Financial Supplement

Quarter Ended September 30, 2006

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidating Statements of Income

(dollars in millions)

(Unaudited)

	Three Months Ended September 30, 2006						Three Months Ended September 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	$1,314	$996	$1,433	$1,081	$97	$4,921	$1,278	$839	$1,345	$873	$93	$4,428
Net investment income	76	141	116	107	224	664	69	139	112	85	185	590
Net Realized investment gains	-	-	-	1	241	242	-	-	3	13	157	173
Fee and other revenues	14	92	23	12	46	187	15	90	22	10	58	195
Total revenues	**1,404**	**1,229**	**1,572**	**1,201**	**608**	**6,014**	**1,362**	**1,068**	**1,482**	**981**	**493**	**5,386**
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	840	875	975	668	184	3,542	999	877	911	983	465	4,235
Insurance operating costs and expenses	349	297	453	365	92	1,556	282	258	443	294	(40)	1,237
Dividends to policyholders	-	1	13	-	3	17	(2)	1	12	-	2	13
Other expenses	-	-	-	17	88	105	-	-	-	13	78	91
Total claims, benefits and expenses	**1,189**	**1,173**	**1,441**	**1,050**	**367**	**5,220**	**1,279**	**1,136**	**1,366**	**1,290**	**505**	**5,576**
Pre-tax operating income (loss) (excluding net realized investment gains)	215	56	131	150	-	552	83	(68)	113	(322)	(169)	(363)
Pre-tax income (loss) before discontinued operations and minority interest	**215**	**56**	**131**	**151**	**241**	**794**	**83**	**(68)**	**116**	**(309)**	**(12)**	**(190)**
Federal and foreign income tax expense (benefit)	77	21	46	29	65	238	29	(24)	41	(88)	(26)	(68)
Income (loss) before discontinued operations and minority interest	138	35	85	122	176	556	54	(44)	75	(221)	14	(122)
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	**$138**	**$35**	**$85**	**$122**	**$176**	**$556**	**$54**	**($44)**	**$75**	**($221)**	**$14**	**($122)**

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidating Statements of Income

(dollars in millions)

(Unaudited)

	Nine Months Ended September 30, 2006						Nine Months Ended September 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	$3,898	$2,814	$4,190	$3,204	$661	$14,767	$3,814	$2,518	$3,865	$2,562	$206	$12,965
Net investment income	220	417	336	295	590	1,858	200	409	325	256	548	1,738
Net Realized investment gains	-	-	-	25	286	311	-	-	6	12	361	379
Fee and other revenues	42	268	69	41	156	576	43	281	67	30	144	565
Total revenues	**4,160**	**3,499**	**4,595**	**3,565**	**1,693**	**17,512**	**4,057**	**3,208**	**4,263**	**2,860**	**1,259**	**15,647**
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	2,646	2,446	2,851	2,148	905	10,996	2,731	2,318	2,555	2,119	734	10,457
Insurance operating costs and expenses	1,035	865	1,325	1,008	255	4,488	896	833	1,295	871	152	4,047
Dividends to policyholders	-	4	42	-	8	54	(2)	(18)	34	-	8	22
Other expenses	-	-	-	49	244	293	-	-	-	52	224	276
Total claims, benefits and expenses	**3,681**	**3,315**	**4,218**	**3,205**	**1,412**	**15,831**	**3,625**	**3,133**	**3,884**	**3,042**	**1,118**	**14,802**
Pre-tax operating income (loss) (excluding net realized investment gains)	479	184	377	335	(5)	1,370	432	75	373	(194)	(220)	466
Pre-tax income (loss) before discontinued operations and minority interest	**479**	**184**	**377**	**360**	**281**	**1,681**	**432**	**75**	**379**	**(182)**	**141**	**845**
Federal and foreign income tax expense (benefit)	168	65	132	95	50	510	151	26	133	(24)	(227)	59
Income (loss) before discontinued operations and minority interest	311	119	245	265	231	1,171	281	49	246	(158)	368	786
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	(12)	-	(12)
Net income (loss)	**$311**	**$119**	**$245**	**$265**	**$231**	**$1,171**	**$281**	**$49**	**$246**	**($170)**	**$368**	**$774**

