

Liberty Mutual Insurance Reports First Quarter 2015 Results

BOSTON, Mass., May 12, 2015 – Liberty Mutual Holding Company Inc. and its subsidiaries (collectively “LMHC” or the “Company”) today reported net income attributable to LMHC of \$276 million for the three months ended March 31, 2015, an increase of \$11 million over the same period in 2014. Including \$4 million of a net loss attributable to non-controlling interest, consolidated net income for the three months ended March 31, 2015 was \$272 million.

“The first quarter of 2015 resulted in solid net income of \$276 million despite severe winter weather and market pressures in the energy sector,” said David H. Long, Chairman and CEO of Liberty Mutual Insurance. “Our underwriting results were strong with a combined ratio of 97.1% and net written premium growth of 7.0%.”

Three Months Ended March 31, 2015 - Consolidated Results of Operations

- Revenues for the three months ended March 31, 2015 were \$9.680 billion, an increase of \$18 million or 0.2% over the same period in 2014.
- Net written premium (“NWP”) for the three months ended March 31, 2015 was \$9.399 billion, an increase of \$613 million or 7.0% over the same period in 2014.
- Pre-tax operating income (“PTOI”) for the three months ended March 31, 2015 was \$553 million, a decrease of \$119 million or 17.7% from the same period in 2014.
- Catastrophe losses for the three months ended March 31, 2015 were \$496 million, an increase of \$9 million or 1.8% over the same period in 2014.
- Pre-tax loss associated with the Venezuela devaluation and foreign exchange under hyperinflationary accounting (including other-than-temporary impairments and foreign exchange losses on certain Venezuela investments) was \$163 million in 2015 compared to a pre-tax loss of \$274 million in the same period in 2014.
- Net operating income for the three months ended March 31, 2015 was \$426 million, a decrease of \$126 million or 22.8% from the same period in 2014.
- Net income attributable to LMHC for the three months ended March 31, 2015 was \$276 million, an increase of \$11 million or 4.2% over the same period in 2014.
- The consolidated combined ratio before catastrophes¹ and net incurred losses attributable to prior years² for the three months ended March 31, 2015 was 92.8%, an improvement of 1.2 points over the same period in 2014. 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, 2015 improved 2.4 points to 97.1%.
- Cash flow from operations for the three months ended March 31, 2015 was \$728 million, an increase of \$410 million or 128.9% over the same period in 2014.

Financial Condition as of March 31, 2015

- Total assets were \$124.557 billion as of March 31, 2015, an increase of \$264 million or 0.2% over December 31, 2014.
- Total equity was \$20.550 billion as of March 31, 2015, an increase of \$259 million or 1.3% over December 31, 2014.

¹Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods. 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.

Consolidated Net Operating Income for the Three Months Ended March 31, 2015 and 2014:

\$ in Millions	Three Months Ended March 31,		
	2015	2014	Change
Net operating income	\$426	\$552	(22.8%)
Net realized losses, net of tax	(150)	(223)	(32.7)
Discontinued operations, net of tax	-	(64)	(100.0)
Net income attributable to LMHC	\$276	\$265	4.2%

Consolidated Results of Operations for the Three Months Ended March 31, 2015 and 2014:

\$ in Millions	Three Months Ended March 31,		
	2015	2014	Change
Revenues	\$9,680	\$9,662	0.2%
PTOI before catastrophes, net incurred losses attributable to prior years, Venezuela devaluation and foreign exchange and LP, LLC and other equity method (loss) income ¹	\$922	\$903	2.1%
Catastrophes ²	(496)	(487)	1.8
Net incurred losses attributable to prior years:			
- Asbestos & environmental	(1)	(1)	-
- All other ^{3,4}	133	39	NM
Venezuela devaluation and foreign exchange	12	(19)	NM
PTOI before LP, LLC and other equity method (loss) income	570	435	31.0
LP, LLC and other equity method (loss) income	(17)	237	NM
PTOI	553	672	(17.7)
Net realized losses	(138)	(205)	(32.7)
Pre-tax income	415	467	(11.1)
Income tax expense	143	148	(3.4)
Consolidated net income before discontinued operations	272	319	(14.7)
Discontinued operations, net of tax	-	(64)	(100.0)
Consolidated net income	272	255	6.7
Less: Net loss attributable to non-controlling interest	(4)	(10)	(60.0)
Net income attributable to LMHC	\$276	\$265	4.2%
Cash flow from operations	\$728	\$318	128.9%

¹ Limited partnership ("LP"), limited liability company ("LLC") and other equity method (loss) income is included in net investment income in the accompanying Consolidated Statements of Income.

² Catastrophes include all current accident year catastrophe losses for severe storms in the U.S., U.K. and Ireland floods. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

³ 2015 includes a one-time benefit of \$91 million due to a reduction in the estimated prior years' liability for state assessments related to workers compensation.

⁴ Net of earned premium and reinstatement premium attributable to prior years of \$3 million and \$25 million for the three months ended March 31, 2015 and 2014. Net of amortization of deferred gains on retroactive reinsurance of \$1 million for the three months ended March 31, 2015 and 2014.

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, 2015 are available on the Company's Investor Relations web site at 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 2014 direct written premium. The Company also ranks 76th on the Fortune 100 list of largest corporations in the U.S. based on 2013 revenue. As of December 31, 2014, LMHC had \$124.293 billion in consolidated assets, \$104.002 billion in consolidated liabilities, and \$39.631 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 the SBUs, 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.

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. The Company undertakes no obligation to update these forward looking statements.

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