



Liberty
Mutual®

JP Morgan 2006
Insurance Conference

March 29, 2006

Forward Looking Statements and Basis of Presentation

This presentation may include “forward-looking statements” that are intended to enhance the reader’s ability to assess Liberty Mutual Group’s (“LMG” or the “Company”) future financial and business performance. Forward-looking statements include, but are not limited to, statements that represent LMG’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 LMG’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 willingness of parties, including the Company, to settle disputes; the interpretation of aggregate policy coverage limits; LMG’s inability to obtain price increases due to competition or otherwise; the performance of LMG’s investment portfolios, which could be adversely impacted by adverse developments in U.S. and global financial markets, interest rates and rates of inflation; weakening U.S. and global economic conditions; insufficiency of, or changes in, loss reserves; the occurrence of catastrophic events (including terrorist acts and adverse weather conditions) with a severity or frequency exceeding the Company’s expectations; adverse changes in loss cost trends, including inflationary pressures in medical costs and automobile and home repair costs; developments relating to coverage and liability for mold claims; the effects of corporate bankruptcies on surety bond claims; adverse developments in the cost, availability and/or ability to collect reinsurance; adverse outcomes or other consequences from legal proceedings; the impact of regulatory investigations or reforms; judicial expansion of policy coverage and the impact of new theories of liability; the impact of legislative actions; larger than expected assessments for guaranty funds and assigned risk/involuntary pools; and amendments and changes to the risk-based capital requirements. LMG’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. LMG does not intend, and does not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date hereof. For a more complete discussion of the risks faced by LMG, visit our website at www.libertymutual.com/investors.

Liberty Mutual Group Overview

Liberty Mutual Overview

- Mutual Holding Company Structure
- \$79B of assets, \$25B of net P&C reserves
- Diversified business mix
- 8th largest personal lines writer in the U.S.
- 4th largest commercial lines writer in the U.S.
- Personal auto largest line of business



