



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

REPORT OF EXAMINATION OF THE
LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY

Boston, Massachusetts

As of December 31, 2023

NAIC GROUP CODE 0111

NAIC COMPANY CODE 14486

EMPLOYER ID NUMBER 04-0867770

LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY

TABLE OF CONTENTS	<u>Page</u>
Salutation	1
Scope of Examination	2
Summary of Significant Findings of Fact	3
Prior Examination Findings	3
Company History	4
General	4
Dividends to Policyholders	4
Management and Control	4
LMHC and LMMAIC Board of Directors and LMHC Subcommittee Minutes	4
Articles of Organization and Bylaws	5
Annual Meeting of the Policyholders	5
LMHC Board of Directors	5
Committees of the LMHC Board of Directors	6
LMMAIC Board of Directors	7
LMMAIC Officers	7
Affiliated Companies	7
Organizational Chart	8
Transactions and Agreements with Affiliates	8
Territory and Plan of Operation	9
Reinsurance	9
Liberty Mutual Intercompany Reinsurance Pooling Agreement	9
Financial Statements	12
Statement of Assets, Liabilities, Surplus and Other Funds	13
Statement of Income	14
Statement of Capital and Surplus	15
Reconciliation of Capital and Surplus	16
Analysis of Changes in Financial Statements Resulting from the Examination	17
Comments on Financial Statements Items	17
Subsequent Events	18
Summary of Recommendations	18
Signature Page	19



COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation

DIVISION OF INSURANCE

One Federal Street, Suite 700 • Boston, MA 02110

(617) 521-7794 • Toll free (877) 563-4467

<http://www.mass.gov/doi>

MAURA HEALEY
GOVERNOR

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 MID-ATLANTIC INSURANCE COMPANY

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

SCOPE OF EXAMINATION

Liberty Mutual Mid-Atlantic Insurance Company (the “Company” or “LMMAIC”) 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 Mid-Atlantic Insurance Company

RRC was also engaged to conduct concurrent examinations of Liberty Mutual Insurance Company (“LMIC”) 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.

The Company took corrective actions and remediated the issue.

Liberty Mutual Mid-Atlantic Insurance Company

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 in 1920 in the state of Pennsylvania under the name Merchants and Business Men's Mutual Insurance Company. It became affiliated with the Liberty Mutual Group (the "Group") on June 25, 1997, and changed its name to Liberty Mutual Mid-Atlantic Insurance Company on March 20, 2006. Although affiliated with LMIC, the Company is a mutual insurer and not owned by any business entity. LMIC has a controlling interest on the LMMAIC Board of Directors. The Company primarily writes homeowners, inland marine and private passenger automobile coverage in New Jersey. Effective June 8, 2010, the Company transferred its domicile to the Commonwealth of Massachusetts.

The Company is a member of the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement whereby after external reinsurance, the Company cedes its net underwriting activity to the lead company in the LMIC Pool and its pooling participation is 0.00%. Therefore, the Company reports no underwriting activity or reserve development.

Dividends to Policyholders

There were no dividends to policyholders during the period of this examination.

MANAGEMENT AND CONTROL

LMHC & LMMAIC Board of Directors and LMHC Subcommittee Minutes

The minutes of meetings of the LMHC and LMMAIC 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

Liberty Mutual Mid-Atlantic Insurance Company

The Articles of Organization (“Articles”) and bylaws were reviewed and there were no amendments to the Articles during the examination period. The bylaws of the Company were amended on December 1, 2020 to allow for electronic meetings for the Annual Meeting.

Annual Meeting of the Policyholders

In accordance with the bylaws, the annual meeting of the policyholders is for the purpose of electing approximately one-third of the LMMAIC Board by ballot to hold office until the annual meeting of the third year thereafter and to act upon such matters as may properly arise at that meeting. Minutes of policyholders 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
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

<u>Name</u>	<u>Title</u>
-------------	--------------

Liberty Mutual Mid-Atlantic Insurance Company

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 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*

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

LMMAIC Board of Directors

Liberty Mutual Mid-Atlantic Insurance Company

LMIC has a controlling interest on the LMMAIC Board. According to the bylaws, the Company'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 LMMAIC Board, a Management Board by nature, shall consist of not less than nine nor more than nineteen persons as determined by vote of a majority of the whole Board.

