



**Liberty
Mutual[®]**

INSURANCE

Second Quarter 2016 Results

Cautionary Statement Regarding Forward Looking Statements

This report contains forward looking statements that are intended to enhance the reader's ability to assess the future financial and business performance of Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Insurance group of entities (the "Company" or "LMHC"). Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" or similar expressions. Because these forward looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different.

Some of the factors that could cause actual results to differ include, but are not limited to the following: the occurrence of catastrophic events (including terrorist acts, hurricanes, hail, tornados, tsunamis, earthquakes, floods, snowfall and winter conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or ability to collect reinsurance; disruptions to the Company's relationships with its independent agents and brokers; financial disruption or a prolonged economic downturn; the performance of the Company's investment portfolios; a rise in interest rates; risks inherent in the Company's alternative investments in private limited partnerships ("LP"), limited liability companies ("LLC"), commercial mortgages and natural resource working interests; difficulty in valuing certain of the Company's investments; subjectivity in the determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; the Company's inability to obtain price increases or maintain market share due to competition or otherwise; inadequacy of the Company's pricing models; changes to insurance laws and regulations; changes in the amount of statutory capital that the Company must hold to maintain its financial strength and credit ratings; regulatory restrictions on the Company's ability to change its methods of marketing and underwriting in certain areas; assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the ability of the Company's subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclical nature of the property and casualty insurance industry; political, legal, operational and other risks faced by the Company's international business; potentially high severity losses involving the Company's surety products; loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of personal lines policies; inadequacy of the Company's controls to ensure compliance with legal and regulatory standards; changes in federal or state tax laws; risks arising out of the Company's securities lending program; the Company's utilization of information technology systems and its implementation of technology innovations; difficulties with technology or data security; insufficiency of the Company's business continuity plan in the event of a disaster; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; insufficiency of the Company's enterprise risk management models and modeling techniques; and changing climate conditions. The Company's forward looking statements speak only as of the date of this report or as of the date they are made and should be regarded solely as the Company's current plans, estimates and beliefs. For a detailed discussion of these and other cautionary statements, visit the Company's Investor Relations website at www.libertymutualgroup.com/investors. The Company undertakes no obligation to update these forward looking statements.

Liberty Mutual Overview

Mission statement: Helping people live safer, more secure lives



Strategic Business Units (SBUs)



- Mutual holding company structure
- \$121.7B of assets and \$37.6B of revenues in 2015
- The most diversified P&C insurer
- 73rd among Fortune 500 companies¹
- 5th largest P&C writer in the U.S.²
- 5th largest commercial lines writer in the U.S.²
- 5th largest personal lines writer in the U.S.²
- 6th largest global P&C insurer³

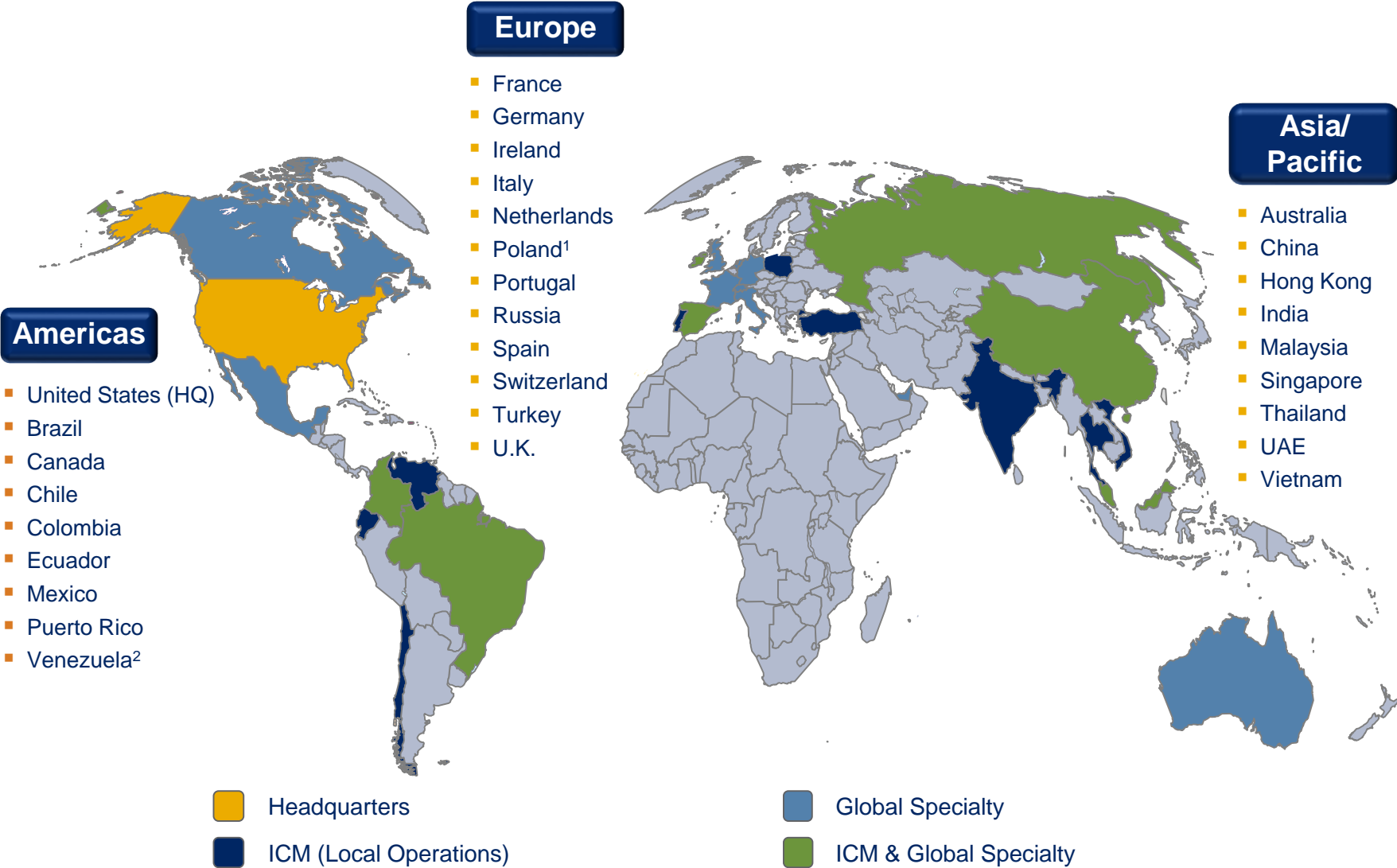
¹ Based on 2015 Revenue – as reported.

² Based on 2015 DWP.

³ Based on 2015 GWP.

Liberty Mutual's Global Presence

Liberty Mutual operates in 30 countries and economies around the globe



¹ On December 18, 2015, the Company entered into an agreement to sell its Polish operations.

