

Liberty Mutual Insurance Reports First Quarter 2012 Results

BOSTON, Mass., April 26, 2012 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) today reported net income attributable to LMHC of \$459 million for the three months ended March 31, 2012, an increase of \$95 million over the same period in 2011.

“Our first quarter results highlight the progress we have made in terms of core profitability and continued growth,” said David H. Long, President and CEO of Liberty Mutual Insurance. “Our net income of \$459 million was up 26% in the quarter reflecting an accelerating commercial lines price trend, excellent non-catastrophe personal lines results, and fewer international catastrophes. Our growth was strong where we targeted, with increases of 12% internationally and 9% in domestic personal lines, while U.S. commercial lines contracted an acceptable 1%. These results, plus our acquisition of KIT Finance Insurance in Russia, have provided an encouraging start to the year.”

First Quarter Highlights

- Revenues for the three months ended March 31, 2012 were \$8.881 billion, an increase of \$500 million or 6.0% over the same period in 2011.
- Net written premium for the three months ended March 31, 2012 was \$8.078 billion, an increase of \$495 million or 6.5% over the same period in 2011.
- Pre-tax operating income before private limited partnership (“LP”) and limited liability company (“LLC”) income for the three months ended March 31, 2012 was \$456 million, an increase of \$219 million or 92.4% over the same period in 2011.
- Pre-tax operating income for the three months ended March 31, 2012 was \$577 million, an increase of \$130 million or 29.1% over the same period in 2011.
- Net income attributable to LMHC for the three months ended March 31, 2012 was \$459 million, an increase of \$95 million or 26.1% over the same period in 2011.
- Cash flow from operations for the three months ended March 31, 2012 was \$651 million, an increase of \$29 million or 4.7% over the same period in 2011.
- The consolidated combined ratio before catastrophes¹ and net incurred losses attributable to prior years² for the three months ended March 31, 2012 was 96.0%, a decrease of 0.9 points from the same period in 2011. 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, 2012 decreased 1.5 points to 100.9%.

¹Catastrophes include all current and prior accident year catastrophe losses incurred excluding losses related to the Company’s external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd’s Syndicate 4472) except for the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the tornadoes and other severe storms in the U.S. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

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

Financial Condition as of March 31, 2012

- Total assets were \$115.918 billion as of March 31, 2012, a decrease of \$1.213 billion from December 31, 2011.
- Total equity was \$18.504 billion as of March 31, 2012, an increase of \$640 million over December 31, 2011.

Consolidated Results of Operations for the Three Months Ended March 31, 2012 and 2011:

\$ in Millions	Three Months Ended March 31,		
	2012	2011	Change
Revenues	\$8,881	\$8,381	6.0%
Pre-tax operating income (“PTOI”) before catastrophes, net incurred losses attributable to prior years and LP and LLC income	\$793	\$616	28.7%
Catastrophes ¹	(321)	(588)	(45.4)
Net incurred losses attributable to prior years:			
- Asbestos & environmental	(2)	(1)	100.0
- All other ²	(14)	210	NM
PTOI before LP and LLC income	456	237	92.4
LP and LLC income ³	121	210	(42.4)
PTOI	577	447	29.1
Net realized gains	49	76	(35.5)
Loss on extinguishment of debt	(15)	-	NM
Pre-tax income	611	523	16.8
Income tax expense	(155)	(156)	(0.6)
Consolidated net income	456	367	24.3
Less: Net (loss) income attributable to non-controlling interest	(3)	3	NM
Net income attributable to LMHC	\$459	\$364	26.1%
Cash flow from operations	\$651	\$622	4.7%

1 Catastrophes include all current and prior accident year catastrophe losses incurred excluding losses related to the Company’s external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd’s Syndicate 4472) except for the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the tornadoes and other severe storms in the U.S. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Net of earned premium attributable to prior years of \$14 million and \$7 million for the three months ended March 31, 2012 and 2011, respectively. Net of amortization of deferred gains on retroactive reinsurance of \$11 million and \$99 million for the three months ended March 31, 2012 and 2011, respectively. 2011 reflects a gain on commutation of two retroactive reinsurance contracts during the first quarter.

3 LP and LLC income is included in net investment income in the consolidated statements of income.

NM = Not Meaningful

Financial Information: The Company'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, 2012 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 10:00 a.m. EDT today, David Long, Liberty Mutual Insurance President and CEO, will host a conference call to discuss the Company's financial results. To listen to the call, please dial 800-857-2190, providing the pass code "Liberty" when prompted. A replay will be available until 5:00 p.m. on May 3, 2012 at 866-413-9173.

About Liberty Mutual Insurance

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and third largest property and casualty insurer in the U.S. based on 2011 direct written premium. The Company also ranks 82nd on the Fortune 100 list of largest corporations in the United States based on 2010 revenue. As of December 31, 2011, LMHC had \$117.131 billion in consolidated assets, \$99.267 billion in consolidated liabilities, and \$34.671 billion in annual consolidated revenue.

LMHC, 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 LMHC.

Functionally, the Company conducts substantially all of its business through four strategic business units: Liberty Mutual Agency Corporation, International, Personal Markets and Commercial Markets. 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.

LMHC 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.

Cautionary Statement Regarding Forward Looking Statements

This press release contains forward looking statements that are intended to enhance the reader's ability to assess the Company's future financial and business performance. Forward looking statements include, but are not limited to, statements that 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.

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, hurricanes, hail, tornadoes, snowfall and winter conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or ability to collect reinsurance; disruptions to the Company's relationships with its independent agents and brokers; financial disruption or a prolonged economic downturn; the performance of the Company's investment portfolios; a rise in interest rates; risks inherent in the Company's alternative investments in private LPs and LLCs; difficulty in

valuing certain of the Company's investments; subjectivity in the determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; terrorist acts; the Company's inability to obtain price increases or maintain market share due to competition or otherwise; inadequacy of the Company's pricing models; changes to insurance laws and regulations; changes in the amount of statutory capital that the Company must hold to maintain its financial strength and credit ratings; regulatory restrictions on the Company's ability to change its methods of marketing and underwriting in certain areas; assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the ability of the Company's subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclicity of the property and casualty insurance industry; political, legal, operational and other risks faced by the Company's international business; potentially high severity losses involving the Company's surety products; loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of personal lines policies; inadequacy of the Company's controls to ensure compliance with legal and regulatory standards; changes in federal or state tax laws; risks arising out of the Company's securities lending program; the Company's utilization of information technology systems and its implementation of technology innovations; difficulties with technology or data security; insufficiency of the Company's business continuity plan in the event of a disaster; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; insufficiency of the Company's enterprise risk management models and modeling techniques; and changing climate conditions. 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 website at www.libertymutual.com/investors. The Company undertakes no obligation to update these forward looking statements.

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