Group Affiliation: Liberty Mutual Insurance Companies

LIBERTY MUTUAL INSURANCE COMPANY

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BEST'S RATING

Based on our opinion of the consolidated Financial Strength of the members of Liberty Mutual Insurance Companies, which operate under a business pooling arrangement, each pool member is assigned a Best's Rating of A (Excellent). The company is assigned the Financial Size Category of Class XV, which is the Financial Size Category of the pool.

RATING RATIONALE

The following text is derived from the report of Liberty Mutual Insurance Companies.

Rating Rationale: The rating applies to the consolidated results of the group's nine member pool, led by Liberty Mutual Insurance Company, and twelve reinsured domestic affiliates. The rating reflects the group's strong global franchise, excellent capitalization and successful risk mitigation and business diversification strategies. Partially offsetting these positive factors is the variability in overall earnings which trail the peer composite during the recent five year period, reflective of storm related losses and areas of adverse loss reserve development in prior accident years associated with both the workers compensation and asbestos and environmental lines. Despite these concerns, the rating outlook reflects the improving operating performance and excellent capital position that is further enhanced by access to capital through its parent company.

Liberty Mutual is the nation's fifth-largest property/casualty insurer based on 2006 direct premiums written and operates four sizeable business units: Personal Markets, Commercial Markets, Agency Markets, and International. The group's diversified franchise benefits from its well-regarded service reputation, strong client relationships and effective, low-cost distribution network. Personal lines business continues to rank high among the group's top performing underwriting segments. In addition, Liberty Mutual's extensive unbundled service capabilities, risk management services and strategic alliances with managed care networks provide a significant competitive advantage and a superior market profile.

The group's policyholder surplus has more than doubled since 2002, driven by growth in net income, realized gains, and capital contributions related to various debt offerings by Liberty Mutual Group, Inc. (LMGI), the direct parent of Liberty Mutual Insurance Company. Given the group's business plan of continued profitable diversification, focus on underwriting discipline, and modest growth expectations, A.M. Best believes profitability will remain favorable and capitalization will more than support the rating.

A.M. Best's primary rating concern is the potential for additional adverse loss reserve development and the resulting earnings drag associated with this development. While recent accident years have developed favorably, adverse development on a calendar year basis has continued, although at lower levels than in prior years. Adverse development of prior accident year loss reserves dampened earnings in 2005 following a comprehensive "ground-up" review of the group's exposure to asbestos claims which led to an increase in asbestos reserves of $203 million. In prior years, the group was impacted by adverse loss reserve development related to rising medical cost inflation and higher than expected utilization of medical services associated with the workers' compensation results. Notwithstanding these reserve charges, while the group's pre-tax operating profitability has improved with underwriting performance in recent years, return measures during the most recent five-year period trail the peer composite, reflective of the combined impact that elevated loss ratios and adverse reserve development on prior years have had on underwriting performance.

Best's Rating: A p **Outlook: Stable**

FIVE YEAR RATING HISTORY

Date	Best's Rating
02/28/07	A p
01/25/06	A p
06/17/04	A p
03/07/03	A p

KEY FINANCIAL INDICATORS

	Statutory Data ($000)		
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income
2002	2,360,861	5,302,795	155,817
2003	2,449,520	5,837,881	34,358
2004	2,115,728	6,698,479	-21,182
2005	2,147,825	7,046,397	272,659
2006	2,457,476	7,889,647	1,198,822
09/2006	1,822,117	6,065,074	762,459
09/2007	2,063,095	7,506,872	169,686

	Statutory Data ($000)		
Period Ending	Net Income	Total Admitted Assets	Policy-holders' Surplus
2002	343,793	19,296,499	4,007,749
2003	93,665	22,145,152	6,123,094
2004	216,860	23,956,965	7,255,350
2005	584,140	26,011,608	7,924,697
2006	1,007,010	29,920,012	9,952,129
09/2006	662,531	29,002,833	9,420,914
09/2007	143,264	35,245,846	11,334,404

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq (%)	Oper. Cash-flow (%)
2002	108.2	4.9	3.1	46.8	1.3	5.1	127.6	108.7
2003	108.7	4.7	0.6	38.7	1.0	3.5	139.5	122.4
2004	107.2	3.4	-0.3	39.1	0.9	3.2	144.6	120.4
2005	107.3	4.4	4.0	36.6	0.9	3.2	145.0	124.1
2006	102.5	6.9	15.9	35.8	0.8	2.8	150.7	123.2
5-Yr Avg	106.5	4.9	5.2	…	…	…	…	…
09/2006	102.5	XX	13.7	XX	0.8	2.9	149.3	120.2
09/2007	104.3	XX	2.5	XX	0.8	2.9	148.2	168.1

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

BUSINESS REVIEW

The following text is derived from the report of Liberty Mutual Insurance Companies.

The Liberty Mutual Insurance Companies, led by Liberty Mutual Insurance Company, is principally engaged in underwriting virtually all lines of commercial and personal business and ranks as the fifth largest property/casualty organization in the United States based on 2006 direct premiums written. Liberty's business mix is split approximately 60% commercial and 40% personal lines based on operating segments which are subject to statutory reporting requirements, with its once dominant workers' compensation line surpassed in 2002 by the growing personal automobile line. Liberty remains a predominant private-sector player in this market and continues to thrive on its name recognition, customer service, technological advantages, strategic alliances in managed care, and breadth of its products and value-added services. Insurance products and services are solicited primarily through more than 1,500 direct agency sales agents which affords Liberty a significant competitive expense advantage relative to its peers while also enhancing the group's overall franchise value. In addition to direct sales, Liberty also markets commercial products to national insurance brokers and through independent agents. In personal lines, Liberty ranks eighth among the ten largest insurance providers in the United States. Augmenting its vast network of captive agents, Liberty also utilizes an affinity marketing program, which currently offers insurance products to employees of more than 8,700 companies and associations.

