



**Liberty
Mutual[®]**

INSURANCE

Fourth Quarter and Full Year 2015 Results

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"), limited liability companies ("LLC"), 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 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.libertymutualgroup.com/investors. The Company undertakes no obligation to update these forward looking statements.

Liberty Mutual Overview

Mission statement: Helping people live safer, more secure lives



Strategic Business Units (SBUs)

Personal Insurance

- Personal Lines
- Safeco

Commercial Insurance

- Business Insurance
- National Insurance
- Liberty Mutual Benefits (LMB)
- Other Commercial Insurance

Liberty International

- Latin America & Iberia
- Emerging Europe
- Asia
- Large Emerging Markets

Global Specialty

- Liberty Specialty Markets (LSM) – Specialty, Commercial and Reinsurance.
- Liberty International Underwriters (LIU)
- Liberty Mutual Surety (LM Surety)

- Mutual holding company structure
- \$121.7B of assets and \$37.6B of revenues in 2015
- The most diversified P&C insurer
- 78th among Fortune 500 companies¹
- 3rd largest P&C writer in the U.S.²
- 4th largest commercial lines writer in the U.S.²
- 5th largest personal lines writer in the U.S.²
- 6th largest global P&C insurer³

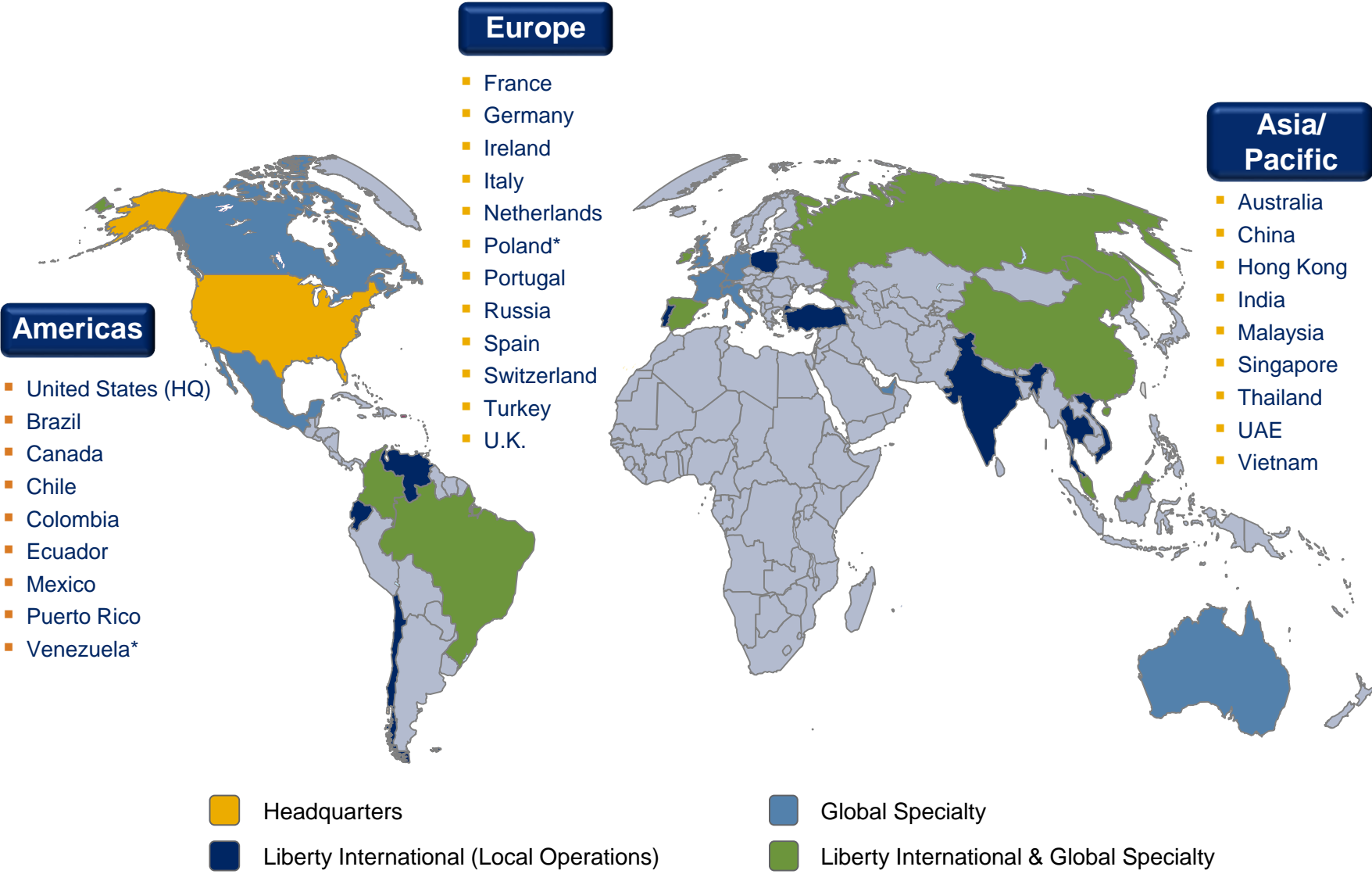
¹ Based on 2014 Revenue – as reported.

² Based on 2014 DWP.

³ Based on 2014 GWP.

Liberty Mutual's Global Presence

LMIG operates in 30 countries and economies around the globe

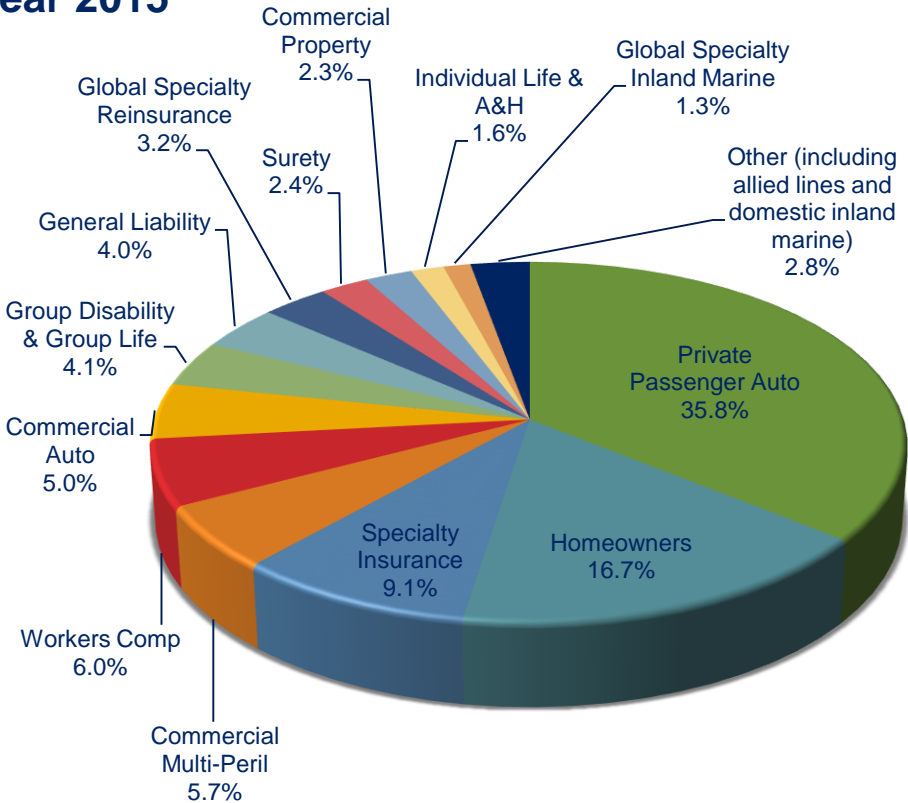
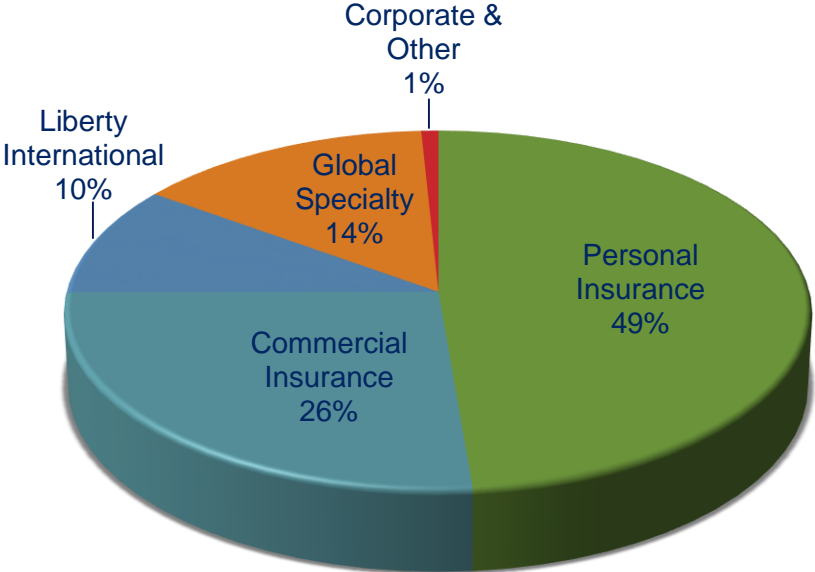


Analysis of Consolidated Net Written Premium “NWP”

NWP by SBU

NWP by line of business

Full Year 2015



NWP of \$34.5 billion increased 0.6% over 2014.

