



Financial Supplement  
Quarter and Year Ended December 31, 2016

**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, 2016   |                          |                                              |                         |                     |                      |              | Three Months Ended December 31, 2015   |                          |                                              |                         |                     |                      |              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------|----------------------------------------------|-------------------------|---------------------|----------------------|--------------|----------------------------------------|--------------------------|----------------------------------------------|-------------------------|---------------------|----------------------|--------------|
|                                                                                                                                                                                                           | <i>Global<br/>Consumer<br/>Markets</i> | U.S. Consumer<br>Markets | Global<br>Consumer<br>Markets<br>East   West | Commercial<br>Insurance | Global<br>Specialty | Corporate<br>& Other | Consolidated | <i>Global<br/>Consumer<br/>Markets</i> | U.S. Consumer<br>Markets | Global<br>Consumer<br>Markets<br>East   West | Commercial<br>Insurance | Global<br>Specialty | Corporate<br>& Other | Consolidated |
| Revenues                                                                                                                                                                                                  | \$5,574                                | \$4,593                  | \$981                                        | \$2,888                 | \$1,261             | (\$56)               | \$9,667      | \$5,273                                | \$4,363                  | \$910                                        | \$2,814                 | \$1,287             | (\$39)               | \$9,335      |
| Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years, current accident year re-estimation and partnerships, LLC and other equity method loss <sup>1</sup> | \$685                                  | \$695                    | (\$10)                                       | \$260                   | \$163               | (\$293)              | \$815        | \$621                                  | \$612                    | \$9                                          | \$249                   | \$122               | (\$242)              | \$750        |
| Catastrophes <sup>2</sup>                                                                                                                                                                                 | (162)                                  | (166)                    | 4                                            | (39)                    | (67)                | 2                    | (266)        | (146)                                  | (139)                    | (7)                                          | (48)                    | (51)                | 4                    | (241)        |
| Net incurred losses attributable to prior years:                                                                                                                                                          |                                        |                          |                                              |                         |                     |                      |              |                                        |                          |                                              |                         |                     |                      |              |
| - Asbestos & environmental <sup>3</sup>                                                                                                                                                                   | -                                      | -                        | -                                            | -                       | -                   | (100)                | (100)        | -                                      | -                        | -                                            | -                       | -                   | -                    | -            |
| - All other <sup>3,4</sup>                                                                                                                                                                                | 3                                      | (26)                     | 29                                           | (115)                   | 34                  | 145                  | 67           | 30                                     | 8                        | 22                                           | 47                      | 51                  | 9                    | 137          |
| - Current accident year re-estimation <sup>5</sup>                                                                                                                                                        | (10)                                   | (10)                     | -                                            | (38)                    | -                   | -                    | (48)         | -                                      | -                        | -                                            | 15                      | -                   | -                    | 15           |
| Pre-tax operating income (loss) before partnerships, LLC and other equity method loss                                                                                                                     | 516                                    | 493                      | 23                                           | 68                      | 130                 | (246)                | 468          | 505                                    | 481                      | 24                                           | 263                     | 122                 | (229)                | 661          |
| Partnerships, LLC and other equity method loss                                                                                                                                                            | -                                      | -                        | -                                            | -                       | -                   | (27)                 | (27)         | -                                      | -                        | -                                            | -                       | -                   | (84)                 | (84)         |
| Pre-tax operating income (loss)                                                                                                                                                                           | \$516                                  | \$493                    | \$23                                         | \$68                    | \$130               | (\$273)              | \$441        | \$505                                  | \$481                    | \$24                                         | \$263                   | \$122               | (\$315)              | \$577        |
| Net realized losses                                                                                                                                                                                       |                                        |                          |                                              |                         |                     |                      | (77)         |                                        |                          |                                              |                         |                     |                      | (46)         |
| Restructuring costs                                                                                                                                                                                       |                                        |                          |                                              |                         |                     |                      | (70)         |                                        |                          |                                              |                         |                     |                      | -            |
| Loss on extinguishment of debt                                                                                                                                                                            |                                        |                          |                                              |                         |                     |                      | (67)         |                                        |                          |                                              |                         |                     |                      | -            |
| Pre-tax income                                                                                                                                                                                            |                                        |                          |                                              |                         |                     |                      | 227          |                                        |                          |                                              |                         |                     |                      | 531          |
| Income tax expense                                                                                                                                                                                        |                                        |                          |                                              |                         |                     |                      | 21           |                                        |                          |                                              |                         |                     |                      | 86           |
| Consolidated net income from continuing operations                                                                                                                                                        |                                        |                          |                                              |                         |                     |                      | 206          |                                        |                          |                                              |                         |                     |                      | 445          |
| Discontinued operations, net of tax                                                                                                                                                                       |                                        |                          |                                              |                         |                     |                      | -            |                                        |                          |                                              |                         |                     |                      | -            |
| Consolidated net income                                                                                                                                                                                   |                                        |                          |                                              |                         |                     |                      | 206          |                                        |                          |                                              |                         |                     |                      | 445          |
| Less: Net income attributable to non-controlling interest                                                                                                                                                 |                                        |                          |                                              |                         |                     |                      | 63           |                                        |                          |                                              |                         |                     |                      | 34           |
| <b>Net income attributable to Liberty Mutual Holding Company Inc.</b>                                                                                                                                     |                                        |                          |                                              |                         |                     |                      | <b>\$143</b> |                                        |                          |                                              |                         |                     |                      | <b>\$411</b> |

