



Financial Supplement
Quarter Ended March 31, 2012

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

	<u>Page Number</u>
Consolidating Financial Results by Strategic Business Unit	
- Reconciliation of PTOI to Net Income - Three Months Ended March 31, 2012 & 2011	1
- Combined Ratio - Three Months Ended March 31, 2012 & 2011	2
Reinsurance Recoverables	
- Reinsurance Overview	3
- Footnotes to Reinsurance Recoverable Exhibits	4
- Distribution of Reinsurance Recoverables by A.M. Best Rating	5
- Distribution of Reinsurance Recoverables by Standard & Poor's Rating	6
- Top 15 Reinsurance Recoverables by Group	7
Investments	
- Issuer and Sector Exposures	8

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended March 31, 2012						Three Months Ended March 31, 2011					
	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated
Revenues	\$2,858	\$2,081	\$2,267	\$1,614	\$61	\$8,881	\$2,812	\$1,917	\$1,973	\$1,559	\$120	\$8,381
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years and LP and LLC ¹ (loss) income	\$361	\$345	\$187	\$113	(\$213)	\$793	\$314	\$282	\$154	\$83	(\$217)	\$616
Catastrophes ²	(188)	(116)	7	(53)	29	(321)	(195)	(121)	(252)	(50)	30	(588)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	(2)	(2)	-	-	-	-	(1)	(1)
- All other ³	17	(10)	(44)	9	14	(14)	98	5	39	(3)	71	210
Pre-tax operating income (loss) before LP and LLC income	190	219	150	69	(172)	456	217	166	(59)	30	(117)	237
LP and LLC income	1	-	-	-	120	121	-	-	-	-	210	210
Pre-tax operating income (loss)	191	219	150	69	(52)	577	217	166	(59)	30	93	447
Net realized gains						49						76
Loss on extinguishment of debt						(15)						-
Pre-tax income						611						523
Income tax expense						(155)						(156)
Consolidated net income						456						367
Less: Net (loss) income attributable to non-controlling interest						(3)						3
Net income attributable to Liberty Mutual Holding Company Inc.						\$459						\$364

¹ Limited partnership ("LP") and limited liability company ("LLC") income is included in net investment income in the consolidated statements of income.

² Catastrophes include all current and prior accident year catastrophe losses incurred excluding losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the tornadoes and other severe storms in the U.S. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ Net of earned premium attributable to prior years and amortization of deferred gains on retroactive reinsurance.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Three Months Ended March 31, 2012					Three Months Ended March 31, 2011				
	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 claim adjustment expense ratio	60.7%	61.5%	67.2%	84.1%	66.7%	62.7%	63.6%	66.7%	85.6%	68.2%
Underwriting expense ratio	31.6%	24.6%	31.8%	24.4%	29.2%	31.4%	24.2%	31.5%	24.6%	28.5%
Dividend ratio	0.2%	-	-	0.5%	0.1%	0.2%	-	-	0.7%	0.2%
Subtotal	92.5%	86.1%	99.0%	109.0%	96.0%	94.3%	87.8%	98.2%	110.9%	96.9%
Catastrophes ¹	7.1%	6.6%	(0.4%)	4.8%	4.4%	7.7%	7.5%	14.3%	4.7%	8.6%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	0.4%	-	-	-	-	-
- All other	(0.7%)	0.5%	2.3%	(1.0%)	0.1%	(3.8%)	(0.4%)	(2.2%)	0.3%	(3.1%)
Total combined ratio ²	98.9%	93.2%	100.9%	112.8%	100.9%	98.2%	94.9%	110.3%	115.9%	102.4%

¹ Catastrophes include all current and prior accident year catastrophe losses incurred excluding losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the tornadoes and other severe storms in the U.S. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² 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, 2012.
- 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, 2012 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{8,9}				
A++	\$ 732	\$ 364	\$ 377	4%
A+	\$ 5,828	\$ 1,648	\$ 4,377	44%
A	\$ 1,617	\$ 144	\$ 1,533	16%
A-	\$ 58	\$ 5	\$ 54	1%
B++	\$ 41	\$ 14	\$ 27	0%
B+	\$ 4	\$ 2	\$ 4	0%
B or Below	\$ 2	\$ 1	\$ 1	0%
Subtotal	\$ 8,282	\$ 2,178	\$ 6,373	65%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 2,676	\$ 4	\$ 2,673	27%
Voluntary	\$ 350	\$ 67	\$ 301	3%
Subtotal	\$ 3,026	\$ 71	\$ 2,974	30%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,592	\$ 1,861	\$ 125	1%
Other	\$ 618	\$ 682	\$ 379	4%
Subtotal	\$ 2,210	\$ 2,543	\$ 504	5%
Grand Total	\$ 13,518	\$ 4,792	\$ 9,851	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, 2012 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{8,9}				
AAA	\$ 2	\$ -	\$ 2	0%
AA+, AA, AA-	\$ 3,959	\$ 1,508	\$ 2,627	27%
A+, A, A-	\$ 4,140	\$ 704	\$ 3,550	36%
BBB+, BBB, BBB -	\$ 20	\$ -	\$ 20	0%
BB+ or Below	\$ 19	\$ 5	\$ 15	0%
Subtotal	\$ 8,140	\$ 2,217	\$ 6,214	63%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 2,676	\$ 4	\$ 2,673	27%
Voluntary	\$ 350	\$ 67	\$ 301	3%
Subtotal	\$ 3,026	\$ 71	\$ 2,974	30%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,592	\$ 1,861	\$ 125	1%
Other	\$ 760	\$ 643	\$ 538	6%
Subtotal	\$ 2,352	\$ 2,504	\$ 663	7%
Grand Total	\$ 13,518	\$ 4,792	\$ 9,851	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, 2012
(dollars in millions)