Strategic Business Units

Personal Markets

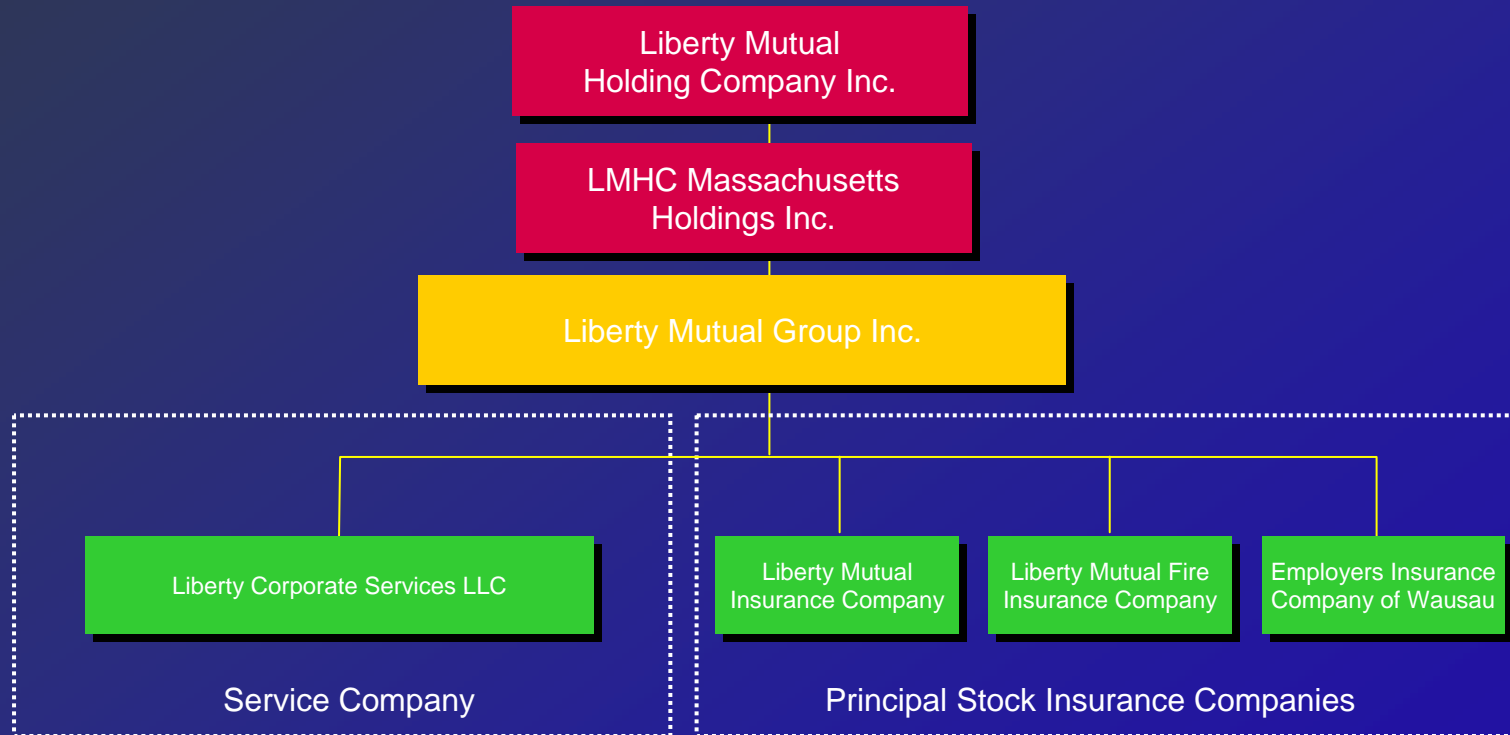
Commercial Markets

Agency Markets

International

Mutual Holding Company Structure

- ◆ Converted to mutual holding company structure in 2002 to enhance financial flexibility

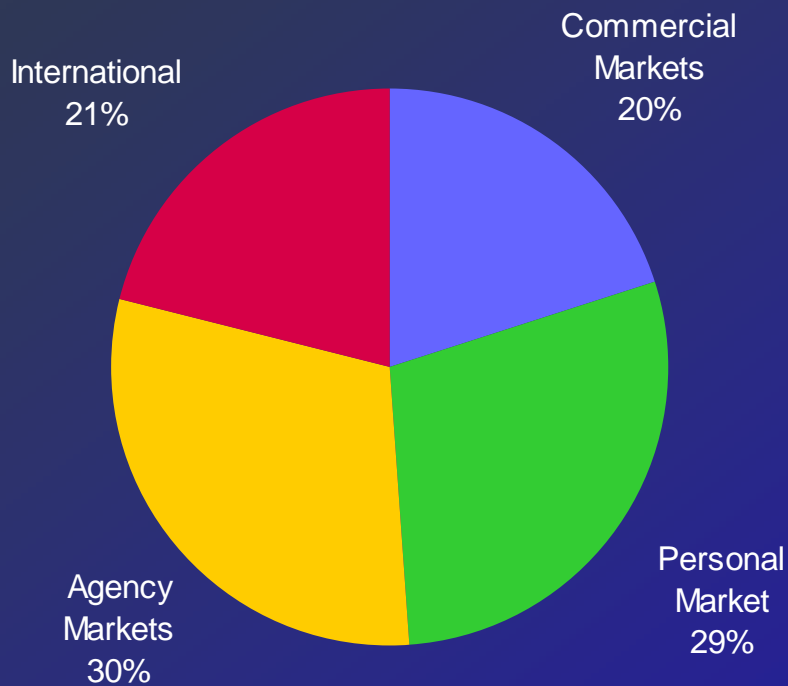


Strategic Focus

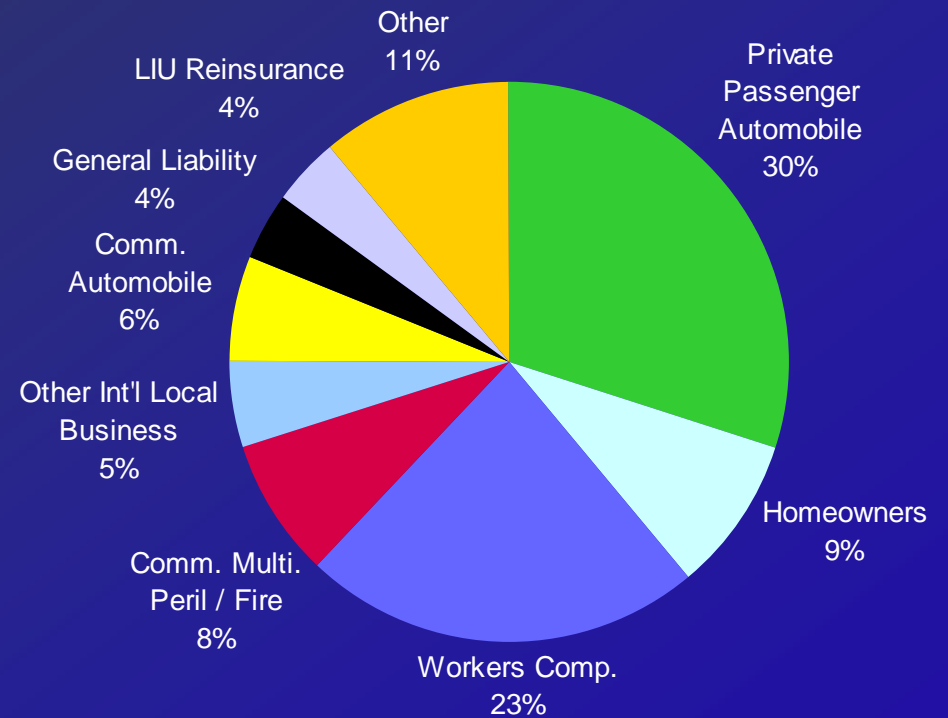
- ◆ Disciplined underwriting strategies and pricing models
- ◆ Product/Geographic Diversification
- ◆ Diversified and well-established multi-channel distribution capabilities
- ◆ Strong Strategic Business Unit structure with scale in each business
- ◆ Integration of strategic acquisitions a core competency, average of 3 acquisitions per year since 1998
- ◆ Enhance Financial Strength rating through earnings growth and capital generation

