



2014 ANNUAL REVIEW



# Principled.

Liberty Mutual Insurance Group's six operating principles are the foundation for everything that we do. In this 2014 Annual Review, we share stories of how Our Principles unite and guide us as we aspire to become a top-three global property and casualty company.



Principled.

## Integrity, Dignity + Respect

### Our Principles:

We behave with integrity.

We treat people with dignity and respect.

## A Message from Our Chairman, President and CEO

2014 was a very good year for Liberty Mutual Insurance Group. We achieved strong financial results; improved underwriting profitability; increased our net income by five percent to \$1.83 billion; grew net written premium selectively by three percent, to \$36.3 billion; and decreased our combined ratio more than two points, to 97.5 percent.

We strengthened our balance sheet through capital-related transactions and disciplined operational execution, and, consequently, Standard & Poor's upgraded our rating from "A-" to "A." In addition, we advanced our ranking in the Fortune 100 by five positions, to 76.

## Customer Focused

### Our Principle:

We deliver an exceptional customer experience.

By incorporating the voice of the customer into every business decision, **Personal Insurance** and **Commercial Insurance** consistently meet and exceed customer expectations.

## A Customer-Centric Culture

Personal Insurance has had great success with profitably growing — currently at a pace that's more than twice the industry — and gaining market share, in large part because of its deep commitment to anticipating and meeting customer needs. By consistently putting the customer experience at the core of everything it does, the business unit is building a strong foundation and market leadership position for the years ahead.

## Delivering the Best Possible Experience

Helping customers is a two-way street for Commercial Insurance, which interacts with its customers by soliciting their feedback and then acting on what they say. Whether through technology, forums or employee training, incorporating the voice of its customers is key to delivering the best possible experience.

## Innovation

**Our Principle:**

We continuously improve and innovate.

### Innovation Across the Globe

Innovative product development is critical to Global Specialty's success in a highly competitive global market. To that end, Global Specialty is breaking new ground in the agriculture industry by developing market-leading reinsurance products for farmers and through its involvement in the African Risk Capacity, a consortium of insurance carriers that uses early-warning drought models to predict food insecurity response costs.

## Talent

**Our Principle:**

We attract, develop and engage talent.

### Promises and People

At Liberty Mutual Insurance Group, we are in the business of promises — to protect people and the things they build, own and cherish. It is our people who fuel those promises. To deliver on our culture of continuous improvement and steadfast integrity, we foster an environment of support, empowerment and collaboration that enables our employees to succeed both inside and outside of work.

## Excellence

### **Our Principle:**

We execute thoroughly and seek excellence.

## Everyday Excellence

Over 15 years, Liberty International has grown from a collection of small local companies into a \$6 billion, multinational organization with operations in 18 countries. Its success in this short time has come, in part, from local ownership and knowledge — teams that track the nuances of their markets and move quickly to bring about change. By seeking excellence in its strategy and everyday activities, Liberty International will achieve continued growth in an increasingly competitive global marketplace.



## A Message from Our Chairman, President and CEO

2014 was a very good year for Liberty Mutual Insurance Group. We achieved strong financial results; improved underwriting profitability; increased our net income by five percent to \$1.83 billion; grew net written premium selectively by three percent, to \$36.3 billion; and decreased our combined ratio more than two points, to 97.5 percent.

We strengthened our balance sheet through capital-related transactions and disciplined operational execution, and consequently, Standard & Poor's upgraded our rating from "A-" to "A." In addition, we advanced our ranking in the Fortune 100 by five positions, to 76.

With the operating principles guiding our work, the leveraging of our strong talent and our disciplined business operations, 2014 was a good year for Liberty Mutual.

Most important, we achieved these results by staying focused on our customers and policyholders; disciplined in our business operations; and strategic in leveraging our talent, technology, analytics and best practices around the world.

With a commitment to continuous improvement and innovation, each of our Strategic Business Units made significant progress in 2014:

- **Personal Insurance**, after years of outperforming the industry in growth and profit, achieved its long-standing goal of becoming a top-five personal lines carrier in the U.S. The business launched several customer-focused initiatives, including broadening its product suite with a countrywide expansion of telematics capabilities and launching a new Customer Advocacy organization.
- **Commercial Insurance** reduced its combined ratio below 100 percent and generated \$1.04 billion of pre-tax operating income, a 38 percent increase over last year's results. The business launched closed-loop feedback processes

in some critical operations and expanded its agent and broker advisory council programs — both of which enabled productive two-way dialogue with key stakeholders. Commercial Insurance also merged Group Benefits and Individual Life to form Liberty Mutual Benefits, allowing it to better meet changing market needs.

