Liberty Mutual Group 1Q 2004 Net Income Up $270 million

BOSTON, MA, May 14, 2004 – Liberty Mutual Group ("LMG") today reported net income of $284 million for the three months ended March 31, 2004, a $270 million increase over the same period in 2003.

Highlights

- Revenues for the three months ended March 31, 2004 were $4.704 billion, a $1.074 billion or 29.6% increase over the same period in 2003.

- Pre-tax income for the three months ended March 31, 2004 was $282 million, a $263 million increase over the same period in 2003. Moreover, pre-tax income improved in each of the Company's four strategic business units, largely benefiting from the significant pricing and underwriting actions taken over the last several years.

- Cash flow from operations was $849 million, a $212 million or 33.3% increase over the same period in 2003.

- The combined ratio for the three months ended March 31, 2004 was 103.7%, a 2.0 percentage point improvement over the same period in 2003.

- Successfully raised $750 million in debt pursuant to a private placement. Proceeds were used in the second quarter of 2004 to refinance existing debt obligations and to further strengthen the capitalization of the insurance operations.

- On January 9, 2004, the Company acquired the Spanish operations of The Metropolitan Life Insurance Company, including its property and casualty subsidiary, Genesis Seguros Generales, S.A., and its life insurance subsidiary, Seguros Genesis, S.A., Sociedad Unipersonal.

Selected Statistics ($ in Millions)	**March 31, 2004**	**December 31, 2003**	**Change (dollars)**
Total investments	$37,870	$35,549	$2,321
Reinsurance recoverables	12,995	12,227	768
Total assets	69,717	64,422	5,295
Claims and claim adjustment expense reserves	35,551	33,615	1,936
Total long term debt	2,150	1,668	482
Policyholders' equity	7,993	7,381	612
Cash flow from operations	849	637	212

Consolidated Results of Operations for the Three Months Ended 2004 and 2003

	Three Months Ended March 31,		
Dollars in Millions	**2004**	**2003**	**Change**
Revenues	$4,704	$3,630	29.6%
Pre-tax operating income	225	93	141.9
Realized investment gains (losses), net	57	(74)	NM
Federal and foreign income tax expense	-	(3)	NM
Discontinued operations, net of tax	2	(2)	NM
Net income	$284	$14	NM

NM = Not meaningful (represents increases or decreases greater than 200%, or changes from a net gain to a net loss, or vice versa).

Revenues for the three months ended March 31, 2004 were $4.704 billion, a $1.074 billion or 29.6% increase over the same period in 2003. The major components of revenues include net premiums earned, net investment income, net realized capital gains/losses, and fee and other revenues.

Net premiums earned for the three months ended March 31, 2004 were $3.967 billion, an $814 million or 25.8% increase over the same period in 2003. Approximately $379 million of the increase was due to the acquisition of PruPac and the Company's acquisitions in Spain, Portugal and Thailand. Other factors affecting earned premium growth were a $77 million increase related to the reduction in ceded premium to OneBeacon Insurance Company and a decrease of $67 million related to the sale of the Company's Canadian health business at the end of June 2003. The balance of the increase reflects new business growth, the favorable impact of continued rate increases in 2003 and 2004 and improved retention levels on renewal business across many of the Company's major product lines.

Net investment income for the three months ended March 31, 2004 was $502 million, a $88 million or 21.3% increase over the same period in 2003. The change was primarily due to an increase in average invested assets relating to increased cash flow from operations and acquired companies, partially offset by a decline in investment yields. An improvement in limited partnership results accounted for $38 million of the increase. For the three months ended 2004 and 2003, the Company had limited partnership income of $28 million and a loss of $10 million, respectively.

Net realized investment gains for the three months ended March 31, 2004 were $57 million, a $131 million increase over the same period in 2003. During the first quarter of 2004, the Company realized $51 million and $9 million of gains from the sale of fixed maturities and equities, respectively. This compares to $37 million and $39 million of realized losses on the sale of fixed maturities and equities, respectively, in the first quarter of 2003. Included in those amounts were $14 million and $27 million of impairment losses for the three months ended March 31, 2004 and 2003, respectively. In the first quarter of 2004, the Company contributed one of its energy holdings to a new limited partnership in exchange for an interest in the new partnership. The final valuations underlying the accounting by the general partner are expected to be completed in the third quarter of 2004. Upon completion of the merger accounting, the Company could realize a gain on the transaction.

