

IMPORTANT NOTICE

You must read the following before continuing. In accessing the Offer to Purchase (as defined below), you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from Liberty Mutual Group Inc. (“Liberty Mutual”) and the Dealer Managers (as defined below) as a result of such access.

THE FOLLOWING HOLDERS OF EXISTING NOTES (AS DEFINED BELOW) ARE INELIGIBLE TO PARTICIPATE IN THESE CASH OFFERS (EACH, AN “INELIGIBLE HOLDER”):

- **ANY HOLDER THAT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, A “QIB”); OR**
- **ANY HOLDER THAT IS LOCATED OUTSIDE THE UNITED STATES AND IS (I) NOT A “U.S. PERSON” (AS DEFINED IN RULE 902 UNDER THE SECURITIES ACT, A “U.S. PERSON”), (II) NOT ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND (III) A “NON-U.S. QUALIFIED OFFEREE” (AS DEFINED IN THE OFFER TO PURCHASE).**

ALL OTHER HOLDERS OF EXISTING NOTES ARE ELIGIBLE TO PARTICIPATE IN THE CASH OFFERS (SUCH OTHER HOLDERS, THE “ELIGIBLE HOLDERS”).

HOLDERS OF EXISTING NOTES PARTICIPATING IN THE CASH OFFERS ARE REQUIRED TO COMPLETE THE CERTIFICATION INSTRUCTIONS LETTER AND CERTIFY THAT THEY ARE ELIGIBLE HOLDERS IN ORDER TO PARTICIPATE IN THE CASH OFFERS DESCRIBED IN THE OFFER TO PURCHASE.

LIBERTY MUTUAL RESERVES THE RIGHT TO, IN ITS SOLE DISCRETION, (I) REQUEST ADDITIONAL EVIDENCE SATISFACTORY TO LIBERTY MUTUAL THAT ANY TENDERING HOLDER IS AN “ELIGIBLE HOLDER” AND (II) REJECT ANY TENDERS THAT LIBERTY MUTUAL DETERMINES, IN ITS SOLE DISCRETION, ARE NOT TENDERED BY AN “ELIGIBLE HOLDER”. IF LIBERTY MUTUAL REQUESTS ADDITIONAL EVIDENCE WITH RESPECT TO A TENDERING HOLDER’S STATUS, SUCH TENDERING HOLDER MUST PROVIDE SUCH EVIDENCE WITHIN ONE BUSINESS DAY OF SUCH REQUEST. FAILURE TO PROVIDE EVIDENCE SATISFACTORY TO LIBERTY MUTUAL, IN ITS SOLE DISCRETION, THAT SUCH TENDERING HOLDER IS AN “ELIGIBLE HOLDER” WITHIN SUCH TIME PERIOD MAY RESULT IN SUCH TENDER BEING REJECTED. LIBERTY MUTUAL WILL NOT EXTEND THE CASH OFFERS OR THE CONCURRENT EXCHANGE OFFERS (AS DESCRIBED IN THE OFFER TO PURCHASE) TO ACCOMMODATE ANY TENDERS THAT ARE REJECTED AS A RESULT OF A HOLDER’S FAILURE TO COMPLY WITH THE PROVISIONS OF THE OFFER TO PURCHASE.

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| <p>If you are, or fail to provide evidence satisfactory to Liberty Mutual in its sole discretion upon request that you are not, either (i) a QIB within the meaning of Rule 144A under the Securities Act or (ii) a holder that is located outside of the United States that is (x) not a U.S. Person, (y) not acting for the account or benefit of a U.S. Person and (z) a Non-U.S. qualified offeree, you are not an Eligible Holder and are not permitted to participate in the Cash Offers described in the Offer to Purchase.</p> |
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Liberty Mutual Group Inc.
Offers to Purchase for Cash
Any and All of the Existing Notes of the Series Listed Below
Subject to the Maximum Total Consideration Condition (as defined below)

Each of the Cash Offers (as defined below) will expire at 5:00 p.m., New York City time, on May 5, 2020, unless extended by Liberty Mutual Group Inc. (“Liberty Mutual”) (such date and time, as they may be extended, the “Expiration Date”). Tenders of Existing Notes (as defined below) may be validly withdrawn at any time at or prior to 5:00 p.m., New York City time, on May 5, 2020, unless extended by Liberty Mutual (such date and time, as they may be extended, the “Withdrawal Deadline”), but not thereafter, unless otherwise required by law.

Liberty Mutual is offering to purchase for cash in five separate offers, upon the terms and subject to the conditions set forth in this Offer to Purchase and the other Tender Offer Documents (as defined below), any and all of the Existing Notes issued by Liberty Mutual listed in the table below at prices determined by reference to the applicable U.S. Treasury yield, *plus*, in each case, the applicable Accrued Interest Payment (as defined below). Our obligation to complete a Cash Offer with respect to a particular series of Existing Notes is conditioned on, among other things, the aggregate Total Consideration (as defined below) payable for the Cash Offers, excluding the Accrued Interest Payment, not exceeding \$25,000,000 (the “Maximum Total Consideration Amount”). We will accept Existing Notes in the order of their respective Acceptance Priority Levels (as defined below), subject to the satisfaction of the Maximum Total Consideration Condition. If we accept any validly tendered Existing Notes of a given series, we will accept all validly tendered Existing Notes of such series. We refer to each offer to purchase a series of Existing Notes as a “Cash Offer,” and collectively as the “Cash Offers.”

| CUSIP No. /ISIN | Title of Security | Principal Amount Outstanding | Acceptance Priority Level | Reference U.S. Treasury Security | Bloomberg Reference Page | Fixed Spread (bps) | Hypothetical Total Consideration ⁽¹⁾⁽³⁾ |
|--|------------------------------|------------------------------|---------------------------|----------------------------------|--------------------------|--------------------|--|
| 53079EAZ7/US53079EAZ79 US2932AS6/USU52932AS62 | 6.500% Senior Notes due 2042 | \$269,852,000 | 1 | 2.375% U.S.T. due 11/15/2049 | PX1 | +240 | \$1,438.08 |
| 53079EAE4/US53079EAE41 US2932AD9/USU52932AD93 | 7.000% Senior Notes due 2034 | \$152,647,000 | 2 | 2.375% U.S.T. due 11/15/2049 | PX1 | +220 | \$1,395.23 |
| 53079EAG9/US53079EAG98 US2932AE7/USU52932AE76 53079EBF0/US53079EBF07 | 6.500% Senior Notes due 2035 | \$301,113,000 | 3 | 2.375% U.S.T. due 11/15/2049 | PX1 | +220 | \$1,359.30 |
| US2932AX5/USU52932AX57 US2932AY3/USU52932AY31 53079EBH6/US53079EBH62 US2932BE6/USU52932BE67 US2932BF3/USU52932BF33 | 4.850% Senior Notes due 2044 | \$613,922,000 | 4 | 2.375% U.S.T. due 11/15/2049 | PX1 | +240 | \$1,201.10 |
| | 4.500% Senior Notes due 2049 | \$350,000,000 | 5 | 2.375% U.S.T. due 11/15/2049 | PX1 | +245 | \$1,150.29 |

- (1) To be paid in cash per \$1,000 principal amount of Existing Notes validly tendered at or prior to the Expiration Date or the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures, and not validly withdrawn at or prior to the Withdrawal Deadline, and which are accepted for purchase. See “Total Consideration” below. The Total Consideration excludes accrued and unpaid interest. We will pay accrued and unpaid interest on the Existing Notes up to, but not including, the Settlement Date (as defined below). Interest will cease to accrue on the initial Settlement Date of May 7, 2020 for all Existing Notes accepted in the Cash Offers, including those tendered pursuant to Guaranteed Delivery Procedures.
- (2) Hypothetical amounts are shown for illustrative purposes only. Prices will be determined on the Price Determination Date (as defined below). See Annex B to this Offer to Purchase for the details regarding the calculation of the Hypothetical Total Consideration for the 6.500% Senior Notes due 2042; calculation of the Hypothetical Total Consideration for the other series of Existing Notes is substantially similar.
- (3) The Total Consideration in respect of the 4.500% Senior Notes due 2049 will be calculated based on December 15, 2048, the par call date for such series of Existing Notes.

You should consider the risk factors beginning on page 18 of this Offer to Purchase before you decide whether to participate in the Cash Offers.

Consummation of the Cash Offers is subject to the satisfaction or waiver of certain conditions described in this Offer to Purchase, including, among others, (i) the Maximum Total Consideration Condition (unless waived by us as provided herein) and (ii) the Exchange Offer Completion Condition (as defined below) (which may not be waived).

The following holders of Existing Notes are ineligible to participate in these Cash Offers (each, an “Ineligible Holder”):

- any holder that is a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act, a “QIB”); or
- any holder that is located outside of the United States and is (i) not a “U.S. person” (as defined in Rule 902 under the Securities Act, a “U.S. Person”), (ii) not acting for the account or benefit of a U.S. Person and (iii) a “Non-U.S. qualified offeree” (as defined below).

All other holders of Existing Notes are eligible to participate in the Cash Offers (such other holders, the “Eligible Holders”). Holders participating in the Cash Offers are required to complete the Certification Instructions Letter (as defined below) and certify that they are Eligible Holders.

Lead Dealer Managers

Citigroup

Credit Suisse

Joint Lead Managers

Deutsche Bank Securities

Goldman Sachs & Co. LLC

Co-Managers

BofA Securities

HSBC

J.P. Morgan

April 28, 2020

Liberty Mutual Group Inc. (“Liberty Mutual,” “LMGI,” the “Company,” “we,” “our” or “us”) is making offers to Eligible Holders to purchase its outstanding debt securities listed in the table on the front cover of this Offer to Purchase (collectively, the “Existing Notes” and each a “series” of Existing Notes) for cash, upon the terms and subject to the conditions set forth in this Offer to Purchase and the accompanying certification instructions letter (the “Certification Instructions Letter”) and notice of guaranteed delivery (the “Notice of Guaranteed Delivery,” and collectively, the “Tender Offer Documents”). Copies of the Offer to Purchase, Certifications Instruction Letter and Notice of Guaranteed Delivery are available for Eligible Holders at the following web address: <https://www.gbhc-usa.com/liberty/>.

Concurrently with the commencement of the Cash Offers made pursuant to this Offer to Purchase, Liberty Mutual commenced five separate exchange offers with respect to each series of Existing Notes, available solely to Ineligible Holders, to exchange any and all of the Existing Notes of such series (collectively, the “Exchange Offers”) held by Ineligible Holders, in each case, for new Liberty Mutual debt securities (the “New Notes”), and in certain cases, additionally for cash, under the terms and subject to the conditions set forth in a separate offering memorandum dated as of the date hereof (the “Offering Memorandum”), including a condition with respect to the maximum amount of New Notes issuable in the Exchange Offers. **HOLDERS ELIGIBLE TO PARTICIPATE IN THE EXCHANGE OFFERS ARE NOT ELIGIBLE TO PARTICIPATE IN THE CASH OFFERS.**

The total exchange consideration payable with respect to each of the Cash Offer has been determined by Liberty Mutual in its reasonable discretion to approximate the value of the total exchange consideration payable in the corresponding Exchange Offer.

Total Consideration

Upon the terms and subject to the conditions set forth in this Offer to Purchase and the other Tender Offer Documents, Eligible Holders who (i) validly tender Existing Notes at or prior to the Expiration Date or (ii) deliver a properly completed and duly executed Notice of Guaranteed Delivery and all other required documents at or prior to the Expiration Date and validly tender their Existing Notes at or prior to the Guaranteed Delivery Date, and who do not validly withdraw tendered Existing Notes and whose Existing Notes are accepted for purchase, will receive, for each \$1,000 principal amount of a series of Existing Notes tendered and accepted, the applicable Total Consideration.

The “Total Consideration” payable by Liberty Mutual for each \$1,000 principal amount of a series of Existing Notes, validly tendered for purchase and accepted by Liberty Mutual, will be determined in accordance with the formula set forth in Annex A to this Offer to Purchase, as illustrated by the hypothetical pricing example included in Annex B to this Offer to Purchase, and, with respect to a series of Existing Notes, will equal the discounted value on the Settlement Date (as defined below) of the remaining payments of principal and interest per \$1,000 principal amount of such Existing Notes through the maturity date or par call date, as applicable, of such Existing Notes, using a yield, as calculated by the lead Dealer Managers, equal to (i) the sum of (A) the bid-side yield on the applicable Reference U.S. Treasury Security (as set forth on the first page of this Offer to Purchase) as of the Price Determination Date (or any recognized quotation source selected by the lead Dealer Managers in their sole discretion if such quotation report is not available or manifestly erroneous) (the “Reference Yield”) *plus* (B) the applicable fixed spread specified on the first page of this Offer to Purchase, minus (ii) the Accrued Interest Payment on such Existing Notes. The Total Consideration will be rounded to the nearest cent per \$1,000 principal amount of Existing Notes. The “Price Determination Date” means 2:00 p.m., New York City time, on May 5, 2020, unless the Expiration Date is extended, in which case a new Price Determination Date may be established with respect to the Cash Offers. The Total Consideration in respect of the 4.500% Senior Notes due 2049 will be calculated based on December 15, 2048, the par call date for such series of Existing Notes.

See “Description of the Cash Offers—Total Consideration.”

Settlement Date

If, as of the Expiration Date, all conditions have been satisfied or waived by us (if waivable), the settlement date for all Existing Notes that are validly tendered in the Cash Offers at or prior to the Expiration Date, or the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures, will be promptly following the Expiration Date (the “Settlement Date”). The Settlement Date is expected to be May 7, 2020, which is the second business day following the Expiration Date; provided that the Settlement Date for any Existing Notes validly tendered in connection with the Guaranteed Delivery Procedures pursuant to a Notice of Guaranteed Delivery and accepted for exchange is expected to be May 8, 2020, which is the third business day following the Expiration Date. Accrued and unpaid interest, if any, on the Existing Notes tendered for purchase will only accrue up to, but not including, the initial Settlement Date of May 7, 2020. On the Settlement Date, we will deposit with the Tender Agent (as defined below) an amount of cash sufficient to pay any cash amounts then due to tendering Eligible Holders (including any Accrued Interest Payment on Existing Notes validly tendered and accepted for purchase).

Accrued Interest

In addition to the applicable Total Consideration, Eligible Holders whose Existing Notes are accepted for purchase will be paid the applicable Accrued Interest Payment in cash. The Accrued Interest Payment in respect of Existing Notes accepted for purchase will be calculated in accordance with the terms of such Existing Notes. Interest will cease to accrue on the initial Settlement Date of May 7, 2020 for all Existing Notes accepted in the Cash Offers, including those tendered pursuant to Guaranteed Delivery Procedures. See “Description of the Cash Offers—Accrued Interest Payment.”

Conditions of the Cash Offers

The completion of each Cash Offer is subject to, and conditional upon, the satisfaction or waiver of certain conditions, including, among other things:

(i) the Reference Yield on the Reference U.S. Treasury Security for such Cash Offer, as calculated by the lead Dealer Managers at the Price Determination Date in accordance with this Offer to Purchase is neither (a) less than 0.699% or (b) greater than 1.699%;

(ii) that nothing has occurred or may occur that would or might, in our judgment, be expected to prohibit, prevent, restrict or delay a Cash Offer or impair us from realizing the anticipated benefits of a Cash Offer;

(iii) the Maximum Total Consideration Condition; and

(iv) the Exchange Offer Completion Condition (which may not be waived).

Maximum Total Consideration Condition; Acceptance Priority Levels

Our obligation to complete a Cash Offer with respect to a particular series of Existing Notes is conditioned on the aggregate amount of Total Consideration issuable in all of the Cash Offers, excluding the Accrued Interest Payment, not exceeding \$25,000,000 (the “Maximum Total Consideration Amount”). However, Liberty Mutual, in its sole discretion, may waive the Maximum Total Consideration Condition to the extent necessary to allow the acceptance of Existing Notes validly tendered and not validly withdrawn at or prior to the Expiration Date or the Guaranteed Delivery Date.

The principal amount of each series of Existing Notes to be accepted pursuant to each Exchange Offer will be subject to the “Acceptance Priority Level” (in numerical priority order) of such series as set forth in the table on the front cover of this Offer to Purchase. Subject to the satisfaction or waiver of the conditions of the Cash Offers, acceptance of the Existing Notes will operate as follows: if the Maximum Total Consideration Condition is not satisfied with respect to every series of Existing Notes because the aggregate amount of Total Consideration issuable in all of the Cash Offers is greater than the Maximum Total Consideration Amount, then we will, in accordance with the Acceptance Priority Level, accept all validly tendered Existing Notes of a given series so long as the aggregate amount of Total Consideration payable for all validly tendered Existing Notes of such series and each series having a higher Acceptance Priority Level is less than, or equal to, the Maximum Total Consideration Amount. All validly tendered Existing Notes of a series having a higher Acceptance Priority Level will be accepted before any validly tendered Existing Notes of a series having a lower Acceptance Priority Level are accepted. If we accept any validly tendered Existing Notes of a given series, we will accept all validly tendered Existing Notes of such series.

Withdrawal Rights

Tenders of Existing Notes tendered in the Cash Offers may be validly withdrawn at any time at or prior to the Withdrawal Deadline, unless extended by us, but will thereafter be irrevocable, except in certain limited circumstances where additional withdrawal rights are required by law. Subject to applicable law, we may extend the Expiration Date, with or without extending the Withdrawal Deadline. Tenders submitted in the Cash Offers after the Withdrawal Deadline will be irrevocable except in the limited circumstances where additional withdrawal rights are required by law. We may waive the Maximum Total Consideration Condition without extending the Withdrawal Deadline.

We are solely responsible for the information contained in this Offer to Purchase. No person is authorized to give any information or to make any representation in connection with the Cash Offers other than as contained in this Offer to Purchase. If any such information is given or made, it must not be relied upon as having been authorized by Liberty Mutual, the Dealer Managers or the Tender Agent or any of their respective affiliates. We do not take any responsibility for any such information that is given to you. You should not assume that the information set forth is accurate as of any date other than the date of the documentation in which the information appears. Neither the delivery of this Offer to Purchase nor any purchase made in the Cash Offers shall under any circumstances imply that there has been no change in the affairs of Liberty Mutual or its subsidiaries or that the information set forth is correct as of any date subsequent to the date of the documentation in which the information appears.

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This Offer to Purchase may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Offer to Purchase is not permitted nor does it constitute an offer to buy or sell or a solicitation in any such jurisdiction, and persons located in any such jurisdiction are not permitted to participate in the Cash Offers. See “Notice to Certain Non-U.S. Holders”.

This Offer to Purchase is submitted on a confidential basis only to Eligible Holders who have properly completed the Certifications Instruction Letter. Its use for any other purpose is not authorized. Distribution of this Offer to Purchase to any person other than the Eligible Holder and any person retained to advise such Eligible Holder with respect to its participation in the Cash Offers is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Eligible Holders may not copy or distribute this Offer to Purchase in whole or in part to anyone without our prior consent or the prior consent of the Dealer Managers. Each Eligible Holder, by accepting delivery of this Offer to Purchase, agrees to the foregoing and to make no copies or reproductions of this Offer to Purchase or any documents referred to in this Offer to Purchase (other than publicly available documents) in whole or in part.

In making an investment decision regarding the Cash Offers, Eligible Holders must rely on their own examination of us and the terms of the Cash Offers, including the merits and risks involved. Eligible Holders should not consider any information in this Offer to Purchase to be legal, business or tax advice. Eligible Holders should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an acceptance of the Cash Offers.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any other regulatory body has registered, recommended or approved of these securities or passed upon the accuracy or adequacy of this Offer to Purchase. Any representation to the contrary is a criminal offense.

Eligible Holders must tender their Existing Notes in accordance with the procedures described under “Description of the Cash Offers—Procedures for Tendering Existing Notes.”

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offer to Purchase, and, if given or made, such information or representation may not be relied upon as having been authorized by the Company, the Tender Agent, the Information Agent (as defined below), or the Dealer Managers. Neither the delivery of this Offer to Purchase nor any purchase hereunder will, under any circumstance, create any implication that the information herein is current as of any time subsequent to the date hereof, or that there has been no change in the affairs of the Company as of such date.

After the Expiration Date, Liberty Mutual or its affiliates may from time to time purchase additional Existing Notes in the open market, in privately negotiated transactions, through tender offers, exchange offers or otherwise, or Liberty Mutual may redeem Existing Notes pursuant to the terms of the fiscal agency agreements governing the Existing Notes. Any future purchases may be on the same terms or on terms that are more or less favorable to Eligible Holders of Existing Notes than the terms of the Cash Offers and, in either case, could be for cash or other consideration. Any future purchases will depend on various factors existing at that time. There can be no assurance as to which, if any, of these alternatives (or combinations thereof) Liberty Mutual will choose to pursue in the future.

NONE OF LIBERTY MUTUAL, ITS BOARD OF DIRECTORS, THE DEALER MANAGER, THE INFORMATION AGENT OR THE TENDER AGENT IS MAKING ANY RECOMMENDATION AS TO WHETHER ELIGIBLE HOLDERS SHOULD TENDER ANY EXISTING NOTES IN RESPONSE TO ANY OF THE CASH OFFERS, AND NEITHER THE OFFERORS NOR ANY SUCH OTHER PERSON HAS AUTHORIZED ANY PERSON TO MAKE ANY SUCH RECOMMENDATION. HOLDERS MUST MAKE THEIR OWN DECISION AS TO WHETHER TO TENDER ANY OF THEIR NOTES, AND, IF SO, THE PRINCIPAL AMOUNT OF SUCH NOTES TO TENDER.

FORWARD-LOOKING STATEMENTS

This Offer to Purchase contains forward-looking statements that are intended to enhance the reader's ability to assess the future financial and business performance of the Company. 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, tornadoes, 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 limited partnerships ("LP"), limited liability companies ("LLC"), commercial mortgages and direct investments in natural resources; 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; 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 direct and indirect subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclical nature 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; underwriting limitations that could, with respect to our surety products, affect our ability to compete; 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.

Consequently, such forward-looking statements should be regarded solely as the Company's current plans, estimates and beliefs. Except as required under the federal securities laws, we do not intend, and do not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

You should review carefully the section captioned "Risk Factors" in this Offer to Purchase for a more complete discussion of the risks of a decision to tender.

AVAILABLE INFORMATION

The Company is not subject to the information requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, accordingly, does not file reports, proxy statements and other information with the SEC.

Any request for information should be directed to The Bank of New York Mellon, 500 Ross Street, 12th Floor, Pittsburgh, Pennsylvania 15262, in its capacity as Fiscal Agent or to the Company, c/o Liberty Mutual Group Inc., 175 Berkeley Street, Boston, Massachusetts 02116, Attn: Director of Investor Relations.

The Company or any of its affiliates may, from time to time, make material information regarding the Company available to the public via an internet site with an address of www.libertymutualgroup.com/investors (or any successor site). Information contained on the Company’s website does not constitute part of this Offer to Purchase.

