

FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL OF

STATE AUTO INSURANCE COMPANY OF WISCONSIN

(the “Domestic Insurer”)

a direct subsidiary of

STATE AUTOMOBILE MUTUAL INSURANCE COMPANY

by

LIBERTY MUTUAL HOLDING COMPANY INC.,

LMHC MASSACHUSETTS HOLDINGS INC.

and

LIBERTY MUTUAL GROUP INC.

(each an “Applicant” and, collectively, the “Applicants”)

Filed with the Wisconsin Office of the Commissioner of Insurance

Dated: August 5, 2021

Name, Title, Address and Telephone Number of Individuals to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

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This Form A Statement (including all exhibits attached hereto, this “Form A”) seeks the prior approval of the Commissioner of Insurance of the State of Wisconsin (the “Commissioner”) pursuant to Wis. Stat. § 611.72(2) and Wis. Admin. Code § Ins 40.02 for the acquisition of control of State Auto Insurance Company of Wisconsin by the Applicants.

Confidentiality Legend

This Form A, together with any items that may be submitted separately as amendments or supplements hereto, contains confidential and/or proprietary information, business plans and strategies that are trade secrets and are not otherwise available to the public and that, if disclosed, could cause substantial injury to the competitive position of the Applicants. Pursuant to Wis. Admin. Code § Ins 40.05, such information is required under Wis. Stat. § 601.42; therefore, the Commissioner may withhold this information from public disclosure under Wis. Stat. § 601.465(1m)(a) and Wis. Admin. Code § Ins 6.13(3), and, moreover, because the information is not public, it is presumed under Wis. Stat. § 601.465(1n)(a), notwithstanding the public records law, that it is proprietary and confidential and that the potential for harm and competitive disadvantage if it is made public by the Commissioner outweighs the public interest in the disclosure of the information. Accordingly, the Applicants respectfully request that Exhibits CE-1, Exhibit CE-2 and Exhibit CE-3, which are being submitted under separate cover, be afforded confidential treatment and be excepted from disclosure pursuant to all applicable provisions of law, including but not limited to the provisions referenced above, and any other applicable statutory or regulatory authority available to the Commissioner. All such information is provided with the express understanding that the confidentiality of such information will be safeguarded.

Exhibit CE-3 also includes “trade secrets” as defined under Wis. Stat. § 134.90(1)(c) because information in Exhibit CE-3 “derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use [and] is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.” A trade secret is exempt from the public records law under Wis. Stat. § 19.36(5) and Wis. Admin. Code § Ins 6.13(2). Accordingly, the Applicants respectfully request that the Commissioner afford Exhibit CE-3 confidential treatment and except them from disclosure pursuant to this authority.

Finally, the information contained in the NAIC biographical affidavits provided as Exhibit CE-1 and Exhibit CE-2 will also be submitted in confidence under separate cover and contains certain information that is not otherwise available to the public, is subject to financial privacy and individual privacy protections, and should be afforded confidential treatment. The public value of this personal information is outweighed by the privacy interests of persons submitting these affidavits and by the public interest in encouraging qualified people to serve in these capacities, *see* the Wisconsin Attorney General’s March 2018 *Wisconsin Public Records Law Compliance Guide*, pp. 36-39, and, in particular, home information and the social security number of an employee provided by an employer are exempt from the public records law. *Id.* at p. 23, *citing* Wis. Stat. § 19.36(10)(a). Therefore, Exhibit CE-1 and Exhibit CE-2 will be provided with the understanding that the confidentiality of such information contained therein will be safeguarded and such individuals submitting NAIC biographical affidavits will be protected from unwarranted invasions of personal privacy pursuant to all provisions of law including, but not limited to, the referenced authority and any other applicable statutory or regulatory authority available to the Commissioner.

The Applicants also request that they be notified in advance of any requesting party seeking to rebut the presumption of confidentiality for nonpublic documents and information in this Form A under Wis. Stat. § 601.465(1n)(b) and any proposed disclosure of any portion of this Form A designated as confidential so that they have a reasonable opportunity to seek a protective order or take any other action to prevent or limit such disclosure.

ITEM 1. INSURER AND METHOD OF ACQUISITION

(a) The Domestic Insurer

This Form A relates to the proposed acquisition of control of State Auto Insurance Company of Wisconsin, a property and casualty insurance company domiciled in Wisconsin (the “Domestic Insurer”).

