Liberty Mutual Group Reports Net Income of $851 million in 2003

(Statutory Surplus up $2.0 billion; Operating Cash flow of $2.7 billion)

BOSTON, MA, March 23, 2004 – Liberty Mutual Group ("LMG") today reported net income of $851.3 million for the twelve months ended 2003, a 67.4% increase over the same period in 2002.

"I am very pleased with our overall operating performance in 2003," said Edmund F. Kelly, Liberty Mutual Group Chairman, President and Chief Executive Officer. "The underwriting and balance sheet actions we have taken over the last several years provide us with a solid foundation for future profitable growth."

Significant Events

- Acquired Prudential Financial, Inc.'s (NYSE: PRU) U.S. personal lines property and casualty operations business (excluding New Jersey business and the specialty automobile and affinity businesses of Prudential) ("PruPac"). The transaction is expected to add $1.1 billion in Personal Insurance business (LMG's largest line of business) solidifying LMG's market position as the eighth largest personal lines writer based on 2002 direct premiums written.

- Purchased Met Life's Spanish operations, including its non-life subsidiary, Genesis Seguros Generales, S.A., and its life subsidiary, Seguros Genesis, S.A. The acquisition was the company's third in Spain since 2001, giving LMG a significant presence in the Iberian Peninsula.

- Completed the sale of LMG's Canadian health business and recognized a pre-tax gain of $81.9 million.

- Completed comprehensive ground-up analysis of asbestos reserves which resulted in a $331 million charge, including an allowance for uncollectible reinsurance of $158 million. Following the announcement, Standard & Poor's revised its outlook on the Liberty Mutual Insurance Companies to 'stable' from 'negative'.

- Underwriting results continued to improve in each of the four strategic business units, largely benefiting from the significant pricing actions taken over the last several years.

- Policyholder surplus increased to $7.2 billion, up approximately $2.0 billion from a year ago.

- Completed a $750 million private placement debt offering in March of 2004. Proceeds will be used to refinance existing debt obligations and further strengthen capitalization at insurance operations.

- Announced an agreement on January 19, 2004 to sell Canadian personal lines business, including Liberty Insurance Co. of Canada to Meloche Mennox, Inc., a member of TD Bank Financial Group. The sale allows LMG's Personal Market Business Unit to focus on its core profitable U.S. personal lines business.

	As of December 31,		
Selected Statistics (Data in Millions)	**2003**	**2002**	**Change**
Total investments	$ 35,549.0	$ 29,737.2	$ 5,811.8
Reinsurance recoverables	12,227.0	11,635.0	592.0
Total assets	64,422.4	55,876.8	8,545.6
Claims and claim adjustment expense reserves	30,597.0	27,475.0	3,122.0
Total long term debt	1,667.7	1,250.3	417.4
Policyholders' equity	7,381.4	6,446.6	934.8
Cash flow from operations	2,679.0	1,260.0	1,419.0
Statutory surplus (Consolidated)	7,215.8	5,231.5	1,984.3

Liberty Mutual Holding Company Inc.[1]

Consolidated Statements of Income

(Dollars in Millions)

	For the year ended December 31,		
	2003	**2002**	**Change**
Revenues			
Earned Premiums	$ 13,956.4	$11,902.3	$2,054.1
Net investment income	1,762.3	1,590.2	172.1
Net realized investment gains	372.8	274.0	98.8
Fees and other revenues	526.6	523.6	3.0
Total Revenues	16,618.1	14,290.1	2,328.0
Claims, Benefits and Expenses			
Benefits, claims and claim adjustment expenses	11,133.4	9,882.1	1,251.3
Insurance operating costs and expenses	2,569.1	1,848.4	720.7
Amortization of deferred policy acquisition costs	1,871.6	1,660.5	211.1
Dividends to policyholders	34.0	63.4	(29.4)
Other expenses	233.0	224.6	8.4
Total claims, benefits and expenses	15,841.1	13,679.0	2,162.1
Income from continuing operations before income tax expense, discontinued operations, extraordinary items and cumulative effect of changes in accounting principle	777.0	611.1	165.9
Federal and foreign income tax expense	-	81.3	(81.3)
Income from continuing operations before discontinued operations, extraordinary items and cumulative effect of changes in accounting principle	777.0	529.8	247.2
Extraordinary items, net of tax	76.8	-	76.8
Discontinued operations[2], net of tax	(2.5)	(14.7)	12.2
Income from continuing operations before cumulative effect of changes in accounting principle	851.3	515.1	336.2
Cumulative effect of changes in accounting principle	-	(6.7)	6.7
Net income	$ 851.3	$ 508.4	$ 342.9

[1] The newly acquired PruPac business is included beginning November 1, 2003 through year-end December 31, 2003.

