

Liberty Mutual Insurance Reports Second Quarter 2021 Results

BOSTON, Mass., August 5, 2021 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net income attributable to LMHC of \$769 million and \$1.625 billion for the three and six months ended June 30, 2021, versus net loss attributable to LMHC of \$320 million and net income attributable to LMHC of \$199 million for the same periods in 2020.

“Results for the second quarter were strong, as we report income attributable to LMHC of \$769 million, marking a considerable improvement over a Q2 2020 net loss of \$320 million, which was impacted by the COVID-19 pandemic and the related economic downturn,” said Liberty Mutual Chairman and Chief Executive Officer David H. Long. “The quarter’s results benefited from continued strong performance within our investment portfolio which generated \$1.4 billion of pre-tax net investment income. Underwriting results were also favorable across both businesses, as our combined ratio improved to 98.1% and net written premium grew 10.9% to \$10.8 billion.

“In July we announced two strategic transactions that will strengthen and diversify Liberty Mutual’s operations domestically and across the globe. The first is our agreement to acquire State Auto Group, which will significantly enhance our presence in the independent agency channel, our U.S. personal lines business, and our position in small commercial. The second is our proposed acquisition of Malaysian insurer AmGeneral which is an important step in advancing our strategy and presence in the Asia Market. The transaction will complement our existing Malaysian operation and positions us as the largest auto insurer and second largest property and casualty insurer in Malaysia.”

The tables below outline highlights of LMHC’s consolidated financial results for the three months and six months ended June 30, 2021.

Net Written Premium (“NWP”) by Business:

\$ in Millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Global Retail Markets	\$7,480	\$6,862	9.0%	\$14,325	\$13,370	7.1%
Global Risk Solutions	3,377	2,947	14.6	6,937	6,472	7.2
Corporate and Other	(12)	(29)	(58.6)	(16)	(23)	(30.4)
Total NWP	\$10,845	\$9,780	10.9%	\$21,246	\$19,819	7.2%
Foreign exchange effect on growth			1.4			1.1
NWP growth excluding foreign exchange ¹			9.5%			6.1%

¹ Determined by assuming constant foreign exchange rates between periods.

Consolidated Results of Operations:

\$ in Millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Revenues	\$11,794	\$10,172	15.9%	\$23,609	\$20,629	14.4%
PTOI before catastrophes, COVID-19, net incurred losses attributable to prior years, current accident year re-estimation and partnerships, LLC and other equity method income	\$1,094	\$1,162	(5.9)	\$2,171	\$2,222	(2.3%)
Catastrophes ¹	(660)	(878)	(24.8)	(1,700)	(1,184)	43.6
COVID-19 ²	-	(529)	(100.0)	-	(565)	(100.0)
Net incurred losses attributable to prior years:						
- Asbestos and environmental ³	-	-	-	-	-	-
- All other ⁴	14	(82)	NM	53	(95)	NM
Pre-tax operating income (loss) before partnerships, LLC and other equity method income	448	(327)	NM	524	378	38.6
Partnerships, LLC and other equity method income (loss) ⁵	954	(350)	NM	1,792	(250)	NM
Pre-tax operating income (loss)	1,402	(677)	NM	2,316	128	NM
Net realized (losses) gains	(191)	403	NM	63	156	(59.6)
Unit linked life insurance	(32)	(71)	(54.9)	(88)	43	NM
Ironshore acquisition & integration costs	(5)	(7)	(28.6)	(9)	(11)	(18.2)
Restructuring costs	(110)	-	NM	(111)	(2)	NM
Pre-tax income (loss)	1,064	(352)	NM	2,171	314	NM
Income tax expense (benefit)	295	(47)	NM	545	100	NM
Consolidated net income (loss) from continuing operations	769	(305)	NM	1,626	214	NM
Discontinued operations, net of tax	-	(13)	(100.0)	-	(13)	(100.0)
Consolidated net income (loss)	769	(318)	NM	1,626	201	NM
Less: Net income attributable to non-controlling interest	-	2	(100.0)	1	2	(50.0)
Net income (loss) attributable to LMHC	769	(320)	NM	1,625	199	NM
Net income (loss) attributable to LMHC excluding unrealized impact ⁶	652	(511)	NM	1,445	292	NM
Cash flow provided by continuing operations	\$1,821	\$1,699	7.2%	\$2,867	\$2,118	35.4%

