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Report of Independent Registered Public Accounting Firm

The Board of Directors
Liberty Mutual Holding Company Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Liberty Mutual Holding Company Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income (loss), changes in total equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission "(2013 framework)," and our report dated February 26, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission.

We conducted our audits in accordance with the auditing standards of PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting

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principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Ernst & Young LLP

We have served as the Company's auditor since 1996.

February 26, 2018

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Liberty Mutual Insurance
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Management's Report on the Effectiveness of Internal Control over Financial Reporting

The Board of Directors
Liberty Mutual Holding Company Inc.

Management of Liberty Mutual Holding Company Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, based on the framework established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (COSO).

Based on its assessment, management concluded that the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements as of December 31, 2017.

Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Ironshore Inc., which is included in the 2017 consolidated financial statements of the Company and constituted 5.38% and 16.19% of total and net assets, respectively, as of December 31, 2017 and 1.65% of revenues for the year then ended.

Ernst & Young LLP, our independent registered public accounting firm, has issued its report on the effectiveness of the Company's internal control over financial reporting, which follows this report.

David H. Long, *Chairman, President, and Chief Executive Officer*

Chris Peirce, *Executive Vice President and Chief Financial Officer*

ATTACHMENT A

Liberty Mutual Holding Company Inc.
Addendum to Management's Report of Internal Control over Financial Reporting
For the Year Ended December 31, 2017

For purposes of this addendum, the "Section 404 Report" means Management's Report on the Effectiveness of Internal Control over Financial Reporting and the report of independent registered public accounting firm on the effectiveness of internal control over financial reporting contained in the Liberty Mutual Holding Company, Inc. (LMHC) annual financial statements. Accordingly, as required by Section 16C of the Annual Financial Reporting Model Regulation, management of LMHC hereby affirms that the only material processes with respect to the preparation of the audited statutory financial statements of the Group of insurers that were excluded from the Section 404 Report are the processes discussed below. Management of LMHC hereby affirms that all other material processes with respect to the preparation of the audited statutory financial statements of the Group of insurers that were included from the Section 404 Report.

The following statutory financial reporting processes were reviewed separately from the internal controls reported by the Group of insurers in its Section 404 Report:

- Accumulation of statutory financial statements and footnotes
- Calculation of investment in affiliates
- Calculation of deferred income taxes
- Calculation of nonadmitted assets
- Calculation of Schedule F penalty
- Calculation of goodwill capacity
- Preparation of Schedule P
- Allocation of results due to pooling

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Liberty Mutual Holding Company Inc.

Opinion on Internal Control over Financial Reporting

We have audited Liberty Mutual Holding Company Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Liberty Mutual Holding Company Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on COSO criteria.

As indicated in the accompanying Management's Report on the Effectiveness of Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Ironshore Inc., which is included in the 2017 consolidated financial statements of the Company and constituted 5.38% and 16.19% of total assets and equity, respectively, as of December 31, 2017 and 1.65% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Ironshore Inc.

We also have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Liberty Mutual Holding Company Inc. as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, changes in total equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated February 26, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on the Effectiveness of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in

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accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission.

We conducted our audit in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young LLP

February 26, 2018

1802-2605130

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Income

(dollars in millions)

	Years Ended December 31,		
	2017	**2016**	**2015**
Revenues			
Premiums earned	$ 35,789	$ 32,987	$ 32,191
Net investment income	2,296	1,849	1,968
Fee and other revenues	856	740	840
Net realized gains (losses)	468	(125)	7
Total revenues	39,409	35,451	35,006
Claims, Benefits and Expenses			
Benefits, claims and claim adjustment expenses	27,189	22,215	21,414
Operating costs and expenses	6,644	6,514	6,714
Amortization of deferred policy acquisition costs	5,062	4,851	4,602
Interest expense	441	445	438
Interest credited to policyholders	39	64	63
Total claims, benefits and expenses	39,375	34,089	33,231
Loss on extinguishment of debt	(1)	(76)	(1)
Ironshore acquisition & integration costs	(86)	-	-
Restructuring costs	(91)	(70)	-
(Loss) income from continuing operations before income tax expense and non-controlling interest	(144)	1,216	1,774
Income tax expense	50	265	457
Consolidated net (loss) income from continuing operations	(194)	951	1,317
Discontinued operations (net of income tax expense of $115, $64 and $83 in 2017, 2016 and 2015 respectively)	213	118	(783)
Consolidated net income	19	1,069	534
Less: Net income attributable to non-controlling interest	2	63	20
Net income attributable to Liberty Mutual Holding Company Inc.	$ 17	$ 1,006	$ 514

Net Realized Gains (Losses)	**2017**	**2016**	**2015**
Other-than-temporary impairment losses	$ (344)	$ (366)	$ (369)
Other net realized gains	812	241	376
Total net realized gains (losses)	$ 468	$ (125)	$ 7

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Comprehensive Income (Loss)

(dollars in millions)

	Years Ended December 31,		
	2017	**2016**	**2015**
Consolidated net income	$ 19	$ 1,069	$ 534
Other comprehensive income (loss), net of taxes:			
Unrealized gains (losses) on securities	251	145	(1,278)
Change in pension and post retirement plans funded status	(92)	(43)	154
Foreign currency translation and other adjustments	123	126	(459)
Other comprehensive income (loss), net of taxes	282	228	(1,583)
Consolidated comprehensive income (loss)	301	1,297	(1,049)
Less: Comprehensive income attributable to non-controlling interest	6	74	15
Comprehensive income (loss) attributable to Liberty Mutual Holding Company Inc.	$ 295	$ 1,223	$ (1,064)

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Balance Sheets

(dollars in millions)

	December 31, 2017	December 31, 2016
Assets:		
Investments		
Fixed maturities, available for sale, at fair value (amortized cost of $53,223 and $48,676)	$ 54,040	$ 49,280
Equity securities, available for sale, at fair value (cost of $2,390 and $2,158)	2,608	2,570
Short-term investments	494	1,147
Commercial mortgage loans	1,623	1,567
Other investments	7,128	5,889
Total investments	65,893	60,453
Cash and cash equivalents	4,827	3,861
Premium and other receivables	12,152	10,585
Reinsurance recoverables	16,899	13,513
Deferred income taxes	1,118	858
Deferred acquisition costs	3,232	2,874
Goodwill	5,650	4,850
Prepaid reinsurance premiums	1,638	1,082
Other assets	10,872	9,406
Assets held for sale	20,221	18,110
Total assets	$ 142,502	$ 125,592
Liabilities:		
Unpaid claims and claim adjustment expenses and future policy benefits:		
Property and casualty	$ 59,217	$ 49,721
Life	2,141	1,866
Other policyholder funds and benefits payable	18	18
Unearned premiums	20,338	17,821
Funds held under reinsurance treaties	262	202
Current maturities of long-term debt	11	-
Long-term debt	8,314	7,603
Other liabilities	14,804	12,568
Liabilities held for sale	16,709	15,406
Total liabilities	121,814	105,205
Equity:		
Unassigned equity	21,687	21,670
Accumulated other comprehensive loss	(1,026)	(1,304)
Total policyholders' equity	20,661	20,366
Non-controlling interest	27	21
Total equity	20,688	20,387
Total liabilities and equity	$ 142,502	$ 125,592

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Changes in Total Equity

(dollars in millions)

	Unassigned Equity	Accumulated Other Comprehensive Income (Loss)	Total Policyholders' Equity	Non-Controlling Interest	Total Equity
Balance, January 1, 2015	$ 20,150	$ 57	$ 20,207	$ 84	$ 20,291
Comprehensive income (loss):					
Consolidated net income	514	-	514	20	534
Other comprehensive loss, net of taxes	-	(1,578)	(1,578)	(5)	(1,583)
Total comprehensive income (loss)	514	(1,578)	(1,064)	15	(1,049)
Capital contributions from non-controlling interest	-	-	-	1	1
Dividends to non-controlling interest	-	-	-	(2)	(2)
Balance, December 31, 2015	$ 20,664	$ (1,521)	$ 19,143	$ 98	$ 19,241
Comprehensive income:					
Consolidated net income	1,006	-	1,006	63	1,069
Other comprehensive income, net of taxes	-	217	217	11	228
Total comprehensive income	1,006	217	1,223	74	1,297
Distributions and other adjustments to non-controlling interest	-	-	-	(151)	(151)
Balance, December 31, 2016	$ 21,670	$ (1,304)	$ 20,366	$ 21	$ 20,387
Comprehensive income:					
Consolidated net income	17	-	17	2	19
Other comprehensive income, net of taxes	-	278	278	4	282
Total comprehensive income	17	278	295	6	301
Balance, December 31, 2017	$ 21,687	$ (1,026)	$ 20,661	$ 27	$ 20,688

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Cash Flows

(dollars in millions)

	Years Ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities:			
Consolidated net income	$ 19	$ 1,069	$ 534
Less - income (loss) from Liberty Life Assurance Company and Venezuela discontinued operations, net of tax expense	213	118	(783)
(Loss) income from operations excluding Liberty Life Assurance Company and Venezuela discontinued operations	(194)	951	1,317
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	791	811	874
Realized (gains) losses	(468)	125	(7)
Undistributed private equity investment gains	(527)	(84)	(85)
Premium, other receivables, and reinsurance recoverables	(3,916)	(762)	(485)
Deferred acquisition costs	(340)	(270)	(167)
Liabilities for insurance reserves	6,344	1,036	1,229
Taxes payable, net of deferred	(95)	170	288
Pension plan contributions	(408)	(805)	(313)
Other, net	637	1,040	67
Total adjustments	2,018	1,261	1,401
Net cash provided by operating activities - excluding Liberty Life Assurance Company and Venezuela discontinued operations	1,824	2,212	2,718
Net cash provided by operating activities - Liberty Life Assurance Company and Venezuela discontinued operations	880	805	1,521
Net cash provided by operating activities	2,704	3,017	4,239
Cash flows from investing activities:			
Purchases of investments	(36,457)	(18,539)	(16,301)
Sales and maturities of investments	38,107	16,796	14,685
Property and equipment purchased, net	(618)	(435)	(905)
Cash paid for acquisitions and disposals, net of cash on hand	(2,556)	(125)	-
Other investing activities	177	245	44
Net cash used in investing activities - excluding Liberty Life Assurance Company and Venezuela discontinued operations	(1,347)	(2,058)	(2,477)
Net cash used in investing activities - Liberty Life Assurance Company and Venezuela discontinued operations	(1,432)	(1,285)	(1,420)
Net cash used in investing activities	(2,779)	(3,343)	(3,897)
Cash flows from financing activities:			
Net activity in policyholder accounts	51	39	86
Debt financing, net	147	394	1
Net security lending activity and other financing activities	228	(331)	(193)
Net cash provided by (used in) financing activities - excluding Liberty Life Assurance Company and Venezuela discontinued operations	426	102	(106)
Net cash provided by financing activities - Liberty Life Assurance Company and Venezuela discontinued operations	603	645	614
Net cash provided by financing activities	1,029	747	508
Effect of exchange rate changes on cash - excluding Liberty Life Assurance Company and Venezuela discontinued operations	63	(40)	1
Effect of exchange rate changes on cash - Liberty Life Assurance Company and Venezuela discontinued operations	-	-	(69)
Effect of exchange rate changes on cash	63	(40)	(68)
Net increase in cash and cash equivalents - excluding Liberty Life Assurance Company and Venezuela discontinued operations	966	216	136
Net increase in cash and cash equivalents - Liberty Life Assurance Company and Venezuela discontinued operations	51	165	646
Net increase in cash and cash equivalents	1,017	381	782
Cash and cash equivalents, beginning of year - excluding Liberty Life Assurance Company and Venezuela discontinued operations	3,861	3,645	3,509
Cash and cash equivalents, end of period - excluding Liberty Life Assurance Company and Venezuela discontinued operations	$ 4,827	$ 3,861	$ 3,645
Supplemental Disclosure of Cash Flow Information			
Income Taxes Paid	$ 157	$ 116	$ 148

See accompanying notes to the audited consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Liberty Mutual Holding Company Inc., entities over which the Company exercises control including majority and wholly owned subsidiaries, and variable interest entities ("VIE") when the Company is deemed the primary beneficiary (collectively "LMHC", the "Company" or "we"). The minority ownership of consolidated affiliates is represented in equity as non-controlling interest. All material intercompany transactions and balances have been eliminated. Certain reclassifications have been made to the 2016 consolidated financial statements to conform to the 2017 presentation.

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include (1) unpaid claims and claim adjustment expense reserves, including asbestos and environmental liability reserves and loss sensitive premium attributable to prior years, (2) reinsurance recoverables and associated uncollectible allowance, (3) fair value determination and other-than-temporary impairments of the investment portfolio and direct working interests in oil and gas properties, (4) recoverability of deferred acquisition costs, (5) valuation of goodwill and intangible assets, (6) deferred income tax valuation allowance, and (7) pension and postretirement benefit obligations. While the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, these amounts ultimately could vary.

Nature of Operations

The Company conducts substantially all of its business through three Strategic Business Units ("SBUs"): Global Consumer Markets, Commercial Insurance, and Global Specialty. A summary of each SBU follows:

The Company's Global Consumer Markets business unit, with $22,585 of revenues in 2017, comprises two market segments, U.S. Consumer Markets and Global Consumer Markets East | West. The U.S. Consumer Markets segment, with $18,409 of revenues in 2017, sells automobile, homeowners and other types of property and casualty insurance coverage to individuals in the United States. U.S. Consumer Markets' products are distributed through approximately 2,000 licensed employee sales representatives, approximately 800 licensed telesales counselors, independent agents, third-party producers and the Internet. U.S. Consumer Markets has more than 21,100 sponsored affinity groups (including employers, professional and alumni associations, credit unions, and other partnerships) which are a significant source of new business. The Global Consumer Markets East | West segment, with $4,176 of revenues in 2017, sells property and casualty, health and life insurance products and services to individuals and businesses in two operating regions. The two operating regions that comprise Global Consumer Markets East | West are West, including Brazil, Colombia, Chile, Ecuador, Spain, Portugal, Ireland and West Other; and East, including Thailand, Singapore, Hong Kong, Vietnam, Malaysia, India, China, Russia, Turkey and East Other. Other in each region includes internal reinsurance and home office revenue. Private passenger automobile insurance is the single largest line of business.

The Company's Commercial Insurance business unit, with $8,588 of revenue in 2017, offers a wide array of property and casualty coverages through independent agents, brokers, and captive agents throughout the United States. Commercial Insurance is organized into the following three market segments: Business Insurance; National Insurance; and Other Commercial Insurance. Business Insurance serves small commercial customers through an operating model that combines local underwriting, market knowledge and service with the scale advantages of a national company. National Insurance provides commercial lines products and services, including third-party administration, to middle market customers and large businesses. National Insurance is also a servicing carrier for state-based workers compensation involuntary market pools. Other Commercial Insurance primarily consists of internal reinsurance and assumed business from state-based workers compensation involuntary market pools.

The Company's Global Specialty business unit, with $6,445 of revenues in 2017, comprises a wide array of products and services offered through four market segments: Liberty Specialty Markets ("LSM"), Liberty International Underwriters ("LIU"), Liberty Mutual Surety ("LM Surety"), and Ironshore. LSM provides a wide range of product capabilities and capacity for specialty markets worldwide and is organized into three business segments: Specialty, Commercial and Reinsurance. LIU sells inland marine and specialty insurance worldwide through offices in Asia, Australia, the Middle East, North America and Latin America. LM Surety is a leading provider of global contract and commercial surety bonds to businesses of all sizes. Ironshore is a specialty lines insurer with three major operating hubs in the United States, London and Bermuda. Other primarily consists of internal reinsurance.

Adoption of New Accounting Standards

The Company has not adopted any new accounting standards through 2017.

Future Adoption of New Accounting Standards

The Company will adopt the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 was issued to clarify the principles for recognizing revenue, however, insurance contracts and financial instrument transactions are not within the scope of this guidance. ASU 2014-09 is effective for non-public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company has evaluated the impact of the adoption of ASU 2014-09. The adoption will not have a material impact on the Company's financial statements.

The Company will adopt the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 requires equity investments (excluding those accounted for under the equity method or those that result in consolidation) to be measured at fair value, with changes in fair value recognized in net income. ASU 2016-01 is effective for non-public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company has evaluated

the impact of the adoption of ASU 2016-01. At inception, the adoption will result in a reclassification of accumulated unrealized gains and losses of the Company's equity investment portfolio from accumulated other comprehensive income to unassigned equity (no overall impact). Subsequent to adoption, changes in unrealized gains and losses of the Company's equity investment portfolio will impact its results of operations due to recognition in the income statement.

The Company will adopt the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). The amendments will require a lessee to recognize a right-of-use asset and a lease liability on the balance sheet for leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The amendments of ASU 2016-02 are effective for non-public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact of the adoption of ASU 2016-02. The adoption is expected to have a material impact on the Company's financial statements.

The Company will adopt the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 replaces the current incurred loss model with an expected credit loss model, which measures credit losses on financial instruments measured at amortized cost, and will require companies to recognize an allowance for expected credit losses. In addition, ASU 2016-13 also amends the credit loss measurement guidance for available-for-sale debt securities and beneficial interests in securitized financial assets. This amendment removes certain factors to consider when determining whether credit losses should be recognized and will require companies to recognize expected credit losses through an allowance. ASU 2016-13 is effective for non-public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of the adoption of ASU 2016-13. The adoption is expected to have a material impact on the Company's financial statements.

