



Financial Supplement
Quarter Ended December 31, 2005

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

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LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidating Statements of Income

(dollars in millions)

(Unaudited)

	Three Months Ended December 31, 2005						Three Months Ended December 31, 2004					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues												
Premiums earned	\$ 1,294	\$ 951	\$ 1,370	\$ 918	\$ 133	\$ 4,666	\$ 1,295	\$ 923	\$ 1,236	\$ 910	\$ 56	\$ 4,420
Net investment income	69	137	117	98	88	509	78	144	111	78	117	528
Net Realized investment gains	-	-	3	17	124	144	-	-	1	5	137	143
Fee and other revenues	15	95	23	10	52	195	15	98	24	10	36	183
Total revenues	1,378	1,183	1,513	1,043	397	5,514	1,388	1,165	1,372	1,003	346	5,274
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	928	839	917	821	290	3,795	766	766	852	546	366	3,296
Insurance operating costs and expenses	353	274	441	241	17	1,326	292	266	393	336	45	1,332
Dividends to policyholders	-	-	15	-	2	17	-	-	14	-	1	15
Other expenses	-	-	-	19	72	91	-	-	-	12	67	79
Total claims, benefits and expenses	1,281	1,113	1,373	1,081	381	5,229	1,058	1,032	1,259	894	479	4,722
Pre-tax operating income (loss) (excluding net realized investment gains)	97	70	137	(55)	(108)	141	330	133	112	104	(270)	409
Pre-tax income (loss) before discontinued operations and minority interest	97	70	140	(38)	16	285	330	133	113	109	(133)	552
Federal and foreign income tax expense (benefit)	34	24	49	(47)	(28)	32	116	47	39	6	(208)	-
Income before discontinued operations and minority interest	63	46	91	9	44	253	214	86	74	103	75	552
Extraordinary items	-	-	-	-	-	-	(3)	-	-	-	-	(3)
Discontinued operations, net of tax	-	-	-	-	-	-	6	-	-	11	(1)	16
Net income ¹	\$ 63	\$ 46	\$ 91	\$ 9	\$ 44	\$ 253	\$ 217	\$ 86	\$ 74	\$ 114	\$ 74	\$ 565

¹ 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)

	Twelve Months Ended December 31, 2005						Twelve Months Ended December 31, 2004					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues												
Premiums earned	\$ 5,108	\$ 3,469	\$ 5,235	\$ 3,480	\$ 339	\$ 17,631	\$ 5,020	\$ 3,441	\$ 4,630	\$ 3,262	\$ 210	\$ 16,563
Net investment income	269	546	442	354	636	2,247	299	560	417	300	526	2,102
Net Realized investment gains	-	-	9	29	485	523	-	-	2	18	292	312
Fee and other revenues	58	376	90	40	196	760	59	358	87	35	125	664
Total revenues	5,435	4,391	5,776	3,903	1,656	21,161	5,378	4,359	5,136	3,615	1,153	19,641
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	3,659	3,157	3,472	2,940	1,024	14,252	3,770	3,062	3,159	2,238	826	13,055
Insurance operating costs and expenses	1,249	1,107	1,736	1,112	169	5,373	1,125	1,065	1,584	1,042	159	4,975
Dividends to policyholders	(2)	(18)	49	-	10	39	9	2	47	-	11	69
Other expenses	-	-	-	71	296	367	-	-	-	51	272	323
Total claims, benefits and expenses	4,906	4,246	5,257	4,123	1,499	20,031	4,904	4,129	4,790	3,331	1,268	18,422
Pre-tax operating income (loss) (excluding net realized investment gains)	529	145	510	(249)	(328)	607	474	230	344	266	(407)	907
Pre-tax income (loss) before discontinued operations and minority interest	529	145	519	(220)	157	1,130	474	230	346	284	(115)	1,219
Federal and foreign income tax expense (benefit)	185	50	182	(71)	(255)	91	166	81	121	48	(416)	-
Income before discontinued operations and minority interest	344	95	337	(149)	412	1,039	308	149	225	236	301	1,219
Extraordinary items	-	-	-	-	-	-	(3)	-	-	-	-	(3)
Discontinued operations, net of tax	-	-	-	(12)	-	(12)	18	-	-	11	-	29
Net income ¹	\$ 344	\$ 95	\$ 337	\$ (161)	\$ 412	\$ 1,027	\$ 323	\$ 149	\$ 225	\$ 247	\$ 301	\$ 1,245

