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People & Promises

At Liberty Mutual Insurance Group, we make a promise to be there for our customers in their time of need. In this 2015 Annual Review, we share stories of how we delivered on our promise to help you preserve and protect what you earn, build, own and cherish.

Financials Highlights

(Dollars in millions) as of December 31	2015	2014
Liberty Mutual Insurance Group¹		
Revenues	\$37,617	\$37,721
Pre-tax operating income	1,992	2,703
Net income ²	514	1,814
Cash flow from operations	3,543	630
Combined ratio	97.8%	97.8%
Personal Insurance		
Revenues	\$17,036	\$16,124
Pre-tax operating income	1,366	1,674
Cash flow from operations	2,199	2,364
Combined ratio	94.8%	92.1%
Commercial Insurance		
Revenues	\$11,187	\$11,106
Pre-tax operating income	1,065	1,030
Cash flow from operations	1,409	837
Combined ratio	98.9%	99.8%
Liberty International¹		
Revenues	\$3,801	\$4,317
Pre-tax operating income	(49)	(22)
Cash flow from operations	98	1
Combined ratio	108.6%	106.9%
Global Specialty		
Revenues	\$5,227	\$5,183
Pre-tax operating income	603	537
Cash flow from operations	854	945
Combined ratio	94.0%	95.1%
Other³		
Revenues	\$366	\$991
Pre-tax operating income	(993)	(516)
Cash flow from operations	(1,017)	(3,517)

To access and download the Complete Financial Statements, please visit:
<http://libertymutualgroup.com/2015annualreview>.

Liberty Mutual Insurance Group results include all significant business units of the Company. Each business unit is reported in accordance with U.S. Generally Accepted Accounting Principles.

¹Effective September 30, 2015, the Company determined to deconsolidate the Venezuelan operations and classify its net loss and related impairment charge as discontinued operations. All prior periods have been adjusted to reflect this change. ²Net income represents net income attributable to Liberty Mutual Holding Company Inc. ³Other includes discontinued operations (including asbestos and environmental and related reinsurance), interest expense, internal reinsurance programs, net investment income after allocations to business units, certain expenses not allocated to the business units, income related to limited partnership and limited liability company investments, other revenues from corporate subsidiaries, and federal and foreign tax payments.



OVERVIEW

A Message from Our Chairman & CEO

In 2015, Liberty Mutual Insurance Group employees delivered on our promise to help preserve and protect what our customers and policyholders earn, build, own and cherish. In the pages that follow are examples of how our employees accomplished this with integrity, expertise and innovation.

You'll read about Personal Insurance helping 49,000 customers get their lives back to normal after record-breaking snowstorms in the Northeast; Commercial Insurance introducing infrared cameras to find damage, assess repairs and help businesses move forward faster; Liberty International creating individually customized training resources for brokers; and Global Specialty strengthening its distribution partnerships to ensure worldwide access to innovative products and geographic niches.

These and countless similar stories led to our successful operating results in 2015. However, our reported financial results include the impacts of very trying economic times: the collapse of energy prices and the resulting investment losses; a very troubled economic environment in Venezuela that led to the write-off of our investment in Seguros Caracas de Liberty; lower investment income due to a prolonged period of low interest rates; and an adverse impact on our top- and bottom-line results from international operations due to the strengthening of the U.S. dollar versus most other currencies.

Despite these significant economic challenges, we achieved strong insurance operating results with a 97.8 percent combined ratio; and slight growth in net written premium, which reached \$34.5 billion,

even with significant foreign exchange pressures. And after absorbing the Venezuela and energy losses, we still reported net income of over \$500 million.

Each of our businesses contributed to our underlying success. Personal Insurance continued to grow faster than the industry, although at an intentionally slower pace than prior years — gaining market share while improving our core profitability, all while building customer loyalty and promoting innovation.

Commercial Insurance significantly improved the quality of its business, lowered its combined ratio and began to grow where it could do so profitably — particularly in employee benefits and small commercial. The business also made great strides in enhancing its agent-broker relationships.