The Company will adopt the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Benefit Costs* ("ASU 2017-07") updated guidance to improve the presentation of net periodic pension cost and net periodic postretirement cost (net benefit costs). Net benefit costs comprise several components that reflect different aspects of an employer's financial arrangements as well as the cost of benefits provided to employees. ASU 2017-07 requires that the employer service cost component be reported in the same lines as other employee compensation cost and that the other components (non-service costs) be presented separately from the service cost and outside of a subtotal of income from operations if one is presented. ASU 2017-07 also allows only the service cost component to be eligible for capitalization in assets when applicable. ASU 2017-07 is effective for reporting periods beginning after December 15, 2019. The adoption is not expected to have a material impact on the Company's financial statements.

The Company will adopt the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* ("ASU 2018-02") guidance which permits a reclassification from AOCI to retained earnings for stranded tax effects resulting from the newly enacted federal corporate tax rate from the Tax Cuts and Jobs Act of 2017 (the "Act"). The amount of the reclassification from AOCI to retained earnings will be the difference between the historical corporate tax rate and the newly enacted 21% corporate tax rate on deferred tax items originally established through OCI and not net income. ASU 2018-02 allows entities to adopt in any interim or annual period for which financial statements have not yet been issued and apply the guidance either (1) in the period of adoption or (2) retrospectively to each period in which the effect of change in the tax rate is recognized. The Company plans to early adopt ASU 2018-02 on January 1, 2018 and will elect to apply this guidance in the period of adoption. The Company will increase AOCI by approximately $115 and decrease retained earnings by the same amount in the statements of comprehensive income (loss) as of the beginning of 2018. The adoption is not expected to have a material impact on the Company's financial statements.

There are no other accounting standards not yet adopted by the Company that are expected to have a material impact on the consolidated financial statements.

Investments

Fixed maturity securities classified as available for sale are debt securities that have principal payment schedules, are held for indefinite periods of time, and are used as a part of the Company's capital strategy or sold in response to risk and reward characteristics, liquidity needs or similar economic factors. These securities are reported at fair value with changes in fair values, net of deferred income taxes, reported in accumulated other comprehensive income.

Equity securities classified as available for sale include common equities and non-redeemable preferred stocks and are reported at quoted fair values. Changes in fair values, net of deferred income taxes, are reported in accumulated other comprehensive income.

Realized gains and losses on sales of investments are recognized in income using the specific identification method. The Company reviews fixed maturity securities, equity securities, and other investments for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to, (1) the extent of the decline in fair value below book value, (2) the duration of the decline, (3) significant adverse changes in the financial condition or near term prospects for the investment or issuer, (4) significant changes in the business climate or credit ratings of the issuer, (5) general market conditions and volatility, (6) industry factors, (7) the past impairment of the security holding or the issuer, and (8) changes in foreign exchange.

For fixed maturity securities that the Company does not intend to sell or for which it is more likely than not that the Company would not be required to sell before an anticipated recovery in value, the Company separates impairments into credit loss and non-credit loss components. The determination of the credit loss component of the impairment charge is based on the Company's best estimate of the present value of the cash flows expected to be collected from the fixed maturity security compared to its amortized cost and is reported as part of net realized gains. The non-credit

component, the residual difference between the credit impairment component and the fair value, is recognized in other comprehensive income. The factors considered in making an evaluation of credit versus non-credit other-than-temporary impairments include: (1) failure of the issuer of the security to make scheduled interest or principal payments (including the payment structure of the fixed maturity security and the likelihood the issuer will be able to make payments that increase in the future), (2) performance indicators of the underlying assets in the security (including default and delinquency rates), (3) vintage, (4) geographic concentration, (5) impact of foreign exchange rates on foreign currency denominated securities, and (6) industry analyst reports, sector credit ratings and volatility of the security's fair value.

For equity securities the Company does not have the intent and ability to hold to recovery, and for fixed maturity securities the Company intends to sell or for which it is more likely than not that the Company will be required to sell before an anticipated recovery in value, the full amount (fair value less amortized cost) of the impairment is included in net realized gains (losses).

Upon recognizing an other-than-temporary impairment, the new cost basis of the investment is the previous amortized cost basis less the other-than-temporary impairment recognized in net realized gains. The new cost basis is not adjusted for any subsequent recoveries in fair value; however, for fixed maturity securities the difference between the new cost basis and the expected cash flows is accreted to net investment income over the remaining expected life of the investment.

Cash equivalents are short-term, highly liquid investments that are both readily convertible into known amounts of cash and so near to maturity that they present insignificant risk of changes in value due to changing interest rates. The Company's cash equivalents include debt securities purchased with maturities of three months or less at acquisition and are carried at amortized cost, which approximates fair value.

Short-term investments are debt securities with maturities at acquisition between three months and one year, are considered available for sale, and are reported at fair value with changes in fair values, net of deferred income taxes, reported in accumulated other comprehensive income.

Any VIE for which the Company is the primary beneficiary is consolidated into the Company's financial statements.

Other investments are comprised of loans, limited partnerships and other alternative investments. Loans are reported at amortized cost less an allowance for potentially uncollectible amounts. Limited partnerships and other alternative investments are reported using the equity method of accounting and, accordingly, the Company's share of earnings are included in net investment income. Due to the availability of financial statements, other alternative investments and limited partnership investment income is generally recorded on a three-month lag. The Company elects the fair value option on certain other investments and these investments are carried at fair value. Accordingly, changes in fair value are included in net investment income or net realized gains in the accompanying consolidated statements of income. Also included in other investments are equity investments in privately held businesses that are carried at fair value with changes in fair value reported in other comprehensive income.

Commercial mortgage loans are held for investment and stated at amortized cost less an allowance for loan loss for potentially uncollectible amounts.

Net investment income primarily consists of interest, dividends, and income from limited partnerships and certain other alternative investments. Interest income is recognized on an accrual basis using the effective interest method and dividend income is recognized at the ex-dividend date. Interest income for mortgage-backed fixed maturity securities is recognized using a constant effective yield based on anticipated prepayments over the economic life of the security. The mortgage-backed portfolio is accounted for under the retrospective method and prepayment assumptions are based on market expectations. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments and any resulting adjustment is included in net investment income.

Derivatives

All derivatives are recognized on the balance sheet at fair value and reported as other invested assets, other assets, or other liabilities. At the inception of the contract, the Company designates the derivative as (1) a hedge of a fair value of a recognized asset ("fair value hedge"), (2) an economic hedge ("non-designated derivative"), or (3) a cash flow hedge.

The Company participated in commodity swaps, commodity options, and foreign exchange forward contracts in 2016 and 2017, as well as participated in an equity option contract in 2017. Hedge accounting was not applied and changes in fair value were recorded in net realized gains (losses) on the consolidated statements of income. These derivatives were not material to the Company's financial statements.

The Company entered into interest rate-lock and swap agreements that are classified as cash flow hedges. The effective portion of the gain or loss on these instruments is reported as a component of other comprehensive income and reclassified into earnings in the same period in which the hedged items affect earnings. The Company's cash flow hedges are 100% effective and are not material to the financial statements.

The Company owns fixed maturity securities that may have call, put or conversion options embedded. These derivatives are not related to hedging and are not material to the Company's financial statements.

Net Investment Hedge Instruments

The Company has designated non-derivative foreign-currency denominated long-term debt and the related accrued interest as hedges of its net investment in certain foreign operations. Accordingly, the foreign currency translation of the debt instrument and accrued interest is recorded in accumulated other comprehensive income, offsetting the foreign currency translation adjustment of the related net investment that is also recorded in accumulated other comprehensive income. As of December 31, 2017, the Company had €1,250 million of outstanding long-term debt and approximately €20 million of accrued interest designated as non-derivative hedges of its net investment in certain foreign operations. The foreign

currency translation of the debt instrument and accrued interest recorded in accumulated other comprehensive income was $113. (See Note 7 for further discussion.)

Securities Lending

The Company participates in a securities lending program to generate additional income, whereby certain domestic fixed maturity securities and equity securities are loaned for a short period of time from the Company's portfolio to qualifying third parties via a lending agent. Terms of the agreement are for borrowers of these securities to provide collateral of at least 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or permitted securities as outlined in the securities lending agreement. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company; however, the Company records a liability for the amount of cash collateral held, representing its obligation to return the collateral related to the loaned securities.

Goodwill and Intangible Assets

Goodwill is tested for impairment at least annually using either a qualitative or a quantitative process. Election of the approach can be made at the reporting unit level. As of December 31, 2017, the Company has five reporting units – Global Consumer Markets, Commercial Insurance, Liberty Mutual Benefits, Global Specialty and Ironshore Inc. ("Ironshore"). The reporting unit has the option to skip the qualitative test and move directly to completion of the quantitative process. The qualitative approach can be used to evaluate if there are any indicators of impairment. Through this process, the reporting unit must determine if there is indication that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If it is determined that there is an indication of potential impairment, the reporting unit must complete the quantitative process. The quantitative approach is a two-step process. The first step is performed to identify potential impairment and, if necessary, the second step is performed for the purpose of measuring the amount of impairment, if any. Impairment is recognized only if the carrying amount is not recoverable from the discounted cash flows using a "market" rate and is measured as the difference between the carrying amount and the implied fair value. Other changes in the carrying amount of goodwill are primarily caused by acquisitions, dispositions, and foreign currency translation adjustments. In 2017, goodwill increased by $800 driven primarily by the acquisition of Ironshore of $740.

The Company had no goodwill impairments recognized in 2017 or 2016.

Indefinite-lived intangible assets held by the Company are reviewed for impairment on at least an annual basis using a qualitative process. The classification of the asset as indefinite-lived is reassessed, and an impairment is recognized if the carrying amount of the asset exceeds its fair value.

Intangible assets that have finite useful lives are amortized over their useful lives. The carrying amounts of intangible assets with finite useful lives are reviewed regularly for indicators of impairment in value. Impairment is recognized only if the carrying amount of the intangible asset is not recoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and the fair value of the asset.

The Company has intangible assets included in other assets on the accompanying consolidated balance sheets related to the Ironshore, Safeco, and Ohio Casualty Corporation ("Ohio Casualty") acquisitions that occurred in 2017, 2008, and 2007, respectively. The following table summarizes the carrying value of intangible assets the Company recognized in other assets on the consolidated balance sheets as of December 31, 2017 and 2016.

	Carrying Value December 31, 2017	Carrying Value December 31, 2016	Period (years)	Method
Safeco agency relationship	$237	$275	15	Straight-line
Ohio Casualty agency relationship	73	80	20	Straight-line
Trade name[1]	301	229	15	Straight-line
Ironshore distribution channel	256	-	18-20	Straight-line
Ironshore syndicate capacity	150	-	Not subject to amortization	Not subject to amortization
Licenses[2]	94	82	Not subject to amortization	Not subject to amortization
Ironshore value of business acquired	28	-	2	Over the life
Other intangibles	-	1	10	Present value mid-year convention
Total intangible assets	$1,139	$667		

(1) Includes Safeco and Ironshore.

(2) Includes Safeco, Ohio Casualty and Ironshore.

The Company recognized $133, $51 and $52 of amortization expense on intangible assets related to these acquisitions for the years ended December 31, 2017, 2016, and 2015, respectively. Amortization expense is reflected in operating costs and expenses on the accompanying consolidated statements of income. The Company did not recognize impairments on intangible assets related to these acquisitions for the years ended December 31, 2017, 2016 and 2015, respectively. Estimated amortization expense is expected to be $88, $73, $70, $67 and $67 for the years ended December 31, 2018 through 2022, respectively. The intangible assets above are net of accumulated amortization of $559 and $426 as of December 31, 2017 and 2016, respectively.

Deferred Acquisition Costs

Costs that are directly related to the successful acquisition or renewal of insurance contracts are deferred and amortized over the respective policy terms. All other acquisition related costs, including market research, training, administration, unsuccessful acquisition or renewal efforts, and product development are charged to expense as incurred. For short-duration contracts, acquisition costs include commissions, underwriting expenses and premium taxes. For long-duration insurance contracts, these costs include first year commissions in excess of annual renewal commissions and variable sales and underwriting expenses. Deferred acquisition costs are reviewed annually for recoverability. Investment income is considered in the recoverability assessment.

For short-duration contracts, acquisition costs are amortized in proportion to earned premiums. For traditional long-duration contracts, acquisition costs are amortized over the premium paying period of the related policies using assumptions consistent with those used in computing policy benefit reserves. For universal life insurance and investment products, acquisition costs are amortized in relation to expected gross profits.

For long-duration contracts, to the extent unrealized gains or losses on fixed income securities carried at fair value would result in an adjustment of estimated gross profits had those gains or losses actually been realized, the related impact on unamortized deferred acquisition costs is recorded net of tax as a change in unrealized gains or losses and included in accumulated other comprehensive income.

Real Estate and Other Fixed Assets

The costs of buildings, furniture, and equipment are depreciated, principally on a straight-line basis, over their estimated useful lives (a maximum of 39.5 years for buildings, 10 years for furniture, and 3-5 years for equipment). Expenditures for maintenance and repairs are charged to income as incurred while expenditures for improvements are capitalized and depreciated.

Oil and Gas Properties

Oil and gas properties are accounted for using the successful efforts method whereby only costs (including lease acquisition and intangible drilling costs) associated with exploration efforts that result in the discovery of proved reserves are capitalized. Costs of acquiring and exploring unproved oil and gas leases are initially capitalized pending the results of exploration activities. Capitalized costs of producing oil and gas properties are depreciated and depleted on a field-by-field basis. The Company uses the unit-of-production method to deplete its properties and the calculation is based on units of proved developed reserves as estimated by independent petroleum engineers. Significant processing and pipeline assets are depreciated over a fixed period using the straight line method.

The Company records impairment losses on proved oil and gas properties when events and circumstances indicate the properties are impaired and the estimated undiscounted cash flows expected to be generated by those properties are less than the carrying amounts of those assets. Unproved properties are assessed at least annually to determine whether impairment has occurred. Appropriate adjustments to the costs of unproved properties are made when necessary and are included in realized gains (losses) on the consolidated statements of income. Impairment is assessed on a field-by-field basis. (See Note 10 for further discussion.)

Separate Account Assets and Liabilities

Separate accounts represent funds for which investment income and investment gains and losses accrue directly to the policyholders who bear the investment risk. Each account has specific investment objectives and the assets are carried at fair value. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company. The liabilities of these accounts are equal to the account assets. Investment income, realized investment gains (losses), and policyholder account deposits and withdrawals related to separate accounts are excluded from the accompanying consolidated statements of income. As a result of the agreement to sell the Liberty Life Assurance Company ("LLAC"), the fees earned for administrative and contract holder maintenance performed for these separate accounts are included in discontinued operations in the consolidated statements of income, and separate account assets and liabilities are reflected in assets and liabilities held for sale on the accompanying consolidated balance sheets. (See Note 2 for further discussion.)

Insurance Liabilities and Reserves

For short-duration contracts, the Company establishes reserves for unpaid claims and claim adjustment expenses covering events that occurred in 2017 and prior years. These reserves reflect estimates of the total cost of claims reported but not yet paid and the cost of claims not yet reported, as well as the estimated expenses necessary to settle the claims. Reserve estimates are based on past loss experience modified for current claim trends, as well as prevailing social, economic and legal conditions. Final claim payments, however, may ultimately differ from the established reserves, since these payments might not occur for several years. Reserve estimates are continually reviewed and updated, and any resulting adjustments are reflected in current operating results. The Company does not discount reserves other than discounting on the long-term indemnity portion of workers compensation settled claims, the long-term disability portion of group accident and health claims as permitted by insurance regulations in certain states, the long-term portion of certain workers compensation claims of foreign subsidiaries, reserves related to periodic payment orders on certain automobile policies and specific asbestos structured settlements. Reserves are reduced for estimated amounts of salvage and subrogation and deductibles recoverable from policyholders. The Company discounts the long-term indemnity portion of workers compensation claims at risk-free discount rates determined by reference to the U.S. Treasury yield curve. The weighted average discount rates were 4.9%, 5.1% and 5.2% for 2017, 2016, and 2015, respectively. The held discounted reserves on these unpaid workers compensation claims, net of all reinsurance, as of December 31, 2017, 2016 and 2015 were $1,716, $1,718 and $1,763, respectively.

The discounting of disability claims is based on the 1987 Commissioners Group Disability Table modified for company experience in the first four years of claim duration, at annual discount rates varying from 2.5% to 7.0% in 2017 and 2016. Unpaid disability claims and claim adjustment expenses as of December 31, 2017 and 2016 include liabilities at discounted values of $2,225 and $1,972, respectively.

For long-duration contracts, measurement of liabilities is based on generally accepted actuarial techniques and requires assumptions about mortality, lapse rates, and assumptions about future returns on related investments. Annuity and structured settlement contracts without significant mortality or morbidity risk are accounted for as investment contracts, whereby the premium received plus interest credited less policyholder withdrawals represents the investment contract liability. The average implied credited interest rates for domestic structured settlement contracts in force were 4.6% and4.7% for 2017 and 2016, respectively. Implied credited interest rates for foreign structured settlement contracts in force were between 1.0% and 6.0% for each of the years ending December 31, 2017 and 2016. Credited rates for domestic universal life contracts in force were between 3.0% and 5.0% in 2017 and 2016. Credited rates for foreign universal life contracts in force were between 0% and 6.0% in 2017 and 2016. Liabilities for future policy benefits for traditional life policies have been computed using the net level premium method based upon estimated future investment yields (between 2.5% and 10.3% in 2017 and 2016), mortality assumptions (based on the Company's experience relative to standard industry mortality tables) and withdrawal assumptions (based on the Company's experience).

