



Financial Supplement  
Quarter Ended September 30, 2005

**LIBERTY MUTUAL HOLDING COMPANY INC.**  
**Financial Supplement**

	<u>Page Number</u>
<b>Consolidating Financial Results by Strategic Business Unit</b>	
- Statements of Income - Three Months Ended September 30, 2005 & 2004	1
- Statements of Income - Nine Months Ended September 30, 2005 & 2004	2
- Reconciliation of Pre-tax Operating Income (PTOI) to Net Income	3
- Reconciliation of Statutory to GAAP Net Income	4
- Combined Ratio	5
<b>Investments</b>	
- Allocation of Invested Assets	6
- Net Realized Investment Gains and Losses	7
- Net Investment Income and Net Unrealized Investment Gains and Losses	8
- Issuer and Sector Exposure	9
<b>Reinsurance Recoverables</b>	
- Reinsurance Overview	10
- Footnotes to Reinsurance Recoverable Exhibits	11
- Distribution of Reinsurance Recoverables by A.M. Best Rating	12
- Distribution of Reinsurance Recoverables by Standard & Poor's Rating	13
- Top 15 Reinsurance Recoverables by Group	14
<b>Capitalization</b>	15

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Consolidating Statements of Income**

(dollars in millions)

(Unaudited)

	Three Months Ended September 30, 2005						Three Months Ended September 30, 2004					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
<b>Revenues</b>												
Premiums earned	\$ 1,278	\$ 839	\$ 1,345	\$ 873	\$ 93	\$ 4,428	\$ 1,257	\$ 841	\$ 1,195	\$ 753	\$ 61	\$ 4,107
Net investment income	69	139	112	85	185	590	77	141	105	67	162	552
Net Realized investment gains	-	-	3	13	157	173	-	-	3	2	70	75
Fee and other revenues	15	90	22	10	58	195	16	76	25	10	21	148
<b>Total revenues</b>	<b>1,362</b>	<b>1,068</b>	<b>1,482</b>	<b>981</b>	<b>493</b>	<b>5,386</b>	<b>1,350</b>	<b>1,058</b>	<b>1,328</b>	<b>832</b>	<b>314</b>	<b>4,882</b>
<b>Claims, Benefits and Expenses</b>												
Benefits, claims and claim adjustment expenses	999	877	911	983	465	4,235	1,184	773	831	595	190	3,573
Insurance operating costs and expenses	282	258	443	294	(40)	1,237	291	273	411	232	2	1,209
Dividends to policyholders	(2)	1	12	-	2	13	9	-	14	-	4	27
Other expenses	-	-	-	13	78	91	-	-	-	12	69	81
<b>Total claims, benefits and expenses</b>	<b>1,279</b>	<b>1,136</b>	<b>1,366</b>	<b>1,290</b>	<b>505</b>	<b>5,576</b>	<b>1,484</b>	<b>1,046</b>	<b>1,256</b>	<b>839</b>	<b>265</b>	<b>4,890</b>
Pre-tax operating income (loss) (excluding net realized investment gains)	83	(68)	113	(322)	(169)	(363)	(134)	12	69	(9)	(21)	(83)
<b>Pre-tax income (loss) before discontinued operations and minority interest</b>	<b>83</b>	<b>(68)</b>	<b>116</b>	<b>(309)</b>	<b>(12)</b>	<b>(190)</b>	<b>(134)</b>	<b>12</b>	<b>72</b>	<b>(7)</b>	<b>49</b>	<b>(8)</b>
Federal and foreign income tax expense (benefit)	29	(24)	41	(88)	(26)	(68)	(47)	4	26	(1)	18	-
<b>Income before discontinued operations and minority interest</b>	<b>54</b>	<b>(44)</b>	<b>75</b>	<b>(221)</b>	<b>14</b>	<b>(122)</b>	<b>(87)</b>	<b>8</b>	<b>46</b>	<b>(6)</b>	<b>31</b>	<b>(8)</b>
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations, net of tax	-	-	-	-	-	-	(3)	-	-	-	-	(3)
<b>Net income<sup>1</sup></b>	<b>\$ 54</b>	<b>\$ (44)</b>	<b>\$ 75</b>	<b>\$ (221)</b>	<b>\$ 14</b>	<b>\$ (122)</b>	<b>\$ (90)</b>	<b>\$ 8</b>	<b>\$ 46</b>	<b>\$ (6)</b>	<b>\$ 31</b>	<b>\$ (11)</b>