Diversified Business Mix

Strategic Business Units

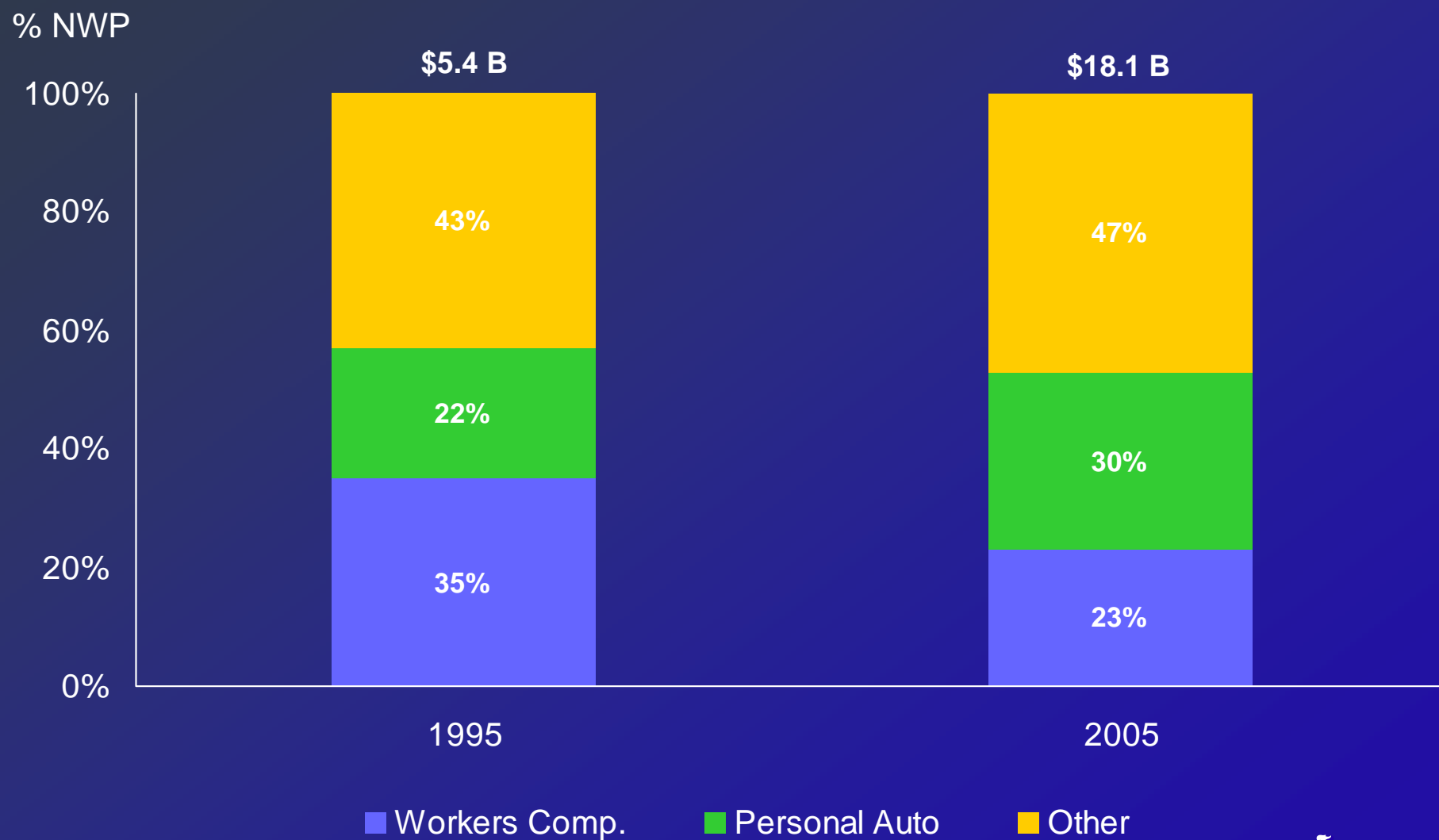


Significant Lines of Business



2005 Net Written Premium = \$18.1 B

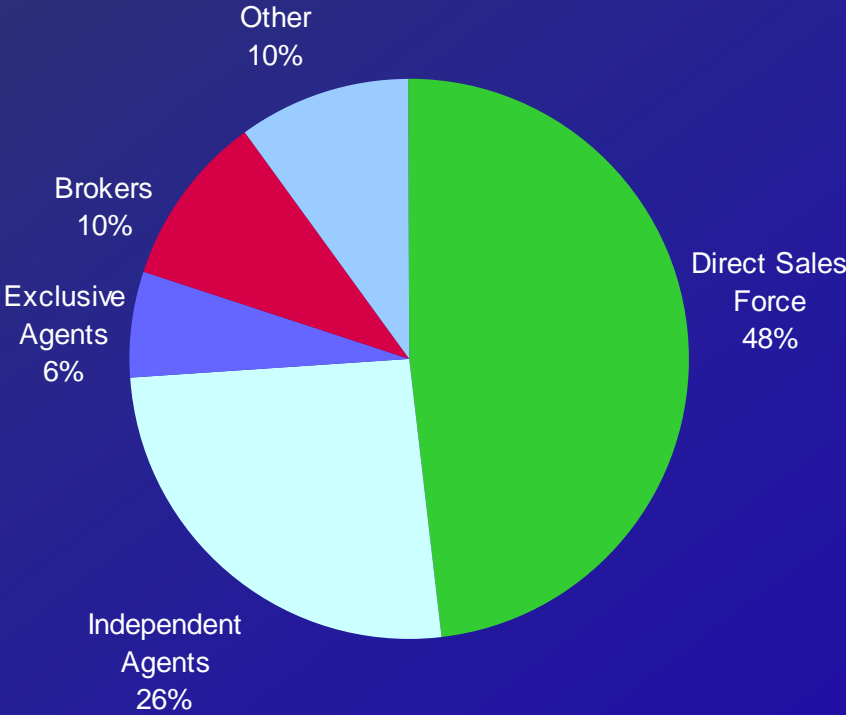
Shifting Business Mix – Net Written Premiums



Distribution Channel Diversification

1993

2005



Personal Market

Growth of DWP

(\$ in billions)

2002 – 2005 CAGR: 14.8%



Recent Strategic Actions

- ◆ Acquired Prudential's P&C business in Q4 2003
- ◆ Sale of Canadian personal lines business in April 2004

Breadth of Distribution

- ◆ Direct sales force of approximately 1,400 agents
- ◆ Over 350 direct response sales counselors
- ◆ Over 9,000 affinity relationships