<sup>1</sup> Partnerships, LLC and other equity method loss includes limited partnership ("LP"), limited liability company ("LLC") and other equity method loss within net investment income in the accompanying Consolidated Statements of Income and revenue and expenses from the production and sale of oil and gas.

<sup>2</sup> Catastrophes are defined as a natural catastrophe or terror event exceeding \$25 million in estimated ultimate losses, net of reinsurance, and before taxes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>3</sup> Asbestos & environmental is gross of the NICO Reinsurance Transaction, and All other includes all cessions related to the NICO Reinsurance Transaction.

<sup>4</sup> Net of earned premium and reinstatement premium attributable to prior years.

<sup>5</sup> Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2016, and current accident year loss and earned but not reported reserves for the nine months ended September 30, 2015.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Reconciliation of PTOI to Net Income**

(dollars in millions)

(Unaudited)

|                                                                                                                                                                      | Twelve Months Ended December 31, 2016 |                       |                         |          |                      |                  |                   | Twelve Months Ended December 31, 2015 |                         |                       |                         |         |                      |                  |                   |              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-----------------------|-------------------------|----------|----------------------|------------------|-------------------|---------------------------------------|-------------------------|-----------------------|-------------------------|---------|----------------------|------------------|-------------------|--------------|
|                                                                                                                                                                      | Global Consumer Markets               | U.S. Consumer Markets | Global Consumer Markets |          | Commercial Insurance | Global Specialty | Corporate & Other | Consolidated                          | Global Consumer Markets | U.S. Consumer Markets | Global Consumer Markets |         | Commercial Insurance | Global Specialty | Corporate & Other | Consolidated |
|                                                                                                                                                                      |                                       |                       | East                    | West     |                      |                  |                   |                                       |                         |                       | East                    | West    |                      |                  |                   |              |
| Revenues                                                                                                                                                             | \$21,741                              | \$17,920              | \$3,821                 | \$11,355 | \$5,085              | \$127            | \$38,308          | \$20,749                              | \$17,036                | \$3,713               | \$11,187                | \$5,227 | \$454                | \$37,617         |                   |              |
| Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years and partnerships, LLC and other equity method loss <sup>1</sup> | \$2,508                               | \$2,517               | (\$9)                   | \$1,115  | \$625                | (\$940)          | \$3,308           | \$2,388                               | \$2,416                 | (\$28)                | \$1,140                 | \$538   | (\$1,028)            | \$3,038          |                   |              |
| Catastrophes <sup>2</sup>                                                                                                                                            | (1,227)                               | (1,225)               | (2)                     | (296)    | (147)                | (4)              | (1,674)           | (1,056)                               | (1,049)                 | (7)                   | (215)                   | (72)    | 23                   | (1,320)          |                   |              |
| Net incurred losses attributable to prior years:                                                                                                                     |                                       |                       |                         |          |                      |                  |                   |                                       |                         |                       |                         |         |                      |                  |                   |              |
| - Asbestos & environmental <sup>3</sup>                                                                                                                              | -                                     | -                     | -                       | -        | -                    | (141)            | (141)             | -                                     | -                       | -                     | -                       | -       | (4)                  | (4)              |                   |              |
| - All other <sup>3,4,5</sup>                                                                                                                                         | 16                                    | (72)                  | 88                      | (143)    | 127                  | 179              | 179               | 1                                     | (1)                     | 2                     | 140                     | 137     | 34                   | 312              |                   |              |
| Partnerships, LLC and other equity method loss                                                                                                                       | 1,297                                 | 1,220                 | 77                      | 676      | 605                  | (906)            | 1,672             | 1,333                                 | 1,366                   | (33)                  | 1,065                   | 603     | (975)                | 2,026            |                   |              |
| Partnerships, LLC and other equity method loss                                                                                                                       | -                                     | -                     | -                       | -        | -                    | (1)              | (1)               | -                                     | -                       | -                     | -                       | -       | (34)                 | (34)             |                   |              |
