

JP Morgan 2010 Insurance Conference

Forward Looking Statements and Basis of Presentation

This presentation may include “forward-looking statements” that are intended to enhance the reader’s ability to assess Liberty Mutual Group’s (“LMG” or the “Company”) future financial and business performance. Forward-looking statements include, but are not limited to, statements that represent LMG’s beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as “may,” “expects,” “believes,” or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond LMG’s control or are subject to change, actual results could be materially different. Some of the factors that could cause actual results to differ include, but are not limited to, the following: the sufficiency of the Company’s reserves for (i) asbestos, (ii) environmental ((i) and (ii) together “A&E”), and (iii) toxic tort; the Company’s ability to recover reinsurance for A&E, toxic tort and other claims; the impact of bankruptcies of various asbestos producers and related peripheral businesses; the results of A&E and toxic tort litigation, the Company’s inability to obtain price increases or maintain market share due to competition or otherwise; the performance of the Company’s investment portfolio, which could suffer reduced returns or losses adversely affecting the Company’s profitability, capitalization and liquidity; market conditions that may limit the Company’s ability to replace maturing liabilities in a timely manner; developments in U.S. and global financial and capital markets, including changes in interest rates, rates of inflation, credit spreads, equity prices and foreign exchange rates; losses due to defaults of individual issuers and defaults of the collateral backing certain investments; recessionary U.S. and global economic conditions, which could adversely affect the Company’s ability to grow its business profitably; the potential effect of legislation and other governmental initiatives taken in response to stress in financial markets and economic conditions; insufficiency of, or changes in, loss reserves; the occurrence of catastrophic events, both natural and man-made, including terrorist acts, with a severity or frequency exceeding the Company’s expectations; adverse changes in loss cost trends, including inflationary pressures in medical costs and automobile and home repair costs; developments relating to coverage and liability for mold claims; the effects of corporate bankruptcies; adverse developments in the cost, availability and/or ability to collect reinsurance, which may be adversely affected by current economic conditions; the Company’s ability to successfully integrate operations, personnel and technology from its acquisitions; the ability of the Company’s subsidiaries to pay dividends to the Company; adverse results or other consequences from legal proceedings; the impact of regulatory investigations or reforms, including governmental actions regarding the compensation of brokers and agents and the purchase and sale of nontraditional products and related disclosures; unusual loss activity resulting from adverse weather conditions, including hurricanes, hail, tornados, snowfall and winter conditions; repatriation of foreign earnings; judicial expansion of policy coverage and the impact of new theories of liability; the impact of legislative actions, including proposed Federal legislation related to natural catastrophe funds and financial services regulation reform; larger than expected assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company’s claims-paying and financial strength ratings, which could adversely affect its business volumes, adversely affect its ability to access the debt markets and increase its borrowing costs; the loss or significant restriction on the Company’s ability to use credit scoring in the pricing and underwriting of Personal Lines policies; and changes to the risk-based capital requirements. LMG’s forward-looking statements speak only as of the date of this report or as of the date they are made and should be regarded solely as the Company’s current plans, estimates and beliefs. LMG does not intend, and does not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date hereof. For a more complete discussion of the risks faced by LMG, visit our website at www.libertymutual.com/investors.



Liberty Mutual Group Overview

Liberty Mutual Overview

- Mutual Holding Company Structure
- \$109.5B of assets and \$31.1B of revenues as of 12/31/2009
- 86th among Fortune 500 companies ¹
- 3rd largest commercial lines writer in the U.S. ²
- 6th largest personal lines writer in the U.S. ²
- Personal Auto largest line of business



Strategic Business Units:

