Liberty Mutual Group Reports First Quarter 2008 Results

BOSTON, Mass., May 5, 2008 – Liberty Mutual Group ("LMG" or the "Company") today reported net income of $360 million for the three months ended March 31, 2008, an increase of $10 million over the same period in 2007.

"Despite significant competition, higher catastrophe losses and a global credit crisis, our results in the quarter were solid," said Edmund F. Kelly, Chairman, President and CEO of Liberty Mutual. "Domestic premium growth and profitability were strong, enhanced by our acquisition of Ohio Casualty in 2007 and continued growth in our international operations, including the strength of foreign currencies versus the U.S. dollar. Our investment results were also strong, reflecting minimal exposure to sub-prime mortgages."

First Quarter Highlights

- Revenues for the three months ended March 31, 2008 were $6.885 billion, an increase of $742 million or 12.1% over the same period in 2007.

- Net written premium for the three months ended March 31, 2008 was $6.256 billion, an increase of $569 million or 10.0% over the same period in 2007.

- Pre-tax income for the three months ended March 31, 2008 was $480 million, a decrease of $20 million or 4.0% from the same period in 2007.

- Net income for the three months ended March 31, 2008 was $360 million, an increase of $10 million or 2.9% over the same period in 2007.

- Cash flow from operations for the three months ended March 31, 2008 was $613 million, a decrease of $396 million or 39.2% from the same period in 2007.

- The combined ratio before catastrophes[1] and net incurred losses attributable to prior years[2] for the three months ended March 31, 2008 was 99.1%, unchanged from the same period in 2007. 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, 2008 decreased 0.4 points to 100.7%.

Financial Condition as of March 31, 2008

- Total assets were $97.533 billion as of March 31, 2008, an increase of $2.791 billion over December 31, 2007.

- Policyholders' equity was $12.434 billion as of March 31, 2008, an increase of $68 million over December 31, 2007.

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[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 U.S. hurricanes and the 2005 U.S. hurricanes. In addition, losses related to the 2005 U.S. hurricanes and the 2004 U.S. 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"). Internally reinsured catastrophe losses are not reported net of net catastrophe reinsurance premium earned. 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.

- Statutory surplus as regards policyholders for the combined operations of Liberty Mutual Insurance Company (“LMIC”) and its U.S. affiliates was $14.099 billion as of March 31, 2008, a decrease of $56 million from December 31, 2007.

Other 2008 1st Quarter Highlights

- On January 9, 2008, the Company through its Brazilian subsidiary, Liberty International Brazil Ltda., acquired Indiana Seguros, S.A., a writer of primarily auto insurance in Brazil.

Subsequent Events

- On April 23, 2008, LMG and Safeco Corporation announced that they entered into a definitive agreement pursuant to which LMG, through its subsidiaries, will acquire all outstanding shares of common stock of Safeco for $68.25 per share or approximately $6.2 billion. The proposed transaction, which has been approved by the Boards of Directors of both companies, is subject to approval by Safeco's shareholders and customary regulatory approvals and conditions. The transaction is targeted to close in the third quarter of 2008.

Consolidated Results of Operations for the Three Months Ended March 31, 2008:

	Three Months Ended March 31,		
$ in Millions	**2008**	**2007**	**Change**
Revenues	$6,885	$6,143	12.1%
PTOI before catastrophes and net incurred losses attributable to prior years	$583	$514	13.4%
Catastrophes[1]	(166)	(59)	181.4
Net incurred losses attributable to prior years:			
- Asbestos & environmental[2]	-	-	-
- All other[3]	75	(35)	NM
Pre-tax operating income	492	420	17.1
Realized investment (losses)/gains, net	(12)	80	NM
Federal and foreign income tax expense	(120)	(150)	(20.0)
Net income	$360	$350	2.9%
Cash flow from operations	$613	$1,009	(39.2%)

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 U.S. hurricanes and the 2005 U.S. hurricanes. In addition, losses related to the 2005 U.S. hurricanes and the 2004 U.S. 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"). Internally reinsured catastrophe losses are not reported net of net catastrophe reinsurance premium earned. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Net of allowance for uncollectible reinsurance of zero for the months ended March 31, 2008, and $3 million for the comparable period of 2007.

3 Net of earned premium attributable to prior years of $3 million for the three months ended March 31, 2008, and $19 million for the comparable period of 2007. Net of amortization of deferred gains on retroactive reinsurance of $17 million for the three months ended March 31, 2008, and $16 million for the comparable period of 2007.

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, 2008 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 10:00 a.m. EST 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 the Q&A, please dial 888-713-4541 fifteen minutes before the starting time using conference ID number 3794358. A replay will be available until May 12, 2008 at 888-203-1112 using the reservation number 3794358.

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 2006 direct written premium. The Company also ranks 94th on the Fortune 500 list of largest corporations in the United States based on 2007 revenue. As of December 31, 2007, LMG had $94.742 billion in consolidated assets, $82.376 billion in consolidated liabilities, and $25.961 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, LMIC, LMFIC and EICOW, 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 41,000 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 Company's ability to successfully integrate operations, personnel and technology from its acquisitions, including the recent acquisition of Ohio Casualty Corporation and its subsidiaries, and the proposed acquisition of Safeco Corporation and its subsidiaries, in accordance with its business strategy; 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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