



Financial Supplement
Quarter and Year Ended December 31, 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 December 31, 2014						Three Months Ended December 31, 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	\$4,164	\$2,824	\$1,541	\$1,339	\$80	\$9,948	\$3,892	\$2,822	\$1,624	\$1,319	\$298	\$9,955
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 ¹ (loss) income	\$693	\$330	\$19	\$167	(\$328)	\$881	\$600	\$219	\$6	\$148	(\$297)	\$676
Catastrophes ²	2	(43)	-	(20)	(94)	(155)	5	(68)	-	(7)	(31)	(101)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	-	-	-	-	-	-	(4)	(4)
- All other ³	(6)	26	78	(33)	32	97	(197)	(8)	34	(44)	50	(165)
Venezuela devaluation and foreign exchange	-	-	44	-	-	44	-	-	20	-	-	20
Current accident year re-estimation ⁴	-	-	-	-	-	-	(67)	-	-	-	-	(67)
Pre-tax operating income (loss) before LP and LLC (loss) income	689	313	141	114	(390)	867	341	143	60	97	(282)	359
LP and LLC (loss) income	-	(1)	-	-	34	33	-	1	-	-	265	266
Pre-tax operating income (loss)	689	312	141	114	(356)	900	341	144	60	97	(17)	625
Net realized (losses) gains						(97)						65
SBU realignment expense						-						(3)
Loss on extinguishment of debt						(5)						(55)
Pre-tax income						798						632
Income tax expense						244						127
Consolidated net income before discontinued operations						554						505
Discontinued operations, net of tax						-						19
Consolidated net income						554						524
Less: Net (loss) income attributable to non-controlling interest						(5)						28
Net income attributable to Liberty Mutual Holding Company Inc.						\$559						\$496

¹ Limited partnership ("LP") and limited liability company ("LLC") (loss) income is included in net investment income in the accompanying Consolidated Statements of Income.

² 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, German hailstorm, Hurricane Odile and Typhoon Fitow. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ 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.

⁴ Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2014 and 2013.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Twelve Months Ended December 31, 2014						Twelve Months Ended December 31, 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	\$16,124	\$11,116	\$6,124	\$5,183	\$1,084	\$39,631	\$14,869	\$11,308	\$6,054	\$5,127	\$1,040	\$38,398
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and foreign exchange and LP and LLC ¹ income	\$2,698	\$1,279	\$108	\$660	(\$1,014)	\$3,731	\$2,380	\$889	\$132	\$682	(\$1,020)	\$3,063
Catastrophes ²	(977)	(325)	(9)	(51)	(244)	(1,606)	(801)	(252)	-	(102)	(107)	(1,262)
Net incurred losses attributable to prior years:												
- Asbestos & environmental	-	-	-	-	(113)	(113)	-	-	-	-	(288)	(288)
- All other ³	(47)	76	132	(72)	69	158	(248)	110	64	(72)	283	137
Venezuela devaluation and foreign exchange	-	-	162	-	-	162	-	-	207	-	(3)	204
Pre-tax operating income (loss) before LP and LLC income	1,674	1,030	393	537	(1,302)	2,332	1,331	747	403	508	(1,135)	1,854
LP and LLC income	-	10	-	-	628	638	-	5	-	-	607	612
Pre-tax operating income (loss)	1,674	1,040	393	537	(674)	2,970	1,331	752	403	508	(528)	2,466
Net realized (losses) gains						(289)						11
SBU realignment benefit						-						5
Loss on extinguishment of debt						(34)						(211)
Pre-tax income						2,647						2,271
Income tax expense						757						544
Consolidated net income before discontinued operations						1,890						1,727
Discontinued operations, net of tax						(81)						33
Consolidated net income						1,809						1,760
Less: Net (loss) income attributable to non-controlling interest						(24)						17
Net income attributable to Liberty Mutual Holding Company Inc.						\$1,833						\$1,743

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 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, German hailstorm, Hurricane Odile and Typhoon Fitow. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ 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)

	Three Months Ended December 31, 2014¹					Three Months Ended December 31, 2013¹				
	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated	Personal Insurance	Commercial Insurance	Liberty International	Global Specialty	Consolidated
Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation										
Claims and claim adjustment expense ratio	60.4%	61.5%	65.7%	57.8%	61.1%	61.1%	69.2%	66.0%	64.9%	64.8%
Underwriting expense ratio	25.0%	34.6%	39.7%	34.9%	31.8%	25.9%	33.3%	40.1%	29.4%	31.2%
Dividend ratio	-	0.1%	-	0.2%	-	-	(0.1%)	-	0.1%	-
Subtotal	85.4%	96.2%	105.4%	92.9%	92.9%	87.0%	102.4%	106.1%	94.4%	96.0%
Catastrophes ²	(0.1%)	2.3%	-	1.6%	1.8%	(0.1%)	3.5%	-	0.6%	1.2%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	-	-	-	-	-	0.1%
- All other ³	0.2%	(1.4%)	(5.6%)	2.7%	(1.2%)	5.3%	0.4%	(2.3%)	3.6%	2.0%
Current accident year re-estimation ⁴	-	-	-	-	-	1.8%	-	-	-	0.8%
Total combined ratio⁵	85.5%	97.1%	99.8%	97.2%	93.5%	94.0%	106.3%	103.8%	98.6%	100.1%

