



Financial Supplement  
Quarter Ended March 31, 2004

**LIBERTY MUTUAL GROUP**  
**Financial Supplement**

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Liberty Mutual Holding Company Inc.

Consolidated Statements of Income

(dollars in millions)

(Unaudited)

	Three Months Ended March 31,	
	2004	2003
<b>Revenues</b>		
Premiums earned	\$ 3,967	\$ 3,153
Net investment income	502	414
Net realized investment gains (losses)	57	(74)
Fee and other revenues	178	137
Total revenues	4,704	3,630
<b>Claims, Benefits and Expenses</b>		
Benefits, claims and claim adjustment expenses	3,119	2,531
Insurance operating costs and expenses	641	562
Amortization of deferred policy acquisition costs	584	442
Dividends to policyholders	14	21
Other expenses	64	55
Total claims, benefits and expenses	4,422	3,611
Income from continuing operations before income tax expense	282	19
Federal and foreign income tax expense	-	3
Income from continuing operations before discontinued operations	282	16
Discontinued operations, net of tax	2	(2)
Net income	\$ 284	\$ 14

See accompanying notes to the unaudited consolidated financial statements

**LIBERTY MUTUAL HOLDING COMPANY, INC.**

**Consolidating Statements of Income**

(dollars in millions)

(Unaudited)

	Three Months Ended March 31, 2004						Three Months Ended March 31, 2003					
	Commercial Markets	Personal Markets	Regional Agency Markets	International	Other and Life	Consolidated	Commercial Markets	Personal Markets	Regional Agency Markets	International	Other and Life	Consolidated
<b>Revenues</b>												
Premiums earned	\$ 1,050	\$ 1,234	\$ 833	\$ 804	\$ 46	\$ 3,967	\$ 951	\$ 856	\$ 701	\$ 578	\$ 67	\$ 3,153
Net investment income	172	71	64	77	118	502	163	53	62	47	89	414
Net Realized investment gains	-	-	(2)	-	59	57	-	-	-	(14)	(60)	(74)
Fee and other revenues	105	14	13	8	38	178	78	12	14	6	27	137
<b>Total revenues</b>	<b>1,327</b>	<b>1,319</b>	<b>908</b>	<b>889</b>	<b>261</b>	<b>4,704</b>	<b>1,192</b>	<b>921</b>	<b>777</b>	<b>617</b>	<b>123</b>	<b>3,630</b>
<b>Claims, Benefits and Expenses</b>												
Benefits, claims and claim adjustment expenses	906	952	547	586	128	3,119	795	673	495	424	144	2,531
Insurance operating costs and expenses	183	104	128	132	94	641	194	81	116	104	67	562
Amortization of deferred policy acquisition costs	165	166	152	100	1	584	135	111	118	73	5	442
Dividends to policyholders	5	-	5	-	4	14	8	-	8	-	5	21
Other expenses	-	-	-	-	64	64	-	-	-	-	55	55
<b>Total claims, benefits and expenses</b>	<b>1,259</b>	<b>1,222</b>	<b>832</b>	<b>818</b>	<b>291</b>	<b>4,422</b>	<b>1,132</b>	<b>865</b>	<b>737</b>	<b>601</b>	<b>276</b>	<b>3,611</b>
Pre-tax operating income (loss) (excluding net realized investment gains)	68	97	78	71	(89)	225	60	56	40	30	(93)	93
<b>Pre-tax income (loss) before discontinued operations and minority interest</b>	<b>68</b>	<b>97</b>	<b>76</b>	<b>71</b>	<b>(30)</b>	<b>282</b>	<b>60</b>	<b>56</b>	<b>40</b>	<b>16</b>	<b>(153)</b>	<b>19</b>
Federal and foreign income tax expense (benefit)	24	34	27	21	(106)	-	21	20	14	13	(65)	3
<b>Income (loss) before discontinued operations and minority interest</b>	<b>44</b>	<b>63</b>	<b>49</b>	<b>50</b>	<b>76</b>	<b>282</b>	<b>39</b>	<b>36</b>	<b>26</b>	<b>3</b>	<b>(88)</b>	<b>16</b>
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations, net of tax	-	1	-	-	1	2	-	(2)	-	-	-	(2)
Change in accounting principle	-	-	-	-	-	-	-	-	-	-	-	-
Minority interest, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net income</b>	<b>\$ 44</b>	<b>\$ 64</b>	<b>\$ 49</b>	<b>\$ 50</b>	<b>\$ 77</b>	<b>\$ 284</b>	<b>\$ 39</b>	<b>\$ 34</b>	<b>\$ 26</b>	<b>\$ 3</b>	<b>\$ (88)</b>	<b>\$ 14</b>

