

Liberty Mutual Insurance Enters into Reinsurance Agreement with National Indemnity Company (full disclosure)

On July 17, 2014, Liberty Mutual Insurance reached a definitive agreement with National Indemnity Company (“NICO”), a subsidiary of Berkshire Hathaway Inc., on a combined aggregate adverse development cover for substantially all of Liberty Mutual Insurance’s U.S. workers compensation, asbestos and environmental liabilities, attaching at approximately \$12.5 billion of combined aggregate reserves with an aggregate limit of \$6.5 billion and sublimits of \$3.1 billion for asbestos and environmental liabilities and \$4.507 billion for certain workers compensation liabilities.

At the closing of this transaction today, but effective as of January 1, 2014, Liberty Mutual Insurance ceded approximately \$3.3 billion of existing liabilities under a retroactive reinsurance agreement. NICO will provide approximately \$3.2 billion of additional aggregate adverse development cover. Liberty Mutual Insurance paid NICO total consideration of approximately \$3.0 billion.

The agreement covers Liberty Mutual Insurance’s potentially volatile U.S. asbestos and environmental liabilities arising under policies of insurance and reinsurance with effective dates before January 1, 2005, as well as Commercial Insurance’s workers compensation liabilities as respects injuries or accidents occurring before January 1, 2014.

NICO will assume responsibility for claims handling related to Liberty Mutual Insurance’s asbestos and environmental claims. Liberty Mutual Insurance will continue to handle all workers compensation claims.

"We believe that this agreement further strengthens our financial position as it eliminates a substantial source of uncertainty in these liabilities and allows us to focus on execution in our core businesses," said David H. Long, Liberty Mutual Insurance Chairman and Chief Executive Officer.

This transaction will be accounted for as retroactive reinsurance in Liberty Mutual Insurance’s GAAP consolidated financial statements and results in a pre-tax loss of approximately \$130 million as of the effective date, which will be included in third quarter results.

Contact: Richard Angevine
617-574-6638
Richard.Angevine@LibertyMutual.com