Personal Markets

Commercial Markets

Agency Markets

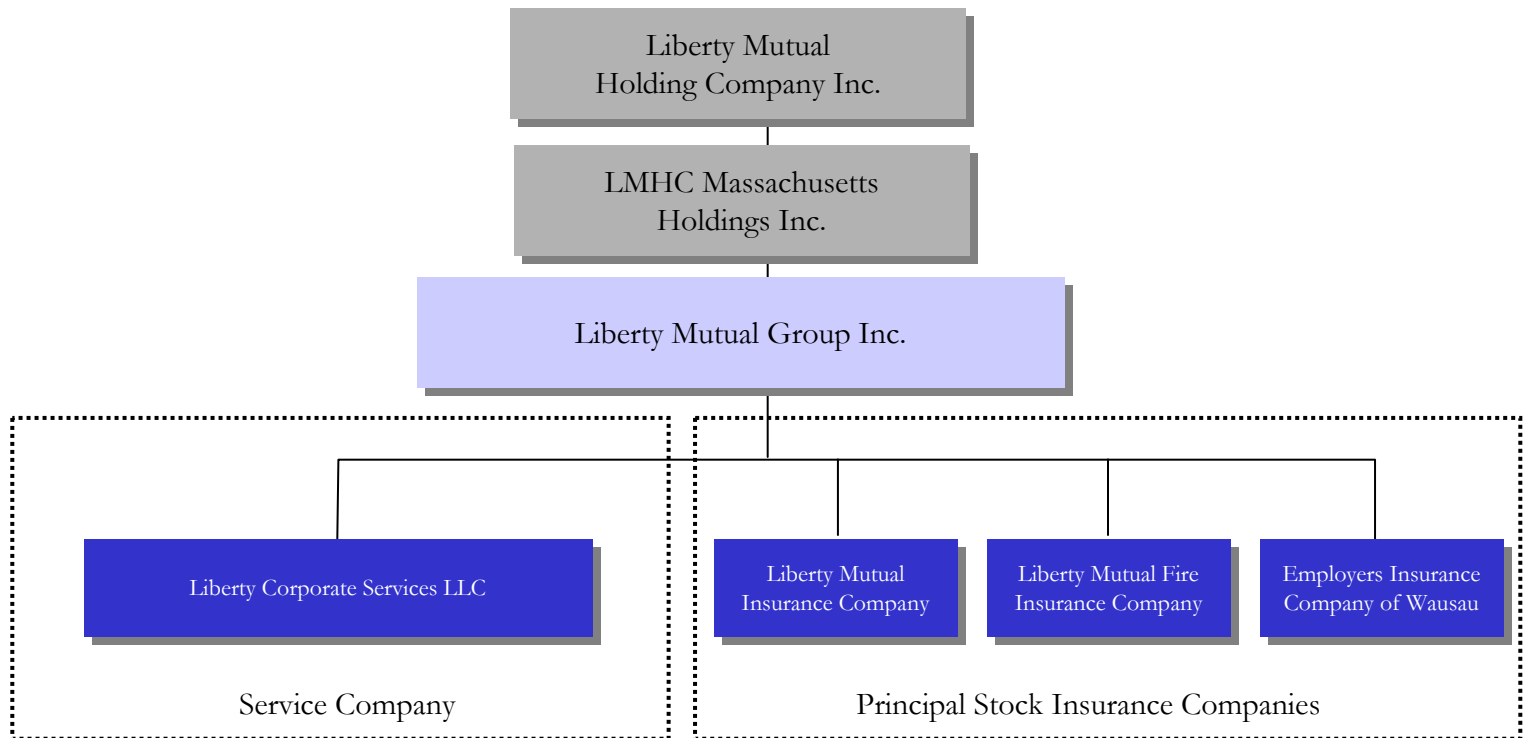
International

¹ Based on 2008 Revenue.

² Based on 2009 DWP. Source: Highline.

Mutual Holding Company Structure

- Converted to mutual holding company structure in 2002 to enhance financial flexibility



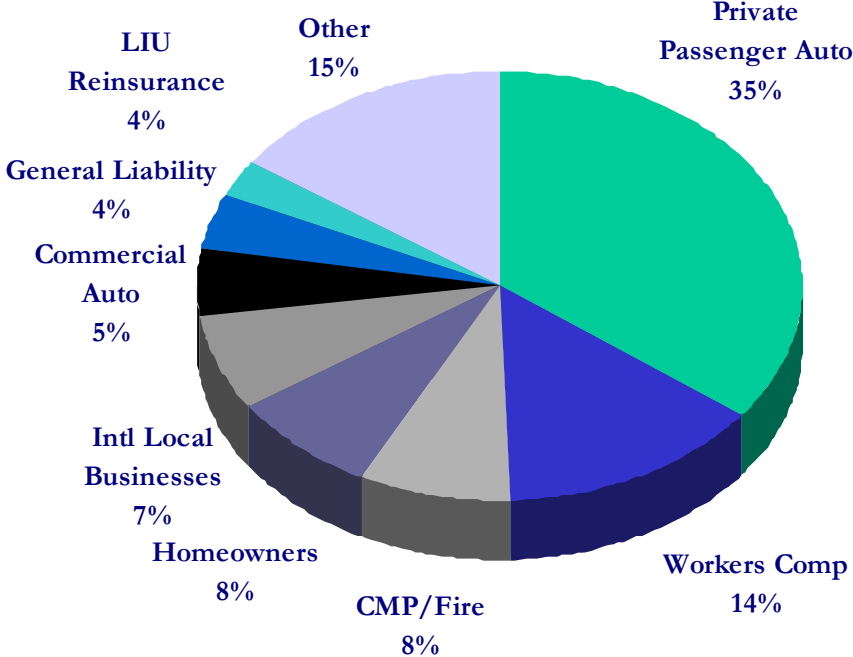
Strategic Focus

- Diversified multi-channel distribution capabilities
- Product/geographic diversification
- Disciplined underwriting strategies and pricing models
- Strong and proven Enterprise Risk Management framework
- Strong strategic business unit structure with scale in each business
- Integration of strategic acquisitions a core competency
- Enhance Financial Strength Ratings through earnings growth and capital generation

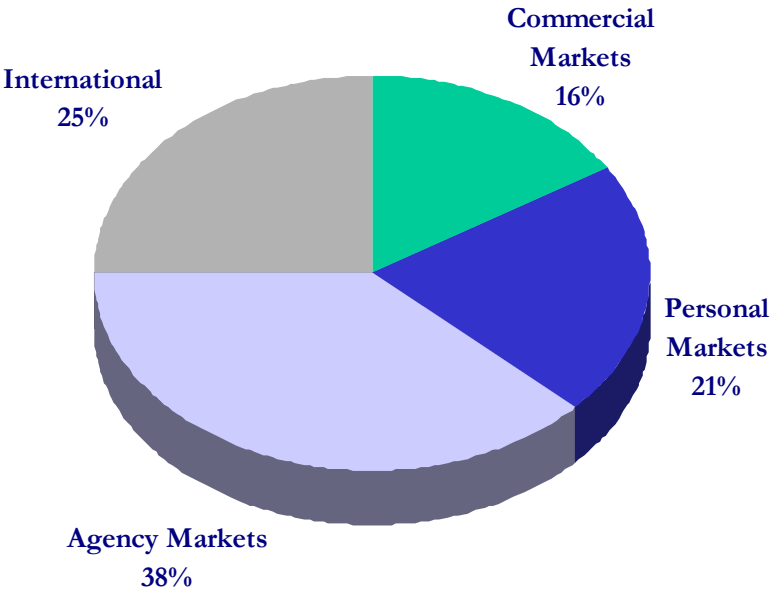
Highly Diversified Business Model

As of December 31, 2009

NWP by Product



NWP by SBU



Top US P&C Companies

Dominant US P&C players have continued to increase their scale

1996			2009			'96 – '09 Increase	
<i>(\$ Billions)</i>							
Rank	Company	DWP	Rank	Company	DWP	\$	%
1	State Farm	\$35.0	1	State Farm	\$51.1	\$16.1	46%
2	Allstate	18.0	2	Zurich Insurance	29.0	23.6	437%
3	AIG	13.6	3	Allstate	26.2	8.2	45%
4	C.N.A	10.1	4	AIG	26.0	12.4	91%
5	Farmers	9.8	5	Liberty Mutual	24.8	19.0	327%
6	Travelers	9.3	6	Travelers	21.4	12.1	130%
7	Nationwide	8.6	7	Berkshire Hathaway	16.1	12.7	380%
8	Liberty Mutual	5.8	8	Nationwide	15.4	6.8	79%
9	Hartford	5.6	9	Progressive	14.2	10.6	295%
10	Zurich	5.4	10	Hartford	10.5	4.9	87%