[2] In 2004, LMG announced the sale of its Canadian personal lines business. The proposed sale met the definition under GAAP to be considered a discontinued operation. All of the Canadian personal lines business for all years reported are reflected as discontinued operations, net of tax, on the income statement.

Consolidated Results of Operations for the Twelve Months Ended 2003

(LMG's discussions related to net income (loss) are presented on an after-tax GAAP basis. All other discussions are presented on a GAAP pre-tax basis unless otherwise noted.)

Revenues for the twelve months ended, December 31, 2003 were $16.618 billion, a $2.328 billion or 16.3% increase over the same period in 2002. The increase was due to the following factors:

- Earned premiums for the twelve months ended December 31, 2003 were $13.956 billion, a $2.054 billion or 17.3% increase over the same period in 2002. The increase in earned premiums reflects:

    - $291.0 million relating to the growth in LMG's LIU operation (primarily Lloyd's of London of $160.9 million)
    - $269.9 million due to the increased retention of the OneBeacon business acquired in 2001
    - $258.6 million of retained premium due to the non-renewal of a significant workers compensation aggregate stop loss treaty that was in place in 2002
    - $187.2 million related to the acquisition of the PruPac business
    - $172.9 million of earned premium attributable to prior years, an increase of $179.9 million over 2002
    - The remaining balance reflects the impact of continued increases in premium rates over 2002 levels, partially offset by higher reinsurance costs.

- Net investment income for the twelve months ended December 31, 2003 was $1.762 billion, a $172.1 million or 10.8% increase over the same period in 2002. The increase was primarily the result of lower private equity losses in 2003 as compared to 2002. For the years ended December 31, 2003 and 2002, LMG recognized limited partnership losses of $0.4 million and $154.5 million, respectively. The balance of the increase in net investment income was due to the impact of higher invested assets, partially offset by a lower interest rate environment. Invested assets increased $5.8 billion in 2003 primarily due to the acquisition of the PruPac business ($2.098 billion), an acquisition in Portugal ($515.2 million) and strong cash flow from operations ($2.679 billion).

- Net realized gains for the twelve months ended December 31, 2003 were $372.8 million, a $98.8 million or 36.1% increase over the same period in 2002. In 2003, LMG sold its Canadian health business and realized a gain of $81.9 million. Additionally, LMG, through its indirect wholly owned subsidiary, Liberty Energy Corporation, generated gains on its oil and gas producing investments of $41.5 million. LMG also realized gains of $59.0 million from equities and $201.0 million from bonds in 2003. Included in net realized gains for the years ended 2003 and 2002 were impairment write-offs of $74.0 million and $165.0 million, respectively.

Benefits, claims and claim adjustment expenses for the twelve months ended December 31, 2003 were $11.133 billion, a $1.251 billion or 12.7% increase over the same period in 2002. The change reflects the following items:

- $390.4 million increase in net retained benefits, claims and claim adjustment expenses due to the non-renewal of a workers compensation aggregate stop loss reinsurance agreement in 2003.
- $55.0 million increase in incurred attributable to prior years (both discontinued and recurring operations) to $688.7 million in 2003 from $633.7 million in 2002.
- $29.4 million decrease in catastrophe losses, including losses from the September 11, 2001 terrorist attack.
- The balance of the increase reflects claims associated with business growth and acquisition activity.

Amortization of deferred policy acquisition expenses for the twelve months ended December 31, 2003 were $1.872 billion, a $211.1 million or 12.7% increase over the same period in 2002. The change is primarily a result of increased commissions, premium taxes and other acquisition costs associated with increased premium levels and the impact of acquired operations.

