

Report of the Examination of
Liberty Mutual Fire Insurance Company
Boston, MA
As of December 31, 2023

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May 27, 2025

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
101 East Wilson Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs
and financial condition of:

LIBERTY MUTUAL FIRE INSURANCE COMPANY
Boston, MA

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Liberty Mutual Fire Insurance Company (LMFIC or the company) was conducted in 2019 and 2020 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of the Liberty Mutual Group (LMG). The Group examination includes the examination of the following companies:

Company	Domicile State
Liberty Mutual Insurance Company (LMIC) (group lead company)	MA
American Compensation Insurance Company (ACI)	MN
American Economy Insurance Company (ADIC)	IN
America First Insurance Company (AFIC)	NH
America Fire and Casualty Company (AFCIC)	NH
America First Lloyd's Insurance Company (AFLIC)	TX
American States Insurance Company (ASIC)	IN
American States Insurance Company of Texas (ASICT)	TX
American States Lloyd's Insurance Company (ASLCO)	TX

Company	Domicile State
American States Preferred Insurance Company (ASPCO)	IN
Bloomington Compensation Insurance Company (BCI)	MN
Colorado Casualty Insurance Company (OCIC)	NH
Consolidated Insurance Company (CIC)	IN
Employers Insurance Company of Wausau (EICOW)	WI
Excelsior Insurance Company (EIC)	NH
First National Insurance Company of America (FNICA)	NH
The First Liberty Insurance Corporation (FST)	IL
General Insurance Company of America (GICA)	NH
Golden Eagle Insurance Company (GEIC)	CA
Hawkeye-Security Insurance Company (HSIC)	WI
Insurance Company of Illinois (ICIL)	IL
Indiana Insurance Company (IIC)	IN
Ironshore Indemnity Inc. (III)	IL
Ironshore Specialty Insurance Company (ISIC)	AZ
Liberty Insurance Corporation (LIC)	IL
Liberty Insurance Underwriters, Inc. (LIU)	IL
Liberty County Mutual Insurance Company (LCMIC)	TX
LM General Insurance Company (LMGIC)	IL
Liberty Lloyd's of Texas Insurance Company (LLOT)	TX
LM Insurance Company (LMC)	IL
LM Property and Casualty Insurance Company (LMPAC)	IN
Liberty Mutual Fire Insurance Company (LMFIC)	WI
Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC)	MA
Liberty Mutual Personal Insurance Company (LMPICO)	NH
Liberty Northwest Insurance Company (LNW)	OR
Liberty Personal Insurance Company (LPIC)	NH
Liberty Surplus Insurance Corporation (LSI)	NH
Meridian Security Insurance Company (MSI)	IN
Mid-American Fire & Casualty Company (MAFCC)	NH
Milbank Insurance Company (MBK)	IA
Montgomery Mutual Insurance Company (MMIC)	MA
The Midwestern Indemnity Company (MWIC)	NH
National Insurance Association (NIA)	IN
The Netherlands Insurance Company (NIC)	NH
North Pacific Insurance Company (NPIC)	OR
The Ohio Casualty Insurance Company (OCIC)	NH
Ohio Security Insurance Company (OSIC)	NH
Oregon Automobile Insurance Company (OAIC)	OR
Patrons Mutual Insurance Company of Connecticut (PMI)	MA
Peerless Indemnity Insurance Company (PIIC)	IL

Company	Domicile State
Peerless Insurance Company (PIC)	NH
Plaza Insurance Company (PICO)	IA
Rockhill Insurance Company (RIC)	AZ
Safeco Insurance Company of America (SICOA)	NH
Safeco Insurance Company of Illinois (SICIL)	IL
Safeco Insurance Company of Indiana (SICIN)	IN
Safeco Insurance Company of Oregon (SICOR)	OR
Safeco Lloyd's Insurance Company (SLICO)	TX
Safeco National Insurance Company (SNIC)	NH
Safeco Surplus Lines Insurance Company (SSLIC)	NH
State Automobile Mutual Insurance Company (SAM)	OH
State Auto Insurance Company of Ohio (SOH)	OH
State Auto Property & Casualty Insurance Company (SPC)	IA
State Auto Insurance Company of Wisconsin (SWI)	WI
Wausau Business Insurance Company (WBIC)	WI
Wausau General Insurance Company (WGIC)	WI
Wausau Underwriters Insurance Company (WUIC)	WI
West American Insurance Company (WAIC)	IN

The Massachusetts Division of Insurance (MA DOI) acted in the capacity as the lead state for the coordinated examinations. Work performed by the MA DOI was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate 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, annual statement instructions, and Wisconsin laws and regulations. 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 at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for completing this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

The company is a participant in a reinsurance pooling agreement with LMIC and certain of its property and casualty insurance subsidiaries. The reinsurance pooling is also known as the Liberty Pool. The company's net loss and loss adjustment expense reserves are the product of the reserves of the Liberty Pool and the company's participation percentage in the pool.

The MA DOI engaged a third-party consultant to review the adequacy of the Liberty Pool's loss and loss adjustment expense reserves as of December 31, 2023. The actuary's results were reported to the MA DOI's examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

Investment Review

The MA DOI also engaged the same third-party consultant to perform a review of the company's invested assets portfolio as of December 31, 2023. The results of that review were reported to the MA DOI examiner-in-charge. As deemed appropriate, reference is made in this report to the findings of the review.

II. HISTORY AND PLAN OF OPERATION

Liberty Mutual Fire Insurance Company (“LMFIC” or “company”) is a stock property and casualty insurer that was organized in 1908 in the state of Massachusetts. Below is an abbreviated history of the company since inception:

Year	Event
1908	The company was organized as a MA-domiciled Mutual Insurer under the name “United Druggists Mutual Fire Insurance Company.”
1949	The company adopted its name, “Liberty Mutual Fire Insurance Company.” At the time, the company was affiliated with Liberty Mutual Insurance Company via common management and directorship.
2001	Pursuant to a mutual holding company restructuring of the LMG, the company, LMIC, and Employers Insurance Company of Wausau (EICOW) all reorganized as stock under the common ownership of Liberty Mutual Holding Company (LMHCI), thereby resulting in the policyholders of LMFIC, LMIC and EICOW becoming members and having equity rights in LMHC.
2005	The company redomiciled to Wisconsin.

The company has no employees of its own. Most day-to-day operations are conducted with staff provided by Liberty Mutual Group Inc. (LMGI) and LMIC in accordance with the business practices and internal controls of those organizations. Expenses are paid by LMIC on behalf of the company, or, in some cases, directly by the company itself. Expenses other than federal income taxes are allocated through a general expense allocation agreement. Tax allocations are established in accordance with a written consolidated federal income tax sharing agreement applicable to LMHC and certain of its direct and indirect subsidiaries. Intercompany balances with affiliates are created in the ordinary course of business with settlements generally made on a quarterly basis. Written agreements with affiliates are further described in the section of this report titled “Affiliated Companies.”

