Liberty Mutual Holding Company Inc.

Second Quarter 2007

Consolidated Financial Statements

Liberty Mutual Holding Company Inc.

Consolidated Statements of Income

(dollars in millions)

(Unaudited)

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Revenues				
Premiums earned	$ 5,356	$ 5,180	$ 10,567	$ 9,846
Net investment income	710	634	1,383	1,194
Fee and other revenues	184	192	363	389
Net realized investment gains	45	44	125	69
Total revenues	6,295	6,050	12,438	11,498
Claims, Benefits and Expenses				
Benefits, claims and claim adjustment expenses	3,962	3,964	7,832	7,467
Insurance operating costs and expenses	880	808	1,783	1,592
Amortization of deferred policy acquisition costs	825	699	1,583	1,364
Other expenses	130	96	242	188
Total claims, benefits and expenses	5,797	5,567	11,440	10,611
Income before income tax expense	498	483	998	887
Federal and foreign income tax expense	159	160	309	272
Net income	$ 339	$ 323	$ 689	$ 615

See accompanying notes to the unaudited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Balance Sheets

(dollars in millions)

(Unaudited)

	June 30, 2007	December 31, 2006
Assets:		
Investments		
Fixed maturities, available for sale, at fair value (amortized cost of $43,213 and $40,981)	$ 42,406	$ 41,102
Equity securities, available for sale, at fair value (cost of $2,020 and $1,664)	3,104	2,619
Trading securities, at fair value (cost of $15 and $14)	23	22
Other investments	1,913	1,646
Short-term investments	920	1,550
Mortgage loans	466	322
Total investments	48,832	47,261
Cash and cash equivalents	3,647	3,512
Premium and other receivables (net of allowance of $97 and $101)	6,550	6,075
Reinsurance recoverables (net of allowance of $313 and $315)	15,258	15,564
Deferred income taxes (net of valuation allowance of $107 and $101)	1,602	1,490
Deferred policy acquisition costs	1,785	1,662
Goodwill and intangible assets	937	907
Prepaid reinsurance premiums	1,381	1,230
Property, plant and equipment, net	1,669	1,660
Other assets	3,425	3,088
Separate account assets	3,386	3,049
Total assets	$ 88,472	$ 85,498
Liabilities:		
Unpaid claims and claim adjustment expenses and future policy benefits:		
Property and casualty	$ 39,495	$ 38,606
Life	5,758	5,591
Other policyholder funds and benefits payable	2,739	2,658
Unearned premiums	10,086	9,343
Funds held under reinsurance treaties	1,827	1,823
Short-term debt	67	171
Long-term debt	4,171	3,175
Other liabilities	9,715	10,187
Separate account liabilities	3,386	3,049
Total liabilities	77,244	74,603
Policyholders' equity:		
Unassigned equity	10,792	10,092
Accumulated other comprehensive income	436	803
Total policyholders' equity	11,228	10,895
Total liabilities and policyholders' equity	$ 88,472	$ 85,498

See accompanying notes to the unaudited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Statements of Changes in Policyholders' Equity

(dollars in millions)

(Unaudited)

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Balance at beginning of the period	$ 10,895	$ 8,858
Net income	689	615
Other comprehensive loss, net of taxes:		
Unrealized losses on securities	(514)	(814)
Foreign currency translation and other adjustments	147	70
Total other comprehensive loss, net of taxes	(367)	(744)
Total comprehensive income (loss)	322	(129)
Cummulative effect of accounting change (Note 1)	11	-
Balance at end of the period	$ 11,228	$ 8,729

See accompanying notes to the unaudited consolidated financial statements

Liberty Mutual Holding Company Inc.

