



J.P. Morgan Insurance Conference

March 29, 2012

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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 occurrence of catastrophic events (including terrorist acts and adverse weather conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or collectability of reinsurance; disruptions in LMG’s relationships with its agents and brokers; financial market disruption or a prolonged economic downturn; the performance of LMG’s investment portfolios; a rise in interest rates; inflation, including inflation in medical costs and automobile and home repair costs; unfavorable outcomes from litigation or other legal proceedings, including emerging claim and coverage issues and investigations by state or federal authorities; LMG’s exposure to credit risk in its business operations; LMG’s inability to obtain price increases due to competition or otherwise; inadequacy of LMG’s pricing models; changes to insurance laws and regulations; regulatory restrictions on LMG’s ability to change its methods of marketing and underwriting; assessments for guaranty funds and mandatory pools; a downgrade in LMG’s claims-paying and financial strength ratings; and political, legal and operational risks of LMG’s international business. LMG’s forward-looking statements speak only as of the date of this presentation 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..

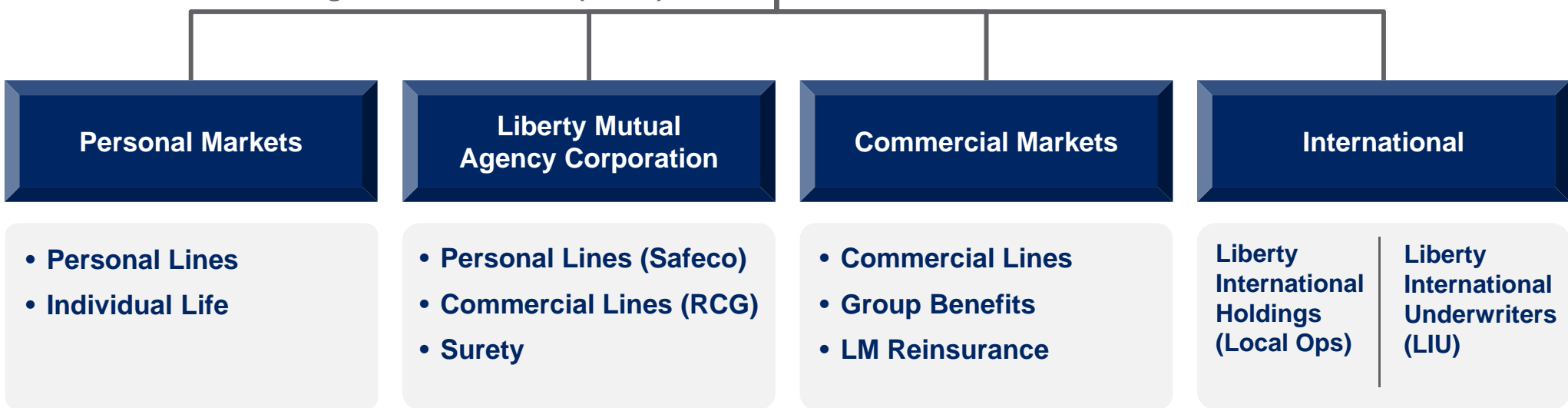
Company Overview

Liberty Mutual Overview

Mission statement: Helping people live safer, more secure lives



Strategic Business Units (SBUs)



- Mutual Holding Company Structure
- Founded in 1912
- \$117.1B of assets and \$34.7B of revenues in 2011
- 82nd among Fortune 500 companies³
- 6th largest P&C writer worldwide¹
- 3rd largest P&C writer in the U.S.²
- 3rd largest commercial lines writer in the U.S.²
- 6th largest personal lines writer in the U.S.²