- ◆ Prudential agents

Segment Highlights

- ◆ 8th largest writer of personal lines P&C in the U.S. ²
- ◆ 70% of DWP is from private passenger auto
- ◆ Multivariate tiered pricing strategy

9 ¹ Includes the Acquisition of Prudential's U.S. Property and Casualty business

² Based on 2004 DWP

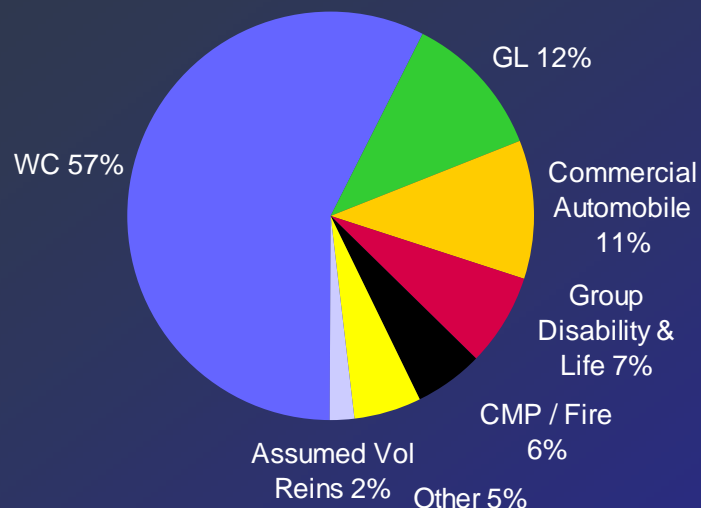
Top Personal Lines Writers

\$ Millions

	<u>DWP¹</u>	<u>Market Share</u>
State Farm	\$42,403	19.6%
Allstate	22,669	10.5
Zurich / Farmers	11,801	5.5
Progressive	11,626	5.4
Nationwide	9,799	4.5
Berkshire (Geico)	8,965	4.1
USAA	7,764	3.6
Liberty Mutual Group (US)	6,173	2.9
St. Paul Travelers	5,596	2.6
LMG Personal Market	5,547	2.6
AIG	5,315	2.5