LMFIC’s operations are coordinated from its principal place of business in Boston, Massachusetts. The company owns no office buildings for the transaction of its own business. Support services are provided through a network of leased office facilities throughout the United States.

As of the examination date, the company is licensed in all 50 states, the District of Columbia, and Puerto Rico.

In 2023, the company wrote direct premium in the following states:

California	\$ 635,134,785	15.1%
New York	541,885,168	12.8
New Jersey	412,240,578	9.8
Texas	332,250,564	7.9
Massachusetts	201,445,659	4.8
Florida	175,883,738	4.2
North Carolina	152,209,073	3.6
Illinois	107,048,016	2.5
Pennsylvania	104,190,972	2.5
Georgia	97,259,783	2.3
Ohio	91,247,574	2.2
Indiana	85,182,987	2.0
All others	<u>1,281,064,902</u>	<u>30.4</u>
Total	<u>\$4,217,043,799</u>	<u>100.0%</u>

As previously mentioned, the company participates in the Liberty Pool. The Liberty Pool includes national property and casualty insurance companies with a diversified distribution channel, including direct sales agents, independent agents, and independent brokers throughout the U.S. The Liberty Pool's major lines of business include private passenger auto, homeowner, workers' compensation, commercial multi-peril, commercial auto, and general liability.

The following table is a summary of the net insurance premiums written by the company in 2023. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	\$ 320,026,748	\$ 104,688,193	\$ 320,094,665	\$ 104,620,276
Allied lines	69,142,810	128,116,500	69,168,716	128,090,594
Multiple Peril crop		5,412,130		5,412,130
Federal flood	32,410,756	(1,797)	32,410,756	(1,797)
Private flood	21,265,375	7,025,299	21,265,375	7,025,299
Farmowners multiple peril		26,004,394		26,004,394
Homeowners multiple peril	699,719,152	745,339,648	699,779,176	745,279,624
Commercial multiple peril (non-liability portion)	52,917,375	114,656,543	52,917,375	114,656,543
Commercial multiple peril (liability portion)		90,586,791		90,586,791
Ocean marine	5,986,058	20,686,090	5,986,058	20,686,090
Inland marine	170,487,392	110,299,158	170,487,389	110,299,160
Financial guaranty		3,854,003		3,854,003
Medical professional liability - occurrence		9,583,261		9,583,261
Medical professional liability - claims made		18,335,657		18,335,657
Earthquake	27,472,679	12,173,013	27,472,679	12,173,013
Comprehensive (hospital & medical) group		(171,360)		(171,360)
Other health		9,737,420		9,737,420
Workers' compensation	303,977,592	137,122,490	304,571,826	136,528,256

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Other liability – occurrence	424,943,821	255,015,351	424,943,901	255,015,271
Other liability – claims made	40,093,595	96,410,108	40,093,595	96,410,108
Excess workers' compensation	79,779,028	9,300,215	79,779,028	9,300,215
Products liability – occurrence	88,427,852	16,565,081	88,427,852	16,565,081
Products liability – claims made	107,383	2,596,556	107,383	2,596,556
Private passenger auto no- fault (personal injury)	35,216,188	51,084,239	35,216,187	51,084,240
Other private passenger auto liability	405,881,327	531,912,892	405,881,326	531,912,893
Commercial auto no-fault (personal injury)	150,408,437	11,747,726	150,408,437	11,747,726
Other commercial auto liability	798,287,443	135,808,680	798,287,443	135,808,681
Private passenger auto physical damage	352,876,126	381,337,740	352,876,127	381,337,740
Commercial auto physical damage	78,757,442	35,330,510	78,757,442	35,330,510
Aircraft (all perils)		1,569,121		1,569,121
Fidelity	770	2,550,953	770	2,550,953
Surety	7,050,333	117,807,309	7,050,333	117,807,309
Burglary and theft	20,623	80,696	20,824	80,495
Boiler and machinery	51,787,494	7,764,412	51,787,494	7,764,412
Credit		5,873,004		5,873,004
Warranty		98		98
Reinsurance – non-proportional assumed property		15,398,041		15,398,041
Reinsurance – non-proportional assumed liability		11,285,200		11,285,200
Reinsurance – non-proportional assumed financial lines		5,850,574		5,850,574
Total All Lines	<u>\$4,217,043,799</u>	<u>\$3,238,735,940</u>	<u>\$4,217,792,157</u>	<u>\$3,237,987,582</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine members. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. No compensation specific to service on the board is received by directors who are also executives of the Liberty Mutual Group.

As of the date of this examination report, the board of directors consists of the following persons:

Name	Principal Occupation	Term Expires
Vlad Barbalat	EVP and Chief Investment Officer Liberty Mutual Group Inc.	2025
Monica Caldas	EVP and Chief Technology Officer Liberty Mutual Group Inc.	2025
Melanie M. Foley	EVP and Chief Purpose Officer Liberty Mutual Group Inc.	2025
Damon P. Hart	EVP, Chief Legal Officer and Secretary Liberty Mutual Group Inc.	2025
Neeti Bhalla Johnson	President of Global Risk Solutions Liberty Mutual Group Inc.	2025
James M. MacPhee	EVP and Chief Operating Officer Liberty Mutual Group Inc.	2025
Hamid T. Mirza	President of US Retail Markets Liberty Mutual Group Inc.	2025
Christopher L. Peirce	EVP and Chief Financial Officer Liberty Mutual Group Inc.	2025*
Timothy M. Sweeney	President and Chief Executive Officer Liberty Mutual Group Inc.	2025

** Christopher L. Peirce retired as of 12/31/2024. Julie M. Haase replaced Mr. Peirce as Chief Financial Officer and Executive Vice President.*

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Vlad Barbalat	Chief Investment Officer, Executive Vice President
Neeti Bhalla Johnson	Executive Vice President, President of GRS
Monica Caldas	Chief Information Officer, Executive Vice President
Melanie Foley	Executive Vice President
Damon Hart	Chief Legal Officer, Secretary, Executive Vice President
James MacPhee	Executive Vice President
Hamid Mirza	Executive Vice President, President of USRM
Christopher Peirce*	Chief Financial Officer, Executive Vice President
Paul Sanghera	Comptroller, Executive Vice President
Timothy Sweeney	Chief Executive Officer, President
Nik Vasilakos	Treasurer, Executive Vice President

* Christopher L. Peirce retired as of 12/31/2024. Julie M. Haase replaced Mr. Peirce as Chief Financial Officer and Executive Vice President.