Source: Highline Data - Market Share report (All lines, All states & territories)

Top Global P&C Companies

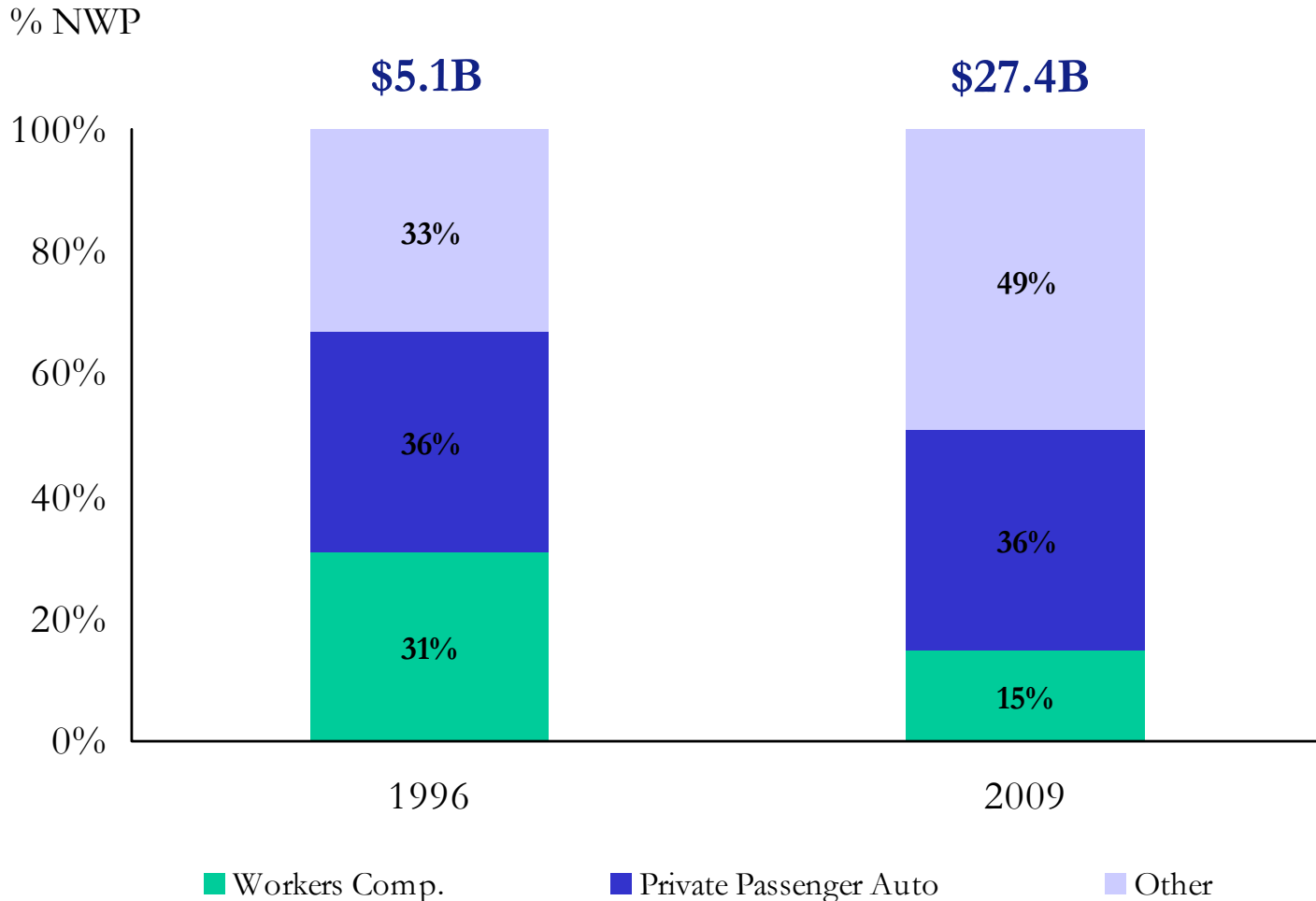
Global P&C players have also significantly increased their scale

1996			2008			'96 – '08 Increase	
(\$ Billions)							
Rank	Company	Gross Written Premium	Rank	Company	Gross Written Premium	\$	%
1	State Farm	\$35.0	1	Allianz	\$63.8	\$34.6	119%
2	Allianz	29.2	2	AIG	56.7	38.4	210%
3	AXA	20.7	3	Zurich	53.9	35.3	190%
4	Zurich Insurance	18.6	4	State Farm	50.2	15.2	43%
5	Allstate	18.6	5	AXA	38.2	17.5	85%
6	AIG	18.3	6	Liberty Mutual ¹	34.3	28.0	444%
7	Royal & Sun Alliance	12.8	7	Assicurazioni Generali	32.4	20.9	182%
8	Winterthur	12.4	8	Munich Re	30.3	18.9	166%
9	Assicurazioni Generali	11.5	9	Allstate	27.8	9.2	49%
10	Munich Re	11.4	10	Berkshire Hathaway	24.9	20.7	493%
	Liberty Mutual	6.3					

¹ Includes full year of Safeco.
Source: Company Filings



Shifting Business Mix – Net Written Premiums



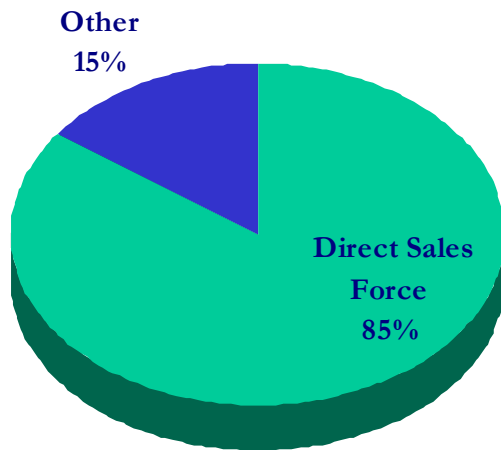
Source: 1996 is based on Statutory net written premium.