Consolidated Results

| \$ millions | Fourth Quarter | | | Full Year | | |
|--|----------------|----------------|----------------|-----------------|-----------------|----------------|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| NWP | \$8,116 | \$8,231 | (1.4%) | \$34,533 | \$34,332 | 0.6% |
| Pre-tax operating income ("PTOI") before partnerships, LLC and other equity method (loss) income | \$661 | \$782 | (15.5%) | \$2,026 | \$2,062 | (1.7%) |
| Partnerships, LLC, and other equity method (loss) income ¹ | (84) | 38 | NM | (34) | 641 | NM |
| Net realized losses | (46) | (113) | (59.3) | (24) | (100) | (76.0) |
| Net income from continuing operations | 445 | 464 | (4.1) | 1,443 | 1,825 | (20.9) |
| Discontinued operations, net of tax | - | 84 | (100.0) | (909) | (35) | NM |
| Net income attributable to LMHC | \$411 | \$553 | (25.7%) | \$514 | \$1,814 | (71.7%) |
| Cash flow provided by operations | \$890 | \$1,009 | (11.8%) | \$3,543 | \$630 | NM |

| \$ millions | As of December 31, | | |
|---------------------|--------------------|-----------------|---------------|
| | 2015 | 2014 | Change |
| Total equity | \$19,241 | \$20,291 | (5.2%) |

¹ Partnerships, LLC and other equity method (loss) income includes 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

Consolidated Results

| | Fourth Quarter | | | Full Year | | |
|--|----------------|--------------|------------|--------------|--------------|------------|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| Claims and claim adjustment expense ratio | 62.1% | 61.2% | 0.9 | 61.3% | 61.7% | (0.4) |
| Underwriting expense ratio | 32.0 | 31.6 | 0.4 | 31.6 | 31.0 | 0.6 |
| Dividend ratio | - | - | - | 0.1 | - | 0.1 |
| Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation | 94.1% | 92.8% | 1.3 | 93.0% | 92.7% | 0.3 |
| Catastrophes ¹ | 3.6 | 1.9 | 1.7 | 5.7 | 5.0 | 0.7 |
| Net incurred losses attributable to prior years | | | | | | |
| - Asbestos & environmental | - | - | - | - | 0.3 | (0.3) |
| - All other ^{2,3} | (1.8) | (0.5) | (1.3) | (0.9) | (0.2) | (0.7) |
| Current accident year re-estimation ⁴ | (0.2) | - | (0.2) | - | - | - |
| Total combined ratio⁵ | 95.7% | 94.2% | 1.5 | 97.8% | 97.8% | - |

¹ 2015 catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Australia, Cyclone Niklas, Chile earthquake and Chile floods. 2014 catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, Hurricane Odile and Hailstorm Ela. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² The twelve months ended December 31, 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.

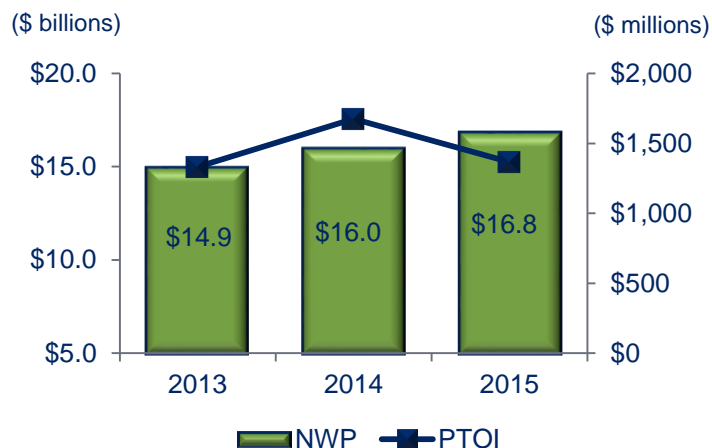
³ Net of earned premium and reinstatement premium attributable to prior years and amortization of deferred gains on retroactive reinsurance.

⁴ Re-estimation of the current accident year earned but not reported premium and loss reserves for the nine months ended September 30, 2015.

⁵ The combined ratio, expressed as a percentage, is a measure of underwriting profitability. This measure should only be used in conjunction with, and not in lieu of, underwriting income and may not be comparable to other performance measures used by the Company's competitors. The combined ratio is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense less managed care income to earned premium; the ratio to earned premium of insurance operating costs plus amortization of deferred policy acquisition costs less third-party administration income and fee income (primarily related to the Company's involuntary market servicing carrier operations) and installment charges; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premium and reinsurance are not included in the combined ratio unless related to an asbestos and environmental commutation and certain other run off.

Personal Insurance

NWP & PTOI



Segment Highlights

- Distributes through independent agent channel under the Safeco brand and through other channels under the Liberty Mutual brand
- 5th largest writer of personal lines in the U.S.²
- 2nd largest independent agency writer in the U.S.³
- Market leader in affinity marketing, with over 20,000 sponsored affinity relationships

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 Based on 2014 DWP.

³ Based on Q4 2015 DWP (rolling 12-months).

NM= Not Meaningful

Financial Performance

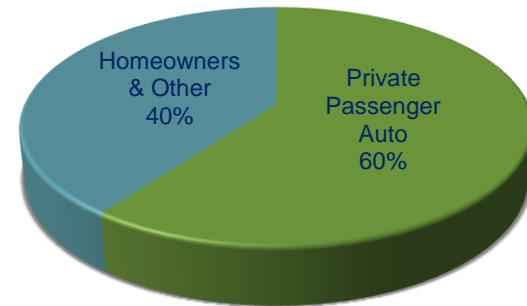
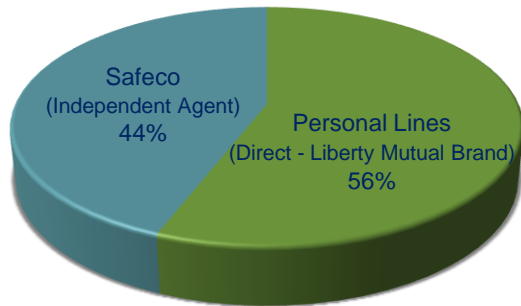
| \$ millions | Fourth Quarter | | | Full Year | | |
|---|----------------|----------------|----------------|-----------------|-----------------|----------------|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| NWP | \$4,079 | \$3,852 | 5.9% | \$16,807 | \$15,952 | 5.4% |
| PTOI before catastrophes and net incurred losses attributable to prior years | \$657 | \$693 | (5.2%) | \$2,773 | \$2,698 | 2.8% |
| Catastrophes ¹ | (185) | 2 | NM | (1,406) | (977) | 43.9 |
| Net incurred losses attributable to prior years | 9 | (6) | NM | (1) | (47) | (97.9) |
| Pre-tax operating income | \$481 | \$689 | (30.2%) | \$1,366 | \$1,674 | (18.4%) |
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| Claims and claim adjustment expense ratio | 61.4% | 60.4% | 1.0 | 60.5% | 60.3% | 0.2 |
| Underwriting expense ratio | 26.0 | 25.0 | 1.0 | 25.6 | 25.2 | 0.4 |
| Combined ratio before catastrophes and net incurred losses attributable to prior years | 87.4% | 85.4% | 2.0 | 86.1% | 85.5% | 0.6 |
| Catastrophes ¹ | 4.4 | (0.1) | 4.5 | 8.7 | 6.3 | 2.4 |
| Net incurred losses attributable to prior years | (0.2) | 0.2 | (0.4) | - | 0.3 | (0.3) |
| Total combined ratio | 91.6% | 85.5% | 6.1 | 94.8% | 92.1% | 2.7 |