Liberty's property/casualty operation is organized geographically, while business operations are managed on a Strategic Business Unit (SBU) basis and are comprised of the Personal Market, Commercial Markets, Agency Markets and Liberty International. The Personal Market SBU serves individual insurance needs including the sale of individual life products and structured settlements for Liberty Life Assurance Company.

The Commercial Markets SBU serves the commercial customer and is comprised of five distinct units: 1) the National Market SBU serves customers with national operations and typically more than 1000 employees. Its insurance products and risk services are distributed through direct sales and broker relationships under the Liberty Mutual brand; 2) the Business Market SBU sells a wide array of insurance products to middle market business under the Liberty Mutual brand through its direct sales agents. The Business Market serves middle market customers, typically with 200 to 1000 employees; 3) Group Market SBU markets non-occupational disability and group life products to companies with more than 1000 employees via direct sales agents and major benefits consulting firms; 4) Liberty Mutual Property provides commercial property products to national and middle market customers through the United States. Its primary market is mono-line commercial property coverage, including physical loss or damage and business interruption coverage for middle market companies; 5) Other Markets include Liberty Mutual Reinsurance and state mandated involuntary market workers compensation and automobile assigned risk plans.

Agency Markets (AM) writes small to medium sized commercial accounts and personal lines package policies. All business is produced by independent agents and brokers and is written regionally branded operating entities. It also includes Wausau Insurance, which specializes in larger commercial accounts, and the specialty operations of Liberty Mutual Surety and Summit Holding Southeast, Inc. Agency Markets is organized in the following business segments: 1) Regional companies use the brands America First Insurance, Colorado Casualty, Golden Eagle Insurance, Hawkeye-Security Insurance, Indiana Insurance, Liberty Northwest, Montgomery Insurance, Ohio Casualty, and Peerless Insurance. Each company writes several lines of business and all offer both commercial and personal products, with the exception of Golden Eagle Insurance, which only offers commercial lines insurance, excluding workers compensation; 2) Wausau Insurance, with business in all 50 states, has product offerings including workers compensation, commercial automobile, general liability, umbrella, property and package coverages and related risk management services; 3) Summit Holding Southeast, Inc. provides workers compensation products and services primarily in Florida and nine additional southeast states; 4) Liberty Mutual Surety provides contract surety bonds for construction firms, manufacturers and suppliers, and commercial surety bonds for corporations and individuals on an account and transactional basis.

Liberty Mutual Group's international operations are managed through its strategic business unit, Liberty International. Liberty International provides insurance products and services through two distinct approaches. The first is through locally domiciled insurance companies based around the world, which provide mostly personal insurance products and services. The second approach is through Liberty International Underwriters (LIU), which provides specialty commercial lines of insurance worldwide, including casualty, specialty casualty, marine energy, engineering and reinsurance. International's local business consist of local insurance operations selling traditional property, casualty and life insurance products to individuals and businesses in countries with a large and growing middle class. LIU is composed of global specialty commercial insurance and reinsurance with operations principally based on the United States, Canada, Australia, Southeast Asia, the Middle East, and Europe. LIU operations provide multi-line insurance and reinsurance, including property catastrophe reinsurance and specialty lines products providing first and third party coverage. International's five major business lines are : 1) Local business (personal and small commercial insurance); 2) LIU reinsurance (multi-line insurance and reinsurance with an emphasis on property, treaty casualty, personal accident, aviation and reinsurance; 3) LIU first party (marine, energy, engineering, aviation, property and inland specialty marine); 4) LIU third party (casualty, excess casualty, directors and officers, errors and omissions, professional liability; 5) LIU other (workers compensation, commercial automobile, and residual value).

Management's strategic objectives continue to be geared toward improving Liberty Mutual's financial performance, reducing earnings volatility through product, geographic and distribution channel diversification, and maintaining a sustainable competitive advantage in its core business operations. As part of this strategy, management has identified three key elements intended to satisfy their objectives: 1) reduce business risk, 2) diversify earnings and 3) improve operating leverage. In its Personal Market operation, the company has redirected its sales activities to produce a more geographically dispersed book of business. The Commercial Markets operation, where Liberty Mutual has historically been a large risk provider, offers unbundled loss services. Commercial Markets also has initiated and expanded managed-care operations, as well as restructured its claims operation away from a functional approach to a service team approach, to hold down loss costs. Additionally, Commercial Markets has reduced its exposure to large property risks in recent years and also closely manages geographic risk. The Agency Markets SBU allows Liberty to further spread its exposure within the commercial markets and diversify earnings. Liberty has been successful in further diversifying its operations through the formation of new companies, establishing new business alliances as well as pursuing mergers and acquisitions, both domestic and international.

In September 2001, the group announced the acquisition of OneBeacon Insurance Group's independent agency business outside of New York, New Jersey, and New England, which is designed to transfer OneBeacon's property and casualty business in 42 states and the District of Columbia - approximately $1.0 billion book of personal and commercial accounts - to Liberty Mutual. Product diversification has also been evidenced by Liberty's heightened emphasis in personal lines and continued diversification away from its dependence on workers' compensation. In furthering this strategy, in May 2003, Liberty announced the acquisition of Prudential Financials U.S. property/casualty operations in 47 states, excluding New Jersey, specialty auto and affinity business, which gives the group access to a $1.1 billion book of personal auto and homeowners renewals. During 2004, Liberty sold its Canadian personal lines business consisting of private passenger automobile, homeowners and personal property insurance, to Meloche Monnex, Inc., a member of TD Bank Financial Group. The transaction included the transfer of approximately 350,000 automobile and homeowners insurance policies to Meloche Monnex.