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended September 30, 2006					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues	$1,404	$1,229	$1,572	$1,201	$608	$6,014
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	$232	$124	$147	$152	$55	$710
Catastrophes: [1]						
- 2005 hurricanes	3	2	(1)	(40)	(4)	(40)
- All other	(40)	(16)	(35)	-	-	(91)
Net incurred attributable to prior years:						
- Asbestos	-	-	-	-	(1)	(1)
- All other [2]	20	(37)	24	38	(48)	(3)
Discount accretion [3]	-	(17)	(4)	-	(2)	(23)
Pre-tax operating income (loss)	215	56	131	150	-	552
Realized investment gains, net	-	-	-	1	241	242
Federal and foreign income tax (expense) benefit	(77)	(21)	(46)	(29)	(65)	(238)
Discontinued operations, net of tax	-	-	-	-	-	-
Net income (loss)	**$138**	**$35**	**$85**	**$122**	**$176**	**$556**

	Three Months Ended September 30, 2005					
	Personal Market	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues	$1,362	$1,068	$1,482	$981	$493	$5,386
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	$270	$110	$146	$88	$165	$779
Catastrophes: [1]						
- 2005 hurricanes	(264)	(116)	(50)	(402)	(96)	(928)
- All other	(15)	(8)	(7)	(19)	6	(43)
Net incurred attributable to prior years:						
- Asbestos	-	-	-	-	(208)	(208)
- All other [2]	92	(32)	31	11	(33)	69
Discount accretion [3]	-	(22)	(7)	-	(3)	(32)
Pre-tax operating income (loss)	83	(68)	113	(322)	(169)	(363)
Realized investment gains, net	-	-	3	13	157	173
Federal and foreign income tax (expense) benefit	(29)	24	(41)	88	26	68
Discontinued operations, net of tax	-	-	-	-	-	-
Net income (loss)	**$54**	**($44)**	**$75**	**($221)**	**$14**	**($122)**

[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, Hurricanes Charley, Frances, Ivan and Jeanne ("2004 hurricanes") and Hurricanes Katrina, Rita and Wilma ("2005 hurricanes"). Losses related to the 2005 hurricanes in both periods of 2005 do not include losses related to Hurricane Wilma as that event occurred in the fourth quarter of 2005. 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 for voluntary and involuntary business accrete to nominal value. In 2006, Commercial Markets reclassified the discount accretion related to involuntary market workers compensation long-term indemnity claims from net incurred losses attributable to prior years to discount accretion. Results for 2005 reflect this reclassification. Asbestos structured settlements are discounted at 4.5%.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Nine Months Ended September 30, 2006						Nine Months Ended September 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	$4,160	$3,499	$4,595	$3,565	$1,693	$17,512	$4,057	$3,208	$4,263	$2,860	$1,259	$15,647
Pre-tax operating income (loss) before catastrophes and incurred attributable to prior years	$636	$369	$452	$400	$148	$2,005	$673	$324	$409	$247	$202	$1,855
Catastrophes: [1]												
- 2005 hurricanes	(10)	(30)	(4)	(28)	(9)	(81)	(264)	(107)	(50)	(402)	(96)	(919)
- All other	(167)	(35)	(116)	(18)	-	(336)	(76)	(18)	(23)	(49)	-	(166)
Net incurred attributable to prior years:												
- Asbestos	-	-	-	-	(2)	(2)	-	-	-	-	(210)	(210)
- All other [2]	20	(60)	57	(19)	(135)	(137)	99	(60)	54	10	(108)	(5)
Discount accretion [3]	-	(60)	(12)	-	(7)	(79)	-	(64)	(17)	-	(8)	(89)
Pre-tax operating income (loss)	479	184	377	335	(5)	1,370	432	75	373	(194)	(220)	466
Realized investment gains, net	-	-	-	25	286	311	-	-	6	12	361	379
Federal and foreign income tax (expense) benefit	(168)	(65)	(132)	(95)	(50)	(510)	(151)	(26)	(133)	24	227	(59)
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	(12)	-	(12)
Net income (loss)	**$311**	**$119**	**$245**	**$265**	**$231**	**$1,171**	**$281**	**$49**	**$246**	**($170)**	**$368**	**$774**