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

² 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, German hailstorm, Hurricane Odile and Typhoon Fitow. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ 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.

⁴ Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2014 and 2013.

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 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)

	Twelve Months Ended December 31, 2014 ¹					Twelve Months Ended December 31, 2013 ¹				
	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	60.3%	63.0%	66.0%	59.1%	61.8%	60.7%	69.4%	66.1%	62.5%	64.4%
Underwriting expense ratio	25.2%	33.3%	38.6%	33.3%	31.0%	25.9%	32.7%	38.5%	29.0%	30.7%
Dividend ratio	-	0.1%	-	0.2%	-	-	0.2%	-	0.2%	0.1%
Subtotal	85.5%	96.4%	104.6%	92.6%	92.8%	86.6%	102.3%	104.6%	91.7%	95.2%
Catastrophes ²	6.3%	4.4%	0.2%	1.0%	4.8%	5.6%	3.2%	-	2.1%	3.9%
Net incurred losses attributable to prior years:										
- Asbestos & environmental	-	-	-	-	0.3%	-	-	-	-	0.9%
- All other ³	0.3%	(1.0%)	(2.4%)	1.5%	(0.4%)	1.7%	(1.4%)	(1.2%)	1.6%	(0.3%)
Total combined ratio ⁴	92.1%	99.8%	102.4%	95.1%	97.5%	93.9%	104.1%	103.4%	95.4%	99.7%

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

² 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, German hailstorm, Hurricane Odile and Typhoon Fitow. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ 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.

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 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.
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 Credit Risk Committee (“CRC”) 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 CRC 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 A.M. Best Co. and Standard & Poor's ratings are as of December 31, 2014
- 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, 2014

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{5,6}				
A++	\$ 3,367	\$ 2,898	\$ 469	5%
A+	\$ 4,722	\$ 1,028	\$ 4,267	46%
A	\$ 1,245	\$ 125	\$ 1,187	13%
A-	\$ 31	\$ 2	\$ 31	0%
B++	\$ 13	\$ 19	\$ 7	0%
B+	\$ 3	\$ -	\$ 3	0%
B or Below	\$ 1	\$ -	\$ 1	0%
Subtotal	\$ 9,382	\$ 4,072	\$ 5,965	64%
Pools & Associations				
State mandated involuntary pools and associations ⁷	\$ 2,550	\$ -	\$ 2,550	28%
Voluntary	\$ 293	\$ 84	\$ 257	3%
Subtotal	\$ 2,843	\$ 84	\$ 2,807	31%
Non-Rated Entities ⁸				
Captives & fronting companies	\$ 1,554	\$ 1,764	\$ 175	2%
Other	\$ 356	\$ 712	\$ 251	3%
Subtotal	\$ 1,910	\$ 2,476	\$ 426	5%
Grand Total	\$ 14,135	\$ 6,632	\$ 9,198	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, 2014

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities ^{5,6}				
AAA	\$ -	\$ -	\$ -	0%
AA+, AA, AA-	\$ 5,429	\$ 3,702	\$ 2,295	25%
A+, A, A-	\$ 3,747	\$ 402	\$ 3,436	37%
BBB+, BBB, BBB -	\$ 7	\$ -	\$ 7	0%
BB+ or Below	\$ 2	\$ -	\$ 2	0%
Subtotal	\$ 9,185	\$ 4,104	\$ 5,740	62%
Pools & Associations				
State mandated involuntary pools and associations ⁷	\$ 2,550	\$ -	\$ 2,550	28%
Voluntary	\$ 293	\$ 84	\$ 257	3%
Subtotal	\$ 2,843	\$ 84	\$ 2,807	31%
Non-Rated Entities ⁸				
Captives & fronting companies	\$ 1,554	\$ 1,764	\$ 175	2%
Other	\$ 553	\$ 680	\$ 476	5%
Subtotal	\$ 2,107	\$ 2,444	\$ 651	7%
Grand Total	\$ 14,135	\$ 6,632	\$ 9,198	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, 2014

(dollars in millions)

