



Financial Supplement
Twelve Months Ended, December 31, 2003

LIBERTY MUTUAL GROUP
Financial Supplement

	<u>Page Number</u>
Consolidated Results	
Consolidated Statements of Income (Loss)	1
Consolidating Strategic Business Unit (SBU) Statements of Income (Loss)	2
Consolidating SBU Underwriting Results	3
Consolidated Balance Sheets	4
Consolidated Statements of Cash Flows	5
Investments Portfolio	
Allocation of Invested Assets	6
Realized Gains	7
Unrealized Gains and Net Investment Income Exhibit	8
Issuer and Sector Exposure	9
Supplemental Detail	
GAAP Policyholders' Equity	10
Reinsurance Recoverables	(11-15)
- Overview	11
- Footnotes	12
- AM Best Rating Distribution	13
- Standard & Poor's Rating Distribution	14
- Top 15 Reinsurance Recoverables	15
Asbestos and Environmental Reserves	16
Capitalization	17

LIBERTY MUTUAL GROUP
Consolidated Statement of Income
(dollars in millions)

	-- Twelve Months Ended --		
	December 31, 2003	December 31, 2002	December 31, 2001
Revenues			
Premiums earned, net	\$13,956	\$11,902	\$10,537
Net investment income	1,762	1,590	1,557
Net realized investment gains	373	274	211
Fee and other revenues	527	524	499
Total revenues	<u>16,618</u>	<u>14,290</u>	<u>12,804</u>
Claims, Benefits and Expenses			
Benefits, claims and claim adjustment expenses	11,133	9,882	10,642
Insurance operating costs and expenses	2,569	1,848	1,943
Amortization of deferred policy acquisition costs	1,872	1,661	1,572
Dividends to policyholders	34	63	83
Other expenses	233	225	219
Total claims, benefits and expenses	<u>15,841</u>	<u>13,679</u>	<u>14,459</u>
Income (loss) from continuing operations before income tax expense, extraordinary gain, discontinued operations, and cumulative effect of change in accounting principle	777	611	(1,655)
Federal and foreign income tax expense	<u>-</u>	<u>81</u>	<u>278</u>
Income (loss) from continuing operations before extraordinary gain, discontinued operations, and cumulative effect of change in accounting principle	777	530	(1,933)
Extraordinary gain, net of tax	<u>77</u>	<u>-</u>	<u>-</u>
Discontinued operations, net of tax	<u>(3)</u>	<u>(15)</u>	<u>(13)</u>
Income (loss) before cumulative effect of change in accounting principle	851	515	(1,946)
Cumulative effect of change in accounting principle	<u>-</u>	<u>(7)</u>	<u>-</u>
Net income (loss)	<u><u>\$851</u></u>	<u><u>\$508</u></u>	<u><u>(\$1,946)</u></u>

LIBERTY MUTUAL GROUP
Consolidated Statement of Income
(dollars in millions)

	Twelve Months Ended, December 31, 2003						Twelve Months Ended, December 31, 2002					
	Commercial Markets	Personal Markets	Regional Agency Markets	International	Other and Life	Consolidated	Commercial Markets	Personal Markets	Regional Agency Markets	International	Other and Life	Consolidated
Revenues												
Premiums earned	4,273	3,816	3,018	2,605	244	13,956	3,467	3,254	2,520	2,317	344	11,902
Net investment income	660	231	253	207	411	1,762	733	216	276	201	164	1,590
Net Realized investment gains	-	-	6	74	293	373	-	-	2	(42)	314	274
Fee and other revenues	298	52	53	30	94	527	343	49	47	34	51	524
Total revenues	5,231	4,099	3,330	2,916	1,042	16,618	4,543	3,519	2,845	2,510	873	14,290
Claims, Benefits and Expenses												
Claims and claim adjustment expense	3,582	2,953	2,043	1,857	416	10,851	2,886	2,643	1,875	1,716	408	9,528
Policyholder benefits	47	-	-	68	167	282	50	-	-	58	246	354
General and administrative expenses	748	412	415	552	675	2,802	743	326	337	316	351	2,073
Amortization of deferred policy acquisition costs	568	445	586	245	28	1,872	505	345	499	289	23	1,661
Dividends to policyholders	(15)	-	35	-	14	34	15	-	35	-	13	63
Total claims, benefits and expenses	4,930	3,810	3,079	2,722	1,300	15,841	4,199	3,314	2,746	2,379	1,041	13,679
Pre-tax operating income (loss) (excluding net realized investment gains)	301	289	245	120	(551)	404	344	205	97	173	(482)	337
Pre-tax income (loss) before discontinued operations and minority interest	301	289	251	194	(258)	777	344	205	99	131	(168)	611
Federal and foreign income tax expense (benefit)	105	101	88	60	(354)	-	120	72	35	57	(203)	81
Pre-tax income (loss) before discontinued operations and minority interest	196	188	163	134	96	777	224	133	64	74	35	530
Extraordinary items	-	77	-	-	-	77	-	-	-	-	-	-
Discontinued operations, net of tax	1	(1)	-	-	(3)	(3)	-	(15)	-	(2)	2	(15)
Change in accounting principle	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Minority interest, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income	\$ 197	\$ 264	\$ 163	\$ 134	\$ 93	\$ 851	\$ 224	\$ 118	\$ 64	\$ 65	\$ 37	\$ 508

