

Liberty Mutual Group Reports First Quarter 2007 Results

BOSTON, Mass., April 19, 2007 – Liberty Mutual Group today reported net income of \$350 million for the three months ended March 31, 2007, an increase of \$58 million over the same period in 2006. The increase reflects strong growth in the business units, lower catastrophes and strong investment results.

"Our profitability in the quarter is gratifying but not surprising," said Edmund F. Kelly, Liberty Mutual Group Chairman, President and CEO. "While we had a healthy increase in aggregate revenue, our commercial lines growth is less robust than last year, reflecting our commitment to maintaining underwriting and pricing discipline in the face of increased competition."

First Quarter Highlights

- Revenues for the three months ended March 31, 2007 were \$6.143 billion, an increase of \$695 million or 12.8% over the same period in 2006.
- Net written premium for the three months ended March 31, 2007 was \$5.687 billion, an increase of \$377 million or 7.1% over the same period in 2006.
- Pre-tax income for the three months ended March 31, 2007 was \$500 million, an increase of \$96 million or 23.8% over the same period in 2006. Results in the period also reflect an increase in realized capital gains of \$55 million.
- Cash flow from operations for the three months ended March 31, 2007 was \$1.009 billion, an increase of \$511 million or 102.6% over the same period in 2006.
- The combined ratio before catastrophes and net incurred losses attributable to prior years for the three months ended March 31, 2007 was 99.1%, an increase of 2.4 points over the same period in 2006. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company's combined ratio for the three months ended March 31, 2007 increased 1.0 point to 101.1%.

Financial Condition as of March 31, 2007

- Total assets were \$88.124 billion as of March 31, 2007, an increase of \$2.626 billion or 3.1% over December 31, 2006.
- Policyholders' equity was \$11.318 billion as of March 31, 2007, an increase of \$423 million or 3.9% over December 31, 2006.
- Statutory surplus as regards policyholders for the combined operations of Liberty Mutual Insurance Company ("LMIC") and its U.S. affiliates was \$13.284 billion as of March 31, 2007, an increase of \$1.153 billion or 9.5% over December 31, 2006.

Consolidated Results of Operations for the Three Months Ended March 31, 2007:

\$ in Millions	Three Months Ended March 31,		
	2007	2006	Change
Revenues	\$6,143	\$5,448	12.8%
PTOI before catastrophes and net incurred losses attributable to prior years	\$514	\$526	(2.3%)
Catastrophes ¹	(59)	(99)	(40.4)
Net incurred losses attributable to prior years:			
- Asbestos & environmental ²	-	(2)	(100.0)
- All other ³	(35)	(46)	(23.9)
Pre-tax operating income	420	379	10.8
Realized investment gains, net	80	25	NM
Federal and foreign income tax expense	(150)	(112)	33.9
Net income	\$350	\$292	19.9%
Cash flow from operations	\$1,009	\$498	102.6%

1 Catastrophes include all current and prior year catastrophe losses related to the Company's insurance lines and exclude losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for losses related to the events of September 11, 2001, the 2004 hurricanes and the 2005 hurricanes. In addition, losses related to the 2005 hurricanes and the 2004 hurricanes for assumed external reinsurance are reported net of the Company's reasonable assumption of expected catastrophe activity (defined as "net catastrophe reinsurance premium earned"). Catastrophe losses include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Net of allowance for uncollectible reinsurance reduction of \$3 million and zero for the three months ended March 31, 2007 and 2006, respectively.

3 Net of earned premium attributable to prior years of \$19 million and \$16 million for the three months ended March 31, 2007 and 2006, respectively. Net of amortization of deferred gains on retroactive reinsurance of \$16 million and \$16 million for the three months ended March 31, 2007 and 2006, respectively.

NM = Not Meaningful

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, 2007 are available on the Company's Investor Relations web site 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 800-632-2975 fifteen minutes before the starting time using conference ID number 8391489. A replay will be available until April 26, 2007 at 877-519-4471 using the reservation number 8391489.

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 2005 direct written premium. The Company also ranks 95th on the Fortune 500 list of largest corporations in the United States based on 2006 revenue. As of December 31, 2006, LMG had \$85.498 billion in consolidated assets, \$74.603 billion in consolidated liabilities, and \$23.520 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 Company, Liberty Mutual Fire Insurance Company and Employers Insurance Company of Wausau, each became separate stock insurance companies under the ownership of Liberty Mutual Holding Company Inc.

Functionally, the Company conducts its business through four SBUs: Personal Markets, Commercial Markets, Agency Markets 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 over 39,000 people in more than 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 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 and environmental (together "A&E") and toxic tort claims, as well as its results of operations, financial condition and liquidity, to the extent impacted by the sufficiency of the A&E and toxic tort reserves, are subject to a number of potential adverse developments, including adverse developments involving A&E and toxic tort 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, toxic tort and other claims, the legal, economic, regulatory, and legislative environments, and their impact on the future development of A&E and toxic tort 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 website at www.libertymutual.com/investors.

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