



Financial Supplement
Quarter Ended June 30, 2005

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

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LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidating Statements of Income

(dollars in millions)

(Unaudited)

	Three Months Ended June 30, 2005						Three Months Ended June 30, 2004					
	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated
Revenues												
Premiums earned	\$ 1,279	\$ 1,123	\$ 995	\$ 883	\$ 52	\$ 4,332	\$ 1,234	\$ 1,116	\$ 877	\$ 795	\$ 47	\$ 4,069
Net investment income	62	172	72	90	197	593	73	174	66	78	129	520
Net Realized investment gains	-	-	3	(2)	184	185	-	-	-	11	26	37
Fee and other revenues	13	96	16	9	46	180	14	91	13	7	30	155
Total revenues	1,354	1,391	1,086	980	479	5,290	1,321	1,381	956	891	232	4,781
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	855	916	637	610	114	3,132	857	954	588	521	142	3,062
Insurance operating costs and expenses	319	391	331	301	87	1,429	274	373	296	243	38	1,224
Dividends to policyholders	-	(14)	10	-	4	-	-	1	10	-	2	13
Other expenses	-	-	-	21	78	99	-	-	-	16	73	89
Total claims, benefits and expenses	1,174	1,293	978	932	283	4,660	1,131	1,328	894	780	255	4,388
Pre-tax operating income (loss) (excluding net realized investment gains)	180	98	105	50	12	445	190	53	62	100	(49)	356
Pre-tax income (loss) before discontinued operations and minority interest	180	98	108	48	196	630	190	53	62	111	(23)	393
Federal and foreign income tax expense (benefit)	63	34	38	38	(46)	127	66	18	22	22	(128)	-
Income before discontinued operations and minority interest	117	64	70	10	242	503	124	35	40	89	105	393
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations, net of tax	-	-	-	(3)	-	(3)	14	-	-	-	-	14
Net income ¹	\$ 117	\$ 64	\$ 70	\$ 7	\$ 242	\$ 500	\$ 138	\$ 35	\$ 40	\$ 89	\$ 105	\$ 407

¹ In the first quarter of 2005, the Company changed its methodology for allocating pension expenses. Historically, pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

LIBERTY MUTUAL HOLDING COMPANY INC.
Consolidating Statements of Income
(dollars in millions)
(Unaudited)

	Six Months Ended June 30, 2005						Six Months Ended June 30, 2004					
	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated
Revenues												
Premiums earned	\$ 2,536	\$ 2,245	\$ 1,954	\$ 1,689	\$ 113	\$ 8,537	\$ 2,468	\$ 2,166	\$ 1,710	\$ 1,599	\$ 93	\$ 8,036
Net investment income	131	341	142	171	363	1,148	144	346	130	155	247	1,022
Net Realized investment gains	-	-	3	(1)	204	206	-	-	(2)	11	85	94
Fee and other revenues	28	204	32	20	86	370	28	196	26	15	68	333
Total revenues	2,695	2,790	2,131	1,879	766	10,261	2,640	2,708	1,864	1,780	493	9,485
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	1,732	1,831	1,254	1,136	269	6,222	1,820	1,863	1,136	1,097	270	6,186
Insurance operating costs and expenses	614	781	646	577	192	2,810	542	727	579	474	112	2,434
Dividends to policyholders	-	(15)	18	-	6	9	-	6	15	-	6	27
Other expenses	-	-	-	39	146	185	-	-	-	27	136	163
Total claims, benefits and expenses	2,346	2,597	1,918	1,752	613	9,226	2,362	2,596	1,730	1,598	524	8,810
Pre-tax operating income (loss) (excluding net realized investment gains)	349	193	210	128	(51)	829	278	112	136	171	(116)	581
Pre-tax income (loss) before discontinued operations and minority interest	349	193	213	127	153	1,035	278	112	134	182	(31)	675
Federal and foreign income tax expense (benefit)	122	67	75	64	(201)	127	97	39	47	43	(226)	-
Income before discontinued operations and minority interest	227	126	138	63	354	908	181	73	87	139	195	675
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations, net of tax	-	-	-	(12)	-	(12)	15	-	-	-	1	16
Net income ¹	\$ 227	\$ 126	\$ 138	\$ 51	\$ 354	\$ 896	\$ 196	\$ 73	\$ 87	\$ 139	\$ 196	\$ 691

