



**Liberty  
Mutual<sup>®</sup>**  

---

**INSURANCE**

## First Quarter 2014 Results

# Cautionary Statement Regarding Forward Looking Statements

This report contains forward looking statements that are intended to enhance the reader's ability to assess the Company's future financial and business performance. Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" or similar expressions. Because these forward looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different.

Some of the factors that could cause actual results to differ include, but are not limited to the following: the occurrence of catastrophic events (including terrorist acts, hurricanes, hail, tornados, tsunamis, earthquakes, floods, snowfall and winter conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or ability to collect reinsurance; disruptions to the Company's relationships with its independent agents and brokers; financial disruption or a prolonged economic downturn; the performance of the Company's investment portfolios; a rise in interest rates; risks inherent in the Company's alternative investments in private limited partnerships ("LP") and limited liability companies ("LLC"); difficulty in valuing certain of the Company's investments; subjectivity in the determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; terrorist acts; the Company's inability to obtain price increases or maintain market share due to competition or otherwise; inadequacy of the Company's pricing models; changes to insurance laws and regulations; changes in the amount of statutory capital that the Company must hold to maintain its financial strength and credit ratings; regulatory restrictions on the Company's ability to change its methods of marketing and underwriting in certain areas; assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the ability of the Company's subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclical nature of the property and casualty insurance industry; political, legal, operational and other risks faced by the Company's international business; potentially high severity losses involving the Company's surety products; loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of personal lines policies; inadequacy of the Company's controls to ensure compliance with legal and regulatory standards; changes in federal or state tax laws; risks arising out of the Company's securities lending program; the Company's utilization of information technology systems and its implementation of technology innovations; difficulties with technology or data security; insufficiency of the Company's business continuity plan in the event of a disaster; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; insufficiency of the Company's enterprise risk management models and modeling techniques; and changing climate conditions. The Company's forward looking statements speak only as of the date of this report or as of the date they are made and should be regarded solely as the Company's current plans, estimates and beliefs. For a detailed discussion of these and other cautionary statements, visit the Company's Investor Relations website at [www.libertymutual.com/investors](http://www.libertymutual.com/investors). The Company undertakes no obligation to update these forward looking statements.

# Liberty Mutual Overview

Mission statement: Helping people live safer, more secure lives



## Strategic Business Units (SBUs)

### Personal Insurance

- Personal Lines (Including Individual Life)
- Safeco

### Commercial Insurance

- Business Insurance
- National Insurance
- Group Benefits
- Other Commercial Insurance

### Liberty International

- Latin America
- Europe
- Asia
- Large Emerging Markets

### Global Specialty

- Specialty Markets (LSM) - Syndicate 4472, Liberty Mutual Insurance Europe (LMIE), Liberty Mutual Reinsurance (LMR)
- Liberty International Underwriters (LIU)
- Surety (LMS)

- Mutual holding company structure
- \$121.3B of assets and \$38.5B of revenues in 2013
- The most diversified P&C insurer
- 81<sup>st</sup> among Fortune 500 companies<sup>1</sup>
- 3<sup>rd</sup> largest P&C writer in the U.S.<sup>2</sup>
- 3<sup>rd</sup> largest commercial lines writer in the U.S.<sup>2</sup>
- 6<sup>th</sup> largest personal lines writer in the U.S.<sup>2</sup>
- 6<sup>th</sup> largest global P&C insurer<sup>3</sup>

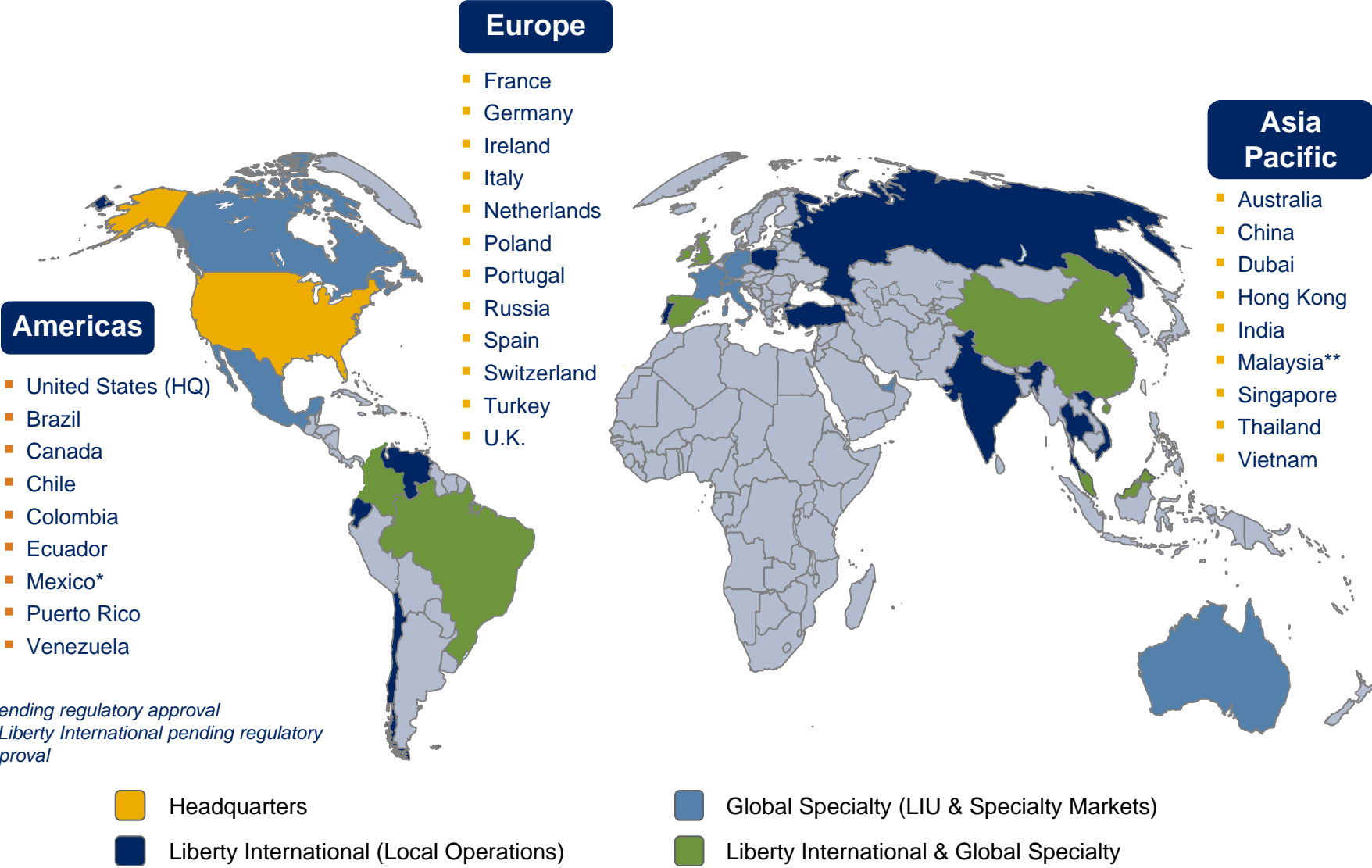
<sup>1</sup> Based on 2012 Revenue.

<sup>2</sup> Based on 2013 DWP.

<sup>3</sup> Based on 2013 GWP.

