

## Liberty Mutual Insurance Reports Second Quarter 2020 Results

BOSTON, Mass., August 5, 2020 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) reported net loss attributable to LMHC of \$320 million and net income attributable to LMHC of \$199 million for the three and six months ended June 30, 2020, versus net income attributable to LMHC of \$397 million and \$1.066 billion for the same periods in 2019.

“For the second quarter, we reported a net loss attributable to LMHC of \$320 million, reflecting significant impacts from the COVID-19 pandemic and consequent economic downturn as well as above average catastrophe losses,” said David H. Long, Liberty Mutual Chairman and Chief Executive Officer. “Incurred losses for COVID-19 amounted to \$529 million in the quarter, with roughly half of these losses related to event cancellation. Based on our size and industry footprint, these losses fall within our expectations for an event of this magnitude. Catastrophe losses of \$878 million were up \$384 million from the prior year quarter and resulted primarily from a high frequency of severe storm activity and include \$147 million of losses related to civil unrest. On the investment side, realized gains from the sale of fixed maturities were more than offset by losses in our partnership portfolio, which are booked on a quarter lag.

“Despite these extraordinary events, our core combined ratio in the quarter improved 4.6 points to 89.1%, and we are encouraged by the continued market firming in commercial lines which should only accelerate as COVID-19 weighs on industry profitability. Within Global Risk Solutions, we achieved renewal rate increases of 16% in the quarter which is in excess of observed loss trend. The market has been receptive to the need for rate in recent quarters as loss trends remain elevated. We expect this will have a meaningful impact on our core underwriting results going forward.”

### Second Quarter Highlights

- Net written premium (“NWP”) for the three months ended June 30, 2020 was \$9.780 billion, a decrease of \$259 million or 2.6% from the same period in 2019.
- Pre-tax operating (loss) income before partnerships, limited liability companies (“LLC”) and other equity method (loss) income for the three months ended June 30, 2020 was (\$327) million, versus \$208 million for the same period in 2019.
- Partnerships, LLC and other equity method (loss) income for the three months ended June 30, 2020 was (\$350) million, versus \$311 million for the same period in 2019.
- Net realized gains for the three months ended June 30, 2020 were \$403 million, an increase of \$341 million over the same period in 2019.
- Unit linked life insurance for the three months ended June 30, 2020 was (\$71) million, a decrease of \$55 million from the same period in 2019.
- Ironshore Inc. (“Ironshore”) acquisition and integration costs for the three months ended June 30, 2020 were \$7 million, an increase of \$1 million or 16.7% over the same period in 2019.
- Restructuring costs for the three months ended June 30, 2020 were zero, versus \$1 million for the same period in 2019.
- Loss on extinguishment of debt for the three months ended June 30, 2020 was zero, versus \$49 million for the same period in 2019.
- Discontinued operations, net of tax, for the three months ended June 30, 2020 were (\$13) million, versus zero for the same period in 2019.
- Consolidated net (loss) income for the three months ended June 30, 2020 was (\$318) million, versus \$397 million for the same period in 2019.

- Net income attributable to non-controlling interest for the three months ended June 30, 2020 was \$2 million, versus zero for the same period in 2019.
- Net (loss) income attributable to LMHC for the three months ended June 30, 2020 was (\$320) million, versus \$397 million for the same period in 2019.
- Net (loss) income attributable to LMHC excluding unrealized impact<sup>1</sup> for the three months ended June 30, 2020 was (\$511) million, versus \$392 million for the same period in 2019.
- Cash flow provided by continuing operations for the three months ended June 30, 2020 was \$1.699 billion, an increase of \$389 million or 29.7% over the same period in 2019.
- The consolidated combined ratio before catastrophes<sup>2</sup>, COVID-19<sup>3</sup>, net incurred losses attributable to prior years<sup>4</sup> and current accident year re-estimation<sup>5</sup> for the three months ended June 30, 2020 was 89.1%, a decrease of 4.6 from the same period in 2019. Including the impact of catastrophes, COVID-19, net incurred losses attributable to prior years and current accident year re-estimation, the total combined ratio<sup>6</sup> for the three months ended June 30, 2020 was 105.2%, an increase of 4.0 points over the same period in 2019.