2009 is based on GAAP consolidated net written premium (excluding Individual Life and Group Disability).

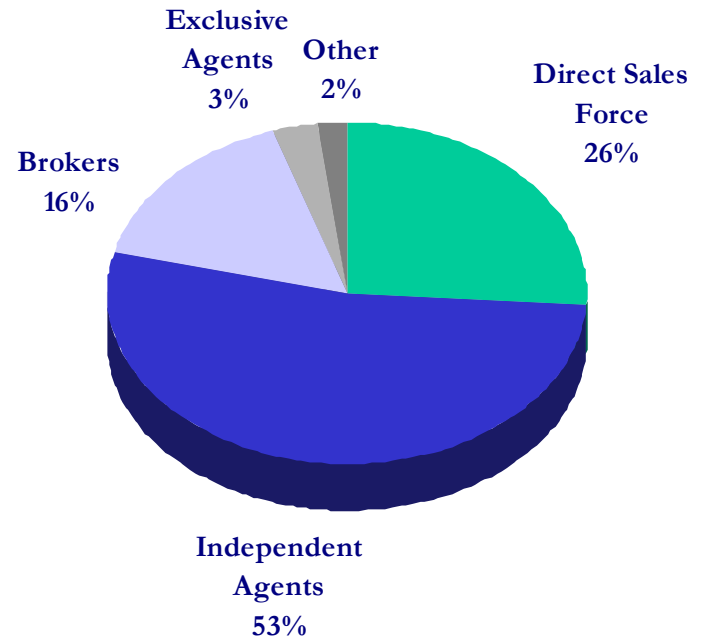


Diversified Distribution Channels

1996

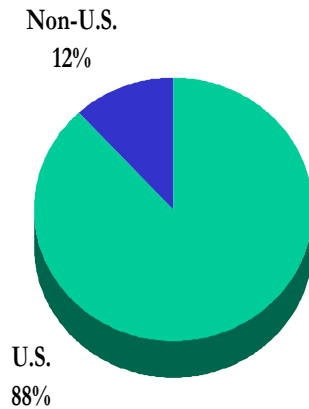


2009



Liberty Mutual World Premium Mix

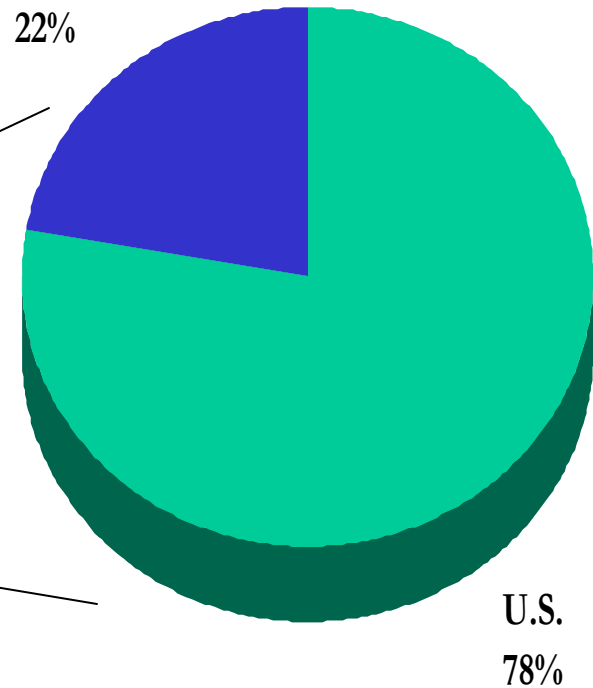
1996



\$5.6 Billion

2009

Non-U.S.
22%

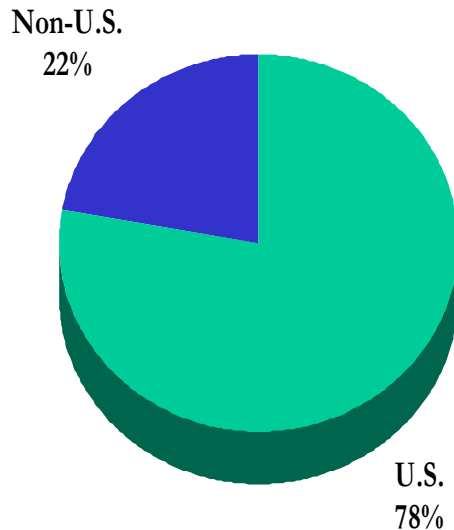


\$27.4 Billion

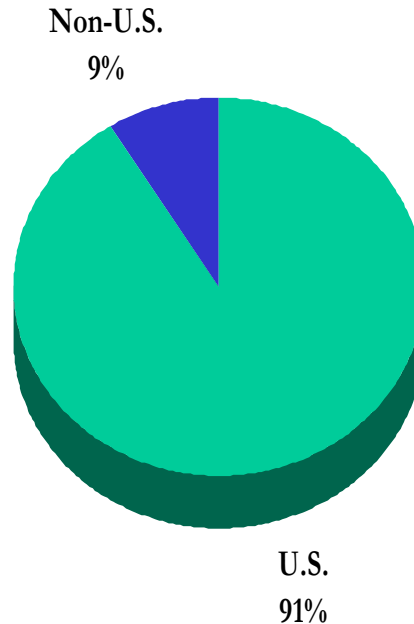


Comparative World Premium Mix

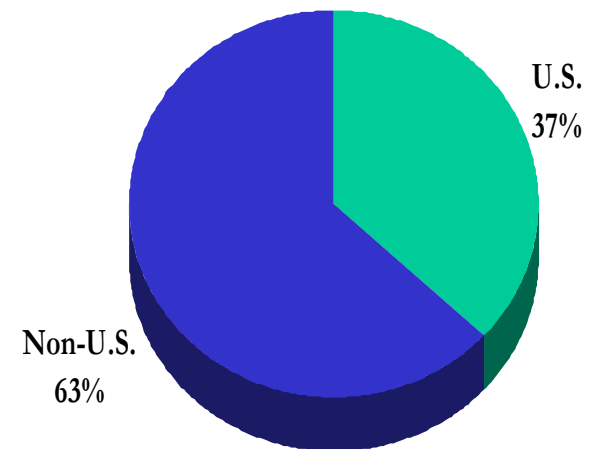
Liberty Mutual



U.S.-Based Insurers



Worldwide



Source: U.S.-Based Insurers – Highline, Company filings.

