



Financial Supplement
Quarter Ended December 31, 2004

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

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

	Three Months Ended December 31, 2004						Three Months Ended December 31, 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	\$ 1,295	\$ 1,200	\$ 959	\$ 910	\$ 56	\$ 4,420	\$ 1,141	\$ 1,159	\$ 800	\$ 653	\$ 65	\$ 3,818
Net investment income	78	180	75	78	117	528	71	167	66	56	114	474
Net Realized investment gains	-	-	1	5	137	143	-	-	1	3	83	87
Fee and other revenues	15	105	17	10	36	183	14	64	13	5	19	115
Total revenues	1,388	1,485	1,052	1,003	346	5,274	1,226	1,390	880	717	281	4,494
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	781	958	656	557	362	3,314	890	989	492	475	106	2,952
Insurance operating costs and expenses	269	354	296	335	71	1,325	251	331	263	201	99	1,145
Dividends to policyholders	-	-	14	-	1	15	-	(25)	9	-	3	(13)
Other expenses	-	-	-	1	67	68	-	-	-	1	59	60
Total claims, benefits and expenses	1,050	1,312	966	893	501	4,722	1,141	1,295	764	677	267	4,144
Pre-tax operating income (loss) (excluding net realized investment gains)	338	173	85	105	(292)	409	85	95	115	37	(69)	263
Pre-tax income (loss) before discontinued operations and minority interest	338	173	86	110	(155)	552	85	95	116	40	14	350
Federal and foreign income tax expense (benefit)	117	60	30	7	(214)	-	30	33	41	(4)	(125)	(25)
Income before discontinued operations and minority interest	221	113	56	103	59	552	55	62	75	44	139	375
Extraordinary items	(3)	-	-	-	-	(3)	77	-	-	-	-	77
Discontinued operations, net of tax	6	-	-	11	(1)	16	(11)	2	-	-	(8)	(17)
Net income	\$ 224	\$ 113	\$ 56	\$ 114	\$ 58	\$ 565	\$ 121	\$ 64	\$ 75	\$ 44	\$ 131	\$ 435

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

	Twelve Months Ended December 31, 2004						Twelve Months Ended December 31, 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	\$ 5,020	\$ 4,469	\$ 3,602	\$ 3,262	\$ 210	\$ 16,563	\$ 3,816	\$ 4,273	\$ 3,018	\$ 2,605	\$ 244	\$ 13,956
Net investment income	299	703	274	300	526	2,102	231	660	253	207	411	1,762
Net Realized investment gains (losses)	-	-	2	18	292	312	-	-	6	74	293	373
Fee and other revenues	59	385	60	35	125	664	52	298	52	30	95	527
Total revenues	5,378	5,557	3,938	3,615	1,153	19,641	4,099	5,231	3,329	2,916	1,043	16,618
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	3,756	3,774	2,431	2,286	822	13,069	2,952	3,629	2,043	1,925	584	11,133
Insurance operating costs and expenses	1,104	1,434	1,178	1,040	253	5,009	858	1,316	1,000	793	474	4,441
Dividends to policyholders	9	9	40	-	11	69	-	(15)	35	-	14	34
Other expenses	-	-	-	3	272	275	-	-	-	4	229	233
Total claims, benefits and expenses	4,869	5,217	3,649	3,329	1,358	18,422	3,810	4,930	3,078	2,722	1,301	15,841
Pre-tax operating income (loss) (excluding net realized investment gains)	509	340	287	268	(497)	907	289	301	245	120	(551)	404
Pre-tax income (loss) before discontinued operations and minority interest	509	340	289	286	(205)	1,219	289	301	251	194	(258)	777
Federal and foreign income tax expense (benefit)	177	120	101	48	(446)	-	101	105	88	60	(354)	-
Income before discontinued operations and minority interest	332	220	188	238	241	1,219	188	196	163	134	96	777
Extraordinary items	(3)	-	-	-	-	(3)	77	-	-	-	-	77
Discontinued operations, net of tax	18	-	-	11	-	29	(1)	1	-	-	(3)	(3)
Net income	\$ 347	\$ 220	\$ 188	\$ 249	\$ 241	\$ 1,245	\$ 264	\$ 197	\$ 163	\$ 134	\$ 93	\$ 851

