



## 2013 Annual Review

# M O M E N T U M



Liberty Mutual Insurance Group's aspiration to become a top three global property and casualty company has never looked more promising. With improved customer service, enhanced decision-making, increased scale and capabilities and exceptional talent, the company is building the momentum today that will ensure our success tomorrow.

In this 2013 Annual Review, we share the momentum made by all four of our Strategic Business Units over the course of the year and illuminate that momentum with four stories that exemplify our progress.



A Message from Our Chairman, President and CEO

## Momentum

In 2013, Liberty Mutual Insurance Group made enormous strides toward becoming one of the top property and casualty (P&C) insurers in the world.

Executing the strategy set forth to grow selectively and improve underwriting profitability, we produced terrific results and a lot of momentum in 2013. We increased our net income by \$914 million to \$1.7 billion. We grew net written premium 6.7 percent to \$35.2 billion. We drove our combined ratio down five points to 99.8 percent — below 100 for the first time in years — and we built a balance sheet that is stronger today than any time in memory.

We also advanced in our rankings. In 2013, we became the fifth-largest P&C company in the world and the third-largest P&C company domestically. Further, we moved up three positions on the Fortune 100 list to number 81.

Even more satisfying than how fast and how far we've come is how we're getting there. In 2013, we set out — with intention — to harness the power of our people, to identify and fix problems at their source, to leverage our technology and to drive continuous service improvement. Keeping you, our customers and policyholders, at the center of all we do. We held tight to that which anchors us — most notably, our commitment to behave with integrity, to treat everyone with dignity and respect and to do the right thing, always. In this environment, the company and its people are thriving.

Our Strategic Business Units hit the ground running in 2013. Personal Insurance's growth was among the highest in the industry. Committed to delivering the best customer experience in the industry, Personal Insurance advanced its technology, diversified its distribution, built brand awareness and developed innovative products and services. As part of Liberty Mutual's sponsorship of the U.S. Olympic and Paralympic teams, Personal

### A Message from Our Chairman, President and CEO (continued)

Insurance launched the “Rise” marketing campaign, showcasing the determination within all who face setbacks to rise yet again.

Commercial Insurance began effectively diversifying its book of business by increasing focus on small commercial and multiline accounts and by growing its capabilities to deliver general liability and property insurance. Commercial Insurance also moved to one unified, country-wide brand, Liberty Mutual Insurance. This business unit has made tremendous gains in operational consistency at the local level, improving its ability to support profitable growth with agents and brokers.

In 2013, we decided to sell Summit Insurance, a stand-alone mono-line workers compensation business. Although Summit was a successful part of Liberty for 15 years, it no longer fit with Commercial Insurance’s strategic direction. The transaction is subject to regulatory approval, which we expect by April 1, 2014. We thank Summit employees for their excellent work and wish them the very best going forward.

For Liberty International, momentum has meant generating capital in mature operations and strengthening its presence in emerging markets. Fortunately, Liberty International was able to absorb the devaluation of the Venezuelan currency that took place in the first quarter of 2013.

By establishing the Global Best Practices Unit and Regional Data Centers in 2013, Liberty International began to better utilize talent and expertise, improve and expand data, and develop and implement sophisticated analytical and technological improvements across the enterprise.

Global Specialty, our newest Strategic Business Unit, brought together our U.S. surety technical expertise with our global infrastructure and relationships. Despite difficult market conditions, Global Specialty achieved positive financial results and expanded internationally.

Most notably, with the pending acquisition of Mexican surety writer Primero Fianzas, Global Specialty will expand its worldwide reach. With direct writing operations already in the United States and Canada, Liberty Mutual Surety welcomes the Primero acquisition in Mexico, rounding out Liberty’s presence in North America.

Ultimately, success for Liberty Mutual always comes back to our people. One of the best ways to capture the character of this company is to understand the exceptional ways our employees respond to the needs of our neighbors.

In just its second year, Serve with Liberty attracted more than 25,000 employees to serve on 2,000 projects on behalf of 900 charities in 21 countries throughout the world.

**A Message from Our Chairman, President and CEO (continued)**

The charities raved about the hard work of Liberty employees. Give with Liberty was equally successful, with a record-breaking 69 percent of our U.S. employees contributing to the social service charities that matter most to them — pledging nearly \$11 million to more than 7,000 agencies. These numbers are simply extraordinary. With the company's match, we gave nearly \$17 million. Our employee campaigns reflect the heart of Liberty and speak to the honor I feel to serve as CEO.

I'd like to thank our Board of Directors for their invaluable guidance. I am particularly grateful to director Michael Babcock, who is retiring after nearly 30 years of service to Liberty Mutual. His insights, advice and support have been instrumental to Liberty Mutual, and he will be missed. I am also grateful to our network of distribution partners — the independent agents and brokers who bring Liberty Mutual to those who need us most.