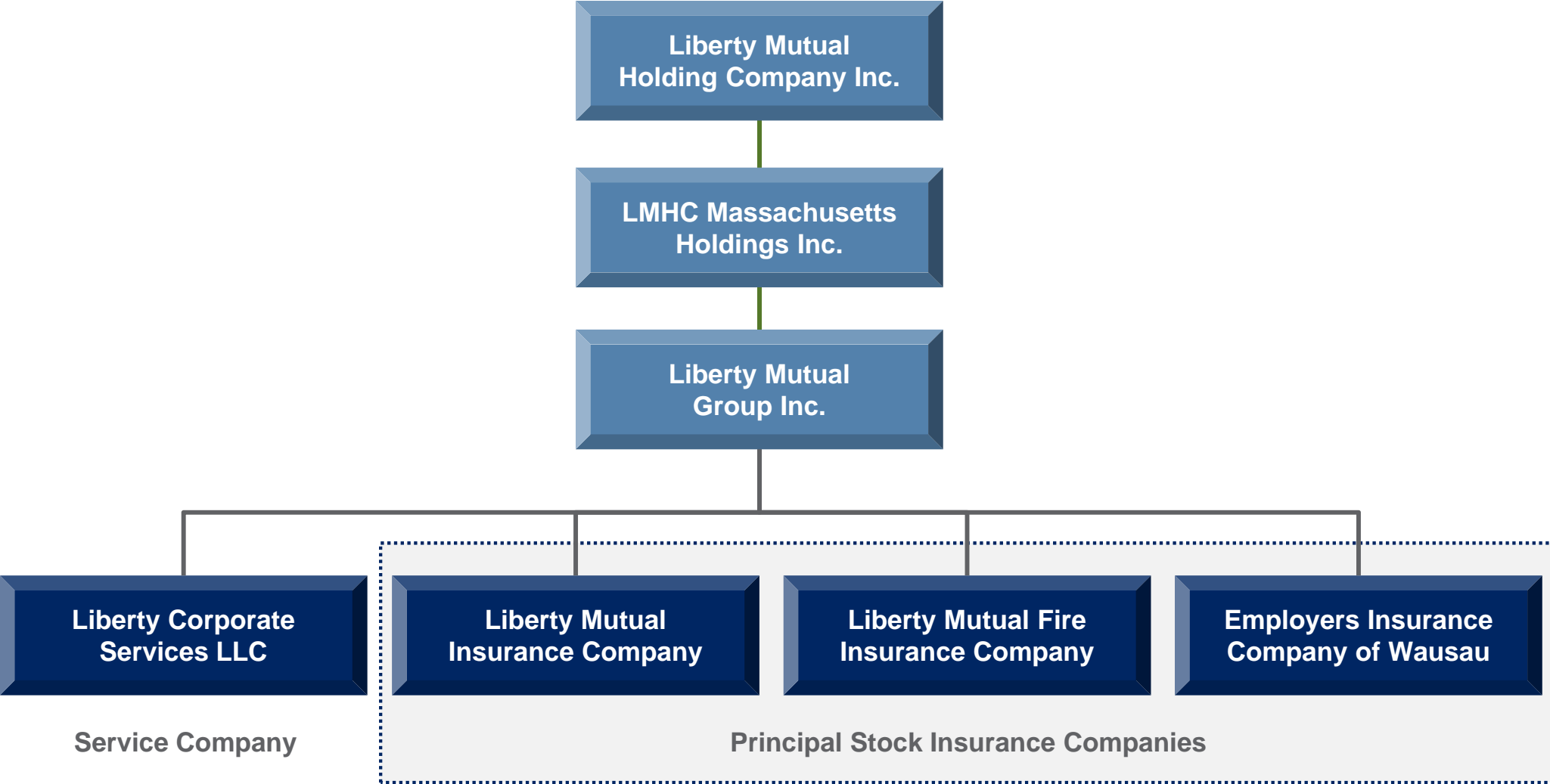
¹ Based on 2011 P&C GWP. Source: Company financials

² Based on 2011 P&C DWP. Source: SNL Financial

³ Based on 2010 Revenue.

Mutual Holding Company Structure

Converted in 2002 to enhance financial flexibility



Strategic Focus

- Disciplined underwriting strategies and pricing models
- Strong and proven Enterprise Risk Management framework
- Product and 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
- Enhance financial strength ratings through earnings growth and capital generation

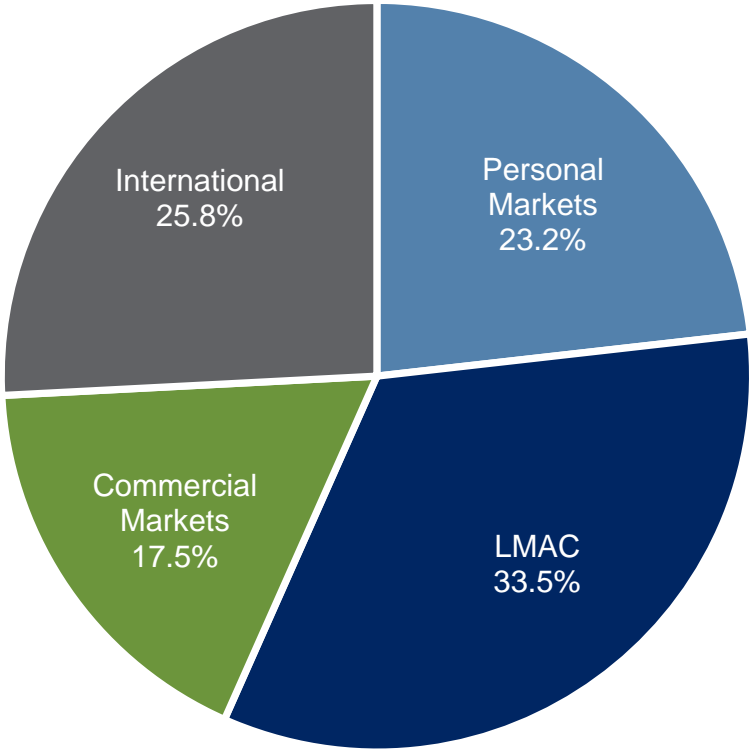
2011 Highlights

- Profitable despite \$2.7 billion of catastrophes
- Stronger balance sheet
- Favorable trajectory of pricing trends across multiple lines of business
- Expanded international footprint:
 - Opening of fourth China branch in Guangdong Province
 - Acquisition of Quinn insurance operations in Ireland
 - R2 approval in India
- Successful debt buyback / refinancing

