

# On Purpose

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At Liberty Mutual Insurance Group, we never take anything for granted. We constantly question what we do, and how and why we do it, so we can remain financially strong, make good on our promises and meet the ever-changing needs of our customers and business partners.

In this Annual Review we provide four examples of this ongoing self-examination:

### On Call

Personal Insurance's new Field Resource Management team more effectively assigns resources to handle homeowner claims, as illustrated by our response to Superstorm Sandy.

### On Point

We realigned our Commercial Insurance business to give our broker and agent partners improved access under a single brand — Liberty Mutual Insurance.

### On Track

We acquired KIT Finance Insurance, which opens a doorway into Russia and expands our global presence.

### On Alert

Global Specialty's Global Financial Risk product helps protect companies and organizations that seek to expand globally in a dynamic, often turbulent, world.

# Financial Highlights

(Dollars in millions) December 31,	2012	2011	2010
<b>Liberty Mutual Insurance Group</b>			
Revenues	\$36,944	\$34,671	\$33,193
Pre-tax operating income	704	238	1,946
Net income *	829	358	1,695
Cash flows from operations	2,911	2,158	2,808
Combined ratio	104.7%	107.5%	101.1%
<b>Personal Insurance</b>			
Revenues	\$14,530	\$13,457	\$12,748
Pre-tax operating income	1,010	270	1,132
Cash flows from operations	1,606	903	1,876
Combined ratio	96.8%	102.6%	95.5%
<b>Commercial Insurance</b>			
Revenues	\$11,376	\$11,156	\$11,220
Pre-tax operating income	264	(113)	463
Cash flows from operations	696	530	875
Combined ratio	111.0%	115.3%	108.2%
<b>Liberty International</b>			
Revenues	\$6,019	\$5,478	\$5,036
Pre-tax operating income	259	204	437
Cash flows from operations	505	573	570
Combined ratio	103.2%	103.2%	101.8%
<b>Global Specialty</b>			
Revenues	\$4,607	\$4,224	\$4,009
Pre-tax operating income	377	449	657
Cash flows from operations	1,013	1,027	1,001
Combined ratio	98.4%	96.3%	90.4%
<b>Other **</b>			
Revenues	\$412	\$356	\$180
Pre-tax operating income	(1,206)	(572)	(743)
Cash flows from operations	(909)	(875)	(1,514)

Liberty Mutual Insurance Group results include all significant business units of the Company. Each business unit is reported in accordance with U.S. Generally Accepted Accounting Principles.

\* Net income represents net income attributable to Liberty Mutual Holding Company Inc.

\*\* Other includes discontinued operations (including asbestos and environmental), interest expense, internal reinsurance programs, net investment income after allocations to business units, certain expenses not allocated to the business units, income related to limited partnership and limited liability company investments, other revenues from corporate subsidiaries, and federal and foreign tax payments.

## A Message from Our Chairman

**As the Liberty Mutual Insurance Group starts its second century, we take great pride in our success: growing from a single-state, single-product company to one of the largest international property and casualty insurers.**

Our well-diversified portfolio of products, distribution channels and geographies positions us well for today and the future. Yet our pride comes not just from our operating success, but also from the standards of practice we built into all of our businesses: an unwavering commitment to ethical behavior, treating everyone with dignity and respect, and providing exceptional service to our customers and distribution partners. We are confident that our people represent the best in the business.

It is our employees who give David and me great optimism for the future. They know we can't rest on our legacy or our laurels. We must continue to earn your business, loyalty and trust every day so that our second century can be as exciting and successful as our first.



**Edmund F. Kelly**  
Chairman



**“It is our employees who give David and me great optimism for the future. They know we can't rest on our legacy or our laurels.”**

# A Message from Our President and CEO

**When we look at Liberty Mutual Insurance Group in 2012, the year stands out for many reasons, among them: the company's improved profitability despite the impact of Superstorm Sandy and other catastrophes; our continued growth, both organically and through acquisitions; our increased global prominence through the sponsorship of major sporting events; the realignment of our businesses, which better positions the company for the next century; and, of course, our 100th Anniversary celebration.**

Responding to the devastation of Superstorm Sandy, we once again demonstrated that, when things are at their worst, we are at our best. Our personal and commercial claims and service professionals responded with compassion to help our affected policyholders resume normal lives and be back in business as quickly as possible.

Even with the \$576 million impact of Sandy, net income increased \$471 million over the prior year to \$829 million, a testament to the solid core earnings within each of our business units and outstanding investment results in a very challenging environment. The underlying strength of our businesses was further demonstrated by a healthy 6.6 percent increase in revenues to \$36.9 billion, and a \$926 million increase in total equity to \$18.5 billion. Total assets increased \$3.2 billion over 2011 to \$120.1 billion.

Contributing to this performance were: continued, market-leading growth in Personal Insurance; significant underwriting and pricing improvements across Commercial Insurance; strong specialty lines growth in the U.S. and Europe; acquisitions in Russia and Ecuador; regulatory approval for our business in India; and, approval to establish a branch in Shandong Province, China, our fifth branch in that country.

We also announced, in October, that Liberty Mutual Insurance will be an official sponsor of the 2014 and 2016 U.S. Olympic and Paralympic Teams in Sochi, Russia, and Rio de Janeiro, Brazil. Our partnership with Team USA is yet another example of our company's increasingly prominent position globally.