Committees of the Board

The company's bylaws permit the appointment of committees to exercise the powers of the board and the management of the business affairs of the corporation to the extent authorized by law and by board resolution, with certain named exclusions; however, the board did not appoint any committees during the examination period. Board committees appointed by the LMHC board are the following:

Finance & Audit Committee

Anne Waleski, Chair
Nancy W. Quan
Angel Ruiz
Eric A. Spiegel
Annette Verschuren

Executive Committee

David H. Long, Chair
William C. Van Faasen
Myrtle Potter
George Serafeim
Eric Spiegel
Timothy Sweeney
Anne Waleski

Investment Committee

George Serafeim, Chair
Martin Slark
Eric Spiegel
Timothy Sweeney
Annette Verschuren

Risk Committee

Eric Spiegel, Chair
Jay Hooley
Myrtle Potter
Ellen Rudnick
Angel Ruiz
Martin Slark
Timothy Sweeney

Compensation Committee

Myrtle Potter, Chair
William C. Van Faasen
Jay Hooley
Nancy W. Quan
Anne Waleski

Governance & Sustainability Committee

David H. Long, Chair
William C. Van Faasen
Jay Hooley
Myrtle Potter
Ellen Rudnick
George Serafeim
Timothy Sweeney
Anne Waleski

IV. AFFILIATED COMPANIES

LMFIC is a member of the Liberty Mutual Group (LMG), whose ultimate parent is Liberty Mutual Holding Company Inc. (LMHC). LMG is a diversified international insurance group offering a wide range of insurance products and services to businesses and individuals operating in 30 countries, with 68 property and casualty insurers, seven insurance brokerages and agencies, and nine providers of ancillary insurance-related services (including investment management/advisory services). The group employs more than 50,000 people in approximately 800 offices worldwide. Operations are conducted through the following strategic business units:

US Retail Markets (USRM)

USRM consists of US Personal and US Business Lines. US Personal Lines sells automobile, homeowners, and other types of property and casualty insurance coverage to individuals in the U.S. These products are distributed through approximately 1,380 licensed employee Comparion agents, 820 telesales counselors, independent agents, third-party producers, online, and sponsored affinity groups. US Business Lines serves small commercial customers through an operating model that combines local underwriting, market knowledge, and service with the scale advantages of a national company. USRM generated revenues of \$28.9 billion in 2023.

Global Risk Solutions (GRS)

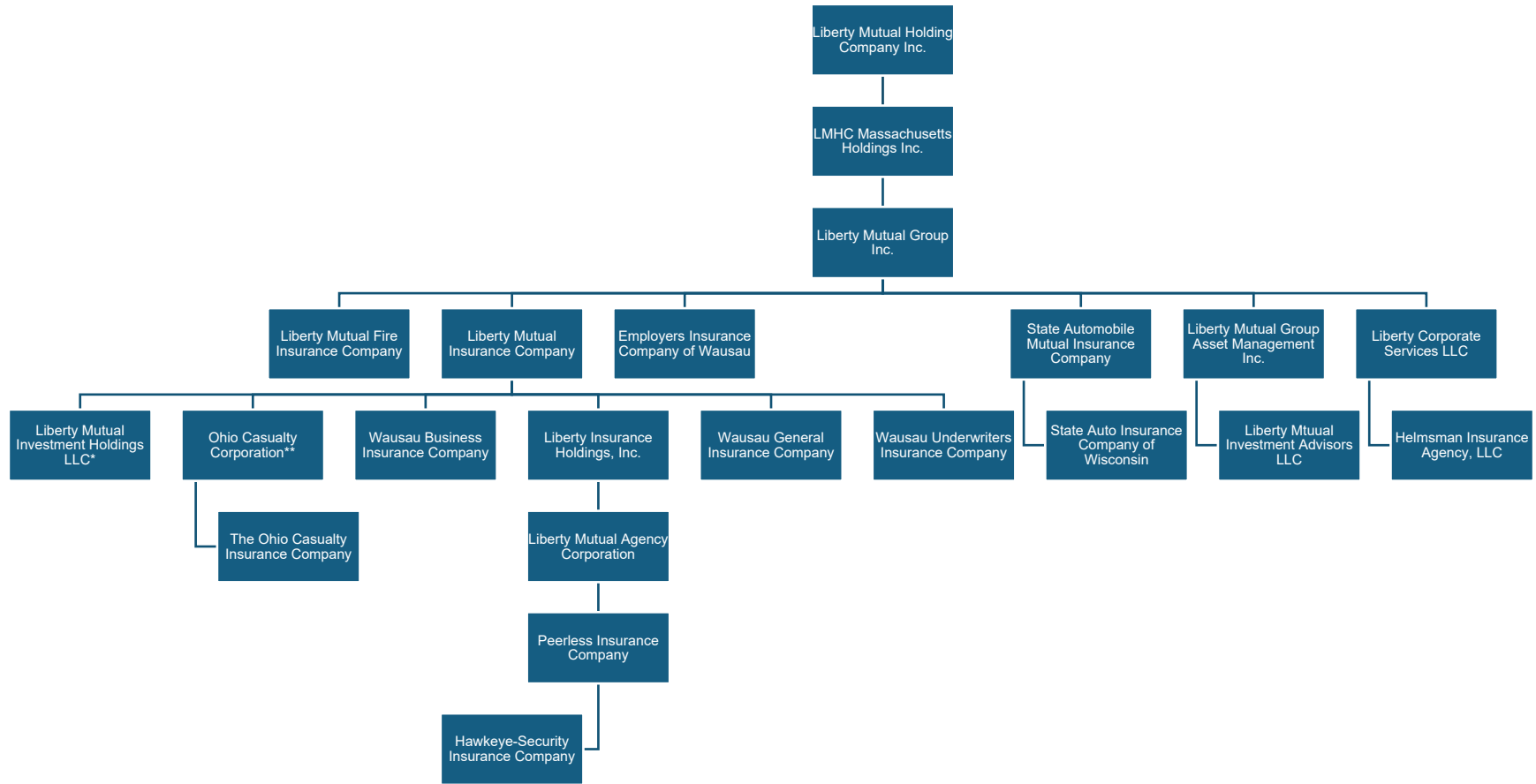
GRS offers a wide array of property, casualty, automobile, specialty, life and health, and reinsurance products and services, which are distributed globally through multiple channels. GRS generated revenues of \$16.3 billion in 2023. GRS operations are conducted through the following segments:

- North America: Includes admitted and non-admitted property and casualty business.
- Liberty Specialty Markets: Includes most Global Risk Solutions business outside of North America (excluding Liberty Mutual Reinsurance and Asia Retail Markets).
- Liberty Mutual Reinsurance: Sells insurance for reinsurers/insurers to transfer risk away from reinsurance/insurance companies.
- Global Surety: Provides surety guarantees to businesses in most industry segments (ranging from local to multinational).

- ARM: Sells property and casualty, health and life insurance products and services to individuals and businesses in the Asia Market.
- Other Global Risk Solutions: Consists of internal reinsurance programs, Ironshore international entities, and a large global inland marine program.