Balanced Business Structure

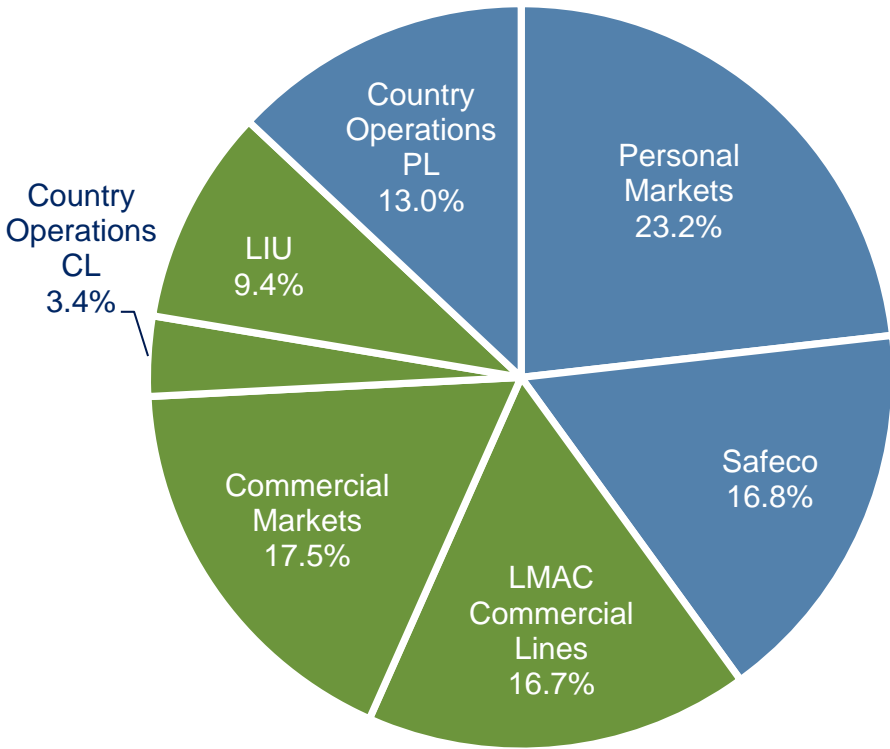
NWP¹ for the year ended December 31, 2011