Our 100th Anniversary celebration was focused on employees and giving back to the communities where we work and live. We took the opportunity to introduce *Serve with Liberty*, our new global community service initiative. During two days in June, more than 26,000 of our employees from around the world participated in more than 1,400 community projects, from chopping vegetables at a homeless shelter in Boston to entertaining ill children in a Vietnam hospital. In fact, employee and community feedback was so positive that we've decided to make *Serve with Liberty* an annual event.

As we celebrated our past we also looked forward to the future, and during the year we realigned our business structure to better meet our customers' and distribution partners' ever-changing needs and preferences.

Our new Commercial Insurance business unit now serves commercial accounts of all sizes and provides our broker and agent partners improved access under the Liberty Mutual Insurance brand, with continued local focus and authority supported by strong national resources and capabilities.

In addition, we combined the Liberty Mutual Insurance and Safeco Insurance personal lines operations into the Personal Insurance business unit, bringing together two strong businesses with incredible momentum. The creation of the Global Specialty business unit brings together three very strong, well-performing businesses — Liberty International Underwriters, Liberty Mutual Surety and Liberty Mutual Reinsurance — and affirms our commitment to being a leader in the specialty lines sector, while the Liberty International business unit

can now focus exclusively on its growing network of local insurance companies, now in 18 countries.

Worth noting is the fact that we made these structural changes from a position of strength. We are the fifth-largest property and casualty insurance company in the world; we're financially strong, with sound reserves and a balance sheet that has never been stronger; and our diversification relative to product, market segment, geography and distribution channel is unparalleled.

We'll remember 2012 as a year in which we looked back at our company's rich history and took significant steps to ensure even greater success. In fact, I'm confident our diversified business model, strong market positions and new operating structure will bring tremendous success to our company and its policyholders through our next century.

On a personal note, I'd like to acknowledge Chris Mansfield, our General Counsel since 1985, who retired in early 2013. During a career with Liberty Mutual that spanned 37 years, Chris provided thoughtful and sound leadership, guidance and counsel. We will miss Chris, and we wish him and his wife Laura the very best in retirement.

In closing, I thank our Board of Directors for their guidance and support and, in particular, I want to express my gratitude to retiring director Marian Heard. The public and non-profit sector experience she brought to the Board proved invaluable, and we will miss her.

I also thank our many distribution partners — affinity, independent agents and brokers — for their support, our policyholders and customers for their ongoing confidence in us, and our more than 50,000 employees around the globe whose enthusiasm, dedication and commitment make this all possible.



**David H. Long**  
President and Chief Executive Officer




**“We’ll remember 2012 as a year in which we both looked back at our company’s rich history and took significant steps to ensure even greater success.”**

# Personal Insurance







Liberty Mutual Insurance's Personal Insurance Strategic Business Unit (SBU) sells private passenger automobile, homeowners and specialty (including watercraft, motorcycle, recreational vehicle and umbrella) property and casualty (P&C) products in the U.S. under the Liberty Mutual Insurance and Safeco Insurance brands.

The SBU distributes Liberty Mutual Insurance brand products through more than 2,400 licensed local sales representatives, over 500 licensed telesales counselors, numerous strategic partnerships and online at [www.libertymutual.com](http://www.libertymutual.com). Personal Insurance is an industry leader in affinity marketing, with more than 15,000 affinity group relationships including employers, credit unions, and professional and alumni associations.

Personal Insurance sells Safeco Insurance brand products through more than 10,500 independent insurance agencies, operating from over 22,000 agency storefronts across 49 states. Safeco Insurance is the third-largest writer of personal insurance products in the independent agency channel.

Personal Insurance's Individual Life insurance business holds a top ten position in its core lines, and markets life and annuity products and structured settlements under the Liberty Life Assurance Company of Boston brand through personal lines sales representatives, banks, brokers and independent agents.



**Timothy M. Sweeney**

PRESIDENT  
PERSONAL INSURANCE

**“Personal Insurance will continue to identify, develop and deploy innovative products and services that deliver even greater value to our customers.”**

Operating in a marketplace characterized by aggressive advertising, intense price competition and consumers' accelerating adoption of technology, Personal Insurance continues to be among the leaders in the personal lines industry in both growth and profitability.

Personal Insurance achieved these strong results during another year of heavy catastrophes and severe storms. Superstorm Sandy brought the SBU its highest single-event claim volume ever, with more than 85,000 claims filed through year end, including 32,000 in just the first two days after the storm. In response, employees across Personal Insurance went above and beyond to help policyholders put their lives back together.

Personal Lines Distribution, which sells Liberty Mutual Insurance brand products, will continue to expand its field sales representative base, invest in online and mobile capabilities, and strengthen its industry-leading affinity marketing program. Safeco Distribution, focused on becoming a top three carrier in over 80 percent of its independent agencies, will continue to deepen agency partnerships by providing competitively differentiated agency relationship capabilities and by strategically growing its agency force.

The SBU will leverage sophisticated marketing analytics and continue to diversify its lead sources, particularly through online, mobile and social mediums.

Personal Insurance continued to roll out new products in 2012. The Liberty Mutual Insurance Right Track and Safeco Insurance Rewind telematics programs, both optional, use wireless communications to collect driver behavior data, and use that information to adjust insurance premiums. Liberty Mutual Insurance's Responsible Advantage program communicates the benefits customers receive for driving safely, and Safeco Insurance's Auto Options program lets independent agents tailor products for their customers.

