



Financial Supplement
Quarter Ended December 31, 2006

LIBERTY MUTUAL HOLDING COMPANY INC.
Financial Supplement

	<u>Page Number</u>
Consolidating Financial Results by Strategic Business Unit	
- Statements of Income - Three Months Ended December 31, 2006 & 2005	1
- Statements of Income - Twelve Months Ended December 31, 2006 & 2005	2
- Reconciliation of PTOI to Net Income - Three Months Ended December 31, 2006 & 2005	3
- Reconciliation of PTOI to Net Income - 12 Months Ended December 31, 2006 & 2005	4
- Reconciliation of Statutory to GAAP Net Income	5
- Combined Ratio - Three Months Ended December 31, 2006 & 2005	6
- Combined Ratio - Twelve Months Ended December 31, 2006 & 2005	7
Consolidating Statements of Income by Quarter	
- Statements of Income By Quarter - 2006	8
- Statements of Income By Quarter - 2005	9
Investments	
- Allocation of Invested Assets	10
- Net Realized Investment Gains and Losses	11
- Net Investment Income and Net Unrealized Investment Gains and Losses	12
- Issuer and Sector Exposure	13
Reinsurance Recoverables	
- Reinsurance Overview	14
- Footnotes to Reinsurance Recoverable Exhibits	15
- Distribution of Reinsurance Recoverables by A.M. Best Rating	16
- Distribution of Reinsurance Recoverables by Standard & Poor's Rating	17
- Top 15 Reinsurance Recoverables by Group	18
Capitalization	19

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidating Statements of Income

(dollars in millions)

(Unaudited)

	Three Months Ended December 31, 2006						Three Months Ended December 31, 2005					
	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues												
Premiums earned	\$ 1,350	\$ 999	\$ 1,445	\$ 1,194	\$ 112	\$ 5,100	\$ 1,294	\$ 951	\$ 1,370	\$ 918	\$ 133	\$ 4,666
Net investment income	78	145	120	118	229	690	69	137	117	98	88	509
Net realized investment gains	-	-	-	(2)	34	32	-	-	3	17	124	144
Fee and other revenues	14	90	23	15	44	186	15	95	23	10	52	195
Total revenues	1,442	1,234	1,588	1,325	419	6,008	1,378	1,183	1,513	1,043	397	5,514
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	848	822	910	809	205	3,594	933	839	917	821	290	3,800
Insurance operating costs and expenses	377	332	469	377	153	1,708	348	274	441	241	17	1,321
Dividends to policyholders	-	1	17	-	3	21	-	-	15	-	2	17
Other expenses	-	-	-	19	89	108	-	-	-	19	72	91
Total claims, benefits and expenses	1,225	1,155	1,396	1,205	450	5,431	1,281	1,113	1,373	1,081	381	5,229
Pre-tax operating income (loss) (excluding net realized investment gains)	217	79	192	122	(65)	545	97	70	137	(55)	(108)	141
Pre-tax income (loss) before discontinued operations and minority interest	217	79	192	120	(31)	577	97	70	140	(38)	16	285
Federal and foreign income tax expense (benefit)	75	29	67	7	(56)	122	34	24	49	(47)	(28)	32
Income before discontinued operations and minority interest	142	50	125	113	25	455	63	46	91	9	44	253
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income	\$ 142	\$ 50	\$ 125	\$ 113	\$ 25	\$ 455	\$ 63	\$ 46	\$ 91	\$ 9	\$ 44	\$ 253

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidating Statements of Income

(dollars in millions)

(Unaudited)

