Liberty Mutual Holding Company Inc.

First Quarter 2008

Consolidated Financial Statements

Liberty Mutual Holding Company Inc.

Consolidated Statements of Changes in Policyholders' Equity

(dollars in millions)

(unaudited)

	Three Months Ended March 31,	
	2008	**2007**
Balance at beginning of the period	$ 12,366	$ 10,895
Net income	360	350
Other comprehensive (loss) income, net of taxes:		
Unrealized (losses) gains on securities	(335)	25
Foreign currency translation and other adjustments	84	37
Total other comprehensive (loss) income, net of taxes	(251)	62
Total comprehensive income	109	412
Cummulative effect of accounting change (Note 1)	(41)	11
Balance at end of the period	$ 12,434	$ 11,318

See accompanying notes to the unaudited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Balance Sheets

(dollars in millions)

(unaudited)

	March 31, 2008	December 31, 2007
Assets:		
Investments		
Fixed maturities, available for sale, at fair value (amortized cost of $47,305 and $46,848)	$ 47,215	$ 46,934
Equity securities, available for sale, at fair value (cost of $2,423 and $2,418)	2,916	3,285
Trading securities, at fair value (cost of $17 and $16)	17	16
Short-term investments	883	764
Mortgage loans	775	657
Other investments	2,569	2,348
Total investments	54,375	54,004
Cash and cash equivalents	4,590	3,199
Premium and other receivables (net of allowance of $101 and $99)	7,072	6,491
Reinsurance recoverables (net of allowance of $320 and $331)	15,387	15,518
Deferred income taxes (net of valuation allowance of $126 and $117)	1,677	1,469
Deferred acquisition costs and acquired in-force policy intangibles	2,181	2,045
Goodwill and intangible assets	2,387	2,292
Prepaid reinsurance premiums	1,467	1,180
Separate account assets	3,252	3,431
Other assets	5,145	5,113
Total assets	$ 97,533	$ 94,742
Liabilities:		
Unpaid claims and claim adjustment expenses and future policy benefits:		
Property and casualty	$ 43,514	$ 42,992
Life	6,250	6,063
Other policyholder funds and benefits payable	2,840	2,818
Unearned premiums	11,321	10,625
Funds held under reinsurance treaties	1,914	1,941
Short-term debt	29	91
Long-term debt	4,360	4,360
Separate account liabilities	3,252	3,431
Other liabilities	11,619	10,055
Total liabilities	85,099	82,376
Policyholders' equity:		
Unassigned equity	11,940	11,621
Accumulated other comprehensive income	494	745
Total policyholders' equity	12,434	12,366
Total liabilities and policyholders' equity	$ 97,533	$ 94,742

See accompanying notes to the unaudited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Statements of Income

(dollars in millions)

(unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Revenues		
Premiums earned	$ 5,938	$ 5,211
Net investment income	757	673
Net realized investment (losses) gains	(12)	80
Fee and other revenues	202	179
Total revenues	6,885	6,143
Claims, Benefits and Expenses		
Benefits, claims and claim adjustment expenses	4,414	3,870
Insurance operating costs and expenses	945	903
Amortization of deferred policy acquisition costs	913	758
Interest expense	83	66
Interest credited to policyholders	50	46
Total claims, benefits and expenses	6,405	5,643
Income before income tax expense	480	500
Income tax expense	120	150
Net income	$ 360	$ 350

See accompanying notes to the unaudited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Statements of Cash Flows

(dollars in millions)

(unaudited)

