



Financial Supplement
Quarter and Year Ended December 31, 2012

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

	<u>Page Number</u>
Consolidating Financial Results by Strategic Business Unit	
- Reconciliation of PTOI to Net Income - Three Months Ended December 31, 2012 & 2011	1
- Reconciliation of PTOI to Net Income - Twelve Months Ended December 31, 2012 & 2011	2
- Combined Ratio - Three Months Ended December 31, 2012 & 2011	3
- Combined Ratio - Twelve Months Ended December 31, 2012 & 2011	4
Reinsurance Recoverables	
- Reinsurance Overview	5
- Footnotes to Reinsurance Recoverable Exhibits	6
- Distribution of Reinsurance Recoverables by A.M. Best Rating	7
- Distribution of Reinsurance Recoverables by Standard & Poor's Rating	8
- Top 15 Reinsurance Recoverables by Group	9
Investments	
- Issuer and Sector Exposures	10

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended December 31, 2012						Three Months Ended December 31, 2011					
	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	\$3,805	\$2,885	\$1,570	\$1,242	\$126	\$9,628	\$3,498	\$2,835	\$1,432	\$1,203	(\$5)	\$8,963
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, current accident year re-estimation and LP and LLC ¹ income	\$539	\$208	\$78	\$92	(\$358)	\$559	\$403	\$173	\$75	\$191	(\$248)	\$594
Catastrophes ²	(553)	(218)	7	(144)	65	(843)	(136)	(22)	(26)	(70)	20	(234)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	2	2	-	-	-	-	(10)	(10)
- All other ³	6	28	1	(112)	(242)	(319)	55	42	(42)	(58)	(71)	(74)
Current accident year re-estimation ⁴	-	(21)	-	-	-	(21)	-	(120)	-	-	-	(120)
Pre-tax operating (loss) income before LP and LLC income	(8)	(3)	86	(164)	(533)	(622)	322	73	7	63	(309)	156
LP and LLC income	-	-	-	-	99	99	-	-	-	-	107	107
Pre-tax operating (loss) income	(8)	(3)	86	(164)	(434)	(523)	322	73	7	63	(202)	263
Net realized gains (losses)						185						(10)
SBU realignment expenses						(57)						-
Loss on extinguishment of debt						(30)						(33)
Pre-tax (loss) income						(425)						220
Income tax benefit						225						63
Consolidated net (loss) income						(200)						283
Less: Net income (loss) attributable to non-controlling interest						34						(2)
Net (loss) income attributable to Liberty Mutual Holding Company Inc.						(\$234)						\$285

¹ Limited partnership ("LP") and limited liability company ("LLC") income is included in net investment income in the accompanying consolidated statements of income.

² Catastrophes include all current and prior accident year catastrophe losses excluding losses related to the Company's external reinsurance assumed lines except for Hurricane Isaac, the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods, the 2011 and 2012 tornadoes and other severe storms in the U.S. including Superstorm Sandy. 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 (losses) gains on retroactive reinsurance.

⁴ Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2012 and September 30, 2011.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Twelve Months Ended December 31, 2012						Twelve Months Ended December 31, 2011					
	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	\$14,530	\$11,376	\$6,019	\$4,607	\$412	\$36,944	\$13,457	\$11,156	\$5,478	\$4,224	\$356	\$34,671
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years and LP and LLC ¹ income	\$2,202	\$664	\$266	\$617	(\$1,168)	\$2,581	\$1,857	\$518	\$288	\$713	(\$918)	\$2,458
Catastrophes ²	(1,346)	(517)	7	(140)	136	(1,860)	(1,765)	(688)	(26)	(415)	213	(2,681)
Net incurred losses attributable to prior years:												
- Asbestos & environmental ³	-	-	-	-	(56)	(56)	-	-	-	-	(351)	(351)
- All other ⁴	154	117	(14)	(100)	(471)	(314)	178	57	(58)	151	(99)	229
Pre-tax operating income (loss) before LP and LLC income	1,010	264	259	377	(1,559)	351	270	(113)	204	449	(1,155)	(345)
LP and LLC income	-	-	-	-	353	353	-	-	-	-	583	583
Pre-tax operating income (loss)	1,010	264	259	377	(1,206)	704	270	(113)	204	449	(572)	238
Net realized gains						534						158
SBU realignment expenses						(99)						-
Loss on extinguishment of debt						(193)						(110)
Pre-tax income						946						286
Income tax (expense) benefit						(90)						75
Consolidated net income						856						361
Less: Net income attributable to non-controlling interest						27						3
Net income attributable to Liberty Mutual Holding Company Inc.						\$829						\$358

