

March 19, 2001

TO: J. Stanley Hoffert, Esq.
Craig Olafsson, Esq.

FROM: Robert J. Sullivan

Re: Effect of Merger Between Converted EIOW and Wausau
Insurance Acquisition Corporation on Insurance Licenses

Summary

You have asked us to analyze the effect of the proposed merger between Employers Insurance Company of Wausau ("Converted EIOW"), a Wisconsin stock property and casualty insurer, and Wausau Insurance Acquisition Corporation ("Merger Sub"), a to be formed Wisconsin stock property and casualty insurer (the "Wausau Merger"), on the licenses and certificates of authority of Converted EIOW and Merger Sub. Among other things, it is our understanding that you want to provide the Office of the Commissioner of the State of Wisconsin ("OCI") with comfort that the Wausau Merger will not materially and adversely affect the existing licenses of Converted EIOW, the surviving entity of the merger.

As a result of the Wausau Merger, Merger Sub will be merged out of existence and will result in the loss of Merger Sub's Wisconsin insurance license. Consummation of the Wausau Merger will not cause Converted EIOW to forfeit any of its insurance licenses, provided that Converted EIOW (i) continues to meet the statutory requirements for maintaining its insurance licenses in each state and foreign jurisdiction in which it is currently licensed and (ii) submits various insurance regulatory filings, discussed below, and obtains the necessary insurance regulatory approvals in Wisconsin, Nebraska, Texas and California, in connection with the Wausau Merger.

Background on Wausau Merger

Liberty Mutual Insurance Company ("LMIC"), a Massachusetts mutual property and casualty insurer, and Employers Insurance of Wausau A Mutual Company ("EIOW"), a Wisconsin mutual property and casualty insurance company, submitted their plans of reorganizations to the Massachusetts Division of Insurance ("Division") and the OCI, respectively, on September 15, 2000.

Pursuant to LMIC's plan of reorganization, LMIC will convert into a stock insurance company ("Reorganized LMIC") controlled by Liberty Mutual Holding Company ("Liberty Mutual Holding Company"), a Massachusetts mutual holding company. Pursuant to EIOW's plan of reorganization, EIOW will convert into Converted EIOW, which will be controlled by Employers Insurance of Wausau Mutual Holding Company ("EIOW MHC"), a Wisconsin mutual holding company. As soon as possible after the completion of LMIC's and EIOW's reorganizations, and subject to the receipt of all necessary member and regulatory approvals, the respective Boards of Directors of Liberty Mutual Holding Company and EIOW MHC intend to merge EIOW MHC with and into Liberty Mutual Holding Company, with Liberty Mutual Holding Company as the surviving entity ("MHC Merger"). Simultaneous with the MHC Merger, Merger Sub will merge with and into Converted EIOW, with Converted EIOW as the surviving entity. As a direct result of the MHC Merger and the Wausau Merger, Merger Sub will cease to exist, and all of the shares of voting stock of Converted EIOW will be held by Liberty Mutual Holding Company.

Effect of Wausau Merger on Converted EIOW's Insurance Licenses

Converted EIOW and Merger Sub will be Wisconsin domiciled stock insurance companies and, therefore, the OCI will be asked to review and approve the Wausau Merger. Assuming the necessary approvals are obtained from the OCI, Converted EIOW will survive the Wausau Merger with its domiciliary license in tact. With respect to Converted EIOW's foreign insurance licenses, the Wausau Merger itself will not cause

Converted EIOW's to forfeit its foreign insurance licenses. Converted EIOW's foreign insurance licenses will continue uninterrupted as a result of the Wausau Merger, provided that Converted EIOW continues to meet the regulatory requirements set forth in each state for maintaining its foreign insurance license and as long as Converted EIOW has made such filings and obtains such regulatory approvals as may be required by a limited number of states as set forth below.

Insurance Filings In Connection with Wausau Merger

Maintenance of certain of Converted EIOW's foreign licenses in a limited number of states will depend on Converted EIOW and Merger Sub submitting appropriate regulatory filings and obtaining the necessary regulatory approvals in a limited number of states where Converted EIOW is licensed, as a result of the Wausau Merger. These regulatory filings are limited to merger filings in Wisconsin, Nebraska and Texas, as well as a Section 1011 (c) filing in California under that state's Rehabilitation, Conservation and Liquidation statute. We are unaware of any other regulatory filings.

Please feel call me, at (212) 735-2930, with any questions.

cc: Richard Quinlan, Esq.
Fred Nepple, Esq. (General Counsel, WI OCI)