Management's Discussion & Analysis of Financial Condition and Results of Operations

Quarter Ended September 30, 2005

Management's Discussion & Analysis of Financial Condition and Results of Operations

The following discussion highlights significant factors influencing results of operations and changes in financial position of Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Group of companies (the "Company" or "LMG"), for the three and nine months ended September 30, 2005 and 2004. This Management's Discussion & Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's Annual Report, Third Quarter 2005 Consolidated Financial Statements (unaudited), Third Quarter 2005 Financial Supplement and First and Second Quarter 2005 MD&As located on the Company's Investor Relations web site at www.libertymutual.com/investors. The Company's discussions related to net income are presented on an after-tax GAAP basis. All other discussions are presented on a pre-tax GAAP basis, unless otherwise noted.

Index

Cautionary Statement Regarding Forward-Looking Statements

This report contains forward-looking statements that are intended to enhance the reader's ability to assess the Company's future financial and business performance. 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.

In particular, the sufficiency of the Company's reserves for (i) asbestos, (ii) environmental, and (iii) toxic tort (i.e., claims that arise primarily from exposure to chemical or other hazardous substances, including welding rod and silica related claims ((i), (ii), and (iii) together "A&E"), as well as its results of operations, financial condition and liquidity, to the extent impacted by the sufficiency of the Company's A&E reserves, are subject to a number of potential adverse developments including adverse developments involving A&E claims and the related level and outcome of litigation, the willingness of parties, including the Company, to settle disputes, the interpretation of aggregate policy coverage limits, the Company's ability to recover reinsurance for A&E and other claims, the legal, economic, regulatory, and legislative environments, and their impact on the future development of A&E claims, and the impact of bankruptcies of various asbestos producers and related peripheral businesses.

Some of the other factors that could cause actual results to differ include, but are not limited to, the following: the Company's inability to obtain price increases due to competition or otherwise; the performance of the Company's investment portfolios, which could be adversely impacted by adverse developments in U.S. and global financial markets, interest rates and rates of inflation; weakening U.S. and global economic conditions; insufficiency of, or changes in, loss reserves; the occurrence of catastrophic events, both natural and man-made, including terrorist acts, with a severity or frequency exceeding the Company's expectations; exposure to, and adverse developments involving, environmental claims and related litigation; the impact of claims related to exposure to potentially harmful products or substances, including, but not limited to, lead paint, silica and other potentially harmful substances; adverse changes in loss cost trends, including inflationary pressures in medical costs and auto and home repair costs; developments relating to coverage and liability for mold claims; the effects of corporate bankruptcies on surety bond claims; adverse developments in the cost, availability and/or ability to collect reinsurance; the ability of the Company's subsidiaries to pay dividends to the Company; adverse results or other consequences from legal proceedings; the impact of regulatory investigations or reforms, including governmental actions regarding the compensation of brokers and agents and the purchase and sale of nontraditional products and related disclosures; unusual loss activity resulting from adverse weather conditions, including storms, hurricanes, hail, snowfall and winter conditions; repatriation of foreign earnings; judicial expansion of policy coverage and the impact of new theories of liability; the impact of legislative actions, including Federal and state legislation related to asbestos liability reform; larger than expected assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of Personal Lines policies; and amendments and changes to the risk-based capital requirements. 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 web site at www.libertymutual.com/investors. The Company undertakes no obligation to update these forward-looking statements.

EXECUTIVE SUMMARY

The following highlights do not address all of the matters covered in the other sections of Management's Discussion & Analysis of Financial Condition and Results of Operations or contain all of the information that may be important to the investing public. This summary should be read in conjunction with the other sections of Management's Discussion & Analysis of Financial Condition and Results of Operations and the Company's unaudited financial statements.

Three Months Ended September 30, 2005 - Consolidated Results of Operations

- Revenues for the three months ended September 30, 2005 were $5.386 billion, an increase of $504 million or 10.3% over the same period in 2004.

- Net loss for the three months ended September 30, 2005 was $122 million, an increase of $111 million over the same period in 2004. Results in the quarter include $658 million of after-tax catastrophes losses related to Hurricanes Katrina and Rita and $132 million of after-tax incurred losses related to the completion of the Company's biennial ground-up asbestos reserve study.

- Cash flow from operations for the three months ended September 30, 2005 was $1.407 billion, an increase of $444 million or 46.1% over the same period in 2004.

- The combined ratio before catastrophes[1], net incurred losses attributable to prior years[1] and discount accretion for the three months ended September 30, 2005 was 92.8%, a decrease of 0.4 points from the same period in 2004. Including the impact of catastrophes, net incurred losses attributable to prior years and discount accretion, the Company's combined ratio increased 6.8 points to 118.3% in 2005.

Nine Months Ended September 30, 2005 - Consolidated Results of Operations

- Revenues for the nine months ended September 30, 2005 were $15.647 billion, an increase of $1.280 billion or 8.9% over the same period in 2004.

- Net income for the nine months ended September 30, 2005 was $774 million, an increase of $94 million or 13.8% over the same period in 2004. Results year-to-date include $658 million of after-tax catastrophes losses related to Hurricanes Katrina and Rita and $132 million of after-tax incurred losses related to the completion of the Company's biennial ground-up asbestos reserve study.

- Cash flow from operations for the nine months ended September 30, 2005 was $3.154 billion, an increase of $638 million or 25.4% over the same period in 2004.

- The combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion for the nine months ended September 30, 2005 was 94.9%, a decrease of 1.2 points from the same period in 2004. Including the impact of catastrophes, net incurred losses attributable to prior years and discount accretion, the Company's combined ratio increased 1.2 points to 105.7% in 2005.

---

1 Catastrophes, net of reinstatement premium and including the reversal of $98 million of profit sharing on external reinsurance accrued in 2004 and the first half of 2005, exclude losses related to the Company's reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472 (formerly Lloyd's Syndicates 282 and 190)) except for losses related to Hurricanes Charley, Frances, Ivan and Jeanne ("four hurricanes 2004") and Hurricane Katrina, which had a material impact on the Company's results. After-tax amounts are presented net of a 35% marginal tax rate.

2 Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (excluding prior year losses related to the 2004 hurricanes) net of earned premium attributable to prior years and amortization of retroactive reinsurance gain and excluding discount accretion.

Financial Condition as of September 30, 2005

- Total assets increased to $77.851 billion as of September 30, 2005, an increase of $5.492 billion or 7.6% over December 31, 2004.

- Policyholders' equity was $9.072 billion as of September 30, 2005, an increase of $375 million or 4.3% over December 31, 2004.

- Net unrealized gains on fixed maturities, net of tax as of September 30, 2005 were $461 million, a decrease of $398 million or 46.3% from December 31, 2004.

- Statutory surplus as regards policyholders for the combined operations of Liberty Mutual Insurance Company ("LMIC") and its U.S. affiliates was $9.570 billion, an increase of $831 million or 9.5% over December 31, 2004.

- The consolidated debt to capital ratio including accumulated other comprehensive income ("AOCI") as of September 30, 2005 was 22.2%, an increase of 1.1 points over December 31, 2004. Excluding AOCI, the consolidated debt to capital ratio was 24.0%, an increase of 0.2 points over December 31, 2004.

Other 2005 3rd Quarter Highlights

Organizational Changes

- On June 22, 2005, the Company announced that Roger L. Jean, president of its Regional Agency Markets operations and an executive vice president with the Company, will retire in early 2006. In anticipation of Mr. Jean's departure and to more effectively serve third party distributors, the Company created a new strategic business unit effective July 5, 2005. Gary R. Gregg, formerly Liberty Mutual Group's executive vice president and manager of Commercial Markets, became president of the newly formed Agency Markets business unit, which includes the operations of Regional Agency Markets ("RAM"), Wausau Commercial Markets ("Wausau") and Surety, formerly part of Commercial Markets. David H. Long, formerly chief operating officer of the Company's National Market business, replaced Mr. Gregg as executive vice president and manager of Commercial Markets. The Company's results in the third quarter and prior periods have been reported to conform with these organizational changes.

Hurricane Katrina

- The Company's estimate of aggregate after-tax catastrophe losses related to Hurricane Katrina, net of reinsurance and including reinstatement premiums, was approximately $585 million for the three and nine months ended September 30, 2005. Losses include the reversal of $64 million of after-tax profit sharing on external reinsurance accrued in 2004 and the first half of 2005. The Company's estimate is based on claims reported to date, modeled losses, anticipated demand surge, industry loss estimates and the Company's reinsurance coverage. The Company has additional unused reinsurance protection for its domestic businesses from a corporate property catastrophe reinsurance treaty, which covers approximately 90% of subject losses up to $600 million in excess of $500 million of direct domestic property losses (excluding automobile) in the affected states. Approximately $300 million of reinsurance limit remains available. The Company also has other reinsurance programs relating to particular risks or specific lines of business.

Hurricane Rita

- The Company's estimate of aggregate after-tax catastrophe losses related to Hurricane Rita, net of reinsurance and including reinstatement premiums, was approximately $73 million for the three and nine months ended September 30, 2005.

Asbestos Study Update

- In the third quarter of 2005, the Company completed its biennial ground-up asbestos reserve study and increased its asbestos reserves by $203 million, which is approximately $50 million above the point estimate of the Company's internal actuaries and reflects management's best estimate of the reserve requirement. The study was completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, which reviewed the majority of the Company's direct, assumed, and ceded asbestos claims. An external review of the Company's asbestos reserves is currently in process by an internationally recognized actuarial consulting firm. The Company expects this review to be completed in the fourth quarter of 2005.

Reinsurance Commutation

- In September 2005, the Company entered into a commutation agreement with Converium Reinsurance (North America) Inc., formerly known as Zurich Reinsurance (North America) Inc. ("Converium"). Pursuant to the agreement, the Company commuted its ceded reinsurance contracts with Converium. The commutation does not include ceded reinsurance contracts with affiliates of Converium such as Converium Ltd, Zurich, Switzerland or Converium Rückversicherung (Deutschland) AG, or their respective predecessors. The financial impact of the commutation to the Company is negligible.

Legal and Regulatory Matters

- As previously disclosed, the Company has received subpoenas and other requests for information from insurance, governmental and enforcement authorities as part of the on-going investigation of the insurance industry. In addition to the previously disclosed private civil litigation in Essex County, Massachusetts, the Company was recently named in the Insurance Brokerage Antitrust Litigation filed in the U.S. District Court of New Jersey. Both suits seek monetary and injunctive relief. The Company believes that it has substantial defenses to these pending suits and intends to defend each of the actions vigorously. As the sixth largest property and casualty insurer in the United States based on 2004 direct written premium, the Company expects that it may receive additional subpoenas or requests for information and be named in additional civil suits as the investigations continue.

  In June 2005, a non-executive, non-management employee resigned from the Company after an investigator found external evidence of improper behavior. In August 2005, this former employee pleaded guilty to a misdemeanor charge of restricting competition. The Company has cooperated with all regulatory authorities in connection with these industry investigations and will continue to do so.

Subsequent Events

Gain on Investment

- On October 3, 2005, the Company recognized a realized gain of approximately $105 million on the sale of a private equity investment, which will be reflected in fourth quarter results.

International Revolving Credit Facility

- Liberty International Iberia S.L., S.C.S. entered into a new 85 million euro / $100 million 364 day revolving credit agreement, which became effective October 14, 2005. The facility is available to provide working capital to certain of the Company's international operations. The 364 day credit agreement is guaranteed by LMIC. To date, no funds have been borrowed under the facility.

Real Estate Transaction

- On October 25, 2005, the Company entered into an agreement to purchase an office building adjacent to the Company's corporate headquarters for a purchase price of approximately $500 million. The Company is currently a significant tenant in the building. The parties expect to finalize the transaction in the first quarter of 2006, subject to customary closing conditions.

CONSOLIDATED RESULTS OF OPERATIONS

The Company has identified consolidated pre-tax operating income ("PTOI") and net written premium as non-GAAP financial measures. PTOI is defined by the Company as net income excluding net realized gains (losses), Federal and foreign income taxes, extraordinary items, discontinued operations and cumulative effect of changes in accounting principles. PTOI is considered by the Company to be an appropriate indicator of underwriting and operating results and is consistent with the way the Company internally evaluates performance, except that limited partnership results recognized on the equity method are not included in internal PTOI. Net realized investment gains (losses) are significantly impacted by both discretionary and economic factors and are not necessarily indicative of operating results. Federal and foreign income taxes are significantly impacted by permanent differences and valuation allowances. References to "direct written premium" represent the amount of premium recorded for policies issued during a fiscal period, excluding assumed reinsurance and ignoring the effects of ceded reinsurance. References to "net written premium" represent the amount of premium recorded for policies issued during a fiscal period including reinsurance assumed, and audit and retrospectively rated premium related to loss sensitive policies less reinsurance ceded. In addition, the majority of workers compensation premium is adjusted to the "booked as billed" method through the Corporate & Other segment. "Premium earned," which is the portion of premium that applies to the expired part of the policy period, is a GAAP measure. The Company believes that net written premium is a performance measure useful to investors as it generally reflects current trends in the Company's sale of property and casualty insurance products.

The Company's discussions related to net income are presented on an after-tax GAAP basis. All other discussions are presented on a pre-tax GAAP basis, unless otherwise noted.

(1) Overview – Consolidated

Consolidated net written premium by significant line of business was as follows:

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Private passenger automobile	$1,415	$1,506	(6.0%)	$4,128	$4,327	(4.6%)
Workers compensation	989	824	20.0	3,093	2,815	9.9
Commercial multiple peril / Fire	375	345	8.7	1,077	972	10.8
Homeowners	438	411	6.6	1,181	1,107	6.7
Commercial automobile	280	262	6.9	842	791	6.4
LIU[1] reinsurance	166	153	8.5	635	661	(3.9)
International local businesses [2]	266	189	40.7	750	593	26.5
General liability	150	123	22.0	512	631	(18.9)
LIU[1] third party	132	88	50.0	339	261	29.9
Group disability	84	83	1.2	257	251	2.4
LIU[1] first party	11	40	(72.5)	137	198	(30.8)
Surety	47	40	17.5	147	104	41.3
Assumed voluntary reinsurance	24	35	(31.4)	72	101	(28.7)
Other	169	124	36.3	454	400	13.5
Total net written premium	$4,546	$4,223	7.6%	$13,624	$13,212	3.1%

[1] Liberty International Underwriters (LIU)
[2] Small commercial and other personal; excludes private passenger automobile.

