



Liberty Mutual[®]
INSURANCE

J.P. Morgan Conference

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March 26, 2014

Cautionary Statement Regarding Forward Looking Statements

This report contains forward looking statements that are intended to enhance the reader's ability to assess the Company's future financial and business performance. Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" 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 the Company'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 occurrence of catastrophic events (including terrorist acts, hurricanes, hail, tornados, tsunamis, earthquakes, floods, snowfall and winter conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or ability to collect reinsurance; disruptions to the Company's relationships with its independent agents and brokers; financial disruption or a prolonged economic downturn; the performance of the Company's investment portfolios; a rise in interest rates; risks inherent in the Company's alternative investments in private limited partnerships ("LP") and limited liability companies ("LLC"); difficulty in valuing certain of the Company's investments; subjectivity in the determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; terrorist acts; the Company's inability to obtain price increases or maintain market share due to competition or otherwise; inadequacy of the Company's pricing models; changes to insurance laws and regulations; changes in the amount of statutory capital that the Company must hold to maintain its financial strength and credit ratings; regulatory restrictions on the Company's ability to change its methods of marketing and underwriting in certain areas; assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the ability of the Company's subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclical nature of the property and casualty insurance industry; political, legal, operational and other risks faced by the Company's international business; potentially high severity losses involving the Company's surety products; loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of personal lines policies; inadequacy of the Company's controls to ensure compliance with legal and regulatory standards; changes in federal or state tax laws; risks arising out of the Company's securities lending program; the Company's utilization of information technology systems and its implementation of technology innovations; difficulties with technology or data security; insufficiency of the Company's business continuity plan in the event of a disaster; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; insufficiency of the Company's enterprise risk management models and modeling techniques; and changing climate conditions. The Company'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. For a detailed discussion of these and other cautionary statements, visit the Company's Investor Relations website at www.libertymutual.com/investors. The Company undertakes no obligation to update these forward looking statements.

Preview

1. Liberty Mutual Insurance Overview, Ratings, & Structure

2. Strategy & Execution

3. 2013 Financial Results – Consolidated and SBU Detail

4. Capital Overview

5. Enterprise Risk Management

6. What's Next for Liberty Mutual

Liberty Mutual Overview

Mission statement: Helping people live safer, more secure lives

Overview:

- Headquartered in Boston, MA and founded in 1912
- Mutual holding company structure
- Strategic Business Units: Personal Insurance, Commercial Insurance, Global Specialty, & Liberty International
- Multiple distribution channels and products
- Operate in 30 countries and key markets

Key 2013 Financials:

- \$121.3B of assets
- \$19.0B of equity
- \$38.5B of revenues

Rankings:

- 81st among Fortune 500 companies¹
- 3rd largest P&C writer in the U.S.²
- 3rd largest commercial lines writer in the U.S.²
- 6th largest personal lines writer in the U.S.²
- 5th largest global P&C insurer³

¹ Based on 2012 Revenue.

² Based on 2012 DWP.

³ Based on 2012 GWP.

Current Ratings



MOODY'S

STANDARD
& POOR'S

Financial Strength

A

A2

A-

Outlook

Stable

Stable

Positive

Date Affirmed

11/13

11/13

10/13

Surplus Notes

bbb+

Baa2

BBB

Senior Debt

bbb

Baa2

BBB-

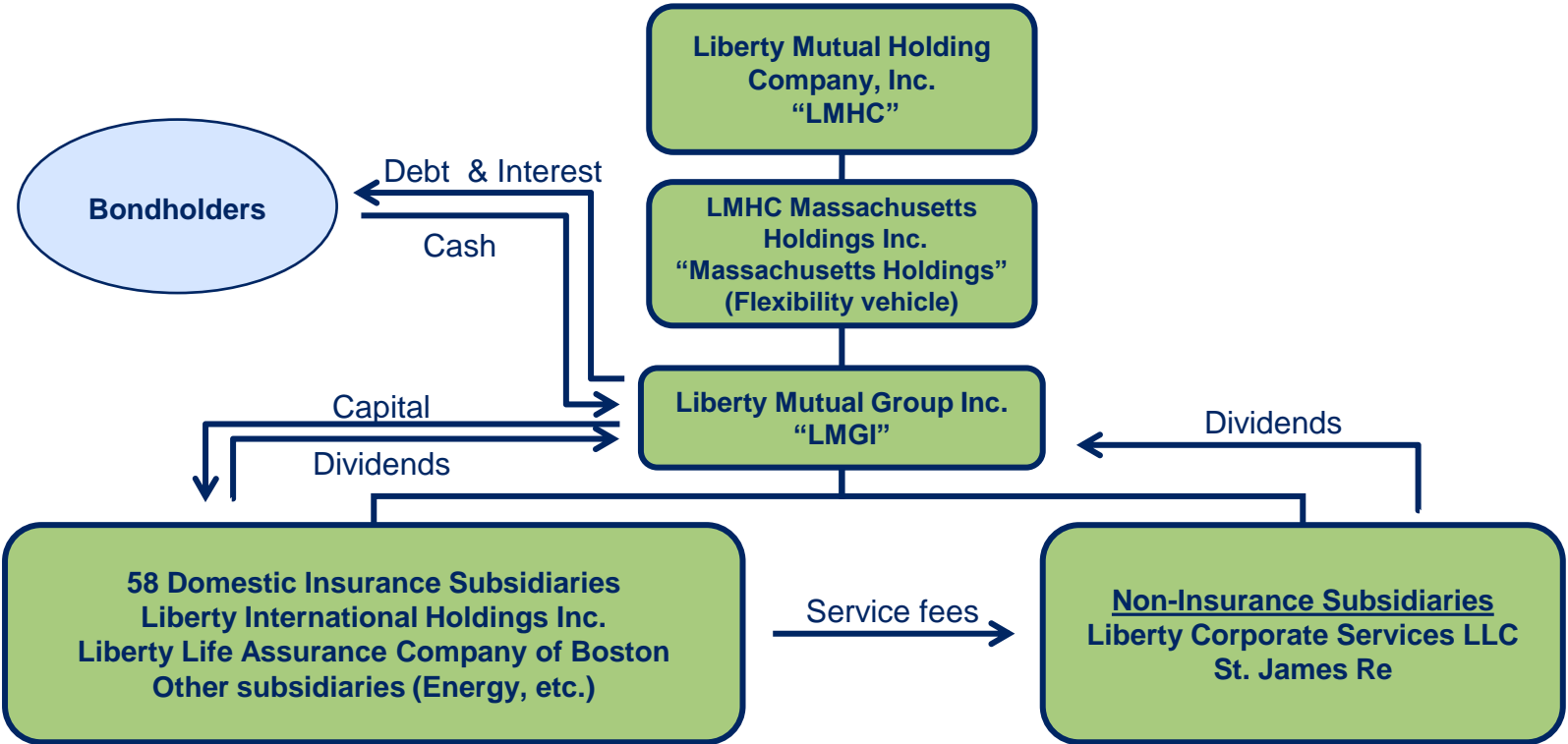
Hybrid Debt

bb+

Baa3

BB

Liberty Mutual Legal Entity Structure



Liberty Mutual SBU Structure – 2012 Realignment Impact

Strategic Business Units (SBUs): Former structure by product and distribution channel

Personal Markets

- LM Personal lines (direct distribution)
- Individual Life

Commercial Markets

- Commercial P&C
- Group benefits
- Liberty Mutual Reinsurance (“LMR”)

Liberty International

- Local operations
- Liberty International Underwriters (“LIU”)

Liberty Mutual Agency Corp

- Commercial lines – Regional Cos Group
- Personal lines - Safeco
- Liberty Mutual Surety (“LMS”)

Strategic Business Units (SBUs): New structure by product

Personal Insurance

- LM Personal lines (direct distribution)
- Individual Life
- Personal lines - Safeco