<sup>1</sup> 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.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Consolidating Statements of Income**

(dollars in millions)

(Unaudited)

	Nine Months Ended September 30, 2005						Nine Months Ended September 30, 2004					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
<b>Revenues</b>												
Premiums earned	\$ 3,814	\$ 2,518	\$ 3,865	\$ 2,562	\$ 206	\$ 12,965	\$ 3,725	\$ 2,518	\$ 3,394	\$ 2,352	\$ 154	\$ 12,143
Net investment income	200	409	325	256	548	1,738	221	416	306	222	409	1,574
Net Realized investment gains	-	-	6	12	361	379	-	-	1	13	155	169
Fee and other revenues	43	281	67	30	144	565	44	260	63	25	89	481
<b>Total revenues</b>	<b>4,057</b>	<b>3,208</b>	<b>4,263</b>	<b>2,860</b>	<b>1,259</b>	<b>15,647</b>	<b>3,990</b>	<b>3,194</b>	<b>3,764</b>	<b>2,612</b>	<b>807</b>	<b>14,367</b>
<b>Claims, Benefits and Expenses</b>												
Benefits, claims and claim adjustment expenses	2,731	2,318	2,555	2,119	734	10,457	3,004	2,296	2,307	1,692	460	9,759
Insurance operating costs and expenses	896	833	1,295	871	152	4,047	833	799	1,191	706	114	3,643
Dividends to policyholders	(2)	(18)	34	-	8	22	9	2	33	-	10	54
Other expenses	-	-	-	52	224	276	-	-	-	39	205	244
<b>Total claims, benefits and expenses</b>	<b>3,625</b>	<b>3,133</b>	<b>3,884</b>	<b>3,042</b>	<b>1,118</b>	<b>14,802</b>	<b>3,846</b>	<b>3,097</b>	<b>3,531</b>	<b>2,437</b>	<b>789</b>	<b>13,700</b>
Pre-tax operating income (loss) (excluding net realized investment gains)	432	75	373	(194)	(220)	466	144	97	232	162	(137)	498
<b>Pre-tax income (loss) before discontinued operations and minority interest</b>	<b>432</b>	<b>75</b>	<b>379</b>	<b>(182)</b>	<b>141</b>	<b>845</b>	<b>144</b>	<b>97</b>	<b>233</b>	<b>175</b>	<b>18</b>	<b>667</b>
Federal and foreign income tax expense (benefit)	151	26	133	(24)	(227)	59	50	34	82	42	(208)	-
<b>Income before discontinued operations and minority interest</b>	<b>281</b>	<b>49</b>	<b>246</b>	<b>(158)</b>	<b>368</b>	<b>786</b>	<b>94</b>	<b>63</b>	<b>151</b>	<b>133</b>	<b>226</b>	<b>667</b>
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations, net of tax	-	-	-	(12)	-	(12)	12	-	-	-	1	13
<b>Net income<sup>1</sup></b>	<b>\$ 281</b>	<b>\$ 49</b>	<b>\$ 246</b>	<b>\$ (170)</b>	<b>\$ 368</b>	<b>\$ 774</b>	<b>\$ 106</b>	<b>\$ 63</b>	<b>\$ 151</b>	<b>\$ 133</b>	<b>\$ 227</b>	<b>\$ 680</b>

<sup>1</sup> 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.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Reconciliation of PTOI to Net Income**

(dollars in millions)

(Unaudited)