IMPORTANT DATES AND TIMES

Please take note of the following important dates and times in connection with the Cash Offers. We may extend the Withdrawal Deadline and/or Expiration Date with respect to one or more of the Cash Offers, in which case the Price Determination Date, the relevant announcement date(s), Guaranteed Delivery Date and Settlement Date as set out below may be modified accordingly.

| Date | Calendar Date | Event |
|---------------------------------|---|---|
| Commencement of the Cash Offers | April 28, 2020 | Cash Offers announced and Offer to Purchase made available to Eligible Holders |
| Price Determination Date | 2:00 p.m., New York City time, on May 5, 2020, unless extended with respect to any Cash Offer | Determination and announcement of the applicable Total Consideration for each series of Existing Notes |
| Withdrawal Deadline | 5:00 p.m., New York City time, on May 5, 2020, unless extended with respect to any Cash Offer | Deadline for Eligible Holders to withdraw Existing Notes |
| Expiration Date | 5:00 p.m., New York City time, on May 5, 2020, unless extended with respect to any Cash Offer | Deadline for Eligible Holders (except for Eligible Holders tendering Existing Notes at or prior to the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures) to validly tender Existing Notes in order to be eligible to receive the Total Consideration, and the date and time by which Eligible Institutions (as defined below) must comply with certain procedures applicable to guaranteed delivery pursuant to the Guaranteed Delivery Procedures |

| Date | Calendar Date | Event |
|--------------------------|--|--|
| Guaranteed Delivery Date | 5:00 p.m., New York City time, on May 7, 2020 (the second business day following the Expiration Date), unless extended with respect to any Cash Offer | The date and time by which Eligible Holders who deliver a Notice of Guaranteed Delivery and all other required documentation to the Tender Agent at or prior to the Expiration Date must validly tender Existing Notes using the Guaranteed Delivery Procedures in order to be eligible to receive the applicable Total Consideration and Accrued Interest Payment on the Settlement Date |
| Settlement Date | Expected to be May 7, 2020 (the second business day following the Expiration Date); <i>provided</i> , that the Settlement Date for Existing Notes validly tendered in connection with the Guaranteed Delivery Procedures pursuant to a Notice of Guaranteed Delivery and accepted for exchange is expected to be May 8, 2020, which is the third business day following the Expiration Date (each unless extended with respect to any Cash Offer). | Acceptance of tenders by Liberty Mutual; Total Consideration plus applicable Accrued Interest Payment paid for any Existing Notes validly tendered at or prior to the Expiration Date, or at or prior to the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures, and accepted by Liberty Mutual; interest will cease to accrue on the initial Settlement Date of May 7, 2020 for all Existing Notes accepted in the Cash Offers, including those tendered pursuant to Guaranteed Delivery Procedures. |

SUMMARY

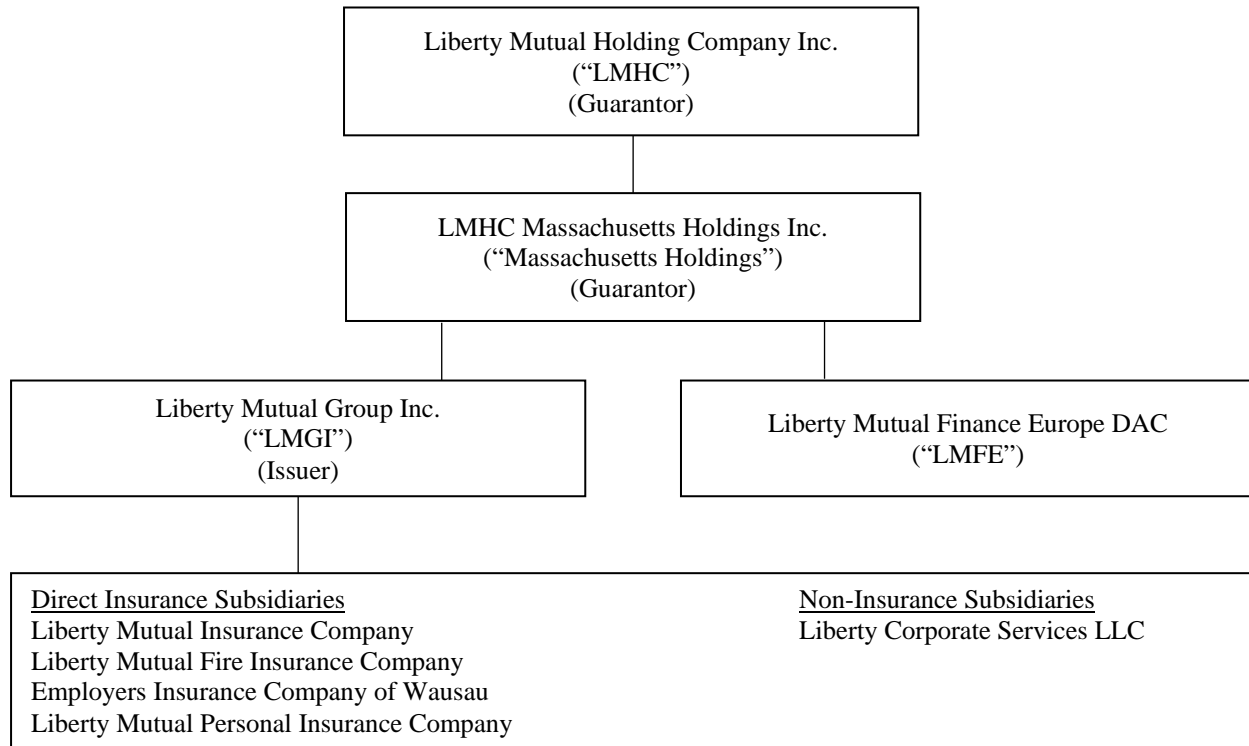
This summary highlights selected information from this Offer to Purchase. It does not purport to be complete and is qualified in its entirety by the more detailed information available upon request.

Liberty Mutual Group Inc.

Liberty Mutual is a Massachusetts stock holding company that principally does business through its wholly owned subsidiaries: Liberty Mutual Insurance Company (“LMIC”), a Massachusetts stock insurance company; Liberty Mutual Fire Insurance Company (“LMFIC”), a Wisconsin stock insurance company; Employers Insurance Company of Wausau (“EICOW”), a Wisconsin stock insurance company; Liberty Mutual Personal Insurance Company (“LMPIC”), a New Hampshire stock insurance company; and other subsidiaries. All of the issued and outstanding shares of Liberty Mutual are owned by Massachusetts Holdings, a Massachusetts stock holding company; and all of the issued and outstanding shares of Massachusetts Holdings are owned by LMHC, a Massachusetts mutual holding company whose members are the policyholders of LMIC, LMFIC, EICOW and LMPIC. References to “Insurance Subsidiaries” refer to LMIC, LMFIC, EICOW, LMPIC and Liberty Mutual’s other insurance subsidiaries and affiliates authorized to transact business in one or more jurisdictions within the United States.

Organizational Structure

The following chart shows the organizational structure of LMHC, Massachusetts Holdings, Liberty Mutual and their material direct subsidiaries:



Company Overview

The Company is a diversified international group of insurance companies and the fourth largest property and casualty insurer, the sixth largest personal lines writer, and the third largest commercial lines writer in the United States, based on 2019 direct written premiums sourced from information collected by S&P Global Market Intelligence. Also, the Company is the sixth largest property and casualty insurer worldwide, based on 2019 gross written premiums reported in publicly available company disclosures. As of December 31, 2019, the Company had \$133.6 billion in consolidated assets and \$110.0 billion in consolidated liabilities. The Company had 2019 consolidated revenues of \$43.2 billion. The Company currently ranks 75th on the Fortune 100 list of largest corporations in the United States based on 2018 revenue (as published by Fortune Magazine).

The Company is organized in a mutual holding company structure. The three principal organized insurance companies of the group, LMIC, LMFIC and EICOW, are separate stock insurance companies under the indirect ownership of LMHC. This structure provides the Company with better capital market access and greater strategic flexibility to pursue acquisitions and alliances, while aligning its legal structure with its operating structure and preserving mutuality.

The Company offers a wide range of insurance products and services, including private passenger automobile, homeowners, specialty insurance, reinsurance, workers compensation, commercial multiple-peril, commercial automobile, general liability, surety, inland marine, and commercial property.

The Company's consolidated net written premium ("NWP") by significant line of business was as follows:

Consolidated NWP by Significant Line of Business

| | Years Ended December 31, | |
|--|-----------------------------|------------------|
| | 2019 | 2018 |
| | (dollars in millions) | |
| Private passenger automobile..... | \$ 13,933 | \$ 13,987 |
| Homeowners | 6,435 | 6,546 |
| Global Risk Solutions specialty insurance ¹ | 3,210 | 2,578 |
| Commercial multiple-peril | 2,292 | 2,215 |
| Commercial automobile | 2,159 | 2,088 |
| Workers compensation | 2,138 | 2,161 |
| Global Risk Solutions casualty ² | 1,996 | 2,157 |
| Global Risk Solutions reinsurance | 1,827 | 1,642 |
| Commercial property | 1,473 | 1,329 |
| Surety | 1,033 | 908 |
| Global Retail Markets general liability | 857 | 777 |
| Global Risk Solutions inland marine | 561 | 538 |
| Global Risk Solutions other reinsurance ³ | 271 | 939 |
| Corporate reinsurance ⁴ | (30) | (350) |
| Other ⁵ | 1,659 | 1,585 |
| Total NWP | <u>\$ 39,814</u> | <u>\$ 39,100</u> |

1. Global Risk Solutions specialty insurance includes marine, energy, construction, aviation, warranty and indemnity, directors and officers, errors and omissions, trade credit, crisis management, contingent lines and other.
2. Global Risk Solutions casualty primarily includes general liability, excess & umbrella and environmental lines of business.
3. Global Risk Solutions other reinsurance includes new ceded global casualty program of \$408 million for the year ended December 31, 2019.
4. NWP associated with internal reinsurance assumed into Corporate, net of corporate external placements.
5. Primarily includes NWP from allied lines, domestic inland marine, internal reinsurance, and life and health reported within Global Retail Markets.

The Company's business is supported by diversified and well-established multi-channel distribution capabilities. In addition to direct sales distribution, the Company also distributes products and services through independent agents and brokers, employer and affinity marketing alliances, direct response call centers and the internet. The Company believes that giving potential customers access to multi-channel distribution is both a strategic and operational strength of the Company.

Functionally, the Company conducts substantially all of its business through two business units: Global Retail Markets and Global Risk Solutions. Each business unit operates independently of the other in certain areas such as sales, underwriting, and claims, but, as appropriate, collaborating in other areas such as actuarial and financial. Management believes this structure provides increased synergy to the Company and permits each business unit to execute its business strategy and/or to make acquisitions without impacting or disrupting the operations of the other business unit.

NWP by Business Unit

The Company's NWP by business unit is set forth in the table below:

| | Years Ended December 31, | |
|-----------------------------|-----------------------------|------------------|
| | 2019 | 2018 |
| | (dollars in millions) | |
| Global Retail Markets | \$ 27,756 | \$ 27,599 |
| Global Risk Solutions | 12,063 | 11,856 |
| Corporate and Other..... | (5) | (355) |
| Total NWP | <u>\$ 39,814</u> | <u>\$ 39,100</u> |

Global Retail Markets. Global Retail Markets comprises four segments: U.S., West, East and Reinsurance.

U.S. consists of Personal Lines and Business Lines, with Personal Lines being the sixth largest writer of personal lines in the United States, based on 2019 direct written premium based on information collected by S&P Global Market Intelligence. U.S. Personal Lines sells automobile, homeowners and other types of property and casualty insurance coverage to individuals in the United States. These products are distributed through approximately 1,880 licensed employee sales representatives, approximately 840 licensed telesales counselors, independent agents, third-party producers, the internet, and sponsored affinity groups. U.S. Business Lines serves small commercial customers through an operating model that combines local underwriting, market knowledge and service with the scale advantages of a national company. West sells property and casualty, health and life insurance products and services to individuals and businesses in Brazil, Colombia, Chile, Ecuador, Spain, Portugal, and Ireland. Private passenger automobile insurance is the single largest line of business. East sells property and casualty, health and life insurance products and services to individuals and businesses in Thailand, Singapore, Hong Kong, Vietnam, Malaysia, India, China, and Russia. Private passenger automobile insurance is the single largest line of business. Reinsurance consists of certain internal reinsurance programs.

Global Risk Solutions. Global Risk Solutions offers a wide array of property, casualty, specialty and reinsurance coverage distributed through brokers and independent agents globally. Global Risk Solutions is organized into the following market segments: Liberty Specialty Markets, National Insurance, North America Specialty, Global Surety, and Other Global Risk Solutions. Liberty Specialty Markets includes all business outside of North America. National Insurance includes U.S. admitted property and casualty in excess of \$150,000 annual premium. North America Specialty primarily includes specialty lines and non-admitted property and casualty. Global Surety is a leading global provider of contract and commercial surety bonds to businesses of all sizes. Other Global Risk Solutions primarily consists of internal reinsurance programs across the Liberty Mutual enterprise. Global Risk Solutions has the following rankings:

- 3rd largest U.S. commercial and specialty lines writer based on 2019 direct written premium (“DWP”).
- 1st largest surety writer in the U.S. based on 2019 DWP.
- 9th largest surplus lines carrier in the U.S. based on 2019 DWP.

On May 31, 2019, the Company completed the acquisition of Inco Dico of AmTrust Financial Services, Inc. The acquisition of the international surety and credit reinsurance operations of AmTrust Financial Services, Inc. closed on October 2, 2019.

Subsequent Events

On February 6, 2020, the Company's subsidiary, Liberty UK and Europe Holdings Limited (“UKH”), sold its entire 99.99% interest in its Russian insurance affiliate, Liberty Insurance (JSC), to PJSC Sovcombank.

Competitive Strengths

The Company believes that its competitive strengths include:

- *Well-diversified business mix.* The Company is well diversified with distinct business units, each of which contributes a substantial share of revenue and PTOI to the Company. Moreover, the Company's exposure to a single distribution channel, geographic region or line of business has been significantly reduced as a result of the Company's diversification efforts over the last ten years. In part, the Company's desire to improve the organization's spread of risk has led to a fundamental shift in the Company's mix of business. In 2000, workers compensation constituted 23% of the Company's NWP. By December 2019, this line of business had decreased to 5% of NWP.
- *Business unit structure.* The Company operates through two distinct business units. Each of the business units operates independently of the other and has dedicated sales, underwriting, claims, actuarial, financial and certain information technology resources. This structure allows each business unit to execute its business strategy independently of the other business unit and without impacting or disrupting the other business unit's operations.
- *Established multi-channel distribution system.* The Company has diversified and well-established multi-channel distribution capabilities. In addition to direct sales distribution, the Company also distributes products and services through independent agents and brokers, employer and affinity marketing alliances, direct response call centers and the internet. The Company believes that giving potential customers access to multi-channel distribution is both a strategic and operational strength of the Company.
- *Financial strength.* The financial strength ratings from the major public rating agencies are important indicators of an insurance company's financial condition and stability and are increasingly important factors to many existing and potential customers in the selection of an insurer. As such, the Company believes that it has a competitive advantage from its interactive financial strength ratings of "A" (the third highest of 16 ratings, stable outlook) from A.M. Best Company, Inc. ("A.M. Best"), "A2" (the sixth highest of 21 ratings, stable outlook) from Moody's Investor Service, Inc. ("Moody's") and "A" (the sixth highest of 21 ratings, stable outlook) from S&P Global Ratings, a division of S&P Global Inc. ("Standard & Poor's"). For additional information about the Company's ratings, including risks relating thereto, see "Risk Factors—Risk Factors Relating to the Company's Business and the Insurance Industry—The Company may not maintain favorable financial strength ratings, which could adversely affect its ability to conduct business."
- *History of successful acquisitions and dispositions.* The Company is an opportunistic acquirer of property and casualty insurance companies and has a track record of successful integration. The Company's substantial growth has resulted largely from strategic acquisitions. Most recently, in 2019, the Company acquired the U.S. Surety business of AmTrust Financial Services, Inc. Additionally, the Company has successfully exited or de-emphasized businesses which no longer fit within its strategic focus or risk appetite, such as the Company's sales in 2019 of certain of its international Ironshore entities and in 2020 its interest in its Russian insurance affiliate. See "Risk Factors—Risk Factors Relating to the Company's Business and the Insurance Industry—Acquisitions and integration of acquired businesses may result in operating difficulties and other unintended consequences while divestitures may result in operating distractions and unexpected consequences."
- *Experienced management team with proven track record.* The Company has a talented and experienced management team consisting of the chief executive officer and those reporting directly to him, who have an average of over 26 years of experience in the property and casualty industry and over 22 years of experience with the Company.

Strategic Focus

The Company's strategic objectives are to continue to grow revenues, cash flow, earnings and equity and to enhance its position as a premier global property and casualty insurer while also improving its financial strength ratings. The key elements of this strategy are:

- *Disciplined underwriting.* The Company intends to utilize disciplined underwriting controls to ensure that profitability remains at the forefront of its business strategy. The Company will utilize sophisticated underwriting strategies and pricing models to enable superior risk selection and appropriate pricing for underwritten risks.
- *Leverage scale, capital and technology to provide high quality and high value insurance products and services.* As one of the five largest property and casualty insurance companies in the United States based on 2019 NWP (sourced from information collected by S&P Global Market Intelligence), the Company intends to leverage its skill, scale and capital base to provide high quality, high value insurance products and services. Additionally, the Company will continue to

invest in technology to improve customer service, distribution, product features, breadth of product offerings and efficiency.

- *Enhance financial strength ratings.* Interactive financial strength ratings issued by major rating organizations such as A.M. Best, Standard & Poor's and Moody's have become an increasingly important factor in establishing the competitive position of insurance companies. The Company is committed to disciplined underwriting, earnings growth and capital generation in order to sustain and enhance its financial strength ratings, which it believes create a competitive advantage in retaining and attracting new business.
- *Leverage and opportunistically expand diversified and well-established multi-channel distribution capabilities.* In addition to direct sales distribution, the Company intends to continue to expand its multi-channel distribution capabilities, which it believes are both strategic and operational strengths of the Company.
- *Selectively pursue strategic acquisitions and divest non-core and non-performing business lines.* The Company intends to continue to grow selectively through acquisitions. Additionally, the Company intends to exit businesses and markets that no longer meet its financial or strategic objectives, such as the Company's sales in 2019 of certain of its international Ironshore entities and in 2020 its interest in its Russian insurance affiliate.

The Original Notes Offering

On April 28, 2020, Liberty Mutual priced an offering (the "Original Notes Offering") of its 3.950% Senior Notes due 2060 (the "Original Notes"). The Original Notes were not registered under the Securities Act and were offered for sale only to "qualified institutional buyers" as defined in Rule 144A under the Securities Act and outside the United States, to persons other than "U.S. persons" as defined in Rule 902 under the Securities Act in offshore transactions in compliance with Regulation S under the Securities Act. The Original Notes will be issued pursuant to a Fiscal Agency Agreement, to be dated as of May 7, 2020, the closing of the Original Notes (the "Fiscal Agency Agreement"), by and between Liberty Mutual and The Bank of New York Mellon as fiscal agent.

Recent Developments Related to the COVID-19 Pandemic

On April 28, 2020, Liberty Mutual announced the following preliminary estimated information for the first quarter of 2020:

- *Net written premium of approximately \$10.0 billion.* While first quarter net written premium was not materially impacted by the COVID-19 pandemic, the Company expects COVID-19 and the related economic downturn to dampen net written premium growth in future quarters.
- *Combined ratio of approximately 97%.* While losses from the COVID-19 pandemic had a marginal impact on the combined ratio in the quarter, Liberty Mutual expects a more meaningful impact in the second and third quarters as the situation evolves and the Company continues to assess its potential exposure.
- *Total equity of approximately \$23 billion.* This would be an approximately 2% decrease from December 31, 2019. The decline in equity is primarily driven by unrealized investment losses, as a result of the market fallout stemming from the COVID-19 pandemic.

With respect to liquidity, the Company has access to \$6.0 billion in total liquidity, not including current cash on hand of \$1.4 billion, calculated as of March 31, 2020.

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 Factors" and "Forward Looking Statements." Purchasers of the notes should not place undue reliance on these estimates.

The Cash Offers

| | |
|--|--|
| Offeror | Liberty Mutual Group Inc. |
| Cash Offers | Upon the terms and subject to the conditions set forth in this Offer to Purchase and the other Tender Offer Documents, Liberty Mutual is offering to purchase any and all of the series of Existing Notes set forth in the table on the front cover of this Offer to Purchase held by Eligible Holders for cash, subject to the Maximum Total Consideration Condition. Eligible Holders who validly tender and do not validly withdraw their Existing Notes, and whose Existing Notes are accepted by us for purchase, will receive the Total Consideration on the Settlement Date. |
| Holders Eligible to Participate in the Cash Offers | <p>The following are Ineligible Holders:</p> <ul style="list-style-type: none"> • any holder that is a QIB; or • any holder that is located outside the United States and is (i) not a “U.S. Person,” (ii) not acting for the account or benefit of a U.S. Person and (iii) a Non-U.S. qualified offeree. <p>All other holders of Existing Notes are eligible to participate in the Cash Offers. Holders participating in the Cash Offers are required to complete the Certification Instructions Letter and certify that they are Eligible Holders.</p> |
| Concurrent Exchange Offers..... | <p>Concurrently with the commencement of the Cash Offers made pursuant to this Offer to Purchase, Liberty Mutual is commencing separate exchange offers with respect to each series of Existing Notes, available solely to Ineligible Holders, to exchange any and all of the Existing Notes of such series held by Ineligible Holders, in each case, for the New Notes, and in some cases, additionally for cash, under the terms and subject to the conditions set forth in the Offering Memorandum.</p> <p>The total exchange consideration payable with respect to each of the Cash Offers has been determined by Liberty Mutual in its reasonable discretion to approximate the value of the total exchange consideration payable in the corresponding Exchange Offer.</p> |
| Total Consideration..... | <p>Upon the terms and subject to the conditions set forth in this Offer to Purchase and the other Tender Offer Documents, Eligible Holders who (i) validly tender Existing Notes at or prior to the Expiration Date or (ii) deliver a properly completed and duly executed Notice of Guaranteed Delivery and all other required documents at or prior to the Expiration Date and validly tender their Existing Notes at or prior to the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures, and who do not validly withdraw tendered Existing Notes and whose Existing Notes are accepted for purchase by us, will receive the applicable Total Consideration for each \$1,000 principal amount of such Existing Notes.</p> <p>An illustrative calculation of the Total Consideration for the 6.500% Senior Notes due 2042, per \$1,000 principal amount of 6.500% Senior Notes due 2042 tendered and accepted for purchase by us, is set forth in Annex B to this Offer to Purchase.</p> |
| Determination of the Total Consideration..... | <p>The Total Consideration payable by Liberty Mutual for each \$1,000 principal amount of a series of Existing Notes, validly tendered for purchase and accepted by Liberty Mutual, will be determined in accordance with the formula set forth in Annex A to this Offer to Purchase, and will equal the discounted value on the Settlement Date of the remaining payments of principal and interest per \$1,000 principal amount of such Existing Notes through the maturity date or par call date, as applicable, of such Existing Notes, using a yield, as calculated by the lead Dealer Managers, equal to (i) the sum of (A) the Reference Yield plus (B) the applicable fixed spread specified on the first page of this Offer to Purchase, minus (ii) the Accrued Interest Payment on such Existing Notes. The Total Consideration will be rounded to the nearest cent per \$1,000 principal amount of Existing</p> |

Notes. The “Price Determination Date” means 2:00 p.m., New York City time, on May 5, 2020, unless the Expiration Date is extended, in which case a new Price Determination Date may be established with respect to the Cash Offers. The Total Consideration in respect of the 4.500% Senior Notes due 2049 will be calculated based on December 15, 2048, the par call date for such series of Existing Notes.

Acceptance Priority Levels The principal amount of each series of Existing Notes to be accepted pursuant to each Cash Offer will be subject to the “Acceptance Priority Level” (in numerical priority order) of such series as set forth in the table on the front cover of this Offer to Purchase. Subject to the satisfaction or waiver of the conditions of the Cash Offers, the Acceptance Priority Procedures will operate as follows: if the Maximum Total Consideration Condition is not satisfied with respect to every series of Existing Notes because the aggregate Total Consideration payable for all validly tendered Existing Notes is greater than the Maximum Total Consideration Amount, then we will, in accordance with the Acceptance Priority Level, accept for purchase all validly tendered Existing Notes of a given series so long as the aggregate Total Consideration payable for all validly tendered Existing Notes of such series and each series having a higher Acceptance Priority Level is less than, or equal to, the Maximum Total Consideration Amount. All validly tendered Existing Notes of a series having a higher Acceptance Priority Level will be accepted before any validly tendered Existing Notes of a series having a lower Acceptance Priority Level are accepted. If we accept any validly tendered Existing Notes of a given series, we will accept all validly tendered Existing Notes of such series. See “Description of the Cash Offers—Maximum Total Exchange Condition.”

Liberty Mutual reserves the right, but is under no obligation, to increase the Maximum Total Consideration Amount at any time, subject to applicable law, which could result in Liberty Mutual purchasing a greater aggregate principal amount of Existing Notes in the Cash Offers. There is no assurance that Liberty Mutual will increase the Maximum Total Consideration Amount. If Liberty Mutual increases the Maximum Total Consideration Amount, it does not expect to extend the Withdrawal Deadline, subject to applicable law. See “Description of the Cash Offers—Maximum Total Consideration Condition.”

Return of Existing Notes..... In the event tendered Existing Notes are not accepted due to an invalid tender, in the event of the termination of a Cash Offer, such Existing Notes will be credited to appropriate accounts at The Depository Trust Company (“DTC”) promptly following the Expiration Date or the termination of the Cash Offer, as applicable. If prior to the Expiration Date, we determine that a series of Existing Notes will under no circumstances be accepted due to the Acceptance Priority Level of such issue in relation to the Acceptance Priority Level of all other Existing Notes validly tendered and not validly withdrawn as of the Expiration Date, we intend to promptly cause tendered Existing Notes of that issue to be credited to appropriate accounts at DTC.

Accrued Interest..... In addition to the applicable Total Consideration, Eligible Holders whose Existing Notes are accepted for purchase will be paid the applicable Accrued Interest Payment in cash. The Accrued Interest Payment in respect of Existing Notes accepted for purchase will be calculated in accordance with the terms of such Existing Notes. Interest will cease to accrue on the initial Settlement Date of May 7, 2020 for all Existing Notes accepted in the Cash Offers, including those tendered pursuant to Guaranteed Delivery Procedures. See “Description of the Cash Offers—Accrued Interest Payment.”

Commencement of the Cash Offers..... April 28, 2020.