Consolidated net written premium by strategic business unit was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Personal Market	$1,421	$1,456	(2.4%)	$3,945	$4,128	(4.4%)
Commercial Markets	776	699	11.0	2,644	2,742	(3.6)
Agency Markets	1,364	1,200	13.7	4,202	3,760	11.8
International	851	754	12.9	2,785	2,540	9.6
Corporate and Other	134	114	17.5	48	42	14.3
Total net written premium	$4,546	$4,223	7.6%	$13,624	$13,212	3.1%

Net written premium for the three and nine months ended September 30, 2005 was $4.546 billion and $13.624 billion, respectively, representing increases of $323 million and $412 million over the same periods in 2004. Significant changes by major line of business include:

- Workers compensation net written premium increased $165 million and $278 million in the quarter and year-to-date, respectively, primarily due to exposure growth in Summit Holdings Southeast Inc. and affiliates ("Summit"), a mono-line workers compensation business with operations primarily in Florida, and new business growth and improved retention in Wausau. Growth in the quarter was also impacted by improved retention and lower ceded written premium in Commercial Markets.
- International local businesses net written premium, excluding private passenger automobile net written premium, increased $77 million and $157 million, in the quarter and year-to-date, respectively, related to organic growth in Europe and Latin America and the acquisitions of the Chilean operations of AGF Allianz Chile S.A in the third quarter of 2004 and ING Chile Seguros Generales in the second quarter of 2005.
- Commercial multiple peril / fire net written premium increased $30 million and $105 million in the quarter and year-to-date, respectively, primarily due to improved retention in Agency Markets' Regional Companies and new business growth in Wausau.
- LIU third party net written premium increased $44 million and $78 million, in the quarter and year-to-date, respectively, primarily due to a reduction in the Company's utilization of reinsurance as compared to prior periods and the start-up of an inland marine specialty program in the third quarter of 2005.
- Homeowners net written premium increased $27 million and $74 million, in the quarter and year-to-date, respectively, primarily due to rate increases and new business growth in the Company's Personal Market.
- General liability net written premium increased $27 million in the quarter and decreased $119 million year-to-date. The increase in the quarter is primarily attributable to improved retention and new business growth in Commercial Markets, partially offset by modest rate decreases. The decrease year-to-date was driven by the loss of a large National Market account due to more aggressive price competition.
- Private passenger automobile net written premium decreased $91 million and $199 million in the quarter and year-to-date, respectively, due to lower retention on the PruPac[1] business and lower average domestic premium per policy related to a reduction in involuntary market (assigned risk) policies, a shift in state mix and a general improvement in the quality of the risks underwritten. The decrease year-to-date was further impacted by the conversion of six-month term policies to twelve-month term policies on the PruPac business and the Company's re-underwriting efforts, expanded rating tiers and active non-renewal of certain classes of business in Agency Markets. Partially offsetting these decreases in both periods were rate increases and an increase in policies

[1] The Company acquired Prudential Financial Inc.'s U.S. personal lines property and casualty business ("PruPac") in the fourth quarter of 2003.

in force in Personal Market's non-PruPac business, driven by new business growth. Year-to-date net written premium was also impacted by growth in International's local business operations.

More detailed explanations of the changes in net written premium by line of business are included in the related discussion of financial results for each strategic business unit.

For a fuller description of the Company's business operations, products and distribution channels, please visit the Company's Investor Relations web site at www.libertymutual.com/investors.

Results of Operations – Consolidated

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Revenues	$5,386	$4,882	10.3%	$15,647	$14,367	8.9%
PTOI before catastrophes, net incurred losses attributable to prior years and discount accretion	$730	$639	14.2%	$1,806	$1,492	21.0%
Catastrophes[1,2]:						
- Hurricane Katrina	(818)	-	NM	(809)	-	NM
- Four hurricanes 2004	(18)	(563)	(96.8)	(62)	(553)	(88.8)
- All other	(98)	(32)	NM	(178)	(128)	39.1
Net incurred losses attributable to prior years:						
- Asbestos	(208)	-	NM	(210)	(4)	NM
- All other[3]	74	(103)	NM	(9)	(237)	(96.2)
Discount accretion[4]	(25)	(24)	4.2	(72)	(72)	-
Pre-tax operating (loss) income	(363)	(83)	NM	466	498	(6.4)
Realized investment gains, net	173	75	130.7	379	169	124.3
Federal and foreign income tax benefit (expense)	68	-	NM	(59)	-	NM
Discontinued operations, net of tax	-	(3)	100.0	(12)	13	NM
Net (loss) income	($122)	($11)	NM	$774	$680	13.8%

1 Catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) relating to Hurricane Katrina and the four hurricanes 2004 have been separately identified in the tables above given the significance of these events. All other catastrophe losses from assumed reinsurance lines have not been separately identified or normalized given the expected volatility associated with these coverages. Losses related to Hurricane Katrina for the three and nine months ended September 30, 2005 include the reversal of $98 million of profit sharing on external reinsurance accrued in 2004 and the first half of 2005. In addition, losses related to Hurricane Katrina and the four hurricanes 2004 are net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Assumed catastrophe losses related to Hurricane Katrina are reported net of estimated net catastrophe reinsurance premium earned of $82 million and $91 million for the three and nine months ended September 30, 2005, respectively. Assumed catastrophe losses related to the four hurricanes 2004 are reported net of estimated net catastrophe reinsurance premium earned of $154 million and $164 million for the comparable periods of 2004.

3 Net of earned premium attributable to prior years of $31 million and $40 million for the three and nine months ended September 30, 2005, respectively, and ($3) million and $55 million for the comparable periods of 2004. Net of amortization of deferred gains on retroactive reinsurance of $21 million and $78 million for the three and nine months ended September 30, 2005, respectively, and $12 million and $35 million for the comparable periods of 2004.

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

NM = Not Meaningful (represents increases or decreases greater than 200%, or changes from a net gain to a net loss, or vice versa).

Revenues for the three and nine months ended September 30, 2005 were $5.386 billion and $15.647 billion, respectively, representing increases of $504 million and $1.280 billion over the same periods in 2004. The major components of revenues include net premium earned, net investment income, net realized investment gains/losses and fee and other revenues.

Net premium earned for the three and nine months ended September 30, 2005 was $4.428 billion and $12.965 billion, respectively, representing increases of $321 million and $822 million over the same periods in 2004. The increases in both periods reflect modest rate increases across personal lines, new business growth and improved customer retention across many of the Company's major segments, partially offset by a more challenging competitive environment, which is causing downward pricing pressure across most commercial lines of business, and higher ceded premium earned related to reinstatement premium and the reversal of profit sharing accrued. In addition, net earned premium attributable to prior years was $34 million higher and $15 million lower for the three and nine months ended September 30, 2005, respectively, versus the comparable periods in 2004.

Net investment income for the three and nine months ended September 30, 2005 was $590 million and $1.738 billion, respectively, representing increases of $38 million and $164 million over the same periods in 2004. The improvement reflects increases of $54 million and $114 million in interest income in the quarter and year-to-date, respectively, primarily due to a higher invested asset base as investment income continues to benefit from significant cash flow from operations and the proceeds from the 2004 and 2005 debt offerings. Partially offsetting the increase in both periods were lower average portfolio yields, due in part to a higher concentration of tax-exempt securities. In addition, the Company reported a decrease of $8 million and an increase of $57 million in the quarter and year-to-date, respectively, from limited partnership income related to private equity investments.

Net realized investment gains for the three and nine months ended September 30, 2005 were $173 million and $379 million, respectively, representing increases of $98 million and $210 million over the same periods in 2004. The improvement in the quarter reflects increases of $66 million in other investments primarily related to energy gains and $36 million in equities driven by gains on sales of foreign equities and private equity investments, partially offset by a $4 million decrease in fixed maturity net gains. The improvement year-to-date reflects higher gains in equities and other investments of $90 million and $142 million, respectively, partially offset by a decrease in fixed maturities of $22 million. Included in these amounts were decreases in impairment losses of $9 million and $30 million in the quarter and year-to-date, respectively, versus the comparable periods in 2004.

Fee and other revenues for the three and nine months ended September 30, 2005 were $195 million and $565 million, respectively, representing increases of $47 million and $84 million over the same periods in 2004. The improvement primarily reflects increases in fee and other revenues from the production and sale of oil and gas from Liberty Energy Holdings, LLC ("Liberty Energy") and the Company's involuntary market servicing carrier operations.

Claims, benefits and expenses for the three and nine months ended September 30, 2005 were $5.576 billion and $14.802 billion, respectively, representing increases of $686 million and $1.102 billion over the same periods in 2004. The increase in both periods primarily reflects higher catastrophe losses and the completion of the Company's biennial ground-up asbestos reserve study, which increased asbestos reserves by $203 million, which is approximately $50 million above the point estimate of the Company's internal actuaries and reflects management's best estimate of the reserve requirement. Catastrophe losses increased $148 million and $170 million in the quarter and year-to-date, respectively, primarily due to approximately $775 million of losses related to Hurricane Katrina. The balance of the increase in both periods reflects higher amortization of deferred acquisition costs primarily related to business growth and general cost increases, including higher personnel costs and interest expense. These increases in both periods were partially offset by a decrease in variable incentive compensation expenses and a decrease in non-asbestos incurred losses attributable to prior years[1] primarily related to better than anticipated loss trends in the auto and homeowners lines of business, favorable development on surety business, and continued net favorable development from International's local business operations. Results in the quarter were also favorably impacted by lower profit share expenses due to Hurricane Katrina, primarily attributable to the reversal of expenses accrued in the first two quarters of 2005 related to the PruPac business. Year-to-date claims, benefits and expenses also reflect a general improvement in non-catastrophe current year underwriting results, partially offset by an increase in the amortization of deferred acquisition costs related to the PruPac business. Upon acquisition, the PruPac deferred policy acquisition costs were written off against the negative goodwill, in accordance with GAAP accounting, which resulted in less amortization of deferred acquisition cost in 2004 as compared to 2005.

[1] Incurred losses attributable to prior years is defined as net incurred losses attributable to prior years (excluding prior year losses related to the four hurricanes of 2004) gross of earned premium attributable to prior years and including discount accretion and amortization of retroactive reinsurance gain.

CONSOLIDATED	Three Months Ended September 30, 2005	2004	Change (Points)	Nine Months Ended September 30, 2005	2004	Change (Points)
Combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion						
Claims and claim adjustment expense ratio	70.1%	67.9%	2.2	69.0%	70.4%	(1.4)
Underwriting expense ratio	22.5	24.7	(2.2)	25.8	25.3	0.5
Dividend ratio	0.2	0.6	(0.4)	0.1	0.4	(0.3)
Subtotal	92.8	93.2	(0.4)	94.9	96.1	(1.2)
Catastrophes[1]:						
- Hurricane Katrina	19.1	-	19.1	6.5	-	6.5
- Four hurricanes 2004	0.4	14.2	(13.8)	0.5	4.8	(4.3)
- All other	2.3	0.8	1.5	1.4	1.1	0.3
Net incurred losses attributable to prior years:						
- Asbestos	4.8	-	4.8	1.7	-	1.7
- All other	(1.7)	2.7	(4.4)	0.1	1.9	(1.8)
Discount accretion	0.6	0.6	-	0.6	0.6	-
Total combined ratio[2]	118.3%	111.5%	6.8	105.7%	104.5%	1.2

1 Catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) relating to Hurricane Katrina and the four hurricanes 2004 have been separately identified in the tables above given the significance of these events. All other catastrophe losses from assumed reinsurance lines have not been separately identified or normalized given the expected volatility associated with these coverages. Losses related to Hurricane Katrina for the three and nine months ended September 30, 2005 include the reversal of $98 million of profit sharing on external reinsurance accrued in 2004 and the first half of 2005. Losses related to Hurricane Katrina and the four hurricanes 2004 are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned 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 claim and expense ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense to earned premium; the ratio to earned premium of insurance operating costs plus amortization of deferred policy acquisition costs less fee income (primarily related to the Company's involuntary market servicing carrier operations) and less installment charges; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premium 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 table and related discussion of the combined ratio. Prior periods have been restated to conform to the current presentation.

The consolidated combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion for the three and nine months ended September 30, 2005 was 92.8% and 94.9%, respectively, representing decreases of 0.4 and 1.2 points from the comparable periods in 2004. Results in the quarter reflect a 2.2 point decrease in the expense ratio primarily related to a decrease in variable incentive compensation, lower profit share expenses and a higher earned premium base, and a 0.4 point decrease in the dividend ratio due to the non-recurrence of a one-time dividend payment to New Jersey automobile policyholders in 2004. The change in the quarter also reflects an increase of 2.2 points in the claim and claim adjustment expense ratio primarily due to a higher property loss ratio on direct business (excluding catastrophes) and a higher loss ratio on assumed reinsurance lines, primarily related to Hurricane Rita. Results year-to-date reflect the favorable impact of underwriting and pricing actions taken and a lower dividend ratio, partially offset by a higher underwriting expense ratio. The lower dividend ratio year-to-date is primarily due to the non-recurrence of a one-time dividend payment to New Jersey automobile policyholders in 2004, the Company's re-evaluation of its estimate of dividend reserves in the second quarter of 2005, which resulted in a reduction of the required liability, and the recoupment of a previously paid dividend during the first quarter of 2005. The higher expense ratio year-to-date reflects increases in personnel costs, amortization of deferred policy acquisition costs primarily related to the PruPac acquisition and other general expenses, partially offset by a higher earned premium base.

Including the impact of catastrophes, net incurred losses attributable to prior years and discount accretion, the total combined ratio was 118.3% for the quarter and 105.7% year-to-date, representing increases of 6.8 and 1.2 points, respectively, versus the same periods in 2004. Catastrophe losses increased 6.8 and 2.5 points, in the quarter and year-to-date, respectively, primarily due to Hurricane Katrina. Additionally, the combined ratio reflects increases of 4.8 and 1.7 points of net incurred losses attributable to prior years related to the completion of the Company's biennial ground-up asbestos reserve study. These increases were partially offset by lower non-asbestos net incurred losses attributable to prior years related to better than anticipated loss trends in the auto and homeowners lines of business, favorable development on surety business, and increased favorable development in International's local businesses. The improvement in year-to-date net incurred losses attributable to prior years also reflects lower unfavorable development in LIU.

