

Liberty Mutual Group Reports First Quarter 2009 Results

BOSTON, Mass., May 5, 2009 – Liberty Mutual Group (“LMG” or the “Company”) today reported net income of \$28 million for the three months ended March 31, 2009, a decrease of \$332 million from the same period in 2008. Net income excluding private equity (loss) income was \$270 million in the quarter versus \$321 million in the prior year.

“Core operating results reflect our continued focus on profitability over growth. However, we felt the negative impact of the capital markets this quarter through lower values on our private equity portfolio,” said Edmund F. Kelly, Chairman, President and CEO of Liberty Mutual Group Inc. “Our recent acquisition of Safeco is reflected in both revenue growth and improved underwriting results and the integration continues to meet our expectations.”

First Quarter Highlights

- Revenues for the three months ended March 31, 2009 were \$7.406 billion, an increase of \$521 million or 7.6% over the same period in 2008.
- Net written premium for the three months ended March 31, 2009 was \$7.028 billion, an increase of \$772 million or 12.3% over the same period in 2008.
- Pre-tax operating income before private equity (loss) income for the three months ended was \$404 million, a decrease of \$28 million or 6.5% from the same period in 2008.
- Pre-tax operating income for the three months ended March 31, 2009 was \$31 million, a decrease of \$461 million or 93.7% from the same period in 2008.
- Net income for the three months ended March 31, 2009 was \$28 million, a decrease of \$332 million or 92.2% from the same period in 2008.
- Cash flow from operations for the three months ended March 31, 2009 was \$385 million, a decrease of \$228 million or 37.2% from the same period in 2008.
- The combined ratio before catastrophes¹ and net incurred losses attributable to prior years² for the three months ended March 31, 2009 was 97.3%, a decrease of 1.8 points from the same period in 2008. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company’s combined ratio for the three months ended March 31, 2009 decreased 1.2 points to 99.5%.

Financial Condition as of March 31, 2009

- Total assets were \$104.730 billion as of March 31, 2009, an increase of \$414 million over December 31, 2008.
- Policyholders’ equity was \$10.387 billion as of March 31, 2009, an increase of \$227 million over December 31, 2008.

¹ Catastrophes include all current and prior year catastrophe losses including assessments from the Texas Windstorm Insurance Association (“TWIA”) 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, the 2005 U.S. Hurricanes and the September 2008 Hurricanes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (excluding prior year losses related to natural catastrophes and the events of September 11, 2001) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains.

Other 2009 1st Quarter Highlights

- On January 22, 2009, the Company established Liberty Mutual Middle Market, a new market segment in Commercial Markets that combines the Business Market and Wausau Insurance market segments. As part of this change, the Company eliminated its direct distribution channel to its mid-sized commercial lines customers and retired the Wausau brand. Middle Market provides Liberty Mutual products and services exclusively through independent agents and brokers. As part of this change, on February 27, 2009, the Company completed the sale of the policy renewal rights of the existing Business Market and Wausau Insurance policyholders in various portions to three nationally recognized brokerage firms.

- On March 11, 2009, Liberty Mutual Insurance Company (“LMIC”), an affiliate of the Company, became a member of the Federal Home Loan Bank of Boston. To date, no funds have been borrowed.

Consolidated Results of Operations for the Three Months Ended March 31, 2009:

\$ in Millions	Three Months Ended March 31,		
	2009	2008	Change
Revenues	\$7,406	\$6,885	7.6%
PTOI before catastrophes, net incurred losses attributable to prior years and private equity (loss) income	\$547	\$523	4.6
Catastrophes ¹ :			
-September 2008 Hurricanes	(6)	-	NM
-All other ²	(320)	(166)	92.8
Net incurred losses attributable to prior years:			
- Asbestos & environmental	(1)	-	NM
- All other ³	184	75	145.3
Pre-tax operating income before private equity (loss) income	404	432	(6.5)
Private equity (loss) income ⁴	(373)	60	NM
Pre-tax operating income	31	492	(93.7)
Realized gains (losses), net	6	(12)	150.0
Federal and foreign income tax expense	(9)	(120)	(92.5)
Net income	\$28	\$360	(92.2%)
Cash flow from operations	\$385	\$613	(37.2%)

1 Catastrophes include all current and prior year catastrophe losses including assessments from TWIA 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, the 2005 U.S. Hurricanes and the September 2008 Hurricanes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Catastrophe losses ceded under the homeowners quota share treaty are included to the extent that the ceded combined ratio exceeds 100.0%.

