

Release Date:

May 2, 2012

LIBERTY MUTUAL GROUP INC. AND LIBERTY MUTUAL INSURANCE COMPANY ANNOUNCE EARLY TENDER RESULTS AND MODIFICATION OF TERMS OF CASH TENDER OFFERS

BOSTON, Mass – Liberty Mutual Group Inc. (“LMGI”) and Liberty Mutual Insurance Company (“LMIC” and, together with LMGI, the “Issuers”) today announced the:

- Early Tender Time (defined below) results,
- Full Tender Offer Consideration, as shown in the table below,
- modification of the Late Tender Offer Consideration applicable to the Dutch Auction Notes, such that it equals the applicable Full Tender Offer Consideration,
- exercise of the Issuers’ early acceptance right for all Dutch Auction Notes (defined below) tendered prior to the Early Tender Time at or below the Clearing Premium (defined below), and
- increase of the Dutch Auction Tender Cap (as defined below), including by allowing the Issuers to purchase additional Dutch Auction Notes at a bid price equal to the Clearing Premium, resulting in a total cash expenditure of not more than \$175,000,000,

all in connection with their previously announced cash tender offer (the “Dutch Auction Offer”) to purchase up to \$350,000,000 (subject to increase, the “Dutch Auction Tender Cap”) aggregate principal amount of LMGI’s 10.75% Series C Junior Subordinated Notes due 2088 (the “Hybrid Notes”) and LMIC’s 7.697% Surplus Notes due 2097 (the “Surplus Notes” and, together with the Hybrid Notes, the “Dutch Auction Notes”).

LMGI today further announced the:

- Early Tender Time results and
- increase of the Waterfall Tender Cap from \$350,000,000 to \$357,322,000

all in connection with its previously announced cash tender offer (the “Waterfall Offer” and, together with the Dutch Auction Offer, the “Offers”) for up to \$350,000,000 aggregate principal amount (subject to increase, the “Waterfall Tender Cap”) of its 5.75% Senior Notes due 2014 (the “5.75% Notes”) and 7.30% Senior Notes due 2014 (the “7.30% Notes” and, together with the 5.75% Notes, the “Waterfall Notes”). The Dutch Auction Notes and Waterfall Notes are collectively referred to as the “Notes.”

The Offers are described in the offer to purchase dated April 18, 2012 (the “Offer to Purchase”) and the related letter of transmittal (the “Letter of Transmittal” and, together with the Offer to Purchase, the “Offer Documents”), previously sent to holders of the Notes.

Title of Security	CUSIP Numbers	Acceptance Priority Level	Aggregate Principal Amount Tendered ⁽¹⁾	Principal Amount Outstanding	Early Tender Payment ⁽²⁾	Reference Security	Fixed Spread	Full Tender Offer Consideration ⁽²⁾⁽³⁾
Dutch Auction Offer								
10.75% Series C Junior Subordinated Notes due 2088	53079EAR5 U52932AL1	N/A	\$550,060,000	\$939,849,000	\$50.00	N/A	N/A	\$1,397.50
7.697% Surplus Notes due 2097	53079QAD9	N/A	\$203,875,000	\$435,083,000	\$50.00	N/A	N/A	\$1,007.50
Waterfall Offer								
7.30% Senior Notes due 2014	53079EAS3 U52932AM9	1	\$96,197,000	\$179,599,000	\$30.00	0.75% U.S. Treasury Note due 6/15/2014	+150 bps	TBD
5.75% Senior Notes due 2014	53079EAC8 U52932AC1	2	\$261,125,000	\$500,000,000	\$30.00	1.25% U.S. Treasury Note due 3/15/2014	+150 bps	TBD

(1) As of 5:00 p.m., New York City time, on May 1, 2012.

(2) Per \$1,000 principal amount of Notes accepted for purchase. The Issuers will also pay accrued and unpaid interest to, but not including, the applicable Settlement Date (“Accrued Interest”).

- (3) Includes the applicable Early Tender Payment. The Full Tender Offer Consideration for the Dutch Auction Notes has been determined pursuant to a modified “Dutch Auction” with respect to tenders made at or prior to the Early Tender Time. The Full Tender Offer Consideration for the Waterfall Notes will be determined at 2:00 p.m., New York City time, on May 2, 2012 (the “Price Determination Time”).

As set forth in the Offer to Purchase, holders of Dutch Auction Notes who validly tendered their Dutch Auction Notes at or prior to 5:00 p.m., New York City time, on May 1, 2012 (the “Early Tender Time”) and whose Dutch Auction Notes are accepted for purchase will receive the applicable Full Tender Offer Consideration, which includes the applicable Early Tender Payment, as set forth in the table above, plus Accrued Interest. The Full Tender Offer Consideration for the Dutch Auction Notes has been determined pursuant to a modified “Dutch Auction” by consideration of the bid price specified by each holder validly tendering Dutch Auction Notes at or prior to the Early Tender Time. The Issuers have exercised their right to early accept for purchase all Dutch Auction Notes validly tendered at or prior to the Early Tender Time at a bid price that results in a bid premium less than or equal to \$57.50 (the “Clearing Premium”). Settlement of such accepted Dutch Auction Notes is expected to occur on May 7, 2012 (the “Dutch Auction Early Settlement Date”). The Issuers have increased the Dutch Auction Tender Cap by \$2,952,000 to avoid any pro rationing of Dutch Auction Notes tendered on or prior to the Early Tender Time and accepted for purchase. All Dutch Auction Notes tendered at a price higher than the Clearing Premium will be rejected from the Dutch Auction Offer and returned to holders prior to the Dutch Auction Early Settlement Date.