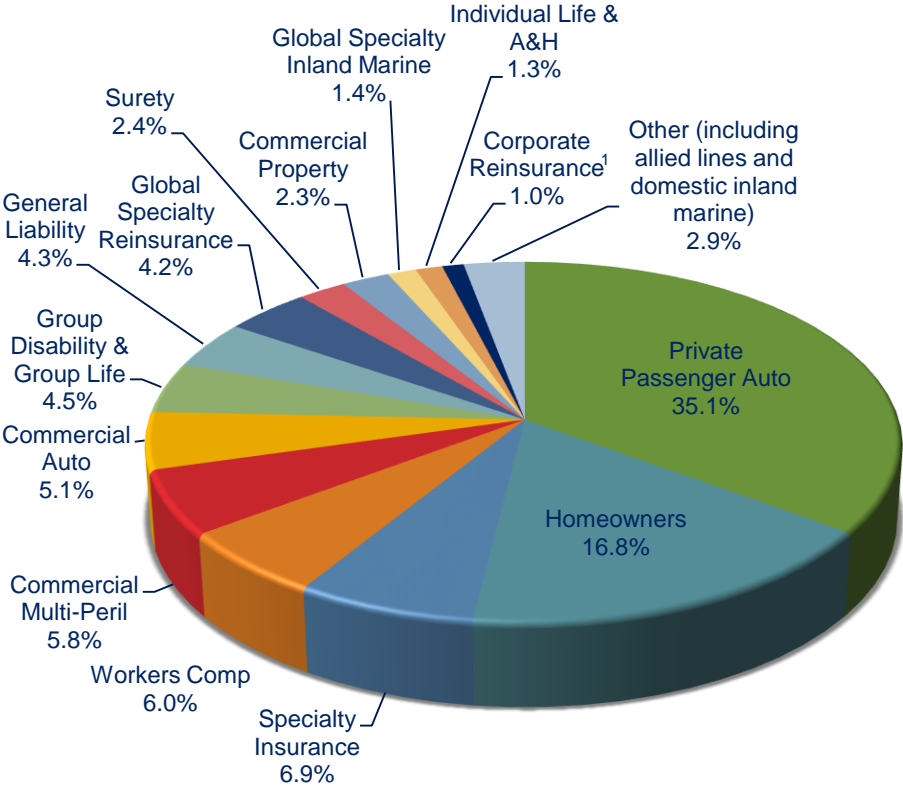
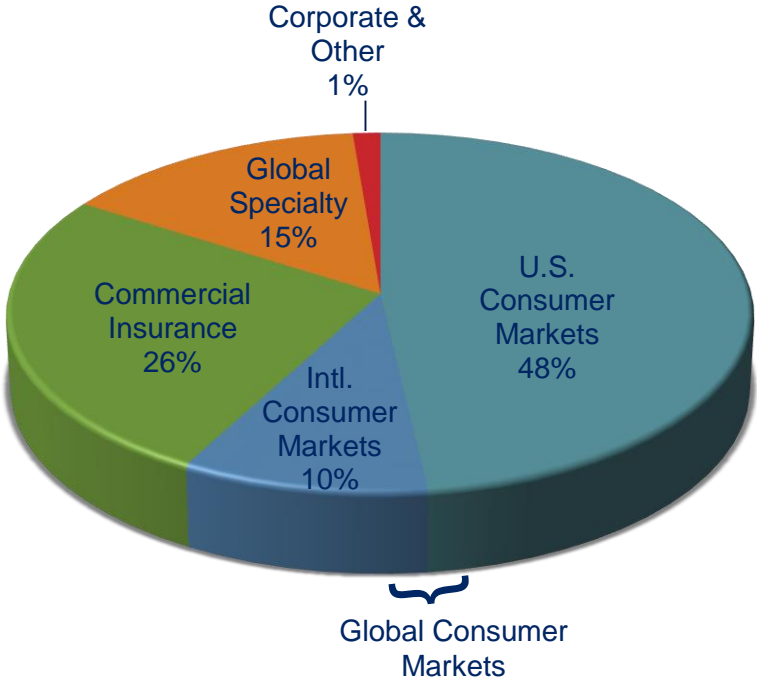
² Effective September 30, 2015, the Company deconsolidated its Venezuelan operations.

Analysis of Consolidated Net Written Premium “NWP”

NWP by SBU

NWP by line of business

June YTD 2016



NWP of \$17.8 billion increased 0.8% over 2015.

¹ NWP associated with internal reinsurance net of corporate external placements.

Consolidated Results

\$ millions	Second Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
NWP	\$9,018	\$8,915	1.2%	\$17,790	\$17,641	0.8%
Pre-tax operating income (“PTOI”) before partnerships, LLC and other equity method (loss) income	\$173	\$149	16.1%	\$787	\$694	13.4%
Partnerships, LLC, and other equity method (loss) income ¹	(59)	51	NM	(36)	(2)	NM
Net realized (losses) gains	(95)	241	NM	(134)	278	NM
Consolidated net income from continuing operations	10	296	(96.6)	413	686	(39.8)
Discontinued operations, net of tax	-	(47)	(100.0)	-	(165)	(100.0)
Net income attributable to LMHC	\$15	\$254	(94.1%)	\$408	\$530	(23.0%)
Cash flow provided by operations	\$346	\$641	(46.0%)	\$645	\$1,134	(43.1%)

\$ millions	As of		
	June 30, 2016	December 31, 2015	Change
Total equity	\$21,206	\$19,241	10.2%

¹ Partnerships, LLC and other equity method (loss) income includes LP, LLC and other equity method (loss) income within net investment income in the accompanying Consolidated Statements of Income and revenue and expenses from the production and sale of oil and gas.
 NM = Not Meaningful

Consolidated Results

	Second Quarter			Year-to-Date		
	2016	2015	Change (Points)	2016	2015	Change (Points)
Claims and claim adjustment expense ratio	60.2%	60.5%	(0.3)	60.1%	60.7%	(0.6)
Underwriting expense ratio	31.2	32.1	(0.9)	30.9	31.6	(0.7)
Dividend ratio	-	-	-	-	0.1	(0.1)
Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation	91.4%	92.6%	(1.2)	91.0%	92.4%	(1.4)
Catastrophes ¹	10.2	10.0	0.2	8.6	8.1	0.5
Net incurred losses attributable to prior years						
- Asbestos & environmental	(0.1)	-	(0.1)	(0.1)	-	(0.1)
- All other ^{2,3}	(0.5)	-	(0.5)	(0.6)	(0.6)	-
Current accident year re-estimation ⁴	0.4	-	0.4	-	-	-
Total combined ratio⁵	101.4%	102.6%	(1.2)	98.9%	99.9%	(1.0)

¹ 2016 catastrophes include all current accident year catastrophe losses for Canadian wildfires, Ecuador earthquake, severe storms in the U.S. and Cyclone Winston. 2015 catastrophes include all current accident year catastrophe losses for severe storms in the U.S., Cyclone Niklas, New South Wales severe storms and Chile floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² The six months ended June 30, 2015 includes a one-time benefit of \$91 million due to a reduction in the estimated prior years' liability for state assessments related to workers compensation.

³ Net of earned premium and reinstatement premium attributable to prior years.

⁴ Re-estimation of the current accident year loss reserves for the three months ended March 31, 2016.

⁵ The combined ratio, expressed as a percentage, is a measure of underwriting profitability. This measure should only be used in conjunction with, and not in lieu of, underwriting income and may not be comparable to other performance measures used by the Company's competitors. The combined ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense less managed care income to earned premium; the ratio to earned premium of insurance operating costs plus amortization of deferred policy acquisition costs less 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 an asbestos and environmental commutation and certain other run off.

Global Consumer Markets

Effective in Q1 2016, Global Consumer Markets became a new SBU combining the former Personal Insurance and Liberty International SBUs

Full Year 2015 NWP

U.S. Consumer Markets



International Consumer Markets



Global Consumer Markets

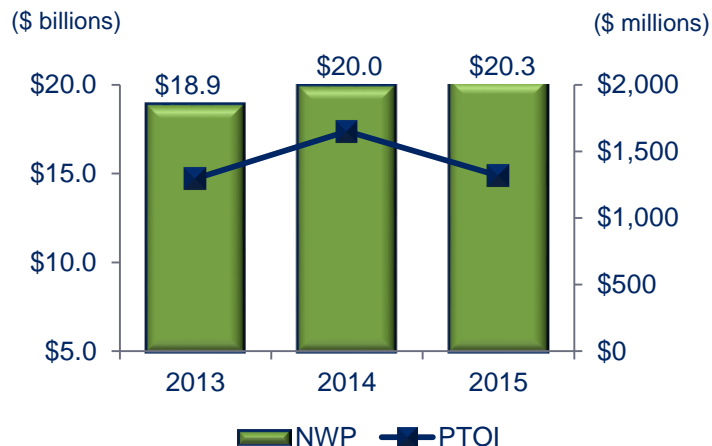


Shared Strengths Across Markets

- *Local expertise in growth markets outside the U.S.*
- *Strong and scalable U.S. personal lines capabilities*
- *Opportunity to grow business globally*
- *Delivering value to our customers in all markets*
- *Global talent and diverse perspectives*

Global Consumer Markets

NWP & PTOI



Segment Highlights

- Operates in 17 countries and economies
- 5th largest writer of personal lines in the U.S.³
- 2nd largest independent agency writer in the U.S.⁴
- Market leader in affinity marketing, with over 22,000 sponsored affinity relationships

Financial Performance

\$ millions	Second Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
NWP	\$5,401	\$5,211	3.6%	\$10,306	\$9,957	3.5%
PTOI before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation	\$725	\$710	2.1%	\$1,423	\$1,374	3.6%
Catastrophes ¹	(599)	(666)	(10.1)	(1,062)	(1,074)	(1.1)
Net incurred losses attributable to prior years	29	(25)	NM	40	(16)	NM
Current accident year re-estimation ²	(36)	-	NM	-	-	-
PTOI	\$119	\$19	NM	\$401	\$284	41.2%

	Second Quarter			Year-to-Date		
	2016	2015	Change (Points)	2016	2015	Change (Points)
Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation	61.1%	60.1%	1.0	61.4%	60.9%	0.5
Claims and claim adjustment expense ratio	61.1%	60.1%	1.0	61.4%	60.9%	0.5
Underwriting expense ratio	28.6	29.1	(0.5)	28.3	28.7	(0.4)
Subtotal	89.7%	89.2%	0.5	89.7%	89.6%	0.1
Catastrophes ¹	11.8	13.6	(1.8)	10.5	11.1	(0.6)
Net incurred losses attributable to prior years	(0.6)	0.5	(1.1)	(0.4)	0.2	(0.6)
Current accident year re-estimation ²	0.7	-	0.7	-	-	-
Total combined ratio	101.6%	103.3%	(1.7)	99.8%	100.9%	(1.1)

¹ Catastrophes include all current accident year catastrophe losses. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Re-estimation of the current accident year loss reserves for the three months ended March 31, 2016.

