



Financial Supplement
Quarter Ended March 31, 2011

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

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LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended March 31, 2011						Three Months Ended March 31, 2010					
	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated
Revenues	\$2,812	\$1,914	\$1,973	\$1,559	\$123	\$8,381	\$2,899	\$1,823	\$1,967	\$1,604	(\$103)	\$8,190
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years and private equity income (loss)	\$312	\$285	\$153	\$81	(\$223)	\$608	\$390	\$256	\$142	\$89	(\$241)	\$636
Catastrophes ^{1,2}	(193)	(121)	(252)	(50)	30	(586)	(142)	(135)	(83)	(21)	(64)	(445)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	(1)	(1)	-	-	-	-	(3)	(3)
- All other ³	98	5	39	(3)	71	210	103	7	(6)	9	3	116
Pre-tax operating income before private equity income (loss)	217	169	(60)	28	(123)	231	351	128	53	77	(305)	304
Private equity income ⁴	-	-	-	-	210	210	2	-	-	-	82	84
Pre-tax operating income (loss)	217	169	(60)	28	87	441	353	128	53	77	(223)	388
Realized investment gains (losses), net	30	(1)	6	-	41	76	87	1	19	-	(12)	95
Income tax (expense) benefit	(71)	(51)	65	(10)	(88)	(155)	(119)	(40)	(4)	(23)	18	(168)
Net income (loss)	\$176	\$117	\$11	\$18	\$40	\$362	\$321	\$89	\$68	\$54	(\$217)	\$315

¹ Catastrophes include all current and prior year catastrophe losses including assessments from TWIA and exclude losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for losses related to the 2004 U.S. Hurricanes, the 2005 Hurricanes, the September 2008 Hurricanes, the Japanese earthquake and tsunami, New Zealand earthquake, Australian floods, Cyclone Yasi and the Chilean earthquake. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Catastrophes exclude the catastrophe losses ceded under the homeowners quota share agreement.

³ Net of earned premium attributable to prior years and amortization of deferred gains on retroactive reinsurance. 2011 reflects a gain on commutation of two retroactive reinsurance contracts during the quarter.

⁴ Private equity income is included in net investment income in the accompanying statements of income.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Three Months Ended March 31, 2011					Three Months Ended March 31, 2010¹				
	LMAC	Personal Markets	International	Commercial Markets	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Consolidated
Combined ratio, before catastrophes and net incurred losses attributable to prior years										
Claims and claims adjustment expense ratio	62.9%	63.6%	66.7%	85.6%	68.2%	62.3%	64.9%	70.0%	83.8%	68.9%
Underwriting expense ratio	31.4%	24.2%	31.5%	24.8%	28.6%	30.6%	25.1%	30.6%	24.2%	28.2%
Dividend ratio	0.2%	-	-	0.7%	0.2%	0.2%	-	-	0.7%	0.2%
Subtotal	94.5%	87.8%	98.2%	111.1%	97.0%	93.1%	90.0%	100.6%	108.7%	97.3%
Catastrophes²	7.6%	7.5%	14.3%	4.8%	8.5%	5.6%	8.9%	5.1%	1.8%	6.7%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	-	-	-	-	-	-
- All other	(3.8%)	(0.4%)	(2.2%)	0.2%	(3.0%)	(4.1%)	(0.5%)	0.3%	(0.8%)	(1.8%)
Total combined ratio³	98.3%	94.9%	110.3%	116.1%	102.5%	94.6%	98.4%	106.0%	109.7%	102.2%

¹ 2010 combined ratio has been adjusted to exclude the impact of the Venezuelan devaluation for comparative purposes.

² Catastrophes include all current and prior year catastrophe losses including assessments from TWIA and exclude losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for losses related to the 2004 U.S. Hurricanes, the 2005 U.S. Hurricanes, the September 2008 Hurricanes, the Japanese earthquake and tsunami, New Zealand earthquake, Australian floods, Cyclone Yasi and the Chilean earthquake. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ The combined 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 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 managed care income) 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 unless related to an asbestos and environmental commutation.