Commercial Markets

Product Mix



2005 DWP = \$5.0 B

Marketing Groups

<i>Segment</i>	<i>% of DWP</i>	<i>Description</i>
Business Market	31%	Middle Markets
National Market	32	Large Company, Service Oriented
Group Market	9	Group Life and Disability
LM Property	7	Commercial Property
Other Markets	21	Servicing Carrier, Reinsurance, Invol. Pools, Alternative Markets

Distribution

- ◆ Direct sales force
- ◆ Brokers
- ◆ Consultants

Segment Highlights

- ◆ A leading writer of workers compensation
- ◆ One of few successful national market providers
- ◆ Significant involuntary market servicing carrier operation

Top Commercial Lines Writers

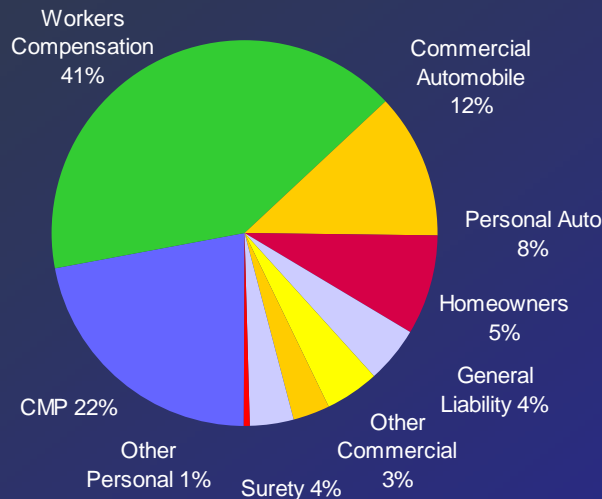
\$ Millions

	<u>DWP¹</u>	<u>Market Share</u>
AIG	\$29,375	11.6%
St. Paul Travelers	16,909	6.7
Zurich / Farmers (ZFS)	15,653	6.2
Liberty Mutual Group (US)	9,985	4.0
C.N.A.	9,188	3.6
Chubb	8,480	3.4
Hartford	7,845	3.1
Ace Ltd.	6,897	2.7
State Farm	6,055	2.4
LMG Commercial Markets	5,086	2.0
Nationwide	4,585	1.8

¹ As of 12/31/04

Agency Markets

Product Mix



2005 DWP = \$5.7 B

Marketing Groups

Segment	% of DWP	Description
Regional Companies	61	Regional companies; Regional branding serving local markets
Wausau	21	Mid- to Large Commercial Lines accounts with offerings in all 50 states
Summit Holdings	14	Mono-line WC in the Southeast
Surety	4	Contract and Commercial Surety Bonds

Distribution

- ◆ 6,900 independent agents and brokers
- ◆ Limited captive sales force at LNW and Wausau Signature Agency

Segment Highlights

- ◆ July 2005 reorganization to combine Regional Companies, Wausau and LM Surety into single SBU
- ◆ Leveraging synergies within distribution channel
- ◆ Improving risk selection, pricing, and ease of doing business through expanding e-commerce tools
- ◆ Expanded Commercial Lines portfolio to \$2.5M

Top Independent Agency Writers

\$ Millions

	DWP ¹
St. Paul Travelers	\$22,505
Progressive	13,697
Zurich	13,338
Hartford	11,332
C.N.A.	10,735
Chubb	9,972
Ace Ltd.	6,929
Safeco	5,631
LMG Agency Markets	5,220
Erie	3,997

¹ As of 12/31/04

International

One of the few U.S. based insurance companies with a global focus

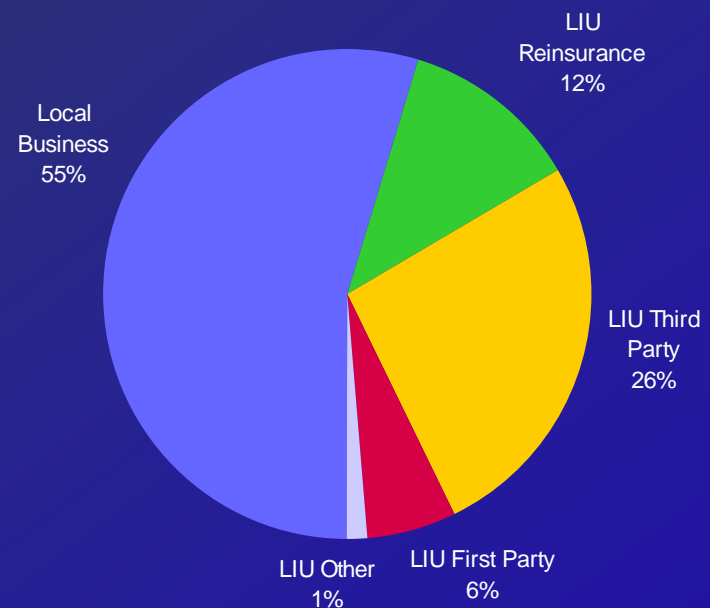
Personal and Small Commercial Businesses