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

<u>Name of Director</u>	<u>Title</u>
James M. Czapla	Deputy General Counsel, US Retail Markets (USRM), LMGI
Matthew P. Dolan	President, Ironshore, Global Risk Solutions (GRS), LMGI
Alison B. Erbig	Chief Financial Officer, GRS, LMGI
Michael J. Fallon	President, Major Accounts, GRS, LMGI
Damon P. Hart	EVP and Chief Legal Officer and Secretary, LMGI
Matthew E. Johnson	Chief Financial Officer, USRM, LMGI
Hamid T. Mirza	EVP and President of USRM, LMGI
Elizabeth J. Morahan	Deputy General Counsel, GRS, LMGI
Paul Sangher	EVP and Comptroller, LMGI

LMMAIC Officers

Corporate officers are elected by the LMMAIC Board after the adjournment of each annual policyholders 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>
Hamid T. Mirza	President and Chief Executive Officer
Nikos Vasilakos	EVP and Treasurer
Damon P. Hart	EVP and Chief Legal Officer and Secretary
Paul Sanghera	EVP and Comptroller
Vlad Y. Barbalot	EVP and Chief Investment Officer
Christopher L. Peirce	EVP and Chief Financial Officer

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.

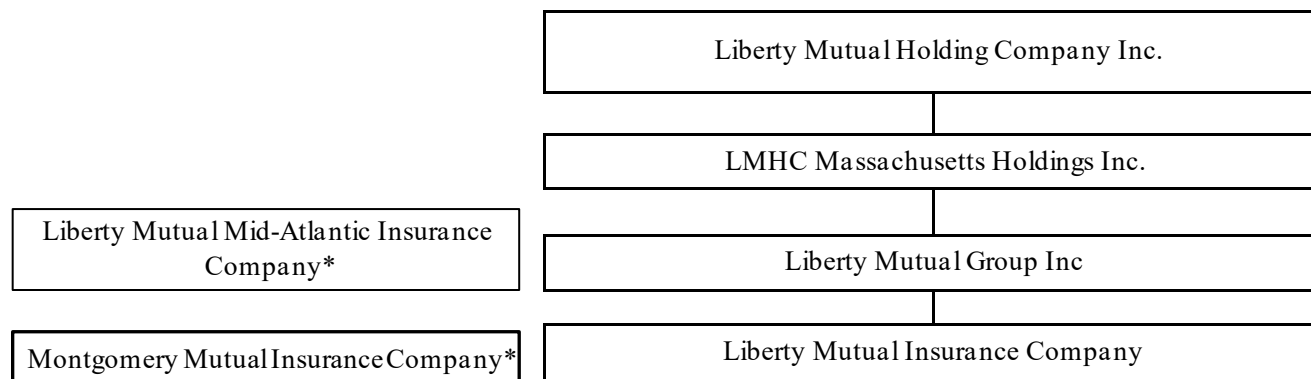
Organizational Chart

As previously noted, LMMAIC is a member of holding company structure with LMIC having a controlling interest in the Company. LMIC's ultimate parent is LMHC, which operates in 27 countries and key markets around the globe which include the United States, Canada, 10 countries

Liberty Mutual Mid-Atlantic Insurance Company

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.

Transactions and Agreements with Affiliates

Management Services Agreement

The Company is a party to a management services agreement (the "Agreement") with LMIC. Under the agreement, LMIC may provide the Company with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by LMIC and LMGI. Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management, and administration. LMIC is reimbursed for the cost of all services which it provides under the agreement.

Investment Management Agreement

The Company is a party to an investment management agreement with Liberty Mutual Group Asset Management Inc. ("LMGAMI"), where LMGAMI provides investment management services to the Company including various accounting, financial reporting and record keeping services in support of the Company's investment portfolio.

