Liberty Mutual Group Reports Second Quarter 2008 Results

BOSTON, Mass., July 24, 2008 – Liberty Mutual Group ("LMG" or the "Company") today reported net income of $300 million and $660 million for the three and six months ended June 30, 2008, respectively, decreases of $39 million and $29 million from the same periods in 2007.

"Bad weather tempered another quarter of strong core operating results from each of our SBU's," said Edmund F. Kelly, Chairman, President and CEO, Liberty Mutual. "The fundamentals of our businesses remain sound but require continued underwriting vigilance and pricing discipline due to competitive pressures. Our balance sheet remains strong with limited exposure to the sub-prime crisis. While the economic slowdown in the U.S. remains a concern, inflation is a greater concern, but we are extremely well-positioned globally to compete successfully across a broad range of market conditions."

Second Quarter Highlights

- Revenues for the three months ended June 30, 2008 were $6.948 billion, an increase of $653 million or 10.4% over the same period in 2007.

- Net written premium for the three months ended June 30, 2008 was $6.279 billion, an increase of $802 million or 14.6% over the same period in 2007.

- Pre-tax income for the three months ended June 30, 2008 was $412 million, a decrease of $86 million or 17.3% from the same period in 2007. Results in the period reflect a decrease in realized investment gains of $40 million.

- Net income for the three months ended June 30, 2008 was $300 million, a decrease of $39 million or 11.5% from the same period in 2007.

- Cash flow from operations for the three months ended June 30, 2008 was $1.079 billion, an increase of $292 million or 37.1% over the same period in 2007.

- The combined ratio before catastrophes[1] and net incurred losses attributable to prior years[2] for the three months ended June 30, 2008 was 98.0%, an increase of 1.5 points over the same period in 2007. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company's combined ratio for the three months ended June 30, 2008 increased 1.8 points to 101.9%.

Year-to-Date Highlights

- Revenues for the six months ended June 30, 2008 were $13.833 billion, an increase of $1.395 billion or 11.2% over the same period in 2007.

- Pre-tax income for the six months ended June 30, 2008 was $892 million, a decrease of $106 million or 10.6% from the same period in 2007. Results in the period reflect a decrease in realized investment gains of $132 million.

- Net income for the six months ended June 30, 2008 was $660 million, a decrease of $29 million or 4.2% from the same period in 2007.

---

[1] Catastrophes include all current and prior year catastrophe losses related to the Company's insurance lines 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 and the 2005 U.S. hurricanes. In addition, losses related to the 2005 U.S. hurricanes and the 2004 U.S. hurricanes for assumed external reinsurance are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Internally reinsured catastrophe losses are not reported net of net catastrophe reinsurance premium earned. 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.

- Cash flow from operations for the six months ended June 30, 2008 was $1.692 billion, a decrease of $104 million or 5.8% from the same period in 2007.

- The combined ratio before catastrophes and net incurred losses attributable to prior years for the six months ended June 30, 2008 was 98.5%, an increase of 0.7 points over the same period in 2007. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company's combined ratio for the six months ended June 30, 2008 increased 0.7 points to 101.3%.

Financial Condition as of June 30, 2008

- Total assets were $99.877 billion as of June 30, 2008, an increase of $5.135 billion over December 31, 2007.

- Policyholders' equity was $12.265 billion as of June 30, 2008, a decrease of $101 million from December 31, 2007.

- Statutory surplus as regards policyholders for the combined operations of Liberty Mutual Insurance Company ("LMIC") and its U.S. affiliates was $15.371 billion as of June 30, 2008, an increase of $1.216 billion from December 31, 2007.

Other 2008 2nd Quarter Highlights

- On April 23, 2008, LMG and Safeco Corporation ("Safeco") announced that they entered into a definitive agreement pursuant to which LMG, through its subsidiaries, will acquire all outstanding shares of common stock of Safeco for $68.25 per share or approximately $6.2 billion. The proposed transaction, which has been approved by the Boards of Directors of both companies, is subject to approval by Safeco's shareholders and customary regulatory approvals and conditions. The transaction is targeted to close in the third quarter of 2008. On July 14, 2008, LMG reaffirmed its commitment to consummate the acquisition.

- On June 29, 2008, Liberty Insurance Company Limited ("LICL"), a wholly owned subsidiary of LMG, was granted approval to establish a branch in Beijing by the China Insurance Regulatory Commission. Beijing is the first branch established by LICL in China and will offer various personal lines products, including auto and a wide range of commercial lines products with a focus on small-to-medium enterprises.

- On May 29, 2008, Liberty Mutual Group Inc. issued $1.25 billion of 10.75% Series C junior subordinated notes having a final maturity of 2088 and a final fixed rate interest payment date of 2038. This security receives high levels of equity treatment by the rating agencies. The proceeds from the offering are being used to finance the Safeco transaction.