Below is an abbreviated organizational chart of the holding company group, showing significant upstream affiliates, Wisconsin-domiciled affiliates, as well as other affiliates with whom EICOW has a significant or operational relationship.

Organizational Chart As of December 31, 2023



*Liberty Mutual Investment Holdings is 40% owned by Liberty Mutual Insurance Company, 10% owned by Liberty Mutual Fire Insurance Company, 10% owned by Employers Insurance Company of Wausau, 10% owned by The Ohio Casualty Insurance Company, 22% owned by Peerless Insurance Company, 8% owned by Safeco Insurance Company of America.

** Ohio Casualty Corporation is 8% owned by Peerless Insurance Company, 8% owned by Employers Insurance Company of Wausau, 6% owned by Liberty Mutual Fire Insurance Company, 78% owned by Liberty Mutual Insurance Company

Liberty Mutual Holding Company Inc. (LMHC)

LMHC was incorporated under the laws of the Commonwealth of Massachusetts on November 28, 2001. Headquartered in Boston, Massachusetts, LMHC serves as the ultimate controlling person for the Liberty Mutual Group. LMHC directly holds the stock of LMHC Massachusetts Holdings Inc., an intermediate stock holding company, which in turn directly holds the stock of LMGI.

Liberty Mutual Group Inc. (LMGI)

LMGI was incorporated under the laws of the Commonwealth of Massachusetts on November 28, 2001. The company serves as an intermediate stock holding company within the mutual holding company system. It directly holds the stock of LMIC, LMFIC, EICOW, and other insurance and non-insurance entities. It is the primary entity used to raise funds for the Liberty Mutual Group, through the issuance of short-term and long-term debt instruments to unrelated third parties.

Liberty Mutual Insurance Company (LMIC)

LMIC was incorporated under the laws of the Commonwealth of Massachusetts on January 1, 1912. LMIC is a diversified property and casualty insurer licensed in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, Canada, and in various other foreign countries. LMIC has a 50% net participation in the Liberty Pool.

Employers Insurance Company of Wausau (EICOW)

EICOW was originally incorporated as a mutual company in the state of Wisconsin on August 21, 1911, under the name Employers Mutual Liability Insurance Company of Wisconsin. On September 1, 1979, the company changed its name to EMPLOYERS INSURANCE OF WAUSAU A Mutual Company (EICOW-Mutual).

Effective on November 22, 2001, EICOW-Mutual was restructured into a mutual holding company. Pursuant to the mutual holding company restructuring, EICOW-Mutual became a stock company, and the company was also renamed to its present name, Employers Insurance Company of Wausau, effective November 21, 2001. Thereafter, 100% of the stock of EICOW was owned by the newly formed Employers Insurance of Wausau Mutual Holding Company. Effective on March 19, 2002, Employers Insurance of Wausau Mutual Holding Company was merged into LMHC. Since that time, policyholders of EICOW have been members of LMHC.

EICOW is currently licensed in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Canada, and has an 8% net participation in the Liberty Pool.

State Auto Insurance Company of Wisconsin (SAICW)

Wisconsin-domiciled State Auto Insurance Company of Wisconsin became affiliated with LMHC on March 1, 2022, as a result of LMIC's purchase of the company's parent, State Automobile Mutual Insurance Company. SAICW is licensed in four states and has a 0% net participation in the Liberty Pool.

Hawkeye-Security Insurance Company (HSIC)

Wisconsin-domiciled Hawkeye-Security Insurance Company became affiliated with LMHC on May 10, 1999, as a result of LMIC's purchase of the company's parent, Guardian Royal Exchange Holdings, Inc. HSIC is licensed in 13 states and has a 0% net participation in the Liberty Pool.

Wausau Business Insurance Company (WBIC)

Wisconsin-domiciled Wausau Business Insurance Company became affiliated with EICOW on January 1, 1983, when all the outstanding shares of its attorney-in-fact corporation, Lansing B. Warner, Inc., were purchased by Wausau Service Corporation. WBIC is licensed in all 50 states and the District of Columbia and has a 0% net participation in the Liberty Pool.

Wausau General Insurance Company (WGIC)

Wisconsin-domiciled Wausau General Insurance Company redomiciled from Illinois to Wisconsin effective August 1, 1999. WGIC is licensed in nine states and has a 0% net participation in the Liberty Pool.

Wausau Underwriters Insurance Company (WUIC)

Wisconsin-domiciled Wausau Underwriters Insurance Company was incorporated in Wisconsin on September 27, 1979. WUIC is licensed in all 50 states, Puerto Rico, the U.S. Virgin Islands, and the District of Columbia, and has a 0% net participation in the Liberty Pool.

Liberty Mutual Group Asset Management Inc. (LMGAM)

Liberty Mutual Group Asset Management Inc. was organized under the laws of the state of Delaware on April 25, 2011. LMGAM provides centralized investment management services to LMGI and its two SBUs with the primary objective of contributing to the capital growth of LMGI using a risk-

controlled approach to investments in domestic and international fixed income, corporate debt, real estate, natural resources, and private and public equities.

Liberty Mutual Investment Advisors LLC (LMIA)

Liberty Mutual Investment Advisors LLC was organized under the laws of the Commonwealth of Massachusetts on June 23, 1999. LMIA provides centralized investment and cash management services to LMGI. The company currently manages a few legacy, traditional, private equity investments, in addition to real estate private equity investments.

Liberty Mutual Investment Holdings LLC (LMIH)

Liberty Mutual Investment Holdings LLC was organized under the laws of Delaware on June 27, 2006. LMIH's principal business is to acquire and dispose of investments in limited partnerships and privately held companies. LMIH is owned by LMIC, Peerless Insurance Company, LMFIC, EICOW, The Ohio Casualty Insurance Company, and Safeco Insurance Company of America (ownership percentages of 40%, 22%, 10%, 10%, 10%, and 8%, respectively).

Liberty Corporate Services LLC (LCS)

Liberty Corporate Services LLC was organized under the laws of the Commonwealth of Massachusetts on January 26, 1995. LCS is the holding company for the financial and insurance services companies in the Liberty Mutual Group.

Agreements with Affiliates

In addition to common staffing and management control, the company's relationship with its affiliates is affected by various written agreements and undertakings. Reinsurance agreements are described in the section of the report titled "Reinsurance." A summary of the other agreements with affiliates and undertakings follows. Unless otherwise specified, amounts owing between the parties are to be settled within 45 days after the end of the calendar quarter.

Liberty Mutual Holding Company Inc.

Federal Tax Sharing Agreement

Effective January 1, 2002, the company entered into a Federal Tax Sharing Agreement with LMHC and all parties of LMGI. Under this agreement, LMHC files a consolidated U.S. federal income tax return that includes the company and other affiliates of the holding company system.