Commercial Insurance

- Commercial P&C
- Group benefits
- Commercial lines – Regional Cos Group

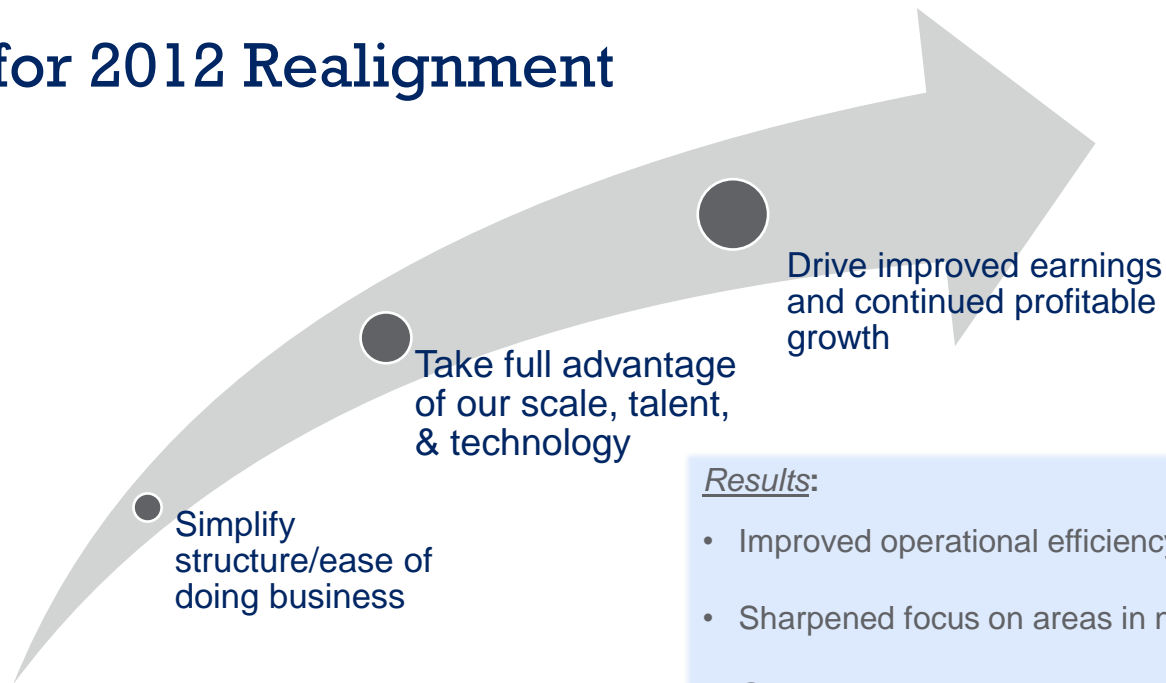
Liberty International

- Local operations

Global Specialty

- Liberty Mutual Reinsurance (“LMR”)
- Liberty International Underwriters (“LIU”)
- Liberty Mutual Surety (“LMS”)

Reasons for 2012 Realignment



Challenges/Opportunities:

- IT integration & consolidation
- Staff integration efforts
- Ongoing transfer of best practices

Results:

- Improved operational efficiency
- Sharpened focus on areas in need of improvement
- Greater ability to manage risk among businesses
- Enhanced capacity to build capital
- Centralized brand: “Liberty Mutual Insurance”

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2. Strategy & Execution

3. 2013 Financial Results – Consolidated and SBU Detail

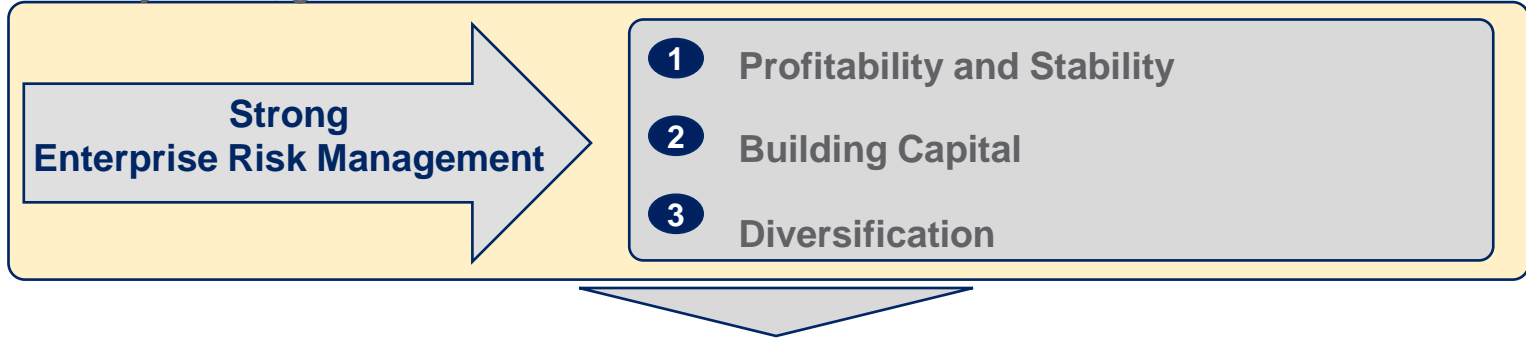
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Executing Our Strategy

Three Core Objectives, grounded in ERM



1

- ✓ Continuing strategic contractions in the WC book (7.5% of total book vs. 11% in 2012)
- ✓ Underwriting improvements resulting in PTOI of \$2.5B and a 1.6 pt reduction in core CR
- ✓ Achieving rate across both U.S. personal and commercial lines

2

- ✓ Improving profitability
- ✓ Continued ERM enhancements
- ✓ Issuance of \$1 billion Senior Notes due 2023 (4.25% coupon); repurchased \$365M 10.75% junior subordinated notes

3

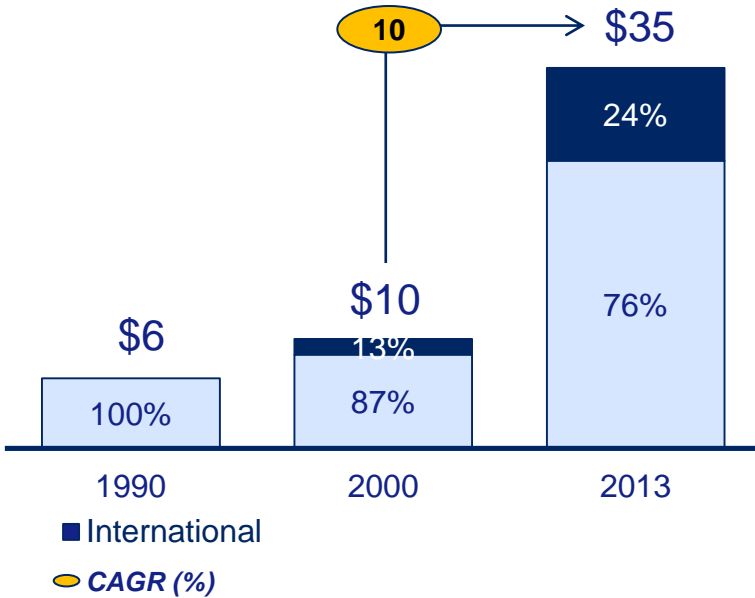
- ✓ Opportunistic about diversification and growth in global markets (Mexico & Malaysia)
- ✓ Initiative to integrate A&H products into business mix as stable contributors to earnings
- ✓ Expanding surety expertise globally (#2 in U.S.)

Executing Our Strategy: Diversification

Liberty's Journey to Date

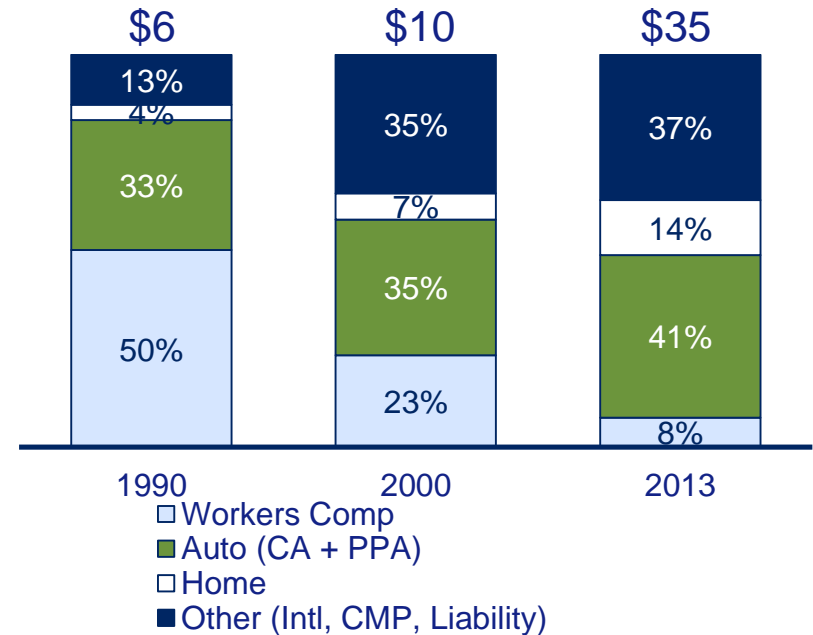
Global Footprint (NWP)

