

Liberty Mutual Insurance Reports Third Quarter 2021 Results

BOSTON, Mass., November 4, 2021 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net income attributable to LMHC of \$721 million and \$2.346 billion for the three and nine months ended September 30, 2021, increases of \$324 million and \$1.750 billion over the same periods in 2020, respectively.

“Despite an elevated level of catastrophe losses, net income attributable to LMHC for the quarter improved to \$721 million, up 81.6% from the prior year,” said David H. Long, Liberty Mutual Chairman and Chief Executive Officer. “We continue to experience extraordinary returns in our partnerships, LLC and other equity method investment portfolio which generated \$1.0 billion of pre-tax net investment income, up from \$467 million, primarily driven by private capital investments. Pre-tax catastrophe losses net of reinsurance in the quarter were \$1.2 billion compared to \$980 million in the third quarter of 2020 with losses stemming from Hurricane Ida totaling \$812 million.

“Topline growth was strong across both of our businesses as net written premium increased 6.5%. Global Retail Markets premium in the quarter grew 5.4% over the same period in 2020, driven by U.S. personal lines where personal auto and homeowners policies in force increased 5.9% and 6.5%, respectively. Global Risk Solutions premium grew 11.3% driven by a combination of rate increases and exposure growth. Core underwriting results in this segment continued to improve, with a 6.5 point decrease in the core loss ratio to 61.1% for the third quarter driven by rate execution, improved risk selection, and lower large loss activity.”

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

Net Written Premium (“NWP”) by Business:

\$ in Millions	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Global Retail Markets	\$7,757	\$7,358	5.4%	\$22,082	\$20,728	6.5%
Global Risk Solutions	3,834	3,445	11.3	10,771	9,917	8.6
Corporate and Other	(186)	(93)	100.0	(202)	(116)	74.1
Total NWP	\$11,405	\$10,710	6.5%	\$32,651	\$30,529	7.0%
Foreign exchange effect on growth			0.4			0.9
NWP growth excluding foreign exchange ¹			6.1%			6.1%

¹ Determined by assuming constant foreign exchange rates between periods.

Consolidated Results of Operations:

\$ in Millions	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Revenues	\$12,370	\$11,371	8.8%	\$35,979	\$32,000	12.4%
PTOI before catastrophes, COVID-19, net incurred losses attributable to prior years and partnerships, LLC and other equity method income	\$824	\$871	(5.4%)	\$2,995	\$3,093	(3.2%)
Catastrophes ¹	(1,214)	(980)	23.9	(2,914)	(2,164)	34.7
COVID-19 ²	-	-	-	-	(565)	(100.0)
Net incurred losses attributable to prior years:						
- Asbestos and environmental ³	1	2	(50.0)	-	2	(100.0)
- All other ⁴	177	(51)	NM	231	(146)	NM
Pre-tax operating (loss) income before partnerships, LLC and other equity method income	(212)	(158)	34.2	312	220	41.8
Partnerships, LLC and other equity method income ⁵	1,000	467	114.1	2,792	217	NM
Pre-tax operating income	788	309	155.0	3,104	437	NM
Net realized gains	20	219	(90.9)	83	375	(77.9)
Unit linked life insurance	(7)	(22)	(68.2)	(95)	21	NM
Ironshore acquisition & integration costs	(4)	(5)	(20.0)	(13)	(16)	(18.8)
Restructuring costs	(36)	(28)	28.6	(147)	(30)	NM
Pre-tax income	761	473	60.9	2,932	787	NM
Income tax expense	39	70	(44.3)	584	170	NM
Consolidated net income from continuing operations	722	403	79.2	2,348	617	NM
Discontinued operations, net of tax	-	(6)	(100.0)	-	(19)	(100.0)
Consolidated net income	722	397	81.9	2,348	598	NM
Less: Net income attributable to non-controlling interest	1	-	NM	2	2	-
Net income attributable to LMHC	721	397	81.6	2,346	596	NM
Net income attributable to LMHC excluding unrealized impact ⁶	634	356	78.1	2,079	648	NM
Cash flow provided by continuing operations	\$1,814	\$2,788	(34.9%)	\$4,681	\$4,906	(4.6%)

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 \$101 million and \$153 million for the three and nine months ended September 30, 2021, and \$114 million and \$218 million for the same periods in 2020.

5 Partnerships, LLC and other equity method income includes LP, LLC and other equity method income within net investment income in the accompanying Consolidated Statements of Income 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 September 30,			Nine Months Ended September 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	65.1%	65.2%	(0.1)	63.4%	62.2%	1.2
Underwriting expense ratio	29.5	28.1	1.4	29.3	29.5	(0.2)
Subtotal	94.6	93.3	1.3	92.7	91.7	1.0
Catastrophes ¹	11.5	9.8	1.7	9.5	7.6	1.9
COVID-19 ²	-	-	-	-	2.0	(2.0)
Net incurred losses attributable to prior years:						
- Asbestos and environmental	-	-	-	-	0.1	(0.1)
- All other ³	(1.7)	0.5	(2.2)	(0.9)	0.4	(1.3)
Total combined ratio⁴	104.4%	103.6%	0.8	101.3%	101.8%	(0.5)

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:

	As of September 30,	As of December 31,	Change
	2021	2020	
\$ in Millions			
Unassigned equity	\$28,054	\$25,708	9.1%
Accumulated other comprehensive (loss) income	(987)	218	NM
Non-controlling interest	32	31	3.2
Total equity	\$27,099	\$25,957	4.4%

NM = Not Meaningful

Subsequent Events

Management has assessed material subsequent events through November 3, 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 nine months ended September 30, 2021 are available on the Company's Investor Relations website at 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.

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