Consolidated Statements of Cash Flows

(dollars in millions)

(Unaudited)

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash flows from operating activities:		
Net income	$ 689	$ 615
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	102	136
Realized investment gains	(125)	(69)
Undistributed private equity investment gains	(138)	(122)
Premium, other receivables, and reinsurance recoverables	(71)	(740)
Deferred policy acquisition costs and distribution costs	(93)	(128)
Liabilities for insurance reserves	1,565	1,894
Taxes payable, net of deferred	(73)	43
Other, net	(60)	(5)
Total adjustments	1,107	1,009
Net cash provided by operating activities	1,796	1,624
Cash flows from investing activities:		
Purchases of investments	(11,671)	(10,099)
Sales and maturities of investments	9,877	7,887
Property and equipment purchased, net	(211)	(621)
Other investing activities	(304)	177
Net cash used in investing activities	(2,309)	(2,656)
Cash flows from financing activities:		
Net activity in policyholder accounts	14	42
Debt financing, net	882	(16)
Net securities lending activity and other financing activities	(248)	368
Net cash provided by financing activities	648	394
Net increase (decrease) in cash and cash equivalents	135	(638)
Cash and cash equivalents, beginning of period	3,512	3,155
Cash and cash equivalents, end of period	$ 3,647	$ 2,517

See accompanying notes to the unaudited consolidated financial statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying consolidated financial statements include the accounts of Liberty Mutual Holding Company Inc. and its subsidiaries (collectively "LMHC" or the "Company"). Certain reclassifications have been made to the 2006 consolidated financial statements to conform with the 2007 presentation. All material intercompany transactions and balances have been eliminated.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include (1) unpaid losses and loss expense reserves, including asbestos and environmental reserves, (2) allowance for uncollectible reinsurance and policyholder receivables, (3) other than temporary impairments in the fair value of the investment portfolio, (4) deferred acquisition costs, (5) the valuation of goodwill and intangible assets, and (6) valuation allowance on deferred taxes. While management believes that the amounts included in the consolidated financial statements reflect their best estimates and assumptions, these amounts could ultimately be materially different from the amounts currently provided for in the consolidated financial statements.

Adoption of New Accounting Standards
In June 2006, the FASB issued Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*" ("FIN 48"). FIN 48 requires companies to recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. The amount recognized is the amount that represents the largest amount of tax benefit that is greater than 50% likely of being ultimately realized. A liability is recognized for any benefit claimed, or expected to be claimed, in a tax return in excess of the benefit recorded in the financial statements, along with any interest and penalty (if applicable) on the excess. FIN 48 requires a tabular reconciliation of the change in the aggregate unrecognized tax benefits claimed, or expected to be claimed, in tax returns and disclosure relating to accrued interest and penalties for unrecognized tax benefits. Discussion is also required for those uncertain tax positions where it is reasonably possible that the estimate of the tax benefit will change significantly in the next 12 months.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the adoption, the Company recognized a decrease of approximately $11 in the liability for unrecognized tax benefits, which was accounted for as an increase to retained earnings.

As of the date of adoption of FIN 48, the total amount of unrecognized tax benefits was approximately $107, including approximately $85 related to tax positions that would impact the annual effective rate. The Company recognizes interest and penalties related to unrecognized tax benefits in Federal and foreign income tax expense and had approximately $39 accrued as of January 1, 2007. The Company does not expect any material changes to the unrecognized benefits within 12 months of the reporting date.

The IRS is currently reviewing the Company's federal tax returns for the 1999 through 2003 tax years. Any adjustments that might result from the IRS examination of these income tax returns are not expected to have a material impact on the financial position, liquidity or results of operations of the Company.

In September 2005, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC") issued Statement of Position No. 05-1, *"Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts"* ("SOP 05-1"). This SOP provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in FASB Statement No. 97, *"Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments"* ("FAS 97"). As defined by the SOP, an internal replacement is a modification in product benefits, features, rights, or coverage that occurs by exchange of a contract for a new contract, or by amendment, endorsement, rider, or by election of a feature or coverage within an existing contract. The Company adopted SOP 05-1 on January 1, 2007. The adoption of SOP 05-1 did not have a material impact to the Company's consolidated financial statements.

