#### **Liberty Mutual Insurance Reports Second Quarter 2015 Results**

BOSTON, Mass., August 12, 2015 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively "LMHC" or the "Company") today reported net income attributable to LMHC of \$254 million and \$530 million for the three and six months ended June 30, 2015, decreases of \$137 million and \$126 million from the same periods in 2014. Including \$5 million and \$9 million of net losses attributable to non-controlling interest, consolidated net income for the three and six months ended June 30, 2015 was \$249 million and \$521 million, respectively.

"Currency volatility, increased catastrophe losses, and continued market pressures in the energy sector contributed to the 36% decline in consolidated net income to \$249 million in the second quarter," said David H. Long, Chairman and CEO of Liberty Mutual Insurance. "Still, these events are tempered by the continued strength of our underlying operations and growth in each of our four strategic business units, with net written premium up 6% in the second quarter."

# **Second Quarter Highlights**

- Revenues for the three months ended June 30, 2015 were \$10.380 billion, an increase of \$432 million or 4.3% over the same period in 2014.
- Net written premium ("NWP") for the three months ended June 30, 2015 was \$9.727 billion, an increase of \$545 million or 5.9% over the same period in 2014.
- Net investment income for the three months ended June 30, 2015 was \$726 million, a decrease of \$79 million or 9.8% from the same period in 2014.
- Pre-tax operating income ("PTOI") for the three months ended June 30, 2015 was \$171 million, a decrease of \$382 million or 69.1% from the same period in 2014.
- Catastrophe losses for the three months ended June 30, 2015 were \$800 million, an increase of \$125 million or 18.5% over the same period in 2014.
- Pre-tax loss associated with the Venezuela devaluation and foreign exchange under hyperinflationary accounting (including other-than-temporary impairments and foreign exchange losses on certain Venezuela investments) was \$81 million in 2015 compared to a pre-tax gain of \$92 million in the same period in 2014.
- Net operating income for the three months ended June 30, 2015 was \$115 million, a decrease of \$263 million or 69.6% from the same period in 2014.
- Net income attributable to LMHC for the three months ended June 30, 2015 was \$254 million, a decrease of \$137 million or 35.0% from the same period in 2014.
- The consolidated combined ratio before catastrophes<sup>1</sup> and net incurred losses attributable to prior years<sup>2</sup> for the three months ended June 30, 2015 was 93.0%, an increase of 1.1 points over the same period in 2014. Including the impact of catastrophes and net incurred losses attributable to prior years (primarily Ireland), the Company's combined ratio for the three months ended June 30, 2015 increased 2.1 points to 102.4%.
- Cash flow from operations for the three months ended June 30, 2015 was \$855 million, a decrease of \$323 million or 27.4% from the same period in 2014.

<sup>&</sup>lt;sup>1</sup>Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, Chile floods, Hailstorm Ela, Cyclone Niklas and New South Wales severe storms. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>&</sup>lt;sup>2</sup>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.

# Year-to-date Highlights

- Revenues for the six months ended June 30, 2015 were \$20.060 billion, an increase of \$450 million or 2.3% over the same period in 2014.
- NWP for the six months ended June 30, 2015 was \$19.126 billion, an increase of \$1.158 billion or 6.4% over the same period in 2014.
- Net investment income for the six months ended June 30, 2015 was \$1.363 billion, a decrease of \$336 million or 19.8% from the same period in 2014.
- PTOI for the six months ended June 30, 2015 was \$724 million, a decrease of \$501 million or 40.9% from the same period in 2014.
- Catastrophe losses for the six months ended June 30, 2015 were \$1.296 billion, an increase of \$134 million or 11.5% over the same period in 2014.
- Pre-tax loss associated with the Venezuela devaluation and foreign exchange under hyperinflationary accounting (including other-than-temporary impairments and foreign exchange losses on certain Venezuela investments) was \$244 million in 2015 compared to a pre-tax loss of \$183 million in the same period in 2014.
- Net operating income for the six months ended June 30, 2015 was \$541 million, a decrease of \$389 million or 41.8% from the same period in 2014.
- Net income attributable to LMHC for the six months ended June 30, 2015 was \$530 million, a decrease of \$126 million or 19.2% from the same period in 2014.
- The consolidated combined ratio before catastrophes and net incurred losses attributable to prior years for the six months ended June 30, 2015 was 92.9%, no change compared to the same period in 2014. Including the impact of catastrophes and favorable net incurred losses attributable to prior years (primarily a one-time benefit as a result of a reduction in the estimated liability for state assessments related to workers compensation), the Company's combined ratio for the six months ended June 30, 2015 improved 0.1 point to 99.8%.
- Cash flow from operations for the six months ended June 30, 2015 was \$1.583 billion, an increase of \$87 million or 5.8% over the same period in 2014.

### Financial Condition as of June 30, 2015

- Total assets were \$125.096 billion as of June 30, 2015, an increase of \$803 million or 0.6% over December 31, 2014.
- Total equity was \$19.942 billion as of June 30, 2015, a decrease of \$349 million or 1.7% from December 31, 2014.