¹ In the first quarter of 2005, the Company changed its methodology for allocating pension expenses. Historically, pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended June 30, 2005						Three Months Ended June 30, 2004					
	Personal Market	Commercial Markets	Regional		Corporate and		Personal Market	Commercial Markets	Regional		Corporate and	
			Agency Markets	International	Other	Consolidated			Agency Markets	International	Other	Consolidated
Revenues	\$ 1,354	\$ 1,391	\$ 1,086	\$ 980	\$ 479	\$ 5,290	\$ 1,321	\$ 1,381	\$ 956	\$ 891	\$ 232	\$ 4,781
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	\$ 214	\$ 140	\$ 121	\$ 81	\$ 53	\$ 609	\$ 222	\$ 93	\$ 70	\$ 87	\$ (1)	\$ 471
Catastrophes: ¹												
- Four Hurricanes 2004	-	(3)	-	(30)	(6)	(39)	-	-	-	-	-	-
- All other	(34)	(3)	(9)	-	-	(46)	(32)	(6)	(17)	-	-	(55)
Net incurred attributable to prior years:												
-Asbestos	-	-	-	-	(2)	(2)	-	-	-	-	(4)	(4)
-All other	-	(15)	(7)	(1)	(31)	(54)	-	(13)	9	13	(41)	(32)
Discount accretion ²	-	(21)	-	-	(2)	(23)	-	(21)	-	-	(3)	(24)
Pre-tax operating income (loss) ³	180	98	105	50	12	445	190	53	62	100	(49)	356
Realized investment gains (losses), net	-	-	3	(2)	184	185	-	-	-	11	26	37
Federal and foreign income tax (expense) benefit	(63)	(34)	(38)	(38)	46	(127)	(66)	(18)	(22)	(22)	128	-
Discontinued operations, net of tax	-	-	-	(3)	-	(3)	14	-	-	-	-	14
Extraordinary items, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income	\$ 117	\$ 64	\$ 70	\$ 7	\$ 242	\$ 500	\$ 138	\$ 35	\$ 40	\$ 89	\$ 105	\$ 407
	Six Months Ended June 30, 2005						Six Months Ended June 30, 2004					
	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated
Revenues	\$ 2,695	\$ 2,790	\$ 2,131	\$ 1,879	\$ 766	\$ 10,261	\$ 2,640	\$ 2,708	\$ 1,864	\$ 1,780	\$ 493	\$ 9,485
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	\$ 403	\$ 254	\$ 232	\$ 159	\$ 37	\$ 1,085	\$ 340	\$ 187	\$ 153	\$ 196	\$ (13)	\$ 863
Catastrophes: ¹												
- Four Hurricanes 2004	-	(8)	-	(30)	(6)	(44)	-	-	-	-	-	-
- All other	(61)	(3)	(16)	-	-	(80)	(62)	(8)	(26)	-	-	(96)
Net incurred attributable to prior years:												
-Asbestos	-	-	-	-	(2)	(2)	-	-	-	-	(4)	(4)
-All other	7	(8)	(6)	(1)	(75)	(83)	-	(25)	9	(25)	(93)	(134)
Discount accretion ²	-	(42)	-	-	(5)	(47)	-	(42)	-	-	(6)	(48)
Pre-tax operating income (loss) ³	349	193	210	128	(51)	829	278	112	136	171	(116)	581
Realized investment gains (losses), net	-	-	3	(1)	204	206	-	-	(2)	11	85	94
Federal and foreign income tax (expense) benefit	(122)	(67)	(75)	(64)	201	(127)	(97)	(39)	(47)	(43)	226	-
Discontinued operations, net of tax	-	-	-	(12)	-	(12)	15	-	-	-	1	16
Extraordinary items, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income	\$ 227	\$ 126	\$ 138	\$ 51	\$ 354	\$ 896	\$ 196	\$ 73	\$ 87	\$ 139	\$ 196	\$ 691

¹ The Company does not typically identify catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) in the tables above given the expected volatility associated with property-reinsurance coverage. However, due to the significant impact that the four hurricanes had on the Company's results, these losses have been separately identified in the tables above. Catastrophe losses include the impact of reinstatement premiums.

