



Financial Supplement
Quarter Ended September 30, 2004

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

	<u>Page Number</u>
Consolidating Financial Results by Strategic Business Unit	
- Statements of Income - 2004	1
- Statements of Income - 2003	2
- Reconciliation of Pre-tax Operating Income (PTOI) to Net Income - 2004 & 2003	3
- Combined Ratio - 2004 & 2003	4
Investments	
- Allocation of Invested Assets	5
- Realized Investment Gains and Losses	6
- Net Investment Income and Net Unrealized Investment Gains and Losses	7
- Issuer and Sector Exposure	8
Reinsurance Recoverables	
- Reinsurance Overview	9
- Footnotes to Reinsurance Recoverable Exhibits	10
- Distribution of Reinsurance Recoverables by A.M. Best Rating	11
- Distribution of Reinsurance Recoverables by Standard & Poor's Rating	12
- Top 15 Reinsurance Recoverables by Group	13
Capitalization	14

LIBERTY MUTUAL HOLDING COMPANY INC.
Consolidating Statements of Income
(dollars in millions)
(Unaudited)

	Three Months Ended September 30, 2004						Nine Months Ended September 30, 2004					
	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated
Revenues												
Premiums earned	\$ 1,257	\$ 1,103	\$ 933	\$ 753	\$ 61	\$ 4,107	\$ 3,725	\$ 3,269	\$ 2,643	\$ 2,352	\$ 154	\$ 12,143
Net investment income	77	177	69	67	162	552	221	523	199	222	409	1,574
Net Realized investment gains (losses)	-	-	3	2	70	75	-	-	1	13	155	169
Fee and other revenues	16	84	17	10	21	148	44	280	43	25	89	481
Total revenues	1,350	1,364	1,022	832	314	4,882	3,990	4,072	2,886	2,612	807	14,367
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	1,175	959	641	606	190	3,571	2,975	2,816	1,775	1,729	460	9,755
Insurance operating costs and expenses	291	366	309	231	25	1,222	835	1,080	882	705	182	3,684
Dividends to policyholders	9	3	11	-	4	27	9	9	26	-	10	54
Other expenses	-	-	-	1	69	70	-	-	-	2	205	207
Total claims, benefits and expenses	1,475	1,328	961	838	288	4,890	3,819	3,905	2,683	2,436	857	13,700
Pre-tax operating income (loss) (excluding net realized investment gains)	(125)	36	58	(8)	(44)	(83)	171	167	202	163	(205)	498
Pre-tax income (loss) before discontinued operations and minority interest	(125)	36	61	(6)	26	(8)	171	167	203	176	(50)	667
Federal and foreign income tax expense (benefit)	(44)	14	20	(2)	12	-	60	60	71	41	(232)	-
Income (loss) before discontinued operations and minority interest	(81)	22	41	(4)	14	(8)	111	107	132	135	182	667
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations, net of tax	(3)	-	-	-	-	(3)	12	-	-	-	1	13
Change in accounting principle	-	-	-	-	-	-	-	-	-	-	-	-
Minority interest, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ (84)	\$ 22	\$ 41	\$ (4)	\$ 14	\$ (11)	\$ 123	\$ 107	\$ 132	\$ 135	\$ 183	\$ 680

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidating Statements of Income

(dollars in millions)

(Unaudited)