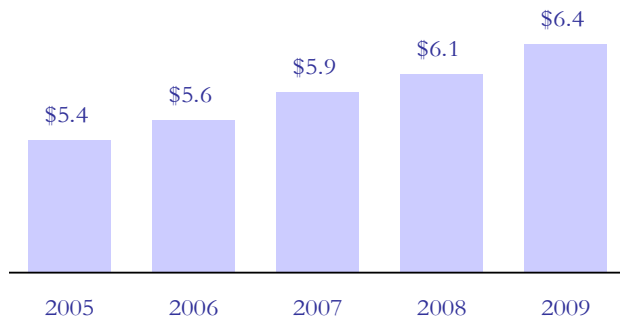
Worldwide – Swiss Re Sigma Report No 3/2009 with statistical update 12/2009.

Proprietary and Confidential

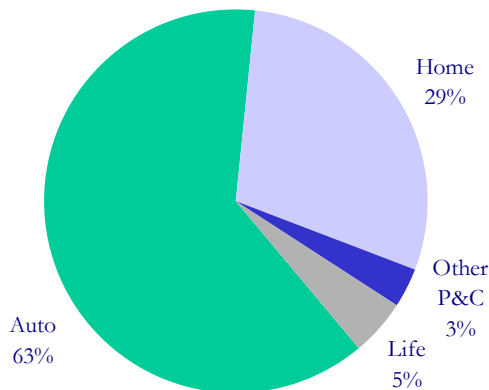
Personal Markets Business Unit

Growth of DWP¹

(\$ in Billions)



Product Mix



Distribution Channels

- Direct sales force of more than 1,900 agents
- Approximately 500 call center sales reps
- Third-party producers
- Internet

Segment Highlights

- 9th largest writer of personal lines P&C in the U.S.²
- 2nd fastest growing personal lines carrier³
- Market leader in affinity marketing, with over 12,000 affinity relationships
- Multi-channel distribution

¹ P&C only.

² Based on total U.S. personal auto and homeowners 2009 DWP. Source: Highline.

³ Based on DWP 3-year CAGR (2008-2006). Source: Highline.

Top U.S. Personal Lines Writers

Auto and Home

(\$ Billions)

	DWP ¹	Market Share
State Farm	\$43.6	19.1%
Allstate	24.1	10.6
Zurich / Farmers	15.5	6.8
Berkshire (GEICO)	13.5	5.9
Progressive	12.3	5.4
Liberty Mutual Group	10.6	4.7
Nationwide	10.3	4.5
USAA	9.7	4.2
Travelers	6.4	2.8
LMG Personal Market	6.2	2.7
American Family	4.8	2.1

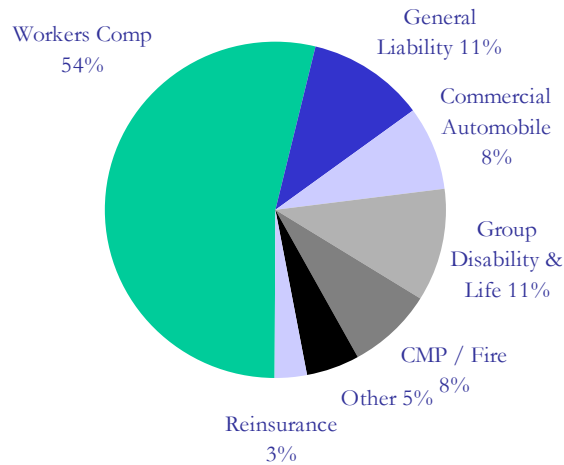
¹ As of 12/31/09

Source: Highline



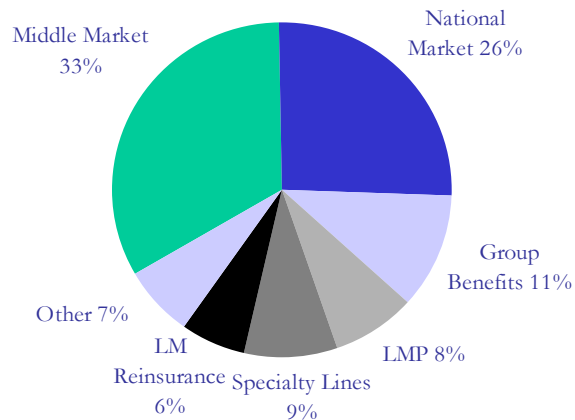
Commercial Markets Business Unit

Product Mix



2009 GWP = \$5.6 B

Business Unit View



Based on 2009 GWP

Business Units

- National Market – companies with > \$1.5M in P&C cost of risk
- Middle Market – mid-sized companies with \$150,000 to \$1.5M in P&C cost of risk
- Liberty Mutual Property – property insurance program for companies with \$25,000 and above in property-only cost of risk
- Specialty Lines – specialty lines coverage focused on Commercial Affinity, Energy, Global and Umbrella
- Liberty Mutual Reinsurance – reinsurance programs for domestic and foreign insurance and reinsurance companies
- Group Benefits – companies with more than 250 employees seeking group life and disability products

Segment Highlights

- Sale of direct distribution rights in Middle Market
- Workers compensation premium down 25% in 2009