- ◆ Sale of personal / small commercial products through ops in Europe, Latin America, and Asia
- ◆ Sharing of best US practices

Liberty International Underwriters

- ◆ Global commercial and specialty P&C operations including Lloyd's syndicate
- ◆ Global Operations (Canada, Australia, Singapore, London, France, Ireland, and Germany)

Product Mix



2005 DWP = \$4.5 B

Local Operations

Country

Country Ranking

Latin America

Venezuela	1st
Colombia	1st
Chile	6th
Argentina	10th
Brazil	12th

Europe

Portugal	9th
Spain	9th

Financial Review

Financial Summary

(\$ Millions)

For the Year Ended December 31,

	<u>2005</u>	<u>2004</u>
Net written premium	\$18,076	\$17,321
Earned premiums	17,631	16,563
Net investment income	2,247	2,102
Net realized investment gains	523	312
Fees and other revenue	760	664
Total revenues	\$21,161	\$19,641
Total claims, benefits, and expenses	20,031	18,422
Pre-tax income	\$1,130	\$1,219
Fed & foreign income tax expense	91	-
Extraordinary items, net of tax	-	(3)
Discontinued operations, net of tax	(12)	29
Net Income (loss)	\$1,027	\$1,245
Cash Flow From Operations	3,706	3,207
GAAP Equity	8,858	8,697
ROE	11.7%	15.5%

Combined Ratio

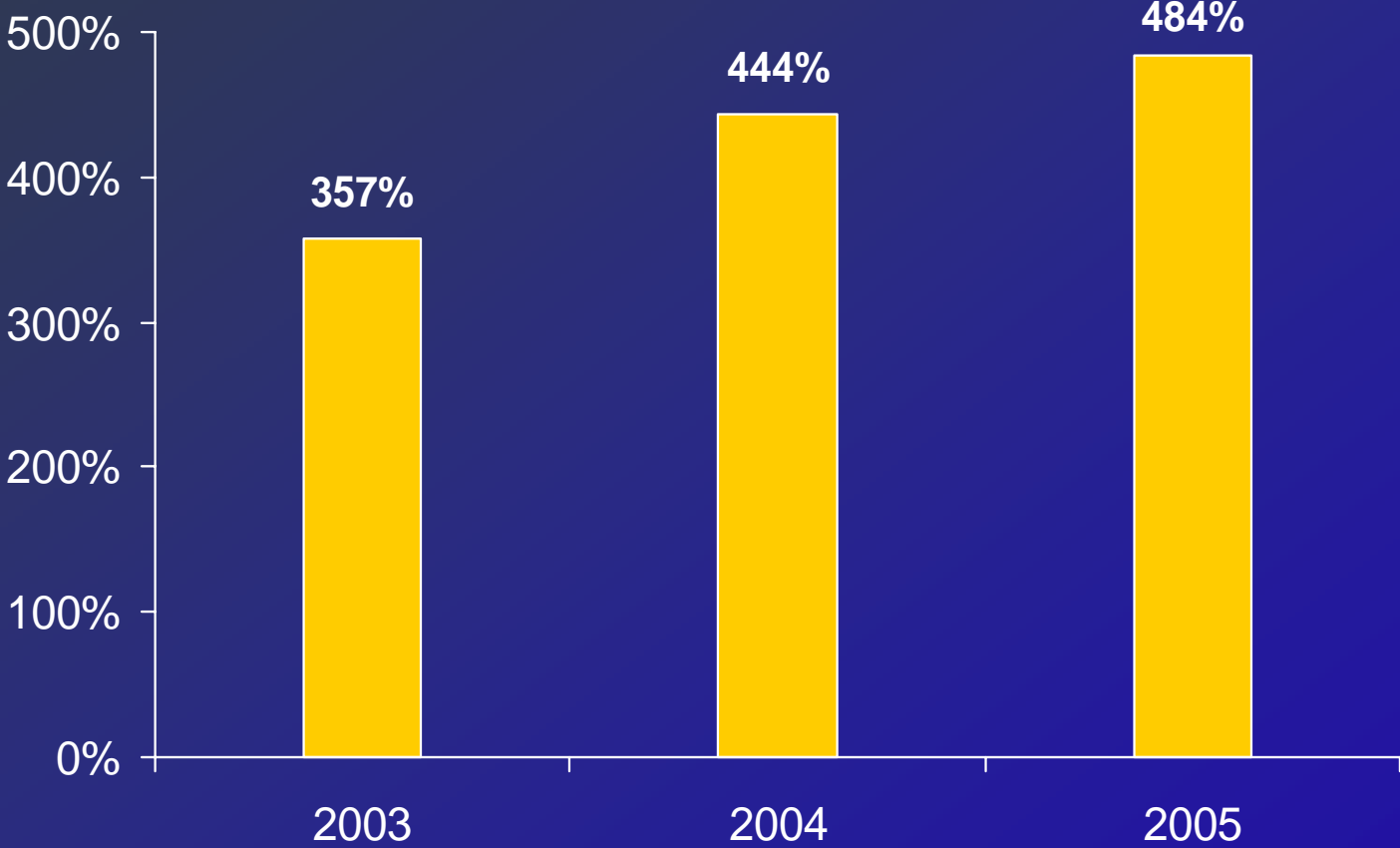
	2005	2004
Combined ratio before catastrophes, net incurred attributable to prior years and discount accretion		
Claims and claim adjustment expense ratio	68.3%	69.5%
Underwriting expense ratio	25.7	25.1
Dividend ratio	0.2	0.4
Subtotal	94.2	95.0
Catastrophes:		
— Hurricanes	8.9	3.2
— All other	0.8	1.2
Net incurred attributable to prior years:		
— Asbestos & Pollution	1.2	2.0
— All other	-	0.9
Discount accretion	0.6	0.6
Total combined ratio	105.7%	102.9%