		Three Months Ended March 31,	
		2008	**2007**
Cash flows from operating activities:			
Net income	$	360	350
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment gains		12	(80)
Undistributed private equity investment gains		(59)	(62)
Premium, other receivables, and reinsurance recoverables		(360)	(138)
Deferred policy acquisition costs		(91)	(76)
Liabilities for insurance reserves		895	1,087
Taxes payable, net of deferred		11	5
Other, net		(155)	(77)
Total adjustments		253	659
Net cash provided by operating activities		613	1,009
Cash flows from investing activities:			
Purchases of investments		(3,585)	(5,381)
Sales and maturities of investments		3,231	4,356
Property and equipment purchased, net		(127)	(112)
Payment for purchase of companies, net of cash acquired		(143)	-
Other investing activities		37	(20)
Net cash used in investing activities		(587)	(1,157)
Cash flows from financing activities:			
Net activity in policyholder accounts		6	(26)
Debt financing, net		(62)	1,010
Net security lending activity and other financing actitivites		1,421	(65)
Net cash provided by financing activities		1,365	919
Net increase in cash and cash equivalents		1,391	771
Cash and cash equivalents, beginning of period		3,199	3,512
Cash and cash equivalents, end of period	$	4,590	4,283

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 2007 consolidated financial statements to conform to the 2008 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 and associated reinsurance recoverables and loss sensitive premiums receivable; (2) allowance for uncollectible reinsurance and policyholder receivables; (3) fair value determination and other than temporary impairments 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 ultimately could be materially different from the amounts currently provided for in the consolidated financial statements.

Adoption of New Accounting Standards
Effective January 1, 2008, the Company had the option to adopt Statement of Financial Accounting Standards No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of SFAS 115*" ("SFAS 159"). The Company has not made any fair value elections under SFAS 159.

Effective January 1, 2008, the Company adopted Emerging Issues Task Force ("EITF") issue No. 06-4, "*Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"* ("EITF 06-4"). This issue provides guidance on the recognition and measurement of assets related to collateral assignment split-dollar life insurance arrangements. The adoption of EITF 06-4 resulted in a decrease to policyholders' equity of $41.

Effective January 1, 2008, the Company adopted EITF issue No. 06-10, "*Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements* ("EITF 06-10"). This issue requires a company to recognize a liability for future life insurance benefits in accordance with SFAS 106 or Opinion 12. The adoption of EITF 06-10 had no impact on the Company's financial statements.

Effective December 31, 2007, the Company adopted Statement of Financial Accounting Standards 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 required the Company to (a) recognize the funded status of its pension, supplemental pension and postretirement benefit plans on the consolidated balance sheet as an asset or liability, measured as the difference between plan assets at fair value and the benefit obligation as of the employer's fiscal year end, with a corresponding adjustment to accumulated other comprehensive income ("AOCI"), net of tax; and to (b) recognize as a component of AOCI, net of tax, actuarial gains or losses or prior service cost or credit that arise during the period but are not recognized as a component of net periodic benefit cost. Consistent with the provisions of SFAS 158, these amounts will be subsequently recognized in the income statement pursuant to the Company's historical accounting policy for amortizing such amounts with a corresponding offset to AOCI. The provisions of Statement of Financial Accounting Standards No. 87, *"Employers' Accounting for Pensions"* and Statement of Financial Accounting Standards No. 106, *"Employers' Accounting for Postretirement Benefits Other than Pensions"* ("SFAS 106") continue to apply in measuring plan assets and benefit obligations, as of the date of fiscal year-end statement of financial position, and in determining net periodic benefit cost. The adoption of SFAS 158 as of December 31, 2007 decreased other assets by $245, increased other liabilities by $198, increased deferred tax assets by $155, and decreased AOCI, a component of policyholders' equity by $288, net of tax. Adoption of SFAS 158 did not affect the Company's results of operation or liquidity as SFAS 158 does not affect the determination of net periodic benefit costs.

Future Adoption of New Accounting Standards
In December 2007, the FASB issued SFAS No. 141(R), "*Applying the Acquisition Method"* ("SFAS 141(R)"). This issue will result in significant changes to accounting for business combinations. Prospective adoption is required and early adoption is not permitted. The Company is required to adopt SFAS 141(R) effective January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "*Accounting for Noncontrolling Interests"* ("SFAS 160"). SFAS 160 will result in the consolidation of all non-controlling interests within the income statement and balance sheet of the Company for all consolidated subsidiaries. SFAS 160 is required to be adopted on January 1, 2009. Prospective adoption is required, except for the required reclassifications which are to be applied retrospectively. Early adoption is not permitted. The Company is in the process of evaluating the impact of adoption.