² The Company discounts the long-term indemnity portion of its workers compensation claims as permitted by insurance regulations. The discount accretion on these claims is included in underwriting results as the loss reserves accrete to nominal value. Asbestos structured settlements are discounted at 4.5%.

³ In the first quarter of 2005, the Company changed its methodology for allocating pension expenses. Historically, pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of Statutory to GAAP Net Income

(dollars in millions)

(Unaudited)

	<u>Six Months Ended</u> <u>June 30, 2005</u>
Domestic insurance Statutory net income	\$ 599
Domestic insurance companies pre-tax GAAP adjustments	(114)
Subsidiaries and affiliates GAAP pre-tax income	360
GAAP tax adjustment	51
GAAP Group net income	\$ 896

Note: Subsidiaries and affiliates consist of Liberty International Holdings LLC, Liberty Life Assurance Company of Boston, and non-insurance entities.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Three Months Ended June 30, 2005					Three Months Ended June 30, 2004				
	Personal Market	Commercial Markets	Regional Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years										
Claims and claims adjustment ratio	64.2%	76.8%	62.0%	66.6%	67.3%	66.9%	79.7%	66.1%	67.5%	70.2%
Underwriting expense ratio	24.3%	22.4%	32.4%	31.0%	27.9%	20.5%	21.8%	32.7%	28.9%	25.3%
Dividend ratio	0.0%	(1.3%)	1.0%	0.0%	(0.1%)	0.0%	0.1%	1.1%	0.0%	0.3%
Subtotal	88.5%	97.9%	95.4%	97.6%	95.1%	87.4%	101.6%	99.9%	96.4%	95.8%
Catastrophes¹:										
- Four Hurricanes 2004	0.0%	0.3%	0.0%	3.6%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	2.7%	0.2%	0.9%	0.0%	1.1%	2.6%	0.6%	1.9%	0.0%	1.4%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
- All other	0.0%	1.5%	0.7%	0.1%	1.3%	0.0%	1.3%	(1.0%)	(1.7%)	0.9%
Discount accretion	0.0%	2.0%	0.0%	0.0%	0.6%	0.0%	2.1%	0.0%	0.0%	0.6%
Total Combined Ratio^{2,3}	91.2%	101.9%	97.0%	101.3%	99.1%	90.0%	105.6%	100.8%	94.7%	98.8%
	Six Months Ended June 30, 2005					Six Months Ended June 30, 2004				
	Personal Market	Commercial Markets	Regional Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years										
Claims and claims adjustment ratio	66.3%	77.4%	62.8%	66.5%	68.4%	71.3%	80.2%	65.4%	66.7%	71.6%
Underwriting expense ratio	23.1%	22.5%	31.9%	30.7%	27.6%	20.4%	22.3%	32.6%	29.2%	25.4%
Dividend ratio	0.0%	(0.7%)	0.9%	0.0%	0.0%	0.0%	0.3%	0.9%	0.0%	0.3%
Subtotal	89.4%	99.2%	95.6%	97.2%	96.0%	91.7%	102.8%	98.9%	95.9%	97.3%
Catastrophes¹:										
- Four Hurricanes 2004	0.0%	0.4%	0.0%	1.9%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	2.4%	0.1%	0.8%	0.0%	1.0%	2.5%	0.4%	1.5%	0.0%	1.3%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
- All other	(0.3%)	0.4%	0.3%	0.0%	1.0%	0.0%	1.1%	(0.6%)	1.6%	1.7%
Discount accretion	0.0%	2.0%	0.0%	0.0%	0.6%	0.0%	2.2%	0.0%	0.0%	0.6%
Total Combined Ratio^{2,3}	91.5%	102.1%	96.7%	99.1%	99.1%	94.2%	106.5%	99.8%	97.5%	101.0%

¹ The Company does not typically identify catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) in the tables above given the expected volatility associated with property-reinsurance coverage. However, due to the significant impact that the four hurricanes had on the Company's results, these losses have been separately identified in the tables above. Catastrophe losses include the impact of reinstatement premiums.