LIBERTY MUTUAL GROUP
Underwriting Results by Strategic Business Unit¹
(dollars in millions)

	Twelve Months Ended, December 31, 2003					Twelve Months Ended, December 31, 2002				
	Commercial Markets	Personal Markets	Regional Agency Markets	International	Consolidated	Commercial Markets	Personal Markets	Regional Agency Markets	International	Consolidated
Loss ratio	81.5%	72.6%	64.3%	68.3%	72.8%	80.5%	76.4%	68.7%	71.7%	74.3%
Expense ratio	22.3%	20.6%	31.7%	27.9%	25.6%	23.8%	18.7%	30.3%	26.8%	23.6%
Policyholder dividend ratio	-0.4%	0.0%	1.2%	0.0%	0.2%	0.4%	0.0%	1.4%	0.0%	0.4%
Combined Ratio	103.4%	93.2%	97.2%	96.2%	98.6%	104.7%	95.1%	100.4%	98.5%	98.3%
Catastrophes:										
Catastrophe losses (Natural)	0.6%	3.8%	2.8%	0.0%	1.9%	1.4%	1.5%	2.4%	0.0%	1.4%
Catastrophe losses Sept. 11th	-1.7%	0.0%	0.0%	0.0%	-0.5%	0.6%	0.0%	0.0%	1.3%	0.4%
Prior-year Strengthening:										
Prior-year reserve strengthening for asbestos claims	0.0%	0.0%	0.0%	0.0%	1.3%	0.0%	0.0%	0.2%	0.0%	2.6%
Prior-year reserve strengthening for non-asbestos claims	1.6%	0.9%	0.6%	4.9%	2.4%	-0.9%	3.3%	3.1%	3.0%	3.0%
Tabular discounting	2.2%	0.0%	0.0%	0.0%	0.7%	2.1%	0.0%	0.0%	0.0%	0.6%
Adjusted Combined Ratio	106.1%	97.9%	100.6%	101.1%	104.4%	107.9%	99.9%	106.1%	102.8%	106.3%

¹The combined claim and expense 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 claims and claims adjustment expense ratio, expressed as a percentage, is computed as the sum of the following property and casualty ratios: the ratio of claims and claims adjustment expense to earned premiums; the ratio to earned premiums of insurance operating costs plus amortization of deferred policy acquisition costs less fee income and less installment charges; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premiums and reinsurance are not included in the combined ratio.

LIBERTY MUTUAL GROUP
Consolidated Balance Sheets - GAAP Basis
(dollars in millions)