(\$ billions)



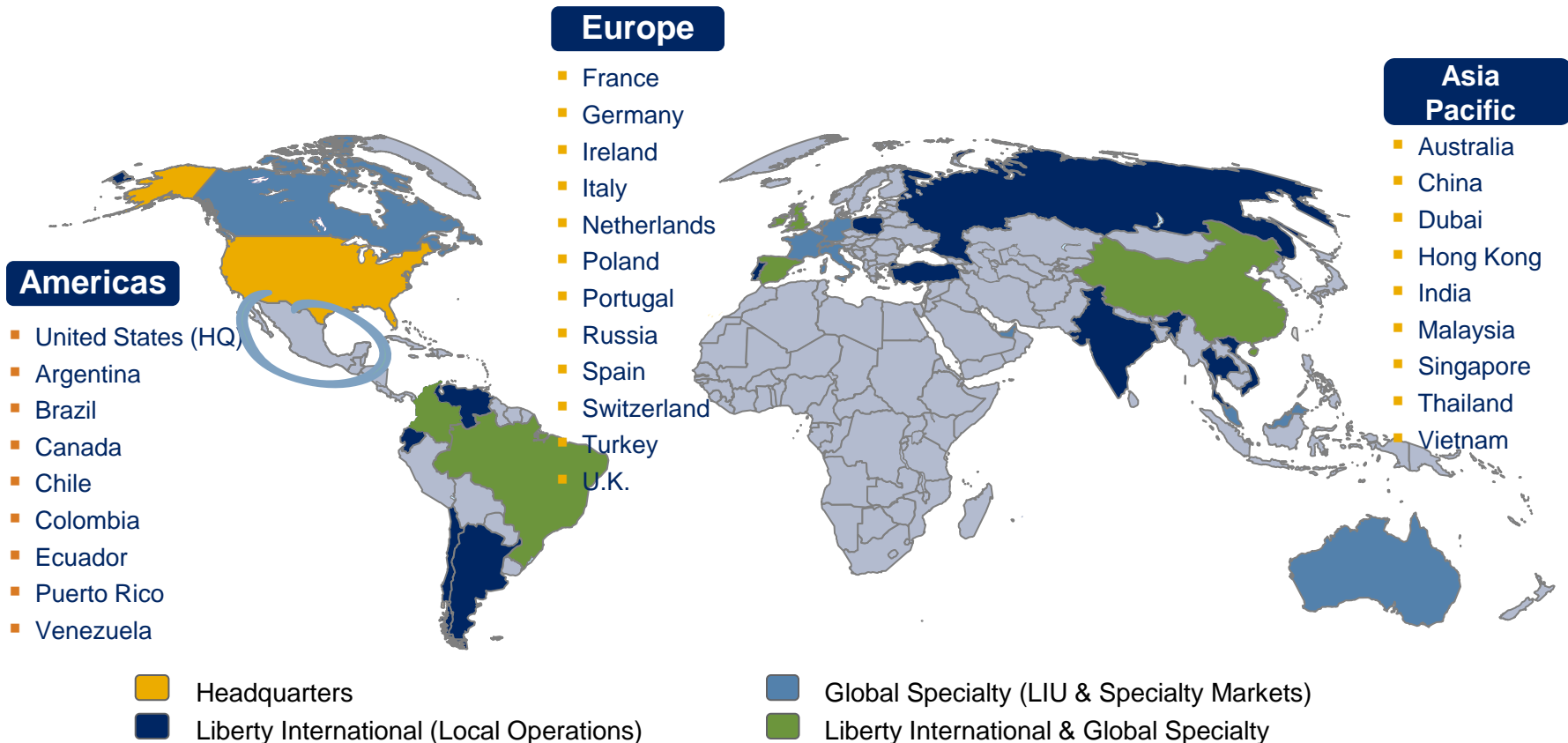
Line of Business (NWP)

(\$ billions)



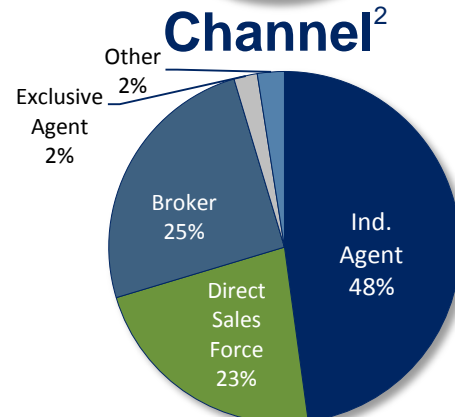
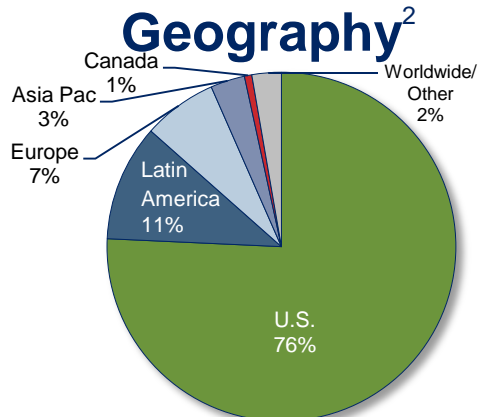
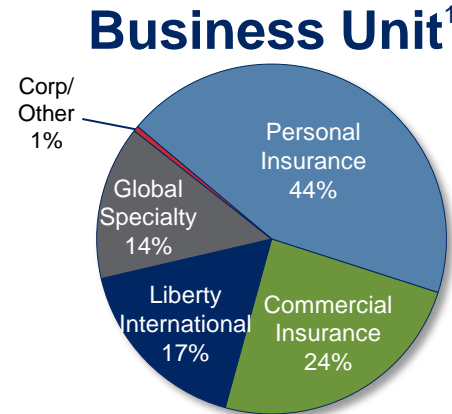
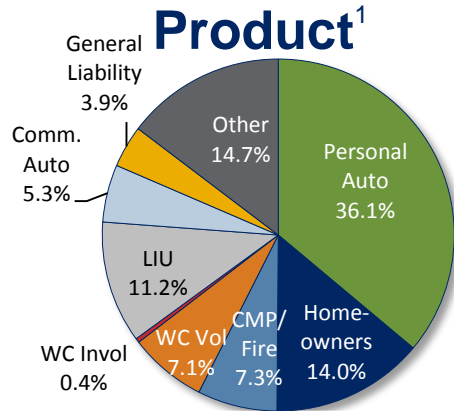
Executing Our Strategy: Diversification

LMIG operates in 30 countries and key markets around the globe YE 2013



Executing Our Strategy: Diversification

The Complete Picture: A True Global, Diversified Insurance Leader



¹ Based on 2013 NWP.

² Based on 2013 GWP.

Liberty Mutual Growth vs. Top Domestic P&C Companies

U.S. Statutory Premium

(\$ billions)

Domestic P&C Rankings - 10 Year Change

2002			2012			
<u>Company</u>	<u>DWP</u>		<u>Company</u>	<u>DWP</u>	<u>Change</u>	
					\$	%
1 State Farm	\$43.4		1 State Farm	\$53.7	\$10.3	24%
2 AIG	26.0		2 Zurich	28.9	4.0	16%
3 Zurich	24.9		3 Liberty Mutual	28.3	15.9	128%
4 Allstate	21.8		4 Allstate	26.7	4.9	22%
5 Travelers	13.4		5 AIG	23.6	(2.4)	(9%)
6 Liberty Mutual	12.4		6 Travelers	22.7	9.3	69%
7 Nationwide	11.9		7 Berkshire Hathaway	20.2	11.3	127%
8 CNA	11.9		8 Nationwide	17.0	5.1	43%
9 Progressive	9.5		9 Progressive	16.6	6.9	71%
10 Berkshire Hathaway	8.9		10 USAA Group	13.3	6.2	87%

Source: SNL

Liberty Mutual Growth vs. Top Global P&C Companies

Gross Written Premium

(\$ billions)