² 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 claim and expense ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense to earned premium; the ratio to earned premium of insurance operating costs plus amortization of deferred policy acquisition costs less fee income (primarily related to the Company's involuntary market servicing carrier operations) and less installment charges; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premium and reinsurance are not included in the combined ratio. Beginning in the second quarter of 2004, results of the Company's Group Market operations have been excluded from the above table and related discussion of the combined ratio. Prior periods have been restated to conform to the current presentation.

³ In the first quarter of 2005, the Company changed its methodology for allocating pension expenses. Historically, pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

LIBERTY MUTUAL HOLDING COMPANY INC.

Allocation of Invested Assets

(dollars in millions)

(Unaudited)

	As of June 30, 2005		As of December 31, 2004	
	Amount	% of Total	Amount	% of Total
Invested Assets by Type				
Fixed maturities, available for sale, at fair value	\$ 37,024	91.3%	\$ 35,601	90.0%
Equity securities, available for sale, at fair value	1,730	4.3	1,802	4.6
Trading securities, at fair value	189	0.5	457	1.2
Limited partnerships	907	2.2	881	2.2
Short-term investments	620	1.5	687	1.7
Other investments	90	0.2	109	0.3
Total invested assets	\$ 40,560	100.0%	\$ 39,537	100.0%
Fixed Maturities by Security Type				
U.S. Treasury securities	\$ 3,195	8.6%	\$ 2,703	7.6%
Mortgage and asset-backed securities	12,845	34.7	12,933	36.3
State and municipal	2,157	5.8	1,141	3.2
Corporate and other	15,209	41.1	15,033	42.2
Foreign	3,618	9.8	3,791	10.7
Total fixed maturities	\$ 37,024	100.0%	\$ 35,601	100.0%
Fixed Maturities by Credit Quality				
S&P Rating				
AAA	\$ 19,949	54.0%	\$ 19,265	54.1%
AA+, AA, AA-	3,231	8.7	2,889	8.1
A+, A, A-	7,301	19.7	6,977	19.6
BBB+, BBB, BBB-	3,918	10.6	4,124	11.6
BB+, BB, BB-	1,490	4.0	1,235	3.5
B+, B, B-	1,081	2.9	1,058	3.0
CCC or lower	54	0.1	53	0.1
Total fixed maturities	\$ 37,024	100.0%	\$ 35,601	100.0%

LIBERTY MUTUAL HOLDING COMPANY INC.

Net Realized Investment Gains and Losses

(dollars in millions)

(Unaudited)

	Sales & Dispositions	Impairments	Change in Trading Security Unrealized	Total
Net Realized Investment Gains (Losses)				
Three Months Ended June 30, 2005				
Fixed maturities	\$ 70	\$ -	\$ -	\$ 70
Common and preferred stock	47	(7)	7	47
Other	68	-	-	68
Total	\$ 185	\$ (7)	\$ 7	\$ 185
Three Months Ended June 30, 2004				
Fixed maturities	\$ 59	\$ -	\$ -	\$ 59
Common and preferred stock	(4)	(15)	-	(19)
Other	(3)	-	-	(3)
Total	\$ 52	\$ (15)	\$ -	\$ 37
Six Months Ended June 30, 2005				
Fixed maturities	\$ 92	\$ -	\$ -	\$ 92
Common and preferred stock	59	(8)	(7)	44
Other	70	-	-	70
Total	\$ 221	\$ (8)	\$ (7)	\$ 206
Six Months Ended June 30, 2004				
Fixed maturities	\$ 115	\$ (5)	\$ -	\$ 110
Common and preferred stock	22	(24)	(8)	(10)
Other	(6)	-	-	(6)
Total	\$ 131	\$ (29)	\$ (8)	\$ 94

	Three Months Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Components of Net Realized Investment Gains (Losses)				
Fixed maturities				
Gross realized gains	\$ 75	\$ 74	\$ 109	\$ 140
Gross realized losses	(5)	(15)	(17)	(30)
Equities				
Gross realized gains	62	18	80	51
Gross realized losses	(15)	(37)	(36)	(61)
Other				
Gross realized gains	69	1	71	1
Gross realized losses	(1)	(4)	(1)	(7)
Total net realized investment gains (losses)	\$ 185	\$ 37	\$ 206	\$ 94

LIBERTY MUTUAL HOLDING COMPANY INC.