### Year-to-date Highlights

- NWP for the six months ended June 30, 2020 was \$19.819 billion, an increase of \$81 million or 0.4% over the same period in 2019.
- Pre-tax operating income before partnerships, LLC and other equity method income for the six months ended June 30, 2020 was \$378 million, a decrease of \$490 million or 56.5% from the same period in 2019.
- Partnerships, LLC and other equity method (loss) income for the six months ended June 30, 2020 was (\$250) million, versus \$394 million for the same period in 2019.
- Net realized gains for the six months ended June 30, 2020 were \$156 million, a decrease of \$156 million or 50.0% from the same period in 2019.
- Unit linked life insurance for the six months ended June 30, 2020 was \$43 million, versus (\$77) million for the same period in 2019.

---

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

2 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.

3 Includes Global Risk Solutions estimated loss activity directly related to COVID-19.

4 Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (including prior year losses related to catastrophes, prior year catastrophe reinstatement premium, and prior year commission expense) including earned premium attributable to prior years.

5 Re-estimation of the current accident year loss reserves for the three months ended March 31, 2019.

6 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.

- Ironshore acquisition and integration costs for the six months ended June 30, 2020 were \$11 million, a decrease of \$1 million or 8.3% from the same period in 2019.
- Restructuring costs for the six months ended June 30, 2020 were \$2 million, a decrease of \$1 million or 33.3% from the same period in 2019.
- Loss on extinguishment of debt for the six months ended June 30, 2020 was zero, versus \$49 million for the same period in 2019.
- Discontinued operations, net of tax, for the six months ended June 30, 2020 were (\$13) million, a decrease of \$37 million or 74.0% from the same period in 2019.
- Consolidated net income for the six months ended June 30, 2020 was \$201 million, a decrease of \$865 million or 81.1% from the same period in 2019.
- Net income attributable to non-controlling interest for the six months ended June 30, 2020 was \$2 million, versus zero for the same period in 2019.
- Net income attributable to LMHC for the six months ended June 30, 2020 was \$199 million, a decrease of \$867 million or 81.3% from the same period in 2019.
- Net income attributable to LMHC excluding unrealized impact for the six months ended June 30, 2020 was \$292 million, a decrease of \$565 million or 65.9% from the same period in 2019.
- Cash flow provided by continuing operations for the six months ended June 30, 2020 was \$2.118 billion, an increase of \$573 million or 37.1% over the same period in 2019.
- The consolidated combined ratio before catastrophes, COVID-19, and net incurred losses attributable to prior years for the six months ended June 30, 2020 was 90.8%, a decrease 2.7 points from the same period in 2019. Including the impact of catastrophes, COVID-19, and net incurred losses attributable to prior years, the total combined ratio for the six months ended June 30, 2020 was 100.6%, an increase of 1.9 points over the same period in 2019.

#### **Financial Condition as of June 30, 2020**

- Total debt excluding unamortized discount and debt issuance costs was \$9.172 billion as of June 30, 2020, an increase of \$501 million or 5.8% over December 31, 2019.
- Total equity was \$24.457 billion as of June 30, 2020, an increase of \$838 million or 3.5% over December 31, 2019.

#### **Subsequent Events**

On July 19, 2020, the Company entered into an agreement with an investment firm, whereby both parties will contribute various energy assets into a new joint venture vehicle. The Company will contribute its entire interest in Liberty Energy, LLC to the joint venture in exchange for a minority interest in the new entity. As a result of being held for sale, a \$231 million impairment is reflected in the Consolidated Statements of Operations.

Management has assessed material subsequent events through August 5, 2020, the date the financial statements were available to be issued.

