

Liberty Mutual Insurance Reports Second Quarter 2022 Results

BOSTON, Mass., August 4, 2022 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net loss attributable to LMHC of \$343 million and net income attributable to LMHC of \$155 million for the three and six months ended June 30, 2022, versus net income attributable to LMHC of \$769 million and \$1.625 billion for the same periods in 2021.

“Investment market volatility and insurance loss cost inflation persisted in the second quarter resulting in a net loss attributable to LMHC of \$343 million,” said David H. Long, Liberty Mutual Chairman and Chief Executive Officer. “Pre-tax net realized investment losses of \$671 million along with inflation driven underwriting margin erosion in some lines of business were the key drivers of Q2 results. While rising interest rates are causing some short-term pressure on investment results, we expect higher net investment income to be a significant tailwind in future periods.

“The underlying combined ratio in the quarter increased 5.0 points to 96.8% reflecting elevated severity in private passenger auto, though margin improvement continued in commercial markets. Accelerated rate and targeted underwriting actions in personal lines will moderate growth and begin to improve the loss ratio in the second half of the year as rate increases earn in over time.”

The tables below outline highlights of LMHC’s consolidated financial results for the three months and six months ended June 30, 2022.

Net Written Premium (“NWP”) by Business:

\$ in Millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
Global Retail Markets	\$8,865	\$7,480	18.5%	\$16,555	\$14,325	15.6%
Global Risk Solutions	3,714	3,377	10.0	7,668	6,937	10.5
Corporate and Other	(58)	(12)	NM	(135)	(16)	NM
Total NWP	\$12,521	\$10,845	15.5%	\$24,088	\$21,246	13.4%
Foreign exchange effect on growth			(1.0)			(0.9)
NWP growth excluding foreign exchange ¹			16.5%			14.3%

¹ Determined by assuming constant foreign exchange rates between periods.
NM = Not Meaningful

Consolidated Results of Operations:

\$ in Millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
Revenues	\$12,215	\$11,794	3.6%	\$24,089	\$23,609	2.0%
Underlying PTOI before limited partnerships income	\$690	\$1,094	(36.9%)	\$1,756	\$2,171	(19.1%)
Catastrophes	(1,105)	(660)	(67.4)	(1,761)	(1,700)	3.6
Net incurred losses attributable to prior years:						
- Asbestos and environmental ¹	-	-	-	-	-	-
- All other ²	152	14	NM	141	53	166.0
Pre-tax operating (loss) income before limited partnerships income	(263)	448	NM	136	524	(74.0)
Limited partnerships income ³	469	954	(50.8)	834	1,792	(53.5)
Pre-tax operating income	206	1,402	(85.3)	970	2,316	(58.1)
Net realized (losses) gains	(671)	(191)	NM	(815)	63	NM
Unit linked life insurance	73	(32)	NM	120	(88)	NM
Acquisition & integration costs	(48)	(5)	NM	(57)	(9)	NM
Restructuring costs	2	(110)	NM	-	(111)	(100.0)
Pre-tax (loss) income	(438)	1,064	NM	218	2,171	(90.0)
Income tax (benefit) expense	(96)	295	NM	62	545	(88.6)
Consolidated net (loss) income	(342)	769	NM	156	1,626	(90.4)
Less: Net income attributable to non-controlling interest	1	-	-	1	1	-
Net (loss) income attributable to LMHC	(343)	769	NM	155	1,625	(90.5)
Net income attributable to LMHC excluding unrealized impact ⁴	78	652	(88.0)	587	1,445	(59.4)
Cash flow provided by continuing operations	\$1,003	\$1,821	(44.9%)	\$1,789	\$2,867	(37.6%)

1 Asbestos and environmental is gross of the related adverse development reinsurance (the "NICO Reinsurance Transaction", which is described further in Reinsurance).

2 Net of earned premium and reinstatement premium attributable to prior years of \$36 million and \$45 million for the three and six months ended June 30, 2022, and \$16 million and \$52 million for the same periods in 2021.

3 Limited partnerships income includes LP, LLC and other equity method income within net investment income in the accompanying Consolidated Statement of Operations and revenue and expenses from direct investments in natural resources.

4 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,		
	2022	2021	Change (Points)	2022	2021	Change (Points)
CONSOLIDATED						
Combined ratio						
Claims and claim adjustment expense ratio	68.1%	62.9%	5.2	66.1%	62.5%	3.6
Underwriting expense ratio	28.7	28.9	(0.2)	28.7	29.2	(0.5)
Underlying combined ratio	96.8	91.8	5.0	94.8	91.7	3.1
Catastrophes	9.5	6.4	3.1	7.8	8.4	(0.6)
Net incurred losses attributable to prior years:						
- Asbestos and environmental	-	-	-	-	-	-
- All other ¹	(1.3)	(0.1)	(1.2)	(0.6)	(0.3)	(0.3)
Total combined ratio²	105.0%	98.1%	6.9	102.0%	99.8%	2.2

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

2 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 acquisition and integration costs are not included in the combined ratio.

Equity:

\$ in Millions	As of June 30,	As of December 31,	Change
	2022	2021	
Unassigned equity	\$29,563	\$28,776	2.7%
Accumulated other comprehensive (loss) income	(6,125)	(960)	NM
Non-controlling interest	30	32	-
Total equity	\$23,468	\$27,848	(15.7%)

NM = Not Meaningful

Subsequent Events

On July 28, 2022 the Company completed its acquisition of Malaysian insurer AmGeneral Insurance Berhad (“AmGeneral”). Please refer to the Consolidated Results of Operations section for additional information.

Management has assessed material subsequent events through August 3, 2022, 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, 2022 are available on the Company's Investor Relations website at www.libertymutualgroup.com/investors.

Conference Call Information

On August 4, 2022, 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 1131916. You can view the slides at https://attglobal.webcasts.com/starthere.jsp?ei=1557682&tp_key=13838a6bc4. 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=1557682&tp_key=13838a6bc4. 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 2021 gross written premium. We also rank 78th on the Fortune 100 list of largest corporations in the U.S. based on 2021 revenue. As of December 31, 2021, we had \$48.2 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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