Liberty Mutual Group Reports Second Quarter 2007 Results

BOSTON, Mass., July 24, 2007 – Liberty Mutual Group ("LMG" or the "Company") today reported net income of $339 million and $689 million for the three and six months ended June 30, 2007, respectively, increases of $16 million and $74 million over the same periods in 2006. The increases in both periods primarily reflect strong growth in the business units, lower catastrophes and strong investment results.

"We are very pleased with our operating results in the quarter and year-to-date," said Edmund F. Kelly, Chairman, CEO and President. "Personal lines growth of 9% in the quarter is very satisfying in the face of intensifying but rational competition worldwide. A very challenging commercial lines market worldwide was met with underwriting discipline and conservative reserving. Fortunately we are well equipped to deal with these more difficult market conditions given unparalleled diversification of our products, geography and distribution channels. We look forward to the addition of Ohio Casualty in the coming months to further strengthen our domestic Agency Markets business."

Second Quarter Highlights

- Revenues for the three months ended June 30, 2007 were $6.295 billion, an increase of $245 million or 4.0% over the same period in 2006.

- Net written premium for the three months ended June 30, 2007 was $5.477 billion, an increase of $133 million or 2.5% over the same period in 2006.

- Pre-tax income for the three months ended June 30, 2007 was $498 million, an increase of $15 million or 3.1% over the same period in 2006.

- Cash flow from operations for the three months ended June 30, 2007 was $787 million, a decrease of $339 million or 30.1% from the same period in 2006. Results in the period primarily reflect a $290 million decrease in immediate annuity sales from the same period in 2006.

- The combined ratio before catastrophes and net incurred losses attributable to prior years for the three months ended June 30, 2007 was 96.5%, an increase of 1.4 points over the same period in 2006. 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, 2007 decreased 0.9 points to 100.1%.

Year-to-Date Highlights

- Revenues for the six months ended June 30, 2007 were $12.438 billion, an increase of $940 million or 8.2% over the same period in 2006.

- Net written premium for the six months ended June 30, 2007 was $11.164 billion, an increase of $510 million or 4.8% over the same period in 2006.

- Pre-tax income for the six months ended June 30, 2006 was $998 million, an increase of $111 million or 12.5% over the same period in 2006. Results in the period reflect an increase in realized capital gains of $56 million.

- Cash flow from operations for the six months ended June 30, 2007 was $1.796 billion, an increase of $172 million or 10.6% over the same period in 2006.

- The combined ratio before catastrophes and net incurred losses attributable to prior years for the six months ended June 30, 2007 was 97.8%, an increase of 1.9 points over the same period in 2006. 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, 2007 increased 0.1 points to 100.6%.

Financial Condition as of June 30, 2007

- Total assets were $88.472 billion as of June 30, 2007, an increase of $2.974 billion or 3.5% over December 31, 2006.

- Policyholders' equity was $11.228 billion as of June 30, 2007, an increase of $333 million or 3.1% over December 31, 2006.

- Statutory surplus as regards policyholders for the combined operations of Liberty Mutual Insurance Company ("LMIC") and its U.S. affiliates was $13.547 billion as of June 30, 2007, an increase of $1.416 billion or 11.7% over December 31, 2006.

Consolidated Results of Operations for the Three and Six Months Ended June 30, 2007:

	Three Months Ended June 30,			Six Months Ended June 30,		
$ in Millions	**2007**	**2006**	**Change**	**2007**	**2006**	**Change**
Revenues	$6,295	$6,050	4.0%	$12,438	$11,498	8.2%
PTOI before catastrophes and net incurred losses attributable to prior years	$638	$713	(10.5%)	$1,152	$1,239	(7.0%)
Catastrophes[1]	(122)	(187)	(34.8)	(181)	(286)	(36.7)
Net incurred losses attributable to prior years:						
- Asbestos & environmental[2]	(1)	(1)	-	(1)	(3)	(66.7)
- All other[3]	(62)	(86)	(27.9)	(97)	(132)	(26.5)
Pre-tax operating income	453	439	3.2	873	818	6.7
Realized investment gains, net	45	44	2.3	125	69	81.2
Federal and foreign income tax expense	(159)	(160)	(0.6)	(309)	(272)	13.6
Net income	$339	$323	5.0%	$689	$615	12.0%
Cash flow from operations	$787	$1,126	(30.1%)	$1,796	$1,624	10.6%

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 and losses related to June 2007 California wildfires.

2 Net of allowance for uncollectible reinsurance reduction of zero and $3 million for the three and six months ended June 30, 2007, respectively, and zero for the comparable periods of 2006.

3 Net of earned premium attributable to prior years of $16 million and $35 million for the three and six months ended June 30, 2007, respectively, and $18 million and $34 million for the comparable periods of 2006. Net of amortization of deferred gains on retroactive reinsurance of $32 million and $48 million for the three and six months ended June 30, 2007, respectively, and $15 million and $31 million for the comparable periods of 2006.

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 and six months ended June 30, 2007 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 9:00 a.m. EDT 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 Q&A, please dial 800-632-2975 fifteen minutes before the starting time using conference ID number 8391504. A replay will be available until July 31, 2007 at 877-519-4471 using the reservation number 8391504.

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 95th on the Fortune 500 list of largest corporations in the United States based on 2006 revenue. As of December 31, 2006, LMG had $85.498 billion in consolidated assets, $74.603 billion in consolidated liabilities and $23.520 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.

Functionally, the Company conducts its business through four strategic business units: 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 39,000 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 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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