- **Liberty International** positioned itself for improved profitability by reorganizing its operations by business characteristics and geography, and by creating Centers of Excellence to drive best practices in all functional areas. It expanded its global footprint by acquiring Uni.Asia General Insurance, the 14th-largest non-life insurer in Malaysia, and Hughes Insurance, an independent broker in Northern Ireland.
- **Global Specialty** finalized the acquisition of Mexican surety writer Primero Fianzas, positioning Liberty Mutual Surety — already the second-largest surety writer in the U.S. — for continued international growth. Global Specialty's strong financial performance was driven by growth and profits within Liberty Specialty Markets.

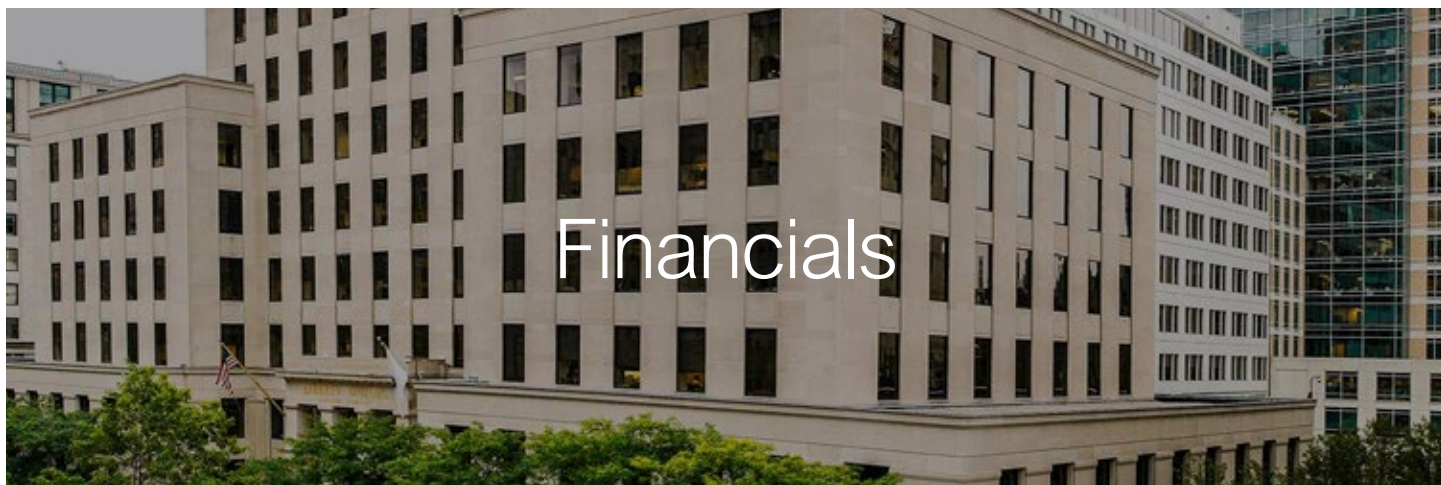
While striving to achieve our goals, we also helped some hardworking athletes achieve theirs through our sponsorship of the 2014 U.S. Olympic and Paralympic teams and the 2014 FIFA World Cup™. And, along the way, we raised our global profile.

The following pages highlight Liberty Mutual's principles and offer examples of how Our Principles inform our work. Two compelling examples are found in how we give back to our communities through employee-led community programs. Through our Give with Liberty program, a remarkable 72 percent of Liberty employees pledged \$11.7 million to 7,500 local human service charities; including the company's match, we reached \$17.5 million in charitable contributions. Serve with Liberty was equally inspiring, with more than 26,000 employees completing 2,400 projects on behalf of 900 charities in 20 countries around the world. These efforts illustrate the character of Liberty employees and remind me of the goodness that makes this company great.

In closing, I thank the members of our Board of Directors for their invaluable guidance, especially director Chuck Clough, who is retiring after 14 years of service to Liberty Mutual. His insights and expertise have been instrumental to our company, and he will be missed. As always, I remain deeply grateful to our talented employees and distribution partners for delivering on our promise to our customers.

Most of all, I thank our customers and policyholders, who trust us to take care of them when they need us most. In a business built on this kind of trust, we know principles matter.