# Liberty Mutual's Global Presence

LMIG operates in 30 countries and key markets around the globe



\*Pending regulatory approval  
 \*\* Liberty International pending regulatory approval

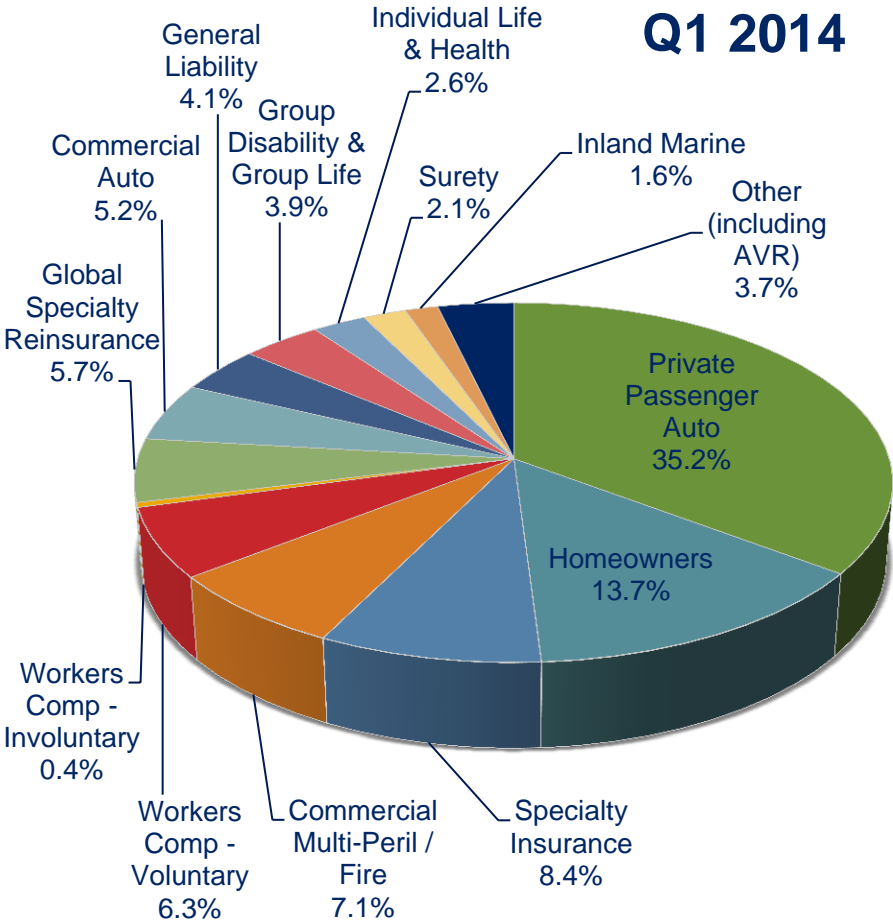
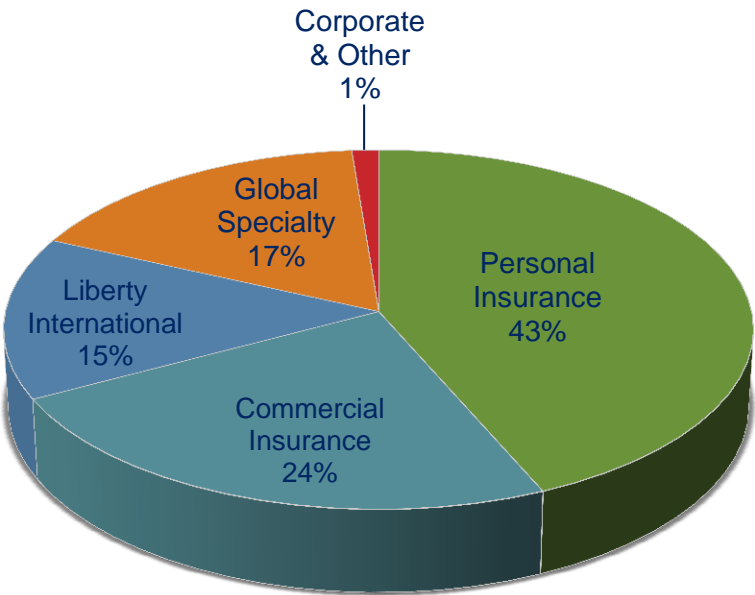
# Analysis of Consolidated Net Written Premium "NWP"

## NWP by SBU

## NWP by line of business

Q1 2014

Q1 2014



NWP of \$8.8 billion increased 4.2% over 2013.

# 2014 Highlights

## First Quarter

- ❖ Revenues were \$9.659 billion, an increase of \$694 million or 7.7% over the same period in 2013.
- ❖ NWP was \$8.786 billion, an increase of \$355 million or 4.2% over the same period in 2013.
- ❖ PTOI was \$669 million, an increase of \$21 million or 3.2% over the same period in 2013.
- ❖ Catastrophe losses were \$487 million, an increase of \$265 million or 119.4% over the same period in 2013.
- ❖ LP and LLC income was \$265 million, an increase of \$217 million over the same period in 2013.
- ❖ Pre-tax loss associated with the Venezuela devaluation and foreign exchange under hyper inflationary accounting (including other than temporary impairments) was \$274 million in 2014 compared to a pre-tax loss of \$177 million in the same period in 2013.
- ❖ Net loss of \$77 million associated with the disposition of the Argentina operations is included within Discontinued Operations.
- ❖ Net income attributable to LMHC was \$272 million, a decrease of \$46 million or 14.5% from the same period in 2013.
- ❖ Cash flow from operations was \$318 million, a decrease of \$74 million or 18.9% from the same period in 2013.
- ❖ The consolidated combined ratio before catastrophes<sup>1</sup> and net incurred losses attributable to prior years was 94.0%, a decrease of 0.9 points from the same period in 2013.
- ❖ The Company's combined ratio was 99.6%, an increase of 1.5 points over the same period in 2013.

<sup>1</sup> Please see Management's Discussion & Analysis of Financial Condition and Results of Operations for definitions of terms.

# Consolidated Results

(\$ millions)	First Quarter		
	2014 <sup>1</sup>	2013 <sup>1</sup>	Change
<b>Revenues</b>	<b>\$9,659</b>	<b>\$8,965</b>	<b>7.7%</b>
Pre-tax operating income before LP and LLC income	\$404	\$600	(32.7)
LP and LLC income <sup>2</sup>	265	48	NM
<b>Pre-tax operating income</b>	<b>669</b>	<b>648</b>	<b>3.2</b>
Consolidated net income	262	310	(15.5)
Less: Net loss attributable to non-controlling interest	(10)	(8)	25.0
<b>Net income attributable to LMHC</b>	<b>\$272</b>	<b>\$318</b>	<b>(14.5%)</b>
<b>Combined ratio before catastrophes and net incurred losses attributable to prior years</b>			
Claims and claim adjustment expense ratio	63.2%	64.5%	(1.3)
Underwriting expense ratio	30.7	30.3	0.4
Dividend ratio	0.1	0.1	-
<b>Subtotal</b>	<b>94.0</b>	<b>94.9</b>	<b>(0.9)</b>
Catastrophes <sup>3</sup>	6.0	2.9	3.1
Net incurred losses attributable to prior years:			
- Asbestos & environmental	-	-	-
- All other <sup>4</sup>	(0.4)	0.3	(0.7)
<b>Total combined ratio<sup>5</sup></b>	<b>99.6%</b>	<b>98.1%</b>	<b>1.5</b>

<sup>1</sup> The combined ratio has been adjusted to exclude the impact of the Venezuela devaluation and foreign exchange.

<sup>2</sup> LP and LLC income is included in net investment income in the accompanying Consolidated Statements of Income.

<sup>3</sup> Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, and Cyclone Oswald. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>4</sup> Net of earned premium and reinstatement premium attributable to prior years and amortization of deferred gains on assumed retroactive reinsurance.

<sup>5</sup> 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 and certain other run off.

NM = Not Meaningful.

# Personal Insurance

## NWP & PTOI



## Segment Highlights

- Distributes through independent agent channel under Safeco brand and through other channels under the Liberty Mutual brand
- 6th largest writer of personal lines in the U.S.<sup>1</sup>
- Highest growth rate among top 10 multi-line writers<sup>2</sup>
- Market leader in affinity marketing, with over 16,000 affinity relationships

<sup>1</sup> Based on full year 2013 DWP for auto and home.

<sup>2</sup> Based on full year 2013 statutory DWP growth.