For the three and nine months ended September 30, 2005, the Company reported a pre-tax operating loss of $363 million and PTOI of $466 million, respectively, representing decreases in PTOI of $280 million and $32 million from the same periods in 2004.

For the three and nine months ended September 30, 2005, the Company reported a Federal and foreign income tax benefit of $68 million and a Federal and foreign income tax expense of $59 million, respectively. These results represent an increased benefit of $68 million and an increased expense of $59 million over the same periods in 2004. The Company's effective tax rates for the three and nine months ended September 30, 2005 were (36%) and 7%, respectively, compared to 0% in the same periods of 2004. The change in the Company's effective tax rate in both periods reflects the reduction in the domestic tax valuation allowance to zero in the second quarter of 2005. Although management believes that it is more likely than not that the deferred tax asset related to losses from Hurricane Katrina incurred at the Company's Lloyd's Syndicate will be fully realized, the recoverability of this asset will be further evaluated in the quarter ending December 31, 2005. Included in the year-to-date 2005 income tax expense is a $22 million tax charge incurred for planned repatriation of profits pursuant to the American Jobs Creation Act of 2004, and $15 million of tax expense for prior year taxes resulting from a judicial decision in Brazil.

For the three and nine months ended September 30, 2005, the Company reported a net loss of $122 million and net income of $774 million, respectively. These results represent increases of $111 million and $94 million over the same periods in 2004. Results from discontinued operations in 2005 reflect a loss on the disposal of certain pension business in Spain, which was a part of the acquisition of Genesis Seguros Generales, S.A. and its subsidiary Seguros Genesis S.A. (collectively, "Genesis"). Results from discontinued operations in 2004 primarily reflect the Company's Canadian personal lines business, which was sold to Meloche Monnex Inc., a member of TD Bank Financial Group ("Meloche Monnex"), on April 1, 2004.

PERSONAL MARKET

(1) Overview – Personal Market

Personal Market net written premium by line of business was as follows:

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Private passenger automobile	$1,023	$1,086	(5.8%)	$2,871	$3,123	(8.1%)
Homeowners and other	398	370	7.6	1,074	1,005	6.9
Total net written premium	$1,421	$1,456	(2.4%)	$3,945	$4,128	(4.4%)

Net written premium for the three and nine months ended September 30, 2005 was $1.421 billion and $3.945 billion, respectively, representing decreases of $35 million and $183 million from the same periods in 2004. The decrease in net written premium in both periods is a result of lower retention on the PruPac auto and homeowners business and lower average written premium per auto policy, partially offset by an increase in policies in force in the non-PruPac business, primarily driven by new business growth. The decrease on a year-to-date basis is further impacted by the conversion of PruPac six-month term auto policies to twelve-month term policies during 2004, partially offset by rate increases.

Private passenger automobile net written premium for the three and nine months ended September 30, 2005 was $1.023 billion and $2.871 billion, respectively, representing decreases of $63 million and $252 million from the same periods in 2004. The decrease in net written premium in both periods is a result of lower retention on the PruPac business and lower average written premium per policy, partially offset by an increase in policies in force in the non-PruPac business, primarily driven by new business growth. The lower average written premium per policy reflects a reduction in involuntary market (assigned risk) policies, a shift in state mix and a general improvement in the quality of the risks underwritten. The decrease on a year-to-date basis is further impacted by the aforementioned PruPac policy conversion, partially offset by rate increases.

Homeowners and other net written premium for the three and nine months ended September 30, 2005 was $398 million and $1.074 billion, respectively, representing increases of $28 million and $69 million over the same periods in 2004. The increase in both periods is primarily due to rate increases and an increase in policies in force in the non-PruPac business, driven by new business growth, partially offset by lower retention on the PruPac business.

(2) Results of Operations – Personal Market

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Revenues	$1,362	$1,350	0.9%	$4,057	$3,990	1.7%
PTOI before catastrophes, net incurred losses attributable to prior years and discount accretion	$270	$212	27.4%	$673	$552	21.9%
Catastrophes[1]:						
- Hurricane Katrina	(244)	-	NM	(244)	-	NM
- Four hurricanes 2004	-	(319)	(100.0)	-	(319)	(100.0)
- All other	(43)	(18)	138.9	(104)	(80)	30.0
Net incurred losses attributable to prior years:						
- Asbestos	-	-	-	-	-	-
- All other[2]	100	(9)	NM	107	(9)	NM
Discount accretion	-	-	-	-	-	-
Pre-tax operating income (loss)[3]	83	(134)	NM	432	144	200.0
Realized investment gains, net	-	-	-	-	-	-
Federal and foreign income tax benefit (expense)	(29)	47	NM	(151)	(50)	NM
Discontinued operations, net of tax	-	(3)	100.0	-	12	(100.0)
Net income (loss)	$54	($90)	NM	$281	$106	165.1%

1 Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.
2 Net of earned premium attributable to prior years of $0 and ($4) million for the three and nine months ended September 30, 2005, respectively, and $0 for the comparable periods of 2004.
3 In the first quarter of 2005, the Company changed its methodology for allocating qualified pension expenses. Historically, qualified pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.
NM = Not meaningful

Revenues for the three and nine months ended September 30, 2005 were $1.362 billion and $4.057 billion, respectively, representing increases of $12 million and $67 million over the same periods in 2004. The major components of revenues include net premium earned and net investment income.

Net premium earned for the three and nine months ended September 30, 2005 was $1.278 billion and $3.814 billion, respectively, representing increases of $21 million and $89 million over the same periods in 2004. The increase in both periods is primarily due to rate increases and new business growth, partially offset by lower retention related to the PruPac business and higher ceded reinstatement premium attributable to Hurricane Katrina.

Net investment income for the three and nine months ended September 30, 2005 was $69 million and $200 million, respectively, representing decreases of $8 million and $21 million from the same periods in 2004. The decrease in both periods is primarily due to lower investment yields partially offset by continued positive cash flow from operations.

Claims, benefits and expenses for the three and nine months ended September 30, 2005 were $1.279 billion and $3.625 billion, respectively, representing decreases of $205 million and $221 million versus the same periods in 2004. The decrease in both periods reflects improved current period underwriting results related to favorable loss trends, favorable incurred losses attributable to prior years, and lower catastrophe losses, partially offset by higher personnel costs and other expenses. The decrease in the quarter also reflects lower profit share expenses, primarily attributable to the reversal of expenses accrued in the first two quarters of 2005 related to the PruPac business acquired in 2003. The favorable incurred losses attributable to prior years in both periods reflects better than anticipated loss trends in the auto and homeowners lines of business. The decrease year-to-date was also partially offset by an increase in the amortization of deferred acquisition costs. Upon acquisition, the PruPac deferred policy acquisition costs were written off against the negative goodwill, in accordance with GAAP accounting, which resulted in less amortization of deferred acquisition cost in 2004 as compared to 2005.

	Three Months Ended September 30,			Nine Months Ended September 30,		
PERSONAL MARKET	**2005**	**2004**	**Change (Points)**	**2005**	**2004**	**Change (Points)**
Combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion						
Claims and claim adjustment expense ratio[1]	63.6%	66.7%	(3.1)	65.4%	69.8%	(4.4)
Underwriting expense ratio[1]	20.5	21.4	(0.9)	22.2	20.8	1.4
Dividend ratio	(0.2)	0.7	(0.9)	(0.1)	0.2	(0.3)
Subtotal	83.9	88.8	(4.9)	87.5	90.8	(3.3)
Catastrophes[2]:						
- Hurricane Katrina	19.1	-	19.1	6.4	-	6.4
- Four hurricanes 2004	-	25.3	(25.3)	-	8.5	(8.5)
- All other	3.3	1.5	1.8	2.7	2.2	0.5
Net incurred losses attributable to prior years:						
- Asbestos	-	-	-	-	-	-
- All other	(7.8)	0.7	(8.5)	(2.8)	0.2	(3.0)
Discount accretion	-	-	-	-	-	-
Total combined ratio[3]	98.5%	116.3%	(17.8)	93.8%	101.7%	(7.9)

1 Personal Market reclassified certain integration expenses in 2004 related to the PruPac acquisition between the claims and claim adjustment expense ratio and the underwriting expense ratio. The impact was a 0.4 and 0.5 point reclassification from the underwriting expense ratio to the claims and claims adjustment expense ratio for the quarter and year-to-date, respectively.

2 Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

3 In the first quarter of 2005, the Company changed its methodology for allocating qualified pension expenses. Historically, qualified pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

Personal Market's combined ratio for the three and nine months ended September 30, 2005 was 98.5% and 93.8%, respectively, representing decreases of 17.8 and 7.9 points versus the same periods in 2004. The improvement in the quarter reflects favorable loss trends, a decrease of 8.5 points in net incurred losses attributable to prior years, and a decrease of 4.4 points in catastrophe losses. In addition, the underwriting expense ratio and dividend ratio in the quarter each improved 0.9 points versus the same period in 2004. The decrease in the expense ratio for the quarter reflects lower profit sharing expenses, primarily attributable to the reversal of expenses accrued in the first two quarters of 2005 related to the PruPac business acquired in 2003, partially offset by higher personnel costs and other general expenses. The decrease in the dividend ratio reflects a one-time dividend payment to New Jersey automobile policyholders in 2004 that did not recur in 2005. The decrease in the year-to-date claim and claim adjustment ratio reflects favorable loss trends, a decrease of 3.0 points in net incurred losses attributable to prior years, and a decrease of 1.6 points in catastrophe losses, partially offset by an increase in personnel costs and other general expenses. This decrease year-to-date, however, was partially offset by an increase in the expense ratio, primarily due to higher amortization of deferred acquisition costs, personnel costs and other general expenses. The combined ratio before catastrophes and net incurred losses attributable to prior years was 83.9% and 87.5% in the quarter and year-to-date, respectively, representing decreases of 4.9 and 3.3 points versus the comparable periods in 2004.

PTOI for the three and nine months ended September 30, 2005 was $83 million and $432 million, respectively, representing increases of $217 million and $288 million over the same periods in 2004.

Federal and foreign income tax expense for the three and nine months ended September 30, 2005 was $29 million and $151 million, respectively, representing increases of $76 million and $101 million over the same periods in 2004.

Net income for the three and nine months ended September 30, 2005 was $54 million and $281 million, respectively, representing increases of $144 million and $175 million over the same periods in 2004. Results from discontinued operations in 2004 primarily reflect the Company's Canadian personal lines business, which was sold to Meloche Monnex on April 1, 2004.

COMMERCIAL MARKETS

(1) Overview – Commercial Markets

Commercial Markets net written premium by market segment was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Business Market	$351	$318	10.4%	$1,147	$1,071	7.1%
National Market	224	188	19.1	878	1,017	(13.7)
Liberty Mutual Property	42	51	(17.6)	156	150	4.0
Group Market	84	83	1.2	257	251	2.4
Other Markets	75	59	27.1	206	253	(18.6)
Total net written premium	$776	$699	11.0%	$2,644	$2,742	(3.6%)

Commercial Markets net written premium by line of business was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Workers compensation	$422	$376	12.2%	$1,469	$1,462	0.5%
Commercial automobile	96	89	7.9	316	295	7.1
General liability	72	49	46.9	289	414	(30.2)
Group disability / life	84	83	1.2	257	251	2.4
Commercial multiple peril / Fire	36	44	(18.2)	134	134	-
Assumed voluntary reinsurance	24	35	(31.4)	72	101	(28.7)
Other	42	23	82.6	107	85	25.9
Total net written premium	$776	$699	11.0%	$2,644	2,742	(3.6%)

Net written premium for the three and nine months ended September 30, 2005 was $776 million and $2.644 billion, respectively, representing an increase of $77 million and a decrease of $98 million versus the same periods in 2004. The increase in the quarter primarily reflects an increase in Business Market's workers compensation net written premium, which was due to improved retention, new business growth and lower ceded written premium. The increase in the quarter also reflects an increase in National Market business, primarily due to new business growth and higher audit and retrospectively rated policy premium, and higher Other Markets' assumed involuntary workers compensation business, partially offset by lower Liberty Mutual Property premium due to an increase in reinstatement premium ceded. The decrease in year-to-date net written premium primarily reflects the loss of a large national account due to more aggressive price competition and lower assumed voluntary reinsurance business written due to more competitive market conditions as well as lower assumed involuntary net written premium in the first quarter of 2005. The loss of the large national account coupled with slight rate decreases were the primary reasons for the decline in general liability net written premium year to date. In total, new business growth and rate levels declined slightly in both periods due to more competitive market conditions compared with 2004.

(2) Results of Operations – Commercial Markets

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Revenues	$1,068	$1,058	0.9%	$3,208	$3,194	0.4%
PTOI before catastrophes, incurred losses attributable to prior years and discount accretion	$101	$116	(12.9%)	$315	$262	20.2%
Catastrophes[1, 2]:						
- Hurricane Katrina	(96)	-	NM	(87)	-	NM
- Four hurricanes 2004	(5)	(87)	(94.3)	(13)	(77)	(83.1)
- All other	(17)	3	NM	(20)	(5)	NM
Net incurred losses attributable to prior years:						
- Asbestos	-	-	-	-	-	-
- Pollution	-	-	-	-	-	-
- All other[3]	(36)	(5)	NM	(73)	(36)	102.8
Discount accretion[4]	(15)	(15)	-	(47)	(47)	-
Pre-tax operating (loss) income[5]	(68)	12	NM	75	97	(22.7)
Realized investment gains, net	-	-	-	-	-	-
Federal and foreign income tax benefit (expense)	24	(4)	NM	(26)	(34)	(23.5)
Discontinued operations, net of tax	-	-	-	-	-	-
Net (loss) income	($44)	$8	NM	$49	$63	(22.2%)

1 Catastrophe losses from assumed voluntary reinsurance relating to Hurricane Katrina and the four hurricanes 2004 have been separately identified in the tables above given the significance of these events. All other catastrophe losses from assumed voluntary reinsurance have not been separately identified or normalized given the expected volatility associated with property-reinsurance coverage. Losses related to Hurricane Katrina and the four hurricanes 2004 are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Assumed catastrophes losses related to Hurricane Katrina are reported net of estimated net catastrophe premium earned of $4 million and $13 million for the three and nine months ended September, 30, 2005, respectively. Assumed catastrophes losses related to the four hurricanes 2004 are reported net of estimated net catastrophe premium earned of $5 million and $15 million for the comparable periods of 2004.