In February 2006, the FASB released Statement of Financial Accounting Standards No. 155, "*Accounting for Certain Hybrid Financial Instruments - an Amendment of FASB Statements No. 133 and 140*" ("SFAS 155"). SFAS 155 nullifies the guidance in the FASB's Derivatives Implementation Group Issue D1 "*Application of Statement 133 to Beneficial Interests in Securitized Assets*", which had deferred the bifurcation requirements of Statement of Financial Accounting Standards No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" ("SFAS 133"), for certain beneficial interests in securitized financial assets. SFAS 155 requires beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or hybrid instruments that contain an embedded derivative requiring bifurcation. SFAS 155 is effective for all financial instruments acquired, issued or subject to a re-measurement (new basis) event occurring after the beginning of an entity's fiscal year that begins after September 15, 2006. In January 2007, the FASB issued Derivative Implementation Group Issue No. B40, "*Embedded Derivatives: Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets"* ("DIG B40"). DIG B40 provided limited exemption from bifurcation of embedded derivatives as required by paragraph 13(b) of SFAS 133. The Company adopted SFAS 155 on January 1, 2007. Management has concluded the exemption applies for the Company's investment in its mortgage backed securities and as a result, adoption of SFAS 155 did not have a material impact to the Company's consolidated financial statements.

Future Adoption of New Accounting Standards
In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" ("SFAS 157"). This statement defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. SFAS 157 provides guidance on how to measure fair value when required under existing accounting standards. The statement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels ("Level 1, 2 and

3"). Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets the Company has the ability to access at the measurement date. Level 2 inputs are observable inputs, other than quoted prices included in Level 1, for the asset or liability. Level 3 inputs are unobservable inputs reflecting the reporting entity's estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Quantitative and qualitative disclosures will focus on the inputs used to measure fair value for both recurring and non-recurring fair value measurements and the effects of the measurements in the financial statements. The Company is required to adopt SFAS 157 effective January 1, 2008. The Company is in the process of evaluating the impact of adoption.

In September 2006, the FASB issued SFAS No. 158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88, 106 and 132(R)"* ("SFAS 158"). This statement requires an entity to: (a) recognize an asset for the funded status of defined benefit plans that are over-funded and a liability for plans that are under-funded, measured as of the employer's fiscal year end; and (b) recognize changes in the funded status of defined benefit plans, other than for the net periodic benefit cost included in net income, in accumulated other comprehensive income. For pension plans the funded status must be based on the projected benefit obligation, which includes an assumption for future salary increases. For postretirement plans the funded status is based on the accumulated postretirement benefit obligation. The Company is required to adopt SFAS 158 effective December 31, 2007. The actual impact to the Company will depend on the discount rate, other valuation assumptions, and the actual value of plan assets as of December 31, 2007. The impact is expected to be less than 5% of equity.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of SFAS 115*" ("SFAS 159"). SFAS 159 permits all entities to choose, at specified election dates, to measure eligible items at fair value (the "fair value option"). An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date eliminating complex hedge accounting provisions. The decision about whether to elect the fair value option is applied on an instrument by instrument basis and is irrevocable unless a new election date occurs and is applied only to an entire instrument. SFAS 159 also provides guidance on disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for the Company January 1, 2008. The Company is in the process of evaluating the impact of adoption.

In September 2006, the Emerging Issues Task Force (EITF) released, issue No. 06-4, "*Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"* ("EITF 06-4"). This issue requires a company to recognize a liability for future life insurance benefits in accordance with SFAS 106 or Opinion 12. EITF 06-4 is effective for the Company for fiscal years beginning after December 15, 2007. The Company is in the process of evaluating the impact of adoption but it is not expected to be material.

Accumulated Other Comprehensive Income
Other comprehensive income consists principally of unrealized gains and losses on certain investments in debt and equity securities, foreign currency translation adjustments, and minimum pension liability.

The components of accumulated other comprehensive income, net of related deferred acquisition costs and taxes, are as follows:

	June 30, 2007	December 31, 2006
Unrealized gains on securities	$130	$644
Foreign currency translation & other adjustments	326	179
Minimum pension liability	(20)	(20)
Accumulated other comprehensive income	436	$803

