

**BEFORE THE OFFICE OF THE COMMISSIONER OF INSURANCE
OF THE STATE OF WISCONSIN**

IN THE MATTER OF:)
)
THE ACQUISITION OF CONTROL OF) Case No. 21-C44135
STATE AUTO INSURANCE COMPANY OF WISCONSIN)
)
BY LIBERTY MUTUAL HOLDING COMPANY INC.,)
LMHC MASSACHUSETTS HOLDINGS INC., AND)
LIBERTY MUTUAL GROUP INC.)
)

AFFIDAVIT OF RICHARD P. QUINLAN ON BEHALF OF THE APPLICANTS

I, Richard P. Quinlan, hereby declare under penalty of perjury as follows:

I am a Vice President and Deputy General Counsel of Liberty Mutual Group Inc.. I present this Affidavit on behalf of the Applicants to show the evidence supporting the approval of the above-entitled action under Wis. Stat. § 611.72. I am authorized to give this Affidavit by the powers vested in me under my duties on behalf of the Applicants.

I. Witness Identification

1. Please state, for the record, your full name, business address and by whom you are employed.

A: My name is Richard P. Quinlan. I am employed by Liberty Mutual Group Inc., a Massachusetts stock holding company ("LMGI"). My business address is 175 Berkeley Street, Boston, Massachusetts 02116.

2. What is your position at Liberty Mutual Group Inc.?

A: I am a Vice President and Deputy General Counsel of LMGI. I am also an Assistant Secretary of Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company ("LMHC"), and of LMHC Massachusetts Holdings Inc., a Massachusetts stock holding company ("MHI").

3. Please identify your responsibilities as Vice President and Deputy General Counsel.

A: I provide counsel and advice with respect to various transactional and other general corporate law matters including acquisitions, governance, insurance regulatory matters and financing projects.

4. Please describe your educational background and any other professional titles or positions held.

A: I received a B.A. from Boston College in 1980, and a J.D. and M.B.A. from Boston College in 1984. I am admitted to practice as an attorney in the Commonwealth of Massachusetts.

5. How long have you been employed by Liberty Mutual?

A: I have been employed by a Liberty Mutual affiliate since 2000, and have served in my current role for approximately 16 years.

6. Please describe your previous employment.

A: From 1996 to 2000, I was General Counsel, Chief Financial Officer, Treasurer and Secretary of Occupational Health +Rehabilitation, Inc., a publicly-traded corporation specializing in occupational health services and work-related injuries. From 1991 to 1996, I was Senior Vice President and General Counsel of Advantage Health Corporation, a publicly traded corporation and a provider of physical rehabilitation, skilled nursing, home health and senior/assisted living services in the Northeast United States. From 1985 to 1991, I was at the law firm of Nutter, McClennon & Fish in Boston, Massachusetts, and served as a junior partner my final two years there. From 1984 to 1985, I was an associate at the law firm of Warner & Stackpole, also in Boston.

7. Please explain for the record your purpose for providing this testimony here today.

A: I am providing testimony in support of the proposed acquisition of control of State Auto Insurance Company of Wisconsin, a property and casualty insurance company domiciled in Wisconsin (the "Domestic Insurer"), by LMHC, MHI and LMGI (collectively, the "Applicants").

The Domestic Insurer is a direct, wholly owned subsidiary of State Automobile Mutual Insurance Company, a property and casualty mutual insurance company domiciled in Ohio ("SAM"). Following the consummation of the "Proposed Transaction," the Domestic Insurer will become a wholly owned indirect subsidiary of LMHC, and LMHC will become the new ultimate controlling person of the Domestic Insurer.

8. Have you been authorized by the Applicants to speak on their behalf at this hearing?

A: Yes, I am authorized to testify on behalf of the Applicants at this hearing.

9. Please identify the Applicants on the Form A Statement.

A: The Applicants in this proceeding are LMHC, MHI and LMGI.

10. Are you familiar with the Proposed Transaction and the Form A Statement which is the subject of this hearing?

A: Yes. In my position as Vice President and Deputy General Counsel, I have been involved in all significant legal decisions regarding the Proposed Transaction, including board discussions, the diligence review, negotiations, execution of definitive agreements and pursuing all necessary regulatory approvals. I have also consulted with our business personnel on various issues related to the Proposed Transaction and generally have personal knowledge of Liberty Mutual's internal business considerations and planning in connection with the Proposed Transaction.

In connection with the Proposed Transaction, I have reviewed and am familiar with the Form A Statement and the exhibits attached thereto filed by the Applicants with the Wisconsin Office of the Commissioner of Insurance ("OCI") on August 5, 2021 (as supplemented, the "Form A Statement") and the supplemental filings and submissions made by the Applicants to OCI in connection with the Form A Statement, including the Form E (Pre-Acquisition Notification) dated August 5, 2021 (the "Form E").

