

## Liberty Mutual Group Reports First Quarter 2010 Results

BOSTON, Mass., May 11, 2010 – Liberty Mutual Group (“LMG” or the “Company”) today reported net income of \$315 million for the three months ended March 31, 2010 an increase of \$293 million over the same period in 2009.

“We turned in another solid quarter of growth and earnings despite natural catastrophes, a very competitive marketplace and continuing economic challenges” said Edmund F. Kelly, Chairman, President and CEO of Liberty Mutual Group Inc. “Our results demonstrate the financial strength of our global operating model. More importantly, we illustrated our operating strength by quickly redirecting worldwide resources to assist our Chilean customers following the devastating earthquake – an effort that exemplifies Liberty Mutual’s core values.”

### First Quarter Highlights

- Revenues for the three months ended March 31, 2010 were \$8.190 billion, an increase of \$784 million or 10.6% over the same period in 2009.
- Net written premium for the three months ended March 31, 2010 was \$7.209 billion, an increase of \$181 million or 2.6 % over the same period in 2009.
- Pre-tax operating income before private equity income (loss) for the three months ended March 31, 2010 was \$304 million, a decrease of \$91 million or 23.0% from the same period in 2009.
- Pre-tax operating income for the three months ended March 31, 2010 was \$388 million, an increase of \$366 million over the same period in 2009.
- Net income for the three months ended March 31, 2010 was \$315 million, an increase of \$293 million over the same period in 2009.
- Cash flow from operations for the three months ended March 31, 2010 was \$459 million, an increase of \$74 million or 19.2% over the same period in 2009.
- The combined ratio before catastrophes<sup>1</sup> and net incurred losses attributable to prior years<sup>2</sup> for the three months ended March 31, 2010 was 97.8%, an increase of 0.4 points over the same period in 2009. 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, 2010 increased 2.7 points to 102.2%.

### Financial Condition as of March 31, 2010

- Total assets were \$110.191 billion as of March 31, 2010, an increase of \$716 million over December 31, 2009.
- Policyholders’ equity was \$14.937 billion as of March 31, 2010, an increase of \$423 million over December 31, 2009.
- Long-term debt, including current maturities of long-term debt, was \$5.636 billion as of March 31, 2010, a decrease of \$304 million from December 31, 2009.

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<sup>1</sup> 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.

<sup>2</sup> 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.

**Consolidated Results of Operations for the Three Months Ended March 31, 2010:**

\$ in Millions	Three Months Ended March 31,		
	2010 <sup>1</sup>	2009	Change
Revenues	\$8,190	\$7,406	10.6%
PTOI before catastrophes, net incurred losses attributable to prior years and private equity income (loss)	\$602	\$538	11.9%
Catastrophes <sup>2,3</sup>	(411)	(326)	26.1%
Net incurred losses attributable to prior years:			
- Asbestos & environmental	(3)	(1)	200.0%
- All other <sup>4</sup>	116	184	(37.0%)
Pre-tax operating income before private equity income (loss)	304	395	(23.0%)
Private equity income (loss) <sup>5</sup>	84	(373)	NM
Pre-tax operating income	388	22	NM
Realized gains, net	95	6	NM
Income tax expense	(168)	(6)	NM
Net income	\$315	\$22	NM
Cash flow from operations	\$459	\$385	19.2%

1 Effective January 1, 2010, the Venezuelan operations of the Company's International SBU began applying hyper-inflationary accounting, utilizing the U.S. dollar as the functional currency.

2 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.

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

4 Net of earned premium attributable to prior years of \$12 million and zero for the three months ended March 31, 2010 and 2009, respectively. Net of amortization of deferred gains on retroactive reinsurance of \$18 million and \$17 million for the three months ended March 31, 2010 and 2009, respectively.

5 Private equity income (loss) 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, 2010 are available on the Company's Investor Relations web site at [www.libertymutual.com/investors](http://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 5:00 p.m. on May 18, 2010 at 866-463-2195.

### **About Liberty Mutual Group**

Boston-based Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Group of entities ("LMG" or the "Company"), is a diversified global insurer and fifth largest property and casualty insurer in the U.S. based on 2009 direct written premium. The Company also ranks 71<sup>st</sup> on the Fortune 500 list of largest corporations in the United States based on 2009 revenue. As of December 31, 2009, LMG had \$109.475 billion in consolidated assets, \$94.961 billion in consolidated liabilities, and \$31.094 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](http://www.libertymutual.com/investors).

### **Forward Looking Statements**

This press release contains forward looking statements concerning the Company's future financial and business performance. Forward looking 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; recessionary 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 stress in financial markets and economic conditions; 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; adverse developments in the cost, availability and/or ability to collect reinsurance, which may be adversely affected by current economic conditions; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; 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 proposed Federal legislation related to natural catastrophe funds and financial services regulation 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 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](http://www.libertymutual.com/investors).

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