<sup>3</sup> Catastrophes include all current accident year catastrophe losses. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.  
NM = Not Meaningful

## Financial Performance

\$ millions	First Quarter		
	2014	2013	Change
NWP	\$3,818	\$3,541	7.8%
PTOI before catastrophes, net incurred losses attributable to prior years and LP and LLC income	\$570	\$540	5.6%
Catastrophes <sup>3</sup>	(335)	(169)	98.2
Net incurred losses attributable to prior years	(10)	(16)	(37.5)
LP and LLC Income	9	1	NM
<b>Pre-tax operating income</b>	<b>\$234</b>	<b>\$356</b>	<b>(34.3%)</b>

### Combined ratio before catastrophes and net incurred losses attributable to prior years

Claims and claim adjustment expense ratio	62.2%	61.4%	0.8
Underwriting expense ratio	26.0	26.2	(0.2)
<b>Subtotal</b>	<b>88.2</b>	<b>87.6</b>	<b>0.6</b>
Catastrophes <sup>3</sup>	9.0	5.0	4.0
Net incurred losses attributable to prior years	0.3	0.5	(0.2)
<b>Total combined ratio</b>	<b>97.5%</b>	<b>93.1%</b>	<b>4.4</b>



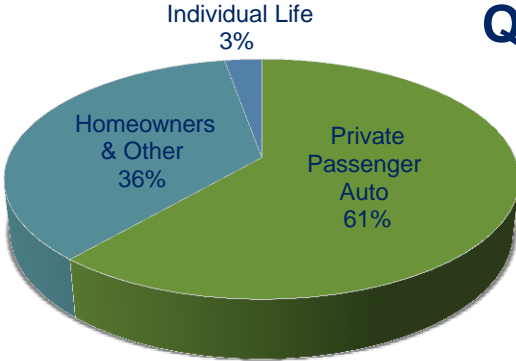
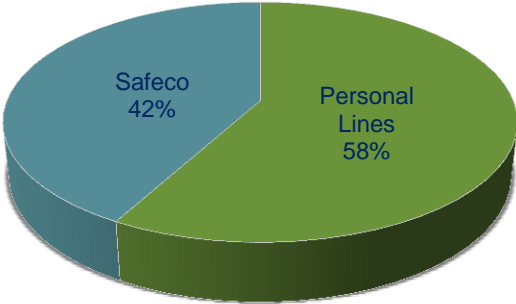
# Personal Insurance NWP Distribution

**NWP by market segment**

**NWP by line of business**

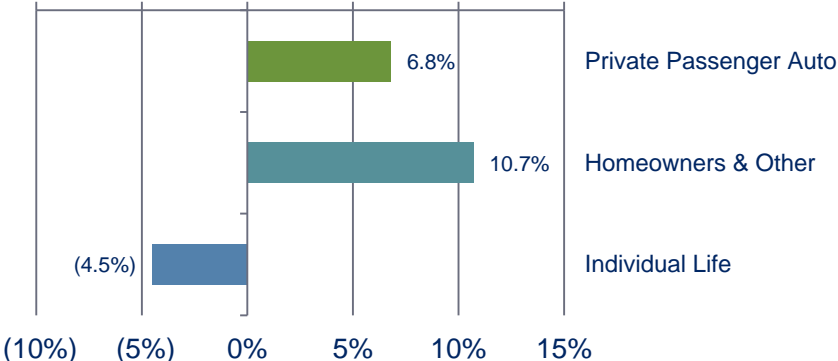
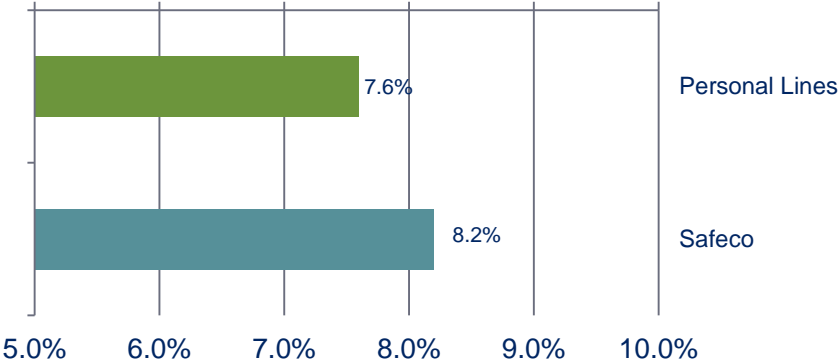
**Q1 2014**

**Q1 2014**



**YOY Change in NWP**

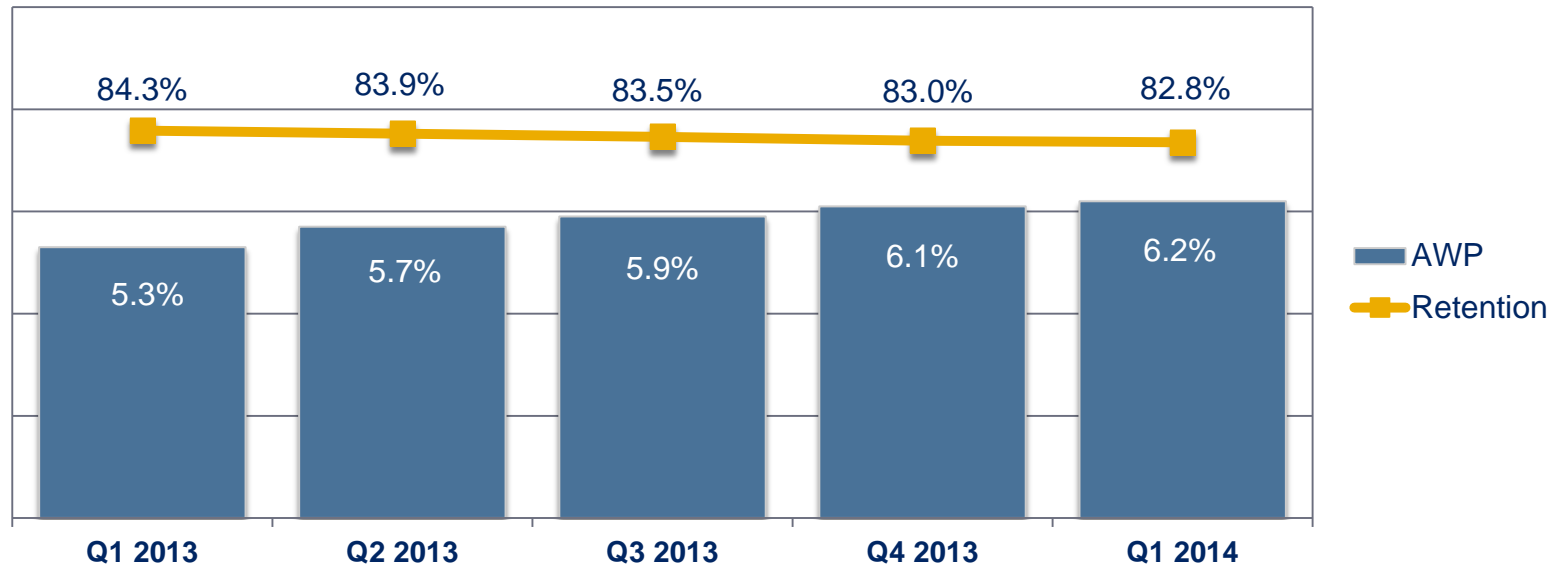
**YOY Change in NWP**



NWP through the first quarter of 2014 totaled \$3.818 billion, an increase of \$277 million or 7.8% over the same period in 2013.

YOY: year-over-year

# Personal Insurance P&C: Average Written Premium (AWP) & Retention



	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
<b>Private Passenger Auto</b>					
AWP	4.6%	5.0%	4.9%	4.9%	5.0%
Retention	83.5%	83.2%	82.9%	82.4%	82.1%
<b>Homeowners</b>					
AWP	6.1%	6.6%	7.1%	7.4%	7.6%
Retention	85.1%	84.7%	84.2%	83.6%	83.5%

\*Note: Figures are reported on a 12-month rolling basis.

# Commercial Insurance

## NWP & PTOI



## Segment Highlights

- As an SBU, 4<sup>th</sup> largest U.S. commercial lines insurer measured by DWP - \$9.4B
- Equipped to underwrite and service a wide spectrum of exposures, from small proprietors to multi-nationals
- Approximately 5,800 active agencies in 11,900 locations
- Sold Summit Holding Southeast, Inc. on April 1, 2014

## Financial Performance

\$ millions	First Quarter		
	2014	2013	Change
NWP	\$2,087	\$2,126	(1.8%)
PTOI before catastrophes and net incurred losses attributable to prior years	\$262	\$224	17.0%
Catastrophes <sup>1</sup>	(123)	(40)	NM
Net incurred losses attributable to prior years <sup>2</sup>	22	35	(37.1)
<b>Pre-tax operating income</b>	<b>\$161</b>	<b>\$219</b>	<b>(26.5%)</b>

## Combined ratio before catastrophes and net incurred losses attributable to prior years

Claims and claim adjustment expense ratio	67.8%	71.0%	(3.2)
Underwriting expense ratio	30.9	30.2	0.7
Dividend ratio	0.2	0.2	-
<b>Subtotal</b>	<b>98.9</b>	<b>101.4</b>	<b>(2.5)</b>
Catastrophes <sup>1</sup>	6.6	2.0	4.6
Net incurred losses attributable to prior years <sup>2</sup>	(1.3)	(1.8)	0.5
<b>Total combined ratio</b>	<b>104.2%</b>	<b>101.6%</b>	<b>2.6</b>

<sup>1</sup> Catastrophes include all current accident year catastrophe losses. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

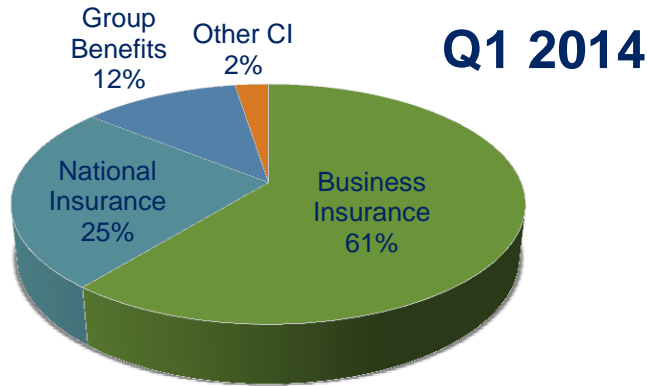
<sup>2</sup> Net of earned premium and reinstatement premium attributable to prior years of \$15 million for the three months ended March 31, 2014 and (\$8) million for the same period in 2013. Net of amortization of deferred gains on assumed retroactive reinsurance of \$1 million for the three months ended March 31, 2014 and 2013.

