



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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November 8, 2000

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Advanced Via Facsimile

J. Stanley Hoffert
Vice President, General Counsel,
and Secretary
EMPLOYERS INSURANCE OF WAUSAU
A Mutual Company
2000 Westwood Avenue
Wausau, Wisconsin 54401

Re: Application for the Formation and Subsequent Merger of a Mutual Holding Company
(Case No. 00-C26776)

Dear Mr. Hoffert:

The following items are requested in connection with this Office's review of the application for the formation and subsequent merger of a mutual holding company.

Development of the Restructuring Plan and Proposed "Global Transaction"

1. Please describe the process and time frame of deliberation that was undertaken by EIOW's management and board of directors in arriving at the current restructuring plan and "Global Transaction".
2. This Office will need copies of the portions of the EIOW board minutes, whether in draft or final form, as the case may be, that relate to deliberations on the mutual holding company plan or related transactions.
3. Please provide copies of the fairness opinions issued by Credit Suisse First Boston to the boards of directors of Liberty Mutual Insurance Company and Liberty Mutual Fire Insurance Company, respectively.

Effect on EIOW and the Holding Company System

4. Will the names of Liberty Mutual Insurance Company and Liberty Mutual Fire Insurance Company be changed after their conversion to reflect the change in their forms of organization?

5. Why is Liberty Mutual Insurance Company proposing to form LMG Massachusetts Holdings Inc. as part of the "Global Transaction"? What is the intended business purpose of LMG Massachusetts Holdings Inc.?
6. Why is Liberty Mutual Insurance Company proposing to form Liberty Mutual Group, Inc. as part of the "Global Transaction"? What is the intended business purpose of Liberty Mutual Group, Inc.?
7. Various exhibits within the application indicate EIOW or Converted EIOW as having subsidiaries. What subsidiaries does EIOW have, or is it anticipated that Converted EIOW will have?
8. Article VII of the Articles of Organization of Liberty Mutual Holding Company provide that the assets and liabilities of Liberty Mutual Holding Company are subject to inclusion in the estate of Liberty Mutual Insurance Company, subject to the provisions of the Massachusetts General Laws. Would these provisions of the Massachusetts General Laws apply to the estate of Converted EIOW subsequent to the merger of Employers Insurance of Wausau Mutual Holding Company into Liberty Mutual Holding Company?
9. Will the restructuring of EIOW and Liberty Mutual Insurance Company or subsequent merger of the mutual holding companies trigger any change in control provisions under the terms of any executive employment agreement?
10. With respect to the transactions described in the mutual holding company plan, have any executive employment agreements, side agreements, written plans, or assurances been made or placed under development concerning staff retention, salaries and benefits, or severance packages, for the officers or employees that provide services to EIOW, Liberty Mutual Insurance Company, or Liberty Mutual Fire Insurance Company?

Other Regulatory Influences

11. Are there any regulatory actions or approvals by any federal, state, or non-U.S. jurisdictions required for completion of the "Global Transaction", as that term is described in the Application, other than that of the Massachusetts Department of Insurance and Wisconsin's Office of the Commissioner of Insurance? If so, please identify these required regulatory actions and approvals.
12. When is it anticipated that EIOW might obtain a private letter ruling from the U.S. Internal Revenue Service to the effect that, for U.S. federal income tax purposes, the formation of Employers Insurance of Wausau Mutual Holding Company and the conversion of EIOW from a mutual company into a stock company will qualify under sections 368(a) or 351(a) of the Internal Revenue Code? What is the anticipated time frame in which EIOW could receive a comparable opinion from special tax counsel?
13. When is it anticipated that EIOW might obtain a "no-action" letter from the staff of the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended? What is the anticipated time frame in which EIOW could receive an opinion from independent counsel with respect to federal and state securities law matters?

Mr. J. Stanley Hoffert
November 8, 2000
Page 3

14. Must EIOW receive approval from Canadian securities regulators to permit issuance of equity rights to members who reside in Canada and to Canadian policyholders who are issued policies by Converted EIOW after the restructuring?

Procedural and Miscellaneous

15. Please provide us with a copy of the application and its exhibits, together with the cover letter to the application, in electronic form suitable for posting on OCI's website.
16. Please provide us with a comparison of the rights of policyholders who are members of a mutual holding company under Wisconsin and Massachusetts law.
17. When will EIOW's toll-free number for questions about the mutual holding company plan be operative?

If you have questions on this or any other matter in which I may be of some assistance, please call my direct line at (608) 267-4388.

Sincerely,

Steven J. Junior
Senior Insurance Examiner
Bureau of Financial Analysis & Examinations

cc: Noreen J. Parrett, LaFollette, Godfrey & Kahn