Liberty Mutual Group Reports Second Quarter 2011 Results

BOSTON, Mass., July 28, 2011 – Liberty Mutual Group ("LMG" or the "Company") today reported a net loss of $170 million and net income of $192 million for the three and six months ended June 30, 2011, versus net income of $220 million and $535 million in the same periods in 2010.

"It was an unprecedented second quarter in terms of severe storm and tornado activity in the U.S., and our operating results reflect the financial cost. More importantly, the human cost in lives, anguish and loss is incalculable, and our thoughts are with all of those affected by these storms. Our claims staff continues to work diligently assisting our policyholders with putting their lives back together, and I am very proud of their efforts," said David H. Long, President and CEO of Liberty Mutual Group. "Our diversified operating model ensures that we can respond to the needs of all of our policyholders while absorbing the financial impact of such tragic events."

Second Quarter Highlights

- Revenues for the three months ended June 30, 2011 were $8.560 billion, an increase of $494 million or 6.1% over the same period in 2010.
- Net written premium for the three months ended June 30, 2011 was $7.723 billion, an increase of $440 million or 6.0% over the same period in 2010.
- Pre-tax operating loss before private equity income for the three months ended June 30, 2011 was $384 million versus $183 million of pre-tax operating income before private equity income in the same period in 2010.
- Pre-tax operating loss for the three months ended June 30, 2011 was $256 million versus $188 million of pre-tax operating income in the same period in 2010.
- Net loss for the three months ended June 30, 2011 was $170 million versus $220 million of net income in the same period in 2010.
- Cash flow from operations for the three months ended June 30, 2011 was $302 million, a decrease of $284 million or 48.5% from the same period in 2010.
- The combined ratio before catastrophes[1] and net incurred losses attributable to prior years[2] for the three months ended June 30, 2011 was 94.5%, a decrease of 2.6 points from the same period in 2010. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company's combined ratio for the three months ended June 30, 2011 increased 7.7 points to 112.4%.

Year-to-Date Highlights

- Revenues for the six months ended June 30, 2011 were $16.941 billion, an increase of $685 million or 4.2% over the same period in 2010.
- Net written premium for the six months ended June 30, 2011 was $15.306 billion, an increase of $814 million or 5.6% over the same period in 2010.

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[1]Catastrophes include all current and prior year catastrophe losses including assessments from the Texas Windstorm Insurance Association ("TWIA") and exclude losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for the 2010 Chilean and New Zealand earthquakes, the 2011 Australian floods, Cyclone Yasi, Japanese earthquake and tsunami, New Zealand earthquakes and the tornadoes and severe storms in the U.S. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

[2] Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (excluding prior year losses related to natural catastrophes) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains.

- Pre-tax operating loss before private equity income for the six months ended June 30, 2011 was $153 million versus $487 million of pre-tax operating income before private equity income in the same period in 2010.

- Pre-tax operating income for the six months ended June 30, 2011 was $185 million, a decrease of $391 million or 67.9% from the same period in 2010.

- Net income for the six months ended June 30, 2011 was $192 million, a decrease of $343 million or 64.1% from the same period in 2010.

- Cash flow from operations for the six months ended June 30, 2011 was $908 million, a decrease of $137 million or 13.1% from the same period in 2010.

- The combined ratio before catastrophes and net incurred losses attributable to prior years for the six months ended June 30, 2011 was 95.7%, a decrease of 1.5 points from the same period in 2010. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company's combined ratio for the six months ended June 30, 2011 increased 4.0 points to 107.5%.

Financial Condition as of June 30, 2011

- Total assets were $115.724 billion as of June 30, 2011, an increase of $3.374 billion over December 31, 2010.

- Policyholders' equity was $17.769 billion as of June 30, 2011, an increase of $791 million over December 31, 2010.