Policyholder Dividends
Policyholder dividends are accrued using an estimate of the ultimate amount to be paid in relation to premiums earned based on the related insurance policies.

For domestic property-casualty insurance, certain insurance contracts, primarily workers compensation policies, are issued with dividend plans to be paid subject to approval by the insurer's board of directors. The premium related to such policies approximated 0.3%, 0.3%, and 0.4% of domestic property-casualty insurance premiums written for the years ended December 31, 2017, 2016, and 2015, respectively. Additionally, certain jurisdictions impose excess profits taxes, which limit the profitability of particular lines of business, and any excess is returned to the policyholder in the form of a dividend.

For life insurance, dividends to participating policyholders are calculated as the sum of the difference between the assumed mortality, interest and loading, and the actual experience of the Company. As a result of statutory regulations, the major portion of earnings from participating policies inures to the benefit of the participating policyholders and is excluded from consolidated net income and total equity.

Guaranty Funds
Liabilities for guaranty fund and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the entity to pay an imposed or probable assessment has occurred. The liabilities for guaranty fund assessments are based on preceding year premium or multiple year's premiums depending upon the state law. Additionally, for those states that have loss-based assessments, liabilities for workers' compensation loss based assessments are reserved based on workers' compensation loss reserves and workers' compensation paid losses. Liabilities for guaranty funds and other insurance-related assessments are not discounted and are included as part of other liabilities in the accompanying consolidated balance sheets. As of December 31, 2017 and 2016, the liability balance was $125 and $135, respectively. As of December 31, 2017 and 2016, included in other assets were $3 and $3, respectively, of related assets for premium tax offsets or policy surcharges. The related asset is limited to the amount that is determined based on future premium collections or policy surcharges from policies in force. Current assessments are expected to be paid over one year while loss-based assessments are expected to be paid over a period ranging from one year to the life expectancy of certain workers' compensation claimants and the recoveries are expected to occur over the same period of time. Premium tax offsets are expected to be realized within one year.

Long-Term Incentive and Performance Based Incentive Plans
The Company maintains short-term and long-term incentive compensation plans. Long-term plans vest over the requisite service period, are based upon notional units and are accounted for under ASC 718, *Compensation – Stock Compensation,* using the intrinsic value method. Additionally, the Company provides performance based incentive compensation to the majority of employees meeting the participation requirements of the respective plans. Compensation cost related to these plans is determined in accordance with plan formulas and recorded over the years the employee service is provided.

Revenue Recognition
For short-duration insurance contracts, premiums are reported as earned income generally on a pro-rata basis over the terms of the related policies. For retrospectively rated policies and contracts, premium estimates are continually reviewed and updated and any resulting adjustments are reflected in current operating results. For traditional long-duration insurance contracts (including term and whole life contracts and annuities), premiums are earned when due. For loss portfolio transfers, premiums are fully recognized as written and earned at contract inception. For annuities and structured settlements without significant mortality or morbidity risk (investment contracts) and universal life contracts (long-duration contracts with terms that are not fixed or guaranteed), revenues represent investment income earned on the related assets. Universal life and annuity contract revenues also include mortality, surrender, and administrative fees charged to policyholders.

Reinsurance
All assets and liabilities related to ceded reinsurance contracts are reported on a gross basis in the accompanying consolidated balance sheets. Prospective reinsurance premiums, claims, and claim adjustment expenses are accounted for on a basis consistent with the terms of the reinsured contracts. The accompanying consolidated statements of income reflect premiums, benefits, and settlement expenses net of reinsurance ceded.

Transactions that do not transfer risk are included in other assets or other liabilities. Ceded transactions that transfer risk but are retroactive are included in reinsurance recoverables. The excess of estimated liabilities for claims and claim costs over the consideration paid net of experience adjustments is established as a deferred credit at inception. The deferred amounts are subsequently amortized using the effective interest method over the expected settlement period. The periodic amortization is reflected in the accompanying consolidated statements of income through benefits, claims and claim adjustment expenses. In transactions where the consideration paid exceeds the estimated liabilities for claims and claim costs a loss is recognized. If the adverse development net of experience adjustments exceeds the original loss, deferred gains are recorded. The deferred gains

are subsequently recognized into earnings over the expected settlement period of the reserves. In transactions involving an acquisition whereas a reinsurance contract is entered into contemporaneously with the acquisition, the contract is accounted for as prospective reinsurance.

Amounts recoverable from reinsurers include unpaid losses estimated in a manner consistent with the claim liabilities associated with the reinsured business. The Company evaluates reinsurance collectability, and a provision for uncollectible reinsurance is recorded where necessary.

Translation of Foreign Currencies

The Company translates the financial statements of its foreign operations into U.S. dollars from the functional currency designated for each foreign unit, generally the currency of the primary economic environment in which that operation does its business. Assets and liabilities are translated into U.S. dollars at period-end exchange rates, while income and expenses are translated using average rates for the period. Translation adjustments are recorded as a separate component of accumulated other comprehensive income, net of tax, to the extent applicable. Foreign currency amounts are re-measured to the functional currency, and the resulting foreign exchange gains or losses are reflected in earnings.

Income Taxes

The income tax provision is calculated under the liability method. The Company recognizes deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return basis of assets and liabilities based on enacted tax rates and other provisions of the tax law. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that all or some portion of the deferred tax assets will not be realized.

On December 22, 2017, the U.S. enacted the Act. The Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings. At December 31, 2017, the Company has made a reasonable estimate of the effects of the reduction in the U.S. corporate income tax rate and the one-time transition tax, resulting in a tax expense of $252, of which $240 is considered provisional and $12 is due to the impact of proportional amortization on investments in qualified affordable housing projects. In accordance with SEC guidance, provisional amounts may change as a result of additional guidance from, and interpretations by, U.S. regulatory and standard-setting bodies, and changes in assumptions the Company has made. Calculations for provisional amounts will be completed within one year of the date of enactment of the Act.

The Company revalued certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. The Company is still analyzing certain aspects of the Act and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount recorded related to revaluing the deferred tax balance was $91.

The one-time transition tax is based on the Company's total post-1986 earnings and profits ("E&P") for which the Company has previously deferred from U.S. income taxes. Based on information available, the Company recorded a provisional amount for the one-time transition tax liability, resulting in an increase in income tax expense of $149. The Company has not yet completed its calculation of the total post-1986 foreign E&P, therefore it is subject to change. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax or any additional outside basis differences as these amounts continue to be indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax or additional outside basis differences is not practicable.

In addition, the Act includes two new provisions that impact global companies: base erosion and anti-abuse tax ("BEAT") and global intangible low-taxed income ("GILTI"). BEAT is required to be treated as a period expense. GILTI will also be treated by the Company as a period expense.

Fee and Other Revenues

Fee and other revenues primarily consist of revenues from the Company's energy production operations, universal life cost of insurance and administrative fees, group life administrative service contract fees, and service fees generated from processing business for involuntary assigned risk pools, self-insured customers, and risk retention groups. Service fees are earned on a pro-rata basis over the term of the related policies. The Company accounts for oil and gas sales from its interests in producing wells under the sales method. The sales method requires that the Company recognize revenue based on the amount of natural gas and oil sold to purchasers on its behalf, which may be different from the Company's entitled production based on its interest in the properties.

Discontinued Operations

Disposal of businesses that are considered strategic shifts in the Company's operations are reflected as discontinued operations in the accompanying consolidated financial statements.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists principally of unrealized gains and losses on certain investments in debt and equity securities, foreign currency translation adjustments, and pension and postretirement liability adjustments.

The components of accumulated other comprehensive loss, net of related deferred acquisition costs and taxes, for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Years Ended December 31,		
	2017	2016	2015
Unrealized gains on securities	$1,213	$962	$819
Foreign currency translation and other adjustments	(589)	(708)	(825)
Pension and post retirement liability funded status	(1,650)	(1,558)	(1,515)
Accumulated other comprehensive loss	$(1,026)	$(1,304)	$(1,521)

The following table presents the consolidated other comprehensive income (loss) reclassification adjustments for the years ended December 31, 2017, 2016, and 2015, respectively.

Year ended December 31, 2017	Unrealized gains on securities	Change in pension and post retirement plans funded status	Foreign currency translation and other adjustments[1]	Total
Unrealized change arising during the period	$988	$(240)	$79	$827
Less: Reclassification adjustments included in consolidated net income	644	(160)	-	484
Total other comprehensive income (loss), before income tax expense (benefit)	344	(80)	79	343
Less: Income tax expense (benefit)	93	12	(44)	61
Total other comprehensive income (loss), net of income tax expense (benefit)	$251	$(92)	$123	$282

[1] Includes $4 of non-controlling interest.

Year ended December 31, 2016	Unrealized gains on securities[1]	Change in pension and post retirement plans funded status	Foreign currency translation and other adjustments[2]	Total
Unrealized change arising during the period	$256	$(222)	$131	$165
Less: Reclassification adjustments included in consolidated net income	29	(156)	-	(127)
Total other comprehensive income (loss), before income tax expense (benefit)	227	(66)	131	292
Less: Income tax expense (benefit)	82	(23)	5	64
Total other comprehensive income (loss), net of income tax expense (benefit)	$145	$(43)	$126	$228

[1] Includes $2 of non-controlling interest.
[2] Includes $9 of non-controlling interest.

Year ended December 31, 2015	Unrealized (losses) gains on securities	Change in pension and post retirement plans funded status	Foreign currency translation and other adjustments[1]	Total
Unrealized change arising during the period	$(1,634)	$(2)	$(504)	$(2,140)
Less: Reclassification adjustments included in consolidated net income	257	(224)	-	33
Total other comprehensive (loss) income, before income tax (benefit) expense	(1,891)	222	(504)	(2,173)
Less: Income tax (benefit) expense	(613)	68	(45)	(590)
Total other comprehensive (loss) income, net of income tax (benefit) expense	$(1,278)	$154	$(459)	$(1,583)

[1] Includes $(5) of non-controlling interest.

(2) ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

Ironshore Inc.
On May 1, 2017, the Company acquired Ironshore for approximately $2,926. The Company financed the acquisition primarily through short-term borrowings, which have been repaid using cash from operations.

The Company believes Ironshore is highly complementary to Global Specialty and Commercial Insurance and significantly increases scale and competitiveness in global specialty insurance and reinsurance lines.

The table below details the preliminary allocation of assets acquired and liabilities assumed. The fair values listed below are the Company's best estimates as of December 31, 2017 and are subject to adjustments as additional information becomes available to complete the allocation.

	As of May 1, 2017
Assets:	
Total investments	$5,081
Cash and cash equivalents	454
Premiums and other receivables	453
Reinsurance recoverables	1,231
Goodwill	740
Prepaid reinsurance premiums	390
Other assets	1,179
Total assets	$9,528
Liabilities:	
Unpaid claims and claim adjustment expenses	$4,278
Unearned premiums	1,302
Short-term debt	100
Long-term debt	298
Other liabilities	624
Total liabilities	$6,602

Subsequent to the acquisition, the Company made the following fair value adjustments:

Assets:	
Deferred tax assets	$338
Reinsurance recoverable	98
Intangibles	9
Total assets	445
Liabilities:	
Unpaid claims and claim adjustment expenses	538
Other liabilities	(82)
Total liabilities	456
Impact to goodwill for the period	$11

Direct costs related to the acquisition were expensed as incurred. Integration and acquisition costs principally consisting of non-recurring banking, legal, tax and accounting services, retention and severance costs are reflected separately on the consolidated statements of income.

In connection with the acquisition, on June 1, 2017, the Company repurchased $250 of Ironshore Holdings Inc.'s 8.5% senior note maturing in 2020 for $298, which reflects the fair value of the long term debt reported on the opening balance sheet above.

Compañia de Seguros Generales Penta Security S.A.
On January 14, 2016, the Company completed the acquisition of Compañia de Seguros Generales Penta Security S.A., the fourth largest non-life insurer in Chile. Compañia de Seguros Generales Penta Security S.A. had approximately $160 of net written premium in 2015.

DISPOSITIONS

Liberty Ubezpieczenia
On September 30, 2016, the Company completed the sale of substantially all the assets and liabilities of its Polish operation resulting in an immaterial gain. Liberty Ubezpieczenia had approximately $90 of net written premium in 2015.

HELD FOR SALE

Liberty Sigorta A.S.
On January 22, 2018, the Company's Spanish subsidiary, Liberty Seguros Compania de Seguros y Reaseguros S.A., entered into an agreement to sell its entire 99.44% interest its Turkish insurance affiliate, Liberty Sigorta A.S., to Talanx International. Completion of the transaction is subject to regulatory approval in Turkey. As a result of being held for sale a $13 impairment is reflected in the consolidated statements of income. The assets and liabilities have not been reclassified to held for sale due to immateriality.

DISCONTINUED OPERATIONS

Liberty Life Assurance Company

On January 19, 2018, the Company announced the sale of LLAC, which provides group disability, group life, individual life and annuity products, to Lincoln Financial Group. The transaction is subject to regulatory approval which is expected during the second quarter of 2018. Accordingly, for the year ended December 31, 2017 and for all prior periods, the results of LLAC have been classified as discontinued operations in the consolidated statements of income. As of December 31, 2017 and 2016, the assets and liabilities attributable to the LLAC are reflected in assets and liabilities held for sale on the accompanying consolidated balance sheets.

The following table details the major assets and liabilities classified as held for sale in the consolidated balance sheets:

	As of December 31,	
	2017	2016
Assets:		
Total investments	$ 18,469	$ 16,577
Cash and cash equivalents	798	747
Premiums and other receivables	89	64
Reinsurance recoverables	329	307
Deferred income taxes	(353)	(456)
Deferred acquisition costs	462	474
Other assets	427	397
Total assets held for sale	$ 20,221	$ 18,110
Liabilities:		
Unpaid claims and claim adjustment expenses	$ 8,651	$ 7,967
Other policyholder funds and benefits payable	7,334	6,750
Unearned premiums	2	2
Other liabilities	722	687
Total liabilities held for sale	$ 16,709	$ 15,406

The following table summarizes the amounts related to discontinued operations in the consolidated statements of income:

	Years Ended December 31,		
	2017	2016	2015
Revenues:			
Premiums earned	$2,117	$1,848	$1,693
Net investment income	778	713	682
Fee and other revenues	330	299	267
Net realized gains (losses)	53	(2)	(31)
Total revenues	$3,278	$2,858	$2,611
Claims, Benefits and Expenses:			
Benefits, claims and claim adjustment expenses	$2,193	$1,999	$1,787
Operating costs and expenses	443	387	356
Amortization of deferred policy acquisition costs	77	71	73
Interest credited to policyholders	237	219	202
Total claims, benefits and expenses	$2,950	$2,676	$2,418
Income before income tax expense	$ 328	$ 182	$ 193
Income tax expense	115	64	67
Net income	$213	$118	$126

Venezuela Operations

Effective as of September 30, 2015, the Company deconsolidated the Venezuelan subsidiaries and made the Venezuelan operations available for sale. The evolving conditions in Venezuela, including the increasingly restrictive exchange control regulations and other factors, significantly impacted our control over the Venezuelan operations. As a result of these factors, which we believe to be other-than-temporary, we concluded that effective September 30, 2015, we do not meet the accounting criteria for control over the Venezuelan operations, and deconsolidated these operations in the accompanying financial statements. As a result of deconsolidating, the Company recognized an impairment charge of approximately $690 which includes the write down of the investment in the previously consolidated Venezuelan operations to fair value and the write-off of related intercompany balances. The Company's Venezuelan operations and the related impairment charge are classified as discontinued operations in the consolidated financial statements. Subsequent to deconsolidation, the Company accounts for its ongoing investment in the Venezuelan operation on the cost basis.

The following table summarizes the amounts related to discontinued operations in the consolidated statements of income:

	Years Ended December 31,		
	2017	2016	2015
Revenues:			
Premiums earned	$ -	$ -	$1,949
Net investment income	-	-	95
Fee and other revenues	-	-	-
Net realized losses	-	-	(211)
Total revenues	$ -	$ -	$1,833
Claims, Benefits and Expenses:			
Benefits, claims and claim adjustment expense	$ -	$ -	$1,351
Operating costs and expenses	-	-	373
Amortization of deferred policy acquisition costs	-	-	303
Total claims, benefits and expenses	$ -	$ -	$2,027
Loss before income tax expense	$ -	$ -	$(194)
Income tax expense	-	-	25
Net loss	$ -	$ -	$(219)
Net loss on deconsolidation, net of tax	$ -	$ -	$(662)
Impairment of intercompany receivables, net of tax	-	-	(28)
Loss on discontinued operations, net of tax	$ -	$ -	$(909)

(3) INVESTMENTS

Components of Net Investment Income

	Years Ended December 31,		
	2017	2016	2015
Taxable interest income	$1,500	$1,422	$1,448
Tax-exempt interest income	241	306	374
Dividends	60	54	65
Limited partnerships, limited liability companies and other equity method investments	624	146	145
Commercial mortgage loans	76	76	77
Other investments	7	14	19
Gross investment income	2,508	2,018	2,128
Investment expenses [1]	(212)	(169)	(160)
Net investment income	$2,296	$1,849	$1,968

[1] Fees paid to external managers are included within the components of gross investment income.