**LIBERTY MUTUAL HOLDING COMPANY, INC.**

**Underwriting Results by Strategic Business Unit <sup>1</sup>**

(dollars in millions)

(Unaudited)

	Three Months Ended March 31, 2004					Three Months Ended March 31, 2003				
	Commercial Markets	Personal Markets	Regional Agency Markets	International	Consolidated	Commercial Markets	Personal Markets	Regional Agency Markets	International	Consolidated
<b>Combined ratio, before catastrophes and incurred attributable to prior years</b>										
Claims and claims adjustment ratio	81.5%	74.7%	64.6%	66.0%	72.9%	78.8%	75.5%	68.7%	68.6%	73.4%
Underwriting expense ratio	21.4%	20.6%	32.1%	29.4%	26.1%	23.8%	20.5%	31.5%	28.0%	26.8%
Dividend ratio	0.5%	0.0%	0.6%	0.0%	0.3%	0.9%	0.0%	1.1%	0.0%	0.6%
<b>Subtotal</b>	<b>103.4%</b>	<b>95.3%</b>	<b>97.3%</b>	<b>95.4%</b>	<b>99.3%</b>	<b>103.5%</b>	<b>96.0%</b>	<b>101.3%</b>	<b>96.6%</b>	<b>100.8%</b>
<b>Catastrophes:</b>										
- Natural	0.0%	2.4%	1.1%	0.0%	1.0%	0.1%	2.2%	1.9%	0.0%	1.1%
- All other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net incurred attributable to prior years: <sup>2</sup></b>										
- Asbestos	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%
- All other	1.2%	0.0%	0.0%	4.8%	2.6%	1.2%	0.9%	0.0%	4.0%	1.5%
Discount accretion	2.8%	0.0%	0.0%	0.0%	0.8%	2.6%	0.0%	0.0%	0.0%	0.8%
<b>Total Combined Ratio</b>	<b>107.4%</b>	<b>97.7%</b>	<b>98.4%</b>	<b>100.2%</b>	<b>103.7%</b>	<b>107.4%</b>	<b>99.1%</b>	<b>103.2%</b>	<b>100.6%</b>	<b>105.7%</b>

<sup>1</sup>The combined claim and expense 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 claims and claims adjustment expense ratio, expressed as a percentage, is computed as the sum of the following property and casualty ratios: the ratio of claims and claims adjustment expense to earned premiums; the ratio to earned premiums of insurance operating costs plus amortization of deferred policy acquisition costs less fee income and less installment charges; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premiums and reinsurance are not included in the combined ratio.

<sup>2</sup>Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years including retroactive reinsurance gain amortization and net of earned premium attributable to prior years and excluding discount accretion.

Liberty Mutual Holding Company Inc.

Consolidated Balance Sheets

(dollars in millions)

(Unaudited)

	March 31, 2004	December 31, 2003
<b>Assets:</b>		
Investments		
Fixed maturities, available for sale, at fair value (amortized cost of \$32,232 and \$30,873)	\$ 34,256	\$ 32,287
Equity securities, available for sale, at fair value (cost of \$860 and \$813)	1,412	1,346
Trading securities, at fair value (cost of \$206 and \$203)	204	208
Other investments	904	768
Short-term investments	1,094	940
Total investments	37,870	35,549
Cash and cash equivalents	2,831	1,999
Premium and other receivables (net of allowance of \$144 and \$131)	5,821	5,238
Reinsurance recoverables (net of allowance of \$306 and \$306)	12,995	12,227
Deferred income taxes	709	860
Deferred policy acquisition costs	1,232	1,104
Goodwill and intangible assets	861	762
Prepaid reinsurance premiums	1,594	1,280
Other assets	3,509	3,183
Separate account assets	2,295	2,220
Total assets	\$ 69,717	\$ 64,422
<b>Liabilities:</b>		
Unpaid claims and claim adjustment expense and future policy benefits:		
Property and casualty	\$ 31,845	\$ 30,597
Life	3,706	3,018
Other policyholder funds and benefits payable	2,155	2,090
Unearned premiums	8,438	7,431
Funds held under reinsurance treaties	1,917	1,902
Short-term debt	359	106
Long-term debt	2,150	1,668
Other liabilities and accrued expenses	8,859	8,009
Separate account liabilities	2,295	2,220
Total liabilities	61,724	57,041
<b>Policyholders' Equity:</b>		
Unassigned equity	6,478	6,194
Accumulated other comprehensive income	1,515	1,187
Total policyholders' equity	7,993	7,381
Total liabilities and policyholders' equity	\$ 69,717	\$ 64,422