| Pre-tax operating income (loss)                                                                                                                                      | \$1,297                               | \$1,220               | \$77                    | \$676    | \$605                | (\$907)          | \$1,671           | \$1,333                               | \$1,366                 | (\$33)                | \$1,065                 | \$603   | (\$1,009)            | \$1,992          |                   |              |
| Net realized losses                                                                                                                                                  |                                       |                       |                         |          |                      |                  | (127)             |                                       |                         |                       |                         |         |                      | (24)             |                   |              |
| Restructuring costs                                                                                                                                                  |                                       |                       |                         |          |                      |                  | (70)              |                                       |                         |                       |                         |         |                      | -                |                   |              |
| Loss on extinguishment of debt                                                                                                                                       |                                       |                       |                         |          |                      |                  | (76)              |                                       |                         |                       |                         |         |                      | (1)              |                   |              |
| Pre-tax income                                                                                                                                                       |                                       |                       |                         |          |                      |                  | 1,398             |                                       |                         |                       |                         |         |                      | 1,967            |                   |              |
| Income tax expense                                                                                                                                                   |                                       |                       |                         |          |                      |                  | 329               |                                       |                         |                       |                         |         |                      | 524              |                   |              |
| Consolidated net income from continuing operations                                                                                                                   |                                       |                       |                         |          |                      |                  | 1,069             |                                       |                         |                       |                         |         |                      | 1,443            |                   |              |
| Discontinued operations, net of tax                                                                                                                                  |                                       |                       |                         |          |                      |                  | -                 |                                       |                         |                       |                         |         |                      | (909)            |                   |              |
| Consolidated net income                                                                                                                                              |                                       |                       |                         |          |                      |                  | 1,069             |                                       |                         |                       |                         |         |                      | 534              |                   |              |
| Less: Net income attributable to non-controlling interest                                                                                                            |                                       |                       |                         |          |                      |                  | 63                |                                       |                         |                       |                         |         |                      | 20               |                   |              |
| <b>Net income attributable to Liberty Mutual Holding Company Inc.</b>                                                                                                |                                       |                       |                         |          |                      |                  | <b>\$1,006</b>    |                                       |                         |                       |                         |         |                      | <b>\$514</b>     |                   |              |

<sup>1</sup> Partnerships, LLC and other equity method loss includes limited partnership ("LP"), limited liability company ("LLC") and other equity method loss within net investment income in the accompanying Consolidated Statements of Income and revenue and expenses from the production and sale of oil and gas.

<sup>2</sup> Catastrophes are defined as a natural catastrophe or terror event exceeding \$25 million in estimated ultimate losses, net of reinsurance, and before taxes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>3</sup> Asbestos & environmental is gross of the NICO Reinsurance Transaction, and All other includes all cessions related to the NICO Reinsurance Transaction.

<sup>4</sup> The twelve months ended December 31, 2015 include a one-time benefit of \$91 million due to a reduction in the estimated prior years' liability for state assessments related to workers compensation.