Strong Capitalization

(\$ Millions)

	2005	2004
Long-Term Debt	\$1,534	\$1,053
100 Year Surplus Notes	500	500
Other Surplus Notes	521	521
Total Long-Term Debt and Surplus Notes	\$2,555	\$2,074
Unassigned Equity	8,466	7,439
Accumulated Other Comprehensive Income	392	1,258
Total Equity	\$8,858	\$8,697
Total Capitalization	\$11,413	\$10,771
Long-Term Debt / Capitalization (incl. AOCI)	22.4%	19.3%
Long-Term Debt / Capitalization (excl. AOCI)	23.2%	21.8%

Risk-Based Capital



Financial Strength

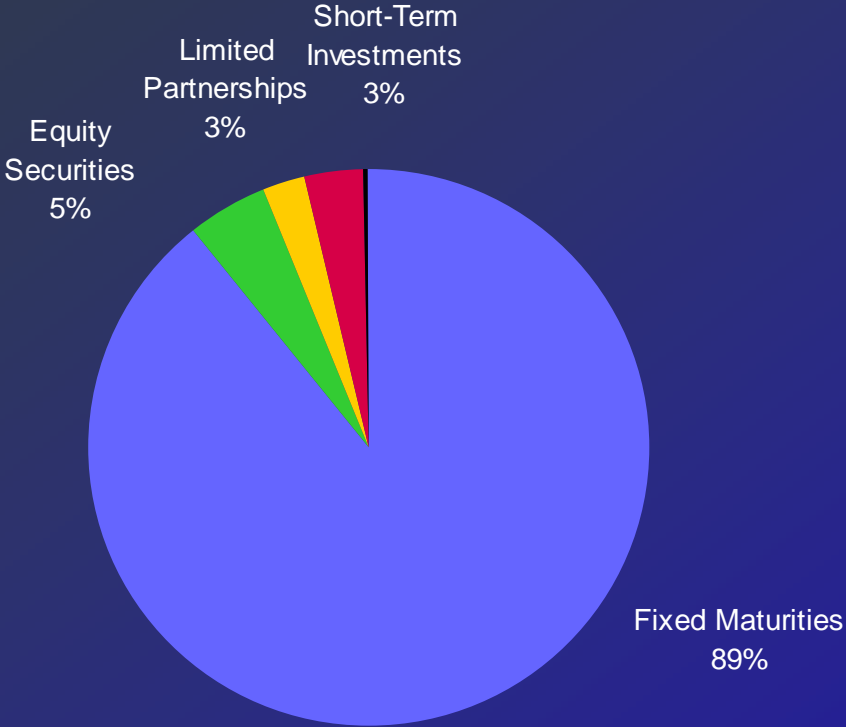
	A.M. Best	S&P	Moody's
Financial Strength Rating	A	A	A2
Rating Rank	3 rd	6 th	6 th
Outlook	Stable	Stable	Negative
Surplus Notes Rating	bbb+	BBB+	Baa2
Senior Debt Rating	bbb	BBB	Baa3

