

Liberty Mutual Insurance Reports Second Quarter 2014 Results

BOSTON, Mass., August 5, 2014 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) today reported net income attributable to LMHC of \$393 million and \$665 million for the three and six months ended June 30, 2014, decreases of \$55 million and \$101 million from the same periods in 2013. Including \$5 million and \$15 million of net losses attributable to non-controlling interest, consolidated net income for the three and six months ended June 30, 2014 was \$388 million and \$650 million, respectively.

“Net written premium growth was healthy at just above 5% quarter over quarter, and underwriting improvements lowered the combined ratio by a point despite sizable severe storm losses,” said David H. Long, Chairman and CEO of Liberty Mutual Insurance. “In short, we continue to improve underwriting results and grow where we can do so profitably.”

Second Quarter Highlights

- Revenues for the three months ended June 30, 2014 were \$9.939 billion, an increase of \$299 million or 3.1% over the same period in 2013.
- Net written premium (“NWP”) for the three months ended June 30, 2014 was \$9.182 billion, an increase of \$456 million or 5.2% over the same period in 2013.
- Pre-tax operating income (“PTOI”) for the three months ended June 30, 2014 was \$544 million, a decrease of \$38 million or 6.5% from the same period in 2013.
- Catastrophe losses for the three months ended June 30, 2014 were \$676 million, an increase of \$29 million or 4.5% over the same period in 2013.
- Limited partnership (“LP”) and limited liability company (“LLC”) income for the three months ended June 30, 2014 was \$118 million, a decrease of \$102 million or 46.4% from the same period in 2013.
- Pre-tax gain associated with the Venezuela devaluation and foreign exchange under hyper inflationary accounting (including other-than-temporary impairments) was \$91 million in 2014 compared to a pre-tax gain of \$78 million in the same period in 2013.
- Net income attributable to LMHC for the three months ended June 30, 2014 was \$393 million, a decrease of \$55 million or 12.3% from the same period in 2013.
- Cash flow from operations for the three months ended June 30, 2014 was \$1.163 billion, an increase of \$35 million or 3.1% over the same period in 2013.
- The consolidated combined ratio before catastrophes¹ and net incurred losses attributable to prior years² for the three months ended June 30, 2014 was 91.9%, an improvement of 2.3 points over the same period in 2013. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company’s combined ratio for the three months ended June 30, 2014 improved 1.0 point to 100.4%.

¹Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, windstorm Ela, Cyclone Oswald and Central European floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

²Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (including prior year losses related to natural catastrophes and prior year catastrophe reinstatement premium) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains.

Year-to-Date Highlights

- Revenues for the six months ended June 30, 2014 were \$19.598 billion, an increase of \$993 million or 5.3% over the same period in 2013.
- NWP for the six months ended June 30, 2014 was \$17.968 billion, an increase of \$811 million or 4.7% over the same period in 2013.
- PTOI for the six months ended June 30, 2014 was \$1.213 billion, a decrease of \$17 million or 1.4% from the same period in 2013.
- Catastrophe losses for the six months ended June 30, 2014 were \$1.163 billion, an increase of \$294 million or 33.8% over the same period in 2013.
- LP and LLC income for the six months ended June 30, 2014 was \$384 million, an increase of \$116 million or 43.3% over the same period in 2013.
- Pre-tax loss associated with the Venezuela devaluation and foreign exchange under hyper inflationary accounting (including other-than-temporary impairments) was \$184 million in 2014 compared to a pre-tax loss of \$91 million in the same period in 2013.
- A net loss of \$77 million associated with the disposition of the Argentina operations is included within Discontinued Operations for the six months ended June 30, 2014.
- Net income attributable to LMHC for the six months ended June 30, 2014 was \$665 million, a decrease of \$101 million or 13.2% from the same period in 2013.
- Cash flow from operations for the six months ended June 30, 2014 was \$1.496 billion, a decrease of \$24 million or 1.6% from the same period in 2013.
- The consolidated combined ratio before catastrophes and net incurred losses attributable to prior years for the six months ended June 30, 2014 was 93.0%, an improvement of 1.6 points over the same period in 2013. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company's combined ratio for the six months ended June 30, 2014 deteriorated 0.2 points to 100.0%.