<sup>5</sup> Net of earned premium and reinstatement premium attributable to prior years.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Combined Ratio by Strategic Business Unit**

(Unaudited)

|                                                                                                                                    | Three Months Ended December 31, 2016   |                             |                                              |                         |                     |              | Three Months Ended December 31, 2015   |                             |                                              |                         |                     |              |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-----------------------------|----------------------------------------------|-------------------------|---------------------|--------------|----------------------------------------|-----------------------------|----------------------------------------------|-------------------------|---------------------|--------------|
|                                                                                                                                    | <i>Global<br/>Consumer<br/>Markets</i> | U.S.<br>Consumer<br>Markets | Global<br>Consumer<br>Markets<br>East   West | Commercial<br>Insurance | Global<br>Specialty | Consolidated | <i>Global<br/>Consumer<br/>Markets</i> | U.S.<br>Consumer<br>Markets | Global<br>Consumer<br>Markets<br>East   West | Commercial<br>Insurance | 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                                                                                          | 62.9%                                  | 62.3%                       | 66.4%                                        | 63.4%                   | 56.1%               | 62.7%        | 62.9%                                  | 62.5%                       | 65.1%                                        | 63.6%                   | 60.4%               | 62.7%        |
| Underwriting expense ratio                                                                                                         | 27.5%                                  | 24.6%                       | 41.7%                                        | 34.4%                   | 36.7%               | 30.8%        | 28.6%                                  | 26.0%                       | 42.6%                                        | 36.4%                   | 35.7%               | 32.0%        |
| Dividend ratio                                                                                                                     | -                                      | -                           | -                                            | -                       | 0.2%                | -            | -                                      | -                           | -                                            | 0.1%                    | 0.2%                | -            |
| Subtotal                                                                                                                           | 90.4%                                  | 86.9%                       | 108.1%                                       | 97.8%                   | 93.0%               | 93.5%        | 91.5%                                  | 88.5%                       | 107.7%                                       | 100.1%                  | 96.3%               | 94.7%        |
| Catastrophes <sup>1</sup>                                                                                                          | 3.1%                                   | 3.8%                        | (0.4%)                                       | 2.1%                    | 5.7%                | 3.2%         | 2.9%                                   | 3.3%                        | 1.0%                                         | 2.6%                    | 4.2%                | 3.0%         |
| Net incurred losses attributable to prior years:                                                                                   |                                        |                             |                                              |                         |                     |              |                                        |                             |                                              |                         |                     |              |
| - Asbestos & environmental                                                                                                         | -                                      | -                           | -                                            | -                       | -                   | 1.2%         | -                                      | -                           | -                                            | -                       | -                   | -            |
| - All Other <sup>2</sup>                                                                                                           | -                                      | 0.6%                        | (3.3%)                                       | 5.7%                    | (3.0%)              | (0.9%)       | (0.6%)                                 | (0.2%)                      | (3.0%)                                       | (2.6%)                  | (4.2%)              | (1.6%)       |
| Current accident year re-estimation <sup>3</sup>                                                                                   | 0.2%                                   | 0.2%                        | -                                            | 2.0%                    | -                   | 0.6%         | -                                      | -                           | -                                            | (0.8%)                  | -                   | (0.2%)       |
| <b>Total combined ratio <sup>4</sup></b>                                                                                           | <b>93.7%</b>                           | <b>91.5%</b>                | <b>104.4%</b>                                | <b>107.6%</b>           | <b>95.7%</b>        | <b>97.6%</b> | <b>93.8%</b>                           | <b>91.6%</b>                | <b>105.7%</b>                                | <b>99.3%</b>            | <b>96.3%</b>        | <b>95.9%</b> |

<sup>1</sup> Catastrophes are defined as a natural catastrophe or terror event exceeding \$25 million in estimated ultimate losses, net of reinsurance, and before taxes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>2</sup> Net of earned premium and reinstatement premium attributable to prior years.

<sup>3</sup> Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2016, and current accident year loss and earned but not reported reserves for the nine months ended September 30, 2015.