The address, NAIC number and Federal Identification Number of the Domestic Insurer is as follows:

State Auto Insurance Company of Wisconsin

Home Office: 1425 Memorial Drive
Manitowoc, Wisconsin 54220

Administrative Office: 518 East Broad Street
Columbus, Ohio 43215

NAIC Number: 31755

FEIN Number: 39-1211058

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”). SAM is a mutual insurance company, and as such, the membership interests in SAM are held by its policyholders.

(b) Method of Acquisition

Merger Agreement

On July 12, 2021, Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company (“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”),¹ and SAM, pursuant to which LMHC has agreed to acquire SAM and STFC (the “Proposed Transaction”). A copy of the Merger Agreement (excluding exhibits, schedules and annexes thereto) is attached hereto as Exhibit A and incorporated herein by reference.

¹ As of July 12, 2021, SAM held approximately 58.8% of the outstanding common shares of STFC. As of the date of this Form A, no filings made with the U.S. Securities and Exchange Commission (the “SEC”) show any other person holding 10% or more of the voting securities of STFC.

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”),² and the merger of Merger Sub I with and into STFC, with STFC surviving such merger as the surviving corporation (the “STFC Merger”).

Pursuant to the Merger Agreement, each share of STFC’s common stock, no par value per share, that is issued and outstanding immediately prior to the effective time of the STFC Merger (other than (i) shares owned by SAM, STFC (as treasury shares or otherwise) or that may be owned by LMHC³ and (ii) dissenting shares) will be converted into the right to receive an amount in cash, without interest, equal to \$52.00, and will be automatically cancelled and retired and cease to exist.

After the consummation of the Proposed Transaction, Merger Sub I and Merger Sub II, each an acquisition vehicle formed for the purpose of effecting the Proposed Transaction, will no longer exist or function independently from STFC and Reorganized SAM, respectively (into which they will have been respectively merged).

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, LMHC Massachusetts Holdings Inc., a Massachusetts stock holding company (“MHI”), which will, in turn, immediately contribute all of such common stock to its direct, wholly owned subsidiary, Liberty Mutual Group Inc., a Massachusetts stock holding company (“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.

Directors and Management

The structure of the board of directors and management of Reorganized SAM will change as of the Closing, as SAM will no longer serve as the ultimate controlling person of the SAM and STFC group of insurers. In order to align with the slate of directors of the other insurance companies within the Liberty Mutual group of companies, it is expected that none of the current

² As a result of such reorganization and merger, SAM will cease to be a mutual insurer, and the SAM members will become members of LMHC.

³ As of the date of this Form A, LMHC does not own any shares of STFC’s common stock.

directors serving on the board of directors of SAM will continue as directors of Reorganized SAM. Although the current executive officers of SAM will no longer serve as executive officers as of the Closing, it is currently anticipated that a number of SAM's current executive officers will hold leadership positions in the combined organization after the Closing.⁴

Closing Conditions

LMHC, SAM and STFC have each made customary representations and warranties in the Merger Agreement. The Merger Agreement also contains customary covenants and agreements, including covenants regarding (i) the conduct of each of SAM's and STFC's businesses prior to the Closing and (ii) the respective standards of effort required of the parties to cause the Proposed Transaction to be completed.

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: (i) approval of the plan of reorganization of SAM by the SAM members and the Ohio Department of Insurance, (ii) approval of the STFC Merger by the STFC shareholders, (iii) expiration or termination of any waiting period (and any extension of such period) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (iv) receipt of certain specified governmental and regulatory approvals, including the approval of the Wisconsin Office of the Commissioner of Insurance ("OCI") sought herein, (v) no governmental authority of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law that is in effect on the date of the Closing and that enjoins, prevents or otherwise prohibits the Closing, (vi) subject to specified materiality standards, the accuracy of the representations and warranties of each party and (vii) compliance by each party in all material respects with its covenants. The Closing is not conditioned on receipt of financing by LMHC.

On July 23, 2021, each of LMHC and SAM filed a notification under the HSR Act. The initial 30-day waiting period will expire at 11:59 p.m. (ET), on August 23, 2021.

