



Financial Supplement  
Quarter Ended June 30, 2014

**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 June 30, 2014						Three Months Ended June 30, 2013					
	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Corporate and Other	Consolidated	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Corporate and Other	Consolidated
Revenues	\$3,983	\$2,781	\$1,605	\$1,269	\$301	\$9,939	\$3,652	\$2,793	\$1,558	\$1,243	\$394	\$9,640
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and foreign exchange and LP and LLC <sup>1</sup> income	\$746	\$332	\$15	\$163	(\$225)	\$1,031	\$661	\$226	\$28	\$177	(\$243)	\$849
Catastrophes <sup>2</sup>	(580)	(109)	-	2	11	(676)	(542)	(102)	-	(45)	42	(647)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	(1)	(1)	-	-	-	-	(3)	(3)
- All other <sup>3</sup>	(26)	16	24	(7)	(26)	(19)	6	56	19	(20)	24	85
Venezuela devaluation and foreign exchange	-	-	89	-	2	91	-	-	78	-	-	78
Pre-tax operating income (loss) before LP and LLC income	140	239	128	158	(239)	426	125	180	125	112	(180)	362
LP and LLC income	-	-	-	-	118	118	-	2	-	-	218	220
Pre-tax operating income (loss)	140	239	128	158	(121)	544	125	182	125	112	38	582
Net realized gains						46						63
SBU realignment expense						-						(2)
Loss on extinguishment of debt						-						(39)
Pre-tax income						590						604
Income tax expense						185						162
Consolidated net income before discontinued operations						405						442
Discontinued operations, net of tax						(17)						5
Consolidated net income						388						447
Less: Net loss attributable to non-controlling interest						(5)						(1)
<b>Net income attributable to Liberty Mutual Holding Company Inc.</b>						<b>\$393</b>						<b>\$448</b>

<sup>1</sup> Limited partnership ("LP") and limited liability company ("LLC") income is included in net investment income in the accompanying Consolidated Statements of Income.

<sup>2</sup> Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, windstorm Ela, Cyclone Oswald and Central European floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>3</sup> Net of earned premium and reinstatement premium attributable to prior years and amortization of deferred gains on retroactive reinsurance.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Reconciliation of PTOI to Net Income**

(dollars in millions)

(Unaudited)

	Six Months Ended June 30, 2014						Six Months Ended June 30, 2013					
	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Corporate and Other	Consolidated	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Corporate and Other	Consolidated
Revenues	\$7,856	\$5,532	\$2,919	\$2,558	\$733	\$19,598	\$7,166	\$5,609	\$2,872	\$2,459	\$499	\$18,605
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and foreign exchange and LP and LLC <sup>1</sup> income	\$1,298	\$608	\$52	\$340	(\$394)	\$1,904	\$1,192	\$457	\$67	\$354	(\$430)	\$1,640
Catastrophes <sup>2</sup>	(915)	(232)	(9)	(21)	14	(1,163)	(711)	(142)	-	(60)	44	(869)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	(2)	(2)	-	-	-	-	(4)	(4)
- All other <sup>3</sup>	(36)	38	29	(16)	4	19	(10)	91	22	(50)	10	63
Venezuela devaluation and foreign exchange	-	-	71	-	-	71	-	-	135	-	(3)	132
Pre-tax operating income (loss) before LP and LLC income	347	414	143	303	(378)	829	471	406	224	244	(383)	962
LP and LLC income	-	9	-	-	375	384	-	4	-	-	264	268
Pre-tax operating income (loss)	347	423	143	303	(3)	1,213	471	410	224	244	(119)	1,230
Net realized losses						(159)						(134)
SBU realignment expense						-						(3)
Loss on extinguishment of debt						-						(60)
Pre-tax income						1,054						1,033
Income tax expense						323						286
Consolidated net income before discontinued operations						731						747
Discontinued operations, net of tax						(81)						10
Consolidated net income						650						757
Less: Net loss attributable to non-controlling interest						(15)						(9)
<b>Net income attributable to Liberty Mutual Holding Company Inc.</b>						<b>\$665</b>						<b>\$766</b>

<sup>1</sup> Limited partnership ("LP") and limited liability company ("LLC") income is included in net investment income in the accompanying Consolidated Statements of Income.