Insurance operating costs and expenses for the twelve months ended December 31, 2003 were $2.569 billion, a $720.7 million or 39.0% increase over the same period in 2002. The increase in 2003 was due to a combination of the following (including any claims and acquisition cost component where applicable):

- $224.0 million of bad debt expense related to reinsurance, including $158.0 million relating to asbestos reinsurance on unpaid claims.
- $253.0 million increase in incentive compensation due to improved profitability in 2002 and 2003.
- $54.0 million increase in pension and post-retirement benefit expenses due primarily to higher pension costs as a result of equity market declines in the prior three years and higher income levels (including any claims and acquisition cost component, where applicable).
- The remainder is due to acquisitions, higher salary and benefit costs, and a 2002 nonrecurring assessment credit of $62.0 million.

Pre-tax income for the twelve months ended increased to $777.0 million, a $165.9 million or 27.1% increase over the same period in 2002. As a result of profitability in 2003, LMG reduced its estimated valuation allowance and recognized no Federal and foreign income tax expense.

Net income for the twelve months ended December 31, 2003 was $851.3 million, a $342.9 million or 67.4% increase over the same period in 2002. Net income includes a $76.8 million extraordinary after-tax gain reflecting negative goodwill in connection with the PruPac acquisition partially offset by a loss on discontinued operations of $2.5 million in 2003. Discontinued operations includes the announced sale of the Personal Market Canadian business, including a write-off of $18.4 million of goodwill that had been recorded on the business.

The major components of pre-tax operating income ("PTOI") and a reconciliation of PTOI to net income were as follows:

	Year Ended December 31,		
	2003	**2002**	**Change**
PTOI excluding catastrophes and incurred attributable to prior years	$1,194.7	$1,261.2	$(66.5)
Catastrophes:			
Natural	(253.7)	(157.5)	(96.2)
September 11, 2001	74.1	(51.5)	125.6
Incurred attributable to prior years:			
Asbestos	(178.4)	(294.6)	116.2
All other[1]	(337.4)	(346.1)	8.7
Discount accretion[2]	(95.1)	(74.4)	(20.7)
PTOI	$404.2	$ 337.1	$67.1
Realized investment gains, net	372.8	274.0	98.8
Federal and foreign income tax expense	–	81.3	(81.3)
Discontinued operations	(2.5)	(14.7)	12.2
Cumulative effect of changes in accounting principle	-	(6.7)	6.7
Extraordinary items, net of tax	76.8	–	76.8
Net income	$ 851.3	$ 508.4	$ 342.9

[1]Reflects premium attributable to prior years of $172.9 million and ($7.0) million for 2003 and 2002, respectively.

[2]LMG discounts the long term indemnity portion of its workers compensation claims and LMG's disability claims based on permitted insurance regulations. The discount accretion on these claims flows through the underwriting results as the loss reserves accrete to nominal value. Asbestos settlements are discounted at 4.5%.

The Consolidated GAAP P&C combined ratios were as follows:

	Year Ended December 31,		
	2003	**2002**	**Change**
GAAP P&C combined ratio[1], before catastrophes and incurred attributable to prior years:			
Claims and claim adjustment expense ratio	72.8%	74.3%	(1.5)
Underwriting expense ratio	25.6	23.6	2.0
Dividend Ratio	0.2	0.4	(0.2)
Total	98.6%	98.3%	0.3
Catastrophes:			
Natural	1.9	1.4	0.5
September 11, 2001	(0.5)	0.4	(0.9)
Incurred attributable to prior years:			
Asbestos	1.3	2.6	(1.3)
All other	2.4	3.0	(0.6)
Tabular discount accretion	0.7	0.6	0.1
GAAP P&C combined ratio	104.4%	106.3%	(1.9)

[1] The combined claim and expense 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 LMG's competitors. The combined claims and claims adjustment expense ratio, expressed as a percentage, is computed as the sum of the following property and casualty ratios: the ratio of claims and claims adjustment expense to earned premiums; the ratio to earned premiums of insurance operating costs plus amortization of deferred policy acquisition costs less fee income and less installment charges; and the ratio of policyholder dividends to earned premium. Provisions for uncollectible premiums and reinsurance are not included in the combined ratio.

