

## Liberty Mutual Insurance Reports First Quarter 2022 Results

BOSTON, Mass., May 5, 2022 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net income attributable to LMHC of \$498 million for the three months ended March 31, 2022, a decrease of \$358 million from the same period in 2021.

“Net income attributable to LMHC in the quarter was \$498 million, down from \$856 million in the prior year quarter,” said David H. Long, Liberty Mutual Chairman and Chief Executive Officer. “Earnings in the first quarter reflect more moderate returns in our limited partnership portfolio compared to the exceptional returns we experienced last year and \$144 million of net realized losses resulting from recent market volatility. Pre-tax catastrophe losses in the quarter were \$656 million, down from \$1.0 billion in the prior year quarter which partially offset the weaker investment results.

“We are navigating the market uncertainties brought on by macroeconomic and geopolitical headwinds and continue to make progress on strategic priorities. On March 1<sup>st</sup>, we completed the acquisition of State Auto Group, further strengthening our leading market positions in U.S. personal and small commercial lines. With this transaction, Liberty Mutual becomes the second-largest carrier in the independent agent channel.”

The tables below outline highlights of LMHC’s consolidated financial results for the three months ended March 31, 2022.

### Net Written Premium (“NWP”) by Business:

\$ in Millions	Three Months Ended March 31,		
	2022	2021	Change
Global Retail Markets	\$7,690	\$6,845	12.3%
Global Risk Solutions	3,954	3,560	11.1
Corporate and Other	(77)	(4)	NM
Total NWP	\$11,567	\$10,401	11.2%
Foreign exchange effect on growth			(0.8)
NWP growth excluding foreign exchange <sup>1</sup>			12.0%

<sup>1</sup> Determined by assuming constant foreign exchange rates between periods.  
NM = Not Meaningful

## Consolidated Results of Operations:

\$ in Millions	Three Months Ended March 31,		
	2022	2021	Change
Revenues	\$11,874	\$11,815	0.5%
Underlying PTOI before limited partnerships income <sup>1</sup>	\$1,066	\$1,077	(1.0%)
Catastrophes <sup>2</sup>	(656)	(1,040)	(36.9)
Net incurred losses attributable to prior years:			
- Asbestos and environmental <sup>3</sup>	-	-	-
- All other <sup>4</sup>	(11)	39	NM
Pre-tax operating income before limited partnerships income	399	76	NM
Limited partnerships income	365	838	(56.4)
Pre-tax operating income	764	914	(16.4)
Net realized (losses) gains	(144)	254	NM
Unit linked life insurance	47	(56)	NM
Acquisition & integration costs	(9)	(4)	125.0
Restructuring costs	(2)	(1)	100.0
Pre-tax income	656	1,107	(40.7)
Income tax expense	158	250	(36.8)
Consolidated net income	498	857	(41.9)
Less: Net income attributable to non-controlling interest	-	1	(100.0)
Net income attributable to LMHC	498	856	(41.8)
Net income attributable to LMHC excluding unrealized impact <sup>5</sup>	509	793	(35.8)
Cash flow provided by continuing operations	\$786	\$1,046	(24.9%)

1 Limited partnerships 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.

2 Catastrophes are defined as a natural catastrophe, civil unrest, terror event, war or conflict 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.

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

4 Net of earned premium and reinstatement premium attributable to prior years of \$8 million for the three months ended March 31, 2022, and \$36 million for the same period in 2021.

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

NM = Not Meaningful

**Combined Ratio:**

<b>CONSOLIDATED</b>	<b>Three Months Ended March 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change (Points)</b>
<b>Underlying combined ratio</b>			
Claims and claim adjustment expense ratio	64.1%	62.1%	2.0
Underwriting expense ratio	28.7	29.5	(0.8)
Subtotal	92.8	91.6	1.2
Catastrophes	6.0	10.4	(4.4)
Net incurred losses attributable to prior years:			
- Asbestos and environmental	-	-	-
- All other <sup>1</sup>	0.1	(0.5)	0.6
<b>Total combined ratio<sup>2</sup></b>	<b>98.9%</b>	<b>101.5%</b>	<b>(2.6)</b>

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:**

<b>\$ in Millions</b>	<b>As of March 31,</b>	<b>As of December 31,</b>	<b>Change</b>
	<b>2022</b>	<b>2021</b>	
Unassigned equity	\$29,906	\$28,776	3.9%
Accumulated other comprehensive (loss) income	(3,606)	(960)	NM
Non-controlling interest	32	32	-
<b>Total equity</b>	<b>\$26,332</b>	<b>\$27,848</b>	<b>(5.4%)</b>

NM = Not Meaningful

## **Subsequent Events**

Management has assessed material subsequent events through May 4, 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 months ended March 31, 2022 are available on the Company's Investor Relations website at [www.libertymutualgroup.com/investors](http://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 71<sup>st</sup> on the Fortune 100 list of largest corporations in the U.S. based on 2020 revenue. As of December 31, 2021, we had \$48.2 billion in annual consolidated revenue.

We employ over 50,000 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](http://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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