David H. Long  
**Chairman, President and CEO**



# Financials

(Dollars in millions) December 31	2014	2013
<b>Liberty Mutual Insurance Group<sup>1</sup></b>		
Revenues	\$39,631	\$38,398
Pre-tax operating income	2,970	2,466
Net income <sup>2</sup>	1,833	1,743
Cash flows from operations	1,237	4,157
Combined ratio <sup>3</sup>	97.5%	99.7%
<b>Personal Insurance</b>		
Revenues	\$16,124	\$14,869
Pre-tax operating income	1,674	1,331
Cash flows from operations	2,364	1,894
Combined ratio	92.1%	93.9%
<b>Commercial Insurance<sup>1</sup></b>		
Revenues	\$11,116	\$11,308
Pre-tax operating income	1,040	752
Cash flows from operations	837	813
Combined ratio	99.8%	104.1%



(Dollars in millions) December 31	2014	2013
<b>Liberty International<sup>1</sup></b>		
Revenues	\$6,124	\$6,054
Pre-tax operating income	393	403
Cash flows from operations	638	860
Combined ratio <sup>3</sup>	102.4%	103.4%
<b>Global Specialty</b>		
Revenues	\$5,183	\$5,127
Pre-tax operating income	537	508
Cash flows from operations	945	1,115
Combined ratio	95.1%	95.4%
<b>Other<sup>4</sup></b>		
Revenues	\$1,084	\$1,040
Pre-tax operating income	(674)	(528)
Cash flows from operations	(3,547)	(525)

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.

<sup>1</sup> The Company sold Summit Holdings Southeast, Inc. and its related companies and its Argentina operations in 2014. Revenues, pre-tax operating income and the combined ratio have been restated.

<sup>2</sup> Net income represents net income attributable to Liberty Mutual Holding Company Inc.

<sup>3</sup> Combined ratio has been adjusted to exclude the impact of the Venezuela devaluation and foreign exchange.

<sup>4</sup> Other includes discontinued operations (including asbestos and environmental and related reinsurance), 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.

# Company Overview

## 2014 Annual Review

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 2013 direct written premium and the sixth-largest P&C insurer in the world based on 2013 gross written premium.

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

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

Liberty Mutual Insurance Group's pre-tax operating income for 2014 was \$2.970 billion, an increase of \$504 million over 2013. Net investment income was \$3.167 billion on cash flows from operations of \$1.237 billion.

Net income increased to \$1.833 billion, an increase of \$90 million, or 5.2 percent, over 2013, and total equity increased by \$1.290 billion to \$20.302 billion.

**\$3.0B**

**Pre-tax operating  
income**

**\$3.2B**

**Net investment  
income**

**\$1.8B**

**Net income**

**\$20.3B**

**Total equity**



## Strategic Business Units

\$36.3 BILLION 2014 NET WRITTEN PREMIUM

● Personal Insurance	44%
● Commercial Insurance	25%
● Liberty International	16%
● Global Specialty	14%
● Corporate	1%



## Significant Lines of Business

\$36.3 BILLION 2014 NET WRITTEN PREMIUM

● Private Passenger Automobile	36%
● Homeowners	15%
● Specialty Insurance	8%
● Commercial Multi-Peril/Fire	7%
● Workers Compensation Voluntary	6%
● Commercial Automobile	5%
● General Liability	4%
● Group Disability and Group Life	4%
● Individual Life and Health	3%
● Global Specialty Reinsurance	3%
● Surety	2%
● Global Specialty Inland Marine	1%
● Other	6%



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## Revenues

IN BILLIONS

- 2013 Total Revenue \$38.4
- 2014 Total Revenue \$39.6

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## Pre-Tax Operating Income

IN BILLIONS

- 2013 Pre-tax Operating Income \$2.5
- 2014 Pre-tax Operating Income \$3.0

## 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.



### THE AMERICAS

Brazil	Mexico
Canada	Puerto Rico
Chile	USA
Colombia	Venezuela
Ecuador	



### EUROPE / MIDDLE EAST

France	Russia
Germany	Spain
Ireland	Switzerland
Italy	Turkey
Netherlands	UAE
Poland	UK
Portugal	