During August 2007, Liberty Mutual finalized the acquisition of Ohio Casualty Corporation. With the acquisition of Ohio Casualty, Liberty Mutual purchased a solid book of business, which has produced strong underwriting results as a regional provider of property/casualty insurance products predominantly within the Midwestern and Mid-Atlantic States. The acquisition improves Liberty Mutual's independent agency distributed personal lines scale and provides a complimentary geographic footprint to its existing business.

2006 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Reserves
Workers' Comp	288,005	2,604,982	33.0	71.1	6,567,220
Priv Pass Auto Liab	274,825	1,454,121	18.4	57.6	1,563,905
Homeowners	11,668	1,058,266	13.4	50.9	269,327
Auto Physical	187,350	781,869	9.9	52.2	13,759
Oth Liab Occur	272,926	435,794	5.5	65.6	1,667,520
Comm'l Auto Liab	136,833	326,239	4.1	44.3	474,562
Inland Marine	480,309	234,557	3.0	87.0	55,401
Fire	13,430	192,055	2.4	37.2	71,876
Com'l MultiPeril	151,600	171,645	2.2	90.5	269,973
Surety	251,522	161,719	2.0	20.8	76,122
Oth Liab Cl-Made	192,499	114,987	1.5	39.7	259,102
Aircraft	94,930	49,327	0.6	52.9	55,710
All Other	101,580	304,086	3.9	70.0	909,574
Totals	2,457,476	7,889,647	100.0	61.2	12,254,053

Major 2006 Direct Premium Writings By State ($000): Massachusetts, $375,481 (15.3%); California, $212,949 (8.7%); New York, $178,011 (7.2%); Texas, $173,108 (7.0%); Florida, $152,651 (6.2%); 49 other jurisdictions, $1,069,783 (43.5%); Canada, $164,728 (6.7%); Aggregate Alien, $130,766 (5.3%).

FINANCIAL PERFORMANCE

The following text is derived from the report of Liberty Mutual Insurance Companies.

Overall Earnings: Liberty's overall earnings have improved over the recent five year period, although continue to be dampened by adjustments to prior accident year reserves, including additional funding for potential asbestos and environmental (A&E) exposures. While ongoing, the level of reported adverse development has declined in recent years. Liberty's overall earnings improved in recent years and are expected to remain sound going forward. Liberty continues to display its underwriting flexibility which has significantly enhanced the group's competitive position within the insurance marketplace. Furthermore, Liberty's multiple distribution channels including its captive sales force, and extensive service capability provide the group with significant operating flexibility relative to other insurers. While near term earnings improvement is dependent on management's ability to adapt to the changing market conditions while maintaining prudent underwriting standards, Liberty's diversification initiatives within its international and domestic operations should enhance the overall group's ongoing earnings performance.

PROFITABILITY ANALYSIS

	Company				Industry Composite			
Period Ending	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio
2002	3.1	-10.9	108.2	93.9	1.8	-4.2	108.4	95.9
2003	0.6	13.1	108.7	95.4	5.0	12.8	104.2	92.1
2004	-0.3	8.8	107.2	97.5	6.9	12.2	103.2	92.0
2005	4.0	4.4	107.3	94.3	9.4	9.0	103.4	90.0
2006	15.9	12.5	102.5	82.0	19.4	19.2	93.1	79.5
5-Yr Avg	5.2	6.9	106.5	92.1	8.9	10.8	102.1	89.5
09/2006	13.7	XX	102.5	82.9	XX	XX	XX	XX
09/2007	2.5	XX	104.3	94.1	XX	XX	XX	XX

Underwriting Income: Liberty's decision to diversify its book of business in the early 1990's reduced its dependence on any single product, distribution channel or geographic region. As a result, Liberty's mix of business has shifted away from workers' compensation to personal lines, the independent agency channel, and international personal and small commercial business. Moreover, improved pricing, moderating loss trends and a shift toward large dollar deductible policies in workers' compensation over the last several years have beneficially impacted Liberty's underwriting results. In addition, Liberty implemented a dedicated claims unit, enhanced its mass marketing program, and developed a system and infrastructure to handle direct-response marketing. The addition of the large blocks of business from OneBeacon Insurance Group in 2001 and Prudential Financial in 2003 further diversified Liberty's operations. Complementing this effort has been management's plan in the commercial markets to reduce risk, thereby broadening its fee-based products and pricing, expanding its unbundled service options, placing greater emphasis on risk management and loss control, expanding its managed care operation, and restructuring its claims operation to hold down loss costs.

These actions, combined with improved expense control initiatives and continued focus on reducing exposures through appropriate changes to pricing, terms and limits, have resulted in improved underwriting performance. Liberty maintains a strong retention ratio which is supported by its vast product offerings, strong client relationships and extensive service and risk management capabilities.

While significant reserve charges for workers' compensation and asbestos and environmental claims hampered Liberty's combined ratio in earlier years, the combined ratio has declined in recent years yet remains slightly elevated in relation to the peer composite. The group's average pure loss ratio has outperformed the commercial casualty composite in the most recent years, although slightly exceeds the composite when viewed over the five year period. The underwriting expense ratio slightly outperforms the peer group during the recent five year period while policyholder dividends have declined relative to earlier years.