	Twelve Months Ended December 31, 2006						Twelve Months Ended December 31, 2005					
	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues												
Premiums earned	\$ 5,248	\$ 3,813	\$ 5,635	\$ 4,398	\$ 773	\$ 19,867	\$ 5,108	\$ 3,469	\$ 5,235	\$ 3,480	\$ 339	\$ 17,631
Net investment income	298	562	456	413	819	2,548	269	546	442	354	636	2,247
Net realized investment gains	-	-	-	23	320	343	-	-	9	29	485	523
Fee and other revenues	56	358	92	56	200	762	58	376	90	40	196	760
Total revenues	5,602	4,733	6,183	4,890	2,112	23,520	5,435	4,391	5,776	3,903	1,656	21,161
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	3,513	3,268	3,761	2,957	1,110	14,609	3,679	3,157	3,472	2,940	1,024	14,272
Insurance operating costs and expenses	1,393	1,197	1,794	1,385	408	6,177	1,229	1,107	1,736	1,112	169	5,353
Dividends to policyholders	-	5	59	-	11	75	(2)	(18)	49	-	10	39
Other expenses	-	-	-	68	333	401	-	-	-	71	296	367
Total claims, benefits and expenses	4,906	4,470	5,614	4,410	1,862	21,262	4,906	4,246	5,257	4,123	1,499	20,031
Pre-tax operating income (loss) (excluding net realized investment gains)	696	263	569	457	(70)	1,915	529	145	510	(249)	(328)	607
Pre-tax income (loss) before discontinued operations and minority interest	696	263	569	480	250	2,258	529	145	519	(220)	157	1,130
Federal and foreign income tax expense (benefit)	243	94	199	102	(6)	632	185	50	182	(71)	(255)	91
Income before discontinued operations and minority interest	453	169	370	378	256	1,626	344	95	337	(149)	412	1,039
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	(12)	-	(12)
Net income (loss)	\$ 453	\$ 169	\$ 370	\$ 378	\$ 256	\$ 1,626	\$ 344	\$ 95	\$ 337	\$ (161)	\$ 412	\$ 1,027

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended December 31, 2006						Three Months Ended December 31, 2005					
	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues	\$ 1,442	\$ 1,234	\$ 1,588	\$ 1,325	\$ 419	\$ 6,008	\$ 1,378	\$ 1,183	\$ 1,513	\$ 1,043	\$ 397	\$ 5,514
Pre-tax operating income before catastrophes and incurred attributable to prior years and current accident year re-estimation.	\$ 208	\$ 146	\$ 146	\$ 143	\$ 24	\$ 667	\$ 224	\$ 120	\$ 130	\$ 202	\$ 3	\$ 679
Catastrophes: ¹												
- 2005 hurricanes	-	-	3	(16)	(19)	(32)	(122)	(28)	(30)	(304)	(57)	(541)
- All other	(41)	(10)	(34)	-	(7)	(92)	(5)	11	(10)	-	(6)	(10)
Net incurred attributable to prior years:												
- Asbestos & environmental ²	-	-	-	-	(20)	(20)	-	-	-	-	(3)	(3)
- All other ³	50	(120)	18	(5)	(43)	(100)	-	(33)	47	47	(45)	16
Current accident year re-estimation ⁴	-	63	59	-	-	122	-	-	-	-	-	-
Pre-tax operating income (loss)	217	79	192	122	(65)	545	97	70	137	(55)	(108)	141
Realized investment gains (losses), net	-	-	-	(2)	34	32	-	-	3	17	124	144
Federal and foreign income tax (expense) benefit	(75)	(29)	(67)	(7)	56	(122)	(34)	(24)	(49)	47	28	(32)
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income	\$ 142	\$ 50	\$ 125	\$ 113	\$ 25	\$ 455	\$ 63	\$ 46	\$ 91	\$ 9	\$ 44	\$ 253

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

² Net of allowance for doubtful accounts.

³ 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.