¹ 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 December 31, 2005						Three Months Ended December 31, 2004					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues	\$ 1,378	\$ 1,183	\$ 1,513	\$ 1,043	\$ 397	\$ 5,514	\$ 1,388	\$ 1,165	\$ 1,372	\$ 1,003	\$ 346	\$ 5,274
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	\$ 224	\$ 141	\$ 135	\$ 202	\$ 6	\$ 708	\$ 253	\$ 164	\$ 138	\$ 129	\$ (1)	\$ 683
Catastrophes: ¹												
- 2005 hurricanes	(122)	(28)	(30)	(304)	(57)	(541)	-	-	-	-	-	-
- 2004 hurricanes	25	3	2	-	(6)	24	50	(7)	1	-	(3)	41
- All other	(30)	7	(5)	-	-	(28)	(11)	(3)	(23)	(20)	-	(57)
Net incurred attributable to prior years:												
- Asbestos ²	-	-	-	-	-	-	-	-	-	-	(3)	(3)
- Pollution	-	-	-	-	(3)	(3)	-	-	-	-	(232)	(232)
- All other	-	(37)	40	47	(45)	5	38	(5)	3	(5)	(28)	3
Discount accretion ³	-	(16)	(5)	-	(3)	(24)	-	(16)	(7)	-	(3)	(26)
Pre-tax operating income (loss) ⁴	97	70	137	(55)	(108)	141	330	133	112	104	(270)	409
Realized investment gains (losses), net	-	-	3	17	124	144	-	-	1	5	137	143
Federal and foreign income tax (expense) benefit	(34)	(24)	(49)	47	28	(32)	(116)	(47)	(39)	(6)	208	-
Discontinued operations, net of tax	-	-	-	-	-	-	6	-	-	11	(1)	16
Extraordinary items, net of tax	-	-	-	-	-	-	(3)	-	-	-	-	(3)
Net income	\$ 63	\$ 46	\$ 91	\$ 9	\$ 44	\$ 253	\$ 217	\$ 86	\$ 74	\$ 114	\$ 74	\$ 565
	Twelve Months Ended December 31, 2005						Twelve Months Ended December 31, 2004					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues	\$ 5,435	\$ 4,391	\$ 5,776	\$ 3,903	\$ 1,656	\$ 21,161	\$ 5,378	\$ 4,359	\$ 5,136	\$ 3,615	\$ 1,153	\$ 19,641
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	\$ 897	\$ 465	\$ 544	\$ 449	\$ 208	\$ 2,563	\$ 805	\$ 426	\$ 453	\$ 414	\$ 73	\$ 2,171
Catastrophes: ¹												
- 2005 hurricanes	(386)	(135)	(80)	(706)	(153)	(1,460)	-	-	-	-	-	-
- 2004 hurricanes	25	(10)	2	(49)	(6)	(38)	(269)	(84)	(16)	(101)	(42)	(512)
- All other	(114)	(2)	(29)	-	-	(145)	(91)	(8)	(66)	(20)	-	(185)
Net incurred attributable to prior years:												
- Asbestos ²	-	-	-	-	(210)	(210)	-	-	-	-	(3)	(3)
- Pollution	-	-	-	-	(5)	(5)	-	-	-	-	(316)	(316)
- All other	107	(110)	95	57	(151)	(2)	29	(41)	(4)	(27)	(107)	(150)
Discount accretion ³	-	(63)	(22)	-	(11)	(96)	-	(63)	(23)	-	(12)	(98)
Pre-tax operating income (loss) ⁴	529	145	510	(249)	(328)	607	474	230	344	266	(407)	907
Realized investment gains (losses), net	-	-	9	29	485	523	-	-	2	18	292	312
Federal and foreign income tax (expense) benefit	(185)	(50)	(182)	71	255	(91)	(166)	(81)	(121)	(48)	416	-
Discontinued operations, net of tax	-	-	-	(12)	-	(12)	18	-	-	11	-	29
Extraordinary items, net of tax	-	-	-	-	-	-	(3)	-	-	-	-	(3)
Net income	\$ 344	\$ 95	\$ 337	\$ (161)	\$ 412	\$ 1,027	\$ 323	\$ 149	\$ 225	\$ 247	\$ 301	\$ 1,245