Above all, I thank our customers and policyholders. Thank you for placing your faith and confidence in Liberty Mutual and in all our employees, who work so hard to earn it.

**David H. Long**

Chairman, President and CEO



**Personal Insurance**

## Momentum Through Customer Choice

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

In 2013, Personal Insurance helped fuel Liberty Mutual Insurance Group's momentum through a commitment to delivering the best customer experience in the industry and continued growth.



Timothy M. Sweeney  
President, Personal Insurance

**"Our advances in technology and distribution channel diversification — along with increased brand awareness and innovative products and services — are moving us closer to our goal of becoming a top-five personal lines carrier," said Personal Insurance President Tim Sweeney.**

As it continues to integrate its multichannel distribution approach, the SBU's Strategic Partnership Distribution group signed contracts with four major partners — Xfinity, Kroger, Mass Mutual and Comparenow.com — that promise attractive growth potential for new business. Safeco also moved up from third- to second-largest writer of auto and home insurance products in the independent agency channel thanks to strong agency management, record highs in agency satisfaction and a focus on the agency value proposition.

## Personal Insurance (continued)



On the mobile technology front, Liberty Mutual was named Compuware's "Best of the Web Mobile Leader," and the company's mobile site earned first place in the Auto and Property Insurance category. As for claims technology innovations, Forrester Research recently recognized Liberty Mutual for having the "Best-in-Class Auto Mobile Claims App," which outscored competing companies by a wide margin.

Personal Insurance made strides to boost brand awareness in 2013, taking advantage of Liberty Mutual's partnership with the United States Olympic Committee as the Official Partner of the 2014 and 2016 U.S. Olympic and Paralympic Teams. The 13 athletes joining Team Liberty Mutual helped promote the new "Rise" marketing campaign, which showcases the determination in all who face a setback only to finally come back. Additionally, Personal Insurance launched a new Social Media Center of Excellence to enhance social strategy and execution, improve social listening and moderation, and strengthen analytics. As the only exclusively independent agent carrier advertising nationally, Safeco broke ground with its first national ad campaign, "Do More," which won awards from the Insurance Marketing and Communications Association.

The Personal Insurance Innovation team has been busy taking Liberty in fresh directions. The new Deductible Fund™ coverage adds \$100 annually to an account that accumulates to reduce the customer's deductible after a collision. The team also piloted Auto and Home Services to differentiate Liberty Mutual in a fiercely competitive industry. This suite of services includes Claims Valet, which provides a driver who picks up a damaged car from the customer's home and returns it when repairs are complete.

"Our success in the last year demonstrates the kind of dedication to best-in-class customer experiences that will enable us to continue to grow and thrive within our industry in 2014," Sweeney said.

## Personal Insurance (continued)

### E-Commerce Takes Off

To reach customers and prospects the way they want, when they want, Personal Insurance helps its independent agents integrate social media and e-commerce into their business models.

Every minute of an insurance agent's day is accounted for, so it's important he or she has high-quality tools that easily integrate social media and e-commerce into his or her business models. In 2013, Personal Insurance made major advances in e-commerce through greater agent education, building momentum for both Liberty Mutual sales representatives and Safeco agents.

Personal Insurance Sales Representative Jennifer Crowley is no novice when it comes to social media. An avid Facebook user since 2008, she has leveraged the platform both personally and professionally for one reason: staying connected. An early adopter of the Liberty Mutual Insurance Facebook field program, Crowley uses Facebook's scale and reach to communicate with customers and prospects the way they want, when they want.

**"Many clients use Facebook as their primary way of getting in touch,"** explained Crowley. **"I get notifications right to my phone, so it's really easy to be responsive. I can over deliver to my customers who didn't expect to hear from me immediately, and I've received a lot of great feedback."**

Crowley is seeing it pay off, as satisfied customers continue to generate numerous referrals, testimonials and new connections. The result? Facebook contributes to 15 percent of her book of business.



For agents who may not be as familiar with digital marketing, Safeco offers "Bricks and Clicks," an internal program that helps them better understand social media and e-commerce. Safeco independent agents Tony and Chris Fernandez have successfully followed the principles of the program for the past three years. Their business is growing at 59 percent and has passed the \$10 million mark in premium. In the past year, \$480,000 of premium was sold over social media, with 80 percent going to Safeco. The sales ratio for quotes via their website reached an astounding 90 percent.

