

## Liberty Mutual Insurance Reports First Quarter 2014 Results

BOSTON, Mass., May 2, 2014 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) today reported net income attributable to LMHC of \$272 million for the three months ended March 31, 2014, a decrease of \$46 million or 14.5% from the same period in 2013. Including a \$10 million net loss attributable to non-controlling interest, consolidated net income was \$262 million.

“Our first quarter results reflect the balance of positive rate and retention in our primary lines of business and continued improved profitability of our core businesses. Net income for continuing operations was \$326 million, up 7% year-over-year. Including the loss in discontinued operations of \$64 million, primarily due to the sale of our company in Argentina, consolidated net income was \$262 million,” said David H. Long, Liberty Mutual Insurance Chairman and CEO. “Growth remained healthy, with net written premium increasing 8% in local currencies, or 4% after the impact of foreign exchange.

“We are encouraged by the further improvement of our underwriting margins.”

### First Quarter Highlights

- Revenues for the three months ended March 31, 2014 were \$9.659 billion, an increase of \$694 million or 7.7% over the same period in 2013.
- Net written premium (“NWP”) for the three months ended March 31, 2014 was \$8.786 billion, an increase of \$355 million or 4.2% over the same period in 2013.
- Pre-tax operating income (“PTOI”) for the three months ended March 31, 2014 was \$669 million, an increase of \$21 million or 3.2% over the same period in 2013.
- Catastrophe losses for the three months ended March 31, 2014 were \$487 million, an increase of \$265 million or 119.4% over the same period in 2013.
- Limited partnership (“LP”) and limited liability company (“LLC”) income for the three months ended March 31, 2014 was \$265 million, an increase of \$217 million over the same period in 2013.
- Pre-tax loss associated with the Venezuela devaluation and foreign exchange under hyper inflationary accounting (including other than temporary impairments) was \$274 million in 2014 compared to a pre-tax loss of \$177 million in the same period in 2013.
- A net loss of \$77 million associated with the disposition of the Argentina operations is included within Discontinued Operations for the three months ended March 31, 2014.
- Net income attributable to LMHC for the three months ended March 31, 2014 was \$272 million, a decrease of \$46 million or 14.5% from the same period in 2013.
- Cash flow from operations for the three months ended March 31, 2014 was \$318 million, a decrease of \$74 million or 18.9% from the same period in 2013.
- The consolidated combined ratio before catastrophes<sup>1</sup> and net incurred losses attributable to prior years<sup>2</sup> for the three months ended March 31, 2014 was 94.0%, a decrease of 0.9 points from the same period in 2013. 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, 2014 increased 1.5 points to 99.6%.

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<sup>1</sup>Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, and Cyclone Oswald. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

<sup>2</sup>Net 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, 2014**

- Total assets were \$122.405 billion as of March 31, 2014, an increase of \$1.123 billion or 0.9% over December 31, 2013.
- Total equity was \$19.767 billion as of March 31, 2014, an increase of \$755 million or 4.0% over December 31, 2013.

**Consolidated Results of Operations for the Three Months Ended March 31, 2014 and 2013:**

<b>\$ in Millions</b>	<b>Three Months Ended March 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
Revenues	\$9,659	\$8,965	7.7%
PTOI before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and foreign exchange and LP and LLC income	\$874	\$799	9.4%
Catastrophes <sup>1</sup>	(487)	(222)	119.4
Net incurred losses attributable to prior years:			
- Asbestos & environmental	(1)	(1)	-
- All other <sup>2</sup>	38	(22)	NM
Venezuela devaluation and foreign exchange	(20)	46	NM
PTOI before LP and LLC income	404	600	(32.7)
LP and LLC income <sup>3</sup>	265	48	NM
PTOI	669	648	3.2
Net realized losses	(205)	(197)	4.1
SBU realignment expense	-	(1)	(100.0)
Loss on extinguishment of debt	-	(21)	(100.0)
Pre-tax income	464	429	8.2
Income tax expense	138	124	11.3
Consolidated net income before discontinued operations	326	305	6.9
Discontinued operations, net of tax	(64)	5	NM
Consolidated net income	262	310	(15.5)
Less: Net loss attributable to non-controlling interest	(10)	(8)	25.0
Net income attributable to LMHC	\$272	\$318	(14.5%)
Cash flow from operations	\$318	\$392	(18.9%)

1 Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods, and Cyclone Oswald. 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 \$25 million for the three months ended March 31, 2014 and \$10 million for the same period in 2013. Net of amortization of deferred gains on retroactive reinsurance of \$1 million for the three months ended March 31, 2014 and \$10 million for the same period in 2013.

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, 2014 are available on the Company's Investor Relations web site at [www.libertymutual.com/investors](http://www.libertymutual.com/investors).

### **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 2013 direct written premium. The Company also ranks 81<sup>st</sup> on the Fortune 100 list of largest corporations in the U.S. based on 2012 revenue. As of December 31, 2013, LMHC had \$121.282 billion in consolidated assets, \$102.270 billion in consolidated liabilities, and \$38.509 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 approximately 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](http://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, tornados, 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](http://www.libertymutual.com/investors). The Company undertakes no obligation to update these forward looking statements.

Contact:            Investor Relations  
                         Alison Erbig  
                         617-574-6655

Media Relations  
Rich Angevine  
617-574-6638