Personal Insurance NWP Distribution

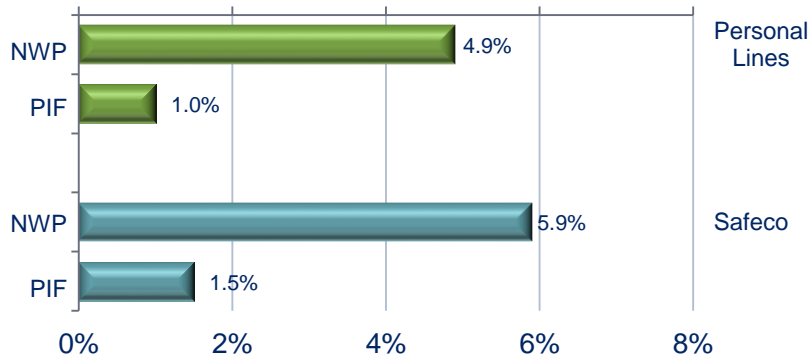
NWP by market segment

NWP by line of business

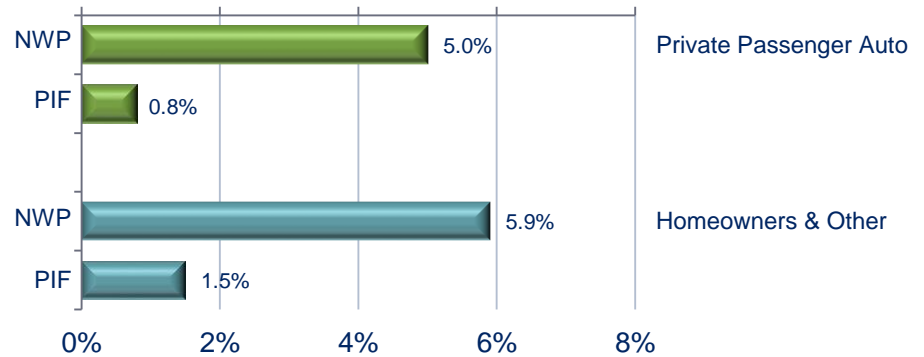
Full Year 2015



YOY Change



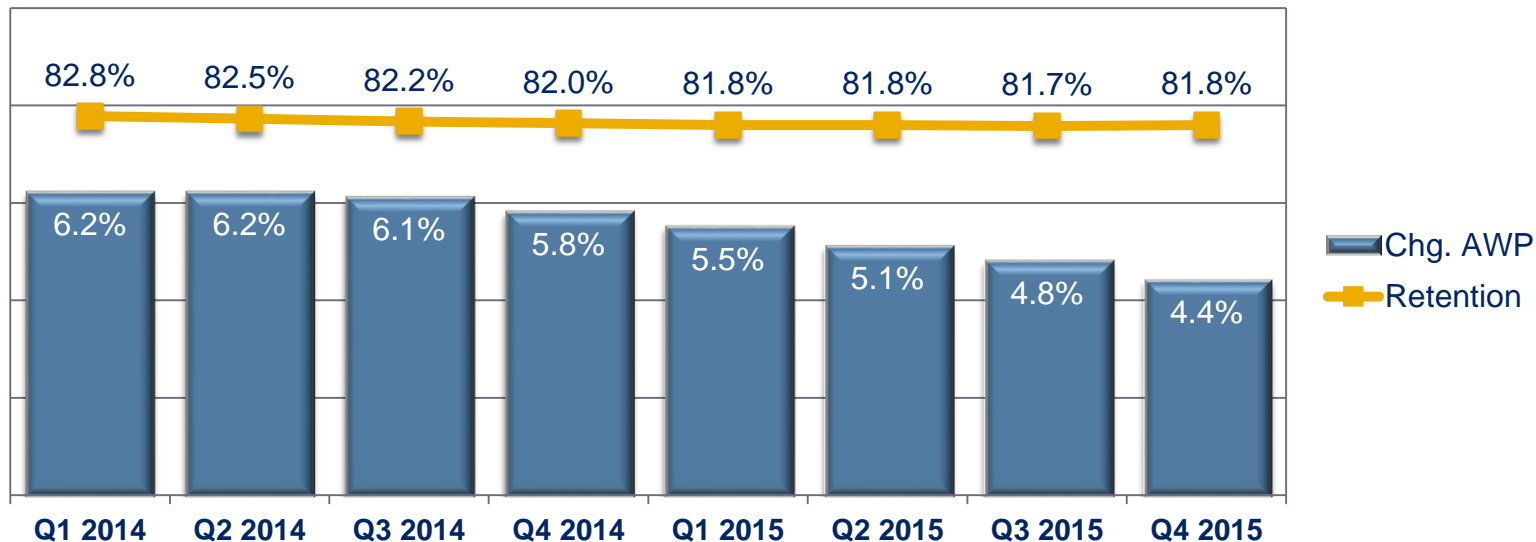
YOY Change



NWP in 2015 totaled \$16.8 billion, an increase of 5.4% over the same period in 2014.

YOY: Year-over-Year
PIF: Policies in force

Personal Insurance: Average Written Premium (AWP) & Retention

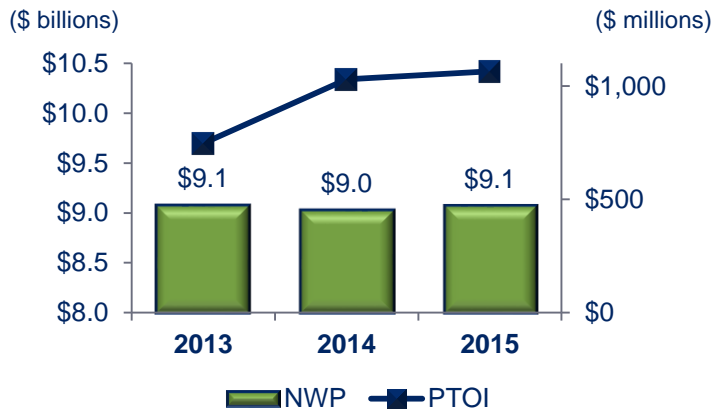


| | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Private Passenger Auto | | | | | | | | |
| Chg. AWP | 5.0% | 4.9% | 4.9% | 4.8% | 4.8% | 4.8% | 4.7% | 4.7% |
| Retention | 82.1% | 81.8% | 81.4% | 81.2% | 81.0% | 81.0% | 81.1% | 81.3% |
| Homeowners | | | | | | | | |
| Chg. AWP | 7.6% | 7.7% | 7.3% | 6.9% | 6.3% | 5.4% | 4.9% | 4.0% |
| Retention | 83.5% | 83.3% | 83.1% | 82.9% | 82.7% | 82.6% | 82.3% | 82.3% |

*Note: Figures are reported on a 12-month rolling basis.

Commercial Insurance

NWP & PTOI



Segment Highlights

- As an SBU, 7th largest U.S. P&C commercial lines insurer measured by DWP - \$8.3B⁵
- Equipped to underwrite and service a wide spectrum of exposures, from small proprietors to multi-nationals
- Approximately 5,700 active P&C independent agents and brokers in 12,100 locations
- LMB formed in 2014 (includes Life and Disability)

Financial Performance

| \$ millions | Fourth Quarter | | | Full Year | | |
|--|----------------|----------------|----------------|----------------|----------------|---------------|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| NWP | \$2,180 | \$2,172 | 0.4% | \$9,077 | \$9,032 | 0.5% |
| PTOI before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation | \$286 | \$330 | (13.3%) | \$1,227 | \$1,279 | (4.1%) |
| Catastrophes ¹ | (85) | (43) | 97.7 | (302) | (325) | (7.1) |
| Net incurred losses attributable to prior years ^{2,3} | 47 | 26 | 80.8 | 140 | 76 | 84.2 |
| Current accident year re-estimation ⁴ | 15 | - | NM | - | - | - |
| Pre-tax operating income | \$263 | \$313 | (16.0%) | \$1,065 | \$1,030 | 3.4% |
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| Claims and claim adjustment expense ratio | 61.6% | 61.5% | 0.1 | 61.5% | 63.0% | (1.5) |
| Underwriting expense ratio | 36.4 | 34.6 | 1.8 | 35.1 | 33.3 | 1.8 |
| Dividend ratio | 0.1 | 0.1 | - | 0.1 | 0.1 | - |
| Combined ratio before catastrophes, net incurred losses attributable to prior years and current accident year re-estimation | 98.1% | 96.2% | 1.9 | 96.7% | 96.4% | 0.3 |
| Catastrophes ¹ | 4.6 | 2.3 | 2.3 | 4.1 | 4.4 | (0.3) |
| Net incurred losses attributable to prior years ^{2,3} | (2.6) | (1.4) | (1.2) | (1.9) | (1.0) | (0.9) |
| Current accident year re-estimation ⁴ | (0.8) | - | (0.8) | - | - | - |
| Total combined ratio | 99.3% | 97.1% | 2.2 | 98.9% | 99.8% | (0.9) |

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

²The twelve months ended December 31, 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.

³Net of earned premium and reinstatement premium attributable to prior years of \$36 and \$39 million for the three and twelve months ended December 31, 2015 and (\$1) million and \$16 million for the same periods in 2014. Net of amortization of deferred gains on assumed retroactive reinsurance of zero and \$1 million for the three and twelve months ended December 31, 2015 and \$1 million and \$2 million for the same periods in 2014.

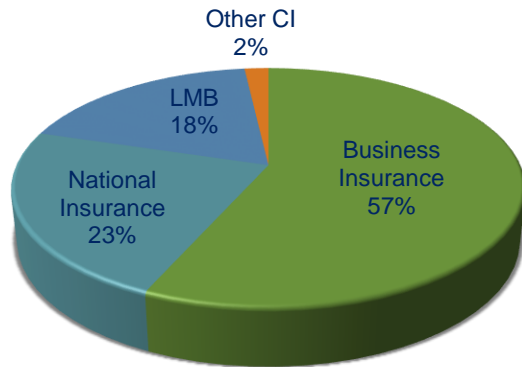
⁴Re-estimation of the current accident year earned but not reported premium and loss reserves for the nine months ended September 30, 2015.

