



Financial Supplement
Quarter Ended June 30, 2006

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 June 30, 2006						Three Months Ended June 30, 2005					
	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	\$1,308	\$940	\$1,408	\$1,124	\$400	\$5,180	\$1,279	\$836	\$1,281	\$883	\$53	\$4,332
Net investment income	73	140	112	99	210	634	62	137	107	90	197	593
Net Realized investment gains	-	-	-	9	35	44	-	-	3	(2)	184	185
Fee and other revenues	13	86	24	17	52	192	13	89	24	9	45	180
Total revenues	1,394	1,166	1,544	1,249	697	6,050	1,354	1,062	1,415	980	479	5,290
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	897	798	983	808	471	3,957	855	721	832	610	114	3,132
Insurance operating costs and expenses	350	290	430	327	100	1,497	319	288	433	301	88	1,429
Dividends to policyholders	-	2	13	-	2	17	-	(15)	12	-	3	-
Other expenses	-	-	-	16	80	96	-	-	-	21	78	99
Total claims, benefits and expenses	1,247	1,090	1,426	1,151	653	5,567	1,174	994	1,277	932	283	4,660
Pre-tax operating income (loss) (excluding net realized investment gains)	147	76	118	89	9	439	180	68	135	50	12	445
Pre-tax income (loss) before discontinued operations and minority interest	147	76	118	98	44	483	180	68	138	48	196	630
Federal and foreign income tax expense (benefit)	50	27	41	32	10	160	63	24	48	38	(46)	127
Income before discontinued operations and minority interest	97	49	77	66	34	323	117	44	90	10	242	503
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Net income	\$97	\$49	\$77	\$66	\$34	\$323	\$117	\$44	\$90	\$7	\$242	\$500

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidating Statements of Income

(dollars in millions)

(Unaudited)

	Six Months Ended June 30, 2006						Six Months Ended June 30, 2005					
	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	\$2,584	\$1,818	\$2,757	\$2,123	\$564	\$9,846	\$2,536	\$1,679	\$2,520	\$1,689	\$113	\$8,537
Net investment income	144	276	220	188	366	1,194	131	270	213	171	363	1,148
Net Realized investment gains	-	-	-	24	45	69	-	-	3	(1)	204	206
Fee and other revenues	28	176	46	29	110	389	28	191	45	20	86	370
Total revenues	2,756	2,270	3,023	2,364	1,085	11,498	2,695	2,140	2,781	1,879	766	10,261
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	1,806	1,571	1,876	1,480	721	7,454	1,732	1,441	1,644	1,136	269	6,222
Insurance operating costs and expenses	686	568	872	643	163	2,932	614	575	852	577	192	2,810
Dividends to policyholders	-	3	29	-	5	37	-	(19)	22	-	6	9
Other expenses	-	-	-	32	156	188	-	-	-	39	146	185
Total claims, benefits and expenses	2,492	2,142	2,777	2,155	1,045	10,611	2,346	1,997	2,518	1,752	613	9,226
Pre-tax operating income (loss) (excluding net realized investment gains)	264	128	246	185	(5)	818	349	143	260	128	(51)	829
Pre-tax income (loss) before discontinued operations and minority interest	264	128	246	209	40	887	349	143	263	127	153	1,035
Federal and foreign income tax expense (benefit)	91	44	86	66	(15)	272	122	50	92	64	(201)	127
Income before discontinued operations and minority interest	173	84	160	143	55	615	227	93	171	63	354	908
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	(12)	-	(12)
Net income	\$173	\$84	\$160	\$143	\$55	\$615	\$227	\$93	\$171	\$51	\$354	\$896

