



September 15, 2000

The Honorable Connie L. O'Connell  
Commissioner of Insurance for Wisconsin  
State of Wisconsin Office of the Commissioner of Insurance  
121 East Wilson Street  
Madison, Wisconsin 53702

Re: EMPLOYERS INSURANCE OF WAUSAU A Mutual  
Company's Proposed Restructuring to a Mutual Holding Company Structure.

Dear Commissioner O'Connell:

Pursuant to Section 644.07(4) of the Wisconsin Insurance Code and on behalf of the Board of Directors of EMPLOYERS INSURANCE OF WAUSAU A Mutual Company ("EIOW"), a Wisconsin mutual property and casualty insurance company, I respectfully submit for your review and comment five sets of the enclosed application in connection with EIOW's proposed restructuring to a Wisconsin mutual holding company structure (the "Restructuring"). With the consent of the State of Wisconsin Office of the Commissioner of Insurance (the "OCI"), EIOW intends to mail the enclosed documents to policyholders of EIOW for their consideration in connection with the special meeting of EIOW members relative to EIOW's Restructuring. A list of the documents in the enclosed application is attached as Schedule A to this letter.

#### **EIOW's Restructuring**

Pursuant to EIOW's Restructuring: (i) EIOW will form Employers Insurance of Wausau Mutual Holding Company ("EIOW MHC"), a Wisconsin mutual holding company; (ii) EIOW will convert into "Employers Insurance Company of Wausau", a Wisconsin stock property and casualty insurance company ("Converted EIOW"); (iii) EIOW MHC will be issued 100% of the initial shares of voting stock of Converted EIOW; and (iv) all equity rights of EIOW members in

EIOW will be extinguished and replaced with equity rights in EIOW MHC. Assuming all conditions to the effectiveness of EIOW's Restructuring are met or waived, as applicable, EIOW's Restructuring is expected to become effective sometime in the first quarter of 2001.

It is anticipated that EIOW's Restructuring, if consummated, will be part of a series of transactions (collectively, the "Global Transaction") that will result in EIOW and one or both of its affiliates, specifically, Liberty Mutual Insurance Company ("LMIC"), a Massachusetts mutual property and casualty insurance company, and Liberty Mutual Fire Insurance Company ("LMFIC"), a Massachusetts mutual property and casualty insurance company, (EIOW, LMIC and LMFIC, collectively, the "Liberty Companies") all reorganizing to stock companies and coming under the common ownership of Liberty Mutual Holding Company ("Liberty Mutual Holding Company"), a Massachusetts mutual holding company to be formed by LMIC as part of its reorganization. Assuming all conditions to the consummation of all of the transactions comprising the Global Transaction are met, or waived, as applicable, EIOW expects the Global Transaction to be consummated sometime in the second quarter of 2001.

### **The Global Transaction**

The Global Transaction consists of the following transactions, in addition to the Restructuring:

(i) LMIC will reorganize to a mutual holding company structure under the laws of the Commonwealth of Massachusetts. Pursuant to Chapter 175 Sections 19F to 19W, inclusive, of the Massachusetts General Laws, LMIC will (a) form Liberty Mutual Holding Company; (b) form two intermediate companies, LMG Massachusetts Holdings Inc. ("LMG Massachusetts Holdings"), a Massachusetts stock holding company that will be a direct, wholly-owned subsidiary of Liberty Mutual Holding Company and Liberty Mutual Group Inc. ("LMGI"), a Massachusetts stock holding company that will be a direct, wholly-owned subsidiary of LMG Massachusetts Holdings; and (c) reorganize to a Massachusetts stock property and casualty insurance company ("Reorganized LMIC"). Liberty Mutual Holding Company will be issued 100% of the initial shares of voting stock of Reorganized LMIC. Immediately thereafter, Liberty Mutual Holding Company will contribute all of the shares of voting stock of Reorganized LMIC to LMG Massachusetts Holdings and LMG Massachusetts Holdings, in turn, will contribute all such shares to LMGI. As a result, Reorganized LMIC will be a direct, wholly-owned subsidiary of LMGI

the Massachusetts General Laws. In considering whether to approve the MHC Merger, members of Liberty Mutual Holding Company will be receiving sometime in the beginning of the second quarter of 2001 a copy of Liberty Mutual Holding Company's member information statement (the "Liberty Mutual Holding Company Member Information Statement"), which will describe in detail the MHC Merger and the rationale and benefits of consummating the MHC Merger.

(iii) Assuming that the LMIC reorganization is consummated, Liberty Mutual Holding Company, LMFIC and Liberty Insurance Acquisition Corporation ("Liberty Insurance Acquisition Corp."), a Massachusetts stock property and casualty insurance company that Liberty Mutual Holding Company will form, will enter into a Reorganization and Combination Agreement (the "Reorganization and Combination Agreement"), subject to, among other things, approval of the regulatory authorities and the boards of directors of the parties to the agreement. Pursuant to the terms of the Reorganization and Combination Agreement and to Chapter 175 Section 19T of the Massachusetts General Laws, LMFIC will reorganize from a Massachusetts mutual property and casualty insurance company into a Massachusetts stock property and casualty insurance company ("Reorganized LMFIC") and then merge with and into Liberty Insurance Acquisition Corp., with Reorganized LMFIC





