

# First Quarter 2020 Results

**May 14, 2020**

# 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 Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Insurance group of entities (the "Company" or "LMHC"). Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results 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.

Some of the factors that could cause actual results to differ include, but are not limited to the following: the occurrence of catastrophic events (including terrorist acts, hurricanes, hail, tornados, tsunamis, earthquakes, floods, snowfall and winter conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or ability to collect reinsurance; disruptions to the Company's relationships with its independent agents and brokers; financial disruption or a prolonged economic downturn; prolonged epidemic or pandemic in countries in which we operate; the performance of the Company's investment portfolios; a rise in interest rates; risks inherent in the Company's alternative investments in private limited partnerships ("LP"), limited liability companies ("LLC"), commercial mortgages and direct investments in natural resources; difficulty in valuing certain of the Company's investments; subjectivity in the determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; the Company's inability to obtain price increases or maintain market share due to competition or otherwise; inadequacy of the Company's pricing models; changes to insurance laws and regulations; changes in the amount of statutory capital that the Company must hold to maintain its financial strength and credit ratings; regulatory restrictions on the Company's ability to change its methods of marketing and underwriting in certain areas; assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the ability of the Company's subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclical nature of the property and casualty insurance industry; political, legal, operational and other risks faced by the Company's international business; potentially high severity losses involving the Company's surety products; loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of personal lines policies; inadequacy of the Company's controls to ensure compliance with legal and regulatory standards; changes in federal or state tax laws; risks arising out of the Company's securities lending program; the Company's utilization of information technology systems and its implementation of technology innovations; difficulties with technology or data security; insufficiency of the Company's business continuity plan in the event of a disaster; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; insufficiency of the Company's enterprise risk management models and modeling techniques; the Company's ability to identify and accurately assess complex and emerging risks, and changing climate conditions. The Company's forward-looking statements speak only as of the date of this report or as of the date they are made and should be regarded solely as the Company's current plans, estimates and beliefs. For a detailed discussion of these and other cautionary statements, visit the Company's Investor Relations website at [www.libertymutualgroup.com/investors](http://www.libertymutualgroup.com/investors). The Company undertakes no obligation to update these forward-looking statements.

The United Kingdom's withdrawal from the European Union occurred on January 31, 2020. That date also marks the beginning of a transition period during which the United Kingdom will remain in the EU's customs union and single market but will negotiate with the European Union regarding the terms of the future UK-EU relationship. The withdrawal could have a negative impact on economic conditions in the United Kingdom and could result in unintended consequences in other countries as well. The Company acknowledges that there are risks and uncertainties associated with the United Kingdom's withdrawal from the European Union and has developed a course of action related to the withdrawal but will continue to monitor the negotiations as they develop.

# Cautionary Statement Regarding Forward Looking Statements (Continued)

In December 2019, a novel coronavirus commonly referred to as “COVID-19” surfaced in Wuhan, China. The outbreak has since spread to other countries, including the United States, and efforts to contain the spread of this coronavirus have intensified and are ongoing. The outbreak and any preventative or protective actions that governments, other third parties or we may take in respect of the coronavirus may result in a continued period of business disruption and reduced operations. 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) 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.

Furthermore, as a consequence of the COVID-19 stay at home orders in effect throughout much of the United States and abroad, policyholders are driving fewer miles than normal. Accordingly, on April 7, 2020, the Company announced its Personal Auto Customer Relief Refund (“PACRR”) plan which gives personal auto insurance customers a 15% refund on two months of their annual 2020 premium. On April 23, 2020, the Company launched its Liberty Mutual Businessowners Policy (“BOP”) Refund for small commercial customers issuing a 15% refund of two months of premium for all BOP policies. In addition, late fee charges were automatically stopped and cancellations due to non-payment were temporarily paused for both personal auto and home customers from March 23 through at least May 22, 2020. The Company will work with individual customers to extend payment dates if needed and provide personalized support on an ad hoc basis. All personal auto policy coverages have been expanded to cover customers who use their personal vehicles to deliver food and medicine even though some of our standard personal auto policies typically exclude such coverage. This additional protection will remain in effect for all personal auto policies in all states for losses occurring from March 16 to May 22, 2020 and reported by July 1, 2020. The aggregate payments under the PACRR and BOP customer support programs will be approximately \$300 million.

# Liberty Mutual Overview



*Helping people embrace today and confidently pursue tomorrow*

## P&C Businesses

### Global Retail Markets (GRM)

- U.S. - Personal Lines and Business Lines
- West - Brazil, Colombia, Chile, Ecuador, Spain, Portugal, and Ireland
- East - Thailand, Singapore, Hong Kong, Vietnam, Malaysia, India, and China
- GRM Reinsurance

### Global Risk Solutions (GRS)

- Liberty Specialty Markets
- North America
- Global Surety
- Other GRS

- Mutual holding company structure
- \$133.6B of assets and \$43.2B of revenues in 2019
- The most diversified P&C insurer
- 75<sup>th</sup> among Fortune 500 companies<sup>1</sup>

- 1<sup>st</sup> in U.S. Surety<sup>2,3</sup>
- 3<sup>rd</sup> largest commercial lines writer in the U.S.<sup>2</sup>
- 4<sup>th</sup> largest P&C writer in the U.S.<sup>2</sup>
- 6<sup>th</sup> largest global P&C insurer<sup>4</sup>
- 6<sup>th</sup> largest personal lines writer in the U.S.<sup>2</sup>
- 9<sup>th</sup> largest surplus lines carrier in the U.S.<sup>2</sup>

<sup>1</sup> Based on 2018 revenue – as reported.

<sup>2</sup> Based on 2019 direct written premium ("DWP").

<sup>3</sup> Includes AmTrust surety full-year 2019 results.

<sup>4</sup> Based on 2019 gross written premium ("GWP"), excludes state-owned companies.