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended June 30, 2006						Three Months Ended June 30, 2005					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues	\$1,394	\$1,166	\$1,544	\$1,249	\$697	\$6,050	\$1,354	\$1,062	\$1,415	\$980	\$479	\$5,290
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	\$228	\$145	\$170	\$134	\$64	\$741	\$214	\$118	\$143	\$81	\$53	\$609
Catastrophes: ¹												
- 2005 hurricanes	(2)	(28)	-	12	1	(17)	-	-	-	-	-	-
- All other	(79)	(11)	(62)	(18)	-	(170)	(34)	(7)	(9)	(30)	(6)	(86)
Net incurred attributable to prior years:												
- Asbestos	-	-	-	-	-	-	-	-	-	-	(2)	(2)
- All other ²	-	(9)	14	(39)	(53)	(87)	-	(22)	6	(1)	(31)	(48)
Discount accretion ³	-	(21)	(4)	-	(3)	(28)	-	(21)	(5)	-	(2)	(28)
Pre-tax operating income (loss)	147	76	118	89	9	439	180	68	135	50	12	445
Realized investment gains (losses), net	-	-	-	9	35	44	-	-	3	(2)	184	185
Federal and foreign income tax (expense) benefit	(50)	(27)	(41)	(32)	(10)	(160)	(63)	(24)	(48)	(38)	46	(127)
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Net income	\$97	\$49	\$77	\$66	\$34	\$323	\$117	\$44	\$90	\$7	\$242	\$500

¹ Catastrophes include all current and prior year catastrophe losses related to the Company's insurance lines and exclude losses related to the Company's reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for losses related to the events of September 11, 2001, the 2004 hurricanes and the 2005 hurricanes. Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (excluding prior year losses related to natural catastrophes and the events of September 11, 2001) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains and excluding discount accretion.

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%.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Six Months Ended June 30, 2006						Six Months Ended June 30, 2005					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues	\$2,756	\$2,270	\$3,023	\$2,364	\$1,085	\$11,498	\$2,695	\$2,140	\$2,781	\$1,879	\$766	\$10,261
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	\$404	\$245	\$305	\$248	\$93	\$1,295	\$403	\$223	\$263	\$159	\$37	\$1,085
Catastrophes: ¹												
- 2005 hurricanes	(13)	(32)	(3)	12	(5)	(41)	-	-	-	-	-	-
- All other	(127)	(19)	(81)	(18)	-	(245)	(61)	(10)	(16)	(30)	(6)	(123)
Net incurred attributable to prior years:												
- Asbestos	-	-	-	-	(1)	(1)	-	-	-	-	(2)	(2)
- All other ²	-	(23)	33	(57)	(87)	(134)	7	(28)	23	(1)	(75)	(74)
Discount accretion ³	-	(43)	(8)	-	(5)	(56)	-	(42)	(10)	-	(5)	(57)
Pre-tax operating income (loss)	264	128	246	185	(5)	818	349	143	260	128	(51)	829
Realized investment gains (losses), net	-	-	-	24	45	69	-	-	3	(1)	204	206
Federal and foreign income tax (expense) benefit	(91)	(44)	(86)	(66)	15	(272)	(122)	(50)	(92)	(64)	201	(127)
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	(12)	-	(12)
Net income	\$173	\$84	\$160	\$143	\$55	\$615	\$227	\$93	\$171	\$51	\$354	\$896

¹ Catastrophes include all current and prior year catastrophe losses related to the Company's insurance lines and exclude losses related to the Company's reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for losses related to the events of September 11, 2001, the 2004 hurricanes and the 2005 hurricanes. Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (excluding prior year losses related to natural catastrophes and the events of September 11, 2001) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains and excluding discount accretion.

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%.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of Statutory to GAAP Net Income

(dollars in millions)

(Unaudited)