By SBU



\$31.8 Billion

Commercial vs. Personal



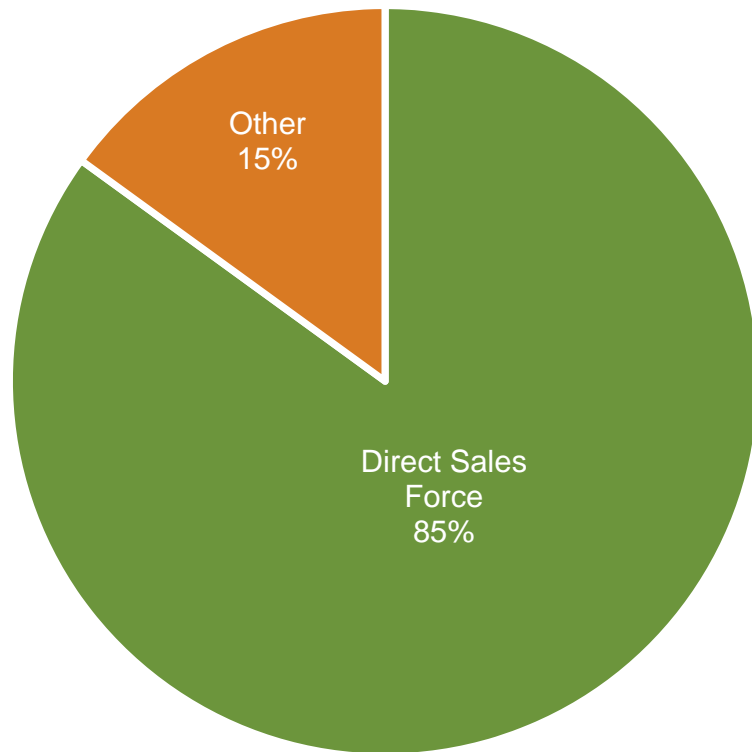
\$31.8 Billion

¹ Excludes Corporate and Other

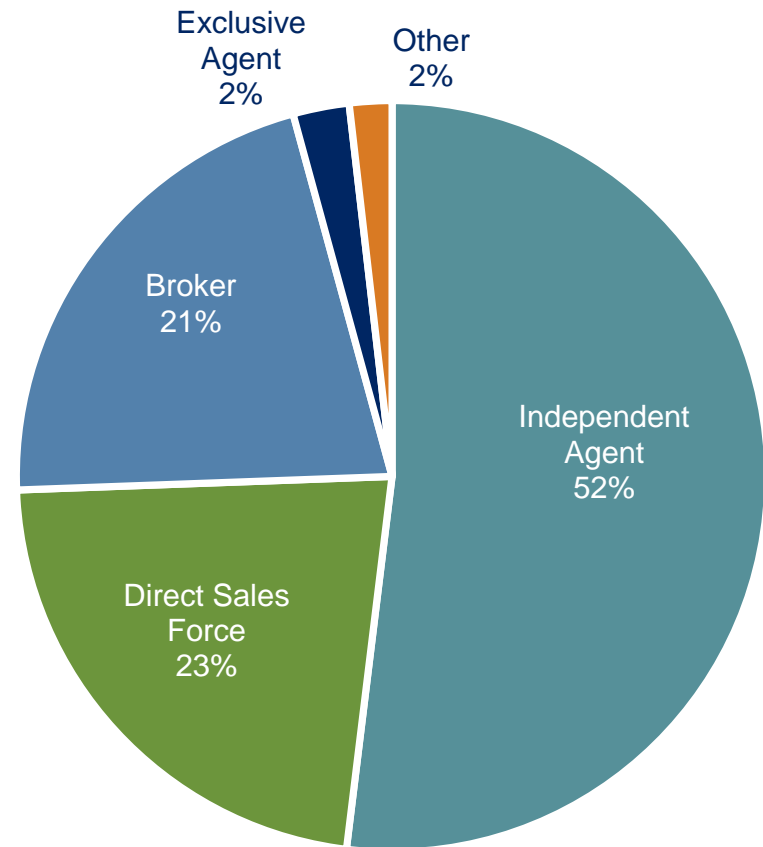
Distribution Mix

Evolution to Multi-Channel Distribution

1996



2011

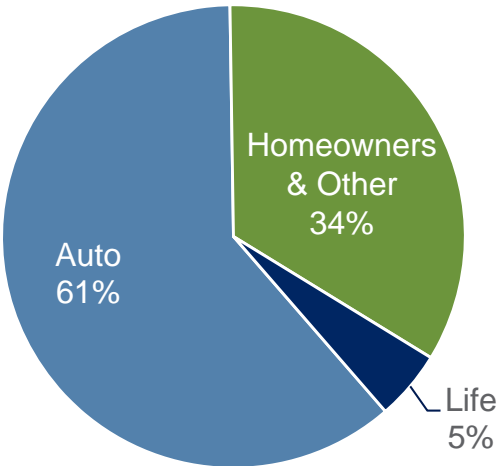


Personal Markets: Overview

NWP



Product Mix



¹ Based on total U.S. auto and property 2011 DWP.

² Based on 2011 auto and property DWP growth.

Distribution Channels

- Direct sales force of more than 2,200 agents
- Approximately 500 call center sales reps
- Third-party producers (Prudential, GEICO, etc.)
- Internet / mobile

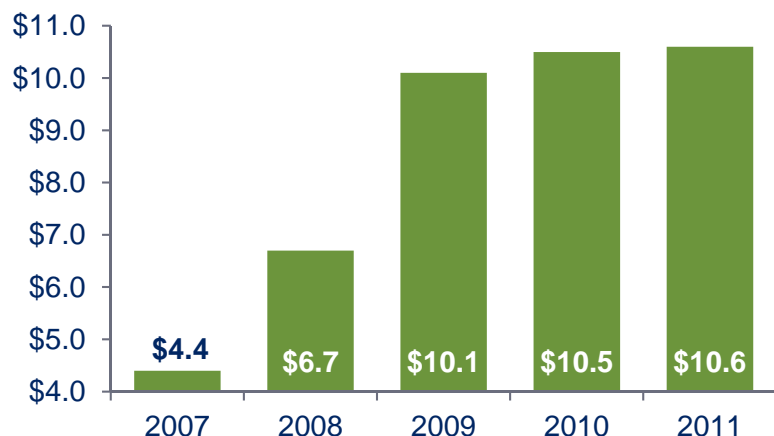
Segment Highlights

- 8th largest writer of personal lines P&C in the U.S.¹
- 3rd fastest growth among top 10 personal lines writers in 2011²
- Market leader in affinity marketing, with over 13,500 affinity relationships
- Integrated multi-channel distribution

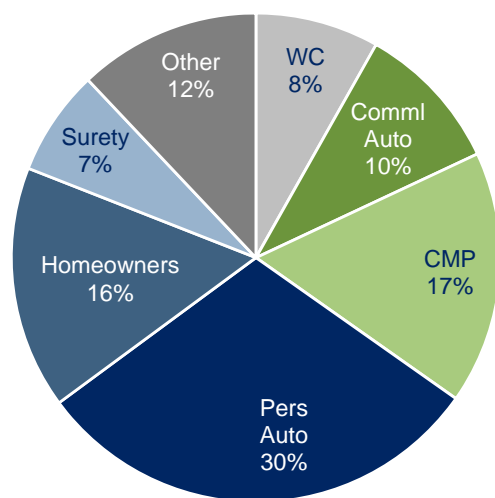
Liberty Mutual Agency Corporation: Overview

NWP¹

(\$ Billions)



Product Mix



¹NWP is not restated for acquisitions

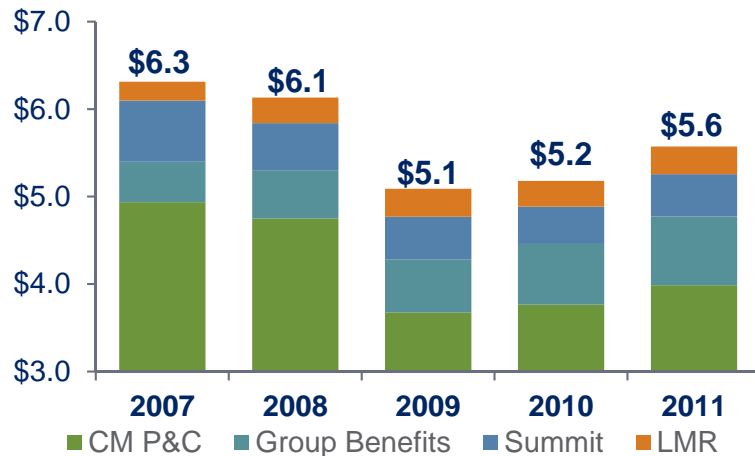
Segment Highlights

- **Regional Companies Group (Commercial Lines):**
 - Small to mid-sized commercial lines business written through 8 regional brands
 - Proprietary multivariate pricing models to effectively and efficiently price the most homogeneous risks by product
- **Safeco (Personal Lines):**
 - Distributes preferred personal lines products through the Safeco Insurance brand
 - Utilizes best-in-class multivariate pricing models
 - Leverages national scale and resources to gain competitive advantage
- **Liberty Mutual Surety:**
 - 2nd largest surety writer
 - Target middle market businesses and large contractors