⁴ Re-estimation of the current accident year loss reserves as of the nine months ended September 30, 2006.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Twelve Months Ended December 31, 2006						Twelve Months Ended December 31, 2005					
	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated
Revenues	\$ 5,602	\$ 4,733	\$ 6,183	\$ 4,890	\$ 2,112	\$ 23,520	\$ 5,435	\$ 4,391	\$ 5,776	\$ 3,903	\$ 1,656	\$ 21,161
Pre-tax operating income before catastrophes and incurred attributable to prior years and current accident year re-estimation.	\$ 844	\$ 518	\$ 645	\$ 543	\$ 164	\$ 2,714	\$ 897	\$ 380	\$ 522	\$ 449	\$ 197	\$ 2,445
Catastrophes: ¹												
- 2005 hurricanes	(10)	(30)	(1)	(44)	(28)	(113)	(386)	(135)	(80)	(706)	(153)	(1,460)
- All other	(208)	(45)	(150)	(18)	(7)	(428)	(81)	(7)	(33)	(49)	(6)	(176)
Net incurred attributable to prior years:												
- Asbestos & environmental ²	-	-	-	-	(22)	(22)	-	-	-	-	(215)	(215)
- All other ³	70	(180)	75	(24)	(177)	(236)	99	(93)	101	57	(151)	13
Current accident year re-estimation ⁴	-	-	-	-	-	-	-	-	-	-	-	-
Pre-tax operating income (loss)	696	263	569	457	(70)	1,915	529	145	510	(249)	(328)	607
Realized investment gains (losses), net	-	-	-	23	320	343	-	-	9	29	485	523
Federal and foreign income tax (expense) benefit	(243)	(94)	(199)	(102)	6	(632)	(185)	(50)	(182)	71	255	(91)
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	(12)	-	(12)
Net income (loss)	\$ 453	\$ 169	\$ 370	\$ 378	\$ 256	\$ 1,626	\$ 344	\$ 95	\$ 337	\$ (161)	\$ 412	\$ 1,027

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

² Net of allowance for doubtful accounts.

³ 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.

⁴ Re-estimation of the current accident year loss reserves as of the nine months ended September 30, 2006.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of Statutory to GAAP Net Income

(dollars in millions)

(Unaudited)

	Twelve Months Ended December 31, 2006
Domestic insurance Statutory net income	\$ 867
Domestic insurance companies pre-tax GAAP adjustments	355
Subsidiaries and affiliates GAAP pre-tax income	514
GAAP tax adjustment	(110)
GAAP Group net income	\$ 1,626

Note: Subsidiaries and affiliates consist of Liberty International Holdings LLC, Liberty Seguros S.A., 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, 2006					Three Months Ended December 31, 2005				
	Personal Markets	Commercial Markets	Agency Markets	International	Consolidated	Personal Markets	Commercial Markets	Agency Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years and current accident year re-estimation										
Claims and claims adjustment expense ratio ¹	63.6%	75.3%	66.1%	66.3%	66.6%	63.2%	80.9%	67.1%	64.1%	68.3%
Underwriting expense ratio ¹	26.4%	19.7%	30.4%	29.4%	28.6%	24.4%	18.9%	30.8%	28.9%	24.7%
Dividend ratio	0.0%	0.1%	1.2%	0.0%	0.4%	0.0%	0.0%	1.1%	0.0%	0.3%
Subtotal	90.0%	95.1%	97.7%	95.7%	95.6%	87.6%	99.8%	99.0%	93.0%	93.3%
Catastrophes²:										
- 2005 hurricanes	0.0%	0.0%	(0.2%)	1.4%	0.6%	9.4%	3.4%	2.2%	33.8%	12.3%
- All other	3.1%	1.1%	2.3%	0.0%	1.9%	0.4%	(1.3%)	0.7%	0.0%	0.2%
Net incurred attributable to prior years:										
- Asbestos & environmental	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.1%
- All other	(3.7%)	13.0%	(1.2%)	0.4%	2.0%	0.0%	3.7%	(3.4%)	(4.7%)	(0.3%)
Current year re-estimation ³	0.0%	(6.8%)	(4.1%)	0.0%	(2.5%)	0.0%	0.0%	0.0%	0.0%	0.0%
Total Combined Ratio⁴	89.4%	102.4%	94.5%	97.5%	98.1%	97.4%	105.6%	98.5%	122.1%	105.6%

¹ In the fourth quarter of 2006, Personal Markets reclassified certain underwriting expenses to claim adjustment expenses. Results for 2005 reflect this reclassification.

² 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.

³ Re-estimation of the current accident year loss reserves as of the nine months ended September 30, 2006.

