Financial Supplement

Quarter Ended September 30, 2011

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended September 30, 2011						Three Months Ended September 30, 2010					
	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated
Revenues	$2,884	$2,045	$2,181	$1,596	$61	$8,767	$2,969	$1,891	$2,007	$1,571	($51)	$8,387
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, private equity income, Venezuela devaluation and current accident year re-estimation	$308	$301	$160	$79	($278)	$570	$344	$280	$143	$76	($319)	$524
Catastrophes [1, 2]	(345)	(297)	19	(43)	70	(596)	(63)	(66)	(7)	(13)	16	(133)
Net incurred losses attributable to prior years:												
- Asbestos & environmental [3]	-	-	-	-	(339)	(339)	-	-	-	-	(2)	(2)
- All other [4]	60	16	(8)	5	(1)	72	57	3	15	16	(3)	88
Venezuela devaluation	-	-	-	-	-	-	-	-	66	-	-	66
Current accident year re-estimation [5]	(33)	-	-	(15)	-	(48)	(15)	-	-	(15)	-	(30)
Pre-tax operating (loss) income before private equity income	(10)	20	171	26	(548)	(341)	323	217	217	64	(308)	513
Private equity income [6]	1	-	-	-	137	138	1	-	-	-	144	145
Pre-tax operating (loss) income	(9)	20	171	26	(411)	(203)	324	217	217	64	(164)	658
Net realized gains						41						86
Loss on extinguishment of debt						(37)						-
Income tax benefit (expense)						88						(177)
Net (loss) income						**($111)**						**$567**

[1] Catastrophes include all current and prior year catastrophe losses 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 2010 Chile and New Zealand earthquakes, 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene 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] Catastrophes reflect the catastrophe losses ceded under the homeowners quota share agreement.

[3] Includes $295 million of strengthening of asbestos related reserves in connection with a ground-up reserve study.

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

[5] Re-estimation of the current accident year loss reserves for the six months ended June 30, 2011 and June 30, 2010.

[6] Private equity income is included in net investment income in the consolidated statements of operations.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Nine Months Ended September 30, 2011						Nine Months Ended September 30, 2010					
	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated
Revenues	$8,553	$5,936	$6,233	$4,728	$258	$25,708	$8,822	$5,566	$5,917	$4,665	($327)	$24,643
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, private equity income (loss) and Venezuela devaluation	$991	$918	$528	$232	($670)	$1,999	$1,035	$832	$398	$231	($809)	$1,687
Catastrophes [1, 2]	(1,340)	(804)	(318)	(179)	194	(2,447)	(472)	(404)	(120)	(69)	5	(1,060)
Net incurred losses attributable to prior years:												
- Asbestos & environmental [3]	-	-	-	-	(341)	(341)	-	-	-	-	(5)	(5)
- All other [4]	244	18	57	7	(31)	295	186	9	72	40	(132)	175
Venezuela devaluation	-	-	-	-	-	-	-	-	203	-	-	203
Pre-tax operating (loss) income before private equity income (loss)	(105)	132	267	60	(848)	(494)	749	437	553	202	(941)	1,000
Private equity income (loss) [5]	2	-	-	-	474	476	(4)	-	-	-	238	234
Pre-tax operating (loss) income	(103)	132	267	60	(374)	(18)	745	437	553	202	(703)	1,234
Net realized gains						168						292
Loss on extinguishment of debt						(77)						-
Income tax benefit (expense)						8						(424)
Net income						**$81**						**$1,102**

[1] Catastrophes include all current and prior year catastrophe losses 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 2010 Chile and New Zealand earthquakes, 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene 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] Catastrophes reflect the catastrophe losses ceded under the homeowners quota share agreement.

[3] Includes $295 million of strengthening of asbestos related reserves in connection with a ground-up reserve study.

[4] 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 first quarter.

[5] Private equity income is included in net investment income in the consolidated statements of operations.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Three Months Ended September 30, 2011					Three Months Ended September 30, 2010 [1]				
Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation	LMAC	Personal Markets	International	Commercial Markets	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Consolidated
Claims and claims adjustment expense ratio	63.3%	64.3%	67.6%	86.1%	69.1%	63.4%	64.4%	68.1%	83.9%	69.1%
Underwriting expense ratio	31.2%	23.4%	31.6%	25.1%	28.7%	30.1%	24.3%	30.9%	25.0%	28.6%
Dividend ratio	0.2%	-	-	0.5%	0.1%	0.3%	-	-	0.5%	0.2%
Subtotal	**94.7%**	**87.7%**	**99.2%**	**111.7%**	**97.9%**	**93.8%**	**88.7%**	**99.0%**	**109.4%**	**97.9%**
Catastrophes [2,3]	13.0%	17.3%	(1.0%)	3.9%	8.1%	2.4%	4.1%	0.4%	1.1%	1.9%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	4.8%	-	-	-	-	-
- All other	(2.3%)	(1.0%)	0.4%	(0.5%)	(1.0%)	(2.1%)	(0.2%)	(0.9%)	(1.4%)	(1.1%)
Current accident year re-estimation [4]	1.3%	-	-	1.4%	0.7%	0.6%	-	-	1.3%	0.4%
Total combined ratio [5]	**106.7%**	**104.0%**	**98.6%**	**116.5%**	**110.5%**	**94.7%**	**92.6%**	**98.5%**	**110.4%**	**99.1%**

