



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott McCallum, Governor
Connie L. O'Connell, Commissioner

Wisconsin.gov

August 22, 2001

121 East Wilson Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: information@oci.state.wi.us
http://badger.state.wi.us/agencies/oci/oci_home.htm

Dear Employers Insurance of Wausau Policyholders:

This letter is being sent to you with materials provided by EMPLOYERS INSURANCE OF WAUSAU A Mutual Company (EIOW). These materials provide information on a proposal, by your insurance company's board of directors and management, to convert EIOW from a mutual company to a stock company under a mutual holding company plan. The accuracy of the representations made within the Policyholder Guide and Policyholder Information Statement is the responsibility of EIOW's board of directors and management.

Wisconsin law allows a mutual insurance company to convert to a stock insurance company by placing the mutual policyholders' ownership rights in a mutual holding company, which then becomes the owner of the newly-converted stock insurance company. The reorganization must be approved by the OCI and then by a majority of those EIOW policyholders that choose to exercise their right to vote.

The proposal affects your interests and is subject to your participation in the decision. This package has been designed to allow you to review the proposal in whatever depth you choose to accord it. A summary of the plan is provided in the form of the Policyholder Guide and on pages 7 – 23 of the Policyholder Information Statement. The remainder of this package includes comprehensive information and specific legal documents so that you have full access to this information without delay or inconvenience. The attached Notice of Hearings and Invitation for Public Comment describes how you may provide oral or written testimony to the Office of the Commissioner of Insurance (OCI), whether or not you attend the hearings in person.

Liberty Mutual Insurance Company, of Boston, Massachusetts, an EIOW affiliate, is pursuing a similar restructuring. Under the proposed plan, the mutual holding companies created by EIOW and Liberty Mutual Insurance Company would be merged, with Liberty Mutual Holding Company surviving. The mutual policyholders' ownership rights of EIOW policyholders would continue within Liberty Mutual Holding Company. EIOW, as a stock insurance company, would become a subsidiary of Liberty Mutual Holding Company. Your insurance company is only asking you to vote on the restructuring of EIOW into a stock insurance company owned by a mutual holding company of which you will become a member. However, EIOW's board of directors and management have clearly expressed an intention to merge this mutual holding company into Liberty Mutual Holding Company. Therefore, you should regard a vote in favor of the mutual holding company plan as also supporting the merger of mutual holding companies described in the Policyholder Information Statement.

The OCI's review is limited to evaluating the application to make certain that it meets the standards of the statutes. These statutes are designed to ensure that the proposed mutual holding company plan does not violate the law and that the OCI has sufficient information to make a decision on the application. In performing its duties, the OCI does not have the authority to substitute its judgement for that of the board of directors of EIOW and to direct them to pursue an alternate business strategy. If the OCI approves the application, the ultimate decision about the future organization of EIOW will be made, as it should be, by the policyholders of the company at the special meeting.

Sincerely,

Connie L. O'Connell
Commissioner

In the Matter of the Restructuring of
EMPLOYERS INSURANCE OF WAUSAU A Mutual Company
by EMPLOYERS INSURANCE OF WAUSAU A Mutual Company
and Liberty Mutual Insurance Company,

Case No. 00-C26776

Petitioners.

NOTICE OF HEARINGS AND INVITATION FOR PUBLIC COMMENT

*** PRE-HEARING CONFERENCE DATE: September 17, 2001, at 1:00 p.m.
IS SCHEDULED unless further continued by the Hearing Examiner.

PLACE: Office of the Commissioner of Insurance
121 East Wilson Street, Room 6
Madison, Wisconsin

*** HEARING IS SCHEDULED DATE: Class 1 Contested Case Administrative Hearing
October 16, 2001, at 1:00 p.m. to 2:00 p.m.
unless further continued by the Hearing Examiner.

DATE: Public Hearing
October 16, 2001, at 2:00 p.m. to 3:00 p.m.
unless further continued by the Hearing Examiner.