3 Net of earned premium attributable to prior years of $21 million for the three and nine months ended September 30, 2005, respectively, and $4 million and $65 million for the comparable periods of 2004. Earned premium attributable to prior years includes $9 million and $17 million for the three and nine months ended September 30, 2005, respectively, and $1 million and $38 millions for the comparable periods of 2004, related to reinsurance. Net of amortization of deferred gains on retroactive reinsurance of $13 million and $39 million for the three and nine months ended September 30, 2005, respectively, and $5 million and $15 million for the comparable periods of 2004.

4 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.

5 In the first quarter of 2005, the Company changed its methodology for allocating pension expenses. Historically, pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

NM= Not meaningful

Revenues for the three and nine months ended September 30, 2005 were $1.068 billion and $3.208 billion, respectively, representing increases of $10 million and $14 million over the same periods in 2004. The major components of revenues include net premium earned, net investment income and fee and other revenues.

Net premium earned for the three and nine months ended September 30, 2005 was $839 million and $2.518 billion, respectively, representing a decrease of $2 million in the quarter while year-to-date was consistent with 2004. Changes in net earned premium reflect lower Liberty Mutual Property premium due to an increase in reinstatement premium ceded and a slight decline in rate levels over the last twelve months due to more competitive market conditions, partially offset by an increase in new business growth. Net premium earned was also impacted by earned premium attributable to prior years, which increased $17 million in the quarter and decreased $44 million year to date versus comparable periods of 2004.

Net investment income for the three and nine months ended September 30, 2005 was $139 million and $409 million, respectively, representing decreases of $2 million and $7 million from the same periods in 2004. The decrease reflects lower investment yields partially offset by a higher investment asset base and continued positive cash flow from operations.

Fee and other revenues for the three and nine months ended September 30, 2005 were $90 million and $281 million, respectively, representing increases of $14 million and $21 million over the same periods in 2004. The increase was primarily due to higher fee revenues from involuntary market servicing carrier operations.

Claims, benefits and expenses for the three and nine months ended September 30, 2005 were $1.136 billion and $3.133 billion, respectively, representing increases of $90 million and $36 million over the same periods in 2004. Catastrophe losses increased $30 million and $26 million for the three and nine months ended September 30, 2005, respectively, reflecting the impact of Hurricane Katrina during the third quarter. Incurred losses attributable to prior years increased $48 million in the quarter and decreased $7 million year-to-date. The changes in incurred losses attributable to prior years reflect approximately $26 million and $11 million of higher prior year losses in the quarter and year-to-date, respectively, related to the reapportionment of involuntary market liabilities and approximately $8 million and $24 million of higher amortization of deferred gains on retroactive reinsurance versus the comparable periods in 2004 based on the Company's review and re-estimation of these contracts in the second and third quarters of 2005. The increase in claims, benefits and expenses in the quarter also reflects higher claims adjustment expenses and general cost increases, partially offset by lower premium taxes and lower commissions from the assumed voluntary reinsurance business. Year-to-date claims benefits and expenses were impacted by a general improvement in underwriting results and lower dividends resulting from the Company's re-evaluation of its estimate of dividend reserves in the second quarter of 2005, partially offset by general cost increases.

	Three Months Ended September 30,			Nine Months Ended September 30,		
			Change			Change
COMMERCIAL MARKETS	**2005**	**2004**	**(Points)**	**2005**	**2004**	**(Points)**
Combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion						
Claims and claim adjustment expense ratio	82.9%	78.0%	4.9	81.1%	82.6%	(1.5)
Underwriting expense ratio	19.0	21.2	(2.2)	19.0	19.0	-
Dividend ratio	0.1	0.1	-	(0.8)	0.1	(0.9)
Subtotal	102.0	99.3	2.7	99.3	101.7	(2.4)
Catastrophes[1]:						
- Hurricane Katrina	13.1	-	13.1	3.9	-	3.9
- Four hurricanes 2004	0.6	11.6	(11.0)	0.6	3.5	(2.9)
- All other	2.3	(0.3)	2.6	0.9	0.2	0.7
Net incurred losses attributable to prior years:						
- Asbestos	-	-	-	-	-	-
- Pollution	-	-	-	-	-	-
- All other	4.3	0.5	3.8	3.1	1.4	1.7
Discount accretion	2.1	2.1	-	2.1	2.1	-
Total combined ratio[2]	124.4%	113.2%	11.2	109.9%	108.9%	1.0

1 Catastrophe losses from assumed voluntary reinsurance relating to Hurricane Katrina and the four hurricanes 2004 have been separately identified in the tables above given the significance of these events. All other catastrophe losses from assumed voluntary reinsurance have not been separately identified or normalized given the expected volatility associated with property-reinsurance coverage. Losses related to Hurricane Katrina and the four hurricanes 2004 are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 In the first quarter of 2005, the Company changed its methodology for allocating pension expenses. Historically, pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

The Commercial Markets combined ratio for the three and nine months ended September 30, 2005 was 124.4% and 109.9%, respectively, representing increases of 11.2 and 1.0 points over the same periods in 2004. The increase in both periods reflects a 4.7 and 1.7 point increase in catastrophe losses and a 3.8 and 1.7 point increase in net incurred losses attributable to prior years in the quarter and year-to-date, respectively. The change in the quarter also reflects an increase of 4.9 points in the claim and claim adjustment ratio before catastrophes and net incurred losses attributable to prior years due to a higher property loss ratio on direct business (excluding catastrophes), a higher loss ratio on assumed voluntary reinsurance business primarily due to Hurricane Rita, an increase in the estimate of claim adjustment expenses associated with involuntary market business and the impact of downward pricing pressure across most commercial lines of business due to a more competitive rate environment and general cost increases. Partially offsetting the increase in the quarter was a decrease of 2.2 points in the underwriting expense ratio due to lower commission expense on assumed reinsurance business and captive arrangements, higher servicing carrier fees and lower premium taxes. Results year-to-date also reflect a lower dividend ratio as the Company re-evaluated its estimate for dividend reserves in the second quarter which resulted in a reduction of the required liability and recouped a previously paid dividend during the first quarter of 2005. The combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion was 102.0% and 99.3% in the quarter and year-to-date, respectively, representing an increase of 2.7 points and a decrease of 2.4 points versus the comparable periods in 2004.

For the three and nine months ended September 30, 2005, Commercial Markets reported a pre-tax operating loss of $68 million and PTOI of $75 million, respectively, representing declines of $80 million and $22 million versus the same periods in 2004.

For the three and nine months ended September 30, 2005, Commercial Markets reported a Federal and foreign income benefit of $24 million and a Federal and foreign income tax expense of $26 million, respectively. These changes represent benefits of $28 million and $8 million versus the same periods in 2004.

For the three and nine months ended September 30, 2005, Commercial Markets reported a net loss of $44 million and net income of $49 million, respectively, representing declines of $52 million and $14 million versus the same periods in 2004.

AGENCY MARKETS

(1) Overview – Agency Markets

Agency Markets net written premium by market segment was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Regional Companies	$898	$855	5.0%	$2,546	$2,425	5.0%
Wausau[1]	289	222	30.2	857	738	16.1
Summit	130	83	56.6	652	493	32.3
Surety	47	40	17.5	147	104	41.3
Total net written premium	$1,364	$1,200	13.7%	$4,202	$3,760	11.8%

1 Includes the operations of Business Solutions Group.

Agency Markets net written premium by line of business was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Commercial Lines						
Workers compensation total	$506	$386	31.1%	$1,762	$1,454	21.2%
- Wausau	215	159	35.2	656	540	21.5
- Summit	130	83	56.6	652	493	32.3
- All other	161	144	11.8	454	421	7.8
Commercial multiple peril	318	279	14.0	880	791	11.3
Commercial automobile	184	173	6.4	526	496	6.0
General liability	60	57	5.3	170	168	1.2
Surety	47	40	17.5	147	104	41.3
Other	44	42	4.8	124	116	6.9
Subtotal	$1,159	$977	18.6%	$3,609	$3,129	15.3%
Personal Lines						
Private passenger automobile	$123	$138	(10.9%)	$365	$405	(9.9%)
Homeowners	74	76	(2.6)	204	203	0.5
Other	8	9	(11.1)	24	23	4.3
Subtotal	$205	$223	(8.1%)	$593	$631	(6.0%)
Total net written premium	$1,364	$1,200	13.7%	$4,202	$3,760	11.8%

Net written premium for the three and nine months ended September 30, 2005 was $1.364 billion and $4.202 billion, respectively, representing increases of $164 million and $442 million over the same periods in 2004. The growth in both periods reflects an increase in workers compensation premium, largely due to new business and audit and retrospectively rated policy premiums at Wausau and increased exposure on existing Summit accounts, partially offset by the impact of state mandated Florida rate decreases. The balance of the increases in both periods reflects improved retention levels across most commercial lines. These increases, however, were partially offset by a decrease in private passenger automobile net written premium due to Agency Markets' re-underwriting efforts, expanded rating tiers and non-renewal of certain classes of business.

(2) Results of Operations – Agency Markets

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Revenues	$1,482	$1,328	11.6%	$4,263	$3,764	13.3%
PTOI before catastrophes, incurred losses attributable to prior years and discount accretion	$146	$131	11.5%	$409	$315	29.8%
Catastrophes[1]:						
- Hurricane Katrina	(39)	-	NM	(39)	-	NM
- Four hurricanes 2004	-	(17)	(100.0)	-	(17)	(100.0)
- All other	(19)	(17)	11.8	(35)	(43)	(18.6)
Net incurred losses attributable to prior years:						
- Asbestos	-	-	-	-	-	-
- All other[2]	32	(22)	NM	55	(7)	NM
Discount accretion	(7)	(6)	16.7	(17)	(16)	6.3
Pre-tax operating income[3]	113	69	63.8	373	232	60.8
Realized investment gains, net	3	3	-	6	1	NM
Federal and foreign income tax expense	(41)	(26)	57.7	(133)	(82)	62.2
Discontinued operations, net of tax	-	-	-	-	-	-
Net income	$75	$46	63.0%	$246	$151	62.9%

1 Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.
2 Net of earned premium attributable to prior years of $6 million and $14 million for the three and nine months ended September 30, 2005, respectively, and ($8) million and ($17) million for the comparable periods of 2004. Net of amortization of deferred gains on retroactive reinsurance of $2 million and $13 million for the three and nine months ended September 30, 2005, respectively, and $2 million and $6 million for the comparable periods of 2004.
3 In the first quarter of 2005, the Company changed its methodology for allocating pension expenses. Historically, pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.
NM = Not Meaningful

Revenues for the three and nine months ended September 30, 2005 were $1.482 billion and $4.263 billion, respectively, representing increases of $154 million and $499 million over the same periods in 2004. The major components of revenues include net premium earned and net investment income.

Net premium earned for the three and nine months ended September 30, 2005 was $1.345 billion and $3.865 billion, respectively, representing increases of $150 million and $471 million over the same periods in 2004. The growth in both periods reflects an increase in workers compensation earned premium of $93 and $256 over the same periods in 2004, largely due to increased exposure on existing Summit accounts, partially offset by the impact of state mandated rate decreases in Florida, and growth in new business, audit and retrospectively rated policy premiums at Wausau. The balance of increases in both periods reflects improved retention levels across most commercial lines, partially offset by a decrease in private passenger automobile earned premium due to Agency Markets' re-underwriting efforts, expanded rating tiers and non-renewal of certain classes of business.

Net investment income for the three and nine months ended September 30, 2005 was $112 million and $325 million, respectively, representing increases of $7 million and $19 million over the same periods in 2004. The increase reflects a higher invested asset base and continued positive cash flow from operations, partially offset by lower investment yields.

Claims, benefits and expenses for the three and nine months ended September 30, 2005 were $1.366 billion and $3.884 billion, respectively, representing increases of $110 million and $353 million over the same periods in 2004. The change in both periods is primarily due to business growth, higher catastrophe losses and general cost increases, partially offset by lower incurred losses attributable to prior years. Overall, incurred losses attributable to prior years in both periods improved primarily due to favorable development on surety business. The year-to-date incurred losses attributable to prior years also reflects higher amortization of deferred gains on retroactive reinsurance based on the Company's re-estimation of contracts in 2005. Catastrophe losses for the quarter and year-to-date increased $24 million and $14 million, respectively, over the same periods in 2004 largely due to Hurricane Katrina.

	Three Months Ended September 30,			Nine Months Ended September 30,		
AGENCY MARKETS	**2005**	**2004**	**Change (Points)**	**2005**	**2004**	**Change (Points)**
Combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion						
Claims and claim adjustment expense ratio	65.0%	64.2%	0.8	64.9%	65.4%	(0.5)
Underwriting expense ratio	31.1	31.8	(0.7)	31.5	32.7	(1.2)
Dividend ratio	0.9	1.2	(0.3)	0.9	1.0	(0.1)
Subtotal	97.0	97.2	(0.2)	97.3	99.1	(1.8)
Catastrophes[1]:						
- Hurricane Katrina	2.9	-	2.9	1.0	-	1.0
- Four hurricanes 2004	-	1.4	(1.4)	-	0.5	(0.5)
- All other	1.4	1.4	-	0.9	1.3	(0.4)
Net incurred losses attributable to prior years:						
- Asbestos	-	-	-	-	-	-
- All other	(2.3)	2.0	(4.3)	(1.3)	0.1	(1.4)
Discount accretion	0.5	0.4	0.1	0.4	0.5	(0.1)
Total combined ratio[2]	99.5%	102.4%	(2.9)	98.3%	101.5%	(3.2)

1 Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.
2 In the first quarter of 2005, the Company changed its methodology for allocating pension expenses. Historically, pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

Agency Markets' combined ratio for the three and nine months ended September 30, 2005 was 99.5% and 98.3%, respectively, representing decreases of 2.9 and 3.2 points versus the same periods in 2004. The decrease in both periods primarily reflects a lower expense and dividend ratio and favorable incurred losses attributable to prior years, partially offset by higher catastrophe losses. The improvement in the expense and dividend ratios reflects earned premium growth, which more than offset the growth in dividends and underwriting expenses. In addition, net incurred losses attributable to prior years improved 4.3 and 1.4 points in the quarter and year-to-date, respectively, over the same periods in 2004, primarily reflecting favorable development on surety business. The year-to-date improvement in net incurred losses attributable to prior years also reflects higher amortization of deferred gains on retroactive reinsurance. Partially offsetting these favorable developments in the quarter and year-to-date was an increase of 1.5 and 0.1 points, respectively, of catastrophe losses over the same periods in 2004 largely due to Hurricane Katrina. The combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion was 97.0% and 97.3% in the quarter and year-to-date, respectively, representing decreases of 0.2 and 1.8 points versus the comparable periods in 2004.