¹ Limited partnership ("LP") and limited liability company ("LLC") income is included in net investment income in the accompanying consolidated statements of income.

² Catastrophes include all current and prior accident year catastrophe losses excluding losses related to the Company's external reinsurance assumed lines except for Hurricane Isaac, the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods, the 2011 and 2012 tornadoes and other severe storms in the U.S. including Superstorm Sandy. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ 2011 includes \$294 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 (losses) gains on retroactive reinsurance. 2011 reflects a gain on commutation of two retroactive reinsurance contracts during the first quarter.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Three Months Ended December 31, 2012					Three Months Ended December 31, 2011				
Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated
Claims and claim adjustment expense ratio	62.9%	75.7%	64.1%	70.2%	68.5%	65.8%	79.0%	66.0%	61.8%	70.1%
Underwriting expense ratio	25.5%	28.1%	38.4%	28.5%	29.0%	25.9%	27.1%	37.0%	27.8%	28.1%
Dividend ratio	-	0.3%	-	0.2%	0.1%	-	0.5%	-	0.2%	0.2%
Subtotal	88.4%	104.1%	102.5%	98.9%	97.6%	91.7%	106.6%	103.0%	89.8%	98.4%
Catastrophes ¹	16.6%	9.6%	(0.5%)	12.6%	10.5%	4.4%	1.0%	2.1%	6.3%	3.0%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	0.7%	-	-	-	-	0.1%
- All other	(0.2%)	(1.2%)	-	10.0%	3.8%	(1.8%)	(1.7%)	3.3%	5.2%	1.1%
Current accident year re-estimation ²	-	0.9%	-	-	0.3%	-	5.2%	-	-	1.6%
Total combined ratio ³	104.8%	113.4%	102.0%	121.5%	112.9%	94.3%	111.1%	108.4%	101.3%	104.2%

¹ Catastrophes include all current and prior accident year catastrophe losses excluding losses related to the Company's external reinsurance assumed lines except for Hurricane Isaac, the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods, the 2011 and 2012 tornadoes and other severe storms in the U.S. including Superstorm Sandy. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2012 and September 30, 2011.

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 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)

	Twelve Months Ended December 31, 2012					Twelve Months Ended December 31, 2011				
	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated
Combined ratio before catastrophes and net incurred losses attributable to prior years										
Claims and claim adjustment expense ratio	61.7%	77.6%	66.1%	63.7%	67.8%	63.6%	79.0%	66.0%	60.3%	69.0%
Underwriting expense ratio	25.8%	28.5%	37.0%	28.8%	29.2%	25.6%	28.7%	35.5%	29.0%	28.4%
Dividend ratio	-	0.4%	-	0.2%	0.1%	-	0.4%	-	0.2%	0.2%
Subtotal	87.5%	106.5%	103.1%	92.7%	97.1%	89.2%	108.1%	101.5%	89.5%	97.6%
Catastrophes ¹	10.5%	5.8%	(0.1%)	3.3%	6.0%	14.9%	7.8%	0.5%	10.8%	9.3%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	0.5%	-	-	-	-	1.3%
- All other	(1.2%)	(1.3%)	0.2%	2.4%	1.1%	(1.5%)	(0.6%)	1.2%	(4.0%)	(0.7%)
Total combined ratio ²	96.8%	111.0%	103.2%	98.4%	104.7%	102.6%	115.3%	103.2%	96.3%	107.5%

¹ Catastrophes include all current and prior accident year catastrophe losses excluding losses related to the Company's external reinsurance assumed lines except for Hurricane Isaac, the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods, the 2011 and 2012 tornadoes and other severe storms in the U.S. including Superstorm Sandy. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² 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.
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, 2012.