Net Investment Income and Net Unrealized Investment Gains and Losses

(dollars in millions)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2005	2004	2005	2004
Components of Net Investment Income				
Interest income	\$ 513	\$ 492	\$ 1,020	\$ 960
Dividends	35	30	59	52
Limited partnerships	61	19	112	47
Other investment income	4	3	7	5
Gross investment income	613	544	1,198	1,064
Investment expenses	(20)	(24)	(50)	(42)
Net investment income	\$ 593	\$ 520	\$ 1,148	\$ 1,022

Components of Change in Net Unrealized Investment Gains (Losses)

Fixed maturities	\$ 146	\$ (877)
Equities	(17)	35
Adjustments to deferred policy acquisition costs	(30)	8
Net change in unrealized investment (losses) gains	99	(834)
Deferred income taxes	(35)	292
Net change in unrealized investment gains (losses), net of tax	\$ 64	\$ (542)

	Less Than 12 Months		Greater Than 12 Months	
	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
Unrealized Losses & Fair Value by Security Type				
U.S. Treasury securities	\$ (7)	\$ 1,041	\$ (5)	\$ 152
Mortgage and asset-backed securities	(6)	908	(19)	969
State and municipal	(3)	314	(2)	78
Corporate and other	(47)	2,320	(22)	1,013
Foreign	(7)	220	(1)	52
Equities	(17)	139	(8)	45
Total	\$ (87)	\$ 4,942	\$ (57)	\$ 2,309

LIBERTY MUTUAL HOLDING COMPANY INC.

Issuer and Sector Exposure as of June 30, 2005

(dollars in millions)

(Unaudited)

Issuer	Fixed		Total	Percent of
	Maturity	Equity		
				Assets
1 Bank of America	\$ 403	\$ 18	\$ 421	1.04%
2 JP Morgan Chase	384	16	400	0.99%
3 General Electric	351	33	384	0.95%
4 Government of Spain	366	-	366	0.90%
5 Citigroup	309	37	346	0.85%
6 Government of Canada	344	-	344	0.85%
7 Wachovia Corp.	326	7	333	0.82%
8 American International Group	294	13	307	0.76%
9 Wells Fargo Financial	289	9	298	0.73%
10 US Bancorp	245	17	262	0.65%
11 Government of Venezuela	256	1	257	0.63%
12 Royal Bank of Scotland	249	7	256	0.63%
13 Bellsouth Telecommunications	233	13	246	0.61%
14 Verizon Communications	215	13	228	0.56%
15 Goldman Sachs Group Inc	222	5	227	0.56%
16 HSBC	216	3	219	0.54%
17 SBC Communications Inc.	200	11	211	0.52%
18 News America	198	4	202	0.50%
19 Merrill Lynch & Co.	195	4	199	0.49%
20 Union Pacific Corp.	197	1	198	0.49%
	<u>\$ 5,492</u>	<u>\$ 212</u>	<u>\$ 5,704</u>	<u>14.07%</u>