The Consolidated GAAP P&C combined ratio for the year ended 2003 was 104.4%, a 1.9 percentage point improvement over the same period in 2002. The improvement in 2003 was primarily due to a reduction in incurred attributable to prior years in 2003 as compared to 2002. Excluding catastrophes, incurred attributable to prior years and tabular discount accretion, the combined ratio increased 0.3 points. The favorable impact of rate increases was offset by a 1.0 point increase in the combined ratio in 2003 due to the nonrenewal of a workers compensation aggregate stop loss treaty in 2003. The claims and claims adjustment expense ratio decreased 1.5 points from 74.3% in 2002 to 72.8% in 2003. This decline was due to continuing, though moderating, rate increases offset by higher reinsurance costs and the impact of the reinsurance nonrenewal discussed previously. The improved claim and claim expense ratio was offset by a 2.0 point increase in the underwriting expense ratio from 23.6% in 2002 to 25.6% in 2003. The higher underwriting expense ratio reflects higher benefit and incentive compensation costs in 2003 along with a $62.0 million dollar assessment credit received in 2002.

LMG conducts its business through four strategic business units: Commercial Markets, Personal Market, Regional Agency Markets ("RAM") and International. The net written premium of LMG's business units were as follows:

	Years Ended December 31,		
Net Written Premium:	**2003**	**2002**	**Change**
		(In millions)	
Commercial Markets	$ 4,350.1	$ 3,786.4	$ 563.7
Personal Market	4,016.7	3,453.1	563.6
RAM	3,290.6	2,736.1	554.5
International	2,784.4	2,420.0	364.4
Other	40.6	174.9	(134.3)
Total	$ 14,482.4	$ 12,570.5	$ 1,911.9

Consolidated Net Written Premium by Significant Line of Business

	Years Ended December 31,		
	2003	2002	Change
	(In millions)		
Personal Automobile	$ 4,422.2	$ 3,914.1	$508.1
Workers Compensation	3,162.2	2,732.4	429.8
Homeowners	1,036.9	822.1	214.8
Commercial Multiple Peril	952.8	824.8	128.0
London Market	940.1	726.5	213.6
Commercial Automobile	926.7	807.9	118.8
General Liability	628.2	546.0	82.2
Global Specialty	420.8	345.5	75.3
Health (Canadian)	262.2	352.5	(90.3)
Group Disability	254.9	236.2	18.7
Assumed Reinsurance	219.5	145.2	74.3
Fire	149.2	92.2	57.0
Surety	130.8	85.7	45.1
Other	975.9	939.4	36.5
Total net written premium	$14,482.4	$12,570.5	$1,911.9

Commercial Markets

Net written premium by market was as follows:

	Years Ended December 31,		
	2003	2002	Change
	(In millions)		
Business Market	$ 1,247.8	$ 1,042.8	$ 205.0
National Market	1,216.6	1,044.8	171.8
Wausau Commercial Market	838.7	711.9	126.8
Specialty Risks	311.3	261.7	49.6
Group Market	331.5	320.3	11.2
Other Markets	404.2	404.9	(0.7)
Total net written premium	$ 4,350.1	$ 3,786.4	$ 563.7

Net written premium for the twelve months ended December 31, 2003 was $4.350 billion, a $563.7 million or 14.9% increase over the same period in 2002. The increase in net written premium was favorably impacted by the non-renewal of an aggregate stop loss treaty in 2003.

Rate change represents the average change in premium on policies that renew, including the impact of changes in risk charges, expenses and limits. Premium retention represents all premium expiring in the period renewing at expiring price levels.

Business Market

Business Market's net written premium for the twelve months ended December 31, 2003 was $1.248 billion, a $205.0 million or 19.7% increase over the same period in 2002. The increase in 2003 reflected strong new premium growth and planned rate increases across all commercial products of 14.3%. Specifically, workers compensation rates increased 15.1%, while commercial automobile and liability rates increased 12.2%. Premium retention for 2003 was 79.1%, up from 78.7% in 2002.

National Market

National Market's net written premium for the twelve months ended December 31, 2003 was $1.217 billion, a $171.8 million or 16.4% increase over the same period in 2002. The increase in 2003 was due to policy renewal rate increases and higher new business levels. All major products - workers compensation, commercial automobile, general liability and umbrella – contributed to the rise in renewal pricing and higher new business. Rate change increases were 26.8% and 23.5% in 2003 and 2002, respectively. Premium retention increased to 86.6% in 2003 from 85.8% in 2002.

