



Liberty  
Mutual®

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# Strategic Focus

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- ◆ Strong and conservative balance sheet
  - Reserves
  - Investments
  - Reinsurance recoverables
  - Financial leverage
- ◆ Diversified personal and commercial lines P&C business
- ◆ Multi-channel distribution strategy
- ◆ Improve ratings – maintain financial flexibility

# **Liberty Mutual Group Overview**

# Liberty Mutual Overview

- 8<sup>th</sup> largest personal lines writer in the U.S. <sup>1</sup>
- 5<sup>th</sup> largest commercial lines writer in the U.S. <sup>1</sup>
- Diversified business mix
- \$69.7 B of assets, \$8.0 B of equity <sup>2</sup>
- Personal auto largest line of business
- Conversion to Mutual Holding Co. in 2002



## Strategic Business Units

Personal Market

Commercial Markets

Regional Agency  
Markets (RAM)

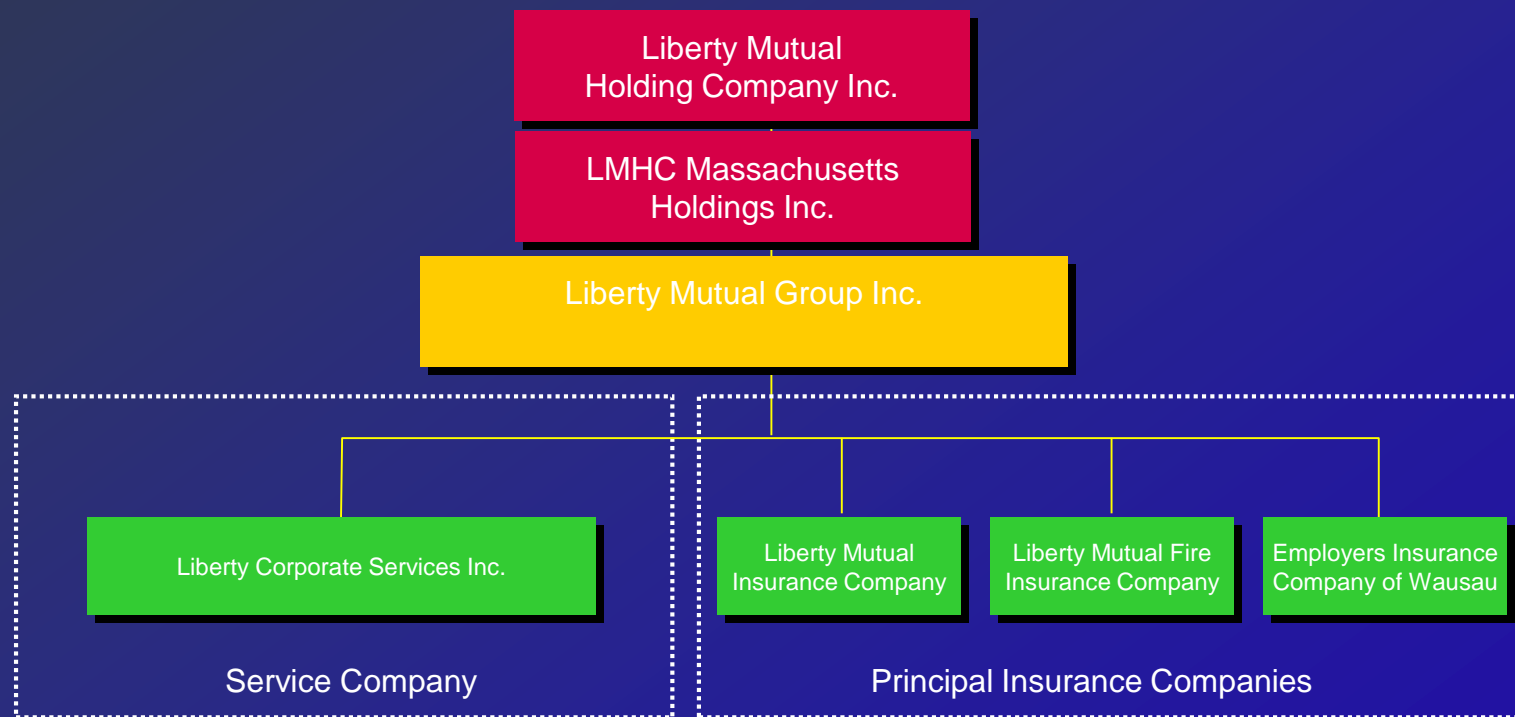
International

(1) Based on 2003 DWP.