<sup>2</sup> Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, windstorm Ela, Cyclone Oswald and Central European floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>3</sup> Net of earned premium and reinstatement 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)

	<b>Three Months Ended June 30, 2014<sup>1</sup></b>					<b>Three Months Ended June 30, 2013<sup>1</sup></b>				
	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated
<b>Combined ratio before catastrophes and net incurred losses attributable to prior years</b>										
Claims and claim adjustment expense ratio	58.8%	64.7%	67.3%	59.2%	61.7%	58.4%	70.6%	66.5%	61.4%	63.6%
Underwriting expense ratio	24.8%	31.0%	38.8%	33.0%	30.2%	25.9%	31.5%	39.1%	29.4%	30.5%
Dividend ratio	-	(0.1%)	-	0.1%	-	-	0.3%	-	0.2%	0.1%
Subtotal	83.6%	95.6%	106.1%	92.3%	91.9%	84.3%	102.4%	105.6%	91.0%	94.2%
Catastrophes <sup>2</sup>	15.2%	5.8%	-	(0.1%)	8.2%	15.6%	5.3%	-	3.9%	8.3%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	-	-	-	-	-	0.1%
- All Other <sup>3</sup>	0.7%	(0.8%)	(1.8%)	0.6%	0.3%	(0.2%)	(2.9%)	(1.5%)	1.7%	(1.2%)
<b>Total combined ratio<sup>4</sup></b>	<b>99.5%</b>	<b>100.6%</b>	<b>104.3%</b>	<b>92.8%</b>	<b>100.4%</b>	<b>99.7%</b>	<b>104.8%</b>	<b>104.1%</b>	<b>96.6%</b>	<b>101.4%</b>

<sup>1</sup> The combined ratio has 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 severe storms in the U.S., U.K. and Ireland floods, windstorm Ela, Cyclone Oswald and Central European floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>3</sup> Net of earned premium and reinstatement premium attributable to prior years and amortization of deferred gains on retroactive reinsurance.

<sup>4</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.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Combined Ratio by Strategic Business Unit**

(Unaudited)

	<b>Six Months Ended June 30, 2014<sup>1</sup></b>					<b>Six Months Ended June 30, 2013<sup>1</sup></b>				
	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated
<b>Combined ratio before catastrophes and net incurred losses attributable to prior years</b>										
Claims and claim adjustment expense ratio	60.5%	66.2%	66.0%	58.7%	62.5%	60.0%	70.8%	66.1%	60.9%	64.1%
Underwriting expense ratio	25.4%	31.0%	39.2%	32.8%	30.5%	26.0%	30.8%	38.8%	29.3%	30.4%
Dividend ratio	-	0.1%	-	0.2%	-	-	0.2%	-	0.2%	0.1%
Subtotal	85.9%	97.3%	105.2%	91.7%	93.0%	86.0%	101.8%	104.9%	90.4%	94.6%
Catastrophes <sup>2</sup>	12.1%	6.2%	0.3%	0.9%	7.1%	10.4%	3.6%	-	2.7%	5.5%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	-	-	-	-	-	0.1%
- All Other <sup>3</sup>	0.5%	(1.1%)	(1.1%)	0.6%	(0.1%)	0.1%	(2.2%)	(0.8%)	2.2%	(0.4%)
<b>Total combined ratio<sup>4</sup></b>	<b>98.5%</b>	<b>102.4%</b>	<b>104.4%</b>	<b>93.2%</b>	<b>100.0%</b>	<b>96.5%</b>	<b>103.2%</b>	<b>104.1%</b>	<b>95.3%</b>	<b>99.8%</b>

<sup>1</sup> The combined ratio has 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 severe storms in the U.S., U.K. and Ireland floods, windstorm Ela, Cyclone Oswald and Central European floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>3</sup> Net of earned premium and reinstatement premium attributable to prior years and amortization of deferred gains on retroactive reinsurance.