Components of Net Realized Gains (Losses)

	Years Ended December 31,		
	2017	2016	2015
Fixed maturities			
Gross realized gains	$230	$220	$165
Gross realized losses	(118)	(129)	(120)
Equities			
Gross realized gains	605	193	341
Gross realized losses	(134)	(257)	(131)
Other			
Gross realized gains	188	125	66
Gross realized losses	(303)	(277)	(314)
Net realized gains (losses)	$468	$(125)	$7

During the years ended December 31, 2017, 2016, and 2015, the Company recorded $(344), $(366), and $(369) of impairment losses, respectively. As of December 31, 2017 and 2016, other-than-temporary impairment losses recognized through accumulated other comprehensive income were $(22) and $(22), respectively.

During the years ended December 31, 2017, 2016, and 2015, proceeds from sales of fixed maturities available for sale were $24,770, $6,657 and $4,225, respectively. The gross realized gains (losses) on sales of fixed maturities available for sale totaled $188 and $(72) in 2017, $164 and $(96) in

2016 and $141 and $(68) in 2015. During the years ended December 31, 2017, 2016, and 2015, proceeds from sales of equities available for sale were $3,375, $1,236, and $1,393, respectively. The gross realized gains (losses) on sales of equities available for sale totaled $530 and $(45) in 2017, $146 and $(112) in 2016, and $315 and $(70) in 2015.

Components of Change in Net Unrealized Investment Gains (Losses)

	Years Ended December 31,		
	2017	2016	2015
Fixed maturities	$670	$113	$(1,861)
Equities	(152)	115	(238)
Other	57	71	(44)
Adjustments to deferred acquisition costs	(231)	(72)	252
Net change in unrealized investment gains (losses)	344	227	(1,891)
Deferred income tax expense (benefit)	93	82	(613)
Net change in unrealized investment gains (losses), net of tax	$251	$145	$(1,278)

Available for Sale Investments

The amortized cost, gross unrealized gains and losses and fair values of available for sale investments as of December 31, 2017 and 2016, are as follows:

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$3,485	$13	$(32)	$3,466
Residential MBS	6,589	59	(52)	6,596
Commercial MBS	1,941	11	(11)	1,941
Other MBS and ABS	3,265	25	(18)	3,272
U.S. state and municipal	9,088	271	(35)	9,324
Corporate and other	23,894	502	(91)	24,305
Foreign government securities	4,961	196	(21)	5,136
Total fixed maturities	53,223	1,077	(260)	54,040
Common stock	2,345	221	(10)	2,556
Preferred stock	45	7	-	52
Total equity securities	2,390	228	(10)	2,608
Total securities available for sale	$55,613	$1,305	$(270)	$56,648

December 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$2,677	$17	$(28)	$2,666
Residential MBS[1]	5,891	94	(48)	5,937
Commercial MBS	1,327	19	(5)	1,341
Other MBS and ABS[2]	2,656	29	(21)	2,664
U.S. state and municipal	10,556	193	(162)	10,587
Corporate and other	20,835	499	(140)	21,194
Foreign government securities	4,734	186	(29)	4,891
Total fixed maturities	48,676	1,037	(433)	49,280
Common stock	1,795	469	(31)	2,233
Preferred stock	363	14	(40)	337
Total equity securities	2,158	483	(71)	2,570
Total securities available for sale	$50,834	$1,520	$(504)	$51,850

[1] Mortgage-backed securities ("MBS")
[2] Asset-backed securities ("ABS")

Approximately 67% of the Company's mortgage and asset-backed fixed maturity portfolio is explicitly backed by the U.S. government (Government National Mortgage Association "GNMA" and Small Business Association "SBA") or by government-sponsored entities (Federal Home Loan Mortgage Corporation "FHLMC" and Federal National Mortgage Association "FNMA"). Approximately 91% of the holdings are rated AAA. The commercial MBS portfolio is well diversified and of high quality with approximately 92% rated AAA.

As of December 31, 2017, no single issuer, excluding U.S. Treasuries, agency securities and MBS, accounted for more than 0.96% of invested assets.

Of the $2,556 and $2,233 of common stock as of December 31, 2017 and 2016, respectively, $682 and $538, respectively, related to securities associated with non-guaranteed unit linked products where the policyholder bears the investment risk.

As of December 31, 2017 and 2016, securities carried at $3,048 and $3,006, respectively, were on deposit with state regulatory authorities as required by law.

As of December 31, 2017 and 2016, the fair values of fixed maturity securities and equity securities loaned were approximately $1,702 and $1,115, respectively. Cash and short-term investments received as collateral in connection with the loaned securities were approximately $1,391 and $898 as of December 31, 2017 and 2016, respectively. Investments other than cash and short-term investments received as collateral in connection with the loaned securities were approximately $368 and $250 as of December 31, 2017 and 2016, respectively.

The amortized cost and fair value of fixed maturities as of December 31, 2017, by contractual maturity are as follows:

	Amortized Cost	**Fair Value**
Due to mature:		
One year or less	$2,926	$2,943
Over one year through five years	19,424	19,635
Over five years through ten years	12,589	12,867
Over ten years	6,489	6,786
MBS and ABS of government and corporate agencies	11,795	11,809
Total fixed maturities	$53,223	$54,040

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The following tables summarize the gross unrealized losses and fair value of fixed maturity securities and equity securities by the length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2017 and 2016 and that are not deemed to be other-than-temporarily impaired.

December 31, 2017	**Less Than 12 Months**		**12 Months or Longer**	
	Unrealized Losses	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
U.S. government and agency securities	$(20)	$2,544	$(12)	$486
Residential MBS	(24)	3,318	(28)	1,466
Commercial MBS	(9)	1,122	(2)	113
Other MBS and ABS	(6)	1,270	(12)	437
U.S. state and municipal	(8)	958	(27)	1,214
Corporate and other	(64)	7,575	(27)	1,115
Foreign government securities	(11)	1,260	(10)	411
Total fixed maturities	(142)	18,047	(118)	5,242
Common stock	(8)	599	(2)	21
Preferred stock	-	-	-	-
Total equities	(8)	599	(2)	21
Total	$(150)	$18,646	$(120)	$5,263

December 31, 2016	**Less Than 12 Months**		**12 Months or Longer**	
	Unrealized Losses	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
U.S. government and agency securities	$(27)	$1,699	$(1)	$6
Residential MBS	(47)	3,033	(1)	29
Commercial MBS	(5)	527	-	8
Other MBS and ABS	(17)	1,397	(4)	144
U.S. state and municipal	(156)	3,730	(6)	59
Corporate and other	(104)	5,770	(36)	624
Foreign government securities	(26)	1,331	(3)	243
Total fixed maturities	(382)	17,487	(51)	1,113
Common stock	(13)	187	(18)	164
Preferred stock	(1)	17	(39)	241
Total equities	(14)	204	(57)	405
Total	$(396)	$17,691	$(108)	$1,518

Unrealized losses decreased from $504 as of December 31, 2016 to $270 as of December 31, 2017 primarily due to decreasing interest rates and tightening credit spreads. As of December 31, 2017, there were 1,192 securities that were in an unrealized loss position for 12 months or longer. The Company monitors the difference between the amortized cost and estimated fair value of fixed maturity securities to ascertain whether declines in value are temporary in nature. In addition, the Company also monitors its intent and ability to hold certain equity securities for a period of time that is sufficient to allow for any anticipated recovery in fair value. The Company currently does not have the intent to sell and has determined it is not more likely than not that it would be required to sell these fixed maturity securities before recovery. For equity securities the Company has the intent and ability to hold these securities until recovery.

Variable Interest Entities

The Company invests in limited partnerships and other entities subject to VIE analysis under the VIE subsections of ASC 810, *Consolidation*. The Company analyzes each investment to determine whether it is a VIE, and if so, whether the Company is the primary beneficiary or a significant interest holder based on a qualitative and quantitative assessment. The Company evaluates the design of the entity, the risks to which the entity was designed to expose the variable interest holder and the extent of the Company's control of and variable interest in the VIE. As of December 31, 2017 and 2016, respectively, the Company has determined that it was not the primary beneficiary of any of its VIEs except for the Company's investment in its India joint venture which is deemed immaterial.

The Company has variable interests in VIEs for which it is not the primary beneficiary and accounts for these VIEs under the equity method in accordance with ASC 323, *Investments – Equity Method and Joint Ventures*. The VIEs are principally private equity limited partnerships in which the Company has invested as a passive limited partner. The partnerships were deemed to be VIEs because the equity holders as a group lack the power to direct the activities that most significantly impact the respective entity's economic performance. The VIEs generate variability primarily from investment portfolio performance and that variability is passed to equity holders. The net carrying value of non-consolidated VIEs in which the Company has a variable interest was $5,699 and $4,675 as of December 31, 2017 and 2016, respectively and the Company's maximum exposure to loss was $8,401 and $7,477 as of December 31, 2017 and 2016, respectively. The assets are included primarily in other investments in the accompanying consolidated balance sheets. Maximum exposure to loss includes the carrying value and unfunded commitment of the VIE. There is no recourse provision to the general credit of the Company for any VIE beyond the full amount of the Company's loss exposure.

LPs, LLCs and Other Equity Method Investments

As of December 31, 2017 and 2016, the carrying values of LP, LLC and other equity method investments were $6,223 and $5,180, respectively. These investments consist of traditional private equity partnerships, natural resources partnerships (primarily energy, metals and mining, and agriculture and timber), real estate partnerships, and other partnership funds and equity method investments. The Company's investments in LPs, LLCs and other equity method investments are long-term in nature. The Company believes these investments offer the potential for superior long-term returns and are appropriate in the overall context of a diversified portfolio.

Investments in Commercial Mortgage Loans

As of December 31, 2017 and 2016, the carrying values of commercial mortgage loans were $1,623 and $1,567, respectively. The carrying values reflect allowances for loan losses of $3 and $6 as of December 31, 2017 and 2016, respectively. The number of loans in the portfolio decreased from 4,836 as of December 31, 2016, to 4,827 as of December 31, 2017.

(4) DEFERRED ACQUISITION COSTS

The following reflects the policy acquisition costs deferred for amortization against future income and related amortization charged to income:

	Years Ended December 31,		
	2017	2016	2015
Balance at beginning of year	$2,874	$2,707	$1,919
Balance attributable to dispositions[1]	-	(8)	-
Acquisition costs deferred and other	5,420	5,026	5,390
Amortization charged to income	(5,062)	(4,851)	(4,602)
Balance at end of year	$3,232	$2,874	$2,707

[1] The balance attributable to dispositions primarily represents the disposition of Liberty Ubezpieczenia during the year ended 2016.

(5) REINSURANCE

In the ordinary course of business, the Company assumes reinsurance and also cedes reinsurance to other insurers to reduce overall risk, including exposure to large losses and catastrophic events. The Company is also a member of various involuntary pools and associations and serves as a servicing carrier for residual market organizations.

A summary of reinsurance financial data reflected within the accompanying consolidated statements of income is presented below:

P&C	2017		2016		2015	
	Written	Earned	Written	Earned	Written	Earned
Direct	$40,548	$39,707	$37,198	$36,334	$35,699	$35,133
Assumed	1,631	1,479	1,358	1,541	1,687	1,821
Ceded	5,452	5,460	4,754	4,945	4,619	4,827
Net premiums	$36,727	$35,726	$33,802	$32,930	$32,767	$32,127

Life & Annuity[1]	2017		2016		2015	
	Written	Earned	Written	Earned	Written	Earned
Direct	$65	$66	$61	$63	$71	$71
Assumed	1	1	-	-	-	-
Ceded	4	4	6	6	7	7
Net premiums	$62	$63	$55	$57	$64	$64

[1] Amounts do not include the activity from LLAC which is included in discontinued operations on the consolidated statements of income.

The Company reported reinsurance recoverables of $16,899 and $13,513 as of December 31, 2017 and 2016, respectively, net of allowance for doubtful accounts of $218 and $235, respectively. In conjunction with the significant catastrophe losses incurred, the Company has ceded approximately $1,234 to its reinsurance partners. The following table summarizes the Company's reinsurance recoverables by reinsurers' Standard & Poor's ("S&P") rating (or the rating of any guarantor) as of December 31, 2017:

S&P Rating	Reinsurance Recoverables	Collateral Held	Net Recoverables[1]
AAA	$-	$-	$-
AA+, AA, AA-	6,924	4,489	2,972
A+, A, A-	4,670	404	4,291
BBB+, BBB, BBB-	2	-	2
BB+ or below	1	-	1
Involuntary pools	3,092	-	3,092
Voluntary pools	212	101	206
Other[2]	2,216	2,565	597
Gross recoverables[3]	$17,117	$7,559	$11,161
Less: allowance	218		
Net recoverables	$16,899		

[1] Net recoverables represent gross recoverables less applicable collateral that can be specifically applied against recoverable balances.
[2] Includes $719 and $1,497 of reinsurance recoverables from non-rated reinsurers and captive and program business, respectively.
[3] Includes $725 and $16,392 of paid and unpaid reinsurance recoverables, respectively.

The Company remains contingently liable in the event reinsurers are unable to meet their obligations for paid and unpaid reinsurance recoverables and unearned premiums ceded under reinsurance agreements.

The reinsurance recoverables from state mandated involuntary pools and associations primarily represent the Company's servicing carrier business. As a servicing carrier, the Company retains no direct underwriting risk but instead cedes 100% of the involuntary market premium and losses back to the pool. Payment of losses is shared by the pool participants in proportion to their pool participation. Reinsurer credit risk with respect to any such involuntary pool or association is a function of the creditworthiness of all the pool participants.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business. The Company evaluates and monitors the financial condition of its reinsurers under voluntary reinsurance arrangements to minimize its exposure to significant losses from reinsurer insolvencies. The Company reports its reinsurance recoverables net of an allowance for estimated uncollectible reinsurance recoverables. The allowance is based upon the Company's ongoing review of amounts outstanding, length of collection periods, changes in reinsurer credit standing and other relevant factors. Accordingly, the establishment of reinsurance recoverables and the related allowance for uncollectible reinsurance recoverables is also an inherently uncertain process involving estimates. Changes in these estimates could result in additional charges to the accompanying consolidated statements of income.

In conjunction with the Ironshore acquisition and effective May 1, 2017, the Company entered into a reinsurance transaction with National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc., on a combined aggregate excess of loss agreement providing coverage for substantially all of Ironshore's reserves related to losses occurring prior to January 1, 2017. The first layer of the contract transfers $400 of held reserves at inception, for which the Company established reinsurance recoverables on the consolidated balance sheets. The second layer of the contract provides adverse development coverage ("ADC") for 95% of $500 above a retention equal to $2,991, 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 Company paid NICO consideration of $550, including interest accrued at the time of the settlement. The contract is accounted for on a prospective basis.

On July 17, 2014, Liberty Mutual Insurance Company ("LMIC") entered into a reinsurance transaction with NICO on a combined aggregate excess of loss agreement for substantially all of the Company's U.S. workers compensation, asbestos and environmental liabilities (the "NICO Reinsurance Transaction"), attaching at $12,522 of combined aggregate reserves, with an aggregate limit of $6,500 and sublimits of $3,100 for asbestos and environmental liabilities and $4,507 for certain workers compensation liabilities. At the closing of the NICO Reinsurance Transaction, but effective as of January 1, 2014, the Company ceded $3,320 of existing undiscounted liabilities under this retroactive reinsurance agreement. NICO will provide $3,180 of additional aggregate ADC. The Company paid NICO total consideration of $3,046, and recorded a pre-tax loss of $128 in the third quarter of 2014. With respect to the ceded asbestos and environmental business, NICO has been given authority to handle claims, subject to the Company's oversight and control. With respect to the ceded workers compensation business, the Company will continue to handle claims. The contract is accounted for on a retroactive basis.

In general terms, the covered business includes post December 31, 2013 development on: (1) asbestos and environmental liabilities arising under policies of insurance and reinsurance with effective dates prior to January 1, 2005; and (2) workers compensation liabilities as respects injuries or accidents occurring prior to January 1, 2014.
Since the NICO Reinsurance Transaction is accounted for as retroactive reinsurance in the Company's GAAP consolidated financial statements, to the extent there is unfavorable development of losses covered by this reinsurance, an additional reinsurance benefit is recognized in the consolidated statements of income until those benefits exceed the original loss on the transaction. Reinsurance benefits in excess of the original loss will be deferred and recognized over the claims paying period of the reinsured policies.

As the aggregate of workers compensation and asbestos and environmental development has exceeded the original pre-tax loss of $128, deferred gains are now being recorded. Deferred gains are amortized into earnings over the period when underlying claims are settled. For the years ended December 31, 2017, 2016 and 2015 deferred gain amortization was $21, $13 and $0 respectively. As of December 31, 2017 and 2016, deferred gains were $205 and $62, respectively, and are included in other liabilities within the accompanying consolidated balance sheets.

In addition, the Company has an aggregate reinsurance recoverable from Nationwide Indemnity Company in the amount of $1,519 and $1,541 as of December 31, 2017 and 2016, respectively. The reinsurance recoverable is guaranteed by Nationwide Mutual Insurance Company, which has a financial strength rating of A+ from S&P. Additionally, the Company has significant reinsurance recoverable concentrations with Swiss Re Group, Berkshire Hathaway Insurance Group, Alleghany Corp, and Munich Re Group totaling $1,137, $710, $489, and $468, respectively, as of December 31, 2017, net of offsetting collateral under the contracts.

Catastrophe Exposure
The Company writes insurance and reinsurance contracts that cover catastrophic events, both natural and man-made. Although the Company purchases reinsurance to mitigate its exposure to certain catastrophic events, claims from catastrophic events could cause substantial volatility in its financial results for any fiscal year and have a material adverse effect on its financial condition.