<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 third-party administration income and fee income (primarily related to the Company's involuntary market servicing carrier operations) and 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 asbestos and environmental and certain other run off. Restructuring costs are not included in the combined ratio.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Combined Ratio by Strategic Business Unit**

(Unaudited)

|                                                                                               | Twelve Months Ended December 31, 2016  |                             |                                              |                         |                     |              | Twelve Months Ended December 31, 2015  |                             |                                              |                         |                     |              |
|-----------------------------------------------------------------------------------------------|----------------------------------------|-----------------------------|----------------------------------------------|-------------------------|---------------------|--------------|----------------------------------------|-----------------------------|----------------------------------------------|-------------------------|---------------------|--------------|
|                                                                                               | <i>Global<br/>Consumer<br/>Markets</i> | U.S.<br>Consumer<br>Markets | Global<br>Consumer<br>Markets<br>East   West | Commercial<br>Insurance | Global<br>Specialty | Consolidated | <i>Global<br/>Consumer<br/>Markets</i> | U.S.<br>Consumer<br>Markets | Global<br>Consumer<br>Markets<br>East   West | Commercial<br>Insurance | Global<br>Specialty | Consolidated |
| <b>Combined ratio before catastrophes and net incurred losses attributable to prior years</b> |                                        |                             |                                              |                         |                     |              |                                        |                             |                                              |                         |                     |              |
| Claims and claim adjustment expense ratio                                                     | 63.7%                                  | 63.2%                       | 66.1%                                        | 62.0%                   | 58.2%               | 62.7%        | 63.2%                                  | 62.8%                       | 65.3%                                        | 62.7%                   | 60.7%               | 62.9%        |
| Underwriting expense ratio                                                                    | 27.8%                                  | 25.1%                       | 41.6%                                        | 35.2%                   | 35.1%               | 30.7%        | 28.5%                                  | 25.6%                       | 42.9%                                        | 35.1%                   | 34.5%               | 31.6%        |
| Dividend ratio                                                                                | -                                      | -                           | -                                            | -                       | 0.2%                | -            | -                                      | -                           | 0.1%                                         | 0.2%                    | 0.2%                | 0.1%         |
| Subtotal                                                                                      | 91.5%                                  | 88.3%                       | 107.7%                                       | 97.2%                   | 93.5%               | 93.4%        | 91.7%                                  | 88.4%                       | 108.2%                                       | 97.9%                   | 95.4%               | 94.6%        |
| Catastrophes <sup>1</sup>                                                                     | 6.0%                                   | 7.1%                        | 0.1%                                         | 4.0%                    | 3.2%                | 5.1%         | 5.4%                                   | 6.4%                        | 0.2%                                         | 2.9%                    | 1.5%                | 4.1%         |
| Net incurred losses attributable to prior years:                                              |                                        |                             |                                              |                         |                     |              |                                        |                             |                                              |                         |                     |              |
| - Asbestos & environmental                                                                    | -                                      | -                           | -                                            | -                       | -                   | 0.4%         | -                                      | -                           | -                                            | -                       | -                   | -            |
| - All Other <sup>2,3</sup>                                                                    | (0.1%)                                 | 0.4%                        | (2.6%)                                       | 1.8%                    | (2.8%)              | (0.5%)       | -                                      | -                           | (0.1%)                                       | (1.9%)                  | (2.9%)              | (0.9%)       |
| <b>Total combined ratio <sup>4</sup></b>                                                      | <b>97.4%</b>                           | <b>95.8%</b>                | <b>105.2%</b>                                | <b>103.0%</b>           | <b>93.9%</b>        | <b>98.4%</b> | <b>97.1%</b>                           | <b>94.8%</b>                | <b>108.3%</b>                                | <b>98.9%</b>            | <b>94.0%</b>        | <b>97.8%</b> |

<sup>1</sup> Catastrophes are defined as a natural catastrophe or terror event exceeding \$25 million in estimated ultimate losses, net of reinsurance, and before taxes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>2</sup> The twelve months ended December 31, 2015 include a one-time benefit of \$91 million due to a reduction in the estimated prior years' liability for state assessments related to workers compensation.

<sup>3</sup> Net of earned premium and reinstatement premium attributable to prior years.

<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 third-party administration income and fee income (primarily related to the Company's involuntary market servicing carrier operations) and 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 asbestos and environmental and certain other run off. Restructuring costs are not included in the combined ratio.

**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**

<sup>1</sup> A.M. Best Co. and Standard & Poor's ratings are as of December 31, 2016.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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 NIC 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.

<sup>6</sup> 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.

<sup>7</sup> 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.