Pursuant to the Offer Documents, the Issuers are further amending the Dutch Auction Offer such that (i) any Dutch Auction Notes tendered after the Early Tender Time and at or prior to 11:59 p.m., New York City time, on May 15, 2012 (the “Expiration Time”) will be deemed tendered at a bid price which results in a bid premium equal to the Clearing Premium of \$57.50 and the Issuers are offering to purchase such Dutch Auction Notes on a pro rata basis, such that the total cash expenditures of the purchase of such Dutch Auction Notes does not exceed \$175,000,000; and (ii) the Late Tender Offer Consideration, which was previously defined as the applicable Full Tender Offer Consideration minus the applicable Early Tender Payment, will now be equal to the applicable Full Tender Offer Consideration for the Dutch Auction Notes. As a result, the Late Tender Offer Consideration for the Hybrid Notes is \$1,397.50 and the Late Tender Offer Consideration for the Surplus Notes is \$1,007.50. All Dutch Auction Notes not accepted by the Issuers as a result of prorating will be rejected from the Dutch Auction Offer and returned to holders.

As of the Early Tender Time, LMGI had received \$357,322,000 aggregate principal amount of Waterfall Notes, including \$96,197,000 aggregate principal amount of 7.30% Notes and \$261,125,000 aggregate principal amount of the 5.75% Notes. Holders of Waterfall Notes who validly tendered their Waterfall Notes on or before the Early Tender Time and whose Waterfall Notes are accepted for purchase will receive the applicable Full Tender Offer Consideration, which for each Waterfall Note will be determined at the Price Determination Time. LMGI anticipates that it will accept on May 4, 2012 (shortly following the anticipated closing for LGMI’s previously announced senior note offering) all Waterfall Notes validly tendered at or prior to the Early Tender Time for settlement on May 7, 2012. However, LMGI is not obligated to accept Waterfall Notes at such time and will not be so obligated until it makes the appropriate election. As the Waterfall Tender Cap has been reached in respect of tenders made at or prior to the Early Tender Time, no Waterfall Notes that are tendered after the Early Tender Time will be accepted for purchase.

Capitalized terms used in this press release and not defined herein have the meanings given to them in the Offer to Purchase. Except as described above, the Offers are not modified by this announcement.

BofA Merrill Lynch and J.P. Morgan Securities LLC are acting as dealer managers for the Offers. For additional information regarding the current terms of each of the Offers, please contact: BofA Merrill Lynch at (888) 292-0070 (toll-free) or (980) 683-3215 (collect) or J.P. Morgan Securities LLC at (866) 834-4666 (toll free) or (212) 834-4811 (collect.) Requests for the Offer Documents may be directed to Global Bondholder Services, which is acting as the depositary and information agent for the Offers, at 866-795-2200 (toll-free).

THIS PRESS RELEASE IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT AN OFFER OR A SOLICITATION TO PURCHASE NOTES. THE OFFERS ARE BEING MADE SOLELY PURSUANT TO THE OFFER DOCUMENTS, WHICH SET FORTH THE COMPLETE TERMS OF THE OFFERS, AND WHICH HOLDERS OF THE NOTES SHOULD CAREFULLY READ PRIOR TO MAKING ANY DECISION.

THE OFFER DOCUMENTS DO NOT CONSTITUTE AN OFFER OR SOLICITATION TO PURCHASE NOTES OR ISSUE NEW NOTES IN ANY JURISDICTION IN WHICH, OR TO OR FROM ANY PERSON TO OR FROM WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION UNDER APPLICABLE

SECURITIES OR BLUE SKY LAWS. IN ANY JURISDICTION IN WHICH THE SECURITIES, BLUE SKY OR OTHER LAWS REQUIRE THE OFFERS TO BE MADE BY A LICENSED BROKER OR DEALER, THE OFFERS WILL BE DEEMED TO BE MADE ON BEHALF OF THE ISSUERS BY ONE OR BOTH DEALER MANAGERS, IF EITHER OR BOTH OF THE DEALER MANAGERS ARE LICENSED BROKERS OR DEALERS UNDER THE LAWS OF SUCH JURISDICTION, OR BY ONE OR MORE REGISTERED BROKERS OR DEALERS THAT ARE LICENSED UNDER THE LAWS OF SUCH JURISDICTION.

About the Issuers

Boston-based LMGI, together with its affiliates (“Liberty Mutual Insurance”), is a diversified global insurer and third largest property and casualty insurer in the U.S. based on 2011 direct written premium. LMIC is a wholly owned subsidiary of LMGI. Liberty Mutual Insurance ranks 82nd on the Fortune 500 list of largest corporations in the U.S. based on 2010 revenue. As of December 31, 2011, Liberty Mutual Insurance had \$117.1 billion in consolidated assets, \$99.3 billion in consolidated liabilities and \$34.7 billion in annual consolidated revenue. Liberty Mutual Insurance offers a wide range of insurance products and services, including personal automobile, homeowners, workers compensation, commercial multiple peril, commercial automobile, general liability, global specialty, group disability, assumed reinsurance, fire and surety. Liberty Mutual Insurance employs over 45,000 people in more than 900 offices throughout the world. For a full description of Liberty Mutual Insurance’s business operations, products and distribution channels, please visit Liberty Mutual Insurance’s Investor Relations web site at www.libertymutualgroup.com/investors.

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