In Liberty International's country operations, our top line has grown, excluding the impact of foreign exchange. We solidified our leading position in the Chilean market with the agreement to purchase the fourth-largest property & casualty insurer in Chile, Compañía de Seguros Generales Penta Security S.A. Recognizing that we could not achieve adequate scale in Poland, we entered into an agreement to sell our Polish company.

Global Specialty continued to execute well in its core businesses of surety, reinsurance and specialty lines and established new offices in Latin America. That said, the business has aggressively responded to the profitability challenges in certain segments due to highly competitive market conditions, including deliberate contraction where necessary.

While the economic conditions of 2015 — currency volatility, economic instability and market pressures — have been troubling, none of these challenges are unique to Liberty Mutual. What is unique to Liberty, however, are our culture and the character of our people.

In 2015, we continued to attract, develop and retain the best talent. We expanded our diversity and inclusion program, including the creation of new employee resource groups, and rolled out new workplace flexibility and paid parenting leave policies. In October, we broke ground on

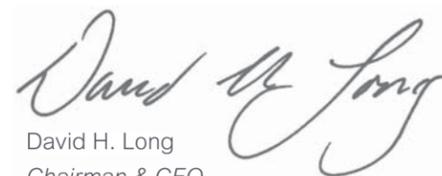
our first significant new campus outside the Northeast, in Plano, Texas, where we anticipate recruiting additional top talent. More than ever, we are tapping the full potential of our people on behalf of our customers and policyholders. I've never felt more confident in our collective abilities.

I feel equally confident in our collective character. These pages highlight our employees' personal commitments to supporting others during their time of need, including through *Give with Liberty* and *Serve with Liberty*, our employee giving and service programs. In our 2015 *Give with Liberty* campaign, 71 percent of employees pledged \$12.4 million to 7,646 charities. In our 2015 *Serve with Liberty* program, 28,238 employees from 21 countries served over 122,000 hours at 936 charities. These numbers are unparalleled. As CEO, nothing makes me prouder than our passion to help others.

So, in spite of the many challenges that face us and our industry, we are tempered at Liberty Mutual by the continued strength of our underlying operations, the talent of our people and the good that makes our company uniquely great.

I'd like to thank the Board of Directors for their invaluable guidance and support over the past year as well as our dedicated network of distribution partners — the independent agents and brokers who bring our services to those who need us most.

I thank our employees for all their hard work delivering on our promises. Most especially, I thank our customers and policyholders — the purpose of, and people behind, every one of these promises.



David H. Long
Chairman & CEO

"More than ever, we are tapping the full potential of our people on behalf of our customers and policyholders. I've never felt more confident in our collective abilities."

Company Overview

Boston-based Liberty Mutual Insurance Group is a diversified global insurer, the third-largest property and casualty (P&C) insurer in the U.S. based on 2014 direct written premium and the sixth-largest P&C insurer in the world based on 2014 gross written premium. The company also ranks 78th on the Fortune 500 list of largest corporations in the U.S. based on 2014 revenue.

Liberty Mutual Insurance Group offers a wide range of insurance products and services to meet the needs of individuals, families and businesses through four strategic business units:

Personal Insurance

Commercial Insurance

Liberty International

Global Specialty

Liberty Mutual Insurance Group's pre-tax operating income for 2015 was \$2.0 billion, a decrease of 26.3 percent from 2014. Net investment income was \$2.7 billion on cash flows from operations of \$3.5 billion.

These results reflect a non-recurring loss of approximately \$900 million from the deconsolidation of our Venezuelan operations, Seguros Caracas de Liberty, as well as energy investment-related losses.