⁵Based on 2014 DWP (excludes LMB).

NM = Not Meaningful

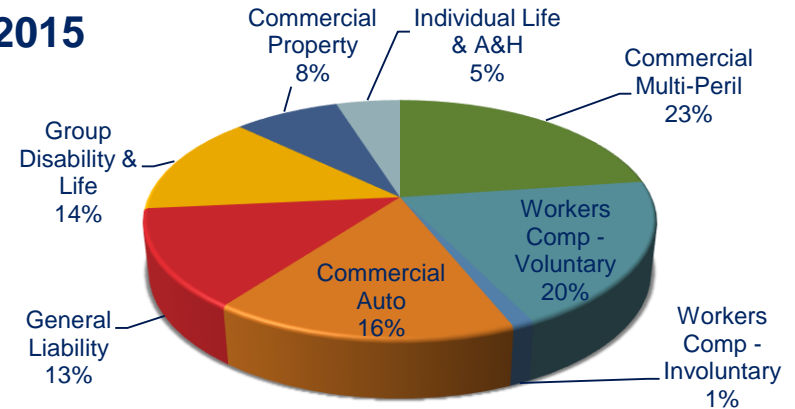
Commercial Insurance NWP Distribution

NWP by market segment

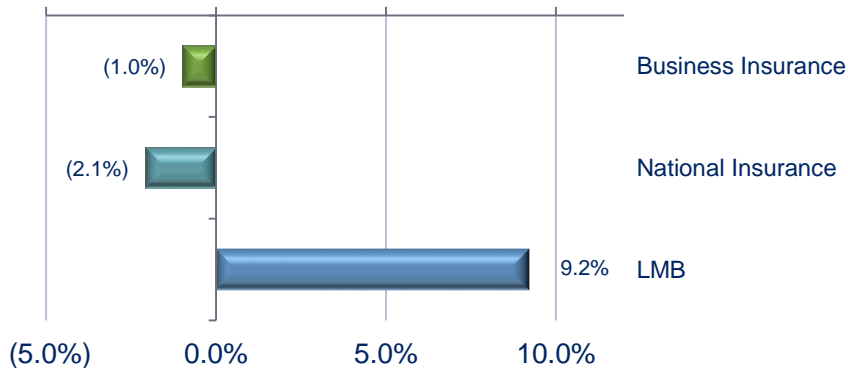


NWP by line of business

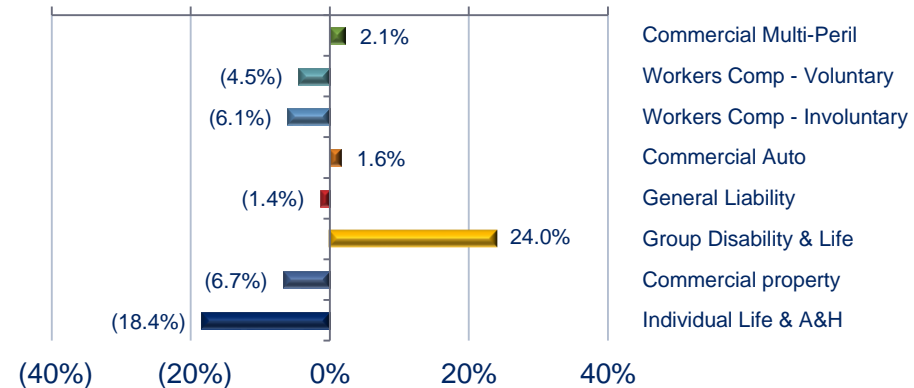
Full Year 2015



YOY Change in NWP



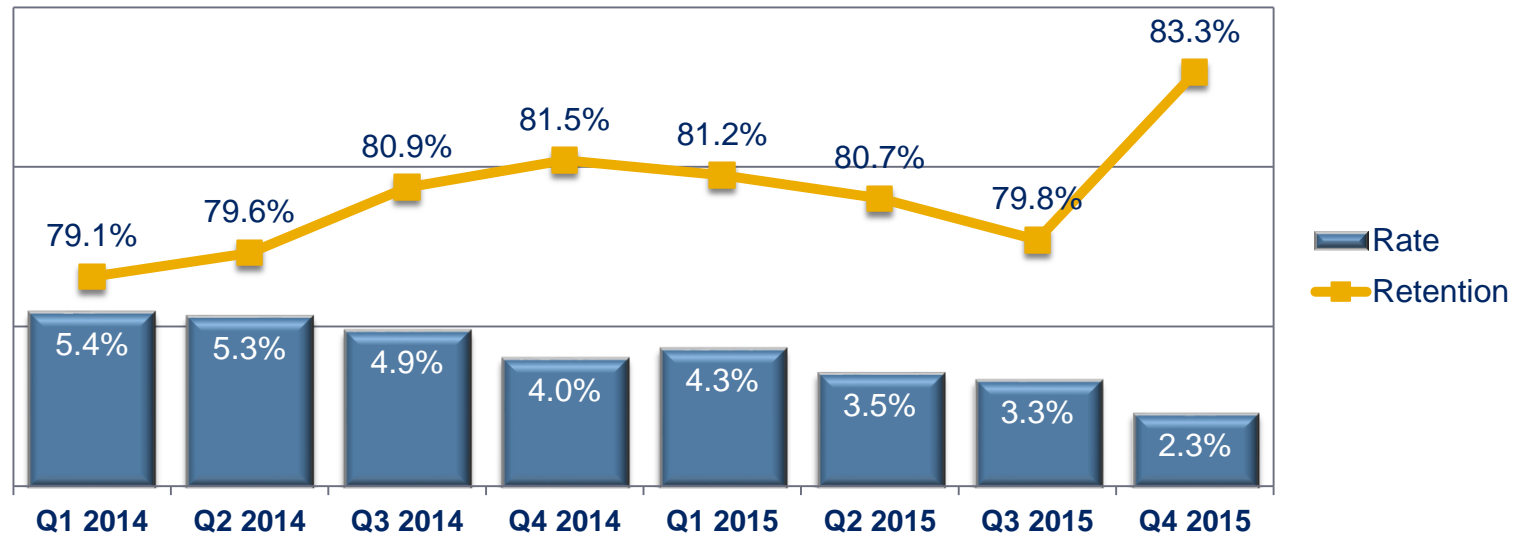
YOY Change in NWP



NWP in 2015 totaled \$9.1 billion, a increase of 0.5% over the same period in 2014.

YOY: Year-over-Year

Commercial Insurance: Rate & Retention

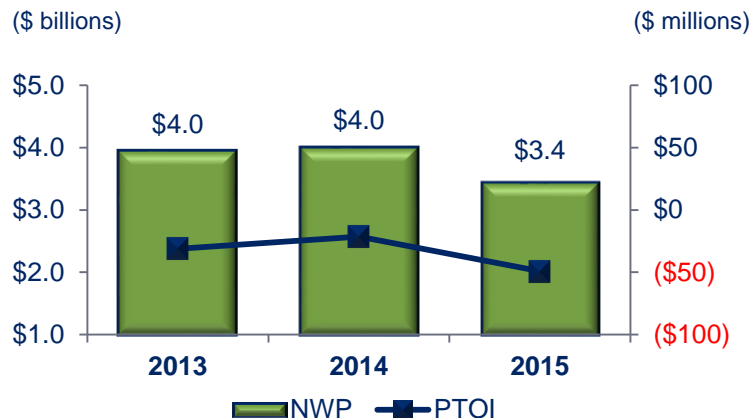


| | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | YTD 2014 | YTD 2015 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|
| Business Insurance | | | | | | | | | | |
| Rate | 6.0% | 6.0% | 5.4% | 4.8% | 5.0% | 4.4% | 3.8% | 3.0% | 5.5% | 4.1% |
| Retention | 78.5% | 77.7% | 79.6% | 78.8% | 79.2% | 80.6% | 80.0% | 81.9% | 78.7% | 80.4% |
| National Insurance | | | | | | | | | | |
| Rate | 4.1% | 3.6% | 3.4% | 2.1% | 2.6% | 1.3% | 1.9% | 0.6% | 3.3% | 1.6% |
| Retention | 80.0% | 83.5% | 84.1% | 87.4% | 85.0% | 81.0% | 79.4% | 86.2% | 83.6% | 83.1% |
| Commercial Insurance P&C | | | | | | | | | | |
| Rate | 5.4% | 5.3% | 4.9% | 4.0% | 4.3% | 3.5% | 3.3% | 2.3% | 4.9% | 3.3% |
| Retention | 79.1% | 79.6% | 80.9% | 81.5% | 81.2% | 80.7% | 79.8% | 83.3% | 80.3% | 81.3% |

Note: Business Drivers are ex Liberty Mutual Benefits.

