



Financial Supplement
Quarter Ended September 30, 2007

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 September 30, 2007						Three Months Ended September 30, 2006					
	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	\$ 1,383	\$ 1,057	\$ 1,650	\$ 1,383	\$ 123	\$ 5,596	\$ 1,314	\$ 988	\$ 1,441	\$ 1,081	\$ 97	\$ 4,921
Net investment income	86	154	157	132	230	759	76	137	120	107	224	664
Net realized investment gains	-	-	-	(11)	30	19	-	-	-	1	241	242
Fee and other revenues	15	75	23	61	41	215	14	92	23	12	46	187
Total revenues	1,484	1,286	1,830	1,565	424	6,589	1,404	1,217	1,584	1,201	608	6,014
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	890	893	923	1,014	401	4,121	845	868	982	668	185	3,548
Insurance operating costs and expenses	361	298	556	467	88	1,770	344	292	458	365	91	1,550
Dividends to policyholders	-	2	14	-	4	20	-	1	13	-	3	17
Other expenses	-	-	1	18	118	137	-	-	-	17	88	105
Total claims, benefits and expenses	1,251	1,193	1,494	1,499	611	6,048	1,189	1,161	1,453	1,050	367	5,220
Pre-tax operating income (loss) (excluding net realized investment gains)	233	93	336	77	(217)	522	215	56	131	150	-	552
Pre-tax income (loss) before discontinued operations and minority interest	233	93	336	66	(187)	541	215	56	131	151	241	794
Federal and foreign income tax expense (benefit)	69	29	101	14	(76)	137	77	21	46	29	65	238
Income (loss) before discontinued operations and minority interest	164	64	235	52	(111)	404	138	35	85	122	176	556
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ 164	\$ 64	\$ 235	\$ 52	\$ (111)	\$ 404	\$ 138	\$ 35	\$ 85	\$ 122	\$ 176	\$ 556

LIBERTY MUTUAL HOLDING COMPANY INC.

Consolidating Statements of Income

(dollars in millions)

(Unaudited)

	Nine Months Ended September 30, 2007						Nine Months Ended September 30, 2006					
	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	\$ 4,040	\$ 3,109	\$ 4,599	\$ 4,031	\$ 384	\$ 16,163	\$ 3,898	\$ 2,794	\$ 4,210	\$ 3,204	\$ 661	\$ 14,767
Net investment income	251	453	425	385	628	2,142	220	405	348	295	590	1,858
Net realized investment gains	-	-	-	-	144	144	-	-	-	25	286	311
Fee and other revenues	43	234	65	95	141	578	42	268	69	41	156	576
Total revenues	4,334	3,796	5,089	4,511	1,297	19,027	4,160	3,467	4,627	3,565	1,693	17,512
Claims, Benefits and Expenses												
Benefits, claims and claim adjustment expenses	2,723	2,650	2,918	2,737	925	11,953	2,664	2,427	2,870	2,148	906	11,015
Insurance operating costs and expenses	1,069	887	1,492	1,341	308	5,097	1,017	852	1,338	1,008	254	4,469
Dividends to policyholders	-	8	41	-	10	59	-	4	42	-	8	54
Other expenses	-	-	1	55	323	379	-	-	-	49	244	293
Total claims, benefits and expenses	3,792	3,545	4,452	4,133	1,566	17,488	3,681	3,283	4,250	3,205	1,412	15,831
Pre-tax operating income (loss) (excluding net realized investment gains)	542	251	637	378	(413)	1,395	479	184	377	335	(5)	1,370
Pre-tax income (loss) before discontinued operations and minority interest	542	251	637	378	(269)	1,539	479	184	377	360	281	1,681
Federal and foreign income tax expense (benefit)	162	76	191	105	(88)	446	168	65	132	95	50	510
Income (loss) before discontinued operations and minority interest	380	175	446	273	(181)	1,093	311	119	245	265	231	1,171
Discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ 380	\$ 175	\$ 446	\$ 273	\$ (181)	\$ 1,093	\$ 311	\$ 119	\$ 245	\$ 265	\$ 231	\$ 1,171