Price Determination Date..... 2:00 p.m., New York City time, on May 5, 2020, unless extended with respect to any Cash Offer

Withdrawal Deadline 5:00 p.m., New York City time, on May 5, 2020, unless extended with respect to any Cash Offer

| | |
|---------------------------------------|--|
| Expiration Date | 5:00 p.m., New York City time, May 5, 2020, unless extended with respect to any Cash Offer |
| Guaranteed Delivery Date..... | 5:00 p.m., New York City time, on the second business day following the Expiration Date, expected to be 5:00 p.m., New York City time, on May 7, 2020, unless extended with respect to any Cash Offer |
| Settlement Date..... | Expected to be May 7, 2020, the second business day following the Expiration Date; <i>provided</i> , that the Settlement Date for Existing Notes validly tendered in connection with the Guaranteed Delivery Procedures pursuant to a Notice of Guaranteed Delivery and accepted for exchange is expected to be May 8, 2020, the third business day following the Expiration Date (each unless extended with respect to any Cash Offer). |
| Withdrawal of Tenders..... | Tenders of Existing Notes in the Cash Offers may be validly withdrawn at any time at or prior to 5:00 p.m., New York City time, on May 5, 2020, unless extended by us, but will thereafter be irrevocable, except in certain limited circumstances where additional withdrawal rights are required by law. Subject to applicable law, we may extend the Expiration Date, with or without extending the Withdrawal Deadline. Tenders submitted in the Cash Offers after the Withdrawal Deadline will be irrevocable except in the limited circumstances where additional withdrawal rights are required by law. We may waive the Maximum Total Consideration Condition or increase the Maximum Total Consideration Amount at any time, subject to applicable law, without extending the Withdrawal Deadline. See “Description of the Cash Offers—Withdrawal of Tenders.” |
| Conditions to the Cash Offers..... | <p>The completion of each Cash Offer for a series of Existing Notes is subject to, and conditional upon, the satisfaction or waiver of certain conditions, including, among other things, (i) the requirement that the Reference Yield on the Reference U.S. Treasury Security for such Cash Offer, as calculated by the lead Dealer Managers at the Price Determination Date in accordance with this Offer to Purchase is neither (a) less than 0.699% or (b) greater than 1.699%; (ii) that nothing has occurred or may occur that would or might, in our judgment, be expected to prohibit, prevent, restrict or delay a Cash Offer or impair us from realizing the anticipated benefits of a Cash Offer; (iii) the Maximum Total Consideration Condition; and (iv) the Exchange Offer Completion Condition (which may not be waived).</p> <p>Subject to applicable law and limitations described elsewhere in this Offer to Purchase, we may waive any of the conditions in our sole discretion; <i>however</i>, we may not waive the Exchange Offer Completion Condition.</p> <p>For a description of the conditions to the Cash Offers, including descriptions of the Maximum Total Consideration Condition and the Exchange Offer Completion Condition, see “Description of the Cash Offers—Conditions to the Cash Offers.”</p> |
| Termination; Extension; Amendment.... | Subject to applicable law, we may amend, extend or terminate each Cash Offer individually at any time prior to the Expiration Date. |
| Procedures for Tendering..... | For an Eligible Holder to validly tender Existing Notes held through DTC in book-entry form pursuant to the Cash Offers, such Eligible Holder must cause the book-entry transfer of its Existing Notes to the Tender Agent’s account at DTC, and the Tender Agent must receive a confirmation of such book-entry transfer, and an Agent’s Message (as defined below), and any other required documents, at or prior to the Expiration Date or the Guaranteed Delivery Date (if such Eligible Holder is tendering Existing Notes pursuant to the Guaranteed Delivery Procedures), if such Eligible Holder wants to be eligible to receive the applicable Total Consideration. See “Description of the Cash Offers— Procedures for Tendering Existing Notes.” There is no separate Letter of Transmittal in connection with this Offer to Purchase. |

Existing Notes can be tendered only in principal amounts equal to the applicable Minimum Authorized Denomination for such Existing Notes, and integral multiples in excess of such

| | |
|---|--|
| | Minimum Authorized Denomination, as set forth in the table under “Description of the Cash Offers—Minimum Authorized Denominations.” |
| Consequences of Failure to Exchange ... | For a description of the consequences of failing to tender your Existing Notes, see “Risk Factors.” |
| Brokerage Fees and Commissions | No brokerage fees or commissions are payable by the holders of the Existing Notes to the Dealer Managers, the Tender Agent or us in connection with the Cash Offers. If a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other institution, that holder may be required to pay brokerage fees or commissions. |
| Certain U.S. Federal Income Tax Consequences..... | For a summary of certain U.S. federal income tax consequences of the Cash Offers, see “Certain U.S. Federal Income Tax Considerations.” |
| Use of Proceeds | We will not receive any cash proceeds from the Cash Offers. |
| Tender Agent and Information Agent..... | Global Bondholder Services Corporation is serving as the tender agent (the “Tender Agent”) and the information agent (the “Information Agent”) in connection with the Cash Offers. The address and telephone numbers of Global Bondholder Services Corporation are listed on the back cover of this Offer to Purchase. |
| Dealer Managers | Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman Sachs & Co. LLC, BofA Securities, Inc., HSBC Securities (USA) Inc. and J.P. Morgan Securities LLC are the dealer managers for the Cash Offers (the “Dealer Managers”). The addresses and telephone numbers for the lead dealer managers are listed on the back cover page of this Offer to Purchase. |
| Purpose of the Cash Offers | The purpose of the Cash Offers and the concurrent Exchange Offers is to refinance a portion of the Existing Notes in order to optimize our debt capital structure. |
| Further Information..... | Questions or requests for assistance related to the Cash Offers and tender procedures or for additional copies of the Tender Offer Documents may be directed to the Information Agent. Any questions concerning the terms of the Cash Offers should be directed to the Dealer Managers. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Cash Offers. The contact information for the Dealer Managers, the Information Agent and the Tender Agent is set forth on the back cover of this Offer to Purchase. |

RISK FACTORS

Before you decide to participate in the Cash Offers, you should consider the following factors that could adversely affect our future results. They should be considered in connection with evaluating forward-looking statements, and are otherwise made by, or on behalf of, us, because these factors could cause actual results and conditions to differ materially from those projected in any forward-looking statements. This section does not describe all risks applicable to the Company, the Company's industry or its business and it is intended only as a summary of certain material factors.

Risk Factors Relating to the Company's Business and the Insurance Industry

Unpredictable catastrophic events could adversely affect the Company's results of operations, financial condition or liquidity.

The Company's insurance operations expose it to claims arising out of catastrophes. Catastrophes can be caused by various natural events, including hurricanes, windstorms, earthquakes, hail, severe winter weather, wildfires and volcanic eruptions. Catastrophes can also be man-made, such as terrorist acts (including those involving nuclear, biological, chemical or radiological events), riots, oil spills, utility outages, or consequences of war or political instability. In the United States, the geographic distribution of the Company's business subjects it to catastrophe exposures, including hurricanes from Maine through Texas; tornadoes throughout the Central States and Southeast; earthquakes in California, the New Madrid region and the Pacific Northwest; and wildfires, particularly in California and the Southwest. In addition, the Company's international operations subject it to a variety of world-wide catastrophe exposures.

The incidence and severity of catastrophes are inherently unpredictable. Some scientists believe that in recent years, changing climate conditions have added to the unpredictability and frequency of natural disasters (including hurricanes, tornadoes, hail, other storms and fires) in certain parts of the world and created additional uncertainty as to future trends and exposures. It is possible that the frequency and severity of natural and man-made catastrophic events could increase. The catastrophe modeling tools that the Company uses to help manage certain of its catastrophe exposures are based on assumptions, judgments and data entry that are subject to error and may produce estimates that are materially different from actual results. Changing climate conditions could cause the Company's catastrophe models to be even less predictive, thus limiting the Company's ability to effectively manage those exposures.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Where the Company has geographic concentrations of policyholders, a single catastrophe or destructive weather trend affecting a region may significantly impact the Company's financial condition and results of operations. States have from time to time passed legislation, and regulators have taken action, that has the effect of limiting the ability of insurers to manage catastrophe risk, such as legislation prohibiting insurers from reducing exposures or withdrawing from catastrophe-prone areas or mandating that insurers participate in residual market mechanisms. Participation in residual market mechanisms has resulted in, and may continue to result in, significant losses or assessments to insurers, including the Company, and, in certain states, those losses or assessments may not be commensurate with the Company's catastrophe exposure in those states. If the Company's competitors leave those states having residual market mechanisms, remaining insurers, including the Company, may be subject to significant increases in losses or assessments following a catastrophe. In addition, following catastrophes, there are sometimes legislative initiatives and court decisions that seek to expand insurance coverage for catastrophe claims beyond the original intent of the policies. Also, the Company's ability to increase pricing to the extent necessary to offset rising costs of catastrophes, particularly in the Company's personal lines, requires approval of the regulatory authorities of certain states. The Company's ability or willingness to manage its catastrophe exposure by raising prices, modifying underwriting terms or reducing exposure to certain geographies may be limited due to considerations of public policy, the evolving political environment and changes in the general economic climate. The Company also may choose for strategic purposes, such as improving its access to other underwriting opportunities, to write business in catastrophe-prone areas that it might not otherwise write.

There are also risks that affect the estimation of ultimate costs for catastrophes. For example, the estimation of reserves related to hurricanes can be affected by the inability to access portions of the affected areas, the complexity of factors contributing to the losses, legal and regulatory uncertainties and the nature of the information available to establish the reserves. Complex factors include: determining whether damage was caused by flooding versus wind, evaluating general liability and pollution exposures, estimating additional living expenses, estimating the impact of demand surge, infrastructure disruption, fraud, the effect of mold damage, business interruption costs and reinsurance collectability. The timing of a catastrophe's occurrence, such as at or near the end of a reporting period, can also affect the information available to the Company in estimating reserves for that reporting period. The estimates related to catastrophes are adjusted as actual claims emerge and additional information becomes available.

Catastrophe losses could have a material adverse effect on the Company's results of operations for any fiscal quarter or year and may materially harm its financial position, which in turn could adversely affect its financial strength and claims-paying ratings and could impair its ability to raise capital on acceptable terms or at all. Also, as a result of the Company's exposure to catastrophe losses or actual losses following a catastrophe, rating agencies may further increase their capital requirements, which may require the

Company to raise capital to maintain its ratings or, if unsuccessful, suffer an adverse effect on its ratings. A ratings downgrade could hurt the Company's ability to compete effectively or attract new business. In addition, catastrophic events could cause the Company to exhaust its available reinsurance limits and could adversely affect the cost and availability of reinsurance. Such events can also affect the credit of the Company's reinsurers. Catastrophic events could also adversely affect the credit of the issuers of securities, such as states or municipalities, in which the Company has invested, which could have a material adverse effect on the Company's results of operations, financial position or liquidity.

In addition to catastrophe losses, the accumulation and development of losses from smaller weather-related events in any fiscal quarter or year could have a material adverse effect on the Company's results of operations, financial condition or liquidity in those periods.

Because of the risks set forth above, catastrophes and the accumulation of losses from smaller weather-related events could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's claims and claim adjustment expense reserves may be inadequate to cover its ultimate liability for unpaid claims and claim adjustment expenses, and as a result, any inadequacy could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's success depends in part on its ability to accurately assess the risks associated with the businesses and individuals that it insures. The Company is required to maintain adequate reserves to cover its estimated ultimate liabilities for unpaid claims and claim adjustment expenses ("loss reserves" or "unpaid claims and claim adjustment expenses"). Reserves for these liabilities are typically composed of (1) case reserves for claims reported and (2) reserves for losses that have occurred but for which claims have not yet been reported, referred to as incurred but not reported ("IBNR") reserves. Loss reserves do not represent an exact calculation of liability. Case reserves represent reserves established for reported claims. IBNR reserves include a reserve for unreported claims, future claims payments in excess of case reserves on recorded open claims, additional claims payments on closed claims, claims that have been reported but not recorded and the cost of claims that have been incurred but have not yet been reported to the Company to arrive at management's best estimate. IBNR reserves represent management estimates, generally utilizing actuarial expertise and projection techniques, at a given accounting date. In arriving at management's best estimate, management utilizes actuarial indications in conjunction with their knowledge and judgment about operational and environmental conditions. Consideration is given to any limitations in the actuarial methodologies and assumptions that may not be completely reflective of future loss emergence as well as to historical development on immature years and the historical movement of unpaid claims and claim adjustment expense estimates as these years typically mature. Loss reserve estimates are refined periodically as experience develops and claims are reported and settled. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the costs of repair materials and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserve determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more the ultimate settlement can vary. Establishing an appropriate level of loss reserves is an inherently uncertain process. Because of this uncertainty, it is possible that the Company's loss reserves at any given time could prove inadequate.

If in the future the Company determines that its loss reserves are insufficient to cover its actual unpaid claims and claim adjustment expenses, it would have to add to its loss reserves, which could have a material adverse effect on its results of operations, financial condition or liquidity.

The Company's business could be harmed because its potential exposure for asbestos and environmental claims and related litigation is unique and very difficult to predict, and the Company's ultimate liability may exceed its currently recorded loss reserves.

The Company has exposure to A&E claims that emanate principally from general liability policies written prior to the mid-1980s. Asbestos claims relate primarily to injuries asserted by those who allegedly came in contact with asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up cost obligations, particularly as mandated by federal and state environmental protection agencies. The process of establishing loss reserves for A&E claims is subject to greater uncertainty than the establishment of loss reserves for liabilities relating to other types of insurance claims. If the Company has not established adequate loss reserves to cover current and future A&E claims, it could have a material adverse effect on its results of operations, financial condition or liquidity.

The Company estimates its net A&E loss reserves based upon numerous factors, including the facts surrounding reported cases and exposures to claims, such as policy limits and deductibles, current law, past and projected claim activity and past settlement values for similar claims, reinsurance coverage as well as analysis of industry studies and events, such as recent settlements and asbestos-related bankruptcies. Several factors make it difficult to establish A&E loss reserves, including: (i) the lack of available and reliable historical claims data as an indicator of future loss development; (ii) the long waiting periods between exposure and

manifestation of bodily injury or property damage; (iii) the difficulty in identifying the source of A&E contamination; (iv) the difficulty in properly allocating liability for asbestos or environmental damage; (v) the uncertainty as to the number and identity of insureds with potential exposure; (vi) the cost to resolve claims; and (vii) the collectability of reinsurance.

The uncertainties associated with establishing loss reserves for A&E claims and claim adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on A&E coverage issues involving: (i) differing interpretations of various insurance policy provisions and whether A&E losses are, or were ever intended to be, covered; (ii) when the loss occurred and what policies provide coverage; (iii) whether there is an insured obligation to defend; (iv) whether a compensable loss or injury has occurred; (v) whether lung cancer claims can be attributable to A&E; (vi) how policy limits are determined; (vii) how policy exclusions are applied and interpreted; (viii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities; (ix) whether clean-up costs are covered as insured property damage; and (x) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a product or completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

As a result of the significant uncertainty inherent in determining a company's A&E liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's A&E claims cannot be accurately estimated using conventional reserving methodologies based on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations, including managerial judgment. Thus, the ultimate amount of the Company's A&E exposures may vary materially from the reserves currently recorded and could exceed the currently recorded reserves. This could have a material adverse effect on the Company's results of operations, financial condition or liquidity..”

The Company may not be able to successfully alleviate risk through reinsurance arrangements. Additionally, it may be unable to collect all amounts due from its reinsurers under its reinsurance arrangements.

The Company attempts to limit its risk of loss through reinsurance arrangements, such as excess of loss and catastrophe coverage, and through customized coverages such as that provided by the reinsurance arrangements with National Indemnity Company (“NICO”), a subsidiary of Berkshire Hathaway Inc., relating to the Company's A&E and workers compensation liabilities (the “NICO Reinsurance Transaction”). See “Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Reinsurance Recoverables.” The availability and cost of reinsurance protection is subject to market conditions, which are outside of the Company's control. In addition, the coverage under the Company's existing and future reinsurance contracts may be inadequate to cover the Company's liabilities. As a result, the Company may not be able to successfully alleviate risk through these arrangements, which could have a material adverse effect on its results of operations, financial condition or liquidity. In particular, the hardening of the reinsurance market in past years has led to increased prices or less favorable terms during the renewal of some of the Company's reinsurance programs.

The Company is not relieved of its obligation to its policyholders by purchasing reinsurance. Accordingly, it is subject to credit risk with respect to its reinsurance if a reinsurer is unable to pay amounts owed to the Company as a result of a deterioration in the reinsurer's financial condition or if the reinsurer simply is unwilling to pay due to a dispute or other factors beyond the Company's control. In the past, certain reinsurers have ceased writing business and entered into run-off. Some of the Company's reinsurance claims may be disputed by the reinsurers, and the Company may ultimately receive partial or no payment. This is a particular risk in the case of claims that relate to insurance policies written many years ago, including those relating to A&E claims. The ability of reinsurers to transfer their risks to other, less creditworthy reinsurers may adversely affect the Company's ability to collect amounts due to the Company.

Included in reinsurance recoverables are certain amounts related to structured settlements. Structured settlements comprise annuities purchased from various life insurance companies to settle certain personal physical injury claims, of which workers compensation claims constitute a significant portion. In cases where the Company did not receive a release from the claimant, the structured settlement is included in reinsurance recoverables as the Company retains the contingent liability to the claimant. If the life insurance company fails to make the required annuity payments, the Company would be required to make such payments.

Because of the risks set forth above, the Company may not be able to collect all amounts due to it from reinsurers, and reinsurance coverage may not be available to the Company in the future at commercially reasonable rates or at all. In addition, life insurance companies may fail to make required annuity payments. As a result, there could be a material adverse effect on the Company's results of operations, financial condition or liquidity.

Disruptions to the Company's relationships with its independent agents and brokers could materially adversely affect it.

Other than in the personal insurance segment of the Company's Global Retail Markets business, the Company markets substantially all of its insurance products through independent agents and brokers. Independent agents and brokers may sell the Company's competitors' products and may stop selling the Company's products altogether. Many insurers offer products similar to those of the Company. In choosing an insurance carrier, the Company's independent agents and brokers may consider ease of doing

business, reputation, price of product, customer service, claims handling and the insurer's compensation structure. The Company may be unable to compete with insurers that adopt more aggressive pricing policies or more generous compensation structures, offer a broader array of products or have extensive promotional and advertising campaigns. Loss of the business provided through independent agents and brokers could have a material adverse effect on the Company's future business volume and results of operations.

During or following a period of financial market disruption or economic downturn, the Company's business could be materially and adversely affected.

During the last decade, worldwide financial markets experienced significant disruptions and, during a portion of this period, the United States and many other economies experienced a prolonged economic downturn, resulting in heightened credit risk, reduced valuation of investments and decreased economic activity. While economic conditions have generally improved, there is continued uncertainty regarding the duration and strength of the economic recovery. Even if growth continues, it may be at a slow rate for an extended period of time, and other economic conditions, such as employment rates, may continue to be weak. In addition, while inflation has recently been limited and that trend may continue, it is possible that steps taken by the federal government to stabilize financial markets and improve economic conditions could lead to an inflationary environment. Furthermore, financial markets may again experience significant and prolonged disruption.

Economic uncertainty has been exacerbated in recent years by the increased potential for default by one or more European sovereign debt issuers, the potential partial or complete dissolution of the Eurozone and its common currency and the negative impact of such events on global financial institutions and capital markets generally. Actions or inactions of European governments may affect these actual or perceived risks. In addition, future actions or inactions of the U.S. government, including a failure to increase the government debt limit or a shutdown of the federal government, could increase the actual or perceived risk that the United States may not ultimately pay its obligations when due and may disrupt financial markets.

A deterioration of economic conditions, or a significant disruption of the financial markets could have a material adverse effect on the Company's results of operations, financial condition or liquidity. Several of the risk factors discussed in this Offer to Purchase identify risks that result from, or are exacerbated by, an economic slowdown or financial disruption. These include risks related to the Company's investment portfolio, reinsurance arrangements, other credit exposures, estimates of claims and claim adjustment expense reserves, emerging claim and coverage issues, the competitive environment, regulatory developments and the impact of rating agency actions.

Many of these risks could materialize, and the Company's financial results could be negatively affected, even after the end of an economic downturn or financial disruption. During or following an economic downturn, lower levels of economic activity could reduce (and historically have reduced) exposure changes at renewal, which generally results in decreased premiums. They also could adversely affect (and historically have adversely affected) audit premium adjustments, policy endorsements and mid-term cancellations after policies are written, which could adversely affect the Company's written premiums. In addition, because earned premiums lag written premiums, the Company's results can be adversely affected after general economic conditions have improved.

An inflationary environment (which may follow government efforts to stabilize the economy) may also, as discussed in this Offer to Purchase, adversely affect the Company's loss costs and could adversely affect the valuation of its investment portfolio. Finally, as a result of the financial market disruptions over the past several years, the Company may, as discussed in this Offer to Purchase, face increased regulation.

The Company's investment portfolio may suffer reduced returns or material losses.

Investment returns are an important part of the Company's overall profitability and investment values can materially impact equity.

The Company's investment portfolio may be adversely affected by changes in interest rates. If the market value of the Company's fixed maturity portfolio decreases, the Company may realize losses if it deems the value of its fixed income portfolio to be other-than-temporarily impaired.

The Company's investment-grade bond portfolio is invested, in substantial part, in obligations of states, municipalities and political subdivisions (collectively referred to as the municipal bond portfolio). Notwithstanding the relatively low historical rates of default on many of these obligations, the occurrence of a major economic downturn, widening credit spreads, budgetary deficits or other events that adversely affect the issuers or guarantors of these securities could cause the value of the Company's fixed maturity securities portfolio and the Company's net income to decline and the default rate of the Company's fixed maturity securities portfolio to increase.

Supplementing the Company's broadly based portfolio of investment-grade bonds, the Company invests in additional asset types with the objective of further enhancing the portfolio's diversification and expected returns. These additional asset types include commercial mortgages and other real estate investments, non-investment-grade bonds, private equity, direct investments in natural resources and common and preferred stock.

During or following an economic downturn or period of financial market disruption, the Company's investment portfolio could be subject to higher risk. The value of the Company's investment portfolio is subject to the risk that certain investments may default or become impaired due to a deterioration in the financial condition of one or more issuers of the securities held in the portfolio. Such defaults and impairments could reduce the Company's net investment income and result in realized investment losses. In 2008 and 2009, worldwide financial markets experienced significant disruptions and the United States and many other economies experienced a prolonged economic downturn, resulting in heightened credit risk, reduced valuation of investments and decreased economic activity. The financial market volatility and the resulting negative economic impact could recur and it is possible that it may be prolonged, which could adversely affect the Company's current investment portfolio, make it difficult to determine the value of certain assets in the Company's portfolio or make it difficult for the Company to purchase suitable investments that meet its risk and return criteria. These factors could cause the Company to realize less than expected returns on invested assets, sell investments for a loss or write off or write down investments, any of which could have a material adverse effect on the Company's results of operations or financial condition.

With economic uncertainty, the credit quality and ratings of securities in the Company's portfolio could be adversely affected. The National Association of Insurance Commissioners ("NAIC") could potentially apply a lower class code on a security than was originally assigned, which could adversely affect statutory surplus because securities with NAIC class codes 3 through 6 are required to be carried at lower of amortized cost or fair market value for statutory accounting purposes as compared to securities with NAIC class codes of 1 or 2 that are carried at amortized cost.

Because of the risks set forth above, the value of the Company's investment portfolio could decrease, the Company could experience reduced net investment income and the Company could incur realized investment losses, which could have a material adverse effect on its results of operations, financial condition or liquidity.

The concentration of our investment portfolios in any particular single issuer or sector of the economy may have an adverse effect on our financial position or results of operations.

Negative events or developments affecting any particular single issuer, industry, group of related industries or geographic sector may have an adverse impact on a particular holding or set of holdings. To the extent we have concentrated positions, it could have an adverse effect on our results of operations and financial position. Our investment guidelines establish concentration limits for our investment portfolios.

Our derivative transactions may adversely affect our liquidity and expose us to counterparty credit risk.

Derivative instruments we hold to hedge and manage risks (and occasionally for income generation) associated with our business and other risks might not perform as intended or expected resulting in higher realized losses and unforeseen stresses on liquidity. Market conditions can limit availability of hedging instruments and require us to post collateral. Our derivative strategies also rely on the performance of counterparties to such derivatives. These counterparties may fail to perform for various reasons resulting in losses on uncollateralized positions.

Interest rates may rise or decline, resulting in a change in the carrying value of the Company's investments or a reduction in its liquidity.

Interest rates are currently low relative to historical levels. Changes in interest rates (inclusive of credit spreads) affect the carrying value of the Company's investment-grade bonds and returns on the Company's investment-grade bonds and short-term investments. A decline in interest rates reduces the returns available on new investments, thereby negatively impacting the Company's net investment income. Conversely, rising interest rates reduce the market value of existing investments in investment-grade bonds. During periods of declining market interest rates, the Company would be forced to reinvest the cash it receives as interest or return of principal on its investments in lower-yielding high-grade instruments or in lower-credit instruments to maintain comparable returns. Issuers of fixed income securities could also decide to prepay their obligations in order to borrow at lower market rates, which would increase the percentage of the Company's portfolio that the Company would have to reinvest in lower-yielding investments of comparable credit quality or in lower quality investments offering similar yields. In the event that the Company incurs debt on which interest is tied to a floating interest rate, a rise in interest rates could increase the interest expense associated with such debt, resulting in a reduction to the Company's liquidity.

The Company is subject to the types of risks inherent in making alternative investments in private limited partnerships, limited liability companies, commercial mortgages and direct investments in natural resources.

The Company's investments include investments in private limited partnerships, limited liability companies, commercial mortgages and direct investments in natural resources. The Company's investments in these entities are long-term in nature and highly illiquid.

With respect to investments in private limited partnerships, limited liability companies and direct investments in natural resources, the amount and timing of income from these entities tends to be variable as a result of the performance and investment stage of the underlying investments. The timing of distributions from these entities, which depend on particular events relating to the underlying investments as well as the entities' schedules for making distributions and their need for cash, can be difficult to predict. As a result, the amount of income that the Company records from these investments can vary substantially from quarter to quarter. In addition, general volatility in the capital markets and the dislocation of the credit markets may reduce investment income from these types of investments. As of December 31, 2019, the Company had unfunded commitments in private equity partnerships of \$1.160 billion, natural resources of \$342 million, real estate of \$796 million, private credit of \$1.168 billion and other of \$116 million.