Strategic Business Units

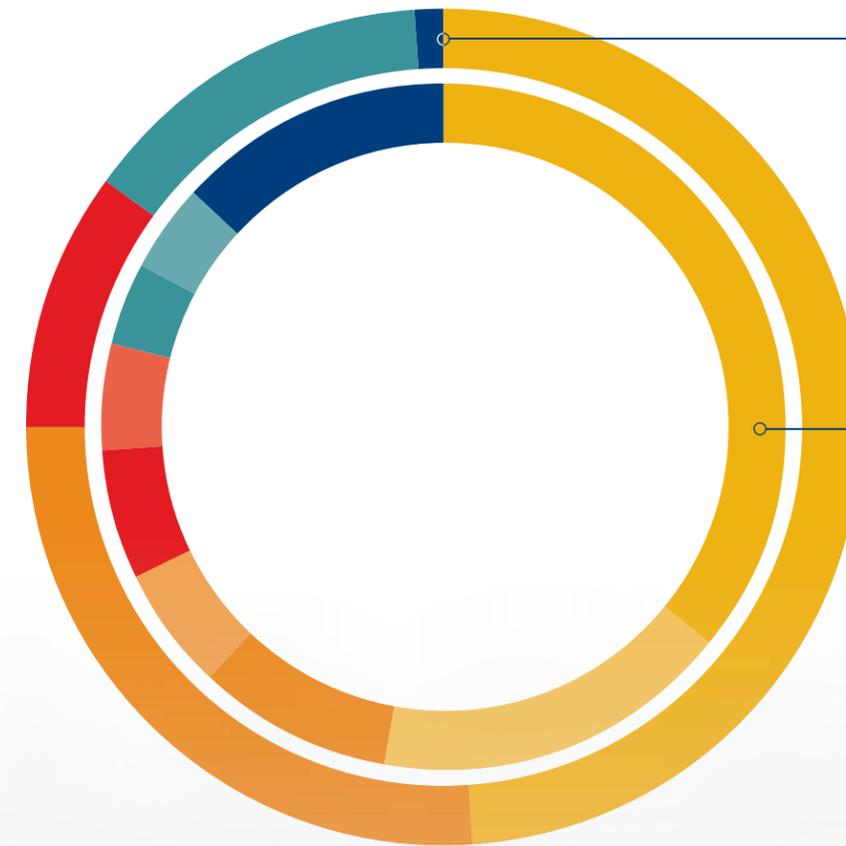
\$34.5 Billion 2015 Net Written Premium

- Personal Insurance 49%
- Commercial Insurance 26%
- Liberty International 10%
- Global Specialty 14%
- Corporate 1%

Significant Lines of Business

\$34.5 Billion 2015 Net Written Premium

- Private Passenger Automobile 36%
- Homeowners 17%
- Specialty Insurance 9%
- Commercial Multi-Peril 6%
- Workers Compensation Voluntary 6%
- Commercial Automobile 5%
- General Liability 4%
- Group Disability and Group Life 4%
- Other 13%





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OUR BUSINESS

OUR PEOPLE



Our People / Personal Insurance

Personal Insurance sells private passenger automobile, homeowners and specialty property and casualty (P&C) products, including watercraft, motorcycle, recreational vehicle and umbrella coverage in the U.S. under the Liberty Mutual Insurance and Safeco Insurance brands.

2015 Highlights

Among Personal Insurance's 2015 accomplishments, broadening the capabilities of our Customer Advocacy Office (CAO) underscored our commitment to put customers at the heart of everything we do. Charged with bringing our brand promise to life at every interaction, the CAO is stewarding Personal Insurance to adopt practices, provide services and train employees to exceed customers' ever-changing needs and earn their loyalty.

Our commitment to customers was never more evident than during the 2015 Northeast winter storms — the third-largest U.S. catastrophe ever — when our claims teams mobilized to help 49,000 customers get their lives back to normal after the record-breaking season.

Additionally, our emphasis on the customer permeates Personal Insurance's "New Light" brand campaign. Achieving No. 1 Nielsen brand recall in the insurance category for the first time in 2015, the campaign's refreshing directness is resonating with consumers across the country.

TIM SWEENEY
President, Personal Insurance

"2015 proved to be the year of the customer. Whether front line or behind the scenes, our many successes hinged on our employees' unrelenting focus on placing our customers at the heart of everything we do — day in and day out."



OUR PROMISE

Our Promise / To Deliver an Exceptional Customer Experience

To better anticipate, meet and exceed customers' evolving needs — as part of our promise to deliver customers peace of mind by helping them protect what they value most — Personal Insurance created the Customer Advocacy Office (CAO) in 2014.