³ Based on 2015 DWP.

⁴ Based on Q4 2015 DWP (rolling 12-months).

NM = Not Meaningful

U.S. Consumer Markets: Financial Performance

(\$ millions)	Second Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
NWP	\$4,444	\$4,277	3.9%	\$8,568	\$8,181	4.7%
PTOI before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation	\$749	\$736	1.8%	\$1,454	\$1,413	2.9%
Catastrophes ¹	(594)	(661)	(10.1)	(1,057)	(1,069)	(1.1)
Net incurred losses attributable to prior years	1	(9)	NM	(4)	4	NM
Current accident year re-estimation ²	(36)	-	NM	-	-	-
PTOI	\$120	\$66	81.8%	\$393	\$348	12.9%
	Second Quarter			Year-to-Date		
	2016	2015	Change (Points)	2016	2015	Change (Points)
Claims and claim adjustment expense ratio	59.7%	59.4%	0.3	60.3%	60.1%	0.2
Underwriting expense ratio	25.5	25.6	(0.1)	25.5	25.5	-
Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation	85.2%	85.0%	0.2	85.8%	85.6%	0.2
Catastrophes ¹	14.1	16.4	(2.3)	12.6	13.4	(0.8)
Net incurred losses attributable to prior years	-	0.2	(0.2)	-	(0.1)	0.1
Current accident year re-estimation ²	0.9	-	0.9	-	-	-
Total combined ratio	100.2%	101.6%	(1.4)	98.4%	98.9%	(0.5)

¹ Catastrophes include all current accident year catastrophe losses. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Re-estimation of the current accident year loss reserves for the three months ended March 31, 2016.

NM = Not Meaningful

International Consumer Markets: Financial Performance

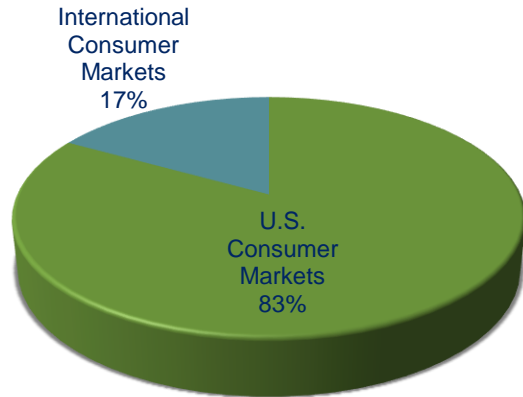
(\$ millions)	Second Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
NWP	\$957	\$934	2.5%	\$1,738	\$1,776	(2.1%)
Pre-tax operating loss before catastrophes and net incurred losses attributable to prior years	(\$24)	(\$26)	(7.7%)	(\$31)	(\$39)	(20.5%)
Catastrophes ¹	(5)	(5)	-	(5)	(5)	-
Net incurred losses attributable to prior years	28	(16)	NM	44	(20)	NM
Pre-tax operating (loss) income	(\$1)	(\$47)	(97.9%)	\$8	(\$64)	NM
	Second Quarter			Year-to-Date		
	2016	2015	Change (Points)	2016	2015	Change (Points)
Claims and claim adjustment expense ratio	67.3%	63.6%	3.7	67.0%	64.9%	2.1
Underwriting expense ratio	43.5	45.1	(1.6)	42.2	43.8	(1.6)
Combined ratio before catastrophes and net incurred losses attributable to prior years	110.8%	108.7%	2.1	109.2%	108.7%	0.5
Catastrophes ¹	0.5	0.6	(0.1)	0.3	0.3	-
Net incurred losses attributable to prior years	(3.2)	1.9	(5.1)	(2.6)	1.2	(3.8)
Total combined ratio	108.1%	111.2%	(3.1)	106.9%	110.2%	(3.3)

¹ 2016 catastrophes include all current accident year catastrophe losses for the Ecuador earthquake. 2015 catastrophes include all current accident year catastrophe losses for Chile floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

NM = Not Meaningful

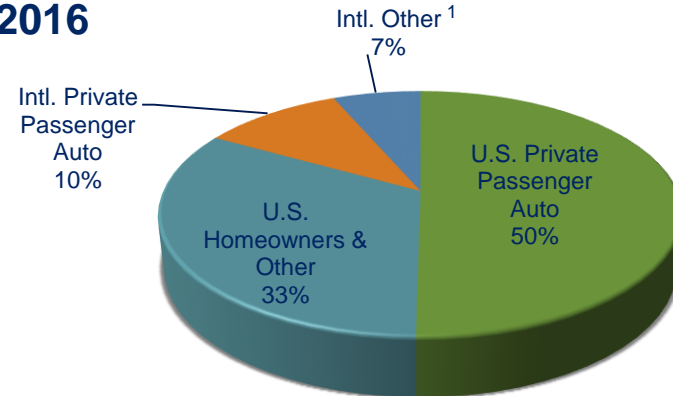
Global Consumer Markets NWP Distribution