Note: The results of Summit are presented as Discontinued Operations on the Consolidated Statements of Income and are no longer included with Commercial Insurance. All prior periods have been restated to reflect the sale.

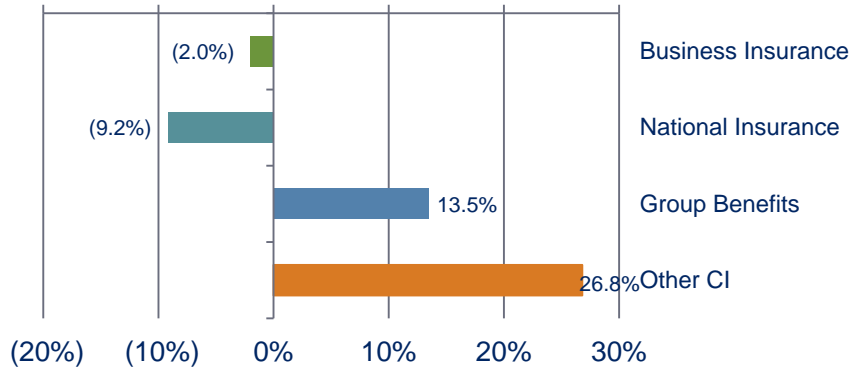
NM = Not Meaningful

# Commercial Insurance NWP Distribution

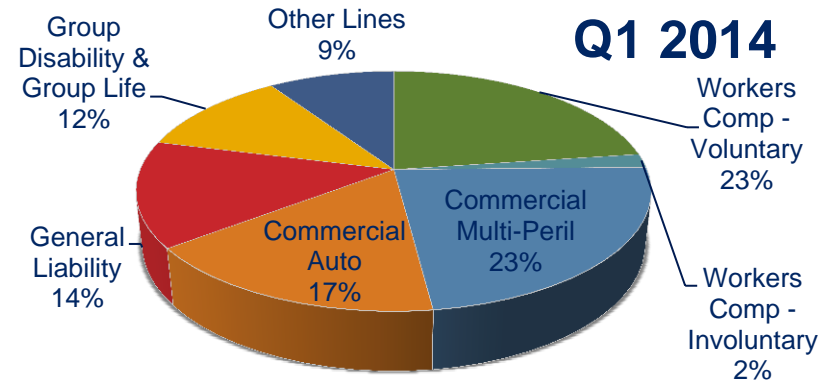
## NWP by market segment



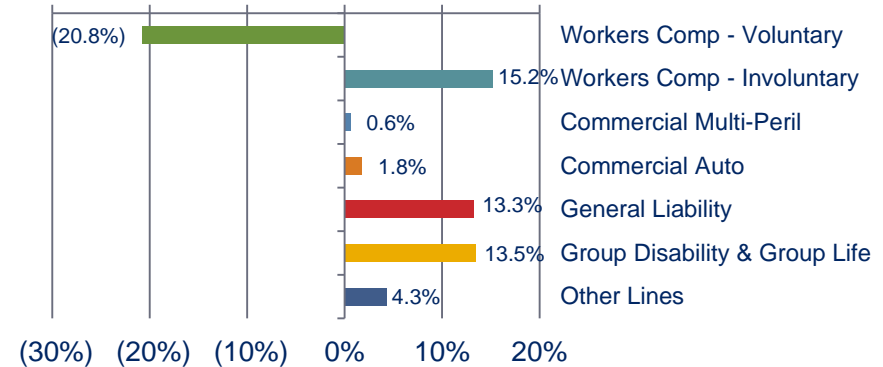
### YOY Change in NWP



## NWP by line of business



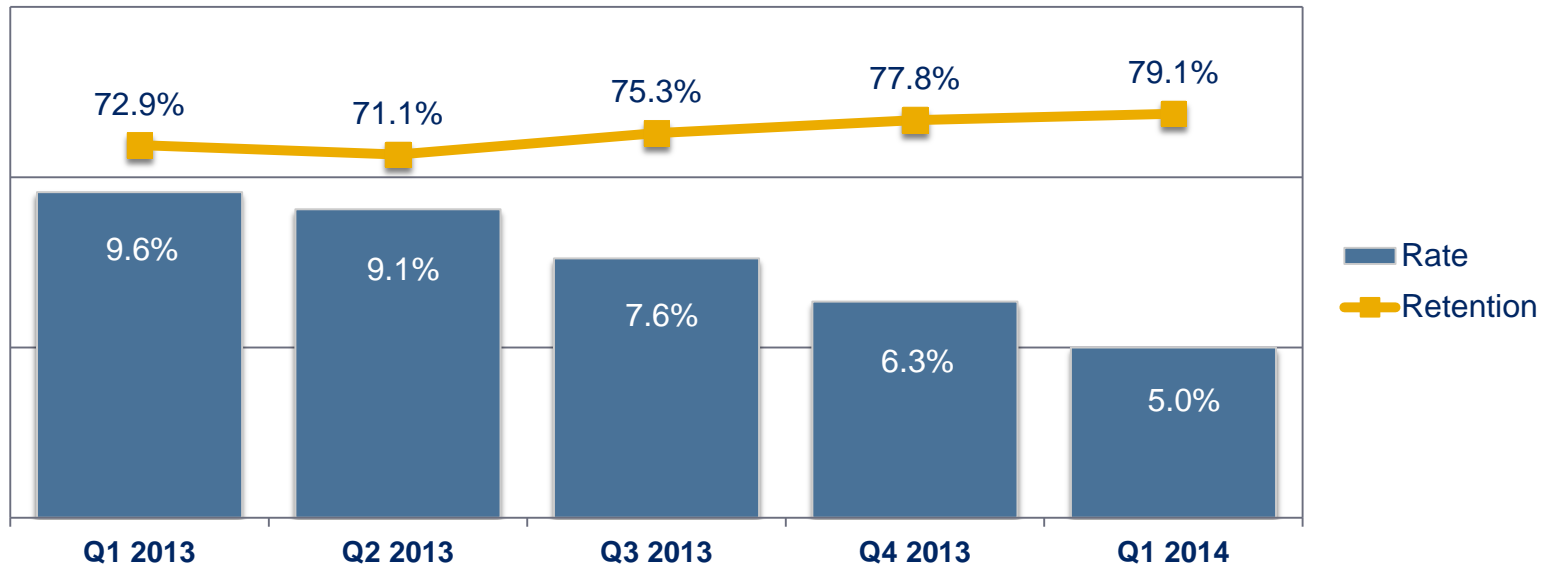
### YOY Change in NWP



NWP through the first quarter of 2014 totaled \$2.087 billion, a decrease of \$39 million or 1.8% from the same period in 2013.