Stay Bonuses

On July 12, 2021, STFC agreed to provide stay bonuses (each a "Stay Bonus" and, collectively, the "Stay Bonuses") to the eight members of STFC's senior leadership team, including each of STFC's named executive officers (Michael E. LaRocco, Steven E. English, Kim B. Garland, Gregory A. Tacchetti, and Paul M. Stachura) (the "Named Executive Officers"). Mr. English's Stay Bonus will be in the amount of \$250,000 and the other Named Executive Officers' Stay Bonuses will be in the amount of \$150,000 each. The Stay Bonuses will be paid to each recipient in a lump sum on the Closing, subject to (a) their continued employment through the Closing or the involuntary termination of their employment prior to the

⁴ LMHC has offered retention bonuses to certain executive officers and selected other employees to be paid subject to the individual's continued employment through a post-Closing retention period.

Closing, (b) their execution and non-revocation of a release of claims in favor of STFC and (c) the terms of a Stay Bonus Agreement between STFC and the applicable executive.⁵

Additional Information

The foregoing summary of the terms of the Merger Agreement is qualified in its entirety by the terms and conditions of the Merger Agreement. Additional information about the Merger Agreement can be found in the Current Report on Form 8-K filed by STFC with the SEC on July 12, 2021.

Benefits of Proposed Transaction

If consummated, the Proposed Transaction will significantly expand Liberty Mutual's position as an industry leader for personal lines and small commercial insurance. Liberty Mutual today distributes its Safeco Insurance personal auto, homeowners and specialty products, and Liberty Mutual small business insurance, through more than 10,000 independent agencies countrywide. Through the Proposed Transaction, Liberty Mutual will add \$2.3 billion in premium and State Auto's network of approximately 3,400 independent agencies across 33 states and is expected to become the second largest carrier in this key distribution channel.

The Proposed Transaction is expected to result in the following benefits (among others) for the combined organization:

- (i) Opportunity to leverage additional platforms for growth;
- (ii) Enhanced distribution channels;
- (iii) Greater diversification of risk, including greater geographic diversity; and
- (iv) Expansion of SAM's intellectual property and technology expertise to the combined organization, enhancing long-term capabilities.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANTS

(a) Names and Business Addresses

The name and current business address of each Applicant seeking to acquire control of the Domestic Insurer are as follows:

Liberty Mutual Holding Company Inc.
175 Berkeley Street
Boston, Massachusetts 02116

⁵ This summary of the terms of the Stay Bonus Agreement is qualified in its entirety by the terms and conditions of the form of Stay Bonus Agreement, a copy of which can be found in the Current Report on Form 8-K filed by STFC with the SEC on July 12, 2021.

LMHC Massachusetts Holdings Inc.
175 Berkeley Street
Boston, Massachusetts 02116

Liberty Mutual Group Inc.
175 Berkeley Street
Boston, Massachusetts 02116

(b) Business Operations of the Applicants

Liberty Mutual Holding Company Inc.

LMHC was formed in 2001 as part of the mutual holding company reorganization of Liberty Mutual Insurance Company, a Massachusetts stock property and casualty insurance company founded in 1912 (“LMIC”). LMHC is a Massachusetts mutual holding company and, through its direct, wholly owned subsidiary, MHI, the ultimate parent company of LMGI and its subsidiaries, including insurance operating subsidiaries.

The Liberty Mutual group is a diversified global insurer and the fourth largest property and casualty insurer in the U.S. based on 2020 direct written premium. It ranks 71st on the Fortune 100 list of largest corporations in the U.S. based on 2020 revenue. As of December 31, 2020, LMHC had \$145.377 billion in consolidated assets, \$119.420 billion in consolidated liabilities, and \$43.796 billion in annual consolidated revenue.

LMHC employs more than 45,000 people in 29 countries and economies around the world. LMHC, through its subsidiaries and affiliated companies, offers a wide range of property and casualty insurance products and services to individuals and businesses alike, including personal automobile, homeowners, accident & health, commercial automobile, general liability, property, surety, workers compensation, group disability, group life, specialty lines, reinsurance and individual life products. Functionally, LMHC conducts substantially all of its business through two business units, with each operating independently of the other in certain areas such as sales, underwriting and claims, but, as appropriate, collaborating in other areas such as actuarial and financial. Management believes this structure provides increased synergy to LMHC and permits each business unit to execute its business strategy and/or to make acquisitions without impacting or disrupting the operations of the other business unit.

LMHC Massachusetts Holdings Inc.

MHI, a Massachusetts stock holding company, was formed in 2001 as part of the mutual holding company reorganization of LMIC, and it is a direct, wholly owned subsidiary of LMHC. As a holding company, MHI has no operations of its own and its assets consist primarily of investments in subsidiaries.

Liberty Mutual Group Inc.