Financial Condition as of June 30, 2014

- Total assets were \$122.919 billion as of June 30, 2014, an increase of \$1.637 billion or 1.3% over December 31, 2013.
- Total equity was \$20.639 billion as of June 30, 2014, an increase of \$1.627 billion or 8.6% over December 31, 2013.

Consolidated Results of Operations for the Three and Six Months Ended June 30, 2014 and 2013:

\$ in Millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
Revenues	\$9,939	\$9,640	3.1%	\$19,598	\$18,605	5.3%
PTOI before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and foreign exchange and LP and LLC income	\$1,031	\$849	21.4%	\$1,904	\$1,640	16.1%
Catastrophes ¹	(676)	(647)	4.5	(1,163)	(869)	33.8
Net incurred losses attributable to prior years:						
- Asbestos & environmental	(1)	(3)	(66.7)	(2)	(4)	(50.0)
- All other ²	(19)	85	NM	19	63	(69.8)
Venezuela devaluation and foreign exchange	91	78	16.7	71	132	(46.2)
PTOI before LP and LLC income	426	362	17.7	829	962	(13.8)
LP and LLC income ³	118	220	(46.4)	384	268	43.3
PTOI	544	582	(6.5)	1,213	1,230	(1.4)
Net realized gains (losses)	46	63	(27.0)	(159)	(134)	18.7
SBU realignment expense	-	(2)	(100.0)	-	(3)	(100.0)
Loss on extinguishment of debt	-	(39)	(100.0)	-	(60)	(100.0)
Pre-tax income	590	604	(2.3)	1,054	1,033	2.0
Income tax expense	185	162	14.2	323	286	12.9
Consolidated net income before discontinued operations	405	442	(8.4)	731	747	(2.1)
Discontinued operations, net of tax	(17)	5	NM	(81)	10	NM
Consolidated net income	388	447	(13.2)	650	757	(14.1)
Less: Net loss attributable to non-controlling interest	(5)	(1)	NM	(15)	(9)	66.7
Net income attributable to LMHC	\$393	\$448	(12.3%)	\$665	\$766	(13.2%)
Cash flow from operations	\$1,163	\$1,128	3.1%	\$1,496	\$1,520	(1.6%)

1 Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, windstorm Ela, Cyclone Oswald and Central European floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Net of earned premium and reinstatement premium attributable to prior years of (\$14) million and \$11 million for the three and six months ended June 30, 2014 and \$103 million and \$112 million for the same periods in 2013. Net of amortization of deferred gains on retroactive reinsurance of \$1 million and \$2 million for the three and six months ended June 30, 2014 and \$10 million and \$20 million for the same periods in 2013.

3 LP and LLC income is included in net investment income in the accompanying Consolidated Statements of Income.
NM = Not Meaningful

Financial Information: The Company'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 and six months ended June 30, 2014 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 11:00 a.m. EDT today, David H. Long, Liberty Mutual Insurance 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 August 12, 2014 at 866-461-2735.

About Liberty Mutual Insurance

Boston-based LMHC, the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and third largest property and casualty insurer in the U.S. based on 2013 direct written premium. The Company also ranks 76th on the Fortune 100 list of largest corporations in the U.S. based on 2013 revenue. As of December 31, 2013, LMHC had \$121.282 billion in consolidated assets, \$102.270 billion in consolidated liabilities, and \$38.509 billion in annual consolidated revenue.

LMHC, 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 LMHC.

Functionally, the Company conducts substantially all of its business through strategic business units, with each operating independently of the others with 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.

LMHC employs more than 50,000 people in approximately 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, tsunamis, earthquakes, floods, 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 LPs and LLCs; 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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