Liberty Mutual Insurance Reports Fourth Quarter and Full Year 2012 Results

BOSTON, Mass., March 1, 2013 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively "LMHC" or the "Company") today reported net (loss) income of ($234) million and $829 million for the three and twelve months ended December 31, 2012, respectively, versus $285 million and $358 million in the same periods in 2011.

"Net income of $829 million for the year reflects the continued improvement in our operating results despite elevated levels of catastrophe losses," said David H. Long, President and CEO of Liberty Mutual Insurance. "Our net loss of $234 million in the quarter was principally driven by a $576 million after tax loss from Superstorm Sandy, and I'd like to express my gratitude to our claims professionals for their extraordinary response to help our policyholders post the event.

"Full year financial results also included a $125 million loss, after tax, from the refinancing of debt and a $64 million after tax loss associated with the realignment of our operating units.

"Net written premium growth remained robust at 7.6% for the year. I continue to be optimistic about future growth opportunities and with the momentum we have to improve profitability going forward."

Fourth Quarter Highlights

- Revenues for the three months ended December 31, 2012 were $9.628 billion, an increase of $665 million or 7.4% over the same period in 2011.

- Net written premium ("NWP") for the three months ended December 31, 2012 was $8.491 billion, an increase of $783 million or 10.2% over the same period in 2011.

- Pre-tax operating loss before private limited partnership ("LP") and limited liability company ("LLC") income for the three months ended December 31, 2012 was $622 million, which includes approximately $886 million of catastrophe losses due to Superstorm Sandy, versus pre-tax operating income ("PTOI") before LP and LLC income of $156 million in the same period in 2011.

- Pre-tax operating loss for the three months ended December 31, 2012 was $523 million versus PTOI of $263 million in the same period in 2011.

- Strategic Business Unit ("SBU") realignment expenses for the three months ended December 31, 2012 were $57 million versus zero for the same period in 2011.

- Loss on extinguishment of debt for the three months ended December 31, 2012 was $30 million, a decrease of $3 million or 9.1% from the same period in 2011. $56 million of debt with a weighted average interest rate of 10.75% was repurchased in the quarter. There was no debt issued and there were no debt maturities in the quarter.

- Net loss attributable to LMHC for the three months ended December 31, 2012 was $234 million versus $285 million net income attributable to LMHC in the same period in 2011.

- Cash flow from operations for the three months ended December 31, 2012 was $667 million, an increase of $31 million or 4.9% over the same period in 2011.

- 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 December 31, 2012 was 97.6%, a decrease of

[1]Catastrophes include all current and prior accident year catastrophe losses excluding losses related to the Company's external reinsurance assumed lines except for Hurricane Isaac, the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods, the 2011 and 2012 tornadoes and other severe storms in the U.S. including Superstorm Sandy. 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.
[3]Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2012 and September 30, 2011.

0.8 points from the same period in 2011. Including the impact of catastrophes, net incurred losses attributable to prior years and current accident year re-estimation, the Company's combined ratio for the three months ended December 31, 2012 increased 8.7 points to 112.9%.

Year-to-Date Highlights

- Revenues for the twelve months ended December 31, 2012 were $36.944 billion, an increase of $2.273 billion or 6.6% over the same period in 2011.

- NWP for the twelve months ended December 31, 2012 was $33.555 billion, an increase of $2.360 billion or 7.6% over the same period in 2011.

- PTOI before LP and LLC income for the twelve months ended December 31, 2012 was $351 million versus $345 million of pre-tax operating loss before LP and LLC income in the same period in 2011.

- PTOI for the twelve months ended December 31, 2012 was $704 million, an increase of $466 million or 195.8% over the same period in 2011.

- SBU realignment expenses for the twelve months ended December 31, 2012 were $99 million versus zero for the same period in 2011.

- Loss on extinguishment of debt for the twelve months ended December 31, 2012 was $193 million, an increase of $83 million or 75.5% over the same period in 2011. $893 million of debt with a weighted average interest rate of 8.32% was repurchased in 2012, $1.800 billion was issued with a weighted average interest rate of 5.45%, and $204 million of debt matured.

- Net income attributable to LMHC for the twelve months ended December 31, 2012 was $829 million, an increase of $471 million or 131.6% over the same period in 2011.