	As of December 31, 2003	As of December 31, 2002
	<u> </u>	<u> </u>
Assets		
Investments		
Fixed maturities, available for sale, at fair value	\$32,287	\$26,968
Equity securities, available for sale, at fair value	1,346	1,088
Trading securities, at fair value	208	227
Other investments	768	675
Short-term investments	<u>940</u>	<u>779</u>
Total Investments	35,549	29,737
Cash and cash equivalents	1,999	2,615
Premium and other receivables, net	5,238	4,525
Reinsurance recoverables, net	12,227	11,635
Deferred income taxes	860	614
Deferred policy acquisition costs	1,104	913
Goodwill and intangible assets	762	748
Prepaid reinsurance premiums	1,280	999
Other assets	3,183	2,204
Separate account assets	<u>2,220</u>	<u>1,887</u>
Total assets	<u><u>\$64,422</u></u>	<u><u>\$55,877</u></u>
Liabilities		
Unpaid claims and claim adjustment expenses and future policy benefits:		
Property and casualty	\$30,597	\$27,475
Life	3,018	2,367
Other policyholder funds and benefits payable	2,090	1,843
Unearned premiums	7,431	5,952
Funds held under reinsurance treaties	1,902	1,917
Short-term debt	106	143
Long-term debt	1,668	1,250
Other liabilities and accrued expenses	8,009	6,596
Separate account liabilities	<u>2,220</u>	<u>1,887</u>
Total liabilities	<u>57,041</u>	<u>49,430</u>
Policyholders' Equity		
Unassigned equity	6,194	5,343
Accumulated other comprehensive income	<u>1,187</u>	<u>1,104</u>
Total policyholders' equity	<u>7,381</u>	<u>6,447</u>
Total liabilities and policyholders' equity	<u><u>\$64,422</u></u>	<u><u>\$55,877</u></u>

LIBERTY MUTUAL GROUP
Consolidated Statement of Cash Flows - GAAP Basis
(dollars in millions)

	As of December 31, 2003	As of December 31, 2002	As of December 31, 2001
Cash Flows from Operating Activities:			
Net income (loss) from continuing operations	\$ 777	\$ 530	\$ (1,933)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	130	154	187
Realized investment gains	(373)	(274)	(211)
Undistributed private equity investment loss	-	155	123
Premium, other receivables, and reinsurance recoverables	(779)	(1,518)	(1,874)
Deferred policy acquisition costs and distribution costs	(182)	(94)	(55)
Liabilities for insurance reserves	2,998	2,762	2,637
Taxes payable, net of deferred	(68)	54	54
Other, net	176	(509)	1,026
Total adjustments	<u>1,902</u>	<u>730</u>	<u>1,887</u>
Net cash provided by (used in) operating activities	<u>2,679</u>	<u>1,260</u>	<u>(46)</u>
Cash Flows from Investing Activities:			
Purchases of investments	(26,384)	(15,392)	(10,802)
Sales and maturities of investments	23,432	13,912	11,188
Property and equipment purchased, net	(258)	(169)	(27)
Other investing activities	(225)	(30)	(138)
Net cash from acquisitions and dispositions	<u>(346)</u>	<u>(6)</u>	<u>(32)</u>
Net cash (used in) provided by investing activities	<u>(3,781)</u>	<u>(1,685)</u>	<u>189</u>
Cash Flows from Financing Activities:			
Net activity in policyholder accounts	127	103	169
Debt financing, net	381	(185)	(443)
Net securities lending activity	(23)	(48)	136
Other financing activities	-	(62)	(82)
Net cash provided by (used in) financing activities	<u>485</u>	<u>(192)</u>	<u>(220)</u>
Net cash provided by (used in) discontinued operations	1	1	(1)
Net decrease in cash and cash equivalents	<u>(616)</u>	<u>(616)</u>	<u>(78)</u>
Cash and cash equivalents, beginning of period	2,615	3,231	3,309
Cash and cash equivalents, end of period	<u>\$ 1,999</u>	<u>\$ 2,615</u>	<u>\$ 3,231</u>
Supplemental Disclosure of Cash Flow Information			
Income taxes paid	<u>\$ 27</u>	<u>\$ 71</u>	<u>\$ (11)</u>

LIBERTY MUTUAL GROUP

Allocation of Invested Assets (dollars in millions)

	As of December 31, 2003		As of December 31, 2002		As of December 31, 2001	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Fixed Maturities by Security Type						
Fixed maturities, available for sale, at fair value	\$ 32,287	90.8%	\$ 26,968	90.7%	\$ 24,993	87.5%
Equity securities, available for sale, at fair value	1,346	3.8%	1,088	3.7%	2,088	7.3%
Trading securities, at fair value	208	0.6%	227	0.8%	156	0.5%
Limited partnerships (Ex. Liberty Energy)	564	1.6%	510	1.7%	579	2.1%
Liberty Energy limited partnerships	108	0.3%	57	0.2%	6	0.0%
Other investments	95	0.3%	108	0.4%	176	0.6%
Short-term investments	941	2.6%	779	2.5%	553	2.0%
Total investments	\$ 35,549	100.0%	\$ 29,737	100.0%	\$ 28,551	100.0%