**"E-commerce is a long-term commitment,"** said Tony. **"It's putting down seeds and waiting for them to grow."** Meanwhile, Chris has lined up eight new agents in 2014 for Project CAP, a set of online marketing tools to help independent agencies capture personal lines market share and access sales statistics they can use to convince other agents of the rewards of e-commerce. **"Safeco is the only carrier offering anything like these programs,"** Chris said. **"The company is truly committed to the independent agent."**



**Commercial Insurance**

## Momentum Through Evolution

Liberty Mutual Insurance Group's Commercial Insurance Strategic Business Unit (SBU) provides a wide array of property and casualty and group benefits products and services for businesses through independent agents, brokers and benefit consultants across the United States.

Commercial Insurance has two operating segments for property and casualty:

- Business Insurance, which serves small and midsize accounts with fewer than 1,000 employees
- National Insurance, which serves large accounts with 1,000 or more employees or specialty risks

Commercial Insurance delivers regional authority and expertise enhanced by national resources and capabilities.

The SBU's Group Benefits segment provides midsize and large businesses with short- and long-term disability insurance products and group life insurance.



Commercial Insurance further diversified its book of business in 2013 with an increased focus on small commercial, writing and servicing more multiline accounts, and enhancing its general liability and property capabilities.

As a continuation of its realignment into a single strategic business unit, Commercial Insurance brought increased scale supported by expanded expertise to bear for its range of customers — from Main Street retailers to national restaurant chains.

## Commercial Insurance (continued)



With the help of its agents, the SBU built greater awareness within the small commercial marketplace and delivered technologies like eCLIQ®, its proprietary policy administration and quoting system. By the end of 2013, the presence of eCLIQ had expanded to 49 states, making it easier for agents to write small commercial business efficiently.

Commercial Insurance continued to work with agents and brokers at the local level with a focus on operational consistency. With its unified Claims organization and a strong field presence focused on building relationships, exercising local authority, and providing technological and service enhancements, Commercial Insurance is positioned to support profitable growth with its agent and broker partners.

The Group Benefits segment built on its core capabilities and focused on targeting additional segments and channels while maintaining profitable growth.

In 2013, Commercial Insurance unified its eight regional brands into one countrywide brand — Liberty Mutual — and introduced a new advertising campaign to the marketplace. Underlying this campaign and critical to its success are the people within Commercial Insurance who value, among other traits, being results-oriented, data-driven, responsive and accountable.

These values and a “shared passion for what we do” unite the employees within Commercial Insurance and connect them with agents, brokers and customers. The way Commercial Insurance President Paul Condrin sees it, the SBU must continue on the journey it started in 2013 in order to reach its full potential.

**“Building on our momentum and continually evolving how we work will enable us to achieve our goal of sustained top-quartile performance,”** Condrin said.

## Commercial Insurance (continued)

### Reinventing Claims

With a newly defined mission to deliver the best possible outcome on every claim while meeting or exceeding customer needs, Commercial Insurance united its Claims organization.

When Commercial Insurance realigned under a unified brand in 2013, each of its functional areas needed to follow suit. For Claims, with 5,000 employees working across the country in nine different organizations, it wasn't a simple task.

**"We were working under multiple operational models, as nine different brands with countless processes,"** explained Commercial Insurance Chief Claims Officer Glenn Shapiro. **"We needed to unify as one organization, and that took hard work, collaboration and a singular focus."**

Building momentum started with a newly defined mission — delivering the best possible outcome on every claim while meeting or exceeding customer needs. To truly live its mission, Claims needed to bring together its people, processes and resources.

**"We built new processes to support our people rather than approaching it the other way around,"** Shapiro said. **"It's just one way we know our customers' claims are handled by the right people with the right expertise at the right time."**



Professional development is also key. All Claims employees receive extensive training and are encouraged to pursue continuing education to further their growth within the organization. The average claims-handling staff member has more than 10 years' experience in the field, which reflects another critical focus for Claims: improving loss costs.

**"We hire the best in the business, so our employees approach their jobs with an eye toward critical thinking,"** explained Shapiro. **"We encourage collaboration and calibration around the outcome of the claim, and our quality standards provide consistency across the Claims organization."**

Claims leveraged its scale and gained momentum in operations as evidenced by the launch of its state-of-the-art CI ClaimCenter in July. This platform provides streamlined work flows, common practices and increased efficiency. This is a major advancement compared to claims handlers' previous experience working on multiple systems with different features. It's just the first step on the organization's journey to a single platform for property, auto and liability lines.

Ultimately, that journey is all about Claims' focus on the customer experience. **"We are deeply committed to working with our agents and brokers as business partners because we have the same goal: meeting their clients' needs when they need us most,"** Shapiro said.



**Liberty International**

## Momentum Through Shared Strategies

The Liberty International Strategic Business Unit (SBU) consists of local insurance companies that sell property, casualty, health and life insurance products to individuals and businesses in 18 countries.