⁴ 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 unless related to an asbestos & environmental commutation.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Twelve Months Ended December 31, 2006					Twelve Months Ended December 31, 2005				
	Personal Markets	Commercial Markets	Agency Markets	International	Consolidated	Personal Markets	Commercial Markets	Agency Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years and current accident year re-estimation										
Claims and claims adjustment expense ratio ¹	64.0%	78.1%	65.0%	66.3%	67.4%	65.1%	82.9%	65.7%	66.9%	69.2%
Underwriting expense ratio ¹	25.2%	19.7%	30.5%	29.0%	27.3%	22.4%	19.0%	31.4%	29.2%	25.4%
Dividend ratio	0.0%	0.2%	1.0%	0.0%	0.3%	0.0%	(0.6%)	0.9%	0.0%	0.2%
Subtotal	89.2%	98.0%	96.5%	95.3%	95.0%	87.5%	101.3%	98.0%	96.1%	94.8%
Catastrophes²:										
- 2005 hurricanes	0.2%	0.9%	0.0%	1.0%	0.6%	7.5%	4.4%	1.5%	20.9%	8.7%
- All other	4.0%	1.3%	2.7%	0.4%	2.3%	1.6%	0.2%	0.6%	1.4%	1.0%
Net incurred attributable to prior years:										
- Asbestos & environmental	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	1.3%
- All other	(1.3%)	5.2%	(1.4%)	0.5%	1.3%	(1.9%)	2.8%	(1.8%)	(1.4%)	(0.1%)
Current year re-estimation ³	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Combined Ratio⁴	92.1%	105.4%	97.8%	97.2%	99.3%	94.7%	108.7%	98.3%	117.0%	105.7%

¹ In the fourth quarter of 2006, Personal Markets reclassified certain underwriting expenses to claim adjustment expenses. Results for 2005 reflect this reclassification.

² 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.

³ Re-estimation of the current accident year loss reserves as of the nine months ended September 30, 2006.

⁴ 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 unless related to an asbestos & environmental commutation.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Income by Quarter - 2006

(dollars in millions)

(Unaudited)

	Three Months Ended March 31,	Three Months Ended June 30,	Three Months Ended September 30,	Three Months Ended December 31,	Twelve Months Ended December 31,
	2006	2006	2006	2006	2006
Revenues					
Premiums earned	\$ 4,666	\$ 5,180	\$ 4,921	\$ 5,100	\$ 19,867
Net investment income	560	634	664	690	2,548
Net realized investment gains	25	44	242	32	343
Fee and other revenues	197	192	187	186	762
Total revenues	5,448	6,050	6,014	6,008	23,520
Claims, Benefits and Expenses					
Benefits, claims and claim adjustment expenses	3,504	3,963	3,548	3,594	14,609
Insurance operating costs and expenses	763	792	812	983	3,350
Amortization of deferred policy acquisition costs	665	699	738	725	2,827
Dividends to policyholders	20	17	17	21	75
Other expenses	92	96	105	108	401
Total claims, benefits and expenses	5,044	5,567	5,220	5,431	21,262
Income from continuing operations before income tax expense	404	483	794	577	2,258
Federal and foreign income tax expense	112	160	238	122	632
Income from continuing operations before discontinued operations	292	323	556	455	1,626
Discontinued operations, net of tax	-	-	-	-	-
Net income	\$ 292	\$ 323	\$ 556	\$ 455	\$ 1,626

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidated Statements of Income by Quarter - 2005

(dollars in millions)

(Unaudited)

	Three Months Ended March 31, 2005	Three Months Ended June 30, 2005	Three Months Ended September 30, 2005	Three Months Ended December 31, 2005	Year Ended December 31, 2005
Revenues					
Premiums earned	\$ 4,205	\$ 4,332	\$ 4,428	\$ 4,666	\$ 17,631
Net investment income	555	593	590	509	2,247
Net realized investment gains	21	185	173	144	523
Fee and other revenues	190	180	195	195	760
Total revenues	4,971	5,290	5,386	5,514	21,161
Claims, Benefits and Expenses					
Benefits, claims and claim adjustment expenses	3,095	3,137	4,240	3,800	14,272
Insurance operating costs and expenses	759	808	640	666	2,873
Amortization of deferred policy acquisition costs	617	616	592	655	2,480
Dividends to policyholders	9	-	13	17	39
Other expenses	86	99	91	91	367
Total claims, benefits and expenses	4,566	4,660	5,576	5,229	20,031
Income from continuing operations before income tax expense	405	630	(190)	285	1,130
Federal and foreign income tax expense	-	127	(68)	32	91
Income from continuing operations before discontinued operations	405	503	(122)	253	1,039
Discontinued operations, net of tax	(9)	(3)	-	-	(12)
Net income	\$ 396	\$ 500	\$ (122)	\$ 253	\$ 1,027

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC.