# Consolidated Net Operating Income for the Three and Six Months Ended June 30, 2015 and 2014:

	Three Months Ended June 30,			Six Months Ended June 30,		
\$ in Millions	2015	2014	Change	2015	2014	Change
Net operating income	\$115	\$378	(69.6%)	\$541	\$930	(41.8%)
Net realized gains (losses), net of tax	139	30	NM	(11)	(193)	(94.3)
Discontinued operations, net of tax	-	(17)	(100.0)	-	(81)	(100.0)
Net income attributable to LMHC	\$254	\$391	(35.0%)	\$530	\$656	(19.2%)

NM = Not Meaningful

# Consolidated Results of Operations for the Three and Six Months Ended June 30, 2015 and 2014:

\$ in Millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	2015	2014	Change
Revenues	\$10,380	\$9,948	4.3%	\$20,060	\$19,610	2.3%
PTOI before catastrophes, net incurred						
losses attributable to prior years,						
Venezuela devaluation and foreign						
exchange and LP, LLC and other						
equity method income <sup>1</sup>	\$963	\$1,034	(6.9%)	\$1,886	\$1,939	(2.7%)
Catastrophes <sup>2</sup>	(800)	(675)	18.5	(1,296)	(1,162)	11.5
Net incurred losses attributable to						
prior years:						
- Asbestos & environmental <sup>3</sup>	(1)	(1)	-	(2)	(2)	-
- All other <sup>4,5</sup>	(7)	(21)	(66.7)	126	18	NM
Venezuela devaluation and foreign						
exchange	(52)	92	NM	(41)	71	NM
PTOI before LP, LLC and other equity						
method income	103	429	(76.0)	673	864	(22.1)
LP, LLC and other equity method						
income	68	124	(45.2)	51	361	(85.9)
PTOI	171	553	(69.1)	724	1,225	(40.9)
Net realized gains (losses)	227	46	NM	89	(159)	NM
Pre-tax income	398	599	(33.6)	813	1,066	(23.7)
Income tax expense	149	196	(24.0)	292	344	(15.1)
Consolidated net income before						
discontinued operations	249	403	(38.2)	521	722	(27.8)
Discontinued operations, net of tax	-	(17)	(100.0)	-	(81)	(100.0)
Consolidated net income	249	386	(35.5)	521	641	(18.7)
Less: Net loss attributable to non-						
controlling interest	(5)	(5)	-	(9)	(15)	(40.0)
Net income attributable to LMHC	\$254	\$391	(35.0%)	\$530	\$656	(19.2%)
Cash flow provided by operations	\$855	\$1,178	(27.4%)	\$1,583	\$1,496	5.8%

- 1 Limited partnership ("LP"), limited liability company ("LLC") and other equity method income is included in net investment income in the accompanying Consolidated Statements of Income.
- 2 Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, Chile floods, Hailstorm Ela, Cyclone Niklas and New South Wales severe storms. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.
- 3 Gross of the NICO Reinsurance Transaction.
- 4 The six months ended June 30, 2015 include a one-time benefit of \$91 million due to a reduction in the estimated prior years' liability for state assessments related to workers compensation.
- 5 Net of earned premium and reinstatement premium attributable to prior years of \$2 million and \$4 million for the three and six months ended June 30, 2015 and (\$14) million and \$11 million for the same periods in 2014. Net of amortization of deferred gains on retroactive reinsurance of \$1 million and \$2 million for the three and six months ended June 30, 2015 and 2014. NM = Not Meaningful

**Financial Information:** The Company's financial results, management's discussion and analysis of operating results and financial condition, accompanying financial statements and other supplemental financial information for the three and six months ended June 30, 2015 are available on the Company's Investor Relations web site at <a href="https://www.libertymutual.com/investors">www.libertymutual.com/investors</a>.

**Conference Call Information:** At 10:00 a.m. EDT today, David H. Long, Liberty Mutual Insurance Chairman and CEO, will host a conference call to discuss the Company's financial results. To listen to the call and participate in the Q&A, please dial 800-857-2190, providing the pass code "Liberty" when prompted. A replay will be available until 5:00 p.m. on August 26, 2015 at 866-461-2735.

#### **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 78<sup>th</sup> on the Fortune 100 list of largest corporations in the U.S. based on 2014 revenue. As of December 31, 2014, LMHC had \$124.293 billion in consolidated assets<sup>1</sup>, \$104.002 billion in consolidated liabilities<sup>1</sup>, and \$39.657 billion in annual consolidated revenue<sup>1</sup>.

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 <a href="https://www.libertymutual.com/investors">www.libertymutual.com/investors</a>.

#### **Cautionary Statement Regarding Forward Looking Statements**

This press release contains forward looking statements that are intended to enhance the reader's ability to assess the Company's future financial and business performance. Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" or similar expressions. Because these forward looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different.

Some of the factors that could cause actual results to differ include, but are not limited to the following: the occurrence of catastrophic events (including terrorist acts, hurricanes, hail, 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 and LLCs; difficulty in valuing certain of the Company's investments; subjectivity in the determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; terrorist acts; the Company's inability to obtain price increases or maintain

Reflects the 2015 adoption of the Financial Accounting Standards Board issued Accounting Standards Update 2014-01, Accounting for Investments in Qualified Affordable Housing Projects.

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 other cautionary statements, visit the Company's Investor Relations website www.libertymutual.com/investors. The Company undertakes no obligation to update these forward looking statements.

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