¹ Catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) relating to the 2005 hurricanes and the 2004 hurricanes 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 the 2005 hurricanes for the three and twelve months ended December 31, 2005 are reported net of profit sharing on external reinsurance accrued in 2004 and the first half of 2005. In addition, losses related to the 2005 hurricanes and 2004 hurricanes 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 Net of allowance for doubtful accounts of \$17 million for the three and twelve months ended December 31, 2005, and \$1 million and \$5 million for the comparable periods of 2004.

³ 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%.

⁴ 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)

	Twelve Months Ended December 31, 2005
Domestic insurance Statutory net income	\$ 920
Domestic insurance companies pre-tax GAAP adjustments	333
Subsidiaries and affiliates GAAP pre-tax income	(332)
GAAP tax adjustment	106
GAAP Group net income	\$ 1,027

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 December 31, 2005					Three Months Ended December 31, 2004				
	Personal Market	Commercial Markets	Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years										
Claims and claims adjustment ratio	61.9%	78.3%	66.8%	64.1%	67.2%	65.0%	78.3%	66.1%	57.6%	66.7%
Underwriting expense ratio	25.7%	18.9%	30.8%	28.9%	25.2%	21.2%	16.8%	30.4%	30.4%	24.7%
Dividend ratio	0.0%	0.0%	1.1%	0.0%	0.4%	0.0%	0.0%	1.1%	0.0%	0.3%
Subtotal	87.6%	97.2%	98.7%	93.0%	92.8%	86.2%	95.1%	97.6%	88.0%	91.7%
Catastrophes¹:										
- 2005 hurricanes	9.4%	3.4%	2.2%	34.3%	12.3%	0.0%	0.0%	0.0%	0.0%	0.0%
- 2004 hurricanes	(1.9%)	(0.3%)	(0.1%)	0.0%	(0.5%)	(3.9%)	0.8%	(0.1%)	0.0%	(1.0%)
- All other	2.3%	(0.8%)	0.4%	0.0%	0.6%	0.9%	0.4%	1.9%	2.3%	1.4%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
- Pollution	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	5.5%
- All other	0.0%	4.1%	(3.1%)	(5.2%)	(0.2%)	(2.9%)	0.7%	(0.2%)	0.5%	0.0%
Discount accretion	0.0%	2.0%	0.4%	0.0%	0.5%	0.0%	1.9%	0.6%	0.0%	0.6%
Total Combined Ratio ^{2,3}	97.4%	105.6%	98.5%	122.1%	105.6%	80.3%	98.9%	99.8%	90.8%	98.3%
	Twelve Months Ended December 31, 2005					Twelve Months Ended December 31, 2004				
	Personal Market	Commercial Markets	Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years										
Claims and claims adjustment ratio	64.4%	80.1%	65.3%	66.9%	68.3%	68.6%	81.4%	65.6%	64.1%	69.5%
Underwriting expense ratio	23.1%	19.0%	31.4%	29.2%	25.7%	20.9%	18.4%	32.1%	29.1%	25.1%
Dividend ratio	0.0%	(0.6%)	0.9%	0.0%	0.2%	0.2%	0.1%	1.0%	0.0%	0.4%
Subtotal	87.5%	98.5%	97.6%	96.1%	94.2%	89.7%	99.9%	98.7%	93.2%	95.0%
Catastrophes¹:										
- 2005 hurricanes	7.6%	4.4%	1.5%	21.1%	8.7%	0.0%	0.0%	0.0%	0.0%	0.0%
- 2004 hurricanes	(0.5%)	0.3%	0.0%	1.4%	0.2%	5.3%	2.8%	0.3%	3.2%	3.2%
- All other	2.2%	0.1%	0.6%	0.0%	0.8%	1.8%	0.3%	1.4%	0.6%	1.2%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%
- Pollution	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%
- All other	(2.1%)	3.3%	(1.8%)	(1.6%)	0.0%	(0.6%)	1.1%	0.2%	0.9%	0.9%
Discount accretion	0.0%	2.1%	0.4%	0.0%	0.6%	0.0%	2.1%	0.5%	0.0%	0.6%
Total Combined Ratio ^{2,3}	94.7%	108.7%	98.3%	117.0%	105.7%	96.2%	106.2%	101.1%	97.9%	102.9%