Wausau Commercial Market

Wausau Commercial Market's net written premium for the twelve months ended December 31, 2003 was $838.7 million, a $126.8 million or 17.8% increase over the same period in 2002. The increase in Wausau Commercial Market's net written premium in 2003 resulted from renewal price increases and lower reinsurance premiums. The average rate change for 2003 was 14.4% compared to 18.4% in 2002. Reinsurance premiums declined $68.5 million to $107.4 million in 2003 compared to $175.9 million in 2002, reflecting reduced reinsurance purchases.

Specialty Risks

Liberty Mutual Property's net written premium for the twelve months ended December 31, 2003 was $182.1 million, a $7.4 million or 4.2% increase over the same period in 2002. The increase in Liberty Mutual Property's net written premium in 2003 was driven primarily by higher new business levels and improved retention, partially offset by higher reinsurance costs. Premium retention was 79.6% and 66.0% in 2003 and 2002, respectively, representing all premium expiring in the period renewing at expiring price levels. Liberty Mutual Property's rate increase of 2% in 2003 was down from 33% in 2002, reflecting moderating price trends in the commercial property marketplace.

Liberty Bond Services net written premium for the twelve months ended December 31, 2003 was $129.8 million, a $45.5 million or 54.0% increase over the same period in 2002. Rate increases during the first half of 2003, as well as the opening of new field offices, helped generate higher net written premiums. Additionally, positive outcomes on several prior year claims resulted in reductions in declared reinstatement premiums for various layers of excess reinsurance related to prior treaty years, and improving results lowered the cost of renewing similar reinsurance coverage.

Group Market

Group Market's net written premium for the twelve months ended December 31, 2003 was $331.5 million, an $11.2 million or 3.5% increase over the same period in 2002. The net written premium increase in 2003 was primarily attributable to renewal rate increases in the long term disability line. Rate increases on renewal premium was 8.7% and 4.8% in 2003 and 2002, respectively.

Other Markets

Other Markets net written premium for the twelve months ended December 31, 2003 was $404.2 million, a $0.7 million or 0.2% decrease over the same period in 2002. Rate increases and new business in the net assumed voluntary business, particularly in the United States casualty business, were offset by ceded premiums related to a reinsurance treaty entered in 2003.

GAAP P&C combined ratios for Commercial Markets were as follows:

	Years Ended December 31,		
	2003	2002	Change
GAAP P&C combined ratio, before catastrophes and incurred attributable to prior years:			
Claims and claim adjustment expense ratio	81.5%	80.5%	1.0
Underwriting expense ratio	22.3	23.8	(1.5)
Dividend ratio	(0.4)	0.4	(0.8)
Total	103.4	104.7	(1.3)
Catastrophes:			
Natural	0.6	1.4	(0.8)
September 11, 2001	(1.7)	0.6	(2.3)
Incurred attributable to prior years	1.6	(0.9)	2.5
Tabular discount accretion	2.2	2.1	0.1
GAAP P&C combined ratio	106.1%	107.9%	(1.8)

The GAAP P&C combined ratio for the twelve months ended December 31, 2003 was 106.1%, a 1.8 percentage point improvement over the same period in 2002. The improvement in 2003 was driven by favorable catastrophe activity in 2003, partially offset by unfavorable incurred attributable to prior years recorded in 2003 related to the workers compensation line of business. The GAAP P&C combined ratio, excluding catastrophes and incurred attributable to prior years, improved 1.3 percentage points year-over-year as rate increases and underwriting improvements in 2003 were partially offset by the favorable impact in 2002 of an aggregate stop loss treaty that was not renewed in 2003. This aggregate stop loss treaty had a 3.8% favorable impact in 2002 on the claims and claim adjustment expense ratio, before catastrophes and incurred attributable to prior years.

Personal Markets

Personal Market net written premium by product line was as follows:

	Year Ended December 31,		
	2003	2002	Change
		(In millions)	
Automobile	$3,112.2	$2,739.5	$372.7
Homeowners and Other	904.5	713.6	190.9
Total net written premium	$4,016.7	$3,453.1	$563.6

Net written premium for the twelve months ended December 31, 2003 was $4.016 billion, representing a $563.6 million or 16.3% increase over the comparable period in 2002. The increase was attributable to continued rate increases in both the automobile and homeowners lines, continued growth in new business and policy retention, as well as the addition of the acquired PruPac business which increased written premium by $181.5 million in 2003.