In March 2008, FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities"* ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is in the process of evaluating the impact of adoption.

(dollars in millions, except per share amounts)

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:

	March 31, 2008	December 31, 2007
Unrealized gains on securities	$239	$574
Foreign currency translation & other adjustments	536	456
Minimum pension liability	(281)	(285)
Accumulated other comprehensive income	$494	$745

(2) ACQUISITIONS AND GOODWILL

On January 9, 2008, the Company through its Brazilian subsidiary, Liberty International Brazil Ltda., acquired Indiana Seguros, S.A., a writer of auto insurance in Brazil. Goodwill recognized from the transaction was $96. The results of operations of Indian Seguros, S.A. are included in the Company's financial statements subsequent to January 9, 2008.

On August 24, 2007, the Company, through its subsidiaries, acquired all outstanding shares of common stock of Ohio Casualty Corporation ("Ohio Casualty") for approximately $2,800. Goodwill and intangible assets (including acquired in-force policy intangibles) recognized from the transaction was approximately $1,300. The results of operations of Ohio Casualty are included in the Company's financial statements subsequent to August 24, 2007.

Restructuring Activities

As part of the Ohio Casualty acquisition, management has received board authorization to implement certain restructuring efforts, principally employee and contract terminations. Changes to the restructuring reserves as of and for the three months ended March 31, 2008 are as follows:

	2008
Balance at beginning of year	$27
Net adjustments to liability	6
Payments applied against liability	(10)
Balance at March 31, 2008	$23

(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 March 31, 2008, and December 31, 2007, deferred gains related to these reinsurance arrangements were $774 and $786, respectively, and are included in other liabilities within the consolidated balance sheets. Interest credited to the funds held balances was $29 and $28 for the three months ended March 31, 2008, and 2007, respectively. Deferred gain amortization was $16, and $16 for the three months ended March 31, 2008, and 2007, respectively. Reinsurance recoverables related to these transactions, including experience related profit accruals, were $2,207 and $2,222 as of March 31, 2008, and December 31, 2007, 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.

In 2006, LMIC entered into multi-year property catastrophe reinsurance agreements with Mystic Re Ltd. ("Mystic Re"), a Cayman Islands domiciled reinsurer, to provide $525 million of additional reinsurance coverage for LMIC and its affiliates in the event of a Northeast hurricane. The reinsurance agreements are collateralized through a trust and guarantee 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

(dollars in millions, except per share amounts)

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 million 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 March 31, 2008, and December 31, 2007, includes the following:

Short-term debt:

	2008	2007
Commercial paper	$ -	$ -
Revolving credit facilities	9	70
Current maturities of long-term debt	20	21
Total short-term debt	$29	$91

Long-term debt:

	2008	2007
8.00% Notes, due 2013	$260	$260
7.86% Medium term notes, due 2013	25	25
5.75% Notes, due 2014	500	500
7.30% Notes, due 2014[1]	200	200
6.70% Notes, due 2016	250	250
7.00% Subordinated Notes, due 2067[2]	300	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[3]	700	700
7.697% Surplus Notes, due 2097	500	500
	4,388	4,388
Unamortized discount[4]	(28)	(28)
Total long-term debt excluding current maturities	$4,360	$4,360

[1] Reflects debt issued by Ohio Casualty.
[2] The par value call date and final fixed rate interest payment date is March 15, 2017, subject to certain requirements.
[3] The par value call date and final fixed rate interest payment date is March 15, 2037, subject to certain requirements.
[4] Reflects purchase accounting adjustment related to Ohio Casualty $200 million senior notes, due 2014.