¹ Catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) relating to the 2005 hurricanes and the 2004 hurricanes 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 the 2005 hurricanes for the three and twelve months ended December 31, 2005 are reported net of profit sharing on external reinsurance accrued in 2004 and the first half of 2005. In addition, losses related to the 2005 hurricanes and 2004 hurricanes 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.

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.

LIBERTY MUTUAL HOLDING COMPANY INC.

Allocation of Invested Assets

(dollars in millions)

(Unaudited)

	As of December 31, 2005		As of December 31, 2004	
	Amount	% of Total	Amount	% of Total
Invested Assets by Type				
Fixed maturities, available for sale, at fair value	\$ 37,391	89.3%	\$ 35,601	90.0%
Equity securities, available for sale, at fair value	1,908	4.6	1,802	4.6
Trading securities, at fair value	20	0.0	457	1.2
Limited partnerships and limited liability companies	1,040	2.5	881	2.2
Short-term investments	1,430	3.4	687	1.7
Other investments	84	0.2	109	0.3
Total invested assets	\$ 41,873	100.0%	\$ 39,537	100.0%
 Fixed Maturities by Security Type				
U.S. Treasury securities	\$ 3,208	8.6%	\$ 2,703	7.6%
U.S. mortgage and asset-backed securities	12,508	33.5	12,933	36.3
State and municipal	4,005	10.7	1,141	3.2
Corporate and other	13,885	37.1	15,033	42.2
Foreign	3,785	10.1	3,791	10.7
Total fixed maturities	\$ 37,391	100.0%	\$ 35,601	100.0%
 Fixed Maturities by Credit Quality				
S&P Rating				
AAA	\$ 20,285	54.3%	\$ 19,265	54.1%
AA+, AA, AA-	3,903	10.4	2,889	8.1
A+, A, A-	6,786	18.1	6,977	19.6
BBB+, BBB, BBB-	3,824	10.2	4,124	11.6
BB+, BB, BB-	1,325	3.6	1,235	3.5
B+, B, B-	1,238	3.3	1,058	3.0
CCC or lower	30	0.1	53	0.1
Total fixed maturities	\$ 37,391	100.0%	\$ 35,601	100.0%

LIBERTY MUTUAL HOLDING COMPANY INC.