Fixed Maturities by Asset Sector

U.S. Treasury securities	\$ 2,717	8.4%	\$ 1,708	6.3%	\$ 1,416	5.7%
Mortgage and asset-backed securities of government and corporate agencies	11,499	35.6%	10,120	37.5%	9,533	38.1%
State and municipal	718	2.2%	759	2.8%	1,731	6.9%
Corporate and other	17,353	53.8%	14,381	53.4%	12,313	49.3%
Total fixed maturities	\$ 32,287	100.0%	\$ 26,968	100.0%	\$ 24,993	100.0%

Fixed Maturities by Credit Quality

S&P Rating	NAIC Designation						
A- or higher	1	\$ 26,912	83.4%	\$ 21,370	79.2%	\$ 19,616	78.6%
BBB- to BBB+	2	3,084	9.6%	3,618	13.4%	3,177	12.7%
BB- to BB+	3	1,039	3.2%	1,040	3.9%	1,187	4.7%
B- to B+	4	988	3.0%	714	2.6%	949	3.8%
CCC or lower	5	253	0.8%	207	0.8%	38	0.1%
In or near default	6	11	0.0%	19	0.1%	26	0.1%
Total fixed maturities		\$ 32,287	100.0%	\$ 26,968	100.0%	\$ 24,993	100.0%

LIBERTY MUTUAL GROUP
Realized and Unrealized Investment Gains and Losses
(dollars in millions)

	Sales & Dispositions	Impairments	Change in Trading Security Unrealized	Total
Net Realized Investment Gains				
December 31, 2003				
Fixed maturities	\$ 250	\$ (49)	\$ -	\$ 201
Common and preferred stock	71	(23)	12	59
Other	114	(2)	-	113
Total	\$ 435	\$ (74)	\$ 12	\$ 373
December 31, 2002				
Fixed maturities	\$ 202	\$ (31)	\$ -	\$ 171
Common and preferred stock	269	(134)	(6)	129
Other	(26)	-	-	(26)
Total	\$ 445	\$ (165)	\$ (6)	\$ 274
December 31, 2001				
Fixed maturities	\$ 100	\$ -	\$ -	\$ 100
Common and preferred stock	177	(27)	-	150
Other	(39)	-	-	(39)
Total	\$ 238	\$ (27)	\$ -	\$ 211

	For the years ended December 31,		
	2003	2002	2001
Components of Net Realized Investment Gains			
Fixed maturities			
Gross realized gains	\$ 381	\$ 403	\$ 298
Gross realized losses	(180)	(233)	(198)
Equities			
Gross realized gains	119	447	260
Gross realized losses	(60)	(317)	(110)
Other			
Gross realized gains	126	10	28
Gross realized losses	(13)	(36)	(67)
Total investments	\$ 373	\$ 274	\$ 211

LIBERTY MUTUAL GROUP

Net Unrealized Investment Gains and Losses and Net Investment Income (dollars in millions)

	For the years ended December 31,		
	2003	2002	2001
Components of Change in Net Unrealized Investment Gains			
Fixed maturities	\$ (267)	\$ 929	\$ 260
Equities	213	(756)	(295)
Adjustments to deferred policy acquisition costs	(97)	(24)	(15)
Net change in unrealized investment (losses) gains	(151)	149	(50)
Deferred income taxes	53	(88)	18
Net change in unrealized investment (losses) gains, net of tax	\$ (98)	\$ 61	\$ (32)
 Components of Net Investment Income			
Interest income	\$ 1,759	\$ 1,701	\$ 1,712
Dividends	56	72	40
Limited partnerships	-	(155)	(123)
Other investment income	12	25	(21)
Gross investment income	1,827	1,643	1,608
Investment expenses	(65)	(53)	(51)
Net investment income	\$ 1,762	\$ 1,590	\$ 1,557