NWP by market segment

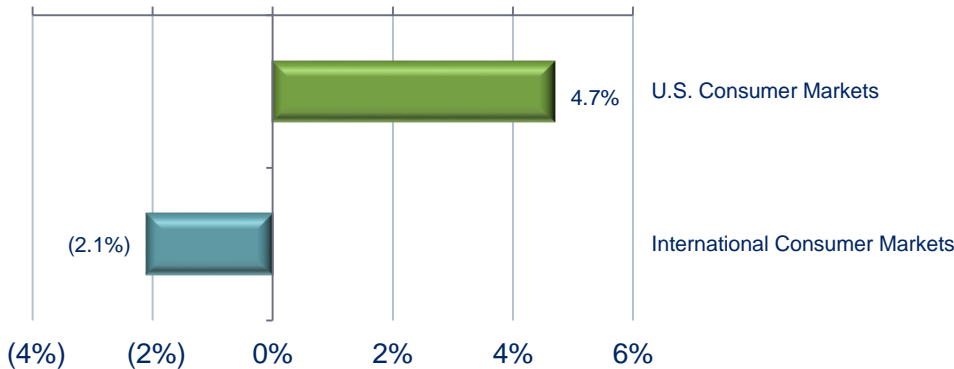


June YTD 2016

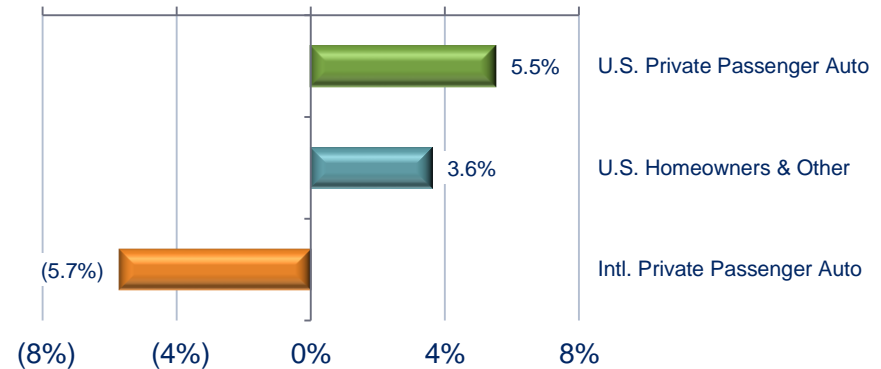
NWP by line of business



YOY Change in NWP



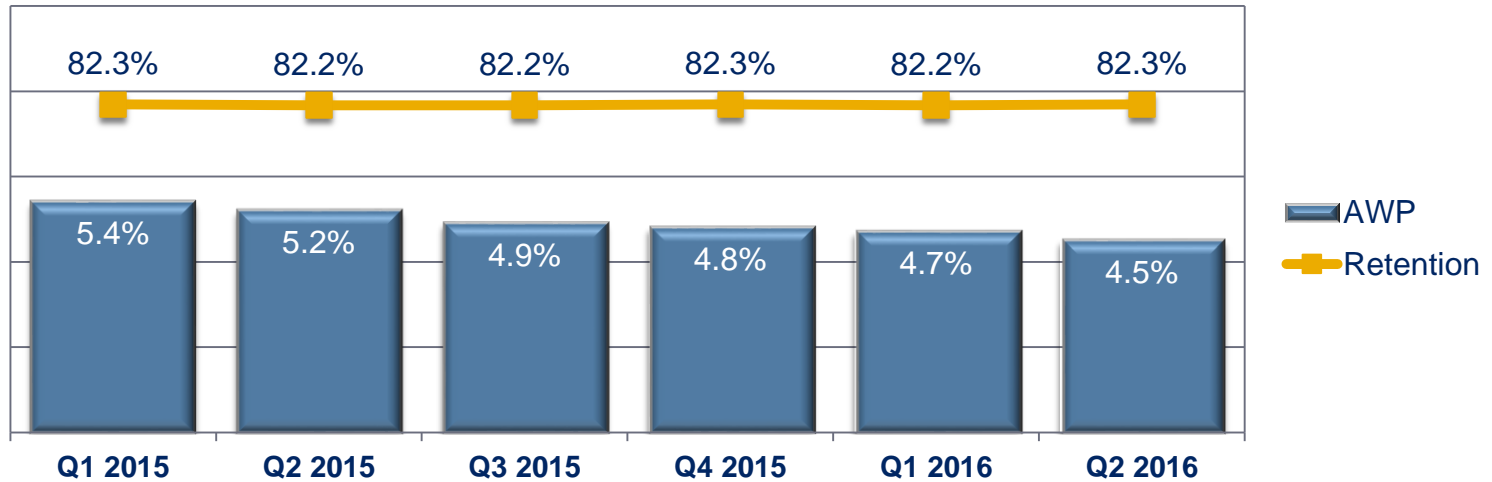
YOY Change in NWP



NWP year-to-date in 2016 totaled \$10.3 billion, an increase of 3.5% over the same period in 2015.

¹ Intl. Other contains the following International Consumer Markets lines of business: Life and health, Commercial automobile, Homeowners, Commercial property and Other. Other for International Consumer Markets contains premium related to other personal and commercial lines including personal accident, bonds, workers compensation, small and medium enterprise and marine and cargo lines of business. YOY: Year-over-Year

U.S. Consumer Markets: Average Written Premium (AWP), Retention, & PIF¹



	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Private Passenger Auto						
AWP	6.1%	6.1%	6.0%	6.3%	6.6%	7.0%
Retention	81.0%	81.0%	81.0%	81.2%	81.2%	81.3%
PIF growth	0.3%	0.2%	0.2%	0.6%	1.2%	1.6%
Homeowners						
AWP	6.2%	5.5%	4.9%	4.1%	3.3%	2.4%
Retention	82.7%	82.5%	82.3%	82.3%	82.3%	82.3%
PIF growth	1.2%	0.8%	0.7%	0.9%	1.0%	1.3%

PIF: policies in-force

Note: AWP reported on a 12-month rolling basis; Retention is in-force.

¹ Prior periods' AWP, Retention, and PIF growth have been restated to align with the Company's updated definition of the terms.

International Consumer Markets: Global Presence

(\$ millions)

West	YTD NWP	P&C Rank	P&C Share
Brazil ⁵	\$348	11 th	3.3%
Chile ^{5,7}	\$168	5 th	9.0%
Colombia	\$135	3 rd	10.0%
Ecuador ²	\$26	7 th	3.8%
Spain ¹	\$346	15 th	2.0%
Portugal ²	\$124	7 th	6.2%
Ireland ^{1,4}	\$109	8 th	7.1%

East	YTD NWP	P&C Rank	P&C Share
Hong Kong ⁶	\$49	12 th	2.0%
Malaysia ¹	\$62	12 th	3.3%
Singapore ¹	\$50	8 th	4.0%
Thailand ¹	\$82	10 th	2.7%
Vietnam	\$11	11 th	2.1%
China ¹	\$79	NM	0.1%
India ³	\$30	26 th	0.4%
Russia ²	\$22	33 rd	0.3%
Turkey	\$21	23 rd	0.7%

Rankings Base – Net Written Premium (NWP) as of June 2015 except when noted:

¹ Gross Written Premium

² Direct Written Premium

³ Indian Fiscal Reporting April 2015 – September 2015

⁴ Ireland rank and share is only ROI

⁵ Reflects combined P&C and life markets

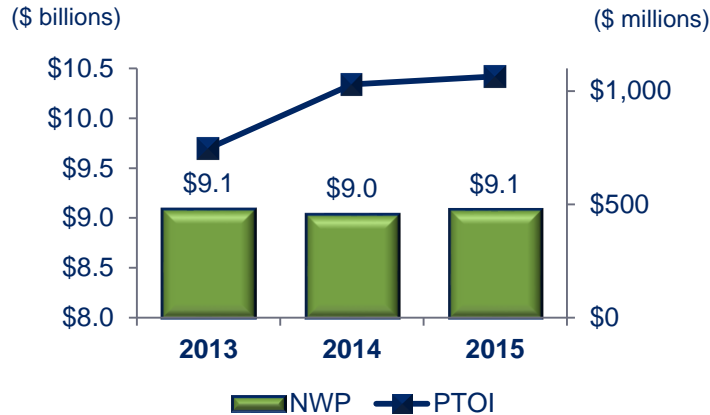
⁶ Includes market share data prior to 2015

⁷ Chile rank and share exclude Penta acquisition

Rankings are based on the most recent financial data available, which varies by country.

Commercial Insurance

NWP & PTOI



Segment Highlights

- As an SBU, 7th largest U.S. P&C commercial lines insurer measured by DWP - \$8.1B⁴
- Equipped to underwrite and service a wide spectrum of exposures, from small proprietors to multi-nationals
- Approximately 5,800 active P&C independent agents and brokers in 12,700 locations

¹ Catastrophes include all current accident year catastrophe losses. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² The six months ended June 30, 2015 includes a one-time benefit of \$91 million due to a reduction in the estimated prior years' liability for state assessments related to workers compensation.

³ Net of earned premium and reinstatement premium attributable to prior years of (\$2) million and (\$6) million for the three and six months ended June 30, 2016 and \$2 million and \$3 million for the same periods in 2015.

⁴ Based on 2015 DWP (excludes LMB).

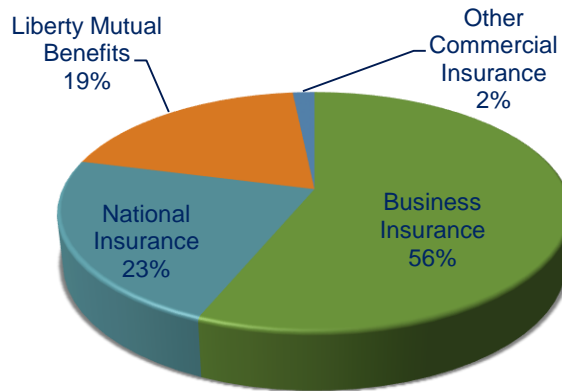
Financial Performance

\$ millions	Second Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
NWP	\$2,339	\$2,359	(0.8%)	\$4,633	\$4,563	1.5%
PTOI before catastrophes and net incurred losses attributable to prior years	\$347	\$352	(1.4%)	\$730	\$657	11.1%
Catastrophes ¹	(162)	(95)	70.5	(244)	(188)	29.8
Net incurred losses attributable to prior years ^{2,3}	-	(1)	(100.0)	6	91	(93.4)
PTOI	\$185	\$256	(27.7%)	\$492	\$560	(12.1%)

	Second Quarter			Year-to-Date		
	2016	2015	Change (Points)	2016	2015	Change (Points)
Combined ratio before catastrophes and net incurred losses attributable to prior years						
Claims and claim adjustment expense ratio	58.9%	60.4%	(1.5)	58.0%	61.0%	(3.0)
Underwriting expense ratio	35.8	34.4	1.4	35.6	34.3	1.3
Dividend Ratio	(0.1)	0.1	(0.2)	-	0.1	(0.1)
Subtotal	94.6%	94.9%	(0.3)	93.6%	95.4%	(1.8)
Catastrophes ¹	8.9	5.1	3.8	6.7	5.1	1.6
Net incurred losses attributable to prior years ^{2,3}	-	-	-	(0.1)	(2.5)	2.4
Total combined ratio	103.5%	100.0%	3.5	100.2%	98.0%	2.2

