

Liberty Mutual Insurance Reports Fourth Quarter and Full Year 2022 Results

BOSTON, Mass., February 22, 2023 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net income attributable to LMHC of \$612 million and of \$414 million for the three and twelve months ended December 31, 2022, versus net income attributable to LMHC of \$722 million and \$3.068 billion for the same periods in 2021.

“Operating results in the fourth quarter reflected solid progress on underwriting improvement despite continued challenging market conditions in U.S. personal lines and Winter Storm Elliot in late December,” said Tim Sweeney, Liberty Mutual President & Chief Executive Officer. “Net income attributable to LMHC in the fourth quarter was \$612 million, down moderately from \$722 million in the prior year reflecting the non-recurrence of extraordinary returns in our limited partnerships portfolio experienced last year. Pre-tax operating income before limited partnerships was \$759 million, up from \$352 million in the prior year quarter driven by higher underwriting income and an increase in book yield from the recent rise in interest rates. Net written premium growth in the quarter was 4.5% driven by the State Auto and AmGeneral acquisitions and firm pricing across most lines of business. Rate increases continue to accelerate in personal auto and homeowners, and commercial lines pricing has remained strong which combined with other underwriting actions will drive margin improvement despite elevated loss trends. We’re on the right path heading into 2023 and remain focused on achieving our profitability goals.”

The tables below outline highlights of LMHC’s consolidated financial results for the three months and twelve months ended December 31, 2022.

Net Written Premium (“NWP”) by Business:

Consolidated NWP by business was as follows:

\$ in Millions	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	2022	2021	Change
Global Retail Markets	\$8,392	\$7,237	16.0%	\$33,997	\$29,319	16.0%
Global Risk Solutions	3,283	3,831	(14.3)	14,953	14,602	2.4
Corporate and Other	(151)	(40)	NM	(723)	(242)	198.8
Total NWP	\$11,524	\$11,028	4.5%	\$48,227	\$43,679	10.4%
Foreign exchange effect on growth			(1.8)			(1.3)
NWP growth excluding foreign exchange ¹			6.3%			11.7%

¹ Determined by assuming constant foreign exchange rates between periods.
NM = Not Meaningful

Consolidated Results of Operations:

\$ in Millions	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	2022	2021	Change
Revenues	\$13,127	\$12,221	7.4%	\$49,956	\$48,200	3.6%
Underlying PTOI before limited partnerships income	\$971	\$790	22.9%	\$3,512	\$3,804	(7.7%)
Catastrophes	(384)	(143)	168.5	(3,552)	(3,057)	16.2
Net incurred losses attributable to prior years:						
- Asbestos and environmental ¹	(96)	(151)	(36.4)	(96)	(150)	(36.0)
- All other ²	268	(163)	NM	729	67	NM
Current accident year re-estimation ³	-	19	NM	-	-	-
Pre-tax operating income before limited partnerships income	759	352	115.6	593	664	(10.7)
Limited partnerships income ⁴	144	916	(84.3)	706	3,708	(81.0)
Pre-tax operating income	903	1,268	(28.8)	1,299	4,372	(70.3)
Net realized losses	(32)	(305)	(89.5)	(794)	(222)	NM
Unit linked life insurance	(19)	(31)	(38.7)	118	(126)	NM
Acquisition & integration costs	(21)	(8)	162.5	(101)	(21)	NM
Restructuring costs	(17)	(46)	(63.0)	(22)	(193)	(88.6)
Pre-tax income	814	878	(7.3)	500	3,810	(86.9)
Income tax expense	198	156	26.9	81	740	(89.1)
Consolidated net income	616	722	(14.7)	419	3,070	(86.4)
Less: Net income attributable to non-controlling interest	4	-	NM	5	2	150.0
Net income attributable to LMHC	612	722	(15.2)	414	3,068	(86.5)
Net income attributable to LMHC excluding unrealized impact ⁵	697	745	(6.4)	701	2,891	(75.8)
Cash flow provided by continuing operations	\$1,564	\$889	75.9%	\$5,576	\$5,570	0.1%

1 Asbestos and environmental is gross of the related adverse development reinsurance (the "NICO Reinsurance Transaction", which is described further in Reinsurance section of the Management's Discussion and Analysis).

2 Net of earned premium and reinstatement premium attributable to prior years of \$283 million and \$436 million for the three and twelve months ended December 31, 2022, and \$118 million and \$271 million for the same periods in 2021.

3 Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2022.

4 Limited partnerships income includes LP, LLC and other equity method income within net investment income in the accompanying Consolidated Statements of Income and revenue and expenses from direct investments in natural resources.