UNDERWRITING EXPERIENCE

	Net Undrw	Loss Ratios			Expense Ratios				
Year	Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.	Div. Pol.	Comb Ratio
2002	-477,441	68.6	16.4	85.1	1.9	20.4	22.3	0.8	108.2
2003	-551,226	66.4	19.1	85.5	-0.1	23.3	23.2	0.0	108.7
2004	-523,326	66.5	16.3	82.8	0.9	23.1	24.0	0.4	107.2
2005	-544,037	63.8	18.8	82.6	2.4	22.0	24.4	0.3	107.3
2006	-273,534	61.1	15.3	76.4	2.8	22.9	25.7	0.4	102.5
5-Yr Avg	…	64.9	17.1	82.1	1.6	22.4	24.1	0.4	106.5
09/2006	-262,083	62.3	15.2	77.4	XX	XX	24.7	0.4	102.5
09/2007	-469,100	61.4	17.2	78.5	XX	XX	25.3	0.4	104.3

Investment Income: Liberty's investment strategy remains committed to maximizing long-term returns through a diversified portfolio of high-quality investments. Through 2004, net investment income fluctuated within a narrow band as modest diversification strategies were offset by growth in the invested asset base, interest expense on surplus notes, and investments in unconsolidated subsidiaries. Growth in investment income in recent years reflects higher interest income due to growth in the invested asset base and continued sound cash flow from operations, as well as an increase in income related to private equity investments. While investment income growth was somewhat hindered by the reduced yield available on the fixed maturity portfolio due primarily to the increased investment in tax exempt securities, the group's overall investment yield compares favorably with the peer composite. Liberty's investment portfolio is primarily comprised of high-quality fixed income securities with an average maturity of approximately nine years. Best anticipates solid investment income in the near term as improved profitability should contribute to additional growth in the invested asset base.

INVESTMENT INCOME ANALYSIS ($000)

	Company		
Year	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2002	713,728	147,657	-807,003
2003	734,894	49,150	568,313
2004	622,787	199,730	373,180
2005	895,504	197,387	-253,468
2006	1,551,031	87,553	106,820
09/2006	1,093,562	61,676	115,389
09/2007	687,683	99,569	425,225

	Company			Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2002	34.1	4.9	0.4	-0.1	5.1
2003	3.0	4.7	8.8	6.2	4.9
2004	-15.3	3.4	6.6	2.0	4.4
2005	43.8	4.4	4.1	20.8	4.8
2006	73.2	6.9	7.8	6.3	4.6
5-Yr Avg	29.1	4.9	5.7	7.1	4.7
09/2006	XX	XX	5.7	XX	XX
09/2007	XX	XX	4.6	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2006 Inv Assets ($000)	% of Invested Assets 2006	% of Invested Assets 2005	Annual % Chg
Long-Term bonds	14,335,788	57.2	58.0	14.2
Stocks	1,725,849	6.9	5.8	38.3
Affiliated Investments	6,466,339	25.8	27.2	9.6
Other Inv Assets	2,553,327	10.2	9.0	30.7
Total	25,081,304	100.0	100.0	15.8

2006 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class 1 - 2 (%)	Class 3 - 6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
Governments	24.3	-0.7	6.8	100.0	…	…	…
States, terr & poss	43.0	-0.1	11.6	100.0	…	20.5	13.4
Corporates	32.7	0.2	7.3	81.9	18.1	7.5	3.7
Total all bonds	100.0	-0.2	9.0	94.1	5.9	11.3	17.2

CAPITALIZATION

The following text is derived from the report of Liberty Mutual Insurance Companies.

Capital Generation: The group's policyholder surplus has more than doubled during the recent five year period reflective of improved underwriting performance, investment income and capital contributions from the parent, Liberty Mutual Group, Inc. (LMGI). In March 2005 and August 2006, LMGI raised an additional $500 million of new debt, and $750 million of new debt, respectively, and contributed the entire proceeds to the insurance subsidiaries. During March 2007, LMGI raised an additional $1 billion of new debt, the proceeds of which will be utilized to strengthen overall capitalization of the insurance subsidiaries, as well as for general corporate purposes. Given the group's business plan, modest growth expectations and management initiatives intended to sustain the improvement in operational performance, A.M. Best believes the group will organically generate surplus growth in the near term despite continued softening market conditions.

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth		
Year	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital
2002	155,817	-659,346	84,021
2003	34,358	617,463	1,348,912
2004	-21,182	572,910	445,938
2005	272,659	-56,081	165,861
2006	1,198,822	194,373	876,423
5-Yr Total	1,640,473	669,320	2,921,153
09/2006	762,459	177,065	736,752
09/2007	169,686	524,794	825,159

	Source of Surplus Growth		
Year	Other, Net of Tax	Change in PHS	PHS Growth (%)
2002	-48,949	-468,458	-10.5
2003	114,612	2,115,345	52.8
2004	134,590	1,132,256	18.5
2005	286,909	669,347	9.2
2006	-242,185	2,027,432	25.6
5-Yr Total	244,976	5,475,922	…
09/2006	-180,059	1,496,217	18.9
09/2007	-137,364	1,382,275	13.9

Overall Capitalization: Liberty maintains an excellent level of capitalization as measured by Best's Capital Adequacy Ratio (BCAR) which more than supports the current financial strength rating, inclusive of the sizeable reserve deficiency embedded within in its view of the group's overall capitalization . Leverage measures declined steadily during the five year period and closely approximate other predominantly commercial lines carriers as growth in net premium volume moderated while surplus increased. Also considered within A.M. Best's view of capitalization is the equity built into Liberty's large unearned premium reserve.

