

Liberty Mutual Insurance Reports First Quarter 2021 Results

BOSTON, Mass., May 6, 2021 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net income attributable to LMHC of \$856 million, an increase of \$337 million over the same period in 2020.

“For the first quarter, net income attributable to LMHC was \$856 million, up 64.9% over the same period in 2020, as strong investment results more than offset elevated catastrophe losses,” said Liberty Mutual Chairman and Chief Executive Officer David H. Long. “Our partnership, LLC and other equity method investment portfolio produced \$838 million in pre-tax operating income as a result of higher equity valuations, primarily within private capital investments. Catastrophe losses in the quarter were \$1 billion, up \$734 million from the prior year quarter including \$690 million from the February winter storms, which impacted Texas and other states.

“Net written premium was up 3.6% to \$10.4 billion driven by U.S. Personal Lines where we continue to achieve strong PIF growth, over 7% in both personal auto and homeowners. Sustained pricing momentum in commercial lines resulted in a 12% renewal rate increase within Global Risk Solutions. Diligent expense management combined with strong premium growth drove a 1 point reduction in the expense ratio to 29.5%. Overall, it was a strong quarter despite an elevated level of catastrophe losses, and we are pleased with the progress we’re making toward key business objectives.”

The tables below outline highlights of our consolidated financial results for the three months ended March 31, 2021.

Net Written Premium (“NWP”) by Business:

\$ in Millions	Three Months Ended March 31,		
	2021	2020	Change
Global Retail Markets	\$6,845	\$6,508	5.2%
Global Risk Solutions	3,560	3,525	1.0
Corporate and Other	(4)	6	NM
Total NWP	\$10,401	\$10,039	3.6%
Foreign exchange effect on growth			0.9
NWP growth excluding foreign exchange ¹			2.7%

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

Consolidated Results of Operations:

\$ in Millions	Three Months Ended March 31,		
	2021	2020	Change
Revenues	\$11,815	\$10,457	13.0%
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	\$1,077	\$1,060	1.6%
Catastrophes ¹	(1,040)	(306)	NM
COVID-19 ²	-	(36)	(100.0)
Net incurred losses attributable to prior years:			
- Asbestos and environmental ³	-	-	-
- All other ⁴	39	(13)	NM
Pre-tax operating income before partnerships, LLC and other equity method income	76	705	(89.2)
Partnerships, LLC and other equity method income ⁵	838	100	NM
Pre-tax operating income	914	805	13.5
Net realized gains (losses)	254	(247)	NM
Unit linked life insurance	(56)	114	NM
Ironshore acquisition & integration costs	(4)	(4)	-
Restructuring costs	(1)	(2)	(50.0)
Pre-tax income	1,107	666	66.2
Income tax expense	250	147	70.1
Consolidated net income from continuing operations	857	519	65.1
Discontinued operations, net of tax	-	-	-
Consolidated net income	857	519	65.1
Less: Net income attributable to non-controlling interest	1	-	NM
Net income attributable to LMHC	856	519	64.9
Net income attributable to LMHC excluding unrealized impact ⁶	\$793	\$803	(1.2%)
Cash flow provided by continuing operations	\$1,046	\$419	149.6%

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.

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 \$36 million for the three months ended March 31, 2021, and \$8 million for the same period 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:

CONSOLIDATED	Three Months Ended March 31,		
	2021	2020	Change (Points)
Combined ratio before catastrophes, COVID-19 and net incurred losses attributable to prior years			
Claims and claim adjustment expense ratio	62.1%	61.9%	0.2
Underwriting expense ratio	29.5	30.5	(1.0)
Subtotal	91.6	92.4	(0.8)
Catastrophes ¹	10.4	3.1	7.3
COVID-19 ²	-	0.4	(0.4)
Net incurred losses attributable to prior years:			
- Asbestos and environmental	-	0.2	(0.2)
- All other ³	(0.5)	0.2	(0.7)
Total combined ratio⁴	101.5%	96.3%	5.2

- 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.
- 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 March 31,	As of December 31,	
\$ in Millions	2021	2020	Change
Unassigned equity	\$26,564	\$25,708	3.3%
Accumulated other comprehensive loss	(944)	218	NM
Non-controlling interest	32	31	3.2
Total equity	\$25,652	\$25,957	(1.2%)

NM = Not Meaningful

Subsequent Events

Management has assessed material subsequent events through May 5, 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 months ended March 31, 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 77th on the Fortune 100 list of largest corporations in the U.S. based on 2019 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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