Global P&C Rankings - 10 Year Change

2002			2012			
<u>Company</u>	<u>GWP</u>		<u>Company</u>	<u>GWP</u>	<u>Change</u>	
					\$	%
1 State Farm	\$43.5		1 Allianz	\$60.3	\$19.4	47%
2 Zurich	41.1		2 Zurich	54.5	13.4	33%
3 Allianz	40.9		3 State Farm	53.8	10.3	24%
4 AIG	37.5		4 AIG	41.4	3.9	10%
5 Allstate	23.9		5 Liberty Mutual	38.0	22.1	139%
6 Berkshire Hathaway	19.9		6 AXA	36.6	21.5	143%
7 Royal & Sun Alliance	19.3		7 Berkshire Hathaway	30.5	10.6	53%
8 Munich Re	17.9		8 Assicurazioni Generali	29.3	12.5	74%
9 Assicurazioni Generali	16.8		9 Munich Re	29.1	11.2	63%
10 Liberty Mutual	15.9		10 Allstate	28.1	4.2	18%

Source: Public Information / 10-K's

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2013 Group-wide Operating Performance

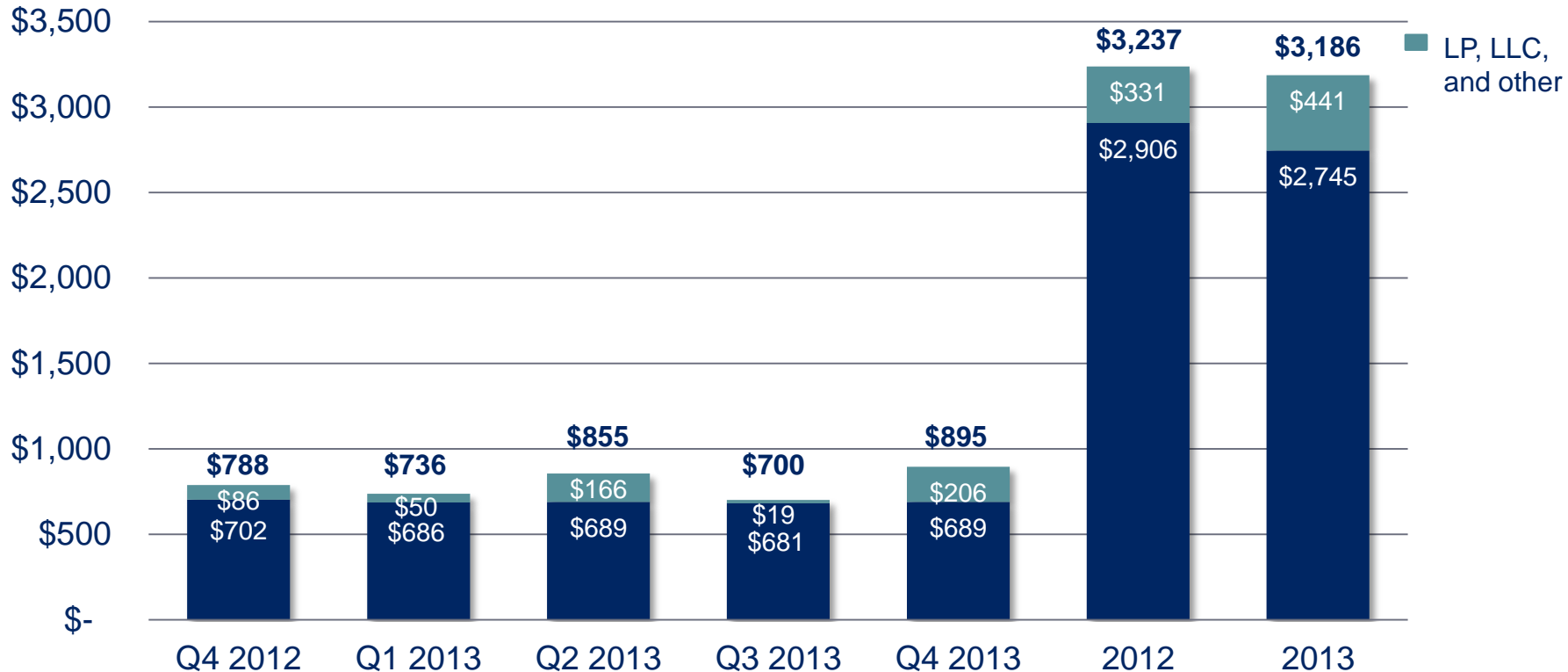
(\$ millions)	December 31,	
	<u>2013</u>	<u>2012</u>
Net written premium	\$35,224	\$33,013
Revenue	38,509	36,325
Pre-tax operating income	2,463	689
Net realized gains	11	534
Loss on extinguishment of debt	(211)	(193)
Realignment (cost) benefit	5	(99)
Net income - controlled	1,743	829
Cash flow from operations	4,100	2,789

2013 Combined Ratio

	<u>2013A</u>	<u>2012A</u>
Claims and claim adjustment expense ratio	64.9%	67.6%
Underwriting expense ratio	30.4	29.3
Dividend ratio	0.1	0.1
Normalized combined ratio	<hr/> 95.4	<hr/> 97.0
Catastrophes	3.9	6.8
Net losses attributable to prior years	<hr/> 0.5	<hr/> 1.0
Total combined ratio	<u><u>99.8%</u></u>	<u><u>104.8%</u></u>

Net Investment Income

(\$ millions)



The above chart contains net investment income attributable to discontinued operations.

Personal Insurance

NWP & PTOI



Segment Highlights

- Distributes through independent agent channel under Safeco brand and through other channels under the Liberty Mutual brand
- 6th largest writer of personal lines in the U.S.¹
- Growth rate among top for personal lines writers
- Market leader in affinity marketing, with over 15,000 affinity relationships

¹ Based on 2012 DWP for auto and home.

² Catastrophes include all current accident year catastrophe losses. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2013.

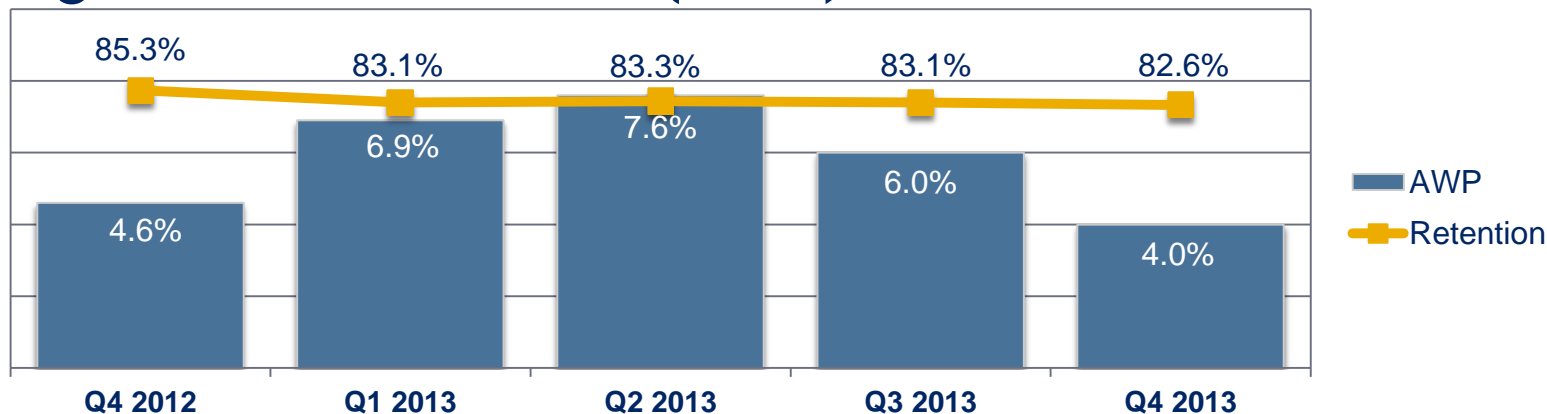
Financial Performance

\$ millions	Fourth Quarter			Full Year		
	2013	2012	Change	2013	2012	Change
NWP	\$3,799	\$3,518	8.0%	\$15,443	\$13,910	11.0%
PTOI before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation	\$621	\$539	15.2%	\$2,465	\$2,202	11.9%
Catastrophes ²	5	(553)	NM	(801)	(1,477)	(45.8)
Net incurred losses attributable to prior years	(197)	6	NM	(248)	285	NM
Current accident year re-estimation ³	(67)	-	NM	-	-	-
Pre-tax operating income (loss)	\$362	(\$8)	NM	\$1,416	\$1,010	40.2%

Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation

Claims and claim adjustment expense ratio	61.1%	62.9%	(1.8)	60.7%	61.7%	(1.0)
Underwriting expense ratio	25.9	25.5	0.4	25.9	25.8	0.1
Subtotal	87.0	88.4	(1.4)	86.6	87.5	(0.9)
Catastrophes ²	(0.1)	16.6	(16.7)	5.6	11.5	(5.9)
Net incurred losses attributable to prior years	5.3	(0.2)	5.5	1.7	(2.2)	3.9
Current accident year re-estimation ³	1.8	-	1.8	-	-	-
Total combined ratio	94.0%	104.8%	(10.8)	93.9%	96.8%	(2.9)

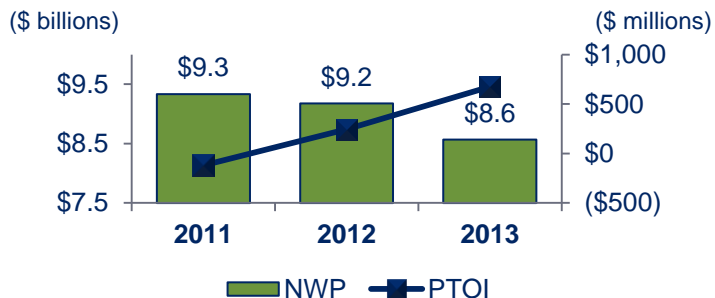
Personal Insurance P&C: Average Written Premium (AWP) & Retention



	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	YTD 2012	YTD 2013
Private Passenger Auto							
AWP	3.4%	5.7%	7.2%	4.8%	1.9%	4.4%	4.9%
Retention	85.0%	82.6%	82.4%	82.8%	82.0%	83.6%	82.4%
Homeowners							
AWP	5.9%	8.1%	7.9%	7.4%	6.2%	5.5%	7.4%
Retention	85.6%	83.6%	84.2%	83.5%	83.3%	85.4%	83.6%

Commercial Insurance

NWP & PTOI



Segment Highlights

- As an SBU, 4th largest U.S. commercial lines insurer measured by DWP - \$9.4B
- Equipped to underwrite and service a wide spectrum of exposures, from small proprietors to multi-nationals
- Approximately 5,800 active agencies in 11,900 locations
- WC exposures have declined 26% YTD
- Announced sale of Summit Holding Southeast, Inc.

¹ Catastrophes include all current accident year catastrophe losses. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net of earned premium and reinstatement premium attributable to prior years of \$5 million and (\$10) million for the three and twelve months ended December 31, 2013 and \$2 million and \$29 million for the same periods in 2012. Net of amortization of deferred gains (losses) on assumed retroactive reinsurance of zero and \$2 million for the three and twelve months ended December 31, 2013 and (\$2) million and zero for the same periods in 2012.

³ Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2012.

⁴ Net of earned premium and reinstatement premium attributable to prior years.

NM=Not Meaningful

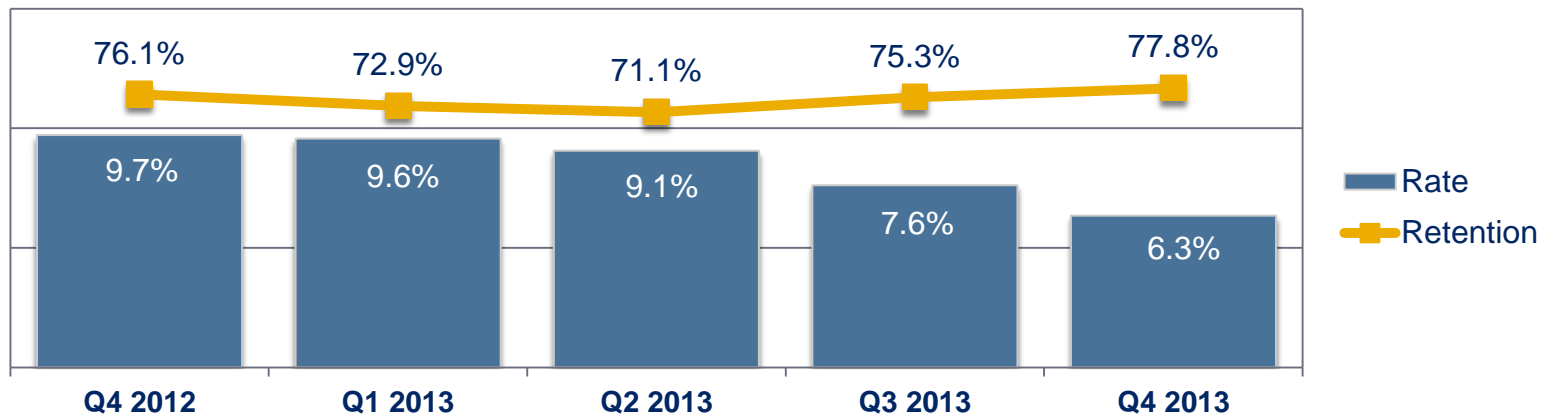
Financial Performance

\$ millions	Fourth Quarter			Full Year		
	2013	2012	Change	2013	2012	Change
NWP	\$2,001	\$2,118	(5.5%)	\$8,567	\$9,179	(6.7%)
PTOI before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation	\$202	\$209	(3.3%)	\$818	\$658	24.3%
Catastrophes ¹	(68)	(236)	(71.2)	(252)	(595)	(57.6)
Net incurred losses attributable to prior years ²	(8)	38	NM	110	182	(39.6)
Current accident year re-estimation ³	-	(21)	(100.0)	-	-	-
Pre-tax operating income (loss)	\$126	(\$10)	NM	\$676	\$245	175.9%

Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation

Claims and claim adjustment expense ratio	71.0%	75.0%	(4.0)	71.3%	77.1%	(5.8)
Underwriting expense ratio	31.5	28.6	2.9	30.8	28.9	1.9
Dividend ratio	(0.1)	0.1	(0.2)	0.2	0.3	(0.1)
Subtotal	102.4	103.7	(1.3)	102.3	106.3	(4.0)
Catastrophes ¹	3.5	11.0	(7.5)	3.2	7.1	(3.9)
Net incurred losses attributable to prior years ⁴	0.4	(1.8)	2.2	(1.4)	(2.2)	0.8
Current accident year re-estimation ³	-	1.0	(1.0)	-	-	-
Total combined ratio	106.3%	113.9%	(7.6)	104.1%	111.2%	(7.1)

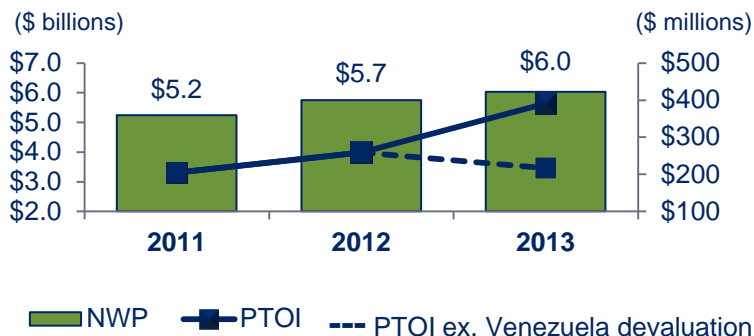
Commercial Insurance: Rate & Retention



	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	YTD 2012	YTD 2013
Business Insurance							
Rate	10.0%	10.2%	9.4%	7.9%	6.8%	8.8%	8.7%
Retention	72.9%	70.0%	69.8%	74.8%	76.4%	75.2%	72.7%
National Insurance							
Rate	8.9%	8.1%	8.2%	6.7%	5.3%	7.1%	7.2%
Retention	83.6%	78.4%	74.0%	76.5%	81.0%	85.2%	77.7%
Commercial Insurance P&C							
Rate	9.7%	9.6%	9.1%	7.6%	6.3%	8.3%	8.3%
Retention	76.1%	72.9%	71.1%	75.3%	77.8%	78.1%	74.3%

Liberty International

NWP & PTOI



Segment Highlights

- Acquired remaining 49% of Liberty Ireland
- VZ announced no official devaluation to currency; moving in direction of implicit devaluation
- Continued sponsorship of World Cup in Brazil
- Announced acquisition in Malaysia

¹ 2013 combined ratio has been adjusted to exclude the impact of the Venezuela devaluation for comparative purposes.

² Catastrophes include all current accident year catastrophe losses. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ Net of earned premium attributable to prior years of zero for the three months and twelve months ended December 31, 2013 and zero and (\$1) million for the same periods in 2012.