YOY: year-over-year

# Commercial Insurance: Rate & Retention

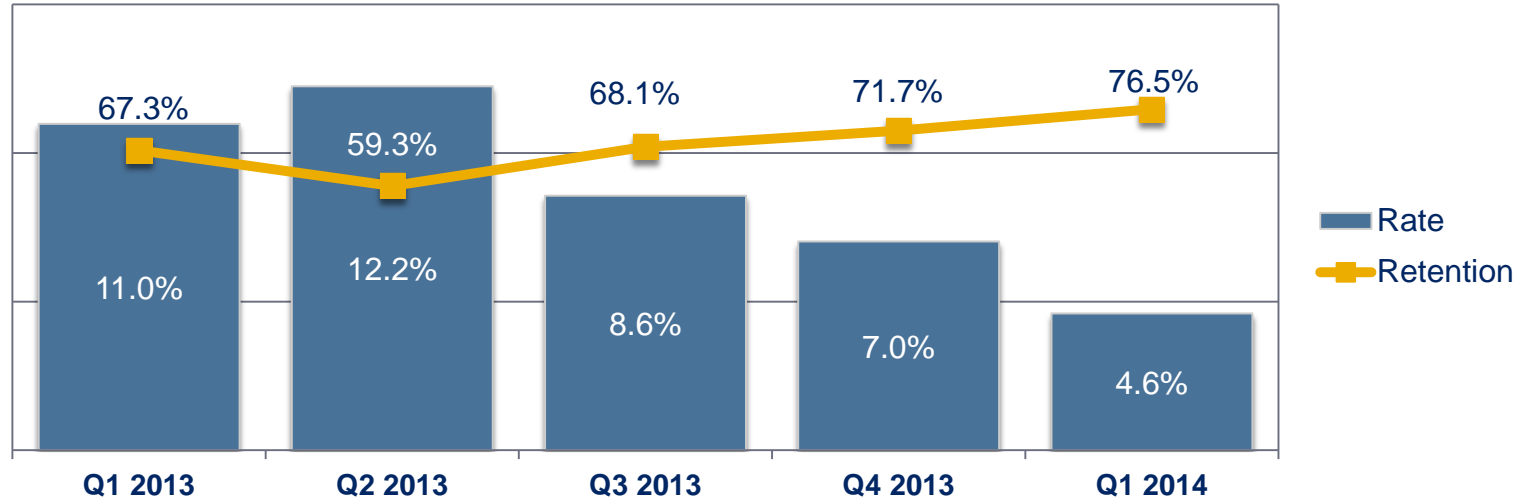


	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
<b>Business Insurance</b>					
Rate	10.2%	9.4%	7.9%	6.8%	5.2%
Retention	70.0%	69.8%	74.8%	76.4%	78.6%
<b>National Insurance</b>					
Rate	8.1%	8.2%	6.7%	5.3%	4.4%
Retention	78.4%	74.0%	76.5%	81.0%	80.1%
<b>Commercial Insurance P&amp;C</b>					
Rate	9.6%	9.1%	7.6%	6.3%	5.0%
Retention	72.9%	71.1%	75.3%	77.8%	79.1%

Note: Business Drivers are ex Group Benefits.

# Commercial Insurance: WC Rate & Retention

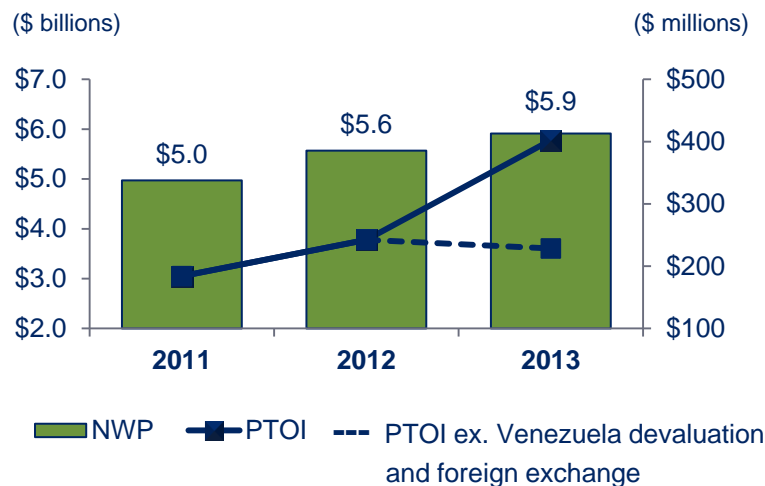
Voluntary NWP of \$477 million is down 21% from the first quarter of 2013.



	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
<b>Business Insurance</b>					
Rate	12.9%	13.0%	8.8%	7.7%	4.8%
Retention	56.1%	54.9%	65.7%	65.5%	71.6%
<b>National Insurance</b>					
Rate	8.7%	11.1%	8.2%	6.1%	4.4%
Retention	78.8%	66.4%	72.0%	80.3%	80.4%
<b>Commercial Insurance P&amp;C</b>					
Rate	11.0%	12.2%	8.6%	7.0%	4.6%
Retention	67.3%	59.3%	68.1%	71.7%	76.5%

# Liberty International

## NWP & PTOI



## Segment Highlights

- Announced acquisition in Malaysia
- Venezuela devaluation and foreign exchange unfavorably impacted PTOI by \$18M
- Continued sponsorship of World Cup in Brazil
- Sold operations in Argentina on February 21, 2014

<sup>1</sup>The combined ratios have been adjusted to exclude the impact of the Venezuela devaluation and foreign exchange.

<sup>2</sup>Catastrophes include all current accident year catastrophe losses for the U.K. and Ireland floods.

Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

Note: The results of Argentina operations are presented as Discontinued Operations on the Consolidated Statements of Income and are no longer included with Liberty International. All prior periods have been restated to reflect the sale.

NM = Not meaningful

## Financial Performance

\$ millions	First Quarter		
	2014 <sup>1</sup>	2013 <sup>1</sup>	Change
NWP	\$1,284	\$1,332	(3.6%)
PTOI before catastrophes, net incurred losses attributable to prior years and Venezuela devaluation and foreign exchange	\$37	\$47	(21.3%)
Catastrophes <sup>2</sup>	(9)	-	NM
Net incurred losses attributable to prior years	5	3	66.7
Venezuela devaluation and foreign exchange	(18)	49	NM
<b>Pre-tax operating income</b>	<b>\$15</b>	<b>\$99</b>	<b>(84.8%)</b>

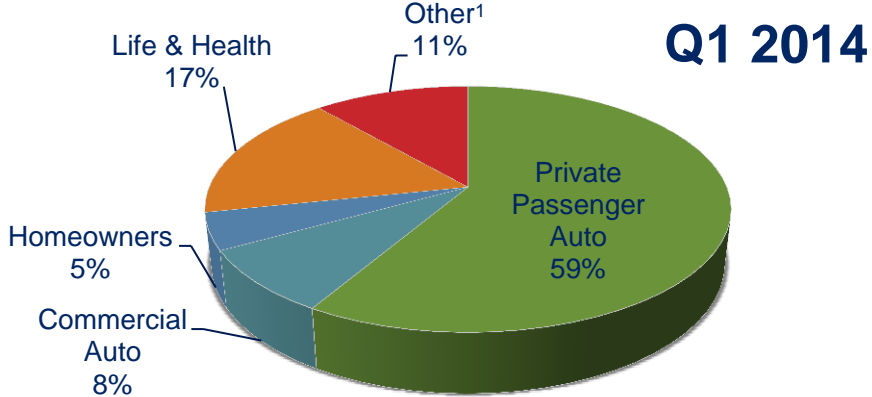
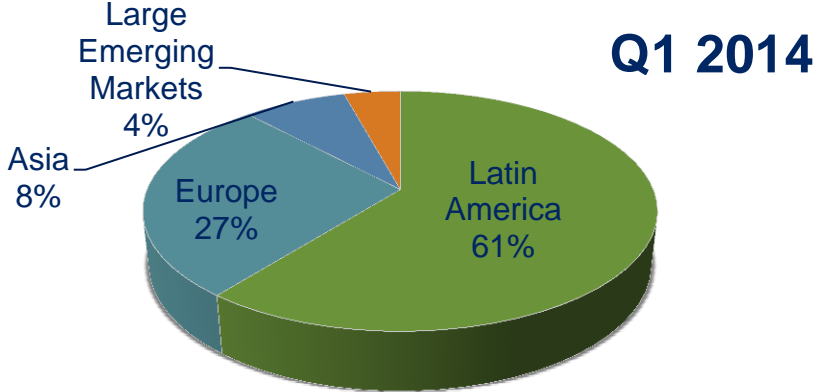
## Combined ratio before catastrophes and net incurred losses attributable to prior years

Claims and claim adjustment expense ratio	64.6%	65.7%	(1.1)
Underwriting expense ratio	39.6	38.5	1.1
<b>Subtotal</b>	<b>104.2</b>	<b>104.2</b>	<b>-</b>
Catastrophes <sup>2</sup>	0.7	-	0.7
Net incurred losses attributable to prior years	(0.4)	(0.2)	(0.2)
<b>Total combined ratio</b>	<b>104.5%</b>	<b>104.0%</b>	<b>0.5</b>