# Liberty Mutual's Global Presence

Liberty Mutual operates in 29 countries and economies around the globe

## Americas

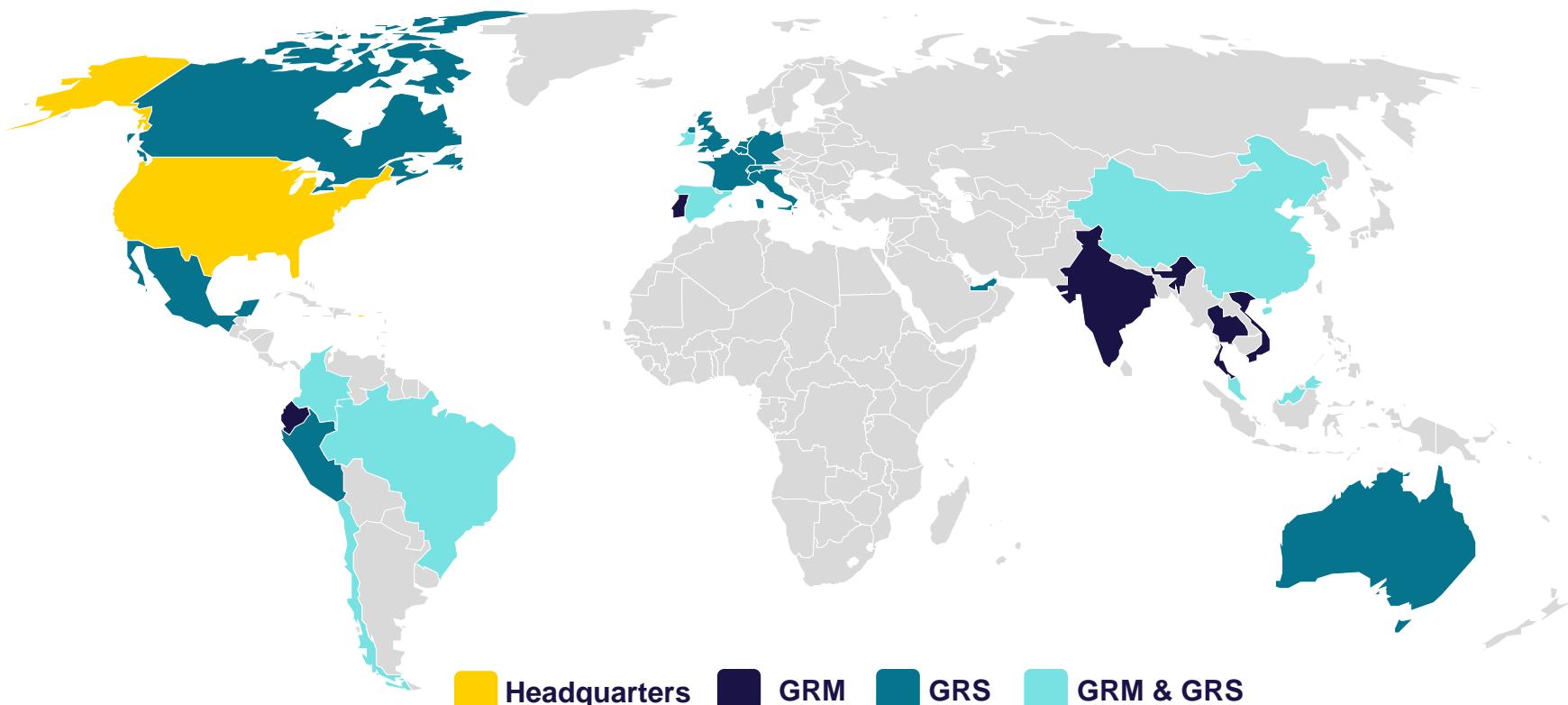
- U.S. (HQ)
- Canada
- Ecuador
- Bermuda
- Chile
- Mexico
- Brazil
- Colombia
- Peru

## Europe<sup>1</sup>

- Belgium
- Italy
- Spain
- France
- Luxembourg
- Switzerland
- Germany
- Netherlands
- U.K.
- Ireland
- Portugal

## Asia / Pacific

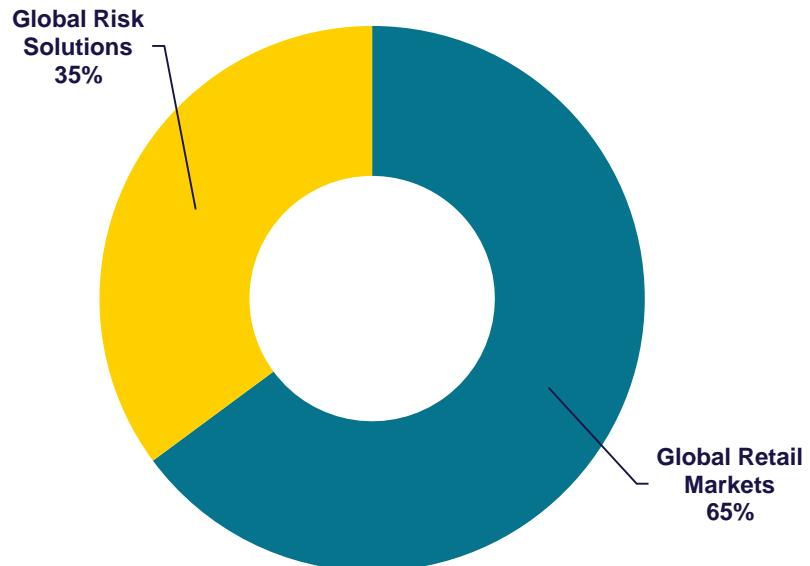
- Australia
- India
- Thailand
- China
- Malaysia
- UAE
- Hong Kong
- Singapore
- Vietnam



<sup>1</sup> On December 24, 2019, the Company's subsidiary, UKH, entered into an agreement to sell its entire 99.99% interest in its Russian insurance affiliate, Liberty Insurance (JSC), to PJSC Sovcombank. The transaction closed on February 6, 2020.

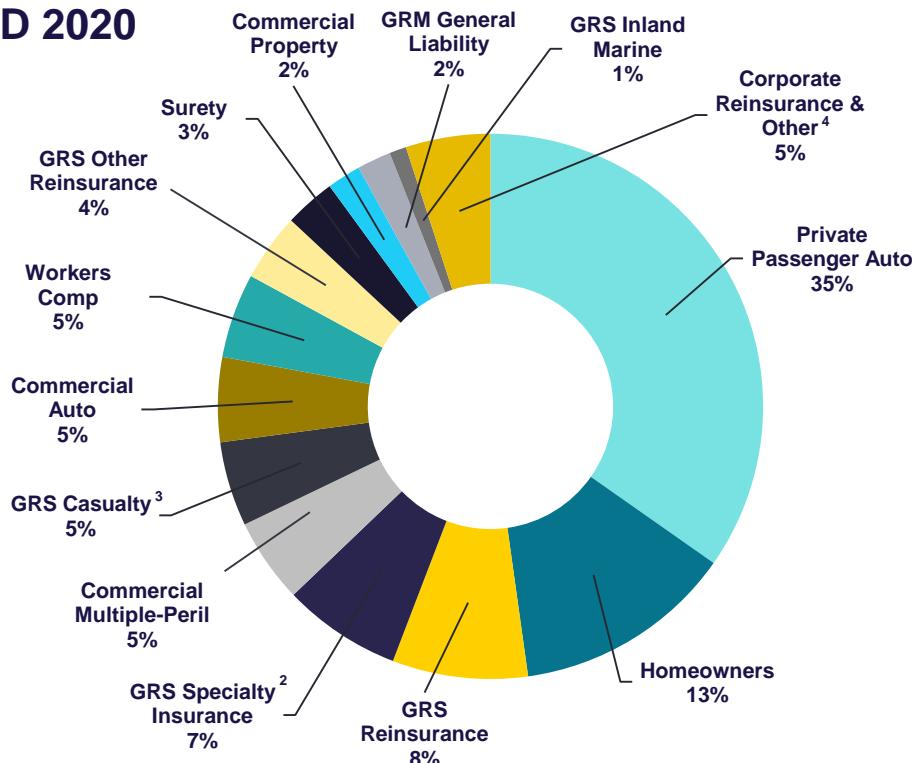
# Analysis of Consolidated Net Written Premium (“NWP”)

## NWP by Business<sup>1</sup>



## NWP by Line of Business

March YTD 2020



NWP year-to-date in 2020 totaled **\$10.0 billion**, an increase of **3.5%** over the same period in 2019  
(or an increase of **4.5%<sup>5</sup>** excluding FX)

<sup>1</sup> Excludes “Corporate and Other” of \$6 million.

<sup>2</sup> Global Risk Solutions specialty insurance includes marine, energy, construction, aviation, warranty and indemnity, directors and officers, errors and omissions, trade credit, contingent lines and other.

<sup>3</sup> Global Risk Solutions casualty primarily includes general liability, excess & umbrella and environmental lines of business.

<sup>4</sup> Corporate Reinsurance is NWP associated with internal reinsurance assumed into Corporate, net of corporate external placements. Other primarily includes NWP from allied lines, domestic inland marine, internal reinsurance, and life and health reported within Global Retail Markets.

<sup>5</sup> Determined by assuming constant foreign exchange rates between periods.