Automobile net written premium increased 13.6% to $3.112 billion in 2003. Renewal price increases for standard voluntary business were 7.0% in 2003 down from 10.0% in 2002. Policy retention levels for standard voluntary business increased to 91.0% in 2003 even as LMG continued to increase rates across all markets.

Homeowners and Other net written premium of $904.5 million increased 26.8% from the prior year driven by renewal price increases. Renewal price increases for homeowners averaged 10.0% in 2003 down from 19.0% in 2002 (2002 price increase reflected the impact of insurance to value program which insures full economic replacement in the event of a total loss). Policy retention levels for standard voluntary business remained at 90.0% in 2003.

The GAAP P&C Personal Market combined ratios were as follows:

	Year Ended December 31,		
	2003	2002	Change
GAAP P&C combined ratio, before catastrophes and incurred attributable to prior years:			
Claims and claim adjustment expense ratio	72.6%	76.4%	(3.8)
Underwriting expense ratio	20.6	18.7	1.9
Dividend ratio	0.0	0.0	0.0
Total	93.2	95.1	(1.9)
Catastrophes	3.8	1.5	2.3
Incurred attributable to prior years	0.9	3.3	(2.4)
GAAP P&C combined ratio	97.9%	99.9%	(2.0)

The GAAP P&C combined ratio for the twelve months ended 2003 was 97.9%, a 2.0 percentage point improvement over the same period in 2002. The 1.9 percentage point improvement in the 2003 GAAP P&C combined ratio, before catastrophes and incurred attributable to prior years, reflects an improvement in both the claims and claim adjustment expense ratio and increased earned premium base, offset with a slight increase in the expense ratio due to increase in temporary staffing attributable to the PruPac acquisition, staffing related to customer service initiatives and higher compensation and benefit costs. The improvement in the claims and claim adjustment expense ratio is primarily attributable to continued growth in earned premium through rate increases and improvement in the loss cost trends.

Regional Agency Markets (RAM)

Net written premium was as follows:

	Years Ended December 31,		
	2003	2002	Change
		(In millions)	
Standard Regional Companies	$ 2,385.7	$ 1,994.0	$391.7
Specialty Operations	547.5	486.8	60.7
Liberty Northwest	357.4	255.3	102.1
Total net written premium	$ 3,290.6	$ 2,736.1	$554.5

Net written premium for the twelve months ended December 31, 2003 was $3.291 billion, representing a $554.5 million or 20.3% increase over 2002. The increase was significantly impacted by the additional retention of OneBeacon business. Net written premium related to the OneBeacon transaction was $654.3 million and $408.9 million in 2003 and 2002, respectively. Excluding the impact of the OneBeacon transaction, net written premium increased 13.3% or $309.1 million for 2003, primarily driven by rate increases averaging 9.4% for 2003 and improved retention and new business in commercial lines.

GAAP P&C combined ratios for RAM were as follows:

	Years Ended December 31,		
	2003	2002	Change
GAAP P&C combined ratio, excluding catastrophes and incurred attributable to prior years:			
Claims and claim adjustment expense ratio	64.3%	68.7%	(4.4)
Underwriting expense ratio	31.7	30.3	1.4
Dividend ratio	1.2	1.4	(0.2)
Total	97.2	100.4	(3.2)
Catastrophes:			
Natural	2.8	2.4	0.4
Incurred attributable to prior years:			
Asbestos	0.0	0.2	(0.2)
All Other	0.6	3.1	(2.5)
GAAP P&C combined ratio	100.6%	106.1%	(5.5)

The GAAP P&C combined ratio for the twelve months ended December 31, 2003 was 100.6%, a 5.5 percentage point improvement over the same period in 2002. This reflected an improvement in the claims and claim adjustment expense ratio, partially offset by increased underwriting expense ratio. The improvement in the claims and claim adjustment expense ratio was primarily due to the benefit of the favorable rate environment, better property loss experience and improved profitability from RAM's re-underwriting of the book of business related to the OneBeacon transaction. The 2003 underwriting expense ratio was 1.4 percentage points higher than the 2002 underwriting expense ratio primarily due to increased agent profit share commission expense which was driven by improved loss ratio results and higher premium growth in 2003.

