



Financial Supplement
Quarter Ended June 30, 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 June 30, 2012 & 2011	1
- Reconciliation of PTOI to Net Income - Six Months Ended June 30, 2012 & 2011	2
- Combined Ratio - Three Months Ended June 30, 2012 & 2011	3
- Combined Ratio - Six Months Ended June 30, 2012 & 2011	4
Reinsurance Recoverables	
- Reinsurance Overview	5
- Footnotes to Reinsurance Recoverable Exhibits	6
- Distribution of Reinsurance Recoverables by A.M. Best Rating	7
- Distribution of Reinsurance Recoverables by Standard & Poor's Rating	8
- Top 15 Reinsurance Recoverables by Group	9
Investments	
- Issuer and Sector Exposures	10

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended June 30, 2012						Three Months Ended June 30, 2011					
	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated
Revenues	\$2,884	\$2,157	\$2,330	\$1,646	\$140	\$9,157	\$2,857	\$1,977	\$2,079	\$1,573	\$74	\$8,560
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, current accident year re-estimation and LP and LLC ¹ income	\$334	\$344	\$172	\$106	(\$278)	\$678	\$401	\$330	\$216	\$86	(\$171)	\$862
Catastrophes ²	(397)	(300)	12	(36)	70	(651)	(800)	(386)	(85)	(86)	94	(1,263)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	(2)	(2)	-	-	-	-	(1)	(1)
- All other ³	32	4	-	-	5	41	86	(3)	26	5	(101)	13
Current accident year re-estimation ⁴	(5)	-	-	(13)	-	(18)	(9)	-	-	-	-	(9)
Pre-tax operating (loss) income before LP and LLC income	(36)	48	184	57	(205)	48	(322)	(59)	157	5	(179)	(398)
LP and LLC income	1	-	-	-	90	91	1	-	-	-	127	128
Pre-tax operating (loss) income	(35)	48	184	57	(115)	139	(321)	(59)	157	5	(52)	(270)
Net realized gains						172						51
Loss on extinguishment of debt						(148)						(40)
Pre-tax income (loss)						163						(259)
Income tax (expense) benefit						(28)						80
Consolidated net income (loss)						135						(179)
Less: Net loss attributable to non-controlling interest						(4)						-
Net income (loss) attributable to Liberty Mutual Holding Company Inc.						\$139						(\$179)

¹ Limited partnership ("LP") and limited liability company ("LLC") income is included in net investment income in the accompanying 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 except for the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the 2011 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.

⁴ Re-estimation of the current accident year loss reserves for the three months ended March 31, 2012 and March 31, 2011.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Six Months Ended June 30, 2012						Six Months Ended June 30, 2011					
	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated
Revenues	\$5,742	\$4,238	\$4,597	\$3,260	\$201	\$18,038	\$5,669	\$3,894	\$4,052	\$3,132	\$194	\$16,941
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years and LP and LLC ¹ income	\$690	\$689	\$359	\$206	(\$491)	\$1,453	\$706	\$612	\$370	\$169	(\$388)	\$1,469
Catastrophes ²	(585)	(416)	19	(89)	99	(972)	(995)	(507)	(337)	(136)	124	(1,851)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	(4)	(4)	-	-	-	-	(2)	(2)
- All other ³	49	(6)	(44)	9	19	27	184	2	65	2	(30)	223
Pre-tax operating income (loss) before LP and LLC income	154	267	334	126	(377)	504	(105)	107	98	35	(296)	(161)
LP and LLC income	2	-	-	-	210	212	1	-	-	-	337	338
Pre-tax operating income (loss)	156	267	334	126	(167)	716	(104)	107	98	35	41	177
Net realized gains						221						127
Loss on extinguishment of debt						(163)						(40)
Pre-tax income						774						264
Income tax expense						(183)						(76)
Consolidated net income						591						188
Less: Net (loss) income attributable to non-controlling interest						(7)						3
Net income attributable to Liberty Mutual Holding Company Inc.						\$598						\$185

¹ Limited partnership ("LP") and limited liability company ("LLC") income is included in net investment income in the accompanying 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 except for the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the 2011 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 June 30, 2012					Three Months Ended June 30, 2011				
	LMAC	Personal Markets	International	Commercial Markets	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Consolidated
Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation										
Claims and claim adjustment expense ratio	62.1%	60.8%	67.3%	86.6%	67.7%	59.9%	62.0%	65.1%	85.2%	66.2%
Underwriting expense ratio	31.4%	25.1%	32.5%	24.2%	29.5%	31.2%	24.2%	31.4%	25.5%	28.2%
Dividend ratio	0.2%	-	-	0.6%	0.2%	0.2%	-	-	0.5%	0.1%
Subtotal	93.7%	85.9%	99.8%	111.4%	97.4%	91.3%	86.2%	96.5%	111.2%	94.5%
Catastrophes ¹	14.9%	16.7%	(0.7%)	3.1%	8.6%	30.6%	23.2%	4.5%	7.9%	17.7%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	0.2%	-	-	-	-	0.3%
- All other	(1.2%)	(0.2%)	0.1%	(0.3%)	(0.5%)	(3.3%)	0.2%	(1.4%)	(0.7%)	(0.1%)
Current accident year re-estimation ²	0.2%	-	-	1.1%	0.2%	0.3%	-	-	-	0.1%
Total combined ratio ³	107.6%	102.4%	99.2%	115.3%	105.9%	118.9%	109.6%	99.6%	118.4%	112.5%