In its first full year, the CAO elevated Personal Insurance's customer-centric focus by developing tools, training and experiential learning opportunities to energize field employees and equip them to give customers what they need, the way they want. Our mobile claims and quoting capabilities are among the best in the industry, and customers can add or remove vehicles to their policy and change billing information at the click of a button — accessing the high-quality policy service they've come to expect 24 hours a day, seven days a week.

With the help of the CAO, we've harnessed this momentum to introduce new initiatives that give customers a seamless, accommodating, and above all, easy experience. For example, the new Express Estimate mobile application saves customers time and trouble by creating 3D simulations of their damaged vehicle and providing a repair estimate within one business day. In addition, on-the-go customers can access their insurance card through their online eService account or upload their license information with Mobile Scanning.

With these initiatives, and many more, in the works, Personal Insurance is working hard to foster customer loyalty through exceptional customer experiences.

Our People / Commercial Insurance

Commercial Insurance provides a range of coverages and services to meet the needs of businesses and individuals. Through independent agents and brokers, Commercial Insurance offers auto, general liability, property, workers compensation and specialty coverages to small, midsize and large businesses. We also offer employer and voluntary benefits products, such as group life and group disability, through brokers and consultants as well as individual financial products through banks and other channels.

2015 Highlights

To help customers and agent and broker partners move their businesses forward, Commercial Insurance is committed to continuous improvement. In 2015, we enhanced our self-service tools to make it easier to do business with us. In addition to accessing billing and safety information, policyholders can now

check claims status, receive policies and submit their signatures electronically. Agents and brokers can now service a wider range of businesses and receive important policy-related documents directly to their agency management systems with eCLIQ®, our online quoting system.

Also in 2015, to help deliver better claims outcomes for our customers, our Claims organization introduced infrared cameras to expedite property appraisals. We enhanced our workers compensation system to better identify injured workers whose cases would benefit from involving nurse case managers, which can help lower claims costs and help employees return to work 15 percent sooner.



J. PAUL CONDRIN, III
President, Commercial Insurance

"Our promise to help protect our customers drives how we conduct business. In 2015, we continued to evolve how we serve customers, from delivering more information online to enhancing our claims processes to better meet their needs and help their businesses move forward."

OUR PEOPLE



Our Promise / To Move Business Forward

When a business suffers property damage, its ability to “keep the lights on” and maintain operations is often disrupted. One way Commercial Insurance fulfills our promise to help customers move their businesses forward is by introducing new tools to minimize the impact of these disruptions.

When a broken sprinkler head caused significant water damage to the 15,000-square-foot athletic facility of a university — and Commercial Insurance customer — all parties involved in the claim, including the field property adjuster, customer and repair contractor, initially thought that the entire floor would need to be replaced. For our customer, this would mean the extended loss of the facility where it hosts basketball games and other activities.

During the appraisal, our field property adjuster leveraged new infrared camera technology to help identify damage not readily visible to the naked eye. Previously, locating water damage from a burst pipe or broken sprinkler required the time-consuming and expensive process of ripping out walls, floors and ceilings. But in this case, the infrared camera helped the adjuster identify damage and more accurately assess which sections of the floor needed repairs.

These findings provided our customer with peace of mind. Not only were the estimated repair costs significantly reduced, but the university was also able to resume use of the space more quickly. As a result of this positive outcome and others like it, all of our field property adjusters now have infrared cameras in hand and ready for use.



OUR PROMISE

OUR PEOPLE

Our People / Liberty International

Liberty International operates in Latin America, including Brazil, Chile, Colombia, Ecuador and Venezuela; Europe, including Ireland, Poland, Portugal, Russia, Spain and Turkey; and, Asia, including China, Hong Kong, India, Malaysia, Singapore, Thailand and Vietnam.

Our local insurance companies in these countries sell property, casualty, health and life insurance products to individuals and businesses. We bolster these efforts by building scale in existing markets and benefiting from best-practice sharing among our international operations to further improve our customers' experience.