- Cash flow from operations for the twelve months ended December 31, 2012 was $2.911 billion, an increase of $753 million or 34.9% over the same period in 2011.

- The consolidated combined ratio before catastrophes and net incurred losses attributable to prior years for the twelve months ended December 31, 2012 was 97.1%, a decrease of 0.5 points from the same period in 2011. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company's combined ratio for the twelve months ended December 31, 2012 decreased 2.8 points to 104.7%.

Financial Condition as of December 31, 2012

- Total assets were $120.060 billion as of December 31, 2012, an increase of $3.209 billion over December 31, 2011.

- Total equity was $18.525 billion as of December 31, 2012, an increase of $926 million over December 31, 2011.

Consolidated Results of Operations for the Three and Twelve Months Ended December 31, 2012 and 2011:

	Three Months Ended December 31,			Twelve Months Ended December 31,		
$ in Millions	**2012**	**2011**	**Change**	**2012**	**2011**	**Change**
Revenues	$9,628	$8,963	7.4%	$36,944	$34,671	6.6%
PTOI before catastrophes, net incurred losses attributable to prior years, current accident year re-estimation and LP and LLC income	$559	$594	(5.9%)	$2,581	$2,458	5.0%
Catastrophes[1]	(843)	(234)	NM	(1,860)	(2,681)	(30.6)
Net incurred losses attributable to prior years:						
- Asbestos & environmental[2]	2	(10)	NM	(56)	(351)	(84.0)
- All other[3]	(319)	(74)	NM	(314)	229	NM
Current accident year re-estimation[4]	(21)	(120)	(82.5)	-	-	-
Pre-tax operating (loss) income before LP and LLC income	(622)	156	NM	351	(345)	NM
LP and LLC income[5]	99	107	(7.5)	353	583	(39.5)
Pre-tax operating (loss) income	(523)	263	NM	704	238	195.8
Net realized gains (losses)	185	(10)	NM	534	158	NM
SBU realignment expenses	(57)	-	NM	(99)	-	NM
Loss on extinguishment of debt	(30)	(33)	(9.1)	(193)	(110)	75.5
Pre-tax (loss) income	(425)	220	NM	946	286	NM
Income tax benefit (expense)	225	63	NM	(90)	75	NM
Consolidated net (loss) income	(200)	283	NM	856	361	137.1
Less: Net income (loss) attributable to non-controlling interest	34	(2)	NM	27	3	NM
Net (loss) income attributable to LMHC	($234)	$285	NM	$829	$358	131.6%
Cash flow from operations	$667	$636	4.9%	$2,911	$2,158	34.9%

1 Catastrophes include all current and prior accident year catastrophe losses excluding losses related to the Company's external reinsurance assumed lines except for Hurricane Isaac, the 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods, the 2011 and 2012 tornadoes and other severe storms in the U.S. including Superstorm Sandy. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 2011 includes $294 million of strengthening of asbestos related reserves in connection with a ground-up reserve study.

3 Net of earned premium attributable to prior years of $3 million and $56 million for the three and twelve months ended December 31, 2012 and ($41) million and ($26) million for the same periods in 2011. Net of amortization of deferred (losses) gains on retroactive reinsurance of ($3) million and $29 million for the three and twelve months ended December 31, 2012 and $5 million and $134 million for the same periods in 2011. 2011 reflects a gain on commutation of two retroactive reinsurance contracts during the first quarter.

4 Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2012 and September 30, 2011.

5 LP and LLC income is included in net investment income in the accompanying consolidated statements of income.

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 twelve months ended December 31, 2012 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 11:00 a.m. EST today, David Long, Liberty Mutual Insurance 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 March 15, 2013 at 800-835-4373.

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 2011 direct written premium. The Company also ranks 84th on the Fortune 100 list of largest corporations in the U.S. based on 2011 revenue. As of December 31, 2012, LMHC had \$120.060 billion in consolidated assets, \$101.535 billion in consolidated liabilities, and \$36.944 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 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 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 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, tornadoes, 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 and LLCs; 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.

Contact:	Investor Relations	Media Relations
	Alison Erbig	Rich Angevine
	617-574-6655	617-574-6638