	Three Months Ended September 30, 2003						Nine Months Ended September 30, 2003					
	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated
Revenues												
Premiums earned	\$ 921	\$ 1,106	\$ 784	\$ 725	\$ 51	\$ 3,587	\$ 2,675	\$ 3,114	\$ 2,218	\$ 1,952	\$ 179	\$ 10,138
Net investment income	54	166	64	49	103	436	160	493	187	151	297	1,288
Net Realized investment gains (losses)	-	-	3	83	126	212	-	-	5	71	210	286
Fee and other revenues	13	78	13	9	25	138	38	234	39	25	76	412
Total revenues	988	1,350	864	866	305	4,373	2,873	3,841	2,449	2,199	762	12,124
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	696	933	549	531	185	2,894	2,062	2,640	1,551	1,450	478	8,181
Insurance operating costs and expenses	204	341	254	210	214	1,223	607	985	737	592	375	3,296
Dividends to policyholders	-	(3)	8	-	4	9	-	10	26	-	11	47
Other expenses	-	-	-	1	58	59	-	-	-	3	170	173
Total claims, benefits and expenses	900	1,271	811	742	461	4,185	2,669	3,635	2,314	2,045	1,034	11,697
Pre-tax operating income (loss) (excluding net realized investment gains)	88	79	50	41	(282)	(24)	204	206	130	83	(482)	141
Pre-tax income (loss) before discontinued operations and minority interest	88	79	53	124	(156)	188	204	206	135	154	(272)	427
Federal and foreign income tax expense (benefit)	31	27	18	33	(122)	(13)	71	72	47	64	(229)	25
Income (loss) before discontinued operations and minority interest	57	52	35	91	(34)	201	133	134	88	90	(43)	402
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations, net of tax	-	(1)	-	-	5	4	10	(1)	-	-	5	14
Change in accounting principle	-	-	-	-	-	-	-	-	-	-	-	-
Minority interest, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ 57	\$ 51	\$ 35	\$ 91	\$ (29)	\$ 205	\$ 143	\$ 133	\$ 88	\$ 90	\$ (38)	\$ 416

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended September 30, 2004						Nine Months Ended September 30, 2004					
	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated
Revenues	\$ 1,350	\$ 1,364	\$ 1,022	\$ 832	\$ 314	\$ 4,882	\$ 3,990	\$ 4,072	\$ 2,886	\$ 2,612	\$ 807	\$ 14,367
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	\$ 221	\$ 159	\$ 101	\$ 90	\$ 68	\$ 639	\$ 579	\$ 355	\$ 262	\$ 286	\$ 10	\$ 1,492
Catastrophes: ¹												
- Four Hurricanes 2004	(319)	(100)	(4)	(101)	(39)	(563)	(319)	(90)	(4)	(101)	(39)	(553)
- September 11, 2001	-	-	-	-	-	-	-	-	-	-	-	-
- Natural	(18)	2	(16)	-	-	(32)	(80)	(6)	(42)	-	-	(128)
Net incurred attributable to prior years:												
-Asbestos	-	-	-	-	-	-	-	-	-	-	(4)	(4)
-All other	(9)	(4)	(23)	3	(70)	(103)	(9)	(29)	(14)	(22)	(163)	(237)
Discount accretion ³	-	(21)	-	-	(3)	(24)	-	(63)	-	-	(9)	(72)
Pre-tax operating income (loss)	(125)	36	58	(8)	(44)	(83)	171	167	202	163	(205)	498
Realized investment gains (losses), net	-	-	3	2	70	75	-	-	1	13	155	169
Federal and foreign income tax (expense) benefit	44	(14)	(20)	2	(12)	-	(60)	(60)	(71)	(41)	232	-
Discontinued operations, net of tax	(3)	-	-	-	-	(3)	12	-	-	-	1	13
Net income (loss)	\$ (84)	\$ 22	\$ 41	\$ (4)	\$ 14	\$ (11)	\$ 123	\$ 107	\$ 132	\$ 135	\$ 183	\$ 680

