

## MESSAGE FROM THE CHAIRMAN OF THE BOARD

To Our Policyholders:

This packet contains information about a proposal to change the legal structure of Employers Insurance of Wausau A Mutual Company. Wausau's Board of Directors believes that reorganizing into what is known as a mutual holding company structure is fair and equitable to our policyholders and expected to benefit our policyholders. This proposed reorganization is one of the first in a series of transactions that are designed ultimately to bring Wausau and all of the companies in the Liberty Mutual Group under the ownership of a single mutual holding company.

Two years ago Wausau entered into its affiliation with Liberty Mutual Insurance Company. Since then Wausau has improved its operating and financial results, and is far better positioned for growth in its target insurance markets. This restructuring and the contemplated subsequent transactions would build upon this foundation and further strengthen Wausau's operations while preserving its separate identity, strong brand name and Wisconsin presence.

On September 14, 2000, the Board unanimously approved and adopted the Mutual Holding Company Plan for Wausau as a necessary first step in a series of transactions that the Board believes will benefit our policyholders. Under the Plan, Wausau will (1) form Employers Insurance of Wausau Mutual Holding Company, a Wisconsin mutual holding company, and (2) reorganize into a Wisconsin stock property and casualty insurance company, (we call these initial steps the "Restructuring"). Under the Plan, Wausau will become a stock insurance company, while the parent company, Wausau Mutual Holding Company, will preserve mutuality. As a policyholder, your contract rights under your policy will remain unchanged with Wausau but your equity rights as a member of a mutual insurance company will be replaced with equity rights in a mutual holding company.

Assuming approval of the Plan, the next set of contemplated transactions would result in Wausau and two of its affiliated mutual property and casualty companies, Liberty Mutual Insurance Company and Liberty Mutual Fire Insurance Company, becoming subsidiaries of a single Massachusetts Mutual Holding Company.

Neither the Restructuring of Wausau, nor any of the subsequent transactions that are presently being contemplated, will result in any changes in services provided to you or in Wausau's existing business operations. Your premiums will not be increased and your policy benefits will not be affected by this Restructuring nor by the subsequent transactions.

The Board believes this Restructuring will provide the following benefits to Wausau and its policyholders:

- (1) **A More Efficient Legal Structure.** Today Wausau is a distinct legal entity that operates as part of a larger, operationally and economically integrated insurance enter-

prise known as the Liberty Mutual Group. The Liberty Mutual Group includes Wausau, Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company, their subsidiaries and their affiliates. The companies within the Liberty Mutual Group operate under common management, collectively participate in each other's underwriting and operating results, and share the same financial ratings. The Restructuring of Wausau is a first step in a series of transactions aimed at aligning the legal structure with the existing operating and economic structure, resulting in more streamlined, efficient governance and administrative processes, while at the same time preserving the separate identities and brands of the companies within the Liberty Mutual Group.

(2) **Maintain Mutuality.** Wausau, Liberty Mutual Insurance Company and Liberty Mutual Fire Insurance Company were all founded on the fundamental belief that having common goals with its policyholders was the best way to prevent workplace accidents and injuries and to minimize losses when accidents do occur. All the companies in the Liberty Mutual Group believe that mutuality -- working together with you our policyholders -- is still the best way to do business and in the long-term interests of policyholders. The Restructuring of Wausau will preserve its mutuality and Wisconsin presence while enabling it to combine with the other companies in the Liberty Mutual Group, each without losing their separate identities.

(3) **Provide Greater Flexibility.** We believe that in the future the most successful companies in our increasingly competitive industry will be those with the scale, capital and financial strength to compete in a mature market with fewer and larger competitors. While Wausau is financially stronger today than it was before becoming a member of the Liberty Mutual Group, as a mutual insurance company Wausau has limited means to increase capital and no stock to use as acquisition currency. The Restructuring and subsequent transactions would allow Wausau, as part of the larger Liberty Mutual Group, to participate in raising equity capital through the issuance of stock if the need should arise. While that need does not exist today, we estimate that completion of the entire series of contemplated transactions will take approximately eight months, start to finish. So, reorganizing now eliminates the potential for a long delay in accessing equity markets should the need arise in the future.

The Board further believes that the benefits resulting from the Restructuring will be greatly enhanced by completing the entire series of transactions, bringing the Liberty Mutual Group under the ownership of one mutual enterprise. The Board further believes that other structural alternatives discussed in the Policyholder Information Statement would not achieve the strategic objectives that will be accomplished by the proposed Reorganization. Our objective is to continue to serve you, our policyholders, with exceptional products and services at very competitive costs, while at the same time increase our ability to continue to compete successfully in the marketplace.

**PLEASE NOTE:** you are being asked to vote only on the Restructuring of Employers Insurance of Wausau A Mutual Company, into a stock insurance company owned by a mutual holding company of which you will become a member.

On behalf of the Board of Directors and the management of Employers Insurance of Wausau A Mutual Company, I urge you to support the proposed Restructuring and vote FOR the Restructuring.

I encourage you to review the materials contained in this packet carefully, and complete, sign and return your ballot in the enclosed postage-paid envelope as soon as possible. You are also cordially invited to attend the Special Meeting of Policyholders to be held on February XX, 2001, 10:00 a.m., at our offices in, Wausau, Wisconsin to vote on the Plan at that time, if you prefer.

While we've tried to anticipate your questions in the enclosed material, you may call our [Call Center] at [1-800 number] during normal business hours with any additional questions.

We thank you for the confidence and trust you've placed in us, and we look forward to continuing to help you satisfy your insurance needs.

Edmund F. Kelly  
Chairman and Chief Executive Officer