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)
(Unaudited)

	Three Months Ended December 31, 2004						Three Months Ended December 31, 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	\$ 1,388	\$ 1,485	\$ 1,052	\$ 1,003	\$ 346	\$ 5,274	\$ 1,226	\$ 1,390	\$ 880	\$ 717	\$ 281	\$ 4,494
PTOI before catastrophes, incurred attributable to prior years, and allowance for uncollectible reinsurance on asbestos	\$ 261	\$ 195	\$ 120	\$ 130	\$ (23)	\$ 683	\$ 142	\$ 101	\$ 117	\$ 102	\$ (23)	\$ 439
Allowance for uncollectible reinsurance on asbestos	-	-	-	-	1	1	-	-	-	-	-	-
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	261	195	120	130	(22)	684	142	101	117	102	(23)	439
Catastrophes: ¹												
- Four Hurricanes 2004	50	(4)	(2)	-	(3)	41	-	-	-	-	-	-
- September 11, 2001	-	1	-	(20)	-	(19)	-	72	-	-	-	72
- All other	(11)	(5)	(22)	-	-	(38)	(45)	(7)	(6)	-	-	(58)
Net incurred attributable to prior years:												
-Asbestos	-	-	-	-	(4)	(4)	-	-	-	-	(5)	(5)
-Pollution	-	-	-	-	(232)	(232)	-	-	-	-	-	-
-All other	38	7	(9)	(5)	(28)	3	(12)	(53)	4	(65)	(41)	(167)
Discount accretion ²	-	(21)	(2)	-	(3)	(26)	-	(18)	-	-	-	(18)
Pre-tax operating income (loss)	338	173	85	105	(292)	409	85	95	115	37	(69)	263
Realized investment gains (losses), net	-	-	1	5	137	143	-	-	1	3	83	87
Federal and foreign income tax (expense) benefit	(117)	(60)	(30)	(7)	214	-	(30)	(33)	(41)	4	125	25
Discontinued operations, net of tax	6	-	-	11	(1)	16	(11)	2	-	-	(8)	(17)
Extraordinary items, net of tax	(5)	-	-	-	-	(3)	77	-	-	-	-	77
Net income	\$ 224	\$ 113	\$ 56	\$ 114	\$ 58	\$ 565	\$ 121	\$ 64	\$ 75	\$ 44	\$ 131	\$ 435

	Twelve Months Ended December 31, 2004						Twelve Months Ended December 31, 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	\$ 5,378	\$ 5,557	\$ 3,938	\$ 3,615	\$ 1,153	\$ 19,641	\$ 4,099	\$ 5,231	\$ 3,329	\$ 2,916	\$ 1,043	\$ 16,618
PTOI before catastrophes, incurred attributable to prior years, and allowance for uncollectible reinsurance on asbestos	\$ 840	\$ 550	\$ 382	\$ 416	\$ (17)	\$ 2,171	\$ 471	\$ 445	\$ 348	\$ 246	\$ (128)	\$ 1,382
Allowance for uncollectible reinsurance on asbestos	-	-	-	-	5	5	-	-	-	-	(158)	(158)
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	840	550	382	416	(12)	2,176	471	445	348	246	(286)	1,224
Catastrophes: ¹												
- Four Hurricanes 2004	(269)	(94)	(6)	(101)	(42)	(512)	-	-	-	-	-	-
- September 11, 2001	-	1	-	(20)	-	(19)	-	74	-	-	-	74
- All other	(91)	(11)	(64)	-	-	(166)	(146)	(29)	(84)	-	-	(259)
Net incurred attributable to prior years:												
-Asbestos	-	-	-	-	(8)	(8)	-	-	-	-	(178)	(178)
-Pollution	-	-	-	-	(316)	(316)	-	-	-	-	-	-
-All other	29	(22)	(23)	(27)	(107)	(150)	(36)	(123)	(19)	(126)	(87)	(391)
Discount accretion ²	-	(84)	(2)	-	(12)	(98)	-	(66)	-	-	-	(66)
Pre-tax operating income (loss)	509	340	287	268	(497)	907	289	301	245	120	(551)	404
Realized investment gains (losses), net	-	-	2	18	292	312	-	-	6	74	295	373
Federal and foreign income tax (expense) benefit	(177)	(120)	(101)	(48)	446	-	(101)	(105)	(88)	(60)	354	-
Discontinued operations, net of tax	18	-	-	11	-	29	(1)	1	-	-	(3)	(5)
Extraordinary items, net of tax	(5)	-	-	-	-	(3)	77	-	-	-	-	77
Net income	\$ 347	\$ 220	\$ 188	\$ 249	\$ 241	\$ 1,245	\$ 264	\$ 197	\$ 163	\$ 134	\$ 93	\$ 851