# Consolidated Results

(\$ Millions)	First Quarter		
	2020	2019	Change
<b>NWP</b>	<b>\$10,039</b>	<b>\$9,699</b>	<b>3.5%</b>
Pre-tax operating income ("PTOI") before partnerships, LLC and other equity method income	\$705	\$660	6.8
Partnerships, LLC and other equity method income <sup>1</sup>	100	83	20.5
Net realized (losses) gains	(247)	250	NM
Consolidated net income from continuing operations	519	719	(27.8)
Discontinued operations, net of tax	-	(50)	(100.0)
<b>Net income attributable to LMHC</b>	<b>519</b>	<b>669</b>	<b>(22.4)</b>
Net income attributable to LMHC excluding unrealized impact <sup>2</sup>	\$803	\$465	72.7
<b>Cash flow provided by continuing operations</b>	<b>\$419</b>	<b>\$235</b>	<b>78.3%</b>
(\$ Millions)	As of		
	March 31, 2020	December 31, 2019	Change
<b>Total equity</b>	<b>\$23,122</b>	<b>\$23,619</b>	<b>(2.1%)</b>

<sup>1</sup> 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.

<sup>2</sup> Excludes unrealized gains on equity securities, unit linked life insurance, and the corresponding tax impact.

NM = Not Meaningful

# Consolidated Results

	First Quarter		
	2020	2019	Change (Points)
Claims and claim adjustment expense ratio	62.3%	64.3%	(2.0)
Underwriting expense ratio	30.5	28.6	1.9
<b>Combined ratio before catastrophes and net incurred losses attributable to prior years</b>	<b>92.8</b>	<b>92.9</b>	<b>(0.1)</b>
Catastrophes <sup>1</sup>	3.1	2.9	0.2
Net incurred losses attributable to prior years:			
- Asbestos and environmental	0.2	-	0.2
- All other <sup>2</sup>	0.2	0.5	(0.3)
<b>Total combined ratio<sup>3</sup></b>	<b>96.3%</b>	<b>96.3%</b>	<b>-</b>

<sup>1</sup> Catastrophes are defined as a natural catastrophe 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.

<sup>2</sup> Net of earned premium and reinstatement premium attributable to prior years.

<sup>3</sup> 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.

# Global Retail Markets

## Segment Highlights

- Operates in 8 markets across 15 countries
- 6<sup>th</sup> largest writer of personal lines in the U.S.<sup>1</sup>
- 3<sup>rd</sup> largest personal lines independent agency writer in the U.S.<sup>1</sup>

## Financial Performance

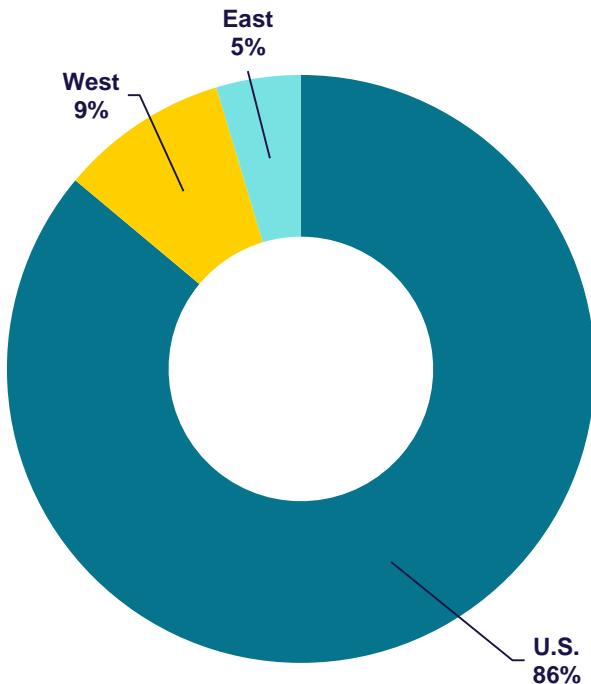
	(\$ Millions)			First Quarter		
	2020	2019	Change	2020	2019	Change
<b>NWP</b>	<b>\$6,508</b>	<b>\$6,503</b>	<b>0.1%</b>			
PTOI before catastrophes and net incurred losses attributable to prior years	\$851	\$774	9.9%			
Catastrophes <sup>2</sup>	(227)	(262)	(13.4)			
Net incurred losses attributable to prior years	9	36	(75.0)			
<b>PTOI</b>	<b>\$633</b>	<b>\$548</b>	<b>15.5%</b>			
First Quarter						
	2020	2019	Change (Points)	2020	2019	Change
Claims and claim adjustment expense ratio	61.2%	63.1%	(1.9)			
Underwriting expense ratio	29.2	28.2	1.0			
<b>Combined ratio before catastrophes and net incurred losses attributable to prior years</b>	<b>90.4%</b>	<b>91.3%</b>	<b>(0.9)</b>			
Catastrophes <sup>2</sup>	3.3	3.9	(0.6)			
Net incurred losses attributable to prior years	(0.1)	(0.5)	0.4			
<b>Total combined ratio</b>	<b>93.6%</b>	<b>94.7%</b>	<b>(1.1)</b>			

<sup>1</sup> Based on 2019 DWP.

<sup>2</sup> Catastrophes are defined as a natural catastrophe 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.

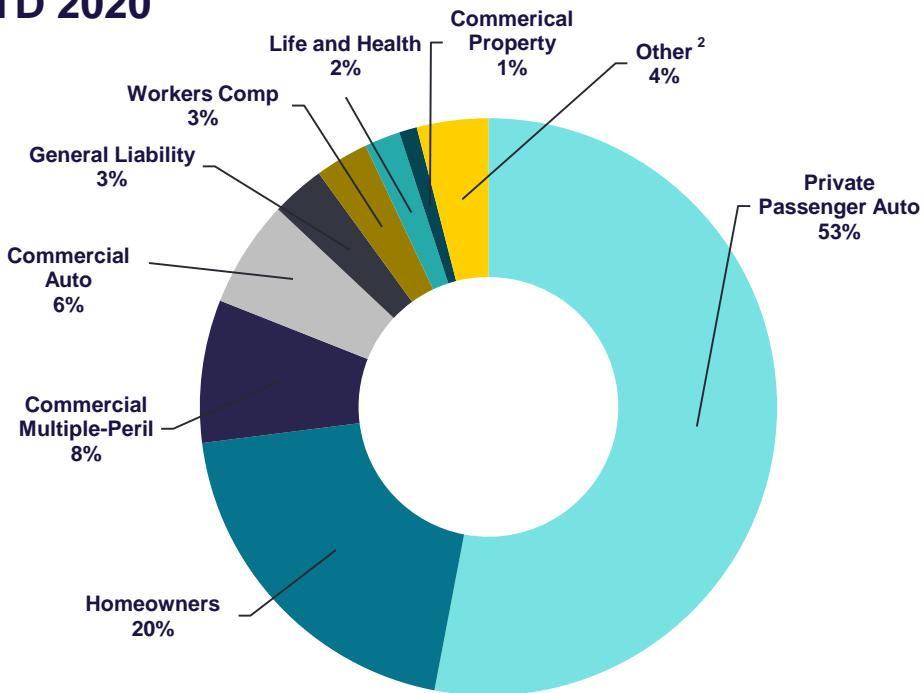
# Global Retail Markets NWP Distribution