	<u>Six Months Ended</u> <u>June 30, 2006</u>
Domestic insurance Statutory net income	<u>\$236</u>
Domestic insurance companies pre-tax GAAP adjustments	221
Subsidiaries and affiliates GAAP pre-tax income	265
GAAP tax adjustment	(107)
GAAP Group net income	<u><u>\$615</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 June 30, 2006					Three Months Ended June 30, 2005				
	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 expense ratio	61.7%	76.4%	65.4%	68.7%	67.0%	64.2%	79.4%	63.8%	66.6%	67.3%
Underwriting expense ratio	25.9%	20.7%	30.6%	27.5%	27.2%	24.3%	19.2%	32.0%	31.0%	27.9%
Dividend ratio	0.0%	0.2%	0.9%	0.0%	0.3%	0.0%	(2.0%)	0.9%	0.0%	(0.1%)
Subtotal	87.6%	97.3%	96.9%	96.2%	94.5%	88.5%	96.6%	96.7%	97.6%	95.1%
Catastrophes¹:										
- 2005 hurricanes	0.2%	3.4%	0.0%	(1.1%)	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	6.0%	1.3%	4.4%	1.6%	3.6%	2.7%	1.0%	0.7%	3.6%	2.1%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other ²	0.0%	1.0%	(1.0%)	3.6%	1.9%	0.0%	2.9%	(0.4%)	0.1%	1.2%
Discount accretion	0.0%	2.5%	0.3%	0.0%	0.6%	0.0%	2.7%	0.4%	0.0%	0.7%
Total Combined Ratio³	93.8%	105.5%	100.6%	100.3%	101.0%	91.2%	103.2%	97.4%	101.3%	99.1%

¹ The Company does not typically identify catastrophe losses from assumed voluntary reinsurance and Lloyd's Syndicate 4472 in the tables above given the expected volatility associated with property-reinsurance coverage. However, due to the significant impact that the 2004 hurricanes, 2005 hurricanes and the events of September 11, 2001 had on the Company's results, these losses have been classified as catastrophes. Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (excluding prior year losses related to natural catastrophes and the events of September 11, 2001) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains and excluding discount accretion.

³ 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.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Six Months Ended June 30, 2006					Six Months Ended June 30, 2005				
	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 expense ratio	64.2%	78.6%	65.3%	67.5%	68.0%	66.3%	79.7%	64.8%	66.5%	68.4%
Underwriting expense ratio	25.3%	20.5%	30.7%	28.3%	27.0%	23.1%	19.0%	31.8%	30.7%	27.6%
Dividend ratio	0.0%	0.2%	1.1%	0.0%	0.3%	0.0%	(1.3%)	0.9%	0.0%	0.0%
Subtotal	89.5%	99.3%	97.1%	95.8%	95.3%	89.4%	97.4%	97.5%	97.2%	96.0%
Catastrophes¹:										
- 2005 hurricanes	0.5%	2.0%	0.1%	(0.6%)	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	4.9%	1.1%	3.0%	0.9%	2.7%	2.4%	0.6%	0.6%	1.9%	1.5%
Net incurred attributable to prior years:										
- Asbestos	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	0.0%	1.4%	(1.2%)	2.8%	1.4%	(0.3%)	1.9%	(0.9%)	0.0%	0.9%
Discount accretion	0.0%	2.7%	0.3%	0.0%	0.6%	0.0%	2.8%	0.4%	0.0%	0.7%
Total Combined Ratio ²	94.9%	106.5%	99.3%	98.9%	100.5%	91.5%	102.7%	97.6%	99.1%	99.1%

¹ The Company does not typically identify catastrophe losses from assumed voluntary reinsurance and Lloyd's Syndicate 4472 in the tables above given the expected volatility associated with property-reinsurance coverage. However, due to the significant impact that the 2004 hurricanes, 2005 hurricanes and the events of September 11, 2001 had on the Company's results, these losses have been classified as catastrophes. Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (excluding prior year losses related to natural catastrophes and the events of September 11, 2001) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains and excluding discount accretion.

³ 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.

LIBERTY MUTUAL HOLDING COMPANY INC.

