



Financial Supplement
Quarter and Year Ended December 31, 2011

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 December 31, 2011						Three Months Ended December 31, 2010					
	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated
Revenues	\$2,857	\$2,110	\$2,333	\$1,654	\$9	\$8,963	\$2,865	\$1,936	\$2,011	\$1,666	\$72	\$8,550
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation, current accident year re-estimation and LP and LLC ¹ (loss) income	\$260	\$288	\$176	\$102	(\$228)	\$598	\$288	\$283	\$182	\$69	(\$248)	\$574
Catastrophes ²	(45)	(95)	(85)	(28)	19	(234)	(114)	(65)	(40)	7	14	(198)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	(10)	(10)	-	-	-	-	(4)	(4)
- All other ³	21	3	(68)	41	(75)	(78)	96	18	20	20	(4)	150
Venezuela devaluation	-	-	-	-	-	-	-	-	25	-	-	25
Current accident year re-estimation ⁴	(34)	-	-	(87)	-	(121)	(12)	-	-	(20)	-	(32)
Pre-tax operating income (loss) before LP and LLC (loss) income	202	196	23	28	(294)	155	258	236	187	76	(242)	515
LP and LLC (loss) income	(2)	-	-	-	109	107	4	-	-	-	160	164
Pre-tax operating income (loss)	200	196	23	28	(185)	262	262	236	187	76	(82)	679
Net realized (losses) gains						(10)						110
Loss on extinguishment of debt						(33)						-
Pre-tax income						219						789
Income tax benefit (expense)						63						(213)
Consolidated net income						282						576
Less: Net loss attributable to non-controlling interests						(2)						-
Net income attributable to Liberty Mutual Holding Company Inc.						\$284						\$576

¹ Limited partnership ("LP") and limited liability company ("LLC") income is included in net investment income in the 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 (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, Thailand floods 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 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 nine months ended September 30, 2011 and September 30, 2010.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Twelve Months Ended December 31, 2011						Twelve Months Ended December 31, 2010					
	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Corporate and Other	Consolidated
Revenues	\$11,410	\$8,046	\$8,566	\$6,382	\$267	\$34,671	\$11,687	\$7,502	\$7,928	\$6,331	(\$255)	\$33,193
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and LP and LLC income	\$1,217	\$1,206	\$704	\$247	(\$893)	\$2,481	\$1,311	\$1,115	\$579	\$280	(\$1,051)	\$2,234
Catastrophes ¹	(1,385)	(899)	(403)	(207)	213	(2,681)	(586)	(469)	(159)	(62)	19	(1,257)
Net incurred losses attributable to prior years:												
- Asbestos & environmental ²	-	-	-	-	(351)	(351)	-	-	-	-	(9)	(9)
- All other ³	265	21	(11)	48	(106)	217	282	27	92	60	(136)	325
Venezuela devaluation	-	-	-	-	-	-	-	-	228	-	-	228
Pre-tax operating income (loss) before LP and LLC income	97	328	290	88	(1,137)	(334)	1,007	673	740	278	(1,177)	1,521
LP and LLC income ⁴	-	-	-	-	583	583	-	-	-	-	398	398
Pre-tax operating income (loss)	97	328	290	88	(554)	249	1,007	673	740	278	(779)	1,919
Net realized gains						158						402
Loss on extinguishment of debt						(110)						-
Pre-tax income						297						2,321
Income tax benefit (expense)						71						(637)
Consolidated net income						368						1,684
Less: Net income attributable to non-controlling interests						3						6
Net income attributable to Liberty Mutual Holding Company Inc.						\$365						\$1,678

¹ Catastrophes include all current and prior accident year catastrophe losses incurred 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, Thailand floods 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 The twelve months ended December 31, 2011 include \$294 million of strengthening of asbestos related reserves in connection with a ground-up reserve study.

³ Net of earned premium attributable to prior years and amortization of deferred gains on retroactive reinsurance.