11. Does the Form A Statement accurately describe the Proposed Transaction?

A: Yes, the Form A Statement accurately describes the Proposed Transaction.

II. Procedural Matters

12. Did the Applicants send to the Domestic Insurer a copy of the Form A Statement?

A: Yes. The Applicants sent a copy of the Form A Statement to the Domestic Insurer, through its outside counsel, on August 6, 2021, via a secure File Transfer Site.

13. Did the Applicants receive notice of the public hearing?

A: Yes. The Applicants, through their outside counsel, received formal notice of the hearing from OCI on November 4, 2021.

14. Did the Domestic Insurer receive notice of the public hearing?

A: Yes. The Domestic Insurer, through its outside counsel, received notice of the hearing from the Applicants on November 10, 2021.

15. Have there been any material changes with respect to the information provided or required in the Form A Statement since the Form A Statement was filed by the Applicants?

A: Other than the supplemental information provided to OCI prior to today's date, there have not been any material changes to the Form A Statement since the time it was filed by the Applicants.

III. Overview of the Proposed Transaction

16. Please briefly state the method by which the Applicants propose to acquire control of the Domestic Insurer?

A: On July 12, 2021, LMHC, Pymatuning, Inc., an Ohio corporation and wholly owned indirect subsidiary of LMHC ("Merger Sub I"), and Andover, Inc., an Ohio corporation and wholly owned direct subsidiary of LMHC ("Merger Sub II"), entered into an Agreement and Plan of Merger and Combination (the "Merger Agreement") with State Auto Financial Corporation, a publicly traded Ohio corporation ("STFC"), and SAM, pursuant to which LMHC has agreed to acquire SAM and STFC (the "Proposed Transaction").

Under the terms of the Merger Agreement, the parties will effectuate the Proposed Transaction through a mutual transaction which will entail the reorganization of SAM effectuated through a merger of Merger Sub II with and into SAM, with SAM surviving as an Ohio domiciled reorganized stock insurance subsidiary of LMHC (SAM, as so reorganized, "Reorganized SAM"), and the merger of Merger Sub I with and into STFC, with STFC surviving such merger as the surviving corporation (the "STFC Merger").

In the days following the closing of the Proposed Transaction (the "Closing"), LMHC intends to contribute all of the common stock of Reorganized SAM to its direct, wholly owned subsidiary, MHI, which will, in turn, immediately contribute all of such common stock to its direct, wholly owned subsidiary, LMGI. In addition, in the days following the Closing, LMGI intends to contribute all of the common stock it holds in STFC as a result of the STFC Merger to Reorganized SAM.

Following the consummation of the Proposed Transaction and such subsequent contributions, (i) LMGI will directly own 100% of the issued and outstanding shares of capital stock of Reorganized SAM, and (ii) Reorganized SAM will directly own 100% of the issued and outstanding shares of capital stock of STFC. As a result, each of Reorganized SAM and the Domestic Insurer will become wholly owned indirect subsidiaries of LMHC, and LMHC will become the new ultimate controlling person of each of Reorganized SAM and the Domestic Insurer.

17. Is the Closing of the Merger Agreement subject to the satisfaction of closing conditions?

A: The Closing is subject to the satisfaction or, to the extent permitted by applicable law, waiver of customary closing conditions, including but not limited to approval of the plan of reorganization of SAM by the SAM members and the Ohio Department of Insurance, approval of the STFC merger by the STFC shareholders, expiration or termination of any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which I will refer to as the HSR Act, and required governmental and regulatory approvals, including the approval of the Form A Statement which is the subject of this hearing.

On July 23, 2021, each of LMHC and SAM filed a notification under the HSR Act. The waiting period under the HSR Act expired on August 23, 2021, thereby providing clearance for the closing of the Proposed Transaction from a federal antitrust perspective. No objections to the Proposed Transaction have been raised by any insurance or other regulatory authority.

18. Has the Proposed Transaction been approved by the boards of directors of LMHC and SAM?

A: Yes, each of LMHC's and SAM's board of directors has unanimously approved the Proposed Transaction.

19. Have the SAM members approved the plan of reorganization as contemplated in the Merger Agreement?

A: The special meeting of SAM members seeking approval of the plan of reorganization of SAM has been scheduled for November 22, 2021 at 1 pm ET. The Applicants will provide the final voting results from the special meeting to OCI promptly after such results have become available.