With respect to investments in commercial mortgages, the amount and timing of distributions tends to be more consistent than the investments discussed above; however, they can vary depending on the interest rate environment. If the trend is toward falling interest rates, then the return on investments in commercial mortgages may decrease as a result of prepayments. While in a period of rising interest rates or a worsening economy, returns on mortgage investments may be affected by an increase in defaults.

With respect to investments in private limited partnerships and limited liability companies, the Company is also subject to the risks arising from the fact that the determination of the fair value of these types of investments is inherently subjective. The general partner of each of these partnerships generally reports the change in the fair value of the interests in the partnership on a one quarter lag because of the nature of the underlying assets or liabilities. Since these partnerships' underlying investments consist primarily of assets or liabilities for which there are no quoted prices in active markets for the same or similar assets, the valuation of interests in these partnerships is subject to a higher level of subjectivity than substantially all of the Company's other investments. Each of these general partners is required to determine fair value by the price obtainable for the sale of the interest at the time of determination. Valuations based on unobservable inputs are subject to greater scrutiny and reconsideration from one reporting period to the next, and therefore the changes in the fair value of these investments may be subject to significant fluctuations which could lead to significant decreases in their fair value from one reporting period to the next. Since the Company records its investments in these various entities under the equity method of accounting, any decreases in the valuation of these investments would negatively affect its results of operations.

The valuation of the Company's investments includes methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may have a material adverse effect on the Company's results of operations, financial condition or liquidity.

Fixed maturity, equity and short-term investments, which are reported at fair value on the balance sheet, represented the majority of the Company's total cash and invested assets as of December 31, 2019. As required under accounting rules, the Company has categorized these securities into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1); the next priority to quoted prices in markets that are not active or inputs that are observable either directly or indirectly, including (i) quoted prices (a) for similar assets or liabilities other than quoted prices in Level 1 or (b) in markets that are not active or (ii) other inputs that can be derived principally from, or corroborated by, observable market data for substantially the full term of the assets or liabilities (Level 2); and the lowest priority to unobservable inputs supported by little or no market activity and that reflect the reporting entity's own assumptions about the exit price, including assumptions that market participants might use in pricing the asset or liability (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. At December 31, 2019, approximately 16.5% and 82.1% of these securities represented Level 1 and Level 2, respectively. The Company generally uses a combination of independent pricing services and broker quotes to price its investment securities. However, prices provided by independent pricing services and independent broker quotes can vary widely even for the same security. To the extent that the Company is incorrect in its determination of fair value of its investment securities or its determination that a decline in their value is other-than-temporary, the Company may realize losses that never actually materialize or may fail to recognize losses within the appropriate period.

Rapidly changing and unprecedented credit and equity market conditions could increase the difficulty in valuing certain of the Company's securities and materially impact the valuation of securities as reported within the Company's financial statements and the period-to-period changes in value could vary significantly. Decreases in value may result in an increase in non-cash other-than-temporary impairment charges and may have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The determination of the amount of impairments taken on the Company's investments has a degree of subjectivity and could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The determination of the amount of impairments taken on the Company's investments is based on the Company's periodic evaluation and assessment of its investments and known and inherent risks associated with the various asset classes. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in impairments as such evaluations are revised. There can be no assurance that management has accurately assessed the level of impairments reflected in the Company's financial statements. Furthermore, additional impairments may need to be taken in the future. Historical trends may not be indicative of future impairments.

The Company may suffer losses from unfavorable outcomes from litigation and other legal proceedings, which may have a material adverse effect on its results of operations, financial condition or liquidity, and the effects of emerging claim and coverage issues on its business are uncertain.

In the ordinary course of business, the Company is subject to litigation and other legal proceedings as part of the claims process, the outcomes of which are uncertain. The Company maintains reserves for these legal proceedings as part of its reserves for unpaid claims and claim adjustment expenses. The Company also maintains separate reserves for legal proceedings that are not related to the claims process. In the event of an unfavorable outcome in one or more legal matters, the Company's ultimate liability may be in excess of amounts the Company has currently reserved for, and such additional amounts may have a material adverse effect on the Company's results of operations, financial condition or liquidity.

As industry practices and legal, judicial, social, financial, technological and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the Company's business by either extending coverage beyond the Company's underwriting intent or by increasing the number or size of claims. Examples of emerging claims and coverage issues include:

- judicial expansion of policy coverage and the impact of new theories of liability;
- plaintiffs targeting property and casualty insurers, including the Company, in purported class action litigation relating to claims-handling and other practices;
- claims relating to construction defects, which often present complex coverage and damage valuation questions;
- the assertion of "public nuisance" theories of liability, pursuant to which plaintiffs seek to recover money spent to administer public health care programs or to abate hazards to public health and safety; and
- claims relating to unanticipated consequences of current or new technologies.

In some instances, these emerging issues may not become apparent for some time after the Company has issued the affected insurance policies. As a result, the full extent of liability under the Company's insurance policies may not be known for many years after the policies are issued.

In addition, the potential passage of new legislation designed to expand the right to sue, to remove limitations on recovery, to extend the statutes of limitations or otherwise to repeal or weaken tort reforms could have an adverse impact on the Company's business.

The importance of environmental, social and governance issues ("ESG") and the Company's rankings on indices regarding ESG issues have become increasingly important to the Company's investors, customers and employees. Failure of the Company to respond to the pressures brought about by such interested parties in a timely and adequate manner could have an adverse effect on the Company's reputation and its ability to issue additional securities, to sell its products and to hire and maintain skilled employees, which could have an adverse impact on the Company's results of operations and financial position.

The effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict and could harm the Company's business and have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company is exposed to credit risk in certain of its business operations.

In addition to exposure to credit risk related to its investment portfolio, reinsurance recoverables and surety insurance operations discussed elsewhere in this Offer to Purchase, the Company is exposed to credit risk in several other areas of its business operations, including credit risk relating to policyholders and independent agencies.

A portion of the Company's commercial business is written with large deductible insurance policies. Under some commercial insurance contracts with deductible features, the Company is obligated to pay the claimant the full amount of the claim. The Company is subsequently reimbursed by the contract holder for the deductible amount, and is subject to credit risk until such reimbursement is made. Additionally, retrospectively rated policies are also used, primarily for workers compensation coverage, whereby the ultimate premium is determined based on actual loss activity. Although the retrospectively rated feature of the policy substantially reduces insurance risk for the Company, it does introduce credit risk to the Company. The Company's results of operations could be adversely affected if a significant portion of such contract holders failed to reimburse the Company for the deductible amount or the retrospectively rated policyholders failed to pay additional premiums owed.

The Company is exposed to credit risk in its surety operations, where it guarantees to a third party that the Company's customer will satisfy certain performance obligations (for example, a construction contract) or certain financial obligations. If the Company's customer defaults, the Company may suffer losses and be unable to be reimbursed by that customer. In addition, in accordance with industry practice, multiple insurers participate as co-sureties on large surety bonds and the co-surety obligations under these arrangements are typically joint and several. In that context, the Company is exposed to credit risk with respect to its co-sureties.

In accordance with industry practice, when customers purchase insurance policies from the Company through independent agents and brokers, the premiums relating to those policies are often paid to the agents and brokers for payment to the Company. In most jurisdictions, the premiums will be deemed to have been paid to the Company whether or not they are actually received by the Company. Consequently, the Company assumes a degree of credit risk associated with amounts due from independent agents and brokers.

To a large degree, the credit risk the Company faces is a function of the economy. Accordingly, the Company faces a greater risk in an economic downturn. While the Company attempts to manage the risks discussed above through underwriting and investment guidelines, collateral requirements and other oversight mechanisms, the Company's efforts may not be successful. For example, collateral obtained may subsequently have little or no value. As a result, the Company's exposure to the above credit risks could have a material adverse effect on its results of operations, financial condition or liquidity.

Terrorist acts could have a material adverse effect on the Company's business, results of operations, financial condition or liquidity, and the Company's ability to reinsure or manage such risk is limited.

The Terrorism Risk Insurance Program (the "Program") established under the Terrorism Risk Insurance Act of 2002, as amended by the Terrorism Risk Insurance Extension Act of 2005 and the Terrorism Risk Insurance Program Reauthorization Acts of 2007, 2015 and 2019 (collectively, the "Terrorism Acts"), generally requires all commercial property and casualty insurers writing business in the United States to make terrorism coverage available to commercial policyholders and provides a federal backstop for certified terrorist acts, which result in losses above insurance company deductible amounts. The Terrorism Acts directly apply to the Company's U.S. property and casualty insurance business. For a loss to be covered under the Program, the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism by the U.S. Secretary of the Treasury. In calendar year 2015, on eligible lines of business, participating insurers are entitled to receive reimbursement for "certified" acts of terrorism from the federal government for 85% of paid losses in excess of the insurer's deductible, provided the aggregate industry losses exceed \$100 million to a maximum industry loss of \$100 billion. As of January 1, 2016: (1) the amount of reimbursement from the federal government decreases by one percentage point each calendar year, until it equals 80%; and (2) the aggregate industry loss minimum increases by \$20 million each calendar year, until it equals \$200 million. The deductible for any calendar year is equal to 20% of an insurer's and its affiliates' direct premiums earned for covered lines for the preceding calendar year. The Company estimates that the amount that it will have to pay in the context of a "certified" act of terrorism, before the federal backstop under the Program becomes available, is \$1.828 billion for 2020. Certain lines of business that the Company writes, including commercial automobile, professional liability (excluding directors and officers), surety, burglary and theft and farmowners multiple-peril are exempted from coverage under the Program. In the case of a war declared by Congress, only workers compensation losses are covered by the Program. The U.S. Secretary of the Treasury may "certify," for coverage under the Program, acts of terrorism committed by any individual(s), foreign or domestic. Damage outside the United States is not covered except in limited circumstances. The Program will remain in effect until December 31, 2027. There can be no assurance that it will be extended beyond that date. In the event that the Program is not extended beyond December 31, 2027 and in the absence of a private reinsurance market for terrorism reinsurance, the Company may be required to accept financial responsibility for losses that it would not otherwise insure unless state insurance departments allow for the non-renewal of business with significant terrorism risk exposure or the exclusion of

coverage for terrorism risks under policy renewals. Because the interpretation of the Program is untested, there is substantial uncertainty as to how it will be applied to specific circumstances. It is also possible that future legislative action could change the Program. Further, given the unpredictable frequency and severity of terrorism losses, as well as the limited terrorism coverage in the Company's own reinsurance program, future losses from acts of terrorism, particularly "unconventional" acts of terrorism involving nuclear, biological, chemical or radiological events, could have a material adverse effect on the Company's results of operations, financial condition or liquidity in future periods.

Independent of limitations on coverage under the Program, the occurrence of one or more terrorist attacks in the geographic areas the Company serves could result in substantially higher claims under its insurance policies than it has anticipated. Private sector catastrophe reinsurance is extremely limited and generally unavailable for terrorism losses caused by attacks with nuclear, biological, chemical or radiological weapons. Accordingly, the effects of a terrorist attack in the geographic areas the Company serves may result in claims and related losses for which it does not have adequate reinsurance. This would likely cause the Company to increase its loss reserves. Further, the continued threat of terrorism and the occurrence of terrorist attacks, as well as heightened security measures and military action in response to these threats and attacks, may cause significant volatility in global financial markets, disruptions to commerce and reduced economic activity. These consequences could have an adverse effect on the value of the assets in the Company's investment portfolio. The continued threat of terrorism also could result in increased reinsurance prices and potentially cause the Company to retain more risk than it otherwise would retain if it were able to obtain reinsurance at lower prices. Terrorist attacks also could disrupt the Company's operation centers and business capabilities generally. As a result, it is possible that any, or a combination of all, of these factors may have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The property and casualty insurance industry is highly competitive, and the Company may not be able to compete effectively in the future.

The property and casualty insurance industry is highly competitive and has, from time to time, experienced severe price competition. The Company competes with both domestic insurers, including both national insurers and regional insurers, and foreign insurers. Overall, competition is increasing in all of our businesses, including as a result of increased price transparency. The competitive environment in which the Company operates could be affected by current general economic conditions, which could reduce the volume of business available to the Company as well as to its competitors. In addition, the competitive environment could be affected by changes in customer preferences, such as a possible increase in customer focus on price over other competitive criteria. Over time, this increased focus on price may provide a relative advantage to carriers that have more efficient cost structures and that are better able to accurately estimate, and price for, claims and claim adjustment expenses. Furthermore, some competitors may have greater financial, marketing or management resources than the Company, or have longer-term business relationships with customers, which may be a significant competitive advantage. If we are not able to operate with a competitive cost structure or accurately estimate and price for claims and claim adjustment expenses, the Company's underwriting margins could be adversely affected over time.

A number of the Company's competitors may offer products at prices and on terms that are not consistent with the Company's economic standards in an effort to maintain their business or write new business. The Company's competitive position is based not only on its ability to profitably price its business, but also on product features and quality, scale, customer service, financial strength, claims-paying ratings, credit ratings, e-business capabilities, name recognition and agent compensation. The Company may have difficulty in continuing to compete successfully on any of these bases in the future.

In addition, the advent of driverless cars and technologies that facilitate ride sharing could materially alter the way automobile insurance is marketed, priced and underwritten.

The Company's underwriting results are dependent on its ability to match rate to risk. If the Company's pricing models fail to price risks accurately, its profitability may be adversely affected.

The profitability of the Company's property and casualty business substantially depends on the extent to which its actual claims experience is consistent with the assumptions it uses in pricing its policies. The Company uses automated underwriting tools for many of its property and casualty products, as well as tiered pricing structures to match its premium rates to the risks it insures. If the Company expands its appetite into different markets and products, it will write more policies in markets and geographical areas where it has less data specific to these new markets and accordingly may be more susceptible to error in its models or claims adjustment. If the Company fails to appropriately price the risks it insures, if it fails to change its pricing model to reflect its current experience or if its claims experience is more frequent or severe than its underlying risk assumptions, its profit margins may be negatively affected. To the extent the Company has overpriced risks, new-business growth and retention of its existing business may be adversely affected.

The Company's businesses are heavily regulated, and changes in regulation may reduce its profitability and limit its growth.

The Company is extensively regulated and supervised in the jurisdictions in which it conducts business. This regulatory system is generally designed to protect the interests of policyholders and not necessarily the interests of insurers and investors. This system addresses, among other things:

- licensing companies and agents to transact business and authorizing lines of business;
- calculating the value of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving policy forms;
- regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements;
- establishing statutory capital and surplus requirements;
- approving changes in control of insurance companies;
- restricting the payment of dividends and other transactions between affiliates;
- establishing assessments and surcharges for guaranty funds, second-injury funds and other mandatory pooling arrangements;
- requiring insurers to dividend to policyholders any excess profits;
- regulating the types, amounts and valuation of investments; and
- regulating a variety of other financial and non-financial components of an insurer's business.

In recent years, the state insurance regulatory framework has come under increased scrutiny, and some state legislatures have considered legislation or enacted laws and state insurance departments have adopted regulations that may alter or increase state authority to regulate insurance companies and insurance holding companies. Further, the NAIC and state insurance regulators continually reexamine existing laws and regulations, specifically focusing on modifications to statutory accounting principles, holding company regulations, interpretations of existing laws and the development of new laws and regulations. The NAIC has undertaken a Solvency Modernization Initiative focused on updating the solvency regulatory framework, including capital requirements, governance, risk management, accounting and financial reporting, group supervision and reinsurance.

In a time of financial uncertainty or a prolonged economic downturn, regulators may choose to adopt more restrictive insurance laws and regulations. For example, insurance regulators may choose to restrict the ability of Insurance Subsidiaries to make payments to their parent companies or reject rate increases due to the economic environment.

In addition, in connection with the current COVID-19 pandemic, some state legislatures are considering enacting laws that would retroactively nullify existing insurance policy exclusions for pandemics, illnesses or viruses, in particular, with respect to business interruption insurance. Policymakers are considering similar proposals in non-US jurisdictions where the Company writes business.

The Company's ability to change its rates in response to competition or to increased costs depends, in part, on whether the applicable state insurance rate regulation laws require the prior approval of a rate increase by or notification to the applicable insurance regulators either before or after a rate increase is imposed.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase the Company's direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on its financial condition and results of operations. If there were to be changes to statutory or regulatory requirements, the Company may be unable to fully comply with or maintain all required insurance licenses and approvals. Regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals. If the Company does not have all requisite licenses and approvals or does not comply with applicable statutory and regulatory requirements, the regulatory authorities could preclude or temporarily suspend the Company from carrying on some or all of its insurance activities or monetarily penalize it,

which could have a material adverse effect on its results of operations, financial condition or liquidity. The Company cannot predict with certainty the effect any proposed or future legislation or regulatory initiatives may have on the conduct of its business.

While the U.S. federal government has not historically regulated the insurance business, in 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) established a Federal Insurance Office (the “FIO”) within the U.S. Department of the Treasury. The FIO has limited regulatory authority and is empowered to gather data and information regarding the insurance industry and insurers. In December 2013, the FIO released a report recommending ways to modernize and improve the system of insurance regulation in the United States. While the report did not recommend full federal regulation of insurance, it did suggest an expanded federal role in some circumstances. In addition, the report suggested that Congress should consider direct federal involvement to fill regulatory gaps identified in the report, should those gaps persist, for example, by considering either establishing a federal coordinating body or a direct regulator of select aspects of the industry, such as large complex institutions or institutions that seek a federal charter, if a law is passed to allow a federal charter. In November 2016, the FIO released a report on consumer protection and access to insurance that highlighted purported gaps and inconsistencies in state insurance consumer protections in such areas such as the use of consumer data in underwriting and pricing, cybersecurity, environmental hazards, underwriting classifications and policy language, among others. The report suggests options at the state and federal levels to address these gaps and inconsistencies. It is not clear as to the extent, if any, either of these reports will lead to regulatory changes or how any such changes would impact the Company. Further, the Dodd-Frank Act gives the Federal Reserve supervisory authority over a number of non-bank financial services holding companies, including insurance companies, if they are designated by a two-thirds vote of the Financial Stability Oversight Council (the “FSOC”) as systemically important financial institutions (“SIFI”). To date, the FSOC has not designated the Company as a non-bank SIFI. However, the FSOC may conclude in the future that the Company is a SIFI. If the Company were designated as a SIFI, the Federal Reserve’s supervisory authority would include the ability to impose heightened financial regulation and could impact requirements regarding the Company’s capital, liquidity and leverage as well as its business and investment conduct. This potential outcome may be less likely in the future. In December 2019, the FSOC issued final guidance on an activities-based approach – or “ABA” – to identifying and addressing potential risks to U.S. financial stability. While retaining back-up ability to designate entities, the new FSOC focus will be on identifying activities that present potential systemic risk to the U.S. economy and applying measures through existing functional regulation or fashioning other approaches to resolve the risk. The Company could face the risk of having one or more activities in which it is presently engaged, or a future business initiative, identified, which could subject the Company to additional regulation and reporting obligations. As a result of the foregoing, the Dodd-Frank Act, or other additional federal regulation that is adopted in the future, could impose significant burdens on the Company, including impacting the ways in which it conducts its business, increasing compliance costs and duplicating state regulation, and could result in a competitive disadvantage, particularly relative to smaller insurers that may not be subject to the same level of regulation.

Changes in legislation, regulation and government policy, including as a result of the upcoming 2020 presidential and congressional elections, may have a material adverse effect on the Company’s business in the future.

The upcoming elections in the United States could result in significant changes in, and uncertainty with respect to, legislation, regulation and government policy. While it is not possible to predict whether and when any such changes will occur, changes at the local, state or federal level could significantly impact the Company’s business and the insurance industry. Specific legislative and regulatory proposals discussed during and after the election that could have a material impact on us include, but are not limited to, changes to the U.S. federal tax code and regulations or other guidance thereunder; potential changes to the federal healthcare law; modifications to international trade policy, including changes in trade agreements, such as the United States-Mexico-Canada Agreement, and changes to taxes on imports; and changes to financial legislation, including changes to environmental regulation and antitrust enforcement. Any such changes may make it more difficult and/or more expensive for us to offer the types of services we do to our customers.

On February 3, 2017, President Trump signed an executive order calling for the administration to review U.S. financial laws and regulations, including the Dodd-Frank Act. Even if the Company is not subject to additional regulation by the federal government, significant financial sector regulatory reform, including the Dodd-Frank Act, could have a significant impact on the Company. For example, regulatory reform could have an unexpected impact on the Company’s rights as a creditor or on its competitive position. While there are no non-bank SIFIs at this time, even if the Company is not designated as a SIFI, regulations imposed by the Federal Reserve on designated non-bank SIFIs could affect other regulators’ approaches toward regulations, which could affect the Company. In particular, the Dodd-Frank Act authorizes assessments to pay for the resolution of SIFIs that have become insolvent. The Company (as a financial company with more than \$50 billion in assets) could be assessed, and, although any such assessment is required to be risk weighted (that is, riskier firms pay more), such costs could be material to the Company and are not currently estimable. President Trump’s legislative agenda tends to include certain deregulatory measures that could have a material impact on our business.

Other potential changes in U.S. federal legislation, regulation and administrative policies could also significantly adversely affect the insurance industry, including the Company.

Insurance laws or regulations that are adopted or amended, in addition to changes in federal statutes, may be more restrictive than current laws or regulations and may result in lower revenues or higher costs of compliance and thus could have a material adverse effect on the Company's results of operations and limit its growth.

New laws or regulations, or different interpretations of existing laws or regulations, including unexpected policy changes, applicable to our income, operations, assets or another aspect of our business, could have a material adverse impact on our earnings, cash flow, financial condition and results of operations. Currently some jurisdictions are considering legislation to monitor insurance company investments in fossil fuel companies and underwriting in respect of fossil fuel businesses. This information could be used to determine a company's exposure to climate change risk as a precursor to other action.

The amount of statutory capital that the Company has and must hold to maintain its financial strength and credit ratings and meet other requirements can vary significantly from time to time and is sensitive to a number of factors outside of the Company's control.

Accounting standards and statutory capital and reserve requirements for the Insurance Subsidiaries are prescribed by the applicable insurance regulators and the NAIC. Insurance regulators have established regulations that provide minimum capitalization requirements based on risk-based capital ("RBC") formulas for insurance companies. The RBC formula for property and casualty companies adjusts statutory surplus levels for certain underwriting, asset, credit and off-balance sheet risks.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors—the amount of statutory income or losses generated by Insurance Subsidiaries (which itself is sensitive to equity market and credit market conditions), the amount of additional capital Insurance Subsidiaries must hold to support business growth, changes in equity market levels, the value of certain fixed-income and equity securities in the Company's investment portfolio, the value of certain derivative instruments, changes in interest rates and foreign currency exchange rates, as well as changes to the NAIC RBC formulas. Most of these factors are outside of the Company's control. The Company's financial strength ratings are significantly influenced by the Insurance Subsidiaries' statutory surplus amounts and RBC ratios. In addition, the NAIC is also developing a Group Capital Calculation for U.S. insurance groups. While still in its nascent stage and even though it is not intended to be a prescribed capital requirement, this calculation could have an impact on our group capital or the insurance that we write. Due to all of these factors, projecting statutory capital and the related RBC ratios is complex.

Changes to methods of marketing and underwriting in certain areas are subject to state-imposed restrictions.

The Company's ability to change its methods of marketing and underwriting in certain areas, such as in California and in the coastal areas of Florida and New York, are subject to state-imposed restrictions. These restrictions include restrictions on the use of named storm deductibles, restrictions on the use of underwriting guidelines that use an insured's geographic area as a factor, restrictions on exiting certain lines of business based on geographic or other considerations without notice to or approval by the state insurance department and restrictions on the ability to write private passenger automobile insurance unless an insurer also writes homeowners coverage in the state. As a result, it may be more difficult for the Company to significantly reduce its exposure in these areas.

Mandated market mechanisms may require the Company to underwrite policies with a higher risk of loss and assessments and other surcharges for guaranty funds, and second-injury funds may reduce its profitability.

The Company is often required to participate directly or indirectly in mandatory shared market mechanisms as a condition of its licenses to do business in certain states. These markets, which are commonly referred to as "residual markets" or "involuntary markets," generally consist of risks considered to be undesirable from a standard or routine underwriting perspective. Underwriting performance related to assigned risk plans, a form of mandated market mechanism is typically adverse and, as a result, the Company is required to underwrite some policies with a higher risk of loss than it would normally accept.

Each state dictates the level of insurance coverage that is mandatorily assigned to participating insurers within these markets. Typically, the amount of involuntary policies the Company is obligated to write in a given year is based on its historical market share of all voluntary policies written within that state for particular lines of business. Liabilities for guaranty fund and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the entity to pay an imposed or probable assessment has occurred (based on future premiums for property and casualty insurance lines of business). The related asset is limited to the amount that is determined based on future premium collections or policy surcharges from policies in force. Current Guaranty Fund Association assessments are expected to be paid over one year while loss-based assessments are expected to be paid over a period ranging from one year to the life expectancy of certain workers' compensation claimants.

In addition, virtually all states require insurers licensed to do business in their state to bear a portion of the loss suffered by some insureds as the result of impaired or insolvent insurance companies. These guaranty funds are funded by assessments. The effect

of these assessments or changes in them could reduce the Company's profitability in any given period or limit its ability to grow its business. The Company cannot predict the impact, if any, that these matters may have on its financial condition, results of operations or liquidity or on the property and casualty insurance industry.

The Company may not maintain favorable financial strength ratings, which could adversely affect its ability to conduct business.