⁴ Net of earned premium attributable to prior years.

Financial Performance

\$ millions	Fourth Quarter			Full Year		
	2013 ¹	2012	Change	2013 ¹	2012	Change
NWP	\$1,710	\$1,625	5.2%	\$6,021	\$5,747	4.8%
PTOI before catastrophes, net incurred losses attributable to prior years and Venezuela devaluation	\$13	\$78	(83.3%)	\$160	\$266	(39.8%)
Catastrophes ²	-	-	-	-	-	-
Net incurred losses attributable to prior years ³	32	8	NM	57	(7)	NM
Venezuela devaluation	10	-	NM	174	-	NM
Pre-tax operating income	\$55	\$86	(36.0%)	\$391	\$259	51.0%
Combined ratio before catastrophes and net incurred losses attributable to prior years						
Claims and claim adjustment expense ratio	66.1%	64.1%	2.0	66.1%	66.1%	-
Underwriting expense ratio	40.8	38.4	2.4	39.1	37.0	2.1
Subtotal	106.9	102.5	4.4	105.2	103.1	2.1
Catastrophes ²	-	-	-	-	-	-
Net incurred losses attributable to prior years ⁴	(2.2)	(0.5)	(1.7)	(1.0)	0.1	(1.1)
Total combined ratio	104.7%	102.0%	2.7	104.2%	103.2%	1.0

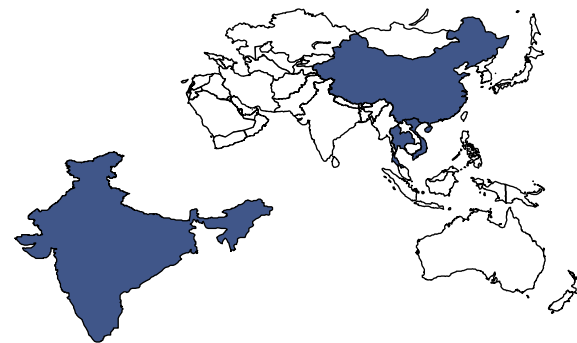
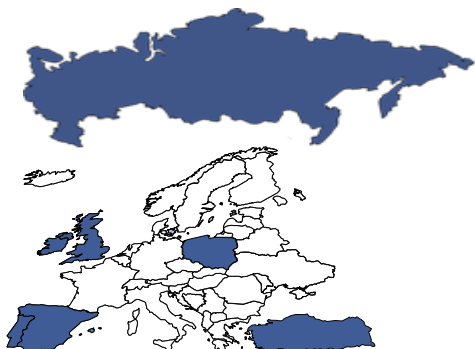
Liberty International: Global Presence

(\$ millions)

Europe	NWP	P&C Rank	P&C Share
Ireland	\$233	7 th	6.5%
Poland	\$93	14 th	1.1%
Portugal	\$295	8 th	6.1%
Russia	\$73	39 th	0.3%
Spain	\$819	16 th	2.0%
Turkey	\$65	23 rd	0.8%
Great Britain	\$67	N/A	N/A

Latin America	NWP	P&C Rank	P&C Share
Venezuela ^{4,5}	\$1,955	1 st	14.8%
Colombia	\$463	3 rd	8.8%
Chile	\$197	5 th	9.1%
Brazil ^{3,5}	\$1,068	9 th	2.9%
Argentina ²	\$108	27 th	0.7%
Ecuador	\$61	6 th	4.8%

Asia & India	NWP	P&C Rank	P&C Share
China ⁶	\$129	3 rd	0.1%
Hong Kong ¹	\$67	15 th	2.0%
Singapore	\$112	8 th	4.2%
Thailand ³	\$184	9 th	3.0%
Vietnam	\$20	10 th	1.9%
India	\$11	26 th	0.1%



Rankings Base – Gross Written Premium (GWP) except where noted:

- ¹ Net Written Premium
- ² Net Earned Premium
- ³ Direct Written Premium

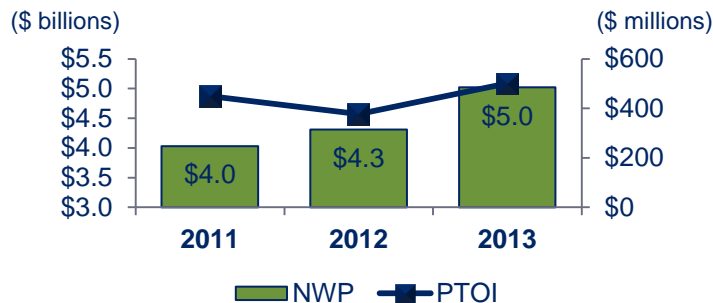
⁴ Excludes government owned companies

⁵ Reflects combined P&C and life markets

⁶ Ranking based on non-domestic companies including Mandatory Third Party Liability
Rankings are based on the most recent financial data available, which varies by country.

Global Specialty

NWP & PTOI



Segment Highlights

- 5th largest Lloyd's Syndicate
- 2nd largest surety writer in the U.S.
- Business sold through broker and independent agent channels
- A premier specialty casualty lines underwriter
- Announced acquisition of Mexican surety company

Financial Performance

\$ millions	Fourth Quarter			Full Year		
	2013	2012	Change	2013	2012	Change
NWP	\$1,131	\$972	16.4%	\$5,021	\$4,310	16.5%
PTOI before catastrophes and net incurred losses attributable to prior years	\$147	\$92	59.8%	\$675	\$617	9.4%
Catastrophes ¹	(8)	(117)	(93.2)	(102)	(145)	(29.7)
Net incurred losses attributable to prior years ²	(45)	(139)	(67.6)	(72)	(95)	(24.2)
Pre-tax operating income (loss)	\$94	(\$164)	NM	\$501	\$377	32.9%

Combined ratio before catastrophes and net incurred losses attributable to prior years

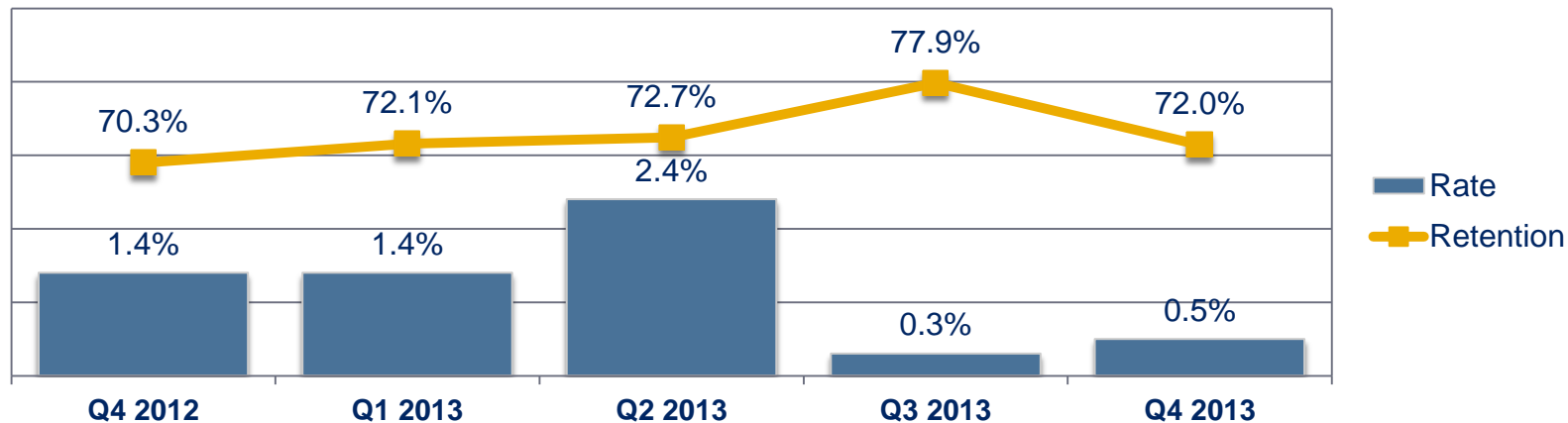
Claims and claim adjustment expense ratio	64.8%	70.2%	(5.4)	62.5%	63.7%	(1.2)
Underwriting expense ratio	29.7	28.5	1.2	29.2	28.8	0.4
Dividend ratio	0.1	0.2	(0.1)	0.2	0.2	-
Subtotal	94.6	98.9	(4.3)	91.9	92.7	(0.8)
Catastrophes ¹	0.6	10.2	(9.6)	2.1	3.4	(1.3)
Net incurred losses attributable to prior years ³	3.7	12.4	(8.7)	1.5	2.3	(0.8)
Total combined ratio	98.9%	121.5%	(22.6)	95.5%	98.4%	(2.9)

¹ Catastrophes include all current accident year catastrophe losses for severe storms in the U.S. including Superstorm Sandy (2012), Cyclone Oswald, Central Europe floods, Alberta floods, Germany hail storms and Typhoon Fitow. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net of earned premium and reinstatement premium attributable to prior years of \$6 million and \$27 million for the three and twelve months ended December 31, 2013 and (\$1) million and \$14 million for the same periods in 2012.