Sector	Fixed		Total	Percent of
	Maturity	Equity		
				Assets
1 Banks	\$ 3,270	\$ 136	\$ 3,406	8.40%
2 Diversified Financial Services	2,613	113	2,726	6.72%
3 Municipal	2,177	-	2,177	5.37%
4 Sovereign	1,649	1	1,650	4.07%
5 Telecommunications	1,278	119	1,397	3.44%
6 Electric	947	63	1,010	2.49%
7 Oil & Gas	711	266	977	2.41%
8 Retail	843	74	917	2.26%
9 Transportation	713	24	737	1.82%
10 Insurance	532	60	592	1.46%
11 Food	514	29	543	1.34%
12 Home Builders	509	3	512	1.26%
13 Media	457	50	507	1.25%
14 Miscellaneous Manufacturing	256	61	317	0.78%
15 Building Materials	207	9	216	0.53%
16 Auto Manufacturers	181	9	190	0.47%
17 Aerospace/Defense	152	21	173	0.43%
18 Chemicals	147	24	171	0.42%
19 Regional(state/province)	168	-	168	0.41%
20 Pharmaceuticals	65	90	155	0.38%
	<u>\$ 17,389</u>	<u>\$ 1,152</u>	<u>\$ 18,541</u>	<u>45.71%</u>

LIBERTY MUTUAL HOLDING COMPANY INC.
Reinsurance Overview

CORPORATE REINSURANCE GUIDELINES AND POLICIES

Scope

The term “reinsurance” refers to all 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 is a servicing carrier for a number of voluntary and involuntary pools and associations in a number of states and classes of 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. Credit risk with respect to this servicing carrier business is the composite of the cumulative creditworthiness of all participants in their respective pools.

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.
Footnotes to Reinsurance Recoverable Exhibits

- ¹ AM Best Co. and Standard & Poor's ratings are as of June 30, 2005.
- ² Gross recoverables are defined as paid and unpaid claims and claim adjustment expense including IBNR and before both bad debt reserves set aside for potential uncollectible reinsurance and consideration of collateral.
- ³ Collateral refers to letters of credit, trust accounts and funds held against outstanding claims and claim adjustment expenses related to reinsurance recoverable balances.
- ⁴ Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for specific reinsurance contracts.
- ⁵ The majority of reinsurance recoverables in this category represents 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 this servicing carrier business is the composite of the cumulative creditworthiness of all participants in their respective pools.
- ⁶ Reinsurers not rated by A.M. Best Co. and/or Standard & Poor's.
- ⁷ Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent.
- ⁸ The rating of Nationwide Indemnity Co. (NIC) is determined for the purposes of this exhibit to equal 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.
- ⁹ The rating of these recoverables is determined for the purposes of this exhibit to equal the rating of Lloyd's of London.
- ¹⁰ The rating of Vantage Casualty Insurance Company is determined for the purposes of this exhibit to equal the rating of Prudential Insurance Company of America, the principal operating insurance company of the parent, Prudential Financial Inc. Pursuant to a guaranty agreement dated October 31, 2003, Prudential Financial Inc. has guaranteed the complete and timely payment and performance of the obligations of Vantage Casualty Insurance Company pursuant to four reinsurance agreements between Vantage Casualty Insurance Company and certain companies acquired by Liberty Mutual Group Inc. from subsidiaries of Prudential Financial, Inc.
- ¹¹ The rating of OneBeacon Insurance Co. is determined for the purposes of this exhibit to equal the rating of Folksamerica Reinsurance Co, the lead insurance company of the White Mountains Group.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by A.M. Best Rating

As of June 30, 2005 ¹

(dollars in millions)

	(a)	(b)	(c)	(d)
	Gross	Collateral	Net	% of Total
	Recoverables ²	Held ³	Recoverables ⁴	Net Recov.
Rated Entities				
A++	\$ 1,994	\$ 1,065	\$ 930	8%
A+	5,074	757	4,354	37%
A	2,202	224	1,997	17%
A-	313	106	212	2%
B++	121	44	87	1%
B+	29	1	28	0%
B or Below	155	12	144	1%
Subtotal	\$ 9,888	\$ 2,209	\$ 7,752	66%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 3,137	\$ 2	\$ 3,135	27%
Voluntary	365	74	291	3%
Subtotal	\$ 3,502	\$ 76	\$ 3,426	30%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,020	\$ 1,116	\$ 51	0%
Other ⁶	631	336	437	4%
Subtotal	\$ 1,651	\$ 1,452	\$ 488	4%
Grand Total	\$ 15,041	\$ 3,737	\$ 11,666	100%

See explanation of footnoted items on page 11 of financial supplement.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by Standard & Poor's Rating