Top Commercial Lines Writers

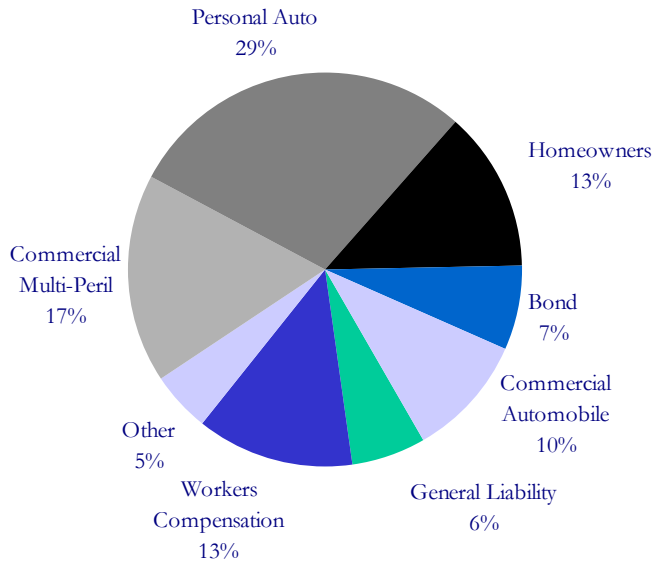
(\$ Billions)	<u>DWP¹</u>	<u>Market Share</u>
AIG	\$20.6	8.7%
Travelers	14.7	6.2
Liberty Mutual Group (US)	13.8	5.9
Zurich / Farmers	13.4	5.7
Ace Ltd.	7.7	3.3
C.N.A.	7.6	3.2
Chubb	7.0	2.9
Hartford	6.7	2.8
State Farm	5.6	2.4
LMG Commercial Markets	5.2	2.2
Nationwide	5.1	2.2

¹ As of 12/31/09
Source: Highline.



Agency Markets Business Unit

Product Mix



Distribution

- Approx. 28,000 independent agency locations throughout the United States

Operating Units

<u>Segment</u>	<u>% NWP</u>	<u>Description</u>
Regional Cos. Commercial Lines	42%	Regional Cos. serving local markets for commercial policies <\$150K
Safeco Personal Lines	45%	National Brand serving local markets for personal policies
Liberty Mutual Surety	7%	Surety and Fidelity products
Summit	4%	Mono-line WC in the Southeast
Other	2%	Includes run-off operations and internal reinsurance

Segment Highlights

- Safeco integration substantially completed
- 2nd largest Surety operation

Top Independent Agency Writers

(\$ Billions)

	<u>Commercial Lines</u>		<u>Personal Lines</u>	
		<u>NWP¹</u>	<u>NWP¹</u>	
Travelers		\$12.6	Progressive	\$7.4
Chubb		\$6.3	Travelers	\$6.5
Hartford		\$6.1	Agency Markets²	\$5.1
CNA		\$5.4	AIG	\$3.5
Agency Markets²		\$5.4	Erie	\$2.6
Zurich		\$4.3	Mercury	\$2.5
Allianz		\$3.8	Chubb	\$2.1
W.R Berkley		\$3.5	Auto-Owners	\$2.0
AIG		\$2.6	Unitrin	\$1.6
Fairfax		\$2.4	Commerce	\$1.6

¹ As of 12/31/08

² Includes full year of Safeco premium before homeowners quota share.

Source: A.M. Best Aggregates & Averages (US Agency Group)



Liberty International Business Unit

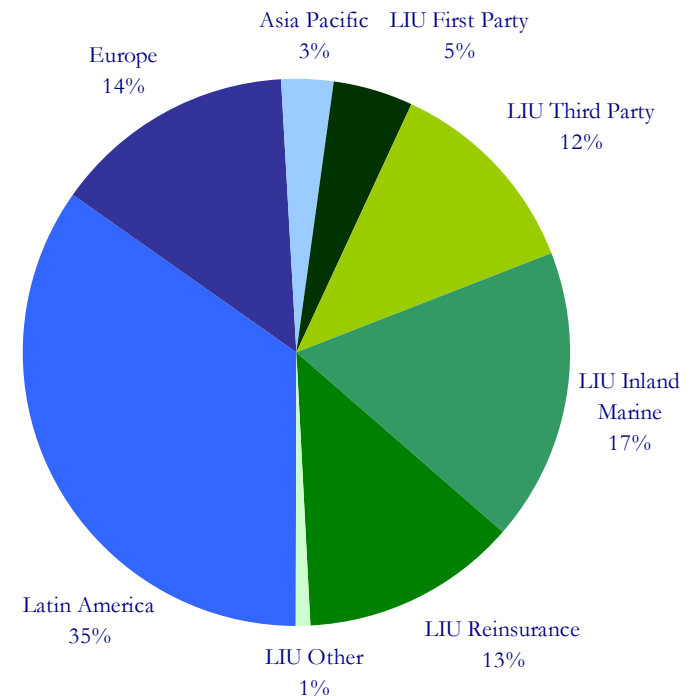
Local Businesses

- Firmly established local operations in Europe, Latin America and Asia.
- Recent Developments
 - Acquired Brazilian insurer, Indiana (Jan 08)
 - Opened Beijing branch (Jan 09)
 - Branch in Zhejiang province approved (Dec 09)
 - First foreign insurance company to receive approval

Liberty International Underwriters

- Major offices in New York, London, Toronto, Sydney, San Francisco, Chicago, Dallas, Houston, Los Angeles and Paris.
- Recent Developments
 - Reinsurance license in Brazil
 - Opened Lloyd's Syndicate office in Sao Paulo

Segment Mix



2009 GWP = \$9.4 Billion

- **Local Businesses 52%**
- **LIU 48%**



Local Operations

Country	Country Ranking	Market Share
Latin America		
Venezuela	1 st	12.4%
Colombia	2 nd	7.8%
Chile	5 th	8.6%
Brazil	9 th	3.2%
Europe		
Portugal	7 th	4.5%
Spain	11 th	2.2%
Poland	16 th	0.3%
Turkey	26 th	0.5%
Asia		
China **	6 th	4.0%
Thailand	7 th	3.4%
Singapore	9 th	3.3%
Vietnam	10 th	3.0%

** Ranking based upon insurance companies in Chongqing.

Financial Review

Financial Summary

For the Years Ended December 31,

(\$ Millions)

	<u>2009</u>	<u>2008</u>
Net written premium	\$28,258	\$25,467
Earned premiums	27,791	25,524
Net investment income	2,482	2,880
Net realized investment gains (losses)	26	(330)
Fees and other revenue	795	781
Total revenues	\$31,094	\$28,855
Total claims, benefits, and expenses	29,884	27,602
Pre-tax income	\$1,210	\$1,253
Fed & foreign income tax expense	187	140
Net Income	\$1,023	\$1,113
Cash Flow From Operations	2,487	2,745
GAAP Equity	14,514	10,403
ROE	8.2%	9.7%



Combined Ratio

Twelve Months Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Loss and LAE ratio	69.7%	69.6%	0.1
Underwriting expense ratio	28.5	27.7	0.8
Dividend ratio	<u>0.2</u>	<u>0.3</u>	<u>(0.1)</u>
Normalized combined ratio ¹	98.4	97.6	0.8
Catastrophes			
September 2008 Hurricanes	0.1	3.6	(3.5)
All Other	3.2	2.8	0.4
Net incurred attributable to prior years:			
Asbestos & Environmental	1.2	0.1	1.1
All other	<u>(3.0)</u>	<u>(4.0)</u>	<u>1.0</u>
Total combined ratio	99.9%	100.1%	(0.2)

¹ Before catastrophes and net incurred losses attributable to prior years.