⁴ LP and LLC income is included in net investment income in the consolidated statements of income.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Three Months Ended December 31, 2011					Three Months Ended December 31, 2010 ¹				
	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 claims adjustment expense ratio	64.6%	65.1%	67.5%	87.7%	70.0%	63.5%	64.8%	65.3%	87.4%	68.3%
Underwriting expense ratio	31.3%	24.0%	32.1%	22.3%	28.1%	32.1%	24.0%	31.8%	24.4%	28.9%
Dividend ratio	0.3%	-	-	0.4%	0.2%	0.2%	-	-	0.3%	0.1%
Subtotal	96.2%	89.1%	99.6%	110.4%	98.3%	95.8%	88.8%	97.1%	112.1%	97.3%
Catastrophes ²	1.7%	5.4%	4.1%	2.3%	3.1%	4.4%	4.0%	2.3%	(0.6%)	2.8%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	0.1%	-	-	-	-	0.8%
- All other	(0.8%)	(0.1%)	3.2%	(2.9%)	1.1%	(3.7%)	(1.2%)	(1.2%)	(2.1%)	(2.2%)
Current accident year re-estimation ³	1.3%	-	-	7.1%	1.6%	0.4%	-	-	1.8%	0.5%
Total combined ratio ⁴	98.4%	94.4%	106.9%	116.9%	104.2%	96.9%	91.6%	98.2%	111.2%	99.2%

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 accident year catastrophe losses incurred 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, Thailand floods 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 Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2011 and September 30, 2010.

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.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Twelve Months Ended December 31, 2011					Twelve Months Ended December 31, 2010 ¹				
	LMAC	Personal Markets	International	Commercial Markets	Consolidated	LMAC	Personal Markets	International	Commercial Markets	Consolidated
Combined ratio before catastrophes and net incurred losses attributable to prior years										
Claims and claims adjustment expense ratio	63.4%	63.8%	66.8%	88.4%	68.9%	63.4%	64.1%	68.0%	85.7%	68.9%
Underwriting expense ratio	31.2%	23.9%	31.6%	24.4%	28.4%	31.0%	24.6%	30.8%	24.4%	28.5%
Dividend ratio	0.2%	-	-	0.5%	0.2%	0.2%	-	-	0.6%	0.2%
Subtotal	94.8%	87.7%	98.4%	113.3%	97.5%	94.6%	88.7%	98.8%	110.7%	97.6%
Catastrophes ²	13.2%	13.3%	5.2%	4.6%	9.3%	5.7%	7.4%	2.4%	1.4%	4.6%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	1.3%	-	-	-	-	0.2%
- All other	(2.5%)	(0.3%)	0.2%	(0.9%)	(0.7%)	(2.7%)	(0.4%)	(1.4%)	(1.2%)	(1.2%)
Total combined ratio ³	105.5%	100.7%	103.8%	117.0%	107.4%	97.6%	95.7%	99.8%	110.9%	101.2%

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 accident year catastrophe losses incurred 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, Thailand floods 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.

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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 December 31, 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 December 31, 2011 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{8,9}				
A++	\$ 735	\$ 358	\$ 382	4%
A+	\$ 5,879	\$ 1,606	\$ 4,453	45%
A	\$ 1,651	\$ 186	\$ 1,511	15%
A-	\$ 68	\$ 5	\$ 64	1%
B++	\$ 37	\$ 14	\$ 23	0%
B+	\$ 8	\$ 1	\$ 7	0%
B or Below	\$ -	\$ -	\$ -	0%
Subtotal	\$ 8,378	\$ 2,170	\$ 6,440	65%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 2,687	\$ 3	\$ 2,685	27%
Voluntary	\$ 352	\$ 67	\$ 303	3%
Subtotal	\$ 3,039	\$ 70	\$ 2,988	30%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,586	\$ 1,911	\$ 136	1%
Other	\$ 595	\$ 548	\$ 376	4%
Subtotal	\$ 2,181	\$ 2,459	\$ 512	5%
Grand Total	\$ 13,598	\$ 4,699	\$ 9,940	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 December 31, 2011 ¹
(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{8,9}				
AAA	\$ 25	\$ 1	\$ 24	0%
AA+, AA, AA-	\$ 4,387	\$ 1,810	\$ 2,768	28%
A+, A, A-	\$ 3,774	\$ 395	\$ 3,443	35%
BBB+, BBB, BBB -	\$ 20	\$ 1	\$ 19	0%
BB+ or Below	\$ 16	\$ 5	\$ 12	0%
Subtotal	\$ 8,222	\$ 2,212	\$ 6,266	63%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 2,687	\$ 3	\$ 2,685	27%
Voluntary	\$ 352	\$ 67	\$ 303	3%
Subtotal	\$ 3,039	\$ 70	\$ 2,988	30%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,586	\$ 1,911	\$ 136	1%
Other	\$ 751	\$ 506	\$ 550	6%
Subtotal	\$ 2,337	\$ 2,417	\$ 686	7%
Grand Total	\$ 13,598	\$ 4,699	\$ 9,940	100%

