

Liberty Mutual Insurance Reports First Quarter 2023 Results

BOSTON, Mass., May 11, 2023 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net loss attributable to LMHC of \$74 million for the three months ended March 31, 2023, versus net income attributable to LMHC of \$498 million for the same periods in 2022.

“For the first quarter, we reported net losses attributable to LMHC of \$74 million, primarily due to elevated catastrophe losses largely driven by severe weather storms across the Midwest,” said Tim Sweeney, Liberty Mutual President & Chief Executive Officer. “Excluding catastrophes, inflation continues to weigh on underlying personal lines results as parts, materials, and labor costs have remained high. Given this elevated loss trend environment, we have continued pushing for rate and have achieved premium renewal rate increases of 12.8% in U.S. Personal Lines over the last 12 months. Also in the quarter, our Global Risk Solutions business demonstrated progress toward our previously stated combined ratio targets with a total combined ratio of 97.5%, a 2.2-point improvement from the first quarter 2022.”

The tables below outline highlights of LMHC’s consolidated financial results for the three months ended March 31, 2023.

Net Written Premium (“NWP”) by Business:

Consolidated NWP by business was as follows:

\$ in Millions	Three Months Ended March 31,		
	2023	2022	Change
Global Retail Markets	\$8,080	\$7,690	5.1%
Global Risk Solutions	3,815	3,954	(3.5)
Corporate and Other	(8)	(77)	(89.6)
Total NWP	\$11,887	\$11,567	2.8%
Foreign exchange effect on growth			(1.0)
NWP growth excluding foreign exchange ¹			3.8%

¹ Determined by assuming constant foreign exchange rates between periods.

Consolidated Results of Operations:

\$ in Millions	Three Months Ended March 31,		
	2023	2022	Change
Revenues	\$12,760	\$11,874	7.5%
Underlying PTOI before limited partnerships income	\$1,139	\$1,066	7.0
Catastrophes	(1,027)	(656)	56.6
Net incurred losses attributable to prior years:			
- Asbestos and environmental ¹	-	-	-
- All other ²	(51)	(11)	NM
Pre-tax operating income before limited partnerships income	61	399	(84.7)
Limited partnerships (loss) income ³	(84)	365	NM
Pre-tax operating (loss) income	(23)	764	NM
Net realized losses	(16)	(144)	(88.9)
Unit linked life insurance	(30)	47	NM
Acquisition & integration costs	(12)	(9)	33.3
Restructuring costs	(2)	(2)	-
Pre-tax (loss) income	(83)	656	NM
Income tax expense	(16)	158	NM
Consolidated net (loss) income	(67)	498	NM
Less: Net income attributable to non-controlling interest	7	-	-
Net (loss) income attributable to LMHC	(74)	498	NM
Net (loss) income attributable to LMHC excluding unrealized impact ⁴	(66)	459	NM
Cash flow provided by continuing operations	\$53	\$786	(93.3%)

1 Asbestos and environmental is gross of the related adverse development reinsurance (the "NICO Reinsurance Transaction", which is described further in the Reinsurance section of the accompanying MD&A).

2 Net of earned premium and reinstatement premium attributable to prior years of \$7 million for the three months ended March 31, 2023, and \$9 million for the same period in 2022.

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

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

NM = Not Meaningful

Combined Ratio:

CONSOLIDATED	Three Months Ended March 31,		
	2023	2022	Change (Points)
Combined ratio			
Claims and claim adjustment expense ratio	64.9%	64.1%	0.8
Underwriting expense ratio	29.2	28.7	0.5
Underlying combined ratio	94.1	92.8	1.3
Catastrophes	8.6	6.0	2.6
Net incurred losses attributable to prior years:			
- Asbestos and environmental	-	-	-
- All other ¹	0.5	0.1	0.4
Total combined ratio ²	103.2%	98.9%	4.3

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

2 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.

Equity:

\$ in Millions	As of March 31,	As of December 31,	Change
	2023	2022	
Unassigned equity	\$29,704	\$29,822	(0.4%)
Accumulated other comprehensive loss	(6,662)	(7,830)	(14.9)
Non-controlling interest	223	216	3.2
Total equity	\$23,265	\$22,208	4.8%

Subsequent Events

Management has assessed material subsequent events through May 10, 2023, the date the financial statements were available to be issued.

Financial Information

The Company's financial results, management's discussion and analysis of operating results and financial condition, accompanying financial statements and other supplemental financial information for the three months ended March 31, 2023 are available on the Company's Investor Relations website at 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 fifth largest global property and casualty insurer based on 2022 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.

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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