See accompanying notes to the unaudited consolidated financial statements

Liberty Mutual Holding Company Inc.

Consolidated Statements of Cash Flows

(dollars in millions)

(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Cash flows from operating activities:</b>		
Net income from continuing operations	\$ 282	\$ 16
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	40	27
Realized investment (gains) losses	(57)	74
Undistributed private equity investment (gains) losses	(28)	10
Premium, other receivables, and reinsurance recoverables	(1,315)	(301)
Deferred policy acquisition costs and distribution costs	(125)	(76)
Liabilities for insurance reserves	2,102	820
Taxes payable, net of deferred	(91)	(22)
Other, net	41	89
Total adjustments	567	621
Net cash provided by operating activities	849	637
<b>Cash flows from investing activities:</b>		
Purchases of investments	(5,740)	(4,579)
Sales and maturities of investments	4,703	3,674
Property and equipment purchased, net	(74)	(58)
Other investing activities	309	(233)
Net cash from acquisitions and dispositions	(57)	15
Net cash used in investing activities	(859)	(1,181)
<b>Cash flows from financing activities:</b>		
Net activity in policyholder accounts	35	29
Debt financing, net	735	5
Net security lending activity	72	71
Other financing activities	-	-
Net cash provided by financing activities	842	105
Net increase (decrease) in cash and cash equivalents	832	(439)
Cash and cash equivalents, beginning of period	1,999	2,615
Cash and cash equivalents, end of period	\$ 2,831	\$ 2,176

See accompanying notes to the unaudited consolidated financial statements

**LIBERTY MUTUAL HOLDING COMPANY, INC.**

**Allocation of Invested Assets**

(dollars in millions)

(Unaudited)

	As of March 31, 2004		As of December 31, 2003	
	Amount	% of Total	Amount	% of Total
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<b>Fixed Maturities by Security Type</b>				
Fixed maturities, available for sale, at fair value	\$ 34,256	90.5%	\$ 32,287	90.8%
Equity securities, available for sale, at fair value	1,412	3.7	1,346	3.8
Trading securities, at fair value	204	0.5	208	0.6
Limited partnerships (Ex. Liberty Energy)	620	1.6	564	1.6
Liberty Energy limited partnerships	74	0.2	108	0.3
Other investments	210	0.6	96	0.3
Short-term investments	1,094	2.9	940	2.6
<b>Total investments</b>	<b>\$ 37,870</b>	<b>100.0%</b>	<b>\$ 35,549</b>	<b>100.0%</b>

**Fixed Maturities by Asset Sector**

U.S. Treasury securities	\$ 2,507	7.3%	\$ 2,717	8.4%
Mortgage and asset-backed securities of government and corporate agencies	12,271	35.8	11,499	35.6
State and municipal	1,084	3.2	1,250	3.9
Corporate and other	18,394	53.7	16,821	52.1
<b>Total fixed maturities</b>	<b>\$ 34,256</b>	<b>100.0%</b>	<b>\$ 32,287</b>	<b>100.0%</b>

**Fixed Maturities by Credit Quality**

S&P Rating	NAIC Designation				
A- or higher	1	\$ 28,815	84.1%	\$ 26,912	83.4%
BBB- to BBB+	2	3,213	9.4	3,084	9.5
BB- to BB+	3	1,153	3.4	1,039	3.2
B- to B+	4	831	2.4	988	3.1
CCC or lower	5	237	0.7	253	0.8
In or near default	6	7	0.0	11	0.0
<b>Total fixed maturities</b>		<b>\$ 34,256</b>	<b>100.0%</b>	<b>\$ 32,287</b>	<b>100.0%</b>



**LIBERTY MUTUAL HOLDING COMPANY, INC.**

**Realized Investment Gains and Losses**

(dollars in millions)