International Markets

Net written premium was as follows:

	Years Ended December 31,		
Net written premium by product line:	**2003**	**2002**	**Change**
		(In millions)	
Personal and Small Commercial Businesses	$1,423.4	$1,348.0	$ 75.4
LIU	1,361.0	1,072.0	289.0
Total International	$2,784.4	$2,420.0	$364.4

Personal and Small Commercial net written premium for the twelve months ended December 31, 2003 was $1.423 billion, representing a $75.4 million or 5.6% increase compared to the same period in 2002. The increase occurred because production remained flat in Latin America and grew by $144 million in Europe. Europe's growth includes $83 million from an acquisition in Portugal that was largely offset by a reduction of $88 million due to the sale of LMG's health business in Canada.

LIU's net written premium for the twelve months ended December 31, 2003 was $1.361 billion, a $289.0 million or 27.0% increase over the same period in 2002. The increase in 2003 was due primarily to the continued harder market globally for specialty lines commercial insurance and reinsurance business. With different rates of growth in the two product lines, LIU increased its share of total International business from 44.3% in 2002 to 48.9% in 2003.

The GAAP P&C International Markets combined ratios were as follows:

	Years Ended December 31,		
	2003	2002	Change
GAAP P&C combined ratio, before catastrophes and incurred attributable to prior years:			
Claims and claim adjustment expense ratio	68.3%	71.7%	(3.4)
Underwriting expense ratio	27.9	26.8	1.1
Dividend ratio	0.0	0.0	0.0
Total	96.2	98.5	(2.3)
Catastrophes:			
Natural	0.0	0.0	0.0
September 11, 2001	0.0	1.3	(1.3)
Incurred attributable to prior years:			
Asbestos	0.0	0.0	0.0
All other	4.9	3.0	1.9
GAAP P&C combined ratio	101.1%	102.8%	(1.7)

The GAAP P&C combined ratio for the twelve months ended 2003 was 101.1%, a 1.7 percentage point improvement over the same period in 2002. The improvement related to improved loss and expense ratios in the LIU businesses where combined ratio fell to 99.1% in 2003 from 106.4% in 2002 due to a continuing harder market as well as a lower than usual level of catastrophe and large event losses in reinsurance classes offset by a 3.2 percentage point worsening in the combined ratio for Personal and Small Commercial classes due to initial performance of the Portuguese acquisition. This improvement in accident year combined ratio was partially offset by incurred attributable to prior years of 4.9 percentage points on prior year losses in Brazil, Canada and business written in London.

Corporate/Other

GAAP revenues and net income (loss) were as follows:

	Years Ended December 31,		
	2003	2002	Change
		(In millions)	
Revenues	$ 1,042.5	$ 872.8	$ 169.7
Net income	$ 93.2	$ 35.7	$ 57.5

Revenues for the twelve months ended December 31, 2003 were $1.042 billion, a $169.7 million or 19.4% increase over the same period in 2002. Revenues were favorably impacted in 2003 by an increase in net investment income and other income associated with increased gas and oil production revenue from Liberty Energy Corporation of $21.7 million. This was partially offset by decreased individual life premium of $73.0 million. In 2003, LMG sold fewer third party structured settlement policies than in 2002.

Net income for the twelve months ended December 31, 2003 was $93.2 million, a $57.5 million or 161.1% increase over the same period in 2002. The improvement was due to lower federal income tax of $150.4 million and increased net investment income of $246.6 million. LMG, through Liberty Energy Corporation, generated significant gains on its oil and gas producing investments. LMG has been able to utilize a significant amount of outstanding net operating loss carry-forwards in 2002 and 2003 due to LMG's improved operations. This has allowed LMG to lower its valuation allowance, thereby reducing its effective rate to 13.2% and 0% in 2002 and 2003, respectively. Net investment income increased $246.6 million primarily due to lower private equity losses in 2003 compared to 2002.