	Three Months Ended September 30, 2005						Three Months Ended September 30, 2004					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
<b>Revenues</b>	\$ 1,362	\$ 1,068	\$ 1,482	\$ 981	\$ 493	\$ 5,386	\$ 1,350	\$ 1,058	\$ 1,328	\$ 832	\$ 314	\$ 4,882
<b>Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years</b>	\$ 270	\$ 101	\$ 146	\$ 48	\$ 165	\$ 730	\$ 212	\$ 116	\$ 131	\$ 89	\$ 91	\$ 639
<b>Catastrophes:</b> <sup>1</sup>												
- Hurricane Katrina	(244)	(96)	(39)	(347)	(92)	(818)	-	-	-	-	-	-
- Four Hurricanes 2004	-	(5)	-	(19)	6	(18)	(319)	(87)	(17)	(101)	(39)	(563)
- All other	(43)	(17)	(19)	(15)	(4)	(98)	(18)	3	(17)	-	-	(32)
<b>Net incurred attributable to prior years:</b>												
-Asbestos	-	-	-	-	(208)	(208)	-	-	-	-	-	-
-All other	100	(36)	32	11	(33)	74	(9)	(5)	(22)	3	(70)	(103)
Discount accretion <sup>2</sup>	-	(15)	(7)	-	(3)	(25)	-	(15)	(6)	-	(3)	(24)
<b>Pre-tax operating income (loss)</b> <sup>3</sup>	83	(68)	113	(322)	(169)	(363)	(134)	12	69	(9)	(21)	(83)
Realized investment gains (losses), net	-	-	3	13	157	173	-	-	3	2	70	75
Federal and foreign income tax (expense) benefit	(29)	24	(41)	88	26	68	47	(4)	(26)	1	(18)	-
Discontinued operations, net of tax	-	-	-	-	-	-	(3)	-	-	-	-	(3)
Extraordinary items, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net income</b>	<b>\$ 54</b>	<b>\$ (44)</b>	<b>\$ 75</b>	<b>\$ (221)</b>	<b>\$ 14</b>	<b>\$ (122)</b>	<b>\$ (90)</b>	<b>\$ 8</b>	<b>\$ 46</b>	<b>\$ (6)</b>	<b>\$ 31</b>	<b>\$ (11)</b>
	Nine Months Ended September 30, 2005						Nine Months Ended September 30, 2004					
<b>Revenues</b>	\$ 4,057	\$ 3,208	\$ 4,263	\$ 2,860	\$ 1,259	\$ 15,647	\$ 3,990	\$ 3,194	\$ 3,764	\$ 2,612	\$ 807	\$ 14,367
<b>Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years</b>	\$ 673	\$ 315	\$ 409	\$ 207	\$ 202	\$ 1,806	\$ 552	\$ 262	\$ 315	\$ 285	\$ 78	\$ 1,492
<b>Catastrophes:</b> <sup>1</sup>												
- Hurricane Katrina	(244)	(87)	(39)	(347)	(92)	(809)	-	-	-	-	-	-
- Four Hurricanes 2004	-	(13)	-	(49)	-	(62)	(319)	(77)	(17)	(101)	(39)	(553)
- All other	(104)	(20)	(35)	(15)	(4)	(178)	(80)	(5)	(43)	-	-	(128)
<b>Net incurred attributable to prior years:</b>												
-Asbestos	-	-	-	-	(210)	(210)	-	-	-	-	(4)	(4)
-All other	107	(73)	55	10	(108)	(9)	(9)	(36)	(7)	(22)	(163)	(237)
Discount accretion <sup>2</sup>	-	(47)	(17)	-	(8)	(72)	-	(47)	(16)	-	(9)	(72)
<b>Pre-tax operating income (loss)</b> <sup>3</sup>	432	75	373	(194)	(220)	466	144	97	232	162	(137)	498
Realized investment gains (losses), net	-	-	6	12	361	379	-	-	1	13	155	169
Federal and foreign income tax (expense) benefit	(151)	(26)	(133)	24	227	(59)	(50)	(34)	(82)	(42)	208	-
Discontinued operations, net of tax	-	-	-	(12)	-	(12)	12	-	-	-	1	13
Extraordinary items, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net income</b>	<b>\$ 281</b>	<b>\$ 49</b>	<b>\$ 246</b>	<b>\$ (170)</b>	<b>\$ 368</b>	<b>\$ 774</b>	<b>\$ 106</b>	<b>\$ 63</b>	<b>\$ 151</b>	<b>\$ 133</b>	<b>\$ 227</b>	<b>\$ 680</b>

<sup>1</sup> 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 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.

<sup>2</sup> 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%.