Allocation of Invested Assets

(dollars in millions)

(Unaudited)

	As of December 31, 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	\$ 41,102	87.0%	\$ 37,391	89.3%
Equity securities, available for sale, at fair value	2,619	5.6	1,812	4.4
Trading securities, at fair value	22	-	20	-
Limited partnerships and limited liability companies	1,435	3.0	1,081	2.6
Commercial mortgage loans	322	0.7	-	-
Short-term investments	1,550	3.3	1,430	3.4
Other investments	211	0.4	139	0.3
Total invested assets	\$ 47,261	100.0%	\$ 41,873	100.0%

Fixed Maturities by Security Type

U.S. Government and agency securities	\$ 4,658	11.3%	\$ 4,570	12.2%
Mortgage and asset-backed securities	12,267	29.8	12,542	33.6
U.S. State and municipal	6,612	16.1	4,005	10.7
Corporate and other	15,354	37.4	14,400	38.5
Foreign government securities	2,211	5.4	1,874	5.0
Total fixed maturities	\$ 41,102	100.0%	\$ 37,391	100.0%

Fixed Maturities by Credit Quality

S&P Rating

AAA	\$ 21,954	53.4%	\$ 20,285	54.3%
AA+, AA, AA-	5,706	13.9	3,903	10.4
A+, A, A-	6,631	16.1	6,786	18.1
BBB+, BBB, BBB-	3,995	9.7	3,824	10.2
BB+, BB, BB-	1,699	4.1	1,325	3.6
B+, B, B-	1,047	2.6	1,238	3.3
CCC or lower	70	0.2	30	0.1
Total fixed maturities	\$ 41,102	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 December 31, 2006				
Fixed maturities	\$ 19	\$ (3)	\$ -	\$ 16
Common and preferred stock	30	(1)	-	29
Other	(11)	(2)	-	(13)
Total	\$ 38	\$ (6)	\$ -	\$ 32
Three Months Ended December 31, 2005				
Fixed maturities	\$ 8	\$ (4)	\$ -	\$ 4
Common and preferred stock	16	(5)	-	11
Other	129	-	-	129
Total	\$ 153	\$ (9)	\$ -	\$ 144
Twelve Months Ended December 31, 2006				
Fixed maturities	\$ 34	\$ (39)	\$ -	\$ (5)
Common and preferred stock	98	(5)	-	93
Other	261	(6)	-	255
Total	\$ 393	\$ (50)	\$ -	\$ 343
Twelve Months Ended December 31, 2005				
Fixed maturities	\$ 175	\$ (4)	\$ -	\$ 171
Common and preferred stock	72	(7)	(3)	62
Other	297	(7)	-	290
Total	\$ 544	\$ (18)	\$ (3)	\$ 523

	Three Months Ended		Twelve Months Ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
Components of Net Realized Investment Gains (Losses)				
Fixed maturities:				
Gross realized gains	\$ 50	\$ 41	\$ 105	\$ 263
Gross realized losses	(34)	(37)	(110)	(92)
Equities:				
Gross realized gains	35	17	112	101
Gross realized losses	(6)	(6)	(19)	(39)
Other:				
Gross realized gains	1	131	273	301
Gross realized losses	(14)	(2)	(18)	(11)
Total net realized investment gains	\$ 32	\$ 144	\$ 343	\$ 523

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,
	2006	2005	2006	2005
Components of Net Investment Income				
Taxable interest income	\$ 543	\$ 514	\$ 2,089	\$ 2,028
Tax-exempt interest income	60	34	200	75
Dividends	10	6	52	53
Limited partnerships and limited liability companies	93	31	304	227
Other investment income	15	3	20	16
Gross investment income	721	588	2,665	2,399
Investment expenses	(31)	(79)	(117)	(152)
Net investment income	\$ 690	\$ 509	\$ 2,548	\$ 2,247

