

Liberty Mutual Insurance Reports Third Quarter 2022 Results

BOSTON, Mass., November 3, 2022 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net loss attributable to LMHC of \$353 million and net loss attributable to LMHC of \$198 million for the three and nine months ended September 30, 2022, versus net income attributable to LMHC of \$721 million and \$2.346 billion for the same periods in 2021.

“Elevated catastrophe losses and continued investment market volatility drove a net loss attributable to LMHC of \$353 million in the quarter,” said David H. Long, Liberty Mutual Chairman and Chief Executive Officer. “Pre-tax net catastrophe losses in the quarter were \$1.4 billion including \$835 million from Hurricane Ian. The devastation left behind is very real reminder of our purpose and we are focused on supporting our impacted policyholders. Our limited partnership portfolio produced a pre-tax net loss of \$272 million reflecting broader equity market declines through June, as these results are reported on a one quarter lag. These headwinds were partially offset by \$319 million of prior accident year catastrophe and non-catastrophe reserve releases.

“Rising reinvestment yields are encouraging and will be a significant tailwind for investment income over time. Despite this improving outlook for investment income, we remain focused on underwriting profitability. Rate execution in U.S. personal lines continued in the quarter with strong pricing increases in personal auto and property. The quarterly underlying loss ratio in Global Retail Markets improved sequentially from the second quarter and we expect further improvement in future quarters as these price increases continue to earn in. In our commercial businesses, we remain cautious of the uncertainty surrounding loss trends, and continue to push for price increases across our product lines.”

The tables below outline highlights of LMHC’s consolidated financial results for the three months and nine months ended September 30, 2022.

Net Written Premium (“NWP”) by Business:

Consolidated NWP by business was as follows:

\$ in Millions	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Global Retail Markets	\$9,050	\$7,757	16.7%	\$25,605	\$22,082	16.0%
Global Risk Solutions	4,002	3,834	4.4	11,670	10,771	8.3
Corporate and Other	(437)	(186)	134.9	(572)	(202)	183.2
Total NWP	\$12,615	\$11,405	10.6%	\$36,703	\$32,651	12.4%
Foreign exchange effect on growth			(1.5)			(1.1)
NWP growth excluding foreign exchange ¹			12.1%			13.5%

¹ Determined by assuming constant foreign exchange rates between periods.

Consolidated Results of Operations:

\$ in Millions	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Revenues	\$12,740	\$12,370	3.0%	\$36,829	\$35,979	2.4%
Underlying PTOI before limited partnerships income	\$928	\$827	12.2%	\$2,541	\$2,996	(15.2%)
Catastrophes	(1,406)	(1,216)	15.6	(3,168)	(2,915)	8.7
Net incurred losses attributable to prior years:						
- Asbestos and environmental ¹	-	-	-	-	-	-
- All other ²	319	178	79.2	461	231	99.6
Current accident year re-estimation ³	(143)	-	NM	-	-	-
Pre-tax operating (loss) income before limited partnerships income	(302)	(212)	42.5	(166)	312	NM
Limited partnerships (loss) income ⁴	(272)	1,000	NM	562	2,792	(79.9)
Pre-tax operating (loss) income	(574)	788	NM	396	3,104	(87.2)
Net realized gains (losses)	53	20	165.0	(762)	83	NM
Unit linked life insurance	17	(7)	NM	137	(95)	NM
Acquisition & integration costs	(23)	(4)	NM	(80)	(13)	NM
Restructuring costs	(5)	(36)	(86.1)	(5)	(147)	(96.6)
Pre-tax (loss) income	(532)	761	NM	(314)	2,932	NM
Income tax (benefit) expense	(179)	39	NM	(117)	584	NM
Consolidated net (loss) income	(353)	722	NM	(197)	2,348	NM
Less: Net income attributable to non-controlling interest	-	1	NM	1	2	(50.0)
Net (loss) income attributable to LMHC	(353)	721	NM	(198)	2,346	NM
Net (loss) income attributable to LMHC excluding unrealized impact ⁵	(583)	701	NM	4	2,146	(99.8)
Cash flow provided by continuing operations	\$2,223	\$1,814	22.5%	\$4,012	\$4,681	(14.3%)

1 Asbestos and environmental is gross of the related adverse development reinsurance (the "NICO Reinsurance Transaction", which is described further in Reinsurance).

2 Net of earned premium and reinstatement premium attributable to prior years of \$107 million and \$152 million for the three and nine months ended September 30, 2022, and \$101 million and \$153 million for the same periods in 2021.