<sup>3</sup> 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.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Reconciliation of Statutory to GAAP Net Income**

(dollars in millions)

(Unaudited)

	<u>Nine Months Ended</u> <u>September 30, 2005</u>
<b>Domestic insurance Statutory net income</b>	<u><b>\$ 597</b></u>
Domestic insurance companies pre-tax GAAP adjustments	331
Subsidiaries and affiliates GAAP pre-tax income	(273)
GAAP tax adjustment	119
<b>GAAP Group net income</b>	<u><u><b>\$ 774</b></u></u>

Note: Subsidiaries and affiliates consist of Liberty International Holdings LLC, Liberty Life Assurance Company of Boston, and non-insurance entities.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Combined Ratio by Strategic Business Unit**

(Unaudited)

	Three Months Ended September 30, 2005					Three Months Ended September 30, 2004				
	Personal Market	Commercial Markets	Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Consolidated
<b>Combined ratio, before catastrophes and incurred attributable to prior years</b>										
Claims and claims adjustment ratio	63.6%	82.9%	65.0%	74.5%	70.1%	66.7%	78.0%	64.2%	66.3%	67.9%
Underwriting expense ratio	20.5%	19.0%	31.1%	27.1%	22.5%	21.4%	21.2%	31.8%	27.3%	24.7%
Dividend ratio	(0.2%)	0.1%	0.9%	0.0%	0.2%	0.7%	0.1%	1.2%	0.0%	0.6%
<b>Subtotal</b>	<b>83.9%</b>	<b>102.0%</b>	<b>97.0%</b>	<b>101.6%</b>	<b>92.8%</b>	<b>88.8%</b>	<b>99.3%</b>	<b>97.2%</b>	<b>93.6%</b>	<b>93.2%</b>
<b>Catastrophes<sup>1</sup>:</b>										
- Hurricane Katrina	19.1%	13.1%	2.9%	41.7%	19.1%	0.0%	0.0%	0.0%	0.0%	0.0%
- Four Hurricanes 2004	0.0%	0.6%	0.0%	2.0%	0.4%	25.3%	11.6%	1.4%	14.0%	14.2%
- All other	3.3%	2.3%	1.4%	1.7%	2.3%	1.5%	(0.3%)	1.4%	0.0%	0.8%
<b>Net incurred attributable to prior years:</b>										
- Asbestos	0.0%	0.0%	0.0%	0.0%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	(7.8%)	4.3%	(2.3%)	(1.1%)	(1.7%)	0.7%	0.5%	2.0%	(0.5%)	2.7%
Discount accretion	0.0%	2.1%	0.5%	0.0%	0.6%	0.0%	2.1%	0.4%	0.0%	0.6%
<b>Total Combined Ratio<sup>2,3</sup></b>	<b>98.5%</b>	<b>124.4%</b>	<b>99.5%</b>	<b>145.9%</b>	<b>118.3%</b>	<b>116.3%</b>	<b>113.2%</b>	<b>102.4%</b>	<b>107.1%</b>	<b>111.5%</b>
	Nine Months Ended September 30, 2005					Nine Months Ended September 30, 2004				
	Personal Market	Commercial Markets	Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Consolidated
<b>Combined ratio, before catastrophes and incurred attributable to prior years</b>										
Claims and claims adjustment ratio	65.4%	81.1%	64.9%	69.5%	69.0%	69.8%	82.6%	65.4%	66.6%	70.4%
Underwriting expense ratio	22.2%	19.0%	31.5%	29.3%	25.8%	20.8%	19.0%	32.7%	28.5%	25.3%
Dividend ratio	(0.1%)	(0.8%)	0.9%	0.0%	0.1%	0.2%	0.1%	1.0%	0.0%	0.4%
<b>Subtotal</b>	<b>87.5%</b>	<b>99.3%</b>	<b>97.3%</b>	<b>98.8%</b>	<b>94.9%</b>	<b>90.8%</b>	<b>101.7%</b>	<b>99.1%</b>	<b>95.1%</b>	<b>96.1%</b>
<b>Catastrophes<sup>1</sup>:</b>										
- Hurricane Katrina	6.4%	3.9%	1.0%	14.2%	6.5%	0.0%	0.0%	0.0%	0.0%	0.0%
- Four Hurricanes 2004	0.0%	0.6%	0.0%	1.9%	0.5%	8.5%	3.5%	0.5%	4.5%	4.8%
- All other	2.7%	0.9%	0.9%	0.6%	1.4%	2.2%	0.2%	1.3%	0.0%	1.1%
<b>Net incurred attributable to prior years:</b>										
- Asbestos	0.0%	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	(2.8%)	3.1%	(1.3%)	(0.4%)	0.1%	0.2%	1.4%	0.1%	0.9%	1.9%
Discount accretion	0.0%	2.1%	0.4%	0.0%	0.6%	0.0%	2.1%	0.5%	0.0%	0.6%
<b>Total Combined Ratio<sup>2,3</sup></b>	<b>93.8%</b>	<b>109.9%</b>	<b>98.3%</b>	<b>115.1%</b>	<b>105.7%</b>	<b>101.7%</b>	<b>108.9%</b>	<b>101.5%</b>	<b>100.5%</b>	<b>104.5%</b>