## NWP by Market Segment<sup>1</sup>



## NWP by Line of Business

March YTD 2020



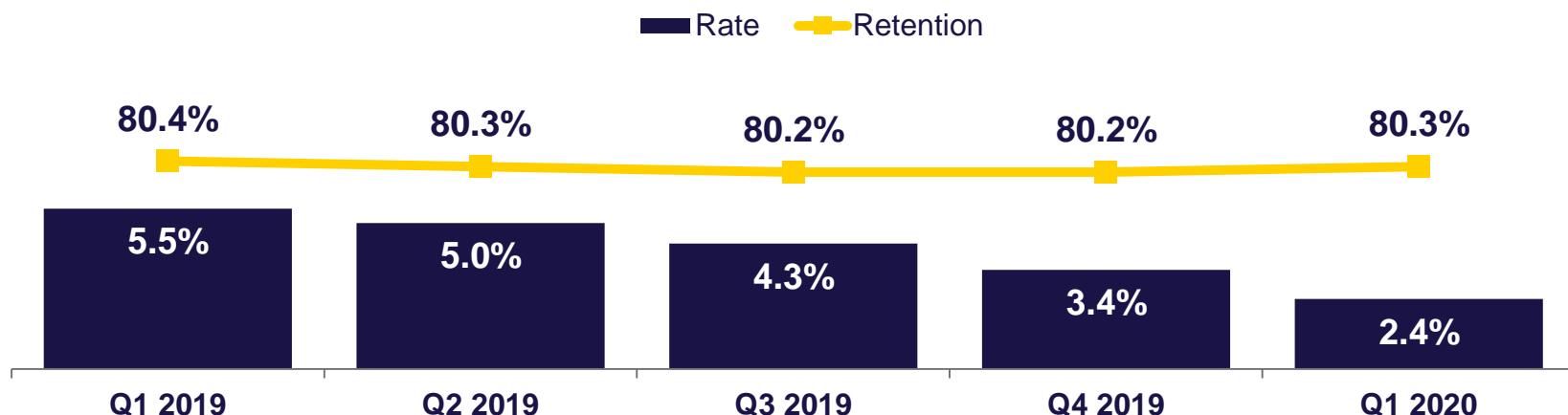
NWP year-to-date in 2020 totaled \$6.5 billion, an increase of 0.1% over the same period in 2019  
(or an increase of 1.2%<sup>3</sup> excluding FX)

<sup>1</sup> Excludes "GRM Reinsurance" of \$4 million.

<sup>2</sup> Premium related to internal reinsurance and other personal and commercial lines including personal accident, bonds, small and medium enterprise, and marine and cargo lines of business.

<sup>3</sup> Determined by assuming constant foreign exchange rates between periods.

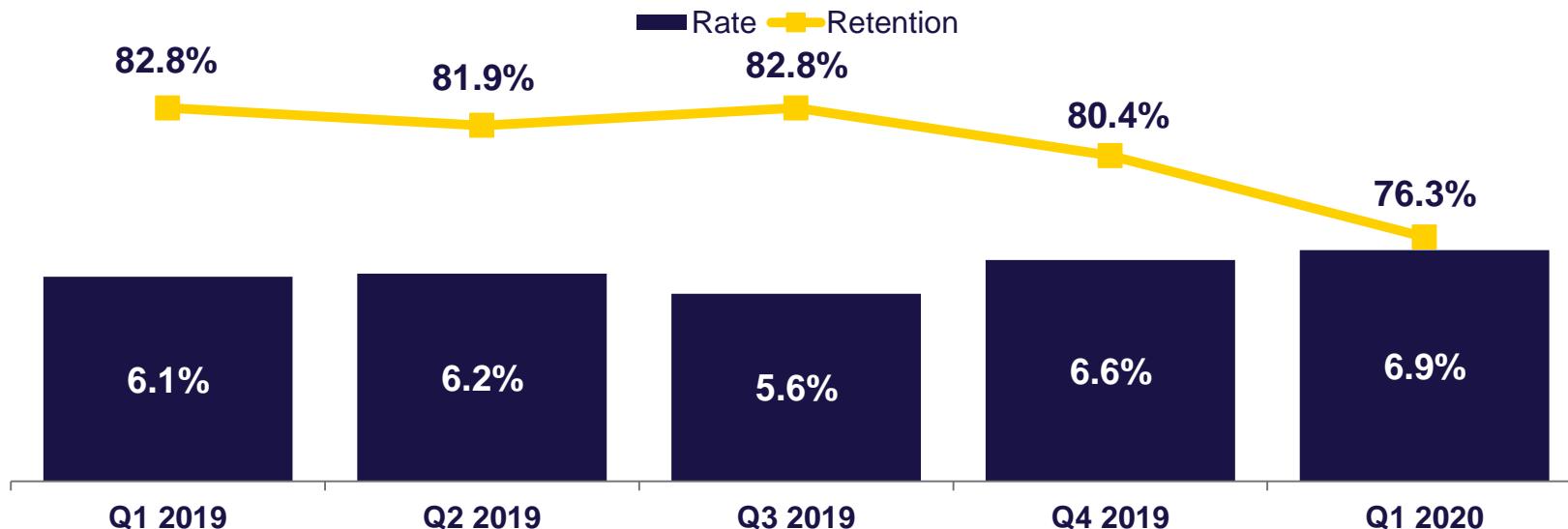
# U.S. Personal Lines: Renewal Rate, Retention, & PIF



	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
<b>Private Passenger Auto</b>					
Renewal Rate	6.3%	5.8%	5.1%	4.2%	2.9%
Retention	78.6%	78.3%	78.1%	78.1%	78.1%
PIF Growth	(2.6%)	(2.2%)	(1.9%)	(2.2%)	0.4%
<b>Homeowners</b>					
Renewal Rate	3.8%	3.5%	2.6%	1.8%	1.1%
Retention	80.9%	81.0%	81.0%	81.1%	81.1%
PIF Growth	(1.0%)	(0.9%)	(0.4%)	0.1%	1.7%

PIF: policies in-force. Retention is calculated as the percent of policies in-force renewed on a rolling 12-month basis.

# U.S. Business Lines: Rate & Retention



	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
<b>U.S. Business Lines</b>					
Rate	6.1%	6.2%	5.6%	6.6%	6.9%
Retention	82.8%	81.9%	82.8%	80.4%	76.3%

Retention is calculated as the percent of expiring premium retained on a month-to-month basis.

# Global Risk Solutions

## Segment Highlights

- Offers a wide array of property, casualty, specialty and reinsurance coverages distributed through brokers and independent agents globally
- 3<sup>rd</sup> largest U.S. commercial and specialty lines writer<sup>1,2</sup>
- 1<sup>st</sup> in U.S. surety<sup>1,3</sup>
- 9<sup>th</sup> largest surplus lines carrier in the U.S.<sup>1</sup>

## Financial Performance

(\$ Millions)	First Quarter		
	2020	2019	Change
<b>NWP</b>	<b>\$3,525</b>	<b>\$3,174</b>	<b>11.1%</b>
PTOI before catastrophes and net incurred losses attributable to prior years	\$324	\$296	9.5%
Catastrophes <sup>4</sup>	(79)	(17)	NM
Net incurred losses attributable to prior years <sup>5</sup>	(31)	(73)	(57.5)
<b>PTOI</b>	<b>\$214</b>	<b>\$206</b>	<b>3.9%</b>
First Quarter			
	2020	2019	Change (Points)
Claims and claim adjustment expense ratio	65.6%	67.1%	(1.5)
Underwriting expense ratio	31.1	30.2	0.9
Dividend ratio	0.1	0.1	-
<b>Combined ratio before catastrophes and net incurred losses attributable to prior years</b>	<b>96.8%</b>	<b>97.4%</b>	<b>(0.6)</b>
Catastrophes <sup>4</sup>	2.6	0.6	2.0
Net incurred losses attributable to prior years <sup>5</sup>	1.1	2.5	(1.4)
<b>Total combined ratio</b>	<b>100.5%</b>	<b>100.5%</b>	-

<sup>1</sup> Based on 2019 DWP.

<sup>2</sup> Includes small commercial premium reported within Global Retail Markets.

<sup>3</sup> Includes AmTrust surety full-year 2019 results.

