



Financial Supplement  
Quarter Ended September 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 September 30, 2014 |                      |                       |                  |                     |              | Three Months Ended September 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   | \$4,104                               | \$2,760              | \$1,664               | \$1,286          | \$271               | \$10,085     | \$3,811                               | \$2,877              | \$1,558               | \$1,349          | \$243               | \$9,838      |
| Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and foreign exchange, current accident year re-estimation and LP and LLC <sup>1</sup> income | \$707                                 | \$341                | \$36                  | \$153            | (\$283)             | \$954        | \$664                                 | \$221                | \$59                  | \$180            | (\$303)             | \$821        |
| Catastrophes <sup>2</sup>  | (64)                                  | (50)                 | -                     | (10)             | (164)               | (288)        | (95)                                  | (42)                 | -                     | (35)             | (120)               | (292)        |
| Net incurred losses attributable to prior years:   |                                       |                      |                       |                  |                     |              |                                       |                      |                       |                  |                     |              |
| - Asbestos & environmental   | -                                     | -                    | -                     | -                | (111)               | (111)        | -                                     | -                    | -                     | -                | (280)               | (280)        |
| - All other <sup>3</sup>   | (5)                                   | 12                   | 25                    | (23)             | 24                  | 33           | (41)                                  | 27                   | 8                     | 22               | 223                 | 239          |
| Venezuela devaluation and foreign exchange   | -                                     | -                    | 48                    | -                | -                   | 48           | -                                     | -                    | 52                    | -                | -                   | 52           |
| Current accident year re-estimation <sup>4</sup>   | -                                     | -                    | -                     | -                | -                   | -            | (9)                                   | (8)                  | -                     | -                | -                   | (17)         |
| Pre-tax operating income (loss) before LP and LLC income   | 638                                   | 303                  | 109                   | 120              | (534)               | 636          | 519                                   | 198                  | 119                   | 167              | (480)               | 523          |
| LP and LLC income  | -                                     | 2                    | -                     | -                | 219                 | 221          | -                                     | -                    | -                     | -                | 88                  | 88           |
| Pre-tax operating income (loss)  | 638                                   | 305                  | 109                   | 120              | (315)               | 857          | 519                                   | 198                  | 119                   | 167              | (392)               | 611          |
| Net realized (losses) gains  |                                       |                      |                       |                  |                     | (33)         |                                       |                      |                       |                  |                     | 80           |
| SBU realignment expense  |                                       |                      |                       |                  |                     | -            |                                       |                      |                       |                  |                     | 11           |
| Loss on extinguishment of debt   |                                       |                      |                       |                  |                     | (29)         |                                       |                      |                       |                  |                     | (96)         |
| Pre-tax income   |                                       |                      |                       |                  |                     | 795          |                                       |                      |                       |                  |                     | 606          |
| Income tax expense   |                                       |                      |                       |                  |                     | 190          |                                       |                      |                       |                  |                     | 131          |
| Consolidated net income before discontinued operations   |                                       |                      |                       |                  |                     | 605          |                                       |                      |                       |                  |                     | 475          |
| Discontinued operations, net of tax  |                                       |                      |                       |                  |                     | -            |                                       |                      |                       |                  |                     | 4            |
| Consolidated net income  |                                       |                      |                       |                  |                     | 605          |                                       |                      |                       |                  |                     | 479          |
| Less: Net loss attributable to non-controlling interest  |                                       |                      |                       |                  |                     | (4)          |                                       |                      |                       |                  |                     | (2)          |
| <b>Net income attributable to Liberty Mutual Holding Company Inc.</b>  |                                       |                      |                       |                  |                     | <b>\$609</b> |                                       |                      |                       |                  |                     | <b>\$481</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, Central European floods, Alberta floods and German hailstorm. 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. Net of the impact of the NICO Reinsurance Transaction.

<sup>4</sup> Re-estimation of the current accident year loss reserves for the six months ended June 30, 2014 and 2013.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Reconciliation of PTOI to Net Income**

(dollars in millions)

(Unaudited)