Liberty International's 2013 structure is as follows in these four operating regions:

- Latin America, including Venezuela, Brazil, Colombia, Argentina, Chile and Ecuador
- Europe, including Spain, Portugal, Turkey, Poland, Ireland, the United Kingdom and Russia
- Asia, including Thailand, Singapore, China (including Hong Kong) and Vietnam
- India



Luis Bonell  
CEO, Liberty International Holdings Inc.

Momentum for Liberty International is centered on growth — both organically and through acquisition. “[This mix is purposeful and significant](#),” said Liberty International President Luis Bonell. “[It’s not only about acquisitions; our existing companies have to secure and build their market share.](#)”

While Liberty International’s previous years have been dominated by acquisition, the absence of external activity in 2013 allowed stronger internal focus on strategic goals that will make the SBU more valuable to its customers and assist its pursuit of being a leading global player in personal and small commercial lines.

## Liberty International (continued)



**“It has been critical to build cohesiveness and discipline around Liberty International shared strategies, such as applying local knowledge and expertise, sharing best practices globally, and providing a best-in-class experience to our distribution partners, customers and employees, while exhibiting responsibility in every country,” Bonell said.**

These actions, carried out according to unique local needs, produced significant momentum in every region. Liberty International’s newest entity in India is developing these attributes while growing a business in a complex market. In Ecuador, two newly acquired companies were integrated into one and rebranded as Liberty Seguros in just one year. In Poland, Liberty Direct has consistently grown its direct auto channel and most recently expanded into new distribution channels and product lines.

While these examples are significant, public reminders of Liberty International’s successes, there is much occurring behind the scenes. As each country records success with a particular initiative, the data is stored and shared for replication across the globe. **“Liberty International operations will not be able to solve every issue locally,” Bonell said. “Local expertise must have the support of shared, global knowledge.”**

For example, Liberty Seguros (Spain) is pioneering the use of analytics to enhance its customer-centric service model, which can be reproduced where needed. Liberty Seguros (Brazil) used insights from Liberty Seguros (Colombia) and Personal Insurance in the U.S. to enhance fraud detection accuracy. The achievements and lessons learned become part of the global knowledge base everyone can access.

**“We are facing challenging and exciting times that require quick responses and flexibility to adapt and lead the market changes,” Bonell said. “I am quite confident we are positioned to further the evolution and growth of our SBU in 2014.”**

## Liberty International (continued)

### Focus on India

During its first year, Liberty's new operation in India made impressive strides to develop a new insurance brand in a culture where mature brands are the most respected.

Liberty Videocon General Insurance Company Limited (LVGICL) launched its operations in January 2013. This Greenfield startup was not burdened by legacy systems or processes, yet its first decisions still had to be the right decisions. To the operation's CEO and Whole Time Director, Roopam Asthana, that meant understanding the relevance of insurance in the Indian consumer's mind, respecting the unique context of Indian culture, and adapting the best practices of Liberty International to suit the local milieu.

**"India possesses the key characteristics that make it attractive to Liberty Mutual,"** Asthana said. **"We boast the world's ninth-largest economy, a growing middle class and increasing urbanization. These factors lead to increased disposable income and asset accretion as well as the expectation of robust auto sales. But we needed to structure and position ourselves correctly to take full advantage of these socioeconomic opportunities."**



As it starts its second year of operation, LVGICL can report impressive results. Today, it has 20 branch offices reaching nearly 70 percent of the Indian insurance market, a centralized processing center in Mumbai and a central contact center staffed to speak some of India's major languages. It also ramped up to more than 400 employees while earning external accolades for its employee onboarding practices and rapid technology deployment, and it developed an appealing new insurance brand in a culture where mature brands are the most respected.

On the business development side, LVGICL created market-friendly personal and commercial products sold through four distinct channels: motor dealers (more than 200 counters), agents and retail brokers (more than 1,000 relationships), affinity (including 25 bancassurance partners) and brokers (150 relationships). It also launched a sophisticated website ([www.libertyvideocon.com](http://www.libertyvideocon.com)) that looks as good from the inside as it does from the outside.

**"Externally, you see bright colors, clean lines, engaging content and customer feedback from seamlessly integrated social media applications,"** Asthana said. **"And internally, our team built an easily scalable platform that is ready for the next product introduction or advancement into e-commerce."**

As LVGICL embarks on its second year of operation, it will further develop its own path while adapting and sharing best practices among its peer operations. Essentially, its achievements join, and propel forward, the momentum of Liberty International.