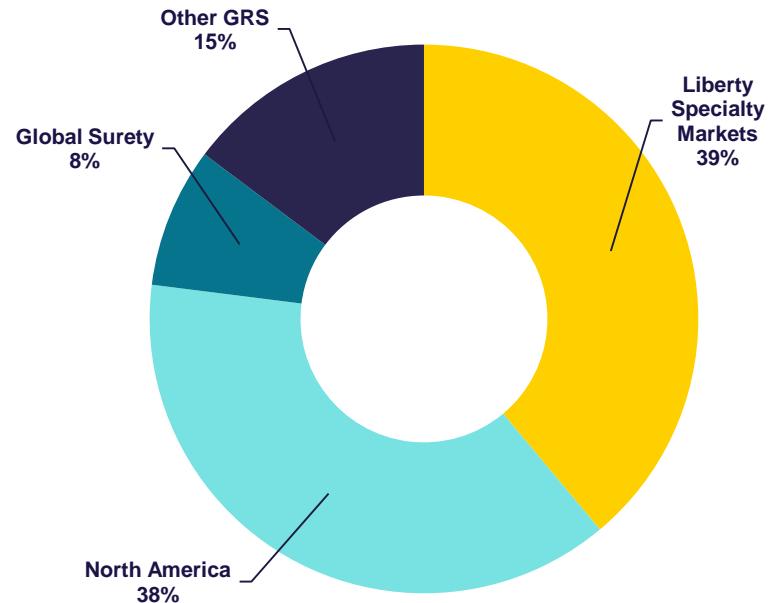
<sup>4</sup> Catastrophes are defined as a natural catastrophe or terror event exceeding \$25 million in estimated ultimate losses, net of reinsurance, and before taxes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>5</sup> Net of earned premium and reinstatement premium attributable to prior years of \$8 million for the three months ended March 31, 2020, and zero for the same period in 2019.

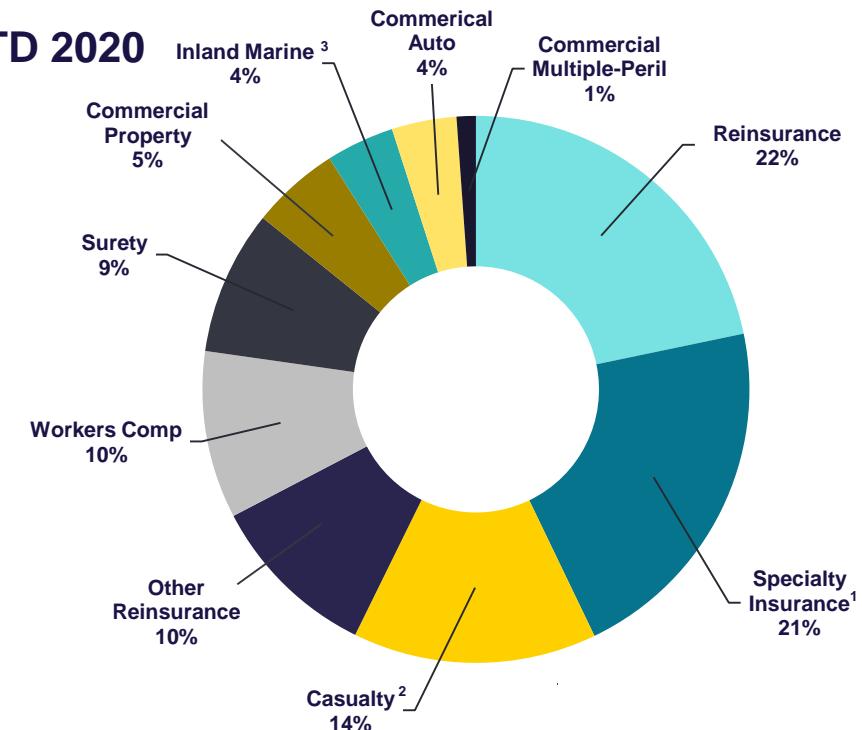
NM = Not Meaningful

# Global Risk Solutions NWP Distribution

## NWP by Market Segment



March YTD 2020



NWP year-to-date in 2020 totaled \$3.5 billion, an increase of 11.1% over the same period in 2019  
(or an increase of 11.9%<sup>4</sup> excluding FX)

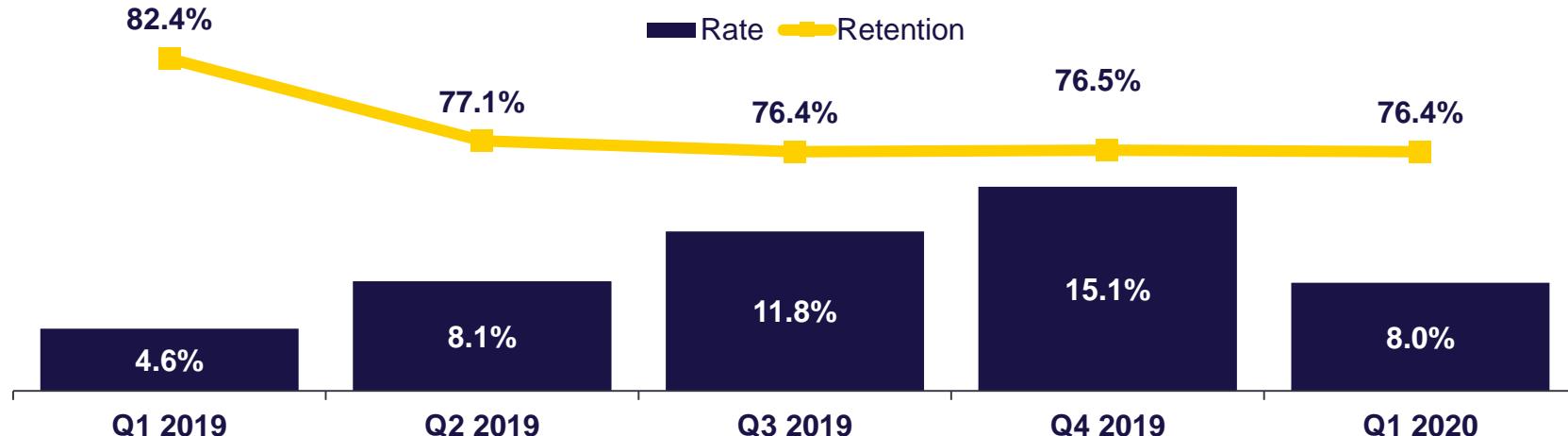
<sup>1</sup> Includes marine, energy, construction, aviation, warranty and indemnity, directors and officers, errors and omissions, trade credit, contingent lines and other.

<sup>2</sup> Primarily includes general liability, excess & umbrella and environmental lines of business.

<sup>3</sup> Includes handset protection coverage for lost or damaged wireless devices.

<sup>4</sup> Determined by assuming constant foreign exchange rates between periods.

# Global Risk Solutions: Rate & Retention



	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
<b>Specialty</b>					
Rate	7.8%	10.2%	15.7%	18.4%	11.8%
Retention	76.6%	76.8%	72.8%	75.3%	68.0%
<b>Reinsurance</b>					
Rate	2.2%	4.4%	4.0%	8.9%	5.6%
Retention	91.9%	85.9%	89.6%	91.0%	86.9%
<b>Casualty</b>					
Rate	4.9%	8.6%	12.2%	19.1%	16.8%
Retention	77.3%	77.7%	71.0%	78.7%	59.0%
<b>Property</b>					
Rate	10.0%	16.6%	19.6%	21.6%	11.8%
Retention	69.2%	64.3%	64.5%	63.6%	69.2%

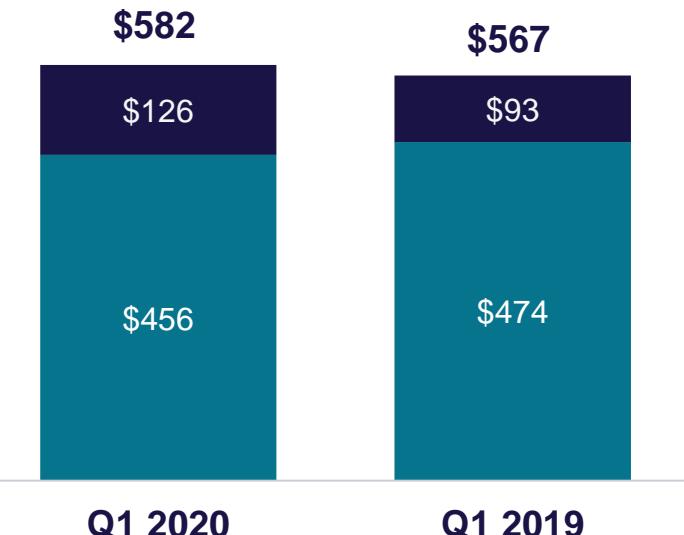
Rate Change and Retention reported on a one month lag for LSM and NAS.