Liberty International

NWP & PTOI



Segment Highlights

- On July 23, 2015, the Company sold its Great Britain personal motor book of business to Chaucer Insurance Services Ltd.
- Effective September 30, 2015, the Company determined it was appropriate to deconsolidate the assets and liabilities of its Venezuelan operations from the Consolidated Balance Sheet.
- On December 18, 2015, the Company entered into an agreement to sell its Polish operations to a member of the AXA Group.
- On January 14, 2016, the Company completed the acquisition of Compañía de Seguros Generales Penta Security S.A.

¹ Mature operations include Latin America and Iberia and Asia. Other includes internal reinsurance and home office expenses.

² Emerging operations include Emerging Europe and Large Emerging Markets.

³ 2015 catastrophes include all current accident year catastrophe losses for severe storms in the U.K., Chile earthquake, and Chile floods. 2014 catastrophes include all current accident year catastrophe losses for the U.K. and Ireland floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

Note: The results of Argentina operations are presented as Discontinued Operations on the 2014 Consolidated Statements of Income and are no longer included with Liberty International. The results of Venezuela operations are presented as Discontinued Operations on the 2015 Consolidated Statements of Income and are no longer included with Liberty International.

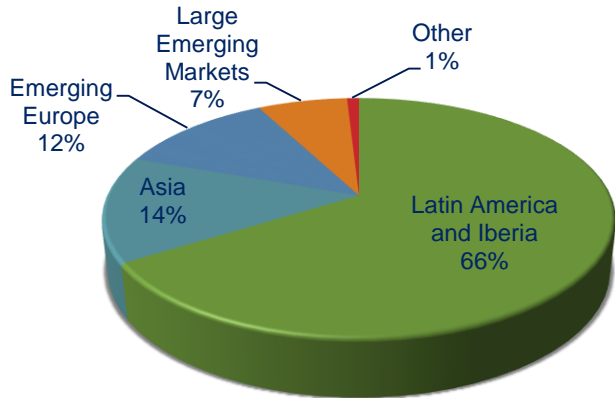
NM = Not meaningful

Financial Performance

| \$ millions | Fourth Quarter | | | Full Year | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| NWP | \$839 | \$1,030 | (18.5%) | \$3,444 | \$4,009 | (14.1%) |
| Mature operations and other ¹ PTOI before catastrophes and net incurred losses attributable to prior years | \$14 | \$25 | (44.0%) | \$86 | \$68 | 26.5% |
| Emerging operations ² pre-tax operating loss before catastrophes and net incurred losses attributable to prior years | (16) | (53) | (69.8) | (124) | (129) | (3.9) |
| Catastrophes ³ | - | - | - | (13) | (9) | 44.4 |
| Net incurred losses attributable to prior years | 22 | 12 | 83.3 | 2 | 48 | (95.8) |
| Pre-tax operating income (loss) | \$20 | (\$16) | NM | (\$49) | (\$22) | 122.7% |
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| Claims and claim adjustment expense ratio | 66.4% | 67.6% | (1.2) | 65.4% | 66.1% | (0.7) |
| Underwriting expense ratio | 41.4 | 42.1 | (0.7) | 42.9 | 41.9 | 1.0 |
| Combined ratio before catastrophes and net incurred losses attributable to prior years | 107.8% | 109.7% | (1.9) | 108.3% | 108.0% | 0.3 |
| Catastrophes ³ | - | - | - | 0.4 | 0.2 | 0.2 |
| Net incurred losses attributable to prior years | (2.8) | (1.3) | (1.5) | (0.1) | (1.3) | 1.2 |
| Total combined ratio | 105.0% | 108.4% | (3.4) | 108.6% | 106.9% | 1.7 |

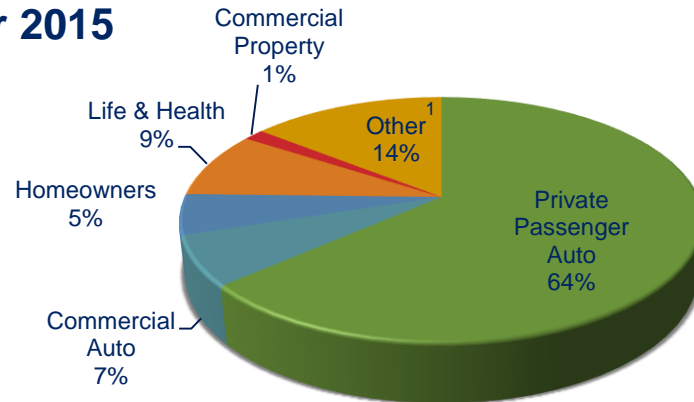
Liberty International NWP Distribution

NWP by market segment

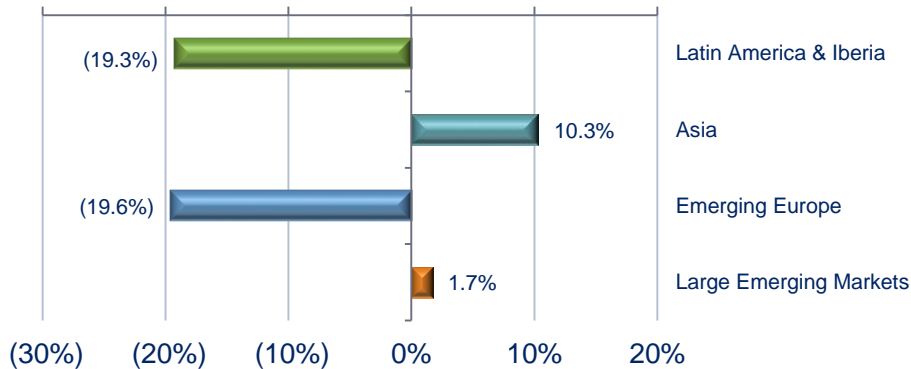


NWP by line of business

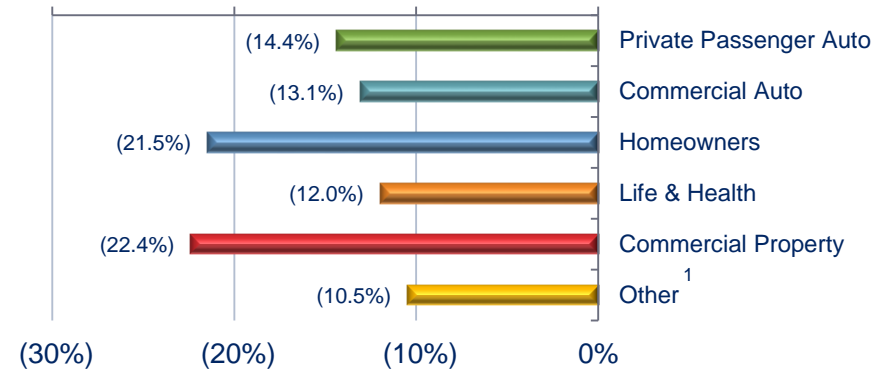
Full Year 2015



YOY Change in NWP



YOY Change in NWP



NWP in 2015 totaled \$3.4 billion, a decrease of 14.1% from the same period in 2014 (or an increase of 5.7%² excluding FX over the same period in 2014).

¹ Premium related to other personal and commercial lines including personal accident, bonds, workers compensation, small and medium enterprise and marine and cargo lines of business.

² Determined by assuming constant foreign exchange rates between periods.

YOY: Year-over-Year

Liberty International: Global Presence

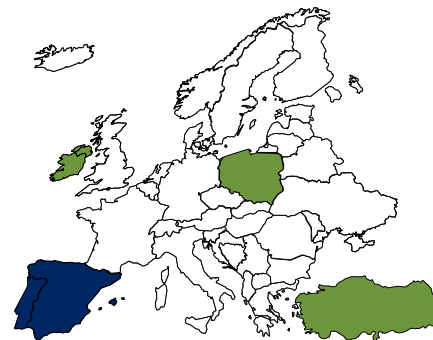
(\$ millions)

| Large Emerging Markets | 2015 NWP | P&C Rank | P&C Share |
|------------------------|----------|------------------|-----------|
| China ^{1,5} | \$134 | 7 th | 0.1% |
| India ³ | \$49 | 26 th | 0.4% |
| Russia ² | \$51 | 33 rd | 0.3% |

| Asia | 2015 NWP | P&C Rank | P&C Share |
|------------------------|----------|------------------|-----------|
| Singapore ¹ | \$103 | 8 th | 4.0% |
| Thailand ¹ | \$160 | 10 th | 2.7% |
| Vietnam | \$23 | 11 th | 2.1% |
| Malaysia ¹ | \$117 | 12 th | 3.3% |
| Hong Kong ⁷ | \$90 | 12 th | 2.0% |

| Latin America and Iberia | 2015 NWP | P&C Rank | P&C Share |
|--------------------------|----------|------------------|-----------|
| Colombia | \$345 | 3 rd | 10.0% |
| Chile ^{6,8} | \$151 | 5 th | 9.0% |
| Ecuador ² | \$54 | 7 th | 3.8% |
| Portugal ² | \$232 | 7 th | 6.2% |
| Brazil ⁶ | \$798 | 11 th | 3.3% |
| Spain ¹ | \$697 | 15 th | 2.0% |

| Emerging Europe | 2015 NWP | P&C Rank | P&C Share |
|------------------------|----------|------------------|-----------|
| Ireland ^{1,4} | \$248 | 8 th | 7.1% |
| Poland ¹ | \$90 | 14 th | 1.1% |
| Turkey | \$45 | 23 rd | 0.7% |