### ASIA

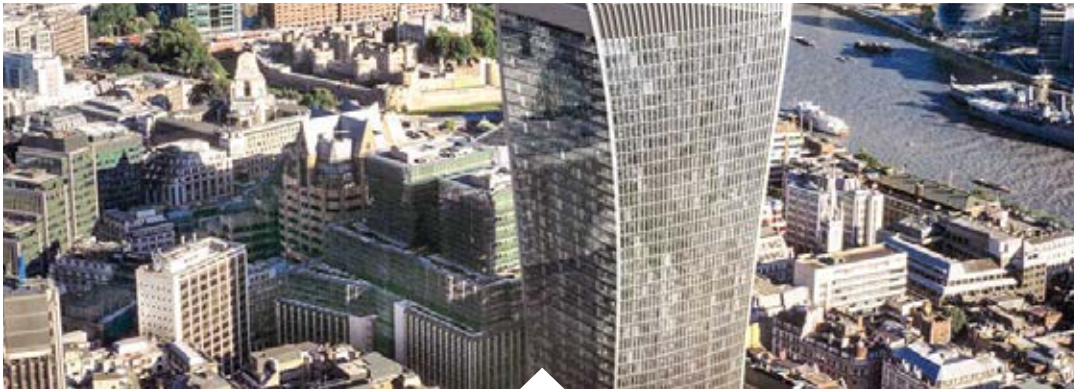
Australia	Malaysia
China	Singapore
Hong Kong	Thailand
India	Vietnam

In 2014, Liberty Mutual Insurance Group continued to expand its global footprint and brand awareness with these key highlights:



## Brazil

Liberty Seguros (Brazil) was the National Supporter and official insurance provider of the 2014 FIFA World Cup™ — a sponsorship that enhanced its external brand recognition and improved employee engagement and enthusiasm for the business.



## England

As part of Global Specialty's ongoing Liberty Specialty Markets integration, 750 employees from three locations were consolidated at 20 Fenchurch Street — also known as the "Walkie-Talkie" building because of its distinct shape — in London.



## Malaysia

Uni.Asia General Insurance Berhad in Malaysia was acquired in July. Part of Liberty International, Uni.Asia General ranks as the 14th-largest non-life insurer in Malaysia and specializes in private passenger automobile insurance and fire insurance for homes.



## Poland

Liberty International's operation in Poland changed its name from Liberty Direct to Liberty Ubezpieczenia (Liberty Insurance). The new branding was another step toward executing the company's business strategy to further diversify its portfolio and develop its distribution channels.



## UAE

Responding to client and broker needs in this increasingly important region, Global Specialty expanded its product offering in 2014, creating a strong foundation for continued growth in this Middle East and North Africa (re)insurance hub.



## Board of Directors



**Charles I. Clough, Jr.**  
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



**Francis A. Doyle**  
PRESIDENT AND CHIEF  
EXECUTIVE OFFICER  
CONELL LIMITED PARTNERSHIP  
BOSTON, MASSACHUSETTS



**David H. Long**  
CHAIRMAN, PRESIDENT AND  
CHIEF EXECUTIVE OFFICER  
LIBERTY MUTUAL HOLDING  
COMPANY INC.  
BOSTON, MASSACHUSETTS



**John P. Manning**  
PRESIDENT AND CHIEF  
EXECUTIVE OFFICER  
BOSTON CAPITAL CORPORATION  
BOSTON, MASSACHUSETTS



**Thomas J. May**  
CHAIRMAN, PRESIDENT AND  
CHIEF EXECUTIVE OFFICER  
EVERSOURCE ENERGY  
BOSTON, MASSACHUSETTS



**Myrtle Potter**  
CHIEF EXECUTIVE OFFICER  
MYRTLE POTTER & COMPANY  
ATLANTA, GEORGIA



**Ellen A. Rudnick**  
EXECUTIVE DIRECTOR AND  
CLINICAL PROFESSOR  
POLSKY CENTER FOR  
ENTREPRENEURSHIP  
BOOTH SCHOOL OF BUSINESS  
CHICAGO, ILLINOIS



**Angel A. Ruiz**  
PRESIDENT AND CHIEF  
EXECUTIVE OFFICER  
ERICSSON INC.  
PLANO, TEXAS



**Martin P. Stark**  
VICE CHAIRMAN AND CHIEF  
EXECUTIVE OFFICER  
MOLEX INCORPORATED  
LISLE, ILLINOIS



**Eric A. Spiegel**  
PRESIDENT AND CHIEF  
EXECUTIVE OFFICER  
SIEMENS CORPORATION  
WASHINGTON, DISTRICT  
OF COLUMBIA



**William C. Van Faasen**  
CHAIRMAN EMERITUS  
BLUE CROSS AND BLUE SHIELD  
OF MASSACHUSETTS  
BOSTON, MASSACHUSETTS



**Annette M. Verschuren, O.C.**  
CHAIR AND CHIEF  
EXECUTIVE OFFICER  
NRSTOR INC.  
TORONTO, ONTARIO, CANADA

# Liberty Mutual Holding Company Inc. Corporate Officers

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Chairman, President and Chief Executive Officer