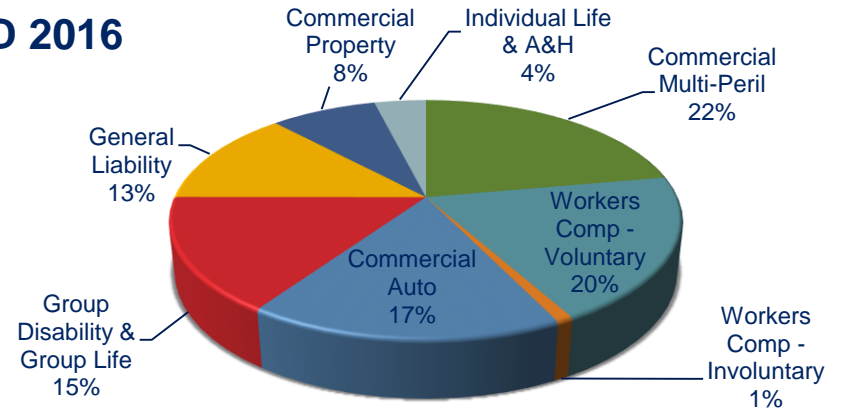
Commercial Insurance NWP Distribution

NWP by market segment

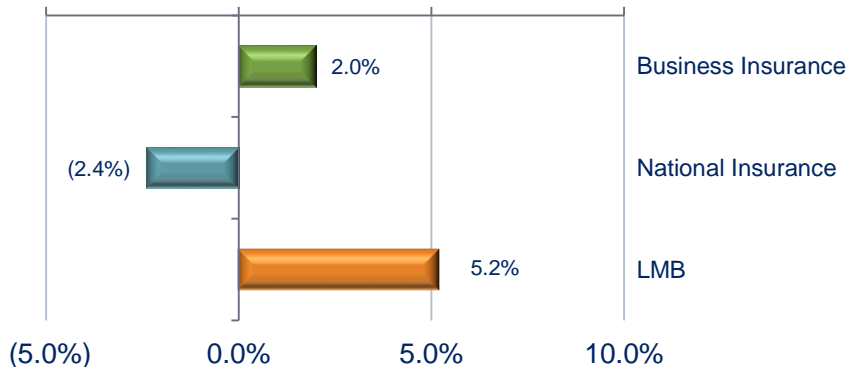


NWP by line of business

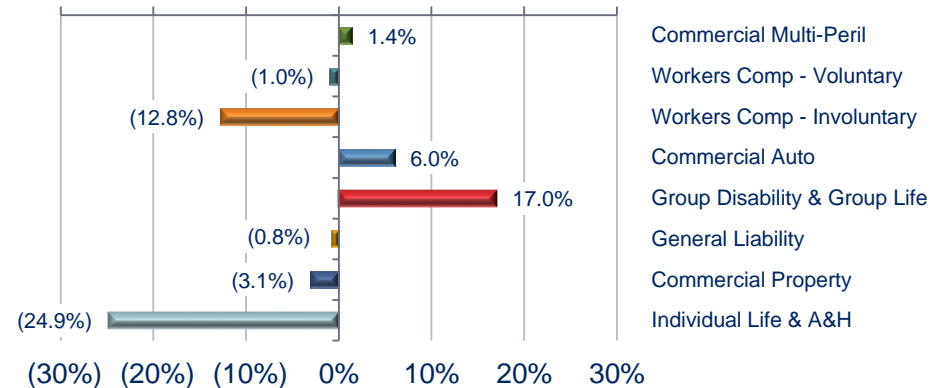
June YTD 2016



YOY Change in NWP



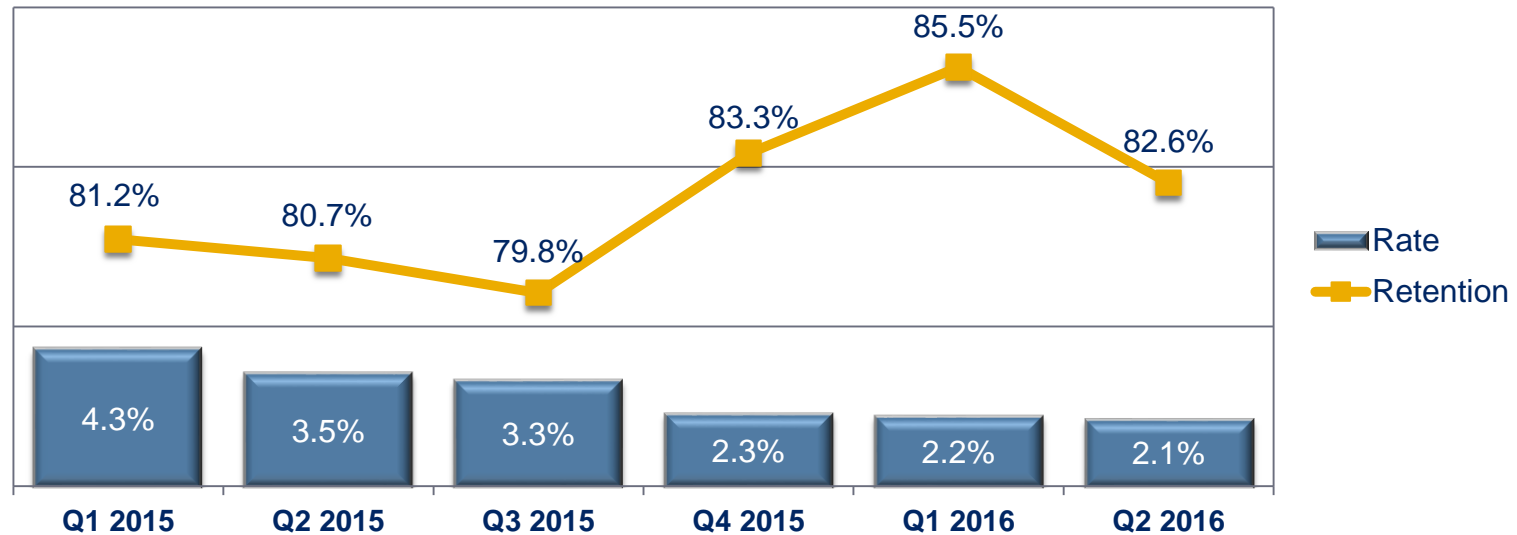
YOY Change in NWP



NWP year-to-date in 2016 totaled \$4.6 billion, an increase of 1.5% over the same period in 2015.

YOY: Year-over-Year

Commercial Insurance: Rate & Retention

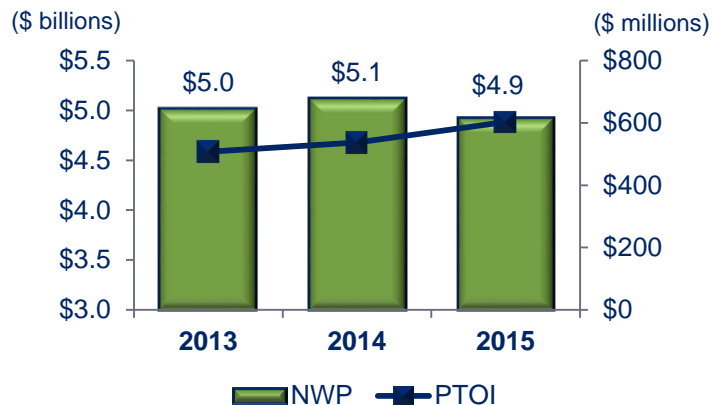


	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	YTD 2015	YTD 2016
Business Insurance								
Rate	5.0%	4.4%	3.8%	3.0%	3.0%	3.1%	4.7%	3.1%
Retention	79.2%	80.6%	80.0%	81.9%	83.5%	83.1%	79.9%	83.3%
National Insurance								
Rate	2.6%	1.3%	1.9%	0.6%	0.2%	(0.9%)	1.9%	(0.3%)
Retention	85.0%	81.0%	79.4%	86.2%	89.2%	81.2%	83.1%	85.6%
Commercial Insurance P&C								
Rate	4.3%	3.5%	3.3%	2.3%	2.2%	2.1%	3.9%	2.1%
Retention	81.2%	80.7%	79.8%	83.3%	85.5%	82.6%	81.0%	84.0%

Note: Business Drivers are ex Liberty Mutual Benefits.

