Liberty Mutual Insurance Reports Second Quarter 2016 Results

BOSTON, Mass., August 3, 2016 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively "LMHC" or the "Company") today reported net income attributable to LMHC of $15 million and $408 million for the three and six months ended June 30, 2016, decreases of $239 million and $122 million from the same periods in 2015. Including $5 million of net loss and $5 million of net income attributable to non-controlling interest, consolidated net income for the three and six months ended June 30, 2016 was $10 million and $413 million, respectively.

"Energy investments continue to have a detrimental effect on overall results" said David H. Long, Liberty Mutual Insurance Chairman and CEO. "Pre-tax losses from energy were $220 million in the quarter, including $110 million in impairments. Total realized investment losses were $95 million versus a gain of $241 million last year, leading to net income of $15 million in the quarter versus $254 million a year ago."

"Investments aside, net operating income was $123 million in the quarter, up 12% despite elevated catastrophe losses, combined ratio improved 1.2 points to 101.4%, and net written premium increased 1.2% after the impact of foreign exchange."

Second Quarter Highlights

- Net written premium ("NWP") for the three months ended June 30, 2016 was $9.018 billion, an increase of $103 million or 1.2% over the same period in 2015.

- Pre-tax operating income ("PTOI") before partnerships, limited liability companies ("LLC") and other equity method (loss) income for the three months ended June 30, 2016 was $173 million, an increase of $24 million or 16.1% over the same period in 2015.

- Net operating income before partnerships, LLC and other equity method (loss) income for the three months ended June 30, 2016 was $123 million, an increase of $13 million or 11.8% over the same period in 2015.

- Partnerships, LLC and other equity method (loss) income for the three months ended June 30, 2016 was ($59) million, versus $51 million in the same period in 2015.

- Net realized (losses) gains for the three months ended June 30, 2016 were ($95) million, versus $241 million in the same period in 2015.

- Consolidated net income from continuing operations for the three months ended June 30, 2016 was $10 million, a decrease of $286 million or 96.6% from the same period in 2015.

- Discontinued operations, net of tax for the three months ended June 30, 2016 were zero versus ($47) million in the same period in 2015.

- Net income attributable to LMHC for the three months ended June 30, 2016 was $15 million, a decrease of $239 million or 94.1% from the same period in 2015.

- Cash flow provided by operations for the three months ended June 30, 2016 was $346 million, a decrease of $295 million or 46.0% from the same period in 2015.

- The consolidated combined ratio before catastrophes[1], net incurred losses attributable to prior years[2] and current accident year re-estimation[3] for the three months ended June 30, 2016 was 91.4%, an improvement of 1.2 points over the same period in 2015. Including the impact of catastrophes, net incurred losses attributable to prior

[1] 2016 catastrophes include all current accident year catastrophe losses for Canadian wildfires, Ecuador earthquake, severe storms in the U.S. and Cyclone Winston. 2015 catastrophes include all current accident year catastrophe losses for severe storms in the U.S., Cyclone Niklas, New South Wales severe storms and Chile floods. 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 (including prior year losses related to natural catastrophes and prior year catastrophe reinstatement premium) including earned premium attributable to prior years.

[3] Re-estimation of the current accident year loss reserves for the three months ended March 31, 2016.

years and current accident year re-estimation, the Company's combined ratio for the three months ended June 30, 2016 improved 1.2 points to 101.4%.

Year-to-date Highlights

- NWP for the six months ended June 30, 2016 was $17.790 billion, an increase of $149 million or 0.8% over the same period in 2015.
- PTOI before partnerships, LLC and other equity method loss for the six months ended June 30, 2016 was $787 million, an increase of $93 million or 13.4% over the same period in 2015.
- Net operating income before partnerships, LLC and other equity method loss for the six months ended June 30, 2016 was $528 million, an increase of $14 million or 2.7% over the same period in 2015.
- Partnerships, LLC and other equity method loss for the six months ended June 30, 2016 were $36 million, an increase of $34 million over the same period in 2015.
- Net realized (losses) gains for the six months ended June 30, 2016 were ($134) million, versus $278 million in the same period in 2015.
- Consolidated net income from continuing operations for the six months ended June 30, 2016 was $413 million, a decrease of $273 million or 39.8% from the same period in 2015.
- Discontinued operations, net of tax for the six months ended June 30, 2016 were zero versus ($165) million in the same period in 2015.
- Net income attributable to LMHC for the six months ended June 30, 2016 was $408 million, a decrease of $122 million or 23.0% from the same period in 2015.
- Cash flow provided by operations for the six months ended June 30, 2016 was $645 million, a decrease of $489 million or 43.1% from the same period in 2015.
- The consolidated combined ratio before catastrophes and net incurred losses attributable to prior years for the six months ended June 30, 2016 was 91.0%, an improvement of 1.4 points over the same period in 2015. 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, 2016 improved 1.0 point to 98.9%.

Financial Condition as of June 30, 2016

- Total debt was $8.002 billion as of June 30, 2016, an increase of $813 million or 11.3% over December 31, 2015.
- Total equity was $21.206 billion as of June 30, 2016, an increase of $1.965 billion or 10.2% over December 31, 2015.