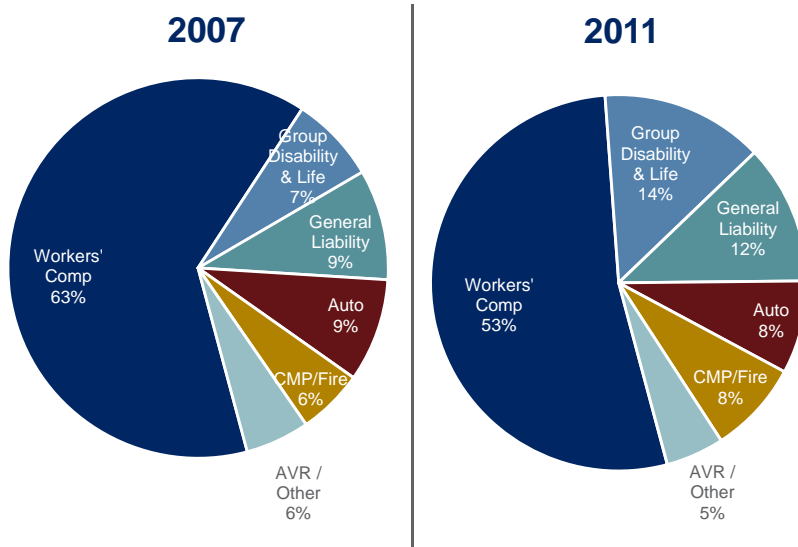
Commercial Markets: Overview

NWP

(\$ Billions)



Product Mix



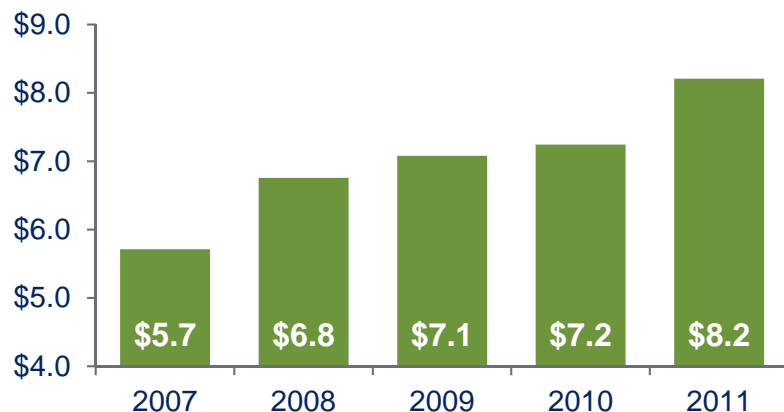
Segment Highlights

- **Commercial Markets P&C** – workers compensation, liability, auto and property coverage for companies with total cost of risk of \$150,000 or more
 - **Middle Market** – mid-sized companies with \$150,000 to \$1.5M in cost of risk
 - **National Accounts Casualty** – companies between \$1.5M and \$20M in cost of risk
 - **National Accounts Property** – property insurance for companies with TIV > \$50M
 - **Majors** – companies >\$20M in cost of risk
 - **Specialty** – specialty lines coverage focused on Construction, Commercial Affinity, Energy, Global and Umbrella
- **Summit** – workers compensation coverage focused on small to mid-size companies in Southeast states with annual premium under \$150,000
- **Group Benefits** – group life and disability products for companies with more than 250 employees
- **LM Reinsurance** – reinsurance programs for domestic and foreign insurance and reinsurance companies

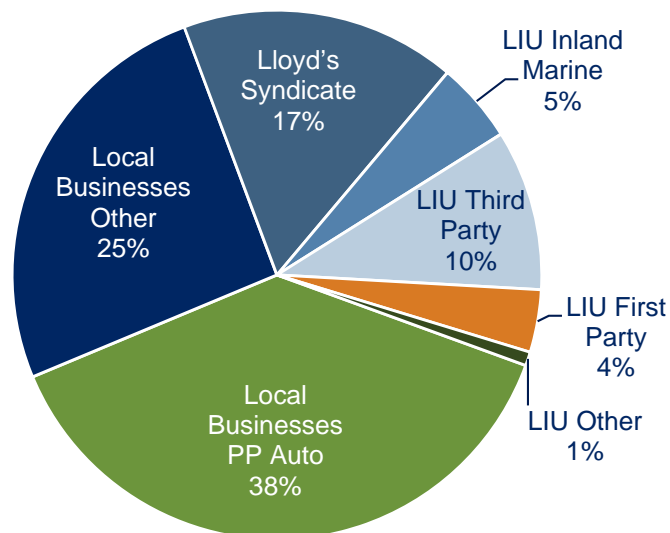
Liberty International: Overview

NWP

(\$ Billions)