Short-term Debt

The Company issues commercial paper to meet short-term operating needs. The total facility was $1,000 at March 31, 2008 and December 31, 2007, and is supported by a $750 line of credit facility. Commercial paper issued and outstanding at March 31, 2008 and December 31, 2007 was $0.

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

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.

(dollars in millions, except per share amounts)

(5) SFAS 157 – FAIR VALUE MEASUREMENT

The Company adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurement*, ("SFAS 157") effective January 1, 2008. SFAS 157 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 Company's estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Certain derivatives recorded at fair value based on the requirements of Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities,* are impacted by the application of SFAS 157. The Company has variable annuity contracts containing embedded derivatives that are affected by SFAS 157, but the impact is immaterial.

The hierarchy requires the use of market observable information when available for assessing fair value. The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2008, along with a brief description of the valuation technique for each type of asset and liability:

Assets, at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed maturities, available for sale	$2,298	$44,173	$ 744	$47,215
Equity securities, available for sale	2,324	555	37	2,916
Trading securities	-	17	-	17
Commercial mortgage loans	-	-	760	760
Short-term investments	78	725	80	883
Other investments	-	145	43	188
Separate account assets	2,278	848	23	3,149
Other assets	19	20	15	54
Total assets	$6,997	$46,483	$1,702	$55,182
Liabilities, at Fair Value				
Life insurance obligations	-	-	117	117
Total liabilities	$ -	$ -	$ 117	$ 117

Fixed maturities and short-term investments are recorded at fair value in the Company's financial statements. In instances where there are quoted prices in active markets for identical instruments, as is the case within the US Treasury market, these securities are categorized as Level 1 of the fair value hierarchy. For securities where the fair value of fixed income securities are estimated using recently executed transactions, market price quotations, bond spreads, or models that have inputs from published interest rate yield curves, these securities are generally categorized as Level 2 of the hierarchy. Additionally, in some instances where fixed income securities use significant inputs that are unobservable, they are categorized as Level 3 of the hierarchy.

Equity securities are recorded at fair value in the Company's financial statements. The fair value of common stocks are generally based on quoted prices in active markets. As such, common stocks are generally categorized as Level 1 of the fair value hierarchy. The fair value of preferred stocks are generally determined by quoted prices for similar instruments in active markets, hence they are categorized as Level 2 of the fair value hierarchy.

Commercial mortgage loans are carried at amortized cost less a valuation allowance for potential uncollectible amounts on the Company's consolidated balance sheet. The table above reflects the fair value of the commercial mortgage loans portfolio. Fair value of the commercial mortgage loans is valued based on origination price and collateral performance credit events since origination, hence these loans are classified in Level 3 of the fair value hierarchy as significant inputs are unobservable.

Other investments includes primarily international loans, foreign cash deposits and co-investments. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Additionally, co-investments are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet are not subject to SFAS 157 and therefore excluded from the above table.

(dollars in millions, except per share amounts)

Separate account assets, which primarily consist of fixed maturity and equity securities, are measured based on the methodologies discussed above. The activity in separate account assets is offset by an equal amount for separate account liabilities, which results in a net zero impact for the Company.

Other assets primarily consist of fixed maturities, short-term investments, and equity securities of captive companies sponsored by the Company. These assets are measured based on the methodology for individual securities as discussed above.

Life insurance obligations include certain variable annuity contracts which contain guaranteed minimum income benefits that under SFAS 133 contain embedded derivatives and are bifurcated from the host contract and carried at fair value. The measurements on these embedded derivatives is computed on a recurring basis using assumptions predominately classified as level 3 (significant unobservable) inputs. While some inputs are observable in the market such as risk free rates, volatility and historical equity returns, the underlying future policyholder behavior inputs are highly unobservable. These assumptions include mortality, lapse, and the underlying take-up rate with regard to annuitization.