Rankings Base – Net Written Premium (NWP) as of June 2015 except when noted:

¹ Gross Written Premium

² Direct Written Premium

³ Indian Fiscal Reporting April 2015 – September 2015

⁴ Ireland rank and share is only ROI

⁵ Ranking based on non-domestic companies including Mandatory Third Party Liability

⁶ Reflects combined P&C and life markets

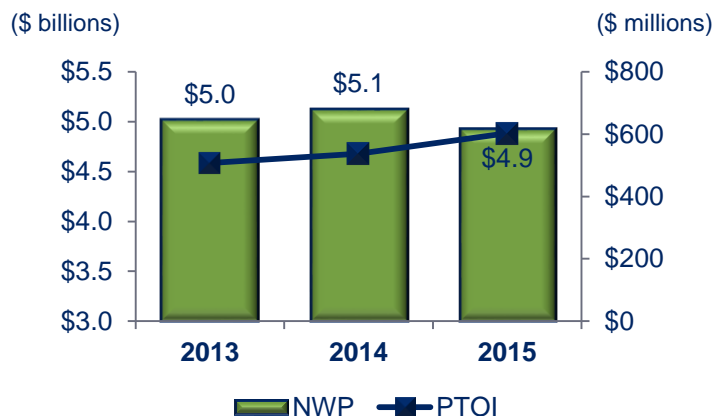
⁷ Data as of 2014 instead of June 2015

⁸ Chile rank and share exclude Penta acquisition

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

Financial Performance

| \$ millions | Fourth Quarter | | | Full Year | | |
|---|----------------|----------------|----------------|----------------|----------------|---------------|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| NWP | \$1,027 | \$1,146 | (10.4%) | \$4,923 | \$5,120 | (3.8%) |
| PTOI before catastrophes and net incurred losses attributable to prior years | \$125 | \$167 | (25.1%) | \$572 | \$660 | (13.3%) |
| Catastrophes ¹ | (54) | (20) | 170.0 | (106) | (51) | 107.8 |
| Net incurred losses attributable to prior years ² | 51 | (33) | NM | 137 | (72) | NM |
| Pre-tax operating income | \$122 | \$114 | 7.0% | \$603 | \$537 | 12.3% |
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| Claims and claim adjustment expense ratio | 60.1% | 57.8% | 2.3 | 60.0% | 59.1% | 0.9 |
| Underwriting expense ratio | 35.7 | 34.9 | 0.8 | 34.5 | 33.3 | 1.2 |
| Dividend ratio | 0.2 | 0.2 | - | 0.2 | 0.2 | - |
| Combined ratio before catastrophes and net incurred losses attributable to prior years | 96.0% | 92.9% | 3.1 | 94.7% | 92.6% | 2.1 |
| Catastrophes ¹ | 4.5 | 1.6 | 2.9 | 2.2 | 1.0 | 1.2 |
| Net incurred losses attributable to prior years ² | (4.2) | 2.7 | (6.9) | (2.9) | 1.5 | (4.4) |
| Total combined ratio | 96.3% | 97.2% | (0.9) | 94.0% | 95.1% | (1.1) |

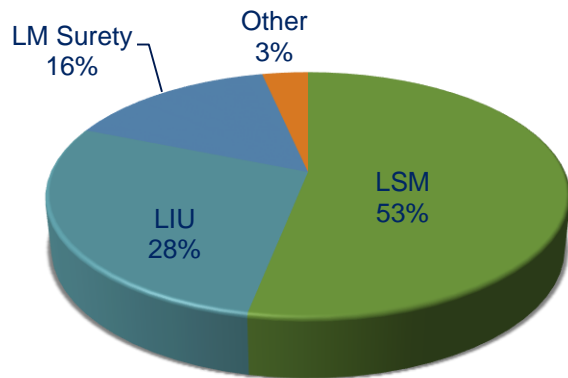
¹ 2015 catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Australia as well as Cyclone Niklas. 2014 catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. floods, Hurricane Odile and Hailstorm Ela. Catastrophe 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 (\$3) million and (\$1) million for the three and twelve months ended December 31, 2015 and \$1 million and \$10 million for the same periods in 2014.