³ Net of earned premium and reinstatement premium attributable to prior years.

Global Specialty: Rate & Retention



	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	YTD 2012	YTD 2013
LIU¹							
Rate	2.4%	2.7%	2.4%	0.7%	0.8%	1.5%	1.6%
Retention	71.1%	64.3%	69.0%	79.1%	70.3%	73.4%	70.3%
Syndicate 4472							
Rate	(1.3%)	0.6%	2.3%	(0.7%)	(0.1%)	3.8%	0.6%
Retention	82.3%	73.3%	75.4%	70.5%	75.6%	80.1%	73.6%

¹ Excludes Inland Marine

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3. 2013 Financial Results – Consolidated and SBU Detail

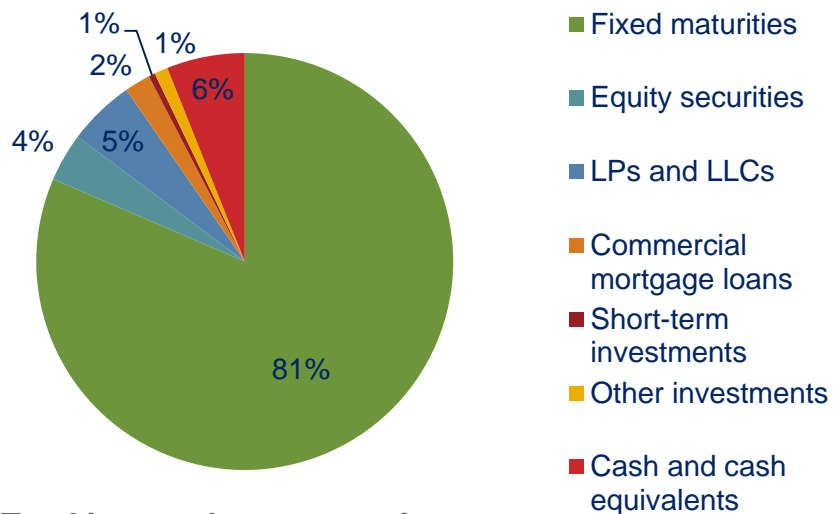
4. Capital Overview

5. Enterprise Risk Management

6. What's Next for Liberty Mutual

Investment Mix and Capitalization

Invested Assets



Total invested assets as of
December 31, 2013: \$78.882 billion

(\$ millions)	December 31,	
	2013	2012
Long-term debt	\$6,285	\$5,990
Adjusted debt ¹	\$5,285	\$4,990
Total equity	\$19,012	\$18,525
Less: AOCI	<u>\$640</u>	<u>\$1,707</u>
Total equity ex. AOCI	\$18,372	\$16,818
Total capital ex. AOCI	\$24,657	\$22,808
Adjusted debt-to-total capitalization (ex. AOCI)	21.4%	21.9%
Statutory surplus	\$17,508	\$16,521

¹ Assumes that the Series A and B Junior Subordinated Notes receive 100% equity credit, as per S&P.

Capital Events

Issued:

- \$1B 10-yr. Senior Notes – 4.25% coupon
- June: \$600M Initial Issuance
- November: \$400M re-open

Repurchased:

- \$365M of 10.75% notes with \$114M NPV

Divested:

- Summit
 - Approximately \$250M Sale Price
 - Rating Agency Capital Benefit of \$200M - \$300M
 - Subject to regulatory approval, expected by April 1, 2014
- Argentina
 - Insurance ops sold to Kranos Capital
 - \$100M of NWP in 2013

Acquiring:

Primero Fianzas in Mexico

- Surety company, specializing in administrative and credit bonds
- Expands Global Specialty's existing surety business and gives Liberty Mutual entry into Mexico
- Subject to regulatory approval, expected in Q2 2014

Acquiring:

Uni.Asia Capital Sdn Bhd

- Primarily private passenger auto and fire insurance for homes
- Purchase of 68.09% stake for \$113 million
- Subject to Malaysian regulatory approval, expected in Q3 2014

Holding Company Interest Coverage

(\$ millions)	
Preferred dividends	\$91
Remaining dividend capacity	<u>\$1,496</u>
2014 dividend capacity ¹	\$1,587
Estimated PTOI from LMG service companies/fees	<u>\$366</u>
Total available funding	\$1,953
Interest expense ²	\$331
Holding company interest coverage	5.9x

¹ Represents the estimated maximum allowable dividend without prior regulatory approval in the state of domicile. Dividends paid during the twelve months ended December 31, 2013 were \$204 million. Available dividend capacity is calculated as 2014 dividend capacity less dividends paid for the preceding twelve months.

² Represents the expected run-rate for interest expense at Liberty Mutual Group Inc. excluding 2014 maturities.

Liquidity / Financial Flexibility

As of December 31, 2013

(\$ millions)

<u>Liquidity Facilities</u>	<u>Amount</u>	<u>Amount Available</u>	<u>Purpose</u>
CP Program / LMGI Unguaranteed Facility	\$750	\$750	Holdco liquidity/CP backstop
LMIC Repurchase Facility	1,000	1,000	Liquidity
FHLB Memberships	<u>6,200</u>	<u>5,067</u>	Liquidity
Total Committed	\$7,950	\$6,817	
Available Cash and STI	<u>2,493</u>	<u>2,493</u>	
Total Immediate Liquidity	\$10,443	\$9,310	

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Risk Management Culture and Framework

Managing risk is a core competency of the organization and integrated throughout the worldwide operations

Liberty's ERM framework comprises three major components as it pertains to risk management:

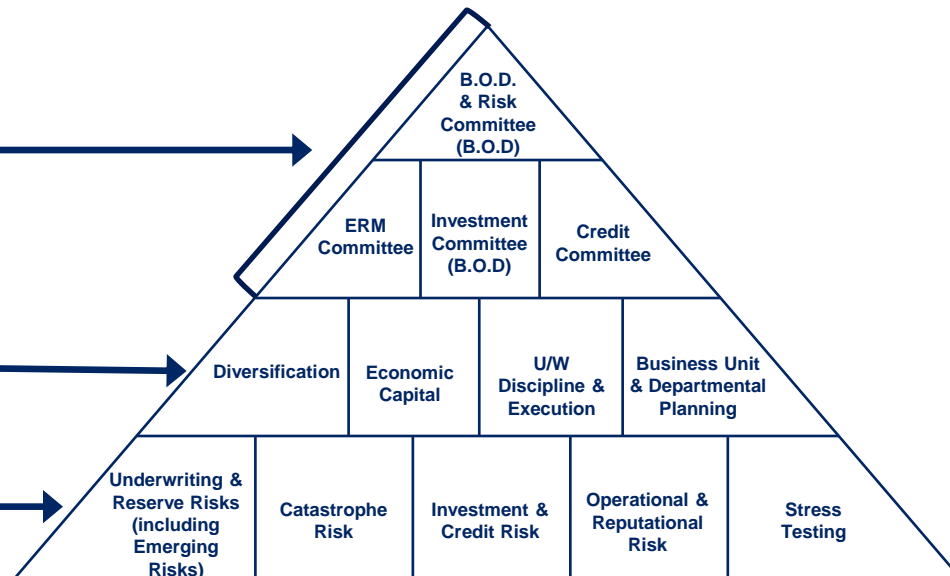
1. Communication & Management



2. Execution & Mitigation



3. Identification & Quantification



ERM Oversight

- Board-level oversight of ERM through Risk Committee of Board of Directors
- The ERM Executive Committee, chaired by the CEO, evaluates exposures and directs ERM actions within the operations
- ERM Executive Committee comprises executive managers with direct responsibility for key components of enterprise level risks:
 - Catastrophe UW Risk
 - Liquidity Risk
 - Market (Asset) Risk
 - Reserve Risk
 - Credit Risk
 - New Business (Pricing) Risk
 - Operational Risk

Measure, Manage, & Mitigate

Measurement

Modeling of various risks (catastrophes, credit, casualty)
Stress testing of macro-economic events, catastrophes, liquidity
Capital position evaluations

Management

Strong risk management governance & control process
Enhanced relative profitability analysis
Refinement of risk tolerances
New initiative clearance – capital implications

Mitigation

Centralized reinsurance to enforce corporate catastrophe tolerances
Actionable contingency plans
ERM Executive Committee actions as appropriate

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What's Next for Liberty Mutual?

