Liberty Mutual Group Reports First Quarter 2005 Results

BOSTON, Mass., April 28, 2005 – Liberty Mutual Group ("LMG" or the "Company") today reported net income of $396 million for the three months ended March 31, 2005, representing a $112 million or 39.4% increase over the same period in 2004.

"I am very pleased with our financial results through the first quarter. Despite a more competitive marketplace, we remain steadfast in our commitment to maintaining our core underwriting principles and a strong balance sheet," said Edmund F. Kelly, Liberty Mutual Group Chairman, President and CEO.

First Quarter 2005 Highlights

- Revenues for the three months ended March 31, 2005 were $4.971 billion, a $267 million or 5.7% increase over the same period in 2004.

- Net written premium for the three months ended March 31, 2005 was $4.657 billion, a $87 million or 1.9% increase over the same period in 2004.

- Pre-tax operating income for the three months ended March 31, 2005 was $384 million, a $159 million or 70.7% increase over the same period in 2004.

- Cash flow from operations for the three months ended March 31, 2005 was $858 million, a $9 million or 1.1% increase from the same period in 2004.

- The combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion for the three months ended March 31, 2005 was 96.9%, a 2.0 point improvement over the same period in 2004. Including the impact of catastrophes, net incurred losses attributable to prior years and discount accretion, the Company's combined ratio improved 4.2 points to 99.1% in 2005.

- Statutory surplus as regards policyholders for the combined operations of Liberty Mutual Insurance Company ("LMIC") and its U.S. affiliates including international branches was $9.538 billion, a $799 million or 9.1% increase over December 31, 2004.

- The consolidated debt to capital ratio including accumulated other comprehensive income ("AOCI") as of March 31, 2005 was 22.9%, a 1.8 point increase over December 31, 2004. Excluding AOCI, the consolidated debt to capital ratio was 24.9%, a 1.1 point increase over December 31, 2004.

Consolidated Results of Operations for the Three Months Ended March 31, 2005:

	Three Months Ended March 31,		
$ in Millions	**2005**	**2004**	**Change**
Revenues	$4,971	$4,704	5.7%
PTOI before catastrophes and incurred attributable to prior years	$476	$392	21.4%
Catastrophes[1]:			
- Four hurricanes 2004	(5)	-	NM
- September 11, 2001	-	-	-
- All other	(34)	(41)	(17.1)
Net incurred losses attributable to prior years:			
- Asbestos	-	-	-
- Pollution	-	-	-
- All other[2]	(29)	(102)	(71.6)
Discount accretion[3]	(24)	(24)	-
Pre-tax operating income	384	225	70.7
Realized investment gains, net	21	57	(63.2)
Federal and foreign income tax benefit	-	-	-
Discontinued operations, net of tax	(9)	2	NM
Extraordinary items, net of tax	-	-	-
Net income	$396	$284	39.4%

1 The Company does not typically identify catastrophe losses from assumed reinsurance lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) in the tables above given the expected volatility associated with property-reinsurance coverage. However, due to the significant impact that the four hurricanes and the events of September 11, 2001 had on the Company's results, these losses have been separately identified in the tables above. Catastrophe losses include the impact of reinstatement premiums.

2 Net of earned premium attributable to prior years of $8 million and $20 million for the three months ended March 31, 2005 and 2004, respectively and amortization of deferred gains on retroactive reinsurance of $12 million and $11 million for the three months ended March 31, 2005 and 2004, respectively.

3 The Company discounts the long-term indemnity portion of its workers compensation claims as permitted by insurance regulations. The discount accretion on these claims flows through underwriting results as the loss reserves accrete to nominal value. Asbestos structured settlements are discounted at 4.5%.

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

Financial Information: Liberty Mutual Group'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 months ended March 31, 2005 are available on the Company's Investor Relations website at www.libertymutual.com/investors.

Conference Call Information: At 10:00 a.m. EDT today, 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 5, 2005, at 877-519-4471 using the reservation number 5963475.

About Liberty Mutual Group

Boston-based Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Group of entities ("LMG" or the "Company"), is a diversified global insurer and sixth largest property and casualty insurer in the U.S. based on 2004 direct written premium. The Company also ranks 111th on the Fortune 500 list of largest corporations in the United States based on 2004 revenue. As of December 31, 2004, LMG had $72.4 billion in consolidated assets and $19.6 billion in annual consolidated revenue.

LMG, 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 Co. (LMIC), Liberty Mutual Fire Insurance Co. (Fire) and Employers Insurance Co. of Wausau (EICOW), each became separate stock insurance companies under the ownership of Liberty Mutual Holding Company.

Functionally, the Company conducts its business through four strategic business units: Personal Market, Commercial Markets, Regional Agency Markets (RAM) and International. Each business unit operates independently of the others and has 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.

LMG employs more than 38,000 people in nearly 900 offices throughout the world. For a full description of the company's business operations, products and distribution channels please visit the Liberty Mutual's investor relations web site at www.libertymutual.com/investors.

Forward-Looking Statements

This press release contains forward-looking statements concerning LMG's future financial and business performance. These statements represent LMG's beliefs concerning future operations, strategies, financial results or other developments, and contain words such as "may," "expects," "should," "believes," "estimates," or similar expressions. Because these forward-looking statements are based on assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond LMG's control or are subject to change, actual results could be materially different. In particular, the sufficiency of LMG's reserves for asbestos, environmental and toxic tort claims, ("A&E"), as well as its results of operations, financial condition and liquidity, to the extent impacted by the sufficiency of the A&E reserves, are subject to a number of potential adverse developments, including adverse developments involving A&E claims and the related outcome of litigation, the willingness of parties to settle disputes, the interpretation of aggregate coverage limits, LMG'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 businesses. Other factors that could cause actual results to differ include: LMG's inability to obtain price increases due to competition or otherwise; the performance of LMG's investment portfolios, weakening U.S. and global economic conditions; insufficiency of loss reserves; the occurrence of natural or man-made catastrophic events exceeding LMG's expectations; adverse changes in loss cost trends, adverse developments in the cost, availability and/or ability to collect reinsurance; the ability of LMG's subsidiaries to pay dividends to LMG; adverse results or other consequences from legal proceedings or regulatory investigations or reforms, including governmental actions regarding the compensation of brokers and agents and the sale of nontraditional products and related disclosures; unusual loss activity resulting from adverse weather conditions, including storms, hurricanes, hail, snowfall and winter conditions; the tax impact of the repatriation of foreign earnings; larger than expected assessments for guaranty funds and involuntary market pools; a downgrade in LMG's insurance subsidiaries' ratings; restrictions on LMG'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. LMG's forward-looking statements speak only as of the date of this release or as of the date they are made and should be regarded solely as LMG's current estimates and beliefs. LMG undertakes no obligation to update these forward-looking statements. For a further discussion of these and other risks and uncertainties, see LMG's web site at www.libertymutual.com/investors.