2015 Highlights

Liberty International's 2015 achievements include the agreement to purchase Compañía de Seguros Generales Penta Security S.A., the fourth-largest property & casualty insurer in Chile. Finalized in January 2016, this acquisition gives us a leading position in the Chilean market and expands our presence in Latin America.

Another key highlight was the Great Place to Work Institute® recognizing Liberty Seguros (Spain) as the number one company in the large insurance sector (companies with more than 1,000 employees).

In 2015, Liberty International deconsolidated its Venezuelan operations, Seguros Caracas de Liberty, due to the evolving conditions in that country. It also entered into an agreement to sell Liberty Ubezpieczenia in Poland.

LUIS BONELL
President, Liberty International

"Although we currently face difficult political and economic conditions in many markets, the good news is that our competitors are facing the same. In the medium term, international growth in our industry will happen outside the U.S. in markets that have significant potential."



OUR PROMISE

Our Promise / To Collaborate

Liberty Mutual's local operation in Brazil, Liberty Seguros (Brazil), relies on a network of agents to represent our principles, products and commitments to customers. Having fostered strong bonds with this group over the years, we create an exceptional customer experience by continuously listening to them and making improvements.

To deliver on our promise of collaboration, Liberty Seguros piloted an agent "co-creation" session in early 2015 in Rio de Janeiro. During the event, which focused on agent training, Liberty Seguros Marketing and Distribution managers met with a varied group of agents to understand problems related to this topic and work together to determine solutions.

The co-creation session not only deepened the trust within this group, but it also directed resources to programs that are of real value for agents and would impact thousands more nationwide. As a result of the session, Liberty Seguros created a training roadmap that can be customized to a broker's experience and knowledge as well as a brand new course on financial administration and management. Thanks to this success, Liberty Seguros is extending the sessions, which will focus on specific topics, across Brazil in 2016.

Our People / Global Specialty

Global Specialty is composed of three market-leading operating units: Liberty Specialty Markets (LSM), Liberty International Underwriters (LIU) and Liberty Mutual Surety (LM Surety). With a global strategy executed locally, we deliver a wide array of innovative specialty insurance and reinsurance products, deep technical expertise and strong client engagement, with risk exposure in more than 170 countries worldwide.

2015 Highlights

In 2015, Global Specialty focused on profitable growth, analytics capabilities, capital management, return on equity and talent development. Positioning ourselves for future growth and improved operational efficiency, LIU opened a new office in Bogota, Colombia, while LSM expanded its operations in Dubai, UAE and Beijing, China, broadening our presence in the Middle East, North African and Asian markets.

In addition, within LIU, the U.S., Canada and Latin America operations were consolidated into a new Americas region, giving Global Specialty a single point of focus for all North and South American insurance operations. LM Surety aligned its Field Operations and Underwriting units more closely to improve collaboration, accountability and effectiveness.



CHRISTOPHER L. PEIRCE
President, Global Specialty

"Despite challenging market conditions worldwide, Global Specialty is poised for success in 2016. We're building a data-based decision-making culture that will give us a strong competitive advantage, and we continue to strengthen our global product suite, distribution network and underwriting talent."

OUR PEOPLE



Our Promise / To Strengthen Distribution Partnerships

Within specialty lines, distribution dynamics are changing rapidly. Broker concentration continues to increase as merger and acquisition activity remains high, broker facilities are expanding rapidly and managing general agents (MGAs) are increasing in size and significance. Viewing this as an opportunity to deliver on our promise to strengthen broker partnerships, Global Specialty laid the groundwork in 2015 to generate significant profitable growth from this changing distribution landscape.

In response to brokers' needs, we added Fine Art & Specie and Terrorism to our global product line suite in 2015, ensuring that brokers have worldwide access to these innovative products for their clients.

We continued to expand major agreements with international MGAs, acting as the lead carrier in a consortium of reinsurers. As specialized intermediaries with limited authority to write business on a carrier's behalf, MGAs are increasingly becoming an effective means to access product and geographic niches that would otherwise be uneconomic to reach.