PTOI for the three and nine months ended September 30, 2005 was $113 million and $373 million, respectively, representing increases of $44 million and $141 million over the same periods in 2004.

Federal and foreign income tax expense for the three and nine months ended September 30, 2005 was $41 million and $133 million, respectively, representing increases of $15 million and $51 million over the same periods in 2004.

Net income for the three and nine months ended September 30, 2005 was $75 million and $246 million, respectively, representing increases of $29 million and $95 million over the same periods in 2004.

INTERNATIONAL

(1) Overview – International

International net written premium by market segment was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
International local businesses	$547	$471	16.1%	$1,652	$1,392	18.7%
Liberty International Underwriters	304	283	7.4	1,133	1,148	(1.3)
Total net written premium	$851	$754	12.9%	$2,785	$2,540	9.6%

The Company's International operations provide insurance products and services through 1) local businesses, which sell personal and small commercial lines products and 2) Liberty International Underwriters ("LIU") which sells specialty commercial lines insurance and reinsurance products worldwide.

International's five major lines of business are as follows:

(1) Local businesses: personal and small commercial insurance;
(2) LIU reinsurance: includes multi-line insurance and reinsurance with an emphasis on property, treaty casualty, personal accident, aviation and reinsurance through Lloyd's Syndicate 4472 (formerly Lloyd's Syndicates 190 and 282);
(3) LIU third party: includes casualty, excess casualty, D&O, E&O, professional liability, and other;
(4) LIU first party: includes marine, energy, engineering, aviation and property; and
(5) LIU other: includes workers compensation, commercial auto, and residual value.

International net written premium by line of business was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Local businesses	$547	$471	16.1%	$1,652	$1,392	18.7%
LIU reinsurance	166	153	8.5	635	661	(3.9)
LIU third party	132	88	50.0	339	261	29.9
LIU first party	11	40	(72.5)	137	198	(30.8)
LIU other	(5)	2	NM	22	28	(21.4)
Total net written premium	$851	$754	12.9%	$2,785	$2,540	9.6%

NM = Not Meaningful

Net written premium for the three and nine months ended September 30, 2005 was $851 million and $2.785 billion, respectively, representing increases of $97 million and $245 million over the same periods in 2004. Approximately $70 million and $244 million of the increase in the quarter and year-to-date, respectively, reflects growth in the Company's local operations in Europe and Latin America. Included in these amounts was approximately $14 million and $32 million of written premium in the quarter and year-to-date, respectively, related to the acquisitions of the Chilean operations of AGF Allianz Chile S.A in the third quarter of 2004 and ING Chile Seguros Generales in the second quarter of 2005. In addition, net written premium in LIU's third party segment increased $44 million and $78 million in the quarter and year-to-date, respectively, primarily due to a reduction in the Company's utilization of reinsurance as compared to the prior periods and the start-up of an inland marine specialty program in the third quarter of 2005. The change in both periods also reflects the re-estimation of ultimate premium on the 2005 year of account for business written by LIU Reinsurance resulting in higher net written premium, partially offset by higher reinsurance cost resulting from the reversal of $98 million of profit sharing accrued in 2004 and the first half of 2005, due to catastrophe activity. Other factors that partially offset these increases in both periods was downward pricing pressure due to a more competitive environment and a decrease of $29 million and $61 million in the quarter and year-to-date, respectively, related to LIU's first party business resulting from an increase in reinstatement premium ceded associated with the catastrophe activity in 2005.

(2) Results of Operations – International

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Revenues	$981	$832	17.9%	$2,860	$2,612	9.5%
PTOI before catastrophes, net incurred losses attributable to prior years and discount accretion	$48	$89	(46.1)%	$207	$285	(27.4)%
Catastrophes[1, 2]:						
- Hurricane Katrina	(347)	-	NM	(347)	-	NM
- Four hurricanes 2004	(19)	(101)	(81.2)	(49)	(101)	(51.5)
- All other	(15)	-	NM	(15)	-	NM
Net incurred losses attributable to prior years:						
- Asbestos	-	-	-	-	-	-
- All other[3]	11	3	NM	10	(22)	NM
Discount accretion	-	-	-	-	-	-
Pre-tax operating (loss) income[4]	(322)	(9)	NM	(194)	162	NM
Realized investment (losses) gains, net	13	2	NM	12	13	(7.7)
Federal and foreign income tax benefit (expense)	88	1	NM	24	(42)	NM
Discontinued operations, net of tax	-	-	-	(12)	-	NM
Net (loss) income	($221)	($6)	NM	($170)	$133	NM

1 Catastrophe losses from reinsurance assumed through Lloyd's Syndicate 4472 relating to Hurricane Katrina and the four hurricanes 2004 have been separately identified in the tables above given the significance of these events. All other catastrophe losses from assumed reinsurance lines have not been separately identified or normalized given the expected volatility associated with these coverages. Losses related to Hurricane Katrina and the four hurricanes 2004 include the reversal of $98 million of profit sharing on external reinsurance accrued in 2004 and the first half of 2005. In addition, losses related to Hurricane Katrina and the four hurricanes 2004 are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Assumed catastrophe losses related to Hurricane Katrina are reported net of estimated net catastrophe reinsurance premium earned of $78 million for the three and nine months ended September 30, 2005. Assumed catastrophe losses related to the four hurricanes 2004 are reported net of estimated net catastrophe reinsurance premium earned of $149 million for the comparable periods of 2004.

3 Net of earned premium attributable to prior years of $4 million and $9 million for the three and nine months ended September 30, 2005, respectively, and $1 million and $7 million for the comparable periods of 2004.

4 In the first quarter of 2005, the Company changed its methodology for allocating qualified pension expenses. Historically, qualified pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

NM = Not Meaningful

Revenues for the three and nine months ended September 30, 2005 were $981 million and $2.860 billion, respectively, representing increases of $149 million and $248 million over the same periods in 2004. The major components of revenues include net premium earned and net investment income.

Net premium earned for the three and nine months ended September 30, 2005 was $873 million and $2.562 billion, respectively, representing increases of $120 million and $210 million over the same periods in 2004. Approximately $82 million and $261 million of the increase in the quarter and year-to-date, respectively, reflects growth in the Company's local operations in Europe and Latin America. Included in these amounts was approximately $16 million and $36 million of earned premium in the quarter and year-to-date, respectively, related to the acquisitions in Chile. In addition, net earned premium from LIU's third party segment also increased by $44 million and $54 million in the quarter and year-to-date, respectively, consistent with the change in net written premium. These increases were partially offset by decreases in LIU's first party and reinsurance segments of $6 million and $96 million in the quarter and year-to-date, respectively. LIU's reinsurance operations' written and earned premium require significant estimation throughout the year. The reduction in net premiums earned in the quarter and year-to-date is due to changes in estimates of written, and earned premiums from prior periods, underlying changes in the exposure periods of the business written resulting from a change in business mix and the reversal of $98 million of profit sharing accrued in 2004 and the first half of 2005 due to catastrophe activity.

Net investment income for the three and nine months ended September 30, 2005 was $85 million and $256 million, respectively, representing increases of $18 million and $34 million over the same periods in 2004. This increase reflects a higher invested asset base and continued positive cash flow from operations, partially offset by lower investment yields.

Claims, benefits and expenses for the three and nine months ended September 30, 2005 were $1.290 billion and $3.042 billion, respectively, representing increases of $451 million and $605 million over the same periods in 2004. Losses related to hurricane Katrina added $319 million in both periods. Claims expense in the Company's local businesses operations increased $13 million and $127 million in the quarter and year-to-date, respectively, due to growth in Europe and Latin America, partially offset by an increase in the amount of net favorable prior year development in 2005 versus 2004. Additionally, $19 million and $49 million of the increase in claims expense in the quarter and year-to-date, respectively, were related to an increase in the estimate of incurred losses for the four hurricanes of 2004 as a result of delayed reporting of losses to the LIU reinsurance segment. Partially offsetting these increases was a decrease in claims expense of $47 million and $125 million in the quarter and year-to-date, respectively, from LIU's first party and other segments associated with the reduction in business volumes and lower incurred losses attributable to prior years. In addition, expenses increased by $62 million and $165 million in the quarter and year-to-date, respectively, reflecting higher acquisition costs primarily from organic growth in the local businesses, increased personnel costs related to business growth and the impact of foreign exchange. Foreign exchange added $2 million and $50 million in the quarter and year-to-date, respectively, versus the same periods in 2004.

INTERNATIONAL	Three Months Ended September 30, 2005	2004	Change (Points)	Nine Months Ended September 30, 2005	2004	Change (Points)
Combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion						
Claims and claim adjustment expense ratio	74.5%	66.3%	8.2	69.5%	66.6%	2.9
Underwriting expense ratio	27.1	27.3	(0.2)	29.3	28.5	0.8
Dividend ratio	-	-	-	-	-	-
Subtotal	101.6	93.6	8.0	98.8	95.1	3.7
Catastrophes[1]:						
- Hurricane Katrina	41.7	-	41.7	14.2	-	14.2
- Four hurricanes 2004	2.0	14.0	(12.0)	1.9	4.5	(2.6)
- All other	1.7	-	1.7	0.6	-	0.6
Net incurred losses attributable to prior years:						
- Asbestos	-	-	-	-	-	-
- All other	(1.1)	(0.5)	(0.6)	(0.4)	0.9	(1.3)
Discount accretion	-	-	-	-	-	-
Total combined ratio[2]	145.9%	107.1%	38.8	115.1%	100.5%	14.6

1 Catastrophe losses from reinsurance assumed through Lloyd's Syndicate 4472 relating to Hurricane Katrina and the four hurricanes 2004 have been separately identified in the tables above given the significance of these events. All other catastrophe losses from assumed reinsurance lines have not been separately identified or normalized given the expected volatility associated with these coverages. Losses related to Hurricane Katrina for the three and nine months ended September 30, 2005 include the reversal of $98 million of profit sharing on external reinsurance accrued in 2004 and the first half of 2005. Losses related to Hurricane Katrina and the four hurricanes 2004 are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 In the first quarter of 2005, the Company changed its methodology for allocating qualified pension expenses. Historically, qualified pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.

International's combined ratio for the three and nine months ended September 30, 2005 was 145.9% and 115.1%, respectively, representing increases of 38.8 and 14.6 points over the same periods in 2004. Aggregate losses from Hurricane Katrina added 41.7 and 14.2 percentage points to the quarter and year-to-date combined ratio, respectively. The increase in the quarter and year-to-date also reflects 2.0 and 1.9 points, respectively, of additional loss development relating to the 2004 hurricanes as a result of a delayed reporting of losses to the LIU reinsurance segment. The increase in the claims and claims adjustment expense ratio before catastrophes, net incurred losses attributable to prior years and discount accretion in both periods reflects higher losses in LIU reinsurance, primarily due to Hurricane Rita and higher reinsurance costs. The combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion was 101.6% and 98.8% in the quarter and year-to-date, respectively, representing increases of 8.0 and 3.7 points in the quarter and year-to-date over the comparable periods in 2004.

Pre-tax operating loss for the three and nine months ended September 30, 2005 was $322 million and $194 million, respectively, representing decreases in PTOI of $313 million and $356 million versus the same periods in 2004.

Federal and foreign income tax benefit for the three and nine months ended September 30, 2005 was $88 million and $24 million, respectively, representing increased benefits of $87 million and $66 million versus the same periods in 2004. These benefits are primarily driven by the losses incurred from Hurricane Katrina. Included in the year-to-date income tax benefit is a $22 million tax charge incurred for planned repatriation of profits under the American Jobs Creation Act of 2004 and $15 million of tax expense for prior year taxes resulting from a judicial decision in Brazil.

Net loss for the three and nine months ended September 30, 2005 was $221 million and $170 million, respectively, representing declines of $215 million and $303 million versus the same periods in 2004. Results from discontinued operations in the three and nine months ended September 30, 2005 include losses of $0 and $12 million, respectively, related to the disposal of certain pension business in Spain, which was part of the Genesis acquisition.

CORPORATE and OTHER

(1) Overview – Corporate and Other

Corporate and Other includes the following significant items:

- Individual Life, which provides life insurance and annuities for individuals and also issues structured settlement contracts and administers separate account contracts. Individual Life is licensed and sells its products in all 50 states, the District of Columbia and Canada.

- Certain discontinued operations, composed of the Company's asbestos, environmental, and toxic tort exposure and other internal discontinued operations, primarily the run-off of the California workers compensation business of Golden Eagle Insurance Corporation ("Golden Eagle").

- Interest expense on the Company's outstanding debt and gain or loss on extinguishment of debt.

- Internal reinsurance programs.

- Costs associated with certain long-term compensation plans and other corporate costs not allocated to the business units. In 2005, pension expense previously included in Corporate and Other was reallocated to the business segments. For consistency, 2004 has been reported to reflect the pension expense allocation. Domestic property and casualty operations' investment income was allocated based on planned ordinary investment income returns by investment category allocated to the strategic business units. Investments are allocated as follows: fixed income equal to liabilities net of insurance assets (reinsurance, premiums receivable, etc.) and a combination of fixed income, equity and nontraditional investments supporting allocated statutory policyholders' surplus. For internal reporting purposes, the Company allocates expected long-term returns on invested assets, including realized investment gains. Under this internal reporting view, the difference between actual investment income and allocated investment income is included in Corporate and Other.