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Three Months Ended September 30, 2007						Three Months Ended September 30, 2006					
	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Markets	Commercial ⁴ Markets	Agency ⁴ Markets	International	Corporate and Other	Consolidated
Revenues	\$ 1,484	\$ 1,286	\$ 1,830	\$ 1,565	\$ 424	\$ 6,589	\$ 1,404	\$ 1,217	\$ 1,584	\$ 1,201	\$ 608	\$ 6,014
Pre-tax operating income before catastrophes and incurred attributable to prior years	\$ 231	\$ 115	\$ 143	\$ 59	\$ (5)	\$ 543	\$ 232	\$ 105	\$ 144	\$ 152	\$ 53	\$ 686
Catastrophes¹	(42)	3	(21)	-	-	(60)	(37)	(14)	(36)	(40)	(4)	(131)
Net incurred attributable to prior years:												
- Asbestos & environmental ²	-	-	-	-	(95)	(95)	-	-	-	-	-	-
- All other ³	44	(25)	214	18	(117)	134	20	(35)	23	38	(49)	(3)
Pre-tax operating income (loss)	233	93	336	77	(217)	522	215	56	131	150	-	552
Realized investment gains (losses), net	-	-	-	(11)	30	19	-	-	-	1	241	242
Federal and foreign income tax (expense) benefit	(69)	(29)	(101)	(14)	76	(137)	(77)	(21)	(46)	(29)	(65)	(238)
Net income (loss)	\$ 164	\$ 64	\$ 235	\$ 52	\$ (111)	\$ 404	\$ 138	\$ 35	\$ 85	\$ 122	\$ 176	\$ 556

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 external 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 U.S. hurricanes and the 2005 U.S. hurricanes. In addition, losses related to the 2005 U.S. hurricanes and the 2004 U.S. hurricanes for assumed external reinsurance are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Internally reinsured catastrophe losses are not reported net of net catastrophe reinsurance premium earned. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net of allowance for uncollectible reinsurance reduction.

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 Effective January 1, 2007, the results associated with the involuntary pool for Wausau, previously included in Commercial Markets, are included in Agency Markets. In the prior period, the net result was allocated to Agency Markets. The prior period has been restated to reflect this change.

LIBERTY MUTUAL HOLDING COMPANY INC.

Reconciliation of PTOI to Net Income

(dollars in millions)

(Unaudited)

	Nine Months Ended September 30, 2007						Nine Months Ended September 30, 2006					
	Personal Markets	Commercial Markets	Agency Markets	International	Corporate and Other	Consolidated	Personal Markets	Commercial ⁴ Markets	Agency ⁴ Markets	International	Corporate and Other	Consolidated
Revenues	\$ 4,334	\$ 3,796	\$ 5,089	\$ 4,511	\$ 1,297	\$ 19,027	\$ 4,160	\$ 3,467	\$ 4,627	\$ 3,565	\$ 1,693	\$ 17,512
Pre-tax operating income before catastrophes and incurred attributable to prior years	\$ 594	\$ 309	\$ 412	\$ 338	\$ 42	\$ 1,695	\$ 636	\$ 307	\$ 441	\$ 400	\$ 141	\$ 1,925
Catastrophes¹	(170)	(5)	(66)	-	-	(241)	(177)	(65)	(120)	(46)	(9)	(417)
Net incurred attributable to prior years:												
- Asbestos & environmental ²	-	-	(1)	-	(95)	(96)	-	-	-	-	(3)	(3)
- All other ³	118	(53)	292	40	(360)	37	20	(58)	56	(19)	(134)	(135)
Pre-tax operating income (loss)	542	251	637	378	(413)	1,395	479	184	377	335	(5)	1,370
Realized investment gains (losses), net	-	-	-	-	144	144	-	-	-	25	286	311
Federal and foreign income tax (expense) benefit	(162)	(76)	(191)	(105)	88	(446)	(168)	(65)	(132)	(95)	(50)	(510)
Net income (loss)	\$ 380	\$ 175	\$ 446	\$ 273	\$ (181)	\$ 1,093	\$ 311	\$ 119	\$ 245	\$ 265	\$ 231	\$ 1,171

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 external 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 U.S. hurricanes and the 2005 U.S. hurricanes. In addition, losses related to the 2005 U.S. hurricanes and the 2004 U.S. hurricanes for assumed external reinsurance are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Internally reinsured catastrophe losses are not reported net of net catastrophe reinsurance premium earned. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net of allowance for uncollectible reinsurance reduction.

