

Release Date:

May 4, 2012

**LIBERTY MUTUAL GROUP INC. ANNOUNCES EARLY ACCEPTANCE OF WATERFALL CASH TENDER OFFER**

BOSTON, Mass – Liberty Mutual Group Inc. (“LMGI”) today announced the exercise of its early acceptance right for all Waterfall Notes (defined below) tendered at or prior to the Early Tender Time (defined below) in connection with its previously announced cash tender offer (the “Waterfall Offer”), originally for up to \$350,000,000 aggregate principal amount (the “Waterfall Tender Cap”) of its 5.75% Senior Notes due 2014 (the “5.75% Notes”) and 7.30% Senior Notes due 2014 (the “7.30% Notes” and, together with the 5.75% Notes, the “Waterfall Notes”). The Waterfall Offer was amended on May 2, 2012 to increase the Waterfall Tender Cap by \$7,322,000 to permit LMGI to purchase all Waterfall Notes tendered at or prior to the Early Tender Time.

The terms and conditions of the Waterfall Offer are described in the offer to purchase dated April 18, 2012 (as modified by the Supplement dated May 2, 2012, the “Offer to Purchase”) and the related letter of transmittal (the “Letter of Transmittal” and, together with the Offer to Purchase, the “Offer Documents”), previously sent to holders of the Waterfall Notes.

Select terms of the Waterfall Offer are described in the table below.

Title of Security	CUSIP Numbers	Acceptance Priority Level	Aggregate Principal Amount Tendered <sup>(1)</sup>	Principal Amount Outstanding	Early Tender Payment <sup>(2)</sup>	Reference Security	Fixed Spread	Full Tender Offer Consideration <sup>(2)(3)</sup>
7.30% Senior Notes due 2014	53079EAS3 U52932AM9	1	\$96,197,000	\$179,599,000	\$30.00	0.75% U.S. Treasury Note due 6/15/2014	+150 bps	\$1,113.40
5.75% Senior Notes due 2014	53079EAC8 U52932AC1	2	\$261,125,000	\$500,000,000	\$30.00	1.25% U.S. Treasury Note due 3/15/2014	+150 bps	\$1,072.48

(1) As of 5:00 p.m., New York City time, on May 1, 2012 (the “Early Tender Time”).

(2) Per \$1,000 principal amount of Notes accepted for purchase. The Issuers will also pay accrued and unpaid interest to, but not including, the applicable Settlement Date (“Accrued Interest”).

(3) Includes the applicable Early Tender Payment.

As previously announced, as of the Early Tender Time, LMGI had received \$357,322,000 aggregate principal amount of Waterfall Notes, including \$96,197,000 aggregate principal amount of 7.30% Notes and \$261,125,000 aggregate principal amount of the 5.75% Notes.

Holders that validly tendered their Waterfall Notes at or prior to the applicable Early Tender Time will be eligible to receive the applicable Full Tender Offer Consideration, which includes the applicable Early Tender Payment as set forth on the table above. LMGI has exercised its right to early accept for purchase all Waterfall Notes validly tendered at or prior to the Early Tender Time. Settlement of such accepted Waterfall Notes is expected to occur on May 7, 2012 (the “Waterfall Early Settlement Date”). As the Waterfall Tender Cap has been reached in respect of tenders made at or prior to the Early Tender Time, no Waterfall Notes that are tendered after the Early Tender Time will be accepted for purchase.

The Withdrawal Deadline for the Waterfall Offer was 5:00 p.m., New York City time, on May 1, 2012 and has not been extended.

Capitalized terms used in this press release and not defined herein have the meanings given to them in the Offer to Purchase.

BofA Merrill Lynch and J.P. Morgan Securities LLC are acting as dealer managers for the Offers. For additional information regarding the current terms of each of the Offers, please contact: BofA Merrill Lynch at (888) 292-0070 (toll-free) or (980) 683-3215 (collect) or J.P. Morgan Securities LLC at (866) 834-4666 (toll free) or (212) 834-4811 (collect). Requests for the Offer Documents may be directed to Global Bondholder Services, which is acting as the depositary and information agent for the Offers, at 866-795-2200 (toll-free).

THIS PRESS RELEASE IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT AN OFFER OR A SOLICITATION TO PURCHASE NOTES. THE OFFERS ARE BEING MADE SOLELY PURSUANT TO THE OFFER DOCUMENTS, WHICH SET FORTH THE COMPLETE TERMS OF THE OFFERS, AND WHICH HOLDERS OF THE NOTES SHOULD CAREFULLY READ PRIOR TO MAKING ANY DECISION.

THE OFFER DOCUMENTS DO NOT CONSTITUTE AN OFFER OR SOLICITATION TO PURCHASE NOTES OR ISSUE NEW NOTES IN ANY JURISDICTION IN WHICH, OR TO OR FROM ANY PERSON TO OR FROM WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION UNDER APPLICABLE SECURITIES OR BLUE SKY LAWS. IN ANY JURISDICTION IN WHICH THE SECURITIES, BLUE SKY OR OTHER LAWS REQUIRE THE OFFERS TO BE MADE BY A LICENSED BROKER OR DEALER, THE OFFERS WILL BE DEEMED TO BE MADE ON BEHALF OF THE ISSUERS BY ONE OR BOTH DEALER MANAGERS, IF EITHER OR BOTH OF THE DEALER MANAGERS ARE LICENSED BROKERS OR DEALERS UNDER THE LAWS OF SUCH JURISDICTION, OR BY ONE OR MORE REGISTERED BROKERS OR DEALERS THAT ARE LICENSED UNDER THE LAWS OF SUCH JURISDICTION.

**About the Issuers**

Boston-based LMGI, together with its affiliates (“Liberty Mutual Insurance”), is a diversified global insurer and third largest property and casualty insurer in the U.S. based on 2011 direct written premium. Liberty Mutual Insurance ranks 82nd on the Fortune 500 list of largest corporations in the U.S. based on 2010 revenue. As of December 31, 2011, Liberty Mutual Insurance had \$117.1 billion in consolidated assets, \$99.3 billion in consolidated liabilities and \$34.7 billion in annual consolidated revenue. Liberty Mutual Insurance offers a wide range of insurance products and services, including personal automobile, homeowners, workers compensation, commercial multiple peril, commercial automobile, general liability, global specialty, group disability, assumed reinsurance, fire and surety. Liberty Mutual Insurance employs over 45,000 people in more than 900 offices throughout the world. For a full description of Liberty Mutual Insurance’s business operations, products and distribution channels, please visit Liberty Mutual Insurance’s Investor Relations web site at [www.libertymutualgroup.com/investors](http://www.libertymutualgroup.com/investors).

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