Global Specialty

NWP & PTOI



Segment Highlights

- 8th largest Lloyd's Syndicate³
- 2nd largest surety writer in the U.S.⁴
- Business sold through broker and independent agent channels
- A premier specialty casualty lines underwriter

Financial Performance

\$ millions	Second Quarter			Year-to-Date		
	2016	2015	Change	2016	2015	Change
NWP	\$1,236	\$1,298	(4.8%)	\$2,616	\$2,784	(6.0%)
PTOI before catastrophes and net incurred losses attributable to prior years	\$125	\$146	(14.4%)	\$301	\$328	(8.2%)
Catastrophes ¹	(65)	(35)	85.7	(80)	(39)	105.1
Net incurred losses attributable to prior years ²	65	13	NM	82	28	192.9
Pre-tax operating income	\$125	\$124	0.8%	\$303	\$317	(4.4%)

	Second Quarter			Year-to-Date		
	2016	2015	Change (Points)	2016	2015	Change (Points)
Combined ratio before catastrophes and net incurred losses attributable to prior years	96.2%	94.3%	1.9	93.7%	92.8%	0.9
Claims and claim adjustment expense ratio	61.5%	58.8%	2.7	59.1%	58.2%	0.9
Underwriting expense ratio	34.5	35.3	(0.8)	34.4	34.4	-
Dividend Ratio	0.2	0.2	-	0.2	0.2	-
Subtotal	96.2%	94.3%	1.9	93.7%	92.8%	0.9
Catastrophes ¹	5.5	2.9	2.6	3.4	1.6	1.8
Net incurred losses attributable to prior years ²	(5.6)	(1.0)	(4.6)	(3.5)	(1.2)	(2.3)
Total combined ratio	96.1%	96.2%	(0.1)	93.6%	93.2%	0.4

¹ 2016 catastrophes include all current accident year catastrophe losses for Canadian wildfires, Ecuador earthquake, severe storms in the U.S. and Cyclone Winston. 2015 catastrophes include all current accident year catastrophe losses for severe storms in the U.S., Cyclone Niklas and New South Wales severe storms. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net of earned premium and reinstatement premium attributable to prior years of (\$6) million and (\$1) million for the three and six months ended June 30, 2016, and zero and \$2 million for the same periods in 2015.

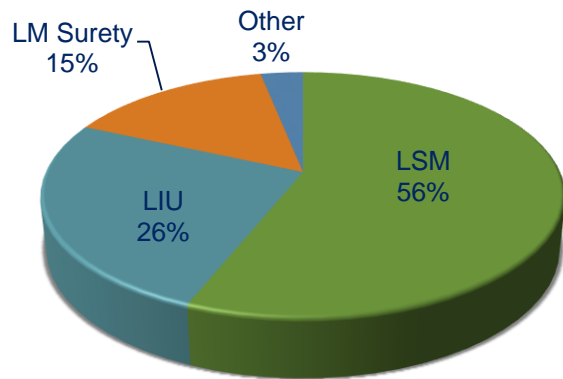
³ Based on 2015 GWP

⁴ Based on 2015 NWP

NM = Not Meaningful

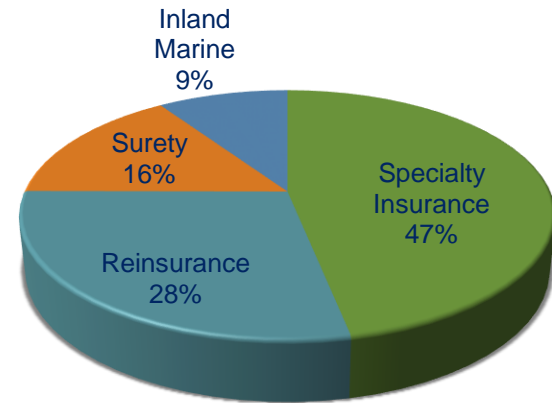
Global Specialty NWP Distribution

NWP by market segment

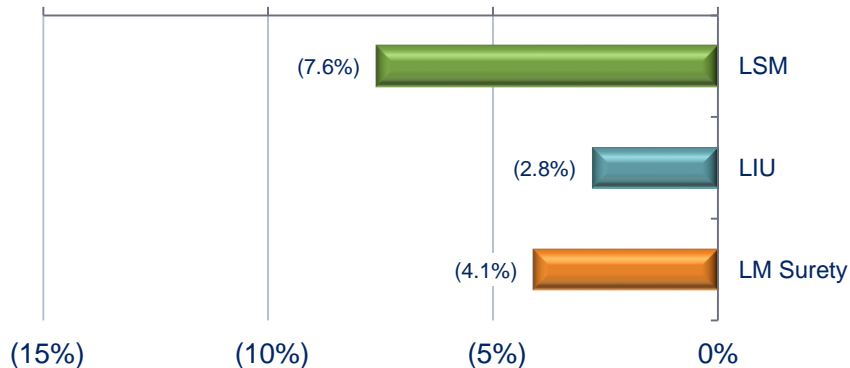


June YTD 2016

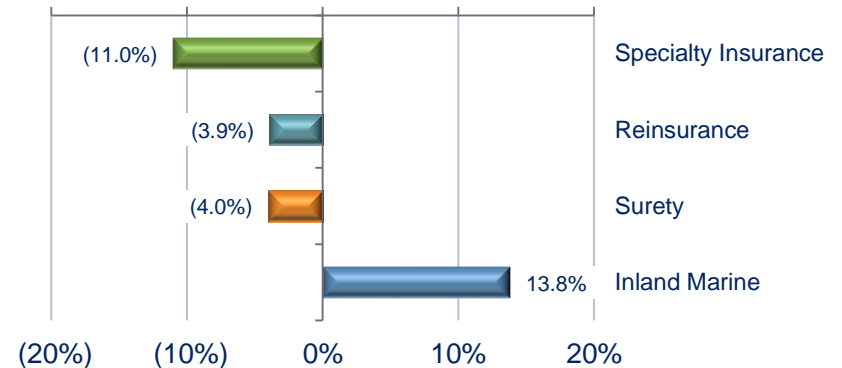
NWP by line of business



YOY Change in NWP



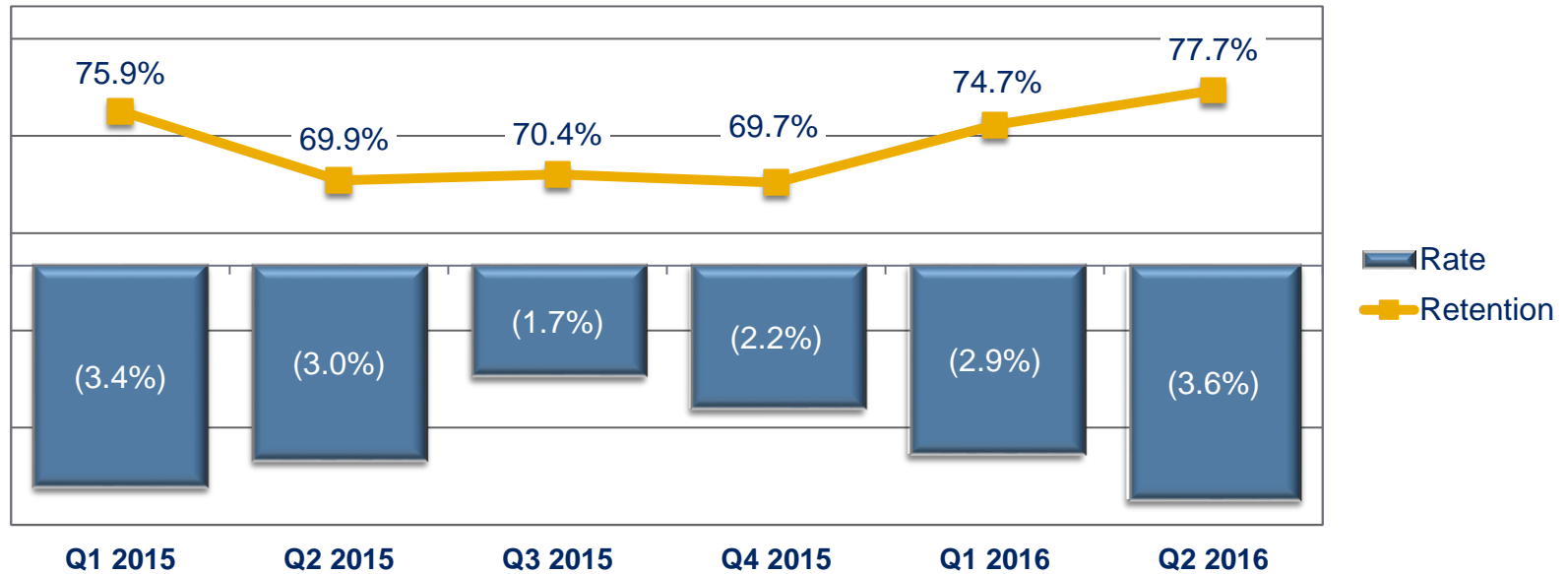
YOY Change in NWP



NWP year-to-date in 2016 totaled \$2.6 billion, a decrease of 6.0% from the same period in 2015 (or a decrease of 4.5%¹ excluding FX from the same period in 2015).