<sup>1</sup> 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 given the expected volatility associated with these coverages. 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Allocation of Invested Assets**

(dollars in millions)

(Unaudited)

	<b>As of September 30, 2005</b>		<b>As of December 31, 2004</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
<b>Invested Assets by Type</b>				
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	1,015	2.5	881	2.2
Short-term investments	830	2.0	687	1.7
Other investments	71	0.1	109	0.3
<b>Total invested assets</b>	<b>\$ 41,379</b>	<b>100.0%</b>	<b>\$ 39,537</b>	<b>100.0%</b>
 <b>Fixed Maturities by Security Type</b>				
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
<b>Total fixed maturities</b>	<b>\$ 37,533</b>	<b>100.0%</b>	<b>\$ 35,601</b>	<b>100.0%</b>
 <b>Fixed Maturities by Credit Quality</b>				
<b>S&amp;P Rating</b>				
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
<b>Total fixed maturities</b>	<b>\$ 37,533</b>	<b>100.0%</b>	<b>\$ 35,601</b>	<b>100.0%</b>



**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Net Realized Investment Gains and Losses**

(dollars in millions)

(Unaudited)

	<b>Sales &amp; Dispositions</b>	<b>Impairments</b>	<b>Change in Trading Security Unrealized</b>	<b>Total</b>
<b>Net Realized Investment Gains (Losses)</b>				
<b>Three Months Ended September 30, 2005</b>				
Fixed maturities	\$ 75	\$ -	\$ -	\$ 75
Common and preferred stock	23	(1)	4	26
Other	72	-	-	72
<b>Total</b>	<b>\$ 170</b>	<b>\$ (1)</b>	<b>\$ 4</b>	<b>\$ 173</b>
<b>Three Months Ended September 30, 2004</b>				
Fixed maturities	\$ 75	\$ -	\$ 4	\$ 79
Common and preferred stock	-	(10)	-	(10)
Other	6	-	-	6
<b>Total</b>	<b>\$ 81</b>	<b>\$ (10)</b>	<b>\$ 4</b>	<b>\$ 75</b>
<b>Nine Months Ended September 30, 2005</b>				
Fixed maturities	\$ 167	\$ -	\$ -	\$ 167
Common and preferred stock	82	(9)	(3)	70
Other	142	-	-	142
<b>Total</b>	<b>\$ 391</b>	<b>\$ (9)</b>	<b>\$ (3)</b>	<b>\$ 379</b>
<b>Nine Months Ended September 30, 2004</b>				
Fixed maturities	\$ 190	\$ (5)	\$ 4	\$ 189
Common and preferred stock	22	(34)	(8)	(20)
Other	-	-	-	-
<b>Total</b>	<b>\$ 212</b>	<b>\$ (39)</b>	<b>\$ (4)</b>	<b>\$ 169</b>

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2005</b>	<b>September 30, 2004</b>	<b>September 30, 2005</b>	<b>September 30, 2004</b>
<b>Components of Net Realized Investment Gains (Losses)</b>				
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)
<b>Total net realized investment gains (losses)</b>	<b>\$ 173</b>	<b>\$ 75</b>	<b>\$ 379</b>	<b>\$ 169</b>

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Net Investment Income and Net Unrealized Investment Gains and Losses**

(dollars in millions)

(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Components of Net Investment Income</b>				
Interest income	\$ 535	\$ 481	\$ 1,555	\$ 1,441
Dividends	10	13	69	65
Limited partnerships	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)
<b>Net investment income</b>	<b>\$ 590</b>	<b>\$ 552</b>	<b>\$ 1,738</b>	<b>\$ 1,574</b>

**Components of Change in Net Unrealized Investment Gains (Losses)**

Fixed maturities	\$ (613)	\$ (82)
Equities	64	27
Adjustments to deferred policy acquisition costs	(18)	(36)
Net change in unrealized investment (losses) gains	(567)	(91)
Deferred income taxes	198	32
<b>Net change in unrealized investment gains (losses), net of tax</b>	<b>\$ (369)</b>	<b>\$ (59)</b>

