

Liberty Mutual Insurance Reports First Quarter 2013 Results

BOSTON, Mass., May 2, 2013 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) today reported net income of \$318 million for the three months ended March 31, 2013, a decrease of \$141 million from the same period in 2012.

“First quarter operating results improved over the prior year quarter with pre-tax operating income up \$79 million to \$656 million,” said David H. Long, President and CEO of Liberty Mutual Insurance. “The improvement was masked by the immediate impact of the Venezuelan currency devaluation, which will be substantially offset over the remainder of the year. More importantly, our decision to grow where we can do so profitably, and to raise prices or contract in underperforming lines is gaining traction as evidenced by a 2.6 point reduction in combined ratio to 98.3%.

“This pricing, profitability, and selective growth momentum should continue for the foreseeable future as we adhere to the same disciplined strategy.”

First Quarter Highlights

- Revenues for the three months ended March 31, 2013 were \$9.145 billion, an increase of \$264 million or 3.0% over the same period in 2012.
- Net written premium (“NWP”) for the three months ended March 31, 2013 was \$8.593 billion, an increase of \$515 million or 6.4% over the same period in 2012.
- Pre-tax operating income (“PTOI”) before private limited partnership (“LP”) and limited liability company (“LLC”) income for the three months ended March 31, 2013 was \$608 million, an increase of \$152 million or 33.3 % over the same period in 2012.
- PTOI for the three months ended March 31, 2013 was \$656 million, an increase of \$79 million or 13.7% over the same period in 2012.
- Loss on extinguishment of debt for the three months ended March 31, 2013 was \$21 million, an increase of \$6 million or 40.0% over the same period in 2012. Thirty-eight million dollars of debt at an interest rate of 10.75% was repurchased in the quarter. There was no debt issued and there were no debt maturities in the quarter.
- Net income attributable to LMHC for the three months ended March 31, 2013 was \$318 million, a decrease of \$141 million or 30.7% from the same period in 2012, and includes a \$130 million loss due to the Venezuela devaluation.
- Cash flow from operations for the three months ended March 31, 2013 was \$415 million, a decrease of \$236 million or 36.3% from the same period in 2012.
- The consolidated combined ratio before catastrophes¹ and net incurred losses attributable to prior years² for the three months ended March 31, 2013 was 95.3%, a decrease of 0.7 points from the same period in 2012. 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, 2013 decreased 2.6 points to 98.3%.

¹Catastrophes include all current accident year catastrophe losses excluding losses related to the Company’s external reinsurance assumed lines except for the 2012 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.

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.

Financial Condition as of March 31, 2013

- Total assets were \$120.941 billion as of March 31, 2013, an increase of \$881 million over December 31, 2012.
- Total equity was \$18.690 billion as of March 31, 2013, an increase of \$165 million over December 31, 2012.

Consolidated Results of Operations for the Three Months Ended March 31, 2013 and 2012:

\$ in Millions	Three Months Ended March 31,		
	2013	2012	Change
Revenues	\$9,145	\$8,881	3.0%
PTOI before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and LP and LLC income	\$793	\$788	0.6%
Catastrophes ¹	(207)	(359)	(42.3)
Net incurred losses attributable to prior years:			
- Asbestos & environmental	(1)	(2)	(50.0)
- All other ²	(23)	29	NM
Venezuela devaluation	46	-	NM
PTOI before LP and LLC income	608	456	33.3
LP and LLC income ³	48	121	(60.3)
PTOI	656	577	13.7
Net realized (losses) gains	(197)	49	NM
SBU realignment expenses	(1)	-	NM
Loss on extinguishment of debt	(21)	(15)	40.0
Pre-tax income	437	611	(28.5)
Income tax expense	127	155	(18.1)
Consolidated net income	310	456	(32.0)
Less: Net loss attributable to non-controlling interest	(8)	(3)	166.7
Net income attributable to LMHC	\$318	\$459	(30.7%)
Cash flow from operations	\$415	\$651	(36.3%)

1 Catastrophes include all current accident year catastrophe losses excluding losses related to the Company's external reinsurance assumed lines except for the 2012 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 of earned premium and reinstatement premium attributable to prior years of \$12 million and \$14 million for the three months ended March 31, 2013 and 2012, respectively. Net of amortization of deferred gains on retroactive reinsurance of \$10 million and \$11 million for the three months ended March 31, 2013 and 2012, respectively.

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 months ended March 31, 2013 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 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 May 16, 2013 at 888-567-0419.

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 2012 direct written premium. The Company also ranks 84th on the Fortune 100 list of largest corporations in the U.S. based on 2011 revenue. As of December 31, 2012, LMHC had \$120.060 billion in consolidated assets, \$101.535 billion in consolidated liabilities, and \$36.944 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 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, 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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