

Liberty Mutual Group Reports First Quarter 2011 Results

BOSTON, Mass., May 5, 2011 – Liberty Mutual Group (“LMG” or the “Company”) today reported net income of \$362 million for the three months ended March 31, 2011, an increase of \$47 million over the same period in 2010.

“Considering the number and magnitude of catastrophic events worldwide, we are satisfied with our operating results in the first quarter,” said Ted Kelly, Chairman and CEO of Liberty Mutual Group. “Overall, our businesses were profitable and our investment operation had another outstanding quarter. As a global insurer of unparalleled diversification, it is hard to imagine an insured event somewhere in the world that will not impact us. But what is critical is our ability to manage our exposure to these events, which I think we have done very well. Our profitability, despite the events of the first quarter, validates the strength of our operating model.”

First Quarter Highlights

- Revenues for the three months ended March 31, 2011 were \$8.381 billion, an increase of \$191 million or 2.3% over the same period in 2010.
- Net written premium for the three months ended March 31, 2011 was \$7.583 billion, an increase of \$374 million or 5.2% over the same period in 2010.
- Pre-tax operating income before private equity income for the three months ended March 31, 2011 was \$231 million, a decrease of \$73 million or 24.0% from the same period in 2010.
- Pre-tax operating income for the three months ended March 31, 2011 was \$441 million, an increase of \$53 million or 13.7% over the same period in 2010.
- Net income for the three months ended March 31, 2011 was \$362 million, an increase of \$47 million or 14.9% over the same period in 2010.
- Cash flow from operations for the three months ended March 31, 2011 was \$606 million, an increase of \$147 million or 32.0% over the same period in 2010.
- The combined ratio before catastrophes¹ and net incurred losses attributable to prior years² for the three months ended March 31, 2011 was 97.0%, a decrease of 0.3 points from the same period in 2010. 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, 2011 increased 0.3 points to 102.5%.

Financial Condition as of March 31, 2011

- Total assets were \$113.7 billion as of March 31, 2011, an increase of \$1.4 billion over December 31, 2010.
- Policyholders’ equity was \$17.5 billion as of March 31, 2011, an increase of \$525 million over December 31, 2010.

¹ Catastrophes include all current and prior year catastrophe losses including assessments from the Texas Windstorm Insurance Association (“TWIA”) 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 2004 U.S. Hurricanes, the 2005 U.S. Hurricanes, the September 2008 Hurricanes, the Japanese earthquake and tsunami, New Zealand earthquake, Australian floods, Cyclone Yasi and the Chilean earthquake. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (excluding prior year losses related to natural catastrophes and the events of September 11, 2001) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains.

Consolidated Results of Operations for the Three Months Ended March 31, 2011:

\$ in Millions	Three Months Ended March 31,		
	2011	2010	Change
Revenues	\$8,381	\$8,190	2.3%
PTOI before catastrophes, net incurred losses attributable to prior years and private equity income	608	636	(4.4)
Catastrophes ^{1,2}	(586)	(445)	31.7
Net incurred losses attributable to prior years:			
- Asbestos & environmental	(1)	(3)	(66.7)
- All other ³	210	116	81.0
Pre-tax operating income before private equity income	231	304	(24.0)
Private equity income ⁴	210	84	150.0
Pre-tax operating income	441	388	13.7
Realized gains, net	76	95	(20.0)
Income tax expense	(155)	(168)	(7.7)
Net income	\$362	\$315	14.9%
Cash flow from operations	\$606	\$459	32.0%

1 Catastrophes include all current and prior year catastrophe losses including assessments from TWIA 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 2004 U.S. Hurricanes, the 2005 Hurricanes, the September 2008 Hurricanes, the Japanese earthquake and tsunami, New Zealand earthquake, Australian floods, Cyclone Yasi and the Chilean earthquake. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Catastrophes exclude the catastrophe losses ceded under the homeowners quota share agreement.

3 Net of earned premium attributable to prior years of \$7 million and \$12 million for the three months ended March 31, 2011 and 2010, respectively. Net of amortization of deferred gains on retroactive reinsurance of \$99 million and \$18 million for the three months ended March 31, 2011 and 2010, respectively. 2011 reflects a gain on commutation of two retroactive reinsurance contracts during the quarter.

4 Private equity income is included in net investment income in the accompanying statements of income.

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, 2011 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 11:00 a.m. EST today, Edmund F. Kelly, Liberty Mutual Group Chairman and CEO, will host a conference call to discuss the Company's financial results. To listen to the call and participate in the Q&A, please dial 800-857-2190, providing the pass code "Liberty" when prompted. A replay will be available until 5:00 p.m. on May 20, 2011 at 866-373-1985.

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 third largest property and casualty insurer in the U.S. based on 2010 net written premium. The Company also ranks 82nd on the Fortune 100 list of largest corporations in the United States based on 2010 revenue. As of December 31, 2010, LMG had \$112.350 billion in consolidated assets, \$95.372 billion in consolidated liabilities, and \$33.193 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 substantially all of its business through four strategic business units: Liberty Mutual Agency Corporation, International, Personal Markets, and Commercial Markets. Each business unit operates independently of the others and has dedicated sales, underwriting, claims, actuarial, financial and certain information technology resources. Management believes this structure allows each business unit to execute its business strategy and/or to make acquisitions without impacting or disrupting the operations of the Company's other business units.

LMG employs more than 45,000 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.

Cautionary Statement Regarding Forward Looking Statements

This press release contains forward looking statements that are intended to enhance the reader's ability to assess the Company's future financial and business performance. Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" or similar expressions. Because these forward looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different.

Some of the factors that could cause actual results to differ include, but are not limited to the following: the occurrence of catastrophic events (including terrorist acts, hurricanes, hail, tornados, snowfall and winter conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or ability to collect reinsurance; disruptions to the Company's relationships with its independent agents and brokers; financial disruption or a prolonged economic downturn; the performance of the Company's investment portfolios; a rise in interest rates; risks inherent in the Company's alternative investments in private limited partnerships and limited liability companies; difficulty in valuing certain of the Company's investments; subjectivity in the

determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; terrorist acts; the Company's inability to obtain price increases or maintain market share due to competition or otherwise; inadequacy of the Company's pricing models; changes to insurance laws and regulations; changes in the amount of statutory capital that the Company must hold to maintain its financial strength and credit ratings; regulatory restrictions on the Company's ability to change its methods of marketing and underwriting in certain areas; assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the ability of the Company's subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclicity of the property and casualty insurance industry; political, legal, operational and other risks faced by the Company's international business; potentially high severity losses involving the Company's surety products; loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of personal lines policies; inadequacy of the Company's controls to ensure compliance with legal and regulatory standards; changes in federal or state tax laws; risks arising out of the Company's securities lending program; the Company's utilization of information technology systems and its implementation of technology innovations; difficulties with technology or data security; insufficiency of the Company's business continuity plan in the event of a disaster; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; insufficiency of the Company's enterprise risk management models and modeling techniques; and changing climate conditions. The Company's forward looking statements speak only as of the date of this report or as of the date they are made and should be regarded solely as the Company's current plans, estimates and beliefs. For a detailed discussion of these and other cautionary statements, visit the Company's Investor Relations website at www.libertymutual.com/investors. The Company undertakes no obligation to update these forward looking statements.

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