LMGI, a Massachusetts stock holding company was formed in 2001 as part of the mutual holding company reorganization of LMIC, and it is a direct, wholly owned subsidiary of MHI.

As a holding company, LMGI has no operations of its own and its assets consist primarily of investments in subsidiaries.

(c) Organizational Chart

Attached as Exhibit B-1 is an organizational chart presenting the identities of, and interrelationships among, the Applicants and their respective subsidiaries and affiliates before giving effect to the Proposed Transaction, and attached as Exhibit B-2 is an organizational chart presenting the identities of, and interrelationships among, the Applicants and their respective subsidiaries and affiliates after giving effect to the Proposed Transaction. Attached as Exhibit B-3 and Exhibit B-4, respectively, are abbreviated organizational charts depicting the ownership structure of the Domestic Insurer before and after giving effect to the Proposed Transaction. The organizational charts indicate the percentage of voting securities of each entity owned or controlled by the Applicants or any other such persons, the type of organization (*e.g.*, corporation, trust, partnership) and the state or other jurisdiction of domicile or incorporation, as applicable. Unless otherwise indicated on such charts or in this Form A, each entity is a corporation and control is maintained by the ownership or control of all outstanding voting securities or as otherwise noted in Schedule Y to the statutory statements of insurers in the Liberty Mutual group or the SAM and STFC group, as applicable. There are no court proceedings involving a reorganization or liquidation pending with respect to any of the entities depicted in the organizational chart attached hereto as Exhibit B-1; provided that the Applicants from time to time voluntarily dissolve affiliated entities in the ordinary course of business operations.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANTS

(a) Names and Business Addresses

Lists setting forth the names and business addresses of the directors and executive officers of LMHC, MHI and LMGI on the date hereof are attached hereto as Exhibit C-1, Exhibit C-2 and Exhibit C-3, respectively. Each individual named in the foregoing referenced lists is referred to herein as an “Individual” and, collectively, as the “Individuals.”

Biographical affidavits on the form adopted by the National Association of Insurance Commissioners completed by the Individuals (collectively, the “NAIC Biographical Affidavits”) will be provided to OCI on a supplemental basis as Exhibit CE-1 to the confidential supplement to this Form A. The NAIC Biographical Affidavits will also be provided to a third-party verification service for verification of the information therein. Said verification service will report its findings directly to OCI upon completion of the verification process.

At the Closing, no changes are expected to be made to the Applicants’ board of directors or officers.

(b) Present Activity

The present principal business activity, occupation or employment, including position and office held and the name, principal business and address of any corporation or other

organization in which such employment is carried on, for the Individuals filing NAIC Biographical Affidavits will be stated in the NAIC Biographical Affidavits.

(c) Employment History

The material occupations, positions, offices or employment during the last five years, including the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on, for the Individuals filing NAIC Biographical Affidavits will be included in the NAIC Biographical Affidavits. Except as may be set forth in the NAIC Biographical Affidavits, no such occupation, position, office or employment listed in the NAIC Biographical Affidavits required licensing by, or registration with, any Federal, state or municipal governmental agency.

(d) Criminal Proceedings

To the knowledge of the Applicants, no Individual filing an NAIC Biographical Affidavit has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Consideration

The Proposed Transaction's cash consideration is approximately \$1 billion. The calculation of the purchase price is described in the paragraph below. Consummation of the Proposed Transaction is not conditioned on receipt of financing by LMHC. LMHC intends to fund the cash consideration for the Proposed Transaction using available funds, including cash on hand and, potentially, available lines of credit. LMHC may also utilize proceeds from ordinary dividends to be declared and paid prior to the Closing by one or more of its insurance company subsidiaries or loans funded prior to the Closing from one or more of its insurance company subsidiaries the amount of which does not meet or exceed the threshold for approval or non-disapproval pursuant to a Form D (Prior Notice of a Transaction) filing. Other than available lines of credit, no new third party loans or other external financing will be utilized for the sole purpose of funding the purchase price. The stock and assets of the Domestic Insurer will not be pledged or hypothecated in any way as part of the funding of the purchase price of the Proposed Transaction by LMHC.

With respect to the STFC Merger, pursuant to the Merger Agreement, each share of STFC's common stock, no par value per share, that is issued and outstanding immediately prior to the effective time of the STFC Merger (other than (i) shares owned by SAM, STFC (as treasury shares or otherwise) or that may be owned by LMHC⁶ and (ii) dissenting shares) will be converted into the right to receive an amount in cash, without interest, equal to \$52.00, and will be automatically cancelled and retired and cease to exist.