(Unaudited)

	Sales & Dispositions	Impairments	Change in Trading Security Unrealized	Total
<b>Net Realized Investment Gains</b>				
March 31, 2004				
Fixed maturities	\$ 56	\$ (5)	\$ -	\$ 51
Common and preferred stock	26	(9)	(8)	9
Other	(3)	-	-	(3)
<b>Total</b>	<b>\$ 79</b>	<b>\$ (14)</b>	<b>\$ (8)</b>	<b>\$ 57</b>
March 31, 2003				
Fixed maturities	\$ (21)	\$ (16)	\$ -	\$ (37)
Common and preferred stock	(28)	(11)	-	(39)
Other	2	-	-	2
<b>Total</b>	<b>\$ (47)</b>	<b>\$ (27)</b>	<b>\$ -</b>	<b>\$ (74)</b>

	Three Months Ended	
	March 31, 2004	March 31, 2003
<b>Components of Net Realized Investment Gains</b>		
Fixed maturities		
Gross realized gains	\$ 66	\$ 33
Gross realized losses	(15)	(70)
Equities		
Gross realized gains	26	11
Gross realized losses	(17)	(50)
Other		
Gross realized gains	-	2
Gross realized losses	(3)	-
<b>Total investments</b>	<b>\$ 57</b>	<b>\$ (74)</b>

**LIBERTY MUTUAL HOLDING COMPANY, INC.**  
**Net Unrealized Investment Gains and Losses and Net Investment Income**  
(dollars in millions)  
(Unaudited)

	Three Months Ended	
	March 31, 2004	March 31, 2003
<b>Components of Change in Net Unrealized Investment Gains</b>		
Fixed maturities	\$ 610	\$ 85
Equities	24	(13)
Adjustments to deferred policy acquisition costs	(58)	(3)
Net change in unrealized investment (losses) gains	<u>576</u>	<u>69</u>
Deferred income taxes	(202)	(24)
<b>Net change in unrealized investment (losses) gains, net of tax</b>	<b><u>\$ 374</u></b>	<b><u>\$ 45</u></b>
<b>Components of Net Investment Income</b>		
Interest income	\$ 470	\$ 423
Dividends	21	18
Limited partnerships	28	(10)
Other investment income	1	1
Gross investment income	<u>520</u>	<u>432</u>
Investment expenses	(18)	(18)
<b>Net investment income</b>	<b><u>\$ 502</u></b>	<b><u>\$ 414</u></b>

**LIBERTY MUTUAL HOLDING COMPANY, INC.**

Issuer and Sector Exposure as of March 31, 2004

(dollars in millions)

(Unaudited)

<b>Issuer</b>	<b>Fixed Income</b>	<b>Equity</b>	<b>Total Exposure</b>	<b>Percent of Invested Assets</b>
1 Government of Canada	\$ 551	\$ -	\$ 551	1.45%
2 Bank of America	503	14	517	1.37
3 Government of Spain	412	-	412	1.09
4 Citigroup	358	36	394	1.04
5 Wachovia	319	7	326	0.86
6 General Electric	297	24	321	0.85
7 Verizon	295	8	303	0.80
8 AIG	276	15	291	0.77
9 Bank One <sup>1</sup>	278	5	283	0.75
10 Royal Bank of Scotland	265	7	272	0.72
11 Goldman Sachs	241	4	245	0.65
12 Morgan Stanley	219	5	224	0.59
13 Wells Fargo Co.	203	8	211	0.56
14 Government of Portugal	210	-	210	0.55
15 SBC Communications	193	14	207	0.55
16 JP Morgan Chase <sup>1</sup>	191	12	203	0.54
17 Mellon Financial	193	1	194	0.51
18 Norfolk Southern	191	-	191	0.51
19 ABN Amro Bank	181	7	188	0.50
20 Safeway	176	1	177	0.47
<b>Total</b>	<b>\$ 5,552</b>	<b>\$ 168</b>	<b>\$ 5,720</b>	<b>15.10%</b>