On November 26, 2002, the Terrorism Risk Insurance Act of 2002 ("the Terrorism Act") was enacted into Federal law and established the Terrorism Risk Insurance Program ("the Program"), a temporary Federal program in the Department of the Treasury, that provided for a system of shared public and private compensation for certain insured losses resulting from acts of terrorism or war committed by or on behalf of a foreign interest. The Program was scheduled to terminate on December 31, 2005. In December 2005, the Terrorism Risk Insurance Extension Act of 2005 ("the Terrorism Extension Act") was enacted into Federal law, reauthorizing the prior program through December 31, 2007, while reducing the Federal role under the Program. In December 2007, the Terrorism Risk Insurance Program Reauthorization Act of 2007 was enacted into Federal law, extending coverage to include domestic acts of terrorism and reauthorizing the Program through December 31, 2014. In January 2015, the Terrorism

Risk Insurance Program Reauthorization Act of 2015 ("the 2015 Reauthorization") extends the effectiveness of the Terrorism Act through December 31, 2020, while further reducing the Federal role under the program. The four acts are hereinafter collectively referred to as "the Acts."

For a loss to be covered under the Program (subject losses), the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism by the U.S. Secretary of the Treasury. The annual aggregate industry loss minimum is $100 through 2015. The original Program excluded from participation certain of the following types of insurance: Federal crop insurance, private mortgage insurance, financial guaranty insurance, medical malpractice insurance, health or life insurance, flood insurance, and reinsurance. The Terrorism Extension Act exempted from coverage certain additional types of insurance, including commercial automobile, professional liability (other than directors and officers), surety, burglary and theft, and farm-owners multi-peril. In the case of a war declared by Congress, only workers compensation losses are covered by the Acts. The Acts generally require that all commercial property casualty insurers licensed in the United States participate in the Program. The 2015 Reauthorization increases the loss minimum by $20 annually starting in 2016 until it reaches $200 in 2020. Under the Program, a participating insurer was entitled through 2015 to be reimbursed by the Federal Government for 85% of subject losses, after an insurer deductible, subject to an annual cap. Under the 2015 Reauthorization, the Federal reimbursement percentage decreases by 1% a year starting in 2016 from the current 85% to 80% in 2020. The 2015 Reauthorization did not change the program cap of $100,000 or the Company's deductible which remains at 20% of the Company's prior year earned premium for the covered lines.

The deductible for any calendar year is equal to 20% of the insurer's direct earned premiums for covered lines for the preceding calendar year. The Company's estimated deductible under the Program is $1,519 for 2018. The annual cap limits the amount of aggregate subject losses for all participating insurers to $100,000. Once subject losses have reached the $100,000 aggregate during a program year, participating insurers will not be liable under the Program for additional covered terrorism losses for that program year. The Company has had no terrorism-related losses since the Program was established. Because the interpretation of the Acts is untested, there is substantial uncertainty as to how they will be applied to specific circumstances. It is also possible that future legislative action could change the Acts. Further, given the unpredictable frequency and severity of terrorism losses, as well as the limited terrorism coverage in the Company's own reinsurance program, future losses from acts of terrorism, particularly "unconventional" acts of terrorism involving nuclear, biological, chemical or radiological events, could be material to the Company's operating results, financial position and/or liquidity in future periods. The Company will continue to manage this type of catastrophic risk by monitoring and controlling terrorism risk aggregations to the best of its ability.

Catastrophes

Catastrophes are an inherent risk of the property-casualty insurance business and have contributed to material period-to-period fluctuations in the Company's results of operations and financial position. Catastrophe losses are severe losses resulting from natural and man-made events, including risks such as fire, earthquake, windstorm, explosion, terrorism, and other similar events. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in an area affected by the event and the severity of the event. The level of catastrophe losses experienced in any period cannot be predicted and can be material to the results of operations and financial position of the Company.

(6) UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The Company establishes reserves for payment of claims and claim adjustment expenses that arise from the policies issued. As required by applicable accounting rules, no reserves are established until a loss, including a loss from a catastrophe, occurs. The Company's reserves are segmented into three major categories: reserves for reported claims (estimates made by claims adjusters); incurred but not reported claims reserves ("IBNR") representing reserves for unreported claims and supplemental reserves for reported claims; and reserves for the costs to settle claims. The Company establishes its reserves net of salvage and subrogation by line of business or coverage and year in which losses occur.

Establishing loss reserves, including loss reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the costs of repair materials, and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement can be. Accordingly, "short-tail" claims, such as property damage claims, tend to be easier to estimate than "long-tail" claims, such as workers compensation or general liability claims.

As information develops that varies from past experience, provides additional data, or augments data that previously was not considered sufficient for use in determining reserves, changes in the Company's estimate of ultimate liabilities may be required. The effects of these changes are reflected in current operating results.

In order to establish a reserve for IBNR claims, the actuarial teams within each of the SBUs use their experience and knowledge of the lines of business to estimate the potential future development of the incurred claims. The Company uses a number of actuarial methods and assumptions to develop an estimate of ultimate claim liabilities. Generally, these are a combination of exposure and experience based actuarial methods and review of other pertinent and available information from claims, underwriting, product and finance. Exposure based actuarial methods consider historical loss ratios and adjust for rate changes, premium and loss trends, industry trends and other information. These methods are typically used when developing an actuarial central estimate for more recent policy periods when claims data is insufficient to produce a reliable indication. As claims data becomes more reliable for a given policy period, more consideration is given to experience methods which review and monitor actual paid and reported development.

A comprehensive actuarial reserve review is performed for each product line at least once a year. The process and methods used for each product line vary depending on the circumstances and include input from claims, underwriting, product and finance. Each quarter the actuarial central

estimate for each product line is reviewed and updated based upon development and presented to the reserving committee to conclude on the Company's best estimate of ultimate claim liabilities.

Activity in property and casualty unpaid claims and claim adjustment expenses of the Company are summarized as follows:

	2017	2016	2015
Balance as of January 1	$49,721	$49,323	$49,970
Less: unpaid reinsurance recoverables[1]	10,016	9,891	10,256
Net balance as of January 1	39,705	39,432	39,714
Balance attributable to acquisitions and dispositions[2]	2,763	(28)	(67)
Incurred attributable to:			
Current year	26,661	22,184	21,454
Prior years[3]	445	(73)	(162)
Discount accretion attributable to prior years	59	61	79
Total incurred	27,165	22,172	21,371
Paid attributable to:			
Current year	13,464	12,015	11,559
Prior years	10,450	9,622	9,457
Total paid	23,914	21,637	21,016
Amortization of deferred retroactive reinsurance gain	21	16	3
Net adjustment due to foreign exchange	440	(250)	(573)
Add: unpaid reinsurance recoverables[1]	13,037	10,016	9,891
Balance as of December 31	$59,217	$49,721	$49,323

[1] In addition to the unpaid reinsurance recoverable balances noted above, and as a result of retroactive reinsurance agreements, the Company has recorded retroactive reinsurance recoverable balances of $3,315, $3,141, and $3,000 as of December 31, 2017, 2016, and 2015, respectively.
[2] The balance attributable to acquisitions and dispositions primarily represents the acquisition of Ironshore during the year ended 2017, the disposition of Liberty Ubezpieczenia during the year ended 2016, and the deconsolidation of the Venezuelan operations during the year ended 2015. (See Note 2 for further discussion.)
[3] Does not include (decreases) increases in allowance related to reinsurance recoverables due to prior year development of $(14), $98, and $21 as of December 31, 2017, 2016, and 2015, respectively.

In 2017, incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive gain, is primarily attributable to unfavorable development in the commercial automobile line of business due to greater than expected severity. In 2016, incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive gain, is primarily attributable to favorable development in LSM reinsurance due to actuarial reserving adjustments and international personal automobile lines of business, partially offset by unfavorable development in the domestic personal automobile and commercial automobile lines of business due to greater than expected severity. In 2015, incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive gain, is primarily attributable to favorable development in the reinsurance line of business due to lower than expected loss development.

For certain commercial lines of insurance, the Company offers experience-rated insurance contracts whereby the ultimate premium is dependent upon the claims incurred. As of December 31, 2017 and 2016, the Company held $3,535 and $3,585, respectively, of unpaid claims and claim adjustment expenses related to experience-rated contracts. Premiums receivable included accrued retrospective and unbilled audit premiums of $439 and $446 as of December 31, 2017 and 2016, respectively. For the years ended December 31, 2017, 2016, and 2015, the Company recognized a (decrease) increase of premium income of $(23), $(13) and $40, respectively, relating to prior years.

Unpaid claims and claim adjustment expenses are recorded net of anticipated salvage and subrogation of $1,300, and $1,362 as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the reserve for unpaid claim reserves was reduced by $5,537 and $5,406, respectively, for large dollar deductibles. Large dollar deductibles billed and recoverable were $168, and $163 as of December 31, 2017 and 2016, respectively.

The following is information about incurred and paid claims development as of December 31, 2017, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

Supplementary information provided includes information about incurred and paid claims development for the years ended December 31, 2008, to 2016, and information about average historical claims duration as of December 31, 2017. Due to the composition of the Company, comprising organically grown and acquired business, there is a mixture of claim count definitions. However, these definitions have been consistently applied throughout the history shown. We have disclosed our claim count methodologies below, unless it is impracticable to do so.

Disclosures about claim development by accident year are presented for the number of years for which claims incurred typically remain outstanding, up to 10 years.

The impact of current and prior year acquisitions and dispositions are presented on a retrospective basis.

Commercial Multiple-Peril ("CMP")
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017											
	Supplemental and unaudited											
AY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total of incurred but not reported liabilities plus expected development on reported claims	Cumulative number of reported claims[1]
2008	1,632	1,562	1,563	1,541	1,550	1,553	1,567	1,562	1,563	1,561	8	102,344
2009		1,300	1,272	1,254	1,241	1,245	1,241	1,237	1,238	1,239	37	92,429
2010			1,408	1,377	1,365	1,371	1,365	1,355	1,355	1,353	44	97,944
2011				1,668	1,537	1,528	1,502	1,487	1,491	1,491	14	107,601
2012					1,419	1,373	1,363	1,340	1,341	1,345	74	92,975
2013						1,151	1,144	1,112	1,109	1,115	95	62,989
2014							1,134	1,086	1,090	1,092	63	53,474
2015								1,039	1,040	1,030	159	47,343
2016									1,057	1,022	241	44,187
2017										1,254	492	39,338
									Total	$12,502		

[1]Note that approximately 87% of claim count information is disclosed on a per occurrence basis, while approximately 13% is disclosed on a per claimant basis.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017									
	Supplemental and unaudited									
AY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	653	1,052	1,192	1,333	1,435	1,483	1,514	1,534	1,542	1,549
2009		487	771	901	1,018	1,100	1,142	1,168	1,185	1,194
2010			519	829	974	1,106	1,196	1,248	1,274	1,291
2011				640	975	1,136	1,269	1,366	1,421	1,450
2012					504	812	969	1,095	1,175	1,232
2013						353	622	757	870	955
2014							415	677	798	928
2015								374	610	742
2016									369	617
2017										439
									Total	$10,397
									All net outstanding liabilities prior to 2008, net of reinsurance	178
									Liabilities for claims and claim adjustment expense	$2,283

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
37.7%	23.6%	11.1%	9.8%	6.6%	3.6%	2.0%	1.3%	0.6%	0.4%

General Liability
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017											
	|------*Supplemental and unaudited*------|										Total of incurred but not reported liabilities plus expected development on reported claims	Cumulative number of reported claims[(1)]
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**		
2008	852	614	630	655	670	674	679	679	680	688	47	81,472
2009		738	660	634	600	593	584	591	600	608	61	67,095
2010			699	643	640	614	618	623	627	634	68	70,727
2011				787	733	686	718	720	733	742	81	67,171
2012					755	672	744	726	721	719	115	67,743
2013						746	726	715	708	704	173	71,566
2014							765	748	738	741	190	69,897
2015								775	766	802	314	58,623
2016									705	704	393	58,017
2017										867	700	46,743
									Total	$7,209		

[(1)]Note that approximately 92% of claim count information is disclosed on a per claimant basis, while approximately 8% is disclosed on a per occurrence basis.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017									
	|------*Supplemental and unaudited*------|									
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
2008	39	109	230	342	452	524	561	580	595	609
2009		32	100	194	311	401	448	477	507	521
2010			27	90	194	300	393	444	483	511
2011				25	104	225	340	443	538	590
2012					24	114	236	364	462	536
2013						22	85	174	313	425
2014							26	112	225	389
2015								27	113	301
2016									27	114
2017										27
									Total	$4,023
				All net outstanding liabilities prior to 2008, net of reinsurance						425
				Liabilities for claims and claim adjustment expense						$3,611

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
3.9%	10.9%	16.8%	18.2%	14.8%	9.8%	5.9%	4.0%	2.3%	2.0%

Workers Compensation
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017													
	Supplemental and unaudited													
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Gross ADC[1]**	**Net of ADC**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims[2]**
2008	3,383	3,372	3,412	3,486	3,548	3,693	3,622	3,611	3,607	3,607	274	3,333	538	547,037
2009		2,948	2,999	3,047	3,140	3,164	3,088	3,082	3,078	3,075	262	2,813	448	433,988
2010			2,894	2,980	3,092	3,106	2,998	2,987	2,976	2,976	273	2,703	435	414,205
2011				2,665	2,722	2,747	2,676	2,670	2,661	2,654	295	2,359	594	381,246
2012					2,823	2,775	2,700	2,691	2,680	2,671	307	2,364	777	339,799
2013						2,130	2,080	2,071	2,059	2,050	292	1,758	731	267,807
2014							1,571	1,544	1,522	1,515		1,515	509	221,744
2015								1,374	1,377	1,368		1,368	559	192,474
2016									1,263	1,265		1,265	593	177,470
2017										1,296		1,296	819	169,584
									Total	$22,477	$1,703	$20,774		

[1] Amount relates to workers compensation activity only and does not reflect the asbestos and environmental portion of the ADC. (See Note 5 for further discussion.)
[2]Note that approximately 83% of claim count information is disclosed on a per claimant basis, while approximately 17% is disclosed on a per occurrence basis.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017									
	Supplemental and unaudited									
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
2008	611	1,361	1,844	2,156	2,358	2,514	2,626	2,686	2,727	2,768
2009		532	1,179	1,596	1,852	2,043	2,162	2,240	2,292	2,333
2010			553	1,230	1,613	1,870	2,043	2,137	2,202	2,248
2011				530	906	1,263	1,495	1,624	1,713	1,770
2012					441	949	1,258	1,417	1,524	1,597
2013						300	652	825	929	1,008
2014							230	504	666	765
2015								192	435	571
2016									184	426
2017										187
									Total	3,673

All net outstanding liabilities prior to 2008, net of reinsurance	3,407
Liabilities for claims and claim adjustment expense	$10,508

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
16.2%	18.9%	11.7%	7.4%	5.0%	3.5%	2.5%	1.6%	1.2%	1.1%

The aggregate amount of discount related to the time value of money deducted to derive the liabilities as of December 31, 2017 and 2016 were $1,121 and $1,164 respectively.

The amounts of interest accretion recognized for the years ended December 31, 2017, 2016 and 2015 were $51, $53 and $63, respectively. These amounts are included in the financial statement line item benefits, claims and claim adjustment expenses.