¹ The Company does not typically identify catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) 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 for the twelve months ended December 31, 2004 include amounts in excess of the Company's reasonable assumption of expected property catastrophe losses for the nine months ended September 30, 2004 (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of reinstatement premiums.

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 December 31, 2004					Three Months Ended December 31, 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	66.2%	76.5%	64.2%	57.6%	67.0%	73.0%	83.1%	61.3%	62.2%	70.6%
Underwriting expense ratio	19.3%	19.4%	30.4%	30.3%	24.4%	20.2%	22.8%	31.9%	29.3%	27.4%
Dividend ratio	0.0%	0.0%	1.5%	0.0%	0.3%	0.0%	(2.4%)	1.1%	0.0%	(0.4%)
Subtotal	85.5%	95.9%	96.1%	87.9%	91.7%	93.2%	103.5%	94.3%	91.5%	97.6%
Catastrophes¹:										
- Four Hurricanes 2004	(3.9%)	0.3%	0.2%	0.0%	(1.0%)	0.0%	0.0%	0.0%	0.0%	0.0%
- September 11, 2001	0.0%	(0.1%)	0.0%	2.3%	0.5%	0.0%	(6.9%)	0.0%	0.0%	(2.0%)
- All other	0.9%	0.5%	2.4%	0.0%	0.9%	3.9%	0.7%	0.8%	0.0%	1.6%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
- Pollution	0.0%	0.0%	0.0%	0.0%	5.5%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	(2.9%)	(0.6%)	1.0%	0.5%	0.0%	1.0%	5.0%	(0.6%)	10.3%	4.7%
Discount accretion	0.0%	1.9%	0.2%	0.0%	0.6%	0.0%	1.7%	0.0%	0.0%	0.5%
Total Combined Ratio²	79.6%	97.9%	99.9%	90.7%	98.3%	98.1%	104.0%	94.5%	101.8%	102.5%

	Twelve Months Ended December 31, 2004					Twelve Months Ended December 31, 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	68.3%	77.8%	64.7%	64.1%	69.3%	72.6%	79.1%	64.3%	67.8%	71.4%
Underwriting expense ratio	20.5%	21.5%	31.5%	29.0%	25.3%	20.6%	23.6%	31.7%	29.1%	26.8%
Dividend ratio	0.2%	0.2%	1.1%	0.0%	0.4%	0.0%	(0.5%)	1.2%	0.0%	0.2%
Subtotal	89.0%	99.5%	97.3%	93.1%	95.0%	93.2%	102.2%	97.2%	96.9%	98.4%
Catastrophes¹:										
- Four Hurricanes 2004	5.3%	2.3%	0.2%	3.2%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%
- September 11, 2001	0.0%	0.0%	0.0%	0.6%	0.1%	0.0%	(1.9%)	0.0%	0.0%	(0.6%)
- All other	1.8%	0.3%	1.8%	0.0%	1.1%	3.8%	0.8%	2.8%	0.0%	2.0%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	1.4%
- Pollution	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	(0.6%)	0.4%	0.7%	0.9%	0.8%	0.9%	3.1%	0.6%	4.9%	2.8%
Discount accretion	0.0%	2.1%	0.0%	0.0%	0.6%	0.0%	1.7%	0.0%	0.0%	0.5%
Total Combined Ratio²	95.5%	104.6%	100.0%	97.8%	102.9%	97.9%	105.9%	100.6%	101.8%	104.5%

¹ The Company does not typically identify catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) 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 for the twelve months ended December 31, 2004 include amounts in excess of the Company's reasonable assumption of expected property catastrophe losses for the nine months ended September 30, 2004 (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of reinstatement premiums.