<b>Sector</b>	<b>Fixed Income</b>	<b>Equity</b>	<b>Total Exposure</b>	<b>Percent of Invested Assets</b>
1 Banks	\$ 3,147	\$ 132	\$ 3,279	8.66%
2 Diversified Financial Services	2,207	111	2,318	6.12
3 Sovereign	1,702	-	1,702	4.50
4 Municipal	1,099	-	1,099	2.90
5 Electric	1,017	73	1,090	2.88
6 Telecommunications	901	121	1,022	2.70
7 Retail	956	63	1,019	2.69
8 Oil & Gas	668	166	834	2.20
9 Food	725	26	751	1.98
10 Transportation	591	13	604	1.60
11 Insurance	450	65	515	1.36
12 Home Builders	425	3	428	1.13
13 Media	284	52	336	0.89
14 Regional(state/provnc)	271	-	271	0.72
15 Miscellaneous Manufacturing	187	50	237	0.63
16 Chemicals	203	21	224	0.59
17 Cosmetics/Personal Care	182	20	202	0.53
18 Auto Manufacturers	156	15	171	0.45
19 Aerospace/Defense	153	12	165	0.44
20 Multi-National	156	-	156	0.41
<b>Total</b>	<b>\$ 15,480</b>	<b>\$ 943</b>	<b>\$ 16,423</b>	<b>43.37%</b>

<sup>1</sup> Bank One and JP Morgan Chase have announced plans to merge.

Liberty Mutual Holding Company Inc.

Consolidated Statements of Changes in Policyholders' Equity

(dollars in millions)

(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
Balance at beginning of the year	\$ 7,381	\$ 6,447
Net income	284	14
Other comprehensive income (loss), net of taxes:		
Net unrealized gains on securities	374	45
Foreign currency translation adjustments	(46)	23
Total other comprehensive income, net of taxes	328	68
Total comprehensive income	612	82
Balance at March 31	\$ 7,993	\$ 6,529

See accompanying notes to the unaudited consolidated financial statements



Reinsurance Recoverables  
Three Months Ended, March 31, 2004

# **LIBERTY MUTUAL HOLDING COMPANY, INC.**

## Notes to Various Reinsurance Recoverable Exhibits

### CORPORATE REINSURANCE GUIDELINES AND POLICIES

#### **Scope**

The term “reinsurance” refers to all traditional assumed and ceded reinsurance (and coinsurance) arrangements that typically transfer risk in the property-casualty and life insurance industries.

#### **Strategy**

Liberty uses reinsurance as a risk management tool to accomplish the following objectives:

- Limit the organization’s potential loss to catastrophic events such as hurricane, earthquake and terrorism.
- Limit the organization’s potential loss to non-catastrophic trends such as rising medical inflation.
- Improve the organization’s spread of risk.

Liberty also uses a significant amount of reinsurance to facilitate its role as a servicing carrier for a number of voluntary and involuntary pools and associations in a number of states and classes of business.

#### **Reinsurance Security Oversight**

As part of its reinsurance security oversight, Liberty Mutual has established a Standing Reinsurance Credit Committee (SRC) that meets quarterly to monitor and review the credit quality of the existing reinsurance portfolio, discuss emerging trends in the reinsurance market place and ensure that the current portfolio of reinsurance is in compliance with the Committee’s security standards. The SRC is directly responsible for establishing the minimum rating, collateral and diversification requirements governing Liberty’s purchase and use of reinsurance.

**LIBERTY MUTUAL HOLDING COMPANY, INC.**

Notes to Various Reinsurance Recoverable Exhibits

<sup>1</sup> AM Best Co. and Standard & Poor's ratings as of May 5, 2004.

<sup>2</sup> Gross recoverables are defined as paid and unpaid claims and claim adjustment expenses recoverables after considering specific bad debt reserves that have been set aside for potential uncollectible reinsurance but before consideration of collateral.

<sup>3</sup> Collateral refers to letters of credit, trust accounts and funds held against outstanding claims and claim adjustment expenses reinsurance recoverable balances.

<sup>4</sup> Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for specific reinsurance treaties.

<sup>5</sup> Recoverables from state mandated involuntary market pools and associations represent 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 among the pool participants in proportion to their pool participation. Credit risk with respect to any given pool or association is the composite of the cumulative creditworthiness of all participants.

<sup>6</sup> Reinsurers not rated by A.M. Best Co. and/or Standard & Poor's.

<sup>7</sup> Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent. The indicated rating for each group reflects the rating of the principle reinsurer within the group.