¹ Catastrophes include all current and prior accident year catastrophe losses incurred excluding losses related to the Company's external reinsurance assumed lines except for the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the 2011 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 Re-estimation of the current accident year loss reserves for the three months ended March 31, 2012 and March 31, 2011.

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 and certain other run off.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Six Months Ended June 30, 2012					Six Months Ended June 30, 2011				
Combined ratio before catastrophes and net incurred losses attributable to prior years	LMAC	Personal Markets	International	Commercial Markets	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Consolidated
Claims and claim adjustment expense ratio	61.5%	61.2%	67.2%	85.9%	67.3%	61.5%	62.8%	65.9%	85.4%	67.1%
Underwriting expense ratio	31.5%	24.8%	32.2%	24.3%	29.3%	31.3%	24.2%	31.4%	25.1%	28.4%
Dividend ratio	0.2%	-	-	0.6%	0.2%	0.2%	-	-	0.6%	0.2%
Subtotal	93.2%	86.0%	99.4%	110.8%	96.8%	93.0%	87.0%	97.3%	111.1%	95.7%
Catastrophes ¹	11.0%	11.7%	(0.5%)	3.9%	6.5%	19.3%	15.4%	9.2%	6.3%	13.2%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	0.3%	-	-	-	-	0.2%
- All other	(0.9%)	0.2%	1.1%	(0.6%)	(0.2%)	(3.6%)	(0.1%)	(1.7%)	(0.2%)	(1.6%)
Total combined ratio ²	103.3%	97.9%	100.0%	114.1%	103.4%	108.7%	102.3%	104.8%	117.2%	107.5%

¹ Catastrophes include all current and prior accident year catastrophe losses incurred excluding losses related to the Company's external reinsurance assumed lines except for the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the 2011 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 and certain other run off.

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 June 30, 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 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.
- ⁶ 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.
- ⁷ 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.
- ⁸ Reinsurers not rated by A.M. Best Co. and/or Standard & Poor's.
- ⁹ Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by A.M. Best Rating ¹

As of June 30, 2012

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{5,6}				
A++	\$ 737	\$ 356	\$ 393	4%
A+	\$ 5,838	\$ 1,657	\$ 4,370	44%
A	\$ 1,585	\$ 120	\$ 1,503	15%
A-	\$ 43	\$ 2	\$ 42	1%
B++	\$ 30	\$ 12	\$ 19	0%
B+	\$ 18	\$ 4	\$ 14	0%
B or Below	\$ 1	\$ -	\$ 1	0%
Subtotal	\$ 8,252	\$ 2,151	\$ 6,342	64%
Pools & Associations				
State mandated involuntary pools and associations ⁷	\$ 2,640	\$ 4	\$ 2,638	27%
Voluntary	\$ 348	\$ 66	\$ 299	3%
Subtotal	\$ 2,988	\$ 70	\$ 2,937	30%
Non-Rated Entities ⁸				
Captives & fronting companies	\$ 1,716	\$ 1,850	\$ 191	2%
Other	\$ 573	\$ 661	\$ 356	4%
Subtotal	\$ 2,289	\$ 2,511	\$ 547	6%
Grand Total	\$ 13,529	\$ 4,732	\$ 9,826	100%

See explanation of footnoted items on page 6 of financial supplement.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by Standard & Poor's Rating ¹

As of June 30, 2012

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{5,6}				
AAA	\$ 1	\$ -	\$ 1	0%
AA+, AA, AA-	\$ 3,984	\$ 1,489	\$ 2,638	27%
A+, A, A-	\$ 4,082	\$ 699	\$ 3,504	35%
BBB+, BBB, BBB -	\$ 15	\$ -	\$ 15	0%
BB+ or Below	\$ 20	\$ 5	\$ 16	0%
Subtotal	\$ 8,102	\$ 2,193	\$ 6,174	62%
Pools & Associations				
State mandated involuntary pools and associations ⁷	\$ 2,640	\$ 4	\$ 2,638	27%
Voluntary	\$ 348	\$ 66	\$ 299	3%
Subtotal	\$ 2,988	\$ 70	\$ 2,937	30%
Non-Rated Entities ⁸				
Captives & fronting companies	\$ 1,716	\$ 1,850	\$ 191	2%
Other	\$ 723	\$ 619	\$ 524	6%
Subtotal	\$ 2,439	\$ 2,469	\$ 715	8%
Grand Total	\$ 13,529	\$ 4,732	\$ 9,826	100%

See explanation of footnoted items on page 6 of financial supplement.

