

**LIBERTY MUTUAL GROUP INC. AND LIBERTY MUTUAL INSURANCE COMPANY
ANNOUNCE OFFERS TO PURCHASE UP TO \$700,000,000 PRINCIPAL AMOUNT OF
OUTSTANDING NOTES**

BOSTON, Mass.—Liberty Mutual Group Inc. (“LMGI”) and Liberty Mutual Insurance Company (“LMIC” and, together with LMGI, the “Issuers”) today announced the commencement of a cash tender 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”), each at a purchase price determined in accordance with the procedures of a modified “Dutch Auction” (the “Dutch Auction Offer”).

LMGI also announced the commencement of a cash tender offer to purchase up to \$350,000,000 (subject to increase, the “Waterfall Tender Cap”) aggregate principal amount 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”), each at a price determined by reference to a fixed spread above the bid-side yield on the applicable reference security (the “Waterfall Offer” and, together with the Dutch Auction Offer, the “Offers”) and accepted in accordance with the acceptance priority level set forth in the table below. The Dutch Auction Notes and the Waterfall Notes are collectively referred to as the “Notes.”

<u>Title of Security</u>	<u>CUSIP Numbers</u>	<u>Acceptance Priority Level</u>	<u>Principal Amount Outstanding</u>	<u>Early Tender Payment⁽¹⁾</u>	<u>Reference Security</u>	<u>Fixed Spread</u>	<u>Acceptable Bid Price Range^{(1) (2)}</u>
<i>Dutch Auction Offer</i>							
10.75% Series C Junior Subordinated Notes due 2088	53079EAR5 U52932AL1	N/A	\$939,849,000	\$50.00	N/A	N/A	\$1,340.00 - \$1,440.00
7.697% Surplus Notes due 2097	53079QAD9	N/A	\$435,083,000	\$50.00	N/A	N/A	\$950.00 - \$1,050.00
<i>Waterfall Offer</i>							
7.30% Senior Notes due 2014	53079EAS3 U52932AM9	1	\$179,599,000	\$30.00	0.75% U.S. Treasury Note due 6/15/2014	+150 bps	N/A
5.75% Senior Notes due 2014	53079EAC8 U52932AC1	2	\$500,000,000	\$30.00	1.25% U.S. Treasury Note due 3/15/2014	+150 bps	N/A

(1) 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.

(2) Includes the applicable Early Tender Payment.

The terms and conditions of 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”).

LMGI currently intends to finance, subject to market conditions, all or a portion of the Offers with the issuance of new debt securities (the “New Notes”). The Dutch Auction Offer is not conditioned on the issuance of the New Notes, but the Waterfall Offer is conditioned on LMGI issuing at least \$350,000,000 aggregate principal amount of New Notes as specified in the Offer to Purchase. Each Offer is also subject to the satisfaction or waiver of additional conditions specified in the Offer to Purchase. Neither Offer is conditioned on the tender of any minimum principal amount of Notes or the completion of the other Offer.

Under these conditions and as more fully described in the Offer to Purchase, the Issuers expressly reserve their right, but are not obligated, to extend an Offer at any time and may amend or terminate an Offer if, before such time as any Notes have been accepted for payment pursuant to such Offer, any condition of such Offer is not satisfied or, where applicable, waived.

The Offers will expire at 11:59 p.m., New York City time, on May 15, 2012, unless extended or earlier terminated by the Issuers (such date and time with respect to an Offer, as the same may be extended or earlier terminated, the “Expiration Time”). Holders must validly tender and not properly withdraw their Notes at or prior to 5:00 p.m., New York City time, on May 1, 2012, unless extended by the Issuers (such date and time with respect to an Offer, the “Early Tender Time”) in order to be eligible to receive the applicable Full Tender Offer Consideration (defined below), which includes the applicable early tender payment set forth in the table above (the “Early Tender Payment”). Holders that validly tender their Notes after the applicable Early Tender Time and at or prior to the applicable Expiration Time for an Offer will not be eligible to receive the Early Tender Payment and will only be eligible to receive the applicable Late Tender Offer Consideration (defined below). Notes validly tendered may be withdrawn at any time on or prior to 5:00 p.m., New York City time, on May 1, 2012, unless extended by the Issuers (such date and time with respect to an Offer, as the same may be extended, the “Withdrawal Deadline”), but not thereafter.

Holders that validly tender and do not properly withdraw their Notes at or prior to the applicable Early Tender Time will be eligible to receive the applicable Full Tender Offer Consideration. Holders that validly tender their Notes after the applicable Early Tender Time and at or prior to the applicable Expiration Time will only be eligible to receive the applicable “Late Tender Offer Consideration,” which is equal to the applicable Full Tender Offer Consideration minus the applicable Early Tender Payment. In each case, Holders that validly tender Notes that are accepted for purchase by the Issuers will receive accrued and unpaid interest from, and including, the last interest payment date for their tendered Notes to, but not including, the settlement date for such Notes, in each case rounded to the nearest cent (“Accrued Interest”).