² Gross recoverables are defined as paid and unpaid claims and claim adjustment expense including IBNR and before both bad debt reserve 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 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.

⁶ 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.

⁷ 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.

⁸ Reinsurers not rated by A.M. Best Co. and/or Standard & Poor's.

⁹ Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent.

LIBERTY MUTUAL HOLDING COMPANY INC.

Distribution of Reinsurance Recoverables by A.M. Best Rating ¹

As of December 31, 2012

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{5,6}				
A++	\$ 692	\$ 341	\$ 373	4%
A+	\$ 6,206	\$ 1,677	\$ 4,703	48%
A	\$ 1,454	\$ 116	\$ 1,381	14%
A-	\$ 32	\$ 1	\$ 31	0%
B++	\$ 20	\$ 20	\$ 11	0%
B+	\$ 2	-	\$ 2	0%
B or Below	\$ 1	-	\$ 1	0%
Subtotal	\$ 8,407	\$ 2,155	\$ 6,502	66%
Pools & Associations				
State mandated involuntary pools and associations ⁷	\$ 2,615	\$ 1	\$ 2,613	27%
Voluntary	\$ 340	\$ 69	\$ 298	3%
Subtotal	\$ 2,955	\$ 70	\$ 2,911	30%
Non-Rated Entities ⁸				
Captives & fronting companies	\$ 1,634	\$ 1,938	\$ 122	1%
Other	\$ 511	\$ 675	\$ 293	3%
Subtotal	\$ 2,145	\$ 2,613	\$ 415	4%
Grand Total	\$ 13,507	\$ 4,838	\$ 9,828	100%

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

LIBERTY MUTUAL HOLDING COMPANY INC.

Distribution of Reinsurance Recoverables by Standard & Poor's Rating ¹

As of December 31, 2012

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{5,6}				
AAA	\$ 1	\$ -	\$ 1	0%
AA+, AA, AA-	\$ 3,992	\$ 1,488	\$ 2,661	27%
A+, A, A-	\$ 4,210	\$ 697	\$ 3,622	37%
BBB+, BBB, BBB -	\$ 41	\$ 7	\$ 35	0%
BB+ or Below	\$ 21	\$ 4	\$ 16	0%
Subtotal	\$ 8,265	\$ 2,196	\$ 6,335	64%
Pools & Associations				
State mandated involuntary pools and associations ⁷	\$ 2,615	\$ 1	\$ 2,613	27%
Voluntary	\$ 340	\$ 69	\$ 298	3%
Subtotal	\$ 2,955	\$ 70	\$ 2,911	30%
Non-Rated Entities ⁸				
Captives & fronting companies	\$ 1,634	\$ 1,938	\$ 122	1%
Other	\$ 653	\$ 634	\$ 460	5%
Subtotal	\$ 2,287	\$ 2,572	\$ 582	6%
Grand Total	\$ 13,507	\$ 4,838	\$ 9,828	100%

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

LIBERTY MUTUAL HOLDING COMPANY INC.

