Pool	\$ 1,401,658,000
Swiss Re Group	906,023,650
Total	<u>\$ 2,307,681,650</u>

There was no reinsurance recoverable in dispute from an individual reinsurer that exceeds 5% of the Company's policyholder's surplus. In addition, the aggregate reinsurance recoverable in dispute do not exceed 10% of the Company's surplus.

Liberty Mutual Insurance Company

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2023. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2023

Statement of Income for the Year Ended December 31, 2023

Statement of Capital and Surplus for the Year Ended December 31, 2023

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2023

Liberty Mutual Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds
as of December 31, 2023

	<u>Per Annual Statement</u>
ADMITTED ASSETS	
Bonds	\$ 24,908,371,156
Preferred stock	28,975,398
Common stock	19,908,296,404
Mortgage loans on real estate – first liens	1,258,869,749
Properties occupied by the company	56,183,370
Properties held for sale	66,045,341
Cash, cash equivalents, and short-term investments	1,850,245,073
Derivatives	1,141,203
Other invested assets	8,278,127,538
Receivables for securities	86,416,666
Securities lending reinvested collateral assets	<u>1,193,500,629</u>
Subtotals, cash and invested assets	<u>57,636,172,527</u>
Investment income due and accrued	186,906,667
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	3,649,556,370
Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,478,095,328
Accrued retrospective premiums and contracts subject to redetermination	81,008,729
Reinsurance:	
Amounts recoverable from reinsurers	1,231,916,978
Funds held by or deposited with reinsured companies	32,632,946
Amounts receivable relating to uninsured plans	34,621
Current federal income tax recoverable and interest thereon	16,759,574
Net deferred tax assets	1,107,708,020
Guaranty funds receivable or on deposit	10,948,374
Electronic data processing equipment and software	15,997,910
Receivable from parent, subsidiaries and affiliates	465,189,983
Aggregate write-ins for other than invested assets	<u>1,978,625,493</u>
TOTAL ADMITTED ASSETS	<u>\$ 70,891,553,520</u>

Liberty Mutual Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds (Continued)
As of December 31, 2023

	<u>Per Annual Statement</u>
LIABILITIES	
Losses	\$ 24,500,744,686
Reinsurance payable on paid losses and loss adjustment expenses	872,444,833
Loss adjustment expense	4,347,792,557
Commissions payable, contingent commissions and other similar charges	387,182,341
Other expenses	374,857,141
Taxes, licenses and fees (excluding federal and foreign income taxes)	141,531,212
Borrowed money	150,376,485
Unearned premiums	10,298,963,305
Advance premium	71,575,042
Dividends declared and unpaid:	
Policyholders	1,310,198
Ceded reinsurance premium payable	2,230,122,749
Funds held by company under reinsurance treaties	360,714,151
Amounts withheld or retained by company for account of others	1,129,741,391
Provision for reinsurance	296,126,000
Payable to parent, subsidiaries and affiliates	1,929,921,117
Derivatives	43,956,198
Payable for securities	75,847,568
Payable for securities lending	1,193,500,629
Aggregate write-ins for liabilities	<u>(978,643,239)</u>
Total Liabilities	<u>47,428,064,364</u>
Aggregate write-ins for special surplus funds	209,508,757
Common capital stock	10,000,000
Preferred capital stock	75
Aggregate write-ins for other than special surplus funds	1,250,000
Surplus notes	624,021,716
Gross paid in and contributed surplus	13,209,595,772
Unassigned funds (surplus)	<u>9,409,112,836</u>
Surplus as regards policyholders	<u>23,463,489,156</u>
TOTAL LIABILITIES, SURPLUS AND OTHER FUNDS	<u>\$ 70,891,553,520</u>

Liberty Mutual Insurance Company

Statement of Income

For the Year Ended December 31, 2023

	<u>Per Annual Statement</u>
Underwriting Income	
Premiums earned	\$ 20,082,173,720
Deductions	
Losses incurred	13,099,163,672
Loss adjustment expenses incurred	2,286,457,975
Other underwriting expenses incurred	<u>5,754,648,260</u>
Total underwriting deductions	<u>21,140,269,907</u>
Net underwriting loss	<u>(1,058,096,187)</u>
Investment Income	
Net investment income earned	1,686,097,003
Net realized capital gains (losses)	<u>(133,031,521)</u>
Net investment gain	<u>1,553,065,482</u>
Other Income	
Net loss from agents' or premium balances charged off	(128,294,987)
Finance and service charges not included in premiums	115,284,144
Aggregate write-ins for miscellaneous income (deductions)	<u>(42,829,544)</u>
Total other income (loss)	<u>(55,840,387)</u>
Net income before dividends to policyholders and before federal income taxes	439,128,908
Dividends to policyholders	<u>7,240,491</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	431,888,417
Foreign and federal income taxes incurred	<u>(41,358,610)</u>
Net income	<u>\$ 473,247,027</u>

Liberty Mutual Insurance Company
Statement of Capital and Surplus
For the Year Ended December 31, 2023

Surplus as regards policyholders, December 31 prior year	\$ 21,990,465,553
Net income	473,247,027
Change in net unrealized capital gains or (losses)	998,161,350
Change in net unrealized foreign exchange capital gain (loss)	50,932,098
Change in net deferred income tax	146,806,821
Change in nonadmitted assets	(540,309,593)
Change in provision for reinsurance	(98,848,000)
Change in surplus notes	66,281
Surplus adjustments: Paid in	509,998,170
Dividends to stockholders	(64,766,000)
Aggregate write-ins for gains and losses in surplus	<u>(2,264,551)</u>
Change in surplus	<u>1,473,023,603</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$ 23,463,489,156</u></u>