Excludes lines of business related to coverholders, surety and project based business. Prior periods' results have been restated.

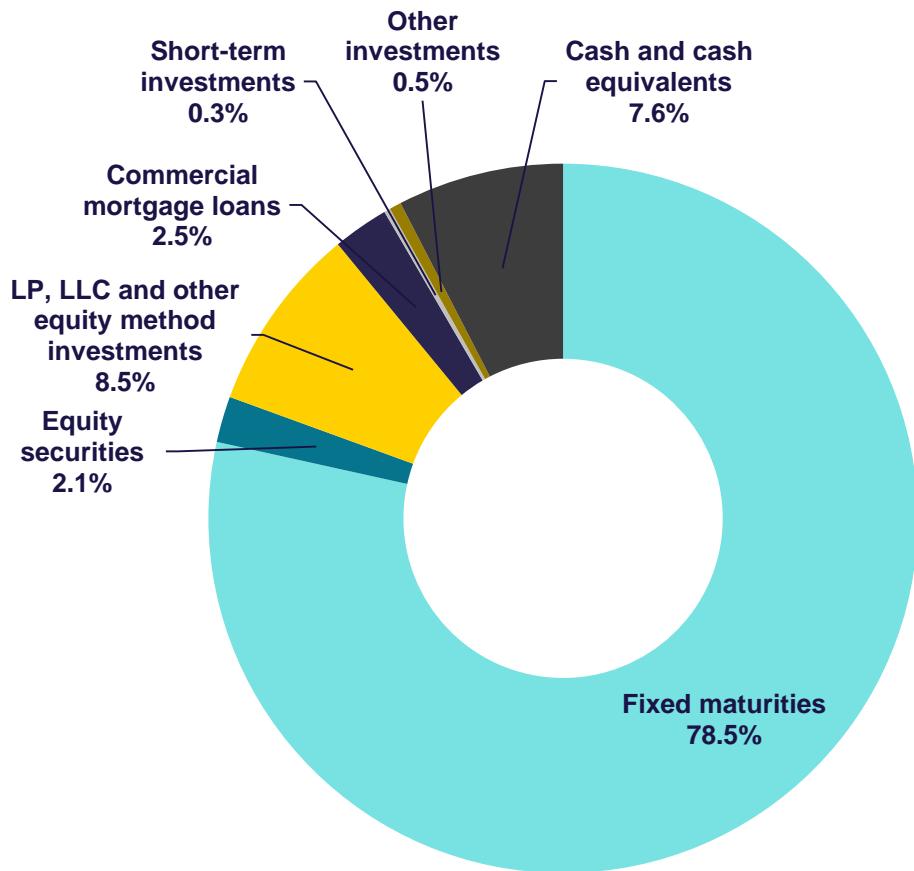
# Investments

## Net Investment Income

(\$ Millions)



- LP, LLC and other equity method income
- Net investment income excluding LP, LLC and other equity method income

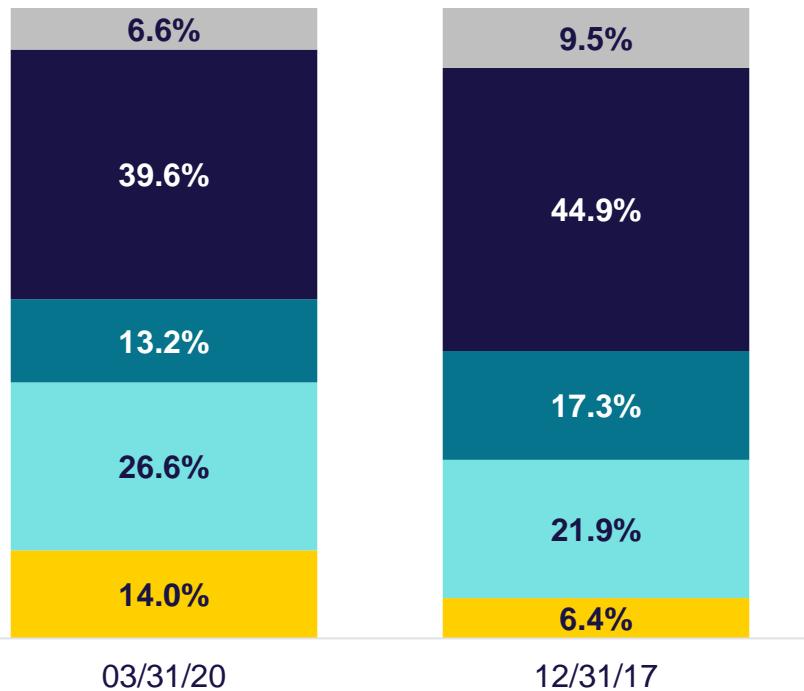


**Total invested assets as of  
March 31, 2020: \$81.3 billion**

# Fixed Maturity Summary

Shift to conservative positioning and up-in-quality bias has cushioned COVID-19 drawdown

Fixed Maturity Breakdown

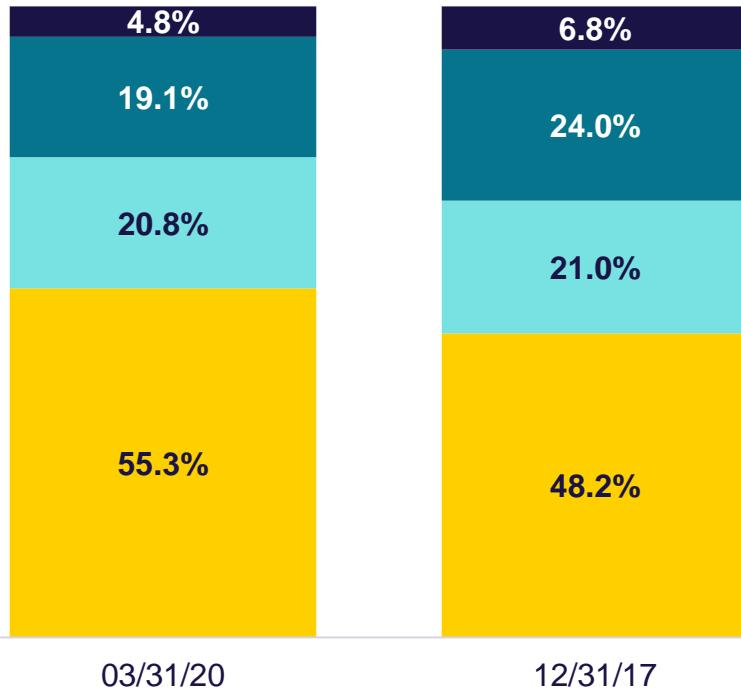


03/31/20

12/31/17

- Foreign government securities
- Corporate and other
- U.S. state and municipal
- Mortgage- and asset-backed securities
- U.S. government and agency securities

