

Liberty Mutual Group Reports Third Quarter 2010 Results

BOSTON, Mass., November 5, 2010 – Liberty Mutual Group (“LMG” or the “Company”) today reported net income of \$567 million for the three months ended September 30, 2010, an increase of \$307 million over the same period in 2009.

“Overall, we had an excellent quarter with growth in premium writings, profitability, and equity,” said Edmund F. Kelly, Chairman and CEO of Liberty Mutual Group Inc. “In light of the continuing difficult economic and competitive environments, the results underscore the strength of our highly diversified global franchise.”

Third Quarter Highlights

- Revenues for the three months ended September 30, 2010 were \$8.387 billion, an increase of \$471 million or 5.9% over the same period in 2009.
- Net written premium for the three months ended September 30, 2010 was \$7.720 billion, an increase of \$513 million or 7.1% over the same period in 2009.
- Pre-tax operating income before private equity income for the three months ended September 30, 2010 was \$513 million, an increase of \$259 million or 102.0% over the same period in 2009.
- Pre-tax operating income for the three months ended September 30, 2010 was \$658 million, an increase of \$409 million or 164.3% over the same period in 2009.
- Net income for the three months ended September 30, 2010 was \$567 million, an increase of \$307 million or 118.1% over the same period in 2009.
- Cash flow from operations for the three months ended September 30, 2010 was \$709 million, an increase of \$129 million or 22.2% over the same period in 2009.
- The combined ratio before catastrophes¹ and net incurred losses attributable to prior years² for the three months ended September 30, 2010 was 98.6%, an increase of 0.1 points over the same period in 2009. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company’s combined ratio for the three months ended September 30, 2010 decreased 1.6 points to 99.2%.

Year-to-Date Highlights

- Revenues for the nine months ended September 30, 2010 were \$24.643 billion, an increase of \$1.491 billion or 6.4% over the same period in 2009.
- Net written premium for the nine months ended September 30, 2010 was \$22.212 billion, an increase of \$1.073 billion or 5.1% over the same period in 2009.
- Pre-tax operating income before private equity income for the nine months ended September 30, 2010 was \$1.000 billion, a decrease of \$67 million or 6.3% from the same period in 2009.

¹ Catastrophes include all current and prior year catastrophe losses including assessments from the Texas Windstorm Insurance Association (“TWIA”) 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, the 2005 U.S. Hurricanes and the September 2008 Hurricanes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums. Catastrophes exclude the catastrophe losses ceded under the homeowners quota share agreement.

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 and the events of September 11, 2001) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains.

- Pre-tax operating income for the nine months ended September 30, 2010 was \$1.234 billion, an increase of \$565 million or 84.5% over the same period in 2009.
- Net income for the nine months ended September 30, 2010 was \$1.102 billion, an increase of \$552 million or 100.4% over the same period in 2009.
- Cash flow from operations for the nine months ended September 30, 2010 was \$1.754 billion, an increase of \$186 million or 11.9% over the same period in 2009.
- The combined ratio before catastrophes and net incurred losses attributable to prior years for the nine months ended September 30, 2010 was 98.1%, a decrease of 0.7 points from the same period in 2009. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company's combined ratio for the nine months ended September 30, 2010 increased 1.8 points to 102.0%.

Financial Condition as of September 30, 2010

- Total assets were \$112.889 billion as of September 30, 2010, an increase of \$3.414 billion over December 31, 2009.
- Policyholders' equity was \$16.863 billion as of September 30, 2010, an increase of \$2.349 billion over December 31, 2009.
- Total debt was \$5.638 billion as of September 30, 2010, a decrease of \$302 million from December 31, 2009.

Consolidated Results of Operations for the Three and Nine months Ended September 30, 2010:

\$ in Millions	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010 ¹	2009 ²	Change	2010 ¹	2009 ²	Change
Revenues	\$8,387	\$7,916	5.9%	\$24,643	\$23,152	6.4%
PTOI before catastrophes, net incurred losses attributable to prior years and private equity income	554	529	4.7	1,793	1,463	22.6
Catastrophes ^{3,4}	(127)	(160)	(20.6)	(945)	(622)	51.9
Net incurred losses attributable to prior years:						
- Asbestos & environmental ⁵	(2)	(361)	(99.4)	(5)	(364)	(98.6)
- All other ⁶	88	246	(64.2)	157	590	(73.4)
Pre-tax operating income before private equity income	513	254	102.0	1,000	1,067	(6.3)
Private equity income (loss) ⁷	145	(5)	NM	234	(398)	NM
Pre-tax operating income	658	249	164.3%	1,234	669	84.5 %
Realized gains, net	86	35	145.7%	292	14	NM
Income tax expense	(177)	(24)	NM	(424)	(133)	NM
Net income	\$567	\$260	118.1%	\$1,102	\$550	100.4 %
Cash flow from operations	\$709	\$580	22.2%	\$1,754	\$1,568	11.9%

1 Effective January 1, 2010, the Venezuelan operations of the Company's International Strategic Business Unit began applying hyper-inflationary accounting, utilizing the U.S. dollar as the functional currency.

2 2009 results have been restated for the retrospective accounting change related to the change in the discount rate applied to the long-term indemnity portion of the settled unpaid workers compensation claims.

3 Catastrophes include all current and prior year catastrophe losses including assessments from TWIA 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, the 2005 U.S. Hurricanes and the September 2008 Hurricanes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

4 Catastrophes exclude the catastrophe losses ceded under the homeowners quota share agreement.

5 Net of allowance for uncollectible reinsurance increase of zero and \$2 million for the three and nine months ended September 30, 2010 and a reduction of (\$70) million for the three and nine months ended September 30, 2009.

6 Net of earned premium attributable to prior years of (\$9) million and (\$103) million for the three and nine months ended September 30, 2010 and (\$73) million and (\$71) million for the comparable periods of 2009. Net of amortization of deferred gains on retroactive reinsurance of \$18 million and \$53 million for the three and nine months ended September 30, 2010 and \$17 million and \$52 million for the three and nine months ended September 30, 2009.

7 Private equity income (loss) is included in net investment income in the accompanying statements of income.

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 nine months ended September 30, 2010 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, Edmund F. Kelly, Liberty Mutual Group Chairman 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 November 19, 2010 at 800-925-3929.

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 fifth largest property and casualty insurer in the U.S. based on 2009 direct written premium. The Company also ranks 71st on the Fortune 500 list of largest corporations in the United States based on 2009 revenue. As of December 31, 2009, LMG had \$109.475 billion in consolidated assets, \$94.961 billion in consolidated liabilities, and \$31.094 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 Inc.

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.

LMG 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, tornados, 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 limited partnerships and limited liability companies; 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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