Subsequent Events

Management has assessed material subsequent events through August 3, 2016, the date the financial statements were available to be issued.

Consolidated Net Operating Income

$ in Millions	Three Months Ended June 30, 2016	2015	Change	Six Months Ended June 30, 2016	2015	Change
Net operating income before partnerships, LLC and other equity method (loss) income	$123	$110	11.8%	$528	$514	2.7%
Partnerships, LLC and other equity method (loss) income, net of tax	(38)	33	NM	(20)	(1)	NM
Net realized (losses) gains, net of tax	(70)	158	NM	(95)	182	NM
Loss on extinguishment of debt, net of tax	-	-	-	(5)	-	NM
Discontinued operations, net of tax	-	(47)	(100.0)	-	(165)	(100.0)
Net income attributable to LMHC	$15	$254	(94.1%)	$408	$530	(23.0%)

NM = Not Meaningful

Consolidated Results of Operations

$ in Millions	Three Months Ended June 30, 2016	2015	Change	Six Months Ended June 30, 2016	2015	Change
Revenues	$9,389	$9,703	(3.2%)	$18,751	$18,970	(1.2%)
PTOI before catastrophes, net incurred losses attributable to prior years, current accident year re-estimation and partnerships, LLC and other equity method (loss) income	$987	$950	3.9%	$2,059	$1,888	9.1%
Catastrophes[1]	(832)	(800)	4.0	(1,382)	(1,296)	6.6
Net incurred losses attributable to prior years:						
- Asbestos & environmental[2]	9	(1)	NM	9	(2)	NM
- All other[3,4]	45	-	NM	101	104	(2.9)
Current accident year re-estimation[5]	(36)	-	NM	-	-	-
PTOI before partnerships, LLC and other equity method (loss) income	173	149	16.1	787	694	13.4
Partnerships, LLC and other equity method (loss) income [6]	(59)	51	NM	(36)	(2)	NM
PTOI	114	200	(43.0)	751	692	8.5
Net realized (losses) gains	(95)	241	NM	(134)	278	NM
Loss on extinguishment of debt	-	-	-	(8)	-	NM
Pre-tax income	19	441	(95.7)	609	970	(37.2)
Income tax expense	9	145	(93.8)	196	284	(31.0)
Consolidated net income from continuing operations	10	296	(96.6)	413	686	(39.8)
Discontinued operations, net of tax	-	(47)	(100.0)	-	(165)	(100.0)
Consolidated net income	10	249	(96.0)	413	521	(20.7)
Less: Net (loss) income attributable to non-controlling interest	(5)	(5)	-	5	(9)	NM
Net income attributable to LMHC	$15	$254	(94.1%)	$408	$530	(23.0%)
Cash flow provided by operations	$346	$641	(46.0%)	$645	$1,134	(43.1%)

1 2016 catastrophes include all current accident year catastrophe losses for Canadian wildfires, Ecuador earthquake, severe storms in the U.S. and Cyclone Winston. 2015 catastrophes include all current accident year catastrophe losses for severe storms in the U.S., Cyclone Niklas, New South Wales severe storms and Chile floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Gross of the NICO Reinsurance Transaction.

3 The six months ended June 30, 2015 include a one-time benefit of $91 million due to a reduction in the estimated prior years' liability for state assessments related to workers compensation.

4 Net of earned premium and reinstatement premium attributable to prior years of ($8) million and ($7) million for the three and six months ended June 30, 2016 and $2 million and $5 million for the same periods in 2015.

5 Re-estimation of the current accident year loss reserves for the three months ended March 31, 2016.

6 Partnerships, LLC and other equity method (loss) income includes limited partnerships ("LP"), LLC and other equity method (loss) income within net investment income in the accompanying Consolidated Statements of Income and revenue and expenses from the production and sale of oil and gas.

NM = Not Meaningful

Financial Information: 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 six months ended June 30, 2016 are available on the Company's Investor Relations web site at www.libertymutualgroup.com/investors.

Conference Call Information: At 9:00 a.m. EST on August 4, 2016, David H. Long, Liberty Mutual Insurance Chairman 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 18, 2016 at 866-361-4941.

About Liberty Mutual Insurance

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and fifth largest property and casualty insurer in the U.S. based on 2015 direct written premium. The Company also ranks 73rd on the Fortune 100 list of largest corporations in the U.S. based on 2015 revenue. As of December 31, 2015, LMHC had $121.665 billion in consolidated assets[1], $102.424 billion in consolidated liabilities[1], and $37.617 billion in annual consolidated revenue.

LMHC, 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 LMHC.

Functionally, the Company conducts substantially all of its business through the SBUs, 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 and/or to make acquisitions without impacting or disrupting the operations of the Company's other business units.

LMHC employs more than 50,000 people in over 800 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.libertymutualgroup.com/investors.

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 LPs, LLCs, commercial mortgages and natural resource working interests; 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; the Company's inability to obtain price increases or maintain market share due to competition or

[1] Reflects the 2016 adoption of the Financial Accounting Standards Board issued Accounting Standards Update 2015-03, *Imputation of Interest* (Accounting Standards Codification 835).

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.libertymutualgroup.com/investors. The Company undertakes no obligation to update these forward looking statements.

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