Net Realized Investment Gains and Losses

(dollars in millions)

(Unaudited)

	Sales & Dispositions	Impairments	Change in Trading Security Unrealized	Total
Net Realized Investment Gains (Losses)				
Three Months Ended December 31, 2005				
Fixed maturities	\$ 8	\$ (4)	\$ -	\$ 4
Common and preferred stock	126	(5)	-	121
Other	19	-	-	19
Total	\$ 153	\$ (9)	\$ -	\$ 144
Three Months Ended December 31, 2004				
Fixed maturities	\$ 105	\$ -	\$ 10	\$ 115
Common and preferred stock	35	4	5	44
Other	(16)	-	-	(16)
Total	\$ 124	\$ 4	\$ 15	\$ 143
Twelve Months Ended December 31, 2005				
Fixed maturities	\$ 175	\$ (4)	\$ -	\$ 171
Common and preferred stock	208	(14)	(3)	191
Other	161	-	-	161
Total	\$ 544	\$ (18)	\$ (3)	\$ 523
Twelve Months Ended December 31, 2004				
Fixed maturities	\$ 295	\$ (5)	\$ 14	\$ 304
Common and preferred stock	57	(30)	(3)	24
Other	(16)	-	-	(16)
Total	\$ 336	\$ (35)	\$ 11	\$ 312

	Three Months Ended December 31, 2005	Three Months Ended December 31, 2004	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2004
Components of Net Realized Investment Gains (Losses)				
Fixed maturities				
Gross realized gains	\$ 41	\$ 147	\$ 263	\$ 404
Gross realized losses	(37)	(32)	(92)	(100)
Equities				
Gross realized gains	127	45	237	108
Gross realized losses	(6)	(1)	(46)	(84)
Other				
Gross realized gains	22	41	165	55
Gross realized losses	(3)	(57)	(4)	(71)
Total net realized investment gains (losses)	\$ 144	\$ 143	\$ 523	\$ 312

LIBERTY MUTUAL HOLDING COMPANY INC.

Net Investment Income and Net Unrealized Investment Gains and Losses

(dollars in millions)

(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,	December 31,	December 31,	December 31,
	2005	2004	2005	2004
Components of Net Investment Income				
Interest income	\$ 548	\$ 503	\$ 2,103	\$ 1,944
Dividends	13	30	82	95
Limited partnerships and limited liability companies	26	16	208	141
Other investment income	1	1	6	5
Gross investment income	588	550	2,399	2,185
Investment expenses	(79)	(22)	(152)	(83)
Net investment income	\$ 509	\$ 528	\$ 2,247	\$ 2,102

Components of Change in Net Unrealized Investment Gains (Losses)

Fixed maturities	\$ (893)	\$ (92)
Equities	78	143
Other	2	8
Adjustments to deferred policy acquisition costs	26	(80)
Net change in unrealized investment (losses) gains	(787)	(21)
Deferred income taxes	276	7
Net change in unrealized investment gains (losses), net of tax	\$ (511)	\$ (14)

	Less Than 12 Months		Greater Than 12 Months	
	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
Unrealized Losses & Fair Value by Security Type				
U.S. Treasury securities	\$ (31)	\$ 2,130	\$ (18)	\$ 527
U.S. mortgage and asset-backed securities	(121)	7,406	(60)	1,207
State and municipal	(24)	1,587	(3)	77
Corporate and other	(155)	5,897	(60)	1,330
Foreign	(15)	960	(2)	57
Equities	(12)	145	(8)	59
Total	\$ (358)	\$ 18,125	\$ (151)	\$ 3,257

LIBERTY MUTUAL HOLDING COMPANY INC.

Issuer and Sector Exposure as of December 31, 2005

(dollars in millions)

(Unaudited)

	Fixed		Total	Percent of
Top 20 Issuers	Maturity	Equity	Exposure	Invested Assets
1 Bank of America	\$ 462	\$ 22	\$ 484	1.16%
2 Government of Canada	364	-	364	0.87%
3 JP Morgan Chase	342	17	359	0.86%
4 Government of Spain	334	-	334	0.80%
5 General Electric	299	33	332	0.79%
6 Wachovia Corp.	312	7	319	0.76%
7 Citigroup	277	37	314	0.75%
8 American International Group	269	16	285	0.68%
9 Government of Venezuela	279	-	279	0.67%
10 Wells Fargo Financial	240	9	249	0.59%
11 Federated Department Stores	244	2	246	0.59%
12 US Bancorp	224	5	229	0.55%
13 AT&T Corp.	214	8	222	0.53%
14 HSBC	216	2	218	0.52%
15 Royal Bank of Scotland	212	6	218	0.52%
16 Bellsouth Telecommunications	204	4	208	0.50%
17 Merrill Lynch & Co.	200	5	205	0.49%
18 Wal-Mart Stores	182	14	196	0.46%
19 City of Tacoma, WA	185	-	185	0.44%
20 Commonwealth of Massachusetts	182	-	182	0.43%
	<u><u>\$ 5,241</u></u>	<u><u>\$ 187</u></u>	<u><u>\$ 5,428</u></u>	<u><u>12.96%</u></u>