Global Specialty- General Liability
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017													
	Supplemental and unaudited												Total of incurred but not reported liabilities plus expected development on reported claims	Cumulative number of reported claims[1]
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Gross ADC**	**Net of ADC**		
2008	524	505	436	445	465	463	476	484	473	456	1	455	11	12,614
2009		596	699	662	575	582	556	559	546	561	2	559	14	20,786
2010			571	641	667	696	656	629	638	655	7	648	33	25,098
2011				655	768	771	827	821	811	832	17	815	90	30,010
2012					1,034	1,117	1,121	1,143	1,101	1,162	31	1,131	193	34,235
2013						1,351	1,431	1,437	1,417	1,506	47	1,459	278	36,994
2014							1,523	1,518	1,458	1,519	97	1,422	508	40,750
2015								1,709	1,691	1,837	111	1,726	717	38,252
2016									1,517	1,663	108	1,555	821	33,540
2017										1,413	-	1,413	1,079	26,479
									Total	$11,604	$421	$11,183		

[1] Approximately 82% of claim count information is disclosed on a per claimant basis, while approximately 18% is disclosed on a per occurrence basis. General Liability Proportional Reinsurance claim count is not disclosed due to a lack of available information.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017									
	Supplemental and unaudited									
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
2008	7	44	115	189	236	306	336	353	380	387
2009		14	69	128	216	282	355	397	436	467
2010			18	94	218	319	410	469	535	564
2011				32	117	235	390	536	631	669
2012					80	275	387	568	686	804
2013						185	389	610	820	1,016
2014							111	300	533	705
2015								180	401	657
2016									168	400
2017										127
									Total	$5,796
All net outstanding liabilities prior to 2008, net of reinsurance										172
Liabilities for claims and claim adjustment expense										$5,559

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
6.6%	12.1%	14.1%	15.3%	12.8%	11.8%	7.2%	5.0%	5.8%	1.5%

Global Specialty- Reinsurance
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2017

	Supplemental and unaudited										
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total of incurred but not reported liabilities plus expected development on reported claims[1]**
2008	664	749	736	738	758	748	743	725	710	706	63
2009		603	694	711	737	733	718	702	683	678	15
2010			614	814	800	819	811	803	784	783	90
2011				619	733	756	732	704	695	679	178
2012					406	518	521	503	480	486	150
2013						392	522	490	460	462	117
2014							346	438	446	442	144
2015								338	444	449	192
2016									355	470	285
2017										684	641
									Total	$5,839	

[1]Claims count is unavailable for the line of business since underlying claim count information is not maintained by cedants and not included in cession statements.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

As of December 31, 2017

	Supplemental and unaudited									
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
2008	34	280	336	393	434	472	505	517	526	534
2009		268	386	433	469	503	538	555	563	571
2010			190	350	451	520	593	639	660	676
2011				147	277	415	509	564	591	602
2012					57	173	273	324	352	367
2013						41	152	236	279	294
2014							45	165	252	286
2015								50	144	228
2016									43	168
2017										121
									Total	$3,847
									All net outstanding liabilities prior to 2008, net of reinsurance	241
									Liabilities for claims and claim adjustment expense	$2,233

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
15.9%	23.8%	15.7%	9.0%	6.2%	4.7%	2.8%	1.7%	1.2%	1.1%

Private Passenger Auto
(Claim counts in whole numbers)

Incurred claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017					
	|------*Supplemental and unaudited*----|					
AY	**2014**	**2015**	**2016**	**2017**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims[(1)]**
2014	7,223	7,232	7,222	7,213	138	3,996,257
2015		7,610	7,643	7,673	366	3,968,289
2016			8,430	8,405	590	4,053,346
2017				9,083	2,251	3,757,146
			Total	$32,374		

[(1)]Note that approximately 83% of claim count information is disclosed on a per claimant basis, while approximately 17% is disclosed on a per occurrence basis.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

	As of December 31, 2017			
	|-------------*Supplemental and unaudited*----------|			
AY	**2014**	**2015**	**2016**	**2017**
2014	4,334	5,694	6,330	6,747
2015		4,602	6,138	6,787
2016			5,160	6,807
2017				5,161
			Total	$25,502
All net outstanding liabilities prior to 2014, net of reinsurance				505
Liabilities for claims and claim adjustment expense				$7,377

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4
59.6%	19.5%	8.6%	5.8%

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses ("CAE")

Net outstanding liabilities (gross of ADC) for unpaid claims and CAE	**December 31, 2017**
CMP	$2,283
General Liability	3,611
Workers Compensation	10,508
GS- General Liability	5,559
GS- Reinsurance	2,233
Private Passenger Auto	7,377
Other Insurance Lines	10,090
Liabilities for unpaid claims and allocated CAE, net of reinsurance	$41,661
Reinsurance recoverable on unpaid claims	
CMP	27
General Liability	686
Workers Compensation	3,642
GS- General Liability	2,975
GS- Reinsurance	326
Private Passenger Auto	855
Other Insurance Lines	4,526
Total reinsurance recoverable on unpaid claims	$13,037
Unallocated claims adjustment expenses	1,695
ADC	3,945
Impact of discounting	(1,121)
Total gross liability for unpaid claims and CAE	$59,217

Asbestos and Environmental Reserves

The Company has exposure to asbestos and environmental claims that emanate principally from general liability policies written prior to the mid-1980s. In establishing the Company's asbestos and environmental reserves, the Company estimates case reserves for anticipated losses and bulk reserves for claim adjustment expenses and IBNR. The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves, including cessions reported by ceding reinsurers on assumed reinsurance contracts, are reported in unpaid claims and claim adjustment expenses, and ceded reserves are included in reinsurance recoverables on the accompanying consolidated balance sheets.

Upon their de-affiliation from the Nationwide Group and affiliation with the Company, Employers Insurance Company of Wausau ("EICOW"), Wausau Business Insurance Company ("WBIC"), Wausau General Insurance Company ("WGIC"), and Wausau Underwriters Insurance Company ("WUIC") entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

The process of establishing reserves for asbestos and environmental claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. A number of factors contribute to this greater uncertainty surrounding the establishment of asbestos and environmental reserves, including, without limitation: (i) the lack of available and reliable historical claims data as an indicator of future loss development, (ii) the long waiting periods between exposure and manifestation of any bodily injury or property damage, (iii) the difficulty in identifying the source of asbestos or environmental contamination, (iv) the difficulty in properly allocating liability for asbestos or environmental damage, (v) the uncertainty as to the number and identity of insureds with potential exposure, (vi) the cost to resolve claims, and (vii) the collectability of reinsurance.

The uncertainties associated with establishing reserves for asbestos and environmental claims and claim adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim. The uncertainties cannot be reasonably estimated, but could have a material impact on the Company's future operating results and financial condition.

In 2017, the Company completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded asbestos and environmental unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. Asbestos and environmental unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves of $150 including: $100 of asbestos reserves, and $50 of pollution reserves.

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves and would be covered under the NICO Reinsurance Transaction.

As of December 31, 2017 and 2016, the Company's unpaid claims and claim adjustment expense reserves, net of associated reinsurance recoverables, included $957 and $936 respectively, for asbestos and environmental-related claims before consideration of the NICO Reinsurance Transaction.

Net asbestos losses paid in 2017, 2016, and 2015 were $84, $72, and $243, respectively. The Company incurred $86, $62, and $7, of asbestos reserves before consideration of the NICO Reinsurance Transaction, net of change in allowance for doubtful accounts during the years ended December 31, 2017, 2016, and 2015, respectively.

Net environmental losses paid in 2017, 2016, and 2015 were $32, $55, and $37, respectively. The Company incurred $51, $49, and $0, of environmental reserves before consideration of the NICO Reinsurance Transaction, net of change in allowance for doubtful accounts during the years ended December 31, 2017, 2016, and 2015, respectively.

(7) DEBT OUTSTANDING

Debt outstanding as of December 31, 2017 and 2016 includes the following:

Short-term debt:

	2017	2016
Short-term debt	$ 11	$ -

Long-term debt:

	2017	2016
Junior Subordinated Notes, due 2067[1] [2]	$300	$300
5.00% Notes, due 2021	600	600
4.95% Notes, due 2022	750	750
4.25% Notes, due 2023	1,000	1,000
1.75% €500 million Notes, due 2024	600	-
8.50% Surplus Notes, due 2025	140	140
2.75% €750 million Notes, due 2026	901	791
7.875% Surplus Notes, due 2026	227	227
7.625% Notes, due 2028	3	3
3.91% - 4.25% Federal Home Loan Bank Borrowings due 2032	300	300
7.00% Notes, due 2034	231	231
6.50% Notes, due 2035	471	471
7.50% Notes, due 2036	19	19
7.80% Junior Subordinated Notes, due 2087[2]	700	700
10.75% Junior Subordinated Notes, due 2088[3]	66	68
6.50% Notes, due 2042	750	750
4.85% Notes, due 2044	1,050	1,050
7.697% Surplus Notes, due 2097	260	260
	8,368	7,660
Unamortized discount	(13)	(15)
Total long-term debt excluding unamortized debt issuance costs	8,355	7,645
Unamortized debt issuance costs	(41)	(42)
Total long-term debt	$8,314	$7,603

[1] 7.00% fixed rate became 6.324% starting March 15, 2017 through a swap. Bondholders are paid 3-month LIBOR + 2.905%.

[2] The par value call date and final fixed rate interest payment date is March 15, 2037, subject to certain requirements.
[3] The par value call date and final fixed rate interest payment date is June 15, 2038, subject to certain requirements.

Debt Transactions and In-Force Credit Facilities
During the twelve months ended December 31, 2017, the Company repurchased $2 of the 10.75% Junior Subordinated notes due 2088 compared to repurchases of $125 for the same period in 2016. Pre-tax losses of $1 were recorded on these transactions for the twelve months ended December 31, 2017 compared to pre-tax losses of $76 for the same period in 2016 and are included in loss on extinguishment of debt in the accompanying consolidated statements of income.

On December 1, 2017, LMIC replaced its $1,000 repurchase agreement with a $250 repurchase agreement for a three-year period, which terminates December 1, 2020. At December 31, 2017, no funds were borrowed under the facility.

On November 29, 2017, LMIC terminated its $1,000 repurchase agreement that was due to expire July 3, 2018.

On November 24, 2017, LMIC entered into a $250 repurchase agreement with an expiration date of November 24, 2020. At December 31, 2017, no funds were borrowed under the facility.

On October 9, 2017, Liberty Mutual Group Inc. ("LMGI") terminated its $1,000 commercial paper program.

On June 1, 2017, Ironshore Holdings (U.S.) Inc. redeemed in their entirety $250 8.5% Senior Notes due 2020 for $298. (See Note 2 for further discussion.)

On March 27, 2017, Liberty Mutual Finance Europe DAC issued €500 million par value of Senior Notes due 2024 (the "2024 Notes"). Interest is payable annually at a fixed rate of 1.75%. The 2024 Notes mature on March 27, 2024.

On May 4, 2016, LMGI issued €750 million par value of Senior Notes due 2026 (the "2026 Notes"). Interest is payable annually at a fixed rate of 2.75%. The 2026 Notes mature on May 4, 2026.
On March 5, 2015, LMGI amended and restated its unsecured revolving credit facility from $750 to $1,000 with an expiration date of March 5, 2020. To date, no funds have been borrowed under the facility.

LMIC, Peerless Insurance Company ("PIC"), LLAC, Liberty Mutual Fire Insurance Company ("LMFIC"), Employers Insurance Company of Wausau ("EICOW"), Ironshore Specialty Insurance Company ("ISIC") and Ironshore Indemnity Insurance ("III") are members of the Federal Home Loan Bank. On March 21, 2012, LMFIC borrowed $150 at a rate of 3.91% with a maturity date of March 22, 2032. On March 23, 2012 and April 2, 2012, LMIC borrowed $127 at a rate of 4.24% with a maturity date of March 23, 2032 and $23 at a rate of 4.25% with a maturity date of April 2, 2032, respectively. As of December 31, 2017, all of the outstanding Federal Home Loan Bank borrowings are fully collateralized.

On January 20, 2012, LMGI entered into two interest rate swap transactions having a notional amount of $300 with respect to LMGI's $300 Junior Subordinated Notes due 2067. Pursuant to the terms of the swap agreements, commencing on March 15, 2017 and effective through March 15, 2037, LMGI has agreed with the counterparties to pay a fixed rate of interest on the notional amount and the counterparties have agreed to pay a floating rate of interest on the notional amount.

Payments of interest and principal of the surplus notes are expressly subordinate to all policyholder claims and other obligations of LMIC. Accordingly, interest and principal payments are contingent upon prior approval of the Commissioner of Insurance of the Commonwealth of Massachusetts.

Interest
The Company paid $427, $431, $434 of interest in 2017, 2016, and 2015, respectively.

(8) INCOME TAXES

The components of U.S. Federal, state and foreign income tax expense are:

Years ended December 31,	2017	2016	2015
Current tax expense (benefit):			
U.S. Federal	$(151)	$(259)	$349
U.S. Federal net operating losses	14	62	(385)
State	4	2	3
Foreign	174	150	167
Total current tax expense (benefit)	41	(45)	134
Deferred tax expense (benefit):			
U.S. Federal	133	281	353
Foreign	(124)	29	(30)
Total deferred tax expense	9	310	323
Total U.S. Federal, state and foreign income tax expense	$50	$265	$457

A reconciliation of the income tax expense attributable to continuing operations computed at U.S. Federal statutory tax rates to the income tax expense as included in the consolidated statements of income is as follows:

Years ended December 31,	**2017**	**2016**	**2015**
Expected U.S. Federal income tax expense (benefit)	$(51)	$426	$621
Tax effect of:			
Nontaxable investment income	(84)	(98)	(107)
Change in valuation allowance	(47)	(7)	(6)
Revision to estimates	(5)	(16)	(6)
General business credits	(16)	(24)	(18)
Audit Settlement[1]	(42)	(31)	(40)
Reduction of U.S. Corporate Income Tax Rate[2]	103	-	-
One-Time Transition Tax	149	-	-
State	4	2	3
Foreign	33	42	20
Other	6	(29)	(10)
Actual income tax expense	$50	$265	$457

[1] 2017 amount includes the partial completion of the IRS examination covering tax years 2010 and 2011.
[2] Includes the impact to proportional amortization on investments in qualified affordable housing projects of $12 and provisional amounts related to the revalued deferred tax assets and liabilities of $91.

The significant components of the deferred income tax assets and liabilities at December 31 are summarized as follows:

	2017	**2016**
Deferred tax assets:		
Unpaid claims discount	$239	$379
Unearned premium reserves	703	1,030
Net operating losses	404	362
Employee benefits	423	540
Credits	601	519
Other accrued expenses	136	153
Other	305	226
	2,811	3,209
Less: valuation allowance	(47)	(91)
Total deferred tax assets	2,764	3,118
Deferred tax liabilities:		
Deferred acquisition costs	566	824
Net unrealized gains	373	437
Intangibles	237	352
Depreciation/amortization	290	455
Other	180	192
Total deferred tax liabilities	1,646	2,260
Net deferred tax assets	$1,118	$858

The overall decrease in the valuation allowance is primarily due to a release in valuation allowance in certain foreign subsidiaries where deferred tax assets may be realized in future years. Based on the assumption that future levels of income will be achieved, management believes it is more likely than not the remaining net deferred tax assets after valuation allowance will be realized.

The Company's subsidiaries have foreign tax credit carry forwards of $245, general business credit carry forwards of $228, alternative minimum tax credit carry forwards of $127, and net operating loss carry forwards of $1,788 as of December 31, 2017. The foreign tax credits will begin to expire, if not utilized, in 2019, the general business credits will begin to expire, if not utilized, in 2031, and the alternative minimum tax credits are expected to be used or refunded. The net operating losses available in the U.S. and various non-U.S. tax jurisdictions will begin to expire, if not utilized, as follows:

Year	Total
2018	41
2019	25
2020	21
2021	15
Thereafter	1,686
Total	**$1,788**

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance as of December 31, 2015	$249
Additions based on tax positions related to current year	13
Additions for tax positions of prior years	46
Reductions for tax positions of prior years	(231)
Settlements	17
Translation	5
Balance as of December 31, 2016	$99
Additions based on tax positions related to current year	4
Additions for tax positions of prior years	66
Reductions for tax positions of prior years	(100)
Settlements	(1)
Translation	(1)
Balance as of December 31, 2017	$67

Included in the tabular roll forward of unrecognized tax benefits are interest and penalties in the amount of $25 and $6 as of December 31, 2017 and 2016, respectively.

Included in the balance at December 31, 2017 is $50 related to tax positions that would impact the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in U.S. Federal, state, and foreign income tax expense. For the years ended December 31, 2017, 2016, and 2015, the Company recognized approximately $1, $(28), and $(30) in interest and penalties, respectively. The Company had approximately $25 and $6 of interest and penalties accrued as of December 31, 2017 and 2016, respectively.

The IRS has completed its review of the Company's U.S. Federal income tax returns through the 2009 tax year and is currently reviewing income tax returns for the 2010 through 2014 tax years. Any adjustments that may result from the IRS examinations of these income tax returns are not expected to have a material impact on the financial position, liquidity, or results of operations of the Company.

The Company believes that the range of reasonably possible changes to the balance of unrecognized tax benefits could decrease by $0 to $10 within the next twelve months as a result of potential settlements with the IRS for prior years.

(9) BENEFIT PLANS

The Company sponsors non-contributory defined benefit pension plans ("the Plans") covering substantially all U.S. and Canadian employees. The benefits and eligibility are based on age, years of service, and the employee's final average compensation, as more fully described in the Plans. Some foreign subsidiaries also sponsor defined benefit pension plans. In 2014, the Company added a new cash balance benefit formula for all eligible U.S. employees and froze credited service under the plan's final average pay formula. In 2016, the Company announced changes to the U.S. pension plan which included freezing the final average pay formula effective December 31, 2020, and increasing pay credits under the cash balance formula from 4.5% to 5.0% of eligible pay effective January 1, 2018. The benefits obligation table below reflects the impact of the freeze (see "Amendments") as well as the impact of a Lump Sum payment window made available in 2016 to terminated employees with a vested benefit in the U.S. pension plan (see "Benefits paid").

The Company sponsors non-qualified supplemental pension plans for selected highly compensated employees to restore the pension benefits they would be entitled to under the Company's U.S. tax qualified, defined benefit pension plan had it not been for limits imposed by the Internal Revenue Code. The supplemental plans are unfunded.

The Company also provides certain postretirement healthcare and life insurance benefits ("Postretirement") covering substantially all U.S. and Canadian employees. In 2014, the Company's U.S. postretirement medical and dental cost sharing arrangement changed to a defined contribution model with an annual dollar contribution amount based on age and years of eligible credited service. Life insurance benefits are based on a participant's final compensation subject to the plan maximum. The postretirement plan is unfunded. In 2016, the Company announced employees hired on or after January 1, 2018, will not be eligible for coverage under the U.S. postretirement health and life insurance plans. In 2017, the Company announced changes to the U.S. postretirement health plan which included the transition of Medicare-eligible retirees to the Medicare market place exchange effective January 1, 2018. The postretirement benefit obligation table below reflects the impact of the moving to an exchange for Medicare-eligible retirees (see "Amendments").

Assets of the U.S. tax-qualified, defined benefit pension plans consist primarily of investments held in a master trust with The Bank of New York Mellon. Assets of the plan are invested primarily in fixed income securities and in diversified public equities. As of December 31, 2017 and 2016, no assets of the plans were held in separate accounts of the Company.