20. Have the STFC shareholders approved the merger of STFC and Merger Sub I as contemplated in the Merger Agreement?

A: A meeting of the shareholders of STFC took place on September 29, 2021. STFC shareholders voted overwhelmingly to adopt the proposed merger agreement with 99.5% of shares voted in favor of the proposal to adopt the merger agreement.

IV. Statutory Criteria

21. Pursuant to the laws of the State of Wisconsin, the Commissioner of the Wisconsin Office of the Commissioner of Insurance shall approve any merger or other acquisition of control if he finds, after a hearing, unless a hearing is not required under sub. (3m) of Wis. Stat. § 611.72, that it would not violate the law or be contrary to the interests of the insureds of any participating domestic corporation or of the Wisconsin insureds of any participating nondomestic corporation and that such merger or acquisition of control would satisfy five statutory criteria, as set

forth in Wis. Stat. § 611.72(3)(am)1. to 5. The following questions relate to the standards for approval set forth in Wis. Stat. § 611.72(3). Will the Proposed Transaction satisfy these standards?

A: Yes, the Proposed Transaction will satisfy the standards for approval set forth in Wis. Stat. § 611.72(3), and there are no circumstances as described in those statutory provisions that would cause the Commissioner to disapprove the proposed acquisition of control of the Domestic Insurer. Therefore, I respectfully submit that the proposed acquisition of control of the Domestic Insurer should be approved by the Commissioner.

22. Will the Proposed Transaction violate the law or be contrary to the interests of the insureds of the Domestic Insurer or of the Wisconsin insureds of any participating nondomestic insurance corporation?

A: No, the Proposed Transaction will not violate the law or be contrary to the interests of the insureds of the Domestic Insurer or of the Wisconsin insureds of any participating nondomestic insurance corporation. To the contrary, the Proposed Transaction has been structured to comply with applicable law and, as described in greater detail in the written testimony of my colleague Nik Vasilakos submitted to OCI in connection with this hearing, will have a positive effect on such insureds.

23. The following questions address the five statutory criteria set forth in Wis. Stat. § 611.72(3)(am)1. to 5. First, following the consummation of the Proposed Transaction, will the Domestic Insurer be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed?

A: Yes, following the consummation of the Proposed Transaction, the Domestic Insurer will be able to continue to satisfy the requirements for the issuance of a license to write the business for which it is presently licensed. The Domestic Insurer is currently licensed as a property and casualty insurance company. As demonstrated through its license, the Domestic Insurer satisfies the minimum requirements for licensure as a property and casualty insurance company under Wisconsin insurance law, including minimum capital and surplus requirements.

Following the consummation of the Proposed Transaction, the Applicants have no intention of causing the Domestic Insurer to take any action that would inhibit its ability to satisfy the requirements for licensure under Wisconsin insurance law.

24. Second, will the effect of the Proposed Transaction not be to create a monopoly or substantially to lessen competition in insurance in Wisconsin?

A: Yes. As more fully set forth in the Form E, and as demonstrated by OCI's non-disapproval letter in respect of the Applicants' Form E filing, the Proposed Transaction will not create a monopoly or substantially lessen competition in insurance in Wisconsin.

25. Third, is the financial condition of the Applicants not likely to jeopardize the financial stability of the Domestic Insurer or its parent insurance holding corporation, SAM (which will become Reorganized SAM after the Closing), or prejudice the interests of their Wisconsin policyholders?

A: Yes. As described in greater detail in the written testimony of my colleague Nik Vasilakos, the consolidated financial statements of the Applicants filed with the Form A Statement and the other factors referenced in Mr. Vasilakos' testimony clearly demonstrate that the Applicants' financial condition will not jeopardize the financial stability of the Domestic Insurer or Reorganized SAM, or prejudice the interests of their Wisconsin policyholders.

26. Fourth, are the plans or proposals which the Applicants have to liquidate the Domestic Insurer or Reorganized SAM, sell its assets, merge it with any person or make any other material change in its businesses or corporate structures or management fair and reasonable to policyholders of the Domestic Insurer or in the public interest?

A: Yes, for the reasons described in the written testimony of my colleague Nik Vasilakos, the Proposed Transaction is fair and reasonable to the Domestic Insurer's policyholders and in the public interest.

27. Fifth, please discuss whether the competence and integrity of those persons who will control the operation of the Domestic Insurer and Reorganized SAM after the Closing are such that it would be in the interest of the policyholders of the Domestic Insurer and of the public to permit the Proposed Transaction.