[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, Hurricanes Charley, Frances, Ivan and Jeanne ("2004 hurricanes") and Hurricanes Katrina, Rita and Wilma ("2005 hurricanes"). Losses related to the 2005 hurricanes in both periods of 2005 do not include losses related to Hurricane Wilma as that event occurred in the fourth quarter of 2005. 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 for voluntary and involuntary business accrete to nominal value. In 2006, Commercial Markets reclassified the discount accretion related to involuntary market workers compensation long-term indemnity claims from net incurred losses attributable to prior years to discount accretion. Results for 2005 reflect this reclassification. Asbestos structured settlements are discounted at 4.5%.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of Statutory to GAAP Net Income

(dollars in millions)

(Unaudited)

	Nine Months Ended September 30, 2006
Domestic insurance Statutory net income	**$593**
Domestic insurance companies pre-tax GAAP adjustments	305
Subsidiaries and affiliates GAAP pre-tax income	435
GAAP tax adjustment	(162)
GAAP Group net income	**$1,171**

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, 2006					Three Months Ended September 30, 2005				
Combined ratio, before catastrophes and incurred attributable to prior years	Personal Market	Commercial Markets	Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Consolidated
Claims and claims adjustment expense ratio	62.8%	80.4%	66.5%	63.9%	67.4%	63.6%	81.7%	65.0%	70.3%	68.9%
Underwriting expense ratio	25.1%	18.3%	30.0%	29.9%	27.0%	20.5%	19.0%	31.1%	27.1%	22.5%
Dividend ratio	0.0%	0.2%	0.9%	0.0%	0.3%	(0.2%)	0.1%	0.9%	0.0%	0.2%
Subtotal	**87.9%**	**98.9%**	**97.4%**	**93.8%**	**94.7%**	**83.9%**	**100.8%**	**97.0%**	**97.4%**	**91.6%**
Catastrophes[1]:										
- 2005 hurricanes	(0.2%)	(0.2%)	0.0%	3.4%	0.8%	20.7%	15.8%	3.7%	47.9%	21.9%
- All other	3.0%	1.7%	2.5%	0.0%	1.9%	1.1%	1.0%	0.6%	2.0%	1.1%
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%	4.8%
- All other [2]	(1.5%)	4.2%	(1.7%)	(3.5%)	0.1%	(7.2%)	3.8%	(2.3%)	(1.4%)	(1.8%)
Discount accretion	0.0%	1.8%	0.3%	0.0%	0.5%	0.0%	3.0%	0.5%	0.0%	0.7%
Total Combined Ratio [3]	**89.2%**	**106.4%**	**98.5%**	**93.7%**	**98.0%**	**98.5%**	**124.4%**	**99.5%**	**145.9%**	**118.3%**

[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, Hurricanes Charley, Frances, Ivan and Jeanne ("2004 hurricanes") and Hurricanes Katrina, Rita and Wilma ("2005 hurricanes"). Losses related to the 2005 hurricanes in both periods of 2005 do not include losses related to Hurricane Wilma as that event occurred in the fourth quarter of 2005. 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)

	Nine Months Ended September 30, 2006					Nine Months Ended September 30, 2005				
Combined ratio, before catastrophes and incurred attributable to prior years	Personal Market	Commercial Markets	Agency Markets	International	Consolidated	Personal Market	Commercial Markets	Agency Markets	International	Consolidated
Claims and claims adjustment expense ratio	63.6%	79.2%	65.7%	66.2%	67.8%	65.4%	80.7%	64.9%	67.9%	68.6%
Underwriting expense ratio	25.3%	19.7%	30.5%	28.9%	27.0%	22.2%	19.0%	31.5%	29.3%	25.8%
Dividend ratio	0.0%	0.2%	1.0%	0.0%	0.3%	(0.1%)	(0.8%)	0.9%	0.0%	0.1%
Subtotal	**88.9%**	**99.1%**	**97.2%**	**95.1%**	**95.1%**	**87.5%**	**98.9%**	**97.3%**	**97.2%**	**94.5%**
Catastrophes[1]:										
- 2005 hurricanes	0.3%	1.2%	0.1%	0.9%	0.6%	6.9%	4.8%	1.3%	16.4%	7.4%
- All other	4.3%	1.4%	2.8%	0.6%	2.4%	2.0%	0.8%	0.7%	1.9%	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%	1.7%
- All other	(0.5%)	2.4%	(1.4%)	0.5%	1.0%	(2.6%)	2.5%	(1.4%)	(0.4%)	0.0%
Discount accretion	0.0%	2.4%	0.3%	0.0%	0.6%	0.0%	2.9%	0.4%	0.0%	0.7%
Total Combined Ratio [2]	**93.0%**	**106.5%**	**99.0%**	**97.1%**	**99.7%**	**93.8%**	**109.9%**	**98.3%**	**115.1%**	**105.7%**

[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, Hurricanes Charley, Frances, Ivan and Jeanne ("2004 hurricanes") and Hurricanes Katrina, Rita and Wilma ("2005 hurricanes"). Losses related to the 2005 hurricanes in both periods of 2005 do not include losses related to Hurricane Wilma as that event occurred in the fourth quarter of 2005. Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

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LIBERTY MUTUAL HOLDING COMPANY INC.