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of June 30, 2012

(dollars in millions)

Reinsurance Groups ⁹ (Data in Millions)	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴
1 Swiss Re Group	\$ 2,199	\$ 971	\$ 1,327
2 Nationwide Group	\$ 1,460	\$ -	\$ 1,460
3 Everest Re Group	\$ 586	\$ 238	\$ 379
4 Munich Re Group	\$ 544	\$ 42	\$ 508
5 UPINSCO	\$ 519	\$ 566	-
6 Berkshire Hathaway Insurance Group	\$ 449	\$ 242	\$ 220
7 PartnerRe Group	\$ 358	\$ 287	\$ 110
8 Alleghany Corporation	\$ 315	\$ -	\$ 315
9 Chubb Group of Insurance Companies	\$ 257	\$ 114	\$ 143
10 Lloyd's of London	\$ 223	\$ 1	\$ 223
11 Exchange Indemnity Co.	\$ 207	\$ 125	\$ 84
12 Builders Credit Reinsurance Co. SA	\$ 194	\$ 263	-
13 AEGIS Group	\$ 192	\$ 208	-
14 Equitas Insurance Limited	\$ 181	\$ -	\$ 181
15 W. R. Berkley Group	\$ 175	\$ 1	\$ 173
State Mandated Involuntary pools and associations ⁷	\$ 2,640	\$ 4	\$ 2,638
Voluntary pools and associations	\$ 348	\$ 66	\$ 299
All Other	\$ 2,682	\$ 1,604	\$ 1,766
Total Reinsurance Recoverables	\$ 13,529	\$ 4,732	\$ 9,826

See explanation of footnoted items on page 6 of financial supplement.

LIBERTY MUTUAL HOLDING COMPANY INC.
Issuer and Sector Exposure as of June 30, 2012
(dollars in millions)
(Unaudited)

Top 20 Issuers	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Government of Venezuela	\$1,092	\$0	\$0	\$1,092	1.44%
2 Government of Brazil	915	0	0	915	1.21%
3 Government of Canada	555	0	10	565	0.75%
4 Bank of America Corp	281	109	0	390	0.52%
5 State of Florida	375	0	0	375	0.50%
6 Invenegy	342	0	0	342	0.44%
7 Wells Fargo & Co	297	6	0	303	0.40%
8 Government of Colombia	301	0	0	301	0.40%
9 State of California	297	0	0	297	0.39%
10 Citigroup Inc	280	4	0	284	0.38%
11 Berkshire Hathaway Inc	279	2	0	281	0.37%
12 Southern Co	222	45	0	267	0.35%
13 General Electric Co	253	8	1	262	0.35%
14 Government of France	252	0	4	256	0.34%
15 Commonwealth of Massachusetts	251	0	0	251	0.33%
16 JP Morgan Chase & Co	210	33	0	243	0.32%
17 Telefonica SA	243	0	0	243	0.32%
18 AT&T Corp	239	3	1	243	0.32%
19 US Bancorp	171	69	0	240	0.32%
20 State of Texas	231	0	0	231	0.31%
	\$7,086	\$279	\$16	\$7,381	9.76%

Top 20 Sectors	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Municipal	\$13,337	\$0	\$0	\$13,337	17.63%
2 Sovereign	5,112	0	28	5,140	6.80%
3 Banks	4,077	407	40	4,524	5.98%
4 Electric	2,628	80	5	2,713	3.59%
5 Oil&Gas	1,782	764	0	2,546	3.37%
6 Telecommunications	1,825	44	14	1,883	2.49%
7 Retail	1,476	55	0	1,531	2.02%
8 Diversified Finan Serv	1,360	31	7	1,398	1.85%
9 Transportation	992	16	0	1,008	1.33%
10 Food	941	36	1	978	1.29%
11 Mining	748	213	0	961	1.27%
12 Media	928	23	1	952	1.26%
13 Beverages	864	9	3	876	1.16%
14 Insurance	718	132	3	853	1.13%
15 Real Estate	25	673	0	698	0.92%
16 Miscellaneous Manufactur	644	22	0	666	0.88%
17 Pharmaceuticals	606	49	0	655	0.86%
18 Chemicals	536	28	0	564	0.75%
19 Aerospace/Defense	487	9	0	496	0.66%
20 Regional(state/provnc)	490	0	0	490	0.65%
	\$39,576	\$2,591	\$102	\$42,269	55.89%

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.