⁶ As of the date of this Form A, LMHC does not own any shares of STFC's common stock.

(b) Criteria Used in Determining Consideration

The basis and terms of the Merger Agreement, including the nature and amount of consideration, were determined through arms' length negotiations among the representatives of LMHC, on the one hand, and the representatives of SAM and STFC, on the other hand, and their respective legal and other advisors. Following due diligence by LMHC, the amount and type of consideration was determined by taking into account the consideration paid in other recent acquisitions of similar types of businesses, as well as the financial position and results of operations of the entities to be acquired, including the past and present business operations, historical and potential earnings, financial condition and prospects, assets and liabilities and such other factors and information as LMHC considered relevant under the circumstances.

In addition, the board of directors of LMHC received two fairness opinions in connection with the Proposed Transaction, one from Waller Helms Advisors LLC to the effect that the Proposed Transaction is fair, from a financial point of view, to LMHC's members (excluding SAM's members which become LMHC's members as a result of the Proposed Transaction), taken as a group, and the other from Goldman Sachs & Co. LLC to the effect that the aggregate merger consideration to be paid, taken together with the aggregate equity rights to be issued, by LMHC pursuant to the Merger Agreement is fair, from a financial point of view, to LMHC. Both opinions are as of the date of such respective opinion and are based on and subject to the assumptions, limitations, qualifications and other matters set forth in such written opinion.

A special committee of independent SAM directors also received a fairness opinion from BofA Securities, Inc. to the effect that the exchange of equity rights in SAM for equity rights in LMHC in the Proposed Transaction is fair, from a financial point of view, to SAM's members, taken as a group. A separate special committee of independent STFC directors also received a fairness opinion from Houlihan Lokey Capital, Inc. to the effect that the merger consideration to be received by the holders of STFC's shares, other than SAM or any of STFC's subsidiaries, in the STFC Merger pursuant to the Merger Agreement is fair, from a financial point of view, to such holders (other than SAM or any of STFC's subsidiaries). Both opinions are as of the date of such respective opinion and based on and subject to the assumptions, limitations, qualifications and other matters considered in connection with the preparation of such opinion.

(c) Confidentiality of Lender's Information in the Ordinary Course of Business

Not applicable.

ITEM 5. APPLICANTS' FUTURE PLANS FOR THE DOMESTIC INSURER

The Applicants have no present plans or proposals to cause the Domestic Insurer to declare any extraordinary dividend, to liquidate the Domestic Insurer, to sell the assets of the Domestic Insurer (except for transactions, such as investment portfolio transactions, in the ordinary course of business), to merge the Domestic Insurer with any person or persons or, other than as described below in this Item 5, to make any other material change in the Domestic Insurer's business operations or corporate structures or management.

The Applicants have no current plans to change the name of the Domestic Insurer or relocate its home office or its corporate records. In addition, although the Applicants have no

current plans or proposals to make any changes to the Domestic Insurer's in-force third party reinsurance coverage or reinsurers, the Applicants may purchase similar protections or include the Domestic Insurer in LMHC's existing reinsurance programs when the Domestic Insurer's in-force programs expire. In addition, the Applicants intend to terminate an existing inter-company reinsurance pooling agreement and to add the Domestic Insurer to the Pooling Agreement (as defined below).

The Applicants reserve the right to review the Domestic Insurer's business, assets, corporate structure, dividend policy, capitalization, operating properties, business policies, articles of incorporation, by-laws, management and personnel and, subject to applicable state insurance regulatory requirements, to exercise their rights as shareholders of the Domestic Insurer accordingly.

Inter-Company Reinsurance Pooling Agreement

LMIC and its US-domestic affiliated underwriting companies share the results of their respective underwriting activity pursuant to the Liberty Mutual Second Amended & Restated Inter-Company Reinsurance Agreement (the "Pooling Agreement"), an inter-company reinsurance pooling arrangement. LMIC is the pool leader. All of the pool members (other than LMIC) cede 100% of their underwriting activity to LMIC, net of third party reinsurance. LMIC in turn retrocedes 50% of the entirety of the pool's underwriting activity to the following five other pool members and retains the remaining 50%: Peerless Insurance Company, Liberty Mutual Fire Insurance Company, Employers Insurance Company of Wausau, The Ohio Casualty Insurance Company and Safeco Insurance Company of America.