Consolidated Results of Operations for the Three and Six Months Ended June 30, 2008:

	Three Months Ended June 30,			Six Months Ended June 30,		
$ in Millions	**2008**	**2007**	**Change**	**2008**	**2007**	**Change**
Revenues	$6,948	$6,295	10.4%	$13,833	$12,438	11.2%
PTOI before catastrophes and net incurred losses attributable to prior years	$632	$638	(0.9)	$1,215	$1,152	5.5
Catastrophes[1]	(313)	(122)	156.6	(479)	(181)	164.6
Net incurred losses attributable to prior years:						
- Asbestos & environmental[2]	(4)	(1)	NM	(4)	(1)	NM
- All other[3]	92	(62)	NM	167	(97)	NM
Pre-tax operating income	407	453	(10.2)	899	873	3.0
Realized investment gains (losses), net	5	45	(88.9)	(7)	125	NM
Federal and foreign income tax expense	(112)	(159)	(29.6)	(232)	(309)	(24.9)
Net income	$300	$339	(11.5%)	$660	$689	(4.2%)
Cash flow from operations	$1,079	$787	37.1%	$1,692	$1,796	(5.8%)

1 Catastrophes include all current and prior year catastrophe losses related to the Company's insurance lines 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 and the 2005 U.S. hurricanes. In addition, losses related to the 2005 U.S. hurricanes and the 2004 U.S. hurricanes for assumed external reinsurance are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Internally reinsured catastrophe losses are not reported net of net catastrophe reinsurance premium earned. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Net of allowance for uncollectible reinsurance $3 million for the three and six months ended June 30, 2008, and zero and $3 million for the comparable periods of 2007.

3 Net of earned premium attributable to prior years of $(6) million and $(3) million for the three and six months ended June 30, 2008, and $16 million and $35 million for the comparable periods of 2007. Net of amortization of deferred gains on retroactive reinsurance of $19 million and $36 million for the three and six months ended June 30, 2008, and $32 and $48 million for the comparable periods of 2007.

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 six months ended June 30, 2008 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 10:00 a.m. EST 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 877-440-5803 fifteen minutes before the starting time using conference ID number 8478399. A replay will be available until July 31, 2008 at 888-203-1112 using the reservation number 8478399.

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 sixth largest property and casualty insurer in the U.S. based on 2006 direct written premium. The Company also ranks 94th on the Fortune 500 list of largest corporations in the United States based on 2007 revenue. As of December 31, 2007, LMG had \$94.742 billion in consolidated assets, \$82.376 billion in consolidated liabilities, and \$25.961 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, LMIC, LMFIC and EICOW, each became separate stock insurance companies under the ownership of Liberty Mutual Holding Company Inc.

Functionally, the Company conducts its business through four SBUs: 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 over 41,000 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

This press release contains forward-looking statements concerning LMG's future financial and business performance. These statements represent LMG's beliefs concerning future operations, strategies, financial results or other developments, and contain words such as "may," "expects," "should," "believes," "estimates," or similar expressions. Because these forward-looking statements are based on assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond LMG's control or are subject to change, actual results could be materially different. In particular, the sufficiency of LMG's reserves for asbestos and environmental (together "A&E") and toxic tort claims, as well as its results of operations, financial condition and liquidity, to the extent impacted by the sufficiency of the 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 outcome of litigation, the willingness of parties to settle disputes, the interpretation of aggregate coverage limits, LMG'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 businesses. Other factors that could cause actual results to differ include: LMG's inability to obtain price increases or maintain market share due to competition or otherwise; the performance of LMG's investment portfolios, weakening U.S. and global economic conditions; insufficiency of loss reserves; the occurrence of natural or man-made catastrophic events exceeding LMG's expectations; adverse changes in loss cost trends, adverse developments in the cost, availability and/or ability to collect reinsurance; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions, including the recent acquisition of Ohio Casualty Corporation and its subsidiaries, and the proposed acquisition of Safeco Corporation and its subsidiaries, in accordance with its business strategy; the ability of LMG's subsidiaries to pay dividends to LMG; adverse results or other consequences from legal proceedings or regulatory investigations or reforms, including governmental actions regarding the compensation of brokers and agents and the sale of nontraditional products and related disclosures; unusual loss activity resulting from adverse weather conditions, including storms, hurricanes, hail, snowfall and winter conditions; the tax impact of the repatriation of foreign earnings; larger than expected assessments for guaranty funds and involuntary market pools; a downgrade in LMG's insurance subsidiaries' ratings; restrictions on LMG'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. LMG's forward-looking statements speak only as of the date of this release or as of the date they are made and should be regarded solely as LMG's current estimates and beliefs. LMG undertakes no obligation to update these forward-looking statements. For a further discussion of these and other risks and uncertainties, see LMG's website at www.libertymutual.com/investors.

Contact:	Investor Relations	Media Relations
	Matthew T. Coyle	John Natale
	617-654-3331	617-654-4171