¹ Determined by assuming constant foreign exchange rates between periods.
YOY: year-over-year

Global Specialty: Rate & Retention

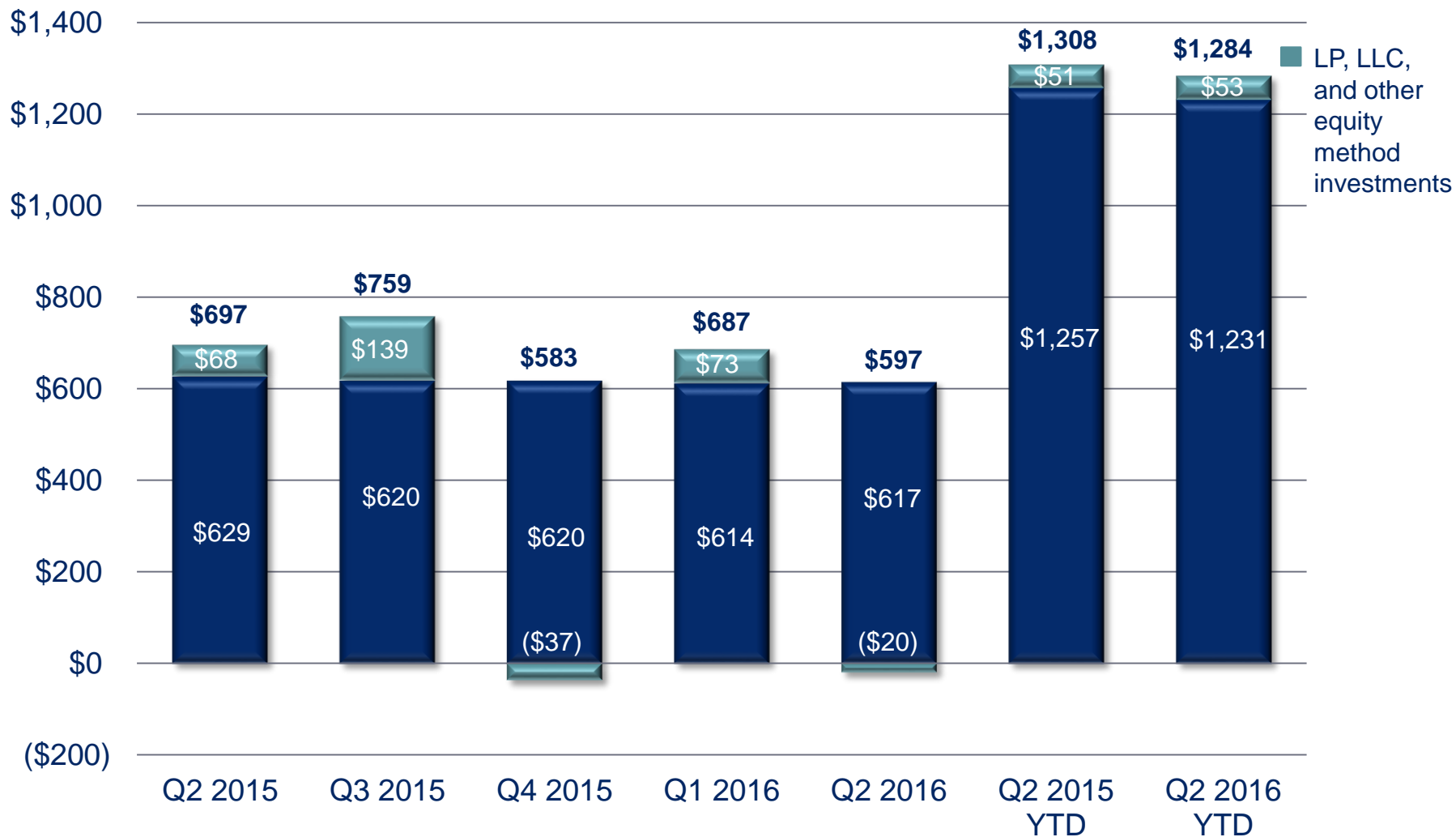


	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	YTD 2015*	YTD 2016*
Specialty Insurance								
Rate	(1.4%)	(2.5%)	(1.1%)	(2.2%)	(1.5%)	(3.4%)	(1.7%)	(2.5%)
Retention	69.5%	68.0%	69.8%	69.3%	68.7%	76.4%	71.4%	74.5%
Reinsurance								
Rate	(4.9%)	(4.7%)	(3.5%)	(2.3%)	(4.4%)	(4.3%)	(4.9%)	(4.4%)
Retention	82.3%	79.7%	72.2%	72.7%	82.3%	83.1%	84.6%	88.0%

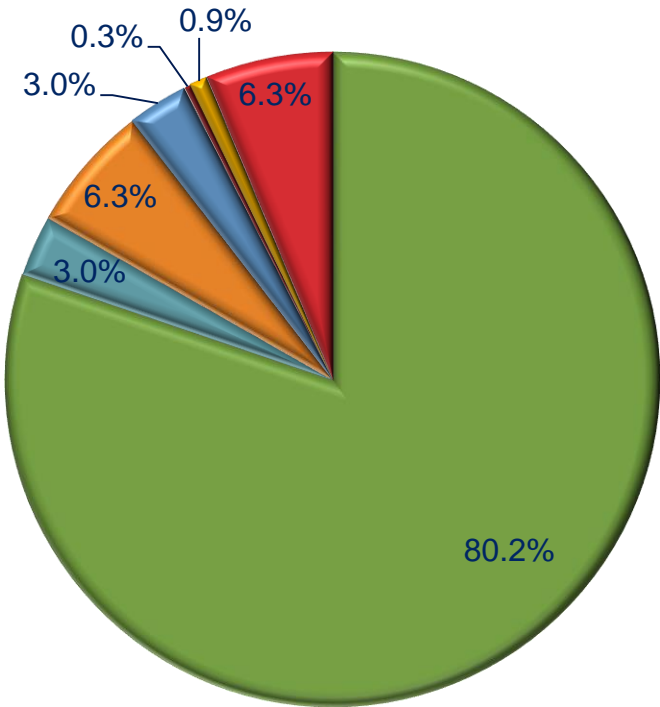
*YTD includes timing adjustments that are not retroactively applied in prior periods.

Net Investment Income

(\$ millions)



Investment Mix



- Fixed maturities
- Equity securities
- LP, LLC, and other equity method investments
- Commercial mortgage loans
- Short-term investments
- Other investments
- Cash and cash equivalents

Total invested assets as of
June 30, 2016: \$82.601 billion

Capitalization

(\$ millions)	June 30, 2016	December 31, 2015
Long-term debt	\$7,750	\$6,940
Adjusted debt ¹	\$6,750	\$5,940
Total equity	\$21,206	\$19,241
Less: AOCI	<u>\$82</u>	<u>(\$1,521)</u>
Total equity ex. AOCI	\$21,124	\$20,762
Total capital ex. AOCI	\$28,874	\$27,702
Adjusted debt-to-total capitalization (ex. AOCI)	23.4%	21.4%
Statutory surplus	\$18,809	\$18,687

¹ Assumes that the Series A and B Junior Subordinated Notes receive 100% equity credit, as per S&P.