3 Net of earned premium attributable to prior years of zero and \$3 million for the three months ended March 31, 2009 and 2008, respectively. Net of amortization of deferred gains on retroactive reinsurance of \$17 million for the three months ended March 31, 2009 and 2008, respectively.

4 Private equity (loss) income is included in net investment income in the accompanying statements of income.

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 months ended March 31, 2009 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 11:00 a.m. EDT 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 800-857-2190 fifteen minutes before the starting time, providing the pass code "Liberty" when prompted. A replay will be available until May 12, 2009 at 800-876-8894.

About Liberty Mutual Group

Boston-based Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Group of entities, is a diversified global insurer and fifth largest property and casualty insurer in the U.S. based on 2008 direct written premium. The Company also ranks 86th on the Fortune 500 list of largest corporations in the United States based on 2008 revenue. As of December 31, 2008, LMG had \$104.316 billion in consolidated assets, \$94.156 billion in consolidated liabilities, and \$28.855 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 substantially all of 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 more than 45,000 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.

Forward Looking Statements

The press release contains forward looking statements concerning the Company's future financial and business performance. These statements represent the Company'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 the Company's control or are subject to change, actual results could be materially different.

In particular, the sufficiency of the Company's reserves for (i) asbestos, (ii) environmental ((i) and (ii) together "A&E"), and (iii) toxic tort (i.e., claims that arise primarily from exposure to chemical or other potentially hazardous products or substances, including welding rod, lead paint and silica related claims), as well as its results of operations, financial condition and liquidity, to the extent impacted by the sufficiency of the Company's 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 level

and outcome of litigation, the willingness of parties, including the Company, to settle disputes, the interpretation of aggregate policy coverage limits, the Company'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 peripheral businesses.

Some of the other factors that could cause actual results to differ include, but are not limited to, the following: the Company's inability to obtain price increases or maintain market share due to competition or otherwise; the performance of the Company's investment portfolio, which could suffer reduced returns or losses adversely affecting the Company's profitability, capitalization and liquidity; market conditions that may limit the Company's ability to replace maturing liabilities in a timely manner or that may make it difficult to value the Company's investments; developments in U.S. and global financial and capital markets, including changes in interest rates, rates of inflation, credit spreads, equity prices and foreign exchange rates; losses due to defaults of individual issuers and defaults of the collateral backing certain investments; weakening U.S. and global economic conditions, which could adversely affect the Company's ability to grow its business profitably; the potential effect of legislation and other governmental initiatives taken in response to the current financial crisis; insufficiency of, or changes in, loss reserves; the occurrence of catastrophic events, both natural and man-made, including terrorist acts, with a severity or frequency exceeding the Company's expectations; adverse changes in loss cost trends, including inflationary pressures in medical costs and automobile and home repair costs; developments relating to coverage and liability for mold claims; the effects of corporate bankruptcies on surety bond claims; adverse developments in the cost, availability and/or ability to collect reinsurance, which may be adversely affected by the current financial crisis; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions, including the acquisition of Ohio Casualty Corporation and its subsidiaries, and the recent acquisition of Safeco Corporation and its subsidiaries, in accordance with its business strategy; the ability of the Company's subsidiaries to pay dividends to the Company; adverse results or other consequences from legal proceedings; the impact of regulatory investigations or reforms, including governmental actions regarding the compensation of brokers and agents and the purchase and sale of nontraditional products and related disclosures; unusual loss activity resulting from adverse weather conditions, including hurricanes, hail, tornados, snowfall and winter conditions; repatriation of foreign earnings; judicial expansion of policy coverage and the impact of new theories of liability; the impact of legislative actions, including Federal and state legislation related to asbestos liability reform; larger than expected assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings, which could adversely affect its business volumes, adversely affect its ability to access the debt markets and increase its borrowing costs; the loss or significant restriction on the Company'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. The Company's forward looking statements speak only as of the date of this report or as of the date they are made and should be regarded solely as the Company's current plans, estimates and beliefs. For a detailed discussion of these and other cautionary statements, visit the Company's Investor Relations web site at www.libertymutual.com/investors.

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

Media Relations
Rich Angevine
617-574-6638