

Liberty Mutual Insurance Reports Second Quarter 2024 Results

BOSTON, Mass., August 7, 2024 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net income attributable to LMHC of \$717 million and \$2.252 billion for the three and six months ended June 30, 2024, versus a net loss attributable to LMHC of \$585 million and \$660 million for the same periods in 2023.

“For the second quarter, we reported net income attributable to LMHC of \$717 million, reflecting continued improvement in our underlying combined ratio and strong investment results,” said Tim Sweeney, Liberty Mutual President & Chief Executive Officer. “Our underlying combined ratio improved 9.5 points from the prior year to 84.0%. Of that, 7.1 points of improvement resulted from our targeted underwriting strategies improving both personal and commercial lines. In addition, our ongoing expense management program contributed 2.4 points of expense ratio improvement, driving it down to 26.4% for the second quarter and half year. Catastrophe losses in the quarter remained elevated, despite improving over prior year, attributable primarily to severe convective storm activity in the US Midwest. Including catastrophes and prior year development, the total combined ratio was 99.6% for the quarter, a 9.8-point improvement over prior year. In addition, investment results in the quarter were strong, benefiting from higher reinvestment rates and favorable private equity valuations, which contributed to \$1.3 billion of net investment income.”

The tables below outline highlights of LMHC’s consolidated financial results for the three and six months ended June 30, 2024.

Net Written Premium (“NWP”) by Business:

Consolidated NWP by business was as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
\$ in Millions						
US Retail Markets	\$7,415	\$7,804	(5.0%)	\$13,960	\$14,747	(5.3%)
Global Risk Solutions	4,062	4,079	(0.4)	8,438	8,298	1.7
Corporate and Other	(50)	(72)	(30.6)	(13)	(79)	(83.5)
Total NWP	\$11,427	\$11,811	(3.3%)	\$22,385	\$22,966	(2.5%)
Foreign exchange effect on growth			(0.2)			0.0
NWP growth excluding foreign exchange ¹			(3.1%)			(2.5%)

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,		
	2024	2023	Change	2024	2023	Change
Revenues	\$12,798	\$12,354	3.6%	\$25,273	\$24,281	4.1%
Underlying PTOI before limited partnerships income	2,444	1,182	106.8	4,373	2,125	105.8
Catastrophes	(1,742)	(2,267)	(23.2)	(2,569)	(3,342)	(23.1)
Net incurred losses attributable to prior years:						
- Asbestos and environmental ¹	-	(4)	(100.0)	-	(4)	(100.0)
- All other ²	(24)	627	NM	(18)	523	NM
Current accident year re-estimation ³	-	(148)	(100.0)	-	-	-
Pre-tax operating income (loss) before limited partnerships income	678	(610)	NM	1,786	(698)	NM
Limited partnerships income ⁴	466	107	NM	625	23	NM
Pre-tax operating income (loss)	1,144	(503)	NM	2,411	(675)	NM
Net realized losses	(162)	(63)	157.1	(254)	(112)	126.8
Acquisition & integration costs	(19)	(13)	46.2	(40)	(25)	60.0
Restructuring costs	(19)	(38)	(50.0)	(25)	(40)	(37.5)
Pre-tax income (loss)	944	(617)	NM	2,092	(852)	NM
Income tax expense (benefit)	232	(150)	NM	502	(200)	NM
Consolidated net income (loss) from continuing operations	712	(467)	NM	1,590	(652)	NM
Discontinued operations, net of tax	10	(115)	NM	673	2	NM
Consolidated net income (loss)	722	(582)	NM	2,263	(650)	NM
Less: Net income attributable to non-controlling interest	5	3	66.7	11	10	10.0
Net income (loss) attributable to LMHC	717	(585)	NM	2,252	(660)	NM
Net income (loss) attributable to LMHC excluding unrealized impact ⁵	717	(528)	NM	2,260	(596)	NM
Cash flow provided by continuing operations	\$1,414	\$444	NM	\$2,315	\$424	NM

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 \$104 million and \$112 million for the three and six months ended June 30, 2024, and \$27 million and \$24 million for the same periods in 2023.

3 Re-estimation of the current accident year loss reserves for the three months ended March 31, 2023.

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

5 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,		
	2024	2023	Change (Points)	2024	2023	Change (Points)
CONSOLIDATED						
Combined ratio						
Claims and claim adjustment expense ratio	57.6%	64.7%	(7.1)	59.8%	65.5%	(5.7)
Underwriting expense ratio	26.4	28.8	(2.4)	26.4	28.5	(2.1)
Underlying combined ratio	84.0	93.5	(9.5)	86.2	94.0	(7.8)
Catastrophes	15.4	20.0	(4.6)	11.3	14.8	(3.5)
Net incurred losses attributable to prior years:						
- Asbestos and environmental	-	-	-	-	-	-
- All other ¹	0.2	(5.4)	5.6	0.2	(2.3)	2.5
Current accident year re-estimation ²	-	1.3	(1.3)	-	-	-
Total combined ratio ³	99.6%	109.4%	(9.8)	97.7%	106.5%	(8.8)

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

2 Re-estimation of the current accident year loss reserves for the three months ended March 31, 2023.

3 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:

	As of June 30,	As of December 31,	
\$ in Millions	2024	2023	Change
Unassigned equity	\$32,243	\$29,991	7.5%
Accumulated other comprehensive loss	(5,274)	(5,127)	2.9
Non-controlling interest	187	196	(4.6)
Total equity	\$27,156	\$25,060	8.4%

Subsequent Events

On July 19, 2024, the Company announced that an agreement was signed with Markerstudy Group to sell Hughes Insurance in Northern Ireland. The transaction is subject to approval by the relevant governmental and regulatory authorities and is expected to close in the second half of 2024.

Management has assessed material subsequent events through August 7, 2024, 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, 2024 are available on the Company's Investor Relations website at www.libertymutualgroup.com/investors.

Conference Call Information

On August 8, 2024, at 10:00 a.m. Eastern Time, Tim Sweeney, Liberty Mutual Insurance President 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 844-481-2837 and request to join into the Liberty Mutual Insurance call. To listen to the call online via PC and view a presentation on financial performance, please log into <https://event.choruscall.com/mediaframe/webcast.html?webcastid=X56Bu8TP>. 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 eighth largest global property and casualty insurer based on 2023 gross written premium. We also rank 87th on the Fortune 100 list of largest corporations in the US based on 2023 revenue. As of December 31, 2023, we had \$49.4 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.

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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