**Luis Bonell**

Executive Vice President

**James M. McGlennon**

Executive Vice President and  
Chief Information Officer

**J. Eric Brosius**

Executive Vice President and  
Corporate Actuary

**Christopher L. Peirce**

Executive Vice President

**J. Paul Condrin, III**

Executive Vice President

**Timothy M. Sweeney**

Executive Vice President

**Melanie M. Foley**

Executive Vice President and  
Chief Talent and Enterprise  
Services Officer

**John D. Doyle**

Vice President and Comptroller

**Dexter R. Legg**

Vice President and Secretary

**A. Alexander Fontanes**

Executive Vice President and  
Chief Investment Officer

**Laurance H.S. Yahia**

Vice President and Treasurer

**James F. Kelleher**

Executive Vice President and  
Chief Legal Officer

**Dennis J. Langwell**

Executive Vice President and  
Chief Financial Officer

# Liberty Mutual Holding Company Inc. Operating Management

## Personal Insurance

**Timothy M. Sweeney**  
President

**Matthew D. Nickerson**  
President, Safeco Insurance

**Alan R. Schlosberg**  
President, Liberty Mutual  
Personal Lines Distribution

**Margaret Dillon**  
Chief Customer Officer

**Tyree W. Harris**  
Chief Product Officer

**James M. MacPhee**  
Chief Claims Officer

**Anthony R. Storm**  
Chief Marketing Officer

## Commercial Insurance

**J. Paul Condrin, III**  
President

**Mark A. Butler**  
President, National Insurance

**Michael H. Hughes**  
President, Business  
Insurance

**Stephen J. McAnena**  
President, Liberty Mutual  
Benefits

**Deborah S. McGonigle**  
Chief Marketing Officer

**John S. Peters**  
Manager, Commercial  
Operations

**Tracy A. Ryan**  
Chief Product Officer

**Glenn T. Shapiro**  
Chief Claims Officer

## Liberty International

**Luis Bonell**  
Chief Executive Officer  
Liberty International  
Holdings Inc.

**Joe H. Hamilton**  
Chief Strategy and Business  
Development Officer

**Pablo Barahona**  
Chief Operating Officer  
Latin America and Iberia

**Michał Kwieciński**  
Chief Operating Officer  
Emerging Europe

**Bhasker Natarajan**  
Chief Operating Officer  
Large Emerging Markets

**Luciano Suzuki**  
Chief Operating Officer  
Asia Pacific

**Edward J. Gramer**  
Manager, Strategy and  
Centers of Excellence

**Roopam Asthana**  
President  
Liberty Videocon General  
Insurance  
India

**Martin Bridger**  
President  
Liberty Insurance  
China

**Sucheng Chang**  
President  
Liberty Insurance  
Singapore

Liberty International (continued)

**Thuan Do**  
President  
Liberty Insurance  
Vietnam

**Sergei Kovaltchuk**  
President  
Liberty Страхование  
Russia

**José Antonio de Sousa**  
President  
Liberty Seguros  
Portugal

**John Fu**  
President  
LMG Insurance  
Thailand

**Gustavo Luengo**  
President  
Seguros Caracas de Liberty  
Mutual  
Venezuela

**David Tan**  
Director and General  
Manager  
Uni.Asia General Insurance  
Malaysia

**Mauricio García**  
President  
Liberty Seguros  
Colombia

**Carlos Magnarelli**  
President  
Liberty Seguros  
Brazil

**Defne Turkes**  
Director and General  
Manager  
Liberty Sigorta  
Turkey

**Nick Helms**  
President  
Liberty Insurance  
Hong Kong

**Tom McIlduff**  
President designate\*  
Liberty Insurance  
Ireland  
\*pending Central Bank of Ireland  
approval

**Carlos Vanegas**  
President  
Liberty Seguros  
Ecuador

**Enrique Huerta**  
President  
Liberty Seguros  
Spain

**Carlos Ricci**  
President  
Liberty Seguros  
Chile

**Marcin Warszawski**  
President  
Liberty Ubezpieczenia  
Poland

## Global Specialty

**Christopher L. Peirce**  
President

**David A. Cohen**  
President, LIU U.S.

**Nicholas J. Metcalf**  
President, Liberty Specialty  
Markets

**Gordon J. McBurney**  
Chief Underwriting Officer

**Michael L. Molony**  
President, LIU Canada

**Timothy A. Mikolajewski**  
President, Liberty Mutual  
Surety

**Michael J. Abdallah**  
President, LIU Asia Pacific



# Personal Insurance

## Overview

Liberty Mutual Insurance Group'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.