Allocation of Invested Assets

(dollars in millions)

(Unaudited)

	As of September 30, 2006		As of December 31, 2005	
	Market Value	% of Total	Market Value	% of Total
Invested Assets by Type				
Fixed maturities, available for sale, at fair value	$40,159	88.0%	$37,391	89.3%
Equity securities, available for sale, at fair value	2,440	5.4	1,908	4.6
Trading securities, at fair value	22	-	20	-
Limited partnerships and limited liability companies	1,547	3.4	1,040	2.5
Short-term investments	1,373	3.0	1,430	3.4
Other investments	88	0.2	84	0.2
Total invested assets	**$45,629**	**100.0%**	**$41,873**	**100.0%**
Fixed Maturities by Security Type				
U.S. Government and agency securities	$4,697	11.7%	$4,570	12.2%
Mortgage and asset-backed securities	12,633	31.4	12,542	33.6
U.S. State and municipal	5,333	13.3	4,005	10.7
Corporate and other	15,263	38.0	14,400	38.5
Foreign government securities	2,233	5.6	1,874	5.0
Total fixed maturities	**$40,159**	**100.0%**	**$37,391**	**100.0%**
Fixed Maturities by Credit Quality				
S&P Rating				
AAA	$21,816	54.3%	$20,285	54.3%
AA+, AA, AA-	4,650	11.6	3,903	10.4
A+, A, A-	6,662	16.6	6,786	18.1
BBB+, BBB, BBB-	4,207	10.5	3,824	10.2
BB+, BB, BB-	1,644	4.1	1,325	3.6
B+, B, B-	1,120	2.8	1,238	3.3
CCC or lower	60	0.1	30	0.1
Total fixed maturities	**$40,159**	**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 September 30, 2006				
Fixed maturities	($3)	($6)	$ -	($9)
Common and preferred stock	19	(6)	-	13
Other	238	-	-	238
Total	**$254**	**($12)**	**$ -**	**$242**
Three Months Ended September 30, 2005				
Fixed maturities	$75	$ -	$ -	$75
Common and preferred stock	23	(1)	4	26
Other	72	-	-	72
Total	**$170**	**($1)**	**$4**	**$173**
Nine Months Ended September 30, 2006				
Fixed maturities	$15	($36)	$ -	($21)
Common and preferred stock	88	(8)	-	80
Other	252	-	-	252
Total	**$355**	**($44)**	**$ -**	**$311**
Nine Months Ended September 30, 2005				
Fixed maturities	$167	$ -	$ -	$167
Common and preferred stock	82	(9)	(3)	70
Other	142	-	-	142
Total	**$391**	**($9)**	**($3)**	**$379**

	Three Months Ended		Nine Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Components of Net Realized Investment Gains (Losses)				
Fixed maturities:				
Gross realized gains	$9	$84	$55	$222
Gross realized losses	(18)	(9)	(76)	(55)
Equities:				
Gross realized gains	22	28	97	110
Gross realized losses	(9)	(2)	(17)	(40)
Other:				
Gross realized gains	239	73	254	144
Gross realized losses	(1)	(1)	(2)	(2)
Total net realized investment gains	**$242**	**$173**	**$311**	**$379**

LIBERTY MUTUAL HOLDING COMPANY INC.