Product Mix



Local Businesses

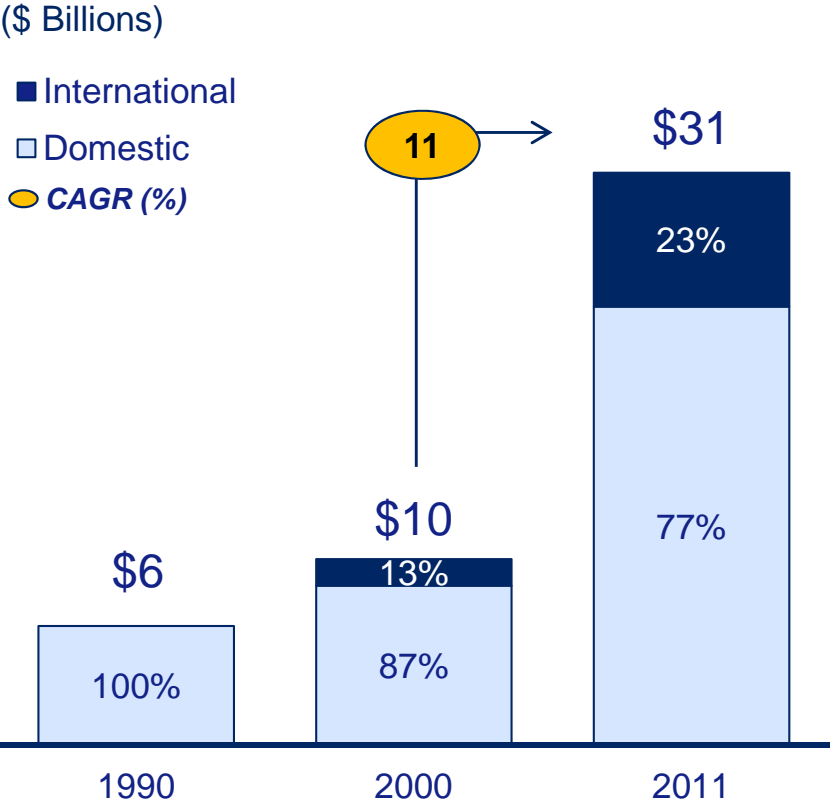
- Firmly established local operations in Latin America, Europe, and Asia.
- Proven management teams focused on local markets
- Strong organic growth (13.7% excl. Ireland)
- *Recent Developments:*
 - Opened fourth China branch
 - Acquired Quinn insurance operations in Ireland
 - R2 approval in India

Liberty International Underwriters

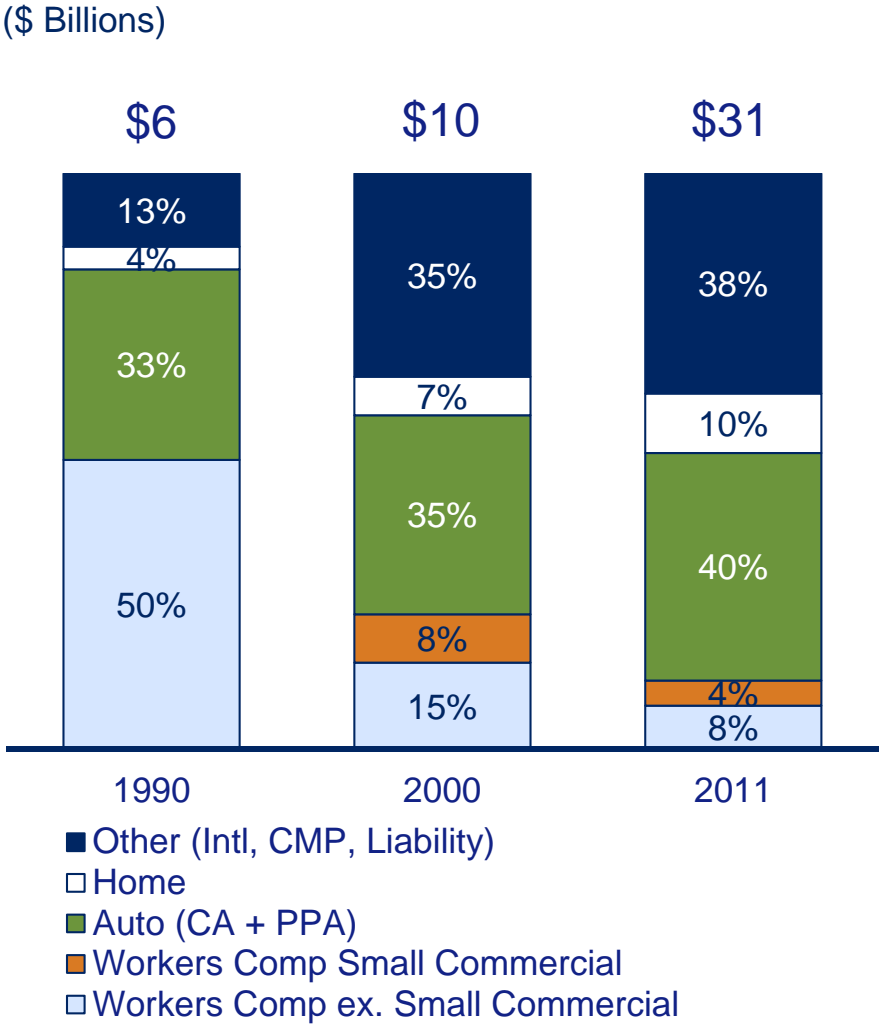
- Global Specialty Lines Insurance and Reinsurance
- Offices in Asia, Australia, Europe, the Middle East, North America, and Latin America
- Recognized technical expertise in first party lines

Liberty's Journey to Date

Net Written Premium



Evolution as a Multi-line Carrier



Largest P&C Companies

U.S. Statutory Direct Written Premium

1996			2011			'96 – '11 Increase	
(\$ Billions)							
Rank	Company	DWP	Rank	Company	DWP	\$	%
1	State Farm	\$35.0	1	State Farm	\$52.6	\$17.6	50%
2	Allstate	18.0	2	Zurich	27.6	22.2	411%
3	AIG	13.6	3	Liberty Mutual	26.7	20.9	360%
4	CNA	10.1	4	Allstate	26.4	8.4	47%
5	Farmers	9.8	5	AIG	25.3	11.7	86%
6	Travelers	9.3	6	Travelers	22.2	12.9	139%
7	Nationwide	8.6	7	Berkshire Hathaway	18.0	14.7	445%
8	Liberty Mutual	5.8	8	Progressive	15.3	11.7	325%
9	Hartford	5.6	9	Nationwide	15.0	6.4	74%
10	Zurich	5.4	10	USAA Group	12.1	7.4	157%