	<b>Less Than 12 Months</b>		<b>Greater Than 12 Months</b>	
	<b>Unrealized Losses</b>	<b>Fair Value of Investments with Unrealized Losses</b>	<b>Unrealized Losses</b>	<b>Fair Value of Investments with Unrealized Losses</b>
<b>Unrealized Losses &amp; Fair Value by Security Type</b>				
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
<b>Total</b>	<b>\$ (284)</b>	<b>\$ 16,478</b>	<b>\$ (113)</b>	<b>\$ 2,324</b>

**LIBERTY MUTUAL HOLDING COMPANY INC.**

**Issuer and Sector Exposure as of September 30, 2005**

(dollars in millions)

(Unaudited)

<b>Top 20 Issuers</b>	<b>Fixed Maturity</b>	<b>Equity</b>	<b>Total Exposure</b>	<b>Percent of Invested Assets</b>
1 Bank of America	\$ 385	\$ 17	\$ 402	0.97%
2 Government of Spain	365	-	365	0.88%
3 Government of Canada	364	-	364	0.88%
4 JP Morgan Chase	331	16	347	0.84%
5 General Electric	314	32	346	0.84%
6 Citigroup	291	36	327	0.79%
7 Wachovia Corp.	311	7	318	0.77%
8 American International Group	271	14	285	0.69%
9 Government of Venezuela	262	2	264	0.64%
10 Wells Fargo Financial	248	9	257	0.62%
11 Federated Department Stores	239	2	241	0.58%
12 US Bancorp	227	5	232	0.56%
13 Royal Bank of Scotland	218	5	223	0.54%
14 HSBC	220	1	221	0.53%
15 Merrill Lynch & Co.	206	5	211	0.51%
16 Bellsouth Telecommunications	206	4	210	0.51%
17 Wal-Mart Stores	186	13	199	0.48%
18 Goldman Sachs Group Inc	187	6	193	0.47%
19 Union Pacific Corp.	187	1	188	0.45%
20 SBC Communications Inc.	175	7	182	0.44%
	<u><u>\$ 5,193</u></u>	<u><u>\$ 182</u></u>	<u><u>\$ 5,375</u></u>	<u><u>12.99%</u></u>

<b>Top 20 Sectors</b>	<b>Fixed Maturity</b>	<b>Equity</b>	<b>Total Exposure</b>	<b>Percent of Invested Assets</b>
1 Municipal	\$ 3,239	\$ -	\$ 3,239	7.83%
2 Banks	2,983	138	3,121	7.54%
3 Diversified Financial Services	2,494	110	2,604	6.29%
4 Sovereign	1,801	2	1,803	4.36%
5 Telecommunications	1,122	98	1,220	2.95%
6 Retail	915	77	992	2.40%
7 Electric	908	50	958	2.32%
8 Oil&Gas	671	269	940	2.27%
9 Transportation	666	19	685	1.66%
10 Insurance	474	63	537	1.30%
11 Home Builders	529	3	532	1.29%
12 Food	469	32	501	1.21%
13 Media	421	52	473	1.14%
14 Miscellaneous Manufacturing	230	62	292	0.71%
15 Auto Manufacturers	204	10	214	0.52%
16 Aerospace/Defense	168	22	190	0.46%
17 Building Materials	174	10	184	0.44%
18 Regional(state/province)	181	-	181	0.43%
19 Cosmetics/Personal Care	122	25	147	0.35%
20 Chemicals	124	18	142	0.34%
	<u><u>\$ 17,895</u></u>	<u><u>\$ 1,060</u></u>	<u><u>\$ 18,955</u></u>	<u><u>45.81%</u></u>

Note: Charts exclude US Treasury securities, mortgage-backed securities and private equity investments.

**LIBERTY MUTUAL HOLDING COMPANY INC.**  
**Reinsurance Overview**

**CORPORATE REINSURANCE GUIDELINES AND POLICIES**

**Scope**

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

**Strategy**

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

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

Liberty is a servicing carrier for a number of voluntary and involuntary pools and associations in a number of states and classes of business. As a servicing carrier, the Company retains no direct underwriting risk but instead cedes 100% of the involuntary market premium and losses back to the pool. 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.

