



Liberty Mutual®

THE MARKET

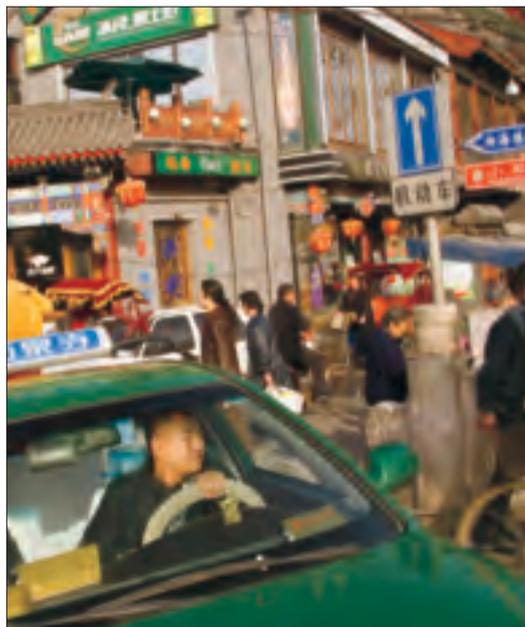
Ranked number 95 among the Fortune 500, Liberty Mutual Group is one of the world's leading property and casualty insurance companies, and the fifth-largest P&C insurer in the United States. With revenues exceeding \$23.5 billion, the company employs more than 39,000 people in over 900 offices in 24 countries throughout the world.

ACHIEVEMENTS

Liberty Mutual has grown and diversified dramatically over the last decade, giving it a bigger presence in the United States and worldwide.

In 1997, Liberty Mutual was primarily a direct-sales-only, U.S.-focused workers compensation company. Today, Liberty Mutual is a highly diversified global insurer whose largest line of business is private passenger auto. As the second-largest, U.S.-based international property and casualty insurer, the company uses multiple channels to distribute its products and services, including independent agents, brokers, exclusive agents, direct sales, direct-response call centers, and the Internet.

Reflecting this success, A.M. Best Company, when recently affirming Liberty Mutual's A (Excellent) rating, recognized "Liberty Mutual's strong global franchise, solid capitalization and successful risk mitigation and business diversification strategies. As the nation's fifth-largest



Responsibility. What's your policy?™

property/casualty insurer based on direct premiums written, Liberty Mutual's franchise benefits from its well-regarded service reputation, strong client relationships and its multi-channel distribution network."

HISTORY

Liberty Mutual came into being in 1912, one year after the Massachusetts legislature passed a law requiring employers to protect their employees with workers compensation insurance. On July 1, 1912, in response to this law, the Massachusetts Employees Insurance Association — renamed the Liberty Mutual Insurance Company in 1917 — was born.

Milestones in the company's next 95-plus years include:

- 1914:** opens first branch office in Springfield, Massachusetts, and issues its first automobile policy;
- 1937:** completes expansion of its operations to all 48 states;

- 1954:** opens the Research Center for Industrial and Worker Safety and Health in Hopkinton, Massachusetts;
- 1995:** establishes Seguros Caracas de Liberty Mutual in Venezuela, the first of many local company operations focused on personal lines insurance;
- 1997:** acquires Golden Eagle Insurance of San Diego, California, today one of seven regional companies that makes up its Agency Markets business unit;
- 1998:** acquires Employers Insurance of Wausau;
- 1999:** acquires the U.S. operations of Guardian Royal Exchange plc (U.K.);
- 2001:** forms Liberty Mutual Holding Company to rationalize organizational structure and provide financial flexibility; and
- 2004:** becomes the first foreign P&C insurance company in western China when it opens an office in Chongqing.

While the company and its business environment have changed, its shared commitment to "helping people live safer, more secure lives" has not.

THE PRODUCT

Liberty Mutual Group operates through four strategic business units with no single unit contributing more than 30 percent of net premiums written:

Personal Markets, Liberty Mutual's largest business segment, provides auto and home insurance through its own sales force in more than 400 offices throughout the United States, two direct-response centers, appointed Prudential agents, and the Internet. Personal Markets also offers a wide range of traditional and variable life insurance and annuity products.

Liberty Mutual's *Commercial Markets* provides workers compensation, commercial multiple peril/fire, property, general liability, commercial auto insurance, group disability, and assumed reinsurance products and services to companies ranging in size from middle market to Fortune 500.

Liberty Mutual's *Agency Markets* sells a variety of commercial and personal insurance products and services to small businesses through independent agents and brokers. Agency Markets' regional brands include Peerless, Golden Eagle, Indiana

Insurance, and Summit. This business unit also serves the national market through the Wausau and Liberty Surety brands.