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 Effective January 1, 2007, the results associated with the involuntary pool for Wausau, previously included in Commercial Markets, are included in Agency Markets. In the prior period, the net result was allocated to Agency Markets. The prior period has been restated to reflect this change.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Three Months Ended September 30, 2007					Three Months September June 30, 2006				
	Personal Markets	Commercial Markets	Agency Markets	International	Consolidated	Personal Markets	Commercial ³ Markets	Agency ³ Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years										
Claims and claims adjustment expense ratio	64.6%	80.9%	67.7%	73.5%	70.3%	63.2%	82.3%	66.9%	63.9%	68.1%
Underwriting expense ratio	24.3%	19.9%	31.7%	31.2%	28.1%	24.7%	18.0%	30.0%	29.9%	26.8%
Dividend ratio	0.0%	0.3%	0.9%	0.0%	0.3%	0.0%	0.2%	0.9%	0.0%	0.3%
Subtotal	88.9%	101.1%	100.3%	104.7%	98.7%	87.9%	100.5%	97.8%	93.8%	95.2%
Catastrophes¹	3.0%	(0.3%)	1.2%	0.0%	1.1%	2.8%	1.5%	2.5%	3.4%	2.7%
Net incurred attributable to prior years:										
- Asbestos & environmental	0.0%	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	(3.3%)	2.6%	(12.9%)	(1.3%)	(2.5%)	(1.5%)	4.0%	(1.5%)	(3.5%)	0.1%
Total Combined Ratio ²	88.6%	103.4%	88.6%	103.4%	99.0%	89.2%	106.0%	98.8%	93.7%	98.0%

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 external 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 U.S. hurricanes and the 2005 U.S. hurricanes. In addition, losses related to the 2005 U.S. hurricanes and the 2004 U.S. hurricanes for assumed external reinsurance are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Internally reinsured cat losses are not reported net of net catastrophe reinsurance premium earned. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² The combined claim and expense ratio, expressed as a percentage, is a measure of underwriting profitability. This measure should only be used in conjunction with, and not in lieu of, underwriting income and may not be comparable to other performance measures used by the Company's competitors. The combined claim and expense ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense to earned premium; the ratio to earned premium of insurance operating costs plus amortization of deferred policy acquisition costs less fee income (primarily related to the Company's involuntary market servicing carrier operations and managed care income) 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.

³ Effective January 1, 2007, the results associated with the involuntary pool for Wausau, previously included in Commercial Markets, are included in Agency Markets. In the prior period, the net result was allocated to Agency Markets. The prior period has been restated to reflect this change.

LIBERTY MUTUAL HOLDING COMPANY INC.

Combined Ratio by Strategic Business Unit

(Unaudited)

	Nine Months Ended September 30, 2007					Nine Months Ended September 30, 2006				
	Personal Markets	Commercial Markets	Agency Markets	International	Consolidated	Personal Markets	Commercial ³ Markets	Agency ³ Markets	International	Consolidated
Combined ratio, before catastrophes and incurred attributable to prior years										
Claims and claims adjustment expense ratio	66.2%	82.3%	68.1%	68.9%	69.9%	64.2%	81.6%	66.1%	66.2%	68.6%
Underwriting expense ratio	24.8%	19.5%	31.0%	31.2%	27.9%	24.7%	19.4%	30.6%	28.9%	26.8%
Dividend ratio	0.0%	0.3%	0.9%	0.0%	0.3%	0.0%	0.2%	1.0%	0.0%	0.3%
Subtotal	91.0%	102.1%	100.0%	100.1%	98.1%	88.9%	101.2%	97.7%	95.1%	95.7%
Catastrophes¹	4.2%	0.2%	1.4%	0.0%	1.6%	4.6%	2.6%	2.8%	1.5%	3.0%
Net incurred attributable to prior years:										
- Asbestos & environmental	0.0%	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%
- All other	(2.9%)	1.9%	(6.3%)	(1.0%)	(0.2%)	(0.5%)	2.3%	(1.2%)	0.5%	1.0%
Total Combined Ratio ²	92.3%	104.2%	95.1%	99.1%	100.1%	93.0%	106.1%	99.3%	97.1%	99.7%