The Company may not maintain favorable financial strength ratings, which could adversely affect its ability to conduct business. Third party rating agencies assess and rate the financial strength, including claims-paying ability, of insurers and reinsurers. These ratings are based upon criteria established by the rating agencies and are subject to revision at any time at the sole discretion of the agencies. Some of the criteria relate to general economic conditions and other circumstances outside the rated company's control. These financial strength ratings are used by policyholders, as well as independent agents and brokers, as an important means of assessing the suitability of insurers as business counterparties and have become an increasingly important factor in establishing the competitive position of insurance companies. These financial strength ratings do not refer to the Company's ability to meet non-insurance obligations and are not a recommendation to purchase or discontinue any policy issued by the Company or to buy, hold or sell its securities. The principal Insurance Subsidiaries' current financial strength ratings are "A" (the third highest of 16 ratings, stable outlook) from A.M. Best, "A2" (the sixth highest of 21 ratings, stable outlook) from Moody's and "A" (the sixth highest of 21 ratings, stable outlook) from Standard & Poor's. Periodically, the rating agencies evaluate the Company to confirm that it continues to meet the criteria of the ratings previously assigned to it. A downgrade or withdrawal of the Company's financial strength ratings could limit or prevent the Insurance Subsidiaries from writing new insurance policies or renewing existing insurance policies, which would have a material adverse effect on its results of operations, financial condition or liquidity.

The Insurance Subsidiaries are also parties to an intercompany reinsurance pooling arrangement that allows them to obtain a uniform rating from A.M. Best. If one or a few of the Insurance Subsidiaries experience a deterioration in its financial condition, the uniform rating of the entire pool could suffer a downgrade.

In reaction to any difficulties that may arise in the insurance industry or financial markets, it is possible that the external rating agencies: (1) could heighten the level of scrutiny that they apply to insurance institutions; (2) could increase the frequency and scope of their reviews; and (3) could adjust upward the capital and other requirements employed in their models for maintenance of certain rating levels.

The Company cannot predict what actions rating agencies may take, or what actions it may take in response to the actions of rating agencies, which could adversely affect the Company's business. As with other companies in the financial services industry, the Company's ratings could be downgraded at any time and without any notices by any rating agency, which could have a material adverse effect on the Company's results of operations, financial condition or liquidity. These ratings reflect the agencies' opinions as to the financial strength, operating performance and ability to meet obligations to policyholders of the Insurance Subsidiaries.

Inflation, including repair costs and medical inflation, could have a material adverse effect on the Company's results.

Historically, massive government spending aimed at spurring the economy has been followed by increased inflation. The effects of inflation could cause the severity of claims from catastrophes or other events to rise in the future. The Company's reserves for claims and claim adjustment expenses include assumptions about future payments for settlement of claims and claims handling expenses, such as repair costs, medical expenses and litigation costs. To the extent that actual inflation increases significantly more than such assumptions, the Company may be required to increase its loss reserves with a corresponding reduction in its net income in the period in which the deficiency is identified.

Cyclicality of the property and casualty insurance industry may cause fluctuations in the Company's results of operations, financial condition or liquidity.

The property and casualty insurance business is cyclical in nature and has historically been characterized by periods of intense price competition, which could have an adverse effect on the Company's results of operations and financial condition. Periods of intense price competition historically have alternated with periods when shortages of underwriting capacity have permitted attractive premium levels. Any significant decrease in the premium rates the Company can charge for property and casualty insurance would adversely affect its results.

Factors that affect loss cost trends in automobile underwriting include inflation in the cost of automobile repairs, medical care, litigation of liability claims, improved automobile safety features, legislative changes and general economic conditions. Factors that affect loss costs trends in property underwriting include inflation in the cost of building materials and labor costs and demand caused by weather-related catastrophes. Factors that affect loss cost trends in workers compensation underwriting include inflation in the cost of medical care, litigation of liability claims and general economic conditions. Property and casualty insurers, including the Company, are often unable to increase premium rates until sometime after the costs associated with the coverage have increased, primarily as a result of state insurance regulation and laws. Therefore, in a period of increasing loss costs, profit margins decline.

The Company expects to continue to experience the effects of this cyclical which, during down periods, could have a material adverse effect on its results of operations, financial condition or liquidity.

The Company's international business faces political, legal, operational and other risks that could adversely affect its results of operations.

The Company's international operations face political, legal, operational and other risks not encountered in the Company's U.S. operations. The Company faces the risk of discriminatory regulation, nationalization or expropriation of assets, price controls and exchange controls or other restrictions that could prevent the Company from transferring funds from these operations out of the countries in which they operate or converting local currencies it holds into U.S. dollars or other currencies. In addition, the Company relies on local sales forces in these countries and may encounter labor problems resulting from workers associations and trade unions in some countries. Also, in some markets, the Company has invested as part of a joint venture with a local counterparty. Because the Company's governance rights may be limited, it may not have control over the ability of the joint venture to make certain decisions or mitigate risks it faces, and significant disagreements with a joint venture counterparty may adversely affect the Company's investment.

The Company's foreign insurance operations generally write policies denominated in local currencies and in large part invest in local currencies. Although investing in local currencies limits the effect of currency exchange rate fluctuation on local operating results, fluctuations in such rates affect the translation of these results into the Company's financial statements and could have a material adverse effect on the Company's business, financial condition or results of operations.

The European Union's executive body, the European Commission, implemented capital adequacy and risk management regulations, called Solvency II, that apply to the Company's businesses in the European Union as of January 1, 2016. Under Solvency II, the direct or indirect parent of a European Union subsidiary (including a U.S. parent company) could be subject to certain Solvency II requirements if the regulator determines that the subsidiary's capital position is dependent on an affiliated or parent company and the affiliated or parent company is not already subject to regulations deemed equivalent to Solvency II. Effective September 22, 2017, the U.S. and EU entered into an agreement providing that Solvency II would not be applied to a U.S.-based worldwide insurance group on a provisional basis.

In addition, regulators in countries where the Company has operations are working with the International Association of Insurance Supervisors ("IAIS") (and in the United States, with the NAIC) to develop a Common Framework for the Supervision of Internationally Active Insurance Groups ("ComFrame"), which is intended to establish a set of international supervisory requirements focusing on the effective group-wide supervision of internationally active insurance groups ("IAIGs"). The IAIS adopted ComFrame in November 2019.

The IAIS also has been developing and field testing an insurance capital standard ("ICS") intended to be a prescribed capital standard applicable to IAIGs. The IAIS adopted a so-called reference ICS in November 2019. The reference ICS will be used for reporting to an IAIG's group-wide supervisor and supervisory colleges during a five-year monitoring period. Final adoption of the standard as a prescribed capital standard is expected in late 2024, when it will be included as part of ComFrame. Under the IAIS definition, the Company would be identified as an IAIG. The NAIC has stated that state regulators will not be implementing the ICS, but instead is developing an aggregation method for assessing an insurance group's solvency capital. The IAIS will determine in 2024 whether the aggregation method provides comparable outcomes to the ICS based on as-yet undefined principles and criteria. Consequently, it is not yet known what impact the aggregation method will have on the Company, whether the aggregation method will be deemed comparable to the ICS, or what impact a global insurance capital standard included as part of ComFrame would have on the Company.

The IAIS worked with the Financial Stability Board of the G-20 to develop a methodology to identify and designate insurance companies that pose a systemic risk to the global economy, known as "global systemically important insurers" ("G-SIIs"), including additional capital and related requirements. In 2013, the Financial Stability Board named the insurers that are designated as G-SIIs and the Company was not one of them. It is possible, however, that the Financial Stability Board may in the future conclude that the Company is a G-SII. Designation as a G-SII could result in heightened financial regulation and could impact requirements regarding the Company's liquidity and leverage as well as its business and investment conduct. In November 2017, the FSB announced that it had decided to suspend publication of a new list of G-SIIs. Instead, in November 2019, the IAIS adopted a 'holistic framework' for assessing systemic risk, which is intended to replace the primarily entity-based designation system with one focused on activities that might pose systemic risk to the global financial system. The holistic framework is available for implementation beginning in 2020. G-SII designations are suspended until November 2022, when the FSB will review the operation of the holistic framework and decide whether to reinstate or discontinue the annual G-SII designation. While the holistic framework is to be applied proportionally, it is possible that one or more of the Company's activities or some future business initiative could subject the Company to further regulation and reporting obligations.

Furthermore, the Company's international businesses are focused on emerging markets, which can be subject to severe economic and financial disruptions, including significant devaluations of their currencies and low or negative growth rates in economies.

COVID-19, or coronavirus, could have a material effect on our results of operations, but at this time a clear determination cannot be made.

In December 2019, a novel coronavirus commonly referred to as "COVID-19" surfaced in Wuhan, China. The outbreak has since spread to other countries, including the United States, and efforts to contain the spread of this coronavirus have intensified. The outbreak and any preventative or protective actions that governments, other third parties or we may take in respect of the coronavirus may result in a period of business disruption and reduced operations. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions 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, workers comp, event cancellation coverage, business interruption and other insurance, and litigation relating thereto; 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.

Currently, several states are considering mandating, by executive order or by legislation, that notwithstanding the terms of property insurance policies (including any endorsement thereto or exclusions to coverage included therewith), the covered perils in such policies for insureds shall include coverage for business interruptions resulting from COVID-19 which would indemnify an insured for any loss of business or business interruption, subject to policy limits. Further, some state legislatures are considering bills designed to grant "essential employees" (often broadly defined to include such occupations as health care workers, first responders, correction officers, military, activated National Guard, grocery store workers, postal service workers and others) an additional benefit from worker's compensation coverage if they are diagnosed with COVID-19. In addition, plaintiffs are bringing class action suits seeking business interruption coverage for business closures caused by COVID-19. Their arguments include that business interruption insurance should be triggered by a civil authority shutdown order and that the infection of a premises with coronavirus or the clean-up of those infected premises constitutes the physical damage necessary to trigger business interruption coverage. In a non-insurance case, the Supreme Court of Pennsylvania recently held that COVID-19 must be treated similar to natural disasters such as hurricanes and earthquakes, which result in substantial damage to property. These additional insurance coverages, whether as a consequence of legislative or judicial action, could have a material adverse effect on the Company's results of operation, financial condition or liquidity.

Furthermore, as a consequence of the COVID-19 stay at home orders in effect throughout much of the United States and abroad, policyholders are driving fewer miles than normal. Accordingly on April 7, 2020, the Company announced its Personal Auto Customer Relief Refund ("PACRR") plan which gives personal auto insurance customers a 15% refund on two months of their annual 2020 premium. On April 23, 2020, the Company launched its Liberty Mutual Businessowners Policy ("BOP") Refund for small commercial customers issuing a 15% refund of two months of premium for all BOP policies. In addition, late fee charges were automatically stopped and cancellations due to non-payment were temporarily paused for both personal auto and home customers from March 23 through at least May 22, 2020. The Company will work with individual customers to extend payment dates if needed and provide personalized support on an ad hoc basis. All personal auto policy coverages have been expanded to cover customers who use their personal vehicles to deliver food and medicine even though some of our standard personal auto policies typically exclude such coverage. This additional protection will remain in effect for all personal auto policies in all states for losses occurring from March 16 to May 22, 2020, and reported by July 1, 2020. The aggregate payments under the PACRR and BOP customer support programs will be approximately \$300 million.

The potential impact of Brexit may affect Liberty Mutual's EU/UK operations.

The United Kingdom's ("UK") departure from the European Union ("EU"), commonly referred to as "Brexit," could affect insurance firms such as Liberty Mutual that conduct substantial operations in the EU. Brexit occurred on January 31, 2020. The exit was the beginning of a transition period during which the UK will remain in the EU's customs union and single market but will negotiate with the EU regarding the terms of the future UK-EU relationship. That period will expire on December 31, 2020. The expiration of the transition period with no appropriate UK-EU agreement may create some issues for the Company's EU specialty (re)insurance business.

Liberty Mutual has been making modifications to its legal entity structure and operations in the EU to address the departure of the UK from the EU. However, due to considerations such as operating expenses, liquidity, leverage and capital, there is a risk that the modified European operating framework may over time become more complex, less efficient and more costly than would otherwise have been the case. In particular:

- Liberty Mutual's UK specialty (re)insurance company, which operates throughout the EU via a network of branches, has been re-domiciled into the EU (Luxembourg). Its UK operation thus became a branch of the Luxembourg entity, and is expected to become a "third country" branch at the end of the transition period (subject to UK regulatory approval). While this structure is not contingent on the UK-EU negotiations and enables the Company to continue to trade substantively in the same way as before, the capital impact of this is as yet unknown.
- There is a medium-term risk that the entity described in the previous paragraph may need to fragment. This is dependent on a number of factors and the evolving regulatory landscape, which are not necessarily connected to the outcome of the UK-EU negotiations.
- Lloyd's is applying to the UK courts to transfer to the new EU operation its syndicates' EU portfolios underwritten through its pre-Brexit UK structure. Lloyd's is planning to complete this transfer by the end of the transition period. In the event that the transfer is not completed by the end of the transition period, there is a risk that Liberty's Syndicate, along with all other Lloyd's Syndicates, could face complications in administering and paying claims on affected policies unless national EU regulators act to avoid any such disruption to their resident policyholders.
- If the UK is not granted "equivalence" by the EU in relation to market access after the end of the transition period, this could cause additional regulatory costs and challenges for Liberty Mutual's EU specialty operation.
- If the UK and EU do not reach an appropriate agreement at the end of the transition period, there is the potential for an adverse economic impact on businesses operating in the region, including the Company.

The Company's surety products expose it to potentially high severity losses.

The Company provides surety products through its Global Surety operating unit, a part of its Global Risk Solutions business. The majority of its surety obligations are performance based guarantees. This business exposes the Company to infrequent, but potentially high severity, losses. The Company has customers with bonded exposure in excess of \$100 million. The deterioration of one or more of these large customers could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's ability to compete effectively with respect to certain surety products is dependent on the underwriting limitations assigned to several of the Insurance Subsidiaries.

Global Surety's ability to attract large contract business depends on the underwriting limitations assigned to several of the Insurance Subsidiaries. Federal law requires a contractor awarded a federal construction contract to supply a surety bond issued by a company holding a U.S. Treasury Department certificate of authority. Upon review of each company's financial information, the Treasury Department determines the underwriting limitation for each company. The underwriting limitation represents 10% of the Company's paid-in capital and surplus less certain deductions. Pursuant to Treasury Department regulations, a company may not issue a single bond that exceeds its underwriting limitation absent co-insurance or reinsurance for the amount in excess of its underwriting limitation. A surety carrier that writes business through a company with a high underwriting limitation has a competitive advantage in the surety marketplace. A company with a high underwriting limitation can write large surety bonds on its own financial strength without the need for co-insurance or reinsurance. Agents and surety bond customers view a high underwriting limitation as a sign of financial strength and stability when assessing a potential surety relationship. If the Insurance Subsidiaries were no longer qualified for U.S. Treasury Department certificates of authority or if their underwriting limitations were substantially reduced, that could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

Loss of or significant restriction on the use of credit scoring, education and occupation data in the pricing and underwriting of the Company's products could reduce its future profitability.

The Company uses credit scoring, education and occupation data as factors in pricing decisions where permitted under state law. Some consumer groups and regulators have questioned whether the use of credit scoring, education and occupation data unfairly discriminates against lower-income, minority and elderly consumers and are calling for the prohibition of or restriction on the use of such factors in underwriting and pricing. Enactment in a large number of states of laws or regulations that significantly curtail the use of credit scoring, education or occupation data in the underwriting process could reduce the Company's future profitability.

The Company could be adversely affected if its controls to ensure compliance with guidelines, policies and legal and regulatory standards are not effective.

The Company's business is highly dependent on the Company's ability to engage on a daily basis in a large number of insurance underwriting, claim processing and investment activities, many of which are highly complex. These activities often are subject to internal guidelines and policies, as well as legal and regulatory standards. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. If the Company's controls are not effective, it could lead to financial loss, unanticipated risk exposure (including underwriting, credit and investment risk) or damage to the Company's reputation.

Potential changes in federal or state tax laws could adversely affect the Company's business, results of operations, financial condition or liquidity.

The Company's investment portfolio has benefited from tax exemptions and certain other tax laws, including those governing dividends-received deductions and tax credits. Whether in connection with crisis management, deficit reduction or various types of fundamental tax reform, federal and state tax legislation could be enacted that would result in higher taxes on insurance companies and their policyholders, lessen or eliminate some or all of the tax advantages currently benefiting the Company and adversely affect the value of its investment portfolio.

The Company's participation in a securities lending program subjects it to potential liquidity and other risks.

The Company has engaged in securities lending activities from which it generates net investment income from the lending of certain of its investments to other institutions. The Company generally obtains cash or securities as collateral from borrowers of these securities in an amount equal to at least 102% of the fair value of the loaned securities plus accrued interest, which is obtained at the inception of a loan and maintained at a level greater than or equal to 102% for the duration of the loan. At December 31, 2019, the Company had no loans outstanding at the program level where the loan collateral was less than 102% of the fair value of such loaned securities. This collateral is held by a third-party custodian, and the Company has the right to access the collateral only in the event that the institution borrowing the Company's securities is in default under the lending agreement. The loaned securities remain the Company's recorded asset. The Company does not recognize the receipt of securities collateral held by the third-party custodian or the obligation to return the securities collateral; however, the Company does recognize the receipt of cash collateral and the corresponding obligation to return the cash collateral. The cash collateral is held in a segregated account with the agent bank and is re-invested according to preset reinvestment guidelines.

Returns of loaned securities by the third parties would require the Company to return any collateral associated with such loaned securities. In some cases, the maturity of the securities held as invested collateral (i.e., securities that the Company has purchased with cash received from the third parties) may exceed the term of the related securities on loan and the estimated fair value may fall below the amount of cash received as collateral and invested. If the Company is required to return significant amounts of cash collateral on short notice and it is forced to sell securities to meet the return obligation, the Company may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than the Company otherwise would have been able to realize under normal market conditions, or both. In addition, under stressful capital market and economic conditions, such as those conditions the Company experienced during 2008 and 2009, liquidity broadly deteriorates, which may further restrict the Company's ability to loan securities and to meet its obligations under these transactions. If the Company decreases the amount of its securities lending activities over time, the amount of investment income generated by these activities will also likely decline.

The Company's business success and profitability depend, in part, on effective utilization of information technology systems and its implementation of technology innovations.

The Company depends on information technology systems for conducting business and processing insurance claims. Critical elements of the Company's business operations are dependent on the continued maintenance and availability of these existing technology systems. The Company's continued long-term success requires that it remain innovative and select strategic technology initiatives, in a cost and resource efficient manner, to drive down overall expenses and improve the value to the business.

The Company engages in a variety of technology system development projects. These types of strategic initiatives are long-term in nature and may be affected by a variety of unknown business and technology related factors. As a result, the potential associated expenses relating to these projects may adversely impact the Company's expense ratios if they exceed its current estimates. Further, the technology system development process may not deliver the benefits and efficiencies that the Company expected during the initial stages of the projects.

The Company relies on a variety of software license agreements with third party vendors. The Company expects to continue to rely on agreements with such third party vendors for the provision of necessary software and information technology services.

The Company's ability to provide competitive services to agents and brokers, as well as new and existing policyholders, in a cost effective manner and its ability to implement strategic initiatives could be adversely affected by an increase in costs for these projects. The Company may not be able to meet its information technology requirements in a manner or on terms and conditions, including costs, as favorable as those it has previously received, which could have a material adverse effect on its operations, financial condition or liquidity.

The Company faces substantial legal and operational risks in complying with privacy laws and regulations governing the privacy and protection of personal information.

The Company's businesses are subject to complex and evolving laws and regulations, both within and outside the U.S., governing the privacy and protection of personal information of individuals. The protected parties can include:

- the Company's clients and customers, and prospective clients and customers;
- clients and customers of the Company's clients and customers;
- claimants, third-party claimants, and witnesses;
- brokers, agents, and third-party administrators;
- employees and prospective employees; and
- employees of the Company's vendors, counterparties and other external parties.

Taking steps to ensure that the Company's collection, use, transfer and storage of personal information comply with all applicable laws and regulations in all relevant jurisdictions, including where the laws of different jurisdictions are in conflict, can:

- increase the Company's compliance and operating costs;
- hinder the development of new products or services, curtail the offering of existing products or services, or affect how products and services are offered to clients and customers;
- demand significant oversight by the Company's management; and
- require the Company to structure its businesses, operations and systems in less efficient ways.

Furthermore, the Company cannot guarantee that all its clients and customers, vendors, counterparties and other external parties have appropriate controls in place to protect the confidentiality of the information exchanged between them and the Company, particularly where information is transmitted by electronic means. The Company could be exposed to litigation or regulatory fines, penalties or other sanctions if personal, confidential or proprietary information of clients, customers, employees or others were to be mishandled or misused, such as situations where such information is:

- erroneously provided to parties who are not permitted to have the information;
- intercepted or otherwise compromised by third parties;
- used for a purpose not previously disclosed; or
- transferred out of the country without meeting regulatory requirements.

Concerns regarding the effectiveness of the Company's measures to safeguard personal information, or even the perception that those measures are inadequate, could cause the Company to lose existing or potential clients and customers, and thereby reduce the Company's revenues. Any failure or perceived failure by the Company to comply with applicable privacy or data protection laws and regulations may subject it to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices, significant liabilities or regulatory fines, penalties or other sanctions. Any of these could damage the Company's reputation and otherwise adversely affect its businesses.

Recent regulations with a significant impact on our operations include the European Union's ("EU") General Data Protection Regulation, or "GDPR", the recently enacted California Consumer Privacy Act, or "CCPA", and the New York Department of Financial Services Part 500 cybersecurity requirements for financial services companies. GDPR, which became effective in May 2018 for EU data subjects, imposes numerous technical and operational obligations on processors and controllers of personal data and provides numerous protections for individuals in the EU, including but not limited to notification requirements for data breaches, the right to access personal data, and the right to be forgotten. GDPR provides data protection authorities with new enforcement powers (including the ability to restrict processing activities and impose fines of up to €20 million or 4% of an organisation's total worldwide annual turnover for the preceding financial year, whichever is higher). Other countries have enacted, or are considering enacting, legislation that is similar in scope to GDPR. The California Consumer Privacy Act became effective on January 1, 2020 and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, provide consumers with rights to know and delete information relating to them and allow consumers to opt out of certain data sharing with third parties. The New York Department of Financial Services Part 500 cybersecurity requirements, which became effective in March 2017, focus on minimum standards for cybersecurity programs and empowers the New York Department of Financial Services to issue fines for noncompliance. Similar standards are set forth in the NAIC's Insurance Data Security Model Law, which has to date been adopted by eight U.S. states. It is anticipated that additional federal, state and international regulations will continue to be enacted in the future. Compliance with cybersecurity and privacy laws and regulations requires ongoing investment in systems, policies and personnel and will continue to impact the Company's business in the future by increasing our legal, operational and compliance costs and reduce our profitability. In addition, while the Company has taken steps to comply with data privacy laws, the Company cannot guarantee that its efforts will meet the evolving standards imposed by data protection authorities. If the Company is found to have failed to comply with data privacy laws, we may be subject to regulatory inquiries, governmental investigations and proceedings and may incur reputational damage, material fines and other monetary penalties and damages, diversion of management's time and attention and increased regulatory scrutiny, all of which could have a material adverse effect on the Company's business and results of operations.

In addition to the existing framework of data privacy laws and regulations, the U.S. Congress, U.S. state legislatures and many states and countries outside the U.S. are considering new privacy and security requirements that would apply to the Company's business. Compliance with new privacy and security laws, requirements and regulations may result in material cost increases due to necessary systems changes, new limitations or constraints on the Company's business models, the development of new administrative processes, and the effects of potential noncompliance by the Company and its business associates. They also may impose further restrictions on the Company's collection, storage, disclosure and use of customer identifiable data that are housed in one or more of the Company's administrative databases. Noncompliance with any privacy and data security laws could have a material adverse effect on the Company's business, reputation, brand and results of operations, including: material fines and penalties; compensatory, special, punitive and statutory damages; consent orders regarding the Company's privacy and security practices; adverse actions against the Company's licenses to do business; and injunctive relief.

If the Company experiences data breaches, cyberattacks or other difficulties with technology or data security, its ability to conduct its business could be negatively affected.

While technology can streamline many business processes and ultimately reduce the cost of operations, technology initiatives present certain risks. The Company uses computer systems, including its automated underwriting platforms, to store, retrieve, evaluate and utilize customer and company data and information. The Company's information technology and telecommunications systems, in turn, interface with and rely upon third-party information networks and systems. The Company's business is highly dependent on the availability, speed and reliability of these networks and systems to perform necessary business functions, such as providing new-business quotes, processing new and renewal business, making changes to existing policies, filing and paying claims, and providing customer support.

The information technology systems and the networks on which the Company relies may be vulnerable to physical or electronic intrusions, viruses or other cybersecurity threats and attacks and similar disruptions, particularly in light of the growing frequency and sophistication of malicious efforts to infiltrate private computer networks. The information that these systems and networks store and protect includes non-public personal information of our policyholders and claimants which could include names, addresses, information on insured assets, business information, and banking information, all of which pose a target for malicious actors. In addition, these threat actors have become better organized and better funded than they were in previous years with imposing infrastructures and capabilities and possibly include organized crime groups. However with the rise in computer automation used in hacking even small scale attackers have expanded their attacks. A shut-down of, or inability to access, one or more of the Company's

facilities, a power outage or a disruption of one or more of these information technology, telecommunications or other systems or networks could significantly impair the Company's ability to perform those functions on a timely basis, which could hurt the Company's business and the Company's relationships with its policyholders, agents and brokers. Computer viruses, cyberattacks, data breaches and other external hazards and unauthorized access to or misuse (including by employees and other authorized persons) of personal or confidential data and information collected, used or stored by the Company could expose such data or the information technology systems and the networks on which the Company relies to unauthorized persons or to the public. Furthermore, certain of the Company's businesses have access to sensitive or personal data or information that is subject to laws and regulations enacted by U.S. federal and state governments, the European Union or other jurisdictions relating to breaches of such information. For instance, the CCPA provides a new private right of action for data breaches.

