Liberty Mutual Group Reports Fourth Quarter and Full Year 2004 Results (Net Income up 46.3% Year-to-Date)

BOSTON, Mass., March 2, 2005 – Liberty Mutual Group ("LMG" or the "Company") today reported net income of $565 million and $1.245 billion for the three and twelve months ended December 31, 2004, respectively, representing a $130 million and $394 million increase over the same periods in 2003.

"In 2004, we achieved record earnings of $1.2 billion, double digit growth in surplus and almost $3.2 billion of cash flow from operations. We achieved all of this and more despite a very difficult catastrophe environment and our decision to increase pollution reserves by $316 million following a comprehensive review by an independent actuary," said Edmund F. Kelly, Liberty Mutual Group Chairman, President and CEO.

Fourth Quarter 2004 Highlights

- Revenues for the three months ended December 31, 2004 were $5.274 billion, a $780 million or 17.4% increase over the same period in 2003.

- Net written premium for the three months ended December 31, 2004 was $4.109 billion, a $569 million or 16.1% increase over the same period in 2003.

- Pre-tax operating income for the three months ended December 31, 2004 was $409 million, a $146 million or 55.5% increase over the same period in 2003. Results for 2004 include $232 million of incurred losses related to the completion of the Company's comprehensive review of pollution reserves in the fourth quarter of 2004.

- Cash flow from operations for the three months ended December 31, 2004 was $672 million, a $68 million or 9.2% decrease from the same period in 2003.

- The combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion for the three months ended December 31, 2004 was 91.7%, a 5.9 percentage point improvement over the same period in 2003. Including the impact of catastrophes, net incurred losses attributable to prior years and discount accretion, the Company's combined ratio improved 4.2 percentage points to 98.3% in 2004.

Year-to-Date 2004 Highlights

- Revenues for the twelve months ended December 31, 2004 were $19.641 billion, a $3.023 billion or 18.2% increase over the same period in 2003.

- Net written premium for the twelve months ended December 31, 2004 was $17.321 billion, a $2.839 billion or 19.6% increase over the same period in 2003.

- Pre-tax operating income for the twelve months ended December 31, 2004 was $907 million, a $503 million or 124.5% increase over the same period in 2003. Results for 2004 include $697 million of catastrophe losses and $316 million of net incurred losses attributable to prior years related to the completion of the Company's comprehensive review of pollution reserves.

- Cash flow from operations for the twelve months ended December 31, 2004 was $3.188 billion, a $509 million or 19.0% increase over the same period in 2003.

- The combined ratio before catastrophes, net incurred losses attributable to prior years and discount accretion for the twelve months ended December 31, 2004 was 95.0%, a 3.4 percentage point improvement over the same period in 2003. Including the impact of catastrophes, net incurred losses, attributable to prior years and discount accretion, the Company's combined ratio improved 1.6 percentage points to 102.9% in 2004.

Consolidated Results of Operations for the Three and Twelve Months Ended December 31, 2004 and 2003:

	Three Months Ended December 31,			Twelve Months Ended December 31,		
$ in Millions	**2004**	**2003**	**Change**	**2004**	**2003**	**Change**
Revenues	$5,274	$4,494	17.4%	$19,641	$16,618	18.2%
PTOI before catastrophes, incurred attributable to prior years, and allowance for uncollectible reinsurance on asbestos	$683	$439	55.6%	$2,171	$1,382	57.1%
Allowance for uncollectible reinsurance on asbestos	1	-	NM	5	(158)	NM
PTOI before catastrophes and incurred attributable to prior years	684	439	55.8	2,176	1,224	77.8
Catastrophes[1, 2]:						
- Four hurricanes 2004	41	-	NM	(512)	-	NM
- September 11, 2001	(19)	72	NM	(19)	74	NM
- All other	(38)	(58)	(34.5)	(166)	(259)	(35.9)
Net incurred attributable to prior years:						
- Asbestos	(4)	(5)	(20.0)	(8)	(178)	(95.5)
- Pollution	(232)	-	NM	(316)	-	NM
- All other[3]	3	(167)	NM	(150)	(391)	(61.6)
Discount accretion[4]	(26)	(18)	44.4	(98)	(66)	48.5
Pre-tax operating income	409	263	55.5	907	404	124.5
Realized investment gains, net	143	87	64.4	312	373	(16.4)
Federal and foreign income tax benefit	-	25	NM	-	-	-
Discontinued operations, net of tax	16	(17)	NM	29	(3)	NM
Extraordinary items, net of tax	(3)	77	NM	(3)	77	NM
Net income	$565	$435	29.9%	$1,245	$851	46.3%

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. The four hurricanes' losses for the twelve months ended December 31, 2004 include amounts in excess of the Company's reasonable assumption of expected property catastrophe losses for the nine months ended September 30, 2004 (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of reinstatement premiums.

2 Year-to-date assumed catastrophe losses related to the four hurricanes are reported net of net catastrophe reinsurance premium earned of $164 million.

3 Net of earned premium attributable to prior years of $38 million and $93 million for the three and twelve months ended December 31, 2004, respectively, and $44 million and $173 million for the comparable periods of 2003.

4 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

Financial Information: Liberty Mutual Group's financial results, news release, 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, 2004 are available on the Company's Investor Relations website at www.libertymutual.com/investors.

Conference Call Information: At 3:30 p.m. EST 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 March 9, 2005, at 877-519-4471 using the reservation number 5674968.

About Liberty Mutual Group

Boston-based Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Group of companies ("LMG" or the "Company") is a leading global insurer and sixth largest property and casualty insurer in the U.S. based on 2003 direct written premium. As of December 31, 2004, LMG had $72.4 billion in consolidated assets and $19.6 billion in annual consolidated revenue. The Company ranks 116th on the Fortune 500 list of largest corporations in the United States for 2003.

LMG offers a wide range of insurance products and services, including private passenger automobile (the company's largest line of business), homeowners, workers compensation, commercial multiple peril, commercial automobile, general liability, global specialty, group disability, assumed reinsurance, fire and surety.

The Company has five reporting segments: Personal Market; Commercial Markets; Regional Agency Markets (RAM); International; and Corporate and Other (which includes Individual Life Products).

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 indirect 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 employs nearly 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; 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.