The agreement sets forth the rights and obligations of the parties to the agreement with respect to the determination and settlement of federal income tax liabilities as well as the allocation of LMGI's consolidated U.S. federal income tax liability in accordance with a rational, systematic formula. The agreement provides for computation of tax, settlement of balances between affiliates, tax sharing, filing the return, audits and other adjustments, dispute resolution, and other administrative requirements.

The agreement calls for the settling of estimated federal tax payments on the 12th day of April, June, September, December, and March. Final settlement is due within 30 days of the receipt of invoice. The agreement has provisions for members entering or departing the group and provides for successors and assigns.

Liberty Mutual Group Inc.

Revolving Loan Agreements

Effective August 15, 2022, the company entered into an Amended and Restated Revolving Loan Agreement with LMGI. Under the agreement, LMGI may make loans to the company with a minimum principal amount of \$25,000, up to, but not exceeding in aggregate, \$165,000,000. The loan shall bear interest at a rate per annum equal to Secured Overnight Financing Rate (SOFR) administered by the Federal Reserve Bank of New York for the Interest Period in effect, plus the Applicable Margin. Loans may be borrowed, repaid, and reborrowed until the contract is terminated. Interest is payable on the last day of the applicable interest period defined as one, two, three, six, or twelve months as selected by the company in its notice of borrowing. The Termination Date shall be deemed to be an "Interest Payment Date". The agreement may be terminated by LMGI 30 days prior to the anniversary date of the Agreement unless otherwise mutually agreed upon by the parties.

Also, effective August 15, 2022, the company entered into another revolving loan agreement with LMGI including the same terms as the above agreement with LMGI as the lender. However, this agreement makes LMFIC the lender and LMGI the borrower.

Liberty Mutual Insurance Company

Cash Management Agreement

Effective January 1, 2016, the company entered into a Cash Management Agreement with - LMIC. Under this agreement, LMIC manages an investment pool on behalf of participating members of

LMGI, investing and reinvesting funds contributed by the members in short-term obligations of banks, corporations, and the U.S. and Canadian federal governments maturing in 365 days or less from the date of purchase. The agreement allows LMIC to jointly acquire short-term investments for the pool participants and each participant maintains a proportionate share ownership of the investments based on contributions to the account. LMIC has the authority to hold the investments on behalf of participants; sell, purchase, transfer or otherwise acquire or dispose of investments; reinvest dividends or interest earned; collect and credit to the account all proceeds on behalf of the company and the other participants.

For services provided, LMIC receives a monthly fee based on a percentage of the average market value under U.S. GAAP of all cash and securities in the account for that month. Amounts owing between the parties are billed on a monthly basis and settled within 45 days after the end of the month. The agreement may be terminated: (i) at the end of any business day by the company upon prior written notice to LMIC; or (ii) at any time by LMIC upon 180 days' written notice to the company.

Management Services Agreement

Effective January 1, 2013, the company entered into a Management Services Agreement with LMIC. Under this agreement, LMIC is to provide all services essential to the day-to-day operation of EICOW and any additional services required by the company as negotiated between the parties.

For services provided, the company shall reimburse LMIC for the reasonable cost of performing any of the services provided pursuant to this agreement. Charges for such services shall include direct and directly allocable expenses to the company by LMIC in conformity with customary insurance accounting practices. Either party may terminate this agreement at any time by providing 90 days' written notice. The agreement may be terminated immediately by either company if (a) LMIC fails to perform services in accordance with this agreement and such failure is not cured within 30 days, (b) there is nonpayment of costs by one party to the other, (c) either company's insurance license is suspended, revoked, or otherwise restricted, or (d) the acquisition of the company by a third party; or any other change in control that causes LMIC or any of its affiliates to no longer maintain a majority on the board of directors of the company. In the event of termination, LMIC shall continue to provide such services for up to 90 days as reasonably necessary to transfer service responsibilities to a new party.

Revolving Loan Agreements

Effective August 15, 2022, the company entered into an amended and restated revolving loan agreement with LMIC including similar terms to the company's agreement with LMGI. However, this agreement makes the company the lender and LMIC the borrower, and the rate of interest shall be equal to the Secured Overnight Financing Rate (SOFR) administered by the Federal Reserve Bank of New York plus the Applicable Margin. The agreement may be terminated by the company 30 days prior to the anniversary date of the Agreement unless otherwise mutually agreed upon by the parties.

Effective August 15, 2022, the company entered into an Amended and Restated Revolving Loan Agreement with LMIC. Under this agreement, LMIC may make loans to the company with a minimum principal of \$25,000, up to, not exceeding in aggregate, \$165,000,000. The loan shall bear interest on the outstanding principal amount at a rate equal to the Secured Overnight Financing Rate (SOFR) administered by the Federal Reserve Bank of New York plus the Applicable Margin. Loans may be borrowed, repaid, and reborrowed until the contract is terminated. This agreement may be terminated by LMIC 30 days prior to the anniversary date of the Agreement unless otherwise mutually agreed by the parties. Prior to the effective date, the company had a revolving loan agreement with LMIC similar to this revolving loan agreement.

Liberty Mutual Group Asset Management Inc.

Investment Management Agreement

Effective January 1, 2013, the company entered into an Amended and Restated Investment Management Agreement with LMGAM which supersedes the prior agreement between the parties dated July 1, 2011. Under this agreement, LMGAM acts as the company's agent and attorney-in-fact with respect to its investment portfolio. Subject to the terms and conditions of the investment policy and guidelines (included as appendices to the agreement), LMGAM has complete day-to-day discretionary control, including the power to make acquisitions and disposals of investments and issue instructions to brokers and custodians.

For services provided, LMGAM receives a monthly fee based on a percentage of the average market value under U.S. GAAP of all cash and securities in the account for that month divided by two times .0002. Amounts owing between the parties are billed on a monthly basis and settled within 45 days

after the end of the month. This agreement may be terminated by LMGAM upon 180 days' written notice to the company and terminated by the company at any time upon written notice to LMGAM. Upon termination, LMGAM shall have no further investment responsibility for assets in the company's account but shall have a reasonable time, not to exceed 90 days, to transfer assets to a custodian of the company's selection.

Liberty Mutual Investment Advisors LLC

Investment Management Agreement

Effective January 1, 2010, the company entered into an Amended and Restated Investment Management Agreement with LMIA which supersedes the prior agreement between the parties dated May 1, 2000. This agreement covers the management of the company's investments that are not being managed by LMGAM (i.e., venture capital investments). Under this agreement, LMIA acts as the company's agent and attorney-in-fact with respect to the investment portfolio. Subject to the terms and conditions of the investment policy and guidelines (included as appendices to the agreement), LMIA has complete day-to-day discretionary control, including the power to make acquisitions and disposals of investments and issue instructions to brokers and custodians.