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 external 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 U.S. hurricanes and the 2005 U.S. hurricanes. In addition, losses related to the 2005 U.S. hurricanes and the 2004 U.S. hurricanes for assumed external reinsurance are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Internally reinsured cat losses are not reported net of net catastrophe reinsurance premium earned. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² The combined claim and expense ratio, expressed as a percentage, is a measure of underwriting profitability. This measure should only be used in conjunction with, and not in lieu of, underwriting income and may not be comparable to other performance measures used by the Company's competitors. The combined claim and expense ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense to earned premium; the ratio to earned premium of insurance operating costs plus amortization of deferred policy acquisition costs less fee income (primarily related to the Company's involuntary market servicing carrier operations and managed care income) 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.

³ Effective January 1, 2007, the results associated with the involuntary pool for Wausau, previously included in Commercial Markets, are included in Agency Markets. In the prior period, the net result was allocated to Agency Markets. The prior period has been restated to reflect this change.

LIBERTY MUTUAL HOLDING COMPANY INC.

Allocation of Invested Assets

(dollars in millions)

(Unaudited)

	As of September 30, 2007		As of December 31, 2006	
	Market Value	% of Total	Market Value	% of Total
Invested Assets by Type				
Fixed maturities, available for sale, at fair value	\$ 45,447	86.3%	\$ 41,102	87.0%
Equity securities, available for sale, at fair value	3,757	7.2	2,619	5.6
Trading securities, at fair value	16	-	22	-
Limited partnerships and limited liability companies	1,901	3.6	1,435	3.0
Commercial mortgage loans	559	1.1	322	0.7
Short-term investments	744	1.4	1,550	3.3
Other investments	224	0.4	211	0.4
Total invested assets	\$ 52,648	100.0%	\$ 47,261	100.0%

Fixed Maturities by Security Type

U.S. Government and agency securities	\$ 3,285	7.2%	\$ 4,658	11.3%
Mortgage and asset-backed securities	13,248	29.2	12,267	29.8
U.S. state and municipal	9,492	20.9	6,612	16.1
Corporate and other	17,006	37.4	15,354	37.4
Foreign government securities	2,416	5.3	2,211	5.4
Total fixed maturities	\$ 45,447	100.0%	\$ 41,102	100.0%

Fixed Maturities by Credit Quality

S&P Rating

AAA	\$ 23,933	52.7%	\$ 21,954	53.4%
AA+, AA, AA-	7,514	16.5	5,706	13.9
A+, A, A-	6,596	14.5	6,631	16.1
BBB+, BBB, BBB-	4,670	10.3	3,995	9.7
BB+, BB, BB-	1,369	3.0	1,699	4.1
B+, B, B-	1,168	2.6	1,047	2.6
CCC or lower	197	0.4	70	0.2
Total fixed maturities	\$ 45,447	100.0%	\$ 41,102	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, 2007				
Fixed maturities	\$ (14)	\$ (14)	\$ -	\$ (28)
Common and preferred stock	16	-	-	16
Other	31	-	-	31
Total	\$ 33	\$ (14)	\$ -	\$ 19
Three Months Ended September 30, 2006				
Fixed maturities	\$ (3)	\$ (6)	\$ -	\$ (9)
Common and preferred stock	14	(2)	-	12
Other	243	(4)	-	239
Total	\$ 254	\$ (12)	\$ -	\$ 242
Nine Months Ended September 30, 2007				
Fixed maturities	\$ 4	\$ (14)	\$ -	\$ (10)
Common and preferred stock	104	(2)	-	102
Other	67	(15)	-	52
Total	\$ 175	\$ (31)	\$ -	\$ 144
Nine Months Ended September 30, 2006				
Fixed maturities	\$ 15	\$ (36)	\$ -	\$ (21)
Common and preferred stock	68	(4)	-	64
Other	272	(4)	-	268
Total	\$ 355	\$ (44)	\$ -	\$ 311

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Components of Net Realized Investment Gains (Losses)				
Fixed maturities:				
Gross realized gains	\$ 28	\$ 9	\$ 82	\$ 55
Gross realized losses	(56)	(18)	(92)	(76)
Equities:				
Gross realized gains	23	17	114	77
Gross realized losses	(7)	(5)	(12)	(13)
Other:				
Gross realized gains	35	244	71	274
Gross realized losses	(4)	(5)	(19)	(6)
Total net realized investment gains	\$ 19	\$ 242	\$ 144	\$ 311