The Company devotes significant resources to maintain and regularly upgrade its systems and processes to protect against, detect, prevent, respond to and mitigate cybersecurity incidents, as well as to organizational training for employees to develop an understanding of cybersecurity risks and threats. However, the Company cannot guarantee it can prevent material security breaches, theft, modification or loss of data, employee malfeasance and additional known and unknown threats, and the Company's insurance may not protect the Company against related damages. Such incidents could result in reputational harm, private consumer (including class action), business partner, or securities litigation and governmental investigations and proceedings, any of which could result in the Company's exposure to material civil or criminal liability. Third parties to whom the Company outsources certain of its functions, including, but not limited to, third party service providers, are also subject to security breaches, theft, modification or loss of data, employee malfeasance and additional known and unknown threats, along with the other risks outlined above.

These increased risks, and expanding regulatory requirements regarding data security, could expose the Company to data loss, disruption of service, monetary and reputational damage, capital investments and other expenditures required to remedy incidents and prevent future ones, litigation and significant increases in compliance costs. As a result, the Company's ability to conduct its business and its results of operations might be adversely affected.

In the event of a disaster, the Company's business continuity plan may not be sufficient, which could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's infrastructure supports a combination of local and remote recovery solutions for business resumption in the event of a disaster. In the event of either the destruction of any of the Company's office buildings or the inability to access any of those buildings, the Company's business recovery plan provides for the Company's employees to perform their work functions by remote access from an employee's home or by relocation of employees to the Company's other offices. However, in the event of a full scale local or regional disaster, the Company's business recovery plan may be inadequate, and the Company's employees, including sales representatives, may be unable to carry out their work, which could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

Acquisitions and integration of acquired businesses may result in operating difficulties and other unintended consequences while divestitures may result in operation distraction and unexpected consequences.

The Company will selectively investigate and pursue acquisition opportunities if it believes that such opportunities are consistent with the Company's long-term objectives and that the potential rewards exceed the risks. The process of integrating an acquired company or business can be complex and costly, however, and may create unforeseen operating difficulties and expenditures. For example, acquisitions may present significant risks, including:

- the potential disruption of the Company's ongoing business;
- the reduction in cash available for operations and other uses and the potential dilutive issuance of equity securities or the incurrence of debt;
- the ineffective integration of underwriting, claims handling and actuarial practices and systems;
- the increase in the inherent uncertainty of reserve estimates for a period of time, until stable trends re-establish themselves within the combined organization, as past trends (that were a function of past products, past claims handling procedures, past claims departments and past legal and other experts) may not repeat themselves;
- the diversion of management time and resources to acquisition integration challenges;
- the loss of key employees; and
- the cultural challenges associated with integrating employees.

There is no guarantee that any businesses acquired in the future will be successfully integrated, and the ineffective integration of the Company's businesses and processes may result in substantial costs or delays and adversely affect the Company's ability to compete. Also, the acquired business may not perform as projected, and any cost savings and other synergies anticipated from the acquisition may not materialize.

In addition, the Company may divest or wind-down businesses that it believes are no longer consistent with its long-term objectives. In that regard, we may be subject to legal and regulatory actions in the ordinary course of business for those businesses that we have divested or placed in wind-down status that may adversely distract the Company's management or result in unexpected substantial costs.

The Company is subject to a variety of modeling risks that could have a material adverse impact on its business results; in the absence of an industry standard for catastrophe modeling, the Company's estimates may not be comparable to other insurance companies.

Property and casualty business is exposed to many risks. These risks are a function of the environments within which the Company operates. Certain exposures can be correlated with other exposures, and an event or a series of events can impact multiple areas of the Company simultaneously and have a material effect on the Company's results of operations, financial position and liquidity. These exposures require an entity-wide view of risk and an understanding of the potential impact on all areas of the Company.

The Company relies on complex financial models, including computer models and modeling techniques, which have been developed internally or by third parties to provide information on items such as historical loss costs and pricing, trends in claims severity and frequency, the effects of certain catastrophe losses, investment performance and portfolio risk. For example, the Company estimates a probable maximum loss for certain catastrophe exposures using models and other tools that require assumptions around several variables to model the event and its potential impact. Inadequacies in the models and modeling techniques that the Company uses or faulty assumptions or granularity of data could lead to actual losses being materially higher than the Company anticipated based on its analysis of the modeled scenarios. As a result, the Company could experience unexpectedly high losses through concentrated risk in certain geographic areas, could make ineffective or inefficient reinsurance purchases and could suffer unnecessary investment losses. While the models and modeling techniques that the Company uses are relatively sophisticated, the value of the quantitative market risk information they generate is limited by the limitations of the modeling process. The Company believes that financial and computer modeling techniques alone do not provide a reliable method of monitoring and controlling market risk. Therefore, such modeling techniques do not substitute for the experience or judgment of the Company's senior management.

There is no industry standard for the modeling of catastrophe risk. As a result, the Company's estimates may not be comparable to those of other insurance companies.

The Company cannot predict the impact that changing climate conditions, including legal, regulatory and social responses thereto, may have on the Company's business.

Various scientists, environmentalists, international organizations, regulators and other commentators believe that global climate change has added, and will continue to add, to the unpredictability, frequency and severity of natural disasters (including hurricanes, tornadoes, freezes, other storms and fires) in certain parts of the world. In response to this belief, a number of legal and regulatory measures as well as social initiatives have been introduced in an effort to reduce greenhouse gas and other carbon emissions, which some believe may be chief contributors to global climate change. The Company cannot predict the impact that changing climate conditions, if any, will have on its results of operations or financial condition. Moreover, the Company cannot predict how legal, regulatory and social responses to concerns about global climate change will impact the Company's business.

A change in or replacement of the London Inter-Bank Offered Rate ("LIBOR") may adversely affect the value of certain derivatives and floating rate securities we hold and floating rate securities we have issued, and any other assets or liabilities whose value may be tied to LIBOR.

Should financial institutions stop reporting the benchmark interest rate known as LIBOR or change how the rate is calculated, the Company could suffer economic loss to the extent it has fixed maturity investments or other financial instruments that do not provide for a replacement reference rate and which mature after the date LIBOR is changed or is no longer published. LIBOR is the interest rate at which banks have historically offered to lend funds to one another for short-term loans. Actions by regulators or law enforcement agencies, as well as the Intercontinental Exchange (ICE) Benchmark Administration (the current administrator of LIBOR) may result in changes to the way LIBOR is determined or the establishment of alternative reference rates. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. The U.S. Federal Reserve, based on the recommendations of the New York Federal Reserve's Alternative Reference Rate Committee (constituted of major derivative market participants and their regulators), has begun publishing a Secured Overnight Funding Rate ("SOFR") which is intended to replace U.S. dollar LIBOR. Plans for alternative reference rates for other

currencies have also been announced. At this time, it is not possible to predict how markets will respond to these new rates, and the effect that any changes in LIBOR or discontinuation of LIBOR might have on new or existing financial instruments. If LIBOR ceases to exist or if the methods of calculating LIBOR change from current methods for any reason, outstanding contracts with interest rates tied to LIBOR may be adversely affected if those contracts either do not automatically provide for a replacement rate such as SOFR or convert to another reference rate that could be less favorable to the Company. Outstanding contracts that could be affected include interest rates on certain derivatives and floating rate securities or loans we hold, securities we have issued or loans we have received, and any other assets or liabilities whose value is tied to or otherwise affected by LIBOR. Further, any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of such instruments.

Risks Relating to the Cash Offers

The Cash Offers (and the concurrent Exchange Offers) may result in reduced liquidity for the Existing Notes that are not exchanged.

To the extent tenders of Existing Notes for purchase in the Cash Offers (and tenders by Ineligible Holders for exchange in the concurrent Exchange Offers) are accepted by us and the Cash Offers (and the concurrent Exchange Offers) are completed, the trading market for a series of Existing Notes that are not exchanged could become more limited than the existing trading market for such series of Existing Notes and could cease to exist altogether if the consummation of the Cash Offers (and the concurrent Exchange Offers) results in the reduction in the principal amount of such series of Existing Notes. A more limited trading market, whether due to reduced principal amount outstanding of a series of Existing Notes or otherwise, might adversely affect the liquidity, market price and price volatility of all the Existing Notes or the particular series of Existing Notes with a reduced aggregate principal amount. If a market for Existing Notes that are not exchanged exists or develops, the Existing Notes may trade at a discount to the price at which they would trade if the principal amount outstanding were not reduced. There can be no assurance that an active market in the Existing Notes will exist, develop or be maintained, or as to the prices at which the Existing Notes may trade, whether or not the Cash Offers (or the concurrent Exchange Offers) are consummated.

We have not obtained a third-party determination that the Cash Offers are fair to holders of the Existing Notes.

Neither we, nor the Dealer Managers or the Tender Agent makes any recommendation as to whether you should tender your Existing Notes in the Cash Offers, and we have not made a determination or obtained a third-party determination that the Cash Offers are fair to holders of the Existing Notes.

Our board of directors has not made, and will not make, any recommendation as to whether holders of Existing Notes should tender their Existing Notes pursuant to the Cash Offers (or the concurrent Exchange Offers). Furthermore, our board of directors has not made any determination that the consideration to be received represents a fair valuation of the Existing Notes, and we also have not retained, and do not intend to retain, any unaffiliated representative to act solely on behalf of the holders of Existing Notes for purposes of negotiating the terms of the Cash Offers, or preparing a report or making any recommendation concerning the fairness of the Cash Offers. Therefore, if an Eligible Holder tenders their Existing Notes, they may not receive more or as much value than if they had chosen to keep them. Eligible Holders of Existing Notes must make their own independent decisions regarding their participation in the applicable Cash Offer.

The consummation of the Cash Offers may not occur.

We are not obligated to complete any Cash Offers. The completion of each Cash Offer for each series of Existing Notes is subject to, and conditional upon, the satisfaction or waiver (if waivable) of certain conditions, including, among other things, (i) the requirement that the Reference Yield on the Reference U.S. Treasury Security for such Cash Offer, as calculated by the lead Dealer Managers at the Price Determination Date in accordance with this Offer to Purchase is neither (a) less than 0.699% or (b) greater than 1.699%; (ii) that nothing has occurred or may occur that would or might, in our judgment, be expected to prohibit, prevent, restrict or delay a Cash Offer or impair us from realizing the anticipated benefits of a Cash Offer; (iii) the Maximum Total Consideration Condition; and (iv) the Exchange Offer Completion Condition (which may not be waived).

In addition, subject to applicable law, we may extend, amend or terminate a Cash Offer at any time before expiration and may, in our sole discretion, waive any of the conditions to a Cash Offer (other than the Exchange Offer Completion Condition). Even if the Cash Offers are completed, they may not be completed on the schedule described in this Offer to Purchase. Accordingly, Eligible Holders participating in the Cash Offers may have to wait longer than expected to receive the Total Consideration, during which time those Eligible Holders will not be able to effect transfers of their Existing Notes tendered in the Cash Offers.

To the extent that the aggregate Total Consideration payable for all validly tendered Existing Notes of each series with a higher Acceptance Priority Level than a given series of Existing Notes meets or exceeds the Maximum Total Consideration Amount and because no series of Existing Notes will be subject to proration, if the aggregate Total Consideration payable for all validly tendered Existing Notes of a given series, together with the aggregate Total Consideration payable for the validly tendered

Existing Notes of each series with a higher Acceptance Priority Level, exceeds the Maximum Total Consideration Amount, the Cash Offer for the given series of Existing Notes will not be consummated.

We may, in our sole discretion, subject to applicable law, extend, amend, waive any condition of or terminate any or all of the Cash Offers at any time.

Until we announce whether we have accepted valid tenders of Existing Notes for purchase pursuant to the Cash Offers (or for exchange in the concurrent Exchange Offers), no assurance can be given that the Cash Offers (or the concurrent Exchange Offers) will be completed. Moreover, subject to applicable law and as provided in this Offer to Purchase, we may, in our sole discretion, subject to applicable law, extend, amend, waive any condition (other than the conditions we have described as non-waivable) of or terminate any or all of the Cash Offers at any time before our announcement of whether we will accept valid tenders of Existing Notes for Cash pursuant to the Cash Offers, which we expect to make as soon as reasonably practicable after the Expiration Date.

Eligible Holders are responsible for consulting their advisers.

Eligible Holders should consult their own tax, accounting, financial and legal advisers regarding the suitability to themselves of the tax or accounting consequences of participating in the Cash Offers.

None of Liberty Mutual, the Dealer Managers, the Tender Agent, the Information Agent or their respective directors, employees or affiliates is acting for any Eligible Holder, or will be responsible to any Eligible Holder for providing any protections which would be afforded to its clients or for providing advice in relation to the Cash Offers, and accordingly none of Liberty Mutual, the Dealer Managers, the Tender Agent, the Information Agent or their respective directors, employees and affiliates makes any recommendation whatsoever regarding the Cash Offers, or any recommendation as to whether Eligible Holders should tender their Existing Notes for purchase pursuant to the Cash Offers.

Non-compliance with offer and distribution restrictions may disadvantage Eligible Holders.

Eligible Holders of Existing Notes are referred to the “Notice to Certain Non-U.S. Holders” and the agreements, acknowledgements, representations, warranties and undertakings contained therein and in the Eligibility Letter, which Eligible Holders will make upon submission of an Agent’s Message. Non-compliance with these could result in, among other things, the unwinding of trades and/or heavy penalties.

Late deliveries of Existing Notes or any other failure to comply with the Cash Offers’ procedures could prevent an Eligible Holder from exchanging its Existing Notes.

Eligible Holders of Existing Notes are responsible for complying with all the procedures of the Cash Offers. Therefore, holders of Existing Notes who wish to tender their Existing Notes should allow sufficient time for timely completion of the procedures of the Cash Offers. Neither we nor the Tender Agent are obligated to extend the Cash Offers or notify Eligible Holders of any failure to follow the proper procedures.

If an Eligible Holder holds Existing Notes through a broker, dealer, commercial bank, trust company or other nominee, they should keep in mind that such entity may require them to take action with respect to the Cash Offers a number of days before the Expiration Date in order for such entity to tender Existing Notes on their behalf at or prior to the Expiration Date.

Subsequent to the completion of the Cash Offers, we may purchase any Existing Notes not tendered in the Cash Offers on terms that could be more favorable to holders of Existing Notes than the terms of the Cash Offers.

We may, at any time to the extent permitted by applicable law, purchase Existing Notes in the open market, in privately negotiated transactions, through subsequent tender or exchange offers or otherwise, which purchases may be made on the same terms or on terms which are more favorable to holders than the terms of the Cash Offers. Holders that tender Existing Notes in the Cash Offers will not, in respect of such tendered Existing Notes accepted for Cash, be able to participate in any subsequent repurchase, which may be made on terms that are more favorable than those of the Cash Offers.

If an Eligible Holder tenders some but not all of their holdings of a series of Existing Notes such that after the Cash Offers they will retain less than the minimum denomination of such series of Existing Notes, the Eligible Holder’s ability to trade such series of the Existing Notes may be limited.

DTC limits the ability of holders to trade principal amounts of Existing Notes that are lower than the Minimum Authorized Denomination described under “Description of the Cash Offers—Minimum Authorized Denominations.” Therefore, an Eligible Holder’s ability to trade a series of the Existing Notes following the expiration of the applicable Cash Offer may be limited if they

tender some but not all of such series of Existing Notes such that they will retain less than the Minimum Authorized Denomination of such series of Existing Notes.

Failure to complete the Cash Offers successfully could negatively affect the prices of the Existing Notes.

Several conditions must be satisfied or waived in order to complete each of the Cash Offers. The conditions to any of the Cash Offers may not be satisfied, and if such conditions are not satisfied or waived (if waivable), such Cash Offers may not occur or may be delayed. If the Cash Offers are not completed or are delayed, the respective market prices of any or all of the series of Existing Notes in such Cash Offers may decline to the extent that the respective current market prices reflect an assumption that such Cash Offers have been or will be completed.

Certain tax considerations may affect Eligible Holders who tender their Existing Notes.

Tendering Existing Notes may result in tax consequences. See “*Certain Federal Income Tax Considerations*” for a discussion of certain U.S. federal income tax matters that should be considered in evaluating the Cash Offers.

DESCRIPTION OF THE CASH OFFERS

The Offeror

Liberty Mutual is a Massachusetts stock holding company that principally does business through its wholly owned subsidiaries. Our headquarters is located at 175 Berkeley Street, Boston, Massachusetts 02116 and our telephone number is (617) 357-9500.

Purpose of the Cash Offers

The purpose of the Cash Offers and the concurrent Exchange Offers is to refinance a portion of the Existing Notes in order to optimize our debt capital structure.

General

Liberty Mutual is making offers to Eligible Holders of the Existing Notes to purchase, upon the terms and subject to the conditions set forth in this Offer to Purchase and the other Tender Offer Documents, their Existing Notes pursuant to the following five separate Cash Offers:

- (i) an offer to purchase the \$269,852,000 principal amount of 6.500% Senior Notes due 2042 outstanding, Acceptance Priority Level 1;
- (ii) an offer to purchase the \$152,647,000 principal amount of 7.000% Senior Notes due 2034 outstanding, Acceptance Priority Level 2;
- (iii) an offer to purchase the \$301,113,000 principal amount of 6.500% Senior Notes due 2035 outstanding, Acceptance Priority Level 3;
- (iv) an offer to purchase the \$613,922,000 principal amount of 4.850% Senior Notes due 2044 outstanding, Acceptance Priority Level 4;
- (v) an offer to purchase the \$350,000,000 principal amount of 4.500% Senior Notes due 2049 outstanding, Acceptance Priority Level 5;

in each case, for cash, subject to the Maximum Total Exchange Condition, all as described in “—Total Consideration.”

Unless the context indicates otherwise, all references to a valid tender of Existing Notes in this Offer to Purchase shall mean that such Existing Notes have been validly tendered at or prior to the Expiration Date or at or prior to the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures, and have not been validly withdrawn at or prior to the Withdrawal Deadline.

Concurrently with the commencement of the Cash Offers made pursuant to this Offer to Purchase, Liberty Mutual is commencing the Exchange Offers, available solely to Ineligible Holders under the terms and subject to the conditions set forth in the Offering Memorandum. Ineligible Holders participating in the Exchange Offers will be required to certify that they are eligible to do so. Consequently, any holder of Existing Notes that (x) is a QIB or (y) is located outside the United States and is (i) not a “U.S. Person,” (ii) not acting for the account or benefit of a U.S. Person and (iii) a Non-U.S. qualified offeree is not eligible to participate in the Cash Offers. If you are eligible to participate in these Cash Offers, you are not eligible to participate in the Exchange Offers.

The total exchange consideration payable with respect to each of the Cash Offer has been determined by Liberty Mutual in its reasonable discretion to approximate the value of the total exchange consideration payable in the corresponding Exchange Offer.

Eligibility to Participate in the Cash Offers

The following are Ineligible Holders:

- **any holder that is a QIB; or**
- **any holder that is located outside the United States and is (i) not a “U.S. Person,” (ii) not acting for the account or benefit of a U.S. Person and (iii) a Non-U.S. qualified offeree.**

All other holders of Existing Notes are eligible to participate in the Cash Offers. Holders participating in the Cash Offers are required to complete the Certification Instructions Letter and certify that they are Eligible Holders.

Each Eligible Holder that participates in a Cash Offer and submits an Agent’s Message through ATOP will make or will be deemed to make certain representations and agreements as set forth in this Offer to Purchase, including representations as to the foregoing matters. See “Description of the Cash Offers—Representations, Warranties and Covenants of Tendering Holders of Existing Notes”.

Total Consideration

Upon the terms and subject to the conditions set forth in this Offer to Purchase and the other Tender Offer Documents, Eligible Holders who (i) validly tender Existing Notes at or prior to the Expiration Date or (ii) deliver a properly completed and duly executed Notice of Guaranteed Delivery and all other required documents at or prior to the Expiration Date and validly tender their Existing Notes at or prior to the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures, and who do not validly withdraw tendered Existing Notes and whose Existing Notes are accepted for purchase, will receive, for each \$1,000 principal amount of a series of Existing Notes tendered and accepted, the applicable Total Consideration.

The Total Consideration payable by Liberty Mutual for each \$1,000 principal amount of a series of Existing Notes, validly tendered and accepted by Liberty Mutual, will be determined in accordance with the formula set forth in Annex A to this Offer to Purchase, as illustrated by the hypothetical pricing example included in Annex B to this Offer to Purchase, and, with respect to a series of Existing Notes, will equal the discounted value on the Settlement Date of the remaining payments of principal and interest per \$1,000 principal amount of such Existing Notes through the maturity date or par call date, as applicable, of such Existing Notes, using a yield, as calculated by the lead Dealer Managers, equal to (i) the sum of (A) the Reference Yield plus (B) the applicable fixed spread specified on the first page of this Offer to Purchase, minus (ii) the Accrued Interest Payment on such Existing Notes. The Total Consideration will be rounded to the nearest cent per \$1,000 principal amount of Existing Notes. The “Price Determination Date” means 2:00 p.m., New York City time, on May 5, 2020. The Total Consideration in respect of the 4.500% Senior Notes due 2049 will be calculated based on December 15, 2048, the par call date for such series of Existing Notes.

Accrued Interest

In addition to the Total Consideration, Eligible Holders whose Existing Notes are accepted for purchase will be paid the accrued and unpaid interest to, but not including, the Settlement Date on such Existing Notes that are validly tendered and accepted for purchase in the Cash Offers (the “Accrued Interest Payment”). Interest will cease to accrue on the initial Settlement Date of May 7, 2020 for all Existing Notes accepted in the Cash Offers, including those tendered pursuant to Guaranteed Delivery Procedures.

Minimum Authorized Denominations

Notes of each series of Existing Notes can be tendered only in principal amounts equal to the minimum authorized denomination for such series of Existing Notes (the “Minimum Authorized Denomination”), and integral multiples in excess of such Minimum Authorized Denomination, as set forth in the table below. No alternative, conditional or contingent tenders will be accepted. Eligible Holders who tender less than all of their Existing Notes must continue to hold Existing Notes in the Minimum Authorized Denomination set forth in the table below.

| Title of Existing Notes | CUSIP No. /ISIN | Minimum Authorized Denomination | Integral Multiple |
|---|-------------------------------|---------------------------------|-------------------|
| Existing Notes Tenderable in the Cash Offers | | | |
| 6.500% Senior Notes due 2042 | 53079EAZ7/U52932AS6 | \$ 2,000 | \$ 1,000 |
| 7.000% Senior Notes due 2034 | 53079EAE4/U52932AD9 | \$ 1,000 | \$ 1,000 |
| 6.500% Senior Notes due 2035 | 53079EAG9/U52932AE7 | \$ 1,000 | \$ 1,000 |
| 4.850% Senior Notes due 2044 | 53079EBF0/U52932AX5/U52932AY3 | \$ 2,000 | \$ 1,000 |
| 4.500% Senior Notes due 2049 | 53079EBH6/U52932BE6/U52932BF3 | \$ 2,000 | \$ 1,000 |

Expiration Date

The Expiration Date is 5:00 p.m. New York City time on May 5, 2020, subject to our right to extend that time and date in our absolute discretion, in which case the Expiration Date will be such time and date to which a Cash Offer is extended.

Extensions; Amendments; Termination; Announcements

Subject to applicable law, we reserve the right, in our absolute discretion, by giving oral or written notice to the Tender Agent, to:

- extend a Cash Offer or the Expiration Date with respect to such Cash Offer;
- terminate a Cash Offer, including but not limited to those situations in which a condition to our obligation to purchase the series of Existing Notes subject to such Cash Offer is not satisfied or waived on or before the Expiration Date; and
- amend a Cash Offer.

If a Cash Offer is amended in a manner that we determine constitutes a material change, or if we waive a material condition with respect to a Cash Offer, we will promptly disclose such amendment in a manner reasonably calculated to inform holders of the relevant series of Existing Notes and extend such Cash Offer to the extent required by law. Any increase in the consideration offered to Eligible Holders of Existing Notes pursuant to the Cash Offers will be paid to all Eligible Holders whose Existing Notes have been previously tendered and not validly withdrawn and are accepted for Cash.

We will promptly announce any extension, amendment or termination of a Cash Offer, as well as any other event for which an announcement is contemplated in this Offer to Purchase or as required by applicable law, by issuing a press release. We will announce any extension of the Expiration Date no later than 9:00 a.m., New York City time, on the first business day after the previously scheduled Expiration Date. We have no other obligation to publish, advertise or otherwise communicate any information about any extension, amendment or termination.