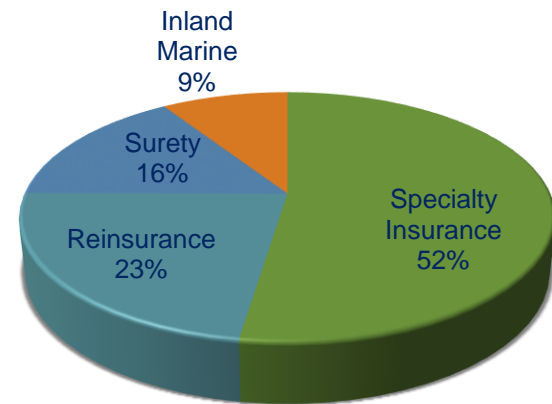
NM=Not Meaningful

Global Specialty NWP Distribution

NWP by market segment

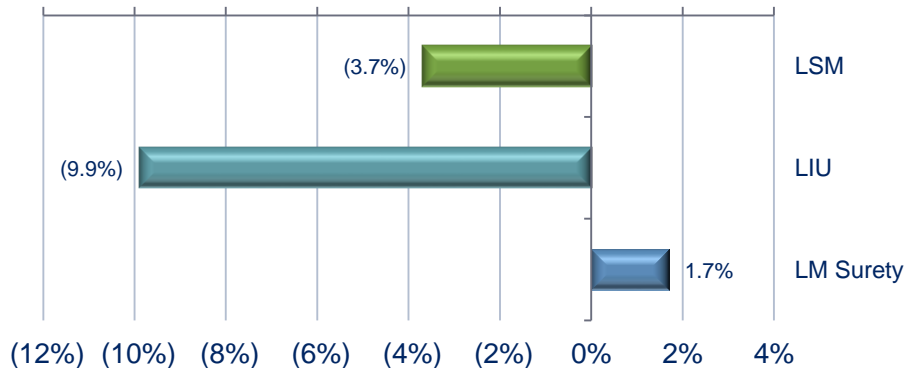


NWP by line of business

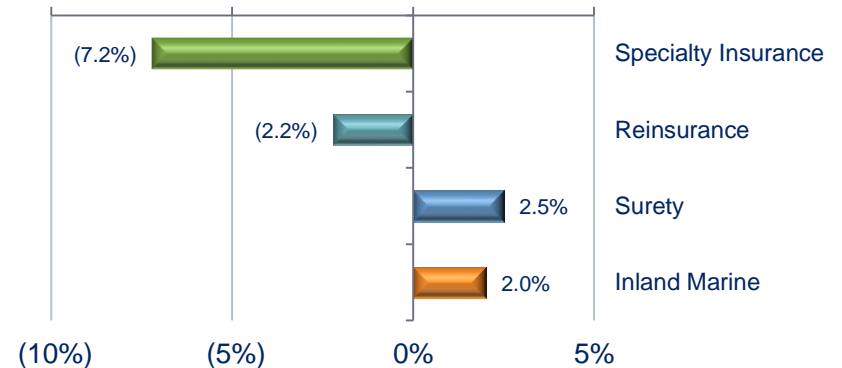


Full Year 2015

YOY Change in NWP



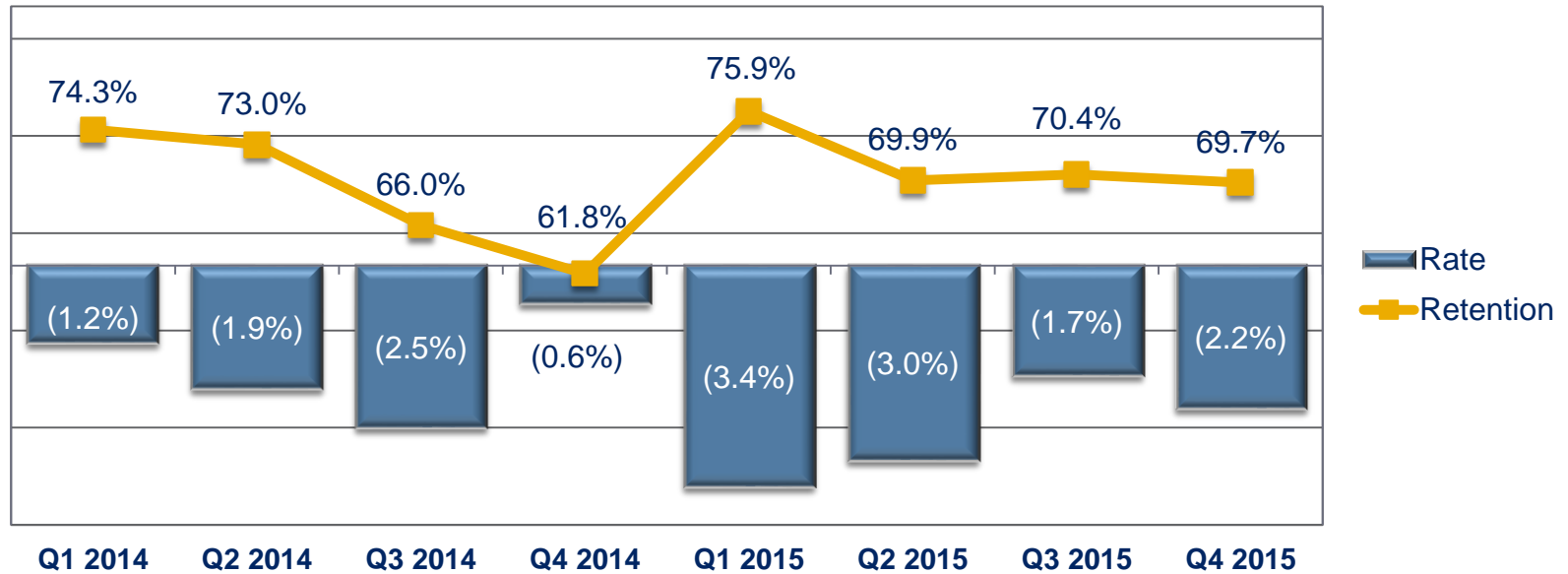
YOY Change in NWP



NWP in 2015 totaled \$4.9 billion, a decrease of 3.8% from the same period in 2014 (or a decrease of 0.2%¹ excluding FX from the same period in 2014).

¹ Determined by assuming constant foreign exchange rates between periods.
YOY: year-over-year

Global Specialty: Rate & Retention

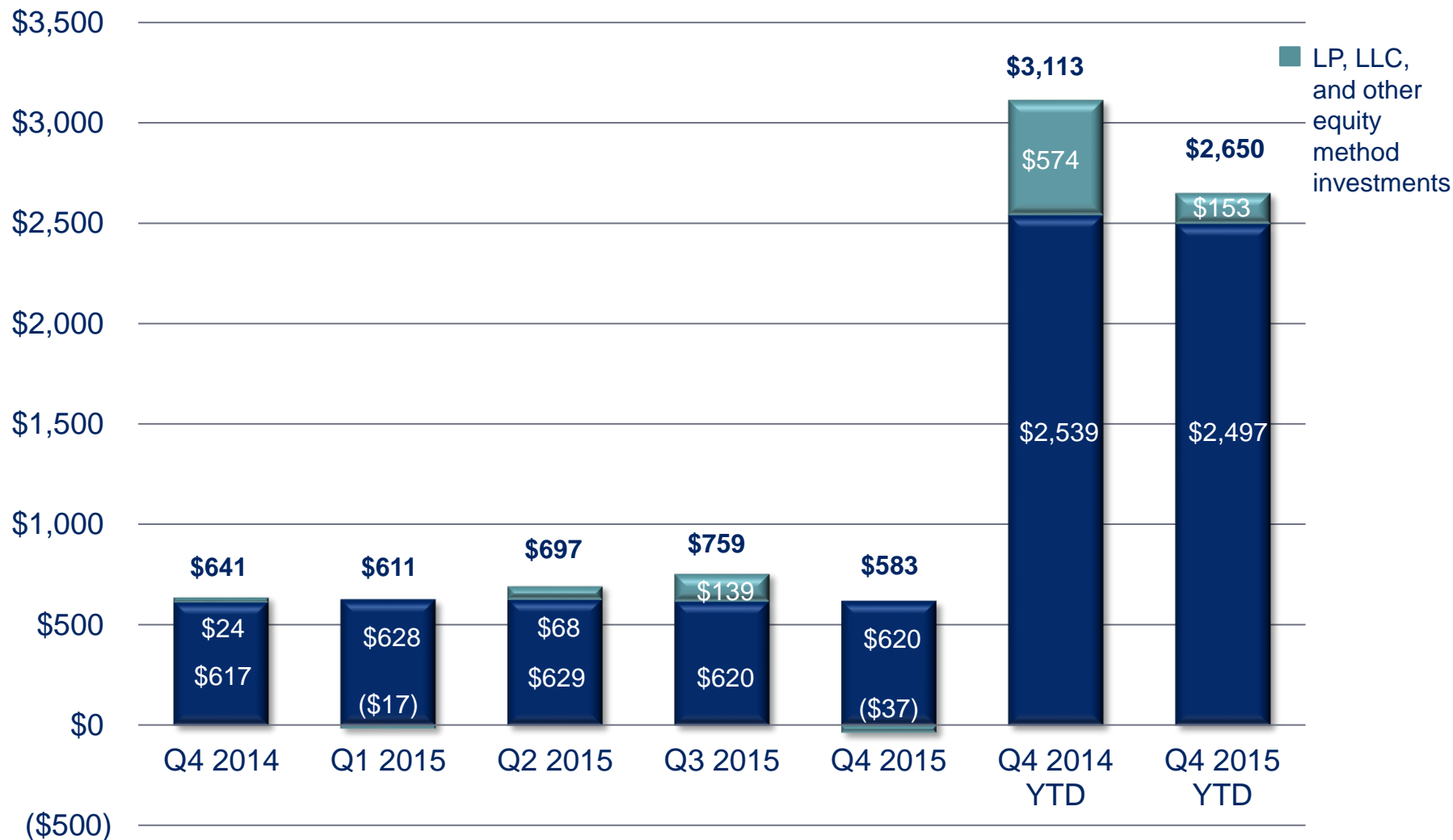


| | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | YTD 2014* | YTD 2015* |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
| Specialty Insurance | | | | | | | | | | |
| Rate | 0.8% | (1.2%) | (1.5%) | (0.4%) | (1.4%) | (2.5%) | (1.1%) | (2.2%) | (0.4%) | (2.2%) |
| Retention | 70.2% | 70.5% | 63.2% | 59.5% | 69.5% | 68.0% | 69.8% | 69.3% | 71.2% | 73.2% |
| Reinsurance | | | | | | | | | | |
| Rate | (4.4%) | (5.1%) | (6.3%) | (3.3%) | (4.9%) | (4.7%) | (3.5%) | (2.3%) | (4.5%) | (4.5%) |
| Retention | 80.9% | 85.6% | 77.1% | 84.5% | 82.3% | 79.7% | 72.2% | 72.7% | 81.5% | 82.6% |

* YTD includes timing adjustments that are not retro-actively applied in prior periods

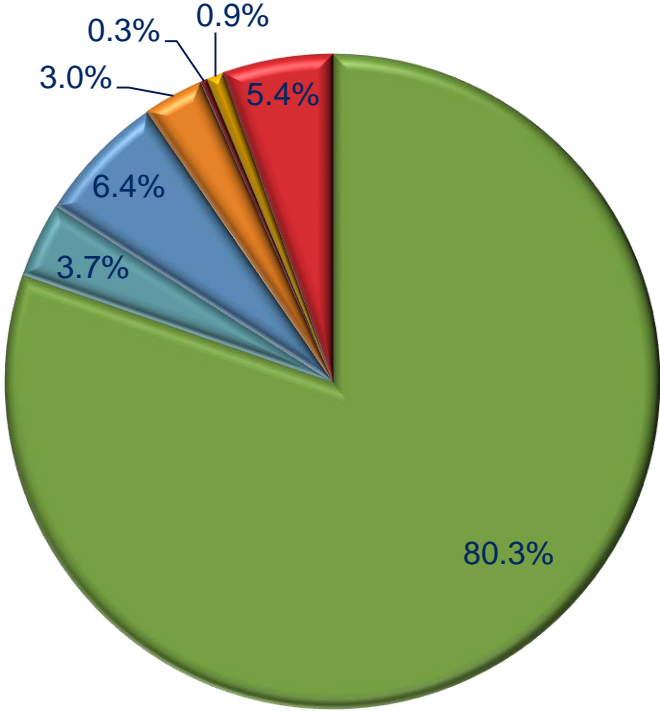
Net Investment Income

(\$ millions)



The above chart contains net investment income attributable to discontinued operations related to Summit and the Argentina operations of \$14 million for the twelve months ended December 31, 2014.