<sup>8</sup> The rating of Nationwide Indemnity Co. (NIC) reflects the rating of its parent, Nationwide Mutual Insurance Co. Nationwide Mutual has guaranteed the timely payment and performance of the obligations of Nationwide Indemnity Company under the reinsurance agreements, dated Dec. 31, 1998, between NIC and Employers Insurance Company of Wausau and certain of its affiliated property and casualty companies.

<sup>9</sup> Approximately 31% of the net recoverable balance relates to business ceded to Equitas.

**LIBERTY MUTUAL HOLDING COMPANY, INC.**  
**Distribution of Reinsurance Recoverables by A.M. Best Rating**  
**As of March 31, 2004 <sup>1</sup>**  
**(Unaudited)**

<b>(Data in Millions)</b>	<b>(a) Gross Recoverables <sup>2</sup></b>	<b>(b) Collateral Held <sup>3</sup></b>	<b>(c) Net Recoverables <sup>4</sup></b>	<b>(d) % of Total Net Recov.</b>
<b>Rated Entities</b>				
A++	\$ 2,224	\$ 1,192	\$ 1,036	11%
A+	4,472	726	3,791	39%
A	1,252	316	971	10%
A-	426	53	381	4%
B++	62	1	62	0%
B+	11	0	11	0%
B or Below	14	0	14	0%
<b>Subtotal</b>	<b>\$ 8,461</b>	<b>\$ 2,288</b>	<b>\$ 6,266</b>	<b>64%</b>
<b>Pools &amp; Associations</b>				
State mandated involuntary pools and associations <sup>5</sup>	\$ 2,731	\$ 2	\$ 2,729	28%
Voluntary	334	83	333	3%
<b>Subtotal</b>	<b>\$ 3,065</b>	<b>\$ 85</b>	<b>\$ 3,062</b>	<b>31%</b>
<b>Non-Rated Entities <sup>6</sup></b>				
Captives & fronting companies	\$ 867	\$ 1,056	\$ 62	-
Other	602	479	451	5%
<b>Subtotal</b>	<b>\$ 1,469</b>	<b>\$ 1,535</b>	<b>\$ 513</b>	<b>5%</b>
<b>Grand Total</b>	<b>\$ 12,995</b>	<b>\$ 3,908</b>	<b>\$ 9,841</b>	<b>100.0%</b>

**\* More than 94% of Net Recoverables are rated A- or better  
(Including involuntary and voluntary pools and associations)**



**LIBERTY MUTUAL HOLDING COMPANY, INC.**  
**Distribution of Reinsurance Recoverables by Standard & Poor's Rating**  
**As of March 31, 2004 <sup>1</sup>**  
**(Unaudited)**

<b>(Data in Millions)</b>	<b>(a)</b> <b>Gross</b> <b>Recoverables <sup>2</sup></b>	<b>(b)</b> <b>Collateral</b> <b>Held <sup>3</sup></b>	<b>(c)</b> <b>Net</b> <b>Recoverables <sup>4</sup></b>	<b>(d)</b> <b>% of Total</b> <b>Net Recov.</b>
<b>Rated Entities</b>				
AAA	\$ 1,283	\$ 641	\$ 645	7%
AA+, AA , AA-	3,597	1,328	2,330	24%
A+, A , A-	3,340	310	3,075	31%
BBB+, BBB , BBB -	72	17	67	-
BB+ or Below	17	6	13	-
<b>Subtotal</b>	<b>\$ 8,309</b>	<b>\$ 2,302</b>	<b>\$ 6,130</b>	<b>62%</b>
<b>Pools &amp; Associations</b>				
State mandated involuntary pools and associations <sup>5</sup>	\$ 2,731	\$ 2	\$ 2,729	28%
Voluntary	334	83	333	3%
<b>Subtotal</b>	<b>\$ 3,065</b>	<b>\$ 85</b>	<b>\$ 3,062</b>	<b>31%</b>
<b>Non-Rated Entities <sup>6</sup></b>				
Captives & fronting companies	\$ 867	\$ 1,056	\$ 62	1%
Other	754	465	587	6%
<b>Subtotal</b>	<b>\$ 1,621</b>	<b>\$ 1,521</b>	<b>\$ 649</b>	<b>7%</b>
<b>Grand Total</b>	<b>\$ 12,995</b>	<b>\$ 3,908</b>	<b>\$ 9,841</b>	<b>100%</b>

