Liberty Mutual Insurance Reports Fourth Quarter 2011 Results

BOSTON, Mass., March 6, 2012 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively "LMHC" or the "Company") today reported net income of $284 million and $365 million for the three and twelve months ended December 31, 2011, decreases of $292 million and $1.313 billion from the same periods in 2010.

"Operating results in the fourth quarter were adversely affected by the Thailand floods, bringing our pre-tax catastrophe losses for the year to a historically high level of $2.7 billion," remarked David H. Long, President and CEO of Liberty Mutual Insurance. "Net income of $365 million in 2011 though demonstrates that core earnings are solid and that our diversification continues to serve us well. Not immediately evident in the numbers are the opening of our fourth China branch in Guangdong Province, a second level of regulatory approval of our joint venture in India, the acquisition of Quinn insurance operations in Ireland, and a favorable trajectory of pricing trends across multiple lines of business. Collectively, these position us well for a more prosperous 2012."

Fourth Quarter Highlights

- Revenues for the three months ended December 31, 2011 were $8.963 billion, an increase of $413 million or 4.8% over the same period in 2010.
- Net written premium for the three months ended December 31, 2011 was $7.722 billion, an increase of $743 million or 10.6% over the same period in 2010.
- Pre-tax operating income before private limited partnership ("LP") and limited liability company ("LLC") income for the three months ended December 31, 2011 was $155 million, a decrease of $360 million or 69.9% from the same period in 2010.
- Pre-tax operating income for the three months ended December 31, 2011 was $262 million, a decrease of $417 million or 61.4% from the same period in 2010.
- Net income attributable to LMHC for the three months ended December 31, 2011 was $284 million, a decrease of $292 million or 50.7% from the same period in 2010.
- Cash flows from operations for the three months ended December 31, 2011 were $621 million, a decrease of $386 million or 38.3% from the same period in 2010.
- The consolidated combined ratio before catastrophes[1] , net incurred losses attributable to prior years[2] and current accident year re-estimation[3] for the three months ended December 31, 2011 was 98.3%, an increase of 1.0 point over the same period in 2010. Including the impact of catastrophes, net incurred losses attributable to prior years and current accident year re-estimation, the Company's combined ratio for the three months ended December 31, 2011 increased 5.0 points to 104.2%.

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[1]Catastrophes include all current and prior accident year catastrophe losses incurred excluding losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for the 2010 Chile and New Zealand earthquakes, 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the tornadoes and other severe storms in the U.S. 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) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains.

[3] Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2011 and September 30, 2010.

Year-to-Date Highlights

- Revenues for the twelve months ended December 31, 2011 were $34.671 billion, an increase of $1.478 billion or 4.5% over the same period in 2010.
- Net written premium for the twelve months ended December 31, 2011 was $31.183 billion, an increase of $1.992 billion or 6.8% over the same period in 2010.
- Pre-tax operating loss before LP and LLC income for the twelve months ended December 31, 2011 was $334 million versus $1.521 billion of pre-tax operating income before LP and LLC income in the same period in 2010.
- Pre-tax operating income for the twelve months ended December 31, 2011 was $249 million, a decrease of $1.670 billion or 87.0% from the same period in 2010.
- Net income attributable to LMHC for the twelve months ended December 31, 2011 was $365 million, a decrease of $1.313 billion or 78.2% from the same period in 2010.
- Cash flows from operations for the twelve months ended December 31, 2011 were $2.101 billion, a decrease of $660 million or 23.9% from the same period in 2010.
- The consolidated combined ratio before catastrophes and net incurred losses attributable to prior years for the twelve months ended December 31, 2011 was 97.5%, a decrease of 0.1 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 twelve months ended December 31, 2011 increased 6.2 points to 107.4%.

Financial Condition as of December 31, 2011

- Total assets were $117.131 billion as of December 31, 2011, an increase of $4.781 billion over December 31, 2010.
- Total equity was $17.864 billion as of December 31, 2011, an increase of $880 million over December 31, 2010.

Consolidated Results of Operations for the Three and Twelve Months Ended December 31, 2011 and 2010:

	Three Months Ended December 31,			Twelve Months Ended December 31,		
$ in Millions	**2011**	**2010**	**Change**	**2011**	**2010**	**Change**
Revenues	$8,963	$8,550	4.8%	$34,671	$33,193	4.5%
Pre-tax operating income before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation, current accident year re-estimation and LP and LLC income	$598	$574	4.2%	$2,481	$2,234	11.1%
Catastrophes[1]	(234)	(198)	18.2	(2,681)	(1,257)	113.3
Net incurred losses attributable to prior years:						
- Asbestos & environmental[2]	(10)	(4)	150.0	(351)	(9)	NM
- All other[3]	(78)	150	NM	217	325	(33.2)
Venezuela devaluation	-	25	(100.0)	-	228	(100.0)
Current accident year re-estimation[4]	(121)	(32)	NM	-	-	-
Pre-tax operating income (loss) before LP and LLC income	155	515	(69.9)	(334)	1,521	NM
LP and LLC income[5]	107	164	(34.8)	583	398	46.5
Pre-tax operating income	262	679	(61.4)	249	1,919	(87.0)
Net realized (losses) gains	(10)	110	NM	158	402	(60.7)
Loss on extinguishment of debt	(33)	-	NM	(110)	-	NM
Pre-tax income	219	789	(72.2)	297	2,321	(87.2)
Income tax benefit (expense)	63	(213)	NM	71	(637)	NM
Consolidated net income	282	576	(51.0)	368	1,684	(78.1)
Less: Net (loss) income attributable to non-controlling interests	(2)	-	NM	3	6	(50.0)
Net income attributable to LMHC	$284	$576	(50.7%)	$365	$1,678	(78.2%)
Cash flows from operations	$621	$1,007	(38.3%)	$2,101	$2,761	(23.9%)

1 Catastrophes include all current and prior accident year catastrophe losses incurred excluding losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for the 2010 Chile and New Zealand earthquakes, 2011 Australia floods, Cyclone Yasi, Japan earthquake and tsunami, New Zealand earthquakes, Hurricane Irene, Thailand floods and the tornadoes and other severe storms in the U.S. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 The twelve months ended December 31, 2011 include $294 million of strengthening of asbestos related reserves in connection with a ground-up reserve study.

3 Net of earned premium attributable to prior years of ($42) and ($26) million for the three and twelve months ended December 31, 2011 and $39 million and ($64) million for the same periods in 2010. Net of amortization of deferred gains on retroactive reinsurance of $5 million and $134 million for the three and twelve months ended December 31, 2011 and $1 million and $54 million for the same periods in 2010. The twelve months ended December 31, 2011 reflect a gain on commutation of two retroactive reinsurance contracts during the first quarter.

4 Re-estimation of the current accident year loss reserves for the nine months ended September 30, 2011 and September 30, 2010.

5 LP and LLC income is included in net investment income in the 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 twelve months ended December 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, David Long, Liberty Mutual Insurance 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 800-857-2190, providing the pass code "Liberty" when prompted. A replay will be available until 5:00 p.m. on March 16, 2012 at 866-413-9173.

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 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, 2011, LMHC had $117.131 billion in consolidated assets, $99.267 billion in consolidated liabilities, and $34.671 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 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.

LMHC 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, tornadoes, 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 cyclicality 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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