LIBERTY MUTUAL GROUP

Issuer and Sector Exposure as of December 31, 2003¹

(dollars in millions)

Issuer	Fixed Income	Equity	Total Exposure	Percent of Invested Assets
1 Government of Canada	\$ 537	\$ -	\$ 537	1.51%
2 Citigroup	352	34	386	1.09%
3 Government of Spain	331	-	331	0.93%
4 Bank of America	319	10	329	0.93%
5 General Electric	289	24	313	0.88%
6 Verizon	290	10	300	0.84%
7 Wachovia	290	7	297	0.84%
8 Bank One	282	4	286	0.81%
9 Royal Bank of Scotland	260	6	266	0.75%
10 AIG	232	14	246	0.69%
11 Morgan Stanley	216	5	221	0.62%
12 Goldman Sachs	217	4	221	0.62%
13 Government of Portugal	217	-	217	0.61%
14 FleetBoston Financial	207	6	213	0.60%
15 JP Morgan Chase & Co.	194	11	205	0.58%
16 Mellon Financial	192	1	193	0.54%
17 Wells Fargo Co.	183	8	191	0.54%
18 ABN Amro Bank	178	-	178	0.50%
19 New York Life Insurance	177	-	177	0.50%
20 SBC Communications	159	14	173	0.49%
Total	\$ 5,122	\$ 158	\$ 5,280	14.87%

Sector	Fixed Income	Equity	Total Exposure	Percent of Invested Assets
1 Banks	\$ 2,941	\$ 124	\$ 3,065	8.62%
2 Diversified Financial Services	2,104	105	2,209	6.21%
3 Sovereign	1,761	-	1,761	4.95%
4 Municipal	1,270	-	1,270	3.57%
5 Telecommunications	808	110	918	2.58%
6 Electric	821	84	905	2.55%
7 Retail	815	58	873	2.45%
8 Oil & Gas	560	206	766	2.15%
9 Food	605	23	628	1.77%
10 Insurance	493	48	541	1.52%
11 Transportation	471	15	486	1.37%
12 Home Builders	301	4	305	0.86%
13 Chemicals	282	18	300	0.84%
14 Regional (state/province)	267	-	267	0.75%
15 Media	212	52	264	0.74%
16 Miscellaneous Manufacturers	189	49	238	0.67%
17 Cosmetics/Personal Care	166	19	185	0.52%
18 Auto Manufacturers	130	17	147	0.41%
19 REITS	84	57	141	0.40%
20 Pharmaceuticals	56	80	136	0.38%
Total	\$ 14,336	\$ 1,069	\$ 15,405	43.31%

¹ Unaudited financials

LIBERTY MUTUAL GROUP

GAAP Policyholders' Equity

(dollars in millions)

	As of December 31, 2003	As of December 31, 2002	As of December 31, 2001
GAAP Equity, Beginning of Period	\$6,447	\$5,885	\$7,888
Pre-tax operating income	404	337	(1,866)
Realized gains	373	274	211
Extraordinary gains, discontinued operations, and cumulative effect of change in accounting principle	74	(22)	(13)
Federal income tax expense	-	(81)	(278)
Change in unrealized capital gains, net of tax	(98)	61	(32)
Other comprehensive income	181	(7)	(25)
Total change in equity	934	562	(2,003)
GAAP Equity, End of Period	\$7,381	\$6,447	\$5,885



Reinsurance Recoverables
Twelve Months Ended, December 31, 2003

CORPORATE REINSURANCE GUIDELINES AND POLICIES

(As defined by Liberty's Corporate Reinsurance Department)

Scope

The term "reinsurance" refers to all traditional 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 also uses a significant amount of reinsurance to facilitate its role as a servicing carrier for a number of voluntary and involuntary pools and associations in a number of states and classes of business.

Reinsurance Security Oversight

As part of its reinsurance security oversight, Liberty Mutual has established a **Standing Reinsurance Credit Committee (SRC)** 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 SRC is directly responsible for establishing the minimum rating, collateral and diversification requirements governing Liberty's purchase and use of reinsurance.

Liberty Mutual Group

Notes to Various Reinsurance Recoverable Exhibits

¹ AM Best Co. and Standard & Poor's ratings as of February 13, 2004.