In 2013, Personal Insurance will continue to identify, develop and deploy innovative products and services that deliver even greater value to our customers.



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AMY DANIELSON

## On Call

Superstorm Sandy brought Liberty Mutual Personal Insurance its highest single-event claim volume ever. The SBU responded in kind, leveraging its 7,800-person claims team to help support customers in their time of need.

Hundreds of adjusters flew into the region from around the country, dedicated total loss offices responded to flooded-vehicle claims, Catastrophe Response Vehicles arrived in high-impact areas, fuel trucks kept field staff on the road, and Liberty arranged for the delivery of more than 9,000 meals to neighborhoods without power.

Andy Zevon of Lawrence Township, N.J., was one of approximately 74,000 Liberty Mutual Personal Insurance policyholders to see his home damaged when an "enormous" tree crashed into and destroyed his home's roof and attic.

When he submitted his claim, he initiated a series of actions coordinated more than 1,000 miles away by Liberty Mutual's new Field Resource Management team (FRM) in Lake Mary, Fla. "When a catastrophe the magnitude of Superstorm Sandy hits," FRM Team Manager Amy Danielson said, "our local offices can quickly reach their limit with respect to on-the-ground resources. It's our job to triage each claim based on its location and severity, and assign an adjuster as quickly as possible. We know our policyholders are waiting."

The FRM team draws upon a database of Liberty Mutual staff adjusters nationwide and assigns each claim based on its type, the extent of damage and the adjuster's experience and availability. "Depending on the situation, we may assign a local Liberty Mutual adjuster, one from outside the region, an adjuster with our Centralized Catastrophe Unit, or an independent adjuster," Danielson said.


Danielson admits that the pressure can be intense but, in the end, stories similar to Mr. Zevon's make it all worth it. "We won't soon forget the sound of that tree crashing into our house," he said, "but we also won't forget that, thanks to Liberty Mutual Insurance, we had a new roof within 10 days."



ANDY ZEVON

# Commercial Insurance





Liberty Mutual Insurance's Commercial Insurance Strategic Business Unit (SBU) provides a wide array of property and casualty and group benefits products and services for businesses through independent agents, brokers and benefit consultants across the United States.

The Commercial Insurance SBU has two operating segments for property and casualty:

- Business Insurance, which serves small and mid-sized accounts with fewer than 1,000 employees
- National Insurance, which serves large accounts with 1,000 or more employees or specialty risks

Commercial Insurance delivers regional authority and expertise enhanced by national resources and capabilities.

The SBU's Group Benefits segment provides mid-sized and large businesses with short- and long-term disability insurance products and group life insurance.



**J. Paul Condrin, III**  
PRESIDENT  
COMMERCIAL INSURANCE

**“The new Commercial Insurance SBU gives its 6,000 agent and broker partners improved access and consistency across the organization, and a single brand, Liberty Mutual Insurance.”**

To further strengthen its agent and broker partnerships, and as part of the overall realignment of the company's businesses in 2012, Liberty Mutual Insurance combined its U.S. commercial lines businesses into a single strategic business unit, Commercial Insurance. The result gives its 6,000 agent and broker partners improved access and consistency across the organization, and a single brand, Liberty Mutual Insurance.

At the core of the Business Insurance segment is local decision-making through eight regions. Each region owns the agent relationships in its defined territory and is equipped to underwrite and service a wide spectrum of exposures, from the Main Street retailer to the multi-state manufacturer. National Insurance has dedicated units for major accounts, large casualty accounts (1,000 or more employees) and national property, construction, energy, multinational and excess casualty accounts — to serve the unique needs of these customers and their brokers.

Served by local and responsive underwriting and one commercial claims organization with a strong field presence, Commercial Insurance is positioned to support the growth of its agents' and brokers' businesses with a highly competitive suite of products and services.

While it took considerable time and effort to pull together this new commercial lines organization, Commercial Insurance employees worked hard to conduct business as usual. A case in point was the response of more than 250 commercial lines claims handlers, adjusters and other staff to approximately 7,700 Superstorm Sandy-related claims. The claims organization's high-touch outreach efforts were critical to helping Liberty Mutual customers prepare for and manage the aftereffects of the storm.



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TERRY BUCKNER

## On Point

When Terry Buckner learned that Liberty Mutual Insurance had combined its commercial lines under a single brand, he couldn't help but take some credit.