	Fixed		Total	Percent of
Top 20 Sectors	Maturity	Equity	Exposure	Invested Assets
1 Municipal	\$ 4,024	\$ -	\$ 4,024	9.61%
2 Banks	2,977	149	3,126	7.47%
3 Diversified Financial Services	2,435	122	2,557	6.11%
4 Sovereign	1,721	-	1,721	4.11%
5 Telecommunications	1,099	99	1,198	2.86%
6 Electric	989	48	1,037	2.48%
7 Retail	900	82	982	2.34%
8 Oil & Gas	604	229	833	1.99%
9 Transportation	618	22	640	1.53%
10 Insurance	467	73	540	1.29%
11 Home Builders	532	4	536	1.28%
12 Media	409	47	456	1.09%
13 Food	422	30	452	1.08%
14 Miscellaneous Manufacturers	229	64	293	0.70%
15 Auto Manufacturers	196	10	206	0.49%
16 Aerospace/Defense	170	23	193	0.46%
17 Building Materials	172	12	184	0.44%
18 Regional (state/province)	173	-	173	0.41%
19 Pharmaceuticals	82	79	161	0.38%
20 Apparel	135	7	142	0.34%
	<u><u>\$ 18,354</u></u>	<u><u>\$ 1,100</u></u>	<u><u>\$ 19,454</u></u>	<u><u>46.46%</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.

Reinsurance Security Oversight

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

LIBERTY MUTUAL HOLDING COMPANY INC.
Footnotes to Reinsurance Recoverable Exhibits

¹ AM Best Co. and Standard & Poor's ratings are as of December 31, 2005.

² Gross recoverables are defined as paid and unpaid claims and claim adjustment expense including IBNR and before both bad debt reserves set aside for potential uncollectible reinsurance and consideration of collateral.

³ Collateral refers to letters of credit, trust accounts and funds held against outstanding claims and claim adjustment expenses related to reinsurance recoverable balances.

⁴ Net recoverables are defined as the difference between the amount of gross recoverables and collateral held for specific reinsurance contracts.

⁵ The reinsurance recoverables from state mandated involuntary market pools and associations represent servicing carrier business.

As a servicing carrier, the Company retains no direct underwriting risk but instead cedes 100% of the involuntary market premium and losses back to the pool. Payment of losses is shared among the pool participants in proportion to their pool participation. Credit risk with respect to this servicing carrier business is the composite of the cumulative creditworthiness of all participants in their respective pools.

⁶ Reinsurers not rated by A.M. Best Co. and/or Standard & Poor's.

⁷ Reinsurance Groups are defined as all reinsurance subsidiaries owned by a common parent.

⁸ The rating of Nationwide Indemnity Co. (NIC) is determined for the purposes of this exhibit to equal the rating of its parent, Nationwide Mutual Insurance Co. Nationwide Mutual has guaranteed the timely payment and performance of the obligations of Nationwide Indemnity Company under the reinsurance agreements, dated Dec. 31, 1998, between NIC and Employers Insurance Company of Wausau and certain of its affiliated property and casualty companies.