- Federal and foreign income taxes represent the difference between the consolidated income tax expense and the amounts recognized by the Personal, Commercial, Agency Markets and International segments. Domestic operations included in the segments reflect income tax at the 35% marginal U.S. Federal tax rate and do not reflect changes in the domestic valuation allowance (included in Corporate and Other), while the International segment reflects the actual tax expense of each country including changes in the international valuation allowance.

- Net income (loss) related to energy and non-energy related limited partnership investments.

- Substantially all realized gains (losses) from the domestic property-casualty investment portfolio.

- Fee and other revenues from the Company's wholly owned subsidiary, Liberty Energy Holdings, LLC ("Liberty Energy"). Liberty Energy generates revenue from the production and sale of oil and gas.

(2) Results of Operations – Corporate and Other

	Three Months Ended September 30,			Nine Months Ended September 30,		
$ in Millions	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Revenues	$493	$314	57.0%	$1,259	$807	56.0%
Pre-tax operating income (loss) before catastrophes, net incurred losses attributable to prior years and discount accretion	$165	$91	81.3	$202	$78	159.0
Catastrophes[1]:						
- Hurricane Katrina	(92)	-	NM	(92)	-	NM
- Four hurricanes 2004	6	(39)	NM	-	(39)	(100.0)
- All other	(4)	-	NM	(4)	-	NM
Net incurred losses attributable to prior years:						
- Asbestos	(208)	-	NM	(210)	(4)	NM
- All other	(33)	(70)	(52.9)	(108)	(163)	(33.7)
Discount accretion[2]	(3)	(3)	-	(8)	(9)	(11.1)
Pre-tax operating loss[3]	(169)	(21)	NM	(220)	(137)	(60.6)
Realized investment gains, net	157	70	124.3	361	155	132.9
Federal and foreign income tax benefit (expense)	26	(18)	NM	227	208	9.1
Discontinued operations, net of tax	-	-	-	-	1	(100.0)
Net income	$14	$31	(54.8%)	$368	$227	62.1%

1 Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned 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 is included in underwriting results as the loss reserves accrete to nominal value. Asbestos settlements are discounted at 4.5%.
3 In the first quarter of 2005, the Company changed its methodology for allocating qualified pension expenses. Historically, qualified pension expenses were recorded in the Corporate and Other segment but are now allocated to each of the Company's business units. Results for 2004 reflect this reclassification.
NM = Not Meaningful

Revenues for the three and nine months ended September 30, 2005 were $493 million and $1.259 billion, respectively, representing increases of $179 million and $452 million over the same periods in 2004. The major components of revenues include net premium earned, net investment income, net realized investment gains and losses and fee and other revenues.

Net premium earned for the three and nine months ended September 30, 2005 was $93 million and $206 million, respectively, representing increases of $32 million and $52 million over the same periods in 2004. The increase is primarily due to increased annuity sales in Individual Life and higher earned premium on internal catastrophe reinsurance programs. Internal reinsurance is provided to those domestic businesses seeking catastrophe reinsurance protection below the corporate retention.

Net investment income for the three and nine months ended September 30, 2005 was $185 million and $548 million, respectively, representing increases of $23 million and $139 million over the same periods in 2004. The improvement in both periods reflects an increase in interest and dividend income related to a higher asset base as investment income continues to benefit from significant cash flow from operations and the proceeds from the Company's 2004 and 2005 debt offerings. Partially offsetting the increase in both periods were lower average portfolio yields, due in part to a higher concentration of tax-exempt securities. The year-to-date result also reflects an increase of approximately $57 million related to limited partnership gains.

Realized investment gains for the three and nine months ended September 30, 2005 were $157 million and $361 million, respectively, representing increases of $87 million and $206 million over the same periods in 2004. The increase in both periods primarily reflects higher realized gains on energy and equity investments and a reduction in impairment losses over the comparable period in 2004.

Fee and other revenues for the three and nine months ended September 30, 2005 were $58 million and $144 million, respectively, representing increases of $37 million and $55 million over the same periods in 2004. The increase in both periods primarily reflects the sale and production of oil and gas from the subsidiary operations of Liberty Energy.

Claims, benefits and expenses for the three and nine months ended September 30, 2005 were $505 million and $1.118 billion, respectively, representing increases of $240 million and $329 million over the same periods in 2004. Impacting both periods was the completion of the Company's biennial ground-up asbestos reserve study, which increased asbestos reserves by $203 million, which is approximately $50 million above the point estimate of the Company's internal actuaries and reflects management's best estimate of the reserve requirement. In addition, catastrophe losses increased $65 million and $71 million in the quarter and year-to-date, respectively, as a result of Hurricane Katrina losses assumed through internal catastrophe reinsurance programs. Other factors that increased claims, benefits and expenses in both periods were higher interest expense related to the Company's 2005 debt issuance and an increase in policyholder benefits related to discontinued variable annuity reinsurance business. These increases were partially offset by lower variable incentive compensation expenses and a decrease in the amount of incurred losses (excluding asbestos liabilities) attributable to prior years of $37 million and $56 million for the quarter and year-to-date, respectively, primarily in the areas of general liability and the run-off of Golden Eagle's workers compensation business.

Pre-tax operating loss for the three and nine months ended September 30, 2005 was $169 million and $220 million, respectively, representing increases of $148 million and $83 million over the same periods in 2004.

Corporate and Other recognized a Federal and foreign income tax benefit for the three and nine months ended September 30, 2005 of $26 million and $227 million, respectively, representing increases of $44 million and $19 million over the comparable periods in 2004. See the Consolidated Section for a discussion of taxes.

Net income for the three and nine months ended September 30, 2005 was $14 million and $368 million, respectively, representing a decrease of $17 million and an increase of $141 million over the same periods in 2004.

INVESTMENTS

General

The Company's investment strategy seeks long-term returns through disciplined security selection, portfolio diversity and an integrated approach to risk management. The Company selects and monitors investments to balance the goals of safety, stability, liquidity, growth and after-tax total return with its need to comply with regulatory investment requirements. A relatively safe and stable income stream is achieved by maintaining a broadly based portfolio of investment grade bonds. These holdings are supplemented by investments in additional asset types with the objective of further enhancing the portfolio's diversification and expected returns. These additional asset types include commercial mortgages and other real estate financing investments, non-investment-grade bonds and syndicated bank loans, common and preferred stock, private equity and direct investments in oil and gas ventures. Risk management is accomplished through asset liability management (including both interest rate risk and foreign currency risk), diversification, credit limits and a careful analytic review of each investment decision.

The Company's investment policy and strategy are reviewed and approved by the Investment Committee of its Board of Directors, which meets on a regular basis to review and consider investment activities, tactics and new investment classes. In addition, the Company has an experienced team of investment personnel responsible for managing and administering the investment portfolios of its domestic and foreign insurance operations.

Invested Assets

The following table summarizes the Company's invested assets by asset category at September 30, 2005 and December 31, 2004:

$ in Millions	**As of September 30, 2005**		**As of December 31, 2004**	
Invested Assets by Type	**Market Value**	**% of Total**	**Market Value**	**% of Total**
Fixed maturities, available for sale, at fair value	$37,533	90.7%	$35,601	90.0%
Equity securities, available for sale, at fair value	1,906	4.6	1,802	4.6
Trading securities, at fair value	24	0.1	457	1.2
Limited partnerships and limited liability companies	1,015	2.5	881	2.2
Short-term investments	830	2.0	687	1.7
Other investments	71	0.1	109	0.3
Total invested assets	$41,379	100.0%	$39,537	100.0%

Total invested assets as of September 30, 2005 were $41.379 billion, a $1.842 billion or 4.7% increase over December 31, 2004. In addition, cash and cash equivalents increased $1.125 billion or 43.4% over December 31, 2004. The increase in invested assets was primarily due to strong cash flow from operations of $3.154 billion and approximately $486 million of net proceeds from Liberty Mutual Group Inc.'s ("LMGI") March 22, 2005 debt offering. The Company has elected to temporarily maintain significant cash balances, which will be tactically deployed in subsequent months. A portion of these cash balances are being held in anticipation of future liquidity requirements stemming from hurricane related losses and the purchase of an office building adjacent to the Company's corporate headquarters.

Fixed maturities as of September 30, 2005 were $37.533 billion, which represents an increase of $1.932 billion or 5.4% over December 31, 2004. The improvement reflects the aforementioned increase in the amount of available cash to invest, partially offset by lower net unrealized gains in the portfolio. Net unrealized gains on fixed maturities as of September 30, 2005 were $709 million, a $613 million or 46.3% decrease from December 31, 2004 primarily due to an increase in interest rates.

Equity securities available for sale as of September 30, 2005 were $1.906 billion, a $104 million or 5.8% increase from December 31, 2004. This increase was due to $36 million in equities acquired by the Company's energy group from the dissolution of a limited partnership and market appreciation on the portfolio.

Trading securities as of September 30, 2005 were $24 million, a $433 million or 94.7% decrease from December 31, 2004. The large decline was primarily attributable to the liquidation of the Company's actively managed equity trading portfolio and the disposal of certain pension business in Spain, which was a part of the Genesis acquisition.

Limited partnerships and limited liability companies (LLCs) as of September 30, 2005 were $1.015 billion, a $134 million or 15.2% increase over December 31, 2004. Included in the change this year are two new investments that were initiated in the third quarter specializing in commercial mortgages and real estate financing. The Company's investments in private equity limited partnerships are long-term in nature and largely illiquid. The Company makes allocations to these investments because the Company believes that they offer the potential for superior long-term returns and are appropriate in the overall context of a diversified portfolio.

As of September 30, 2005, the Company had unfunded private equity, commercial mortgages/real estate financing and energy commitments of $755 million, $314 million and $116 million, respectively. Commercial mortgage and real estate financing commitments are new in the third quarter and are embodied in the two new investments. At September 30, 2005, fixed maturities included commitments by the Company to purchase various non-commercial mortgage-backed securities at a cost and fair market value of $243 million.

As of September 30, 2005, no single issuer, US Treasury securities, mortgage-backed securities and private equity investments, accounted for more than one percent of invested assets.

The following tables summarize the Company's fixed income portfolio by security type, credit quality and maturity at September 30, 2005 and December 31, 2004:

$ in Millions	**As of September 30, 2005**		**As of December 31, 2004**	
Fixed Maturities by Security Type	**Market Value**	**% of Total**	**Market Value**	**% of Total**
U.S. Treasury securities	$ 3,438	9.2%	$ 2,703	7.6%
Mortgage and asset-backed securities	12,771	34.0	12,933	36.3
State and municipal	3,221	8.6	1,141	3.2
Corporate and other	14,301	38.1	15,033	42.2
Foreign	3,802	10.1	3,791	10.7
Total fixed maturities	$37,533	100.0%	$35,601	100.0%

During the first nine months of 2005, the Company, after consideration of investment opportunities, its tax status, and the current and prospective business environment, increased its tactical allocation in state and municipal and U.S. Treasury securities by $2.080 billion and $735 million, respectively.

$ in Millions	As of September 30, 2005		As of December 31, 2004	
Fixed Maturities by Credit Quality*	**Market Value**	**% of Total**	**Market Value**	**% of Total**
AAA	$20,380	54.4%	$19,265	54.1%
AA+, AA, AA-	3,686	9.8	2,889	8.1
A+, A, A-	6,921	18.4	6,977	19.6
BBB+, BBB, BBB-	3,790	10.1	4,124	11.6
BB+, BB, BB-	1,490	4.0	1,235	3.5
B+, B, B-	1,217	3.2	1,058	3.0
CCC or lower	49	0.1	53	0.1
Total fixed maturities	$37,533	100.0%	$35,601	100.0%

*****_For purposes of this disclosure, credit quality is primarily based upon Standard & Poor's ratings._

The Company's allocation in investment grade bonds decreased slightly to 92.7% at September 30, 2005 from 93.4% at December 31, 2004. The decrease reflects the initiation of a syndicated bank loan investment program (approximately $230 million) and rating actions earlier this year by Standard & Poor's on two issuers in the automotive sector. The Company defines an investment grade bond as a security with a rating equivalent to the Standard and Poor's rating of BBB- or higher.

The remaining 7.3% of the Company's investments in fixed maturity securities are rated below investment grade. The Company's holdings of below investment grade securities primarily consist of: (1) a diversified portfolio of high yield bonds within the domestic insurance portfolios; (2) investments in individual emerging market sovereigns that support the Company's international insurance companies located in Argentina, Colombia and Venezuela; (3) the previously mentioned rating actions; and (4) investments in syndicated bank loans.

$ in Millions	As of September 30, 2005		As of December 31, 2004	
Fixed Maturities by Maturity Date	**Market Value**	**% of Total**	**Market Value**	**% of Total**
1 yr or less	$ 1,057	2.8%	$ 890	2.5%
Over 1 yr through 5 yrs	7,216	19.2	5,543	15.6
Over 5 yrs through 10 yrs	7,859	20.9	8,148	22.9
Over ten years	8,597	23.0	8,052	22.6
Mortgage and asset-backed securities	12,804	34.1	12,968	36.4
Total fixed maturities	$37,533	100.0%	$35,601	100.0%

During the first nine months of 2005, after taking into consideration changes in investment opportunities and its view of the current and prospective business and economic environment, the Company made only minor adjustments to the average life of its fixed maturity portfolio.

Net Investment Income

The following table summarizes the Company's net investment income at September 30, 2005 and 2004:

$ in Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
Net Investment Income	**2005**	**2004**	**2005**	**2004**
Interest income	$535	$481	$1,555	$1,441
Dividends	10	13	69	65
Limited partnerships and limited liability companies	70	78	182	125
Other investment income	(2)	(1)	5	4
Gross investment income	613	571	1,811	1,635
Investment expenses	(23)	(19)	(73)	(61)
Net investment income	$590	$552	$1,738	$1,574

Net investment income for the three and nine months ended September 30, 2005 was $590 million and $1.738 billion, respectively, representing increases of $38 million and $164 million over the same periods in 2004. The improvement reflects increases of $54 million and $114 million in interest income in the quarter and year-to-date, respectively, primarily due to a higher invested asset base as investment income continues to benefit from significant cash flow from operations and the proceeds from the 2004 and 2005 debt offerings. Partially offsetting the increase in both periods were lower average portfolio yields, due in part to a higher concentration of tax-exempt securities. In addition, the Company reported a decrease of $8 million and an increase of $57 million in the quarter and year-to-date, respectively, from limited partnership and limited liability company income related to private equity investments.