5 Excludes unrealized gains on equity securities, unit linked life insurance, and the corresponding tax impact.

NM = Not Meaningful

Combined Ratio:

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change (Points)	2022	2021	Change (Points)
CONSOLIDATED						
Combined ratio						
Claims and claim adjustment expense ratio	66.5%	65.5%	1.0	66.9%	63.9%	3.0
Underwriting expense ratio	28.5	29.6	(1.1)	28.4	29.4	(1.0)
Underlying combined ratio	95.0	95.1	(0.1)	95.3	93.3	2.0
Catastrophes	3.3	1.3	2.0	7.7	7.4	0.3
Net incurred losses attributable to prior years:						
- Asbestos and environmental	0.8	1.4	(0.6)	0.2	0.4	(0.2)
- All other ¹	(2.2)	1.6	(3.8)	(1.6)	(0.3)	(1.3)
Current accident year re-estimation ²	-	(0.2)	0.2	-	-	-
Total combined ratio ³	96.9%	99.2%	(2.3)	101.6%	100.8%	0.8

1 Net of earned premium and reinstatement premium attributable to prior years.

2 Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2022.

3 The combined ratio, expressed as a percentage, is a measure of underwriting profitability. This measure should only be used in conjunction with, and not in lieu of, underwriting income and may not be comparable to other performance measures used by the Company's competitors. The combined ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense less managed care income to earned premium; the ratio of insurance operating costs plus amortization of deferred policy acquisition costs less third-party administration income and fee income (primarily related to the Company's involuntary market servicing carrier operations) and installment charges to earned premium; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premium and reinsurance are not included in the combined ratio unless related to an asbestos and environmental commutation and certain other run off. Restructuring and acquisition and integration costs are not included in the combined ratio.

NM = Not Meaningful

Equity:

\$ in Millions	As of December 31,	As of December 31,	Change
	2022	2021	
Unassigned equity	\$29,822	\$28,776	3.6%
Accumulated other comprehensive loss	(7,830)	(960)	NM
Non-controlling interest	216	32	NM
Total equity	\$22,208	\$27,848	(20.3%)

NM = Not Meaningful

Subsequent Events

Management has assessed material subsequent events through February 22, 2023.

Financial Information

The Company's financial results, management's discussion and analysis of operating results and financial condition are available on the Company's Investor Relations website at www.libertymutualgroup.com/investors. The accompanying financial statements for the three and twelve months ended December 31, 2022 will be available shortly on the website.

Conference Call Information

On February 23, 2023, at 10:00 a.m. Eastern Time, Tim Sweeney, Liberty Mutual Insurance President and CEO, will host a conference call to discuss the Company's fourth quarter and full year financial results. To participate in the event via telephone and to ask a question, please dial 877-270-2148 and request to join into the Liberty Mutual Insurance call. To listen to the call online via PC and view a presentation on financial performance, please log into <https://event.choruscall.com/mediaframe/webcast.html?webcastid=9j460Aj6>. Following the call, a recording of the event will be available on the Investor Relations section of Liberty Mutual's website, www.libertymutualgroup.com/investors.

About Liberty Mutual Insurance

At Liberty Mutual, we believe progress happens when people feel secure. By providing protection for the unexpected and delivering it with care, we help people embrace today and confidently pursue tomorrow.

In business since 1912, and headquartered in Boston, today we are the sixth largest global property and casualty insurer based on 2021 gross written premium. We also rank 78th on the Fortune 100 list of largest corporations in the U.S. based on 2021 revenue. As of December 31, 2022, we had \$50.0 billion in annual consolidated revenue.

We employ over 50,000 people in 29 countries and economies around the world. We offer a wide range of insurance products and services, including personal automobile, homeowners, specialty lines, reinsurance, commercial multiple-peril, workers compensation, commercial automobile, general liability, surety, and commercial property.

For more information, visit www.libertymutualinsurance.com.

Risks and Uncertainties

The extent to which the coronavirus impacts our future results will depend on developments which are highly uncertain and cannot be predicted, including litigation developments, legislative or regulatory actions and intervention, the length and severity of the coronavirus (including of second waves), the level of acceptance of the vaccines, and the actions of government actors to contain the coronavirus or treat its impact, among others. Possible effects on our business and operations include:

- disruptions to business operations resulting from working from home or from closures of our corporate or sales offices and the offices of our agents and brokers and quarantines of employees, customers, agents, brokers and suppliers in areas affected by the outbreak;
- disruptions to business operations resulting from travel restrictions and reduced consumer spending on new homes or new automobiles which could reduce demand for insurance;
- disruptions to business operations resulting from our customers having lower payrolls and revenues which could have an impact on insurance revenue;
- increased claims related to trade credit, general liability, workers compensation, and event cancellation coverage, among others;
- executive or legislative mandates or court decisions expanding property insurance policy coverage to cover business interruptions resulting from COVID-19 notwithstanding any exclusions set forth in such policies or conditions precedent generally required for liability under such policies; and

- disruption of the financial markets resulting in reductions in the value of our investment portfolio.

A significant rise in the number of COVID-19 infections, infections in a wide range of countries and regions, or a prolongation of the outbreak, could create an adverse economic effect on the Company.

Cautionary Statement Regarding Forward Looking Statements

This report contains forward looking statements that are intended to enhance the reader’s ability to assess the future financial and business performance of the Company. Forward looking statements include, but are not limited to, statements that represent the Company’s beliefs concerning future operations, strategies, financial results, investment market fluctuations, or other developments, and contain words and phrases such as “may,” “expects,” “should,” “believes,” “anticipates,” “estimates,” “intends” or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company’s control or are subject to change, actual results could be materially different.

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