Significant Dividend Capacity

- ◆ Insurance operations can provide nearly \$800 million of dividend capacity to Holding Company in 2006
 - Represents approximately 7.7 times 2005 Holding Company interest expense
- ◆ Service companies (alone) can provide up to 1.5 times coverage of Holding Company interest expense

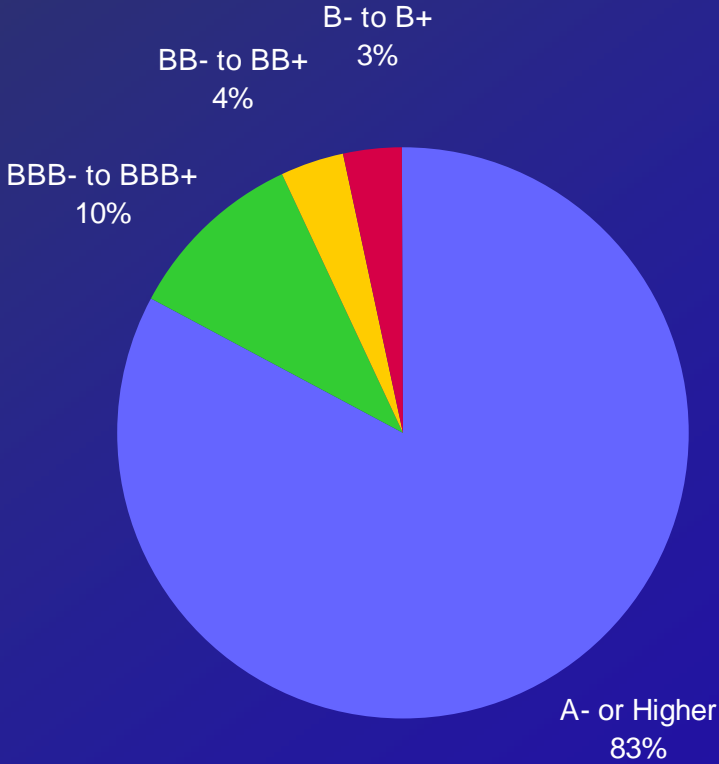
Conservative Investment Portfolio

Invested Assets



Total: \$41.9 B

Fixed Income Securities By Rating



Total: \$37.4 B

Distribution of Reinsurance Recoverables - 12/31/05

	S&P Rating:	Gross Rec.	Collateral	Net. Rec.	% of Total
Rated Entities	AAA	\$1,372	\$ 623	\$ 749	6%
	AA+, AA, AA-	4,313	1,291	3,099	24%
	A+, A, A-	4,956	392	4,570	35%
	BBB+, BBB, BBB-	142	79	74	1%
	BB+ or below	42	1	41	0%
	Subtotal		\$10,825	\$2,386	\$8,533
Pools & Assoc.	State mandated pools & assoc.	\$3,306	\$ 7	\$3,298	26%
	Voluntary	378	74	306	2%
	Subtotal	\$3,684	\$81	\$3,604	28%
Non-Rated Entities	Captives & program business	\$1,068	\$1,282	9	0%
	Other	1,049	357	749	6%
	Subtotal	\$2,117	\$1,639	\$758	6%
Grand Total		\$16,626	\$4,106	\$12,895	100%

Top Rated Reinsurers - 12/31/05

Reinsurance Groups (Data in \$ Millions)	S&P Rating	Gross Recoverables	Collateral Held	Net Recoverables
Nationwide Group	A+	2,133	2	2,132
Swiss Re Group	AA	1,845	439	1,410
Berkshire Hathaway Inc.	AAA	1,386	626	760
Chubb	AA	597	318	279
GE Global Insurance Group	A	574	46	534
Everest Re Group	AA-	491	-	491
Munich Re	A+	466	3	463
PartnerRe Group	AA-	435	325	123
Lloyds Syndicates	A	367	2	365
ACE	A+	311	230	93
AIG	AA+	238	-	238
White Mountains Insurance Group	A-	200	4	198
Other		1,782	391	1,447
Total Top Rated Reinsurance Recoverables		10,825	2,386	8,533

Strong Reserve Position

- ◆ Quarterly review of reserves
- ◆ Both asbestos and environmental reserves have been reviewed by independent actuaries in 2005 and 2004, respectively
- ◆ Detailed 2004 Schedule P Supplement available on investor relations web site

Recap of Highlights

- ◆ Experienced management team
- ◆ Diversified personal and commercial lines P&C business supported by multi-channel distribution strategy
- ◆ Strong financial performance, balance sheet and capitalization
- ◆ Significant cash flow from insurance and non-insurance subsidiaries
- ◆ Comprehensive review of A&E reserves completed by independent actuaries