|   | Nine Months Ended September 30, 2014 |                      |                       |                  |                     |                | Nine Months Ended September 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  | \$11,960                             | \$8,292              | \$4,583               | \$3,844          | \$1,004             | \$29,683       | \$10,977                             | \$8,486              | \$4,430               | \$3,808          | \$742               | \$28,443       |
| 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 | \$2,005                              | \$949                | \$88                  | \$493            | (\$677)             | \$2,858        | \$1,847                              | \$670                | \$126                 | \$534            | (\$733)             | \$2,444        |
| Catastrophes <sup>2</sup>   | (979)                                | (282)                | (9)                   | (31)             | (150)               | (1,451)        | (806)                                | (184)                | -                     | (95)             | (76)                | (1,161)        |
| Net incurred losses attributable to prior years:  |                                      |                      |                       |                  |                     |                |                                      |                      |                       |                  |                     |                |
| - Asbestos & environmental  | -                                    | -                    | -                     | -                | (113)               | (113)          | -                                    | -                    | -                     | -                | (284)               | (284)          |
| - All other <sup>3</sup>  | (41)                                 | 50                   | 54                    | (39)             | 28                  | 52             | (51)                                 | 118                  | 30                    | (28)             | 233                 | 302            |
| Venezuela devaluation and foreign exchange  | -                                    | -                    | 119                   | -                | -                   | 119            | -                                    | -                    | 187                   | -                | (3)                 | 184            |
| Pre-tax operating income (loss) before LP and LLC income  | 985                                  | 717                  | 252                   | 423              | (912)               | 1,465          | 990                                  | 604                  | 343                   | 411              | (863)               | 1,485          |
| LP and LLC income   | -                                    | 11                   | -                     | -                | 594                 | 605            | -                                    | 4                    | -                     | -                | 352                 | 356            |
| Pre-tax operating income (loss)   | 985                                  | 728                  | 252                   | 423              | (318)               | 2,070          | 990                                  | 608                  | 343                   | 411              | (511)               | 1,841          |
| Net realized losses   |                                      |                      |                       |                  |                     | (192)          |                                      |                      |                       |                  |                     | (54)           |
| SBU realignment expense   |                                      |                      |                       |                  |                     | -              |                                      |                      |                       |                  |                     | 8              |
| Loss on extinguishment of debt  |                                      |                      |                       |                  |                     | (29)           |                                      |                      |                       |                  |                     | (156)          |
| Pre-tax income  |                                      |                      |                       |                  |                     | 1,849          |                                      |                      |                       |                  |                     | 1,639          |
| Income tax expense  |                                      |                      |                       |                  |                     | 513            |                                      |                      |                       |                  |                     | 417            |
| Consolidated net income before discontinued operations  |                                      |                      |                       |                  |                     | 1,336          |                                      |                      |                       |                  |                     | 1,222          |
| Discontinued operations, net of tax   |                                      |                      |                       |                  |                     | (81)           |                                      |                      |                       |                  |                     | 14             |
| Consolidated net income   |                                      |                      |                       |                  |                     | 1,255          |                                      |                      |                       |                  |                     | 1,236          |
| Less: Net loss attributable to non-controlling interest   |                                      |                      |                       |                  |                     | (19)           |                                      |                      |                       |                  |                     | (11)           |
| <b>Net income attributable to Liberty Mutual Holding Company Inc.</b>   |                                      |                      |                       |                  |                     | <b>\$1,274</b> |                                      |                      |                       |                  |                     | <b>\$1,247</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, Central European floods, Alberta floods and German hailstorm. 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. Net of the impact of the NICO Reinsurance Transaction.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Combined Ratio by Strategic Business Unit**

(Unaudited)

|  | <b>Three Months Ended September 30, 2014<sup>1</sup></b> |                         |                          |                     |              | <b>Three Months Ended September 30, 2013<sup>1</sup></b> |                         |                          |                     |              |
|--|--|-------------------------|--------------------------|---------------------|--------------|--|-------------------------|--------------------------|---------------------|--------------|
|  | Personal<br>Insurance                                    | Commercial<br>Insurance | Liberty<br>International | Global<br>Specialty | Consolidated | Personal<br>Insurance                                    | Commercial<br>Insurance | Liberty<br>International | Global<br>Specialty | Consolidated |
| <b>Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation</b> |  |                         |                          |                     |              |  |                         |                          |                     |              |
| Claims and claim adjustment expense ratio  | 59.7%  | 61.7%                   | 66.5%                    | 61.1%               | 61.2%        | 59.5%  | 70.3%                   | 66.1%                    | 63.0%               | 63.6%        |
| Underwriting expense ratio   | 25.2%  | 33.3%                   | 37.5%                    | 32.5%               | 31.1%        | 25.5%  | 32.2%                   | 37.0%                    | 28.2%               | 30.9%        |
| Dividend ratio   | -  | 0.1%                    | -                        | 0.2%                | -            | -  | 0.3%                    | -                        | 0.2%                | 0.1%         |
| Subtotal   | 84.9%  | 95.1%                   | 104.0%                   | 93.8%               | 92.3%        | 85.0%  | 102.8%                  | 103.1%                   | 91.4%               | 94.6%        |
| Catastrophes <sup>2</sup>  | 1.7%   | 2.7%                    | 0.1%                     | 0.8%                | 3.4%         | 2.7%   | 2.1%                    | -                        | 2.7%                | 3.6%         |
| Net incurred losses attributable to prior years:   |  |                         |                          |                     |              |  |                         |                          |                     |              |
| - Asbestos & environmental   | -  | -                       | -                        | -                   | 1.3%         | -  | -                       | -                        | -                   | 3.5%         |
| - All Other <sup>3</sup>   | 0.1%   | (0.6%)                  | (1.8%)                   | 2.0%                | (0.4%)       | 1.1%   | (1.4%)                  | (0.7%)                   | (1.7%)              | (2.9%)       |
| Current accident year re-estimation <sup>4</sup>   | -  | -                       | -                        | -                   | -            | 0.2%   | 0.4%                    | -                        | -                   | 0.2%         |
| <b>Total combined ratio<sup>5</sup></b>  | <b>86.7%</b>   | <b>97.2%</b>            | <b>102.3%</b>            | <b>96.6%</b>        | <b>96.6%</b> | <b>89.0%</b>   | <b>103.9%</b>           | <b>102.4%</b>            | <b>92.4%</b>        | <b>99.0%</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, Central European floods, Alberta floods and German hailstorm. 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. Net of the impact of the NICO Reinsurance Transaction.