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, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Components of Net Investment Income				
Taxable interest income	\$ 545	\$ 538	\$ 1,631	\$ 1,546
Tax-exempt interest income	89	53	241	140
Dividends	18	18	60	42
Limited partnerships and limited liability companies	127	82	277	211
Commercial mortgage loans	7	-	18	-
Other investment income	2	-	5	5
Gross investment income	788	691	2,232	1,944
Investment expenses	(29)	(27)	(90)	(86)
Net investment income	\$ 759	\$ 664	\$ 2,142	\$ 1,858

	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	\$ (1)	\$ 92	\$ (29)	\$ 1,378
Mortgage and asset-backed securities	(52)	4,305	(212)	4,863
U.S. state and municipal	(79)	4,510	(17)	180
Corporate and other	(193)	6,171	(280)	4,438
Foreign government securities	(42)	1,053	(10)	383
Equities	(57)	833	(6)	30
Total	\$ (424)	\$ 16,964	\$ (554)	\$ 11,272

LIBERTY MUTUAL HOLDING COMPANY INC.
Issuer and Sector Exposure as of September 30, 2007
(dollars in millions)
(Unaudited)

Top 20 Issuers	Fixed Maturity	Equity	Total Exposure	Percent of Invested Assets
1 Bank of America	\$ 401	\$ 109	\$ 510	0.97%
2 Government of Canada	430	-	430	0.82%
3 General Electric	335	63	398	0.76%
4 AT&T Corp	344	35	379	0.72%
5 Citigroup	322	35	357	0.68%
6 Commonwealth of Massachusetts	331	-	331	0.63%
7 Wachovia Corp.	319	9	328	0.62%
8 American International Group	295	26	321	0.61%
9 Merrill Lynch & Co.	227	89	316	0.60%
10 US Bancorp	224	82	306	0.58%
11 Goldman Sachs Group Inc	201	87	288	0.55%
12 State of Florida	277	-	277	0.53%
13 HSBC	235	40	275	0.52%
14 Government of Spain	274	-	274	0.52%
15 Government of Venezuela	257	-	257	0.49%
16 State of Pennsylvania	247	-	247	0.47%
17 Wells Fargo Financial	228	12	240	0.46%
18 State of California	231	-	231	0.44%
19 JP Morgan Chase & Co	200	29	229	0.43%
20 Morgan Stanley	158	67	225	0.43%
	<u><u>\$ 5,536</u></u>	<u><u>\$ 683</u></u>	<u><u>\$ 6,219</u></u>	<u><u>11.83%</u></u>

Top 20 Sectors	Fixed Maturity	Equity	Total Exposure	Percent of Invested Assets
1 Municipal	\$ 9,507	\$ -	\$ 9,507	18.06%
2 Banks	3,249	453	3,702	7.03%
3 Diversified Financial Services	2,542	348	2,890	5.49%
4 Sovereign	2,205	-	2,205	4.19%
5 Electric	1,236	77	1,313	2.49%
6 Oil&Gas	632	502	1,134	2.15%
7 Telecommunications	904	189	1,093	2.08%
8 Retail	951	123	1,074	2.04%
9 Insurance	608	177	785	1.49%
10 Transportation	616	47	663	1.26%
11 Media	596	65	661	1.26%
12 Food	527	70	597	1.13%
13 Real Estate	58	365	423	0.80%
14 Home Builders	356	12	368	0.70%
15 Miscellaneous Manufacturers	268	88	356	0.68%
16 Pharmaceuticals	173	155	328	0.62%
17 Multi-National	292	-	292	0.55%
18 Auto Manufacturers	241	31	272	0.52%
19 Aerospace/Defense	224	47	271	0.51%
20 Regional (state/provnc)	232	-	232	0.44%
	<u><u>\$ 25,417</u></u>	<u><u>\$ 2,749</u></u>	<u><u>\$ 28,166</u></u>	<u><u>53.49%</u></u>

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

Note: 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 Reinsurance Credit Committee (“RCC”) 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 RCC 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, 2007.