**Reinsurance Security Oversight**

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

**LIBERTY MUTUAL HOLDING COMPANY INC.**  
**Footnotes to Reinsurance Recoverable Exhibits**

- <sup>1</sup> AM Best Co. and Standard & Poor's ratings are as of September 30, 2005.
- <sup>2</sup> Gross recoverables are defined as paid and unpaid claims and claim adjustment expense including IBNR and before both bad debt reserves set aside for potential uncollectible reinsurance and consideration of collateral.
- <sup>3</sup> Collateral refers to letters of credit, trust accounts and funds held against outstanding claims and claim adjustment expenses related to reinsurance recoverable balances.
- <sup>4</sup> Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for specific reinsurance contracts.
- <sup>5</sup> The majority of reinsurance recoverables in this category represents servicing carrier business.  
As a servicing carrier, the Company retains no direct underwriting risk but instead cedes 100% of the involuntary market premium and losses back to the pool. Payment of losses is shared among the pool participants in proportion to their pool participation. Credit risk with respect to this servicing carrier business is the composite of the cumulative creditworthiness of all participants in their respective pools.
- <sup>6</sup> Reinsurers not rated by A.M. Best Co. and/or Standard & Poor's.
- <sup>7</sup> Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent.
- <sup>8</sup> The rating of Nationwide Indemnity Co. (NIC) is determined for the purposes of this exhibit to equal the rating of its parent, Nationwide Mutual Insurance Co. Nationwide Mutual has guaranteed the timely payment and performance of the obligations of Nationwide Indemnity Company under the reinsurance agreements, dated Dec. 31, 1998, between NIC and Employers Insurance Company of Wausau and certain of its affiliated property and casualty companies.
- <sup>9</sup> The rating of these recoverables is determined for the purposes of this exhibit to equal the rating of Lloyd's of London.
- <sup>10</sup> The rating of Vantage Casualty Insurance Company is determined for the purposes of this exhibit to equal the rating of Prudential Insurance Company of America, the principal operating insurance company of the parent, Prudential Financial Inc. Pursuant to a guaranty agreement dated October 31, 2003, Prudential Financial Inc. has guaranteed the complete and timely payment and performance of the obligations of Vantage Casualty Insurance Company pursuant to four reinsurance agreements between Vantage Casualty Insurance Company and certain companies acquired by Liberty Mutual Group Inc. from subsidiaries of Prudential Financial, Inc.
- <sup>11</sup> The rating of OneBeacon Insurance Co. is determined for the purposes of this exhibit to equal the rating of Folksam America Reinsurance Co, the lead insurance company of the White Mountains Group.

# Liberty Mutual Group

## Distribution of Reinsurance Recoverables by A.M. Best Rating

As of September 30, 2005 <sup>1</sup>

(dollars in millions)

	(a)		(b)		(c)		(d)
	Gross Recoverables <sup>2</sup>		Collateral Held <sup>3</sup>		Net Recoverables <sup>4</sup>		% of Total Net Recov.
Rated Entities							
A++	\$	2,071	\$	1,018	\$	1,053	8%
A+		5,528		783		4,754	38%
A		2,460		239		2,249	18%
A-		289		63		228	2%
B++		199		83		129	1%
B+		32		1		31	0%
B or Below		17		1		18	0%
Subtotal	\$	10,596	\$	2,188	\$	8,462	67%
Pools & Associations							
State mandated involuntary pools and associations <sup>5</sup>	\$	3,195	\$	3	\$	3,194	26%
Voluntary		368		76		293	2%
Subtotal	\$	3,563	\$	79	\$	3,487	28%
Non-Rated Entities <sup>6</sup>							
Captives & fronting companies	\$	1,125	\$	1,182	\$	85	1%
Other <sup>6</sup>		629		259		454	4%
Subtotal	\$	1,754	\$	1,441	\$	539	5%
Grand Total	\$	15,913	\$	3,708	\$	12,488	100%

See explanation of footnoted items on page 11 of financial supplement.