<sup>4</sup> Re-estimation of the current accident year loss reserves for the six months ended June 30, 2014 and 2013.

<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 less managed care income 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 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>Nine Months Ended September 30, 2014<sup>1</sup></b> |                         |                          |                     |              | <b>Nine Months Ended September 30, 2013<sup>1</sup></b> |                         |                          |                     |              |
|---|---|-------------------------|--------------------------|---------------------|--------------|---|-------------------------|--------------------------|---------------------|--------------|
|   | Personal<br>Insurance                                   | Commercial<br>Insurance | Liberty<br>International | Global<br>Specialty | Consolidated | Personal<br>Insurance                                   | Commercial<br>Insurance | Liberty<br>International | Global<br>Specialty | Consolidated |
| <b>Combined ratio before catastrophes and net incurred losses attributable to prior years</b> |   |                         |                          |                     |              |   |                         |                          |                     |              |
| Claims and claim adjustment expense ratio   | 60.2%   | 63.6%                   | 66.2%                    | 59.5%               | 62.1%        | 59.9%   | 69.4%                   | 66.1%                    | 61.7%               | 63.9%        |
| Underwriting expense ratio  | 25.3%   | 32.9%                   | 38.2%                    | 32.7%               | 30.7%        | 25.8%   | 32.7%                   | 38.0%                    | 28.9%               | 30.6%        |
| Dividend ratio  | -   | 0.1%                    | -                        | 0.2%                | -            | -   | 0.3%                    | -                        | 0.2%                | 0.1%         |
| Subtotal  | 85.5%   | 96.6%                   | 104.4%                   | 92.4%               | 92.8%        | 85.7%   | 102.4%                  | 104.1%                   | 90.8%               | 94.6%        |
| Catastrophes <sup>2</sup>   | 8.6%  | 5.0%                    | 0.2%                     | 0.9%                | 5.9%         | 7.7%  | 3.1%                    | -                        | 2.7%                | 4.9%         |
| Net incurred losses attributable to prior years:  |   |                         |                          |                     |              |   |                         |                          |                     |              |
| - Asbestos & environmental  | -   | -                       | -                        | -                   | 0.4%         | -   | -                       | -                        | -                   | 1.2%         |
| - All Other <sup>3</sup>  | 0.4%  | (0.9%)                  | (1.3%)                   | 1.1%                | (0.3%)       | 0.5%  | (2.1%)                  | (0.8%)                   | 0.8%                | (1.2%)       |
| <b>Total combined ratio<sup>4</sup></b>   | <b>94.5%</b>  | <b>100.7%</b>           | <b>103.3%</b>            | <b>94.4%</b>        | <b>98.8%</b> | <b>93.9%</b>  | <b>103.4%</b>           | <b>103.3%</b>            | <b>94.3%</b>        | <b>99.5%</b> |

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

<sup>2</sup> Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, Windstorm Ela, Cyclone Oswald, Central European floods, Alberta floods and German hailstorm. 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. Net of the impact of the NICO Reinsurance Transaction.

<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 less managed care income 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 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 September 30, 2014**  
(dollars in millions)  
(Unaudited)