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 June 2006, Liberty obtained \$200M of collateral from Mystic Re Ltd. at the inception of the Northeast hurricane reinsurance contract.

In November 2006, Liberty purchased an additional \$325M of Northeast coverage and in May 2007 Liberty purchased an additional \$150M of combined Northeast and Florida Coverage, and obtained collateral bringing the total trust amount to \$675M. No loss occurred; therefore gross and net recoverables were unaffected.

Liberty Mutual Group

Distribution of Reinsurance Recoverables by A.M. Best Rating

As of September 30, 2007 ¹
(dollars in millions)

	Gross Recoverables ²	Collateral Held ^{3, 10}	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities				
A++	\$ 1,848	\$ 894	\$ 955	8%
A+	6,421	1,026	5,479	46%
A	1,656	264	1,464	12%
A-	284	148	176	1%
B++	4	-	4	-
B+	32	6	31	-
B or Below	1	-	1	-
Subtotal	\$ 10,246	\$ 2,338	\$ 8,110	67%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 3,065	\$ 1	\$ 3,064	26%
Voluntary	368	72	296	2%
Subtotal	\$ 3,433	\$ 73	\$ 3,360	28%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,462	\$ 1,664	\$ 94	1%
Other ⁶	801	1,111	470	4%
Subtotal	\$ 2,263	\$ 2,775	\$ 564	5%
Grand Total	\$ 15,942	\$ 5,186	\$ 12,034	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, 2007 ¹
(dollars in millions)

	Gross Recoverables ²	Collateral Held ^{3, 10}	Net Recoverables ⁴	% of Total Net Recov.
Rated Entities				
AAA	\$ 1,322	\$ 639	\$ 684	6%
AA+, AA , AA-	5,252	1,392	3,992	33%
A+, A , A-	3,539	375	3,272	27%
BBB+, BBB , BBB -	26	12	15	0%
BB+ or Below	3	-	3	0%
Subtotal	\$ 10,142	\$ 2,418	\$ 7,966	66%
Pools & Associations				
State mandated involuntary pools and associations ⁵	\$ 3,065	\$ 1	\$ 3,064	25%
Voluntary	368	72	296	2%
Subtotal	\$ 3,433	\$ 73	\$ 3,360	27%
Non-Rated Entities ⁶				
Captives & fronting companies	\$ 1,462	\$ 1,664	\$ 94	1%
Other ⁶	905	1,031	614	6%
Subtotal	\$ 2,367	\$ 2,695	\$ 708	7%
Grand Total	\$ 15,942	\$ 5,186	\$ 12,034	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, 2007

(dollars in millions)

Reinsurance Groups ⁷ (Data in Millions)	Gross Recoverables ²	Collateral Held ^{3,10}	Net Recoverables ⁴
1 Swiss Re Group	\$ 2,204	\$ 542	\$ 1,677
2 Nationwide Group ⁸	\$ 1,989	\$ -	\$ 1,989
3 Berkshire Hathaway Inc	\$ 1,321	\$ 641	\$ 683
4 Everest Re Group	\$ 652	\$ 33	\$ 627
5 UPINSCO	\$ 513	\$ 521	\$ -
6 Munich Re Group	\$ 509	\$ 11	\$ 499
7 Chubb Group	\$ 505	\$ 255	\$ 250
8 PartnerRe Group	\$ 456	\$ 367	\$ 128
9 AIG	\$ 329	\$ 0	\$ 329
10 ACE Group	\$ 252	\$ 238	\$ 51
11 Associated Electric & Gas	\$ 243	\$ 227	\$ 20
12 Lloyds Syndicates	\$ 238	\$ 1	\$ 238
13 W.R. Berkeley Group	\$ 197	\$ 12	\$ 190
14 Equitas	\$ 179	\$ -	\$ 179
15 White Mountains Insurance Group	\$ 145	\$ 31	\$ 115
State Mandated Involuntary pools and associations ⁵	\$ 3,065	\$ 1	\$ 3,064
Voluntary pools and associations	\$ 368	\$ 72	\$ 296
All Other ⁹	\$ 2,777	\$ 2,234	\$ 1,699
Total Reinsurance Recoverables	\$ 15,942	\$ 5,186	\$ 12,034

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