For services provided, LMIA shall receive a quarterly fee based on a percentage of the average market value under U.S. GAAP of all cash and securities in the company's account for that quarter divided by two times .00045. The agreement may be terminated by LMIA upon 180 days' written notice to the company, and terminated by the company at any time upon written notice to LMIA. Upon termination, LMIA shall have no further investment management responsibility for assets in the company's account but shall have a reasonable time, not to exceed 90 days, to transfer assets to a custodian of the company's selection.

V. REINSURANCE

Internal and External Reinsurance Programs:

The following sections are written from the perspective of Liberty Mutual Insurance Company (the lead company in the Liberty Pool), hereinafter referred to as LMIC. LMIC'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, LMIC is party to a few large retroactive contracts in which LMIC 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 LMIC's integrated reinsurance purchasing group, supporting both internal and ceded reinsurance programs.

Liberty Mutual Intercompany Reinsurance Pooling Agreement (Liberty Pool):

LMIC shares the results of its underwriting operations through the LMIC Pool with a number of subsidiaries and affiliates. LMIC 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:

Legal Entity	2023 Pooling Percentage	State of Domicile
<i>Lead Company</i>		
Liberty Mutual Insurance Company	50%	MA
<i>Affiliated Pool Companies</i>		
Peerless Insurance Company	20%	NH
Employers Insurance Company of Wausau	8%	WI
Liberty Mutual Fire Insurance Company	8%	WI
The Ohio Casualty Insurance Company	8%	NH
Safeco Insurance Company of America	6%	NH
American Compensation Insurance Company***	0%	MN
American Economy Insurance Company	0%	IN
America First Insurance Company	0%	NH
American Fire and Casualty Company	0%	NH
America First Lloyd's Insurance Company	0%	TX
American States Insurance Company	0%	IN
American States Insurance Company of Texas	0%	TX
American States Lloyds Insurance Company	0%	TX
American States Preferred Insurance Company	0%	IN
Bloomington Compensation Insurance Company***	0%	MN
Colorado Casualty Insurance Company	0%	NH
Consolidated Insurance Company	0%	IN
Excelsior Insurance Company	0%	NH
First National Insurance Company of America	0%	NH
The First Liberty Insurance Corporation	0%	IL
General Insurance Company of America	0%	NH
Golden Eagle Insurance Corporation	0%	NH
Hawkeye-Security Insurance Company	0%	WI
Insurance Company of Illinois	0%	IL
Indiana Insurance Company	0%	IN
Ironshore Indemnity Inc.*	0%	IL
Ironshore Specialty Insurance Company*	0%	AZ
Liberty Insurance Corporation	0%	IL
Liberty Insurance Underwriters Inc.	0%	IL
Liberty County Mutual Insurance Company	0%	TX
LM General Insurance Company	0%	IL
Liberty Lloyds of Texas Insurance Company	0%	TX
LM Insurance Corporation	0%	IL
Liberty Mutual Mid-Atlantic Insurance Company	0%	MA
Liberty Mutual Personal Insurance Company	0%	NH
Liberty Northwest Insurance Corporation	0%	OR

Legal Entity	2023 Pooling Percentage	State of Domicile
Liberty Personal Insurance Company	0%	NH
Liberty Surplus Insurance Corporation	0%	NH
Meridian Security Insurance Company***	0%	IN
Mid-American Fire & Casualty Company	0%	NH
Milbank Insurance Company***	0%	IA
Montgomery Mutual Insurance Company	0%	MA
The Midwestern Indemnity Company	0%	NH
National Insurance Association	0%	IN
The Netherlands Insurance Company	0%	NH
North Pacific Insurance Company	0%	OR
Ohio Security Insurance Company	0%	NH
Oregon Automobile Insurance Company	0%	OR
Patrons Mutual Insurance Company of Connecticut***	0%	CT
Peerless Indemnity Insurance Company	0%	IL
Plaza Insurance Company***	0%	IA
Rockhill Insurance Company***	0%	AZ
Safeco Insurance Company of Illinois	0%	IL
Safeco Insurance Company of Indiana	0%	IN
Safeco Insurance Company of Oregon	0%	OR
Safeco Lloyds Insurance Company	0%	TX
Safeco National Insurance Company	0%	NH
Safeco Surplus Lines Insurance Company	0%	NH
State Automobile Mutual Insurance Company***	0%	OH
State Auto Insurance Company of Ohio***	0%	OH
State Auto Property & Casualty Insurance Company***	0%	IA
State Auto Insurance Company of Wisconsin***	0%	WI
Wausau Business Insurance Company**	0%	WI
Wausau General Insurance Company**	0%	WI
Wausau Underwriters Insurance Company**	0%	WI
West American Insurance Company	0%	IN

100% Quota Share - Affiliated

LM Property and Casualty Insurance Company	0%	IN
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**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 add to the LMIC Pool as part of the State Auto acquisition.*

Involuntary Pools and Associations:

LMIC 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 LMIC, 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.

External Reinsurance Program - Assumed:

LMIC 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, LMIC 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 \$580 million.

Business varies by program. As such, LMIC writes different percentage shares of the business ceded by clients to the market and each is assessed on its own merits for appetite by LMIC, 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, LMIC records financial results aligned to bordereau and individual invoices received daily. For the pools, LMIC records their respective share of the financial results from the pools as reported to them in monthly and annual statements.

In addition, LMIC 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.

External Reinsurance – Ceded:

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:

U.S. Corporate Property Catastrophe Program

LMIC 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 LMIC'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 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.

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, LMIC 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 LMIC 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 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. Theis contract is accounted for on a retroactive basis.

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.

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 \$40 million xs \$10 million 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 \$50 million max at an individual risk level.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2023, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

Liberty Mutual Fire Insurance Company
Assets
As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$5,540,888,782	\$	\$5,540,888,782
Stocks:			
Preferred stocks	4,569,769		4,569,679
Common stocks	167,328,509	513,222	166,815,287
Mortgage loans on real estate:			
First liens	324,405,559		324,405,559
Cash, cash equivalents, and short-term investments	120,110,887		120,110,887
Other invested assets	740,617,261		740,617,261
Receivables for securities	13,432,203		13,432,203
Securities lending reinvested collateral assets	288,747,362		288,747,362
Investment income due and accrued	45,783,259		45,783,259
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	282,193,135	26,319,656	255,873,479
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	668,438,668	454,833	667,983,835
Accrued retrospective premiums and contracts subject to redetermination	14,437,531	1,476,134	12,961,397
Reinsurance:			
Funds held by or deposited with reinsured companies	412,600		412,600
Amounts receivable relating to uninsured plans	5,576	37	5,539
Net deferred tax asset	108,764,999		108,764,999
Guaranty funds receivable or on deposit	1,751,740		1,751,740
Receivable from parent, subsidiaries, and affiliates	230,652,317		230,652,317
Write-ins for other than invested assets:			
Other assets	5,139,375	2,899,685	2,239,690
Cash Surrender Value Life Insurance	74,412,952		74,412,952
Equities and deposits in pools and associations	23,539,746		23,539,746
Amounts receivable under high deductible policies	22,110,810		22,110,810
Total Assets	<u>\$8,677,742,950</u>	<u>\$31,663,567</u>	<u>\$8,646,079,383</u>