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 December 31, 2004		As of December 31, 2003	
	Amount	% of Total	Amount	% of Total
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Fixed Maturities by Security Type				
Fixed maturities, available for sale, at fair value	\$ 35,601	90.0%	\$ 32,287	90.8%
Equity securities, available for sale, at fair value	1,802	4.6	1,346	3.8
Trading securities, at fair value	457	1.2	208	0.6
Limited partnerships	881	2.2	672	1.9
Other investments	109	0.3	96	0.3
Short-term investments	687	1.7	940	2.6
Total investments	\$ 39,537	100.0%	\$ 35,549	100.0%

Fixed Maturities by Asset Sector

U.S. Treasury securities	\$ 2,703	7.6%	\$ 2,717	8.4%
Mortgage and asset-backed securities of government and corporate agencies	12,968	36.4	11,499	35.6
State and municipal	1,141	3.2	1,250	3.9
Corporate and other	18,789	52.8	16,821	52.1
Total fixed maturities	\$ 35,601	100.0%	\$ 32,287	100.0%

Fixed Maturities by Credit Quality

S&P Rating	NAIC Designation				
A- or higher	1	\$ 29,275	82.2%	\$ 26,912	83.4%
BBB- to BBB+	2	3,903	11.0	3,084	9.5
BB- to BB+	3	1,154	3.3	1,039	3.2
B- to B+	4	1,153	3.2	988	3.1
CCC or lower	5	109	0.3	253	0.8
In or near default	6	7	0.0	11	0.0
Total fixed maturities		\$ 35,601	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 December 31, 2004				
Fixed maturities	\$ 105	\$ -	\$ 10	\$ 115
Common and preferred stock	35	4	5	44
Other	(16)	-	-	(16)
Total	\$ 124	\$ 4	\$ 15	\$ 143
Three Months Ended December 31, 2003				
Fixed maturities	\$ 34	\$ (25)	\$ -	\$ 9
Common and preferred stock	44	(5)	8	47
Other	31	-	-	31
Total	\$ 109	\$ (30)	\$ 8	\$ 87
Twelve Months Ended December 31, 2004				
Fixed maturities	\$ 295	\$ (5)	\$ 14	\$ 304
Common and preferred stock	57	(30)	(3)	24
Other	(16)	-	-	(16)
Total	\$ 336	\$ (35)	\$ 11	\$ 312
Twelve Months Ended December 31, 2003				
Fixed maturities	\$ 250	\$ (49)	\$ -	\$ 201
Common and preferred stock	70	(23)	12	59
Other	115	(2)	-	113
Total	\$ 435	\$ (74)	\$ 12	\$ 373

	Three Months Ended		Twelve Months Ended	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Components of Net Realized Investment Gains				
Fixed maturities				
Gross realized gains	\$ 138	\$ 69	\$ 365	\$ 381
Gross realized losses	(23)	(60)	(61)	(180)
Equities				
Gross realized gains	45	57	108	119
Gross realized losses	(1)	(10)	(84)	(60)
Other				
Gross realized gains	-	38	5	126
Gross realized losses	(16)	(7)	(21)	(13)
Total investments	\$ 143	\$ 87	\$ 312	\$ 373

LIBERTY MUTUAL HOLDING COMPANY INC.

Net Investment Income and Net Unrealized Investment Gains and Losses

(dollars in millions)

(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,	December 31,	December 31,	December 31,
	2004	2003	2004	2003
Components of Net Investment Income				
Interest income	\$ 502	\$ 468	\$ 1,944	\$ 1,786
Dividends	29	10	89	38
Limited partnerships	17	27	141	-
Other investment income	-	-	2	3
Gross investment income	548	505	2,176	1,827
Investment expenses	(20)	(26)	(74)	(65)
Net investment income	\$ 528	\$ 479	\$ 2,102	\$ 1,762

Components of Change in Net Unrealized Investment Gains

Fixed maturities		\$ (92)	\$ (267)
Equities		143	213
Other		8	-
Adjustments to deferred policy acquisition costs		(80)	(97)
Net change in unrealized investment (losses) gains		(21)	(151)
Deferred income taxes		7	53
Net change in unrealized investment (losses) gains, net of tax		\$ (14)	\$ (98)

	Less Than 12 Months		Greater Than 12 Months	
	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
Unrealized Losses & Fair Value by Security Type				
U.S. Treasury securities	\$ (9)	\$ 1,062	\$ (4)	\$ 105
Mortgage and asset-backed securities	(24)	2,627	(27)	664
State and municipal	(2)	196	(2)	42
Corporate and other	(42)	3,184	(37)	882
Equities	(17)	136	(5)	25
Total	\$ (94)	\$ 7,205	\$ (75)	\$ 1,718

LIBERTY MUTUAL HOLDING COMPANY INC.