Allocation of Invested Assets

(dollars in millions)

(Unaudited)

	As of June 30, 2006		As of December 31, 2005	
	% of		% of	
	Market Value	Total	Market Value	Total
Invested Assets by Type				
Fixed maturities, available for sale, at fair value	\$38,284	88.7%	\$37,391	89.3%
Equity securities, available for sale, at fair value	2,278	5.3	1,908	4.6
Trading securities, at fair value	22	-	20	-
Limited partnerships and limited liability companies	1,394	3.2	1,040	2.5
Short-term investments	1,109	2.6	1,430	3.4
Other investments	93	0.2	84	0.2
Total invested assets	\$43,180	100.0%	\$41,873	100.0%

Fixed Maturities by Security Type

U.S. Government and agency securities	\$3,870	10.1%	\$4,570	12.2%
Mortgage and asset-backed securities	12,354	32.3	12,542	33.6
U.S. State and municipal	4,949	12.9	4,005	10.7
Corporate and other	15,014	39.2	14,552	38.9
Foreign government securities	2,097	5.5	1,722	4.6
Total fixed maturities	\$38,284	100.0%	\$37,391	100.0%

Fixed Maturities by Credit Quality

S&P Rating

AAA	\$20,334	53.1%	\$20,285	54.3%
AA+, AA, AA-	4,423	11.6	3,903	10.4
A+, A, A-	6,515	17.0	6,786	18.1
BBB+, BBB, BBB-	4,187	10.9	3,824	10.2
BB+, BB, BB-	1,628	4.3	1,325	3.6
B+, B, B-	1,154	3.0	1,238	3.3
CCC or lower	43	0.1	30	0.1
Total fixed maturities	\$38,284	100.0%	\$37,391	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 June 30, 2006				
Fixed maturities	\$8	(\$17)	\$ -	(\$9)
Common and preferred stock	43	-	-	43
Other	10	-	-	10
Total	\$61	(\$17)	\$ -	\$44
Three Months Ended June 30, 2005				
Fixed maturities	\$68	\$ -	\$ -	\$68
Common and preferred stock	47	(7)	7	47
Other	70	-	-	70
Total	\$185	(\$7)	\$7	\$185
Six Months Ended June 30, 2006				
Fixed maturities	\$18	(\$30)	\$ -	(\$12)
Common and preferred stock	69	(2)	-	67
Other	14	-	-	14
Total	\$101	(\$32)	\$ -	\$69
Six Months Ended June 30, 2005				
Fixed maturities	\$92	\$ -	\$ -	\$92
Common and preferred stock	59	(8)	(7)	44
Other	70	-	-	70
Total	\$221	(\$8)	(\$7)	\$206

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Components of Net Realized Investment Gains (Losses)				
Fixed maturities:				
Gross realized gains	\$18	\$94	\$46	\$138
Gross realized losses	(27)	(26)	(58)	(46)
Equities:				
Gross realized gains	45	64	75	82
Gross realized losses	(2)	(17)	(8)	(38)
Other:				
Gross realized gains	10	68	15	71
Gross realized losses	-	2	(1)	(1)
Total net realized investment gains (losses)	\$44	\$185	\$69	\$206

LIBERTY MUTUAL HOLDING COMPANY INC.

Net Investment Income and Net Unrealized Investment Gains and Losses

(dollars in millions)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Components of Net Investment Income				
Taxable interest income	\$510	\$501	\$1,008	\$1,000
Tax exempt interest income	46	12	87	20
Dividends	17	32	24	54
Limited partnerships and limited liability companies	87	64	129	117
Other investment income	2	4	5	7
Gross investment income	<u>662</u>	<u>613</u>	<u>1,253</u>	<u>1,198</u>
Investment expenses	(28)	(20)	(59)	(50)
Net investment income	<u>\$634</u>	<u>\$593</u>	<u>\$1,194</u>	<u>\$1,148</u>

	Six Months Ended	Twelve Months Ended
	June 30, 2006	December 31, 2005
Components of Change in Net Unrealized Investment Gains (Losses)		
Fixed maturities	(\$1,350)	(\$893)
Equities	(19)	78
Other	5	1
Adjustments to deferred policy acquisition costs	112	27
Net change in unrealized investment (losses) gains	<u>(1,252)</u>	<u>(787)</u>
Deferred income taxes	438	276
Net change in unrealized investment gains (losses), net of tax	<u>(\$814)</u>	<u>(\$511)</u>

	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. Government and agency securities	(\$94)	\$2,237	(\$47)	\$928
Mortgage and asset-backed securities	(391)	9,224	(106)	1,441
U.S. State and municipal	(126)	4,137	(22)	304
Corporate and other	(419)	8,580	(120)	1,638
Foreign government securities	(39)	1,345	(1)	31
Equities	(34)	396	(9)	49
Total	<u>(\$1,103)</u>	<u>\$25,919</u>	<u>(\$305)</u>	<u>\$4,391</u>

LIBERTY MUTUAL HOLDING COMPANY INC.