Excellent momentum from 2013 to carry us into 2014

"2013 operating results showed marked improvement as we continued to grow selectively and improve underwriting profitability," said David H. Long, Chairman and CEO of Liberty Mutual Insurance.

"...We have excellent momentum heading into 2014 and our focus on profitable growth remains unchanged."

Will continue to execute and expect more improvements in the coming year

*PI and GS growing profitably

*Encouraged by success of actions in CI

*Strategic long-term investments in LI, but attractiveness of some markets is not what it was and will be re-evaluated

We are on the right track and will continue to build on what has already been achieved

As evidenced in our results, we will continue to grow where we can do so profitably, walk away from underpriced risk, and as a result, expect to see further improvement in underwriting margins

Questions?

Appendix

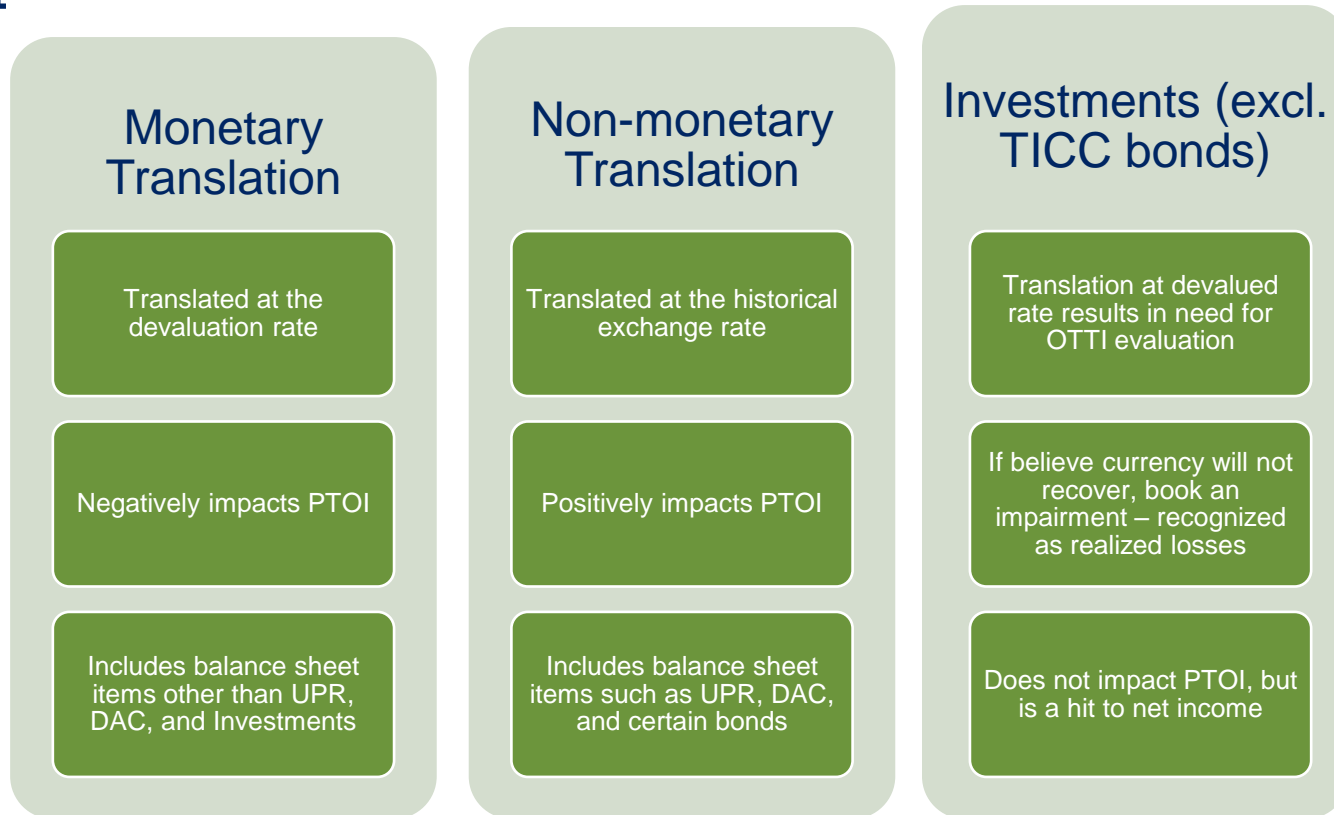
Appendix A:

Subsequent Events: Venezuela Devaluation

- Exchange rates may be based on SICAD/SICAD 2 markets
- Possible that the Company may be required to remeasure all or a portion of its net monetary balances at one of the SICAD rates (which could fluctuate)
- As of December 31, 2013, the Company had equity of \$900 million, a portion of which could be impacted by a devaluation charge

Appendix A:

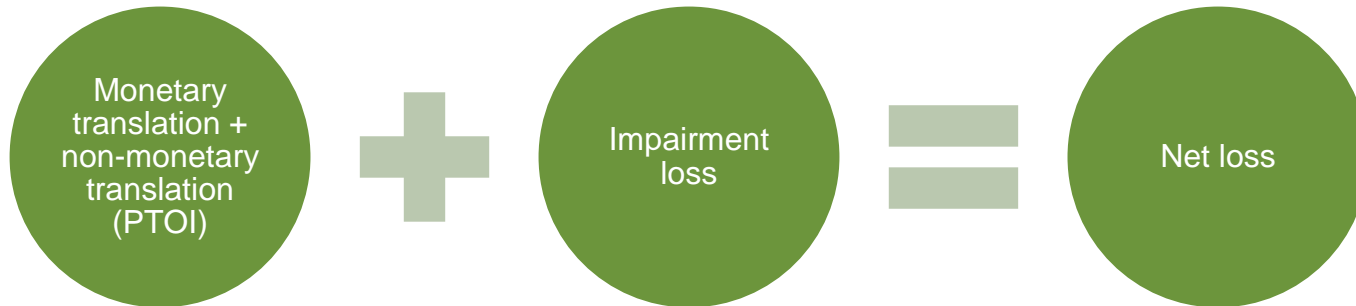
Subsequent Events: Venezuela Devaluation – How It Works



Appendix A:

Subsequent Events: Venezuela Devaluation – How It Works

Day 1 Impact



End of Year Impact



About Liberty Mutual Insurance

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and third largest property and casualty insurer in the U.S. based on 2012 direct written premium. The Company also ranks 81st on the Fortune 100 list of largest corporations in the U.S. based on 2012 revenue. As of December 31, 2013, LMHC had \$121.282 billion in consolidated assets, \$102.270 billion in consolidated liabilities, and \$38.509 billion in annual consolidated revenue.

The Company conducts substantially all of its business through strategic business units, with each operating independently of the others with dedicated sales, underwriting, claims, actuarial, financial and certain information technology resources. Management believes this structure allows each business unit to execute its business strategy without impacting or disrupting the operations of the Company's other business units.

LMHC employs more than 50,000 people in approximately 900 offices throughout the world. For a full description of the Company's business operations, products and distribution channels, please visit Liberty Mutual's Investor Relations web site at www.libertymutual.com/investors.

Additional Notes

The Company's financial results, management's discussion and analysis of operating results and financial condition, accompanying financial statements and other supplemental financial information for the three and twelve months ended December 31, 2013 are available on the Company's Investor Relations website at www.libertymutual.com/investors.

The Company's discussions related to net income are presented in conformity with U.S. generally accepted accounting principles ("GAAP") on an after-tax basis. All other discussions are presented on a pre-tax GAAP basis, unless otherwise noted. Further, the Company notes that it may make material information regarding the Company available to the public, from time to time, via the Company's Investor Relations website at www.libertymutual.com/investors (or any successor site).

The Company's annual audited financial statements and the Report of Independent Registered Public Accounting Firm on the Effectiveness of Internal Control Over Financial Reporting are also published when available on the Company's Investor Relations website at www.libertymutual.com/investors.



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