We also increased our participation in broker facilities, which are portfolios of risks (i.e., industry, product, region) supported by a select number of partner carriers. When properly structured, these facilities provide efficient access to a broker's portfolio. The data and analytics available on this business have also significantly increased our ability to align our interests with the broker.

OUR
PROMISE

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OUR GLOBAL PRESENCE



Liberty Around the World

Liberty Mutual Insurance Group operates in 30 countries and economies in the Americas, Europe, Asia Pacific and the Middle East through Liberty International's local company operations and Global Specialty's specialty lines offices.



Asia Pacific:



- Australia
- China
- Hong Kong
- India
- Malaysia
- Singapore
- Thailand
- UAE
- Vietnam

Europe:



- France
- Germany
- Ireland
- Italy
- Netherlands
- Poland
- Portugal
- Russia
- Spain
- Switzerland
- Turkey
- UK

The Americas:



- Brazil
- Canada
- Chile
- Colombia
- Ecuador
- Mexico
- Puerto Rico
- USA
- Venezuela



Left: Lisbon, Portugal
Right: Hong Kong, China



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OUR GIVING

Our Promise to Change Lives

At Liberty Mutual Insurance Group, we promise to act with integrity and treat others with dignity and respect. In 2015, our employee-led community programs enjoyed record participation and contributions, and our corporate philanthropy continued to grow — reflecting our commitment to support the communities where we live and work.

In May, 28,238 employees volunteered to complete 2,548 service projects for 936 agencies in 21 countries throughout the world during *Serve with Liberty* — our employee community service program. Our employees demonstrated their commitment to the community once again in September when an astounding 71 percent donated a record-breaking \$12.4 million — \$18 million with the company's 50 percent match — to 7,646 deserving health and human services charities during *Give with Liberty*, our nationwide charitable-giving program.

Through our corporate philanthropy, Liberty funds nonprofits that are changing the lives of our most vulnerable neighbors. In 2015, we increased our corporate philanthropy 21 percent to \$17.7 million. By offering accessibility for low-income individuals with disabilities; security for men, women and children who are homeless; and educational opportunity for children who are living in poverty, our philanthropic partners are helping us fulfill our promise of changing lives for the better.





OUR BOARD OF DIRECTORS

Liberty Mutual Holding Company Inc. Board of Directors



Nicholas M. Donofrio
*IBM Fellow and Retired Executive Vice President
Innovation and Technology*
IBM Corporation
Armonk, New York



John P. Manning
President and Chief Executive Officer
Boston Capital Corporation
Boston, Massachusetts



Ellen A. Rudnick
Executive Director and Clinical Professor
Polsky Center for Entrepreneurship
University of Chicago
Booth School of Business
Chicago, Illinois



Eric A. Spiegel
President and Chief Executive Officer
Siemens Corporation
Washington, District of Columbia



Francis A. Doyle
President and Chief Executive Officer
Connell Limited Partnership
Boston, Massachusetts



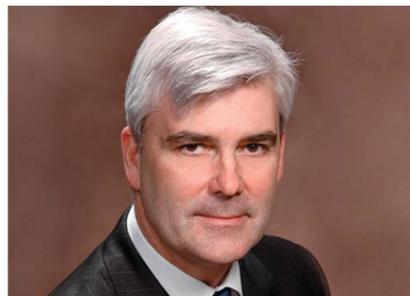
Thomas J. May
Chairman, President and Chief Executive Officer
Eversource Energy
Boston, Massachusetts



Angel A. Ruiz
President and Chief Executive Officer
Ericsson Inc.
Plano, Texas



William C. Van Faasen
Chairman Emeritus
Blue Cross and Blue Shield of Massachusetts
Boston, Massachusetts



David H. Long
Chairman, President and Chief Executive Officer
Liberty Mutual Holding Company Inc.
Boston, Massachusetts



Myrtle Potter
Chief Executive Officer
Myrtle Potter & Company
Atlanta, Georgia



Martin P. Slark
Vice Chairman and Chief Executive Officer
Molex Incorporated
Lisle, Illinois