Issuer and Sector Exposure as of June 30, 2006

(dollars in millions)

(Unaudited)

Top 20 Issuers	Fixed Maturity	Equity	Total Exposure	Percent of Invested Assets
1 Bank of America	\$399	\$22	\$421	0.97%
2 Government of Canada	365	-	365	0.85%
3 JP Morgan Chase	325	13	338	0.78%
4 Wachovia Corp.	316	7	323	0.75%
5 General Electric	289	31	320	0.74%
6 Citigroup	266	37	303	0.70%
7 US Bancorp	215	80	295	0.68%
8 Government of Spain	293	-	293	0.68%
9 Government of Venezuela	288	-	288	0.67%
10 American International Group	264	14	278	0.64%
11 Merrill Lynch & Co.	210	62	272	0.63%
12 HSBC	240	20	260	0.60%
13 Wells Fargo Financial	248	10	258	0.60%
14 Federated Department Stores	224	2	226	0.52%
15 Royal Bank of Scotland	225	-	225	0.52%
16 Government of Brazil	225	-	225	0.52%
17 Wal-Mart Stores	198	14	212	0.49%
18 Goldman Sachs Group Inc	153	57	210	0.49%
19 United Mexican States / PEMEX	207	-	207	0.48%
20 DaimlerChrysler	201	-	201	0.47%
	\$5,151	\$369	\$5,520	12.78%

Top 20 Sectors	Fixed Maturity	Equity	Total Exposure	Percent of Invested Assets
1 Municipal	\$4,968	\$ -	\$4,968	11.51%
2 Banks	3,055	269	3,324	7.70%
3 Diversified Financial Services	2,463	237	2,700	6.25%
4 Sovereign	1,977	-	1,977	4.58%
5 Electric	1,210	44	1,254	2.90%
6 Telecommunications	1,030	111	1,141	2.64%
7 Retail	889	93	982	2.27%
8 Oil&Gas	557	319	876	2.03%
9 Transportation	589	26	615	1.42%
10 Insurance	465	69	534	1.24%
11 Food	479	26	505	1.17%
12 Home Builders	495	3	498	1.15%
13 Media	413	52	465	1.08%
14 Multi-National	304	-	304	0.70%
15 Miscellaneous Manufacturers	238	63	301	0.70%
16 Auto Manufacturers	271	19	290	0.67%
17 Aerospace/Defense	191	26	217	0.50%
18 Pharmaceuticals	89	88	177	0.41%
19 Building Materials	160	13	173	0.40%
20 Regional(state/province)	150	-	150	0.35%
	\$19,993	\$1,458	\$21,451	49.67%

Note 1: Charts exclude US Treasury and agency securities, mortgage-backed securities and private equity investments.

Note 2: Top 20 issuers excludes municipal obligations that are pre-refunded or escrowed to maturity.

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 June 30, 2006.
- 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.
- ¹⁰ In June 2006, Liberty obtained \$200M of collateral from Mystic Re Ltd. at the inception of the Northeast hurricane reinsurance contract. No loss has occurred, therefore, Gross and Net Recoverables are unaffected.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by A.M. Best Rating

As of June 30, 2006 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities				
A++	\$1,983	\$914	\$1,069	8%
A+	5,946	911	5,017	39%
A	2,267	207	2,136	17%
A-	398	189	225	2%
B++	127	64	85	1%
B+	20	1	20	-
B or Below	22	-	22	-
Subtotal	\$10,763	\$2,286	\$8,574	67%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$3,303	\$1	\$3,302	26%
Voluntary	372	73	299	2%
Subtotal	\$3,675	\$74	\$3,601	28%
Non-Rated Entities ⁶				
Captives & fronting companies	\$1,157	\$1,316	\$52	-
Other ⁶	1,100	685	704	5%
Subtotal	\$2,257	\$2,001	\$756	5%
Grand Total	\$16,695	\$4,361	\$12,931	100%