With a successful 2014, Personal Insurance has much to be proud of and celebrate. The business unit's top priority was sustaining profitability, and it made great strides toward its aggressive targets by focusing on two important company-wide principles: being customer focused in every interaction and attracting, developing and engaging talent.

As it pursues its vision of delivering an exceptional customer experience, the SBU has been guided by a strong commitment to its Common Purpose: to deliver customers peace of mind by helping them protect what they value most. Over the year, Personal Insurance established a solid track record of success by consistently putting customer satisfaction at the core of everything it does while also cultivating top talent.

## A Customer-Centric Culture

Personal Insurance has had great success in profitably growing and gaining market share in large part because of its deep commitment to anticipating and meeting customer needs.



For Personal Insurance, 2014 was a year of success and accomplishment. We've made great progress toward our strategic goals and continue to deliver strong results. This could not have happened without the dedicated efforts of talented, customer-focused employees who are committed to delivering an exceptional experience to our customers, agents and partners.

— **Personal Insurance President Tim Sweeney**

“Our transformation to a customer-centered culture has been key to providing exceptional service, building trust and delivering our brand promise,” explained Personal Insurance Chief Customer Officer Margie Dillon. “By putting the customer experience at the center of everything we do, we will continue to win the hearts of our customers and drive profitability.”

In 2014, Personal Insurance launched several customer-focused initiatives designed to consistently deliver a positive customer experience, including the refreshingly candid and surprisingly direct “New Light” advertising campaign. The SBU also introduced creative products to foster customer loyalty (RightTrack), settle more customer issues on the first contact (First Call Resolution) and eliminate stress from the claims process (Smart Videos).

Throughout the year, Personal Insurance's Claims employees have shared stories from the field that focus on the customer experience, steering the organization toward its goal to provide customers peace of mind when they need it most.

Keeping independent agents top of mind — by looking at them through a customer-focused lens — Safeco also made strides to build strong, lasting relationships and to offer a broad, innovative product line so these agents can best meet their customers' unique needs.

## Securing Top Talent

Attracting more than 5,000 new hires in two years is no easy feat. But thanks to enhancements to its hiring process and college recruiting model, Personal Insurance has been able to secure the top talent needed to drive its business results. By rallying behind its Common Purpose, the SBU has been cultivating a culture of highly engaged employees who are laser-focused on delivering an outstanding customer experience.

This commitment to both customers and employees differentiates Personal Insurance as it seeks to become the employer of choice in the insurance industry.



**Hired 5,000 new employees in two years**



**Launched Smart Videos product to eliminate stress from claims process**



**Introduced First Call Resolution product to settle more customer issues on first contact**





# Commercial Insurance

## Overview

Liberty Mutual Insurance Group's Commercial Insurance Strategic Business Unit (SBU) provides property and casualty products and services through its Business Insurance segment, which serves small and midsize accounts with fewer than 1,000 employees, and its National Insurance business, which serves large accounts with 1,000 or more employees or specialty risks.

To better meet the needs of a changing marketplace, three Liberty Mutual operations merged in 2014 to form Liberty Mutual Benefits within Commercial Insurance. This newly organized group distributes employer and voluntary products through brokers and consultants, and individual products through direct channels, while maintaining a strong position in the bank life channel.

Also in 2014, Commercial Insurance increasingly incorporated the voice of its customer into every aspect of its business — initiating multiple technology projects to simplify how agents and brokers do business with it; adding to the Liberty Mutual Business Forum, an online community that allows valued partners and customers to provide insight and feedback regarding products and services; expanding its Advisory Council program, which captures unfiltered feedback from partners; and launching closed-loop feedback in its Claims organization to turn customer feedback into positive organizational improvements.

## Delivering the Best Possible Experience

Whether through technology, in forums or with employee training, incorporating the voice of its customers is inherent to Commercial Insurance's ability to deliver the best possible experience.



At Liberty Mutual, we believe in doing what's right, being there when our customers need us and making it easy for our business partners to work with us. It all begins with listening to and incorporating the voices of our customers and employees.

— **Commercial Insurance President J. Paul Condrin, III**

The SBU's multiyear commitment to improving technology has made it easier for agents and brokers to conduct business with it. For example, the Commercial Lines Internet Quote system, eCLIQ<sup>®</sup>, allows agents to quote new business and automatically renew existing policies across the U.S.

