Liberty Mutual Group Reports Fourth Quarter 2010 Results

Full-Year Revenue Over $33 Billion and Net Income of $1.678 Billion

BOSTON, Mass., February 16, 2011 – Liberty Mutual Group ("LMG" or the "Company") today reported net income of $576 million and $1.678 billion for the three months and twelve months ended December 31, 2010, increases of $103 million and $655 million over the same periods in 2009.

"We are pleased with the financial results overall, which reflect the strength of our operating model. Our industry leading domestic personal lines businesses along with our unparalleled international operations more than compensated for the industry-wide problems in commercial lines," said Edmund F. Kelly, Chairman and CEO of Liberty Mutual Group Inc. "I am confident of our ongoing success in 2011 and beyond as we continue to strengthen our position as one of the world's elite property and casualty insurers."

Fourth Quarter Highlights

- Revenues for the three months ended December 31, 2010 were $8.550 billion, an increase of $608 million or 7.7% over the same period in 2009.
- Net written premium for the three months ended December 31, 2010 was $6.979 billion, a decrease of $140 million or 2.0% from the same period in 2009.
- Pre-tax operating income before private equity income for the three months ended December 31, 2010 was $515 million, a decrease of $13 million or 2.5% from the same period in 2009.
- Pre-tax operating income for the three months ended December 31, 2010 was $679 million, an increase of $164 million or 31.8% over the same period in 2009.
- Net income for the three months ended December 31, 2010 was $576 million, an increase of $103 million or 21.8% over the same period in 2009.
- Cash flow from operations for the three months ended December 31, 2010 was $1.007 billion, an increase of $88 million or 9.6% over the same period in 2009.
- The combined ratio before catastrophes[1], net incurred losses attributable to prior years[2] and current accident year re-estimation for the three months ended December 31, 2010 was 98.9%, a decrease of 0.9 points from the same period in 2009. Including the impact of catastrophes, net incurred losses attributable to prior years and current accident year re-estimation, the Company's combined ratio for the three months ended December 31, 2010 increased 0.5 points to 99.4%.

Year End Highlights

- Revenues for the twelve months ended December 31, 2010 were $33.193 billion, an increase of $2.099 billion or 6.8% over the same period in 2009.
- Net written premium for the twelve months ended December 31, 2010 was $29.191 billion, an increase of $933 million or 3.3% over the same period in 2009.

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[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.

[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 before private equity income for the twelve months ended December 31, 2010 was $1.515 billion, a decrease of $80 million or 5.0% from the same period in 2009.

- Pre-tax operating income for the twelve months ended December 31, 2010 was $1.913 billion, an increase of $729 million or 61.6% over the same period in 2009.

- Net income for the twelve months ended December 31, 2010 was $1.678 billion, an increase of $655 million or 64.0% over the same period in 2009.

- Cash flow from operations for the twelve months ended December 31, 2010 was $2.761 billion, an increase of $274 million or 11.0% over the same period in 2009.

- The combined ratio before catastrophes and net incurred losses attributable to prior years for the twelve months ended December 31, 2010 was 98.4%, 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 twelve months ended December 31, 2010 increased 1.4 points to 101.3%.

Financial Condition as of December 31, 2010

- Total assets were $112.350 billion as of December 31, 2010, an increase of $2.875 billion over December 31, 2009.

- Policyholders' equity was $16.978 billion as of December 31, 2010, an increase of $2.464 billion over December 31, 2009.

Consolidated Results of Operations for the Three and Twelve months Ended December 31, 2010:

	Three Months Ended December 31,			Twelve Months Ended December 31,		
$ in Millions	**2010[1]**	**2009[2]**	**Change**	**2010[1]**	**2009**	**Change**
Revenues	$8,550	$7,942	7.7 %	$33,193	$31,094	6.8%
PTOI before catastrophes, net incurred losses attributable to prior years, current accident year re-estimation and private equity income	548	413	32.7	2,321	1,876	23.7
Catastrophes[3,4]	(160)	(95)	68.4	(1,105)	(717)	54.1
Net incurred losses attributable to prior years:						
- Asbestos & environmental[5]	(4)	(24)	(83.3)	(9)	(388)	(97.7)
- All other[6]	151	234	(35.5)	308	824	(62.6)
Current accident year re-estimation[7]	(20)	-	NM	-	-	-
Pre-tax operating income before private equity income	515	528	(2.5)	1,515	1,595	(5.0)
Private equity income (loss) [8]	164	(13)	NM	398	(411)	NM
Pre-tax operating income	679	515	31.8%	1,913	1,184	61.6%
Realized gains, net	110	12	NM	402	26	NM
Income tax expense	(213)	(54)	NM	(637)	(187)	NM
Net income	$576	$473	21.8%	$1,678	$1,023	64.0%
Cash flow from operations	$1,007	$919	9.6%	$2,761	$2,487	11.0%

1 Effective January 1, 2010, the Venezuelan operations of the Company's International SBU 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 decrease of $50 million and $48 million for the three and twelve months ended December 31, 2010 and an increase of zero and $70 million for the three and twelve months ended December 31, 2009.

6 Net of earned premium attributable to prior years of $40 million and ($64) million for the three and twelve months ended December 31, 2010 and ($14) million and ($85) million for the comparable periods of 2009. Net of amortization of deferred gains on retroactive reinsurance of $2 million and $54 million for the three and twelve months ended December 31, 2010 and $22 million and $74 million for the three and twelve months ended December 31, 2009.

7 Year-end re-estimation of the current accident year loss reserves for the nine months ended September 30, 2010.

8 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 twelve months ended December 31, 2010 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 11:00 a.m. EST 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 March 2, 2011 at 800-331-1949.

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, 2010, LMG had $112.350 billion in consolidated assets, $95.372 billion in consolidated liabilities, and $33.193 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 cyclicality 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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