QUALITY OF SURPLUS ($000)

		% of PHS			Dividend Requirements		
Year	Year-End PHS	Cap Stk/ Contrib. Cap.	Other	Un-assigned Surplus	Stock-holder Divs	Div to POI (%)	Div to Net Inc. (%)
2002	4,007,749	2.3	46.8	50.9	2,210	-1.4	-0.6
2003	6,123,094	23.5	30.1	46.3	…	…	…
2004	7,255,350	27.8	24.4	47.8	…	…	…
2005	7,924,697	28.8	22.7	48.6	-100,000	36.7	17.1
2006	9,952,129	31.7	18.3	49.9	-2,164	0.2	0.2
09/2006	9,420,914	32.0	19.1	48.9	…	…	…
09/2007	11,334,404	36.3	16.3	47.4	-4,373	2.6	3.1

Underwriting Leverage: Following 17% growth in premiums in 2002, subsequent premium growth has been modest. This slower rate of growth, in combination with significant growth in surplus from strong pretax operating profitability and capital raising initiatives from the parent, has resulted in a steady decline in underwriting leverage measures to levels more in line with the industry composite.

LEVERAGE ANALYSIS

	Company				Industry Composite			
Year	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev
2002	1.3	2.3	5.1	6.6	1.4	2.0	4.6	6.5
2003	1.0	1.6	3.5	4.8	1.3	1.9	4.3	6.1
2004	0.9	1.5	3.2	4.4	1.2	1.9	4.2	5.6
2005	0.9	1.4	3.2	4.3	1.1	1.9	3.9	5.3
2006	0.8	1.2	2.8	3.6	1.0	1.6	3.5	4.6
09/2006	0.8	1.3	2.9	XX	XX	XX	XX	XX
09/2007	0.8	1.3	2.9	XX	XX	XX	XX	XX

Current BCAR: 193.2

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		GPW	
Ending	($000)	(% Chg)	($000)	(% Chg)
2002	2,360,861	28.7	10,588,286	18.4
2003	2,449,520	3.8	12,052,531	13.8
2004	2,115,728	-13.6	12,897,807	7.0
2005	2,147,825	1.5	13,069,774	1.3
2006	2,457,476	14.4	14,623,278	11.9
5-Yr CAGR	…	6.0	…	10.3
5-Yr Change	…	34.0	…	63.5
09/2006	1,822,117	17.2	11,144,016	12.7
09/2007	2,063,095	13.2	11,779,438	5.7

Period	NPW		NPE	
Ending	($000)	(% Chg)	($000)	(% Chg)
2002	5,302,795	13.8	4,987,701	7.9
2003	5,837,881	10.1	5,535,599	11.0
2004	6,698,479	14.7	6,451,473	16.5
2005	7,046,397	5.2	6,889,135	6.8
2006	7,889,647	12.0	7,561,990	9.8
5-Yr CAGR	…	11.1	…	10.4
5-Yr Change	…	69.3	…	63.7
09/2006	6,065,074	14.3	5,575,933	10.7
09/2007	7,506,872	23.8	6,797,915	21.9

Reserve Quality: The significant adverse development Liberty reported in accident years 1997 through 2000 has been largely related to deterioration in commercial lines business, including commercial automobile and workers' compensation. Loss reserves for accident years 2002-2005 while relatively immature, have developed favorably through year end 2006 reflective of an improved pricing environment combined with Liberty's underwriting initiatives.

Liberty does not discount loss reserves other than the tabular discount on the long-term annuity portion of certain workers' compensation claims at a conservative rate of 4% and the long term disability portion of some group accident and health claims at Commissioner Group Disability Table discount rates ranging from 5.0% to 5.75%. Total statutory discount on Liberty's balance sheet was approximately $1.35 billion at year end 2006.

Liberty's potential A&E liability primarily stems from its pre-1986 commercial liability policies, historically written on a primary level with some low levels of excess. After significant reserve charges occurring annually during the 2001 through 2005 period, Liberty's three-year survival ratio has improved. The measure improves further when adjusted for buyouts, and structured settlements and commutations in place, however still trails the A.M. Best benchmark composite. In recent years, aggressive litigation and resolution strategies, combined with its role as a primary carrier, have played a major role in contributing to Liberty's higher than average paid loss activity. Since 1993, Liberty centralized all environmental staff into a dedicated department, comprised of more than 150 environmental specialists including claims, legal, systems, reinsurance and consulting to handle A&E claims and litigation.

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR ($000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2006	Develop. to Orig.(%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @ 12/2006	Unpaid Resrv. to Dev.(%)
2001	10,925,281	13,668,611	25.1	61.3	252.6	5,315,443	38.9
2002	10,686,843	13,008,584	21.7	57.9	217.8	5,664,595	43.5
2003	10,965,128	12,523,227	14.2	25.4	197.6	6,434,216	51.4
2004	11,061,912	11,956,980	8.1	12.3	185.4	7,663,486	64.1
2005	11,840,505	12,169,153	2.8	4.1	176.6	9,518,970	78.2
2006	12,691,226	12,691,226	…	…	167.8	12,691,226	100.0

LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR ($000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2006	Develop. to Orig.(%)	Unpaid Reserves @12/2006	Acc Yr. Loss Ratio	Acc Yr. Comb Ratio
2001	2,299,026	2,382,729	3.6	338,209	87.7	114.5
2002	2,376,556	2,354,380	-0.9	349,152	78.3	101.3
2003	2,702,855	2,374,448	-12.2	769,621	72.4	95.6
2004	2,859,828	2,425,643	-15.2	1,229,270	69.1	93.5
2005	3,008,900	2,782,701	-7.5	1,855,484	73.6	98.3
2006	3,172,256	3,172,256	…	3,172,256	70.6	96.8