A: As described in the Form A Statement, the Applicants intend to appoint a new slate of directors and executive officers of the Domestic Insurer effective as of the Closing in order to align with the slate of directors and executive officers of the other insurance companies within the Liberty Mutual group of companies. A list setting forth the names and business addresses of the proposed directors and executive officers of the Domestic Insurer effective as of the Closing was provided to OCI as Exhibit D-1 to the Form A Statement.¹ I believe all of these proposed directors and executive officers are very well experienced and competent based on their history with the companies they serve and their prior work experience. Further evidence is reflected in the biographical information for such individuals that were submitted to OCI as part of the Form A Statement.

As SAM will no longer serve as the ultimate controlling person of the SAM and STFC group of insurers, the Applicants intend to appoint a new slate of directors and executive officers in order to align with the slate of directors of the other

¹ Paul Sanghera, who recently replaced Alison Erbig as an executive officer of each of LMHC and LMGI, will replace Ms. Erbig as a proposed executive officer of the Domestic Insurer. Mr. Sanghera will also replace Francis Robinson as a proposed director of the Domestic Insurer. Ms. Erbig will continue as a proposed director of the Domestic Insurer.

insurance companies within the Liberty Mutual group of companies. A list setting forth the names and business addresses of the proposed directors and executive officers of SAM effective as of the Closing was provided to OCI as Exhibit D-2 to the Form A Statement.² I believe all of these proposed directors and executive officers are very well experienced and competent based on their history with the companies they serve and their prior work experience. Further evidence is reflected in the biographical information for such individuals that were submitted to OCI as part of the Form A Statement.

Lists setting forth the names and business addresses of the directors and executive officers of LMHC, MHI and LMGI were provided to OCI as Exhibit C-1, Exhibit C-2 and Exhibit C-3, respectively, to the Form A Statement.³ At the Closing, no changes are expected to be made to the Applicants' boards of directors or officers. I believe all of these directors and executive officers of the Applicants are very well experienced and competent based on their history with the companies they serve and their prior work experience. Further evidence is reflected in the biographical information for the directors and executive officers of the Applicants that were submitted to OCI as part of the Form A Statement.

I know a number of the directors and executive officers of the Applicants and the proposed directors and executive officers of the Domestic Insurer and SAM personally. Based on my personal knowledge and the biographical information submitted to OCI, I can confirm that all of these directors and executive officers are not only highly competent and experienced, but individuals of the highest moral integrity.

Based on the above together with the anticipated structure of the board of directors and management of the Domestic Insurer and Reorganized SAM as described in the Form A Statement, the competence and integrity of those persons who will control the operation of the Domestic Insurer and Reorganized SAM after the closing are such that it would be in the interest of the policyholders of the Domestic Insurer and of the public to permit the Proposed Transaction.

V. Closing Remarks

28. Is there anything else that you would like to add at this time?

A: Yes. I would like to thank Commissioner Afable, Hearing Examiner Malm, Mr. Christopher Martin and the other OCI Staff for their prompt attention to this matter and for their diligence in reviewing the Form A Statement. Based on the

² Mr. Sanghera, who recently replaced Ms. Erbig as an executive officer of each of LMHC and LMGI, will replace Ms. Erbig as a proposed executive officer of SAM. Mr. Sanghera will also replace Francis Robinson as a proposed director of SAM. Ms. Erbig will continue as a proposed director of SAM.

³ On November 10, 2021, a new director, Anne Waleski, was appointed to LMHC's board of directors. In addition, Ms. Erbig recently resigned from her position as an executive officer of each of LMHC and LMGI and was replaced by Mr. Sanghera.

record established, including the written testimony of my colleague Nik Vasilakos submitted to OCI in connection with this hearing, and the filing of the Form A Statement, it is the Applicants' position that the proposed acquisition of control of the Domestic Insurer satisfies all of the applicable standards of review for approval under Wis. Stat. § 611.72 and that the Commissioner has a sufficient and robust record for the issuance of an approval order with respect to the proposed acquisition of control as set forth in the Form A Statement.

I state under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

FURTHER THE AFFIANT SAYETH NOT

Richard P. Quinlan

Richard P. Quinlan
Vice President and Deputy General Counsel
Liberty Mutual Group Inc.

SUBSCRIBED and SWORN to before
me this 18th day of November, 2021.

Kristin DiRocco

Notary Public *Kristin DiRocco*

My Commission expires: *May 5, 2028*



COMMONWEALTH OF MASSACHUSETTS

NOTARY CERTIFICATE

1. The attached Affidavit of Richard P. Quinlan on behalf of the Applicants was notarized remotely pursuant to Chapter 71 of the Acts of 2020;
2. The Notary Public was located in Essex County at the time the notarial act was made; and
3. The date the notarial act was completed was November 18, 2021, the date the Affidavit of Richard P. Quinlan on behalf of the Applicants was notarized by the Notary Public.



Notary Public: Kristin DiRocco

My commission expires: May 5, 2028

