Liberty Mutual Insurance Reports Fourth Quarter 2015 Results

BOSTON, Mass., March 2, 2016 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively "LMHC" or the "Company") today reported net income attributable to LMHC of $411 million and $514 million for the three and twelve months ended December 31, 2015, decreases of $142 million and $1.300 billion from the same periods in 2014. Including $34 million and $20 million of net income attributable to non-controlling interest, consolidated net income for the three and twelve months ended December 31, 2015 was $445 million and $534 million, respectively.

"Fourth quarter operating income was $437 million down from $550 million in the prior year due to higher catastrophe losses, foreign exchange and energy related losses" said David H. Long, Chairman and Chief Executive Officer. "Full year operating income was $1.44 billion down from $1.94 billion in the prior year with net written premium up 0.6% or 3.6% on a constant dollar basis."

Fourth Quarter Highlights

- Net written premium ("NWP") for the three months ended December 31, 2015 was $8.116 billion, a decrease of $115 million or 1.4% from the same period in 2014.

- Pre-tax operating income ("PTOI") before partnerships, limited liability companies ("LLC") and other equity method (loss) income for the three months ended December 31, 2015 was $661 million, a decrease of $121 million or 15.5% from the same period in 2014.

- Partnerships, LLC and other equity method (loss) income for the three months ended December 31, 2015 was ($84) million, versus $38 million in the same period in 2014.

- Net realized losses for the three months ended December 31, 2015 were $46 million, a decrease of $67 million or 59.3% from the same period in 2014.

- Consolidated net income from continuing operations for the three months ended December 31, 2015 was $445 million, a decrease of $19 million or 4.1% from the same period in 2014.

- Discontinued operations, net of tax for the three months ended December 31, 2015 were zero versus $84 million in the same period in 2014.

- Net income attributable to LMHC for the three months ended December 31, 2015 was $411 million, a decrease of $142 million or 25.7% from the same period in 2014.

- Cash flow provided by operations for the three months ended December 31, 2015 was $890 million, a decrease of $119 million or 11.8% from the same period in 2014.

- 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, 2015 was 94.1%, an increase of 1.3 points over the same period in 2014. 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, 2015 increased 1.5 points to 95.7%.

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[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]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 both earned premium attributable to prior years and amortization of retroactive reinsurance gains.

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

Year-to-date Highlights

- NWP for the twelve months ended December 31, 2015 was $34.533 billion, an increase of $201 million or 0.6% over the same period in 2014.

- PTOI before partnerships, LLC and other equity method (loss) income for the twelve months ended December 31, 2015 was $2.026 billion, a decrease of $36 million or 1.7% from the same period in 2014.

- Partnerships, LLC and other equity method (loss) income for the twelve months ended December 31, 2015 was ($34) million, versus $641 million in the same period in 2014.

- Net realized losses for the twelve months ended December 31, 2015 were $24 million, a decrease of $76 million or 76.0% from the same period in 2014.

- Consolidated net income from continuing operations for the twelve months ended December 31, 2015 was $1.443 billion, a decrease of $382 million or 20.9% from the same period in 2014.

- Discontinued operations, net of tax for the twelve months ended December 31, 2015 were ($909) million versus ($35) million in the same period in 2014. Effective September 30, 2015, the Company determined it was appropriate to deconsolidate the Venezuelan operations, and has classified the Venezuelan operations as discontinued operations.

- Net income attributable to LMHC for the twelve months ended December 31, 2015 was $514 million, a decrease of $1.300 billion or 71.7% from the same period in 2014.

- Cash flow provided by operations for the twelve months ended December 31, 2015 was $3.543 billion, an increase of $2.913 billion over the same period in 2014.

- The consolidated combined ratio before catastrophes and net incurred losses attributable to prior years for the twelve months ended December 31, 2015 was 93.0%, an increase of 0.3 points over the same period in 2014. 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, 2015 remained unchanged at 97.8%.

Financial Condition as of December 31, 2015

- Total equity was $19.241 billion as of December 31, 2015, a decrease of $1.050 billion or 5.2% from December 31, 2014.

Subsequent Events

On January 14, 2016, the Company completed the acquisition of Compañia de Seguros Generales Penta Security S.A., the fourth largest non-life insurer in Chile. Compañia 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.

Consolidated Net Operating Income for the Three and Twelve Months Ended December 31, 2015 and 2014:

	Three Months Ended December 31,			Twelve Months Ended December 31,		
$ in Millions	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Net operating income	$437	$550	(20.5%)	$1,435	$1,937	(25.9%)
Net realized loss, net of tax	(26)	(78)	(66.7)	(11)	(66)	(83.3)
Loss on extinguishment of debt, net of tax	-	(3)	(100.0)	(1)	(22)	(95.5)
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%)

NM = Not Meaningful

Consolidated Results of Operations for the Three and Twelve Months Ended December 31, 2015 and 2014:

	Three Months Ended December 31,			Twelve Months Ended December 31,		
$ in Millions	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Revenues	$9,335	$9,401	(0.7%)	$37,617	$37,721	(0.3%)
PTOI before catastrophes, net incurred losses attributable to prior years, current accident year re-estimation and partnerships, LLC and other equity method (loss) income	$795	$897	(11.4%)	$3,541	$3,707	(4.5%)
Catastrophes[1]	(289)	(154)	87.7	(1,824)	(1,606)	13.6
Net incurred losses attributable to prior years:						
- Asbestos & environmental[2]	-	-	-	(4)	(113)	(96.5)
- All other[3,4]	140	39	NM	313	74	NM
Current accident year re-estimation[5]	15	-	NM	-	-	-
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 [6]	(84)	38	NM	(34)	641	NM
PTOI	577	820	(29.6)	1,992	2,703	(26.3)
Net realized losses	(46)	(113)	(59.3)	(24)	(100)	(76.0)
Loss on extinguishment of debt	-	(5)	(100.0)	(1)	(34)	(97.1)
Pre-tax income	531	702	(24.4)	1,967	2,569	(23.4)
Income tax expense	86	238	(63.9)	524	744	(29.6)
Consolidated 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
Consolidated net income	445	548	(18.8)	534	1,790	(70.2)
Less: Net income (loss) attributable to non-controlling interest	34	(5)	NM	20	(24)	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

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 Net of the NICO Reinsurance Transaction.

3 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.

4 Net of earned premium and reinstatement premium attributable to prior years of $32 million and $38 million for the three and twelve months ended December 31, 2015 and ($2) million and $8 million for the same periods in 2014. Net of amortization of deferred gains on retroactive reinsurance of zero and $3 million for the three and twelve months ended December 31, 2015 and 2014.

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

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 twelve months ended December 31, 2015 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 March 3, 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 March 13, 2016 at 866-408-8447.

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, 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 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.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 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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