	Three Months Ended September 30, 2003						Nine Months Ended September 30, 2003					
	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Corporate and Other	Consolidated
Revenues	\$ 988	\$ 1,350	\$ 864	\$ 866	\$ 305	\$ 4,373	\$ 2,873	\$ 3,841	\$ 2,449	\$ 2,199	\$ 762	\$ 12,124
Pre-tax operating income (loss) before catastrophes, incurred attributable to prior years, and allowance for uncollectible reinsurance on asbestos	\$ 135	\$ 142	\$ 109	\$ 50	\$ (10)	\$ 426	\$ 329	\$ 344	\$ 231	\$ 144	\$ (105)	\$ 943
Allowance for uncollectible reinsurance on asbestos	-	-	-	-	(158)	(158)	-	-	-	-	(158)	(158)
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	135	142	109	50	(168)	268	329	344	231	144	(263)	785
Catastrophes: ¹												
- Natural	(40)	(10)	(40)	-	-	(90)	(101)	(22)	(78)	-	-	(201)
- September 11, 2001	-	2	-	-	-	2	-	2	-	-	-	2
Net incurred attributable to prior years:												
-Asbestos	-	-	-	-	(104)	(104)	-	-	-	-	(173)	(173)
-All other	(7)	(38)	(19)	(9)	(10)	(83)	(24)	(70)	(23)	(61)	(46)	(224)
Discount accretion ²	-	(17)	-	-	-	(17)	-	(48)	-	-	-	(48)
Pre-tax operating income (loss)	88	79	50	41	(282)	(24)	204	206	130	83	(482)	141
Realized investment gains (losses), net	-	-	3	83	126	212	-	-	5	71	210	286
Federal and foreign income tax (expense) benefit	(31)	(27)	(18)	(33)	122	13	(71)	(72)	(47)	(64)	229	(25)
Discontinued operations, net of tax	(1)	-	-	-	5	4	10	(1)	-	-	5	14
Net income (loss)	\$ 57	\$ 51	\$ 35	\$ 91	\$ (29)	\$ 205	\$ 143	\$ 133	\$ 88	\$ 90	\$ (38)	\$ 416

¹ The Company does not typically identify catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyds Syndicates 282 & 190) in the tables above given the expected volatility associated with property-reinsurance coverage. However, given the significant impact that the four hurricanes and the events of September 11, 2001 had on the Company's results, these losses have been separately identified in the tables above. The four hurricanes' losses in the third quarter are reported net of the \$62 million of exposure based reserves recorded in the first two quarters of 2004 and net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Similarly, the four hurricanes' losses for the nine months ended September 30, 2004 include amounts in excess of the Company's reasonable assumption of expected property catastrophe losses. Catastrophe losses also include reinstatement premium.

² The Company discounts the long-term indemnity portion of its workers' compensation claims as permitted by insurance regulations. The discount accretion on these claims flows through underwriting results as the loss reserves accrete to nominal value. Asbestos settlements are discounted at 4.5%.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Three Months Ended September 30, 2004					Nine Months Ended September 30, 2004				
	Personal Market	Commercial Markets	Regional Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years										
Claims and claims adjustment ratio	66.1%	74.1%	64.1%	66.3%	67.6%	69.0%	78.3%	64.9%	66.6%	70.1%
Underwriting expense ratio	21.4%	23.5%	31.3%	27.1%	25.0%	20.9%	22.2%	31.9%	28.5%	25.6%
Dividend ratio	0.7%	0.4%	1.1%	0.0%	0.6%	0.2%	0.3%	1.0%	0.0%	0.4%
Subtotal	88.2%	98.0%	96.5%	93.4%	93.2%	90.1%	100.8%	97.8%	95.1%	96.1%
Catastrophes¹										
- Four Hurricanes 2004	25.3%	9.8%	0.4%	14.0%	14.2%	8.5%	3.0%	0.2%	4.5%	4.8%
- Natural	1.5%	-0.2%	1.7%	0.0%	0.0%	2.2%	0.2%	1.6%	0.0%	1.1%
- September 11, 2001	0.0%	0.0%	0.0%	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	0.7%	0.4%	2.6%	-0.5%	2.7%	0.2%	1.0%	0.5%	0.9%	1.9%
Discount accretion	0.0%	2.1%	0.0%	0.0%	0.6%	0.0%	2.1%	0.0%	0.0%	0.6%
Total Combined Ratio²	115.7%	110.1%	101.2%	106.9%	111.5%	101.0%	107.1%	100.1%	100.5%	104.5%