The Company sponsors defined contribution plans for substantially all U.S. (401(k) plan) and Canadian (Retirement Savings Plan and Deferred Profit Sharing Plan) employees who meet eligibility requirements. During 2017, 2016, and 2015, employees could contribute a percentage of their annual compensation on a before and after-tax basis, subject to Federal limitations. Company contributions, a portion of which reflect Company performance, are based on the employee's contribution amount. In 2017, 2016, and 2015, the Company incurred matching contributions of $115, $105 and $138, respectively, including the supplemental defined contribution plans.

Compensation expense related to the Company's long-term and short-term incentive compensation plans was $498, $614, and $636 for the years ended December 31, 2017, 2016, and 2015, respectively.

The following table sets forth the assets, obligations, and assumptions associated with the various U.S., Canadian, and certain foreign subsidiary pension and postretirement benefits. The amounts are recognized in the accompanying consolidated balance sheets as of December 31, 2017 and 2016, and accompanying consolidated statements of income for the years ended December 31, 2017, 2016, and 2015.

	Pension		Supplemental Pension		Postretirement	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Change in benefit obligations:						
Benefit obligation at beginning of year	$7,057	$7,093	$423	$394	$865	$791
Service costs	146	138	5	5	18	17
Interest costs	284	308	15	16	34	34
Amendments	3	(233)	-	(25)	(77)	-
Settlement	(6)	-	-	-	-	-
Actuarial losses	714	354	38	51	72	49
Currency exchange rate change	11	(11)	-	1	-	-
Benefits paid	(305)	(593)	(36)	(19)	(28)	(26)
Employee contributions	1	1	-	-	-	-
Benefit obligations at end of year	$7,905	$7,057	$445	$423	$884	$865
Accumulated benefit obligations	$7,799	$6,913	$428	$396	$884	$865
Change in plan assets:						
Fair value of plan assets at beginning of year	$6,804	$6,169	$-	$-	$-	$-
Actual return on plan assets	1,007	433	-	-	-	-
Currency exchange rate change	13	(11)	-	-	-	-
Employer contribution	408	805	-	-	-	-
Benefits paid	(305)	(593)	-	-	-	-
Settlements	(6)	-	-	-	-	-
Other	1	1	-	-	-	-
Fair value of plan assets at end of year	$7,922	$6,804	$-	$-	$-	$-
Funded status of Plan	$17	$(253)	$(445)	$(423)	$(884)	$(865)

	Pension		Supplemental Pension		Postretirement	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Amounts recognized in the Balance Sheets:						
Assets	$54	$10	$-	$-	$-	$-
Liabilities	(37)	(263)	(445)	(423)	(884)	(865)
Net asset (liability) at end of year	$17	$(253)	(445)	$(423)	$(884)	$(865)
Amounts recognized in Accumulated Other Comprehensive Loss (Income):						
Net loss (gain)	$2,640	$2,609	$256	$242	$49	$(21)
Prior service costs	(216)	(245)	(29)	(34)	(130)	(66)
Total	$2,424	$2,364	$227	$208	$(81)	$(87)
Other changes in Plan assets and projected benefit obligation recognized in Other Comprehensive Loss (Income):						
Net actuarial loss	$207	$381	$38	$51	$72	$49
Currency exchange rate change	2	2	-	-	-	-
Amortization of net actuarial loss	(178)	(148)	(24)	(22)	(2)	(1)
Prior service costs	3	(233)	-	(25)	(77)	-
Amortization of prior service cost	26	(1)	5	2	13	11
Total	$60	$1	$19	$6	$6	$59

The estimated net actuarial loss, prior service cost, and transition obligation for the pension, supplemental pension and postretirement plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the 2018 fiscal year are $228, $(27), and $0 for pension plans, $25, $(5), and $0 for supplemental pension plans, and $4, $(16), and $0 for postretirement plans.

The net benefit costs for the years ended December 31, 2017, 2016 and 2015, include the following components:

December 31, 2017	**Pension**	**Supplemental Pension**	**Postretirement**
Components of net periodic benefit costs:			
Service costs	$146	$5	$18
Interest costs	284	15	34
Expected return on plan assets	(500)	-	-
Amortization of unrecognized:			
Net loss	178	24	2
Prior service cost	(26)	(5)	(13)
Settlement	1	-	-
Net periodic benefit costs	$83	$39	$41

December 31, 2016	**Pension**	**Supplemental Pension**	**Postretirement**
Components of net periodic benefit costs:			
Service costs	$138	$5	$17
Interest costs	308	16	34
Expected return on plan assets	(459)	-	-
Amortization of unrecognized:			
Net loss	148	22	1
Prior service cost	1	(2)	(11)
Net periodic benefit costs	$136	$41	$41

December 31, 2015	**Pension**	**Supplemental Pension**	**Postretirement**
Components of net periodic benefit costs:			
Service costs	$133	$4	$19
Interest costs	341	19	39
Expected return on plan assets	(428)	-	-
Settlement/ curtailment loss	2	-	-
Amortization of unrecognized:			
Net loss	198	23	4
Prior service cost	(2)	(2)	(10)
Net periodic benefit costs	$244	$44	$52

The measurement date used to determine pension and other postretirement is December 31, 2017.

Weighted-average actuarial assumptions for benefit obligations are set forth in the following table:

December 31,	**2017**	**2016**
Pension		
Discount rate	4.13%	4.78%
Rate of compensation increase	4.09%	3.90%
Supplemental Pension		
Discount rate	4.02%	4.61%
Rate of compensation increase	5.29%	5.13%
Postretirement		
Discount rate	4.12%	4.78%

Weighted-average actuarial assumptions for net periodic benefit costs are set forth in the following table:

December 31,	2017	2016	2015
Pension			
Discount rate	4.77%	5.12%	4.85%
Interest cost effective interest rate	4.14%	4.46%	4.85%
Service cost discount rate	5.01%	5.28%	4.85%
Expected return on plan assets	6.75%	6.75%	7.00%
Rate of compensation increase	3.86%	3.80%	4.00%
Supplemental Pension			
Discount rate	4.62%	4.97%	4.85%
Interest cost effective interest rate	3.75%	4.11%	4.85%
Service cost discount rate	4.80%	4.98%	4.85%
Rate of compensation increase	5.13%	5.02%	5.29%
Postretirement			
Discount rate	4.62%	5.09%	4.85%
Interest cost effective interest rate	4.04%	4.41%	4.85%
Service cost discount rate	4.85%	5.31%	4.85%

On an annual basis, the Company reviews the discount rate assumption used to determine the benefit obligations and the composition of various yield curves to ensure that the assumed discount rate reflects the Company's best estimate of the rate of return inherent in a portfolio of high-quality debt instruments that would provide the cash flows necessary to settle the Company's projected benefit payments.

The discount rate assumption used to determine the benefit obligations was based on a yield curve approach where the cash flows related to the benefit plans' liability stream were discounted at an interest rate specifically applicable to the timing of the cash flows. Prior to December 31, 2015, the process calculated the present value of these cash flows and determined the weighted average discount rate that produced the same present value of the future cash flows. The single effective discount rate was also used to determine the Service cost and Interest cost components of net periodic benefit cost. Effective December 31, 2015, the discount rate assumption used to determine the benefit obligations is based on the yield curve where the cash flows related to each of the benefit plans' liability stream is discounted using spot rates specifically applicable to the timing of the cash flows of each plan. Effective January 1, 2016, service cost is calculated by discounting the future cash flows attributable to the current year of service using spot rates specifically applicable to the timing of the cash flows. Interest cost is determined by multiplying each benefit obligation cash flow by the spot rate applicable to that timing of the cash flow. The spot rate change, which is accounted for as a change in estimate, had a $57 impact on the net periodic benefit cost reported for 2016. There was no impact on the benefit obligation.

In choosing the expected long-term rate of return on plan assets, the Company's Retirement Committee considered the historical returns of equity and fixed income markets in conjunction with current economic and financial market conditions.

The Company adopted the RP-2014 Mortality table for Annuitants and Non-Annuitants with White Collar adjustment, projected generationally with Scale MP-2017 at December 31, 2017 and Scale MP-2016 at December 31, 2016.

The weighted-average healthcare cost trend rates are expected to be 9.2% in 2018 graded down to 5.0% in 2028. Healthcare cost trend rate assumptions have a material impact on the postretirement benefit obligation. A one-percentage point change in assumed healthcare cost trend rates would have the following effects:

	1% point increase	1% point decrease
Effect on Postretirement Benefit Obligation	$4	($3)
Effect on total service and interest costs	$-	$-

Plan Assets

The assets of the U.S. pension plan represent approximately 98% of the total Plans' assets as of December 31, 2017 and 2016, respectively. The Company's overall investment strategy for the U.S. pension plan's assets is to achieve a mix of approximately 50% of investments for near-term benefit payments and 50% for long-term growth with a wide diversification of asset types, fund strategies, and fund managers. The U.S. pension plan's primary investment goal is to maximize return within reasonable and prudent levels of risk while also taking into account the liability obligations of the Plan and the risks associated with such liabilities with sufficient liquidity to meet the benefit needs of the plan.

The U.S. pension plan's assets are held in a trust and managed by LMIC, a wholly owned subsidiary of the Company and by its subadvisor, Liberty Mutual Group Asset Management, Inc., which is also a wholly owned subsidiary of the Company.

The current target allocation for the U.S. pension plan's assets are 47% bonds, 40% diversified public equities, 10% private equity and real estate investments, and 3% cash and short-term investments.

Fixed maturities include investment grade and high yield bonds and bank loans of companies from diversified industries, residential and commercial mortgage backed securities ("RMBS" and "CMBS"), asset backed securities ("ABS") and collateralized mortgage obligations ("CMO"), U.S. Treasuries and Agencies, U.S. Municipals and Foreign Government securities. Public equities are broadly diversified by geography (U.S. vs International) and capitalization (large cap vs mid and small cap). Limited partnerships include investments in private equity, real estate and other funds.

The investment strategy for each category of the U.S. pension plan's assets is as follows:

Fixed maturities - Achieve superior performance against the Bloomberg Barclays Aggregate Bond Index, Bank of America Merrill Lynch High Yield Bond Index, S&P/LSTA Performing Loan Index, and J.P. Morgan Government Bond Index-Emerging Markets Global Diversified over a three to five year period.

Public equities – Achieve superior performance against the MSCI All Country World Index over a three to five year period.

Limited partnerships – Achieve long-term returns in excess of liquid equity securities and provide diversification to the U.S. pension plan's assets. Exposures are diversified by geography, manager, industry, stage and vintage year.

The U.S. pension plan's assets are administered by the Liberty Mutual Retirement Committee, which has the fiduciary responsibility for management of the U.S. pension plan's assets in accordance with the Liberty Mutual Retirement Benefit Plan Investment Policy Statement. This policy has been approved by the Liberty Mutual Retirement Committee.

The other assets represent currency hedges, and real estate assets that support foreign pension plans and an insurance company separate account that supports the domestic pension plan.

The following tables sets forth by level, within the fair value hierarchy, the Plans' assets at fair value as of December 31, 2017 and 2016.

Fair Value Measurements as of December 31, 2017

Asset Category	**Total**	**Quoted Prices in Active Markets for Identical Assets Level 1[1]**	**Significant Observable Inputs Level 2[1]**	**Significant Unobservable Inputs Level 3[1]**
Cash, cash equivalents and short-term investments[2]	$227	$140	$87	$-
Fixed maturities:				
U.S. government and agency securities	284	282	2	-
U.S. state and municipal	115	-	115	-
RMBS/CMO/ABS/CMBS	653	-	653	-
Corporate and other	2,361	67	2,294	-
Foreign government securities	50	-	50	-
U.S. large cap equities	900	900	-	-
U.S. mid and small cap equities	442	442	-	-
European equities	968	968	-	-
Asian equities	780	780	-	-
Other equities	162	162	-	-
Limited partnerships	730	-	-	730
Other assets	250	-	10	240
Total	$7,922	$3,741	$3,211	$970

[1] See Note 10 for descriptions of the three levels of fair value presentation.

[2] Cash equivalents in Level 2 are net of investment payables of $(36).

Fair Value Measurements as of December 31, 2016

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets Level 1[1]	Significant Observable Inputs Level 2[1]	Significant Unobservable Inputs Level 3[1]
Cash, cash equivalents and short-term investments[2]	$155	$98	$57	$-
Fixed maturities:				
U.S. government and agency securities	213	210	3	-
U.S. state and municipal	116	-	116	-
RMBS/CMO/ABS/CMBS	734	-	734	-
Corporate and other	2,000	102	1,891	7
Foreign government securities	52	-	52	-
U.S. large cap equities	1,044	1,044	-	-
U.S. mid and small cap equities	467	467	-	-
European equities	678	678	-	-
Asian equities	448	448	-	-
Other equities	87	79	8	-
Limited partnerships	581	-	-	581
Other assets	229	-	11	218
Total	$6,804	$3,126	$2,872	$806

[1] See Note 10 for descriptions of the three levels of fair value presentation.
[2] Cash equivalents in Level 2 are net of investment payables of $(81).

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Balance January 1, 2017	Actual Return on Plan Assets Still Held	Actual Return on Plan Assets Sold	Purchases, Sales, & Settlements	Transfers In/(Out) of Level 3	Balance December 31, 2017
Limited partnerships	$581	$49	$43	$57	$-	$730
Fixed maturities	7	-	1	(2)	(6)	-
Other assets	218	16	5	1	-	240
Total	$806	$65	$49	$56	$(6)	$970

	Balance January 1, 2016	Actual Return on Plan Assets Still Held	Actual Return on Plan Assets Sold	Purchases, Sales, & Settlements	Transfers In/(Out) of Level 3	Balance December 31, 2016
Limited partnerships	$436	$11	$35	$99	$-	$581
Fixed maturities	2	-	-	5	-	7
Other assets	163	19	(8)	44	-	218
Total	$601	$30	$27	$148	$-	$806

The Plans' investments in limited partnerships are recorded at the carrying value as reported by the external fund managers, which is believed to approximate the fair value of the investments.

In late 2017 the Retirement Committee approved a new Investment Policy Statement that will be effective in 2018 whereby one of its objectives is to better protect the portfolio from interest rate risk.

The investment plan assets will consist of two portfolios, an immunizing portfolio and a growth portfolio. The immunizing portfolio shall be designed to hedge the Plan's liability risks, specifically to offset changes in the Plan's liability value due to market-related risk factors such as changes in interest rates and credit spreads. The growth portfolio will be invested in a diversified group of assets that seeks to generate a return in excess of the Plan's liabilities, within an acceptable level of risk. The growth portfolio will have target, minimum and maximum ranges for each asset class. As such, the revised target allocation for the plan's assets are: 35% investment grade bonds and derivatives, 50% public equities and equity like alternatives, 10% non-investment grade fixed income, 3% emerging market fixed income, and 2% cash and short-term investments.

Cash Flows

Contributions - The Company contributed $408 to the qualified plans, and directly funded $36 to retirees in the supplemental pension plans in 2017. In addition, the Company directly funded $28 to retirees in the postretirement benefit plans in 2017.

The Company expects to contribute approximately $19 to the qualified plans, to directly fund $58 to retirees in the supplemental pension plans, and to directly fund $37 to the postretirement benefit plans in 2018.

Expected Future Benefit Payments - The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension	Supplemental Pension	Postretirement Plans
2018	334	58	37
2019	342	21	39
2020	362	22	41
2021	385	23	42
2022	404	23	44
2023-2027	2,278	128	240

(10) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach, which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's available for sale portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 — Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets or liabilities at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. The unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance on the overall reasonableness and consistent application of valuation methodologies and inputs and compliance with accounting standards through the execution of various processes and controls designed to ensure that the Company's assets and liabilities are appropriately valued. For fair values received from third parties or internally estimated, the Company's processes are designed to determine that the valuation methodologies and inputs are appropriate and consistently applied, the assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third party valuation sources for selected securities.

The Company used the following methods and assumptions in estimating the fair value of its financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed Maturities
At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. Government and Agency Securities
U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on active markets and unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Mortgage-Backed Securities
The Company's portfolio of residential and commercial MBS is originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities
ABS include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipal Securities
The Company's municipal portfolio is comprised of bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

Corporate Debt and Other Securities
Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign Government Securities
Foreign government securities include bonds issued or guaranteed by foreign governments. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Equity Securities
Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified within Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified within Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Short-Term Investments
The fair value of short-term investments is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of short-term investments is primarily classified within Level 2 of the fair value hierarchy.

Other Investments
Other investments include primarily foreign cash deposits and equity investments in privately held businesses. Cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized within Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized within Level 3 of the hierarchy. Loans, limited partnership and other alternative investments, which represent the remainder of the other investment balance on the accompanying consolidated balance sheets are not subject to these disclosures and therefore are excluded from the table in this note.

Other Assets and Other Liabilities
Other assets primarily consist of fixed maturities, short-term investments, and equity securities of captive companies sponsored by the Company. These assets are measured based on the methodology for individual securities as discussed above.

Additionally, other assets and other liabilities classified within Level 2 represent the Company's derivatives which which are traded over-the-counter ("OTC"). OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be corroborated by observable market data by correlation or other means, and model selection does not involve significant management judgment.