Investment Mix



- Fixed maturities
- Equity securities
- LP, LLC, and other equity method investments
- Commercial mortgage loans
- Short-term investments
- Other investments
- Cash and cash equivalents

Total invested assets as of
December 31, 2015: \$78.210 billion

Capitalization

| (\$ millions) | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Long-term debt | \$6,982 | \$7,232 |
| Adjusted debt ¹ | \$5,982 | \$6,232 |
| Total equity | \$19,241 | \$20,291 |
| Less: AOCI | <u>(\$1,521)</u> | <u>\$57</u> |
| Total equity ex. AOCI | \$20,762 | \$20,234 |
| Total capital ex. AOCI | \$27,744 | \$27,466 |
| <i>Adjusted debt-to-total capitalization (ex. AOCI)</i> | 21.6% | 22.7% |
| Statutory surplus | \$18,687 | \$19,180 |

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

Energy-Related Investments

(\$ millions)

As of December 31, 2015

| | Carrying Value | Unfunded Commitments ¹ | Average Credit Rating |
|--|----------------|-----------------------------------|-----------------------|
| Investment grade bonds | \$2,081 | \$ - | A- |
| Below investment grade bonds | 239 | - | BB- |
| Publicly traded equity securities | 160 | - | |
| Private equities – energy focused ² | 520 | 749 | |
| | \$3,000 | \$749 | |
| <i>Percent of total invested assets</i> | 3.8% | | |
| Direct investment in oil & gas wells | \$1,527 | \$1,661 | |
| Total exposure | \$4,527 | \$2,410 | |

¹ The majority of energy commitments are subject to contractual price floors. If certain price targets are not met, the Company is not required to fund these investments until pricing improves. Due to current market conditions, energy prices would need to increase significantly in order for these commitments to become callable.

² Includes Carrying Values of \$507 million of natural resources partnership and \$13 million of equity method investments (either carried at fair value and reported in "Other investments" or carried at fair value and reported in "LP, LLC, and equity method investments" in the invested assets table on the MD&A).

Holding Company Interest Coverage

| (\$ millions) | |
|---|----------------|
| Preferred dividends ¹ | \$80 |
| Remaining dividend capacity | <u>\$1,741</u> |
| 2016 dividend capacity ² | \$1,821 |
| Estimated PTI from LMG service companies/fees | <u>\$307</u> |
| Total available funding | \$2,128 |
| Interest expense ³ | \$368 |
| Holding company interest coverage | 5.8x |

¹ Represents the estimated maximum allowable dividend without prior regulatory approval in the state of domicile.

² Dividends paid January 1, 2015 through December 31, 2015 were \$80 million. Remaining/available dividend capacity is calculated as 2016 dividend capacity less dividends paid for the preceding twelve months.

³ Represents the 2016 plan for debt expense at Liberty Mutual Group Inc.

Reconciliation of Statement of Income to Combined Ratio

| For the three months ended December 31, 2015 | | | | | \$ millions |
|---|---------------------|-----------------------------------|-----------------------------------|--|----------------|
| Combined ratio components: | Statement of income | Presentation reclass ¹ | Less: Life insurance ² | Less: Non-underwriting expenses and other adjustments ³ | Combined Ratio |
| Premiums earned | \$8,544 | | (\$427) | (\$2) | \$8,115 |
| Benefits, claims and claim adjustment expenses | 5,627 | | (434) | (3) | 5,190 |
| Operating costs and expenses | 1,825 | (5) | (116) | (283) | 1,421 |
| Amortization of deferred policy acquisition costs | 1,176 | | (20) | (1) | 1,155 |
| Dividends to policyholders | N/A | 5 | (1) | - | 4 |
| Total combined ratio | | | | | 95.7% |

| For the three months ended December 31, 2014 | | | | | \$ millions |
|---|---------------------|-----------------------------------|-----------------------------------|--|----------------|
| Combined ratio components: | Statement of income | Presentation reclass ¹ | Less: Life insurance ² | Less: Non-underwriting expenses and other adjustments ³ | Combined Ratio |
| Premiums earned | \$8,561 | | (\$437) | \$1 | \$8,125 |
| Benefits, claims and claim adjustment expenses | 5,552 | | (470) | (2) | 5,080 |
| Operating costs and expenses | 1,767 | (6) | (98) | (275) | 1,388 |
| Amortization of deferred policy acquisition costs | 1,203 | | (20) | - | 1,183 |
| Dividends to policyholders | N/A | 6 | (1) | (1) | 4 |
| Total combined ratio | | | | | 94.2% |

¹ Dividends to policyholders

² Life and annuity business excluded from P&C combined ratio

³ Includes adjustments for non-underwriting expenses primarily related to the Company's energy production and service operations, fee income, and installment charges.

Reconciliation of Statement of Income to Combined Ratio

| For the twelve months ended December 31, 2015 | | | | | \$ millions |
|---|---------------------|-----------------------------------|-----------------------------------|--|----------------|
| Combined ratio components: | Statement of income | Presentation reclass ¹ | Less: Life insurance ² | Less: Non-underwriting expenses and other adjustments ³ | Combined Ratio |
| Premiums earned | \$33,884 | | (\$1,751) | (\$1) | \$32,132 |
| Benefits, claims and claim adjustment expenses | 23,201 | | (1,842) | (10) | 21,349 |
| Operating costs and expenses | 7,070 | (23) | (444) | (1,145) | 5,458 |
| Amortization of deferred policy acquisition costs | 4,675 | | (80) | (1) | 4,594 |
| Dividends to policyholders | N/A | 23 | (6) | - | 17 |
| Total combined ratio | | | | | 97.8% |

| For the twelve months ended December 31, 2014 | | | | | \$ millions |
|---|---------------------|-----------------------------------|-----------------------------------|--|----------------|
| Combined ratio components: | Statement of income | Presentation reclass ¹ | Less: Life insurance ² | Less: Non-underwriting expenses and other adjustments ³ | Combined Ratio |
| Premiums earned | \$33,448 | | (\$1,645) | \$1 | \$31,804 |
| Benefits, claims and claim adjustment expenses | 23,036 | | (1,788) | (12) | 21,236 |
| Operating costs and expenses | 6,742 | (21) | (370) | (1,079) | 5,272 |
| Amortization of deferred policy acquisition costs | 4,660 | | (70) | - | 4,590 |
| Dividends to policyholders | N/A | 21 | (6) | (1) | 14 |
| Total combined ratio | | | | | 97.8% |

¹ Dividends to policyholders

² Life and annuity business excluded from P&C combined ratio

³ Includes adjustments for non-underwriting expenses primarily related to the Company's energy production and service operations, fee income, and installment charges.

GAAP Net Income to Statutory Net Income Reconciliation

\$ Millions

December 31, 2015

| | |
|--|----------------|
| Consolidated GAAP Net Income from Continuing Operations | \$1,443 |
| Income from Non U.S. Property and Casualty | (103) |
| Deferred Acquisition Costs | (124) |
| Pension Expense | (77) |
| Dividends from Non U.S. Property and Casualty | 296 |
| Income Tax | 521 |
| Other | 77 |
| U.S. Property and Casualty Net Income | \$2,033 |

Subsequent Events:

- ❖ On January 14, 2016, the Company completed the acquisition of Compañía de Seguros Generales Penta Security S.A., the fourth largest non-life insurer in Chile. Compañía de Seguros Generales Penta Security S.A. had approximately \$160 million of net written premium in 2015.
- ❖ On February 17, 2016, the Company announced plans to combine its Personal Insurance and Liberty International strategic business units to form a new strategic business unit which will be named Global Consumer Markets. This combination represents an opportunity to blend the complementary strengths of these two operations. The local expertise we have in growth markets outside the U.S. coupled with our strong and scalable U.S. personal lines capabilities put us in a unique position to take maximum advantage of opportunities to grow our business globally. The former Personal Insurance and Liberty International strategic business units will now be divisions of Global Consumer Markets and known as U.S. Consumer Markets and International Consumer Markets, respectively.

2015 Significant Events:

- ❖ On December 18, 2015, the Company entered into an agreement to sell its Polish operations to a member of the AXA Group.
- ❖ Effective September 30, 2015, the Company determined it was appropriate to deconsolidate the Venezuelan operations and recognized an impairment charge of \$690 million. Concurrent with this decision, the Company has classified the Venezuelan operations (a net loss of \$219 million for the nine months ended September 30, 2015) and the related impairment charge as discontinued operations. Subsequent to deconsolidation, the Company accounts for its ongoing investment in the Venezuela operation on the cost basis. All prior periods have been adjusted to reflect this change.

Please refer to Management's Discussion & Analysis (MD&A) of Financial Condition and Results of Operations for further detail.

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 2014 direct written premium. The Company also ranks 78th on the Fortune 100 list of largest corporations in the U.S. based on 2014 revenue. As of December 31, 2015, LMHC had \$121.707 billion in consolidated assets, \$102.466 billion in consolidated liabilities, 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, LMIC, LMFIC and EICOW, each became separate stock insurance companies under the ownership of LMHC.

Functionally, the Company conducts substantially all of its business through its 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 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 <http://www.libertymutualgroup.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, 2015 are available on the Company's Investor Relations website at <http://www.libertymutualgroup.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 <http://www.libertymutualgroup.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 on the Company's Investor Relations website at <http://www.libertymutualgroup.com/investors>.



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