Agency Agreement

The Company is a party to an Agency Agreement with Comparion Insurance Agency, LLC ("CIA") whereby CIA is appointed a property-casualty insurance agent of the Company and provides usual and customary services of an insurance agent on all insurance contracts placed by CIA with the

Liberty Mutual Mid-Atlantic Insurance Company

Company.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in fifteen states, but all of the direct business is written in the State of New Jersey. Its principal lines of business are private passenger auto, homeowners and inland marine. 100% of written premium is ceded to the LMIC Pool. The Company reported \$282,317,675 of 2023 direct premium written in the State of New Jersey.

REINSURANCE

Liberty Mutual Intercompany Reinsurance Pooling Agreement

As previously noted, the Company is a member of the LMIC Pool. According to the agreement, the Company cedes 100% of its risks to LMIC, 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 Company's participation ratio is 0.00% and therefore does not report any net underwriting financial results.

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

	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

Liberty Mutual Mid-Atlantic Insurance Company

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
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

Liberty Mutual Mid-Atlantic Insurance Company

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.

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 Mid-Atlantic Insurance Company

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

	Per <u>Annual Statement</u>
ADMITTED ASSETS	
Bonds	\$ 24,520,561
Common stock	103,681
Cash, cash equivalents, and short-term investments	1,524
Receivables for securities	17,250
Securities lending reinvested collateral assets	<u>832,274</u>
Subtotals, cash and invested assets	<u>25,475,289</u>
Investment income due and accrued	141,404
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	143
Current federal income tax recoverable and interest thereon	86,601
Receivable from parent, subsidiaries and affiliates	1,367
Aggregate write-ins for other than invested assets	<u>25,549</u>
TOTAL ADMITTED ASSETS	<u>\$ 25,730,353</u>
LIABILITIES	
Reinsurance payable on paid losses and loss adjustment expenses	\$ 1,707
Net deferred tax liability	43,000
Payable to parent, subsidiaries and affiliates	1,811,854
Payable for securities lending	<u>832,274</u>
Total Liabilities	<u>2,688,835</u>
Surplus notes	9,500,000
Unassigned funds (surplus)	<u>13,541,518</u>
Surplus as regards policyholders	<u>23,041,518</u>
TOTAL LIABILITIES, SURPLUS AND OTHER FUNDS	<u>\$ 25,730,353</u>

Liberty Mutual Mid-Atlantic Insurance Company

Statement of Income
For the Year Ended December 31, 2023

	Per <u>Annual Statement</u>
Investment Income	
Net investment income earned	<u>\$ 516,442</u>
Net investment gain	<u>516,442</u>
Other Income	
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	516,442
Foreign and federal income taxes incurred	<u>97,000</u>
Net income	<u>\$ 419,442</u>

Liberty Mutual Mid-Atlantic Insurance Company

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

Surplus as regards policyholders, December 31 prior year	\$	22,634,857
Net income		419,442
Change in net unrealized capital gains or (losses)		(9,307)
Change in net deferred income tax		<u>(3,474)</u>
Change in surplus		<u>406,661</u>
Surplus as regards policyholders, December 31 current year	\$	<u><u>23,041,518</u></u>

Liberty Mutual Mid-Atlantic 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	\$ <u>22,634,857</u>	\$ <u>22,281,356</u>	\$ <u>21,929,506</u>	\$ <u>21,539,427</u>	\$ <u>21,040,049</u>
Net income/ (loss)	419,442	367,414	386,836	526,806	581,319
Change in net unrealized capital gains	(9,307)	7,969	7,911	(574)	52,976
Change in net deferred income tax	(3,474)	(21,882)	(45,897)	(142,153)	(131,917)
Change in nonadmitted assets	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>6,000</u>	<u>(3,000)</u>
Net change in capital and surplus	<u>406,661</u>	<u>353,501</u>	<u>351,850</u>	<u>390,079</u>	<u>499,378</u>
Surplus as regards policyholders, December 31, current year	\$ <u>23,041,518</u>	\$ <u>22,634,857</u>	\$ <u>22,281,356</u>	\$ <u>21,929,506</u>	\$ <u>21,539,427</u>

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.

As noted previously, LMMAIC’s pooling participation ratio is 0.00%, and therefor does not carry any net loss or LAE reserves.

LMIC POOL
(000,000’s omitted)

RRC Estimates

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

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.

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