Source: SNL Financial (data as of March 15, 2012)

Largest Global P&C Companies

Gross Written Premium

1996			2011			'96 – '11 Increase	
(\$ Billions)							
Rank	Company	GWP	Rank	Company	GWP	\$	%
1	State Farm	\$35.0	1	Allianz	\$62.3	\$33.1	113%
2	Allianz	29.2	2	Zurich	52.9	34.3	184%
3	AXA	20.7	3	State Farm	52.8	17.8	51%
4	Zurich	18.6	4	AIG	41.9	23.6	129%
5	Allstate	18.6	5	AXA	37.9	17.2	83%
6	AIG	18.3	6	Liberty Mutual	35.3	29.0	460%
7	Royal & Sun Alliance	12.8	7	Assicurazioni Generali	31.7	20.2	176%
8	Winterthur	12.4	8	Munich Re	30.8	19.4	170%
9	Assicurazioni Generali	11.5	9	Berkshire Hathaway	28.4	24.2	576%
10	Munich Re	11.4	10	Allstate	27.1	8.5	46%
	Liberty Mutual	6.3					

Source: Company financials

Global Market Positions

<u>Market</u>	<u>Rank</u>	<u>Share</u>	<u>Market</u>	<u>Rank</u>	<u>Share</u>
U.S. Personal Lines:			Venezuela ¹	1 ^{st*}	13.8%
Personal Markets	8 th	2.9%	Colombia	2 nd	12.5%
Safeco	10 th	<u>2.0%</u>	Chile	4 th	10.8%
Liberty Mutual	6 th	4.9%	Brazil	7 ^{th*}	3.4%
			Argentina	10 th	2.6%
U.S. Commercial Lines:			Ireland	7 th	7.0%
LMAC Commercial Lines	8 th	2.4%	Portugal	9 th	5.4%
Commercial Markets	11 th	2.0%	Spain	16 th	2.0%
LIU	15 th	<u>1.5%</u>	Poland	19 th	0.7%
Liberty Mutual	3 rd	5.9%	Turkey	24 th	0.8%
LM Surety	2 nd	14.9%	China ²	2 nd	0.1%
Syndicate	3 rd	5.1%	Singapore	6 th	4.7%
			Thailand	7 th	3.5%
			Vietnam	9 th	2.5%
			Hong Kong	19 th	1.9%

¹ Market share % excludes government owned companies.

² Ranking based on non-domestic insurance companies and including MTPL.

* Reflects combined P&C and life markets.

Financial Results and Capital

Consolidated Financial Results

(\$ Millions)	Year Ended December 31,	
	2010	2011
Revenue	\$33,193	\$34,671
Normalized PTOI ¹	2,234	2,481
Catastrophes	(1,257)	(2,681)
Net incurred losses attributable to prior years	316	(134)
Venezuela devaluation	228	-
Pre-tax operating income (loss) before LP and LLC income	1,521	(334)
LP and LLC income	398	583
Pre-tax operating income	1,919	249
Net realized gains	402	158
Loss on extinguishment of debt	-	(110)
Income tax (expense) benefit	(637)	71
Consolidated net income	<u>\$1,684</u>	<u>\$368</u>
Cash flow from operations	\$2,761	\$2,101

¹ Before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and LP and LLC income.

Core Underwriting Results Remain Strong

	Year Ended December 31,		
	2010 ¹	2011	B/(W)
Claims and Claim Adjustment Expense Ratio	68.9%	68.9%	0.0
Underwriting Expense Ratio	28.5%	28.4%	0.1
Dividend Ratio	<u>0.2%</u>	<u>0.2%</u>	<u>0.0</u>
Normalized Combined Ratio²	97.6%	97.5%	0.1
Catastrophes	4.6%	9.3%	(4.7)
Net Incurred Attributable to Prior Years	<u>(1.0%)</u>	<u>0.6%</u>	<u>(1.6)</u>
Total Combined Ratio	101.2%	107.4%	(6.2)

¹ 2010 combined ratio has been adjusted to exclude the impact of the Venezuela devaluation for comparative purposes.

² Before catastrophes and net incurred losses attributable to prior years.

Conservative Capital Structure

As of December 31, 2011

(\$ Millions)	Total	1-5 Yrs	5-10 Yrs	10-30 Yrs	85-100 Yrs
Medium Term Notes, 2013, @ 7.86%	\$ 25	\$ 25	-	-	-
Surplus Notes, 2025-97, @ 7.70% - 8.50%	802	-	-	\$ 367	\$ 435
PruPac Note, 2013, @ 8.00%	260	260	-	-	-
Junior Notes, 2017-2038, @ 7.00% - 10.75%	1,981	-	\$ 300	1,681	-
Senior Notes, 2012 – 2036, @ 5.00% - 7.50%	2,250	929	600	721	-
OCC Senior Notes, 2014, @ 7.30%	20	20	-	-	-
Other (Mortgage, LFC)	51	48	-	3	-
Total Long-Term Debt ¹	<u>\$ 5,389</u>	<u>\$ 1,282</u>	<u>\$ 900</u>	<u>\$ 2,772</u>	<u>\$ 435</u>
Total GAAP Equity	<u>17,864</u>				
Total Capital	<u>\$ 23,253</u>				

¹ Excluding current maturities.