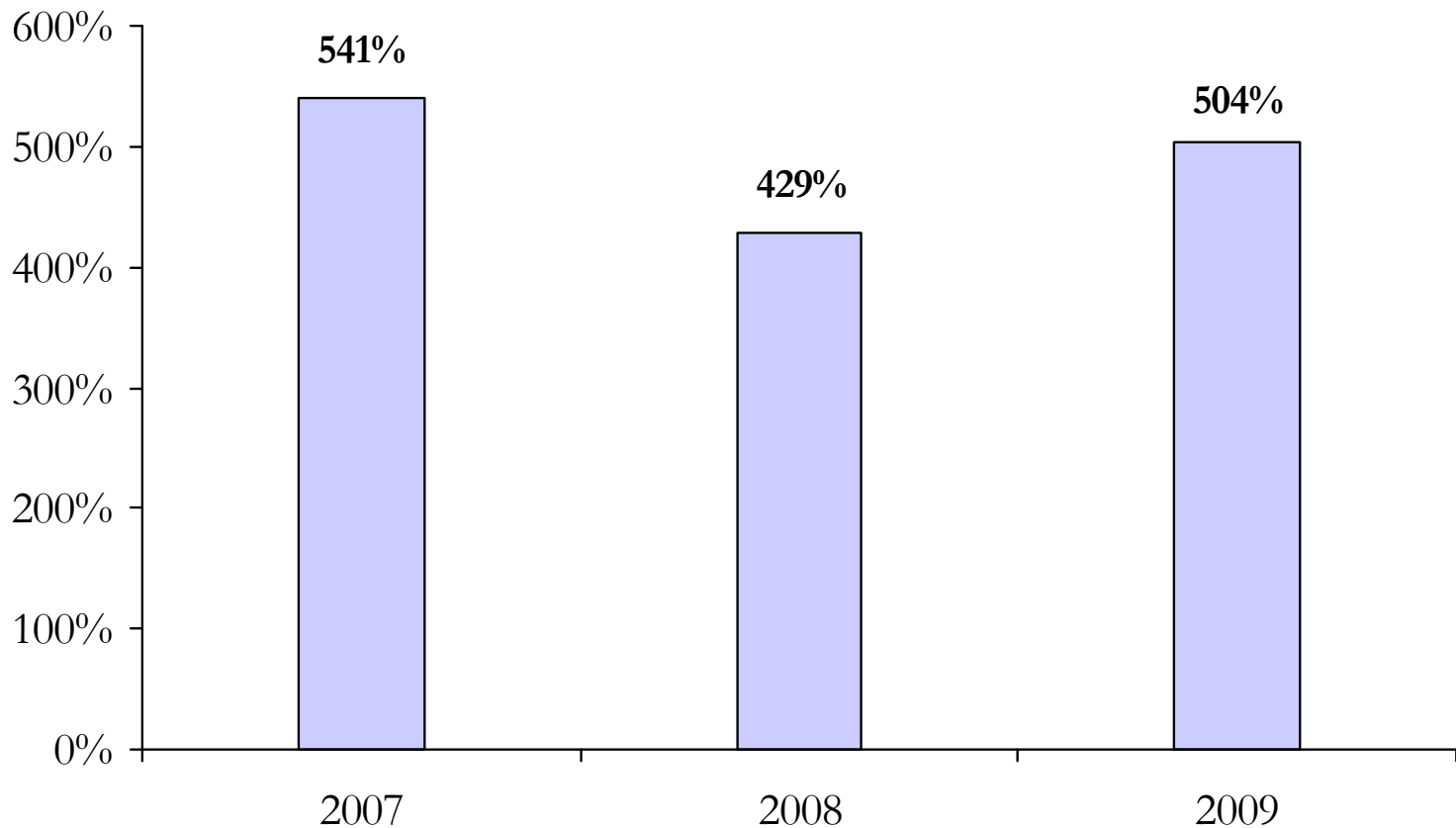
Strong Capitalization

(\$ Millions)

	<u>2009</u>	<u>2008</u>
Long-Term Debt excluding Hybrid Capital	\$3,385	\$3,839
Hybrid Capital	2,250	2,250
GAAP Equity (Ex. FAS 115)	<u>13,460</u>	<u>11,858</u>
Total Capitalization	\$19,400	\$17,947
Total Debt / Capitalization (Hybrid = 100% Equity)	17.4%	21.4%
Total Debt / Capitalization (Hybrid = 75% Equity)	20.3%	24.5%

Note: Long-Term Debt excludes \$300 Million maturity on 2/1/2010.

Risk-Based Capital for Liberty Consolidated P&C



Financial Strength

	A.M. Best	S&P	Moody's
Financial Strength Rating	A	A-	A2
Outlook	Negative	Stable	Negative
LMIC Surplus Notes Rating	bbb+	BBB	Baa2
LMGI Hybrid Debt Rating	bb+	BB	Baa3
LMGI Senior Debt Rating	bbb	BBB-	Baa2

Significant Dividend Capacity

Liberty Mutual Group Inc.