² Gross recoverables are defined as paid and unpaid claims and claim adjustment expenses recoverables after considering specific bad debt reserves that have been set aside for potential uncollectible reinsurance but before consideration of collateral.

³ Collateral refers to letters of credit, trust accounts and funds held against outstanding claims and claim adjustment expenses reinsurance recoverable balances.

⁴ Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for specific reinsurance treaties.

⁵ 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 any given pool or association is the composite of the cumulative creditworthiness of all participants.

⁶ Reinsurers not rated by A.M. Best Co. and/or Standard & Poor's.

⁷ Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent. The indicated rating for each group reflects the rating of the principle reinsurer within the group.

⁸ The rating of Nationwide Indemnity Co. (NIC) reflects 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 Dec. 31, 1998, between NIC and Employers Insurance Company of Wausau and certain of its affiliated property and casualty companies.

⁹ Approximately 70% of the net recoverable balance relates to business ceded to Equitas.

Note: Gross reinsurance recoverables for asbestos in the following exhibits are \$129 million, which is net of \$158 million allowances for bad debt.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by A.M. Best Rating

As of December 31, 2003 ¹

(Data in Millions)	(a) Gross Recoverables ²	(b) Collateral Held ³	(c) Net Recoverables ⁴	(d) % of Total Net Recov.
Rated Entities				
A++	\$ 2,237	\$ 1,154	\$ 1,083	12%
A+	3,797	657	3,158	34%
A	1,114	36	1,082	12%
A-	436	34	409	4%
B++	82	0	81	1%
B+	19	1	18	-
B or Below	17	0	17	-
Subtotal	\$ 7,702	\$ 1,882	\$ 5,848	63%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 2,546	\$ 2	\$ 2,545	28%
Voluntary	396	79	323	4%
Subtotal	\$ 2,942	\$ 81	\$ 2,868	32%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 912	\$ 1,052	\$ 35	0%
Other	671	306	412	5%
Subtotal	\$ 1,583	\$ 1,358	\$ 447	5%
Grand Total	\$ 12,227	\$ 3,321	\$ 9,163	100.0%

*** More than 93% of Net Recoverables are rated A- or better
(Including involuntary and voluntary pools and associations)**

Liberty Mutual Group

Distribution of Reinsurance Recoverables by Standard & Poor's Rating

As of December 31, 2003 ¹

(Data in Millions)	(a) Gross Recoverables ²	(b) Collateral Held ³	(c) Net Recoverables ⁴	(d) % of Total Net Recov.
Rated Entities				
AAA	\$ 1,300	\$ 610	\$ 690	8%
AA+, AA , AA-	3,395	1,199	2,215	24%
A+, A , A-	2,785	113	2,696	29%
BBB+, BBB , BBB -	95	5	90	1%
BB+ or Below	20	10	15	0%
Subtotal	\$ 7,595	\$ 1,937	\$ 5,706	62%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 2,546	\$ 2	\$ 2,545	28%
Voluntary	396	79	323	4%
Subtotal	\$ 2,942	\$ 81	\$ 2,868	32%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 912	\$ 1,052	\$ 35	0%
Other	778	251	554	6%
Subtotal	\$ 1,690	\$ 1,303	\$ 589	6%
Grand Total	\$ 12,227	\$ 3,321	\$ 9,163	100%

*** More than 92% of Net Recoverables are rated A- or better
(Including involuntary and voluntary pools and associations)**

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of December 31, 2003 ¹

Reinsurance Groups ⁷ (Data in Millions)	AM Best Rating	S & P Rating	Gross Recoverables ²	Collateral ³	Net Recoverables ⁴
1 Swiss Re Group	A+	AA	\$ 1,552	\$ 326	\$ 1,229
2 Berkshire Hathaway Group	A++	AAA	1,280	610	670
3 Nationwide Group	A+ ⁸	A+ ⁸	1,044	2	1,042
4 Chubb Group	A++	AA	865	543	322
5 Munich Re Group	A+	A+	358	4	357
6 UPINSCO (Captive)	--	--	342	379	-
7 Partner Re Group	A+	AA-	333	273	59
8 White Mountains Insurance Group	A	A-	331	-	331
9 Equitas / Lloyds of London ⁹	A-	A	308	0	308
10 GE Insurance Group	A	A+	241	6	237
11 ACE Group	A+	A+	202	196	17
12 Everest Re Group	A+	AA-	187	0	187
13 Converium Group	A	A	114	0	114
14 Associated Electric & Gas	--	--	102	118	-
15 C.N.A. Group	A	A-	93	-	93
State Mandated Involuntary pools and associatio	--	--	2,546	2	2,542
Voluntary pools and associations	--	--	396	79	323
All other	--	--	1,932	784	1,331
Total Reinsurance Recoverables			\$ 12,227	\$ 3,321	\$ 9,163