ASBESTOS & ENVIRONMENTAL (A&E) RESERVES ANALYSIS

	Company		
Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net IBNR Mix (%)
2002	842,205	56.8	49.0
2003	919,247	62.3	47.2
2004	982,991	49.7	48.3
2005	977,003	45.2	48.9
2006	859,438	43.9	49.0

	Company			Industry Composite		
Year	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)
2002	…	3.7	…	…	2.2	…
2003	…	3.7	…	…	1.7	…
2004	6.4	3.3	3.5	8.3	1.4	1.7
2005	6.9	2.1	3.0	8.4	1.0	1.4
2006	5.9	0.3	1.8	7.9	0.5	0.9

Reinsurance Utilization: Ceded reinsurance leverage has declined in recent years and closely approximates the composite average. This is further tempered by recoverables associated with mandatory pools and associations, including its risk-free servicing carrier business.

Given Liberty's large workers' compensation book and the generally favorable geographic orientation of its personal lines, the group's catastrophic losses have historically been less severe than its national competitors. In addition, Liberty maintains traditional excess of loss catastrophe reinsurance intended to provide coverage for severe catastrophic events, with less severe losses funded by earnings. Catastrophe reinsurance arrangements also provide for catastrophic losses, including losses related to terrorism, stemming from the group's sizable workers' compensation book. CAT bonds issued during 2006 provide the group with a source of coverage for hurricane losses within the Northeast area on a per occurrence basis over a three year period.

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Year	Ceded Reins Total	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS (%)	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS(%)
2002	5,907,396	71.3	93.6	147.4	71.2	139.1	195.8
2003	7,498,596	72.3	76.5	122.5	72.3	122.5	175.0
2004	8,486,633	75.8	76.2	117.0	76.2	108.3	148.4
2005	8,842,878	76.9	80.7	111.6	76.7	105.1	139.7
2006	8,627,044	78.5	59.5	86.7	76.6	81.4	110.4

2006 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	3,495,279	2,733,921	1,575,962	42,643	7,847,805
Foreign Affiliates	57,177	100,616	20,649	-124,601	53,841
US Insurers	1,048,672	1,304,809	224,304	-1,368,244	1,209,541
Pools/Associations	1,563,915	1,024,753	299,401	-2	2,888,067
Other Non-US	822,331	1,075,644	246,427	-372,750	1,771,652
Total (ex US Affils)	3,492,095	3,505,822	790,781	-1,865,597	5,923,101
Grand Total	6,987,374	6,239,743	2,366,743	-1,822,954	13,770,906

* Includes Commissions less Funds Withheld

Investment Leverage: Liberty maintains a relatively conservative investment portfolio with approximately 80% invested in fixed income securities. In recent years, the level of corporate bond holdings as a percentage of total bonds has declined, while the group increased its holdings in U.S. Treasuries and municipal bonds. Non-investment grade bonds, although at a reduced level from earlier years, represent a greater proportion of surplus than the commercial casualty composite average. The group has a moderate amount of affiliated stacking, primarily relating to its diversification into international markets, life and other financial services companies, as well as other businesses complementing its domestic property/casualty operations. Although affiliated investment leverage increased during 2006, the measure has declined relative to earlier years reflective of the substantial increase in surplus during the five year period. Common stock leverage has also declined during the recent five year period to a level that compares favorably with its peer composite.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Year	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affl Inv. Lev.	Affil Inv.	Class 3-6 Bonds	Common Stocks
2002	16.3	0.0	9.3	21.1	46.8	110.2	10.4	18.0
2003	13.8	0.0	8.1	16.8	38.7	79.8	8.6	19.3
2004	13.0	0.0	8.4	17.6	39.1	76.3	6.9	19.8
2005	12.6	0.0	9.0	15.0	36.6	74.4	7.0	18.7
2006	9.0	2.1	9.7	15.0	35.8	65.0	6.1	18.5

LIQUIDITY

The following text is derived from the report of Liberty Mutual Insurance Companies.

Overall Liquidity: The Group maintains a sound overall liquidity position as total admitted assets exceed overall liabilities by a comfortable margin. Given extraordinary long-term receivables associated with its large commercial accounts business, Liberty's liquidity appears modest. However, most of the insurance contracts related to these receivables are retrospectively rated and are collateralized by letters of credit or other security which enhances overall liquidity. Operating cash flows have been strong during the recent five year period reflective of solid investment income and improved underwriting results. Given the refocused underwriting initiatives, A.M. Best anticipates cash flow measures should remain strong in the near term.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Year	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)
2002	20.8	72.9	127.6	15.5	23.9	98.8	133.2	18.7
2003	14.9	77.7	139.5	11.0	26.0	102.1	134.5	14.9
2004	17.9	88.1	144.6	8.4	23.7	104.3	135.2	14.6
2005	21.5	87.9	145.0	8.0	21.8	106.8	136.7	13.1
2006	24.4	94.7	150.7	7.1	23.4	113.5	140.9	11.9
09/2006	XX	89.8	149.3	6.8	XX	XX	XX	XX
09/2007	XX	84.2	148.2	7.6	XX	XX	XX	XX

CASH FLOW ANALYSIS ($000)

		Company				Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2002	-559,287	508,578	226,470	90.5	108.7	102.6	114.7
2003	221,168	1,243,812	-682,248	104.0	122.4	113.2	123.7
2004	59,602	1,303,926	261,226	100.9	120.4	128.6	137.2
2005	409,130	1,596,160	397,729	106.2	124.1	116.6	127.1
2006	710,299	1,737,943	125,493	109.8	123.2	117.0	127.5
09/2006	684,539	1,116,892	-132,375	113.0	120.2	XX	XX
09/2007	2,558,796	3,245,205	-12,972	156.8	168.1	XX	XX

HISTORY

Liberty Mutual Insurance Company was incorporated under the laws of Massachusetts January 1, 1912 and began business July 1, 1912. The sponsors were leading manufacturers desiring to provide workers' compensation insurance at cost. The company was especially incorporated as a part of the Workmen's Compensation Act of Massachusetts, under the name of the Massachusetts Employees Insurance Association. The present title was adopted August 15, 1917.