Helping customers is a two-way street. Commercial Insurance interacts with customers by soliciting their feedback and then acting on what they say. Through the Advisory Council program, agent and broker members propose formal action items, which have helped to validate or, in some cases, reprioritize certain efforts. The Liberty Mutual Business Forum online community provides another avenue for Commercial Insurance to refine its products and services and improve the overall customer experience based on feedback from agents and brokers. Through a formal closed-loop feedback program, the SBU surveys customers on their satisfaction with Liberty Mutual Claims and Billing Systems and then acts on the opportunities they suggest to "close the loop." The SBU also uses customer feedback to provide coaching to employees.

## A Focus on Talent

Commercial Insurance's underlying talent structure aligns with its business needs: investing in people and providing them with the resources they need to be successful. For example, the SBU's Excellence in Underwriting training program provides new and experienced underwriting professionals the tools they need to improve both their skills and the customer experience.

The focus on talent goes beyond specific functions, however. Across Commercial Insurance, front-line employees are asked to initiate problem-solving conversations to find solutions that enhance customer value. This approach stems from the gradual implementation of a new management system that encourages employees to use their unique expertise to incite change.



**Increased Claims  
customer satisfaction  
scores by 10 percent**



**Launched new  
policyholder self-service  
website to deliver greater  
ease of access**



**Created Liberty Mutual  
Benefits to meet evolving  
market needs**



# Liberty International

## Overview

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. Liberty International is structured in four operating regions:

- Latin America and Iberia, including Venezuela, Brazil, Colombia, Chile, Ecuador, Spain and Portugal;
- Emerging Europe, including Turkey, Poland, Ireland and the United Kingdom;
- Asia Pacific, including Thailand, Singapore, Hong Kong, Vietnam and Malaysia; and
- Large Emerging Markets, including Russia, China and India.

Realigned into this configuration in 2014, the regions are organized as much by business characteristics as by geography. They are supported by global resources, including a Strategy group and two Centers of Excellence focused on Pricing & Analytics and Claims. Overall, the realignment better positions the organization for continued growth and improved profitability in an increasingly competitive global marketplace.

Other accomplishments in 2014 included the acquisition of Uni.Asia General Insurance Berhad in Malaysia and the extension of its Liberty Insurance (Ireland) business through the acquisition of Hughes Insurance in Northern Ireland.

## Everyday Excellence

Liberty Insurance (Hong Kong) saw the opportunity to adapt and improve its Medical insurance product some years ago. Under the direction of Stella Fok, senior vice president, Life & Medical, the company improved the combined ratio and profitability of that book of business, which grew at 28 percent in 2014 — achieving a combined ratio of 90 percent — and now accounts for 70 percent of revenue.



We are acutely focused on the most critical actions that will produce results — placing our resources where they count most, making our mature operations even stronger, and supporting our newer operations in achieving profitability.

— **Liberty International President Luis Bonell**

But that turnaround was just the start. By gaining the trust of brokers and staying attuned to evolving medical trends, the operation has become a market leader. Fok cites the E-MediTop product, which provides additional protection beyond employer or government offerings, as key to the business line's success because it was a product that brokers had requested and that filled a gap in the market.

Liberty Insurance (Hong Kong) has exported this strategy to other Liberty operations in the Asia-Pacific region. The 2006 greenfield operation in Vietnam got a kick start by taking on existing medical policies sold to Hong Kong expatriates there. Throughout 2014, Fok guided Thailand's Medical initiative, while also giving guidance to Singapore and the newly acquired Malaysia operation, offering insights and strategies to develop their own medical products.

## Local Innovation, Regional Impact

Regional and global collaboration with local markets improves performance and inspires innovations that lead to wider impact. In 2013 and 2014, Seguros Caracas de Liberty Mutual (Venezuela) coordinated with the Latin America regional office to improve Roadside Assistance (RA) service levels, which had dropped while being managed by an external firm — affecting service and image.

Seguros Caracas brought management of the RA service in-house in late 2014, relying on key staff to guide the process with regional insights and local management to hone the plan with market knowledge — a model for collaborative work. Despite the current difficult conditions of operating in Venezuela, Seguros Caracas is expanding its products and services and keeping high levels of service and satisfaction to its customer base.

Going forward, this strategy and expertise could be leveraged in other Liberty International operations — a local innovation with regional impact.