⁹ The rating of 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.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by A.M. Best Rating

As of December 31, 2005 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities				
A++	\$ 1,972	\$ 942	\$ 1,030	8%
A+	5,846	929	4,982	39%
A	2,388	189	2,185	17%
A-	420	166	277	2%
B++	199	78	129	1%
B+	23	1	23	0%
B or Below	25	1	24	0%
Subtotal	\$ 10,873	\$ 2,306	\$ 8,650	67%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 3,306	\$ 7	\$ 3,298	26%
Voluntary	378	74	306	2%
Subtotal	\$ 3,684	\$ 81	\$ 3,604	28%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,068	\$ 1,282	\$ 9	0%
Other ⁶	1,001	437	632	5%
Subtotal	\$ 2,069	\$ 1,719	\$ 641	5%
Grand Total	\$ 16,626	\$ 4,106	\$ 12,895	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 December 31, 2005 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities				
AAA	\$ 1,372	\$ 623	\$ 749	6%
AA+, AA , AA-	4,313	1,291	3,099	24%
A+, A , A-	4,956	392	4,570	35%
BBB+, BBB , BBB -	142	79	74	1%
BB+ or Below	42	1	41	0%
Subtotal	\$ 10,825	\$ 2,386	\$ 8,533	66%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 3,306	\$ 7	\$ 3,298	26%
Voluntary	378	74	306	2%
Subtotal	\$ 3,684	\$ 81	\$ 3,604	28%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,068	\$ 1,282	\$ 9	0%
Other ⁶	1,049	357	749	6%
Subtotal	\$ 2,117	\$ 1,639	\$ 758	6%
Grand Total	\$ 16,626	\$ 4,106	\$ 12,895	100%

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

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of December 31, 2005

(dollars in millions)

¹ Reinsurance Groups ⁷ (Data in Millions)	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴
1 Nationwide Group ⁸	\$ 2,133	\$ 2	\$ 2,132
2 Swiss Re Group	1,845	439	1,410
3 Berkshire Hathaway Inc	1,386	626	760
4 Chubb	597	318	279
5 GE Global Insurance Group	574	46	534
6 Everest Re Group	491	-	491
7 Munich Re	466	3	463
8 PartnerRe Group	435	325	123
9 UPINSCO	419	430	-
10 Lloyds Syndicates	367	2	365
11 ACE	311	230	93
12 AIG	238	-	238
13 White Mountains Insurance Group	200	4	198
14 Equitas	184	-	184
15 Associated Electric & Gas	150	190	-
State Mandated Involuntary pools and associations ⁵	3,306	7	3,298
Voluntary pools and associations	378	74	306
All Other ⁹	3,146	1,410	2,021
Total Reinsurance Recoverables	\$ 16,626	\$ 4,106	\$ 12,895

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

LIBERTY MUTUAL HOLDING COMPANY INC.

Capitalization

(dollars in millions)

(Unaudited)

	As of December 31, 2005	As of December 31, 2004
DEBT		
Short-term debt		
Commercial paper	\$100	\$147
Revolving credit facilities	35	29
Medium Term Notes, maturing within one year	10	77
Total short-term debt	\$145	\$253
Long-term debt		
8.20%, Surplus Notes, due 2007	\$121	\$121
6.75%, Notes, due 2008	15	15
5.00%, Prudential Notes, due 2008	4	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	-
7.70%, Surplus Notes, due 2097	500	500
7.10% - 7.86%, Medium Term Notes, various	27	27
Subtotal	2,580	2,090
Unamortized discount	(25)	(16)
Total long-term debt	\$2,555	\$2,074
Total debt	\$2,700	\$2,327
POLICYHOLDERS' EQUITY		
Unassigned surplus	\$8,466	\$7,439
Accumulated other comprehensive income (AOCI)	392	1,258
Total policyholders' equity	\$8,858	\$8,697
CAPITALIZATION		
Capitalization including AOCI, net of tax	\$11,558	\$11,024
Capitalization excluding AOCI, net of tax	\$11,166	\$9,766
FINANCIAL LEVERAGE RATIOS		
Debt to capitalization including AOCI	23.4%	21.1%
Debt to capitalization excluding AOCI	24.2%	23.8%