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

[2] Catastrophes include all current and prior year catastrophe losses 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 2010 Chile and New Zealand earthquakes, 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene 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] Catastrophes reflect the catastrophe losses ceded under the homeowners quota share agreement.

[4] Re-estimation of the current accident year loss reserves for the six months ended June 30, 2011 and June 30, 2010.

[5] 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.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Nine Months Ended September 30, 2011					Nine Months Ended September 30, 2010 [1]				
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 claims adjustment expense ratio	62.6%	63.3%	66.5%	86.1%	68.0%	63.2%	63.9%	68.9%	84.5%	69.0%
Underwriting expense ratio	31.1%	23.9%	31.5%	25.1%	28.5%	30.7%	24.8%	30.5%	24.5%	28.4%
Dividend ratio	0.2%	-	-	0.6%	0.2%	0.2%	-	-	0.6%	0.2%
Subtotal	**93.9%**	**87.2%**	**98.0%**	**111.8%**	**96.7%**	**94.1%**	**88.7%**	**99.4%**	**109.6%**	**97.6%**
Catastrophes [2,3]	17.1%	16.2%	5.7%	5.5%	11.5%	6.1%	8.6%	2.4%	2.0%	5.2%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	1.8%	-	-	-	-	-
- All other	(3.1%)	(0.5%)	(1.0%)	(0.3%)	(1.4%)	(2.3%)	(0.2%)	(1.4%)	(0.8%)	(0.8%)
Total combined ratio [4]	**107.9%**	**102.9%**	**102.7%**	**117.0%**	**108.6%**	**97.9%**	**97.1%**	**100.4%**	**110.8%**	**102.0%**

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

[2] Catastrophes include all current and prior year catastrophe losses 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 2010 Chile and New Zealand earthquakes, 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene 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] Catastrophes reflect the catastrophe losses ceded under the homeowners quota share agreement.

[4] 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.

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 September 30, 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 September 30, 2011 [1]

(dollars in millions)

	Gross Recoverables [2]	Collateral Held [3]	Net Recoverables [4]	% of Total Net Recov.
Rated Entities [8, 9]				
A++	$ 727	$ 369	$ 359	4%
A+	$ 3,672	$ 578	$ 3,149	31%
A	$ 3,949	$ 1,198	$ 2,969	29%
A-	$ 34	$ 4	$ 31	0%
B++	$ 38	$ 14	$ 24	0%
B+	$ 8	$ 2	$ 7	0%
B or Below	$ -	$ 0	$ 0	0%
Subtotal	**$ 8,428**	**$ 2,165**	**$ 6,539**	**64%**
Pools & Associations				
State mandated involuntary pools and associations [5]	$ 2,724	$ 4	$ 2,720	27%
Voluntary	$ 380	$ 71	$ 318	3%
Subtotal	**$ 3,104**	**$ 75**	**$ 3,038**	**30%**
Non-Rated Entities [6]				
Captives & fronting companies	$ 1,593	$ 1,899	$ 127	1%
Other	$ 577	$ 503	$ 416	5%
Subtotal	**$ 2,170**	**$ 2,402**	**$ 543**	**6%**
Grand Total	**$ 13,702**	**$ 4,642**	**$ 10,120**	**100%**

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

Liberty Mutual Group

Distribution of Reinsurance Recoverables by Standard & Poor's Rating

As of September 30, 2011 [1]

(dollars in millions)

	Gross Recoverables [2]	Collateral Held [3]	Net Recoverables [4]	% of Total Net Recov.
Rated Entities [8, 9]				
AAA	$ 4	$ 1	$ 4	0%
AA+, AA, AA-	$ 2,244	$ 824	$ 1,477	15%
A+, A, A-	$ 6,039	$ 1,360	$ 4,911	48%
BBB+, BBB, BBB -	$ 6	$ 2	$ 5	0%
BB+ or Below	$ 18	$ 4	$ 14	0%
Subtotal	**$ 8,311**	**$ 2,191**	**$ 6,411**	**63%**
Pools & Associations				
State mandated involuntary pools and associations [5]	$ 2,724	$ 4	$ 2,720	27%
Voluntary	$ 380	$ 71	$ 318	3%
Subtotal	**$ 3,104**	**$ 75**	**$ 3,038**	**30%**
Non-Rated Entities [6]				
Captives & fronting companies	$ 1,593	$ 1,899	$ 127	1%
Other	$ 694	$ 477	$ 544	6%
Subtotal	**$ 2,287**	**$ 2,376**	**$ 671**	**7%**
Grand Total	**$ 13,702**	**$ 4,642**	**$ 10,120**	**100%**