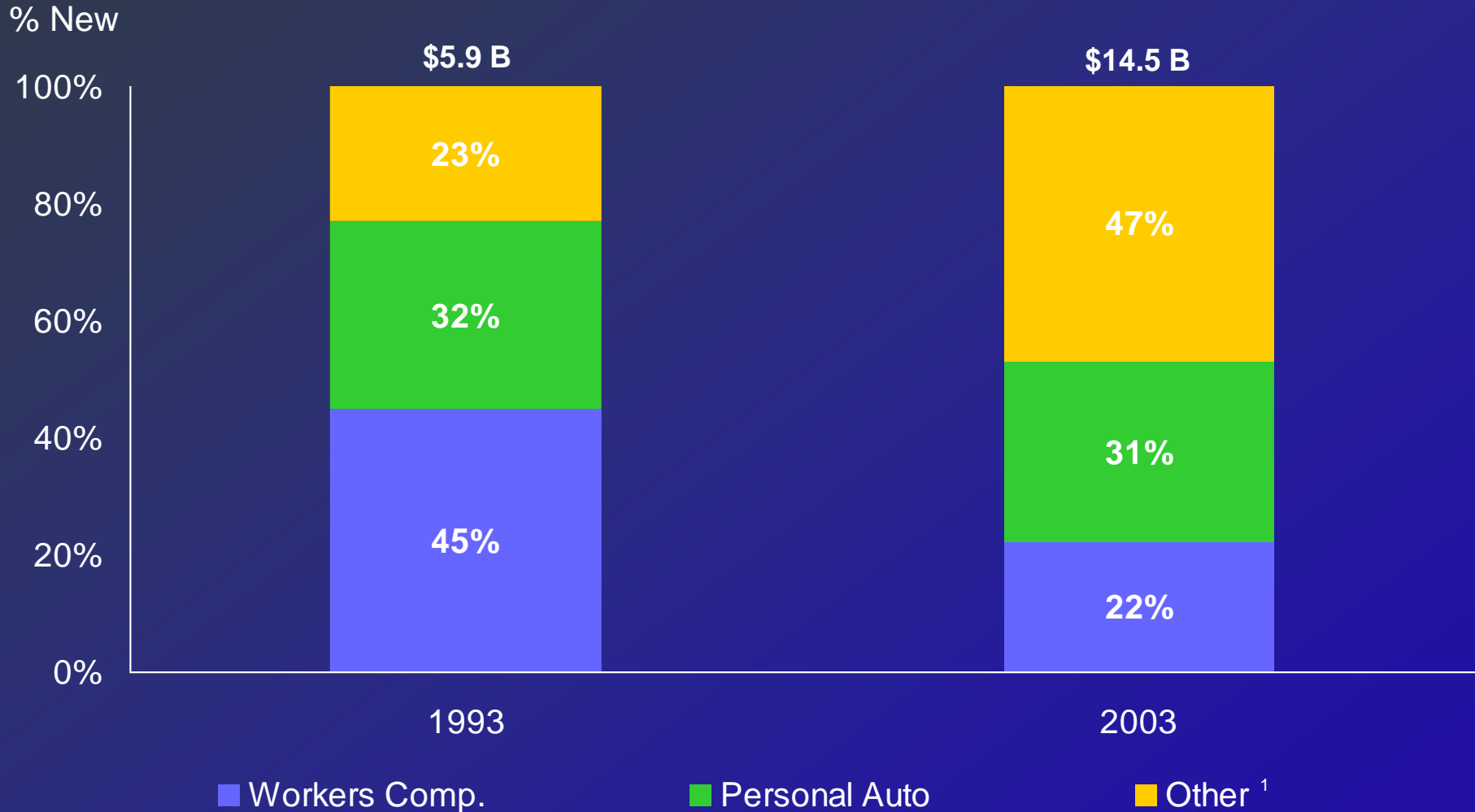
(2) As of 03/31/04.

# Mutual Holding Company Structure

- ◆ Converted to mutual holding company structure completed in 2002 to increase financial flexibility
- ◆ Service company structure added in 2003



# Shifting Business Mix – Net Written Premiums



Source: Best's Aggregates & Averages. Based on net written premium.

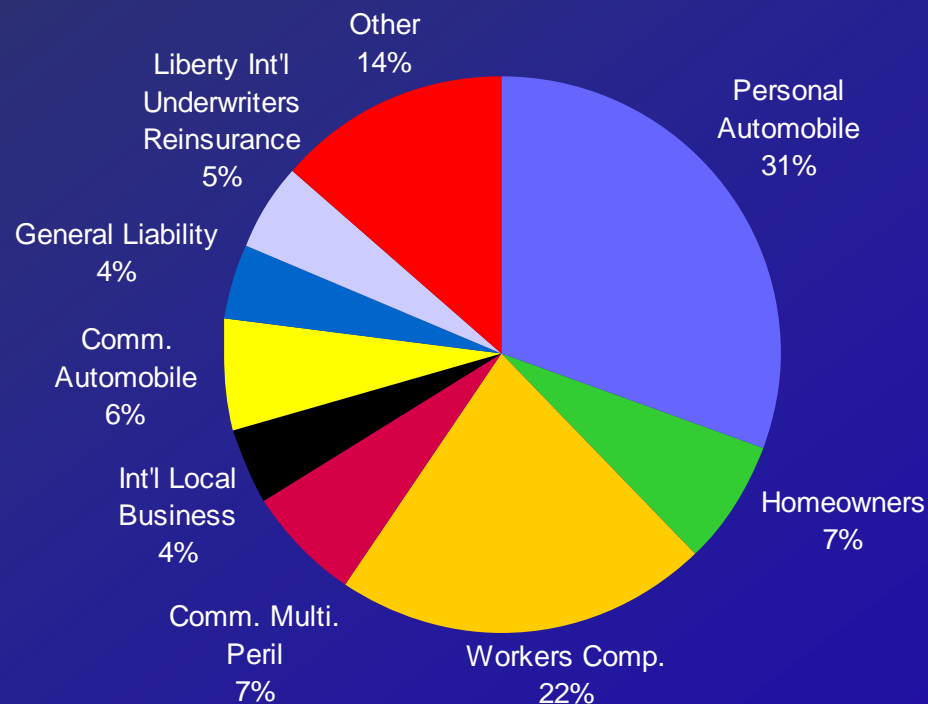
(1) Note: Other represents all other lines.

# Diversified Business Mix

## Strategic Business Units



## Significant Lines of Business



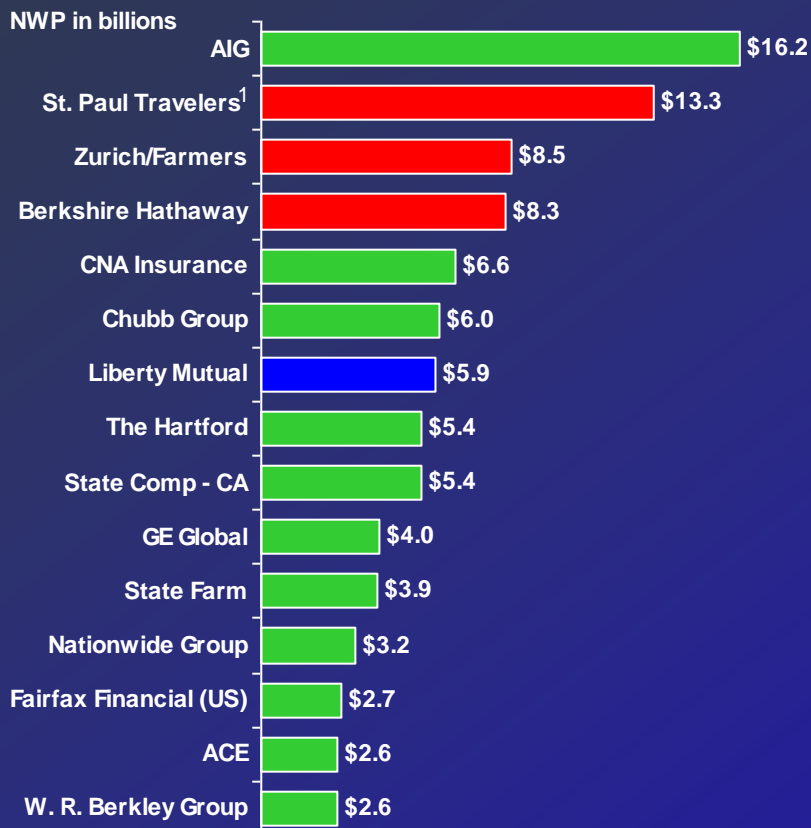
2003 Net Written Premium = \$14.5 B



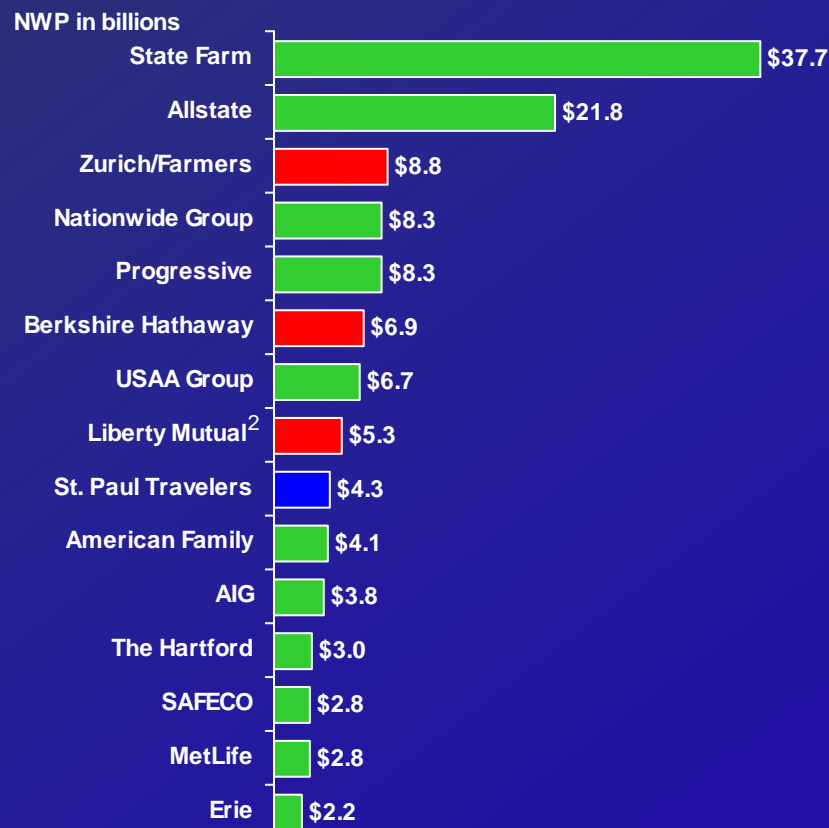
# Leading Market Position

*One of only 4 companies with top 10 market position in both Personal and Commercial lines*

## Commercial Lines



## Personal Lines



Source: Best's Aggregates & Averages Supplement, 2003 Edition.

(1) St. Paul Travelers based on combined NWP of St. Paul Companies and Travelers.

(2) Liberty Mutual includes the acquisition of Prudential's U.S. Property and Casualty business in October 2003.

# **Strategic Business Units**

# Personal Market

## Growth of NWP

(\$ in billions)

2001 – 2003 CAGR: 28.3%



## Recent Strategic Actions

- ◆ Acquired Prudential's P&C business in November 2003
- ◆ Sale of Canadian personal lines business in April 2004

## Breadth of Distribution

- ◆ Direct sales force of 1,100 agents
- ◆ 8,300 affinity relationships
- ◆ 2,700 Prudential agents
- ◆ Internet sales

## Segment Highlights

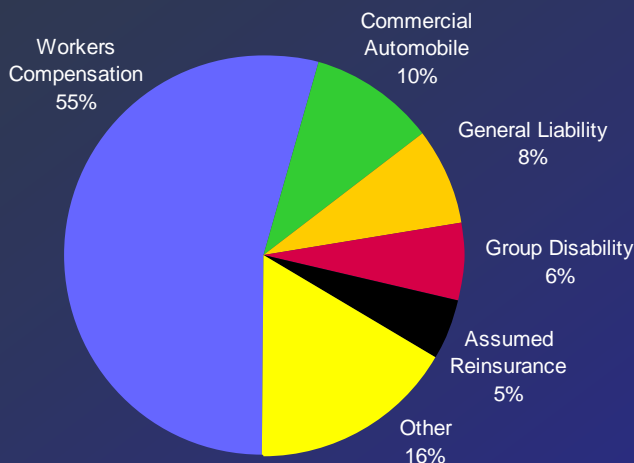
- ◆ 8<sup>th</sup> largest writer of personal lines P&C in the U.S. <sup>1, 2</sup>
- ◆ 77% of NWP is from personal auto
- ◆ Multi-tiered pricing strategy

(1) Includes the Acquisition of Prudential's U.S. Property and Casualty business

(2) Based on 2003 DWP

# Commercial Markets

## Product Mix



2003 NWP = \$4.4 B

## Marketing Groups

Segment	% of NWP	Description
Business Market	29%	Middle Markets (Direct Sales Force)
National Market	28	Large Company, Service Oriented
Wausau Comm. Market	19	Middle Markets (Agency Distributed)
Group Market	8	Group Life and Disability
Specialty Risks Market	7	Commercial Property & Surety
Other Markets	$\frac{9}{100\%}$	Involuntary pools, Reinsurance, Service Carrier

## Distribution

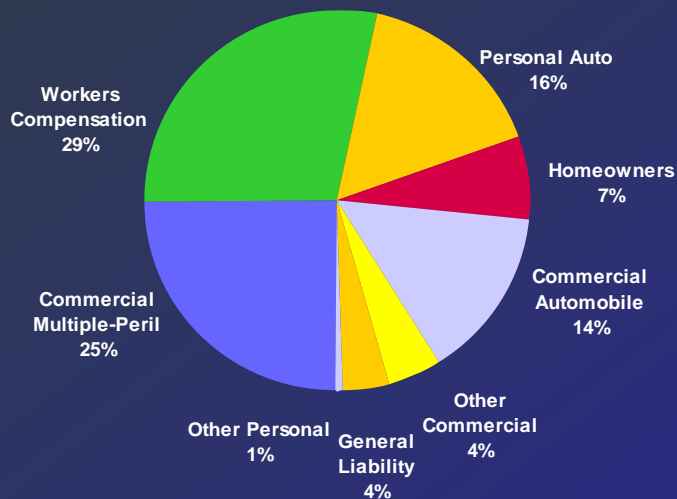
- ◆ Direct sales force
- ◆ Independent agents
- ◆ Large broker channel

## Segment Highlights

- ◆ #5 writer of commercial lines in the U.S. <sup>1</sup>
- ◆ A leading writer of workers compensation
- ◆ One of few successful national market providers

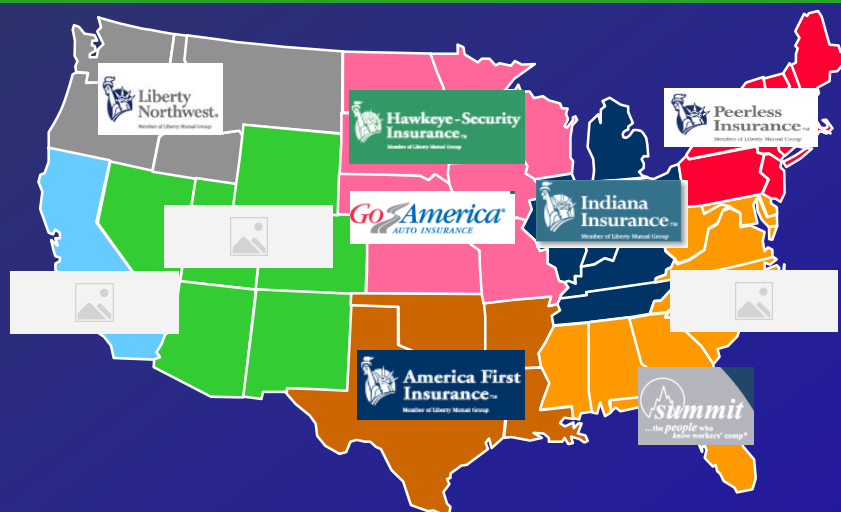
# Regional Agency Markets (RAM)

## Product Mix



2003 NWP = \$3.3 B

## Marketing Groups



## Distribution

- ◆ 5,200 independent agents and brokers

## Segment Highlights

- ◆ Started operations in 1997
- ◆ Regionally focused with national scale
- ◆ OneBeacon renewal rights transaction

# International

*One of the only U.S. based insurance companies with a global focus*

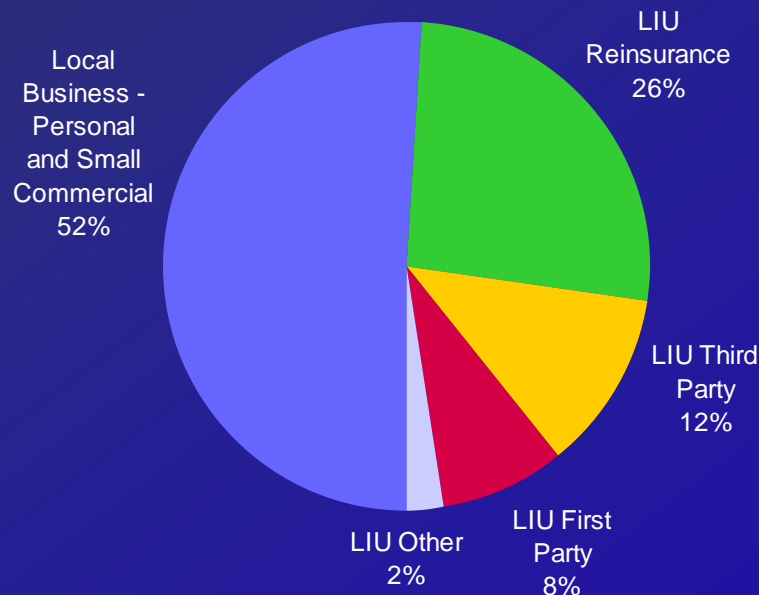
## Personal and Small Commercial Businesses (52% of International NWP)<sup>1</sup>

- ◆ Sale of personal lines products to individuals in selected countries
- ◆ South American presence with significant operations in Venezuela, Argentina, Colombia and Brazil
- ◆ Operations in Spain and select Asian markets

## Liberty International Underwriters (48% of International NWP) <sup>(1)</sup>

- ◆ Global commercial and specialty P&C operations including Lloyd's syndicates
- ◆ Strong underwriting team globally
- ◆ Risk management through modest net retentions
- ◆ Lines of business include:
  - Property, Casualty, Marine, D&O, E&O, Aviation

## Product Mix <sup>2</sup>

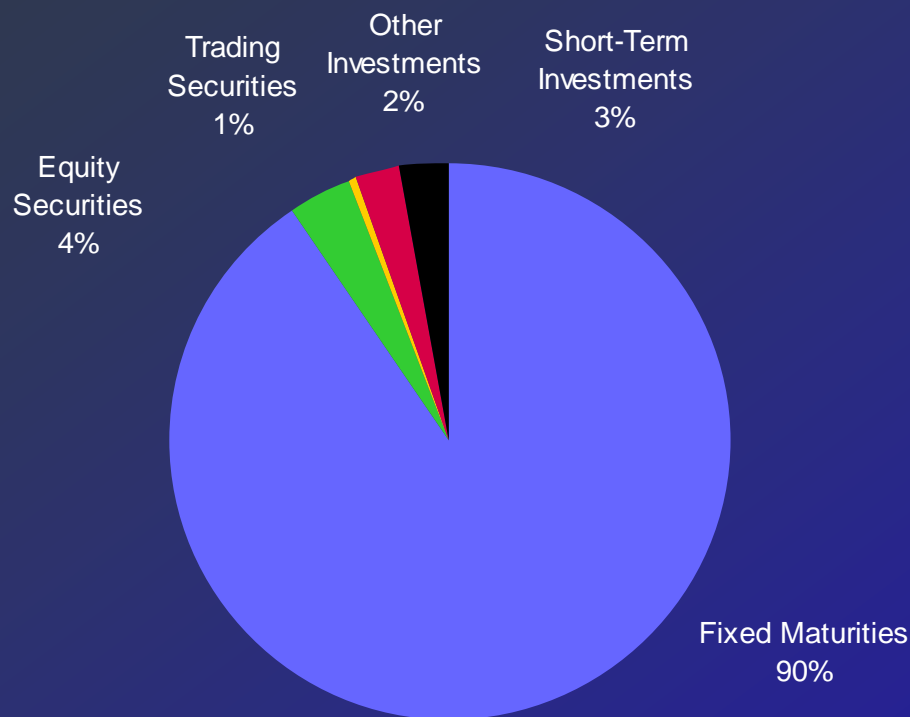


2003 NWP = \$2.5 B <sup>2</sup>

# **Balance Sheet Focus**

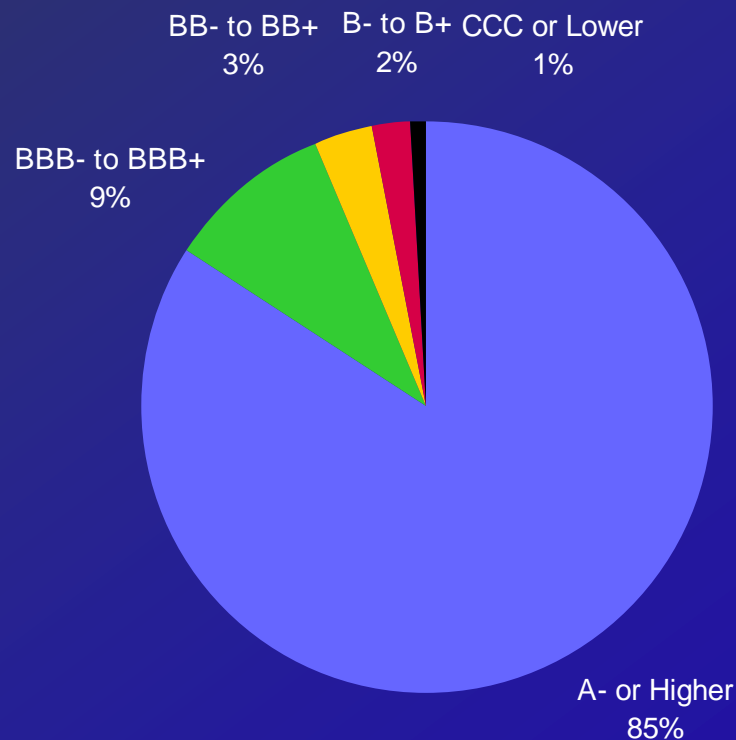
# Conservative Investment Portfolio

## Invested Assets



Total: \$35.5 B

## Fixed Income Securities By Rating



Total: \$32.3 B



# Distribution of Reinsurance Recoverables

		Gross Rec.	Collateral	Net. Rec.	% of Total
<b>Rated Entities</b>	AAA	\$ 1,283	\$ 641	\$ 645	7%
	AA+, AA , AA-	3,598	1,329	2,329	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; Assoc.</b>	Involuntary pools & assoc.	\$ 2,731	\$ 2	\$ 2,729	28%
	Voluntary	334	82	333	3%
	<b>Subtotal</b>	<b>\$ 3,065</b>	<b>\$ 85</b>	<b>\$ 3,062</b>	<b>31%</b>
<b>Non-Rated Entities</b>	Captives & fronting Co.	\$ 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>

Note: Data as of 03/31/04. Ratings based on Standard & Poor's.

# **Financial Review**

# Financial Summary

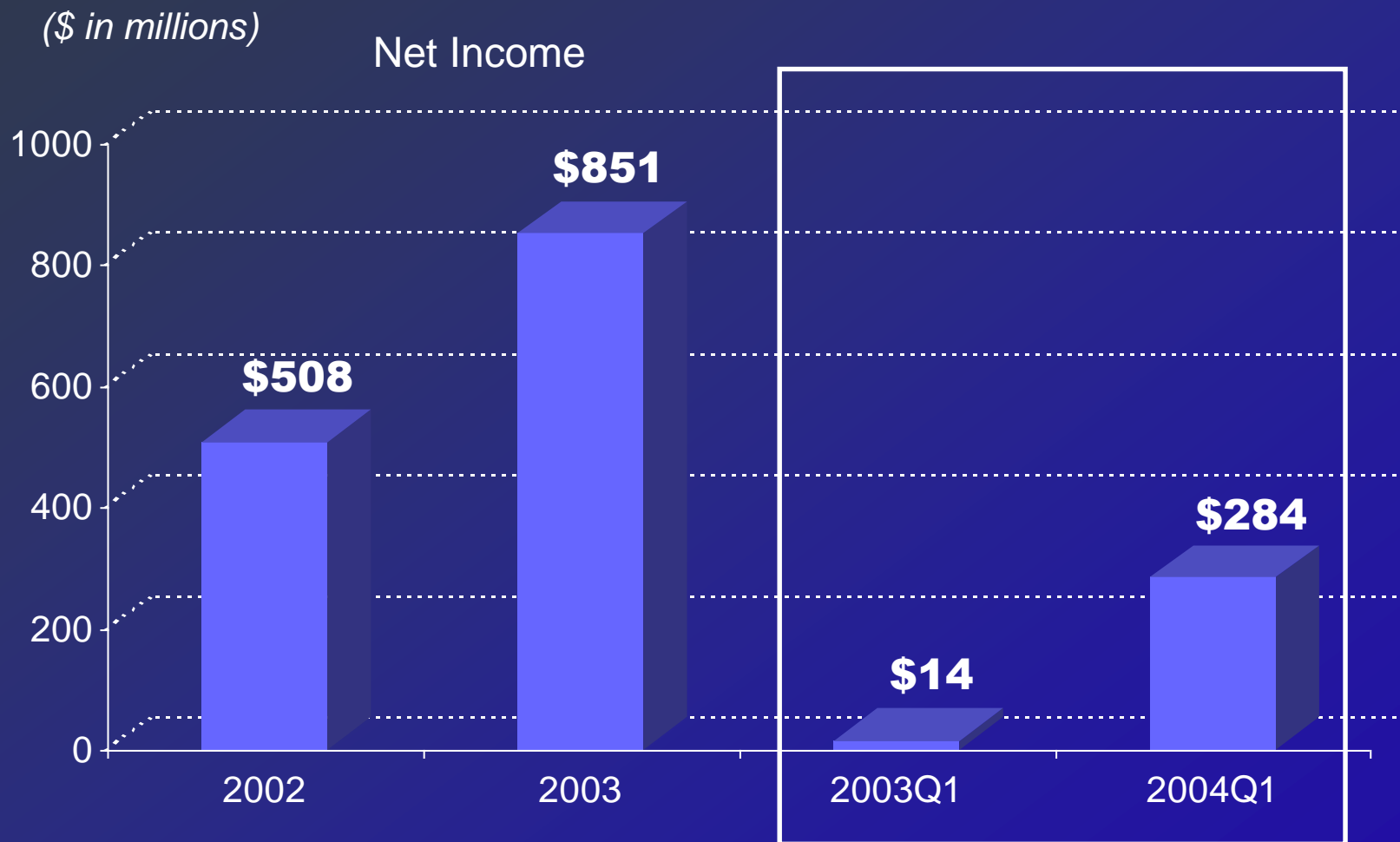
(\$ in millions)

	Three Months Ended March 31,		% Change
	2004	2003	
<b>Net written premium</b>	<b>\$4,570</b>	<b>\$3,806</b>	<b>20.1%</b>
Earned premiums	3,967	3,153	25.8
Net investment income	502	414	21.3
Net realized investment gains	57	(74)	N/A
Fees and other revenue	178	137	29.9
<b>Total revenues</b>	<b>\$4,704</b>	<b>\$3,630</b>	<b>29.6%</b>
Total claims, benefits and expenses	4,422	3,611	22.5
<b>Pre-tax income</b>	<b>\$282</b>	<b>\$19</b>	<b>N/A</b>
Fed & foreign income tax expense	-	3	N/A
Extraordinary items, net of tax	-	-	-
Discontinued operations, net of tax	2	(2)	N/A
<b>Net income (loss)</b>	<b>\$284</b>	<b>\$14</b>	<b>N/A</b>
<b>GAAP combined ratio</b>	<b>103.7%</b>	<b>105.7%</b>	<b>(2.0) pts.</b>
<b>GAAP equity</b>	<b>7,993</b>	<b>7,381<sup>2</sup></b>	<b>8.3%</b>
<b>Debt to capital ratio- excluding AOCI</b>	<b>25.8%<sup>1</sup></b>	<b>22.3%<sup>2</sup></b>	<b>3.5 pts.</b>

(1) 2004 1Q debt to capital ratio excludes the repayment of \$130M of Prudential notes and \$129M of surplus notes in April of 2004

(2) Year end 2003 GAAP equity and debt to capital ratio

# Improved Financial Performance



# Recap of Highlights

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- ◆ Strong and conservative balance sheet
  - Reserves
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- ◆ Diversified personal and commercial lines P&C business
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