LMG completed a "ground-up" asbestos reserve analysis in 2003 and recorded a total of $331.0 million of asbestos reserve charges in 2003, including a $158.0 million provision for uncollectible asbestos reinsurance and including the impact of discount accretion on settlements with large policyholders, an overall increase of $40.5 million over the prior year; recorded incurred attributable to prior years for the run-off of the California workers compensation business of Golden Eagle of $81.8 million, an increase of $77.3 million over prior year. LMG also increased corporate expenses as a result of increased compensation costs and post-retirement benefit expenses not allocated to the business segments. For the years ended December 31, 2003 and 2002, incentive compensation costs of $71.0 million and a decrease of $24.5 million, respectively, were included in Corporate/Other.

About Liberty Mutual Group

LMG is a diversified international group of insurance companies and the eighth largest property and casualty insurer in the United States, based on 2002 net written premium (sixth largest based on 2002 direct written premium). LMG is one of only four industry competitors with a top ten market position in both personal and commercial lines in the United States based on 2002 net written premium (one of only five based on 2002 direct written premium). As of December 31, 2003, LMG had $64.4 billion in consolidated assets and $16.6 billion in annual consolidated revenue. LMG ranks 116th on the Fortune 500 list of largest corporations in the United States for 2003.

In 2001 and 2002 LMG reorganized into a mutual holding company structure. The three principal mutual companies of the group, Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company and Employers Insurance Company of Wausau, each became separate stock insurance companies under the ownership of Liberty Mutual Holding Company, Inc.. This structure provides LMG with better capital market access and greater strategic flexibility to pursue acquisitions and alliances, while aligning its legal structure with its operating structure and preserving mutuality.

LMG offers a wide range of insurance products and services, including: personal automobile (its largest line of business, based on 2003 net written premium), workers compensation, homeowners, commercial multiple peril, London Market, commercial automobile, general liability, global specialty, group disability, assumed reinsurance, fire and surety.

Financial Supplement: www.libertymutual.com/investors/analystcalls

Our financial supplement is available at our website by clicking on the above link. The supplement provides a more in-depth view of our performance.

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Forward Looking Statement

This press release contains forward-looking statements that are intended to enhance the reader's ability to assess Liberty Mutual Group's future financial and business performance. Forward-looking statements include, but are not limited to, statements that represent Liberty Mutual Group'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 Liberty Mutual Group's control or are subject to change, actual results could be materially different. In particular, the sufficiency of Liberty Mutual Group's asbestos, environmental and toxic tort (bodily injury or property damage claims that arise primarily from exposure to chemical or other hazardous substances), including welding rod and silica related claims ("A&E") reserves, as well as its results of operations, financial condition and liquidity, to the extent impacted by the sufficiency of Liberty Mutual Group's A&E reserves, are subject to a number of potential adverse developments, including adverse developments involving A&E claims and the related level and outcome of litigation, the willingness of parties, including Liberty Mutual Group, to settle disputes, the interpretation of aggregate policy coverage limits, Liberty Mutual Group's ability to recover reinsurance for A&E and other claims, the legal, economic, regulatory, and legislative environments, and their impact on the future development of A&E claims, and the impact of bankruptcies of various asbestos producers and related peripheral businesses. Some of the other factors that could cause actual results to differ include, but are not limited to, the following: Liberty Mutual Group's inability to obtain price increases due to competition or otherwise; the performance of Liberty Mutual Group's investment portfolios, which could be adversely impacted by adverse developments in U.S. and global financial markets, interest rates and rates of inflation; weakening U.S. and global economic conditions; insufficiency of, or changes in, loss reserves; the occurrence of catastrophic events (including terrorist acts) with a severity or frequency exceeding Liberty Mutual Group's expectations; adverse changes in loss cost trends, including~~,~~ inflationary pressures in medical costs and automobile and home repair costs; developments relating to coverage and liability for mold claims; the effects of corporate bankruptcies on surety bond claims; adverse developments in the cost, availability and/or ability to collect reinsurance; adverse outcomes in legal proceedings; judicial expansion of policy coverage and the impact of new theories of liability; the impact of legislative actions, including federal and state legislation related to insurance industry regulation; larger than expected assessments for guaranty funds and involuntary market pools; a downgrade in Liberty Mutual Group's insurance subsidiaries' claims-paying or financial strength ratings; the loss or significant restrictions on Liberty Mutual Group's ability to use credit scoring in the pricing and underwriting of personal lines policies; and amendments and changes to the risk-based capital requirements. Consequently, such forward-looking statements should be regarded solely as Liberty Mutual Group's current plans, estimates and beliefs.