Settlement Date

If, as of the Expiration Date, all conditions have been satisfied or waived by us (if waivable), the settlement date for all Existing Notes that are validly tendered in the Exchange Offers at or prior to the Expiration Date, or the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures, will be promptly following the Expiration Date. The Settlement Date is expected to be May 7, 2020, which is the second business day following the Expiration Date; *provided*, that the Settlement Date for Existing Notes validly tendered in connection with the Guaranteed Delivery Procedures pursuant to a Notice of Guaranteed Delivery and accepted for exchange is expected to be May 8, 2020, which is the third business day following the Expiration Date. On the Settlement Date, we will deposit with the Tender Agent an amount of cash sufficient to pay any and all cash amounts then due to tendering Eligible Holders (including any Accrued Interest Payment).

Conditions to the Cash Offers

Notwithstanding any other provisions of the Cash Offers, or any extension of the Cash Offers, we will not be required to purchase any Existing Notes, or pay any other cash amounts, and we may terminate any Cash Offer or, at our option, modify, extend or otherwise amend a Cash Offer if any of the following conditions have not been satisfied or waived on or before the Expiration Date:

- (1) the Reference Yield on the Reference U.S. Treasury Security for such Cash Offer, as calculated by the lead Dealer Managers at the Price Determination Date in accordance with this Offer to Purchase is neither (a) less than 0.699% or (b) greater than 1.699%;
- (2) no action or event shall have occurred or been threatened, no action shall have been taken, and no statute, rule, regulation, judgment, order, stay, decree or injunction shall have been issued, promulgated, enacted, entered, enforced or deemed to be applicable to such Cash Offer by or before any court or governmental regulatory or administrative agency, authority, instrumentality or tribunal, including, without limitation, taxing authorities, that either:
 - (a) challenges the making of such Cash Offer or might, directly or indirectly, be expected to prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any manner, such Cash Offer; or
 - (b) in our reasonable judgment, could materially adversely affect our (or any of our subsidiaries') business, condition (financial or otherwise), income, operations, properties, assets, liabilities or prospects or impair the contemplated benefits to us of such Cash Offer or the delivery of any cash amounts;
- (3) there shall not have been any change or development that in our reasonable judgment materially reduces the anticipated benefits to us of such Cash Offer or that has had, or could reasonably be expected to have, a material adverse effect on us (or any of our subsidiaries), our (or any of our subsidiaries') businesses, condition (financial or otherwise) or prospects;

(4) there shall not have occurred (a) any general suspension of or limitation on trading in securities in the United States securities or financial markets, whether or not mandatory, (b) any material adverse change in the prices of the Existing Notes, (c) a material impairment in the general trading market for debt securities, (d) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States, whether or not mandatory, (e) a material escalation or commencement of a war, armed hostilities, a terrorist act or other national or international calamity directly or indirectly relating to the United States, if the effect of any such event, in the Company's reasonable judgment, makes it impracticable or inadvisable to proceed with such Cash Offer, (f) any limitation, whether or not mandatory, by any governmental authority on, or other event in the Company's reasonable judgment, having a reasonable likelihood of affecting, the extension of credit by banks or other lending institutions in the United States, (g) any material adverse change in the securities or financial markets in the United States generally or (h) in the case of any of the foregoing existing at the time of the commencement of the Cash Offers, a material acceleration or worsening thereof;

(5) the applicable fiscal agent under the fiscal agency agreements for the Existing Notes that are the subject of such Cash Offer shall not have been directed by any holders of Existing Notes subject to such Cash Offer to object in any respect to, nor take any action that could, in our reasonable judgment, adversely affect the consummation of such Cash Offer, nor shall any such trustee have taken any action that challenges the validity or effectiveness of the procedures used by us in making such Cash Offer, or in the delivery of any cash amounts;

(6) the Maximum Total Consideration Condition; and

(7) the Exchange Offer Completion Condition (which may not be waived).

The foregoing conditions are for our sole benefit and may be asserted or waived (other than those described by us as non-waivable) by us in whole or in part in our absolute discretion with respect to all series of Existing Notes or with respect to one or more particular series of Existing Notes. Any determination made by us concerning an event, development or circumstance described or referred to above will be conclusive and binding, subject to challenge in a court of competent jurisdiction.

If any of the foregoing conditions are not satisfied with respect to all series of Existing Notes or with respect to one or more particular series of Existing Notes, as the case may be, on a series by series basis, at any time prior to the Expiration Date, we may:

- terminate such Cash Offer or Cash Offers and promptly return all tendered Existing Notes subject to such Cash Offer or Cash Offers to the respective tendering holders;
- modify, extend or otherwise amend such Cash Offer or Cash Offers and retain all tendered Existing Notes subject to such Cash Offer or Cash Offers until the Expiration Date, as extended, subject, however, to the withdrawal rights of Eligible Holders; or
- waive the unsatisfied conditions (if waivable) with respect to such Cash Offer or Cash Offers and accept all Existing Notes (subject to the priorities described herein) tendered and not previously validly withdrawn pursuant to such Cash Offer.

provided, that we may not amend, modify or waive the terms of any Cash Offer to remove the Exchange Offer Completion Condition.

Maximum Total Consideration Condition

Liberty Mutual's obligation to complete a Cash Offer with respect to a particular series of Existing Notes is conditioned on the aggregate Total Consideration for the Cash Offers, excluding the Accrued Interest Payment, not exceeding the Maximum Total Consideration Amount, unless waived by us as provided herein. Notwithstanding any other provision in this Offer to Purchase to the contrary, if at the Expiration Date for a particular Cash Offer, the aggregate Total Consideration payable for such series of validly tendered Existing Notes (together with the aggregate Total Consideration payable after accepting for tender and paying for all validly tendered Existing Notes of each series with a higher Acceptance Priority Level), is greater than the Maximum Total Consideration Amount, then we will not be obligated to accept for purchase such series of Existing Notes and may terminate the Cash Offer with respect to such series of Existing Notes and each series of Existing Notes with a lower Acceptance Priority Level (the "Maximum Total Consideration Condition").

If the Maximum Total Consideration Condition is not satisfied with respect to every series of Existing Notes because the aggregate Total Consideration payable for all validly tendered Existing Notes would be greater than the Maximum Total Consideration Amount, then we will, in accordance with the acceptance priority levels set forth below (each, an "Acceptance Priority Level", and collectively, the "Acceptance Priority Levels") (with 1 being the highest Acceptance Priority Level and 5 being the lowest Acceptance Priority Level), accept for purchase all validly tendered Existing Notes of a given series so long as the aggregate Total

Consideration payable for all validly tendered Existing Notes of such series and each series having a higher Acceptance Priority Level is less than, or equal to, the Maximum Total Consideration Amount. All validly tendered Existing Notes of a series having a higher Acceptance Priority Level will be accepted before any validly tendered Existing Notes of a series having a lower Acceptance Priority Level are accepted. For purposes of determining whether the aggregate Total Consideration exceeds the Maximum Total Consideration Amount, Liberty Mutual will assume that all Existing Notes for which Eligible Holders have delivered a properly completed and duly executed Notice of Guaranteed Delivery and all other required documents at or prior to the Expiration Date will be validly tendered at or prior to the Guaranteed Delivery Date, and we will not subsequently adjust the series of Existing Notes that we are accepting for purchase in accordance with the Acceptance Priority Levels if any such Existing Notes are not so delivered.

For (i) the first series of Existing Notes for which the Maximum Total Consideration Amount is less than the sum of (x) the aggregate Total Consideration necessary to purchase all validly tendered Existing Notes of such series (the “First Non-Covered Notes”) plus (y) the aggregate Total Consideration necessary to purchase all validly tendered Existing Notes of all series having a higher Acceptance Priority Level than the First Non-Covered Notes and (ii) all series of Existing Notes having a lower Acceptance Priority Level than the First Non-Covered Notes (together with the First Non-Covered Notes, the “Non-Covered Notes”) we may, at any time at or prior to the Expiration Date:

- (1) terminate the Cash Offer with respect to each series of Non-Covered Notes for which the Maximum Total Consideration Condition has not been waived and promptly return all tendered Existing Notes of such series to the respective tendering Eligible Holders; or
- (2) waive the Maximum Total Consideration Condition with respect to one or more series of Non-Covered Notes by raising the Maximum Total Consideration Amount and accepting all validly tendered Existing Notes of such series and of any series of Existing Notes that have a higher Acceptance Priority Level, subject to extension of the Expiration Date of the Cash Offer with respect to such series.

The table below displays the Acceptance Priority Level for each series of Existing Notes:

| Acceptance Priority Level | CUSIP No./ISIN | Title of Existing Notes |
|---------------------------|-------------------------------|------------------------------|
| 1 | 53079EAZ7/U52932AS6 | 6.500% Senior Notes due 2042 |
| 2 | 53079EAE4/U52932AD9 | 7.000% Senior Notes due 2034 |
| 3 | 53079EAG9/U52932AE7 | 6.500% Senior Notes due 2035 |
| 4 | 53079EBF0/U52932AX5/U52932AY3 | 4.850% Senior Notes due 2044 |
| 5 | 53079EBH6/U52932BE6/U52932BF3 | 4.500% Senior Notes due 2049 |

If the Maximum Total Consideration Condition is not satisfied with respect to a Cash Offer for a particular series of Existing Notes, we may terminate the Cash Offer with respect to such series of Non-Covered Notes only if we also terminate the Cash Offer for each series of Non-Covered Notes having a lower Acceptance Priority Level, if any.

If the Maximum Total Consideration Condition is not satisfied with respect to a Cash Offer for a particular series of Existing Notes, we may waive the Maximum Total Consideration Condition with respect to such series of Non-Covered Notes only if we also waive the Maximum Total Consideration Condition for each series of Non-Covered Notes having a higher Acceptance Priority Level, if any.

If any series of Existing Notes is accepted for purchase pursuant to the Cash Offers, all validly tendered Existing Notes of that series will be accepted for purchase. No series of Existing Notes will be subject to proration pursuant to the Cash Offers.

Exchange Offer Completion Condition

Each series of Existing Notes that is subject to a Cash Offer pursuant to the Tender Offer Documents is also subject to a corresponding Exchange Offer pursuant to the Offering Memorandum, which Exchange Offer is available solely to Ineligible Holders. The acceptance priority levels set forth in the Offering Memorandum correspond to the Acceptance Priority Levels set forth herein. Liberty Mutual’s obligation to complete any Cash Offer with respect to a particular series of Existing Notes is conditioned on the timely satisfaction or waiver (if applicable) of all conditions precedent to the completion of the corresponding Exchange Offer for such series of Existing Notes (with respect to each Cash Offer, the “Exchange Offer Completion Condition”), and Liberty Mutual’s obligation to complete an Exchange Offer with respect to a particular series of Existing Notes is subject to various conditions as set forth in the Offering Memorandum, including (i) that all of the conditions precedent to the completion of the corresponding Cash Offer are timely satisfied or waived and (ii) that the aggregate exchange price (excluding any accrued and unpaid interest) payable in New Notes for such series of validly tendered Existing Notes (together with the aggregate total exchange price payable after accepting for exchange and paying for all validly tendered Existing Notes of each series with a higher acceptance priority level) does not exceed the maximum amount of New Notes to be issued in the Exchange Offers as specified in the Offering Memorandum. Liberty Mutual

will terminate a Cash Offer for a given series of Existing Notes if it terminates the Exchange Offer for such series of Existing Notes, and Liberty Mutual will terminate an Exchange Offer for a given series of Existing Notes if it terminates the Cash Offer for such series of Existing Notes. The termination of an Exchange Offer for a series of Existing Notes will not impact the Cash Offers for any other series of Existing Notes. The Exchange Offer Completion Condition cannot be waived by Liberty Mutual. If Liberty Mutual extends the Exchange Offer for a series of Existing Notes for any reason, Liberty Mutual will extend the corresponding Cash Offer for such series of Existing Notes.

Additional Purchases of Existing Notes

We reserve the right, in our absolute discretion, to purchase or make offers to purchase any Existing Notes that remain outstanding subsequent to the Expiration Date and, to the extent permitted by applicable law, to purchase Existing Notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the Cash Offers. Any purchase or offer to purchase will be made in accordance with applicable law.

Absence of Appraisal and Dissenters' Rights

Holders of the Existing Notes do not have any appraisal or dissenters' rights in connection with the Cash Offers.

Acceptance of Existing Notes for Cash and Payment of Cash

Subject to the satisfaction or waiver of the conditions to the Cash Offers, including the Maximum Total Consideration Condition, Liberty Mutual will accept for purchase the Existing Notes validly tendered and not validly withdrawn, as of the Expiration Date, or the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures, as applicable. Liberty Mutual shall be deemed to have accepted validly tendered Existing Notes when and if it has given oral or written notice to the Tender Agent of its acceptance.

On the Settlement Date, the Tender Agent will act as agent for the Eligible Holders who validly tender their Existing Notes in a Cash Offer for the purposes of delivering the cash amounts to such holders. All Existing Notes tendered will be cancelled. Payment of any cash amounts, including the Accrued Interest Payment, will be made by deposit of funds with DTC, which will transmit those payments to tendering holders.

We expressly reserve the right, in our sole discretion, but subject to applicable law, to (1) extend, amend or terminate a Cash Offer at any time and (2) waive any of the conditions to a Cash Offer, provided, that we may not amend, modify or waive the terms of any Cash Offer to remove the Exchange Offer Completion Condition. If, for any reason, acceptance of tendered Existing Notes, or delivery of any cash amounts for validly tendered Existing Notes, pursuant to the Cash Offers is delayed, or we are unable to accept tendered Existing Notes or deliver any cash amounts for validly tendered Existing Notes pursuant to the Cash Offers, then the Tender Agent may, nevertheless, on our behalf, retain the tendered Existing Notes, without prejudice to our rights described under “—Expiration Date;” “—Extensions; Amendments; Termination” and “—Conditions to the Cash Offers” above and “—Procedures for Tendering Existing Notes” below, but subject to Rule 14e-1 under the Exchange Act, which requires that we pay the consideration offered or return the Existing Notes tendered promptly after the termination or withdrawal of the Cash Offers.

If any tendered Existing Notes are not accepted for any reason described in the terms and conditions of a Cash Offer, such unaccepted Existing Notes will be returned without expense to the tendering holders promptly after the expiration or termination of such Cash Offer.

Procedures for Tendering Existing Notes

Tenders by Beneficial Owners

Only a registered holder of the Existing Notes may tender the Existing Notes of any series of Cash Offers. Except as otherwise provided herein, delivery of Existing Notes will be deemed made, and the risk of loss of the Existing Notes will pass to the Tender Agent, only when the Agent's Message is actually received by the Tender Agent. The method of delivery of Existing Notes and all other required documents to the Tender Agent is at the holder's election and risk. Rather than mail these items, Liberty Mutual recommends that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure delivery of the required documents to the Tender Agent by the Expiration Date or Guaranteed Delivery Date, as applicable. Holders should not send the Notice of Guaranteed Delivery, Certification Instructions Letter or Existing Notes to us.

Book-Entry Transfers; Tender of Existing Notes Using DTC's Automated Tender Offer Program (“ATOP”)

All of the Existing Notes are held in book-entry form through the facilities of DTC. We expect that that the Tender Agent will make a request promptly after the date of this Offer to Purchase to establish accounts with respect to the Existing Notes at DTC for the purpose of facilitating the Cash Offers. Subject to the establishment of the accounts, any financial institution that is a

participant in DTC's system may tender Existing Notes in any Cash Offer through book-entry delivery of such Existing Notes by causing DTC to transfer the Existing Notes into the Tender Agent's account in accordance with DTC's procedures for such transfer.

If you desire to tender Existing Notes held in book-entry form with DTC, the Tender Agent must receive, by the Expiration Date, or the Guaranteed Delivery Date, as applicable:

- a confirmation of book-entry transfer of Existing Notes into the Tender Agent's account at DTC;
- an agent's message transmitted through ATOP; and
- any other required documentation.

DTC participants may electronically transmit their acceptance of a Cash Offer by complying with DTC's ATOP procedures. If a DTC participant participates in a Cash Offer via ATOP, and also causes the transfer of book-entry Existing Notes to the Tender Agent's account as described above, DTC is expected to send a book-entry confirmation, including an Agent's Message, to the Tender Agent. If you use ATOP procedures to tender Existing Notes, you will be deemed to have made all the representations and warranties herein. See "—Representations, Warranties and Covenants of Tendering Holders of Existing Notes." There is no separate Letter of Transmittal in connection with this Offer to Purchase.

Certification Instructions Letter

Eligible Holders are required to deliver a duly completed certification pursuant to the Certification Instructions Letter ("Certification") to validly tender Existing Notes pursuant to the Cash Offers. The deadline for Eligible Holders to deliver a Certification in order to be eligible to receive the applicable Total Consideration is the Expiration Date. Duly completed Certifications should be delivered to the Tender Agent at its address set forth on the back cover of this Offer to Purchase. Brokers, dealers, commercial banks, trust companies or other nominees that hold Existing Notes on behalf of beneficial holders are required to deliver Certifications on behalf of beneficial holders. A single Certification may include information of one or more beneficial holders; provided that the information is clearly specified in such Certification or in an accompanying spreadsheet. **If a tender of Existing Notes contained in a Certification is rejected by Liberty Mutual as a result of an improper or illegal tender or otherwise, the broker, dealer, commercial bank, trust company or other nominee that delivered the Certification to the Tender Agent is required to withdraw such tender of Existing Notes. If the broker, dealer, commercial bank, trust company or other nominee fails to withdraw the Existing Notes tendered, Liberty Mutual reserves the right to reject all tenders of Existing Notes specified in the Certification delivered by the broker, dealer, commercial bank, trust company or other nominee.**

Guaranteed Delivery

If an Eligible Holder desires to tender Existing Notes pursuant to the Cash Offers and (1) such Eligible Holder cannot comply with the procedure for book-entry transfer by the Expiration Date or (2) such Eligible Holder cannot deliver the other required documents to the Tender Agent by the Expiration Date, such Eligible Holder may effect a tender of Existing Notes pursuant to a guaranteed delivery (the "Guaranteed Delivery Procedures") if all of the following are complied with:

- such tender is made by or through an Eligible Institution;
- at or prior to the Expiration Date, such Eligible Institution has complied with ATOP's procedures applicable to guaranteed delivery; representing that the Eligible Holder(s) own such Existing Notes and guaranteeing that, no later than the Guaranteed Delivery Date, a properly transmitted Agent's Message, together with confirmation of book-entry transfer of the Existing Notes specified therein pursuant to the procedures set forth under the caption "Procedures for Tendering Existing Notes" will be deposited by such Eligible Institution with the Tender Agent; and
- no later than the Guaranteed Delivery Date, a properly transmitted Agent's Message, together with confirmation of book-entry transfer of the Existing Notes specified therein pursuant to the procedures set forth under the caption "Procedures for Tendering," and all other required documents are received by the Tender Agent.

Interest will cease to accrue on the initial Settlement Date of May 7, 2020 for all Existing Notes accepted in the Cash Offers, including those tendered pursuant to the Guaranteed Delivery Procedures.

The Eligible Institution that tenders Existing Notes pursuant to the Guaranteed Delivery Procedures must (i) no later than the Expiration Date, comply with ATOP's procedures applicable to guaranteed delivery, and (ii) no later than the Guaranteed Delivery Date, deliver the Agent's Message, together with confirmation of book-entry transfer of the Existing Notes specified therein, to the Tender Agent as specified above. **Failure to do so could result in a financial loss to such Eligible Institution.**

If an Eligible Holder is tendering Existing Notes through ATOP pursuant to the Guaranteed Delivery Procedures, the Eligible Institution should not complete and deliver the Notice of Guaranteed Delivery, but such Eligible Institution will be bound by the terms of the Cash Offers, including the Notice of Guaranteed Delivery, as if it was executed and delivered by such Eligible Institution. Eligible Holders who hold Existing Notes in book-entry form and tender pursuant to the Guaranteed Delivery Procedures should, at or prior to the Guaranteed Delivery Date, only comply with ATOP's procedures applicable to guaranteed delivery.

Existing Notes may be tendered pursuant to the Guaranteed Delivery Procedures only in Authorized Denominations. No alternative, condition or contingent tenders will be accepted.

The term "Agent's Message" means a message transmitted by DTC to, and received by, the Tender Agent and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from the participant in DTC described in such Agent's Message, stating the aggregate principal amount of Existing Notes that have been tendered by such participant pursuant to the Cash Offers, that such participant has received this Offer to Purchase and that such participant agrees to be bound by and makes the representations and warranties contained in the terms of the Cash Offers and that Liberty Mutual may enforce such agreement against such participant.

An "Eligible Institution" is one of the following firms or other entities identified and defined in Rule 17Ad-15 under the Exchange Act:

- a bank;
- a broker, dealer, municipal securities dealer, municipal securities broker, government securities dealer or government securities broker;
- a credit union;
- a national securities exchange, registered securities association or clearing agency; or
- a savings institution that is a participant in a Securities Transfer Association recognized program.

Effect of Tender

The valid tender by an Eligible Holder of Existing Notes by the Expiration Date, or the Guaranteed Delivery Date pursuant to the Guaranteed Delivery Procedures, that is not validly withdrawn, and the subsequent acceptance of such tender by Liberty Mutual will constitute a binding agreement between such Eligible Holder and Liberty Mutual in accordance with the terms and subject to the conditions of the applicable Cash Offer set forth in the Tender Offer Documents. The participation in a Cash Offer by a tendering Eligible Holder will constitute the agreement by that Eligible Holder to deliver good and valid title to the tendered Existing Notes, free and clear of any and all liens, restrictions, charges, pledges, security interests, encumbrances or rights of any kind of third parties.

General

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, acceptance and withdrawal of tendered Existing Notes. Our determination will be final and binding. We reserve the absolute right to reject any and all Existing Notes not validly tendered or any Existing Notes the acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects or irregularities in, or conditions of, any tenders as to particular Existing Notes. A waiver of any defect or irregularity with respect to the tender of one Existing Note shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of any other Existing Note. Our interpretation of the terms and conditions of the Cash Offers will be final and binding on all parties.

Unless waived, any defects or irregularities in connection with tenders of Existing Notes must be cured by the Expiration Date. Although we intend to notify holders of defects or irregularities with respect to tenders of Existing Notes, none of Liberty Mutual, the Tender Agent or any other person will incur any liability for failure to give notification. Tenders of Existing Notes will not be deemed made until those defects or irregularities have been cured or waived. Any Existing Notes received by the Tender Agent that are not validly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Tender Agent without cost to the tendering holder promptly following the Expiration Date.

Representations, Warranties and Covenants of Tendering Holders of Existing Notes

Subject to, and effective upon, the acceptance of, and the payment of the applicable consideration for, the principal amount of Existing Notes tendered in accordance with the terms and subject to the conditions of the applicable Cash Offer, a tendering Eligible

Holder, by submitting or sending an Agent's Message to the Tender Agent in connection with the tender of Existing Notes, will have agreed to:

(1) irrevocably sell, assign and transfer to or upon our order or the order of our nominee all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of the holder's status as a holder of, all Existing Notes tendered thereby, such that thereafter the holder shall have no contractual or other rights or claims in law or equity against us or any fiduciary, trustee, fiscal agent or other person connected with the Existing Notes arising under, from or in connection with those Existing Notes or the applicable fiscal agency agreements governing the terms thereof;

(2) waive any and all rights with respect to the Existing Notes tendered thereby, including, without limitation, any existing or past defaults and their consequences in respect of those Existing Notes or the applicable fiscal agency agreements governing the terms thereof;

(3) release and discharge us and our affiliates and the trustees with respect to the fiscal agency agreements for the Existing Notes from any and all claims that the holder may have, now or in the future, arising out of or related to the Existing Notes tendered thereby or the applicable fiscal agency agreements governing the terms thereof, including, without limitation, any claims that the holder is entitled to receive additional principal or interest payments with respect to the Existing Notes tendered thereby, other than accrued and unpaid interest on the Existing Notes or as otherwise expressly provided in this Offer to Purchase, or to participate in any repurchase, redemption or defeasance of the Existing Notes tendered thereby; and

(4) irrevocably constitutes and appoints the Tender Agent as its true and lawful attorney-in-fact and agent (with full knowledge that the Tender Agent also acts as our agent) with respect to any tendered Existing Notes, with full power of substitution and resubstitution, and an irrevocable instruction to that attorney and agent to complete and execute all or any forms of transfer and other documents at the discretion of that attorney and agent in relation to the Existing Notes tendered thereby in favor of us or any other person or persons as we may direct and to deliver those forms of transfer and other documents in the attorney's and agent's discretion and the certificates and other documents of title relating to the registration of Existing Notes and to execute all other documents and to do all other acts and things as may be in the opinion of that attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of such Cash Offer, and to vest in us or our nominees those Existing Notes. The power of attorney granted above shall be deemed irrevocable and coupled with an interest.