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.

Reinsurance Security Oversight

As part of its reinsurance security oversight, Liberty Mutual has established a Reinsurance Credit Committee (“RCC”) 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 RCC 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 March 31, 2011.
- 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 and potential future 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 each reinsurer. If the collateral held for a reinsurer is greater than the gross recoverable, net recoverables are reported as \$0. The portion of collateral held securing Unearned Premium has been excluded when calculating Net Recoverables for Swiss Reinsurance America Corporation.
- ⁵ The reinsurance 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 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 December 31, 1998, between NIC and Employers Insurance Company of Wausau and certain of its affiliated property and casualty companies.
- ⁹ 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 two reinsurance agreements between Vantage Casualty Insurance Company and certain companies acquired by Liberty Mutual Group from subsidiaries of Prudential Financial, Inc.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by A.M. Best Rating

As of March 31, 2011 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{8,9}				
A++	\$ 745	\$ 337	\$ 408	4%
A+	\$ 3,837	\$ 593	\$ 3,319	32%
A	\$ 3,976	\$ 1,155	\$ 3,028	29%
A-	\$ 57	\$ 12	\$ 46	0%
B++	\$ 41	\$ 23	\$ 20	0%
B+	\$ 8	\$ 2	\$ 7	0%
B or Below	\$ -	\$ -	\$ -	0%
Subtotal	\$ 8,664	\$ 2,122	\$ 6,828	65%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 2,856	\$ 4	\$ 2,852	27%
Voluntary	\$ 363	\$ 71	\$ 302	3%
Subtotal	\$ 3,219	\$ 75	\$ 3,154	30%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,597	\$ 1,911	\$ 102	1%
Other ⁶	\$ 514	\$ 648	\$ 394	4%
Subtotal	\$ 2,111	\$ 2,559	\$ 496	5%
Grand Total	\$ 13,994	\$ 4,756	\$ 10,478	100%

See explanation of footnoted items on page 4 of financial supplement.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by Standard & Poor's Rating

As of March 31, 2011 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{8,9}				
AAA	\$ 3	\$ -	\$ 3	0%
AA+, AA, AA-	\$ 2,350	\$ 818	\$ 1,616	15%
A+, A, A-	\$ 6,160	\$ 1,339	\$ 5,054	49%
BBB+, BBB, BBB -	\$ 10	\$ 4	\$ 8	0%
BB+ or Below	\$ 20	\$ 4	\$ 15	0%
Subtotal	\$ 8,543	\$ 2,165	\$ 6,696	64%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 2,856	\$ 4	\$ 2,852	27%
Voluntary	\$ 363	\$ 71	\$ 302	3%
Subtotal	\$ 3,219	\$ 75	\$ 3,154	30%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,597	\$ 1,911	\$ 102	1%
Other ⁶	\$ 635	\$ 605	\$ 526	5%
Subtotal	\$ 2,232	\$ 2,516	\$ 628	6%
Grand Total	\$ 13,994	\$ 4,756	\$ 10,478	100%

See explanation of footnoted items on page 4 of financial supplement.

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of March 31, 2011

(dollars in millions)

