



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Commissioner

November 30, 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:

This correspondence is a continuation of our November 8, 2000, letter concerning the above filing. 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.

Corporate Governance under the Mutual Holding Company Structure

1. What is the purpose and intent of Article III, Section 9 of the proposed bylaws of Employers Insurance of Wausau Mutual Holding Company, which would permit the board of directors to place members into any system of classification permitted by law?
2. The draft Policyholder Information Statement makes references to a possible dilution of voting rights as a result of the anticipated merger of Employers Insurance of Wausau Mutual Holding Company into Liberty Mutual Holding Company. Please provide additional information concerning this possible dilution in ELOW policyholders' voting rights.
3. Please explain the purpose and intent of Article VI, Section 3 of the proposed bylaws of Liberty Mutual Holding Company, which provides that no person is permitted to cast more than twenty votes as attorney by proxy or otherwise.
4. What preemptive or preferential rights will members of Employers Insurance of Wausau Mutual Holding Company have to participate in any future public offerings by subsidiaries of their mutual holding company? After the merger with Employers Insurance of Wausau Mutual Holding Company, what preemptive or preferential rights will members of Liberty Mutual Holding Company have to participate in any future public offerings by subsidiaries of their mutual holding company?
5. Please describe the factors taken into consideration in arriving at the proposed composition of the board of directors of Liberty Mutual Holding Company following its intended merger with Employers Insurance of Wausau Mutual Holding Company.

Effect on Holding Company System

6. Is any reorganization of the succession of control or ownership of Liberty Mutual Insurance Company's present subsidiaries contemplated?
7. How is the "Global Transaction" anticipated to affect Liberty Financial Companies, Inc.? Is it anticipated that the placement of Liberty Financial Companies, Inc. within the holding company system will change?
8. What changes does management anticipate with respect to service, management, cost allocation, or other written agreements among members of the holding company system in consequence of the proposed restructuring and subsequent merger of Employers Insurance of Wausau Mutual Holding Company into Liberty Mutual Holding Company?
9. Are there any plans to repay Liberty Mutual Insurance Company's surplus notes with the proceeds of a future public offering of common stock by a subsidiary of Liberty Mutual Holding Company?

Business Plan and Operations of Converted EIOW

10. Will the inter-company reinsurance agreement be amended to include coverage for all of the obligations of Converted EIOW following the merger of Employers Insurance of Wausau Mutual Holding Company into Liberty Mutual Holding Company?
11. Credit Suisse First Boston included in the bases of its fairness opinion on behalf of the interests of EIOW policyholders the assumption that the existing inter-company reinsurance agreement would not be changed in any material respect. Is any change to the reinsurance program anticipated in connection with or after the proposed restructuring and subsequent merger of Employers Insurance of Wausau Mutual Holding Company into Liberty Mutual Holding Company?
12. Is it anticipated that Converted EIOW will redeem its contribution note in whole or in part after the "Global Transaction" has been completed?
13. Which types of insurance programs and services will the Converted EIOW prioritize for growth and development?
14. Which types of insurance programs and services will the Converted EIOW seek to reduce or terminate?
15. Will the Converted EIOW seek to reduce or terminate services in any region or jurisdiction in which it is currently active?
16. Will Converted EIOW's distribution network be cross-licensed for agency on behalf of the other present Liberty Mutual Group members? Will the Liberty Mutual Group distribution network be cross-licensed for agency on behalf of the Converted EIOW? Will the producer networks be more or less comprehensively integrated, or will they remain more or less distinct?
17. Does management anticipate any changes in Converted EIOW's marketing practices or distribution channels?

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18. Describe the Converted EIOW's plans for charitable contributions and commitment to community outreach after the conversion in comparison to past practices.
19. Does EIOW plan to purchase or sell any books of business over the next twelve months?
20. As the prospective controlling party of Converted EIOW, is it anticipated that Liberty Mutual Holding Company would ensure sufficient staff and other resources to continue EIOW's administrative activities on behalf of Wisconsin Health Care Liability Insurance Plan and Wisconsin's Patient's Compensation Fund?

Employment and Compensation Matters

21. What is the anticipated effect of the proposed mutual holding company plan and the intended future acquisition of control by Liberty Mutual Holding Company on the employees that presently provide services to EIOW?
22. Is it anticipated that the number of people employed to provide services to EIOW would increase or decrease? If so, what is the anticipated magnitude of the change?
23. Is it anticipated that there will be any change in the companies that presently provide services to EIOW, including Wausau Service Corporation?
24. Does management anticipate opening or closing any offices from which EIOW's operations are conducted or regularly supported?
25. Will Liberty Mutual Holding Company become the principal employer within the holding company system?

Procedural and Miscellaneous Matters

26. Please provide a copy of the Hart-Scott-Rodino filing, when available.
27. Please provide correspondence from the Massachusetts Division of Insurance confirming their approval of the transactions related to the proposed restructuring of the Liberty Mutual Group when these become available.

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 (via fax)
David B. May, Liberty Mutual Insurance Company (via fax)