Net Investment Income and Net Unrealized Investment Gains and Losses

(dollars in millions)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2006	**September 30, 2005**	**September 30, 2006**	**September 30, 2005**
Components of Net Investment Income				
Taxable interest income	$538	$514	$1,546	$1,514
Tax exempt interest income	53	21	140	41
Dividends	19	8	43	62
Limited partnerships and limited liability companies	82	72	211	189
Other investment income	(1)	(2)	4	5
Gross investment income	691	613	1,944	1,811
Investment expenses	(27)	(23)	(86)	(73)
Net investment income	**$664**	**$590**	**$1,858**	**$1,738**

	Nine Months Ended September 30, 2006	**Twelve Months Ended December 31, 2005**
Components of Change in Net Unrealized Investment Gains (Losses)		
Fixed maturities	($296)	($893)
Equities	87	78
Other	5	1
Adjustments to deferred policy acquisition costs	59	27
Net change in unrealized investment (losses) gains	(145)	(787)
Deferred income taxes	51	276
Net change in unrealized investment gains (losses), net of tax	**($94)**	**($511)**

	Less Than 12 Months		**Greater Than 12 Months**	
Unrealized Losses & Fair Value by Security Type	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
U.S. Government and agency securities	($9)	$540	($61)	$2,355
Mortgage and asset-backed securities	(40)	3,818	(178)	5,209
U.S. State and municipal	(3)	262	(12)	673
Corporate and other	(66)	3,794	(196)	4,468
Foreign government securities	(12)	779	(2)	129
Equities	(20)	251	(7)	54
Total	**($150)**	**$9,444**	**($456)**	**$12,888**

LIBERTY MUTUAL HOLDING COMPANY INC.
Issuer and Sector Exposure as of September 30, 2006
(dollars in millions)
(Unaudited)

	Top 20 Issuers	Fixed Maturity	Equity	Total Exposure	Percent of Invested Assets
1	Bank of America	$399	$35	$434	0.95%
2	Government of Canada	372	-	372	0.82%
3	JP Morgan Chase	327	15	342	0.75%
4	General Electric	298	34	332	0.73%
5	Wachovia Corp.	324	8	332	0.73%
6	Citigroup	282	38	320	0.70%
7	Merrill Lynch & Co.	240	70	310	0.68%
8	US Bancorp	225	83	308	0.68%
9	Government of Spain	301	-	301	0.66%
10	Government of Venezuela	292	-	292	0.64%
11	American International Group	269	15	284	0.62%
12	Wells Fargo Financial	262	11	273	0.60%
13	HSBC	248	21	269	0.59%
14	Goldman Sachs Group Inc	168	75	243	0.53%
15	Government of Brazil	236	-	236	0.52%
16	Federated Department Stores	230	2	232	0.51%
17	Royal Bank of Scotland	231	-	231	0.51%
18	DaimlerChrysler	216	-	216	0.47%
19	Wal-Mart Stores	200	15	215	0.47%
20	United Mexican States / PEMEX	215	-	215	0.47%
		$5,335	**$422**	**$5,757**	**12.63%**

	Top 20 Sectors	Fixed Maturity	Equity	Total Exposure	Percent of Invested Assets
1	Municipal	$5,350	$ -	$5,350	11.72%
2	Banks	3,124	286	3,410	7.47%
3	Diversified Financial Services	2,568	270	2,838	6.22%
4	Sovereign	2,105	-	2,105	4.61%
5	Electric	1,243	60	1,303	2.86%
6	Telecommunications	1,016	123	1,139	2.50%
7	Retail	914	95	1,009	2.21%
8	Oil&Gas	557	330	887	1.94%
9	Transportation	614	26	640	1.40%
10	Insurance	492	75	567	1.24%
11	Media	455	54	509	1.12%
12	Food	468	29	497	1.09%
13	Home Builders	457	3	460	1.01%
14	Miscellaneous Manufacturers	270	58	328	0.72%
15	Auto Manufacturers	291	18	309	0.68%
16	Multi-National	295	-	295	0.65%
17	Aerospace/Defense	203	35	238	0.52%
18	Pharmaceuticals	84	104	188	0.41%
19	Building Materials	175	11	186	0.41%
20	Regional(state/province)	160	-	160	0.35%
		$20,841	**$1,577**	**$22,418**	**49.13%**

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.