Liberty International provides auto, homeowners, and small commercial lines insurance through operations in 14 countries on four continents. Liberty International Underwriters, a global specialty lines insurance and reinsurance business, writes casualty, specialty casualty, marine, energy, engineering, and aviation insurance products through 31 offices in 13 countries.

RECENT DEVELOPMENTS

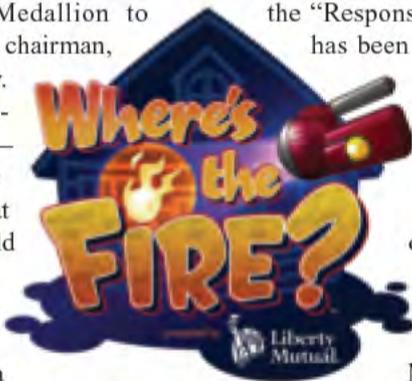
- Liberty Mutual presented Rutgers University Head Football Coach Greg Schiano with its inaugural Liberty Mutual Coach of the Year award in 2006, honoring him as the college football coach who best exemplifies responsibility and excellence on and off the field of play.
- Liberty Mutual Group received its license to operate a wholly owned general insurance company in Vietnam, entered Turkey with the acquisition of Seker Sigorta, and opened a direct sales operation in Poland.
- PBS presented Liberty Mutual with the 2006 Public Television Leadership Award.
- The National Safety Council presented its 2005 Green Cross for Safety Medallion to Liberty Mutual Group and its chairman, president, and CEO Ted Kelly.
- In 2004, Liberty Mutual introduced *Where's the Fire?* — a fire safety and education exhibit at INNOVENTIONS at Epcot at the Walt Disney World Resort in Florida.

PROMOTION

Liberty Mutual launched a major national advertising campaign and tagline in 2006: "Responsibility. What's Your Policy?" The new campaign expresses the responsibility



theme through actions of ordinary people doing small, but responsible things to make everyday life a little bit better. It tells people that collectively Liberty Mutual employees share these same characteristics and beliefs — that they too are "responsible ones." Since its launch, the "Responsibility" advertising campaign has been highly effective at building a positive image for Liberty Mutual among more and more Americans.



Complementing Liberty Mutual's advertising are numerous sponsorships:

Professional golf. The second-longest sponsor in professional golf, Liberty Mutual has sponsored the Liberty Mutual Legends of Golf, the tournament that launched the Champions Tour, since 1979.

Public television. *American Experience* on PBS, television's longest-running, most-watched history series, is now in its seventeenth season; Liberty Mutual has been a sponsor since 1997. Also, *Antiques Roadshow*, the three-time Emmy-nominated series that Liberty Mutual also sponsors, continues to be PBS's most-watched program.

National pride. Boston's Fourth of July on the Esplanade, America's premier Independence Day celebration, comes about through Liberty Mutual's participation.

Beyond advertising and sponsorships, Liberty Mutual Group and its employees donate time, energy, and resources to the communities where they live and conduct business. From employee contributions to local charities to grants from the Liberty Mutual Foundation, Liberty Mutual takes pride in the many ways the company

and its associates make a difference. Perhaps most important, Liberty Mutual employees conduct more than 2,500 educational seminars each year in their communities on safe driving, identity theft protection, and other topics.

BRAND VALUES

Liberty Mutual's brand positioning is "The company that celebrates its customers' responsibility and relentlessly proves its own."

For both consumers and business customers, a company that acts responsibly is both appealing and different from the norm. That approach works both ways. Responsible people tend to do the little things in life that can make a big difference in their safety and security: adjust mirrors, buckle seatbelts, and drive defensively whenever they get behind the wheel, whether it be a sedan or 18-wheeler; change smoke alarm batteries, conduct regular home safety audits; and make sure home and office entryways are well lit.



THINGS YOU DIDN'T KNOW ABOUT LIBERTY MUTUAL

- Liberty Mutual's largest source of auto and home insurance new business is its more than 9,800 affinity group relationships with employers, credit unions, and professional and alumni associations.
- Liberty Mutual maintains commercial insurance relationships with 20 of the Fortune 100 companies.
- Liberty Mutual is the largest insurer in Colombia and Venezuela.
- In 2005, Liberty Mutual used an abandoned military airport runway in China to train government representatives, taxi company owners, and driver trainers on safe driving practices. China has fewer than 2 percent of the world's vehicles, yet experiences 15 percent of the world's fatal highway crashes.