Reinsurance Groups ⁹ (Data in Millions)	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴
1 Berkshire Hathaway Insurance Group	\$ 3,095	\$ 2,782	\$ 314
2 Nationwide Group	\$ 1,691	\$ 1	\$ 1,690
3 Swiss Re Group	\$ 1,252	\$ 673	\$ 1,096
4 Everest Re Group	\$ 552	\$ 231	\$ 343
5 UPINSCO	\$ 489	\$ 549	\$ -
6 Munich Re Group	\$ 429	\$ 55	\$ 393
7 Alleghany Corp	\$ 233	\$ -	\$ 233
8 Lloyd's of London	\$ 232	\$ -	\$ 232
9 Builders Reinsurance S.A.	\$ 222	\$ 287	\$ -
10 CUMIS Insurance Society Group	\$ 198	\$ -	\$ 198
11 AEGIS Group	\$ 185	\$ 196	\$ -
12 Chubb Group of Insurance Companies	\$ 180	\$ 71	\$ 109
13 Exchange Indemnity Company	\$ 179	\$ 102	\$ 78
14 W.R. Berkley Group	\$ 149	\$ 1	\$ 148
15 Hannover Re Group	\$ 135	\$ 4	\$ 131
State Mandated Involuntary pools and associations ⁷	\$ 2,550	\$ -	\$ 2,550
Voluntary pools and associations	\$ 293	\$ 84	\$ 257
All Other	\$ 2,071	\$ 1,596	\$ 1,426
Total Reinsurance Recoverables	\$ 14,135	\$ 6,632	\$ 9,198

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

LIBERTY MUTUAL HOLDING COMPANY INC.
Issuer and Sector Exposure as of December 31, 2014
(dollars in millions)
(Unaudited)

Top 20 Issuers	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Government of Venezuela	\$ 884	\$ 0	\$ 0	\$ 884	1.18%
2 Government of Brazil	665	0	0	665	0.89%
3 Government of Canada	455	0	0	455	0.61%
4 Invenergy	97	329	0	426	0.57%
5 Government of United Kingdom	363	0	0	363	0.48%
6 State of California	340	0	0	340	0.45%
7 Bank of America Corp	270	67	0	337	0.45%
8 Wells Fargo & Co	318	6	0	324	0.43%
9 Government of Spain	316	0	0	316	0.42%
10 JP Morgan Chase & Co	247	33	0	280	0.37%
11 State of Florida	276	0	0	276	0.37%
12 General Electric Co	261	6	1	268	0.36%
13 Government of Germany	249	0	0	249	0.33%
14 Government of Ireland	246	0	0	246	0.33%
15 Government of Italy	237	0	0	237	0.31%
16 Southern Co	184	44	0	228	0.30%
17 Government of Colombia	225	0	0	225	0.30%
18 Florida Turnpike Authority	216	0	0	216	0.29%
19 University of California, CA	212	0	0	212	0.28%
20 Statoil	210	0	2	212	0.28%
	<u>\$ 6,271</u>	<u>\$ 485</u>	<u>\$ 3</u>	<u>\$ 6,759</u>	<u>9.00%</u>

Top 20 Sectors	Fixed Maturity	Equity	Short Term	Total Exposure	Percent of Invested Assets
1 Banking	\$ 4,200	\$ 495	\$ 546	\$ 5,241	6.98%
2 Foreign Government	4,582	0	42	4,624	6.16%
3 Electric	3,017	91	1	3,109	4.14%
4 US Municipal - Education	2,011	0	0	2,011	2.68%
5 US Municipal - State	1,791	0	0	1,791	2.39%
6 US Municipal - Healthcare	1,756	0	0	1,756	2.34%
7 Food and Beverage	1,574	82	1	1,657	2.21%
8 Technology	1,191	272	0	1,463	1.95%
9 Diversified Manufacturing	1,274	46	0	1,320	1.76%
10 Metals	846	473	0	1,319	1.76%
11 Retailers	1,185	85	0	1,270	1.69%
12 Independent Energy	569	687	0	1,256	1.67%
13 Insurance	1,002	191	1	1,194	1.59%
14 Integrated Energy	1,055	25	3	1,083	1.44%
15 Wirelines	997	28	7	1,032	1.37%
16 US Municipal - Local	1,028	0	0	1,028	1.37%
17 US Municipal - Transportation	985	0	0	985	1.31%
18 US Municipal - Water & Sewer	965	0	0	965	1.28%
19 US Municipal - Power	890	0	0	890	1.19%
20 Automotive	825	31	1	857	1.14%
	<u>\$ 31,743</u>	<u>\$ 2,506</u>	<u>\$ 602</u>	<u>\$ 34,851</u>	<u>46.42%</u>

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