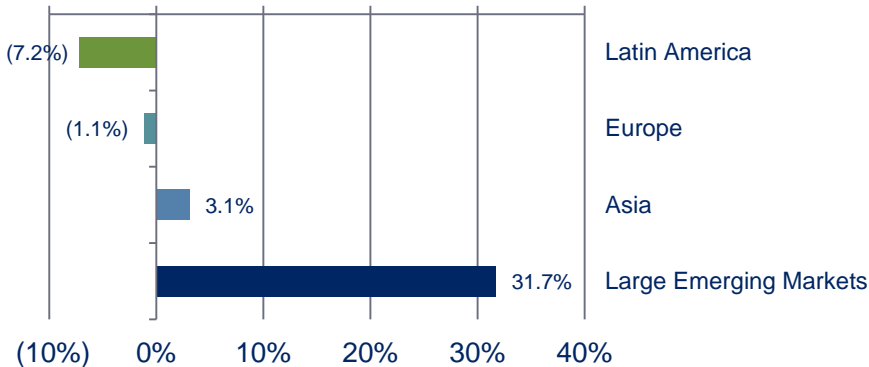
# Liberty International NWP Distribution

**NWP by market segment**

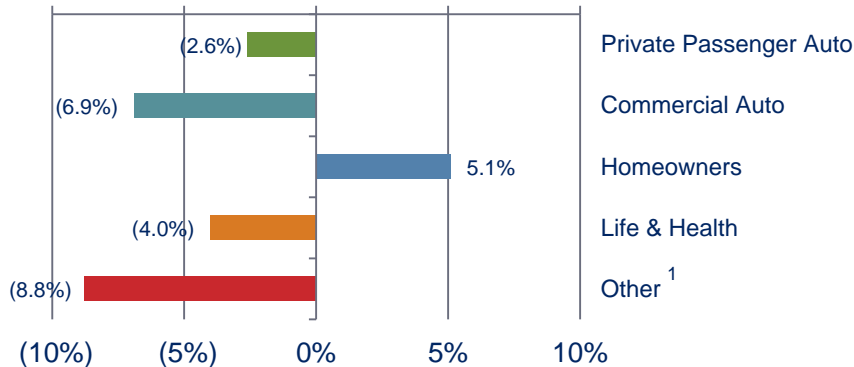
**NWP by line of business**



**YOY Change in NWP**



**YOY Change in NWP**



NWP for the first quarter of 2014 totaled \$1.284 billion, a decrease of \$48 million or 3.6% from the same period in 2013.

<sup>1</sup> Premium related to other personal and commercial lines including personal accident, bonds, workers compensation, property and fire, small and medium enterprise and marine and cargo lines of business.  
YOY: year-over-year



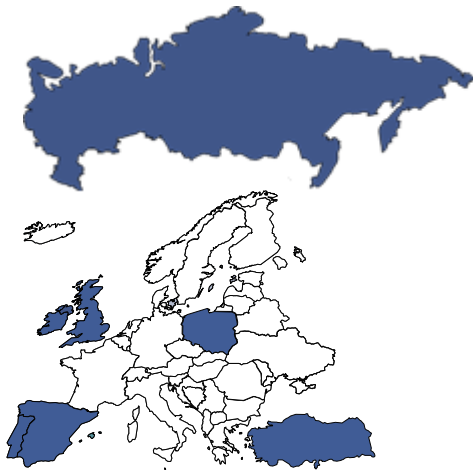
# Liberty International: Global Presence

(\$ millions)

Europe	2014 NWP	P&C Rank	P&C Share
Ireland	\$52	7 <sup>th</sup>	6.5%
Portugal	\$76	8 <sup>th</sup>	6.1%
Poland	\$24	14 <sup>th</sup>	1.1%
Spain	\$174	16 <sup>th</sup>	2.0%
Turkey	\$10	23 <sup>rd</sup>	0.8%
Russia	\$16	39 <sup>th</sup>	0.3%
Great Britain	\$16	N/A	N/A

Latin America	2014 NWP	P&C Rank	P&C Share
Venezuela <sup>3,4</sup>	\$392	1 <sup>st</sup>	14.8%
Colombia	\$82	3 <sup>rd</sup>	8.8%
Chile	\$30	5 <sup>th</sup>	9.1%
Ecuador	\$14	6 <sup>th</sup>	4.8%
Brazil <sup>2,4</sup>	\$260	9 <sup>th</sup>	2.9%

Asia & India	2014 NWP	P&C Rank	P&C Share
China <sup>5</sup>	\$31	3 <sup>rd</sup>	0.1%
Singapore	\$26	8 <sup>th</sup>	4.2%
Thailand <sup>2</sup>	\$44	9 <sup>th</sup>	3.0%
Vietnam	\$5	10 <sup>th</sup>	1.9%
Hong Kong <sup>1</sup>	\$24	15 <sup>th</sup>	2.0%
India	\$7	26 <sup>th</sup>	0.1%



Rankings Base – 2012 Gross Written Premium (GWP) except where noted:

<sup>1</sup> 2012 Net Written Premium

<sup>2</sup> 2012 Direct Written Premium

<sup>3</sup> Excludes government owned companies

<sup>4</sup> Reflects combined P&C and life markets

<sup>5</sup> Ranking based on non-domestic companies including Mandatory Third Party Liability  
Rankings are based on the most recent financial data available, which varies by country.

# Global Specialty

## NWP & PTOI



## Segment Highlights

- 5<sup>th</sup> largest Lloyd's Syndicate
- 2<sup>nd</sup> largest surety writer in the U.S.
- Business sold through broker and independent agent channels
- A premier specialty casualty lines underwriter
- Announced acquisition in Mexico

## Financial Performance

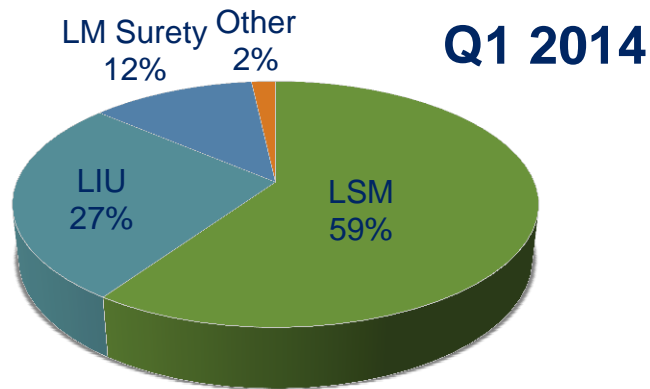
\$ millions	First Quarter		
	2014	2013	Change
NWP	\$1,485	\$1,400	6.1%
PTOI before catastrophes and net incurred losses attributable to prior years	\$173	\$175	(1.1%)
Catastrophes <sup>1</sup>	(23)	(15)	53.3
Net incurred losses attributable to prior years <sup>2</sup>	(9)	(30)	(70.0)
<b>Pre-tax operating income</b>	<b>\$141</b>	<b>\$130</b>	<b>8.5%</b>
<b>Combined ratio before catastrophes and net incurred losses attributable to prior years</b>			
Claims and claim adjustment expense ratio	58.3%	60.4%	(2.1)
Underwriting expense ratio	33.0	29.3	3.7
Dividend ratio	0.2	0.3	(0.1)
<b>Subtotal</b>	<b>91.5</b>	<b>90.0</b>	<b>1.5</b>
Catastrophes <sup>1</sup>	1.9	1.4	0.5
Net incurred losses attributable to prior years <sup>2</sup>	0.7	2.7	(2.0)
<b>Total combined ratio</b>	<b>94.1%</b>	<b>94.1%</b>	<b>-</b>

<sup>1</sup> Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, and Cyclone Oswald. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

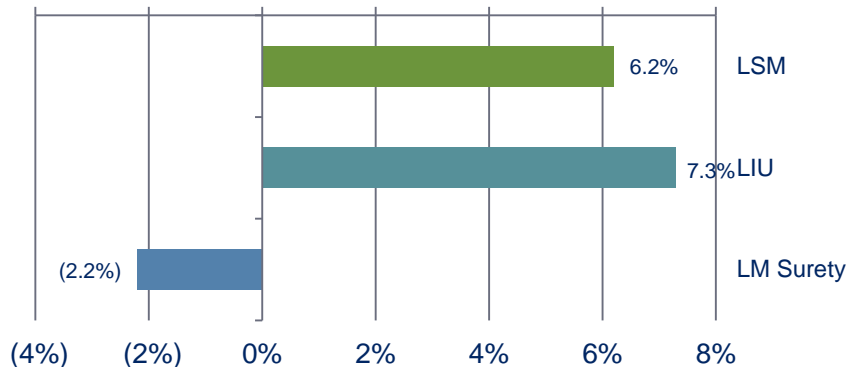
<sup>2</sup> Net of earned premium and reinstatement premium attributable to prior years of \$9 million for the three months ended March 31, 2014 and \$18 million for the same period in 2013.