Net Realized Investment Gains (Losses)

The following tables summarize the Company's net realized investment gains (losses) at September 30, 2005 and 2004:

$ in Millions **Net Realized Investment Gains (Losses)**	**Sales & Dispositions**	**Impairments**	**Change in Trading Security Unrealized**	**Total**
Three Months Ended September 30, 2005:				
Fixed maturities	$ 75	$ -	$ -	$ 75
Common and preferred stock	23	(1)	4	26
Other	72	-	-	72
Total	$170	($1)	$4	$173
Three Months Ended September 30, 2004:				
Fixed maturities	$75	$ -	$4	$79
Common and preferred stock	-	(10)	-	(10)
Other	6	-	-	6
Total	$81	($10)	$4	$75
Nine Months Ended September 30, 2005:				
Fixed maturities	$167	$ -	$ -	$167
Common and preferred stock	82	(9)	(3)	70
Other	142	-	-	142
Total	$391	($9)	($3)	$379
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

$ in Millions	Three Months Ended September 30,		Nine Months Ended September 30,	
Components of Net Realized Investment Gains (Losses)	**2005**	**2004**	**2005**	**2004**
Fixed maturities:				
Gross realized gains	$ 78	$86	$187	$226
Gross realized losses	(3)	(7)	(20)	(37)
Equities:				
Gross realized gains	27	11	107	62
Gross realized losses	(1)	(21)	(37)	(82)
Other:				
Gross realized gains	72	6	143	7
Gross realized losses	-	-	(1)	(7)
Total net realized investment gains (losses)	$173	$75	$379	$169

Net realized investment gains for the three and nine months ended September 30, 2005 were $173 million and $379 million, respectively, representing increases of $98 million and $210 million over the same periods in 2004. The improvement in the quarter reflects increases of $66 million in other investments primarily related to energy gains and $36 million in equities driven by gains on sales of foreign equities and private equity investments, partially offset by a $4 million decrease in fixed maturity net gains. The improvement year-to-date reflects higher gains in equities and other investments of $90 million and $142 million, respectively, partially offset by a decrease in fixed maturities of $22 million. Included in these amounts were decreases in impairment losses of $9 million and $30 million in the quarter and year-to-date, respectively, versus the comparable periods in 2004.

The following table shows a schedule of the Company's unrealized losses and fair value by security type by duration of potential impairment at September 30, 2005:

$ in Millions	Less Than 12 Months		Greater Than 12 Months	
Unrealized Losses & Fair Value by Security Type	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**	**Unrealized Losses**	**Fair Value of Investments with Unrealized Losses**
U.S. Treasury securities	($36)	$ 2,761	($7)	$ 150
Mortgage and asset-backed securities	(77)	5,809	(42)	958
State and municipal	(21)	1,546	(3)	97
Corporate and other	(131)	5,730	(48)	1,027
Foreign	(8)	474	(2)	43
Equities	(11)	158	(11)	49
Total	($284)	$16,478	($113)	$2,324

Unrealized losses increased from $169 million as of December 31, 2004 to $397 million as of September 30, 2005 primarily due to an increase in long-term interest rates. The Company frequently monitors the difference between the cost and estimated fair value of investments, which involves uncertainty as to whether declines in value are temporary in nature. The Company employs a systematic methodology to evaluate declines in fair values below amortized cost for all investments. The methodology utilizes a quantitative and qualitative process ensuring that available evidence concerning the declines in fair value below amortized cost is evaluated in a disciplined manner.

If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in shareholders' equity. If the decline is believed to be "other-than-temporary," the carrying value of the investment is written down to market and a realized loss is recorded. As a result of this review, the Company has concluded that the gross unrealized losses of fixed maturity securities as of September 30, 2005 are temporary.

The gross unrealized losses recorded on common equity securities and other investments at September 30, 2005 resulted primarily from decreases in quoted market values from the dates that certain investment securities were acquired as opposed to fundamental changes in the issuer's financial performance and near-term financial prospects. Therefore, these decreases are also viewed as being temporary in accordance with the Company's policy with respect to recognizing impairments in the investment portfolio.

LIQUIDITY AND CAPITAL RESOURCES

General

The liquidity requirements of the insurance subsidiaries are met primarily by funds generated from operations, asset maturities and income received on investments. Cash provided from these sources is used primarily for claims, claim adjustment expenses and operating expenses (underwriting and corporate benefit costs). There are certain cash outflows such as catastrophes and continued settlements of asbestos reserves that are unpredictable in nature and could create increased liquidity needs. The Company believes that the insurance subsidiaries' future business liquidity needs will be met from all the above sources.

Net cash flows are generally invested in marketable securities. The Company invests its net cash flows in fixed income securities and equities while keeping a certain amount in cash and short-term investments to meet unpredictable cash obligations. For ongoing business, the Company monitors the duration of these investments, and purchases and sales are executed with the objective of having adequate cash available to satisfy its maturing liabilities. As the Company's investment strategy focuses on overall asset and liability durations, and not specific cash flows, asset sales may be required to satisfy obligations or rebalance asset portfolios. The Company's invested assets as of September 30, 2005 totaled $41.379 billion.

Short-term debt outstanding at September 30, 2005 and December 31, 2004 was as follows:

$ in Millions	**As of September 30, 2005**	**As of December 31, 2004**
Commercial paper	$ -	$147
Revolving credit facilities	29	29
Current maturities of long-term debt	-	77
Total short-term debt	$29	$253

Long-term debt outstanding at September 30, 2005 and December 31, 2004 was as follows:

$ in Millions	**As of September 30, 2005**	**As of December 31, 2004**
8.20% Surplus notes, due 2007	$ 121	$ 121
6.75% Notes, due 2008	15	15
5.00% Prudential notes due 2008	14	14
8.00% Prudential notes—series B due 2013	260	260
5.75% Senior notes, due 2014	500	500
8.50% Surplus notes, due 2025	150	150
7.875% Surplus notes, due 2026	250	250
7.63% Notes, due 2028	3	3
7.00% Senior notes, due 2034	250	250
6.50% Senior notes, due 2035	500	-
7.697% Surplus notes, due 2097	500	500
7.10% – 7.86%, Medium term notes, with various maturities	27	27
Subtotal	2,590	2,090
Unamortized discount	(25)	(16)
Total long-term debt excluding current maturities	$2,565	$2,074

The Company issues commercial paper from LMGI. The total amount authorized for this program is $600 million and the program is backed by a $750 million five-year revolving credit agreement, which became effective on July 25, 2005. To date, no funds have been borrowed under the facility.

Liberty International Iberia S.L., S.C.S. entered into a new 85 million euro / $100 million 364 day revolving credit agreement, which became effective October 14, 2005. The facility is available to provide working capital to the Company's international operations. The 364 day credit agreement is guaranteed by LMIC. To date, no funds have been borrowed under the facility.

The Company also has a Venezuelan subsidiary, Inversora Segucar, C.A., which has entered into a revolving credit facility to provide liquidity for working capital purposes. Inversora Segucar also has short-term loans outstanding. As of September 30, 2005, total short-term loans and borrowings under the Venezuelan credit facility were approximately $29 million.

The $224 million decrease in short-term debt outstanding is primarily due to the redemption of $147 million of commercial paper, $61 million of maturing medium term notes and $16 million of 5% notes due in 2008 to Prudential Financial Inc. issued in connection with the PruPac acquisition.

The $491 million increase in long-term debt outstanding is primarily the result of the March 22, 2005 offering by LMGI of $500 million of 30-year senior notes. The proceeds were contributed to its wholly owned subsidiaries, LMIC and Employers Insurance Company of Wausau ("EICOW").

Consolidated interest expense for the three and nine months ended September 30, 2005 was $47 million and $136 million, respectively, representing increases of $7 million and $19 million over the same periods in 2004. The increase is primarily due to the March 2004 and 2005 debt offerings.

On October 25, 2005, the Company entered into an agreement to purchase an office building adjacent to the Company's corporate headquarters for a purchase price of approximately $500 million. The Company is currently a significant tenant in the building. The parties expect to finalize the transaction in the first quarter of 2006, subject to customary closing conditions.

Holding Company Liquidity and Capital Resources

The Company conducts substantially all of its operations through its wholly owned insurance and service company subsidiaries, and therefore is primarily dependent on dividends, distributions, loans or other payments of funds from these entities to meet its current and future obligations. However, the subsidiaries are separate and distinct legal entities and have no obligation to make funds available to the Company, whether in the form of loans, dividends or other distributions. As of September 30, 2005, the Company, through its downstream subsidiary LMGI, had $1.534 billion of debt outstanding.

The insurance subsidiaries ability to pay dividends is restricted under applicable insurance law and regulations. Under the insurance laws of the domiciliary states of the insurance subsidiaries, an insurer may make an ordinary dividend payment if its surplus as regards to policyholders, following such dividend, is reasonable in relation to its outstanding liabilities and adequate to its financial needs. However, no insurer may pay an extraordinary dividend without the approval or non-disapproval of the domiciliary insurance regulatory authority. Under the insurance laws of Massachusetts, the domiciliary state of LMIC and Liberty Mutual Fire Insurance Company ("LMFIC"), an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends made within the preceding 12 months, exceeds the greater of 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or the insurer's net income for the 12-month period ending on the preceding December 31. Under the insurance laws of Wisconsin, the domiciliary state of EICOW, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends paid within the preceding 12 months, exceeds the lesser of (a) 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or (b) the greater of (1) the insurer's net income for the preceding calendar year, minus realized capital gains for that calendar year, or (2) the aggregate of the insurer's net income for the three preceding calendar years minus realized capital gains for those calendar years and minus dividends paid within the first two of the preceding three calendar years. Changes in the extraordinary dividend regulation of the domiciliary states of LMIC, LMFIC and EICOW could negatively affect LMGI's ability to pay principal and interest on the Notes, as could a redomestication, merger or consolidation of LMIC, LMFIC or EICOW to a different domiciliary state. Additionally, in connection with the Company's reorganization in 2001 into a mutual holding company structure, the Company entered into Keep Well Agreements with the Massachusetts Commissioner of Insurance, LMIC, LMFIC and certain other affiliates which effectively limit LMIC and LMFIC from paying any dividends to the Company when the "total adjusted capital" of the respective insurer is below 300% of the "authorized control level," as such terms are defined in the Massachusetts risk-based capital regulations as of June 13, 2001. The Keep Well Agreements will terminate automatically upon the earlier of (i) the date that is five years from the effective date of the respective reorganization (November 28, 2006 as to LMIC and March 19, 2007 as to LMFIC), or (ii) the date upon which the Company, the respective insurer or LMHC Massachusetts Holdings Inc. becomes subject to the public reporting requirements of the Securities and Exchange Commission.

As of December 31, 2004, the authorized control level risk-based capital and 2005 dividend capacity prior to needing regulatory approval for LMIC, LMFIC and EICOW were as follows:

$ in Millions	**RBC Ratio [1]**			**Dividend Capacity[2]**
RBC Ratios and Dividend Capacity	**2004**	**2003**	**Change**	**2005**
LMIC	459%	360%	99 points	$726
LMFIC	473%	425%	48 points	$67
EICOW	346%	303%	43 points	$84

Note: In the first quarter of 2005, the Company made certain intercompany pooling reclassifications among its legal entities. These reclassifications had no impact on Consolidated Statutory or GAAP financial results, but did have an immaterial impact on the RBC ratio and dividend capacity of LMIC, LMFIC and EICOW from what the Company reported in the Q4 2004 MD&A.
[1] Authorized control level risk-based capital as defined by the NAIC.
[2] Represents maximum allowable dividend without prior regulatory approval in the state of domicile.

In addition, management expects the Company's subsidiary, Liberty Corporate Services LLC (the "service companies") to generate approximately $150 million of funding, which would be available to service the holding company obligations of LMGI in 2005. The service companies, which include Helmsman Insurance Agency, Summit Consulting and Helmsman Management Services, collect fees and other revenues for claims administration and agency services rendered for affiliated and non-affiliated insurance entities.

Statutory Surplus

Statutory surplus as regards policyholders for the combined operations of LMIC and its U.S. affiliates including international branches was $9.570 billion and $8.739 billion at September 30, 2005, and December 31, 2004, respectively. The increase in surplus in the first nine months of 2005 primarily is due to $597 million of net income and $486 million of capital contributions related to the March 2005 debt offering. This increase is partially offset by $334 million of affiliated unrealized losses, primarily due to the catastrophe losses incurred by non-domestic insurance subsidiaries. The balance of the increase in statutory surplus primarily reflects changes in unaffiliated unrealized gains, deferred taxes, foreign exchange, and non-admitted assets.

CRITICAL ACCOUNTING POLICIES

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include:

- unpaid claims and claim adjustment expense reserves, including asbestos and environmental liability reserves and recoverables on premium attributable to prior years;
- reinsurance recoverables, including bad debt provision;
- impairments to the fair value of the investment portfolio;
- variable interest entities;
- deferred acquisition costs;
- the valuation of goodwill; and
- deferred income tax valuation allowance.

While the Company believes the amounts included in the consolidated financial statements reflect best estimates and appropriate assumptions, these amounts could ultimately be materially different from the amounts currently provided for in the consolidated financial statements.

Certain reclassifications have been made to the 2004 tables to conform to the 2005 tables.

Unpaid Claims and Claim Adjustment Expenses

Reserves for property-casualty unpaid claims and claim adjustment expenses were $36.970 billion and $33.884 billion at September 30, 2005 and December 31, 2004, respectively. The increase was due to growth less the on-going settlement of claims and incurred losses attributable to prior years including discount accretion. For the nine months ended September 30, 2005 and 2004, incurred losses attributable to prior years excluding discount accretion and including prior year losses related to the four hurricanes of 2004 were $321 million and $296 million, respectively.

Property-casualty insurance unpaid claims and claim adjustment expenses represent the Company's best estimate of amounts necessary to settle all outstanding claims, including claims that are incurred but not reported as of the reporting date. The Company's reserve projections are based primarily on detailed analysis of the facts in each case, experience with similar cases and various historical development patterns. Consideration is given to such historical patterns as field reserving trends and claims settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions and public attitudes. All of these factors can affect the estimation of reserves.