	Three Months Ended September 30, 2003					Nine Months Ended September 30, 2003				
	Personal Market	Commercial Markets	Regional Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Regional Agency Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years										
Claims and claims adjustment ratio	70.6%	76.2%	62.5%	70.6%	70.5%	72.4%	77.6%	65.4%	69.5%	71.7%
Underwriting expense ratio	20.4%	23.7%	30.8%	30.2%	25.6%	20.6%	23.9%	31.6%	29.0%	26.5%
Dividend ratio	0.0%	-0.3%	1.2%	0.0%	0.1%	0.0%	0.4%	1.2%	0.0%	0.4%
Subtotal	91.0%	99.6%	94.5%	100.8%	96.2%	93.0%	101.9%	98.2%	98.5%	98.6%
Catastrophes¹										
- Four Hurricanes 2004	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Natural	4.3%	0.9%	5.1%	0.0%	2.6%	3.8%	0.8%	3.5%	0.0%	2.1%
- September 11, 2001	0.0%	-0.2%	0.0%	0.0%	-0.1%	0.0%	-0.1%	0.0%	0.0%	0.0%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	1.8%
- All other	0.7%	3.7%	2.5%	1.2%	2.7%	0.9%	2.3%	1.0%	3.3%	2.3%
Discount accretion	0.0%	1.7%	0.0%	0.0%	0.5%	0.0%	1.7%	0.0%	0.0%	0.5%
Total Combined Ratio²	96.0%	105.7%	102.1%	102.0%	104.9%	97.7%	106.6%	102.7%	101.8%	105.3%

¹ The Company does not typically identify catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyds Syndicates 282 & 190) in the tables above given the expected volatility associated with property-reinsurance coverage. However, given the significant impact that the four hurricanes and the events of September 11, 2001 had on the Company's results, these losses have been separately identified in the tables above. The four hurricanes' losses in the third quarter are reported net of the \$62 million of exposure based reserves recorded in the first two quarters of 2004 and net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Similarly, the four hurricanes' losses for the nine months ended September 30, 2004 include amounts in excess of the Company's reasonable assumption of expected property catastrophe losses. Catastrophe losses also include reinstatement premium.

² The combined claim and expense ratio, expressed as a percentage is a measure of underwriting profitability. This measure should only be used in conjunction with, and not in lieu of, underwriting income and may not be comparable to other performance measures used by the Company's competitors. The combined claims and claims adjustment expense ratio, expressed as a percentage, is computed as the sum of the following property and casualty ratios: the ratio of claims and claims adjustment expense to earned premiums; the ratio to earned premiums of insurance operating costs plus amortization of deferred policy acquisition costs less fee income and less installment charges; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premiums and reinsurance are not included in the combined ratio. Beginning in the second quarter of 2004, results of the Company's Group Market operations have been excluded from the above tables. Prior periods have been restated to conform to the current presentation.

LIBERTY MUTUAL HOLDING COMPANY INC.

Allocation of Invested Assets

(dollars in millions)

(Unaudited)

	As of September 30, 2004		As of December 31, 2003	
	Amount	% of Total	Amount	% of Total
Fixed Maturities by Security Type				
Fixed maturities, available for sale, at fair value	\$ 34,526	90.6%	\$ 32,287	90.8%
Equity securities, available for sale, at fair value	1,599	4.2	1,346	3.8
Trading securities, at fair value	438	1.1	208	0.6
Limited partnerships (Ex. Liberty Energy)	685	1.8	564	1.6
Liberty Energy limited partnerships	151	0.4	108	0.3
Other investments	119	0.3	96	0.3
Short-term investments	612	1.6	940	2.6
Total investments	\$ 38,130	100.0%	\$ 35,549	100.0%

