

Liberty Mutual Insurance Announces Estimated First Quarter 2020 Impact from COVID-19

BOSTON, Mass. (April 28, 2020) – Liberty Mutual Holding Company, Inc., the parent corporation of the Liberty Mutual Insurance group of entities, today announced the estimated impact of the COVID-19 pandemic on its first quarter 2020 financial results.

“As we face this unprecedented time, our heartfelt thanks go out to healthcare and other essential workers, and we extend our deepest sympathies to those most impacted by the pandemic,” said Liberty Mutual Chairman and Chief Executive Officer, David Long. “Our top priority as a company has been the health and well-being of our employees, customers, partners and the communities where we live and work. As such, we have mobilized virtually all our employees to work from home, while continuing to provide top-tier service to our customers and have announced premium refund programs for our personal auto and small commercial policyholders to provide some relief in these difficult times.

“While the pandemic is still evolving, from a financial perspective we expect the impact of COVID-19 on our insurance operations to be similar to those we have experienced for a moderately sized catastrophe loss. The areas of our business most exposed to insurance losses related to the pandemic and resulting economic downturn include trade credit, general liability, workers compensation, and event cancellation coverage, among others.

“We anticipate the larger impact from COVID-19 will come through our investment portfolio, where we have taken realized and unrealized losses caused by the recent market downturn. We expect our net investment income will be dampened in the coming quarters as well by lower valuations on our private equity investments, which are reported on a quarter lag and thus not recognized in our first quarter results. Our liquidity position remains excellent, with access to over \$6 billion in total, not including current cash on hand of \$1.4 billion. We are confident in the strength and resiliency of our operations to allow us to endure these uncertain times and continue to serve our customers.”

Liberty Mutual also announced the following preliminary estimated information for the first quarter of 2020:

- **Net written premium of approximately \$10 billion**: Our first quarter net written premium was not materially impacted by COVID-19, however we do expect COVID-19 and the related economic downturn to dampen net written premium growth in future quarters.
- **Combined ratio of approximately 97%**: While losses from COVID-19 had a marginal impact on the combined ratio in the quarter, we expect a more meaningful impact in the second and third quarters as the situation evolves and we continue to assess our potential exposure.
- **Total equity of approximately \$23 billion**: This would be down approximately 2% from December 31, 2019. The decline in equity is primarily driven by unrealized investment losses, as a result of the market fallout stemming from COVID-19.

We look forward to providing further detail when we release our first quarter 2020 financial results on May 14, 2020. The earnings release, financial results, and other supplemental information will be available on our website: www.libertymutualgroup.com/investors

Risks and Uncertainties

The extent to which the coronavirus impacts our future results will depend on developments which are highly uncertain and cannot be predicted, including litigation developments, legislative or regulatory actions and intervention, the length and severity of the coronavirus (including of second waves) and the actions of government actors to contain the coronavirus or treat its impact, among others. Possible effects on our business and operations include:

- disruptions to business operations resulting from working from home or from closures of our corporate or sales offices and the offices of our agents and brokers and quarantines of employees, customers, agents, brokers and suppliers in areas affected by the outbreak;
- disruptions to business operations resulting from travel restrictions and reduced consumer spending on new homes or new automobiles which could reduce demand for insurance;
- increased claims related to general liability, business interruption, workers comp, event cancellation coverage and other insurance; and
- disruption of the financial markets resulting in reductions in the value of our investment portfolio.

A significant rise in the number of COVID-19 infections, infections in a wide range of countries and regions, or a prolongation of the outbreak, could create an adverse economic effect on the Company.

Cautionary Statement Regarding Our Preliminary Estimated Financial Information

Our financial statements as of and for the three months ended March 31, 2020 are not yet complete. Accordingly, we are presenting preliminary estimates of certain financial information that we expect to report as of and for the three months ended March 31, 2020. We have prepared the preliminary estimates on a materially consistent basis with the financial data we expect to present and in good faith based upon our internal reporting as of and for the three months ended March 31, 2020. These estimates are preliminary and unaudited and are inherently uncertain and subject to change as we complete our financial statements as of and for the three months ended March 31, 2020. Investors should exercise caution in relying on this information and should not draw any inferences from this information regarding financial or operating data not yet provided or available. Important factors that could cause actual results to differ from our preliminary estimates are set forth herein under the headings "Risks and Uncertainties" and "Cautionary Statement Regarding Forward Looking Statements."

Cautionary Statement Regarding Forward Looking Statements

This report contains forward looking statements that are intended to enhance the reader's ability to assess the future financial and business performance of Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Insurance group of entities (the "Company" or "LMHC"). Forward looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results investment market fluctuations, 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. In particular, while we believe our expectations for the impact of COVID-19 on our insurance operations are based on reasonable assumptions, those assumptions are based on our understanding and interpretation of currently available COVID-19 information and expected government action, all of which are subject to change and are beyond our control. See also "Risks and Uncertainties" above for example of factors that can impact our future results.

These are unprecedented times and in this unique instance the Company decided to provide these statements. The Company, however, does not intend and does not undertake any obligation to update or revise these forward-looking statements, which speak only as of today's date or to obligate itself generally to make any other forward-looking statements in the future.

About Liberty Mutual Insurance

At Liberty Mutual, we believe progress happens when people feel secure. By providing protection for the unexpected and delivering it with care, we help people embrace today and confidently pursue tomorrow.

In business since 1912, and headquartered in Boston, today we are the sixth largest global property and casualty insurer based on 2019 gross written premium. We also rank 75th on the Fortune 100 list of largest corporations in the U.S. based on 2018 revenue. As of December 31, 2019, we had \$43.2 billion in annual consolidated revenue.

We employ over 45,000 people in 29 countries and economies around the world. We offer a wide range of insurance products and services, including personal automobile, homeowners, specialty lines, reinsurance, commercial multiple-peril, workers compensation, commercial automobile, general liability, surety, and commercial property.

For more information, visit www.libertymutualinsurance.com.

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