1 Catastrophes are defined as a natural catastrophe, civil unrest, or terror event exceeding \$25 million in estimated ultimate losses, net of reinsurance, and before taxes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Includes Global Risk Solutions estimated loss activity directly related to COVID-19 in 2020.

3 Asbestos and environmental is gross of the related adverse development reinsurance (the "NICO Reinsurance Transaction").

4 Net of earned premium and reinstatement premium attributable to prior years of \$16 million and \$52 million for the three and six months ended June 30, 2021, and \$97 million and \$105 million for the same periods in 2020.

5 Partnerships, LLC and other equity method (loss) income includes LP, LLC and other equity method income (loss) within net investment income in the accompanying Consolidated Statements of Operations and revenue and expenses from direct investments in natural resources.

6 Excludes unrealized gains on equity securities, unit linked life insurance, and the corresponding tax impact.

NM = Not Meaningful

Combined Ratio:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change (Points)	2021	2020	Change (Points)
CONSOLIDATED						
Combined ratio before catastrophes, COVID-19 and net incurred losses attributable to prior years						
Claims and claim adjustment expense ratio	62.9%	59.3%	3.6	62.5%	60.6%	1.9
Underwriting expense ratio	28.9	29.8	(0.9)	29.2	30.2	(1.0)
Subtotal	91.8	89.1	2.7	91.7	90.8	0.9
Catastrophes ¹	6.4	9.5	(3.1)	8.4	6.2	2.2
COVID-19 ²	-	5.7	(5.7)	-	3.0	(3.0)
Net incurred losses attributable to prior years:						
- Asbestos and environmental	-	-	-	-	0.1	(0.1)
- All other ³	(0.1)	0.9	(1.0)	(0.3)	0.5	(0.8)
Total combined ratio⁴	98.1%	105.2%	(7.1)	99.8%	100.6%	(0.8)

1 Catastrophes are defined as a natural catastrophe, civil unrest, or terror event exceeding \$25 million in estimated ultimate losses, net of reinsurance, and before taxes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Includes Global Risk Solutions estimated loss activity directly related to COVID-19 in 2020.

3 Net of earned premium and reinstatement premium attributable to prior years.

4 The combined 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 ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense less managed care income to earned premium; the ratio of insurance operating costs plus amortization of deferred policy acquisition costs less third-party administration income and fee income (primarily related to the Company's involuntary market servicing carrier operations) and installment charges to earned premium; 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 and environmental commutation and certain other run off. Restructuring and Ironshore acquisition and integration costs are not included in the combined ratio.

Equity:

\$ in Millions	As of June 30,	As of December 31,	Change
	2021	2020	
Unassigned equity	\$27,333	\$25,708	6.3%
Accumulated other comprehensive (loss) income	(531)	218	NM
Non-controlling interest	32	31	3.2
Total equity	\$26,834	\$25,957	3.4%

NM = Not Meaningful

Subsequent Events

On July 12, 2021, the Company announced that it has signed a definitive agreement pursuant to which Liberty Mutual would acquire State Automobile Mutual Insurance Company (“State Auto Mutual”), a super-regional insurance holding company headquartered in Columbus, Ohio. Under the terms of the agreement, State Auto Mutual members will become mutual members of Liberty Mutual and Liberty Mutual will acquire all of the publicly held shares of common stock of State Auto Financial Corporation for \$52 per share in cash. The deal is expected to close in 2022, pending shareholder and regulatory approval as well as other customary closing conditions.