Top 15 Reinsurance Recoverables by Group

As of December 31, 2012

(dollars in millions)

Reinsurance Groups ⁹ (Data in Millions)	Gross		Collateral		Net
	Recoverables ²		Held ³		Recoverables ⁴
1 Swiss Re Group	\$	2,225	\$	981	\$ 1,339
2 Nationwide Group	\$	1,570	\$	2	\$ 1,568
3 Everest Re Group	\$	634	\$	275	\$ 390
4 Munich Re Group	\$	577	\$	46	\$ 543
5 UPINSCO	\$	499	\$	542	\$ -
6 Berkshire Hathaway Insurance Group	\$	439	\$	243	\$ 217
7 PartnerRe Group	\$	332	\$	265	\$ 93
8 Alleghany Corporation	\$	310	\$	-	\$ 310
9 Chubb Group of Insurance Companies	\$	231	\$	97	\$ 134
10 Lloyd's of London	\$	205	\$	1	\$ 205
11 W. R. Berkley Group	\$	196	\$	1	\$ 195
12 Builders Reinsurance S.A.	\$	187	\$	263	\$ -
13 Exchange Indemnity Co.	\$	187	\$	135	\$ 54
14 AEGIS Group	\$	184	\$	208	\$ -
15 If P&C Insurance Ltd. (publ)	\$	173	\$	237	\$ -
State Mandated Involuntary pools and associations ⁷	\$	2,615	\$	1	\$ 2,613
Voluntary pools and associations	\$	340	\$	69	\$ 298
All Other	\$	2,603	\$	1,472	\$ 1,869
Total Reinsurance Recoverables	\$	13,507	\$	4,838	\$ 9,828

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

LIBERTY MUTUAL HOLDING COMPANY INC.
Issuer and Sector Exposure as of December 31, 2012
(dollars in millions)
(Unaudited)

Top 20 Issuers	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Government of Venezuela	1,191	0	0	1,191	1.53%
2 Government of Brazil	995	0	0	995	1.28%
3 Government of Canada	617	0	0	617	0.80%
4 State of Florida	394	0	0	394	0.50%
5 Bank of America Corp	260	124	0	384	0.50%
6 Invenegy	361	0	0	361	0.46%
7 State of California	319	0	0	319	0.41%
8 Wells Fargo & Co	304	5	0	309	0.40%
9 Government of Colombia	292	0	0	292	0.37%
10 AT&T Corp	289	3	0	292	0.37%
11 General Electric Co	284	8	0	292	0.37%
12 Citigroup Inc	273	7	0	280	0.36%
13 JP Morgan Chase & Co	222	36	1	259	0.33%
14 Telefonica SA	257	0	0	257	0.33%
15 Southern Co	212	44	0	256	0.33%
16 Government of France	253	0	0	253	0.32%
17 Commonwealth of Massachusetts	245	0	0	245	0.31%
18 US Bancorp	168	75	0	243	0.31%
19 Verizon Communications	239	2	0	241	0.31%
20 Government of Poland	230	0	0	230	0.29%
	\$7,405	\$304	\$1	\$7,710	9.88%

Top 20 Sectors	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Municipal	13,620	0	0	13,620	17.45%
2 Sovereign	5,749	0	27	5,776	7.41%
3 Banks	4,439	462	19	4,920	6.31%
4 Electric	2,776	83	1	2,860	3.66%
5 Oil&Gas	1,611	734	0	2,345	3.00%
6 Telecommunications	1,991	47	0	2,038	2.61%
7 Retail	1,462	62	0	1,524	1.95%
8 Diversified Finan Serv	1,471	39	0	1,510	1.93%
9 Transportation	959	20	0	979	1.25%
10 Mining	626	324	0	950	1.22%
11 Food	886	39	0	925	1.18%
12 Insurance	730	143	3	876	1.12%
13 Beverages	860	10	0	870	1.11%
14 Media	827	27	0	854	1.09%
15 Pharmaceuticals	774	52	0	826	1.07%
16 Miscellaneous Manufactur	711	22	0	733	0.94%
17 Real Estate	31	641	0	672	0.86%
18 Regional(state/provnc)	540	0	0	540	0.69%
19 Healthcare-Services	521	16	0	537	0.69%
20 Chemicals	506	28	0	534	0.68%
	\$41,090	\$2,749	\$50	\$43,889	56.22%

Note: Tables 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.