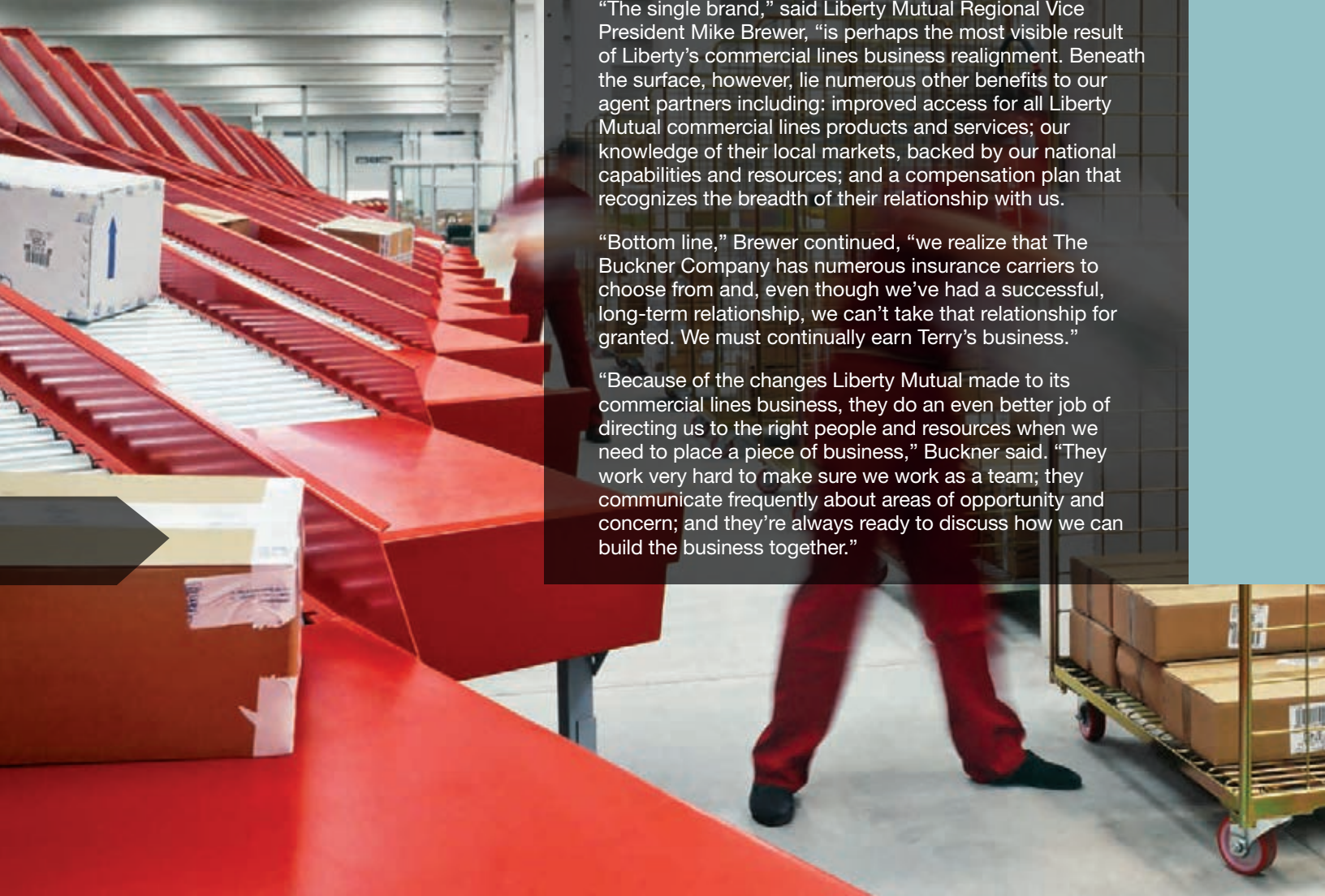
As president and CEO of The Buckner Company, one of the largest, fastest-growing and most well-respected agencies in Utah, he had been a vocal advocate of combining Liberty's two commercial lines organizations under the Liberty Mutual Insurance brand.

"We've had a mutually beneficial, long-standing partnership with Liberty Mutual and Colorado Casualty (a Liberty Mutual regional company), but our agents found it confusing as to which brand covered what size and type account," Buckner said. "Now, with the combination of its regional commercial lines companies, including Colorado Casualty, under the Liberty Mutual Insurance brand, it's an easier sell."

"The single brand," said Liberty Mutual Regional Vice President Mike Brewer, "is perhaps the most visible result of Liberty's commercial lines business realignment. Beneath the surface, however, lie numerous other benefits to our agent partners including: improved access for all Liberty Mutual commercial lines products and services; our knowledge of their local markets, backed by our national capabilities and resources; and a compensation plan that recognizes the breadth of their relationship with us.

"Bottom line," Brewer continued, "we realize that The Buckner Company has numerous insurance carriers to choose from and, even though we've had a successful, long-term relationship, we can't take that relationship for granted. We must continually earn Terry's business."

"Because of the changes Liberty Mutual made to its commercial lines business, they do an even better job of directing us to the right people and resources when we need to place a piece of business," Buckner said. "They work very hard to make sure we work as a team; they communicate frequently about areas of opportunity and concern; and they're always ready to discuss how we can build the business together."



# Liberty International







The Liberty International Strategic Business Unit (SBU) consists of local insurance companies that sell property, casualty, health and life insurance products to individuals and businesses in 18 countries.

The SBU comprises four operating regions:

- Latin America, including Venezuela, Brazil, Colombia, Argentina, Chile and Ecuador
- Europe, including Spain, Portugal, Turkey, Poland, Ireland, United Kingdom and Russia
- Asia, including Thailand, Singapore, China (including Hong Kong) and Vietnam
- India



**Luis Bonell**

CHIEF EXECUTIVE OFFICER  
LIBERTY INTERNATIONAL  
HOLDINGS INC.

**“With a compound annual growth rate of 16 percent over the last ten years, Liberty International will continue to pursue its goal of being a leading global player in personal and small commercial lines.”**

Despite an overall economic environment that continued to deteriorate, Liberty International sustained its pattern of strong growth in 2012. And while the SBU has entered four new countries since 2011 (through acquisition or start-up), organic growth is a necessary part of its business strategy. This strength is visible in its market rankings, where 11 of its 19 companies rank in the top ten in their market.