Life Insurance Obligations
Life insurance obligations include certain variable annuity contracts that provide guaranteed minimum income benefits. These benefits are accounted for as embedded derivatives and are bifurcated from the host contract and carried at fair value. The fair value of these embedded derivatives are computed on a recurring basis using assumptions predominately classified as Level 3 (significant unobservable) inputs. While some inputs are observable in the market, such as risk free rates, volatility and historical equity returns, the underlying future policyholder behavior inputs are highly unobservable. The significant policyholder behavior assumptions include lapse and the underlying annuitization rate.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2017 and 2016:

	As of December 31, 2017			
Assets, at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government and agency securities	$3,302	$164	$-	$3,466
Residential MBS	-	6,549	47	6,596
Commercial MBS	-	1,937	4	1,941
Other MBS and ABS	-	3,238	34	3,272
U.S. state and municipal	-	9,179	145	9,324
Corporate and other	-	24,104	201	24,305
Foreign government securities	-	5,136	-	5,136
Total fixed maturities, available for sale	3,302	50,307	431	54,040
Common stock	2,512	5	39	2,556
Preferred stock	-	43	9	52
Total equity securities, available for sale	2,512	48	48	2,608
Short-term investments	12	446	36	494
Other investments	-	73	616	689
Other assets	-	1	63	64
Total assets	$5,826	$50,875	$1,194	$57,895
Liabilities, at Fair Value				
Life insurance obligations	$-	$-	$(126)	$(126)
Other liabilities	-	(51)	-	(51)
Total liabilities	$-	$(51)	$(126)	$(177)

	As of December 31, 2016			
Assets, at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government and agency securities	$2,451	$215	$ -	$2,666
Residential MBS	-	5,937	-	5,937
Commercial MBS	-	1,337	4	1,341
Other MBS and ABS	-	2,628	36	2,664
U.S. state and municipal	-	10,466	121	10,587
Corporate and other	-	21,108	86	21,194
Foreign government securities	-	4,891	-	4,891
Total fixed maturities, available for sale	2,451	46,582	247	49,280
Common stock	2,200	-	33	2,233
Preferred stock	-	333	4	337
Total equity securities, available for sale	2,200	333	37	2,570
Short-term investments	5	1,137	5	1,147
Other investments	-	77	505	582
Other assets	-	1	21	22
Total assets	$4,656	$48,130	$815	$53,601
Liabilities, at Fair Value				
Life insurance obligations	$ -	$ -	$(136)	$(136)
Other liabilities	-	(46)	(1)	(47)
Total liabilities	$ -	$(46)	$(137)	$(183)

The Company did not have significant transfers between Levels 1 and 2 during the years ended December 31, 2017 and 2016.

Changes in Level 3 Recurring Fair Value Measurements
The following tables summarize the fair values of assets on a recurring basis classified as Level 3 within the fair value hierarchy:

	Balance January 1, 2017	Net Realized Gains (Losses)	Net Unrealized (Losses) Gains	Purchases	Settlements	Sales and Maturities	Transfer in to Level 3	Transfer out of Level 3	Balance December 31, 2017
Assets, at Fair Value									
U.S. government and agency securities	$ -	$-	$-	$-	$-	$-	$-	$-	$-
Residential MBS	-	-	(1)	141	-	-	-	(93)	47
Commercial MBS	4	-	-	-	-	-	-	-	4
Other MBS and ABS	36	-	-	56	-	(21)	-	(37)	34
U.S. state and municipal	121	-	5	54	-	(7)	3	(31)	145
Corporate and other	86	-	2	224	-	(94)	4	(21)	201
Foreign government securities	-	-	-	-	-	-	-	-	-
Total fixed maturities	247	-	6	475	-	(122)	7	(182)	431
Common stock	33	-	-	32	-	(30)	5	(1)	39
Preferred stock	4	-	-	5	-	-	-	-	9
Total equity securities	37	-	-	37	-	(30)	5	(1)	48
Short-term investments	5	1	-	52	-	(22)	-	-	36
Other investments	505	9	45	90	-	(36)	3	-	616
Other assets	21	-	46	(4)	-	-	-	-	63
Total assets	$815	10	97	650	-	(210)	15	(183)	1,194
Liabilities, at Fair Value									
Life insurance obligations	$(136)	$-	$(6)	$16	$-	$-	$-	$-	$(126)
Other liabilities	(1)	-	1	-	-	-	-	-	$-
Total liabilities	$(137)	$0	$(5)	$16	$0	$0	$0	$0	$(126)

	Balance January 1, 2016	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchases	Settlements	Sales and Maturities	Transfer in to Level 3	Transfer out of Level 3	Balance December 31, 2016
Assets, at Fair Value									
U.S. government and agency securities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential MBS	1	-	-	4	-	-	-	(5)	-
Commercial MBS	25	-	-	17	-	-	1	(39)	4
Other MBS and ABS	71	-	(1)	-	-	(1)	19	(52)	36
U.S. state and municipal	135	-	2	73	-	(22)	4	(71)	121
Corporate and other	210	2	2	37	-	(135)	1	(31)	86
Foreign government securities	10	-	-	-	-	(1)	-	(9)	-
Total fixed maturities	452	2	3	131	-	(159)	25	(207)	247
Common stock	36	-	1	-	-	(4)	-	-	33
Preferred stock	4	-	-	-	-	-	-	-	4
Total equity securities	40	-	1	-	-	(4)	-	-	37
Short-term investments	-	-	-	6	-	-	-	(1)	5
Other investments	453	-	32	25	-	(5)	-	-	505
Other assets	25	(1)	-	(3)	-	-	-	-	21
Total assets	$970	$1	$36	$159	$ -	$(168)	$25	$(208)	$815
Liabilities, at Fair Value									
Life insurance obligations	$(154)	$-	$ -	$18	$ -	$ -	$ -	$ -	$(136)
Other liabilities	-	-	(1)	-	-	-	-	-	(1)
Total liabilities	$(154)	$-	$ (1)	$18	$ -	$ -	$ -	$ -	$(137)

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

There were no material unrealized gains (losses) for the period included in earnings attributable to the fair value relating to assets and liabilities classified as Level 3 that are still held as of December 31, 2017 and 2016.

Quantitative Information about Level 3 Fair Value Measurements

The following table provides information about the significant unobservable inputs used for recurring fair value measurements for certain material Level 3 assets and liabilities and includes only those instruments for which information about the inputs is reasonably available to the Company. As the input information with respect to certain Level 3 instruments may not be reasonably available to the Company, balances shown below may not equal total amounts reported for such Level 3 assets and liabilities.

	Fair Value at December 31, 2017	Valuation Technique(s)	Unobservable Input[(a)]	Range (Weighted Average)
Assets, at Fair Value				
State and Municipal	$5	Comparative Valuation	Credit Spread (c)	132-132 (132 bps)
		Spread Model	Credit Spread (c)	998-998 (998 bps)
Corporate and other	$75	Spread Model	Credit Spread (c)	138-633 (300 bps)
		Comparative Valuation	Credit Spread (c)	55-699 (443 bps)
			Illiquidity Premium (b)	210-210 (210 bps)
Other invested assets	$429	Discounted Cash Flow	Discount Rate (a)	10.0%-22.5% (15.9%)
Liabilities, at Fair Value				
Life insurance obligations	$126	Discounted Cash Flow	Discount rate (a)	0.15%-4.36%
			Lapse rates (d)	2.0%-14.0%
			Annuitization take-up rate (e)	0%-19.6%

(a) An increase in the discount rate will lead to a decrease in fair value and vice versa.
(b) An increase in the illiquidity premium will lead to a decrease in fair value and vice versa
(c) An increase in the credit spread will lead to a decrease in fair value and vice versa.
(d) An increase in the lapse rates will lead to a decrease in fair value and vice versa.
(e) An increase in the take-up rate will lead to an increase in fair value and vice versa.

	Fair Value at December 31, 2016	Valuation Technique(s)	Unobservable Input[a]	Range (Weighted Average)
Assets, at Fair Value				
State and Municipal	$74	Comparative Valuation	Discount Margin (a)	191-191 (191 bps)
			Credit Spread (c)	137-137 (137 bps)
		Discounted Cash Flow	Discount Rate (a)	8.6%-12.0% (10.0%)
		Spread Model	Credit Spread (c)	998-998 (998 bps)
Corporate and other	$82	Spread Model	Credit Spread (c)	93-699 (458 bps)
		Comparative Valuation	Credit Spread (c)	164-657 (593 bps)
			Illiquidity Premium (b)	149-292 (262 bps)
Other invested assets	$396	Discounted Cash Flow	Discount Rate (a)	10.0%-22.5% (16.6%)
Liabilities, at Fair Value				
Life insurance obligations	$136	Discounted Cash Flow	Discount rate (a)	0.15%-5.13%
			Lapse rates (d)	2.0%-12.0%
			Annuitization take-up rate (e)	0%-19.2%

(a) An increase in the discount rate will lead to a decrease in fair value and vice versa.
(b) An increase in the illiquidity premium will lead to a decrease in fair value and vice versa
(c) An increase in the credit spread will lead to a decrease in fair value and vice versa.
(d) An increase in the lapse rates will lead to a decrease in fair value and vice versa.
(e) An increase in the take-up rate will lead to an increase in fair value and vice versa.

Fair Value Measurements on a Non-Recurring Basis
The Company's assets measured on a non-recurring basis are primarily related to equity investments in metals and mining projects, direct investments in oil and gas production ventures (Natural Resources), real estate and software. These assets are measured at fair value on a non-recurring basis at time of impairment and are not included in the tables presented above. The Company's assets classified as Level 3 were $37 and $78 as of December 31, 2017 and 2016, respectively.

The following table summarizes the Company's impairment charges for assets measured at fair value on a non-recurring basis for the years ended December 31, 2017, 2016, and 2015.

	Years ended December 31,		
	2017	2016	2015
Natural resources	$210	$195	$343
Real Estate	4	34	-
Software	90	5	8
Other Assets	14	-	-
Total	$318	$234	$351

The Company tests for impairment on its natural resource investments by comparing the undiscounted cash flows expected to be generated by a project to the property's carrying value. When a property's carrying value is greater than the expected future cash flows, impairment expense is recognized to the extent that the carrying value of the property exceeds its discounted expected cash flows.

In employing the discounted cash flow method described above, key inputs regarding natural resource investments are commodity prices, locational basis difference, production, project development costs and the discount rate which are based on management's expectations about outcomes with respect to these variables. Specifically, the Company uses a long term forward price curve and applies a discount rate to the projected future cash flows. Regarding the sensitivity of the key inputs, an increase in the locational basis difference, project development costs or discount rate will lead to a decrease in fair value, and an increase in prices or production will lead to an increase in fair value.

Fair Value Option
The Company has elected to apply the fair value option to certain financial instruments in limited circumstances. The fair value option election is made on an instrument by instrument basis. All periodic changes in the fair value of the elected instruments are reflected in the accompanying consolidated statements of income. The impact of the fair value option elections is immaterial to the Company.

Financial Instruments Not Carried at Fair Value
The fair values and carrying values of the Company's financial instruments excluded from ASC 820, *Fair Value Measurement*, as of December 31, 2017 and 2016, are as follows:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Other investments	$6,439	$6,486	$5,307	$5,343
Commercial mortgage loans	1,623	1,652	1,567	1,610
Cash and cash equivalents	4,827	4,827	3,861	3,861
Individual and Group Annuities	1,468	1,468	1,219	1,219
Debt	8,325	9,679	7,603	8,362

Other investments - Fair values, classified as Level 3, represent the Company's investment in loans as well as its equity in limited partnerships and other alternative investments. The fair value of loans was estimated using discounted cash flows; key inputs include interest and principle payments as well as the discount rate which are based on management's expectations about outcomes with respect to these variables. Carrying value of limited partnerships and other alternative investments approximates fair value.

Commercial mortgage loans - The fair values of commercial mortgage loans, classified as Level 3, were estimated using option adjusted valuation discount rates or carrying value for newly acquired loans.

Cash and cash equivalents - The carrying amounts reported in the accompanying consolidated balance sheets for these instruments approximate fair values and are classified as Level 1.

Individual and group annuities - Fair values of liabilities under fixed investment-type insurance contracts, classified as Level 3, are estimated using discounted cash flow calculations at pricing rates as of December 31, 2017 and 2016. Also included are variable investment-type insurance contracts, for which carrying value approximates fair value, classified as Level 3, as of December 31, 2017 and 2016.

Debt - Fair values, classified as Level 2, of commercial paper and short-term borrowings approximate carrying value. Fair values of long-term debt were based upon a tiered approach using the following sources in order of availability (1) quoted prices from Morgan Markets, (2) quoted prices from Bloomberg, or (3) a yield to maturity calculation utilizing Bloomberg prices as of December 31, 2017 and 2016.

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

(11) COMMITMENTS AND CONTINGENT LIABILITIES

Various lawsuits against the Company have arisen in the normal course of business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

The Company leases certain office facilities and equipment under operating leases expiring in various years through 2031. In addition, the Company is party to two land leases expiring in 2025 and 2101. Rental expense was $231, $207 and $206 for the years ended December 31, 2017, 2016 and 2015, respectively. The Company also owns certain office facilities and receives rental income from tenants under operating leases expiring in various years through 2043. Rental income was $3, $29, and $32 for the years ended December 31, 2017, 2016, and 2015, respectively.

Future minimum rental payments and receipts under non-cancelable leases with terms in excess of one year are estimated as follows:

	Operating Leases	Land Leases	Net Lease Obligations
2018	$171	$1	$172
2019	167	1	168
2020	138	1	139
2021	109	1	110
2022	110	1	111
2023 – 2040	466	17	483
2041 – 2060	-	22	22
2061 – 2101	-	88	88
Total	$1,161	$132	$1,293

The Company has a sale lease back agreement for the 10 St. James and 75 Arlington properties which extends over 15 years. Lease obligations are included in the future minimum rental payments table.

As of December 31, 2017, the Company had unfunded commitments in traditional private equity partnerships, natural resources, real estate, and other investments of $1,554, $735, $607, and $537, respectively.

As of December 31, 2017, the Company had commitments to purchase various residential MBS at a cost and fair value of $553.

As of December 31, 2017, the Company had $1,142 of undrawn letter of credit outstanding secured by assets of $1,111.

(12) POLICYHOLDERS' EQUITY

Statutory Surplus and Net (Loss) Income

The statutory surplus of the Company's domestic insurance companies was $17,493 and $19,582 as of December 31, 2017 and 2016, respectively. The statutory net (loss) income of the Company's domestic insurance companies was $(1,077), $822 and $2,031 for the years ended December 31, 2017, 2016, and 2015, respectively. The Company's domestic insurance subsidiaries prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual ("NAIC APP"), subject to any deviations prescribed or permitted by the insurance commissioners of the various insurance companies' states of domicile. The Company does not have any material permitted practices that deviate from the NAIC APP.

Dividends

The insurance subsidiaries' ability to pay dividends is restricted under applicable insurance law and regulations and may only be paid from unassigned surplus. Under the insurance laws of the domiciliary states of the insurance subsidiaries, an insurer may make an ordinary dividend payment if its surplus as regards to policyholders, following such dividend, is reasonable in relation to its outstanding liabilities, is adequate to its financial needs and does not exceed the insurer's unassigned surplus. However, no insurer may pay an extraordinary dividend without the approval or non-disapproval of the domiciliary insurance regulatory authority. Insurance subsidiaries owned directly by LMGI are LMIC, Liberty Mutual Personal Insurance Company ("LMPICO"), LMFIC and EICOW. Under the insurance laws of Massachusetts, the domiciliary state of LMIC and LMPICO, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends made within the preceding 12 months, exceeds the greater of 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or the insurer's net income for the 12-month period ending on the preceding December 31. Under the insurance laws of Wisconsin, the domiciliary state of LMFIC and EICOW, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends paid within the preceding 12 months, exceeds the lesser of (a) 10% of the insurer's surplus with regard to policyholders as of the preceding December 31, or (b) the greater of (1) the insurer's net income for the calendar year preceding the date of the dividend, minus realized capital gains for that calendar year, or (2) the aggregate of the insurer's net income for the three calendar years preceding the date of the dividend, minus realized capital gains for those calendar years and minus dividends paid within the first two of the preceding three calendar years. Changes in the extraordinary dividend regulation of the domiciliary states of LMIC, LMPICO, LMFIC, and EICOW could negatively affect LMGI's ability to pay principal and interest on the notes held at LMGI, as could a redomestication or merger of LMIC, LMPICO, LMFIC, or EICOW to a different domiciliary state. The maximum dividend payout in 2018 that may be made prior to regulatory approval is $1,712.

(13) SUBSEQUENT EVENTS

On January 22, 2018, the Company's Spanish subsidiary, Liberty Seguros Compania de Seguros y Reaseguros S.A., entered into an agreement to sell its entire 99.44% interest its Turkish insurance affiliate, Liberty Sigorta A.S., to Talanx International. Completion of the transaction is subject to regulatory approval in Turkey. (See Note 2 for further discussion.)

On January 19, 2018, the Company announced the realignment of its businesses to enhance its ability to meet the changing needs of consumer and business customers. The Company's realignment will feature the following two businesses:

- Global Risk Solutions which will bring together Liberty's Global Specialty, Ironshore, National Insurance and the Global Reinsurance Strategy Group into a single business.
- Global Retail Markets will combine Global Consumer Markets with Business Insurance and Accident and Health organizations formerly in Commercial Insurance.

On January 19, 2018, the Company announced the sale of LLAC to Lincoln Financial Group. The transaction is subject to regulatory approval which is expected during the second quarter of 2018. (See Note 2 for further discussion.)

Management has assessed material subsequent events through February 26, 2018, the date the financial statements were available to be issued.