# Global Specialty NWP Distribution

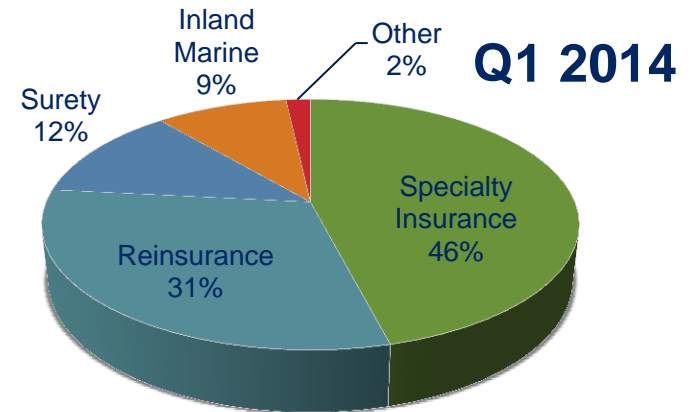
## NWP by market segment



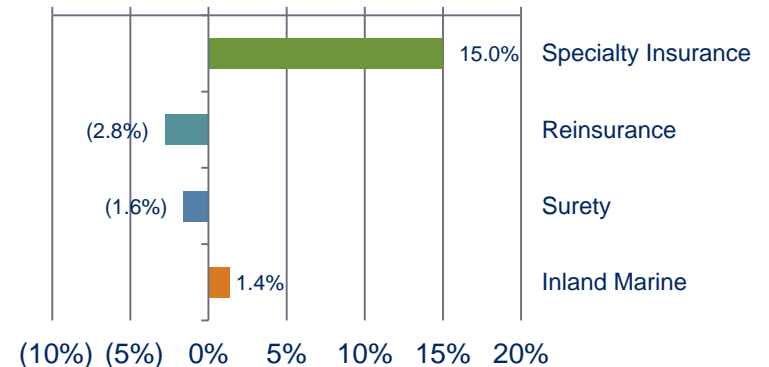
### YOY Change in NWP



## NWP by line of business



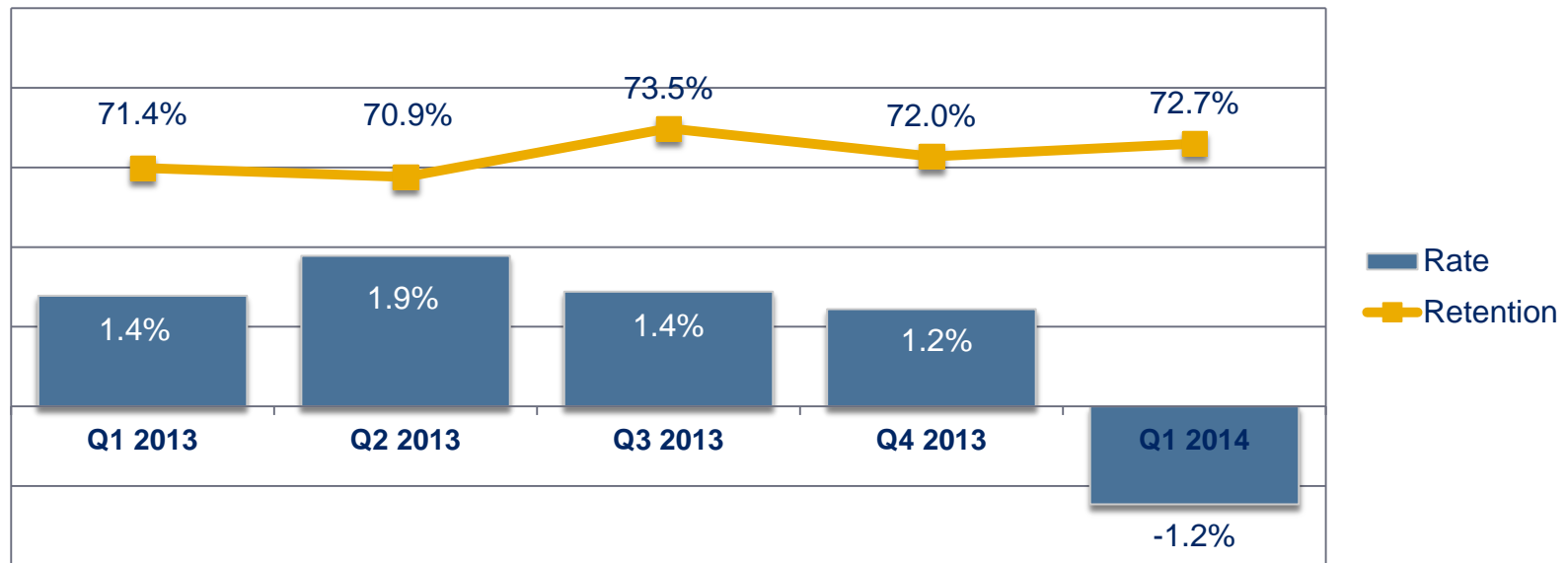
### YOY Change in NWP



NWP for the first quarter of 2014 totaled \$1.485 billion, an increase of \$85 million or 6.1% over the same period in 2013.