Issuer and Sector Exposure as of December 31, 2004

(dollars in millions)

(Unaudited)

Issuer	Fixed Income	Equity	Total Exposure	Percent of Invested Assets
1 Bank Of America	\$ 418	\$ 19	\$ 437	1.10%
2 JP Morgan Chase	397	17	414	1.05%
3 General Electric	376	34	410	1.04%
4 Government of Spain	406	-	406	1.03%
5 Citigroup	362	38	400	1.01%
7 Government of Canada	374	-	374	0.95%
6 Wachovia Corp	335	10	345	0.87%
8 American International Group	321	15	336	0.85%
9 Wells Fargo Financial	287	9	296	0.75%
10 Bellsouth Telecommunications	261	13	274	0.69%
11 SBC Communications Inc.	246	24	270	0.68%
12 Royal Bank Of Scotland	253	7	260	0.66%
13 US Bancorp	250	5	255	0.65%
14 Goldman Sachs Group Inc	238	5	243	0.61%
15 Government of Venezuela	236	-	236	0.60%
16 HSBC	228	7	235	0.59%
17 Safeway Inc.	214	1	215	0.54%
18 Verizon Communications	196	10	206	0.52%
19 New York Life	198	-	198	0.50%
20 Morgan Stanley	191	5	196	0.50%
Total	\$ 5,787	\$ 219	\$ 6,006	15.19%

Sector	Fixed Income	Equity	Total Exposure	Percent of Invested Assets
1 Banks	\$ 3,359	\$ 150	\$ 3,509	8.88%
2 Diversified Financial Services	2,592	128	2,720	6.88%
3 Sovereign Governments	1,710	-	1,710	4.33%
4 Telecommunications	1,277	135	1,412	3.57%
5 Municipal	1,156	-	1,156	2.92%
6 Electric	949	123	1,072	2.71%
7 Oil & Gas	748	284	1,032	2.61%
8 Retail	819	83	902	2.28%
9 Transportation	722	18	740	1.87%
10 Insurance	600	63	663	1.68%
11 Food	538	30	568	1.44%
12 Media	395	47	442	1.12%
13 Home Builders	424	4	428	1.08%
14 Miscellaneous Manufacturing	190	62	252	0.64%
15 Auto Manufacturers	232	17	249	0.63%
16 Chemicals	204	20	224	0.57%
17 Regional (state/province)	180	-	180	0.46%
18 Cosmetics/Personal Care	154	23	177	0.45%
19 Building Materials	150	10	160	0.40%
20 Pharmaceuticals	60	94	154	0.39%
Total	\$ 16,459	\$ 1,291	\$ 17,750	44.91%

LIBERTY MUTUAL HOLDING COMPANY INC.
Reinsurance Overview

CORPORATE REINSURANCE GUIDELINES AND POLICIES

Scope

The term “reinsurance” refers to all 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 is a servicing carrier for a number of voluntary and involuntary pools and associations in a number of states and classes of 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.

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 Ratings as of December 31, 2004.
- ² Gross recoverables are defined as paid and unpaid claims and claim adjustment expense including IBNR and before both bad debt reserves set aside for potential uncollectible reinsurance and consideration of collateral.
- ³ Collateral refers to letters of credit, trust accounts and funds held against outstanding claims and claim adjustment expenses related to reinsurance recoverable balances.
- ⁴ Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for specific reinsurance contracts.
- 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 The rating of these recoverables is determined for the purposes of this exhibit to equal the rating of Lloyd's of London.
- 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 this 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 December 31, 2004 ¹