At a Special Meeting on November 9, 2001, policyholders voted in favor of a plan to reorganize Liberty Mutual Insurance Company into a mutual holding company structure. The Massachusetts Insurance Commissioner approved the plan on November 27, 2001, and on November 28, 2001, Liberty Mutual Insurance Company reorganized to a stock insurance company, indirectly owned by its newly formed parent Liberty Mutual Holding Company Inc. This was the first step in a series of transactions designed to bring two of Liberty Mutual Insurance Company's affiliates, namely, Liberty Mutual Fire Insurance Company and Employers Insurance Company of Wausau, under a single mutual holding company structure. These transactions were completed in the first quarter of 2002.

MANAGEMENT

Liberty Mutual Insurance Company is guided by experienced insurance executives, the majority of whom have spent the greater portion of their business careers with the Liberty Mutual Group.

Advisory boards, maintained to represent the interests of local commercial markets policyholders in various parts of the country, are located in 30 principal cities of the 10 territorial divisions into which the field operations are divided.

An overseas affiliate, Liberty Mutual Insurance Company (U.K.) Limited, London, England, was formed in late 1972 by Liberty Mutual Insruance Company and the Liberty Mutual Fire Insurance Company, which own 98.5% and 1.5%, respectively, of the outstanding capital stock. The British insurer was organized to write all property and casualty lines of insurance and reinsurance in the European market, representing a continuation and extension of the reinsurance activities previously conducted directly by Liberty Mutual. More recently established affiliates include: Liberty Mutual (Bermuda) Ltd. and Liberty Mutual Management (Bermuda) Ltd., incorporated in 1981; Liberty Insurance Corporation and Liberty Northwest Insurance Corporation, incorporated in 1983; Lexco Limited (Bermuda), formed in 1986; LM Insurance Corporation and The First Liberty Insurance Corporation, incorporated in 1989; Liberty Insurance Company of America formed in 1995; Liberty Surplus Insurance Corporation formed in 1997; and Golden Eagle Insurance Corporation and San Diego Insurance Company formed in 1997.

Officers: Chairman of the Board, President and Chief Executive Officer, Edmund F. Kelly; Executive Vice President and Chief Investment Officer, A. Alexander Fontanes; Executive Vice Presidents, J. Paul Condrin III, Gary R. Gregg, David H. Long, Thomas C. Ramey; Senior Vice President and Chief Financial Officer, Dennis J. Langwell; Senior Vice President and Chief Information Officer, Stuart M. McGuigan; Senior Vice President and Treasurer, Laurance H. Soyer Yahia; Senior Vice President and General Counsel, Christopher C. Mansfield; Senior Vice Presidents, Helen E.R. Sayles, Stephen G. Sullivan; Vice President and Secretary, Dexter R. Legg; Vice President and Actuary, Robert T. Muleski; Vice President and Comptroller, John D. Doyle.

Directors: J. Paul Condrin III, A. Alexander Fontanes, Edmund F. Kelly (Chairman), Dennis J. Langwell, David H. Long, Christopher C. Mansfield, Thomas C. Ramey.

REGULATORY

An examination of the financial condition was made as of December 31, 2004 by the Insurance Department of Massachusetts. The 2006 annual independent audit of the company was conducted by Ernst & Young, LLP. The annual statement of actuarial opinion is provided by Robert T. Muleski, FCAS, MAAA, Vice President and Corporate Actuary.

TERRITORY

The company is licensed in the District of Columbia, Puerto Rico, U.S. Virgin Islands and all states. It is also licensed in all Canadian provinces and territories.

REINSURANCE PROGRAMS

The following text is derived from the report of Liberty Mutual Insurance Companies.

Liberty Mutual's Corporate Workers Compensation Catastrophe Excess of Loss Program was restructured at January 1, 2006. Liberty purchased externally cover for both Terror and Non-Terror events for $500 million excess $500 million. The maximum any one life limitation is $10 million. Certified and non-certified acts of terrorism are covered. Losses due to nuclear, biological and chemical events are excluded. Liberty Mutual's Corporate Property Catastrophe Excess of Loss Program was redesigned at January 1, 2006 into a Mainframe cover and an Aggregate cover. The Corporate Property Catastrophe Mainframe Programs limits were increased to $1,400 million excess $300 million from $1,500 million excess $250 million to keep with Liberty Mutual's risk management strategy of reinsuring to its largest zonal 1:250 modeled loss. An Aggregate Property Catastrophe cover was placed for $500 million excess $1 billion to protect the corporate results for the year. Both programs exclude certified events, although include non-certified acts of terror. Losses due to nuclear, biological, chemical, or radiological events are excluded.