In the Dutch Auction Offer, the “Full Tender Offer Consideration” payable for each \$1,000 principal amount of each series of Dutch Auction Notes will be equal to the minimum acceptable bid price plus the clearing premium, in each case, applicable to such series, with the applicable clearing premium to be determined pursuant to a modified “Dutch Auction” as described below.

In the Dutch Auction Offer, the clearing premium for each series of Dutch Auction Notes will be determined by consideration of the bid price specified by each Holder validly tendering Dutch Auction Notes at or prior to the applicable Early Tender Time, which represents the minimum Full Tender Offer Consideration such Holder is willing to receive for such Notes. Each bid price must fall within the acceptable bid price range set forth in the table above. The clearing premium for each series of Dutch Auction Notes will be the lowest single bid premium (the amount by which each bid price exceeds the applicable base price) at which the Issuers will be able to purchase the maximum aggregate principal amount of Dutch Auction Notes that does not exceed the Dutch Auction Tender Cap by accepting all validly tendered Dutch Auction Notes with bid premiums equal to or lower than the applicable clearing premium. If the aggregate amount of all Dutch Auction Notes validly tendered at or prior to the applicable Early Tender Time is less than the Dutch Auction Tender Cap, the clearing premium will be the highest bid premium with respect to any Dutch Auction Note of any series validly tendered at or prior to the applicable Early Tender Time.

Holders who elect to participate in the Dutch Auction Offer after the applicable Early Tender Time and at or prior to the applicable Expiration Time will be deemed to have tendered their Notes with a bid price equal to the applicable Full Tender Offer Consideration, regardless of the bid price set forth in the Letter of Transmittal or the Agent’s Message, as applicable, and will only be eligible to receive the applicable Late Tender Offer Consideration and will not be eligible to receive the applicable Early Tender Payment. Acceptance of tendered Dutch Auction Notes will be subject to rejection of tenders made at a bid price with a bid premium above the applicable clearing premium and may be subject to proration.

In the Waterfall Offer, the “Full Tender Offer Consideration” payable for each \$1,000 principal amount of each series of Waterfall Notes will be equal to (i) the present value on the applicable Settlement Date of (a) \$1,000 principal amount of such Notes and (b) the interest payments due on such principal amount from the last interest payment date for such Notes to, but not including, the maturity date of such Notes, in each case, determined by reference to the Purchase Yield (defined below), rounded to the nearest cent, minus (ii) Accrued Interest. The “Purchase Yield” will be equal to the sum of (i) the bid-side yield on the applicable reference security set forth in the table above and determined as set forth in the Offer to Purchase and (ii) the applicable fixed spread set forth in the table above. Acceptance of tendered

Waterfall Notes will be subject to acceptance priority among each series of Waterfall Notes, as set forth in the table above, and may be subject to proration.

If any Notes are purchased in an Offer, Notes tendered at or prior to the applicable Early Tender Time will be accepted for purchase in priority to other Notes tendered in the same Offer after the applicable Early Tender Time. Accordingly, if the Dutch Auction Tender Cap or the Waterfall Tender Cap is reached in respect of tenders made at or prior to the applicable Early Tender Time, no Dutch Auction Notes or Waterfall Notes, respectively, that are tendered after the applicable Early Tender Time will be accepted for purchase.

The Issuers may, but are not obligated, with respect to any Offer to elect following the applicable Early Tender Time and prior to the applicable Expiration Time to accept the Notes validly tendered at or prior to the applicable Early Tender Time provided that all conditions to such Offer have been satisfied or waived by the Issuers and settle such Notes at such time or promptly thereafter (such date of settlement with respect to an Offer, the “Early Settlement Date”). The “Final Settlement Date” with respect to an Offer is the date that the Issuers settle all Notes not previously settled on the applicable Early Settlement Date, if any, and the Issuers expect such date to be one business date following the applicable Expiration Time. The Issuers refer to each of the Early Settlement Date and the Final Settlement Date as a “Settlement Date.”

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 are acting as dealer managers for the Offers. For additional information regarding the terms 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 Depository 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 SOLICITATION TO PURCHASE NOTES OR ISSUE NEW NOTES. THE OFFERS ARE BEING MADE SOLELY PURSUANT TO THE OFFER DOCUMENTS, WHICH SET FORTH THE COMPLETE TERMS OF THE OFFERS THAT 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.

IF AND WHEN ISSUED, THE NEW NOTES WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS. THE NEW NOTES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS.

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.libertymutual.com/investors.

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