Fixed Maturity Credit Quality



03/31/20

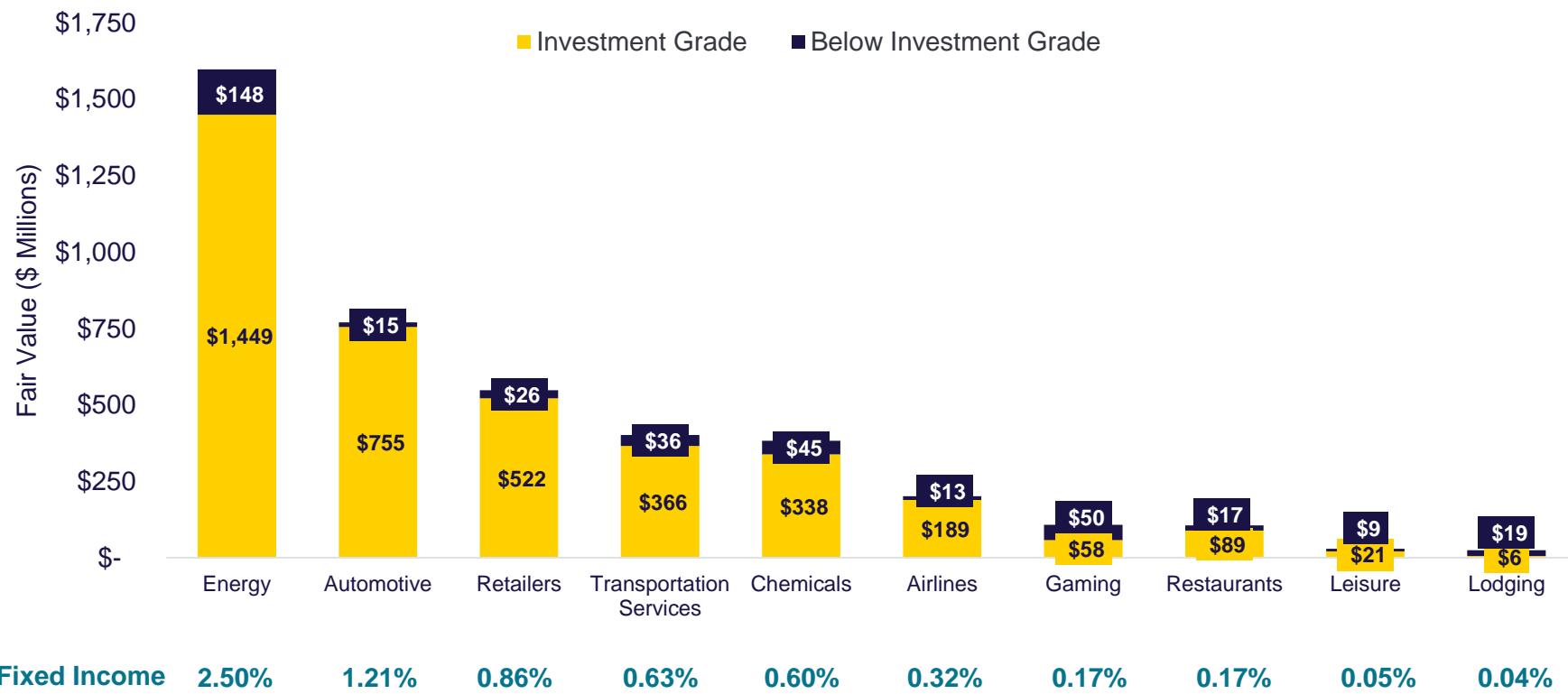
12/31/17

- ≥AA
- A
- BBB
- ≤BB

# Fixed Maturity Industry Summary

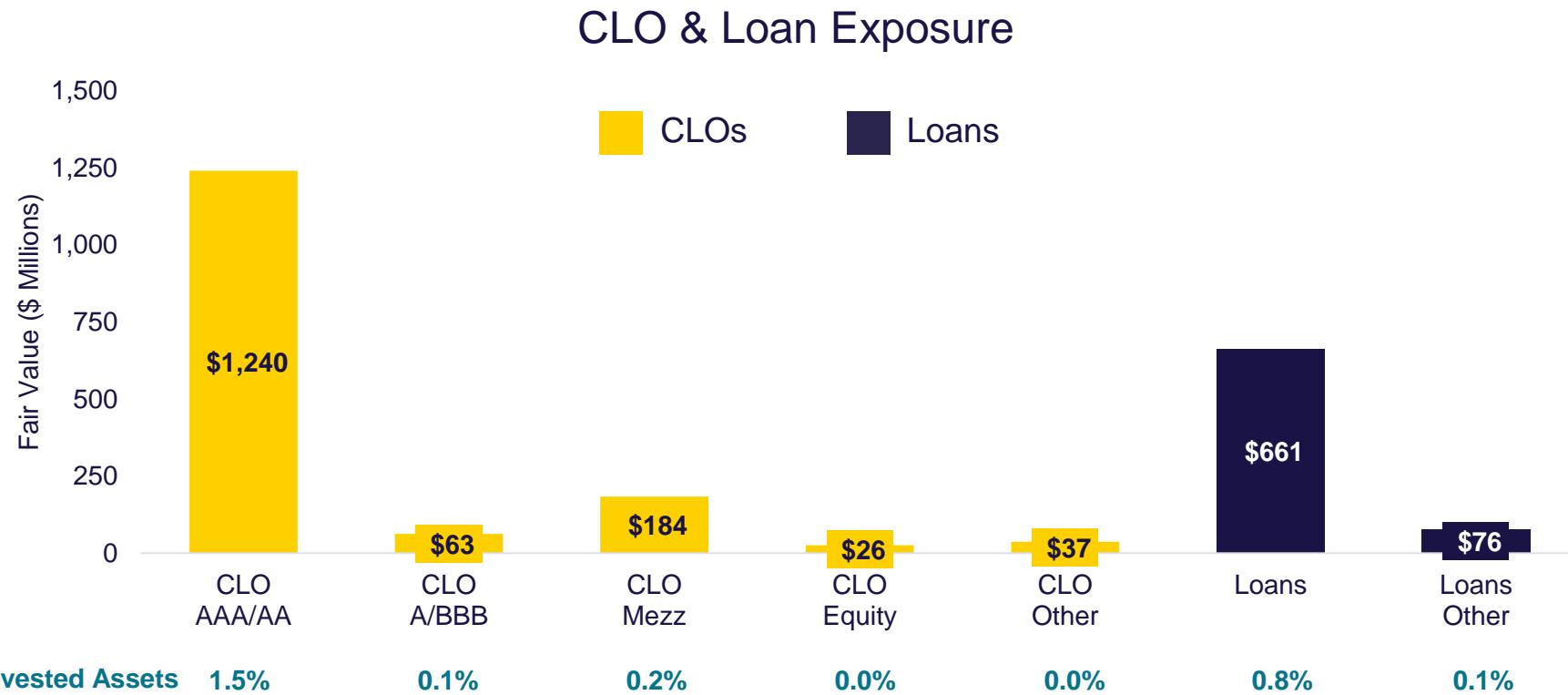
The most likely “at risk” sectors due to COVID-19 account for less than 7% of fixed maturity portfolio, 91% of the exposure is rated investment grade and 9% below investment grade