As with the other Liberty Mutual Strategic Business Units, a significant development in 2012 was the business realignment, which focuses Liberty International exclusively on its network of country operations. This realignment will help Liberty International secure a position among the global elite of the property and casualty industry, and operate more efficiently and effectively in meeting the demands of the marketplace.

Highlighting the year was the expansion of Liberty International into three countries with the acquisitions of Seguros Cervantes and Seguros Panamericana, both based in Quito, Ecuador, KIT Finance Insurance, now Liberty Insurance (Liberty Страхование) based in St. Petersburg, Russia, and the commencement of operations for Mumbai, India-based Liberty Videocon General Insurance. Also of note was Liberty International’s continued growth in China with approval to open its fifth branch in Shandong province by the China Insurance Regulatory Commission, and its entry into the British general insurance market by exercising the option to acquire the renewal rights to policies written there by the former Quinn Insurance Ltd.

With a compound annual growth rate of 16 percent over the last ten years, Liberty International will continue to pursue its goal of being a leading global player in personal and small commercial lines by accessing new and current markets through acquisitions and organic growth, applying local knowledge and expertise, sharing best practices globally, and providing best-in-class service to our distribution partners and customers.



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SERGEI KOVALTCHUK

## On Track

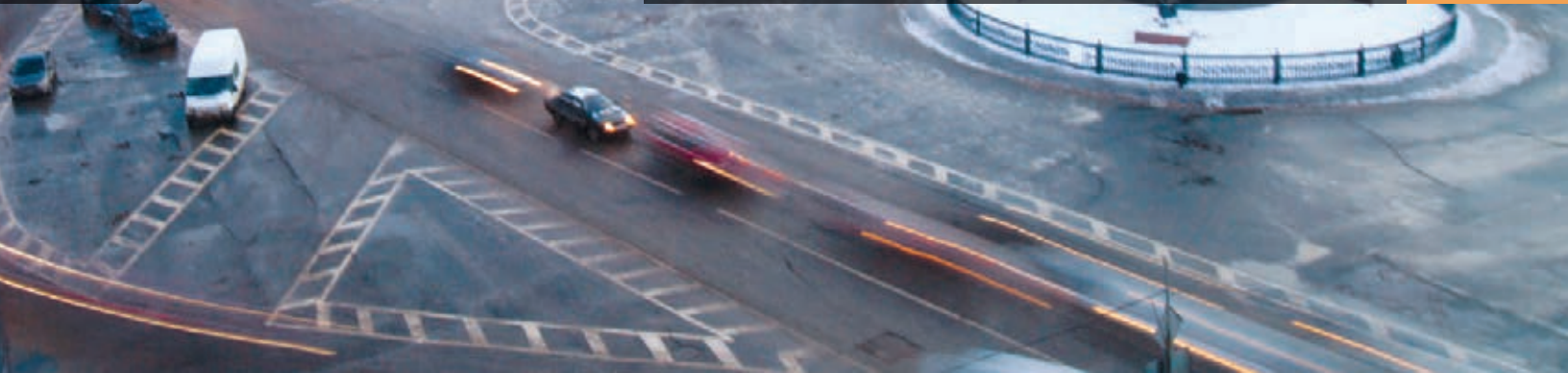
On the surface, Liberty Mutual couldn't have entered three more diverse markets when it expanded into Ecuador, Russia and India in 2012.

However, while these three countries have dramatically different languages, cultures and demographics, they share several characteristics that make them attractive to Liberty Mutual: high economic growth rates; a growing, educated middle class; and increased awareness of insurance products.

For example, Russia, where Liberty Mutual gained a foothold with the acquisition of KIT Finance Insurance, has more than 143 million people, a 3.4 percent annual GDP growth rate, a \$25 billion property and casualty insurance market that's growing 15–20 percent annually, a large and growing middle class, and rapidly increasing car ownership, with more than 36 million cars on the road.

Launched in 2008 as a direct distribution insurer primarily offering automobile and property insurance, St. Petersburg-based KIT is today a \$60 million, multiline, multidistribution channel company with its own sales force, multiple banc assurance and affinity partnerships, and offices in Moscow, Novosibirsk, Perm, Orel, Krasnoyarsk, Vyborg and Nizhny Novgorod. The company assumed the name Liberty Insurance (Liberty Страхование) in early 2013.

"As a Liberty Mutual company, we have a terrific opportunity to adopt global best practices from one of the world's largest property and casualty insurers," said the company's president, Sergei Kovaltchuk. "At the same time, it gives our existing and prospective policyholders confidence that we're financially strong and here for the long term."



# Global Specialty





Formed in 2012 as part of the realignment of Liberty Mutual Insurance Group's businesses, the Global Specialty Strategic Business Unit (SBU) comprises several top-tier specialty lines insurance and reinsurance businesses, each of which focuses on delivering market-leading performance:

- Liberty International Underwriters, a global specialty commercial lines insurance and reinsurance business, writes a variety of specialty products including casualty, marine, construction, energy, inland marine, directors and officers, fidelity, trade credit, professional liability, accident and health, aviation, property, surety and crisis management insurance through 40 offices in Asia, Australia, Europe, the Middle East, North America and South America. Liberty Syndicate 4472 at Lloyd's of London writes on a worldwide basis.
- Liberty Mutual Surety, including Liberty SuretyFirst™, provides domestic U.S. contract and commercial surety and fidelity bonds.
- Liberty Mutual Reinsurance is the dedicated U.S. assumed reinsurance operation of Liberty Mutual Insurance Group.