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

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of December 31, 2011

(dollars in millions)

Reinsurance Groups ⁷ (Data in Millions)	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴
1 Swiss Re Group	\$ 2,196	\$ 983	\$ 1,320
2 Nationwide Group	\$ 1,521	\$ -	\$ 1,521
3 Everest Re Group	\$ 605	\$ 238	\$ 399
4 Munich Re Group	\$ 540	\$ 42	\$ 507
5 UPINSCO	\$ 505	\$ 600	-
6 Berkshire Hathaway Insurance Group	\$ 437	\$ 239	\$ 202
7 PartnerRe Group	\$ 366	\$ 285	\$ 110
8 Transatlantic Holdings, Inc. Group	\$ 335	\$ -	\$ 335
9 Chubb Group of Insurance Companies	\$ 264	\$ 118	\$ 146
10 Lloyd's of London	\$ 217	\$ 1	\$ 216
11 AEGIS Group	\$ 193	\$ 223	-
12 Equitas Insurance Limited	\$ 188	\$ -	\$ 188
13 Builders Credit Reinsurance Co. SA	\$ 187	\$ 277	-
14 W. R. Berkley Group	\$ 176	\$ 1	\$ 175
15 T-Mobile US Corporation	\$ 154	\$ 58	\$ 96
State Mandated Involuntary pools and associations ⁵	\$ 2,687	\$ 3	\$ 2,685
Voluntary pools and associations	\$ 352	\$ 67	\$ 303
All Other	\$ 2,675	\$ 1,564	\$ 1,737
Total Reinsurance Recoverables	\$ 13,598	\$ 4,699	\$ 9,940

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

LIBERTY MUTUAL HOLDING COMPANY INC.
Issuer and Sector Exposure as of December 31, 2011
(dollars in millions)
(Unaudited)

Top 20 Issuers	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Government of Venezuela	974	0	0	974	1.32%
2 Government of Brazil	905	0	0	905	1.23%
3 Government of Canada	560	0	20	580	0.79%
4 Bank of America Corp	300	82	0	382	0.52%
5 State of Florida	380	0	0	380	0.52%
6 Invenegy	340	0	0	340	0.46%
7 State of California	294	0	0	294	0.40%
8 Government of Colombia	290	0	0	290	0.39%
9 AT&T Corp	286	4	0	290	0.39%
10 Wells Fargo & Co	269	7	0	276	0.37%
11 Southern Co	223	44	0	267	0.36%
12 Berkshire Hathaway Inc	256	3	0	259	0.35%
13 JP Morgan Chase & Co	222	35	0	257	0.35%
14 Commonwealth of Massachusetts	251	0	0	251	0.34%
15 General Electric Co	236	6	0	242	0.34%
16 Citigroup Inc	240	2	0	242	0.34%
17 Government of Germany	236	0	3	239	0.32%
18 US Bancorp	165	66	0	231	0.31%
19 State of Texas	230	0	0	230	0.31%
20 Telefonica SA	224	0	0	224	0.30%
	6,881	249	23	7,153	9.71%

Top 20 Sectors	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Municipal	13,592	0	4	13,596	18.45%
2 Sovereign	4,577	0	46	4,623	6.27%
3 Banks	3,401	359	31	3,791	5.14%
4 Electric	2,162	98	2	2,262	3.07%
5 Oil&Gas	1,597	625	0	2,222	3.02%
6 Telecommunications	1,763	46	6	1,815	2.46%
7 Retail	1,396	54	0	1,450	1.97%
8 Diversified Financial Services	1,236	29	8	1,273	1.73%
9 Media	939	22	0	961	1.30%
10 Transportation	943	17	0	960	1.30%
11 Food	810	34	1	845	1.15%
12 Insurance	691	134	0	825	1.12%
13 Mining	615	167	0	782	1.06%
14 Beverages	656	17	0	673	0.91%
15 Pharmaceuticals	602	50	0	652	0.89%
16 Real Estate	47	572	0	619	0.84%
17 Miscellaneous Manufacturers	585	23	0	608	0.83%
18 Chemicals	487	25	3	515	0.70%
19 Aerospace/Defense	448	10	0	458	0.62%
20 Regional(state/provnc)	458	0	0	458	0.62%
	\$37,005	\$2,282	\$101	\$39,388	53.45%

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.