Annette M. Verschuren, O.C
Chair and Chief Executive Officer
NRStor Inc.
Toronto, Ontario, Canada

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OUR LEADERS



Liberty Mutual Holding Company Inc. Corporate Officers

David H. Long

Chairman, President and Chief Executive Officer

Luis Bonell

Executive Vice President

J. Eric Brosius

Executive Vice President and Corporate Actuary

J. Paul Condrin, III

Executive Vice President

Melanie M. Foley

Executive Vice President and Chief Talent and Enterprise Services Officer

Neeti Bhalla

Executive Vice President and Chief Investment Officer

James F. Kelleher

Executive Vice President and Chief Legal Officer

Dennis J. Langwell

Executive Vice President and Chief Financial Officer

James M. McGlennon

Executive Vice President and Chief Information Officer

Christopher L. Peirce

Executive Vice President

Timothy M. Sweeney

Executive Vice President

Alison B. Erbig

Senior Vice President and Comptroller

Mark C. Touhey

Senior Vice President and Secretary

Laurance H.S. Yahia

Senior Vice President and Treasurer

Liberty Mutual Insurance Group Operating Management

Personal Insurance

Timothy M. Sweeney

President

James M. MacPhee

Chief Operating Officer

Matthew D. Nickerson

President, Safeco Insurance

Alan R. Schlosberg

President, Liberty Mutual
Personal Lines Distribution

Margaret Dillon

Chief Customer Officer

Tyree W. Harris

Chief Product Officer

Anthony R. Storm

Chief Marketing Officer

Dave Chiaruttini

General Manager, Claims Strategy,
Analytics, Product and Technology

Dean Peasley

General Manager
Claims Field Operations

Commercial Insurance

J. Paul Condrin, III

President

Stephen J. McAnena

President, Liberty Mutual Benefits

Deborah S. McGonigle

Chief Marketing Officer

John S. Peters

Manager, Commercial Operations

Tracy A. Ryan

Chief Product Officer

Glenn T. Shapiro

Chief Claims Officer

Liberty International

Luis Bonell

President and Chief Executive Officer
Liberty International Holdings Inc.

Pablo Barahona

Chief Operating Officer
Latin America and Continental Europe

Bhasker Natarajan

Chief Operating Officer
Large Emerging Markets

Luciano Suzuki

Chief Operating Officer
Asia Pacific

Edward J. Gramer

Manager
Global Centers of Excellence

Roopam Asthana

President
Liberty Videocon General Insurance
India

Martin Bridger

President
Liberty Insurance
China

Fernando Cámbara

CEO
Chilean Operations
Chile

Sucheng Chang

President
Liberty Insurance
Singapore

Thuan Do

President
Liberty Insurance
Vietnam

Liberty International (cont.)

Stella Fok

President
Liberty Insurance
Hong Kong

John Fu

President
LMG Insurance
Thailand

Mauricio García

President
Liberty Seguros
Colombia

Enrique Huerta

President
Liberty Seguros
Spain

Sergei Kovaltchuk

President
Liberty Insurance
Russia

Carlos Magnarelli

President
Liberty Seguros
Brazil

Tom McIllduff

President
Liberty Insurance
Ireland

José Antonio de Sousa

President
Liberty Seguros
Portugal

David Tan

Director and General Manager
Liberty Insurance
Malaysia

Defne Turkes

Director and General Manager
Liberty Sigorta
Turkey

Carlos Vanegas

President
Liberty Seguros
Ecuador

Global Specialty

Christopher L. Peirce

President

Gordon J. McBurney

Chief Underwriting Officer

Michael J. Abdallah

President, LIU Asia Pacific

James M. Hinchley

President, LIU Americas

Michael T. Finnegan

Chief Underwriting Officer, LIU U.S.

Alexander Montoya

President, LIU Latin America

Garth M. Pepper

President, LIU Canada

Nicholas J. Metcalf

President, Liberty Specialty Markets

Timothy A. Mikolajewski

President, Liberty Mutual Surety