## Christopher L. Peirce

PRESIDENT  
GLOBAL SPECIALTY

**“The new Global Specialty Strategic Business Unit affirms Liberty Mutual’s commitment to being a leader in the specialty lines sector.”**

The new Global Specialty Strategic Business Unit brings together three very strong and well-performing businesses — Liberty International Underwriters (LIU), Liberty Mutual Surety and Liberty Mutual Reinsurance. In doing so, it affirms Liberty Mutual’s commitment to being a leader in the specialty lines sector and creates additional opportunities for profitable growth and expansion.

Operationally, Global Specialty’s LIU business achieved strong top-line performance across all entities in 2012, despite the impact of flooding from Superstorm Sandy, which made LIU U.S.’s lower Manhattan headquarters inaccessible for ten weeks. Despite the disruption, staff operated in a business-as-usual mode, responding to and servicing client and broker needs.

LIU established a Global Accident and Health unit focused initially on the U.S. marketplace and began to take advantage of Liberty Mutual Surety’s expertise in the U.S. to expand its surety presence internationally. LIU also made substantial progress improving business processes and IT capabilities, including enhanced underwriting platforms for U.K. commercial casualty, U.S. excess and umbrella, and Canadian primary general liability products.

Liberty Syndicate rebounded strongly from the impact of heavy international catastrophe activity in 2011 and successfully entered the pecuniary lines business, which covers monetary loss due to a wide range of internal and external developments. Liberty Mutual Surety, the second-largest surety writer in the U.S., formed a dedicated agency services department, expanded its National Bond Center, and streamlined its underwriting platform, while Liberty Mutual Reinsurance continued to grow and improve the quality of its book of business through a diversified underwriting strategy.

Looking ahead, Global Specialty will seek opportunities for growth and improved performance while continuing to provide its current wide range of product capabilities to specialty markets worldwide.



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PETER SPRENT

## On Alert

Emerging and developing countries can be very attractive to growing companies and organizations, but the more unstable of these markets come with their own, often unique, risks.

That's where Peter Sprent and his team prove their value. He and his Global Financial Risk (GFR) underwriting team work with specialist brokers to provide clients with everything from Contract Frustration insurance where, for example, a financing bank is concerned about a government defaulting on its obligations toward a hospital construction project, to Political Risk insurance where, for instance, a non-governmental organization may be providing humanitarian aid to a conflict-ridden country.

"Global financial risk is a major growth area in insurance," Sprent said. "You only have to consider the growing interdependency of the global economy, coupled with the instability in regions such as the Middle East and North Africa, to understand the increasing demand for our products."

Sprent's team is one of several specialized underwriting units within Liberty Syndicate, a unique business unit within Liberty International Underwriters, one of the leading insurers within the \$54 billion, S&P A+ rated Lloyd's of London specialist insurance and reinsurance market. As with Liberty Syndicate's other underwriting units, GFR offers a variety of products across a broad range of jurisdictions to ensure a diversified portfolio.

"We have very close relationships with brokers who are specialists in this field, some of whom I've worked with for nearly 20 years," Sprent said. "They've come to appreciate our team's experience, analytical capabilities and willingness to innovate in order to support our clients in a dynamic and often turbulent world."



## Our Expanding Global Presence





Liberty Mutual Insurance Group operates in 30 countries and key markets in the Americas, Europe, Asia Pacific and the Middle East through Liberty International's local company operations and Global Specialty's specialty lines offices.

Europe/  
Middle East

Ireland U.K. Netherlands Poland  
Germany  
France Switzerland  
Spain Italy  
Portugal Turkey

Russia

Liberty Mutual entered Russia's \$25 billion property and casualty insurance market with the acquisition of KIT Finance Insurance, a multiline, multidistribution channel company with its own sales force as well as multiple banc assurance and affinity partnerships.

China

The Chinese Insurance Regulatory Commission granted Liberty Mutual approval in 2012 to establish its fifth branch in Shandong province.

U.A.E.

India

India's insurance regulatory authority granted a license to do business to Liberty Videocon General Insurance Company, which will provide multiline insurance underwriting capabilities nationally to various distribution channels, with an emphasis on personal insurance products.

Asia Pacific

(Hong Kong)  
Thailand  
Vietnam  
Malaysia  
Singapore

Australia

## Company Overview

As of December 31, 2012,  
the company had:

**\$120.1** billion  
in consolidated assets

**\$18.5** billion  
in total equity

**\$36.9** billion  
in annual consolidated revenues

Liberty Mutual Insurance Group  
employs more than 50,000 people  
in more than 900 offices throughout  
the world.

Boston-based Liberty Mutual Insurance Group is a diversified global insurer, the third-largest property and casualty (P&C) insurer in the U.S. based on 2012 direct written premium and the fifth-largest P&C insurer in the world based on 2012 gross written premium.

Liberty Mutual Insurance Group offers a wide range of insurance products and services, including personal automobile, homeowners, workers compensation, global specialty, commercial multiple-peril, commercial automobile, general liability, group disability and life, individual life and health, surety and assumed reinsurance through four strategic business units:

- Personal Insurance
- Commercial Insurance
- Liberty International
- Global Specialty

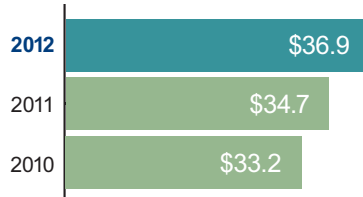
Each business unit operates independently of the others and has dedicated sales, underwriting, claims, actuarial, financial and certain information technology resources.