In addition, subject to, and effective upon, upon the acceptance of, and the payment of the applicable consideration for, the principal amount of Existing Notes tendered in accordance with the terms and subject to the conditions of the applicable Cash Offer, a tendering Eligible Holder, by submitting or sending an Agent's Message to the Tender Agent in connection with the tender Existing Notes deemed to represent, warrant and agree that:

- (1) it has received this Offer to Purchase;
- (2) it is the beneficial owner of, or a duly authorized representative of one or more beneficial owners of, the Existing Notes tendered thereby, and it has full power and authority to tender the Existing Notes;
- (3) the Existing Notes being tendered were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and Liberty Mutual will acquire good, indefeasible and unencumbered title to those Existing Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when Liberty Mutual accepts the same;
- (4) it will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Notes tendered hereby from the date of such tender and any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (5) it has observed (and will observe) the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities including, without limitation, any verifications and registration and paid (or will pay) any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction, and that it has not taken or omitted to take any action in breach of the terms of the Cash Offers or which will or may result in Liberty Mutual or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Cash Offers;
- (6) it is neither (1) a "QIB" nor (2) a non-U.S. person (as defined in Rule 902 under the Securities Act) located outside of the United States (an Eligible Holder) and is tendering Existing Notes for its own account or for a discretionary account or

accounts on behalf of one or more persons who are Eligible Holders as to which it has been instructed and has the authority to make the statements contained in this Offering to Purchase;

- (7) it will provide any additional information requested by Liberty Mutual in connection with confirming its status as an Eligible Holder;
- (8) it is a person to whom it is lawful to make available this Offer to Purchase or to make the Cash Offers in accordance with applicable laws;
- (9) it has had access to such financial and other information and has been afforded the opportunity to ask such questions of representatives of Liberty Mutual and receive answers thereto, as it deems necessary in connection with its decision to participate in the Cash Offers;
- (10) it acknowledges that Liberty Mutual, the Dealer Managers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and warranties made by its submission of this Offer to Purchase, are, at any time at or prior to the consummation of the Cash Offers, no longer accurate, it shall promptly notify Liberty Mutual and the Dealer Managers. If it is tendering the Existing Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account;
- (11) in evaluating the applicable Cash Offer and in making its decision whether to participate in such Cash Offer by the tender of Existing Notes, it has made its own independent appraisal of the matters referred to in this Offer to Purchase and in any related communications;
- (12) the tender of Existing Notes shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions described or referred to in this Offer to Purchase;
- (13) it has a net long position in the Existing Notes being tendered pursuant to the applicable Cash Offer within the meaning of Rule 14e-4 under the Exchange Act, and the tender of such Existing Notes complies with Rule 14e-4; and
- (14) it is not acting on behalf of any person who could not truthfully make the representations and warranties set forth herein.

By tendering Existing Notes pursuant to a Cash Offer, an Eligible Holder will have agreed that the delivery and surrender of the Existing Notes is not effective, and the risk of loss of the Existing Notes does not pass to the Tender Agent, until receipt by the Tender Agent of a properly transmitted Agent's Message. All questions as to the form of all documents and the validity (including time of receipt) and acceptance of tenders and withdrawals of Existing Notes will be determined by us, in our sole discretion, which determination shall be final and binding.

Notwithstanding any other provision of this Offer to Purchase, payment of the applicable Total Consideration, and the applicable Accrued Interest Payment, if any, with respect to the Existing Notes tendered for purchase and accepted by us pursuant to the Cash Offers will occur only after timely receipt by the Tender Agent of an Agent's Message, a Certification Instructions Letter and any other required documentation. The tender of Existing Notes pursuant to the Cash Offers by the procedures set forth above will constitute an agreement between the tendering Eligible Holder and us in accordance with the terms and subject to the conditions of the applicable Cash Offer. The method of delivery of Existing Notes, the Agent's Message and all other required documents is at the election and risk of the tendering Eligible Holder. In all cases, sufficient time should be allowed to ensure timely delivery.

Eligible Holders are referred to the Certification Instructions Letter, which is required to accompany all tenders of Existing Notes.

Alternative, conditional or contingent tenders will not be considered valid. We reserve the right to reject any or all tenders of Existing Notes that are not in proper form or the acceptance of which would, in our opinion, be unlawful. We also reserve the right, subject to applicable law and limitations described elsewhere in this Offer to Purchase, to waive any defects, irregularities or conditions of tender as to particular Existing Notes, including any delay in the submission thereof or any instruction with respect thereto. A waiver of any defect or irregularity with respect to the tender of one Existing Note shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of any other Existing Note. Our interpretations of the terms and conditions of the Cash Offers will be final and binding on all parties. Any defect or irregularity in connection with tenders of Existing Notes must be cured within such time as we determine, unless waived by us. Tenders of Existing Notes shall not be deemed to have been made until all defects and irregularities have been waived by us or cured. None of us, the Trustee, the Dealer Managers, the Tender Agent, the Information Agent or any affiliate of them or any other person will be under any duty to give notice of any defects or irregularities in tenders of Existing Notes or will incur any liability to Eligible Holders for failure to give any such notice.

Withdrawal of Tenders

Except as otherwise provided in this Offer to Purchase, holders of Existing Notes may withdraw their tenders at any time prior to the Withdrawal Deadline, but will thereafter be irrevocable, except in certain limited circumstances where additional withdrawal rights are required by law. Subject to applicable law, we may extend the Expiration Date, with or without extending the Withdrawal Deadline. Tenders submitted in the Cash Offers after the Withdrawal Deadline will be irrevocable except in the limited circumstances where additional withdrawal rights are required by law. We may waive the Maximum Total Consideration Condition without extending the Withdrawal Deadline.

For a withdrawal to be effective:

- the Tender Agent must receive a written notice of withdrawal, or a facsimile thereof, at the address set forth on the back cover of this Offer to Purchase prior to the Withdrawal Deadline; or
- holders must comply with the appropriate procedures of DTC's ATOP system prior to the Withdrawal Deadline.

Any notice of withdrawal must:

- specify the name of the person who tendered the Existing Notes to be withdrawn;
- identify the Existing Notes to be withdrawn, including the principal amount of the Existing Notes to be withdrawn; and
- be signed by the person who tendered the Existing Notes in the same manner as the participant's name is listed in the applicable Agent's Message, or be accompanied by evidence satisfactory to us that the person withdrawing the tender has succeeded to the beneficial ownership of such Existing Notes.

The signature on a notice of withdrawal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange, Inc., Medallion Signature Program or the Stock Exchange Medallion Program unless such Existing Notes have been tendered for the account of an Eligible Institution. If the Existing Notes to be withdrawn have been delivered or otherwise identified to the Tender Agent, a signed notice of withdrawal will be effective immediately upon the Tender Agent's receipt of written or facsimile notice of withdrawal.

If you are a beneficial owner whose Existing Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to withdraw previously tendered Existing Notes, you should contact the nominee promptly and instruct the nominee to withdraw your Existing Notes on your behalf prior to the Withdrawal Deadline. If Existing Notes have been tendered pursuant to the procedure for book-entry transfer described under "— Procedures for Tendering Existing Notes," any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Existing Notes and otherwise comply with the procedures of DTC.

We will determine all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal, and our determination shall be final and binding on all parties. We will deem any Existing Notes so withdrawn not to have been validly tendered for purchase for purposes of the applicable Cash Offer. Validly withdrawn Existing Notes will be returned without expense to the tendering holder thereof promptly following the valid withdrawal thereof. In the case of Existing Notes tendered by book-entry transfer into the Tender Agent's account at DTC pursuant to the book-entry transfer procedures described above, any such withdrawn Existing Notes will be credited to the account at DTC from which such Existing Notes were tendered promptly following a valid withdrawal.

You may re-tender validly withdrawn Existing Notes by following one of the procedures described under the caption "— Procedures for Tendering Existing Notes" above at any time by the Expiration Date.

Liberty Mutual may, in its sole discretion (subject to applicable law, regulation or interpretation of the staff of the SEC), extend the Withdrawal Deadline with respect to one or more Cash Offers. In the case of any extension of the Withdrawal Deadline, we will notify the Tender Agent orally (confirmed in writing) or in writing of any such extension and also will notify the registered holders of the relevant series of Existing Notes by public announcement promptly following such extension of the Withdrawal Deadline.

A holder may obtain a form of the notice of withdrawal from the Tender Agent at its office listed on the back cover of this Offer to Purchase.

Compliance with “Short Tendering” Rule

It is a violation of Rule 14e-4 (promulgated under the Exchange Act) for a person, directly or indirectly, to tender Existing Notes for his own account unless the person so tendering (a) has a net long position equal to or greater than the aggregate principal amount at maturity, of such Existing Notes being tendered and (b) will cause such Existing Notes to be delivered in accordance with the terms of such Cash Offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person.

A tender of Existing Notes in the Cash Offers under any of the procedures described above will constitute a binding agreement between the tendering holder and us with respect to such Cash Offer upon the terms and subject to the conditions of such Cash Offer, including the tendering holder’s acceptance of the terms and conditions of such Cash Offer, as well as the tendering holder’s representation and warranty that (a) such holder has a net long position in such Existing Notes being tendered pursuant to such Cash Offer within the meaning of Rule 14e-4 under the Cash Act and (b) the tender of such Existing Notes complies with Rule 14e-4.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the purchase of Existing Notes by us in the Cash Offers. If transfer taxes are imposed for any reason other than the tender and transfer to us, the amount of those transfer taxes, whether imposed on the registered holders or any other persons, will be payable by the tendering Eligible Holder. Transfer taxes that will not be paid by us include taxes, if any, imposed:

- if tendered Existing Notes are to be registered in the name of any person other than the person on whose behalf an Agent’s Message was sent; or
- if any cash payment in respect of a Cash Offer is being made to any person other than the person on whose behalf an Agent’s Message was sent.

If satisfactory evidence of payment of or exemption from transfer taxes that are not required to be borne by us is not submitted with the Agent’s Message, the amount of those transfer taxes will be billed directly to the tendering Eligible Holder and/or withheld from any payments due with respect to the Existing Notes tendered by such Eligible Holder.

Tender Agent; Information Agent

Global Bondholder Services Corporation has been appointed as the Tender Agent and the Information Agent for the Cash Offers. All correspondence in connection with the Cash Offers should be sent or delivered by each Eligible Holder of Existing Notes, or a beneficial owner’s commercial bank, broker, dealer, trust company or other nominee, to the Tender Agent at the address listed on the back cover page of this Offer to Purchase. Questions concerning tender procedures and requests for additional copies of the Tender Offer Documents should be directed to the Information Agent at the address and telephone numbers listed on the back cover page of this Offer to Purchase. Eligible Holders of Existing Notes may also contact their commercial bank, broker, dealer, trust company or other nominee for assistance concerning the Cash Offers. We will pay the Tender Agent and the Information Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses.

Dealer Managers

We have retained Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman Sachs & Co. LLC, BofA Securities, Inc., HSBC Securities (USA) Inc. and J.P. Morgan Securities LLC to serve as the Dealer Managers for the Cash Offers. We will pay the Dealer Managers a customary fee for soliciting acceptances of the Cash Offers. The obligations of the Dealer Managers to perform their functions are subject to various conditions. We have agreed to indemnify the Dealer Managers against certain liabilities. The Dealer Managers may contact Eligible Holders of Existing Notes by mail, telephone, facsimile transmission, personal interviews and otherwise may request broker dealers and the other nominee holders to forward materials relating to the Cash Offers to beneficial holders. Questions regarding the terms of the Cash Offers may be directed to the lead dealer managers at the addresses and telephone numbers listed on the back cover page of this Offer to Purchase. At any given time, the Dealer Managers or their affiliates may trade the Existing Notes or other of our securities for its own account or for the accounts of its customers and, accordingly, may hold a long or short position in the Existing Notes. To the extent that the Dealer Managers or its affiliates hold Existing Notes during the Cash Offers, it may tender such Existing Notes in the Cash Offers pursuant to the terms of the Cash Offers.

From time to time in the ordinary course of business, the Dealer Managers and their affiliates have provided us and our affiliates with investment banking and other services for customary compensation.

Other Fees and Expenses

We will bear the expenses of soliciting tenders of the Existing Notes. The principal solicitation is being made by electronic communications. Additional solicitations may, however, be made by e-mail, mail, facsimile transmission, telephone or in person by the Dealer Managers and the Information Agent, as well as by our officers and other employees and those of our affiliates.

Tendering holders of Existing Notes will not be required to pay any fee or commission to the Dealer Managers. If, however, a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other institution, that holder may be required to pay brokerage fees or commissions.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax consequences of the Cash Offers that may be relevant to a beneficial owner of Existing Notes. The discussion does not deal with special classes of beneficial owners, such as dealers in securities or currencies, banks, financial institutions, insurance companies, regulated investment companies, tax-exempt organizations, entities classified as partnerships and partners therein, persons that hold or are treated as holding 10% or more of our stock by vote or value, persons holding Existing Notes as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, nonresident alien individuals present in the United States for more than 182 days in a taxable year, or U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar. This discussion assumes that the Existing Notes are held as “capital assets” by the holder for U.S. federal income tax purposes.

This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations, published administrative interpretations of the Internal Revenue Service (“IRS”) and judicial decisions, all of which are subject to change, possibly with retroactive effect. In addition, the discussion does not address the alternative minimum tax, the Medicare tax on net investment income or certain other aspects of U.S. federal income or state and local taxation that may be relevant to a holder of Existing Notes. Accordingly, a beneficial owner of Existing Notes should consult its own tax advisor with regard to the Cash Offers and the application of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to its particular situation.

As used herein, a “U.S. Holder” is a citizen or resident of the United States or a domestic corporation or any other person that is otherwise subject to U.S. federal income tax on a net income basis in respect of the Existing Notes. A “Non-U.S. Holder” is a beneficial owner of an Existing Note that is an individual, corporation, foreign estate, or foreign trust, that is not a U.S. Holder.

U.S. Holders

Sales by U.S. Holders of Existing Notes pursuant to the Cash Offers will be taxable transactions for U.S. federal income tax purposes. Subject to the discussion of the market discount rules set forth below, a U.S. Holder selling Existing Notes pursuant to the Cash Offers will recognize capital gain or loss in an amount equal to the difference between the amount of cash received (other than amounts received attributable to accrued interest, which will be taxed as such) and the U.S. Holder’s adjusted tax basis in the Existing Notes sold at the time of sale. A U.S. Holder’s adjusted tax basis in an Existing Note generally will equal the amount paid therefor, increased by the amount of any market discount previously taken into account by the U.S. Holder and reduced by the amount of any amortizable bond premium previously amortized by the U.S. Holder with respect to the Existing Notes. Any gain or loss will be long-term capital gain or loss if the U.S. Holder’s holding period for the Existing Notes on the date of sale was more than one year.

In general, if a U.S. Holder acquired the Existing Notes with market discount, any gain realized by a U.S. Holder on the sale of the Existing Notes will be treated as ordinary income to the extent of the portion of the market discount that has accrued while the Existing Notes were held by the U.S. Holder, unless the U.S. Holder has elected to include market discount in income currently as it accrues.

Non-U.S. Holders

Sale of Existing Notes Pursuant to the Cash Offers

Subject to the discussions below under “—FATCA” and “*Information Reporting and Backup Withholding*,” a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on the proceeds from participating in the Cash Offers including with respect to amounts treated as received in respect of accrued and unpaid interest on the Existing Notes, provided that (i) the Non-U.S. Holder properly certifies as to its foreign status by providing a properly executed IRS Form W-8BEN or W-8BEN-E (or other appropriate form) to the applicable withholding agent; (ii) the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of our stock entitled to vote; and (iii) the Non-U.S. Holder is not a controlled foreign corporation that is related to us actually or constructively through stock ownership.

FATCA

Under the U.S. tax rules known as the Foreign Account Tax Compliance Act (“FATCA”), a holder will, in certain cases, be subject to 30% U.S. withholding tax on payments received in respect of accrued but unpaid interest pursuant to the Cash Offers if the holder is not FATCA compliant, or holds its notes through a foreign financial institution that is not FATCA compliant. In order to be treated as FATCA compliant, a holder must provide us or an applicable financial institution certain documentation (usually an IRS Form W-8BEN or W-8BEN-E) containing information about its identity, its FATCA status, and if required, its direct and indirect U.S. owners. Non-U.S. Holders should consult their own tax advisors about how FATCA may apply to their participation in the Cash Offers.

Information Reporting and Backup Withholding

In general, payments in respect of interest on the Existing Notes proceeds from the sale of the Existing Notes may be subject to information reporting unless the U.S. Holder is an exempt recipient. Backup withholding may apply to such payments unless the U.S. Holder (i) is an exempt recipient and establishes this fact if required, or (ii) provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. taxpayers in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a U.S. Holder or Non-U.S. Holder will be allowed as a credit against the holder’s U.S. federal income tax liability and may entitle the Holder to a refund, provided that the required information is timely furnished to the IRS.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with participation in the Cash Offers by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or any federal, state, local, non-U.S law that is similar to such provisions of ERISA or the Code (each, a “Similar Law”), and entities whose underlying assets are considered to include “*plan assets*” of such plans, accounts and arrangements (each, a “Plan”).

General Fiduciary Matters

ERISA imposes certain duties on persons who are fiduciaries of Plans subject to Title I of ERISA (an “ERISA Plan”) and prohibits certain transactions involving the assets of an ERISA Plan and its fiduciaries. Under ERISA, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation to an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering whether an ERISA Plan should participate in a Cash Offer, a fiduciary should determine whether such action is in accordance with the documents and instruments governing the ERISA Plan and the applicable provisions of ERISA relating to a fiduciary’s duties to the ERISA Plan and investment of assets of the ERISA Plan including, without limitation, the prudence, diversification, delegation of authority and prohibited transaction provisions of ERISA.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit Plans subject to such provisions from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of an ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

The disposition of Existing Notes in the Cash Offers by a Plan with respect to which Liberty Mutual or any of its affiliates is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless an applicable statutory or administrative exemption is available. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or “PTCEs,” that may apply to these transactions. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, nor receives no less, than adequate consideration in connection with the transaction. Each of the above-noted exemptions contains conditions and limitations on its application. Fiduciaries of Plans considering participating in a Cash Offer in reliance on these or any other exemptions should carefully review the exemption to ensure that exemptive relief is available under it. There can be no assurance that any such exemption will be applicable or that all the conditions of any such exemption will be satisfied.

Because of the foregoing, Plans should not participate in a Cash Offer, unless the disposition of Existing Notes will not constitute a non-exempt prohibited transaction under ERISA and the Code or a similar violation of any applicable Similar Laws.

Representation

Each holder (and any fiduciary directing such holder) of Existing Notes will be deemed to have represented and warranted to us that it is not participating in the Cash Offers with the assets of, or for or on behalf of, any employee benefit plan subject to Title I of ERISA or any plan, individual retirement account or arrangement that is subject to Section 4975 of the Code or any Similar Law, except to the extent that the disposition of Existing Notes does not constitute or result in a non-exempt prohibited transaction under ERISA, the Code or any Similar Laws.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering participating in a Cash Offer on behalf of any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such action and whether an exemption would be available. Holders of Existing Notes have exclusive responsibility for ensuring that the disposition of Existing Notes in the Cash Offers does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Laws. The acquisition of any Existing Notes from a Plan is in no respect a representation by Liberty Mutual or any of its affiliates or representatives that such actions meet all relevant legal requirements with respect to investments by any such Plan generally or any particular Plan, or that such action is appropriate for such Plans generally or any particular Plan.

NOTICE TO CERTAIN NON-U.S. HOLDERS

General

No action has been or will be taken in any jurisdiction that would permit the possession, circulation or distribution of this Offer to Purchase or any material relating to us or the Existing Notes in any jurisdiction where action for that purpose is required. Accordingly, neither this Offer to Purchase nor any other offering material or advertisements in connection with the Cash Offers may be distributed or published, in or from any such country or jurisdiction, except in compliance with any applicable rules or regulations of any such country or jurisdiction.

The distribution of this Offer to Purchase in certain jurisdictions may be restricted by law. Persons into whose possession this Offer to Purchase comes are required by us, the Dealer Managers, the Information Agent and the Tender Agent to inform themselves about, and to observe, any such restrictions.

This Offer to Purchase does not constitute an offer to buy or sell or a solicitation of an offer to sell or buy Existing Notes, as applicable, in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such offer or solicitation under applicable securities laws or otherwise. The distribution of this document in certain jurisdictions (including, but not limited to, the United States, the United Kingdom, Italy, France, Belgium, the Republic of Ireland and Switzerland) may be restricted by law. In those jurisdictions where the securities, blue sky or other laws require the Cash Offers to be made by a licensed broker or dealer and the Dealer Managers or any of their respective affiliates is such a licensed broker or dealer in any such jurisdiction, the Cash Offers shall be deemed to be made by the Dealer Managers or such affiliate (as the case may be) on behalf of Liberty Mutual in such jurisdiction.

Each Eligible Holder participating in the Cash Offers will give certain representations in respect of the jurisdictions referred to above and generally as set out herein. Any tender of Existing Notes pursuant to the Cash Offers from an Eligible Holder that is unable to make these representations will not be accepted. Each of Liberty Mutual, the Dealer Managers, the Tender Agent and the Information Agent reserves the right, in its absolute discretion, to investigate, in relation to any tender of Existing Notes pursuant to the Cash Offers, whether any such representation given by an Eligible Holder is correct and, if such investigation is undertaken and as a result Liberty Mutual determines (for any reason) that such representation is not correct, such tender shall not be accepted.

For purposes of the Cash Offers, “Non-U.S. Qualified Offeree” means:

- (1) in relation to each member state of the European Economic Area and the United Kingdom, a person that is not a retail investor. For the purposes of this provision: (i) the expression “retail investor” means a person who is one (or more) of the following: (A) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (B) a customer within the meaning of Directive (EU) 2016/97/EU (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (C) not a qualified investor as defined in Article 2(e) of Regulation (EU) 2017/1129 (as amended); or
- (2) any entity outside of the United States, the European Economic Area and the United Kingdom to whom the offers may be made in compliance with all other applicable laws and regulations of any applicable jurisdiction.

ANNEX A

FORMULA FOR DETERMINING TOTAL CONSIDERATION

Definitions

| | | |
|-----------------------------|---|--|
| YLD | = | The Cash yield equal to the sum, as calculated by the lead Dealer Managers, of (i) the Reference Yield plus (ii) the fixed spread specified in the table on the cover page of this Offer to Purchase, expressed as a decimal. |
| CPN | = | Nominal annual rate of interest payable on the applicable Note, expressed as a decimal. |
| N | = | Number of semi-annual interest payments from (but excluding) the Settlement Date to (and including) the maturity date or par call date for the Note. |
| S | = | Number of days from and including either (a) the semi-annual interest payment date for the relevant Existing Note immediately preceding the expected Settlement Date. The number of days is computed using the 30/360 day-count method. |
| N Σ k=1 | = | Summate. The term to the right of the summation symbol is separately calculated “N” times (substituting for “k” in that term each whole number shown between 1 and N, inclusive), and the separate calculations are then added together. |
| exp | = | Exponentiate. The term to the left of “exp” is raised to the power indicated by the term to the right of “exp.” |
| Total Consideration | = | The price per \$1,000 principal amount of the Existing Notes tendered and accepted for Cash excluding accrued interest. The Total Consideration is rounded to the nearest \$0.01. |
| Accrued Interest Payment | = | Accrued and unpaid interest per \$1,000 principal amount of the applicable Note up to but not including the settlement date. |
| Total Consideration | = | $\frac{\$1,000}{(1+YLD/2)^{\exp(N-S/180)}} + \sum_{k=1}^N \frac{\$1,000 (CPN/2)}{(1+YLD/2)^{\exp(k-S/180)}} - \$1,000 (CPN/2)(S/180)$ |
| Accrued Interest Payment | = | $\$1,000 (CPN/2)(S/180)$ |

ANNEX B

HYPOTHETICAL EXAMPLE

Below is a hypothetical pricing example of the 6.500% Senior Notes due 2042 as of 2:00 pm New York City time on April 28, 2020 assuming a Settlement Date of May 7, 2020:

| | 6.500% Senior Notes due 2042 |
|-----------------------------|-------------------------------------|
| CPN | 6.500% |
| Maturity | May 1, 2042 |
| Reference US Treasury | 2.375% due November 15, 2049 |
| Reference US Treasury Yield | 1.199% |
| Fixed Spread | +240 bps |
| YLD | 3.599% |
| N | 44 |
| S | 6 |
| Total Consideration | \$1,438.08 |
| Accrued Interest Payment | \$1.08 |

The information provided in the above table is for illustrative purposes only and we make no representation with respect to the actual consideration that may be paid pursuant to the Cash Offers. The Total Consideration and the Accrued Interest Payment may be greater or less than that shown in the above table depending on the yield on the applicable Reference U.S. Treasury Security as of the Price Determination Date. The 6.500% Senior Notes due 2042 may be tendered and accepted for payment only in principal amounts equal to minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. No alternative, conditional or contingent tenders will be accepted. Holders who do not tender all of their Existing Notes must retain a minimum denomination equal to the applicable Minimum Authorized Denomination for the 6.500% Senior Notes due 2042 as set forth in the table under “Description of the Cash Offers—Minimum Authorized Denominations.

The Information Agent and Tender Agent for the Cash Offers is:

Global Bondholder Services Corporation

65 Broadway – Suite 404
New York, New York 10006
Tel: 212-430-3774
Toll Free: 866-470-4300
Facsimile: 212-430-3775 or 212-430-3779
Email: contact@gbsc-usa.com

Questions or requests for assistance related to the Cash Offers or for additional copies of this Offer to Purchase, Certification Instructions Letter or the Notice of Guaranteed Delivery may be directed to the Information Agent at its telephone number and address listed above.

You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Cash Offers.

The Dealer Managers for the Cash Offers are:

Lead Dealer Managers

Citigroup Global Markets, Inc.
388 Greenwich Street
New York, New York 10013
Attention: Liability Management Group
U.S. Toll Free: (800) 558-3745
Collect: (212) 723-6106

Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, NY 10010
Attention: Liability Management Group
U.S. Toll Free: (800) 820-1653
Collect: (212) 538-2147

Joint Lead Managers

Deutsche Bank Securities Inc.

Goldman Sachs & Co. LLC

Co-Managers

BofA Securities, Inc.

HSBC Securities (USA) Inc.

J.P. Morgan Securities LLC