**Global Specialty**

## Momentum Through Scale and Expertise

Liberty Mutual Insurance Group's Global Specialty Strategic Business Unit (SBU) is composed of three top-tier specialty lines insurance and reinsurance businesses that focus on delivering market-leading performance in 17 countries worldwide:

- Liberty International Underwriters, a global specialty commercial lines insurance and reinsurance business, writes a variety of specialty products including casualty, marine, construction, energy, inland marine, directors and officers, fidelity, trade credit, professional liability, accident and health, aviation, property, surety and crisis management insurance through 40 offices in Asia, Australia, Europe, the Middle East, North America and South America. Liberty Syndicate 4472 at Lloyd's of London writes on a worldwide basis.
- Liberty Mutual Surety, including Liberty SuretyFirst™, provides domestic U.S. contract and commercial surety and fidelity bonds.
- Liberty Mutual Reinsurance is the dedicated U.S. assumed reinsurance operation of Liberty Mutual Insurance Group.

## Global Specialty (continued)



Despite challenging market conditions, Global Specialty achieved solid financial performance and continued to expand its highly successful global specialty lines insurance and reinsurance business. Although 2013 was generally benign from a U.S. catastrophe point of view, there were significant losses from floods in Canada and Central Europe, Tropical Cyclone Oswald in Australia and severe hailstorms in Germany.

To provide brokers and clients with easier access to an extensive global specialty product offering, Liberty Specialty Markets was created in mid-2013 by integrating Liberty Syndicates, Liberty Mutual Insurance Europe and Liberty Mutual Reinsurance. Operating as one organization — with a combined gross written premium of nearly \$3.5 billion — that sells a broad range of specialty and commercial insurance and reinsurance products, Liberty Specialty Markets leverages scale, talent and best practices to provide higher value to brokers and clients.

Global Specialty is building out new and existing products and markets, including its Global Accident & Health (A&H) business that began in 2012. In the U.S., the A&H team has been completing the regulatory approval process for Group Accident and Blanket products — targeting new markets such as amateur sports, schools and business travel — and is developing filings for the Affinity marketplace for individual accident, individual critical illness and other supplemental coverages.

With its pending acquisition of Primero Fianzas — the fifth-largest Mexican surety company, specializing in administrative and credit bonds — Global Specialty provides a platform for Liberty Mutual's entrance into Mexico, a growing and profitable insurance market.

In 2013, Global Specialty continuously improved its analytic capabilities and tools to better inform business decisions — a formidable task considering the complex, variable and unique risks of the specialty lines businesses. The structure and maturity of the business provided the opportunity to align methodologies across the business by identifying best practices and

### **Global Specialty (continued)**

increasing consistency. The SBU began developing a pricing risk management framework and predictive modeling tools to refine underwriting decision-making and began using key performance indicators from the claims system to support improved claims handling.

To further strengthen collaboration across Global Specialty, Liberty Specialty Markets in London and Liberty International Underwriters in New York both secured new office space, which will bring employees together over the coming year and support the SBU's future growth plans.

**“In 2014, Global Specialty will focus on client needs and enhancing profit and return on capital by making optimal use of expertise and resources across the organization, as well as ensuring local best-in-class execution,”** said Global Specialty President Christopher L. Peirce.

## **Global Specialty (continued)**

### **Launching Accident & Health**

Filling a gap in Liberty's product portfolio, Global Specialty's Accident & Health business promises impressive growth across the company.

Accident & Health (A&H) insurance is an entirely voluntary purchase, whether the buyer is a business or an individual, so industry professionals must create the demand as well as manufacture the supply. To enter this innovative market, Global Specialty built a team that has developed an A&H infrastructure unlike those of other carriers in the market.

After an accident or illness, people often face unforeseen financial, physical and psychological consequences. Although existing medical insurance or liability will meet part of the expense, many need additional support.

**“Our job is to think about the unexpected,”** explained Jeff Herman, who leads the A&H group. **“We bring that creativity to the workplace every day.”**

Core A&H insurance supplements existing insurance with products that provide fixed indemnities and other benefits for targeted communities such as business travelers or youth sports participants. Liberty Mutual A&H's holistic product model makes it stand apart in the market and reflect the culture of responsibility at Liberty Mutual.