Reinsurance Groups ⁷ (Data in Millions)	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴
1 Swiss Re Group	\$ 2,166	\$ 962	\$ 1,314
2 Nationwide Group	\$ 1,483	\$ -	\$ 1,483
3 Everest Re Group	\$ 581	\$ 238	\$ 373
4 Munich Re Group	\$ 554	\$ 42	\$ 518
5 UPINSCO	\$ 509	\$ 567	\$ -
6 Berkshire Hathaway Insurance Group	\$ 430	\$ 241	\$ 197
7 PartnerRe Group	\$ 358	\$ 286	\$ 105
8 Alleghany Corporation	\$ 331	\$ -	\$ 331
9 Chubb Group of Insurance Companies	\$ 267	\$ 122	\$ 145
10 Lloyd's of London	\$ 222	\$ 1	\$ 222
11 Equitas Insurance Limited	\$ 194	\$ -	\$ 194
12 AEGIS Group	\$ 191	\$ 208	\$ -
13 Builders Credit Reinsurance Co. SA	\$ 189	\$ 263	\$ -
14 W. R. Berkley Group	\$ 175	\$ 1	\$ 173
15 Verizon	\$ 162	\$ 122	\$ 43
State Mandated Involuntary pools and associations ⁵	\$ 2,676	\$ 4	\$ 2,673
Voluntary pools and associations	\$ 350	\$ 67	\$ 301
All Other	\$ 2,680	\$ 1,668	\$ 1,779
Total Reinsurance Recoverables	\$ 13,518	\$ 4,792	\$ 9,851

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

LIBERTY MUTUAL HOLDING COMPANY INC.
Issuer and Sector Exposure as of March 31, 2012
(dollars in millions)
(Unaudited)

Top 20 Issuers	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Government of Venezuela	1,104	0	0	1,104	1.46%
2 Government of Brazil	980	0	0	980	1.29%
3 Government of Canada	572	0	14	586	0.77%
4 Bank of America Corp	332	117	0	449	0.59%
5 State of Florida	380	0	0	380	0.50%
6 Invenegy	338	0	0	338	0.45%
7 Government of Colombia	312	0	0	312	0.41%
8 Wells Fargo & Co	289	6	0	295	0.39%
9 State of California	295	0	0	295	0.39%
10 Berkshire Hathaway Inc	273	2	0	275	0.36%
11 Citigroup Inc	270	4	0	274	0.36%
12 JP Morgan Chase & Co	231	36	0	267	0.35%
13 Southern Co	220	43	0	263	0.35%
14 ConocoPhillips Co	254	6	0	260	0.34%
15 Government of France	255	0	1	256	0.34%
16 AT&T Corp	254	3	0	257	0.34%
17 General Electric Co	245	6	0	251	0.33%
18 Commonwealth of Massachusetts	250	0	0	250	0.33%
19 Telefonica SA	235	0	0	235	0.31%
20 US Bancorp	162	68	0	230	0.30%
	7,251	291	15	7,557	9.96%

Top 20 Sectors	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Municipal	13,506	0	0	13,506	17.80%
2 Sovereign	5,300	0	27	5,327	7.02%
3 Banks	4,103	430	37	4,570	6.02%
4 Oil&Gas	1,756	788	0	2,544	3.35%
5 Electric	2,243	95	5	2,343	3.09%
6 Telecommunications	1,851	46	14	1,911	2.52%
7 Retail	1,428	62	0	1,490	1.96%
8 Diversified Financial Services	1,410	30	11	1,451	1.91%
9 Transportation	1,003	18	0	1,021	1.35%
10 Media	976	22	1	999	1.32%
11 Food	903	36	1	940	1.24%
12 Mining	737	168	0	905	1.19%
13 Beverages	847	14	3	864	1.14%
14 Insurance	714	143	0	857	1.13%
15 Real Estate	47	625	0	672	0.89%
16 Miscellaneous Manufacturers	634	22	0	656	0.86%
17 Pharmaceuticals	562	44	0	606	0.80%
18 Chemicals	517	29	2	548	0.72%
19 Regional(state/provnc)	477	0	0	477	0.63%
20 Aerospace/Defense	459	9	0	468	0.62%
	\$39,473	\$2,581	\$101	\$42,155	55.56%

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.