The following table sets forth the fair values of assets on a recurring basis classified as level 3 within the fair value hierarchy:

	Balance January 1, 2008	**Net Realized Gains (Losses)**	**Net Unrealized Gains (Losses)**	**Net Purchases, (Sales) and (Maturities)**	**Transfer in and/ or out of Level 3**	**Balance March 31, 2008**
Fixed maturities	$825	$1	$11	($93)	$ -	$744
Equity securities	43	-	(6)	-	-	37
Commercial mortgage loans	645	-	(2)	117	-	760
Short-term investments	70	-	4	6	-	80
Other investments	41	-	2	-	-	43
Separate account assets	23	-	-	-	-	23
Other assets	13	1	-	1	-	15
Total assets	$1,660	$2	$9	$31	$ -	$1,702
Life insurance obligations	105	20	-	(8)	-	117
Total liabilities	$105	$20	$-	($8)	$-	$117

There were no material unrealized gains (losses) for the period included in earnings attributable to the fair value relating to assets and liabilities classified as level 3 that are still held at March 31, 2008.

For the three months ended March 31, 2008, there were no material impairments recognized for items measured at fair value on a nonrecurring basis.

(dollars in millions, except per share amounts)

(6) BENEFIT PLANS

The net benefit costs for the three months ended March 31, 2008, and 2007, include the following components:

Three months ended March 31,	Pension Benefits		Supplemental * Pension Benefits		Postretirement Benefits	
	2008	2007	2008	2007	2008	2007
Components of net periodic benefit costs						
Service costs	$ 35	$ 36	$ 2	$ 2	$ 5	$ 5
Interest costs	59	49	4	3	10	7
Expected return on plan assets	(66)	(54)	-	-	-	-
Amortization of unrecognized:						
Net loss	2	10	1	1	-	-
Prior service cost	2	-	1	1	(1)	(1)
Net transition (assets)/obligation	(2)	(2)	-	-	2	2
Net periodic benefit costs	$ 30	$ 39	$ 8	$ 7	$ 16	$ 13

* 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.

(7) COMMITMENTS AND CONTINGENT LIABILITIES

Armstrong World Industries Inc. ("Armstrong"), a signatory to the Wellington Agreement, a 1985 settlement agreement involving a number of asbestos products manufacturers and their insurers (the "Wellington Agreement"), is the Company's remaining Tier I asbestos defendant with unresolved claims and coverage disputes. The Company has been in various insurance coverage disputes with Armstrong for over twenty years.

Armstrong 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 pending in the United States District Court for the Eastern District of Pennsylvania (the "Pennsylvania Coverage Action") seeking coverage for asbestos claims under insurance policies issued to Armstrong during the period 1977 to 1981, including damages and a declaration regarding the availability, applicability and scope of alleged non-product coverage. 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 court reactivated the case at a scheduling conference on October 22, 2007. The parties are currently in the early stages of exchanging paper discovery. A Scheduling Order has not yet been entered by the Court.

In July 2004, the Company prevailed in a favorable arbitration ruling before an appellate panel regarding Armstrong's available insurance coverage under policies in effect from 1973-1977. Subsequently, Armstrong filed in the United States District Court for the Eastern District of Pennsylvania, a motion to vacate that favorable ruling. The Company has filed a cross motion seeking to confirm the final decision. Both motions remain pending at this time.

The Company intends to vigorously defend its position in all pending litigation with Armstrong, 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 March 31, 2008, the Company had unfunded commitments in traditional private equity partnerships, energy and other, real estate, and commercial mortgage loans of $878, $463, $392 and $340, respectively. As of March 31, 2008, the Company had commitments to purchase various residential mortgage-backed securities at a cost and fair market value of $24 and $25, respectively.

(8) SUBSEQUENT EVENTS

On April 23, 2008, LMG and Safeco Corporation announced that they entered into a definitive agreement pursuant to which LMG, through its subsidiaries, will acquire all outstanding shares of common stock of Safeco for $68.25 per share or approximately $6,200. The proposed transaction, which has been approved by the Boards of Directors of both companies, is subject to approval by Safeco's shareholders and customary regulatory approvals and conditions. The transaction is targeted to close in the third quarter of 2008.