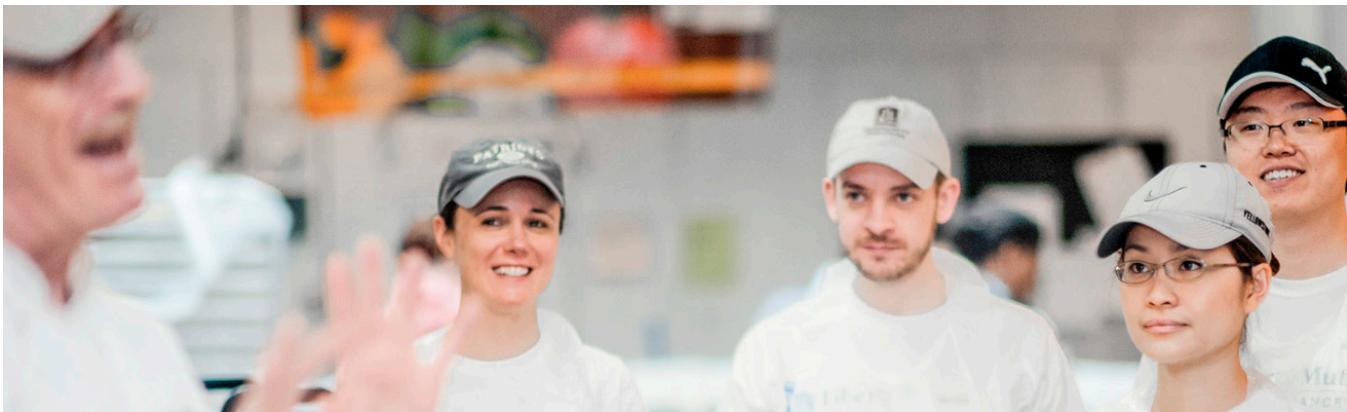
**“We differentiate ourselves by providing superior after-claim services — from financial management training to counseling — which ensure the emotional well-being of our clients and their families after an accident,”** Herman explained.

Liberty's A&H business also distinguishes itself through leading-edge risk mitigation services, such as accident prevention programs, webinars and educational tools, for customers to benefit from even before an accident or illness occurs.

A traditionally stable and profitable line of business, A&H fills gaps in Liberty Mutual's product portfolio and offers business partners a product that solves their specific risk needs. Liberty Mutual's brand reputation and depth and breadth of distribution channels position A&H for growth around the world.

**“The addition of A&H to the product mix will be an important driver of continued growth in underwriting profitability and revenue,”** Herman said. **“Liberty Mutual's direct marketing activity also represents significant opportunity because direct marketers thirst for new products. The fact that we can offer affinity channels new products to complement automobile and homeowners insurance opens up large portions of the market.”**

In 2013, A&H and IT developed a state-of-the-art policy administration system and created a responsive website to serve as a content hub for all A&H products, with the broker and end customer in mind.



*Give with Liberty, Serve with Liberty*

## Collective Generosity and Impact

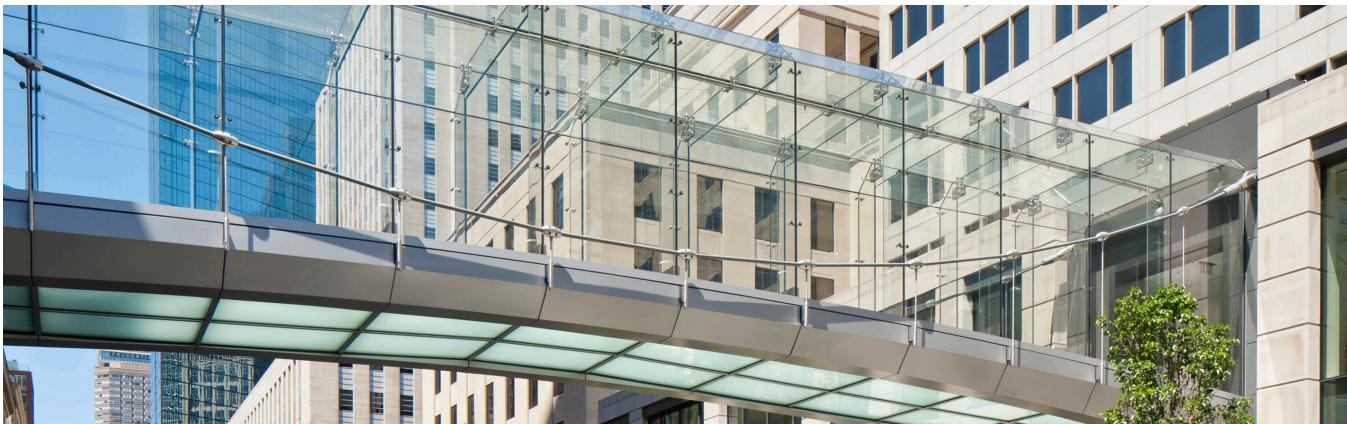
Employee-led philanthropy programs in 2013 enjoyed record participation and contributions that helped charities in communities where employees live and work.

In June, 25,000 Liberty Mutual Insurance Group employees in 21 countries helped 900 charities on 2,000 service projects during Serve with Liberty. For the second year in a row, Liberty Mutual employees displayed their diligence and generosity by painting and refurbishing houses, serving meals, cleaning up parks and working as group to better their communities.

The Give with Liberty campaign in October called on employees to “Be a Champion” for the charitable causes closest to their hearts. More than 27,000 — or 69 percent — of U.S. employees championed their causes with donations to more than 7,000 health and human service charities and nearly \$11 million in pledges.