**Malaysia acquisition  
expanded Asia-Pacific  
presence**



**Seguros Caracas de  
Liberty Mutual is the  
leading P&C insurer in  
Venezuela**



**Hong Kong's E-MediTop  
product provides up to  
HK\$1.2M in annual  
coverage**



# Global Specialty

## Overview

Liberty Mutual Insurance Group's Global Specialty Strategic Business Unit (SBU) is composed of three market-leading operating units: Liberty Specialty Markets, Liberty International Underwriters and Liberty Mutual Surety. Delivering a wide array of specialty insurance and reinsurance products in 19 countries, Global Specialty's risk exposure extends to more than 170 countries worldwide.

In 2014, Global Specialty focused on increasing return on equity, expanding analytics capabilities, growing selectively, building innovative products and developing talent. This strategy resulted in solid financial performance, driven mainly by growth within Liberty Specialty Markets, and less than anticipated catastrophe (CAT) activity.

Already the second-largest surety writer within the U.S., Liberty Mutual Surety expanded its international reach in 2014. As part of the ongoing integration of the former Liberty Mutual Insurance Europe, Liberty Syndicates and Liberty Mutual Reinsurance, the newly formed Liberty Specialty Markets launched a new brand and visual identity while building a united product offering and more flexibility within distribution. Liberty International Underwriters continued to improve execution in the Asia-Pacific region through its OneAsia strategy, enhancing its underwriting approach, risk engineering, broker relationship management and training.

## Innovation Across the Globe

Global Specialty's innovative agribusiness programs are driving new business opportunities while also helping to boost global agricultural production. For example, through a unique partnership with seed producers, farmers receive insurance — underwritten by Liberty Specialty Markets (LSM) — to protect against crop failure. With this coverage — the cost of which is rolled into the seed price — farmers increase their seed investment and, in turn, their production. The underwriting and claims process is rapid and objective, as LSM uses advanced data analytics from weather stations and satellites to assess losses. The program is currently available in the Philippines, Argentina and Eastern Africa, and LSM is looking to expand it to other regions and adapt it to the specific needs of the agriculture industry.



In 2015, a major focus for Global Specialty will be continuing to build our analytics capabilities to support data-driven underwriting and business decision-making. We're also squarely focused on profit, so we must aggressively address underperforming segments of our business and optimize capital allocation across our varied products and markets.

— **Global Specialty President Christopher L. Peirce**



Additionally, LSM is leading product innovation in underinsured and uninsured markets as a reinsurer in the African Risk Capacity (ARC). This consortium of insurance carriers uses early-warning drought models to predict food insecurity response costs, which allows for development of insurance and reinsurance structures. Through its analyses, ARC shifts the burden of climate risk from governments to international financial markets, allowing for faster response to famine and other natural disasters, thereby saving lives and promoting economic stability.

## Expanding Global Surety

Leveraging its significant underwriting capacity and expertise, Liberty Mutual Surety is partnering with Liberty International Underwriters and the Liberty International SBU to expand surety operations in large international markets. Initiatives include acquiring Primero Fianzas in Mexico, embedding experienced underwriters within local in-country Liberty Mutual operations, developing risk-sharing arrangements to increase capacity within foreign regulatory environments, and establishing a multilingual Global Services Center to coordinate cross-country and business operation bond issuance.

With continued global economic development — coupled with tighter banking regulations that reduce the attractiveness of competing products — Liberty Mutual Surety is poised to accelerate global surety premium expansion.



**Offices in 19 countries**



**Risk exposure in 170+ countries**



**Focus on 12 percent Return on Equity**



# Give with Liberty / Serve with Liberty

## A Commitment to Dignity and Respect

Liberty Mutual's employee-led community programs reflect our commitment to treat one another — and those in our local communities — with dignity and respect. In 2014, these programs once again achieved unparalleled results, demonstrating our unwavering dedication to support the communities where we live and work.

In May, more than 26,000 employees around the world volunteered to complete 2,400 projects on behalf of 900 charities in 20 countries during Serve with Liberty — the company's annual community service program. Whether they planted, painted, served meals or spent time with senior citizens, employees joined together to make a difference in countless communities.

Employees demonstrated that same generous character several months later through Give with Liberty — our nationwide charitable giving program. Centered around the theme “The Power of One, the Awesomeness of Many,” the campaign asked U.S. employees to donate to the health and human services non-profit organizations closest to their hearts. A remarkable 72 percent of employees pledged \$11.7 million to 7,500 charities, which totaled \$17.5 million with Liberty's match.

26,000

Employees

900

Charities in 20 countries

2,400

Completed projects