Reinsurance Groups ⁷ (Data in Millions)	Gross		Collateral		Net
	Recoverables ²		Held ³		Recoverables ⁴
1 Swiss Re Group	\$	2,221	\$	927	\$ 1,431
2 Nationwide Group	\$	1,599	\$	-	\$ 1,599
3 Everest Re Group	\$	620	\$	195	\$ 445
4 UPINSCO	\$	542	\$	615	\$ -
5 Munich Re Group	\$	516	\$	23	\$ 496
6 Berkshire Hathaway Insurance Group	\$	486	\$	235	\$ 251
7 PartnerRe Group	\$	382	\$	310	\$ 119
8 Transatlantic Holdings, Inc. Group	\$	309	\$	-	\$ 309
9 Chubb Group of Insurance Companies	\$	264	\$	103	\$ 161
10 Lloyd's of London	\$	250	\$	-	\$ 250
11 AEGIS Group	\$	199	\$	224	\$ -
12 Equitas Insurance Limited	\$	196	\$	-	\$ 196
13 W. R. Berkley Group	\$	191	\$	3	\$ 188
14 Allianz Group	\$	188	\$	24	\$ 166
15 Builders' Credit Reinsurance Company SA	\$	182	\$	273	\$ -
State Mandated Involuntary pools and associations ⁵	\$	2,856	\$	4	\$ 2,852
Voluntary pools and associations	\$	363	\$	71	\$ 302
All Other	\$	2,630	\$	1,749	\$ 1,713
Total Reinsurance Recoverables	\$	13,994	\$	4,756	\$ 10,478

See explanation of footnoted items on page 4 of financial supplement.

LIBERTY MUTUAL HOLDING COMPANY INC.
Issuer and Sector Exposure as of March 31, 2011
(dollars in millions)
(Unaudited)

Top 20 Issuers	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Government of Brazil	923	0	20	943	1.33%
2 Government of Venezuela	813	0	0	813	1.14%
3 Government of Canada	548	0	2	550	0.77%
4 Bank of America Corp	284	173	0	457	0.64%
5 Wells Fargo & Co	377	25	0	402	0.57%
6 State of Florida	358	0	0	358	0.50%
7 Invenegy	335	0	0	335	0.47%
8 Government of Germany	323	0	1	324	0.46%
9 Government of Colombia	313	0	0	313	0.44%
10 AT&T Corp	310	3	0	313	0.44%
11 JP Morgan Chase & Co	242	32	0	274	0.39%
12 Citigroup Inc	261	3	0	264	0.37%
13 State of California	258	0	0	258	0.36%
14 Berkshire Hathaway Inc	240	3	0	243	0.34%
15 Commonwealth of Massachusetts	240	0	0	240	0.34%
16 Telefonica SA	238	1	0	239	0.34%
17 General Electric Co	233	5	0	238	0.34%
18 State of Texas	234	0	0	234	0.33%
19 Verizon Communications	232	2	0	234	0.33%
20 Government of Spain	229	0	1	230	0.32%
	6,991	247	24	7,262	10.22%

Top 20 Sectors	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Municipal	12,888	0	7	12,895	18.15%
2 Sovereign	4,592	0	86	4,678	6.58%
3 Banks	3,692	530	43	4,265	6.00%
4 Electric	1,981	80	1	2,062	2.92%
5 Oil&Gas	1,382	519	3	1,904	2.68%
6 Telecommunications	1,766	34	5	1,805	2.54%
7 Diversified Financial Services	1,349	23	1	1,373	1.93%
8 Retail	1,216	37	0	1,253	1.76%
9 Transportation	936	12	0	948	1.33%
10 Media	884	12	0	896	1.26%
11 Insurance	675	107	0	782	1.10%
12 Food	702	15	0	717	1.01%
13 Mining	409	156	1	566	0.80%
14 Miscellaneous Manufacturers	541	18	0	559	0.79%
15 Beverages	536	10	0	546	0.77%
16 Real Estate	50	492	0	542	0.76%
17 Chemicals	461	24	0	485	0.68%
18 Pharmaceuticals	450	22	0	472	0.66%
19 Energy-Alternate Sources	408	53	0	461	0.65%
20 Regional(state/provnc)	418	0	1	419	0.59%
	\$35,336	\$2,144	\$148	\$37,628	52.96%

Note: Charts exclude US Treasury and agency securities, mortgage-backed securities, private equity investments, other invested assets, and municipal obligations that are pre-refunded or escrowed to maturity.