See explanation of footnoted items on page 13 of financial supplement.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by Standard & Poor's Rating

As of June 30, 2006 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities				
AAA	\$1,404	\$619	\$750	6%
AA+, AA , AA-	4,505	1,289	3,299	26%
A+, A , A-	4,678	372	4,342	34%
BBB+, BBB , BBB -	72	43	39	-
BB+ or Below	38	1	37	-
Subtotal	\$10,697	\$2,324	\$8,467	66%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$3,303	\$1	\$3,302	26%
Voluntary	372	73	299	2%
Subtotal	\$3,675	\$74	\$3,601	28%
Non-Rated Entities ⁶				
Captives & fronting companies	\$1,157	\$1,316	\$52	-
Other ⁶	1,166	647	811	6%
Subtotal	\$2,323	\$1,963	\$863	6%
Grand Total	\$16,695	\$4,361	\$12,931	100%

See explanation of footnoted items on page 13 of financial supplement.

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of June 30, 2006

(dollars in millions)

1 Reinsurance Groups ⁷ (Data in Millions)	Gross Recoverables ²	Collateral Held ³	Net Recoverables ⁴
1 Swiss Re Group	\$2,338	\$492	\$1,857
2 Nationwide Group ⁸	2,026	-	2,026
3 Berkshire Hathaway Inc	1,413	619	794
4 Chubb	573	295	278
5 Everest Re Group	560	-	560
6 UPINSCO	466	483	-
7 Munich Re	454	2	453
8 PartnerRe Group	429	321	121
9 ACE	383	233	168
10 Lloyds Syndicates	331	4	327
11 AIG	275	-	275
12 White Mountains Insurance Group	200	3	199
13 Equitas	185	-	185
14 Associated Electric & Gas	175	192	6
15 Arch Capital Group (U.S.)	154	76	85
State Mandated Involuntary pools and associations ⁵	3,303	1	3,302
Voluntary pools and associations	372	73	299
All Other ⁹	3,058	1,567	1,996
Total Reinsurance Recoverables	\$16,695	\$4,361	\$12,931

See explanation of footnoted items on page 13 of financial supplement.

LIBERTY MUTUAL HOLDING COMPANY INC.

Capitalization

(dollars in millions)

(Unaudited)

	As of June 30, 2006	As of December 31, 2005
	<u> </u>	<u> </u>
DEBT		
Short-term debt		
Commercial paper	\$91	\$100
Revolving credit facilities	38	35
Medium Term Notes, maturing within one year	121	10
Total short-term debt	<u>\$250</u>	<u>\$145</u>
Long-term debt		
8.20%, Surplus Notes, due 2007	\$0	\$121
6.75%, Notes, due 2008	15	15
5.00%, Prudential Notes, due 2008	4	4
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	500
7.70%, Surplus Notes, due 2097	500	500
7.10% - 7.86%, Medium Term Notes, various	27	27
Subtotal	<u>2,459</u>	<u>2,580</u>
Unamortized discount	<u>(25)</u>	<u>(25)</u>
Total long-term debt	<u>\$2,434</u>	<u>\$2,555</u>
Total debt	<u><u>\$2,684</u></u>	<u><u>\$2,700</u></u>
POLICYHOLDERS' EQUITY		
Unassigned surplus	\$9,081	\$8,466
Accumulated other comprehensive income (AOCI)	(352)	392
Total policyholders' equity	<u>\$8,729</u>	<u>\$8,858</u>
CAPITALIZATION		
Capitalization including AOCI, net of tax	\$11,413	\$11,558
Capitalization excluding AOCI, net of tax	\$11,765	\$11,166
FINANCIAL LEVERAGE RATIOS		
Debt to capitalization including AOCI	23.5%	23.4%
Debt to capitalization excluding AOCI	22.8%	24.2%