	Twelve Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2006		2005	
Components of Change in Net Unrealized Investment Gains (Losses)				
Fixed maturities	\$ (309)		\$ (893)	
Equities	200		78	
Other	19		2	
Adjustments to deferred policy acquisition costs	71		26	
Net change in unrealized investment (losses) gains	(19)		(787)	
Deferred income taxes	7		276	
Net change in unrealized investment gains (losses), net of tax	\$ (12)		\$ (511)	

	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	\$ (10)	\$ 1,416	\$ (70)	\$ 2,233
Mortgage and asset-backed securities	(21)	2,633	(203)	6,118
U.S. State and municipal	(16)	1,657	(15)	179
Corporate and other	(55)	3,599	(213)	4,852
Foreign government securities	(8)	635	(5)	268
Equities	(16)	281	(4)	38
Total	\$ (126)	\$ 10,221	\$ (510)	\$ 13,688

LIBERTY MUTUAL HOLDING COMPANY INC.

Issuer and Sector Exposure as of December 31, 2006

(dollars in millions)

(Unaudited)

Top 20 Issuers	Fixed Maturity	Equity	Total Exposure	Percent of Invested Assets
1 Bank of America	\$ 416	\$ 95	\$ 511	1.08%
2 Government of Canada	379	-	379	0.80%
3 AT&T Corp.	345	21	366	0.77%
4 General Electric	316	36	352	0.74%
5 Wachovia Corp.	320	10	330	0.70%
6 Citigroup	284	40	324	0.69%
7 Merrill Lynch & Co.	252	72	324	0.69%
8 JP Morgan Chase	305	15	320	0.68%
9 US Bancorp	222	83	305	0.65%
10 Government of Venezuela	295	-	295	0.62%
11 Government of Spain	290	-	290	0.61%
12 American International Group	272	17	289	0.61%
13 HSBC	239	21	260	0.55%
14 Wells Fargo Financial	242	11	253	0.54%
15 Government of Brazil	250	-	250	0.53%
16 State of Pennsylvania	248	-	248	0.52%
17 Goldman Sachs Group Inc	171	76	247	0.52%
18 State of Florida	234	-	234	0.50%
19 Royal Bank of Scotland	225	-	225	0.48%
20 United Mexican States / PEMEX	214	-	214	0.45%
	\$ 5,519	\$ 497	\$ 6,016	12.73%

Top 20 Sectors	Fixed Maturity	Equity	Total Exposure	Percent of Invested Assets
1 Municipal	\$ 6,627	\$ -	\$ 6,627	14.02%
2 Banks	3,084	379	3,463	7.33%
3 Diversified Financial Services	2,677	281	2,958	6.26%
4 Sovereign	2,293	-	2,293	4.85%
5 Electric	1,218	69	1,287	2.72%
6 Telecommunications	963	138	1,101	2.33%
7 Retail	949	107	1,056	2.23%
8 Oil&Gas	574	380	954	2.02%
9 Transportation	626	28	654	1.38%
10 Insurance	495	100	595	1.26%
11 Media	474	55	529	1.12%
12 Food	447	34	481	1.02%
13 Home Builders	430	4	434	0.92%
14 Miscellaneous Manufacturers	267	66	333	0.70%
15 Multi-National	311	-	311	0.66%
16 Auto Manufacturers	257	16	273	0.58%
17 Aerospace/Defense	197	38	235	0.50%
18 Pharmaceuticals	99	114	213	0.45%
19 Building Materials	173	13	186	0.39%
20 Cosmetics/Personal Care	121	34	155	0.33%
	\$ 22,282	\$ 1,856	\$ 24,138	51.07%

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

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 December 31, 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 and potential future 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 two reinsurance agreements between Vantage Casualty Insurance Company and certain companies acquired by Liberty Mutual Group from subsidiaries of Prudential Financial, Inc.
- ¹⁰ In 2006, Liberty obtained \$525M of collateral from Mystic Re Ltd. from the Northeast hurricane reinsurance contract. No loss occurred, therefore, gross and net recoverables were unaffected.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by A.M. Best Rating

As of December 31, 2006 ¹

(dollars in millions)