## COVID-19 Higher Risk Industry Exposures



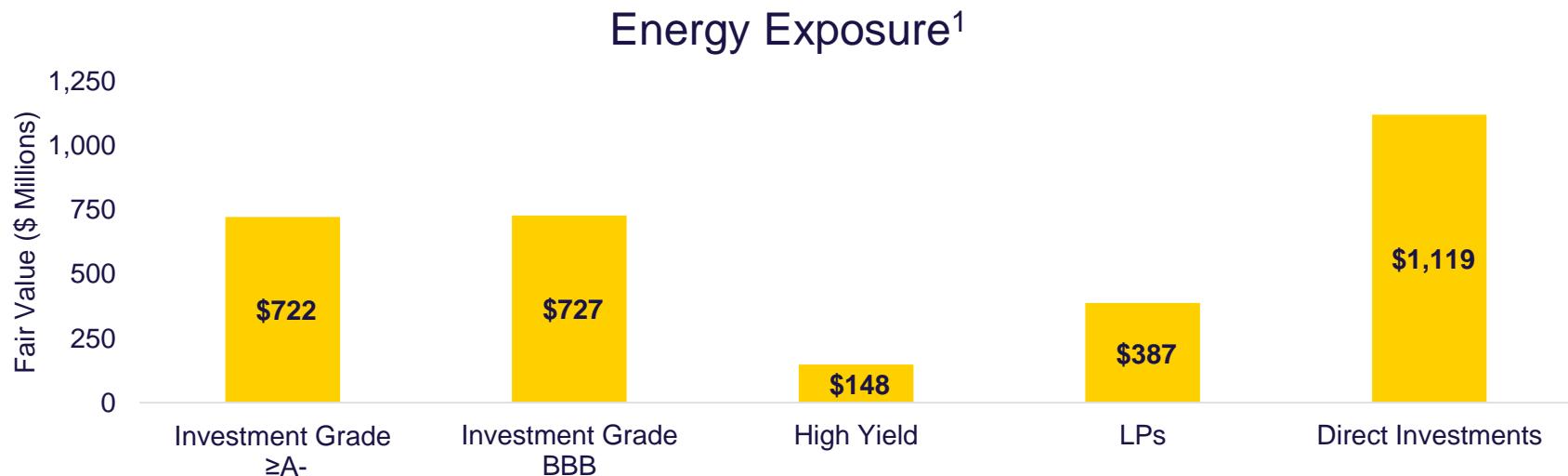
# Leveraged Loans & CLOs

- Diversified portfolio of Leveraged Loans & CLOs is ~2.8% of Invested Assets
- Over 50% of the exposure is liquid AAA/AA-rated positions



# Energy Exposure

- Energy exposure (2.4% of Invested Assets and \$1.1B of directs) experiencing stress with combined supply and demand dislocation
- The direct investment portfolio has no leverage and 85% of 2020 production hedged
- Operators adjusting production in light of price declines
- Significant reduction in unfunded commitment from \$3 billion in 2016 to \$118 million



<sup>1</sup> The energy sector is composed of the following sub-sectors: independent energy, integrated energy, midstream, oil field services, and refining (classification per Bloomberg Barclays Industry Groups).

# Equity & Equity-like Assets

- Broadly diversified Equity & Equity-like assets exposure of ~\$9.7B
- Public equity less than 1.5% of invested assets; trimmed exposure in 2019
- Seasoned private equity portfolio diversified across managers, vintages and sectors; Secondary sale in 2018 of ~\$1B
- Seasoned and diversified Real Estate portfolio focused on defensive sectors (industrial, student housing, multi-family, workforce housing)



<sup>1</sup> Public equity represents equities securities excluding securities associated with non-guaranteed unit linked life insurance where the policyholder bears the investment risk.

# Capitalization

(\$ Millions)	As of March 31, 2020	Revised As of December 31, 2019 <sup>2</sup>
<b>Total debt</b>	<b>\$8,161</b>	<b>\$8,200</b>
Unamortized discount and debt issuance costs	(466)	(471)
<b>Total debt excluding unamortized discount and debt issuance costs</b>	<b>\$8,627</b>	<b>\$8,671</b>
<b>Total equity excluding accumulated other comprehensive loss</b>	<b>\$25,495</b>	<b>\$24,978</b>
<b>Total capital excluding accumulated other comprehensive loss<sup>1</sup></b>	<b>\$34,122</b>	<b>\$33,649</b>
<i><b>Debt-to-capital capitalization excluding accumulated other comprehensive loss<sup>1</sup></b></i>	<i><b>25.3%</b></i>	<i><b>25.8%</b></i>
<b>Statutory surplus</b>	<b>\$20,246</b>	<b>\$20,538</b>

<sup>1</sup> Excludes unamortized discount and debt issuance costs.

<sup>2</sup> 2019 amounts were restated due to a pension accounting policy change.

# Holding Company Interest Coverage

(\$ Millions)	
<b>Preferred dividends</b>	<b>\$80</b>
<b>Remaining dividend capacity</b>	<b><u>\$1,925</u></b>
<b>2020 dividend capacity<sup>1</sup></b>	<b><u>\$2,005</u></b>
<b>Estimated PTI from LMG service companies/fees</b>	<b><u>\$434</u></b>
<b>Total available funding</b>	<b><u>\$2,439</u></b>
<b>Interest expense<sup>2</sup></b>	<b><u>\$355</u></b>
<b>Holding company interest coverage</b>	<b><u>6.9x</u></b>

<sup>1</sup> Represents the estimated maximum allowable dividend without prior regulatory approval in the state of domicile. Dividends paid April 1, 2019 through March 31, 2020 were \$80 million.

<sup>2</sup> Represents the Company's interest obligations for debt issued by its non-insurance company subsidiaries.

# Changes in Statutory Surplus

(\$ Millions)

March YTD 2020

**Balance at beginning of the year** **\$20,538**

Statutory net income **864**

Net unaffiliated unrealized losses **(531)**

Affiliated unrealized losses **(332)**

Change in deferred income taxes **(143)**

Other changes in statutory surplus **(150)**

**Balance at end of the period** **\$20,246**

# About Liberty Mutual Insurance

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and fourth largest property and casualty insurer in the U.S. based on 2019 direct written premium. The Company also ranks 75<sup>th</sup> on the Fortune 100 list of largest corporations in the U.S. based on 2018 revenue. As of December 31, 2019, LMHC had \$133.635 billion in consolidated assets, \$110.016 billion in consolidated liabilities, and \$43.228 billion in annual consolidated revenue.

LMHC, through its subsidiaries and affiliated companies, offers a wide range of property and casualty insurance products and services to individuals and businesses alike. In 2001 and 2002, the Company formed a mutual holding company structure, whereby the three principal mutual insurance companies, Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company and Employers Insurance Company of Wausau, each became separate stock insurance companies under the ownership of LMHC.

Functionally, the Company conducts substantially all of its business through two business units, with each operating independently of the other in certain areas such as sales, underwriting, and claims, but, as appropriate, collaborating in other areas such as actuarial and financial. Management believes this structure provides increased synergy to the Company and permits each business unit to execute its business strategy and/or to make acquisitions without impacting or disrupting the operations of the other business unit.

LMHC employs over 45,000 people in 29 countries and economies around the world. For a full description of the Company's business operations, products and distribution channels, please visit Liberty Mutual's Investor Relations website at [www.libertymutualgroup.com/investors](http://www.libertymutualgroup.com/investors).

# Additional Notes

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, 2020 are available on the Company's Investor Relations website at <http://www.libertymutualgroup.com/investors>.

The Company's discussions related to net income are presented in conformity with U.S. generally accepted accounting principles ("GAAP") on an after-tax basis. All other discussions are presented on a pre-tax GAAP basis, unless otherwise noted. Further, the Company notes that it may make material information regarding the Company available to the public, from time to time, via the Company's Investor Relations website at <http://www.libertymutualgroup.com/investors> (or any successor site).

The Company's annual audited financial statements and the Report of Independent Registered Public Accounting Firm on the Effectiveness of Internal Control Over Financial Reporting are also published on the Company's Investor Relations website at <http://www.libertymutualgroup.com/investors>.



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