3 Re-estimation of the current accident year loss reserves for the six months ended June 30, 2022.

4 Limited partnerships income includes LP, LLC and other equity method income within net investment income in the accompanying Consolidated Statement of Operations and revenue and expenses from direct investments in natural resources.

5 Excludes unrealized gains on equity securities, unit linked life insurance, and the corresponding tax impact.

NM = Not Meaningful

Combined Ratio:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (Points)	2022	2021	Change (Points)
CONSOLIDATED						
Combined ratio						
Claims and claim adjustment expense ratio	67.6%	65.1%	2.5	67.1%	63.4%	3.7
Underwriting expense ratio	27.6	29.5	(1.9)	28.3	29.3	(1.0)
Underlying combined ratio	95.2	94.6	0.6	95.4	92.7	2.7
Catastrophes	11.7	11.5	0.2	9.2	9.5	(0.3)
Net incurred losses attributable to prior years:						
- Asbestos and environmental	-	-	-	-	-	-
- All other ¹	(2.7)	(1.7)	(1.0)	(1.4)	(0.9)	(0.5)
Current accident year re-estimation ²	1.2	-	1.2	-	-	-
Total combined ratio ³	105.4%	104.4%	1.0	103.2%	101.3%	1.9

1 Net of earned premium and reinstatement premium attributable to prior years.

2 Re-estimation of the current accident year loss reserves for the six months ended June 30, 2022.

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 less managed care income to earned premium; the ratio of insurance operating costs plus amortization of deferred policy acquisition costs less third-party administration income and fee income (primarily related to the Company's involuntary market servicing carrier operations) and installment charges to earned premium; 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. Restructuring and acquisition and integration costs are not included in the combined ratio.

Equity:

\$ in Millions	As of September 30,	As of December 31,	Change
	2022	2021	
Unassigned equity	\$29,210	\$28,776	1.5%
Accumulated other comprehensive (loss) income	(8,454)	(960)	NM
Non-controlling interest	200	32	NM
Total equity	\$20,956	\$27,848	(24.7%)

NM = Not Meaningful

Subsequent Events

Management has assessed material subsequent events through November 2, 2022, the date the financial statements were available to be issued.

Financial Information

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 and nine months ended September 30, 2022 are available on the Company's Investor Relations website at www.libertymutualgroup.com/investors.

About Liberty Mutual Insurance

At Liberty Mutual, we believe progress happens when people feel secure. By providing protection for the unexpected and delivering it with care, we help people embrace today and confidently pursue tomorrow.

In business since 1912, and headquartered in Boston, today we are the sixth largest global property and casualty insurer based on 2021 gross written premium. We also rank 78th on the Fortune 100 list of largest corporations in the U.S. based on 2021 revenue. As of December 31, 2021, we had \$48.2 billion in annual consolidated revenue.

We employ over 45,000 people in 29 countries and economies around the world. We offer a wide range of insurance products and services, including personal automobile, homeowners, specialty lines, reinsurance, commercial multiple-peril, workers compensation, commercial automobile, general liability, surety, and commercial property.

For more information, visit www.libertymutualinsurance.com.

Risks and Uncertainties

The extent to which the coronavirus impacts our future results will depend on developments which are highly uncertain and cannot be predicted, including litigation developments, legislative or regulatory actions and intervention, the length and severity of the coronavirus (including of second waves), the level of acceptance of the vaccines, and the actions of government actors to contain the coronavirus or treat its impact, among others. Possible effects on our business and operations include:

- disruptions to business operations resulting from working from home or from closures of our corporate or sales offices and the offices of our agents and brokers and quarantines of employees, customers, agents, brokers and suppliers in areas affected by the outbreak;
- disruptions to business operations resulting from travel restrictions and reduced consumer spending on new homes or new automobiles which could reduce demand for insurance;
- disruptions to business operations resulting from our customers having lower payrolls and revenues which could have an impact on insurance revenue;
- increased claims related to trade credit, general liability, workers compensation, and event cancellation coverage, among others;
- executive or legislative mandates or court decisions expanding property insurance policy coverage to cover business interruptions resulting from COVID-19 notwithstanding any exclusions set forth in such policies or conditions precedent generally required for liability under such policies; and
- disruption of the financial markets resulting in reductions in the value of our investment portfolio.

A significant rise in the number of COVID-19 infections, infections in a wide range of countries and regions, or a prolongation of the outbreak, could create an adverse economic effect on the Company.

Cautionary Statement Regarding Forward Looking Statements

This report contains forward looking statements that are intended to enhance the reader's ability to assess the future financial and business performance of the Company. Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results, investment market fluctuations, 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.

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