Establishing loss reserves, including loss reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigated cases, medical costs, and cost of repair materials and labor rates can all affect ultimate claim costs. In addition, the span of time between the incidence of a loss and the payment or settlement of the claim can be a critical part of reserving determinations and will cause more variability in the ultimate claim cost. Accordingly, "short-tail" claims, such as property damage claims, tend to be easier to estimate than "long-tail" claims, such as workers compensation or general liability claims.

As information develops that varies from past experience, provides additional data, or in some cases, augments data that previously was not considered sufficient for use in determining reserves, changes in the Company's estimate of ultimate liabilities may be required. The effects of these changes are reflected in current operating results.

Asbestos and Environmental

The Company's asbestos and environmental (A&E) reserves for unpaid claims and claim adjustment expenses were $1.665 billion and $1.641 billion at September 30, 2005 and December 31, 2004, respectively, net of reinsurance and including an allowance for doubtful accounts. The year-to-date increase primarily reflects the completion of the Company's biennial ground-up asbestos reserve study in the third quarter. Based on this study, the Company increased its asbestos reserves by $203 million, which is approximately $50 million above the point estimate of the Company's internal actuaries and reflects management's best estimate of the reserve requirement. Partially offsetting that increase was settlement activity throughout 2005. The Company's asbestos reserves as of September 30, 2005 were as follows:

$ in Millions	**As of September 30, 2005**	**As of December 31, 2004**
Gross reserves[1]	$1,376	$1,262
Ceded reserves[1]	308	301
Net reserves	$1,068	$961
Allowance for reinsurance on unpaid losses	126	127
Total asbestos reserves	**$1,194**	**$1,088**

[1] Excludes reserves guaranteed by Nationwide Mutual Insurance Company.

In the third quarter of 2005, a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel completed their comprehensive review of the Company's asbestos exposure on a direct, assumed, and ceded basis. The completion of the Company's internal review is consistent with the Company's policy of reviewing asbestos reserves on a regular basis and precedes the external review by an internationally recognized actuarial consulting firm due to be completed in the fourth quarter of 2005.

As part of the internal review, potential exposures of large policyholders were individually evaluated using the company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. Small policyholders were evaluated using aggregate methods that utilized information developed from the large policyholders. Additionally, a provision of pure IBNR was established for the potential emergence of first-time filers of future asbestos claims

Also considered in the analysis was the fact that all A&E claims against policies issued prior to 1986 by EICOW and its affiliates are 100% ceded to Nationwide Indemnity Company and guaranteed by Nationwide Mutual Insurance Company. The Company's 2003 acquisition of PruPac included $175 million and $118 million of gross and net asbestos reserves, respectively. Any increase in asbestos reserves is reinsured by Vantage Casualty Insurance Company and guaranteed by Prudential Financial Inc.

The estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in liability that differs from current reserves by an amount that could be material to the Company's future operating results and financial condition.

Reinsurance Recoverables

The Company reported reinsurance recoverables of $15.568 billion and $14.209 billion at September 30, 2005 and December 31, 2004, respectively, net of allowance for doubtful accounts of $345 million and $349 million, respectively. Approximately $900 million of the increase reflects the effects of the third quarter hurricanes. The remainder of the increase is primarily due to growth in Liberty International Underwriters and increased cessions to state mandated involuntary pools and associations, partially offset by the Converium commutation.

The reinsurance recoverables from Nationwide Indemnity Co. have been fully guaranteed by its parent, Nationwide Mutual Insurance Co., which has a financial strength rating of A+ from Standard & Poor's and A+ from A.M. Best. The reinsurance recoverables from state mandated involuntary pools and associations represent the Company's 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 by the pool participants in proportion to their pool participation. Credit risk with respect to this servicing carrier business is the composite of the cumulative creditworthiness of all participants in their respective pools.

As part of its reinsurance security oversight, the Company 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 marketplace 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 rating, collateral and diversification requirements governing the Company's purchase and use of reinsurance.

Approximately 94% of the Company's reinsurance recoverable balance, net of collateral held and including voluntary and involuntary pools and associations, was placed with reinsurers rated A- or better from A.M. Best at September 30, 2005. Collateral held against outstanding reinsurance recoverable balances was $3.708 billion and $3.589 billion at September 30, 2005 and December 31, 2004, respectively.

The remaining 6% of the Company's reinsurance recoverable balance is well diversified. No single reinsurer rated B++ or below accounts for more than 1% of policyholder surplus. The average reinsurance recoverable balance of the remaining 6% is approximately $1 million as of September 30, 2005.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business. The Company evaluates and monitors the financial condition of its reinsurers under voluntary reinsurance arrangements to minimize its exposure to significant losses from reinsurer insolvencies. The Company reports its reinsurance recoverables net of an allowance for estimated uncollectible reinsurance recoverables. The allowance is based upon the Company's ongoing review of amounts outstanding, length of collection periods, changes in reinsurer credit standing and other relevant factors. Accordingly, the establishment of reinsurance recoverables and the related allowance for uncollectible reinsurance recoverables is also an inherently uncertain process involving estimates. Changes in these estimates could result in additional income statement charges.

The Company is party to retroactive reinsurance arrangements where a significant portion of the consideration was retained on a "funds held" basis and interest is credited on the balance at a weighted average rate of approximately 7.7% annually. These contracts resulted in deferred gains (including experience related profit accruals of $195 million as of September 30, 2005 and December 31, 2004) that are amortized into income using the effective interest method over the estimated settlement periods. During the second quarter of 2005, the Company re-estimated the amount of deferred gains and amortization related to these reinsurance agreements. At September 30, 2005 and December 31, 2004, deferred gains related to these reinsurance arrangements were $894 million and $973 million, respectively, and are included in other liabilities within the consolidated balance sheets. Interest credited to the funds held balances for the three months and nine months ended September 30, 2005 was $26 million and $87 million, respectively, as compared to $24 million and $80 million, for the three months and nine months ended September 30, 2004, respectively. Amortization of the deferred gain for the three months and nine months ended September 30, 2005 was $13 million and $71 million, respectively, as compared to $12 million and $35 million for the three months and nine months ended September 30, 2004, respectively. Reinsurance recoverables related to these transactions including experience related profit accruals were $2.218 billion and $2.219 billion as of September 30, 2005 and December 31, 2004, respectively.

Additionally, the Company has an aggregate stop loss program covering substantially all of Commercial Markets voluntary workers compensation business from the fourth quarter 2000 through the fourth quarter 2002 accident year periods. Under these contracts, losses in excess of a specified loss ratio are reinsured up to a maximum loss ratio and were accounted for as prospective reinsurance at inception. However, due to a material contract change at the January 1, 2002 renewal, premium and loss activity subsequent to December 31, 2001 is accounted for as retroactive reinsurance for the treaty covering the fourth quarter 2000 through the fourth quarter 2001 covered accident year periods. Moreover, approximately $38 million and $31 million of additional losses were ceded to these retroactive and prospective contracts for the nine months ended September 30, 2005, with additional premium of $24 million and $22 million, respectively, recorded in June 2005. Approximately $68 million and $78 million of additional losses were ceded to these retroactive and prospective contracts for the nine months ended September 30, 2004, with additional premium of $38 million and $45 million, respectively, recorded in June 2004. The income statement impact of ceding the additional losses and premium on the fourth quarter 2000 through fourth quarter 2001 covered accident period was deferred for GAAP purposes and is amortized into income using the effective interest method over the estimated settlement period.

Impairment Losses on Investments

The total impairment losses on investments for the three and nine months ended September 30, 2005 were $1 million and $9 million, respectively, representing a $9 million and $30 million decrease from the same periods in 2004. Unrealized losses that are other-than-temporary are recognized as realized losses. The Company's accounting policy for other-than-temporary impairment recognition requires other-than-temporary impairment charges to be recorded when it is determined that the Company is unlikely to recover its cost basis in an investment in the near-term. Factors considered in evaluating whether a decline in value is other-than-temporary include: (a) the length of time and extent to which the fair value has been below cost; (b) the financial condition and near-term prospects of the issuer; and (c) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for any anticipated recovery. In addition, for securities expected to be sold, an other-than-temporary impairment charge is recognized if the Company does not expect the fair value of a security to recover to cost or amortized cost prior to the expected date of sale.

The Company employs a systematic methodology to evaluate declines in fair value below the book value for equity securities and other investments. The methodology utilizes a quantitative and qualitative process ensuring that available evidence concerning the declines in fair value below carrying value is evaluated in a disciplined manner. Based on that evaluation and the Company's ability and intent to hold these investments for a reasonable period of time sufficient for a recovery of fair value, the Company views the decline in market value of these investments as being temporary in accordance with the Company's impairment policy.

Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46, "*Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*" ("FIN 46"). FIN 46 requires certain variable interest entities ("VIEs") to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or the entity does not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 was revised in late 2003 (FIN 46(R)) and was effective January 1, 2004 for the Company for all new VIEs created or acquired after December 31, 2003. For VIEs created or acquired by the Company prior to December 31, 2003, the provisions of FIN 46 have been applied in 2005.

The Company's primary exposure to FIN 46 VIEs, relates to investments in energy and private equity limited partnerships that are accounted for under the equity method. The Company has determined that it is the primary beneficiary for four VIEs with total assets of approximately $27 million at September 30, 2005. The Company’s participation in the VIEs in which it is the primary beneficiary ranges from 47.50% to 99.99%. These assets are reflected as a component of other invested assets on the Company’s consolidated balance sheets. The Company's maximum exposure to losses from these VIEs is approximately $24 million at September 30, 2005, and there is no recourse provision to the general credit of the Company beyond the full amount of the Company's loss exposure. The Company has investments in 14 VIEs for which it is not the primary beneficiary at September 30, 2005. The cumulative assets of these VIEs is $5.500 billion at September 30, 2005, of which the Company's maximum exposure was $230 million.

Deferred Policy Acquisition Costs

Total deferred policy acquisition costs were $1.474 billion and $1.354 billion as of September 30, 2005 and December 31, 2004, respectively. Deferred policy acquisition costs are costs that vary with, and are primarily related to, the acquisition of new and renewal insurance and investment contracts that are deferred and amortized over the respective policy terms. Deferred acquisition costs are reviewed annually for recoverability. Investment income is considered in the recoverability assessment. For short-duration insurance contracts, acquisition costs include commissions, underwriting expenses, and premium taxes and assessments. For long-duration insurance contracts, these costs include first year commissions in excess of annual renewal commissions and variable sales, underwriting and administrative expenses.

Goodwill and Intangibles

Goodwill and intangible assets were $808 million and $824 million at September 30, 2005 and December 31, 2004, respectively.

Deferred Income Taxes

The net deferred income tax asset was $1.375 billion and $938 million as of September 30, 2005 and December 31, 2004, respectively, net of a valuation allowance of $84 million and $340 million, respectively. Management believes it is more likely than not that the Company’s net deferred tax assets will be realized based on the Company’s ability and likelihood of generating future taxable income. Although management believes that it is more likely than not that the deferred tax asset related to losses from Hurricane Katrina incurred at the Company’s Lloyd’s Syndicate will be fully realized, the recoverability of this asset will be further evaluated in the quarter ending December 31, 2005. The increase in the Company’s net deferred income tax asset is the result of a reduction in the remaining domestic tax valuation allowance to zero during the quarter ended June 30, 2005, partially offset by deferred tax expense related to operating activities.

The income tax provision is calculated under the liability method. Deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. The principal assets and liabilities giving rise to such differences are unrealized capital gains and losses on certain investments, insurance loss reserves, unearned premiums, deferred policy acquisition costs, employee benefits, and alternative minimum tax credits.

The Company provides for Federal and foreign income taxes based on amounts that it believes it ultimately will owe. Inherent in the provision for Federal and foreign income taxes are estimates regarding the deductibility of certain expenses and the realization of certain tax credits. In the event the ultimate deductibility of certain expenses or the realization of certain tax credits differs from estimates, the Company may be required to significantly change the provision for Federal and foreign income taxes recorded in the consolidated financial statements.

The American Jobs Creation Act of 2004 (“The Act”) introduced a special one-time 85% dividends received deduction on the repatriation of certain foreign earnings to a United States taxpayer, provided certain criteria are met. The maximum amount of foreign earnings eligible for the deduction is limited to the greater of $500 million or the amount shown in the Company's most recent audited financial statements filed prior to June 30, 2003 as earnings permanently reinvested outside of the United States. Although the deduction is subject to a number of limitations and, as of today, some uncertainty remains as to how to interpret certain provisions in the Act, the Company believes that it has the information necessary to make an informed decision regarding the impact of the Act on its repatriation plans. Based on that decision, the Company plans to repatriate up to $196 million in extraordinary dividends, as defined in The Act, during 2005 and accordingly has recorded a tax liability of $22 million during the quarter ending June 30, 2005. A total of $55 million has been repatriated through September 30, 2005. However, the Company has not provided for U.S. deferred income taxes or foreign withholding tax on basis differences in its non-U.S. subsidiaries of $327 million that result primarily from undistributed earnings the Company intends to reinvest indefinitely. Determination of the deferred income tax liability on these basis differences is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs. In addition, it is reasonably possible that the Company will repatriate some additional amount between $0 and $85 million beyond the $196 million previously mentioned, with the respective tax liability ranging from $0 to $4 million.

About the Company

Boston-based Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Group of entities ("LMG" or the "Company"), is a diversified global insurer and sixth largest property and casualty insurer in the U.S. based on 2004 direct written premium. The Company also ranks 111th on the Fortune 500 list of largest corporations in the United States based on 2004 revenue. As of December 31, 2004, LMG had $72.4 billion in consolidated assets and $19.6 billion in annual consolidated revenue.

LMG, 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, LMIC, LMFIC and EICOW, each became separate stock insurance companies under the ownership of Liberty Mutual Holding Company.

Functionally, the Company conducts its business through four strategic business units: Personal Market, Commercial Markets, Agency Markets (formerly Regional Agency Markets) and International. Each business unit operates independently of the others and has 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.

LMG employs over 38,000 people in nearly 900 offices throughout the world. For a full description of the Company's business operations, products and distribution channels please visit the Liberty Mutual's Investor Relations web site at www.libertymutual.com/investors.