(2) ACQUISITIONS AND GOODWILL

On September 5, 2006, and during the course of the fourth quarter of 2006, the Company, through its Spanish subsidiary, Liberty Seguros Compania de Seguros y Reaseguros S.A. ("Liberty Seguros"), acquired 90.425% of Şeker Sigorta A.Ş., a mid-sized insurer located in Istanbul, Turkey. Goodwill recognized from the transaction was $78. The Company is in the process of finalizing the fair value of the acquired business. Therefore, the allocation of the purchase price is subject to refinement. The results of operations for the acquired business, which are not material, are included in the financial statements subsequent to September 2006.
On May 7, 2007, the Company and Ohio Casualty Corporation ("Ohio Casualty") announced that they have entered into a definitive agreement pursuant to which the Company, through its subsidiaries, will acquire all outstanding shares of common stock of Ohio Casualty for $44.00 per share in cash or approximately $2,700. The proposed transaction, which has been approved by the Boards of Directors of both companies, is subject to approval by Ohio Casualty shareholders and customary regulatory approvals and conditions, and is expected to close in the third quarter of 2007.

(3) REINSURANCE

The Company is party to retroactive reinsurance arrangements where a significant portion of the consideration was retained on a "funds held" basis and interest is credited on the balance at a weighted average rate of approximately 7.7% annually. These contracts resulted in deferred gains (including experience related profit accruals of $195) that are amortized into income using the effective interest method over the estimated settlement periods. At June 30, 2007, and December 31, 2006, deferred gains related to these reinsurance arrangements were $817 and $839, respectively, and are included in other liabilities within the consolidated balance sheets. Interest credited to the funds held balances for the three months and six months ended June 30, 2007, was $29 and $57, respectively, as compared to $27 and $52, for the three months and six months ended June 30, 2006, respectively. Deferred gain amortization for the three months and six months ended June 30, 2007, was $13 and $29, respectively, as compared to $14 and $30 for the three months and six months ended June 30, 2006, respectively. Reinsurance recoverables related to these transactions, including experience related profit accruals, were $2,250 and $2,258 as of June 30, 2007, and December 31, 2006, respectively.

Additionally, the Company has an aggregate stop loss program covering substantially all of Commercial Markets voluntary workers compensation business from the fourth quarter 2000 through the fourth quarter 2002 accident year periods. Under these contracts, losses in excess of a specified loss ratio are reinsured up to a maximum loss ratio and were accounted for as prospective reinsurance at inception. However, due to a material contract change at the January 1, 2002 renewal, premium and loss activity subsequent to December 31, 2001, is now accounted for as retroactive reinsurance for coverage provided from the fourth quarter 2000 through the fourth quarter 2001 covered accident year periods. The retroactive portion of the aggregate stop loss program is included in the preceding paragraph.

In 2006, Liberty Mutual Insurance Company ("LMIC") entered into multi-year property catastrophe reinsurance agreements with Mystic Re Ltd. ("Mystic Re"), a Cayman Islands domiciled reinsurer, to provide $525 of additional reinsurance coverage for LMIC and its affiliates in the event of a Northeast hurricane. The reinsurance agreements are fully collateralized by proceeds received by Mystic Re from the issuance of catastrophe bonds and provide coverage for hurricane-related losses from Washington, D.C., to Maine based on industry-insured losses as reported by Property Claim Services. In 2007, LMIC supplemented this reinsurance in a similar transaction with Mystic Re II Ltd. ("Mystic Re II") a Cayman Islands domiciled reinsurer, to provide $150 of additional reinsurance coverage for LMIC and its affiliates in the event of a Northeast and/or Florida hurricane event. The Company has not recorded any recoveries under these programs. Neither Mystic Re nor Mystic Re II has any other reinsurance in force.

(4) DEBT OUTSTANDING

Debt outstanding at June 30, 2007, and December 31, 2006, includes the following:

Short-term debt:

	2007	2006
Revolving credit facilities	$ 65	$ 50
Current maturities of long-term debt	2	121
Total short-term debt	$67	$171

Long-term debt:

	2007	2006
6.75% Notes, due 2008	$ 15	$ 15
5.00% Notes, due 2008	4	4
8.00% Notes, due 2013	260	260
5.75% Notes, due 2014	500	500
6.70% Notes, due 2016	250	250
7.00% Subordinated Notes, due 2067[1]	300	-
8.50% Surplus Notes, due 2025	150	150
7.875% Surplus Notes, due 2026	250	250
7.63% Notes, due 2028	3	3
7.00% Notes, due 2034	250	250
6.50% Notes, due 2035	500	500
7.50% Notes, due 2036	500	500
7.80% Subordinated Notes, due 2087[2]	700	-
7.697% Surplus Notes, due 2097	500	500
7.10% - 7.86% Medium Term Notes, with various maturities	25	27
	4,207	3,209
Unamortized discount	(36)	(34)
Total long-term debt excluding current maturities	$4,171	$3,175

[1] The par value call date and final fixed rate interest payment date is March 15, 2017, subject to certain requirements (see discussion in Liquidity and Capital Resources section in the MD&A).
[2] The par value call date and final fixed rate interest payment date is March 15, 2037, subject to certain requirements (see discussion in Liquidity and Capital Resources section in the MD&A).

Short-term Debt

The Company issues commercial paper to meet short-term operating needs. The total facility was $1,000 at June 30, 2007, and $600 at December 31, 2006, and is supported by a $750 line of credit facility. On June 25, 2007, Liberty Mutual Group Inc. ("LMGI") increased its commercial paper program, guaranteed by LMIC, from $600 to $1,000. Commercial paper issued and outstanding at June 30, 2007, and December 31, 2006, was $0.

On April 5, 2007, LMGI entered into a $250 3-year unsecured revolving credit facility for general corporate purposes. No funds have been borrowed to date under the facility.

On May 4, 2007, LMIC redeemed its $121 8.20% Surplus Note at maturity.

On June 15, 2007, LMIC and certain insurance affiliates entered into a $1,250 short-term revolving credit facility, guaranteed by LMIC, to facilitate the pending acquisition of Ohio Casualty.

Long-term Debt
Payments of interest and principal of the surplus notes are expressly subordinate to all policyholder claims and other obligations of LMIC. Accordingly, interest and principal payments are contingent upon prior approval of the Commissioner of Insurance of the Commonwealth of Massachusetts.

On March 7, 2007, LMGI issued junior subordinated notes (the "Notes") with a face amount of $1,000, consisting of $700 Series A junior subordinated notes (the "Series A Notes") and $300 Series B junior subordinated notes (the "Series B Notes"). The Notes are scheduled for redemption on March 15, 2037; the final maturity of the Series A Notes is March 7, 2087; and the final maturity of the Series B Notes is March 7, 2067. LMGI may redeem (a) the Series B Notes in whole or in part, on March 15, 2017, and on each interest payment date thereafter at their principal amount plus accrued and unpaid interest to the date of redemption, or (b) prior to March 15, 2037, for the Series A Notes or March 15, 2017, for the Series B Notes, (i) in whole or in part at any time at their principal amount or, if greater, a make-whole price, or (ii) in certain circumstances, in whole at their principal amount plus accrued and unpaid interest to the date of redemption or, if greater, a special event make-whole price. Interest is payable semi-annually at a fixed rate of 7.800% for the Series A Notes and 7.000% for the Series B Notes up to, but excluding, the final fixed rate interest payment date. In the event the Notes are not redeemed on or before the final fixed rate interest payment date, interest will accrue at an annual rate of three-month LIBOR plus 3.576% for the Series A Notes and three-month LIBOR plus 2.905% for the Series B Notes, payable quarterly in arrears. LMGI has the right to defer interest payments on the Notes for a period up to ten years. Interest compounds during periods of deferral. In connection with the issuance of the Notes, LMGI entered into a Replacement Capital Covenant ("RCC"). As part of the RCC, LMGI agreed that it will not repay, redeem, defease or purchase the Notes on or before the relevant RCC termination date unless, subject to certain limitations, it has received proceeds from the sale of specified capital securities. The RCC will terminate upon the occurrence of certain events, including an acceleration of the Notes, and may not be enforced by the holders of the Series A Notes or the Series B Notes. The RCC is for the benefit of holders of the specified series of LMGI's indebtedness (initially LMGI's 7.50% senior notes due 2036).