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

<sup>9</sup> 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 <sup>1</sup>  
 As of December 31, 2016  
 (dollars in millions)

|                                                                | Gross<br>Recoverables <sup>2</sup> | Collateral<br>Held <sup>3</sup> | Net<br>Recoverables <sup>4</sup> | % of Total<br>Net Recov. |
|----------------------------------------------------------------|------------------------------------|---------------------------------|----------------------------------|--------------------------|
| <b>Rated Entities <sup>5,6</sup></b>                           |                                    |                                 |                                  |                          |
| A++                                                            | \$ 3,442                           | \$ 3,050                        | \$ 401                           | 4%                       |
| A+                                                             | \$ 4,398                           | \$ 699                          | \$ 3,999                         | 44%                      |
| A                                                              | \$ 1,095                           | \$ 108                          | \$ 1,004                         | 11%                      |
| A-                                                             | \$ 39                              | \$ 17                           | \$ 29                            | 0%                       |
| B++                                                            | \$ 8                               | \$ 6                            | \$ 6                             | 0%                       |
| B+                                                             | \$ 3                               | \$ -                            | \$ 3                             | 0%                       |
| B or Below                                                     | \$ 1                               | \$ -                            | \$ 1                             | 0%                       |
| <b>Subtotal</b>                                                | <b>\$ 8,986</b>                    | <b>\$ 3,880</b>                 | <b>\$ 5,443</b>                  | <b>59%</b>               |
| <b>Pools &amp; Associations</b>                                |                                    |                                 |                                  |                          |
| State mandated involuntary pools and associations <sup>7</sup> | \$ 2,927                           | \$ (1)                          | \$ 2,929                         | 32%                      |
| Voluntary                                                      | \$ 271                             | \$ 103                          | \$ 239                           | 3%                       |
| <b>Subtotal</b>                                                | <b>\$ 3,198</b>                    | <b>\$ 102</b>                   | <b>\$ 3,168</b>                  | <b>35%</b>               |
| <b>Non-Rated Entities <sup>8</sup></b>                         |                                    |                                 |                                  |                          |
| Captives & fronting companies                                  | \$ 1,479                           | \$ 1,754                        | \$ 171                           | 2%                       |
| Other                                                          | \$ 392                             | \$ 631                          | \$ 294                           | 4%                       |
| <b>Subtotal</b>                                                | <b>\$ 1,871</b>                    | <b>\$ 2,385</b>                 | <b>\$ 465</b>                    | <b>6%</b>                |
| <b>Grand Total</b>                                             | <b>\$ 14,055</b>                   | <b>\$ 6,367</b>                 | <b>\$ 9,076</b>                  | <b>100%</b>              |

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 <sup>1</sup>

As of December 31, 2016

(dollars in millions)

|                                                                | Gross<br>Recoverables <sup>2</sup> | Collateral<br>Held <sup>3</sup> | Net<br>Recoverables <sup>4</sup> | % of Total<br>Net Recov. |
|----------------------------------------------------------------|------------------------------------|---------------------------------|----------------------------------|--------------------------|
| <b>Rated Entities <sup>5,6</sup></b>                           |                                    |                                 |                                  |                          |
| AAA                                                            | \$ -                               | \$ -                            | \$ -                             | 0%                       |
| AA+, AA, AA-                                                   | \$ 5,481                           | \$ 3,567                        | \$ 2,216                         | 24%                      |
| A+, A, A-                                                      | \$ 3,460                           | \$ 288                          | \$ 3,194                         | 35%                      |
| BBB+, BBB, BBB -                                               | \$ 3                               | \$ -                            | \$ 3                             | 0%                       |
| BB+ or Below                                                   | \$ 1                               | \$ -                            | \$ 1                             | 0%                       |
| <b>Subtotal</b>                                                | <b>\$ 8,945</b>                    | <b>\$ 3,855</b>                 | <b>\$ 5,414</b>                  | <b>59%</b>               |
| <b>Pools &amp; Associations</b>                                |                                    |                                 |                                  |                          |
| State mandated involuntary pools and associations <sup>7</sup> | \$ 2,927                           | \$ (1)                          | \$ 2,929                         | 32%                      |
| Voluntary                                                      | \$ 271                             | \$ 103                          | \$ 239                           | 3%                       |
| <b>Subtotal</b>                                                | <b>\$ 3,198</b>                    | <b>\$ 102</b>                   | <b>\$ 3,168</b>                  | <b>35%</b>               |
| <b>Non-Rated Entities <sup>8</sup></b>                         |                                    |                                 |                                  |                          |
| Captives & fronting companies                                  | \$ 1,479                           | \$ 1,754                        | \$ 171                           | 2%                       |
| Other                                                          | \$ 433                             | \$ 656                          | \$ 323                           | 4%                       |
| <b>Subtotal</b>                                                | <b>\$ 1,912</b>                    | <b>\$ 2,410</b>                 | <b>\$ 494</b>                    | <b>6%</b>                |
| <b>Grand Total</b>                                             | <b>\$ 14,055</b>                   | <b>\$ 6,367</b>                 | <b>\$ 9,076</b>                  | <b>100%</b>              |