	(a)		(b)		(c)		(d)
	Gross Recoverables ²		Collateral Held ³		Net Recoverables ⁴		% of Total Net Recov.
Rated Entities							
A++	\$ 1,983	\$	1,006		977		9%
A+	5,372		736		4,680		41%
A	1,675		225		1,471		13%
A-	242		95		160		1%
B++	121		42		93		1%
B+	33		2		32		0%
B or Below	153		11		152		1%
Subtotal	\$ 9,579	\$	2,117		7,565		66%
Pools & Associations							
State mandated involuntary pools and associations ⁵	\$ 2,981	\$	2		2,979		26%
Voluntary	358		76		290		3%
Subtotal	\$ 3,339	\$	78		3,269		29%
Non-Rated Entities ⁶							
Captives & fronting companies	\$ 956	\$	1,066		35		0%
Other	684		328		470		5%
Subtotal	\$ 1,640	\$	1,394		505		5%
Grand Total	\$ 14,558	\$	3,589		11,339		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 December 31, 2004 ¹

	(a)		(b)		(c)	(d)
	Gross Recoverables ²		Collateral Held ³		Net Recoverables ⁴	% of Total Net Recov.
Rated Entities						
AAA	\$ 1,317	\$	624	\$	698	6%
AA+, AA , AA-	3,905		1,248		2,758	24%
A+, A , A-	3,772		133		3,651	33%
BBB+, BBB , BBB -	292		213		104	1%
BB+ or Below	145		10		143	1%
Subtotal	\$ 9,431	\$	2,228	\$	7,354	65%
Pools & Associations						
State mandated involuntary pools and associations ⁵	\$ 2,981	\$	2	\$	2,979	26%
Voluntary	358		76		290	3%
Subtotal	\$ 3,339	\$	78	\$	3,269	29%
Non-Rated Entities ⁶						
Captives & program business	\$ 956	\$	1,066	\$	35	0%
Other	832		217		681	6%
Subtotal	\$ 1,788	\$	1,283	\$	716	6%
Grand Total	\$ 14,558	\$	3,589	\$	11,339	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 December 31, 2004 ¹

Reinsurance Groups ⁷ (Data in Millions)	Gross		Net	
	Recoverables ²	Collateral ³	Recoverables ⁴	
1 Nationwide Group ⁸	\$ 1,853	\$ -	\$ 1,853	
2 Swiss Re Group	1,718	361	1,359	
3 Berkshire Hathaway Group	1,273	625	653	
4 Chubb Group	704	394	311	
5 Munich Re	444	3	441	
6 UPINSCO (Captive)	413	423	-	
7 GE Global Insurance Group	381	6	375	
8 Lloyds of London / Equitas ⁹	355	0	355	
9 PartnerRe Group	353	312	78	
10 Everest Re Group	348	-	348	
11 ACE	217	207	22	
12 Converium Group	211	52	180	
13 White Mountains Insurance Group ¹¹	173	-	173	
14 AIG	170	-	170	
15 Associated Electric & Gas	128	150	-	
State Mandated Involuntary pools and associations ⁵	2,981	2	2,979	
Voluntary pools and associations	358	76	290	
All other ¹⁰	2,478	978	1,752	
Total Reinsurance Recoverables	\$ 14,558	\$ 3,589	\$ 11,339	

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

LIBERTY MUTUAL HOLDING COMPANY INC.

Capitalization

(dollars in millions)

(Unaudited)

	As of December 31, 2004	As of December 31, 2003
DEBT		
Short-term debt		
Commercial paper	\$147	\$84
Revolving credit facilities	29	22
Current maturities of long-term debt	77	-
Total short-term debt	\$253	\$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	14	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	2,090	1,676
Unamortized discount	(16)	(8)
Total long-term debt	\$2,074	\$1,668
Total debt	\$2,327	\$1,774
POLICYHOLDERS' EQUITY		
Unassigned surplus	\$7,439	\$6,194
Accumulated other comprehensive income (AOCI)	1,258	1,187
Total policyholders' equity	\$8,697	\$7,381
CAPITALIZATION		
Capitalization including AOCI, net of tax	\$11,024	\$9,155
Capitalization excluding AOCI, net of tax	\$9,766	\$7,968
FINANCIAL LEVERAGE RATIOS		
Debt to capitalization including AOCI	21.1%	19.4%
Debt to capitalization excluding AOCI	23.8%	22.3%