The collective impact of such programs reflects the character of our employees and how much we care about making positive contributions to our communities. Each year, we build off the previous year’s momentum to effect real and lasting change in people’s lives.





**2013 Annual Review**

# 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 2012 direct written premium and the fifth-largest P&C insurer in the world based on 2012 gross written premium.

Liberty Mutual Insurance Group offers a wide range of insurance products and services, including personal automobile, homeowners, workers compensation, global specialty, commercial multiple-peril, commercial automobile, general liability, group disability and life, individual life and health, surety and assumed reinsurance, through four strategic business units:

[Personal Insurance](#) | [Commercial Insurance](#) | [Liberty International](#) | [Global Specialty](#)

Liberty Mutual Insurance Group's pre-tax operating income for 2013 was \$2.5 billion, an increase of \$1.8 billion over 2012. Net investment income was \$3.1 billion on cash flows from operations of \$4.2 billion.

Net income increased to \$1.7 billion, an increase of \$914 million, or 110 percent, over 2012, and total equity increased by \$487 million to \$19.0 billion.



## Company Overview (continued)



**Strategic Business Units**  
\$35.2 billion in 2013 net written premium

Personal Insurance	44%
Commercial Insurance	25%
Liberty International	17%
Global Specialty	14%



**Strategic Lines of Business**  
\$35.2 billion in 2013 net written premium

Private Passenger Auto	36%
Homeowners	14%
Commercial Multi-Peril/Fire	7%
Workers Compensation - Voluntary	7%
LIU	6%
Commercial Auto	5%
Liberty Syndicate 4472	5%
General Liability	4%
Group Disability and Life	4%
Individual Life and Health	3%
Surety	2%
Other	7%



**Revenues**  
in billions

2013 Total Revenue	\$38.5
2012 Total Revenue	\$36.3



**Pre-Tax Operating Income**  
in millions

2013 Pre-tax Operating Income	\$2,455
2012 Pre-tax Operating Income	\$681

### 2013 Annual Review

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## Global Presence

# Momentum Through Growth

In 2013, Liberty Mutual Insurance Group strengthened its global presence and increased brand awareness through acquisition, key sponsorships and road safety outreach efforts. Here are some highlights.



## Global Presence (continued)

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

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### THE AMERICAS

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

### EUROPE / MIDDLE EAST

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

### ASIA PACIFIC

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

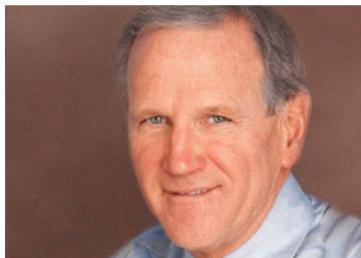
**Liberty Mutual Holding Company Inc.**

# Board of Directors



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Private Investor

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**Myrtle Potter**  
Chief Executive Officer

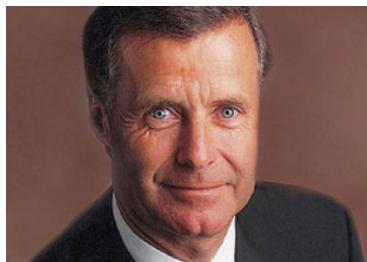
Myrtle Potter & Company  
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Liberty Mutual Holding Company Inc.

# Corporate Officers

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Executive Vice President and  
Chief Communications 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 Human  
Resources and Administration Officer

## **A. Alexander Fontanes**

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## **James F. Kelleher**

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## **Dennis J. Langwell**

Executive Vice President and  
Chief Financial Officer

## **James M. McGlenon**

Executive Vice President and  
Chief Information Officer

## **Christopher L. Peirce**

Executive Vice President

## **Timothy M. Sweeney**

Executive Vice President

## **John D. Doyle**

Vice President and Comptroller

## **Dexter R. Legg**

Vice President and Secretary

## **Laurance H.S. Yahia**

Vice President and Treasurer

Liberty Mutual Holding Company Inc.

# Operating Management

## PERSONAL INSURANCE

### **Timothy M. Sweeney**

President

### **Stephen J. McAnena**

President, Liberty Mutual  
Personal Lines Distribution

### **Cheryl K. Neal**

President, Individual Life

### **Matthew D. Nickerson**

President, Safeco Insurance

### **Edward J. Gramer**

Chief Claims Officer

### **James M. MacPhee**

Chief Marketing Officer

### **Alan R. Schlosberg**

Chief Product Officer

## COMMERCIAL INSURANCE

### **J. Paul Condrin, III**

President

### **Mark A. Butler**

President, National Insurance

### **Michael H. Hughes**

President, Business Insurance

### **Jean M. Scarrow**

President, Group Benefits

### **Deborah S. McGonigle**

Chief Marketing Officer

### **Glenn T. Shapiro**

Chief Claims Officer

### **John S. Peters**

Manager, Commercial Operations

### **Tracy A. Ryan**

Chief Product Officer

## GLOBAL SPECIALTY

### **Christopher L. Peirce**

President

### **Gordon J. McBurney**

Chief Underwriting Officer

### **Michael J. Abdallah**

President, LIU Asia Pacific

### **David A. Cohen**

President, LIU U.S.