On July 19, 2021, the Company announced it will be applying for regulatory approval to acquire Malaysian insurer AmGeneral Insurance Berhad (“AmGeneral”). Subject to receiving appropriate regulatory approvals, Liberty Insurance Berhad will acquire 100% shares of AmGeneral, and AmBank Group’s share of the sale proceeds will be in the form of cash and consideration shares, which will result in AmBank Group holding a 30% interest in the Liberty Insurance Berhad and AmGeneral businesses. The AmGeneral and Liberty Insurance Berhad operations will, at a subsequent date, be formally merged.

Management has assessed material subsequent events through August 4, 2021, the date the financial statements were available to be issued.

Financial Information

The Company’s financial results, management's discussion and analysis of operating results and financial condition, accompanying financial statements and other supplemental financial information for the three and six months ended June 30, 2021 are available on the Company's Investor Relations website at www.libertymutualgroup.com/investors.

Conference Call Information

On August 5, 2021, at 11:00 a.m. Eastern Time, David Long, Liberty Mutual Insurance Chairman and CEO, will host a conference call to discuss the Company's second quarter financial results. To participate in the event via telephone and to ask a question, please dial 888-312-9837, referencing the Confirmation Code 1992312. You can view the slides at https://attglobal.webcasts.com/starthere.jsp?ei=1473514&tp_key=defd998d64. To listen to the call online via PC and view a presentation on financial performance, please log into https://attglobal.webcasts.com/starthere.jsp?ei=1473514&tp_key=defd998d64. Following the call, a recording of the event will be available on the Investor Relations section of Liberty Mutual's website, www.libertymutualgroup.com/investors.

About Liberty Mutual Insurance

At Liberty Mutual, we believe progress happens when people feel secure. By providing protection for the unexpected and delivering it with care, we help people embrace today and confidently pursue tomorrow.

In business since 1912, and headquartered in Boston, today we are the sixth largest global property and casualty insurer based on 2020 gross written premium. We also rank 71st on the Fortune 100 list of largest corporations in the U.S. based on 2020 revenue. As of December 31, 2020, we had \$43.8 billion in annual consolidated revenue.

We employ over 45,000 people in 29 countries and economies around the world. We offer a wide range of insurance products and services, including personal automobile, homeowners, specialty lines, reinsurance, commercial multiple-peril, workers compensation, commercial automobile, general liability, surety, and commercial property. For more information, visit www.libertymutualinsurance.com.

Risks and Uncertainties

The extent to which the coronavirus impacts our future results will depend on developments which are highly uncertain and cannot be predicted, including litigation developments, legislative or regulatory actions and intervention, the length and severity of the coronavirus (including of second waves), the level of acceptance of the vaccines, and the

actions of government actors to contain the coronavirus or treat its impact, among others. Possible effects on our business and operations include:

- disruptions to business operations resulting from working from home or from closures of our corporate or sales offices and the offices of our agents and brokers and quarantines of employees, customers, agents, brokers and suppliers in areas affected by the outbreak;
- disruptions to business operations resulting from travel restrictions and reduced consumer spending on new homes or new automobiles which could reduce demand for insurance;
- disruptions to business operations resulting from our customers having lower payrolls and revenues which could have an impact on insurance revenue;
- increased claims related to trade credit, general liability, workers compensation, and event cancellation coverage, among others;
- executive or legislative mandates or court decisions expanding property insurance policy coverage to cover business interruptions resulting from COVID-19 notwithstanding any exclusions set forth in such policies or conditions precedent generally required for liability under such policies; and
- disruption of the financial markets resulting in reductions in the value of our investment portfolio.

A significant rise in the number of COVID-19 infections, infections in a wide range of countries and regions, or a prolongation of the outbreak, could create an adverse economic effect on the Company.

Cautionary Statement Regarding Forward Looking Statements

This report contains forward looking statements that are intended to enhance the reader's ability to assess the future financial and business performance of the Company. Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results, investment market fluctuations, or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different.

Contact: Investor Relations
 Edward Peña
 857-224-6655

Media Relations
Rich Angevine
617-833-0926