Liberty Mutual Fire Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2023

Losses		\$3,920,019,163
Reinsurance payable on paid loss and loss adjustment expenses		48,104,541
Loss adjustment expenses		695,646,812
Commissions payable, contingent commissions, and other similar charges		61,949,175
Other expenses (excluding taxes, licenses, and fees)		59,953,823
Taxes, licenses, and fees (excluding federal and foreign income taxes)		22,644,994
Current federal and foreign income taxes		19,911,616
Borrowed money and interest thereon		150,505,042
Unearned premiums		1,647,834,130
Advance premium		11,452,007
Dividends declared and unpaid:		
Policyholders		209,632
Amounts withheld or retained by company for account of others		5,944,337
Payable to parent, subsidiaries, and affiliates		1,155,767
Payable for securities		10,960,789
Payable for securities lending		288,747,362
Write-ins for liabilities:		
Other liabilities		257,343,921
Retroactive reinsurance reserves		(327,433,606)
Amounts held under uninsured plans		<u>52,200,782</u>
Total Liabilities		6,927,150,286
Write-ins for special surplus funds:		
Special surplus from retroactive reinsurance	\$ 33,521,401	
Common capital stock	10,000,000	
Preferred capital stock	10	
Write-ins for other than special surplus funds:		
Guaranty funds	1,250,000	
Gross paid in and contributed surplus	509,999,990	
Unassigned funds (surplus)	<u>1,164,157,697</u>	
Surplus as Regards Policyholders		<u>1,718,929,098</u>
Total Liabilities and Surplus		<u>\$8,646,079,384</u>

Liberty Mutual Fire Insurance Company
Summary of Operations
For the Year 2023

Underwriting Income

Premiums earned		\$3,213,147,795
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Deductions:

Losses incurred	\$2,095,866,189	
Loss adjustment expenses incurred	365,449,217	
Other underwriting expenses incurred	<u>907,708,845</u>	

Total underwriting deductions		<u>3,369,024,251</u>
Net underwriting gain (loss)		(155,876,456)

Investment Income

Net investment income earned	248,753,661	
Net realized capital gains (losses)	<u>(33,375,753)</u>	
Net investment gain (loss)		215,377,908

Other Income

Net gain (loss) from agents' or premium balances charged off	(20,527,199)	
Finance and service charges not included in premiums	18,445,463	
Write-ins for miscellaneous income:		
Other income/(expense)	(6,712,436)	
Retroactive reinsurance gain/(loss)	<u>2,859,299</u>	
Total other income		<u>(5,934,873)</u>

Net income (loss) before dividends to policyholders and before federal and foreign income taxes		53,566,579
Dividends to policyholders		<u>1,158,479</u>

Net income (loss) after dividends to policyholders but before federal and foreign income taxes		52,408,100
Federal and foreign income taxes incurred		<u>33,321,499</u>

Net Income (Loss)		<u>\$ 19,086,601</u>
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Liberty Mutual Fire Insurance Company
Cash Flow
For the Year 2023

Premiums collected net of reinsurance		\$3,243,229,727
Net investment income		242,654,043
Miscellaneous income		<u>(11,846,001)</u>
Total		3,474,037,769
Benefit- and loss-related payments	\$1,982,710,419	
Commissions, expenses paid, and aggregate write-ins for deductions	1,276,004,517	
Dividends paid to policyholders	1,169,534	
Federal and foreign income taxes paid (recovered)	<u>21,300,711</u>	
Total deductions		<u>3,281,185,181</u>
Net cash from operations		192,852,588
Proceeds from investments sold, matured, or repaid:		
Bonds	\$ 928,715,415	
Stocks	4,684,740	
Mortgage loans	90,284,783	
Other invested assets	11,707,479	
Net gains (losses) on cash, cash equivalents, and short-term investments	2,619	
Miscellaneous proceeds	<u>14,379,902</u>	
Total investment proceeds		1,049,774,937
Cost of investments acquired (long- term only):		
Bonds	1,329,304,626	
Stocks	4,882,054	
Mortgage loans	76,632,472	
Other invested assets	46,863,788	
Miscellaneous applications	<u>75,681,431</u>	
Total investments acquired		<u>1,533,364,371</u>
Net cash from investments		(483,589,435)
Cash from financing and miscellaneous sources:		
Dividends to stockholders	15,000,000	
Other cash provided (applied)	<u>98,765,039</u>	
Net cash from financing and miscellaneous sources		<u>83,765,039</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(206,971,808)
Beginning of year		<u>327,082,695</u>
End of Year		<u>\$ 120,110,887</u>

**Liberty Mutual Fire Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2023**

Assets		\$8,646,079,383
Less investments in insurance subsidiaries		155,530,043
Plus security surplus excess of insurance subsidiaries		111,804,885
Less liabilities		<u>6,927,150,286</u>
Adjusted surplus		1,675,203,939
Annual premium:		
Net premium written	\$3,237,987,578	
Less policyholder dividends	<u>1,158,479</u>	
Subtotal	3,236,829,099	
Factor	<u>33.3%</u>	
Total	1,077,864,090	
Direct and Unaffiliated Assumed premium:	4,217,043,795	
Less policyholder dividends	<u>3,419,488</u>	
Subtotal	4,213,624,307	
Factor	<u>12.5%</u>	
Total	526,703,038	
Compulsory surplus (subject to a minimum of \$2 million)*		<u>1,077,864,090</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 597,339,849</u>
Adjusted surplus (from above)		\$1,675,203,939
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)		<u>1,185,650,499</u>
Security Surplus Excess (Deficit)		<u>\$ 489,553,440</u>

*Pursuant to the Stipulation and Order No. 05-C29871, LMFIC's compulsory surplus shall be the greater of \$3,000,000, or 12.5% of its direct premiums written plus non-affiliated assumed premiums during the previous 12 months, or 33-1/3% of net premiums written during the previous 12 months.

