



**Liberty  
Mutual®**

**Comprehensive Pollution Reserve Study**



# Forward-Looking Statements & Basis of Presentation

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# Pollution Overview

- Liberty's claims and legal expertise in specialized unit, including certified geologists, is consistent with best practices.
- As a primary insurer, Liberty has the advantage of seeing, managing and settling claims sooner.
- Liberty has diminished its exposure through aggressive, centralized case management and early settlement of coverage litigation through buyouts and releases.
- Newly reported pollution claims continue to decline.
- Joint legal and claims review of every open claim completed annually to fully evaluate the circumstances of each policyholder and claimant on a case by case basis.

# Pollution – 2004 Independent Analysis

- **Consulting Actuaries** conducted a comprehensive review of reserves as of June 30, 2004, with full access to claims, legal, actuarial and financial data and personnel.
- **Findings:**
  - Individual analysis of dump site claims utilizing EPA database and Records of Decision
  - Aggregate projection of direct (state) action claims
  - Liberty's claims, legal, actuarial communication is best practice
  - Indicated reserve was above June 30, 2004 carried reserve
- **Action:** Reserves increased \$232 million in the fourth quarter of 2004, bringing held reserves approximately \$50 million above independent actuary's best estimate.

# Pollution Reserves

(\$ in millions)	<u>Gross</u> <sup>1</sup>	<u>Net</u>
January 1 reserves:	\$307	\$287
Incurred activity	327	316
Paid activity	53	50
Ending reserves	<u>\$581</u>	<u>\$553</u>

<sup>1</sup> Excludes Wausau's direct and assumed pollution liabilities which is ceded to Nationwide Indemnity Company, and 100% guaranteed by Nationwide Mutual Insurance Company.