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, 2016

(dollars in millions)

| Reinsurance Groups <sup>9</sup> (Data in Millions)             | Gross<br>Recoverables <sup>2</sup> | Collateral<br>Held <sup>3</sup> | Net<br>Recoverables <sup>4</sup> |
|----------------------------------------------------------------|------------------------------------|---------------------------------|----------------------------------|
| 1 Berkshire Hathaway Insurance Group                           | \$ 3,215                           | \$ 2,937                        | \$ 278                           |
| 2 Nationwide Group                                             | \$ 1,548                           | \$ -                            | \$ 1,548                         |
| 3 Swiss Re Group                                               | \$ 1,121                           | \$ 489                          | \$ 920                           |
| 4 UPINSCO                                                      | \$ 451                             | \$ 552                          | \$ -                             |
| 5 Munich Re Group                                              | \$ 432                             | \$ 18                           | \$ 415                           |
| 6 Everest Re Group                                             | \$ 425                             | \$ 174                          | \$ 258                           |
| 7 Contractors Reinsurance S.A.                                 | \$ 243                             | \$ 317                          | \$ -                             |
| 8 CUMIS Insurance Society Group                                | \$ 227                             | \$ -                            | \$ 227                           |
| 9 AEGIS Group                                                  | \$ 220                             | \$ 232                          | \$ 1                             |
| 10 Exchange Indemnity Company                                  | \$ 204                             | \$ 99                           | \$ 107                           |
| 11 Lloyd's of London                                           | \$ 196                             | \$ -                            | \$ 196                           |
| 12 Alleghany Corp                                              | \$ 185                             | \$ -                            | \$ 185                           |
| 13 Chubb Group of Insurance Companies                          | \$ 155                             | \$ 63                           | \$ 93                            |
| 14 Hannover Re Group                                           | \$ 122                             | \$ 3                            | \$ 120                           |
| 15 Equitas Insurance Ltd                                       | \$ 115                             | \$ -                            | \$ 115                           |
| State Mandated Involuntary pools and associations <sup>7</sup> | \$ 2,927                           | \$ (1)                          | \$ 2,929                         |
| Voluntary pools and associations                               | \$ 271                             | \$ 103                          | \$ 239                           |
| All Other                                                      | \$ 1,998                           | \$ 1,381                        | \$ 1,445                         |
| <b>Total Reinsurance Recoverables</b>                          | <b>\$ 14,055</b>                   | <b>\$ 6,367</b>                 | <b>\$ 9,076</b>                  |

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

## LIBERTY MUTUAL HOLDING COMPANY INC.

## Issuer and Sector Exposure as of December 31, 2016

(dollars in millions)