Energy-Related Investments

(\$ millions)	As of June 30, 2016			Change since March 31, 2016	
	Carrying Value	Unfunded Commitments	Average Credit Rating	Carrying Value	Unfunded Commitments
Investment grade bonds	\$2,111	\$ -	A-	\$1	\$ -
Below investment grade bonds	324	-	B+	12	-
Publicly traded equity securities	175	-		30	-
Private equities – energy focused	356 ¹	1,232 ²		(31)	(67)
	\$2,966	\$1,232		\$12	(\$67)
Percent of total invested assets	3.6%				
Direct investment in oil & gas wells	\$1,348	\$364		(\$142)	(\$1,287)
Total exposure	\$4,314	\$1,596		(\$130)	(\$1,354)

¹ Includes Carrying Values of \$354 million of natural resources partnership and \$2 million of equity method investments (either carried at fair value and reported in "Other investments" or carried at fair value and reported in "LP, LLC, and equity method investments" in the invested assets table on the MD&A).

² Includes a \$600 million estimate related to a commitment made by the Company to invest in the successor fund of an existing private equity energy fund in an amount not to exceed the lesser of (i) 40% of the capital commitment of such fund and (ii) \$600 million, which obligation attaches only if such fund has raised commitments of at least \$1 billion, including the Company's commitment, by August 1, 2020 and the contractual obligations with the fund manager have not been previously terminated. These conditions have currently not been met.

Holding Company Interest Coverage

(\$ millions)	
Preferred dividends	\$80
Remaining dividend capacity	<u>\$1,741</u>
2016 dividend capacity ¹	\$1,821
Estimated PTI from LMG service companies/fees	<u>\$315</u>
Total available funding	\$2,136
Interest expense ²	\$384
Holding company interest coverage	5.6x

¹ Represents the estimated maximum allowable dividend without prior regulatory approval in the state of domicile. Dividends paid July 1, 2015 through June 30, 2016 were \$80 million. Remaining/available dividend capacity is calculated as 2016 dividend capacity less dividends paid for the preceding twelve months.

² Represents the 2016 forecast for debt expense at Liberty Mutual Group Inc.

Reconciliation of Statement of Income to Combined Ratio

For the three months ended June 30, 2016					\$ millions
Combined ratio components:	Statement of income	Presentation reclass ¹	Less: Life insurance ²	Less: Non-underwriting expenses and other adjustments ³	Combined Ratio
Premiums earned	\$8,618		(\$481)	\$2	\$8,139
Benefits, claims and claim adjustment expenses	6,208		(496)	(3)	5,709
Operating costs and expenses	1,765	(1)	(120)	(291)	1,353
Amortization of deferred policy acquisition costs	1,213		(21)	-	1,192
Dividends to policyholders	N/A	1	(1)	-	-
Total combined ratio					101.4%

For the three months ended June 30, 2015					\$ millions
Combined ratio components:	Statement of income	Presentation reclass ¹	Less: Life insurance ²	Less: Non-underwriting expenses and other adjustments ³	Combined Ratio
Premiums earned	\$8,479		(\$458)	\$2	\$8,023
Benefits, claims and claim adjustment expenses	6,104		(449)	(3)	5,652
Operating costs and expenses	1,813	(6)	(108)	(272)	1,427
Amortization of deferred policy acquisition costs	1,168		(22)	1	1,147
Dividends to policyholders	N/A	6	(1)	(1)	4
Total combined ratio					102.6%

¹ Dividends to policyholders

² Life and annuity business excluded from P&C combined ratio

³ Includes adjustments for non-underwriting expenses primarily related to the Company's energy production and service operations, fee income, and installment charges

Reconciliation of Statement of Income to Combined Ratio

For the six months ended June 30, 2016					\$ millions
Combined ratio components:	Statement of income	Presentation reclass ¹	Less: Life insurance ²	Less: Non-underwriting expenses and other adjustments ³	Combined Ratio
Premiums earned	\$17,082		(\$927)	\$1	\$16,156
Benefits, claims and claim adjustment expenses	11,939		(961)	(5)	10,973
Operating costs and expenses	3,352	(7)	(234)	(551)	2,560
Amortization of deferred policy acquisition costs	2,483		(42)	(1)	2,440
Dividends to policyholders	N/A	7	(3)	-	4
Total combined ratio					98.9%

For the six months ended June 30, 2015					\$ millions
Combined ratio components:	Statement of income	Presentation reclass ¹	Less: Life insurance ²	Less: Non-underwriting expenses and other adjustments ³	Combined Ratio
Premiums earned	\$16,819		(\$896)	-	15,923
Benefits, claims and claim adjustment expenses	11,896		(934)	(6)	10,956
Operating costs and expenses	3,430	(12)	(220)	(545)	2,653
Amortization of deferred policy acquisition costs	2,323		(36)	-	2,287
Dividends to policyholders	N/A	12	(3)	(1)	8
Total combined ratio					99.9%

¹ Dividends to policyholders

² Life and annuity business excluded from P&C combined ratio

³ Includes adjustments for non-underwriting expenses primarily related to the Company's energy production and service operations, fee income, and installment charges

2016 Significant Events:

- ❖ On May 5, 2016, Liberty Mutual Insurance Company extended the termination date of its \$1 billion repurchase agreement from July 3, 2017 to July 3, 2018.
- ❖ On May 4, 2016, Liberty Mutual Group Inc. issued €750 million par value of Senior Notes due 2026 (the “2026 Notes”). Interest is payable annually at a fixed rate of 2.75%. The 2026 Notes mature on May 4, 2026.
- ❖ On February 17, 2016, the Company announced the combination of its Personal Insurance and Liberty International strategic business units (“SBUs”) to form a new SBU, Global Consumer Markets. This new SBU represents an opportunity to blend the complementary strengths of the two operations. The Company’s local expertise in growth markets outside the U.S. coupled with strong and scalable U.S. personal lines capabilities puts it in a unique position to take maximum advantage of opportunities to grow its business globally. The former Personal Insurance and Liberty International SBUs, now known as U.S. Consumer Markets and International Consumer Markets, respectively, are market segments of Global Consumer Markets. During the quarter-ended, June 30, 2016, Global Consumer Markets was reorganized into three operating regions: U.S. Consumer Markets, International Consumer Markets East and International Consumer Markets West.
- ❖ On January 14, 2016, the Company completed the acquisition of Compañía de Seguros Generales Penta Security S.A. (“Penta”), the fourth largest non-life insurer in Chile. Penta had approximately \$160 million of net written premium in 2015.

Please refer to Management’s Discussion & Analysis (MD&A) of Financial Condition and Results of Operations for further detail.

About Liberty Mutual Insurance

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and fifth largest property and casualty insurer in the U.S. based on 2015 direct written premium. The Company also ranks 73rd on the Fortune 100 list of largest corporations in the U.S. based on 2015 revenue. As of December 31, 2015, LMHC had \$121.665 billion in consolidated assets¹, \$102.424 billion in consolidated liabilities¹, and \$37.617 billion in annual consolidated revenue.

LMHC, through its subsidiaries and affiliated companies, offers a wide range of property-casualty insurance products and services to individuals and businesses alike. In 2001 and 2002, the Company formed a mutual holding company structure, whereby the three principal mutual insurance companies, Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company and Employers Insurance Company of Wausau, each became separate stock insurance companies under the ownership of LMHC.

Functionally, the Company conducts substantially all of its business through the SBUs, with each operating independently of the others with dedicated sales, underwriting, claims, actuarial, financial and certain information technology resources. Management believes this structure allows each business unit to execute its business strategy and/or to make acquisitions without impacting or disrupting the operations of the Company's other business units.

LMHC employs more than 50,000 people in over 800 offices throughout the world. For a full description of the Company's business operations, products and distribution channels, please visit Liberty Mutual's Investor Relations web site at www.libertymutualgroup.com/investors.

¹ Reflects the 2016 adoption of the Financial Accounting Standards Board issued Accounting Standards Update 2015-03, *Imputation of Interest* (ASC 835).

Additional Notes

The Company's financial results, management's discussion and analysis of operating results and financial condition, accompanying financial statements and other supplemental financial information for the three and six months ended June 30, 2016 are available on the Company's Investor Relations website at <http://www.libertymutualgroup.com/investors>.

The Company's discussions related to net income are presented in conformity with U.S. generally accepted accounting principles ("GAAP") on an after-tax basis. All other discussions are presented on a pre-tax GAAP basis, unless otherwise noted. Further, the Company notes that it may make material information regarding the Company available to the public, from time to time, via the Company's Investor Relations website at <http://www.libertymutualgroup.com/investors> (or any successor site).

The Company's annual audited financial statements and the Report of Independent Registered Public Accounting Firm on the Effectiveness of Internal Control Over Financial Reporting are also published on the Company's Investor Relations website at <http://www.libertymutualgroup.com/investors>.



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