## Consolidated Results of Operations

\$ in Millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	Revised 2019 <sup>8</sup>	Change	2020	Revised 2019 <sup>8</sup>	Change
Revenues	\$10,172	\$10,789	(5.7%)	\$20,629	\$21,456	(3.9%)
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	\$1,162	\$921	26.2	\$2,222	\$1,884	17.9
Catastrophes <sup>1</sup>	(878)	(494)	77.7	(1,184)	(773)	53.2
COVID-19 <sup>2</sup>	(529)	-	NM	(565)	-	NM
Net incurred losses attributable to prior years:						
- Asbestos and environmental <sup>3</sup>	-	-	-	-	(3)	(100.0)
- All other <sup>4</sup>	(82)	(204)	(59.8)	(95)	(240)	(60.4)
Current accident year re-estimation <sup>5</sup>	-	(15)	(100.0)	-	-	-
Pre-tax operating (loss) income before partnerships, LLC and other equity method income	(327)	208	NM	378	868	(56.5)
Partnerships, LLC and other equity method (loss) income <sup>6</sup>	(350)	311	NM	(250)	394	NM
Pre-tax operating (loss) income	(677)	519	NM	128	1,262	(89.9)
Net realized gains	403	62	NM	156	312	(50.0)
Unit linked life insurance	(71)	(16)	NM	43	(77)	NM
Ironshore acquisition & integration costs	(7)	(6)	16.7	(11)	(12)	(8.3)
Restructuring costs	-	(1)	(100.0)	(2)	(3)	(33.3)
Loss on extinguishment of debt	-	(49)	(100.0)	-	(49)	(100.0)
Pre-tax (loss) income	(352)	509	NM	314	1,433	(78.1)
Income tax (benefit) expense	(47)	112	NM	100	317	(68.5)
Consolidated net (loss) income from continuing operations	(305)	397	NM	214	1,116	(80.8)
Discontinued operations, net of tax	(13)	-	NM	(13)	(50)	(74.0)
Consolidated net (loss) income	(318)	397	NM	201	1,066	(81.1)
Less: Net income attributable to non-controlling interest	2	-	NM	2	-	NM
Net (loss) income attributable to LMHC	(320)	397	NM	199	1,066	(81.3)
Net (loss) income attributable to LMHC excluding unrealized impact <sup>7</sup>	(\$511)	\$392	NM	\$292	\$857	(65.9)
Cash flow provided by continuing operations	\$1,699	\$1,310	29.7%	\$2,118	\$1,545	37.1%

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 \$97 million and \$105 million for the three and six months ended June 30, 2020, and (\$9) million and (\$9) million for the same periods in 2019.

5 Re-estimation of the current accident year loss reserves for the three months ended March 31, 2019.

6 Partnerships, LLC and other equity method (loss) income includes LP, LLC and other equity method (loss) income within net investment income in the accompanying Consolidated Statements of Operations and revenue and expenses from direct investments in natural resources.

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

8 2019 amounts were restated due to a pension accounting policy change.

NM = Not Meaningful

**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, 2020 are available on the Company's Investor Relations website at [www.libertymutualgroup.com/investors](http://www.libertymutualgroup.com/investors).

**Conference Call Information:** On August 6, 2020, 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 6896508. You can view the slides at [https://attglobal.webcasts.com/starthere.jsp?ei=1343224&tp\\_key=a9635b8ded](https://attglobal.webcasts.com/starthere.jsp?ei=1343224&tp_key=a9635b8ded). 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=1343224&tp\\_key=a9635b8ded](https://attglobal.webcasts.com/starthere.jsp?ei=1343224&tp_key=a9635b8ded). 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](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 2019 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, 2019, we had \$43.2 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](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) 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.

Contact:            Investor Relations  
                         Edward Peña  
                         857-224-6655

Media Relations  
Rich Angevine  
617-574-6638