| <b>Top 20 Issuers</b>          | <b>Fixed<br/>Maturity</b> | <b>Equity</b> | <b>Short<br/>Term</b> | <b>Total<br/>Exposure</b> | <b>Percent of<br/>Invested<br/>Assets</b> |
|--------------------------------|---------------------------|---------------|-----------------------|---------------------------|---|
| 1 Government of Venezuela      | \$ 880                    | \$ 0          | \$ 0                  | \$ 880                    | 1.19%                                     |
| 2 Government of Brazil         | 707                       | 0             | 0                     | 707                       | 0.95%                                     |
| 3 Government of Canada         | 490                       | 0             | 0                     | 490                       | 0.66%                                     |
| 4 Invergy                      | 98                        | 298           | 0                     | 396                       | 0.54%                                     |
| 5 Government of United Kingdom | 348                       | 0             | 3                     | 351                       | 0.47%                                     |
| 6 State of California          | 337                       | 0             | 0                     | 337                       | 0.45%                                     |
| 7 Bank of America Corp         | 266                       | 69            | 0                     | 335                       | 0.45%                                     |
| 8 Government of Spain          | 329                       | 0             | 0                     | 329                       | 0.44%                                     |
| 9 Wells Fargo & Co             | 320                       | 5             | 0                     | 325                       | 0.44%                                     |
| 10 JP Morgan Chase & Co        | 250                       | 33            | 0                     | 283                       | 0.38%                                     |
| 11 Government of Germany       | 278                       | 0             | 0                     | 278                       | 0.38%                                     |
| 12 State of Florida            | 277                       | 0             | 0                     | 277                       | 0.37%                                     |
| 13 General Electric Co         | 262                       | 6             | 0                     | 268                       | 0.36%                                     |
| 14 Government of Colombia      | 256                       | 0             | 0                     | 256                       | 0.35%                                     |
| 15 Government of Ireland       | 252                       | 0             | 0                     | 252                       | 0.34%                                     |
| 16 State of Washington         | 247                       | 0             | 0                     | 247                       | 0.33%                                     |
| 17 Government of Italy         | 245                       | 0             | 0                     | 245                       | 0.33%                                     |
| 18 US Bancorp                  | 163                       | 68            | 0                     | 231                       | 0.31%                                     |
| 19 Southern Co                 | 184                       | 43            | 0                     | 227                       | 0.31%                                     |
| 20 Goldman Sachs Group Inc     | 155                       | 65            | 0                     | 220                       | 0.30%                                     |
|                                | <b>\$ 6,344</b>           | <b>\$ 587</b> | <b>\$ 3</b>           | <b>\$ 6,934</b>           | <b>9.35%</b>                              |

| <b>Top 20 Sectors</b>            | <b>Fixed<br/>Maturity</b> | <b>Equity</b>   | <b>Short<br/>Term</b> | <b>Total<br/>Exposure</b> | <b>Percent of<br/>Invested<br/>Assets</b> |
|----------------------------------|---------------------------|-----------------|-----------------------|---------------------------|---|
| 1 Banking                        | \$ 4,297                  | \$ 498          | \$ 480                | \$ 5,275                  | 7.11%                                     |
| 2 Foreign Government             | 4,683                     | 0               | 33                    | 4,716                     | 6.36%                                     |
| 3 Electric                       | 2,860                     | 88              | 1                     | 2,949                     | 3.98%                                     |
| 4 US Municipal - Education       | 2,009                     | 0               | 0                     | 2,009                     | 2.71%                                     |
| 5 US Municipal - State           | 1,886                     | 0               | 0                     | 1,886                     | 2.54%                                     |
| 6 Integrated Energy              | 1,024                     | 740             | 3                     | 1,767                     | 2.38%                                     |
| 7 US Municipal - Healthcare      | 1,654                     | 0               | 0                     | 1,654                     | 2.23%                                     |
| 8 Food and Beverage              | 1,554                     | 74              | 2                     | 1,630                     | 2.20%                                     |
| 9 Technology                     | 1,138                     | 255             | 0                     | 1,393                     | 1.88%                                     |
| 10 Diversified Manufacturing     | 1,304                     | 40              | 0                     | 1,344                     | 1.81%                                     |
| 11 Metals                        | 833                       | 440             | 0                     | 1,273                     | 1.71%                                     |
| 12 Retailers                     | 1,133                     | 73              | 0                     | 1,206                     | 1.63%                                     |
| 13 US Municipal - Local          | 1,142                     | 0               | 0                     | 1,142                     | 1.54%                                     |
| 14 Insurance                     | 951                       | 139             | 1                     | 1,091                     | 1.47%                                     |
| 15 Wirelines                     | 988                       | 26              | 7                     | 1,021                     | 1.38%                                     |
| 16 US Municipal - Transportation | 974                       | 0               | 0                     | 974                       | 1.31%                                     |
| 17 US Municipal - Water & Sewer  | 959                       | 0               | 0                     | 959                       | 1.29%                                     |
| 18 US Municipal - Power          | 925                       | 0               | 0                     | 925                       | 1.25%                                     |
| 19 Automotive                    | 828                       | 32              | 1                     | 861                       | 1.16%                                     |
| 20 Real Estate Investment Trusts | 144                       | 704             | 0                     | 848                       | 1.14%                                     |
|                                  | <b>\$ 31,286</b>          | <b>\$ 3,109</b> | <b>\$ 528</b>         | <b>\$ 34,923</b>          | <b>47.08%</b>                             |

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