Consolidated Results of Operations for the Three and Six Months Ended June 30, 2011:

	Three Months Ended June 30,			Six Months Ended June 30,		
$ in Millions	**2011**	**2010**	**Change**	**2011**	**2010**	**Change**
Revenues	$8,560	$8,066	6.1%	$16,941	$16,256	4.2%
Pre-tax operating income ("PTOI") before catastrophes, net incurred losses attributable to prior years, private equity income and Venezuelan devaluation	$867	$589	47.2%	$1,477	$1,193	23.8%
Catastrophes[1,2]	(1,263)	(482)	162.0	(1,851)	(927)	99.7
Net incurred losses attributable to prior years:						
- Asbestos & environmental	(1)	-	NM	(2)	(3)	(33.3)
- All other[3]	13	(29)	NM	223	87	156.3
Venezuelan devaluation	-	105	(100.0)	-	137	(100.0)
Pre-tax operating (loss) income before private equity income	(384)	183	NM	(153)	487	NM
Private equity income	128	5	NM	338	89	NM
Pre-tax operating (loss) income	(256)	188	NM	185	576	(67.9)
Realized gains, net	51	111	(54.1)	127	206	(38.3)
Loss on extinguishment of debt	(40)	-	NM	(40)	-	NM
Income tax benefit (expense)	75	(79)	NM	(80)	(247)	(67.6)
Net (loss) income	($170)	$220	NM	$192	$535	(64.1%)
Cash flow from operations	$302	$586	(48.5%)	$908	$1,045	(13.1%)

1 Catastrophes include all current and prior year catastrophe losses including assessments from TWIA and exclude losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for the 2010 Chilean and New Zealand earthquakes, the 2011 Australian floods, Cyclone Yasi, Japanese earthquake and tsunami, New Zealand earthquakes and the tornadoes and severe storms in the U.S. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Catastrophes exclude the catastrophe losses ceded under the homeowners quota share agreement.

3 Net of earned premium attributable to prior years of $9 million and $16 million for the three and six months ended June 30, 2011 and ($107) million and ($95) million for the comparable periods in 2010. Net of amortization of deferred gains on retroactive reinsurance of $14 million and $113 million for the three and six months ended June 30, 2011 and $17 million and $35 million for the comparable periods in 2010. 2011 reflects a gain on commutation of two retroactive reinsurance contracts during the first quarter.

NM = Not Meaningful

Financial Information: Liberty Mutual Group'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 six months ended June 30, 2011 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 11:00 a.m. EDT today, David Long, Liberty Mutual Group President and CEO, will host a conference call to discuss the Company's financial results. To listen to the call and participate in the Q&A, please dial 800-857-2190, providing the pass code "Liberty" when prompted. A replay will be available until 5:00 p.m. on August 12, 2011 at 800-879-3992.

About Liberty Mutual Group

Boston-based Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Group of entities ("LMG" or the "Company"), is a diversified global insurer and third largest property and casualty insurer in the U.S. based on 2010 net written premium. The Company also ranks 82nd on the Fortune 100 list of largest corporations in the United States based on 2010 revenue. As of December 31, 2010, LMG had $112.350 billion in consolidated assets, $95.372 billion in consolidated liabilities, and $33.193 billion in annual consolidated revenue.

LMG, through its subsidiaries and affiliated companies, offers a wide range of property-casualty insurance products and services to individuals and businesses alike. In 2001 and 2002, the Company formed a mutual holding company structure, whereby the three principal mutual insurance companies, Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company and Employers Insurance Company of Wausau, each became separate stock insurance companies under the ownership of Liberty Mutual Holding Company Inc.

Functionally, the Company conducts substantially all of its business through four strategic business units: Liberty Mutual Agency Corporation, International, Personal Markets and Commercial Markets. Each business unit operates independently of the others and has dedicated sales, underwriting, claims, actuarial, financial and certain information technology resources. Management believes this structure allows each business unit to execute its business strategy and/or to make acquisitions without impacting or disrupting the operations of the Company's other business units.

LMG employs more than 45,000 people in more than 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.

Cautionary Statement Regarding Forward Looking Statements

This press release 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, 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 and limited liability companies; 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 cyclicality 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.

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