PLACE: Hilton Madison – Monona Terrace
9 East Wilson Street
Madison, Wisconsin 53703

PLEASE READ THIS NOTICE CAREFULLY

Class 1 Contested Case Administrative Hearing

A Class 1 contested case administrative hearing on the proposed mutual holding company plan under chs. 227 and ss. 644.07 and 601.62, Wis. Stat., will be conducted on October 16, 2001, between 1:00 p.m. and 2:00 p.m. before Matthew C. Mandt, the duly appointed Hearing Examiner (unless sooner concluded, continued, or extended at the direction of the Hearing Examiner). All motions in the Class 1 hearing other than motions that necessarily must be made at the hearing, shall be filed with the Hearing Examiner not later than September 12, 2001. Only persons admitted as parties to the Class 1 proceeding may participate in this Class 1 administrative hearing. However, attendance by policyholders of EMPLOYERS INSURANCE OF WAUSAU A Mutual Company (EIOW) and the public is welcome.

Public Hearing

A public hearing on the proposed mutual holding company plan under chs. 227 and ss. 601.62 and 644.07, Wis. Stat., will be conducted on October 16, 2001, at the above-designated location in Madison, Wisconsin, commencing immediately after the Class 1 administrative hearing, approximately 2:00 p.m., unless the pre-hearing conference is continued or extended by the Hearing Examiner.

EIOW Policyholders and members of the public are invited to testify at the public hearing. Since time for oral testimony may be limited by the Hearing Examiner to accommodate the number of speakers, EIOW policyholders and members of the public are invited to submit written comment as well as, or in lieu of, oral testimony. Interested persons are encouraged to submit written comments to the Hearing Examiner by October 5, 2001, but written comments may be submitted at any time prior to or at the public hearing. Written comments may be directed to Attention: EIOW Mutual Holding Company Comments, Office of the Commissioner of Insurance, P. O. Box 7873, Madison, Wisconsin 53707-7873.

The Hearing Examiner will accept written comments after the October 16, 2001, conclusion of the public hearing until October 26, 2001.

Issues

The issues to be considered at the hearing, and with respect to which EIOW policyholders and the public are invited to comment, are as follows:

- (1) The plan for the restructuring of EMPLOYERS INSURANCE OF WAUSAU A Mutual Company to a mutual holding company and stock insurance company (the "plan").
- (2) The names, addresses, and interrelationships of all affiliates and principals of Petitioners at the time of the filing and after the request is granted if the plan is approved.
- (3) Whether or not, under s. 644.07, Wis. Stat.:
 - (a) The plan would violate the law or be contrary to the interest of the insureds of EMPLOYERS INSURANCE OF WAUSAU A Mutual Company, the converting domestic corporation, or of the Wisconsin insureds of any participating nondomestic corporation.
 - (b) The plan would be unfair or inequitable to the policyholders of EMPLOYERS INSURANCE OF WAUSAU A Mutual Company.
 - (c) The plan would be contrary to the interests of policyholders or the public.
 - (d) The restructuring proposed by the plan would be detrimental to the safety and soundness of the converting insurance company, EMPLOYERS INSURANCE OF WAUSAU A Mutual Company, or to the contractual rights and reasonable expectations of its policyholders on the effective date of the restructuring.
- (4) Whether the Petitioner has complied with the filing requirements of s. 644.07, Wis. Stats.

How to Obtain Information

The mutual holding company plan is described in a Policyholder Information Statement prepared by EMPLOYERS INSURANCE OF WAUSAU A Mutual Company. A copy of the mutual holding company plan and exhibits thereto are included in the Policyholder Information Statement. Any policyholder of EMPLOYERS INSURANCE OF WAUSAU A Mutual Company that has not received the Policyholder Information Statement is urged to contact the EIOW MHC Information Line toll free at 1-800-442-4295 for a free copy.

Any policyholder, director, officer, or employee of EIOW may inspect a complete copy of the mutual holding company plan, with all of its exhibits, and of the Policyholder Information Statement, with all of its annexes, before the public hearing by visiting the home office of EIOW at 2000 Westwood Drive, Wausau, Wisconsin, during normal business hours, Monday through Friday, except on days on which EIOW is closed for business.

The public may inspect the records related to this case by visiting the Office of the Commissioner of Insurance, 121 East Wilson Street, Madison, Wisconsin. Any one wishing to obtain a copy of the mutual holding company plan, the Policyholder Information Statement, or pertinent correspondence and other statutorily required information concerning this case is encouraged to download it from the Office of the Commissioner of Insurance's web site at <http://badger.state.wi.us/agencies/oci/coconv.htm>. However, copies may be obtained for the cost of reproduction by request directed to the Office of the Commissioner of Insurance.

Dated at Madison, Wisconsin, this 21st day of August 2001.

Matthew C. Mandt, Director
Bureau of Financial Analysis and Examinations