Liberty Mutual Fire Insurance Company
Analysis of Surplus
For the 5-Year Period Ending December 31, 2023

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2023	2022	2021	2020	2019
Surplus, beginning of year	\$1,685,243,030	\$2,161,115,333	\$1,863,983,868	\$1,825,969,197	\$1,685,037,732
Net income	19,086,601	(30,889,182)	100,299,673	102,604,163	103,255,261
Change in net unrealized capital gains/losses	834,620	(93,702,453)	242,881,654	89,777,922	49,068,318
Change in net unrealized foreign exchange capital gains/losses	1,653,793	(3,188,849)	(816,395)	2,715,535	8,601,100
Change in net deferred income tax	21,045,068	37,983,683	(23,280,328)	(6,989,508)	163,683
Change in nonadmitted assets	6,065,986	(1,075,503)	(6,953,139)	(93,441)	(5,156,897)
Capital changes:					
Paid in					10
Surplus adjustments:					
Paid in					(10)
Dividends to stockholders	<u>(15,000,000)</u>	<u>(385,000,000)</u>	<u>(15,000,000)</u>	<u>(15,000,000)</u>	<u>(15,000,000)</u>
Surplus, End of Year	<u>\$1,718,929,098</u>	<u>\$1,685,243,029</u>	<u>\$2,161,115,333</u>	<u>\$1,863,983,868</u>	<u>\$1,825,969,197</u>

Growth of Liberty Mutual Fire Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2023	\$8,646,079,383	\$6,927,150,286	\$1,718,929,098	\$19,086,601
2022	8,396,779,473	6,711,536,444	1,685,243,029	(30,889,182)
2021	8,446,976,564	6,285,861,231	2,161,115,333	100,299,673
2020	7,583,566,513	5,719,582,647	1,863,983,869	102,604,163
2019	7,032,602,683	5,206,633,485	1,825,969,198	103,255,261
2018	6,545,646,258	4,860,608,526	1,685,037,732	407,405,003

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2023	\$7,455,779,739	\$3,237,987,582	\$3,213,147,795	76.6%	28.2%	104.8%
2022	6,946,235,674	3,144,595,334	3,079,900,694	75.3	27.8	103.1
2021	5,931,706,881	2,695,812,353	2,591,133,011	74.2	28.7	102.9
2020	5,789,750,046	2,625,366,739	2,539,224,808	74.7	29.0	103.7
2019	5,957,213,918	2,581,470,357	2,556,421,912	75.1	27.8	102.9
2018	6,248,543,353	2,546,477,538	2,486,141,557	70.0	29.2	99.2

The company's underwriting results have remained relatively steady over the five-year period covered by the exam. The uptick in the combined ratio for 2023 (104.8%) was predominantly due to higher catastrophe losses in the homeowners, private passenger auto and commercial auto liability lines.

Over the five-year period covered by the exam, the company's surplus grew by 2%, due to net income in four of the five years. This growth was partially offset by stockholder dividends of \$15 million in 2019 – 2021 and 2023, and \$385 million in 2022.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination, The amount of surplus reported by the company as of December 31, 2023, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were 10 specific comments and recommendations in the previous examination report.

The actions taken by the company as a result of the comments and recommendations were as follows:

1. Board of Directors Meetings—It is recommended that the company either comply with Article III, Section 4 of its bylaws and hold at least four board meetings each year or amend its bylaws as necessary to reflect its intended practices of corporate governance regarding board meetings.

Action—Compliance.

2. Executive Compensation—It is recommended that the company report compensation in accordance with the instructions on the Report of Executive Compensation per ss. 601.42 and 611.62 (4), Wis. Stat.

Action—Compliance.

3. Report on Compulsory and Security Surplus—It is again recommended that the company establish procedures for the accurate completion and filing of the Wisconsin Compulsory and Security Surplus Calculation.

Action—Compliance.

4. Reporting of Commercial Mortgage Loans Agreements—It is recommended that the company reclassify the Prudential, MetLife, and Morgan Stanley participating commercial mortgage loan investments from Schedule B to Schedule BA under the Schedule BA line Fixed and Variable Interest Rate Investment that have the Underlying Characteristics of Mortgage Loans, Unaffiliated.

Action—Compliance.

5. Reporting of Commercial Mortgage Loans Agreements—It is further recommended that the company implement controls to evaluate new transactions/contracts at their inception and clearly document the rationale and support for their conclusion of the accounting and reporting treatment.

Action—Compliance.

6. Reporting of Reinsurance Balances—It is recommended that the company correct its current accounting practice to comply with SSAP No. 62R and SSAP No. 63 requirements for recording reinsurance balances on a gross basis for each individual pool member.

Action—Compliance.

7. Reporting of Reinsurance Balances—Additionally, it is recommended that the company document its amended accounting practice in a formal reinsurance accounting policy memo.

Action—Compliance.

8. Reporting of Reinsurance Balances—It is further recommended that the company also review its reinsurance process narratives/flowcharts and controls and update as necessary, for any changes in its reinsurance accounting practice and processes.

Action—Compliance.

9. Reporting of Reinsurance Balances—It is further recommended that the company 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.

Action—Compliance.

10. Reporting of Reinsurance Balances—Finally, it is recommended that the company correct Schedule F for the revised gross reporting basis for each individual pool member, as necessary.

Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Form B Disclosure

Pursuant to s. Ins 40.15 and s. Ins 40.03 (3), Wis. Adm. Code, all persons are required to file a Holding Company Registration Statement (Form B) that discloses all management agreements, exclusive agency agreements, service contracts and cost-sharing agreements in force, as well as transactions currently outstanding or which have occurred during the last calendar year between the registrant and its affiliates.

Examination testing revealed that the company did not report the dollar amounts paid under all management agreements, exclusive agency agreements, service contracts and cost-sharing agreements in force during the calendar year in the 2023 Holding Company Registration Statement (Form B).

It is recommended that the company comply with s. Ins 40.15 and s. Ins 40.03 (3), Wis. Adm. Code, and report the dollar amounts paid under all management agreements, exclusive agency agreements, service contracts and cost-sharing agreements in force during the last calendar year in future Holding Company Registration Statement (Form B) filings.

VIII. CONCLUSION

Liberty Mutual Fire Insurance Company is a property and casualty insurance company licensed to write in all 50 states, the District of Columbia, and Puerto Rico. LMFIC was organized in Massachusetts in 1908, and redomiciled to Wisconsin in 2005. The company is a member of the Liberty Pool, which writes a variety of property and casualty insurance coverages throughout the U.S.

During the period under examination, the company's surplus grew by 2%, due to net income in four of the five years. This growth was partially offset by stockholder dividends of \$15 million in 2019 – 2021 and 2023, and \$385 million in 2022.

The current examination resulted in one recommendation. No adjustments were made to the company's reported surplus. The amount of surplus reported by the Company as of December 31, 2023, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 37 - Form B Disclosure—It is recommended that the company comply with s. Ins 40.15 and s. Ins 40.03 (3), Wis. Adm. Code, and report the dollar amounts paid under all management agreements, exclusive agency agreements, service contracts and cost-sharing agreements in force during the last calendar year in future Holding Company Registration Statement (Form B) filings.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended by the officers and employees of the company during the course of the examination are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Abdel-Aziz Kondoh	Insurance Financial Examiner
Eleanor Lu, CISA, AES	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

A handwritten signature in black ink, reading "Joshua Daggett". The signature is written in a cursive, flowing style with a prominent initial "J" and a long, sweeping underline.

Joshua Daggett, AFE
Examiner-in-Charge