	Gross Recoverables ²	Collateral Held ^{3, 10}	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities				
A++	\$ 1,894	\$ 915	\$ 980	8%
A+	5,919	976	4,996	41%
A	2,234	258	2,010	17%
A-	229	76	168	2%
B++	59	32	33	0%
B+	23	-	23	0%
B or Below	13	-	13	0%
Subtotal	\$ 10,371	\$ 2,257	\$ 8,223	68%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 3,024	\$ 1	\$ 3,023	25%
Voluntary	352	72	280	2%
Subtotal	\$ 3,376	\$ 73	\$ 3,303	27%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,233	\$ 1,495	\$ 21	0%
Other ⁶	899	977	521	5%
Subtotal	\$ 2,132	\$ 2,472	\$ 542	5%
Grand Total	\$ 15,879	\$ 4,802	\$ 12,068	100%

See explanation of footnoted items on page 15 of financial supplement.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by Standard & Poor's Rating

As of December 31, 2006 ¹
(dollars in millions)

	Gross Recoverables ²	Collateral Held ^{3, 10}	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities				
AAA	\$ 1,371	\$ 631	\$ 740	6%
AA+, AA , AA-	5,084	\$ 1,366	3,797	31%
A+, A , A-	3,763	\$ 311	3,497	29%
BBB+, BBB , BBB -	69	\$ 33	39	1%
BB+ or Below	10	-	10	0%
Subtotal	\$ 10,297	\$ 2,341	\$ 8,083	67%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 3,024	\$ 1	\$ 3,023	25%
Voluntary	352	72	280	2%
Subtotal	\$ 3,376	\$ 73	\$ 3,303	27%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,233	\$ 1,495	\$ 21	0%
Other ⁶	973	893	661	6%
Subtotal	\$ 2,206	\$ 2,388	\$ 682	6%
Grand Total	\$ 15,879	\$ 4,802	\$ 12,068	100%

See explanation of footnoted items on page 15 of financial supplement.

Liberty Mutual Group

Top 15 Reinsurance Recoverables by Group

As of December 31, 2006

(dollars in millions)

Reinsurance Groups ⁷ (Data in Millions)	Gross Recoverables ²	Collateral Held ^{3,10}	Net Recoverables ⁴
1 Swiss Re Group	\$ 2,245	\$ 522	\$ 1,726
2 Nationwide Group ⁸	2,125	2	2,123
3 Berkshire Hathaway Inc	1,373	631	742
4 Everest Re Group	593	28	571
5 Chubb Group	536	284	252
6 UPINSCO	481	494	-
7 Munich Re Group	435	11	428
8 PartnerRe Group	395	330	93
9 ACE Group	320	233	108
10 Lloyds Syndicates	294	3	291
State Mandated Involuntary pools and associations ⁵	3,024	1	3,023
Voluntary pools and associations	352	72	280
All Other ⁹	3,706	2,191	2,431
Total Reinsurance Recoverables	\$ 15,879	\$ 4,802	\$ 12,068

See explanation of footnoted items on page 15 of financial supplement.

LIBERTY MUTUAL HOLDING COMPANY INC.

Capitalization

(dollars in millions)

(Unaudited)

	As of December 31, 2006	As of December 31, 2005
DEBT		
Short-term debt		
Commercial paper	\$ -	\$ 100
Revolving credit facilities	50	35
Medium Term Notes, maturing within one year	121	10
Total short-term debt	\$ 171	\$ 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
7.875% 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	500
7.50% Senior notes, due 2036	500	-
7.697% Surplus notes, due 2097	500	500
7.10% – 7.86% Medium term notes, with various maturities	27	27
Subtotal	3,209	2,580
Unamortized discount	(34)	(25)
Total long-term debt	\$ 3,175	\$ 2,555
Total debt	\$ 3,346	\$ 2,700
POLICYHOLDERS' EQUITY		
Unassigned surplus	\$ 10,092	\$ 8,466
Accumulated other comprehensive income (AOCI)	803	392
Total policyholders' equity	\$ 10,895	\$ 8,858
CAPITALIZATION		
Capitalization including AOCI, net of tax	\$ 14,241	\$ 11,558
Capitalization excluding AOCI, net of tax	\$ 13,438	\$ 11,166
FINANCIAL LEVERAGE RATIOS		
Debt to capitalization including AOCI	23.5%	23.4%
Debt to capitalization excluding AOCI	24.9%	24.2%