See explanation of footnoted items on page 12 of financial supplement (Overview of Corporate Reinsurance Policies and Exposures).
The above ratings are accurate only as of February 13, 2004, and may be changed, suspended or withdrawn, by the respective rating agency, at any time.

LIBERTY MUTUAL GROUP
Asbestos and Environmental Reserves
(dollars in millions)

Asbestos	<u>2003¹</u>	<u>2002</u>	<u>2001</u>
Beginning Reserves:			
Gross	1,686	1,482	1,411
Ceded	<u>(712)</u>	<u>(627)</u>	<u>(620)</u>
Net	974	854	791
Incurred Activity:			
Gross	548	501	293
Ceded	(369)	(206)	(113)
Paid Activity:			
Gross	370	297	222
Ceded	(220)	(121)	(107)
Ending Reserves:			
Gross	1,879	1,686	1,482
Ceded	<u>(865)</u>	<u>(712)</u>	<u>(627)</u>
Net	1,014	974	855
Allowance for uncollectible reinsurance on unpaid losses	140	-	-
Total net reserves including allowance for uncollectible reinsurance	\$ 1,154	\$ 974	\$ 855

Environmental	<u>2003²</u>	<u>2002</u>	<u>2001</u>
Beginning Reserves:			
Gross	577	702	859
Ceded	<u>(261)</u>	<u>(259)</u>	<u>(391)</u>
Net	316	443	468
Incurred Activity:			
Gross	(106)	53	(4)
Ceded	106	(64)	96
Paid Activity:			
Gross	76	178	153
Ceded	(35)	(62)	(37)
Ending Reserves:			
Gross	410	577	702
Ceded	<u>(123)</u>	<u>(261)</u>	<u>(259)</u>
Net environmental reserves	\$ 287	\$ 316	\$ 443

1 As a result of the Prudential acquisition, 2003 ending asbestos reserves included \$15 and \$12, gross and net respectively.

2 As a result of the Prudential acquisition, 2003 ending environmental reserves included \$15 and \$12, gross and net respectively.

LIBERTY MUTUAL GROUP

Capital Structure (dollars in millions)

	As of December 31, 2003	As of December 31, 2002
DEBT		
Short-term debt		
Commercial paper	\$84	\$50
Revolving credit facilities	22	18
Receivables financing	-	40
Other	-	35
Total short-term debt	\$106	\$143
Long-term debt		
8.20%, Surplus Notes, due 2007	\$250	\$250
6.75%, Notes, due 2008	15	18
5.00%, Prudential Notes, due 2008	30	-
7.00%, Prudential Notes - Series A, due 2008	130	-
8.00%, Prudential Notes - Series B, due 2013	260	-
8.50%, Surplus Notes, due 2025	150	150
7.87%, Surplus Notes, due 2026	250	250
7.63%, Notes, due 2028	3	3
7.70%, Surplus Notes, due 2097	500	500
6.76% - 8.10%, Medium Term Notes, various	88	88
Subtotal	1,676	1,259
Unamortized discount	(8)	(9)
Total long-term debt	\$1,668	\$1,250
Total debt	\$1,774	\$1,393
POLICYHOLDERS' EQUITY		
Unassigned surplus	\$6,194	\$5,343
Accumulated other comprehensive income (AOCI)	1,187	1,104
Total policyholders' equity	\$7,381	\$6,447
CAPITALIZATION		
Capitalization including AOCI, net of tax	\$9,155	\$7,840
Capitalization excluding AOCI, net of tax	\$7,968	\$6,736
FINANCIAL LEVERAGE RATIOS		
Debt to capitalization including AOCI	19.4%	17.8%
Debt to capitalization excluding AOCI	22.3%	20.7%