Fixed Maturities by Asset Sector

U.S. Treasury securities	\$ 2,270	6.6%	\$ 2,717	8.4%
Mortgage and asset-backed securities of government and corporate agencies	12,448	36.1	11,499	35.6
State and municipal	1,429	4.1	1,250	3.9
Corporate and other	18,379	53.2	16,821	52.1
Total fixed maturities	\$ 34,526	100.0%	\$ 32,287	100.0%

Fixed Maturities by Credit Quality

S&P Rating	NAIC Designation				
A- or higher	1	\$ 28,132	81.5%	\$ 26,912	83.4%
BBB- to BBB+	2	4,095	11.9	3,084	9.5
BB- to BB+	3	1,043	3.0	1,039	3.2
B- to B+	4	1,148	3.3	988	3.1
CCC or lower	5	101	0.3	253	0.8
In or near default	6	7	0.0	11	0.0
Total fixed maturities		\$ 34,526	100.0%	\$ 32,287	100.0%

LIBERTY MUTUAL HOLDING COMPANY INC.

Realized Investment Gains and Losses

(dollars in millions)

(Unaudited)

	Sales & Dispositions	Impairments	Change in Trading Security Unrealized	Total
Net Realized Investment Gains				
Three Months Ended September 30, 2004				
Fixed maturities	\$ 74	\$ -	\$ 4	\$ 78
Common and preferred stock	-	(10)	-	(10)
Other	7	-	-	7
Total	\$ 81	\$ (10)	\$ 4	\$ 75
Three Months Ended September 30, 2003				
Fixed maturities	\$ 225	\$ (7)	\$ -	\$ 218
Common and preferred stock	(4)	(1)	-	(5)
Other	(1)	-	-	(1)
Total	\$ 220	\$ (8)	\$ -	\$ 212
Nine Months Ended September 30, 2004				
Fixed maturities	\$ 190	\$ (5)	\$ 4	\$ 189
Common and preferred stock	22	(34)	(8)	(20)
Other	-	-	-	-
Total	\$ 212	\$ (39)	\$ (4)	\$ 169
Nine Months Ended September 30, 2003				
Fixed maturities	\$ 300	\$ (26)	\$ -	\$ 274
Common and preferred stock	26	(18)	4	12
Other	-	-	-	-
Total	\$ 326	\$ (44)	\$ 4	\$ 286

	Three Months Ended		Nine Months Ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Components of Net Realized Investment Gains				
Fixed maturities				
Gross realized gains	\$ 91	\$ 240	\$ 226	\$ 358
Gross realized losses	(13)	(22)	(37)	(84)
Equities				
Gross realized gains	12	8	69	80
Gross realized losses	(22)	(13)	(89)	(68)
Other				
Gross realized gains	9	-	6	2
Gross realized losses	(2)	(1)	(6)	(2)
Total investments	\$ 75	\$ 212	\$ 169	\$ 286

LIBERTY MUTUAL HOLDING COMPANY INC.

Net Investment Income and Net Unrealized Investment Gains and Losses

(dollars in millions)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Components of Net Investment Income				
Interest income	\$ 480	\$ 430	\$ 1,442	\$ 1,297
Dividends	12	19	60	55
Limited partnerships	77	(4)	124	(27)
Other investment income	—	1	2	2
Gross investment income	569	446	1,628	1,327
Investment expenses	(17)	(10)	(54)	(39)
Net investment income	\$ 552	\$ 436	\$ 1,574	\$ 1,288

Components of Change in Net Unrealized Investment Gains

Fixed maturities	\$ (82)	\$ (85)
Equities	27	130
Adjustments to deferred policy acquisition costs	(36)	(1)
Net change in unrealized investment (losses) gains	(91)	44
Deferred income taxes	32	(14)
Net change in unrealized investment (losses) gains, net of tax	\$ (59)	\$ 30

LIBERTY MUTUAL HOLDING COMPANY INC.

