Liberty Mutual Insurance Reports First Quarter 2016 Results

BOSTON, Mass., May 18, 2016 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively "LMHC" or the "Company") today reported net income attributable to LMHC of $393 million for the three months ended March 31, 2016, an increase of $117 million over the same period in 2015. Including $10 million of net income attributable to non-controlling interest, consolidated net income for the three months ended March 31, 2016 was $403 million.

"Net operating income in the first quarter was $405 million, up slightly over the prior year despite elevated catastrophe losses. Net income was $393 million, up 42% year over year" said David Long, Chairman and CEO of Liberty Mutual Insurance. "Net written premiums in the quarter increased 2% in local currencies, 0.5% after the impact of foreign exchange, and combined ratio improved 0.8 points to 96.3%."

First Quarter Highlights

- Net written premium ("NWP") for the three months ended March 31, 2016 was $8.772 billion, an increase of $46 million or 0.5% over the same period in 2015.

- Pre-tax operating income ("PTOI") before partnerships, limited liability companies ("LLC") and other equity method income (loss) for the three months ended March 31, 2016 was $614 million, an increase of $69 million or 12.7% over the same period in 2015.

- Net operating income before partnerships, LLC and other equity method income (loss) for the three months ended March 31, 2016 was $405 million, an increase of $2 million or 0.5% over the same period in 2015.

- Partnerships, LLC and other equity method income (loss) for the three months ended March 31, 2016 was $23 million, versus ($53) million in the same period in 2015.

- Net realized losses for the three months ended March 31, 2016 were $39 million, versus gains of $37 million in the same period in 2015.

- Consolidated net income from continuing operations for the three months ended March 31, 2016 was $403 million, an increase of $13 million or 3.3% over the same period in 2015.

- Discontinued operations, net of tax for the three months ended March 31, 2016 were zero versus ($118) million in the same period in 2015.

- Net income attributable to LMHC for the three months ended March 31, 2016 was $393 million, an increase of $117 million or 42.4% over the same period in 2015.

- Cash flow provided by operations for the three months ended March 31, 2016 was $299 million, a decrease of $194 million or 39.4% from the same period in 2015.

- The consolidated combined ratio before catastrophes[1] and net incurred losses attributable to prior years[2] for the three months ended March 31, 2016 was 90.2%, an improvement of 1.9 points over the same period in 2015. 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, 2016 improved 0.8 points to 96.3%.

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[1]2016 catastrophes include all current accident year catastrophe losses for severe storms in the U.S. and Cyclone Winston. 2015 catastrophes include all current accident year catastrophe losses for severe storms in the U.S. 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 (including prior year losses related to natural catastrophes and prior year catastrophe reinstatement premium) including earned premium attributable to prior years.

Financial Condition as of March 31, 2016

- Total debt was $7.180 billion as of March 31, 2016, a decrease of $9 million or 0.1% from December 31, 2015.
- Total equity was $20.499 billion as of March 31, 2016, an increase of $1.258 billion or 6.5% over December 31, 2015.

Subsequent Events

On May 5, 2016, Liberty Mutual Insurance Company ("LMIC") extended the termination date of its $1 billion repurchase agreement from July 3, 2017 to July 3, 2018, unless extended.

On May 4, 2016, Liberty Mutual Group Inc. ("LMGI") issued €750 million par value of Senior Notes due 2026 (the "2026 Notes"). Interest is payable annually at a fixed rate of 2.75%. The 2026 Notes mature on May 4, 2026.

Consolidated Net Operating Income

	Three Months Ended March 31,		
$ in Millions	**2016**	**2015**	**Change**
Net operating income before partnerships, LLC and other equity method income (loss)	$405	$403	0.5%
Partnerships, LLC and other equity method income (loss), net of tax	18	(34)	NM
Net realized (losses) gains, net of tax	(25)	25	NM
Loss on extinguishment of debt, net of tax	(5)	-	NM
Discontinued operations, net of tax	-	(118)	(100.0)
Net income attributable to LMHC	$393	$276	42.4%

NM = Not Meaningful

Consolidated Results of Operations

	Three Months Ended March 31,		
$ in Millions	**2016**	**2015**	**Change**
Revenues	$9,362	$9,267	1.0%
PTOI before catastrophes, net incurred losses attributable to prior years, and partnerships, LLC and other equity method income (loss)	$1,109	$938	18.2%
Catastrophes[1]	(550)	(496)	10.9
Net incurred losses attributable to prior years:			
- Asbestos & environmental[2]	-	(1)	(100.0)
- All other[3,4]	55	104	(47.1)
PTOI before partnerships, LLC and other equity method income (loss)	614	545	12.7
Partnerships, LLC and other equity method income (loss)[5]	23	(53)	NM
PTOI	637	492	29.5
Net realized (losses) gains	(39)	37	NM
Loss on extinguishment of debt	(8)	-	NM
Pre-tax income	590	529	11.5
Income tax expense	187	139	34.5
Consolidated net income from continuing operations	403	390	3.3
Discontinued operations, net of tax	-	(118)	(100.0)
Consolidated net income	403	272	48.2
Less: Net income (loss) attributable to non-controlling interest	10	(4)	NM
Net income attributable to LMHC	$393	$276	42.4%
Cash flow provided by operations	$299	$493	(39.4%)

1 2016 catastrophes include all current accident year catastrophe losses for severe storms in the U.S. and Cyclone Winston. 2015 catastrophes include all current accident year catastrophe losses for severe storms in the U.S. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Gross of the NICO Reinsurance Transaction.

3 2015 includes a one-time benefit of $91 million due to a reduction in the estimated prior years' liability for state assessments related to workers compensation.

4 Net of earned premium and reinstatement premium attributable to prior years of $1 million and $3 million for the three months ended March 31, 2016 and 2015, respectively.

5 Partnerships, LLC and other equity method income (loss) includes limited partnerships ("LP"), LLC and other equity method income (loss) within net investment income in the accompanying Consolidated Statements of Income and revenue and expenses from the production and sale of oil and gas.

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, 2016 are available on the Company's Investor Relations web site at www.libertymutualgroup.com/investors.

About Liberty Mutual Insurance

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and fifth largest property and casualty insurer in the U.S. based on 2015 direct written premium. The Company also ranks 78th on the Fortune 100 list of largest corporations in the U.S. based on 2014 revenue. As of December 31, 2015, LMHC had $121.665 billion in consolidated assets[1], $102.424 billion in consolidated liabilities[1], and $37.617 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 the SBUs, with each operating independently of the others with 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 50,000 people in over 800 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.libertymutualgroup.com/investors.

Cautionary Statement Regarding Forward Looking Statements

This report 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, tornados, tsunamis, earthquakes, floods, 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, LLCs, commercial mortgages and natural resource working interests; 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; 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

[1] Reflects the 2016 adoption of the Financial Accounting Standards Board issued Accounting Standards Update 2015-03, *Imputation of Interest* (Accounting Standards Codification 835).

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 cyclicality 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.libertymutualgroup.com/investors. The Company undertakes no obligation to update these forward looking statements.

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