BALANCE SHEET ($000)

ADMITTED ASSETS	12/31/2006	12/31/2005	2006 %	2005 %
Bonds	14,335,788	12,556,563	47.9	48.3
Preferred stock	234,178	59,586	0.8	0.2
Common stock	1,491,672	1,188,587	5.0	4.6
Cash & short-term invest	1,207,666	1,082,173	4.0	4.2
Real estate, investment	1,111	1,199	0.0	0.0
Other non-affil inv asset	1,175,578	714,947	3.9	2.7
Investments in affiliates	6,140,176	5,586,481	20.5	21.5
Real estate, offices	326,163	311,129	1.1	1.2
Total invested assets	24,912,332	21,500,664	83.3	82.7
Premium balances	2,628,086	2,480,912	8.8	9.5
Accrued interest	168,972	155,676	0.6	0.6
All other assets	2,210,622	1,874,357	7.4	7.2
Total assets	29,920,012	26,011,608	100.0	100.0

LIABILITIES & SURPLUS	12/31/2006	12/31/2005	2006 %	2005 %
Loss & LAE reserves	12,254,053	11,382,727	41.0	43.8
Unearned premiums	3,114,706	2,792,535	10.4	10.7
Conditional reserve funds	120,073	149,117	0.4	0.6
All other liabilities	4,479,051	3,762,532	15.0	14.5
Total liabilities	19,967,883	18,086,911	66.7	69.5
Surplus notes	1,013,209	1,012,986	3.4	3.9
Capital & assigned surplus	3,970,546	3,062,269	13.3	11.8
Unassigned surplus	4,968,374	3,849,441	16.6	14.8
Total policyholders' surplus	9,952,129	7,924,697	33.3	30.5
Total liabilities & surplus	29,920,012	26,011,608	100.0	100.0

SUMMARY OF 2006 OPERATIONS ($000)

STATEMENT OF INCOME	12/31/2006	FUNDS PROVIDED FROM OPERATIONS	12/31/2006
Premiums earned	7,561,990	Premiums collected	7,925,772
Losses incurred	4,620,877	Benefit & loss related pmts	4,227,408
LAE incurred	1,154,044		
Undrw expenses incurred	2,026,670	LAE & undrw expenses paid	2,955,811
Div to policyholders	33,933	Div to policyholders	32,255
Net underwriting income	-273,534	Undrw cash flow	710,299
Net investment income	1,551,031	Investment income	1,640,061
Other income/expense	-78,675	Other income/expense	-330,122
Pre-tax oper income	1,198,822	Pre-tax cash operations	2,020,238
Realized capital gains	87,553		
Income taxes incurred	279,364	Income taxes pd (recov)	282,295
Net income	1,007,010	Net oper cash flow	1,737,943

INTERIM BALANCE SHEET

ADMITTED ASSETS	03/31/2007	06/30/2007	09/30/2007
Cash & short term invest	1,786,763	1,232,457	1,194,694
Bonds	14,455,954	16,412,018	15,298,003
Preferred stock	296,910	307,979	362,932
Common stock	5,262,594	5,506,038	7,468,141
Other investments	4,450,542	4,807,233	5,002,895
Total investments	26,252,764	28,265,725	29,326,666
Premium balances	3,217,801	3,277,303	3,232,176
Reinsurance funds	832,121	717,164	751,650
Accrued interest	169,768	199,539	173,918
All other assets	3,836,385	2,235,759	1,761,437
Total assets	34,308,840	34,695,490	35,245,846

LIABILITIES & SURPLUS	03/31/2007	06/30/2007	09/30/2007
Loss & LAE reserves	14,285,666	14,688,034	15,049,327
Unearned premiums	3,762,884	3,766,145	3,847,085
Conditional reserve funds	120,724	123,184	125,526
All other liabilities	5,071,175	4,830,094	4,889,504
Total liabilities	23,240,450	23,407,456	23,911,442
Capital & assigned surp	5,939,146	5,949,926	5,958,062
Unassigned surplus	5,129,244	5,338,108	5,376,342
Policyholders' surplus	11,068,390	11,288,034	11,334,404
Total liabilities & surplus	34,308,840	34,695,490	35,245,846

INTERIM INCOME STATEMENT

	Period Ended 09/30/2007	Period Ended 09/30/2006	Increase/ Decrease
Premiums earned	6,797,915	5,575,933	1,221,983
Losses incurred	4,172,770	3,471,547	701,222
LAE incurred	1,166,723	846,732	319,991
Underwriters expenses incurred	1,898,515	1,497,931	400,584
Div to policyholders	29,008	21,806	7,202
Net underwriting income	-469,100	-262,083	-207,017
Net investment income	687,683	1,093,562	-405,878
Other income/expenses	-48,898	-69,020	20,122
Pre-tax operating income	169,686	762,459	-592,773
Realized capital gains	99,569	61,676	37,892
Income taxes incurred	125,990	161,604	-35,613

Net income	143,264	662,531	-519,267

INTERIM CASH FLOW

	Period Ended 09/30/2007	Period Ended 09/30/2006	Increase/ Decrease
Premiums collected	7,065,970	5,952,075	1,113,894
Benefit & loss related pmts	1,956,633	2,997,044	-1,040,412
Undrw expenses paid	2,520,943	2,248,931	272,012
Div to policyholders	29,598	21,561	8,037
Underwriting cash flow	2,558,796	684,539	1,874,256
Investment income	754,853	997,121	-242,269
Other income/expense	191,270	-306,983	498,253
Pre-tax cash operations	3,504,919	1,374,678	2,130,241
Income taxes pd (recov)	259,714	257,786	1,928
Net oper cash flow	3,245,205	1,116,892	2,128,313