Issuer and Sector Exposure as of September 30, 2004

(dollars in millions)

(Unaudited)

Issuer	Fixed Income	Equity	Total Exposure	Percent of Invested Assets
1 JP Morgan Chase	\$ 481	\$ 17	\$ 498	1.31%
2 Bank of America	431	24	455	1.19
3 General Electric	420	28	448	1.17
4 Government of Spain	398	-	398	1.04
5 Citigroup	350	35	385	1.01
7 Government of Canada	357	-	357	0.94
6 AIG	343	14	357	0.94
8 Wachovia	345	8	353	0.92
9 Goldman Sachs	279	4	283	0.74
10 SBC Communications	249	14	263	0.69
11 Royal Bank of Scotland	255	7	262	0.69
12 Verizon	247	9	256	0.67
13 Wells Fargo	244	8	252	0.66
14 Government of Venezuela	220	-	220	0.58
15 Morgan Stanley	213	4	217	0.57
16 HSBC	203	6	209	0.55
17 New York Life	204	-	204	0.54
18 Norfolk Southern	203	1	204	0.53
19 ABN Amro	198	-	198	0.52
20 Safeway	195	1	196	0.51
Total	\$ 5,835	\$ 180	\$ 6,015	15.77%

Sector	Fixed Income	Equity	Total Exposure	Percent of Invested Assets
1 Banks	\$ 3,282	\$ 140	\$ 3,422	8.97%
2 Diversified Finan Services	2,629	118	2,747	7.20
3 Sovereign	1,457	-	1,457	3.82
4 Municipal	1,444	-	1,444	3.79
5 Telecommunications	1,092	90	1,182	3.10
6 Electric	965	117	1,082	2.84
7 Oil & Gas	754	272	1,026	2.69
8 Retail	858	68	926	2.43
9 Transportation	752	15	767	2.01
10 Insurance	573	56	629	1.65
11 Food	580	31	611	1.60
12 Home Builders	431	3	434	1.14
13 Media	370	44	414	1.09
14 Auto Manufacturers	216	13	229	0.60
15 Chemicals	200	18	218	0.57
16 Miscellaneous Manufacturing	157	56	213	0.56
17 Cosmetics/Personal Care	169	21	190	0.50
18 Regional(state/province)	168	-	168	0.44
19 Pharmaceuticals	72	96	168	0.44
20 Building Materials	155	10	165	0.43
Total	\$ 16,324	\$ 1,168	\$ 17,492	45.87%

LIBERTY MUTUAL HOLDING COMPANY INC.

Reinsurance Overview

CORPORATE REINSURANCE GUIDELINES AND POLICIES

Scope

The term “reinsurance” refers to all traditional assumed and ceded reinsurance (and coinsurance) arrangements that typically transfer risk in the property-casualty and life insurance industries.

Strategy

Liberty uses reinsurance as a risk management tool to accomplish the following objectives:

- Limit the organization’s potential loss to catastrophic events such as hurricane, earthquake and terrorism.
- Limit the organization’s potential loss to non-catastrophic trends such as rising medical inflation.
- Improve the organization’s spread of risk.

Liberty also uses a significant amount of reinsurance to facilitate its role as a servicing carrier for a number of voluntary and involuntary pools and associations in a number of states and classes of business.

Reinsurance Security Oversight

As part of its reinsurance security oversight, Liberty Mutual has established a Standing Reinsurance Credit Committee (SRC) that meets quarterly to monitor and review the credit quality of the existing reinsurance portfolio, discuss emerging trends in the reinsurance market place and ensure that the current portfolio of reinsurance is in compliance with the Committee’s security standards. The SRC is directly responsible for establishing the minimum rating, collateral and diversification requirements governing Liberty’s purchase and use of reinsurance.