As of June 30, 2005 ¹

(dollars in millions)

	(a) Gross Recoverables ²	(b) Collateral Held ³	(c) Net Recoverables ⁴	(d) % of Total Net Recov.
Rated Entities				
AAA	\$ 1,275	\$ 620	\$ 655	6%
AA+, AA , AA-	4,194	1,292	2,983	25%
A+, A , A-	3,800	153	3,668	31%
BBB+, BBB , BBB -	292	213	103	1%
BB+ or Below	148	12	136	1%
Subtotal	\$ 9,709	\$ 2,290	\$ 7,545	64%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 3,137	\$ 2	\$ 3,135	27%
Voluntary	365	74	291	3%
Subtotal	\$ 3,502	\$ 76	\$ 3,426	30%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,020	\$ 1,116	\$ 51	0%
Other ⁶	810	255	644	6%
Subtotal	\$ 1,830	\$ 1,371	\$ 695	6%
Grand Total	\$ 15,041	\$ 3,737	\$ 11,666	100%

See explanation of footnoted items on page 11 of financial supplement.

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of June 30, 2005 ¹

(dollars in millions)

Reinsurance Groups ⁷ (Data in Millions)	Gross Recoverables ²	Collateral ³	Net Recoverables ⁴
1 Swiss Re Group	\$ 1,768	\$ 375	\$ 1,396
2 Nationwide Group ⁸	1,717	-	1,717
3 Berkshire Hathaway Inc	1,282	627	658
4 Chubb	740	445	295
5 Munich Re	471	4	467
6 UPINSCO	436	441	-
7 GE Global Insurance Group	423	5	419
8 Everest Re Group	412	-	412
9 PartnerRe Group	394	285	114
10 Lloyds Syndicates ⁹	387	1	386
11 ACE	236	222	38
12 AIG	205	7	198
13 Converium Group	204	51	164
14 White Mountains Insurance Group ¹¹	179	0	179
15 Associated Electric & Gas	143	150	2
State Mandated Involuntary pools and associations ⁵	3,137	2	3,135
Voluntary pools and associations	365	74	291
All Other ¹⁰	2,542	1,048	1,795
Total Reinsurance Recoverables	\$ 15,041	\$ 3,737	\$ 11,666

See explanation of footnoted items on page 11 of financial supplement.

LIBERTY MUTUAL HOLDING COMPANY INC.

Capitalization

(dollars in millions)

(Unaudited)

	As of June 30, 2005	As of December 31, 2004
	<hr/>	<hr/>
DEBT		
Short-term debt		
Commercial paper	-	\$147
Revolving credit facilities	29	29
Medium Term Notes, maturing within one year	-	77
Total short-term debt	<hr/> \$29	<hr/> \$253
Long-term debt		
8.20%, Surplus Notes, due 2007	\$121	\$121
6.75%, Notes, due 2008	15	15
5.00%, Prudential Notes, due 2008	14	14
8.00%, Prudential Notes - Series B, due 2013	260	260
5.75%, Senior Notes, due 2014	500	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	250
6.50%, Senior Notes, due 2035	500	-
7.70%, Surplus Notes, due 2097	500	500
7.10% - 7.86%, Medium Term Notes, various	27	27
Subtotal	<hr/> 2,590	<hr/> 2,090
Unamortized discount	(26)	(16)
Total long-term debt	<hr/> \$2,564	<hr/> \$2,074
Total debt	<hr/> <hr/> \$2,593	<hr/> <hr/> \$2,327
POLICYHOLDERS' EQUITY		
Unassigned surplus	\$8,335	\$7,439
Accumulated other comprehensive income (AOCI)	1,253	1,258
Total policyholders' equity	<hr/> \$9,588	<hr/> \$8,697
CAPITALIZATION		
Capitalization including AOCI, net of tax	\$12,181	\$11,024
Capitalization excluding AOCI, net of tax	\$10,928	\$9,766
FINANCIAL LEVERAGE RATIOS		
Debt to capitalization including AOCI	21.3%	21.1%
Debt to capitalization excluding AOCI	23.7%	23.8%