Liberty Mutual Insurance Company
Reconciliation of Capital and Surplus
For Each Year in the Five-Year Period Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Surplus as regards policyholders, December 31, prior year	\$ 21,990,465,553	\$ 22,049,616,067	\$ 19,019,875,128	\$ 16,811,384,432	\$ 16,365,330,449
Net income/ (loss)	473,247,027	176,938,499	490,836,901	262,657,766	598,402,665
Change in net unrealized capital gains	998,161,350	(1,669,155,185)	1,192,782,960	1,043,909,678	79,082,534
Change in net unrealized foreign exchange capital gain (loss)	50,932,098	(83,627,983)	(20,584,690)	46,055,617	48,210,588
Change in net deferred income tax	146,806,821	86,354,708	415,875	(31,191,322)	43,997,380
Change in nonadmitted assets	(540,309,593)	154,224,353	591,512,682	43,521,210	(103,248,049)
Change in provision for reinsurance	(98,848,000)	(57,644,000)	(62,237,000)	48,325,000	(62,856,000)
Change in surplus notes	66,281	66,281	66,281	66,281	66,281
Paid in capital					75
Paid in surplus	509,998,170	1,520,000,000	859,625,260	900,000,000	(75)
Dividends to stockholders	(64,766,000)	(364,766,000)	(64,766,000)	(64,766,000)	(64,766,000)
Aggregate write-ins for gains or (losses) in surplus	(2,264,551)	178,458,813	42,088,670	(40,087,534)	(92,835,416)
Net change in capital and surplus	<u>1,473,023,603</u>	<u>(59,150,514)</u>	<u>3,029,740,939</u>	<u>2,208,490,696</u>	<u>446,053,983</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 23,463,489,156</u>	<u>\$ 21,990,465,553</u>	<u>\$ 22,049,616,067</u>	<u>\$ 19,019,875,128</u>	<u>\$ 16,811,384,432</u>

Liberty Mutual Insurance Company

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes in the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

RRC was retained to assist in the analysis of various actuarially determined items in the 2023 Annual Statement. Given the “risk focused” examination approach of the overall examination, RRC’s primary objective was to perform an assessment of reserve risk by performing a qualitative review of the work papers and documentation supporting the estimates of loss and loss adjustment expense liabilities in order to assess the reasonableness of the scope, data used, methodologies and assumptions applied. This review included the analysis prepared by the Company’s appointed actuary and review and evaluation of the Company’s reconciliation as of December 31, 2023 of the actuarial data to Schedule P. This evaluation was also intended to consider data integrity and the appropriateness of the data segmentation. RRC also performed a high level evaluation of the Group’s actuarial process for development of pricing indications.

Based on RRC’s analysis and applied examination procedures, RRC determined that the LMIC Pool’s carried Loss and LAE reserves are approximately \$7,941 million dollars higher than RRC’s central estimate. The net loss and LAE reserves were determined to be sufficient as of December 31, 2023.

LMIC POOL
(000,000’s omitted)

RRC Estimates

	<u>Low</u>	<u>Indicated</u>	<u>High</u>	<u>Total Carried</u>	Redundancy/ (Deficiency) <u>Vs. Indicated</u>
Net Loss & LAE	\$ 44,872	\$ 49,756	\$ 54,650	\$ 57,697	\$ 7,941

Appointed Actuary Estimates

	<u>Low</u>	<u>Indicated</u>	<u>High</u>	<u>Total Carried</u>	Redundancy/ (Deficiency) <u>Vs. Indicated</u>
Net Loss & LAE	\$ 52,224	\$ 55,435	\$ 58,450	\$ 57,697	\$ 2,262

Based on RRC’s analysis and applied examination procedures, RRC determined that the LMIC’s carried Loss and LAE reserves are approximately \$3,971 million dollars higher than RRC’s central estimate. The net loss and LAE reserves were determined to be sufficient as of December 31, 2023. We note the below is after the inter-company pooling, as the Company retains 50% of all reserve liabilities of the LMIC Pool.

Liberty Mutual Insurance Company

LMIC (000,000's omitted)

RRC Estimates

	<u>Low</u>	<u>Indicated</u>	<u>High</u>	<u>Total Carried</u>	<u>Redundancy/ (Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$ 22,436	\$ 24,878	\$ 27,325	\$ 28,849	\$ 3,971

Appointed Actuary Estimates

	<u>Low</u>	<u>Indicated</u>	<u>High</u>	<u>Total Carried</u>	<u>Redundancy/ (Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$ 26,112	\$ 27,718	\$ 29,225	\$ 28,849	\$ 1,131

SUBSEQUENT EVENTS

On July 25, 2024, Liberty Mutual announced that Julie Haase was named Executive Vice President and Chief Financial Officer, effective January 1, 2025. Current Executive Vice President and Chief Financial Officer Chris Peirce announces retirement at end of 2024.

In January 2025, there were a series of severe wildfires that impacted areas of Southern California and these catastrophe losses will be recorded in the Company's Q1 2025 financial statements.

On March 4, 2025, Liberty Mutual announced it will market and sell all of its personal lines products solely under the Liberty Mutual brand starting in 2026. Safeco Insurance, the company's brand within the independent agent channel, will retire as a brand.

SUMMARY OF RECOMMENDATIONS

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

Liberty Mutual Insurance Company

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by Risk & Regulatory Consulting, LLC who participated in the examination is hereby acknowledged.



John M. Curran, CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance