

**2018
Investor
Day**

**LIBERTY
INSURANCE** **MUTUAL
COMPANY**



Disclaimers

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Agenda

9:00 AM	Introduction & Welcome	Ed Peña <i>Director, Investor Relations</i>
9:05 AM	Company Overview	David Long <i>Chairman and Chief Executive Officer</i>
9:15 AM	Financial Update	Chris Peirce <i>Chief Financial Officer</i>
9:30 AM	Global Retail Markets	Tim Sweeney <i>President, Global Retail Markets</i>
10:00 AM	Break	
10:10 AM	Global Risk Solutions	Dennis Langwell <i>President, Global Risk Solutions</i>
10:40 AM	Investments	Neeti Bhalla Johnson <i>Chief Investment Officer</i>
11:00 AM	Q&A	





2018 Investor Day

David Long

Chairman & Chief Executive Officer



Liberty Mutual Overview

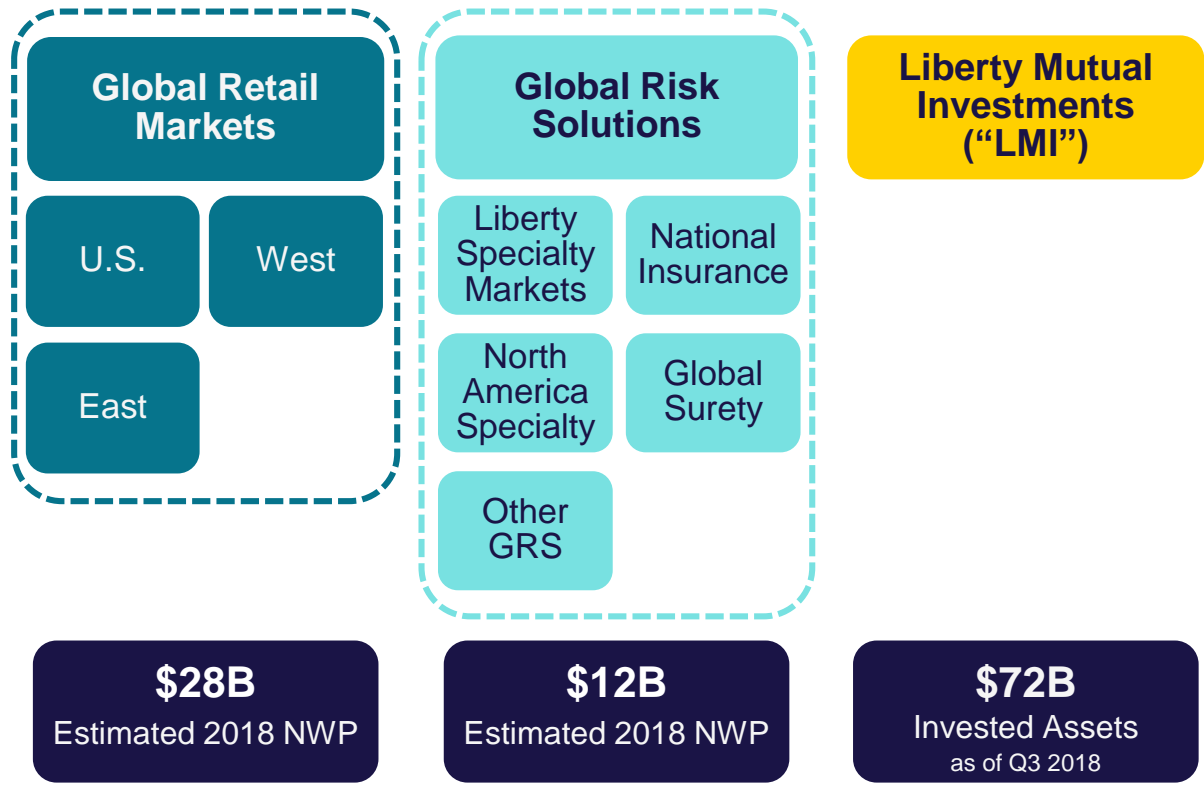
Founded in 1912



Liberty Mutual
INSURANCE

2017 Results	
Revenues	\$39.4B
Assets	\$142.5B
Fortune 100 ¹	68 th

Businesses



¹ Based on 2017 revenues – as reported.





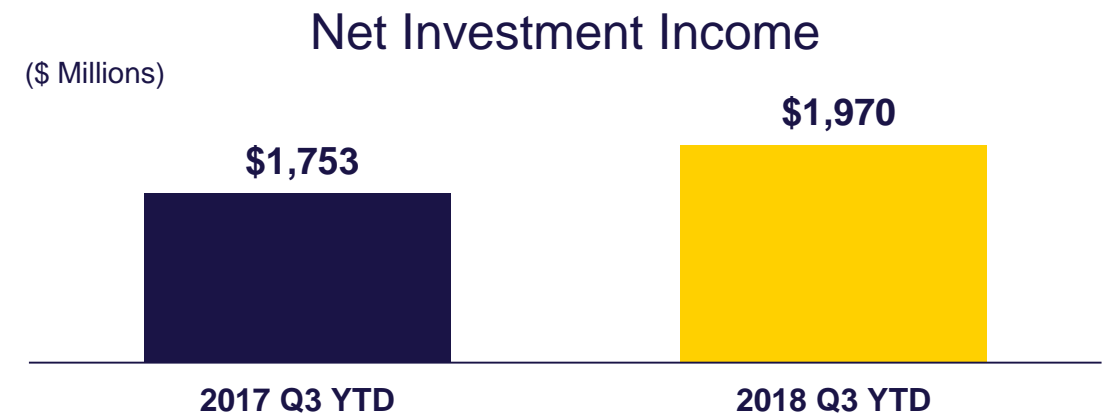
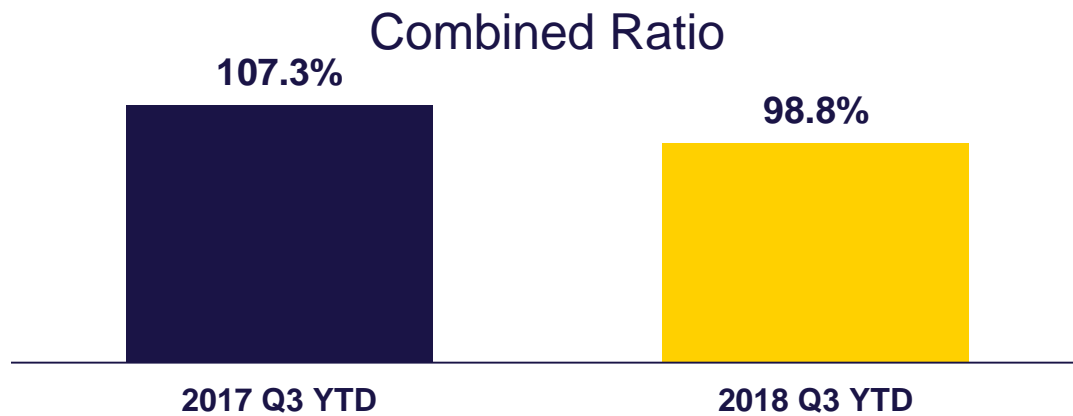
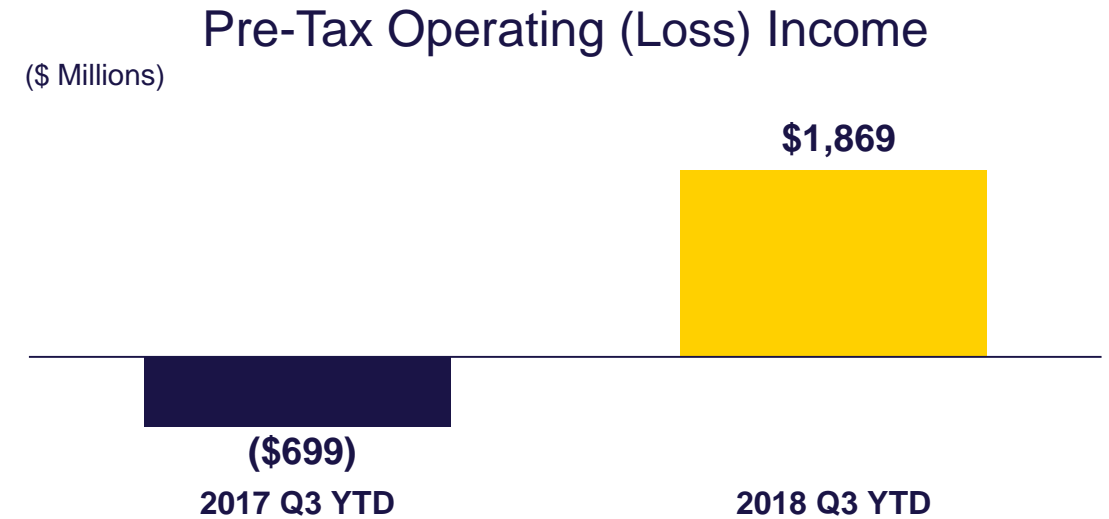
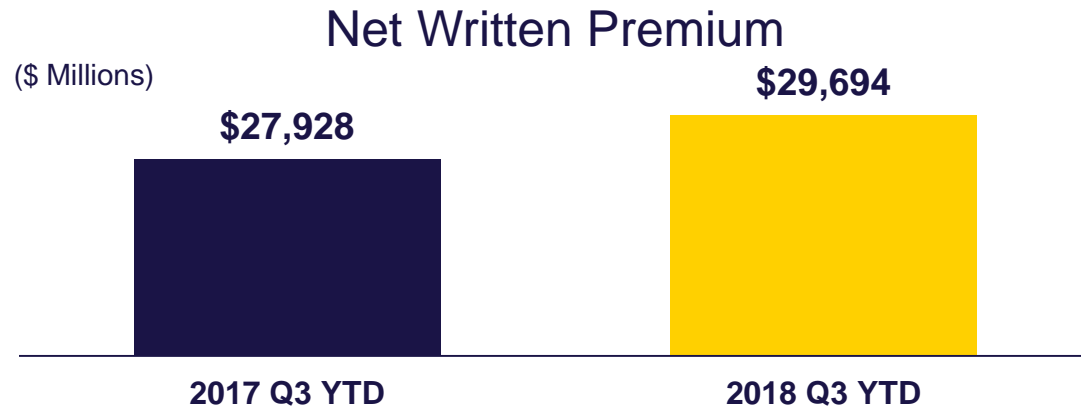
Financial Results

Chris Peirce

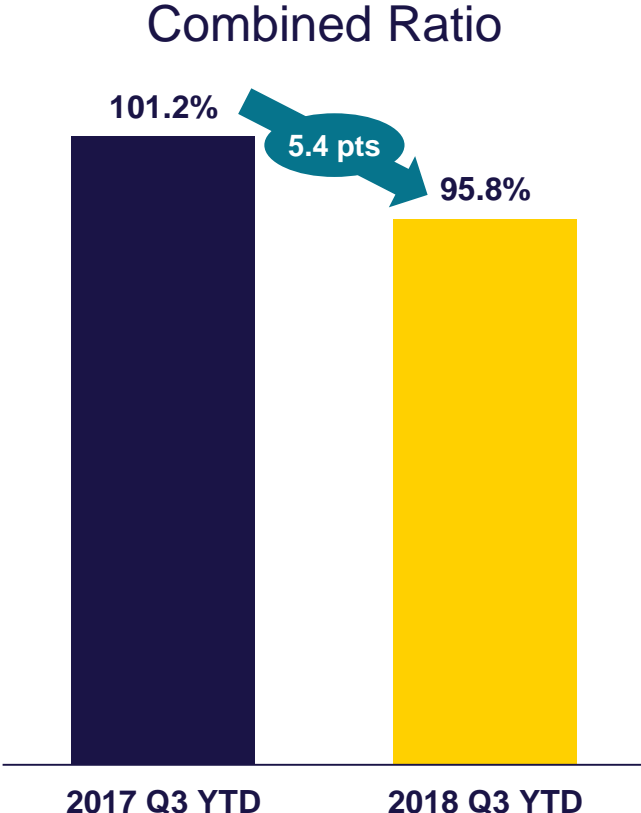
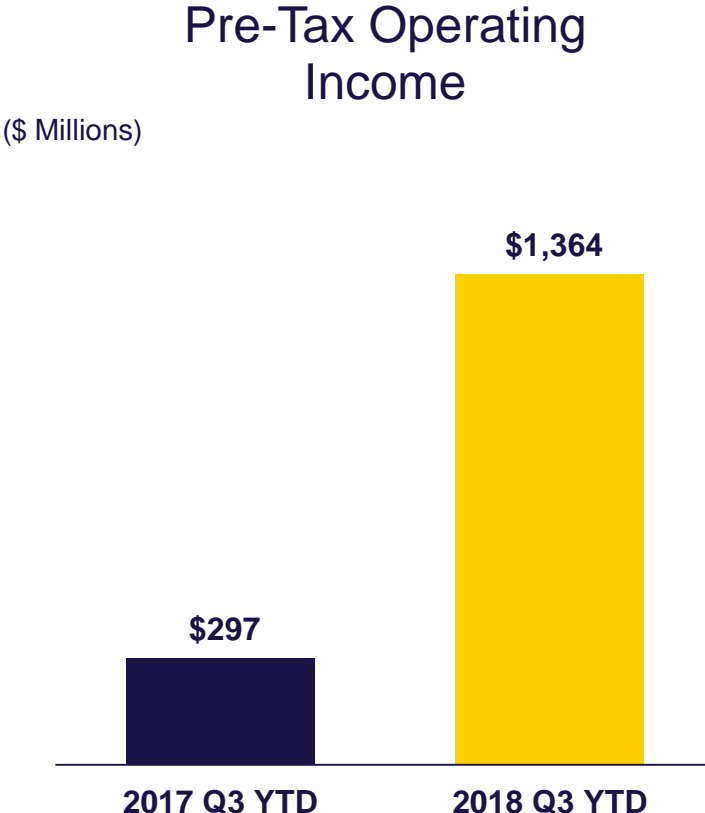
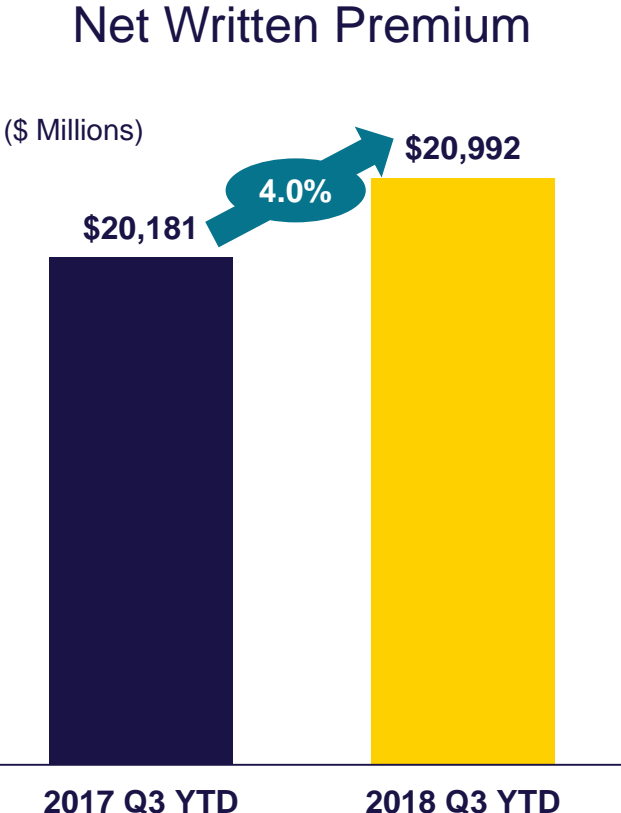
Executive Vice President & Chief Financial Officer



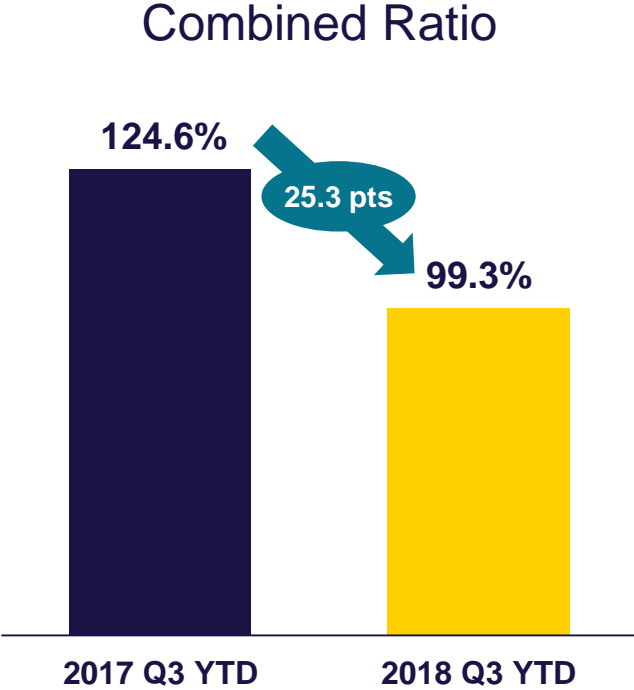
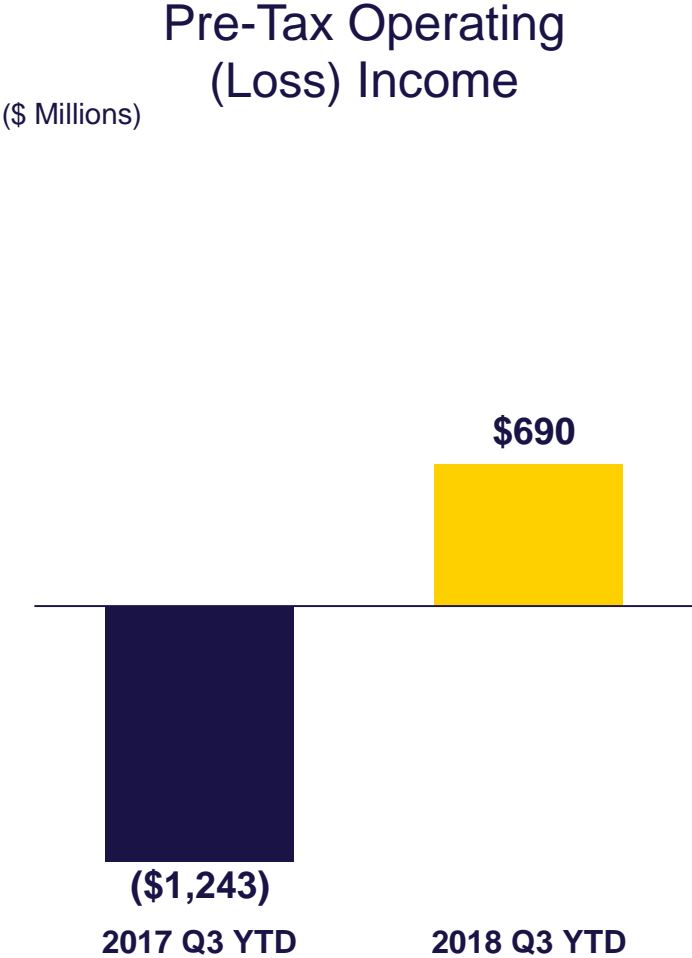
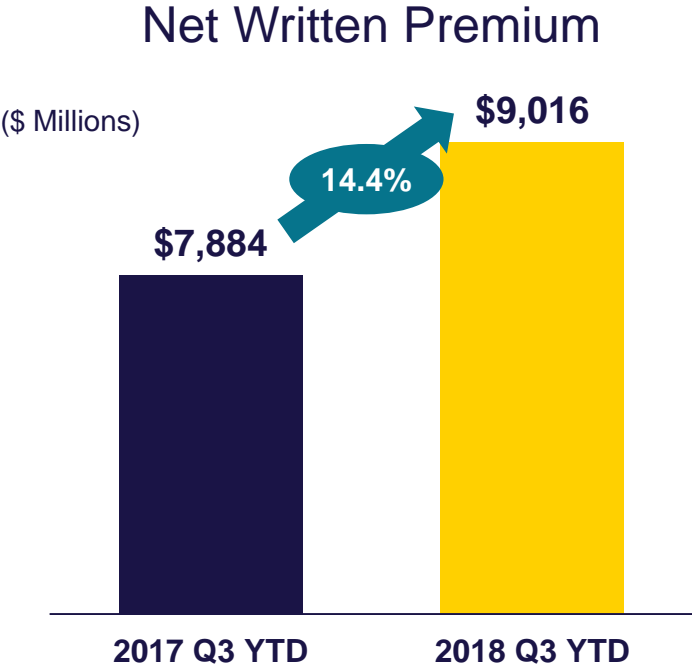
Consolidated Financial Results



Financial Results – Global Retail Markets



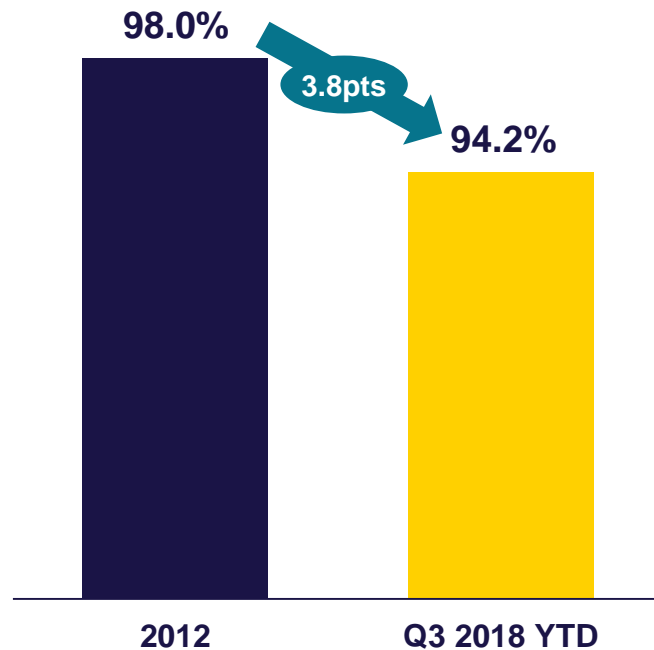
Financial Results – Global Risk Solutions



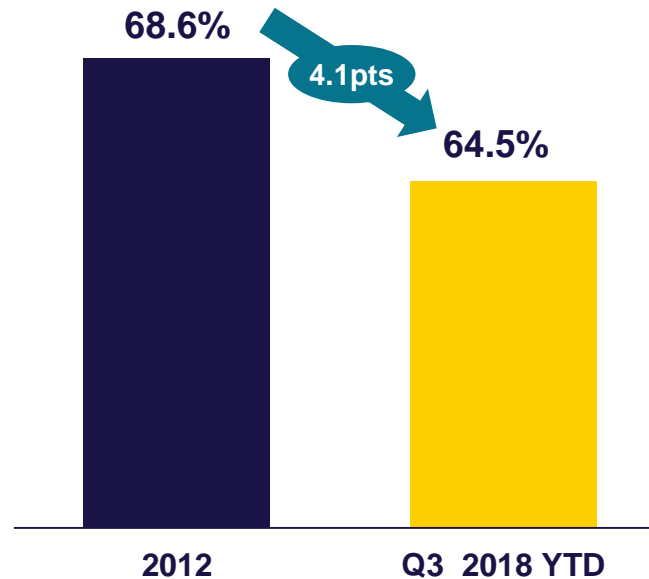
Significantly Improved Underwriting Results

Consolidated Results

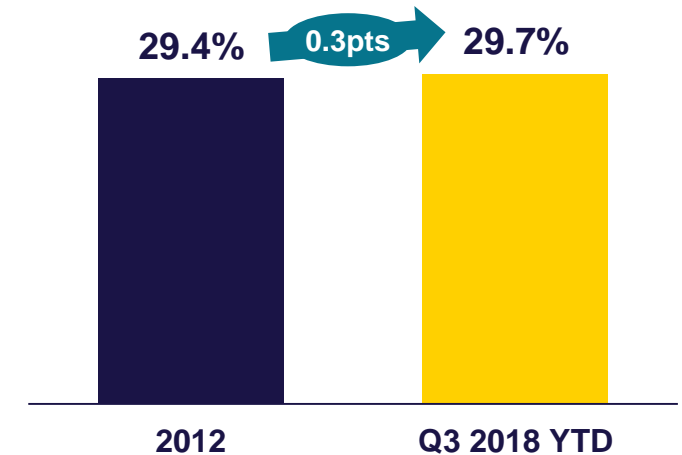
Core Combined Ratio¹



Core Loss Ratio¹



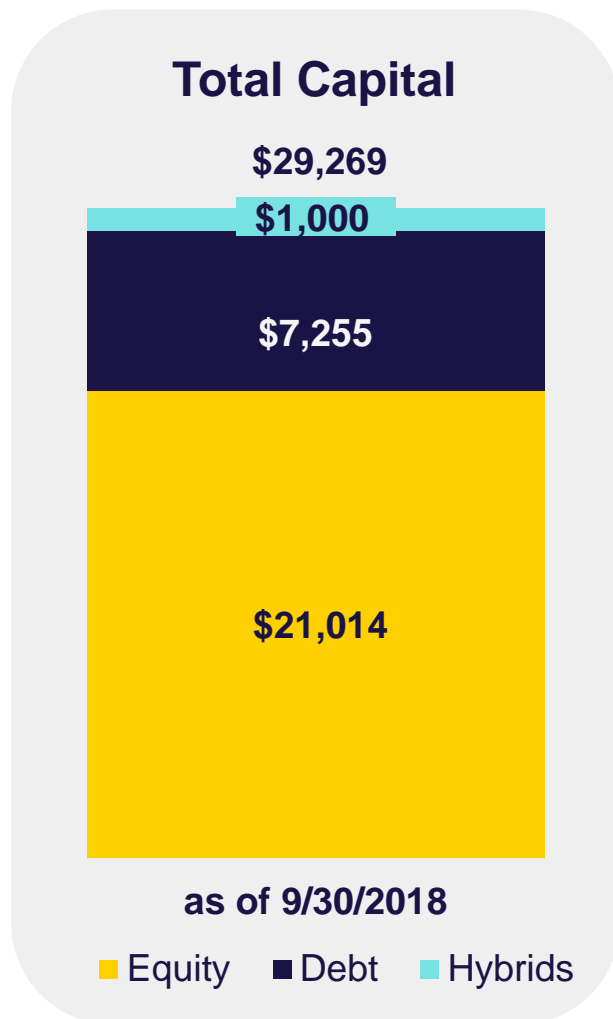
Expense Ratio



¹ The core combined ratio and core loss ratio exclude catastrophes and net incurred losses attributable to prior years. Effective September 30, 2016, our definition of a catastrophe changed to be a natural catastrophe or terror event exceeding \$25 million in estimated ultimate losses, net of reinsurance, and before taxes. The 2012 ratios have been adjusted to reflect this change.



Capital Structure & Liquidity Overview



(\$ Millions)

Liquidity Facilities as of 9/30/2018	Amount	Amount Available
Unguaranteed Facility	\$1,000	\$1,000
Repurchase Facilities	500	500
FHLB Memberships	5,425	5,001
Total Committed	\$6,925	\$6,501
Available Cash and Short Term Investments	1,510	1,510
Total Liquidity	\$8,435	\$8,011

	12/31/2017	9/30/2018
Holding Company Interest Coverage	5.5x	5.4x
Adjusted Debt / Total Capitalization (ex. AOCI) ¹	24.4%	22.6%
RBC LMIC	354%	-

S&P: Stable

A

A.M. Best: Stable

A

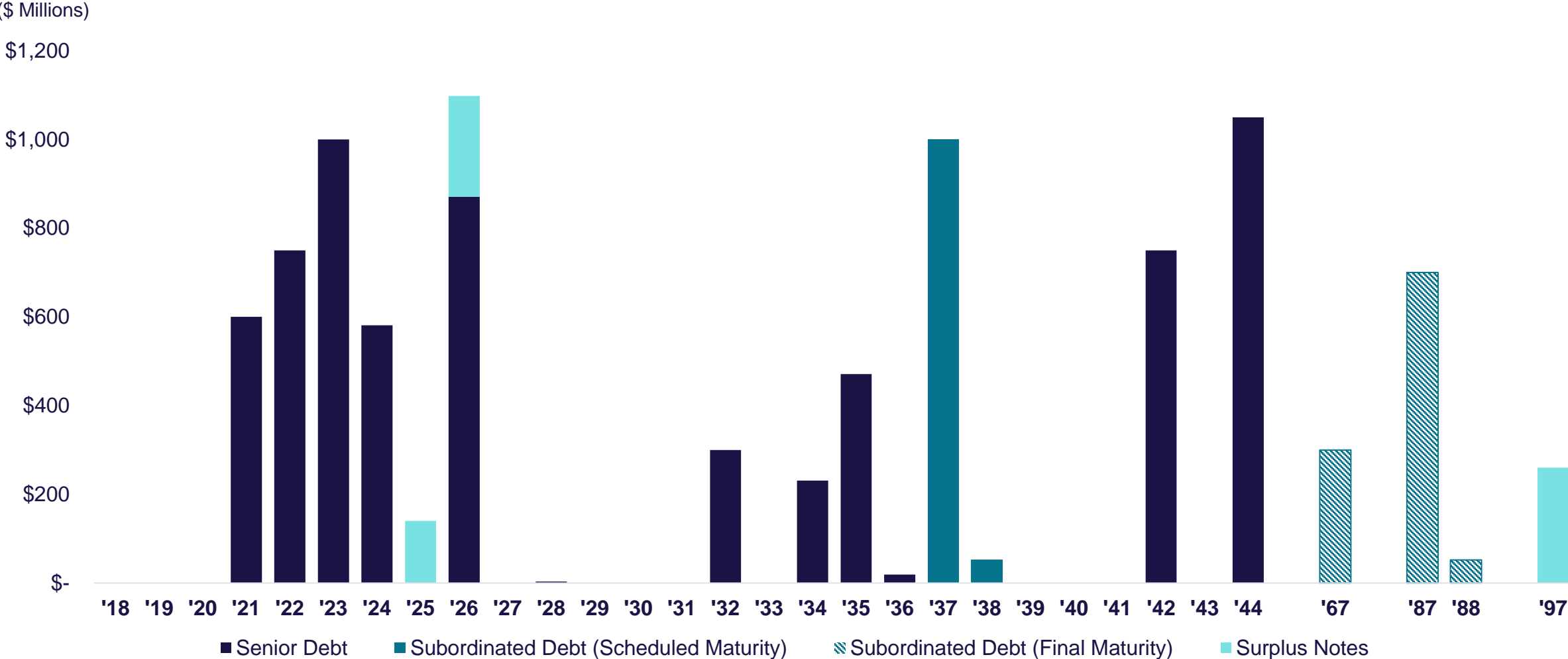
Moody's: Stable

A2

¹ Assumes that the Series A and B Junior Subordinated Notes receive 100% equity credit.

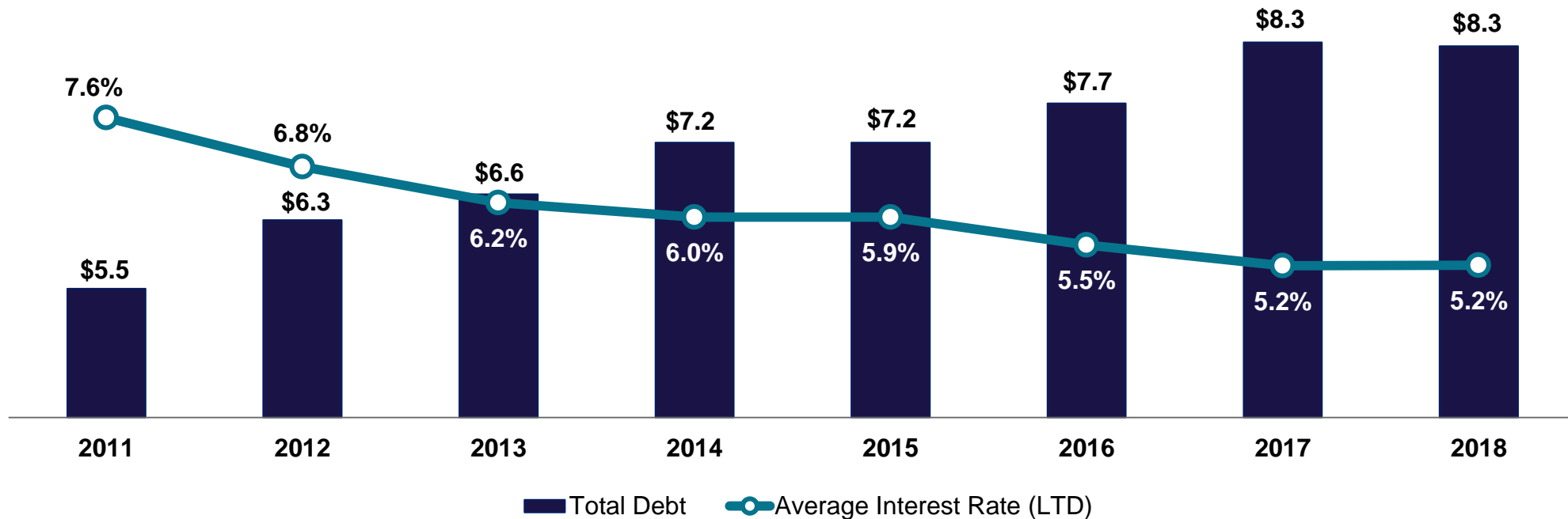


Debt Maturity Profile



Effective Liability Management

- Opportunistic management of debt portfolio
- Over \$2B in buybacks since 2011
 - Cumulative NPV of \$573M
- Level interest expense since 2011 while raising an additional \$2.8B in capital



Strong Enterprise Risk Management Capabilities

S&P Global
Ratings

“Risk management culture is viewed favorably as Liberty has established a culture of accountability that does not reward taking outsized risks for short-term gains. The company’s mature governance structure, comprehensive reporting that clearly identifies risk exposures and aggregation levels, and significant oversight from senior management and the board compares favorably to other positively rated peers.”



“The group has an extensive ERM program in place that is proven and demonstrable. Managing risk is a core competency of the group and integrated throughout its worldwide operations.”



Reduced Long-tail Liability Exposure

Adverse Development Covers (“ADC”)

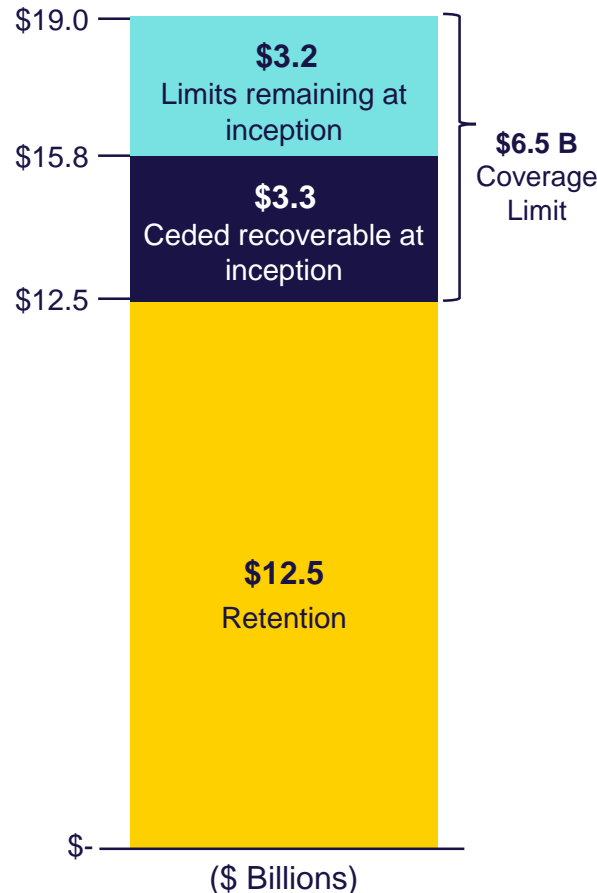
Liberty Mutual ADC

As of September 30, 2018

Ironshore ADC

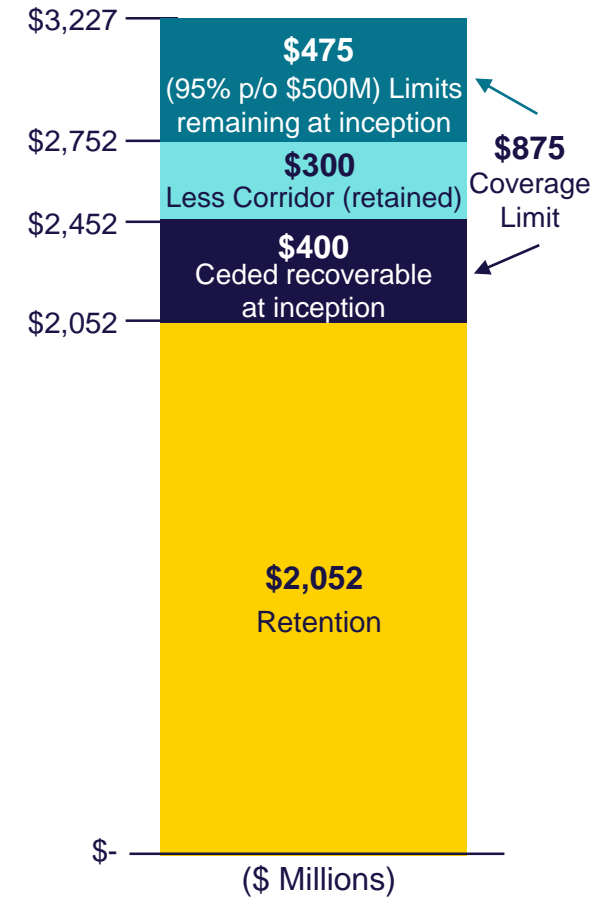
Structure

- **Reinsured:** Liberty Mutual Insurance Company and affiliates
- **Reinsurer:** National Indemnity Company (NICO)
- **Effective:** 1/1/2014
- Provides **\$6.5B** reinsurance coverage excess of **\$12.5B** retention
- **Subject Business:**
 - Net WC Accident Years 2013 & prior
 - Net A&E Policy Years 2004 & prior



Structure

- **Reinsured:** Ironshore
- **Reinsurer:** National Indemnity Company (NICO)
- **Effective:** 5/1/2017
- Provides **\$875M** reinsurance coverage excess of **\$2,052M** retention and **\$300M** primary loss corridor
- **Subject Business:**
 - Global Ironshore including Pembroke
 - Net Accident Years 2016 & prior





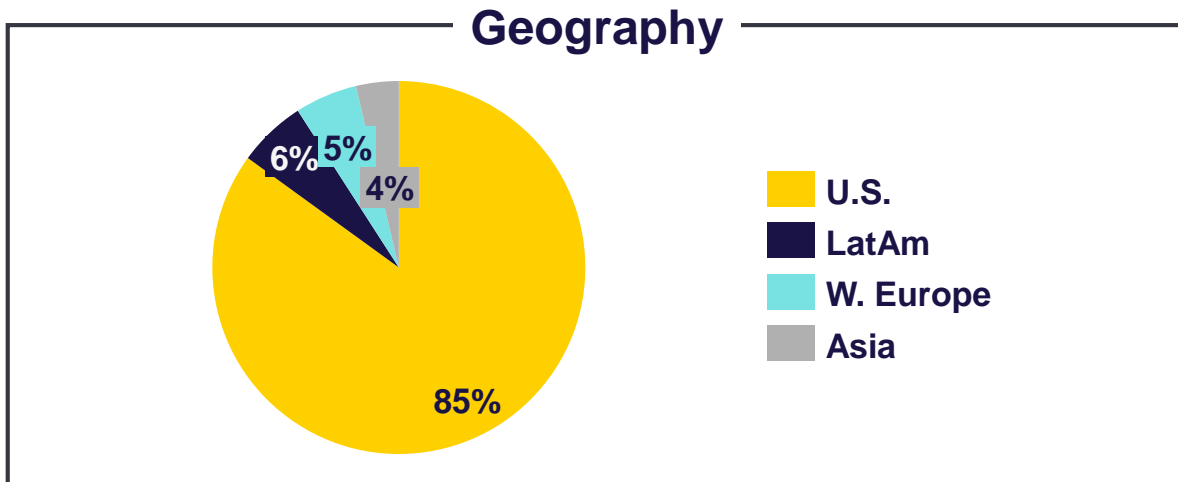
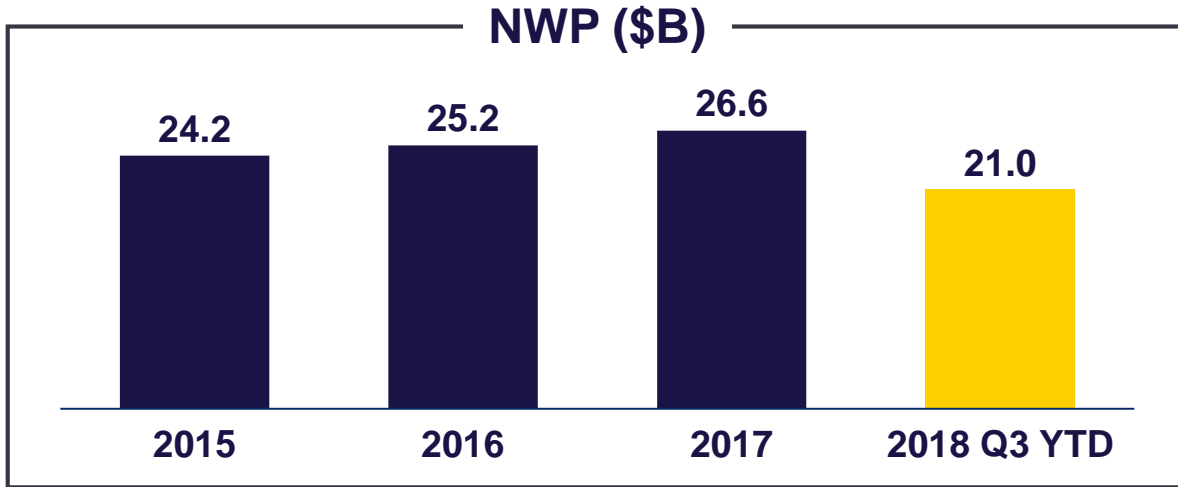
Global Retail Markets

Tim Sweeney

Executive Vice President & President, Global Retail Markets



Global Retail Markets Overview



52% global GDP access in 16 countries across our 3 regions



\$28B in estimated 2018 premium



30K employees worldwide



11 languages spoken



#6 ranked Personal Lines and Small Commercial insurer globally



GRM Regional Model

GRM U.S. \$24B

1 market, present in all 50 states



- 19,000+ employees in 200+ offices
- Product mix is 81% Personal Lines and 19% Commercial Lines
- 6th largest Personal Lines and 4th largest Small Commercial writer

GRM West \$3B

7 countries, 4 markets



- 7,000+ employees
- Product mix is 79% Personal Lines, 14% Commercial Lines, and 7% A&H

GRM East \$1B

8 countries, 6 markets, 1 practice area



- 4,000+ employees
- Product mix is 65% Personal Lines, 18% Commercial Lines, and 17% A&H



Our Global Competitors



#6
Global Personal Lines & Small Commercial Insurer¹

Single Market Focused



Global



Logo Legend: Currently Ranked Ahead of GRM
Currently Ranked Behind GRM

¹ Based on company filings and internal analysis




Our Goals and Aspirations

Purpose: *We exist to help people embrace today and confidently pursue tomorrow*

Aspiration:

Achieve top global position to touch more lives and bring greater peace of mind to individuals and small business owners


Goals:



Generate sufficient **returns** to **fulfill our promises** and **fund our growth**



Be the **most trusted brand** and **best place to work**



Reinvent ourselves to meet the **evolving needs** of our customers, employees, and partners

Priorities:

Scale Locally & Optimize Globally

Empower Our Talent & Leadership

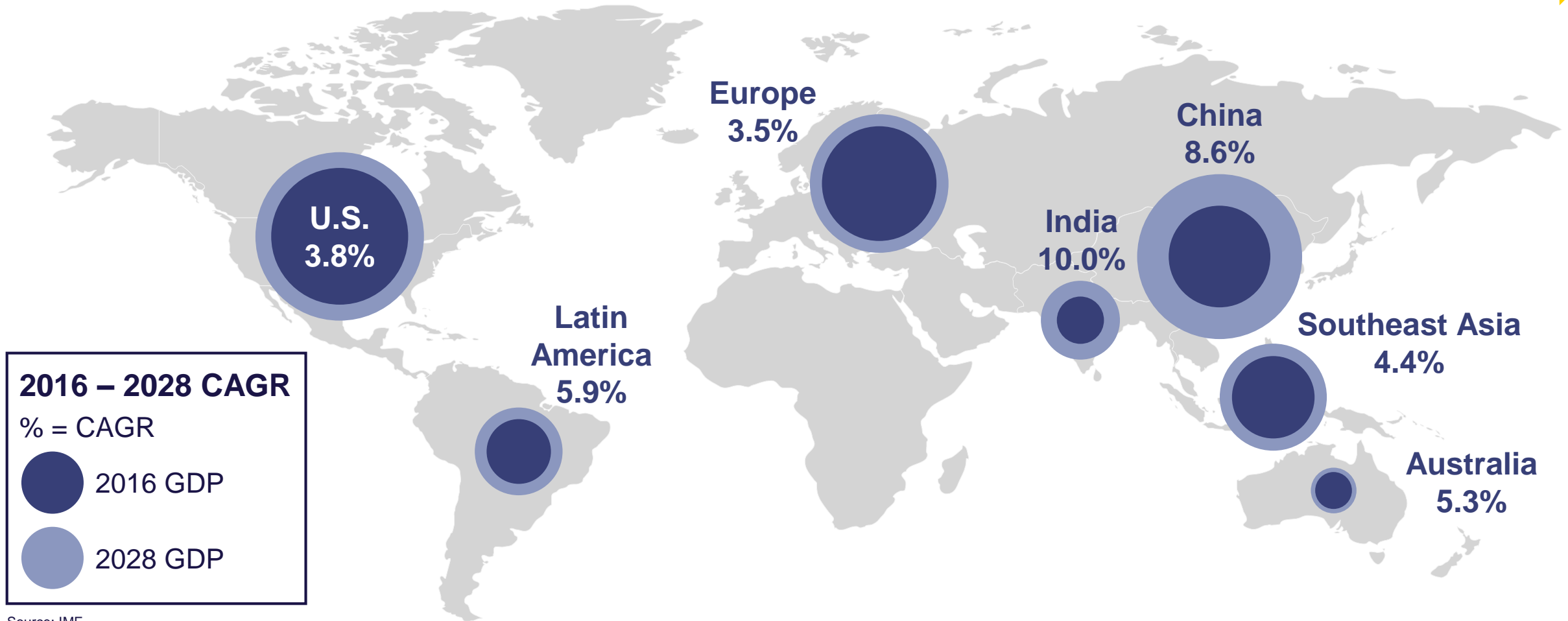
Build Global Digital & Data Capabilities

Diversify for the Future



Sources of Future Growth

The World's economic center is expected to shift further East and Asia shows the most potential



Source: IMF



Key Trends Facing Our Industry



Property Profitability & Severe Weather



Increasingly Competitive Environment



Auto Trends & Profitability



Expense Pressures



Disruption & Innovation



Geopolitical Uncertainty



International Growth Opportunities



Evolving Consumer Preferences



What We Need to Win

- Pricing sophistication, digital solutions, and ease of use
- Product diversification
- Scale and the benefits from scale
- Omni-channel capabilities
- Advanced data & analytics
- High caliber, diverse, and versatile talent

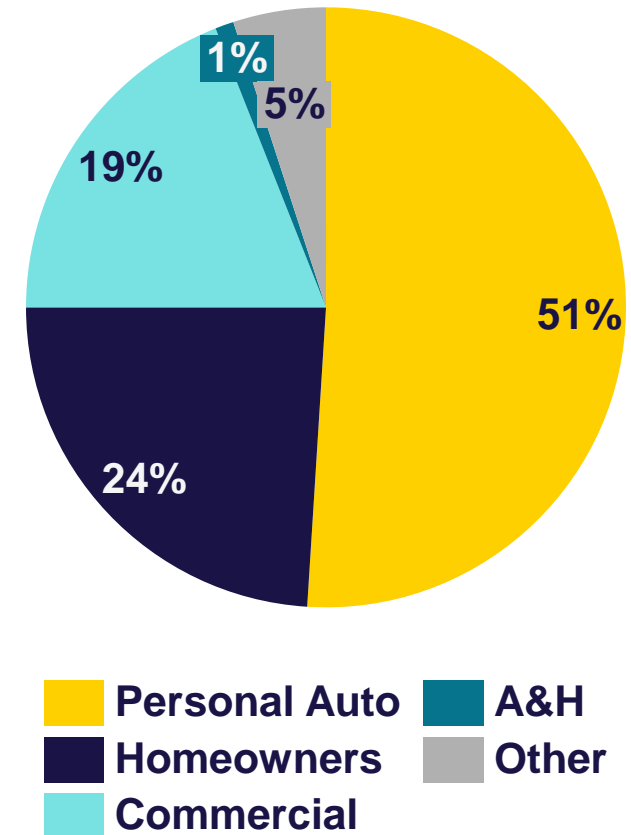


We Have Broad Distribution and Products

GRM Distribution Capabilities

- ✓ Agent
- ✓ Captive
- ✓ Direct
- ✓ Digital
- ✓ Bank
- ✓ Partner / Dealer

GRM Product Mix



We are a Leader in Partnerships

-  Drive **\$9B in DWP annually** from partnerships, with over 20 years of experience
-  **34 carrier appointments** in internal agency, driving significant customer value
-  Partnerships with **9,400 employer groups** and **600 alumni associations**
-  Partner programs with **nearly 50% of auto OEMs across 15 brands**
-  **4,000+ appointed agents** at external third party call centers
-  Global partnership model transformation underway with initial focus on Brazil, India, and China
-  **Expanding product lines** by launching Accident and Critical Illness products in 2019
-  **5,900 active REALTORS®** enrolled & **\$6.7M NB DWP** written this year
-  **\$1.6B+ in DWP** in banking and credit union relationships rounding out our product portfolio
-  Grew Business Lines partnerships to **\$100M in DWP** in 2 years



We are Focused on Exceptional Agent and Customer Experiences

J.D. Power 2018 Agent Satisfaction



#1 Business Lines

#2 Personal Lines

Digital Experience Recognition

J.D. POWER



U.S. Customer Advocacy Office

Serves as an advocate for customers and relentlessly strives to make tomorrow's experience even greater than today's

Customer Experience Operations

Execute on a long-term customer experience roadmap designed to raise retention & NPS while building a pipeline of new ideas

Employee Culture

Lead communications, rewards & recognition, and capability building to cultivate and reinforce a culture that supports great customer and employee experiences

Insights

Focus on the design and execution of research to get deep customer insights including our Net Promoter Score survey



We are Fostering a Culture of Innovation



Boston

- Launched in 2015 to foster new ideas and a more experimental culture across Liberty Mutual



Singapore

- Launched in 2017 to accelerate experimentation and transfer of capabilities across GRM East



Sao Paulo

- Launching in Q2 2019 to accelerate experimentation and transfer of capabilities across GRM West



Igniting innovation for a *Better and Safer* future



TOTAL HOME SCORE

Our Focus for the Future



Next-Gen.
Vehicles



Connected
Life



Sharing
Economy



In Summary, We Have Several Priorities and Initiatives



Scale Locally and Optimize Globally

Drive GRM to a top position in each of its markets, in the most efficient and effective way possible



Build Global Digital & Data Capabilities

Deliver all offerings in digital platforms while leveraging our data to better meet customer needs



Diversify for the Future

Expand GRM's protection offerings to address the evolving needs of customers and position GRM for the future



Empower Our People

Become a global employer of choice with a robust talent brand, engaged leaders, and a motivating environment



We are Well-Positioned for Success

- 
- **Balanced global footprint** covering 52% of the World's GDP
 - **Size and scale of mature operations** that we can learn from
 - **Differentiated capabilities** in product, pricing, and distribution
 - **Investments in China & India** to position us in markets with significant projected growth
 - **Commitment to fortify, disrupt, and diversify** ourselves in order to position us for the future



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INSURANCE** **MUTUAL
COMPANY**





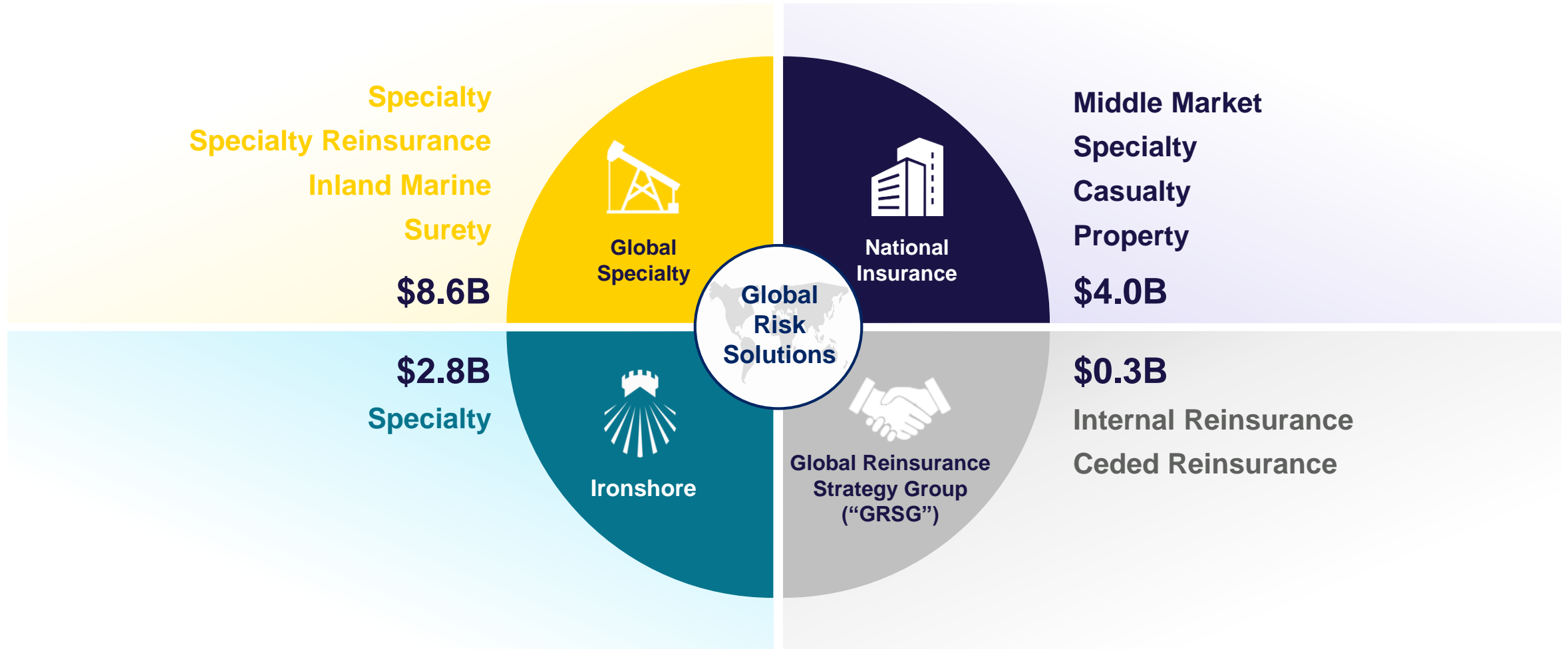
Global Risk Solutions

Dennis Langwell

Executive Vice President & President, Global Risk Solutions



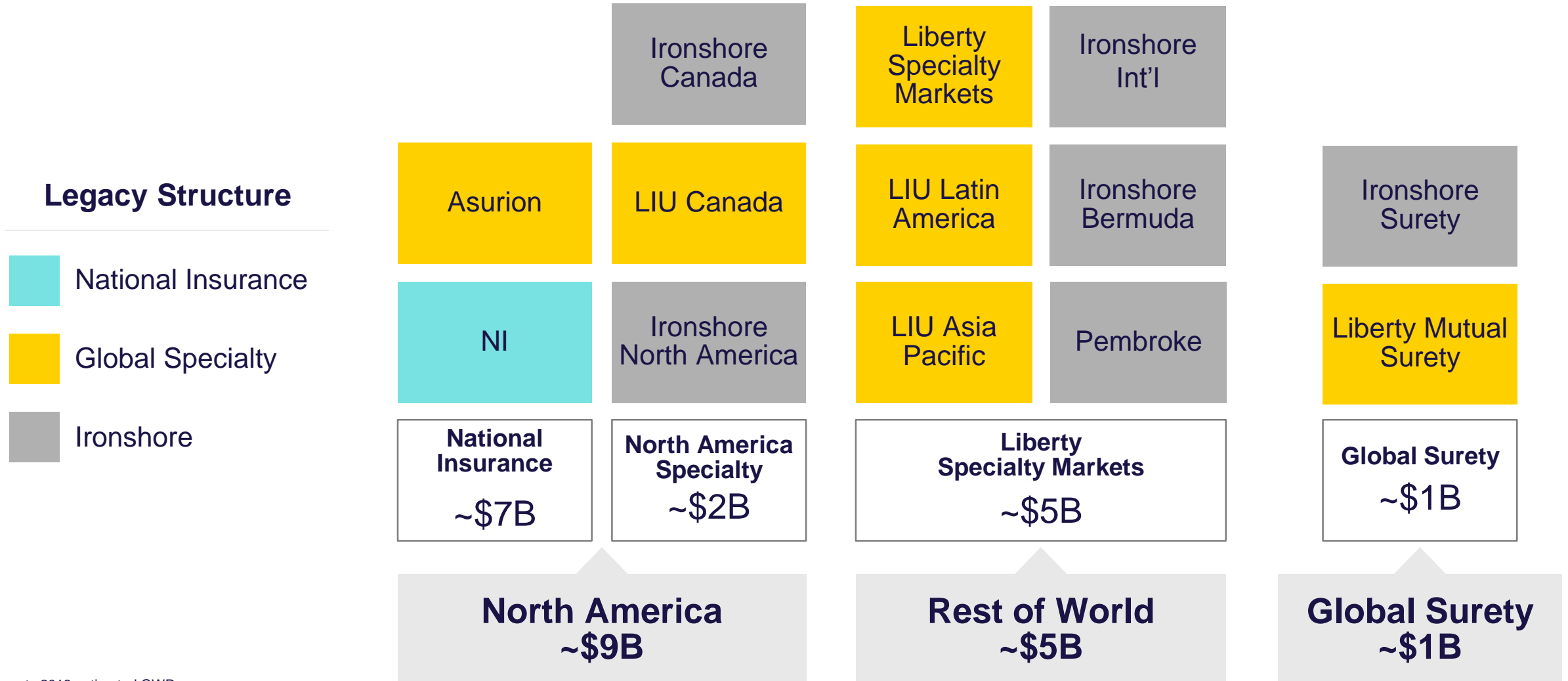
The Businesses that Formed Global Risk Solutions



Represents 2018 estimated GWP



Global Risk Solutions New Structure



Represents 2018 estimated GWP



Global Risk Solutions Highlights

BY THE NUMBERS

\$16B in Gross Written Premium

10K
global
employees

24 countries
with offices

40K
large/midsize
customers

100+ global product
offerings

RANKINGS

1st in **U.S.** commercial buyer unaided brand awareness and brand preference

1st in **Global** surety

2nd largest **U.S.** inland marine writer

3rd largest **U.S.** commercial & specialty lines writer

3rd largest **Lloyd's** Syndicate

8th largest **U.S.** surplus lines carrier

7th largest **U.S.** P&C Third-Party Administrator*

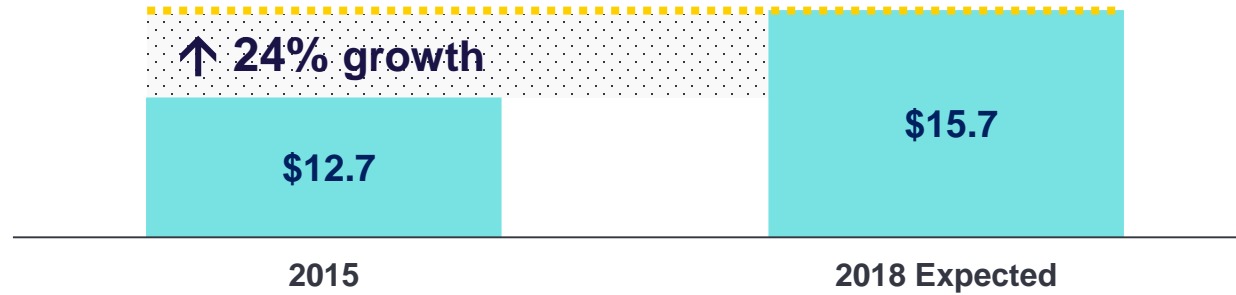
9th largest **Global** P&C commercial and specialty insurer

* Helmsman was voted as TPA of the year by Business Insurance Magazine

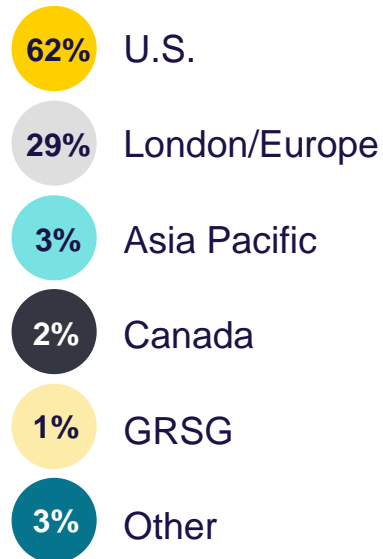
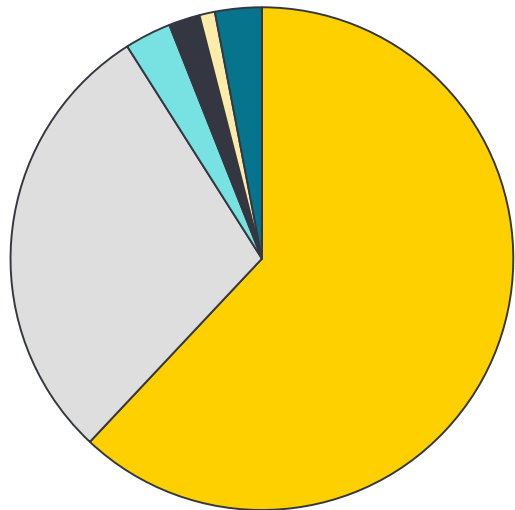


Global Risk Solutions Overview

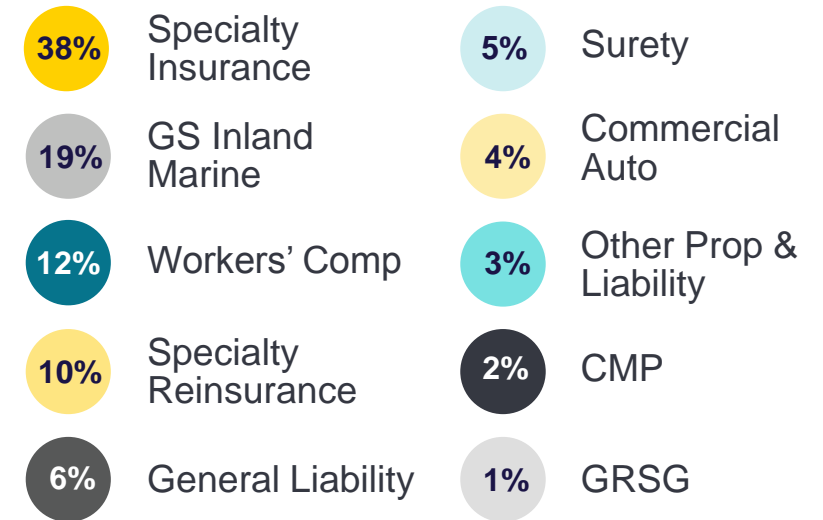
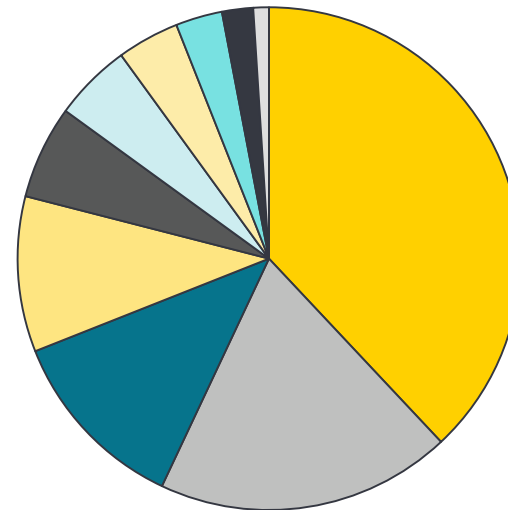
Gross Written Premium (\$B)



Market Mix



Product Mix



Liberty Specialty Markets Overview

~\$4.0B
Net Written Premium

OPERATING SEGMENTS

LONDON | REINSURANCE | INTERNATIONAL MARKETS



Risk exposure in
170+ countries

**100+ offices in
24 countries**

- Ironshore Bermuda
- Ironshore International
- LIU Asia Pacific
- LIU Latin America
- LSM Europe
- LSM Middle East & North Africa

PRODUCT SET



Aviation



Casualty



Contingency



Energy & Construction



Environmental



Equine



Financial Lines



Fine Arts & Specie



Global Financial Risks



Legal Indemnity



Marine



Personal Accident



Professional Indemnity



Property



Reinsurance



Strategic Assets



Structured Risk Solutions



War & Terrorism

Lloyd's
Syndicates:



National Insurance Overview

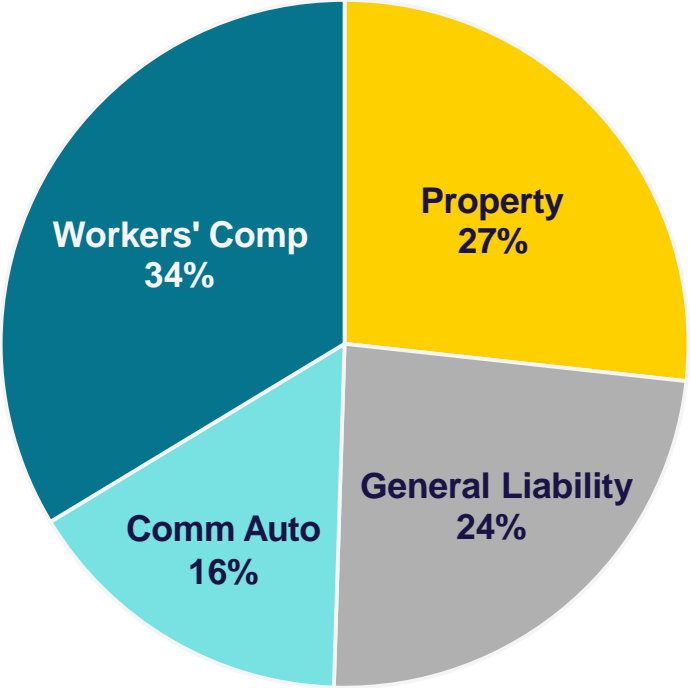
~\$4.0B
Net Written Premium

TARGET MARKET



Mid and Large businesses with **\$150K+** in account premium

LINE OF BUSINESS MIX



SEGMENTS

- National Casualty
- Excess Casualty
- Middle Market
- Property
- Helmsman

INDUSTRY VERTICALS

- Construction
- Energy
- Healthcare
- Public Entity

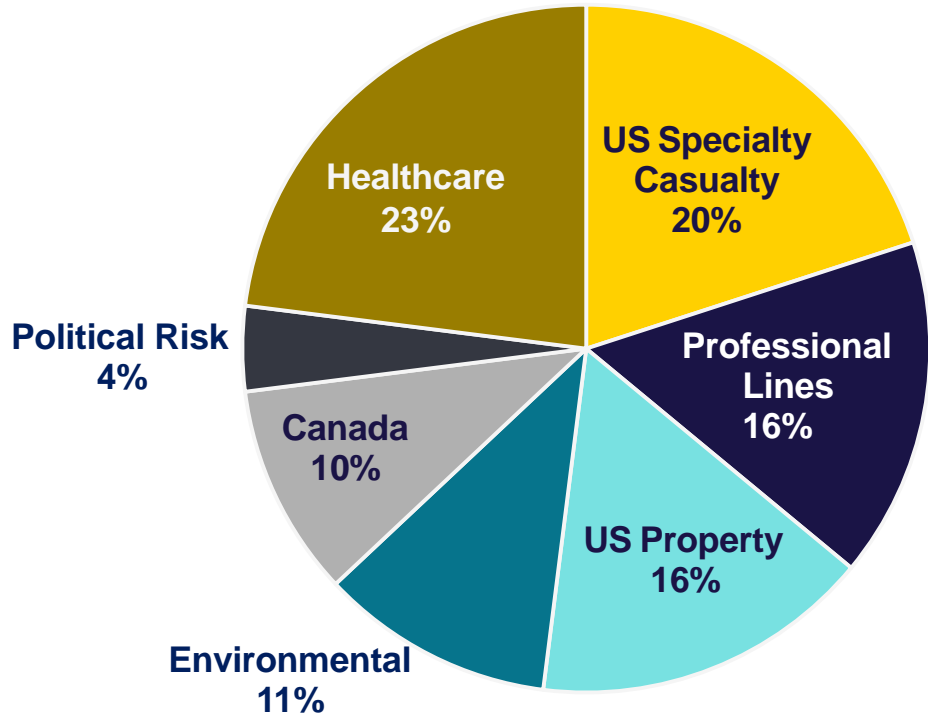


North America Specialty Overview

~\$2.0B
Net Written Premium







OPERATING UNITS & MIX

Ironshore US | GRS Canada



IRONSHORE US

INDUSTRY PRACTICE GROUPS

 Advanced Manufacturing	 Construction	 Energy
 Financial Institutions	 Healthcare	 Real Estate

MAJOR CLASSES

- Environmental
- Healthcare
- Political Risk
- Professional Lines
- Property
- Specialty Casualty

GRS CANADA

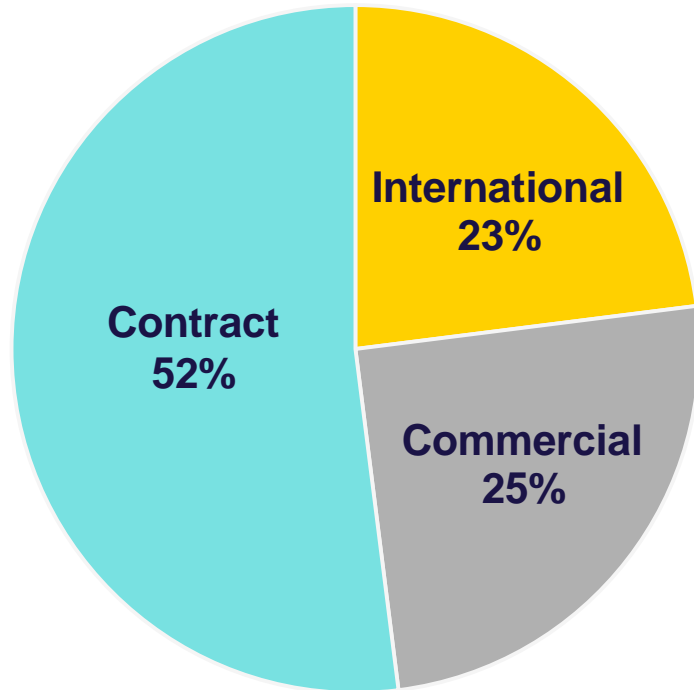
- | | |
|---------------------------------------|-------------------------|
| ▪ Alternative Risk Management | ▪ Marine |
| ▪ Energy & Construction | ▪ Workers' Compensation |
| ▪ Environmental | ▪ Property & Casualty |
| ▪ Financial Institutions | ▪ Surety |
| ▪ Management & Professional Liability | ▪ Commercial Auto |



Global Surety Overview

~\$0.8B
Net Written Premium

SEGMENT MIX



PRODUCT LINES

CONTRACT | **COMMERCIAL** | **FIDELITY**

KEY STATS

- ✓ **1st** in global surety
- ✓ **2nd** largest U.S. surety writer
- ✓ U.S. and Mexico insurance operations
- ✓ Underwriting offices in **12** countries
- ✓ Bonds in **over 40** countries



Our Commercial and Specialty (Re)Insurance case for change



Fragmented structure
complicated broker
engagement, product
overlap/pricing
inconsistency and
channel conflict



Lack of holistic
account and
customer-focused
solutions



Sub-optimal
operational efficiency/
lack of scale in U.S.



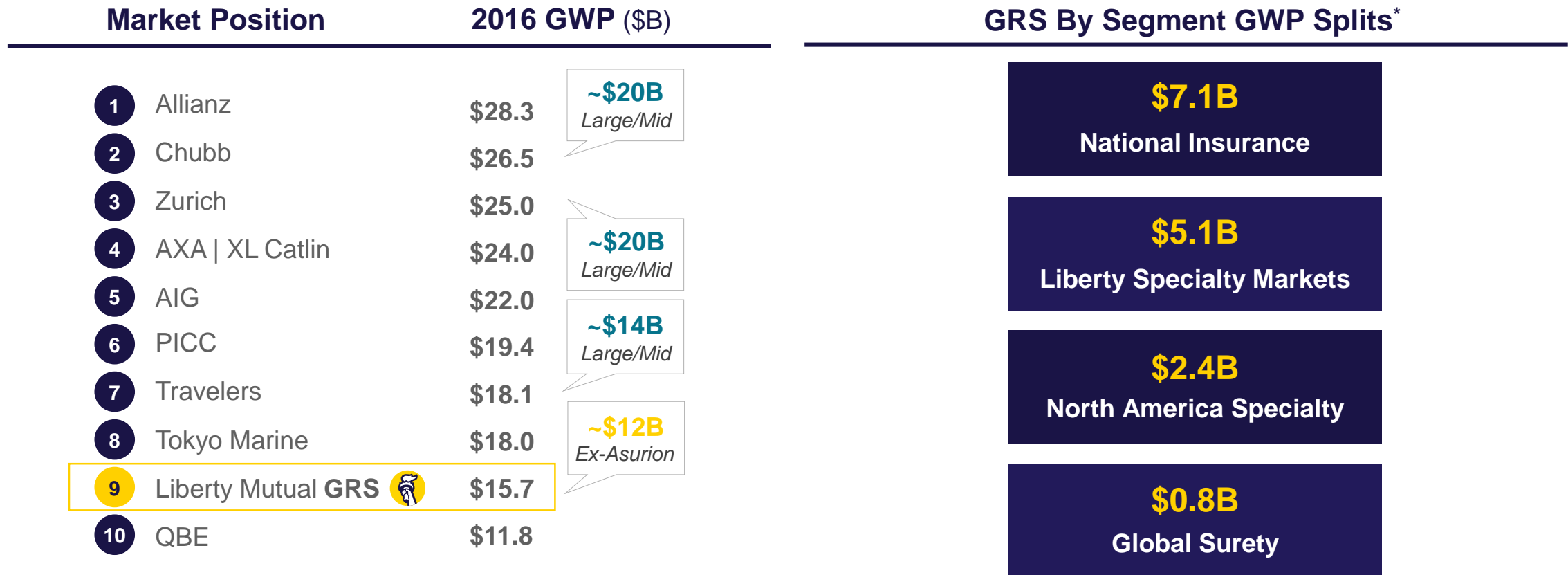
Market trends require
scale to support
investment in
innovation and
efficiency

We need to **make it easier to do business with us**



Global Commercial & Specialty Rankings

With no dominant global player, **opportunity exists** for GRS to capitalize on a fragmented market



*GRS 2017 premium; Proforma full year Ironshore and excludes \$0.3B from GRSG; National Insurance includes \$2.9B from Asurion



Our Advantages



- **1st** in U.S. commercial buyer unaided **brand awareness** and **brand preference**
- Significant market positions in most businesses
- Excellence in **customer service** and **satisfaction**
- Broad product set
- **Global** reach
- Adequate scale to support **technology** and **innovation** investments



Key Strategic Initiatives

Win with Brokers & Customers



Increase **ease of doing business** with strong relationships, superior distribution management and whole account solutions

Develop Elite Underwriting



Enhance **underwriting culture**, define clear appetite, create innovative products and employ total portfolio management

Deliver Best-in-Class Service & Outcomes



Deliver **superior experiences and results** through claims handling, risk control and integrated coverages

Engage Our People



Achieve our **shared vision** through collaboration, continuous learning and development, and openness and inclusion



Win with Brokers and Customers

How We Win **Internally**

People

Introduced Cross GRS Field Distribution Organization: **6 Regional Executives & 1 Wholesale supported by 21 Branch Executives**

Tech

- Salesforce
- Account Rounding Tool
- Broker Engagement Index

Process

- Standard pipeline management practices
- Shared calendars tied to broker location and prospects
- Regional operational reviews

How We Win **Externally**

Ease of Doing Business

- One-stop solution for P&C and Specialty product lines
- Focus on whole account solutions
- Focus on industry vertical expertise across GRS

Holding Brokers Accountable

- Hold brokers accountable for engagement across all GRS segments
- Build better relationships with our brokers – learn what they want and follow through



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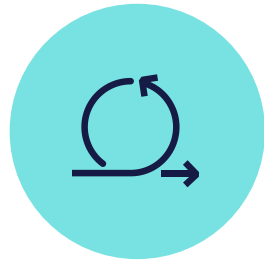


Underwriting Strategy and Performance Partners Across GRS to Identify Opportunities for Strategic Change

Underwriting Performance and Strategy aims to facilitate elite UW



Consistent Appetite



Evolve UW approach



Product development /
innovation



Optimize portfolio



UW Focus Areas



**Middle Market Industry /
Verticals Strategy**



Property Re-underwriting



Predictive Analytics



Portfolio Management



Key Strategic Initiatives

Win with Brokers & Customers



Increase **ease of doing business** with strong relationships, superior distribution management and whole account solutions

Develop Elite Underwriting



Enhance **underwriting culture**, define clear appetite, create innovative products and employ total portfolio management

Deliver Best-in-Class Service & Outcomes



Deliver **superior experiences and results** through claims handling, risk control and integrated coverages

Engage Our People



Achieve our **shared vision** through collaboration, continuous learning and development, and openness and inclusion



Claims Capabilities

As a result of our changes, we combined our US claims organizations into one group...

...providing customers with the best possible service and handling for their claims

Global Risk Solutions Claims



One **exceptional and consistent** claims service experience

Best In Class Customer Service

94%

Believe their claims rep was **professional, responsive & courteous**

92%

Believe their claims rep was **knowledgeable about their claim**

Consistently Superior Claims Outcomes

16%

Average cost savings per workers' comp claim

16%

Faster in closing workers' comp claims



Moving Forward



The organization is excited about our **“One GRS”** opportunity

Solid foundation established in 2018

Distribution partners are supportive as demonstrated by \$200M of cross-sold premium

Collaborative and engaged team is validated by improved engagement scores

We're committed to achieving target returns through operating efficiencies and improved risk selection





Investments

Neeti Bhalla Johnson

Executive Vice President & Chief Investment Officer



Liberty Mutual Investments (“LMI”)



LMIG Driven

Portfolio positioned to meet the unique needs (e.g., regulatory, tax, liquidity, etc.) of LMIG



Assets Under Management

Total AUM of ~\$72B GA



Organizational Capabilities

200+ staff of investment, finance, and operations professionals located in Boston, MA



Asset Allocation

Mix of traditional & non-traditional investments to provide competitive income and capital appreciation by exploiting strategic advantages over a cycle



Global Reach

Portfolio spans 20+ countries; majority of assets are US-dollar based

Focus on maximizing risk-adjusted total returns over a cycle while balancing capital preservation and income generation



Holistic Investment Process

Top-Down Approach



Bottoms-Up Approach

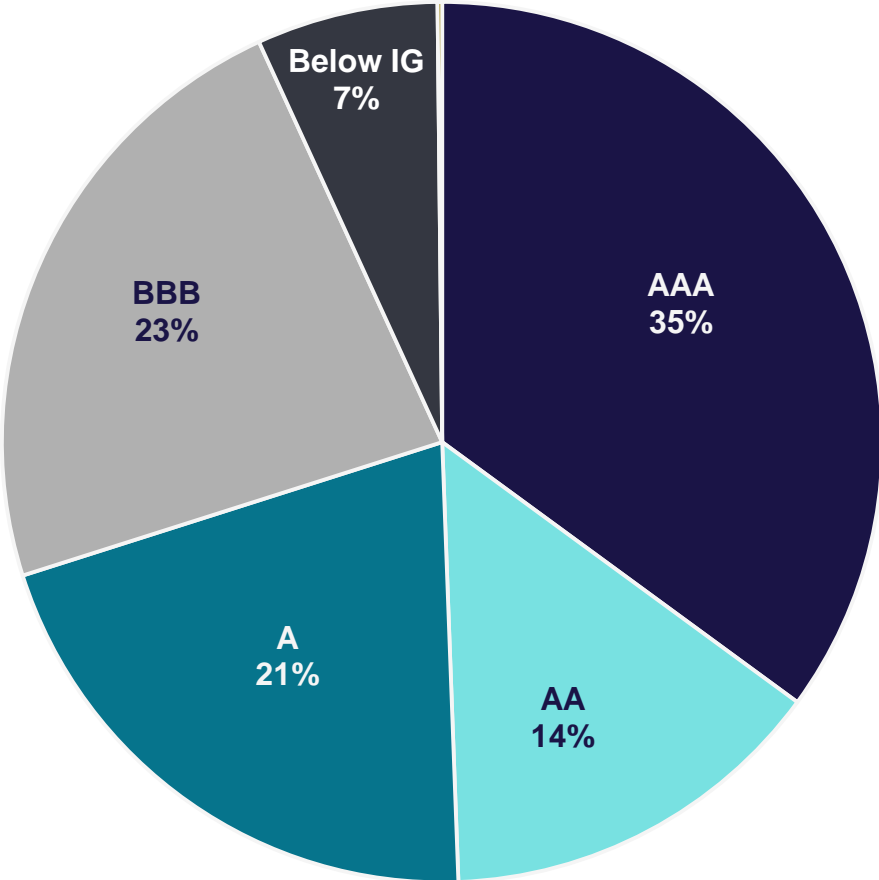
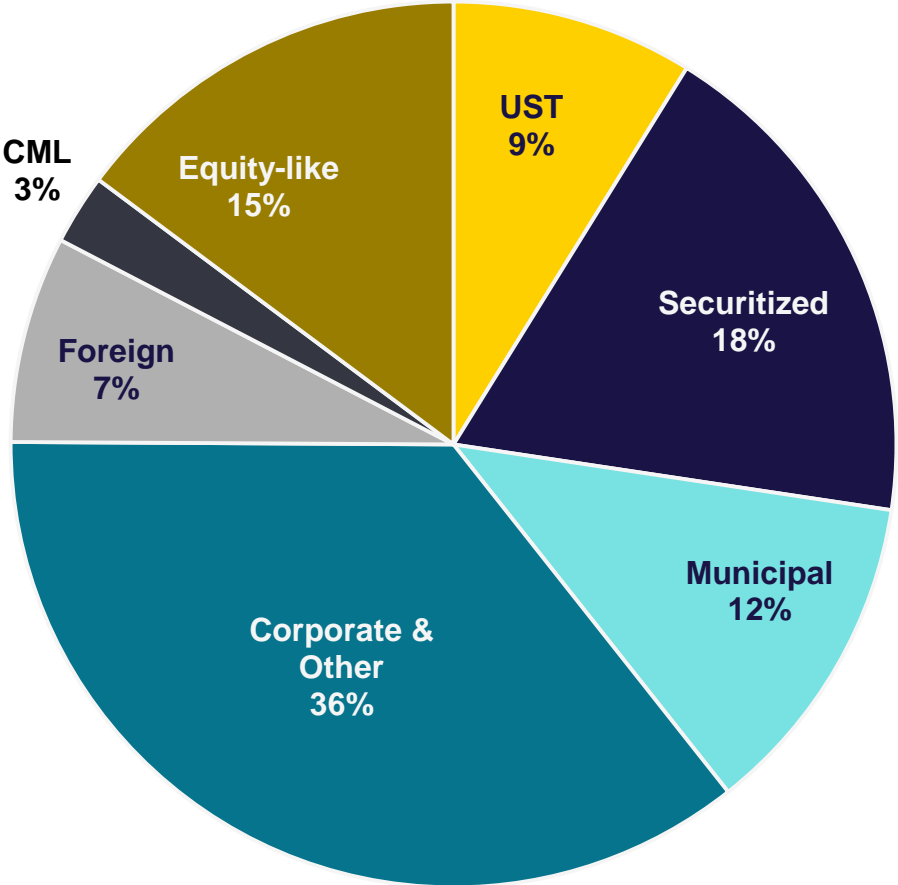


Broadly Diversified Portfolio

Asset Allocation

As of September 30, 2018

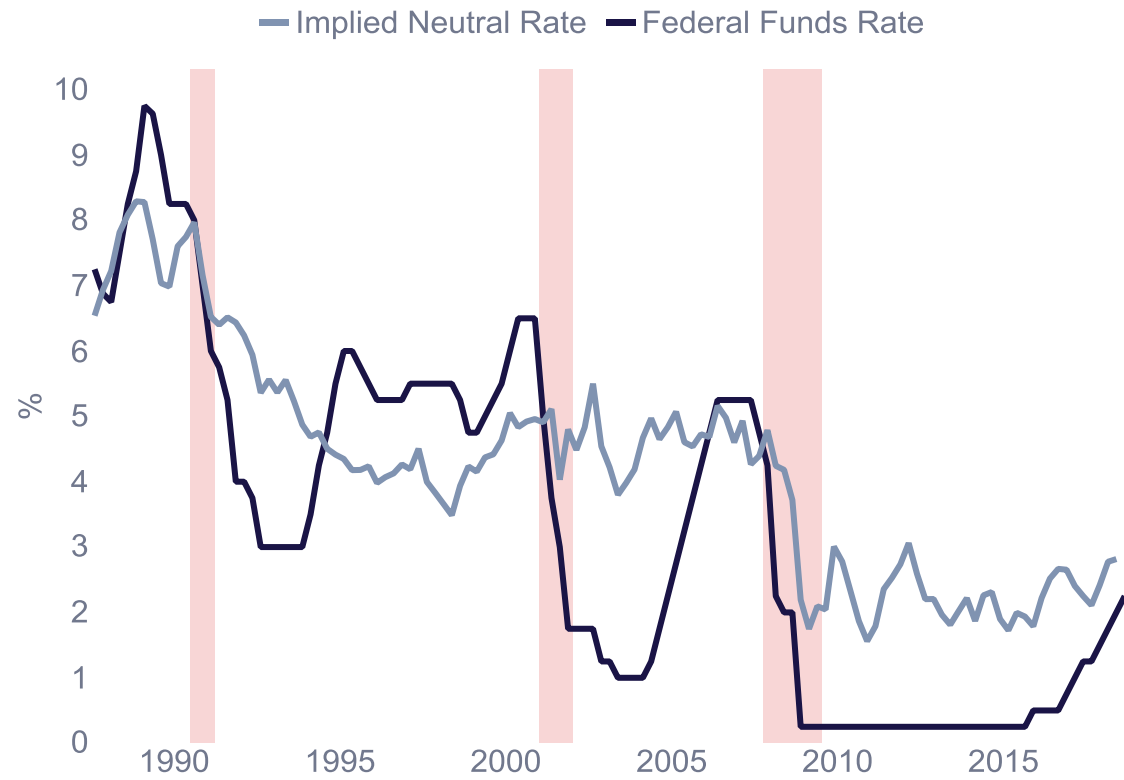
Credit Quality



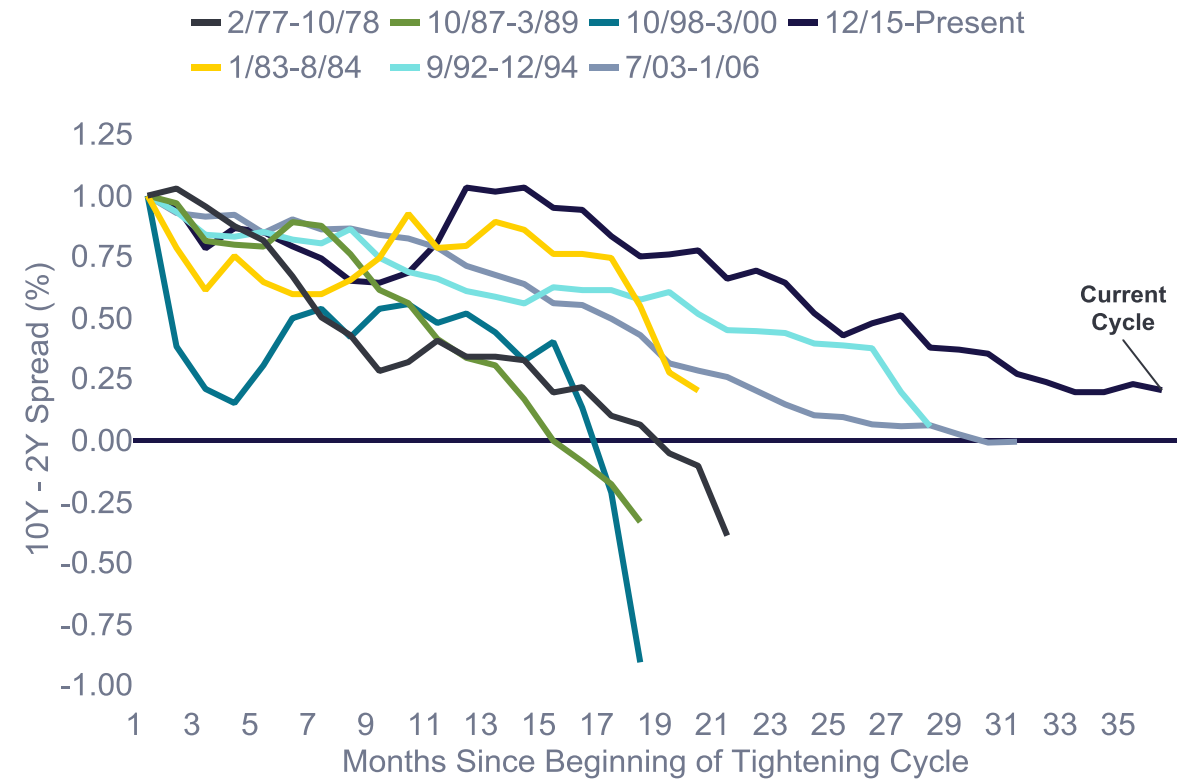
The Monetary Policy Cycle: Close to the End Game

- Federal Funds rate is just below the “neutral” rate
- Current tightening cycle is longest on record; the yield curve is flirting with inversion

Natural Rate Has Declined Over Time



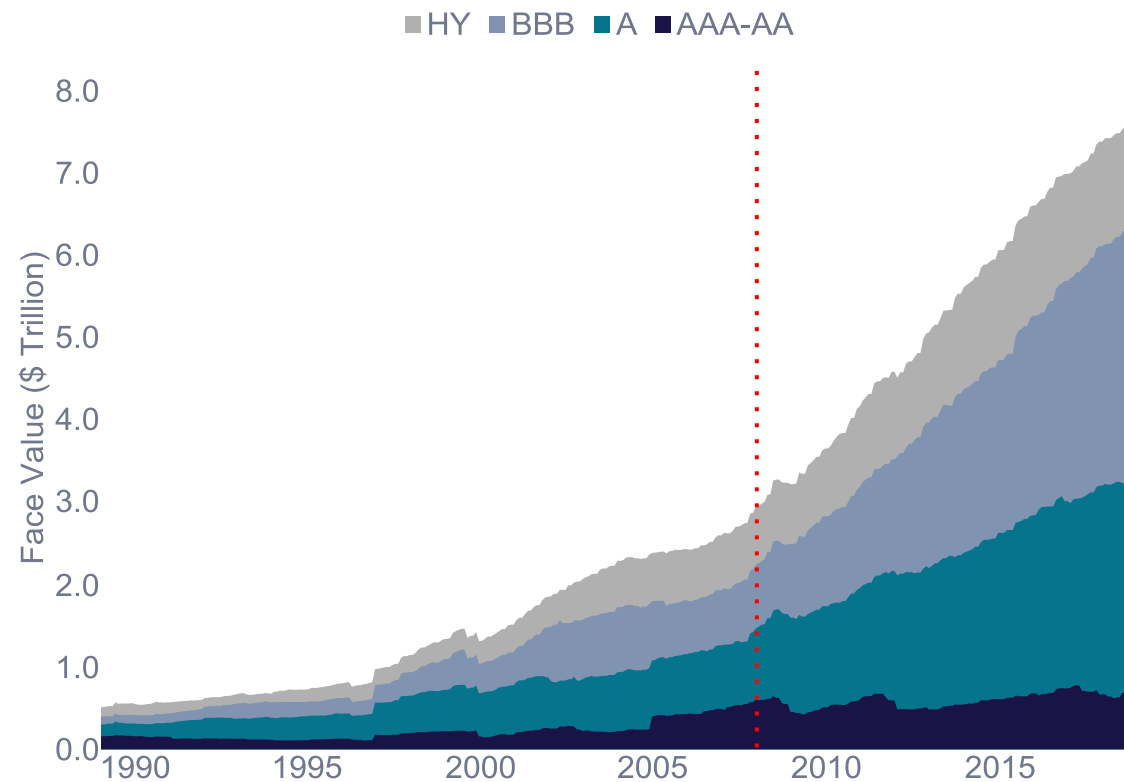
Yield Curve Shape Through Fed Tightening Cycles



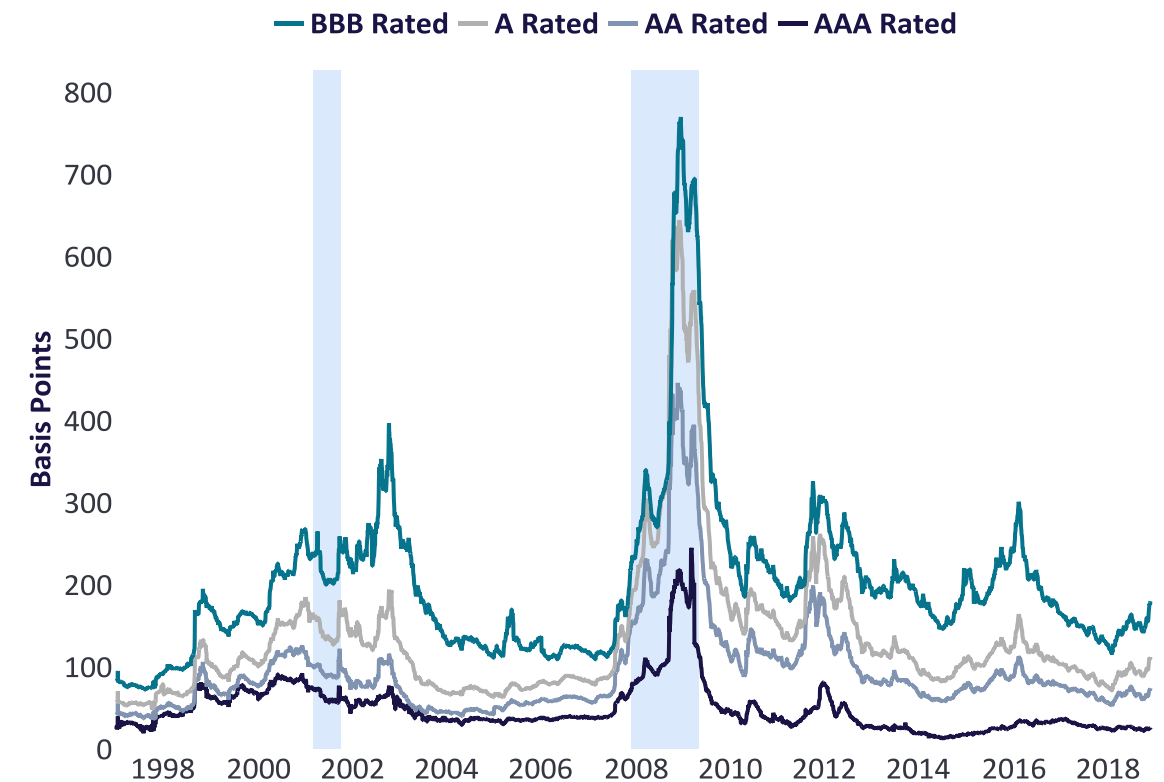
The Credit Market Cycle: Levered

- The corporate bond market has growing significantly since GFC with the BBB segment expanding most
- Spreads remain fairly contained, but have begun to widen as risk of turn in the cycle is escalating

USD Corporate Bond Market - Issuance by Rating



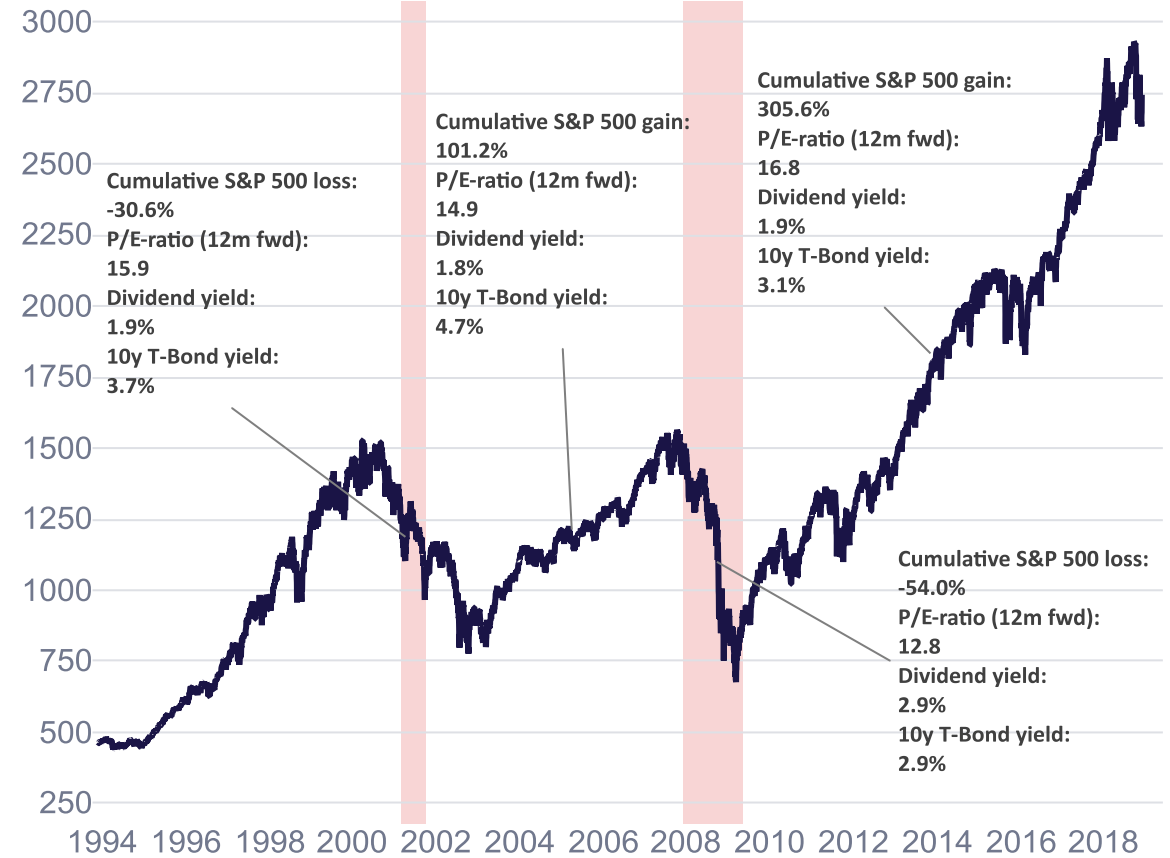
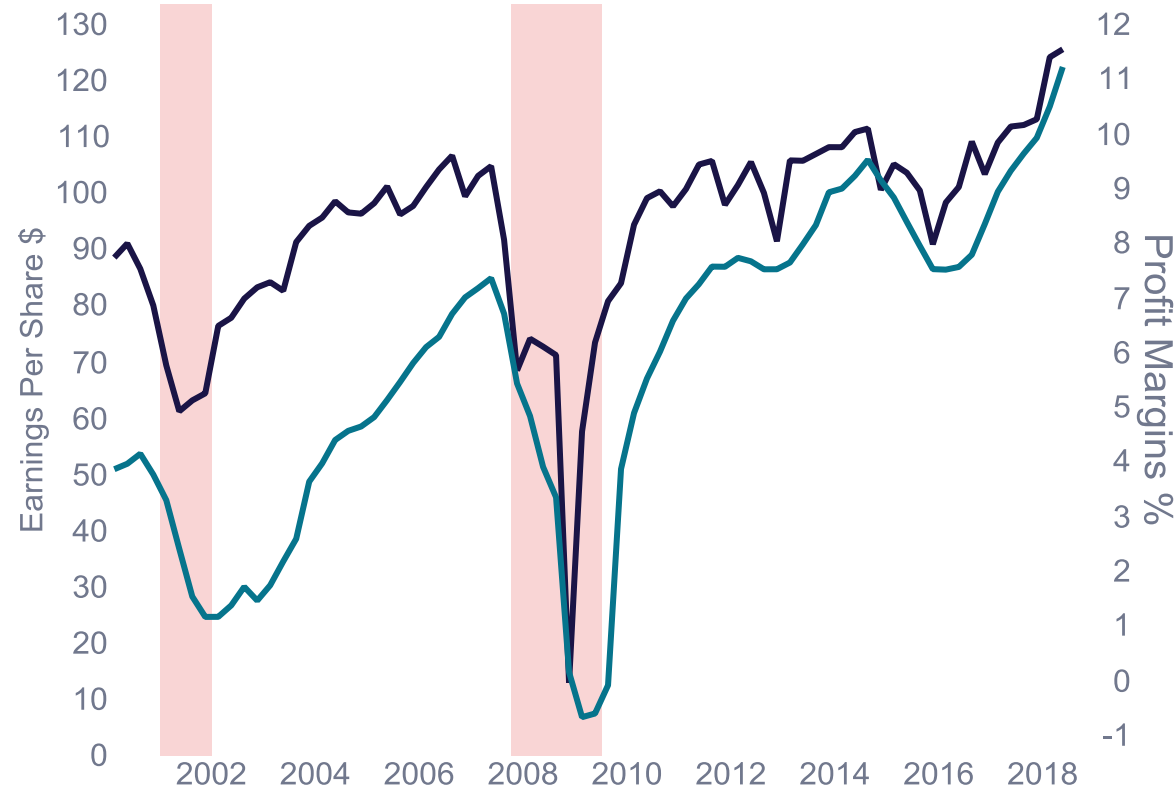
Credit Spreads By Rating



The Equity Market Cycle: Strong Headwinds Ahead

- Record profit margins and share buy backs have driven EPS higher
- Equity valuations are adjusting to higher interest rates, leverage risks, and potential for margin compression

S&P 500 EPS & Profit Margins



Portfolio Initiatives

Private Capital

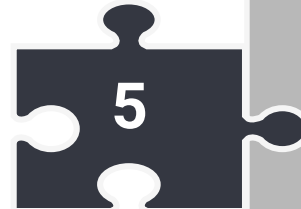
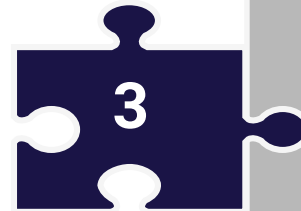
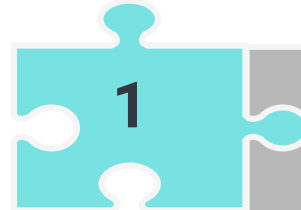
*PE Secondary Sale
Divest small, non-core, Oil & Gas properties
Focus on defensive Real Estate sectors*

Fixed Income

Implementing a “modified” Total Return framework that moves beyond a traditional buy-and-hold book yield approach to a dynamic process that encompasses both income and capital appreciation

Enterprise Collaboration

Partner with LMIG to ensure continued alignment on mandate, constraints, and supporting processes across our global insurance operations



Credit Strategies

Diversifying exposure with select partners in the alternative credit space

Risk Management

Refining Risk Budgeting framework that allocates key risk factors at the asset manager and aggregate portfolio level



**2018
Investor
Day**

**LIBERTY
INSURANCE** **MUTUAL
COMPANY**