(Unaudited)

| Top 20 Issuers                 | Fixed Maturity | Equity       | Short Term  | Total Exposure | Percent of Invested Assets |
|--------------------------------|----------------|--------------|-------------|----------------|----------------------------|
| 1 Government of United Kingdom | 720            | 0            | 16          | 736            | 0.90%                      |
| 2 Government of Brazil         | 613            | 0            | 0           | 613            | 0.75%                      |
| 3 Invenegy                     | 0              | 396          | 0           | 396            | 0.49%                      |
| 4 Anheuser-Busch InBev SA/NV   | 335            | 5            | 0           | 340            | 0.42%                      |
| 5 Government of Canada         | 311            | 0            | 9           | 320            | 0.39%                      |
| 6 State of Washington          | 296            | 0            | 0           | 296            | 0.36%                      |
| 7 JP Morgan Chase & Co         | 257            | 32           | 0           | 289            | 0.35%                      |
| 8 Government of Spain          | 284            | 0            | 0           | 284            | 0.35%                      |
| 9 Bank of America Corp         | 211            | 72           | 0           | 283            | 0.35%                      |
| 10 Government of Colombia      | 276            | 0            | 0           | 276            | 0.34%                      |
| 11 Wells Fargo & Co            | 260            | 4            | 0           | 264            | 0.32%                      |
| 12 Southern Co                 | 208            | 38           | 0           | 246            | 0.30%                      |
| 13 Goldman Sachs Group Inc     | 159            | 70           | 1           | 230            | 0.28%                      |
| 14 Verizon Communications      | 221            | 4            | 0           | 225            | 0.28%                      |
| 15 State of Florida            | 219            | 0            | 0           | 219            | 0.27%                      |
| 16 AT&T Corp                   | 212            | 4            | 3           | 219            | 0.27%                      |
| 17 General Electric Co         | 207            | 5            | 0           | 212            | 0.26%                      |
| 18 CVS Caremark Corp           | 203            | 4            | 0           | 207            | 0.25%                      |
| 19 Morgan Stanley              | 142            | 63           | 0           | 205            | 0.25%                      |
| 20 Government of Italy         | 204            | 0            | 0           | 204            | 0.25%                      |
|                                | <b>\$5,338</b> | <b>\$697</b> | <b>\$29</b> | <b>\$6,064</b> | <b>7.43%</b>               |

| Top 20 Sectors                   | Fixed Maturity  | Equity         | Short Term   | Total Exposure  | Percent of Invested Assets |
|----------------------------------|-----------------|----------------|--------------|-----------------|----------------------------|
| 1 Banking                        | 4,634           | 502            | 283          | 5,419           | 6.64%                      |
| 2 Foreign Government             | 3,980           | 0              | 35           | 4,015           | 4.93%                      |
| 3 Electric                       | 3,004           | 183            | 0            | 3,187           | 3.90%                      |
| 4 US Municipal - Education       | 2,100           | 0              | 0            | 2,100           | 2.57%                      |
| 5 Technology                     | 1,629           | 354            | 5            | 1,988           | 2.45%                      |
| 6 US Municipal - State           | 1,954           | 0              | 0            | 1,954           | 2.39%                      |
| 7 Food and Beverage              | 1,584           | 72             | 0            | 1,656           | 2.03%                      |
| 8 US Municipal - Water & Sewer   | 1,498           | 0              | 0            | 1,498           | 1.83%                      |
| 9 Insurance                      | 1,280           | 176            | 0            | 1,456           | 1.78%                      |
| 10 US Municipal - Healthcare     | 1,418           | 0              | 0            | 1,418           | 1.74%                      |
| 11 US Municipal - Local          | 1,415           | 0              | 0            | 1,415           | 1.73%                      |
| 12 Pharmaceuticals               | 1,258           | 125            | 0            | 1,383           | 1.69%                      |
| 13 Diversified Manufacturing     | 1,303           | 29             | 1            | 1,333           | 1.63%                      |
| 14 Metals                        | 849             | 322            | 0            | 1,171           | 1.43%                      |
| 15 Retailers                     | 1,118           | 44             | 0            | 1,162           | 1.42%                      |
| 16 Wirelines                     | 1,029           | 20             | 3            | 1,052           | 1.29%                      |
| 17 US Municipal - Power          | 1,043           | 0              | 0            | 1,043           | 1.28%                      |
| 18 Independent Energy            | 611             | 409            | 0            | 1,020           | 1.25%                      |
| 19 Integrated Energy             | 997             | 18             | 0            | 1,015           | 1.24%                      |
| 20 US Municipal - Transportation | 1,006           | 0              | 0            | 1,006           | 1.23%                      |
|                                  | <b>\$33,710</b> | <b>\$2,254</b> | <b>\$327</b> | <b>\$36,291</b> | <b>44.45%</b>              |

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