(5) BENEFIT PLANS

The net benefit costs for the three months ended June 30, 2007, and 2006, include the following components:

Three months ended June 30,	**Pension Benefits**		**Supplemental * Pension Benefits**		**Postretirement Benefits**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Components of net periodic benefit costs						
Service costs	$34	$39	$2	$2	$4	$6
Interest costs	49	46	3	4	8	7
Expected return on plan assets	(55)	(50)	-	-	(1)	(1)
Amortization of unrecognized:						
Net loss	8	14	1	2	1	1
Prior service cost	1	-	0	1	(1)	(1)
Net transition (assets)/obligation	(1)	(1)	-	-	2	2
Net periodic benefit costs	$36	$48	$6	$9	$13	$14

* The Company sponsors supplemental retirement plans to provide pension benefits above the levels provided by the pension plans without regard to the statutory earnings limitations of qualified defined benefit pension plans. The supplemental plans are unfunded.

The net benefit costs for the six months ended June 30, 2007, and 2006, include the following components:

Six months ended June 30,	**Pension Benefits**		**Supplemental * Pension Benefits**		**Postretirement Benefits**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Components of net periodic benefit costs						
Service costs	$70	$76	$4	$5	$9	$10
Interest costs	98	91	6	7	15	14
Expected return on plan assets	(109)	(98)	-	-	(1)	(1)
Amortization of unrecognized:						
Net loss	18	28	2	4	1	1
Prior service cost	1	1	1	1	(2)	(2)
Net transition (assets)/obligation	(3)	(3)	-	-	4	4
Net periodic benefit costs	$75	$95	$13	$17	$26	$26

* The Company sponsors supplemental retirement plans to provide pension benefits above the levels provided by the pension plans without regard to the statutory earnings limitations of qualified defined benefit pension plans. The supplemental plans are unfunded.

(6) COMMITMENTS AND CONTINGENT LIABILITIES

Various lawsuits against the Company have arisen in the normal course of business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

The Company has been in various insurance coverage disputes with Armstrong World Industries ("Armstrong") for over twenty years relating to asbestos liabilities and insurance covering the period of 1973 to 1981. In July 2004, the Company prevailed in a favorable arbitration ruling before an appellate panel regarding Armstrong's available insurance coverage. Armstrong has filed, in the United States District Court for the Eastern District of Pennsylvania, a motion to vacate the 2004 appellate arbitration award that was favorable to the Company. The Company has filed a cross-motion seeking to confirm the award. Both motions have been briefed and remain pending at this time.

Armstrong also filed a Chapter 11 Bankruptcy petition in the United States Bankruptcy Court for the District of Delaware in December 2000. A plan of reorganization was confirmed in August 2006, and Armstrong formally emerged from bankruptcy as of October 2, 2006.

A declaratory judgment action, filed against the Company by Armstrong in 2002, is also pending in the United States District Court for the Eastern District of Pennsylvania. In that action, Armstrong is seeking coverage for asbestos claims under insurance policies issued to it during the period of 1973 to 1981, including, but not limited to, damages and a declaration regarding the availability, applicability, and scope of alleged non-product coverage not subject to the aggregate limits of the policies. Armstrong contends that a significant portion of its asbestos liability arises from operations that would entitle Armstrong to insurance coverage under the disputed policies without regard to the aggregate limit of liability. The Pennsylvania coverage action is currently in the initial pleading stages and, while it has been inactive by agreement of the parties since 2002, the parties expect the matter to become active very soon.

The Company intends to vigorously defend its position in all pending coverage litigation, including any argument that coverage issues were finally determined in the bankruptcy proceedings. Management believes that the ultimate liability, if any, to Armstrong will not be resolved for at least one year and very likely may not be known for several years. In the opinion of management, the outcome of these pending matters is difficult to predict and an adverse outcome could have a material adverse effect on the Company's business, financial condition, and results of operations.

As of June 30, 2007, the Company had unfunded commitments in traditional private equity partnerships, real estate partnerships, energy, and commercial mortgage loans of $858, $378, $451, and $183, respectively. As of June 30, 2007, the Company had commitments to purchase various residential mortgage-backed securities at a cost and fair market value of $121 and various corporate and municipal securities at a cost of $50 (fair market value of $51).