

## **Liberty Mutual Group Reports Fourth Quarter 2007 Results**

*Year-to-Date Revenue Nearly \$26 Billion and Net Income of \$1.518 Billion*

BOSTON, Mass., February 8, 2008 – Liberty Mutual Group (“LMG” or the “Company”) today reported net income of \$425 million and \$1.518 billion for the three and twelve months ended December 31, 2007, respectively, decreases of \$30 million and \$108 million from the same periods in 2006.

“We are pleased with the fourth quarter’s result and all of 2007 with revenue of nearly \$26 billion,” said Edmund F. Kelly, Chairman, President and CEO of Liberty Mutual. “Our strategy of being the most diversified property and casualty company in terms of products, distribution channels, and geographic footprint works and our consolidated worldwide growth far exceeds that of our major competitors. Our earnings and cash flow were also very strong and reflect our diversification and commitment to maintaining a very strong balance sheet.”

### **Fourth Quarter Highlights**

- Revenues for the three months ended December 31, 2007 were \$6.934 billion, an increase of \$926 million over the same period in 2006.
- Net written premium for the three months ended December 31, 2007 was \$5.579 billion, an increase of \$764 million over the same period in 2006.
- Pre-tax income for the three months ended December 31, 2007 was \$659 million, an increase of \$82 million over the same period in 2006.
- Cash flow from operations for the three months ended December 31, 2007 was \$1.115 billion, an increase of \$78 million over the same period in 2006.
- The combined ratio before catastrophes and net incurred losses attributable to prior years for the three months ended December 31, 2007 was 99.6%, an increase of 4.2 points over the same period in 2006. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company’s combined ratio for the three months ended December 31, 2007 increased 2.9 points to 101.0%.

### **Year-to-Date Highlights**

- Revenues for the twelve months ended December 31, 2007 were \$25.961 billion, an increase of \$2.441 billion over the same period in 2006.
- Net written premium for the twelve months ended December 31, 2007 was \$22.538 billion, an increase of \$1.910 billion over the same period in 2006.
- Pre-tax income for the twelve months ended December 31, 2007 was \$2.198 billion, a decrease of \$60 million from the same period in 2006.
- Cash flow from operations for the twelve months ended December 31, 2007 was \$4.042 billion, an increase of \$147 million over the same period in 2006.
- The combined ratio before catastrophes and net incurred losses attributable to prior years for the twelve months ended December 31, 2007 was 98.4%, an increase of 3.5 points over the same period in 2006. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company’s combined ratio for the twelve months ended December 31, 2007 increased 1.0 point to 100.3%.

**Financial Condition as of December 31, 2007**

- Total assets were \$94.679 billion as of December 31, 2007, an increase of \$9.181 billion over December 31, 2006.
- Policyholders' equity was \$12.366 billion as of December 31, 2007, an increase of \$1.471 billion over December 31, 2006.
- Statutory surplus as regards policyholders for the combined operations of Liberty Mutual Insurance Company ("LMIC") and its U.S. affiliates was \$14.155 billion as of December 31, 2007, an increase of \$2.024 billion over December 31, 2006.

**Consolidated Results of Operations for the Three and Twelve Months Ended December 31, 2007:**

\$ in Millions	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2007	2006	Change	2007	2006	Change
Revenues	\$6,934	\$6,008	15.4%	\$25,961	\$23,520	10.4%
PTOI before catastrophes and net incurred losses attributable to prior years and current accident year re-estimation	\$453	\$667	(32.1%)	\$2,171	\$2,714	(20.0%)
Catastrophes <sup>1</sup>	(139)	(124)	12.1	(378)	(541)	(30.1)
Net incurred losses attributable to prior years:						
- Asbestos & environmental <sup>2</sup>	(62)	(19)	NM	(158)	(22)	NM
- All other <sup>3</sup>	92	(101)	NM	127	(236)	NM
Current accident year re-estimation <sup>4</sup>	23	122	(81.1)	-	-	-
Pre-tax operating income	367	545	(32.7)	1,762	1,915	(8.0)
Realized investment gains, net	292	32	NM	436	343	27.1
Federal and foreign income tax expense	(234)	(122)	91.8	(680)	(632)	7.6
Net income	\$425	\$455	(6.6%)	\$1,518	\$1,626	(6.6%)
Cash flow from operations	\$1,115	\$1,037	7.5%	\$4,042	\$3,895	3.8%

1 Catastrophes include all current and prior year catastrophe losses related to the Company's insurance lines and exclude losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for losses related to the events of September 11, 2001, the 2004 U.S. hurricanes and the 2005 U.S. hurricanes. In addition, losses related to the 2005 U.S. hurricanes and the 2004 U.S. hurricanes for assumed external reinsurance are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Internally reinsured catastrophe losses are not reported net of net catastrophe reinsurance premium earned. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Net of allowance for uncollectible reinsurance of (\$14) million and (\$11) million for the three and twelve months ended December 31, 2007, respectively, and \$11 million and \$12 million for the comparable periods of 2006.