# Liberty Mutual Group

## Distribution of Reinsurance Recoverables by Standard & Poor's Rating

As of September 30, 2005 <sup>1</sup>

(dollars in millions)

	(a)		(b)		(c)	(d)
	Gross		Collateral		Net	% of Total
	Recoverables <sup>2</sup>		Held <sup>3</sup>		Recoverables <sup>4</sup>	Net Recov.
<b>Rated Entities</b>						
AAA	\$ 1,391	\$	621	\$	771	6%
AA+, AA , AA-	4,444		1,294		3,212	26%
A+, A , A-	4,260		109		4,164	33%
BBB+, BBB , BBB -	316		254		89	1%
BB+ or Below	43		1		42	0%
<b>Subtotal</b>	<b>\$ 10,454</b>	<b>\$</b>	<b>2,279</b>	<b>\$</b>	<b>8,278</b>	<b>66%</b>
<b>Pools &amp; Associations</b>						
State mandated involuntary pools and associations <sup>5</sup>	\$ 3,195	\$	3	\$	3,194	26%
Voluntary	368		76		293	2%
<b>Subtotal</b>	<b>\$ 3,563</b>	<b>\$</b>	<b>79</b>	<b>\$</b>	<b>3,487</b>	<b>28%</b>
<b>Non-Rated Entities <sup>6</sup></b>						
Captives & fronting companies	\$ 1,125	\$	1,182	\$	85	1%
Other <sup>6</sup>	771		168		638	5%
<b>Subtotal</b>	<b>\$ 1,896</b>	<b>\$</b>	<b>1,350</b>	<b>\$</b>	<b>723</b>	<b>6%</b>
<b>Grand Total</b>	<b>\$ 15,913</b>	<b>\$</b>	<b>3,708</b>	<b>\$</b>	<b>12,488</b>	<b>100%</b>

See explanation of footnoted items on page 11 of financial supplement.

# Liberty Mutual Group

## Top 15 Reinsurance Recoverables by Group

As of September 30, 2005 <sup>1</sup>

(dollars in millions)

Reinsurance Groups <sup>7</sup> (Data in Millions)	Gross Recoverables <sup>2</sup>	Collateral <sup>3</sup>	Net Recoverables <sup>4</sup>
1 Swiss Re Group	\$ 1,842	\$ 403	\$ 1,441
2 Nationwide Group <sup>8</sup>	1,795	-	1,795
3 Berkshire Hathaway Inc	1,405	624	781
4 Chubb	678	397	281
5 Lloyds Syndicates <sup>9</sup>	487	1	485
6 GE Global Insurance Group	485	5	481
7 Munich Re	467	4	467
8 Everest Re Group	456	-	456
9 UPINSCO	445	443	2
10 PartnerRe Group	440	289	153
11 ACE	322	212	124
12 AIG	220	3	217
13 White Mountains Insurance Group <sup>11</sup>	188	0	188
14 Associated Electric & Gas	151	156	6
15 XL Capital Group	133	2	132
State Mandated Involuntary pools and associations <sup>5</sup>	3,195	3	3,194
Voluntary pools and associations	368	76	293
All Other <sup>10</sup>	2,836	1,090	1,992
<b>Total Reinsurance Recoverables</b>	<b>\$ 15,913</b>	<b>\$ 3,708</b>	<b>\$ 12,488</b>

See explanation of footnoted items on page 11 of financial supplement.



# LIBERTY MUTUAL HOLDING COMPANY INC.

## Capitalization

(dollars in millions)

(Unaudited)

	As of September 30, 2005	As of December 31, 2004
<b>DEBT</b>		
Short-term debt		
Commercial paper	-	\$147
Revolving credit facilities	29	29
Medium Term Notes, maturing within one year	-	77
Total short-term debt	<u>\$29</u>	<u>\$253</u>
Long-term debt		
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
7.87%, 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	-
7.70%, Surplus Notes, due 2097	500	500
7.10% - 7.86%, Medium Term Notes, various	27	27
Subtotal	<u>2,590</u>	<u>2,090</u>
Unamortized discount	<u>(25)</u>	<u>(16)</u>
Total long-term debt	<u>\$2,565</u>	<u>\$2,074</u>
<b>Total debt</b>	<u><u>\$2,594</u></u>	<u><u>\$2,327</u></u>
<b>POLICYHOLDERS' EQUITY</b>		
Unassigned surplus	\$8,213	\$7,439
Accumulated other comprehensive income (AOCI)	859	1,258
<b>Total policyholders' equity</b>	<u>\$9,072</u>	<u>\$8,697</u>
<b>CAPITALIZATION</b>		
Capitalization including AOCI, net of tax	\$11,666	\$11,024
Capitalization excluding AOCI, net of tax	\$10,807	\$9,766
<b>FINANCIAL LEVERAGE RATIOS</b>		
Debt to capitalization including AOCI	22.2%	21.1%
Debt to capitalization excluding AOCI	24.0%	23.8%