<sup>4</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.

**LIBERTY MUTUAL HOLDING COMPANY INC.**  
**Issuer and Sector Exposure as of June 30, 2014**  
(dollars in millions)  
(Unaudited)

<b>Top 20 Issuers</b>	<b>Fixed Maturity</b>	<b>Equity</b>	<b>Short Term</b>	<b>Total Exposure</b>	<b>Percent of Invested Assets</b>
1 Government of Venezuela	\$ 952	\$ 0	\$ 0	\$ 952	1.19%
2 Government of Brazil	764	0	0	764	0.96%
3 Government of Canada	532	0	0	532	0.67%
4 Inverney	196	221	0	417	0.52%
5 Government of Spain	376	0	0	376	0.47%
6 Government of United Kingdom	356	0	3	359	0.45%
7 State of Florida	358	0	0	358	0.45%
8 Bank of America Corp	272	70	0	342	0.43%
9 State of California	338	0	0	338	0.42%
10 Wells Fargo & Co	322	5	0	327	0.41%
11 Government of Germany	311	0	0	311	0.39%
12 JP Morgan Chase & Co	256	34	0	290	0.36%
13 Government of Colombia	289	0	0	289	0.36%
14 Government of Ireland	271	0	0	271	0.34%
15 General Electric Co	264	6	0	270	0.34%
16 Government of Italy	267	0	0	267	0.33%
17 State of Washington	266	0	0	266	0.33%
18 Citigroup Inc	245	3	0	248	0.31%
19 US Bancorp	165	69	0	234	0.29%
20 Southern Co	185	43	0	228	0.29%
	<b>\$ 6,985</b>	<b>\$ 451</b>	<b>\$ 3</b>	<b>\$ 7,439</b>	<b>9.31%</b>

<b>Top 20 Sectors</b>	<b>Fixed Maturity</b>	<b>Equity</b>	<b>Short Term</b>	<b>Total Exposure</b>	<b>Percent of Invested Assets</b>
1 Banking	\$ 4,341	\$ 502	\$ 418	\$ 5,261	6.58%
2 Foreign Government	5,024	0	10	5,034	6.30%
3 Electric	2,896	90	0	2,986	3.74%
4 US Municipal - State	2,143	0	0	2,143	2.68%
5 US Municipal - Education	2,116	0	0	2,116	2.65%
6 Integrated Energy	1,034	826	0	1,860	2.33%
7 US Municipal - Healthcare	1,662	0	0	1,662	2.08%
8 Food and Beverage	1,535	63	3	1,601	2.00%
9 Metals	837	538	0	1,375	1.72%
10 Diversified Manufacturing	1,300	44	0	1,344	1.68%
11 Technology	1,045	274	0	1,319	1.65%
12 Retailers	1,158	78	0	1,236	1.55%
13 US Municipal - Local	1,191	0	0	1,191	1.49%
14 US Municipal - Transportation	1,082	0	0	1,082	1.35%
15 US Municipal - Water & Sewer	1,055	0	0	1,055	1.32%
16 Wirelines	1,018	26	1	1,045	1.31%
17 Insurance	900	131	1	1,032	1.29%
18 US Municipal - Power	957	0	0	957	1.20%
19 Automotive	846	36	1	883	1.10%
20 Wireless	842	11	0	853	1.07%
	<b>\$ 32,982</b>	<b>\$ 2,619</b>	<b>\$ 434</b>	<b>\$ 36,035</b>	<b>45.09%</b>

Note: Tables exclude US Treasury and agency securities, mortgage-backed securities, and municipal obligations that are pre-refunded or escrowed to maturity.