Superior Liquidity / Financial Flexibility

(\$ Millions)

Liquidity Facilities	Amount
CP Program / LMGI Unguaranteed Facility	\$750
LMIC FHLB Membership	2,000
Peerless FHLB Membership	1,200
LMIC Repurchase Facility	750
Peerless Repurchase Facility	250
LMFIC FHLB Membership	1,000
Life Co. FHLB Membership	<u>1,000</u>
Total Committed	\$6,950
Net P&C Cash and STI	<u>2,187</u>
Total Immediate Liquidity	\$9,137

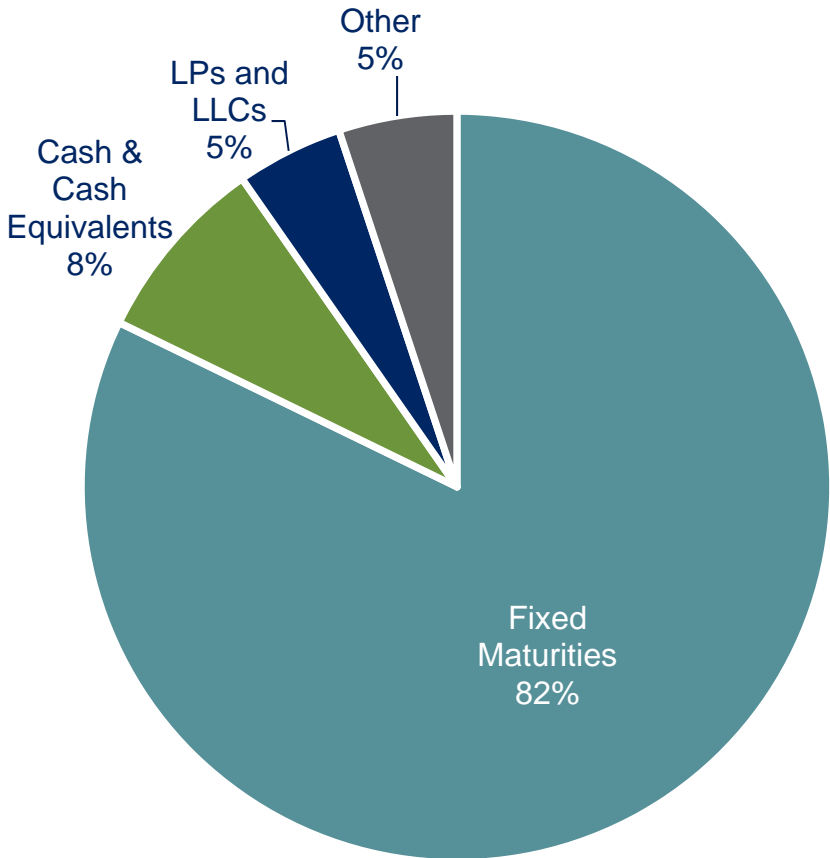
Financial Strength

	A.M. Best	S&P	Moody's
Financial Strength Rating	A	A-	A2
Outlook	Stable	Positive	Stable
Surplus Notes Rating	bbb+	BBB	Baa2
Hybrid Debt Rating	bb+	BB	Baa3
Senior Debt Rating	bbb	BBB-	Baa2

Invested Asset Portfolio

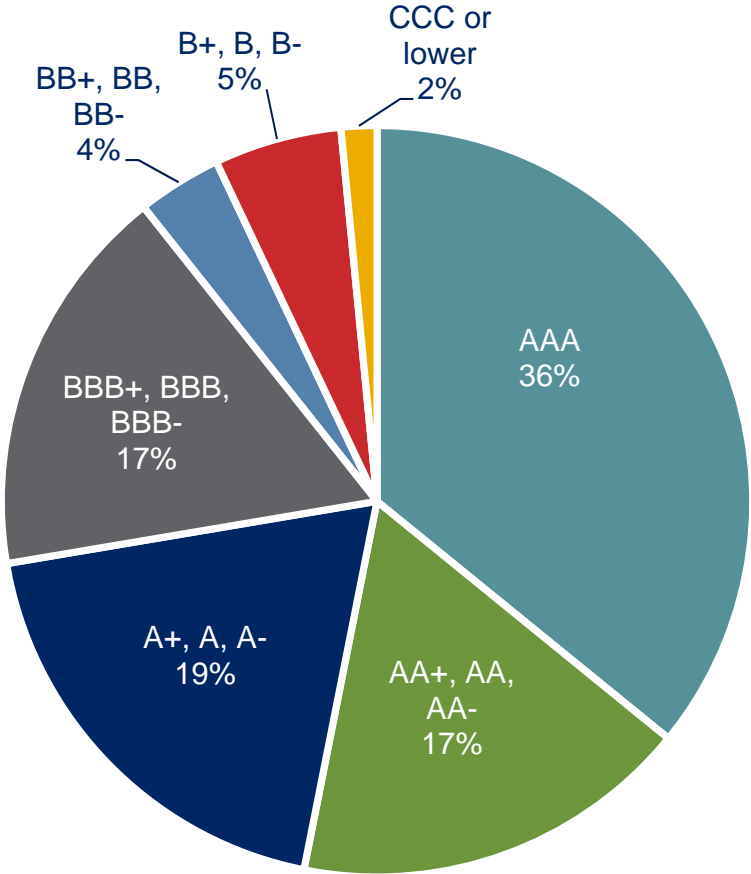
As of December 31, 2011

Invested Assets



\$73.7 Billion

Fixed Maturities



\$60.6 Billion

Recap of Highlights

- Strong core operating results reflect unparalleled diversification with significant international presence and growth opportunities
- Starting to feel good about pricing trends in commercial lines
- Continued significant operating cash flow
- Solid balance sheet
- Sound investment portfolio