3 Net of earned premium attributable to prior years of (\$144) million and (\$105) million for the three and twelve months ended December 31, 2007, respectively, and (\$44) million and (\$28) million for the comparable periods of 2006. Net of amortization of deferred gains on retroactive reinsurance of \$15 million and \$84 million for the three and twelve months ended December 31, 2007, respectively, and \$51 million and \$97 million for the comparable periods of 2006.

4 Re-estimation of the current accident year loss reserves as of September 30, 2006 and 2007.

NM = Not Meaningful

**Financial Information:** Liberty Mutual Group'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 twelve months ended December 31, 2007 are available on the Company's Investor Relations web site at [www.libertymutual.com/investors](http://www.libertymutual.com/investors).

**Conference Call Information:** At 10:00 a.m. EST today, Edmund F. Kelly, Liberty Mutual Group Chairman, President and CEO, will host a conference call to discuss the Company's financial results. To listen to the call and participate in the Q&A, please dial 888-835-5172 fifteen minutes before the starting time using conference ID number 33334486. A replay will be available until February 15, 2008 at 800-642-1687 using the reservation number 33334486.

### **About Liberty Mutual Group**

Boston-based Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Group of entities ("LMG" or the "Company"), is a diversified global insurer and sixth largest property and casualty insurer in the U.S. based on 2006 direct written premium. The Company also ranks 95<sup>th</sup> on the Fortune 500 list of largest corporations in the United States based on 2006 revenue. As of December 31, 2007, LMG had \$94.679 billion in consolidated assets, \$82.313 billion in consolidated liabilities and \$25.961 billion in annual consolidated revenue.

LMG, through its subsidiaries and affiliated companies, offers a wide range of property-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 Liberty Mutual Holding Company Inc.

Functionally, the Company conducts its business through four strategic business units: Personal Markets, Commercial Markets, Agency Markets and International. Each business unit operates independently of the others and has dedicated sales, underwriting, claims, actuarial, financial and certain information technology resources. Management believes this structure allows each business unit to execute its business strategy and/or to make acquisitions without impacting or disrupting the operations of the Company's other business units.

LMG employs over 40,000 people in more than 900 offices throughout the world. For a full description of the Company's business operations, products and distribution channels, please visit Liberty Mutual's Investor Relations web site at [www.libertymutual.com/investors](http://www.libertymutual.com/investors).

### **Forward-Looking Statements**

This press release contains forward-looking statements concerning LMG's future financial and business performance. These statements represent LMG's beliefs concerning future operations, strategies, financial results or other developments, and contain words such as "may," "expects," "should," "believes," "estimates," or similar expressions. Because these forward-looking statements are based on 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. In particular, the sufficiency of LMG's reserves for asbestos and environmental (together "A&E") and toxic tort claims, as well as its results of operations, financial condition and liquidity, to the extent impacted by the sufficiency of the A&E and toxic tort reserves, are subject to a number of potential adverse developments, including adverse developments involving A&E and toxic tort claims and the related outcome of litigation, the willingness of parties to settle disputes, the interpretation of aggregate coverage limits, LMG's ability to recover reinsurance for A&E, toxic tort and other claims, the legal, economic, regulatory, and legislative environments, and their impact on the future development of A&E and toxic tort claims, and the impact of bankruptcies of various asbestos producers and related businesses. Other factors that could cause actual results to differ include: LMG's inability to obtain price increases due to competition or otherwise; the performance of LMG's investment portfolios, weakening U.S. and global economic conditions;

insufficiency of loss reserves; the occurrence of natural or man-made catastrophic events exceeding LMG's expectations; adverse changes in loss cost trends, adverse developments in the cost, availability and/or ability to collect reinsurance; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions, including the recent acquisition of Ohio Casualty Corporation and its subsidiaries, in accordance with its business strategy; the ability of LMG's subsidiaries to pay dividends to LMG; adverse results or other consequences from legal proceedings or regulatory investigations or reforms, including governmental actions regarding the compensation of brokers and agents and the sale of nontraditional products and related disclosures; unusual loss activity resulting from adverse weather conditions, including storms, hurricanes, hail, snowfall and winter conditions; the tax impact of the repatriation of foreign earnings; larger than expected assessments for guaranty funds and involuntary market pools; a downgrade in LMG's insurance subsidiaries' ratings; restrictions on LMG's ability to use credit scoring in the pricing and underwriting of personal lines policies; and amendments and changes to the risk-based capital requirements. LMG's forward-looking statements speak only as of the date of this release or as of the date they are made and should be regarded solely as LMG's current estimates and beliefs. LMG undertakes no obligation to update these forward-looking statements. For a further discussion of these and other risks and uncertainties, see LMG's website at [www.libertymutual.com/investors](http://www.libertymutual.com/investors).

Contact:            Investor Relations  
                         Matthew T. Coyle  
                         617-654-3331

Media Relations  
Richard Angevine  
617-574-6638