

June 14, 2001

**RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF CORPORATION FINANCE**

**Re: Liberty Mutual Insurance Company
Incoming letter dated June 5, 2001**

Based on the facts presented, but without necessarily agreeing with your analysis, the Division will not recommend enforcement action to the Commission if, in reliance on your opinion of counsel that membership interests in Liberty Mutual Holding Company are not securities within the meaning of the Securities Act of 1933 or the Securities Exchange Act of 1934, Liberty Mutual Insurance Company causes its members and members of its stock company successor to become members of Liberty Mutual Holdings without registration under either statute.

In reaching this position, we particularly note that:

- the LMIC Reorganization will be effected under Massachusetts law permitting the formation of mutual insurance holding companies by mutual insurance companies;
- membership rights in Liberty Mutual Holdings will be substantially the same as rights in Liberty Mutual Insurance;
- with the LMIC Reorganization, Liberty Mutual Insurance's policy holders will automatically become members of Liberty Mutual Holdings;
- the LMIC Reorganization is subject to approval by the Commissioner of the Division of Insurance after notice to policy holders and a public hearing where they are entitled to appear;
- the Commissioner will approve the LMIC Reorganization only after finding that it is fair and equitable to policy holders;
- Liberty Mutual Holdings will be subject to oversight by the Commissioner in its conduct toward members comparable to the oversight governing Liberty Mutual Insurance and its members; and
- Liberty Mutual Holdings may not pay dividends or make any other payment of income or profits except as provided in its articles of organization or as otherwise directed or approved by the Commissioner.

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This position is based on the representations made to the Division in your letter. Different facts or conditions might require a different result. This letter expresses the Division's position on enforcement action only. It does not express a legal position on the question presented.

Sincerely,

A handwritten signature in cursive script that reads "Michael Hyatte".

Michael Hyatte
Special Counsel