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

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of September 30, 2011

(dollars in millions)

	Reinsurance Groups [7] (Data in Millions)	Gross Recoverables [2]	Collateral Held [3]	Net Recoverables [4]
1	Swiss Re Group	$ 2,248	$ 964	$ 1,421
2	Nationwide Group	$ 1,504	$ -	$ 1,504
3	Everest Re Group	$ 582	$ 194	$ 411
4	UPINSCO	$ 531	$ 602	$ -
5	Munich Re Group	$ 522	$ 33	$ 494
6	Berkshire Hathaway Insurance Group	$ 467	$ 239	$ 228
7	PartnerRe Group	$ 368	$ 281	$ 109
8	Transatlantic Holdings, Inc. Group	$ 339	$ -	$ 339
9	Chubb Group of Insurance Companies	$ 268	$ 131	$ 137
10	Lloyd's of London	$ 238	$ -	$ 238
11	Equitas Insurance Limited	$ 204	$ -	$ 204
12	AEGIS Group	$ 192	$ 223	$ -
13	Builders Credit Reinsurance Co. SA	$ 182	$ 278	$ -
14	W. R. Berkley Group	$ 176	$ 3	$ 173
15	Verizon	$ 152	$ 118	$ 36
	State Mandated Involuntary pools and associations [5]	$ 2,724	$ 4	$ 2,720
	Voluntary pools and associations	$ 380	$ 71	$ 318
	All Other	$ 2,625	$ 1,501	$ 1,788
	Total Reinsurance Recoverables	**$ 13,702**	**$ 4,642**	**$ 10,120**

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

LIBERTY MUTUAL HOLDING COMPANY INC.

Issuer and Sector Exposure as of September 30, 2011

(dollars in millions)

(Unaudited)

	Top 20 Issuers	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1	Government of Venezuela	934	0	0	934	1.29%
2	Government of Brazil	893	0	0	893	1.23%
3	Government of Canada	528	0	11	539	0.74%
4	State of Florida	377	0	0	377	0.52%
5	Bank of America Corp	250	113	0	363	0.50%
6	Invenergy	336	0	0	336	0.46%
7	AT&T Corp	327	3	0	330	0.46%
8	Government of Colombia	296	0	0	296	0.41%
9	State of California	285	0	0	285	0.39%
10	Wells Fargo & Co	274	5	0	279	0.38%
11	JP Morgan Chase & Co	221	33	0	254	0.35%
12	Commonwealth of Massachusetts	251	0	0	251	0.35%
13	Berkshire Hathaway Inc	248	2	0	250	0.35%
14	State of Texas	249	0	0	249	0.34%
15	Government of Germany	247	0	2	249	0.34%
16	Citigroup Inc	238	2	0	240	0.33%
17	General Electric Co	232	4	0	236	0.33%
18	Verizon Communications	228	2	0	230	0.32%
19	US Bancorp	165	64	0	229	0.32%
20	Government of Spain	223	0	1	224	0.31%
		6,802	**228**	**14**	**7,044**	**9.72%**

	Top 20 Sectors	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1	Municipal	13,585	0	4	13,589	18.76%
2	Sovereign	4,468	0	69	4,537	6.26%
3	Banks	3,422	382	40	3,844	5.31%
4	Electric	2,160	92	1	2,253	3.11%
5	Oil&Gas	1,444	583	1	2,028	2.80%
6	Telecommunications	1,793	42	2	1,837	2.54%
7	Diversified Financial Services	1,421	24	4	1,449	2.00%
8	Retail	1,339	53	0	1,392	1.92%
9	Transportation	974	13	0	987	1.36%
10	Media	888	19	0	907	1.25%
11	Insurance	712	100	0	812	1.12%
12	Food	768	26	1	795	1.10%
13	Mining	508	165	0	673	0.93%
14	Beverages	633	20	0	653	0.90%
15	Real Estate	46	562	0	608	0.84%
16	Miscellaneous Manufacturers	579	20	0	599	0.83%
17	Pharmaceuticals	506	42	0	548	0.76%
18	Chemicals	459	21	1	481	0.66%
19	Aerospace/Defense	443	8	0	451	0.62%
20	Energy-Alternate Sources	400	45	0	445	0.61%
		$36,548	**$2,217**	**$123**	**$38,888**	**53.68%**

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.