LIBERTY MUTUAL HOLDING COMPANY INC.
Footnotes to Reinsurance Recoverable Exhibits

- ¹ AM Best Co. and Standard & Poor's ratings are as of September 30, 2004 with the exception of Converium AG which uses the S&P rating of BBB+ updated on October 15, 2004.
- ² Gross recoverables are defined as paid and unpaid claims and claim adjustment expenses recoverables before bad debt reserves set aside for potential uncollectible reinsurance and before consideration of collateral. This change in presentation was implemented as of June 30, 2004.
- ³ Collateral refers to letters of credit, trust accounts and funds held against outstanding claims and claim adjustment expenses reinsurance recoverable balances.
- ⁴ Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for specific reinsurance treaties.
- ⁵ Recoverables from state mandated involuntary market pools and associations represent servicing carrier business. As a servicing carrier, the Company retains no direct underwriting risk but instead cedes 100% of the involuntary market premium and losses back to the pool. Payment of losses is shared among the pool participants in proportion to their pool participation. Credit risk with respect to any given pool or association is the composite of the cumulative creditworthiness of all participants.
- ⁶ Reinsurers not rated by A.M. Best Co. and/or Standard & Poor's.
- ⁷ Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent.
- ⁸ The rating of Nationwide Indemnity Co. (NIC) is determined for the purposes of this exhibit to equal the rating of its parent, Nationwide Mutual Insurance Co. Nationwide Mutual has guaranteed the timely payment and performance of the obligations of Nationwide Indemnity Company under the reinsurance agreements, dated Dec. 31, 1998, between NIC and Employers Insurance Company of Wausau and certain of its affiliated property and casualty companies.
- ⁹ Approximately 42% of the net recoverable balance relates to business ceded to Equitas.
- ¹⁰ The rating of Vantage Casualty Insurance Company is determined for the purposes of this exhibit to equal the rating of Prudential Insurance Company of America, the principal operating insurance company of the parent, Prudential Financial Inc. Pursuant to a guaranty agreement dated October 31, 2003, Prudential Financial Inc. has guaranteed the complete and timely payment and performance of the obligations of Vantage Casualty Insurance Company pursuant to four reinsurance agreements between Vantage Casualty Insurance Company and certain companies acquired by Liberty Mutual Group Inc. from subsidiaries of Prudential Financial, Inc.
- ¹¹ The rating of OneBeacon Insurance Co. is determined for the purposes of these exhibit to equal the rating of Folksamerica Reinsurance Co, the lead insurance company of the White Mountains Group.

LIBERTY MUTUAL HOLDING COMPANY INC.
Distribution of Reinsurance Recoverables by A.M. Best Rating
As of September 30, 2004 ¹

	(a)		(b)		(c)	(d)
	Gross Recoverables ²		Collateral Held ³		Net Recoverables ⁴	% of Total Net Recov.
Rated Entities						
A++	\$ 2,224	\$	1,132		1,091	10%
A+	4,803		689		4,150	39%
A	1,528		239		1,331	12%
A-	197		50		152	2%
B++	91		18		84	1%
B+	30		1		29	0%
B or Below	152		10		145	1%
Subtotal	\$ 9,025	\$	2,139		6,982	65%
Pools & Associations						
State mandated involuntary pools and associations ⁵	\$ 2,918	\$	6		2,915	27%
Voluntary	363		83		281	3%
Subtotal	\$ 3,281	\$	89		3,196	30%
Non-Rated Entities ⁶						
Captives & program business	\$ 981	\$	1,094		67	0%
Other	727		311		504	5%
Subtotal	\$ 1,708	\$	1,405		571	5%
Grand Total	\$ 14,014	\$	3,633		10,749	100%

See explanation of footnoted items on page 10 of financial supplement.

LIBERTY MUTUAL HOLDING COMPANY INC.