Parent-Only Cash Flow Interest Coverage (x)

(\$ in millions)

	<u>2010P</u>	
Maximum Allowable Ordinary Dividend ¹	1,107	- 1,334
Estimated Funding from Service Operations	515	515
Preferred Dividends	80	80
Total Funding Available to LMGI	1,702	- 1,929
Holding Company Interest Expense	390	390
Parent-Only Cash Flow Interest Coverage	4.4x	- 5.0x

¹ Prior to regulatory approval and excluding preferred dividends

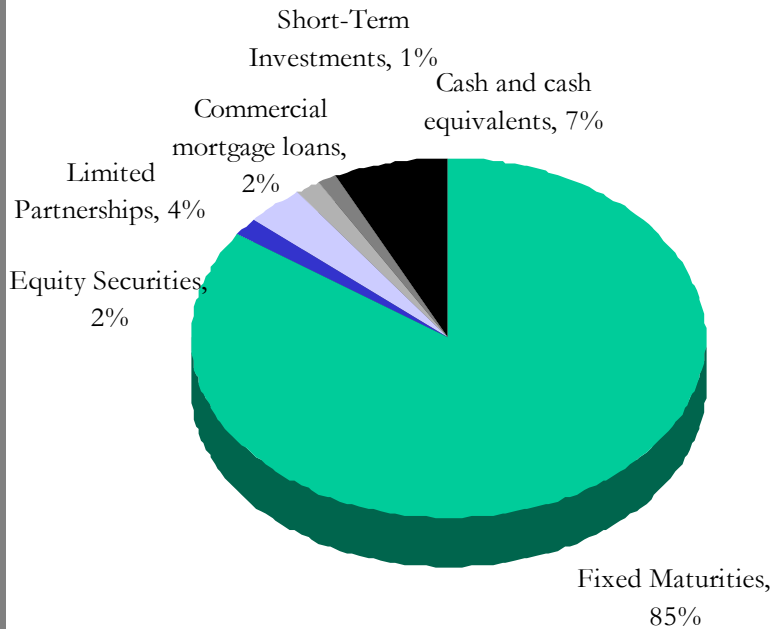
Superior Liquidity / Financial Flexibility

- \$5.4 billion in cash and short-term investments as of 12/31/09
- \$1.3 billion of ordinary dividend capacity from insurance operations to LMG holding company
- \$400 million commercial paper (“CP”) facility
- \$400 million committed, undrawn credit facilities (also supports CP)
- \$750 million committed, undrawn repo facility

Conservative Investment Portfolio

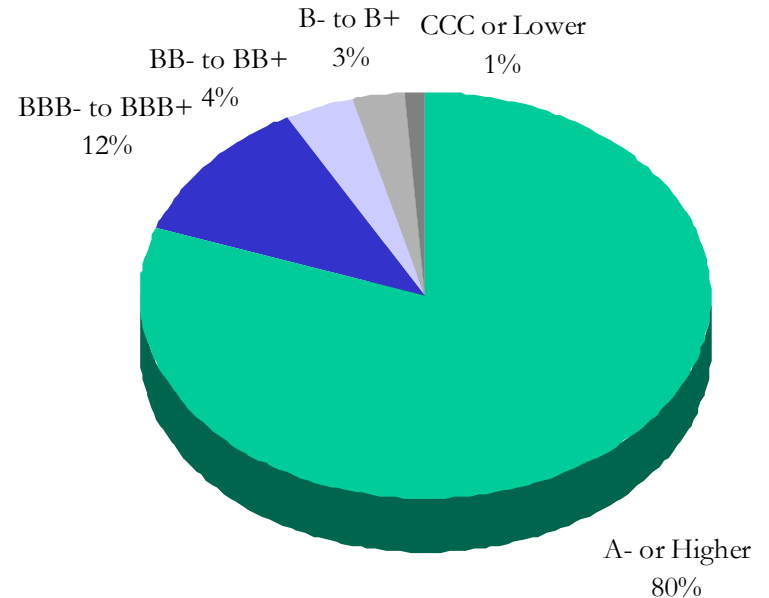
As of December 31, 2009

Invested Assets



Total: \$66.8 B

Fixed Income Securities By Rating



Total: \$56.4 B



Distribution of Reinsurance Recoverables - 12/31/09

(\$ Millions)

Rated
Entities

S&P Rating:	Gross Rec.	Collateral	Net. Rec.	% of Total
AAA	\$1,055	\$648	\$407	4%
AA+, AA, AA-	1,702	590	1,189	11%
A+, A, A-	6,430	1,511	5,242	48%
BBB+, BBB, BBB-	11	2	9	-
BB+ or below	5	-	5	-
Subtotal	\$9,203	\$2,751	\$6,852	63%
State mandated pools & assoc.	\$3,033	\$6	\$3,027	28%
Voluntary	377	69	308	3%
Subtotal	\$3,410	\$75	\$3,335	31%
Captives & program business	\$1,607	\$1,974	\$52	-
Other	963	974	658	6%
Subtotal	\$2,570	\$2,948	\$710	6%
Grand Total	\$15,183	\$5,774	\$10,897	100%

Pools &
Assoc.

Top Rated Reinsurers - 12/31/09

Reinsurance Groups (Data in \$ Millions)	S&P Rating	Net Recoverables ¹
Swiss Re Group	A+	\$1,499
Nationwide Group	A+	1,735
Berkshire Hathaway Insurance Group	AA+	413
Everest Re Group	A+	482
Munich Re Group	AA-	499
Lloyds Syndicates	A+	231
PartnerRe Group	AA-	86
Chubb Group of Insurance Companies	AA	208
Transatlantic Re	A+	289
ACE Group	A+	41
W. R. Berkley Group	A+	200
Arch Insurance Group	A	77
All Other		1,092
Total Top Rated Reinsurance Recoverables		\$6,852

¹Net of collateral

Strong Reserves

- Strategic Business Unit actuaries review reserves on a quarterly basis.
- Corporate actuarial group conducts independent quarterly review.
- Asbestos and Environmental (A&E) loss reserves are reviewed annually, with biennial asbestos "ground-up" study.

Recap of Highlights

- Experienced management team
- Strong core operating results reflect unparalleled diversification
- Continued significant operating cash flow
- Solid balance sheet
- Conservative investment portfolio
- Reduced financial leverage