**\* More than 93% of Net Recoverables are rated A- or better  
( Including involuntary and voluntary pools and associations)**

**LIBERTY MUTUAL HOLDING COMPANY, INC.**

**Top 15 Reinsurance Recoverables by Group**

As of March 31, 2004 <sup>1</sup>

(Unaudited)

Reinsurance Groups <sup>7</sup> (Data in Millions)	AM Best Rating	S & P Rating	Gross Recoverables <sup>2</sup>	Collateral <sup>3</sup>	Net Recoverables <sup>4</sup>
1 Swiss Re Group	A+	AA	\$ 1,653	\$ 390	\$ 1,267
2 Nationwide Group	A+ <sup>8</sup>	A+ <sup>8</sup>	1,505	-	1,505
3 Berkshire Hathaway Group	A++	AAA	1,264	641	626
4 Chubb Group	A++	AA	877	550	327
5 Munich Re Group	A+	A+	406	5	405
6 Partner Re Group	A+	AA-	354	313	79
7 UPINSCO (Captive)	--	--	332	380	-
8 Equitas / Lloyds of London <sup>9</sup>	A-	A	275	-	275
9 GE Insurance Group	A	A+	261	7	255
10 Everest Re Group	A+	AA-	207	-	207
11 White Mountains Insurance Group	A	A-	204	-	204
12 ACE Group	A+	A+	203	213	17
13 Converium Group	A	A	147	16	132
14 St. Paul Travelers Companies	A+	A+	130	82	55
15 Associated Electric & Gas	--	--	110	125	-
State Mandated Involuntary pools and associations <sup>5</sup>	--	--	2,731	2	2,729
Voluntary pools and associations	--	--	334	83	333
All other	--	--	2,002	1,101	1,425
Total Reinsurance Recoverables			<b>\$ 12,995</b>	<b>\$ 3,908</b>	<b>\$ 9,841</b>

See explanation of footnoted items on page 12 of financial supplement (Overview of Corporate Reinsurance Policies and Exposures).

The above ratings are accurate only as of May 5, 2004, and may be changed, suspended or withdrawn, by the respective rating agency, at any time.

**LIBERTY MUTUAL HOLDING COMPANY, INC.**

**Capital Structure  
(dollars in millions)  
(Unaudited)**

	<b>As of March 31, 2004</b>	<b>As of December 31, 2003</b>
	<u>          </u>	<u>          </u>
<b>DEBT</b>		
Short-term debt		
Commercial paper	\$80	\$84
Revolving credit facilities	20	22
Debt redemption	259	-
Receivables financing	-	-
Other	-	-
Total short-term debt	<u>\$359</u>	<u>\$106</u>
Long-term debt		
8.20%, Surplus Notes, due 2007	\$121	\$250
6.75%, Notes, due 2008	15	15
5.00%, Prudential Notes, due 2008	30	30
7.00%, Prudential Notes - Series A, due 2008	-	130
8.00%, Prudential Notes - Series B, due 2013	260	260
5.75%, Senior Notes, due 2014	500	-
8.50%, Surplus Notes, due 2025	150	150
7.87%, Surplus Notes, due 2026	250	250
7.63%, Notes, due 2028	3	3
7.00%, Senior Notes, due 2034	250	-
7.70%, Surplus Notes, due 2097	500	500
6.76% - 8.10%, Medium Term Notes, various	88	88
Subtotal	<u>2,167</u>	<u>1,676</u>
Unamortized discount	<u>(17)</u>	<u>(8)</u>
Total long-term debt	<u>\$2,150</u>	<u>\$1,668</u>
<b>Total debt</b>	<u><u>\$2,509</u></u>	<u><u>\$1,774</u></u>
<b>POLICYHOLDERS' EQUITY</b>		
Unassigned surplus	\$6,478	\$6,194
Accumulated other comprehensive income (AOCI)	1,515	1,187
<b>Total policyholders' equity</b>	<u>\$7,993</u>	<u>\$7,381</u>
<b>CAPITALIZATION</b>		
Capitalization including AOCI, net of tax	\$10,502	\$9,155
Capitalization excluding AOCI, net of tax	\$8,987	\$7,968
<b>FINANCIAL LEVERAGE RATIOS</b>		
Debt to capitalization including AOCI	23.9%	19.4%
Debt to capitalization excluding AOCI	27.9%	22.3%