

Release Date:

May 16, 2012

**LIBERTY MUTUAL GROUP INC. AND LIBERTY MUTUAL INSURANCE COMPANY ANNOUNCE
EXPIRATION AND FINAL RESULTS 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 expiration and final results of their previously announced cash tender offer (the “Dutch Auction Offer”) to purchase 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 also announced the expiration and final results of its previously announced cash tender offer (the “Waterfall Offer” and, together with the Dutch Auction Offer, the “Offers”) to purchase 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 the Waterfall Notes are collectively referred to as the “Notes.”

The terms and conditions of the Offers are described in the offer to purchase dated April 18, 2012 (as modified by the Supplement dated May 2, 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.

The final results and select terms of the Offers are described in the table below.

<u>Title of Security</u>	<u>CUSIP Numbers</u>	<u>Aggregate Principal Amount Tendered</u>	<u>Principal Amount Outstanding⁽³⁾</u>	<u>Full Tender Offer Consideration⁽⁴⁾</u>
<i>Dutch Auction Offer</i>				
10.75% Series C Junior Subordinated Notes due 2088	53079EAR5 U52932AL1	\$620,884,000 ⁽¹⁾	\$676,128,000	\$1,397.50
7.697% Surplus Notes due 2097	53079QAD9	\$218,670,000 ⁽¹⁾	\$260,233,000	\$1,007.50
<i>Waterfall Offer</i>				
7.30% Senior Notes due 2014	53079EAS3 U52932AM9	\$96,197,000 ⁽²⁾	\$83,402,000	\$1,113.40
5.75% Senior Notes due 2014	53079EAC8 U52932AC1	\$261,125,000 ⁽²⁾	\$238,875,000	\$1,072.48

(1) As of 11:59 p.m., New York City time, on May 15, 2012 (the “Expiration Time”), which includes the amounts of Dutch Auction Notes tendered at or prior to 5:00 p.m., New York City time, on May 1, 2012 (the “Early Tender Time”).

(2) As of the Early Tender Time.

(3) As of the Final Settlement Date, after the final settlement of the Notes.

(4) 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”). The Late Tender Offer Consideration for the Dutch Auction Notes is equal to the applicable Full Tender Offer Consideration.

The Issuers exercised their early settlement right for all Notes validly tendered at or prior to the Early Tender Time and accepted for purchase and settled such Notes on the Early Settlement Date of May 7, 2012.

As previously announced, the Issuers amended the Dutch Auction Offer such that (i) any Dutch Auction Notes tendered after the Early Tender Time and at or prior to the Expiration Time would be deemed tendered at a bid price which results in a bid premium equal to \$57.50 and the Issuers would purchase such Dutch Auction Notes on a pro rata basis, such that the total cash expenditure of the purchase of such Dutch Auction Notes would not exceed \$175,000,000, plus Accrued Interest and (ii) the Late Tender Offer Consideration, which was previously defined as the applicable Full Tender Offer Consideration minus the applicable Early Tender Payment, would 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 validly tendered after the Early Tender Time have been accepted for purchase. The Final Settlement Date of such Notes is expected to be today.

As previously announced by LMGI, the Waterfall Tender Cap was reached as of the Early Tender Time; therefore, no additional Waterfall Notes have been 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.

BofA Merrill Lynch and J.P. Morgan Securities LLC acted as dealer managers for the Offers. Global Bondholder Services acted as the depository and information agent for the Offers.

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. Liberty Mutual Insurance ranks 84th on the Fortune 500 list of largest corporations in the U.S. based on 2011 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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