### **Michael L. Molony**

President, LIU Canada

### **Nicholas J. Metcalf**

President, Liberty Specialty  
Markets

### **Timothy A. Mikolajewski**

President, Liberty Mutual Surety

## LIBERTY INTERNATIONAL

### **Luis Bonell**

Chief Executive Officer

Liberty International Holdings Inc.

### **Joe H. Hamilton**

Chief Strategy and Business  
Development Officer

### **Victor A. Meintjes**

Chief Operating Officer  
Latin America

### **Bhasker Natarajan**

Chief Operating Officer –  
India Region  
Manager, Global Best Practices

### **Roberto Salas**

Chief Operating Officer  
Europe

### **Luciano Suzuki**

Chief Operating Officer  
Asia Pacific

### **Daniel Arolofo**

President  
Liberty Seguros  
Argentina

### **Roopam Asthana**

President  
Liberty Videocon General Insurance  
India

## **Operating Management (continued)**

### **LIBERTY INTERNATIONAL (continued)**

**Pablo Barahona**

President  
Liberty Seguros  
Brazil

**Nick Helms**

President  
Liberty Insurance  
Hong Kong

**Patrick O'Brien**

President  
Liberty Insurance  
Ireland

**Martin Bridger**

President  
Liberty Insurance  
China

**Enrique Huerta**

President  
Liberty Seguros  
Spain

**José Antonio de Sousa**

President  
Liberty Seguros  
Portugal

**Luis Campos**

President  
Liberty Insurance  
Singapore

**Oscar Huerta**

President  
Liberty Seguros  
Chile

**Carlos Vanegas**

President  
Liberty Seguros  
Ecuador

**Thuan Do**

President  
Liberty Insurance  
Vietnam

**Sergei Kovaltchuk**

President  
Liberty Страхование  
Russia

**I. Ragip Yergin**

Director and General Manager  
Liberty Sigorta  
Turkey

**John Fu**

President  
LMG Insurance  
Thailand

**Michał Kwieciński**

President  
Liberty Direct  
Poland

**Mauricio García**

President  
Liberty Seguros  
Colombia

**Gustavo Luengo**

President  
Seguros Caracas de Liberty Mutual  
Venezuela

# Financials

LIBERTY MUTUAL INSURANCE GROUP	2013	2012
(Dollars in millions) December 31		
Liberty Mutual Insurance Group <sup>1</sup>		
Revenues	\$38,509	\$36,325
Pre-tax operating income	2,455	681
Net income <sup>2</sup>	1,743	829
Cash flows from operations	4,157	2,829
Combined ratio <sup>3</sup>	99.8%	104.8%
PERSONAL INSURANCE		
Revenues	\$16,013	\$14,530
Pre-tax operating income	1,416	1,010
Cash flows from operations	2,452	1,606
Combined ratio	93.9%	96.8%
COMMERCIAL INSURANCE <sup>1</sup>		
Revenues	\$10,160	\$10,760
Pre-tax operating income	676	245
Cash flows from operations	348	697
Combined ratio	104.1%	111.2%
LIBERTY INTERNATIONAL		
Revenues	\$6,165	\$6,019
Pre-tax operating income	391	259
Cash flows from operations	852	505
Combined ratio <sup>3</sup>	104.2%	103.2%
GLOBAL SPECIALTY		
Revenues	\$5,131	\$4,607
Pre-tax operating income	501	377
Cash flows from operations	1,107	1,013
Combined ratio	95.5%	98.4%
OTHER <sup>4</sup>		
Revenues	\$1,040	\$409
Pre-tax operating income	(529)	(1,210)
Cash flows from operations	(602)	(992)

## Financials (continued)

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.

<sup>1</sup> On January 9, 2014, the Company announced the sale of Summit to American Financial Group. The results of Summit are no longer included in revenues, pre-tax operating income and the combined ratio. The transaction is subject to regulatory approval, which is expected by April 1, 2014.

<sup>2</sup> Net income represents net income attributable to Liberty Mutual Holding Company Inc.

<sup>3</sup> 2013 combined ratio has been adjusted to exclude the impact of the Venezuela devaluation for comparative purposes.

<sup>4</sup> Other includes discontinued operations (including asbestos and environmental), 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.