Liberty Mutual Insurance Group's pre-tax operating income for 2012 was \$704 million, an increase of 196 percent over 2011. Net investment income was \$3.2 billion on cash flows from operations of \$2.9 billion.

Net income increased to \$829 million, an increase of \$471 million or 132 percent over 2011, and total equity increased by \$926 million to \$18.5 billion.

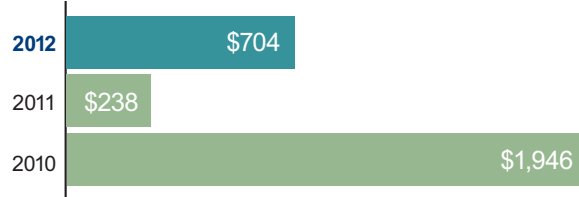
## Revenues

in billions



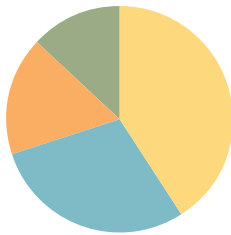
## Pre-Tax Operating Income

in millions



## Strategic Business Units

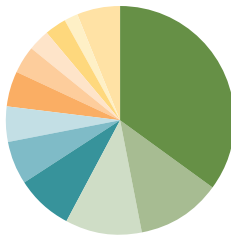
\$33.6 billion in 2012 net written premium



Personal Insurance	41%
Commercial Insurance	29%
Liberty International	17%
Global Specialty	13%

## Significant Lines of Business

\$33.6 billion in 2012 net written premium



Private Passenger Auto	35%	LIU	5%
Homeowners	12%	General Liability	4%
Workers Compensation	11%	Group Disability and Life	3%
Commercial Multi-Peril/Fire	8%	Individual Life and Health	3%
Commercial Auto	6%	Surety	2%
Liberty Syndicate 4472	5%	Other	6%

## Honoring the Very Best of Liberty's Heritage and History

Liberty Mutual's 100th Anniversary celebration included two signature events — *Serve with Liberty* and *100 Gifts* — both natural fits with the company's long-standing tradition of supporting the communities in which employees live and work.

Starting in late May 2012, our employees began surprising 100 U.S. and international charities with gifts of \$10,000. The gifts, which totaled \$1 million, benefited a wide range of causes including: PADS, an organization committed to ending homelessness in DuPage County, Illinois; Cradles to Crayons, a Boston nonprofit that provides children under age 12 with clothing, school supplies and toys; Associacao Salvador, which helps prevent road accidents in Portugal; and SAPP, a nonprofit in Ho Chi Minh City, Vietnam, which provides cleft lip and palate and cataract operations for children, and supplies children with hearing aids.

Then, during two days in June, Liberty Mutual Insurance Group employees from around the world participated in community projects as part of the company's first-ever *Serve with Liberty* event.

The numbers are impressive: 26,000 participating employees, 760 charities and 1,400 individual projects in 19 Liberty Mutual countries. Through their participation, whether at a homeless shelter, a food bank or a center for abused women, they saw, if only for a few hours, the reality faced by our communities every day.



WATCH THE VIDEO

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## 100 Years of “Helping People Live Safer, More Secure Lives”

Liberty Mutual traces its beginnings to the adoption of a state workers compensation law in 1912, a new form of insurance that swept the country. The young mutual insurance company adopted a profoundly humanitarian approach — to prevent workplace injuries, provide swift compensation and care, and return injured employees to productive employment as soon as possible.

Starting with 15 employees selling a single product from an office in Boston, Liberty Mutual Insurance today is a diversified global insurer that offers a wide range of insurance products and services and employs more than 50,000 people in more than 900 offices throughout the world.



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## Board of Directors

LIBERTY MUTUAL HOLDING COMPANY INC.

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Private Investor  
New York, New York

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Chairman and Chief Executive Officer  
Clough Capital Partners, LP  
Boston, Massachusetts

### **Nicholas M. Donofrio**

IBM Fellow and Retired Executive Vice President  
Innovation and Technology  
IBM Corporation  
Armonk, New York

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President and Chief Executive Officer  
Connell Limited Partnership  
Boston, Massachusetts

### **Marian L. Heard**

President and Chief Executive Officer  
Oxen Hill Partners  
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Liberty Mutual Holding Company Inc.  
Boston, Massachusetts

### **David H. Long**

President and Chief Executive Officer  
Liberty Mutual Holding Company Inc.  
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Boston Capital Corporation  
Boston, Massachusetts

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Polsky Center for Entrepreneurship  
University of Chicago  
Booth School of Business  
Chicago, Illinois

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Molex Incorporated  
Lisle, Illinois

### **William C. Van Faasen**

Chairman  
Blue Cross and Blue Shield of Massachusetts  
Boston, Massachusetts

### **Annette M. Verschuren, O.C.**

Chair and Chief Executive Officer  
NRStor Incorporated  
Toronto, Ontario, Canada