Fee and other revenues for the three months ended March 31, 2004 were $178 million, a $41 million or 29.9% increase over the same period in 2003. The increase was primarily attributable to higher revenues from the Company's servicing carrier operations.

Claims, benefits and expenses for the three months ended March 31, 2004 were $4.422 billion, a $811 million or 22.5% increase over the same period in 2003. The increase was primarily due to acquisition activity which added $386 million and claims associated with business growth. Net incurred losses attributable to prior years were $103 million for the first quarter of 2004 versus $93 million for the comparable period in 2003. Catastrophe losses were $39 million and $33 million in the first quarters of 2004 and 2003, respectively.

	Three Months Ended March 31,		
	2004	**2003**	**Change (points)**
CONSOLIDATED combined ratio, before catastrophes and incurred attributable to prior years			
Claims and claim adjustment expense ratio	72.9%	73.4%	(0.5)
Underwriting expense ratio	26.1	26.8	(0.7)
Dividend ratio	0.3	0.6	(0.3)
Subtotal	99.3	100.8	(1.5)
Catastrophes			
- Natural	1.0	1.1	(0.1)
- September 11, 2001	-	-	-
Net incurred attributable to prior years			
- Asbestos	-	1.5	(1.5)
- All other	2.6	1.5	1.1
Discount accretion	0.8	0.8	-
Total combined ratio[1]	103.7%	105.7%	(2.0)

[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 the Company's competitors. The combined claim and expense ratio, expressed as a percentage, is computed as the sum of the following property and casualty ratios: the ratio of claims and claim adjustment expense to earned premium; the ratio to earned premium 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 premium and reinsurance are not included in the combined ratio.

The consolidated combined ratio in the three months ended March 31, 2004 was 103.7%, a 2.0 percentage point improvement over the comparable period in 2003. The improvement reflects the favorable impact of rate increases and a decline in the underwriting expense and dividend ratios. Additionally, net incurred attributable to prior years improved 0.4 percentage points in the first quarter of 2004, compared to the same period in 2003.

Pre-tax income for the three months ended March 31, 2004 was $282 million, a $263 million increase over the same period in 2003.

Net income for the three months ended March 31, 2004 was $284 million, a $270 million increase over the same period in 2003. The Company recognized no federal and foreign income tax expense during the first quarter of 2004 as it continues to reduce the deferred tax asset valuation allowance. Net income from discontinued operations primarily reflects the operations of the Canadian personal lines business, which was sold to Meloche Monnex on April 1, 2004.

Financial Information: Liberty Mutual Group's first quarter 2004 financials and accompanying management's discussion and analysis are located on the Company investor relations website at www.libertymutual.com/investors.

Conference Call Information: At 1:00 p.m. EDT that day, Edmund F. Kelly, Liberty Mutual Group Chairman, President and CEO, will host a conference call to discuss the company's financial results. To listen to the call and participate in Q&A, please dial 877-825-5811 fifteen minutes before the starting time. A replay will be available until May 21, 2004, at 877-519-4471 using the reservation number 4726685.

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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 Holding Company Inc.'s, its subsidiaries' and its affiliates'("Liberty Mutual Group") 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 reserves for (i) asbestos, (ii) environmental and (iii) toxic tort (i.e.-, claims that arise primarily from exposure to chemical or other hazardous substances, including welding rod and silica related claims ((i), (ii), and (iii) together "A&E")) , 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, both natural and man-made, including terrorist acts, with a severity or frequency exceeding Liberty Mutual Group's expectations; exposure to, and adverse developments involving, environmental claims and related litigation; the impact of claims related to exposure and potentially harmful products or substances, including, but not limited to, lead paint, silica and other potentially harmful substances;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; the ability of Liberty Mutual Group's subsidiaries to pay dividends to their parent entity; 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. Liberty Mutual Group's forward-looking statements speak only as of the date of this press release or as of the date they are made and sould be regarded solely as Liberty Mutual Group's current plans, estimates and beliefs. Liberty Mutual Group undertakes no obligation to update these forward-looking statements.