YOY: year-over-year

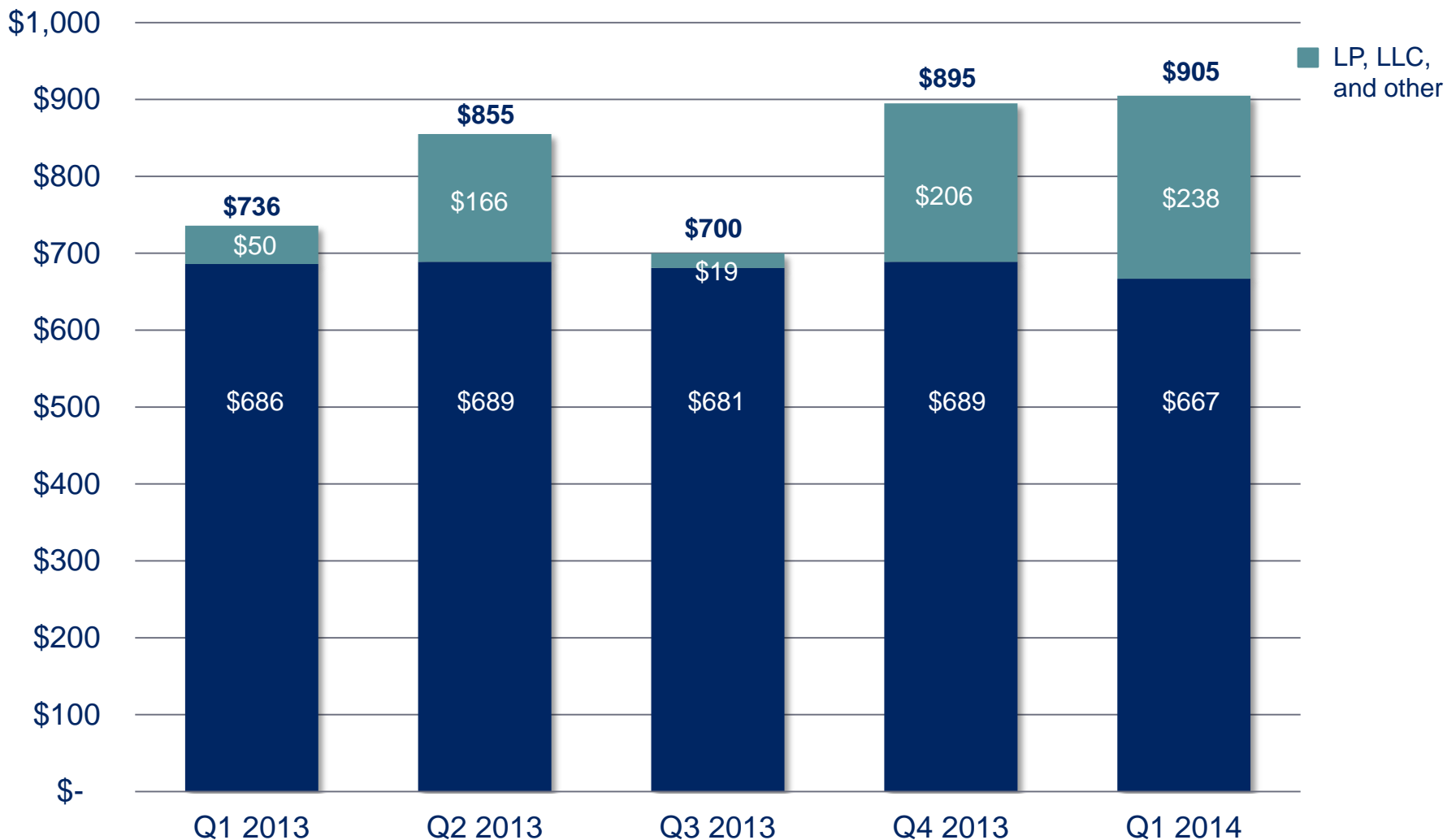
# Global Specialty: Rate & Retention



	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
<b>Specialty Insurance</b>					
Rate	1.5%	2.5%	1.7%	1.7%	0.8%
Retention	65.9%	68.5%	71.4%	71.6%	72.3%
<b>Reinsurance</b>					
Rate	1.0%	1.2%	0.9%	0.5%	(4.3%)
Retention	79.4%	79.8%	80.1%	74.2%	73.4%

# Net Investment Income

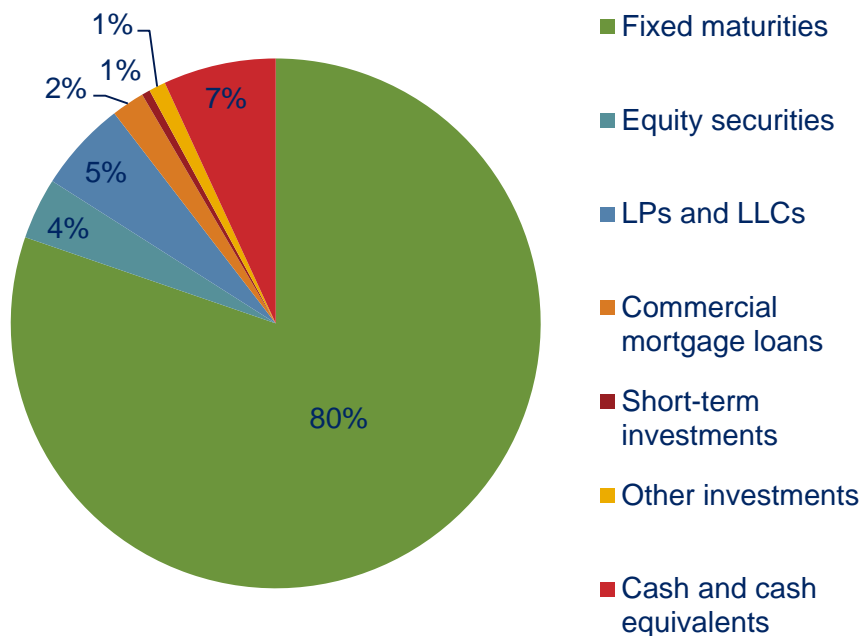
(\$ millions)



The above chart contains net investment income attributable to discontinued operations.

# Investment Mix and Capitalization

## Invested Assets



Total invested assets as of  
March 31, 2014: \$80.011 billion

(\$ millions)	March 31, 2014	December 31, 2013
Long-term debt	\$6,240	\$6,285
Adjusted debt <sup>1</sup>	\$5,240	\$5,285
Total equity	\$19,767	\$19,012
Less: AOCI	<u>\$1,132</u>	<u>\$640</u>
Total equity ex. AOCI	\$18,635	\$18,372
Total capital ex. AOCI	\$24,875	\$24,657
Adjusted debt-to-total capitalization (ex. AOCI)	21.1%	21.4%
Statutory surplus	\$17,284	\$17,508

<sup>1</sup> Assumes that the Series A and B Junior Subordinated Notes receive 100% equity credit, as per S&P.

# Holding Company Interest Coverage

(\$ millions)	
Preferred dividends	\$91
Remaining dividend capacity	<u>\$1,496</u>
2014 dividend capacity <sup>1</sup>	\$1,587
Estimated PTOI from LMG service companies/fees	<u>\$366</u>
Total available funding	\$1,953
Interest expense <sup>2</sup>	\$331
<b>Holding company interest coverage</b>	<b>5.9x</b>

<sup>1</sup> Represents the estimated maximum allowable dividend without prior regulatory approval in the state of domicile. Available dividend capacity is calculated as 2014 dividend capacity less dividends paid for the preceding twelve months. Dividends paid April 1, 2013 through March 31, 2014 were \$215 million.

<sup>2</sup> Represents the expected run-rate for interest expense at Liberty Mutual Group Inc. excluding 2014 maturities.

# Reconciliation of Statement of Income to Combined Ratio

For the three months ended March 31, 2014					\$ millions
Combined ratio components:	Statement of income	Presentation reclass <sup>1</sup>	Less: Life insurance <sup>2</sup>	Less: Non underwriting expenses and other adjustments <sup>3</sup>	Combined Ratio
Premiums earned	\$8,629		(\$378)	(\$129)	\$8,122
Benefits, claims and claim adjustment expenses	6,021		(421)	(4)	5,596
Operating costs and expenses	1,782	(8)	(85)	(412)	1,277
Amortization of deferred policy acquisition costs	1,227		(18)	2	1,211
Dividends to policyholders	N/A	8	(2)	-	6
<b>Total combined ratio</b>					<b>99.6%</b>

For the three months ended March 31, 2013					\$ millions
Combined ratio components:	Statement of income	Presentation reclass <sup>1</sup>	Less: Life insurance <sup>2</sup>	Less: Non underwriting expenses and other adjustments <sup>3</sup>	Combined Ratio
Premiums earned	\$8,165		(\$345)	(\$87)	\$7,733
Benefits, claims and claim adjustment expenses	5,604		(359)	(5)	5,240
Operating costs and expenses	1,600	(12)	(77)	(311)	1,200
Amortization of deferred policy acquisition costs	1,144		(17)	12	1,139
Dividends to policyholders	N/A	12	(2)	(2)	8
<b>Total combined ratio</b>					<b>98.1%</b>

<sup>1</sup> Dividends to policyholders

<sup>2</sup> Life insurance excluded from P&C combined ratio

<sup>3</sup> Includes adjustments for Venezuela devaluation and foreign exchange, non-underwriting expenses primarily related to the Company's energy production and service operations, fee income, and installment charges



# About Liberty Mutual Insurance

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and third largest property and casualty insurer in the U.S. based on 2013 direct written premium. The Company also ranks 81<sup>st</sup> on the Fortune 100 list of largest corporations in the U.S. based on 2012 revenue. As of December 31, 2013, LMHC had \$121.282 billion in consolidated assets, \$102.270 billion in consolidated liabilities, and \$38.509 billion in annual consolidated revenue.

The Company conducts substantially all of its business through strategic business units, with each operating independently of the others with dedicated sales, underwriting, claims, actuarial, financial and certain information technology resources. Management believes this structure allows each business unit to execute its business strategy without impacting or disrupting the operations of the Company's other business units.

LMHC employs more than 50,000 people in approximately 900 offices throughout the world. For a full description of the Company's business operations, products and distribution channels, please visit Liberty Mutual's Investor Relations web site at [www.libertymutual.com/investors](http://www.libertymutual.com/investors).

## Additional Notes

The Company's financial results, management's discussion and analysis of operating results and financial condition, accompanying financial statements and other supplemental financial information for the three months ended March 31, 2014 are available on the Company's Investor Relations website at [www.libertymutual.com/investors](http://www.libertymutual.com/investors).

The Company's discussions related to net income are presented in conformity with U.S. generally accepted accounting principles ("GAAP") on an after-tax basis. All other discussions are presented on a pre-tax GAAP basis, unless otherwise noted. Further, the Company notes that it may make material information regarding the Company available to the public, from time to time, via the Company's Investor Relations website at [www.libertymutual.com/investors](http://www.libertymutual.com/investors) (or any successor site).

The Company's annual audited financial statements and the Report of Independent Registered Public Accounting Firm on the Effectiveness of Internal Control Over Financial Reporting are also published on the Company's Investor Relations website at [www.libertymutual.com/investors](http://www.libertymutual.com/investors).



**Liberty Mutual<sup>®</sup>**

---

**INSURANCE**