Distribution of Reinsurance Recoverables by Standard & Poor's Rating

As of September 30, 2004 ¹

	(a)		(b)		(c)	(d)
	Gross Recoverables ²		Collateral Held ³		Net Recoverables ⁴	% of Total Net Recov.
Rated Entities						
AAA	\$ 1,309	\$	623	\$	692	6%
AA+, AA , AA-	3,779		1,294		2,541	24%
A+, A , A-	3,547		135		3,439	32%
BBB+, BBB , BBB -	257		189		92	1%
BB+ or Below	4		3		3	-
Subtotal	\$ 8,896	\$	2,244	\$	6,767	63%
Pools & Associations						
State mandated involuntary pools and associations ⁵	\$ 2,918	\$	6	\$	2,915	27%
Voluntary	363		83		281	3%
Subtotal	\$ 3,281	\$	89	\$	3,196	30%
Non-Rated Entities ⁶						
Captives & program business	\$ 981	\$	1,094	\$	67	0%
Other	856		206		719	7%
Subtotal	\$ 1,837	\$	1,300	\$	786	7%
Grand Total	\$ 14,014	\$	3,633	\$	10,749	100%

See explanation of footnoted items on page 10 of financial supplement.

LIBERTY MUTUAL HOLDING COMPANY INC.

Top 15 Reinsurance Recoverables by Group

As of September 30, 2004 ¹

Reinsurance Groups ⁷ (Data in Millions)	Gross		Collateral ³	Net
	Recoverables ²			Recoverables ⁴
1 Swiss Re Group	\$ 1,641	\$ 360	\$	1,293
2 Nationwide Group ⁸	1,621	-		1,621
3 Berkshire Hathaway Group	1,272	623		654
4 Chubb Group	877	522		355
5 Munich Re	417	5		413
6 Equitas / Lloyds of London ⁹	359	-		359
7 UPINSCO (Captive)	356	372		-
8 PartnerRe Group	344	298		68
9 GE Global Insurance Group	305	6		299
10 Everest Re Group	265	-		265
11 ACE	239	208		49
12 White Mountains Insurance Group ¹¹	205	-		205
13 Converium Group	192	26		174
14 AIG	137	-		137
15 St. Paul Travelers Companies	128	84		61
State Mandated Involuntary pools and associations ⁵	2,918	6		2,915
Voluntary pools and associations	363	83		281
All other ¹⁰	2,375	1,040		1,600
Total Reinsurance Recoverables	\$ 14,014	\$ 3,633	\$	10,749

See explanation of footnoted items on page 10 of financial supplement.

LIBERTY MUTUAL HOLDING COMPANY INC.

Capitalization

(dollars in millions)

(Unaudited)

	As of September 30, 2004	As of December 31, 2003
DEBT		
Short-term debt		
Commercial paper	\$111	\$84
Revolving credit facilities	21	22
Medium Term Notes, maturing within one year	61	-
Total short-term debt	\$193	\$106
Long-term debt		
8.20%, Surplus Notes, due 2007	\$121	\$250
6.75%, Notes, due 2008	15	15
5.00%, Prudential Notes, due 2008	30	30
7.00%, Prudential Notes - Series A, due 2008	-	130
8.00%, Prudential Notes - Series B, due 2013	260	260
5.75%, Senior Notes, due 2014	500	-
8.50%, Surplus Notes, due 2025	150	150
7.87%, Surplus Notes, due 2026	250	250
7.63%, Notes, due 2028	3	3
7.00%, Senior Notes, due 2034	250	-
7.70%, Surplus Notes, due 2097	500	500
6.76% - 8.10%, Medium Term Notes, various	27	88
Subtotal	2,106	1,676
Unamortized discount	(16)	(8)
Total long-term debt	\$2,090	\$1,668
Total debt	\$2,283	\$1,774
POLICYHOLDERS' EQUITY		
Unassigned surplus	\$6,874	\$6,194
Accumulated other comprehensive income (AOCI)	1,112	1,187
Total policyholders' equity	\$7,986	\$7,381
CAPITALIZATION		
Capitalization including AOCI, net of tax	\$10,269	\$9,155
Capitalization excluding AOCI, net of tax	\$9,157	\$7,968
FINANCIAL LEVERAGE RATIOS		
Debt to capitalization including AOCI	22.2%	19.4%
Debt to capitalization excluding AOCI	24.9%	22.3%