## Corporate Officers

### **David H. Long**

**President and Chief Executive Officer**

### **Luis Bonell**

Executive Vice President

### **J. Paul Condrin, III**

Executive Vice President

### **A. Alexander Fontanes**

Executive Vice President and Chief Investment Officer

### **Christopher L. Peirce**

Executive Vice President

### **Timothy M. Sweeney**

Executive Vice President

### **Paul G. Alexander**

Senior Vice President and  
Chief Communications Officer

### **J. Eric Brosius**

Senior Vice President and Corporate Actuary

### **Melanie J. Foley**

Senior Vice President

### **James F. Kelleher**

Senior Vice President and Chief Legal Officer

### **Dennis J. Langwell**

Senior Vice President and Chief Financial Officer

### **James M. McGlennon**

Senior Vice President and Chief Information Officer

### **John D. Doyle**

Vice President and Comptroller

### **Dexter R. Legg**

Vice President and Secretary

### **Laurance H.S. Yahia**

Vice President and Treasurer

# Operating Management

LIBERTY MUTUAL INSURANCE GROUP

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President

**Stephen J. McAnena**

President, Liberty Mutual Personal Lines Distribution

**Cheryl K. Neal**

President, Individual Life

**Matthew D. Nickerson**

President, Safeco Insurance

**Edward J. Gramer**

Chief Claims Officer

**James M. MacPhee**

Chief Marketing Officer

**Alan R. Schlosberg**

Chief Product Officer

## Commercial Insurance

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President

**Mark A. Butler**

President, National Insurance

**Michael H. Hughes**

President, Business Insurance

**Jean M. Scarrow**

President, Group Benefits

**Deborah S. McGonigle**

Chief Marketing Officer

**George A. Neale**

Chief Claims Officer

**John S. Peters**

Manager, Commercial Operations

**Tracy A. Ryan**

Chief Product Officer

## Liberty International

**Luis Bonell**

Chief Executive Officer

Liberty International Holdings Inc.

**Joe H. Hamilton**

Chief Strategy and Business Development Officer

**Victor A. Meintjes**

Chief Operating Officer - Latin America

**Bhasker Natarajan**

Chief Operating Officer - India Region  
Manager, Global Best Practices

**Roberto Salas**

Chief Operating Officer - Europe

**Luciano Suzuki**

Chief Operating Officer - Asia Pacific

**Susana Agustin**

President  
Liberty Seguros  
Argentina

**Roopam Asthana**

President  
Liberty Videocon General Insurance  
India

**Pablo Barahona**

President  
Liberty Seguros  
Brazil

**Martin Bridger**

Managing Director  
Liberty Insurance  
Singapore

**Thuan Do**

President  
Liberty Insurance  
Vietnam

**John Fu**

President  
LMG Insurance  
Thailand

**Mauricio García**

President  
Liberty Seguros  
Colombia

**Nick Helms**

President  
Liberty Insurance  
Hong Kong

**Enrique Huerta**

President  
Liberty Seguros  
Spain

# Operating Management

LIBERTY MUTUAL INSURANCE GROUP

## Liberty International *(continued)*

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President  
Liberty Seguros  
Chile

### **Sergei Kovaltchuk**

President  
Liberty Страхование (Insurance)  
Russia

### **Michał Kwieciński**

President  
Liberty Direct  
Poland

### **Gustavo Luengo**

President  
Seguros Caracas de Liberty Mutual  
Venezuela

### **Patrick O'Brien**

President  
Liberty Insurance  
Ireland

### **José Antonio de Sousa**

President  
Liberty Seguros  
Portugal

### **Jackson Tang**

Managing Director  
Liberty Insurance  
China

### **Carlos Vanegas**

President  
Liberty Seguros  
Ecuador

### **I. Ragip Yergin**

Director and General Manager  
Liberty Sigorta  
Turkey

## Global Specialty

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**President**

### **Gordon J. McBurney**

Chief Underwriting Officer

### **Michael T. Finnegan**

President, Liberty Mutual Reinsurance

### **Danny T. N. Forsythe**

President, Liberty International Underwriters

### **Michael J. Abdallah**

President, LIU Asia Pacific

### **David A. Cohen**

President, LIU U.S.

### **Michael Molony**

President, LIU Canada

### **Sean Rocks**

President, LIU Europe

### **Nicholas Metcalf**

President, Liberty Syndicate

### **Timothy A. Mikolajewski**

President, Liberty Mutual Surety



## **Annual Meeting**

Liberty Mutual Holding Company Inc. holds its Annual Meeting on the second Wednesday of April at 10 a.m. at its headquarters in Boston.

Policyholders of Liberty Mutual Insurance Company (a stock insurance company), Liberty Mutual Fire Insurance Company (a stock insurance company), Employers Insurance Company of Wausau (a stock insurance company) and Liberty Mutual Personal Insurance Company (a stock insurance company) are members of Liberty Mutual Holding Company Inc. If you are a policyholder of any of these entities, you are entitled to vote, either in person or by proxy. You may obtain a proxy form by writing to the Corporate Secretary of Liberty Mutual Holding Company Inc. at 175 Berkeley Street, Boston, MA 02116.

Any member may obtain the most recent Financial Statements of Liberty Mutual Holding Company Inc. by sending a request to that same address. Financial Statements are also at [www.libertymutualgroup.com/liberty-mutual-investor-relations](http://www.libertymutualgroup.com/liberty-mutual-investor-relations)

## **Online Version of Annual Review**

To view the 2012 Annual Review online, including video of the featured stories, please visit [www.libertymutualgroup.com/2012annualreview](http://www.libertymutualgroup.com/2012annualreview)



**Liberty Mutual.**  
INSURANCE

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