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 September 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 December 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 September 30, 2006 [1]

(dollars in millions)

(Unaudited)

		Gross Recoverables [2]		Collateral Held [3, 10]		Net Recoverables [4]	% of Total Net Recov.
Rated Entities							
A++	$	1,902	$	897	$	1,006	8%
A+		5,818		935		4,924	39%
A		2,201		177		2,049	17%
A-		466		189		292	2%
B++		72		69		32	0%
B+		19		-		19	0%
B or Below		17		-		16	0%
Subtotal	**$**	**10,495**	**$**	**2,267**	**$**	**8,338**	**66%**
Pools & Associations							
State mandated involuntary pools and associations [5]	$	3,150	$	1	$	3,149	25%
Voluntary		352		73		279	2%
Subtotal	**$**	**3,502**	**$**	**74**	**$**	**3,428**	**27%**
Non-Rated Entities [6]							
Captives & fronting companies	$	1,213	$	1,338	$	66	1%
Other [6]		1,071		642		703	6%
Subtotal	**$**	**2,284**	**$**	**1,980**	**$**	**769**	**7%**
Grand Total	**$**	**16,281**	**$**	**4,321**	**$**	**12,535**	**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 September 30, 2006 [1]

(dollars in millions)

(Unaudited)

	Gross Recoverables [2]	Collateral Held [3, 10]	Net Recoverables [4]	% of Total Net Recov.
Rated Entities				
AAA	$ 1,378	$ 629	$ 749	6%
AA+, AA , AA-	4,451	1,273	3,226	26%
A+, A , A-	4,479	366	4,163	33%
BBB+, BBB , BBB -	70	41	43	0%
BB+ or Below	20	-	20	0%
Subtotal	**$ 10,398**	**$ 2,309**	**$ 8,201**	**65%**
Pools & Associations				
State mandated involuntary pools and associations [5]	$ 3,150	$ 1	$ 3,149	25%
Voluntary	352	73	279	2%
Subtotal	**$ 3,502**	**$ 74**	**$ 3,428**	**27%**
Non-Rated Entities [6]				
Captives & fronting companies	$ 1,213	$ 1,338	$ 66	1%
Other [6]	1,168	600	840	7%
Subtotal	**$ 2,381**	**$ 1,938**	**$ 906**	**8%**
Grand Total	**$ 16,281**	**$ 4,321**	**$ 12,535**	**100%**

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

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of September 30, 2006

(dollars in millions)

(Unaudited)

	Reinsurance Groups [7] (Data in Millions)		Gross Recoverables [2]		Collateral Held [3, 10]		Net Recoverables [4]
1	Swiss Re Group	$	2,380	$	526	$	1,867
2	Nationwide Group [8]		1,932		-		1,932
3	Berkshire Hathaway Inc		1,389		630		760
4	Everest Re Group		586		-		586
5	Chubb		522		267		255
6	UPINSCO		488		481		6
7	Munich Re		452		3		449
8	PartnerRe Group		409		324		104
9	ACE		352		248		134
10	Lloyds Syndicates		311		4		307
11	AIG		283		-		283
12	Equitas		205		-		205
13	White Mountains Insurance Group		190		3		188
14	Associated Electric & Gas		185		208		-
15	Arch Capital Group (U.S.)		166		76		96
	State Mandated Involuntary pools and associations [5]		3,150		1		3,149
	Voluntary pools and associations		352		73		279
	All Other [9]		2,929		1,477		1,935
	Total Reinsurance Recoverables	**$**	**16,281**	**$**	**4,321**	**$**	**12,535**

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

LIBERTY MUTUAL HOLDING COMPANY INC.

Capitalization

(dollars in millions)

(Unaudited)

	As of September 30, 2006	As of December 31, 2005
DEBT		
Short-term debt		
Commercial paper	$-	$100
Revolving credit facilities	40	35
Medium Term Notes, maturing within one year	121	10
Total short-term debt	$161	$145
Long-term debt		
8.20%, Surplus Notes, due 2007	$-	$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
6.70%, Senior Notes, due 2016	250	-
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
7.50%, Senior Notes, due 2036	500	-
7.70%, Surplus Notes, due 2097	500	500
7.10% - 7.86%, Medium Term Notes, various	27	27
Subtotal	3,209	2,580
Unamortized discount	(35)	(25)
Total long-term debt	$3,174	$2,555
Total debt	$3,335	$2,700
POLICYHOLDERS' EQUITY		
Unassigned surplus	$9,637	$8,466
Accumulated other comprehensive income (AOCI)	369	392
Total policyholders' equity	$10,006	$8,858
CAPITALIZATION		
Capitalization including AOCI, net of tax	$13,341	$11,558
Capitalization excluding AOCI, net of tax	$12,972	$11,166
FINANCIAL LEVERAGE RATIOS		
Debt to capitalization including AOCI	25.0%	23.4%
Debt to capitalization excluding AOCI	25.7%	24.2%