Effective as of the date of the Closing, the Applicants intend to cause the Domestic Insurer to join the Pool by joining the Pooling Agreement via an amendment (the "Pooling Agreement Amendment"). A Form D (Prior Notice of a Transaction) in respect of the Pooling Agreement Amendment will be filed with OCI under separate cover.

Other Inter-Company Agreements

As part of the ongoing integration of the operations of Liberty Mutual's and State Auto's respective businesses, the Applicants anticipate terminating existing inter-company agreements within the State Auto group and intend to cause the Domestic Insurer to enter into new inter-company agreements, including the following agreements with a Liberty Mutual entity as the counterparty: (1) a Management Services Agreement to provide certain services to the Domestic Insurer; (2) an Investment Management Agreement to manage and invest certain assets on behalf of the Domestic Insurer; and (3) a Cash Management Agreement to administer certain short-term investments maturing within 365 days or less of purchase (collectively, the "Management Agreements"). The Management Agreements would be materially identical in form, subject to changes in investment guidelines, to management agreements entered into by a number of the Domestic Insurer's prospective affiliates within Liberty Mutual's holding company system and approved or non-disapproved by applicable insurance regulatory authorities including OCI. One or more Form D (Prior Notice of a Transaction) filings in respect of the Management Agreements will be filed with OCI under separate cover.

In addition, LMHC's federal income tax return is consolidated with other affiliates in the federal income tax return of LMHC. The income allocation is subject to a written tax sharing agreement (the "Federal Tax Sharing Agreement") and allocation is based upon separate return calculations with credit applied for losses, as appropriate. Effective as of the date of the Closing, the Applicants plan to add the Domestic Insurer as a party to the Federal Tax Sharing Agreement. A Form D (Prior Notice of a Transaction) in respect of the joinder of the Domestic Insurer to the Federal Tax Sharing Agreement will be filed with OCI under separate cover.

Business Operations

Other than as described above, the Applicants' current intention is to continue the business of the Domestic Insurer without any material modifications to the Domestic Insurer's existing plan of operations.

Directors and Executive Officers of the Domestic Insurer

While the Applicants have no present intention to change the day-to-day management of the business and operations of the Domestic Insurer, 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 is attached hereto as Exhibit D-1.

While the Applicants have no present intention to change the day-to-day management of the business and operations of SAM, the current directors and executive officers of SAM will resign immediately prior to the Closing. Effective as of the Closing, new directors and executive officers of SAM will be appointed by the Applicants. Although the current executive officers of SAM will no longer serve as executive officers as of the Closing, it is currently anticipated that a number of SAM's current executive officers will hold leadership positions in the combined organization after the Closing. A list setting forth the names and business addresses of the proposed directors and executive officers of SAM effective as of the Closing is attached hereto as Exhibit D-2.

NAIC biographical affidavits completed by each of these proposed directors and executive officers will be provided to the Department on a supplemental basis as Exhibit CE-2 to the confidential supplement to this Form A. Such NAIC biographical affidavits will also be provided to a third-party verification service for verification of the information therein. Said verification service will report its findings directly to the Department upon completion of the verification process.

Three-Year Statutory Financial Projections of the Domestic Insurer

Statutory financial projections of the Domestic Insurer, prepared in accordance with statutory accounting principles, for three years following the Closing are attached as Exhibit CE-3 to the confidential supplement to this Form A.⁷

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

The Domestic Insurer currently has 2,500 shares of common stock, par value zero dollars (\$0.00) per share, authorized, of which 1,500 shares are issued and outstanding, and no shares of preferred stock outstanding. All such shares of common stock are directly held by SAM.

As a result of the consummation of the Proposed Transaction, the Applicants will become controlling persons of the Domestic Insurer. Other than as disclosed in this Form A, none of the Applicants, their respective affiliates or, to the Applicants' knowledge, any of the Individuals has any plans or proposals to acquire any voting securities issued by the Domestic Insurer or any of its controlling persons.

The terms and conditions of the Merger Agreement were determined by arm's-length negotiation among the parties.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Other than as disclosed in this Form A, none of the Applicants, their respective affiliates or, to the Applicants' knowledge, any of the Individuals holds of record or beneficially owns any voting securities of the Domestic Insurer or any of its controlling persons. Other than as disclosed in this Form A, none of the Applicants, their respective affiliates or, to the Applicants' knowledge, any of the Individuals have any right to acquire any voting securities issued by the Domestic Insurer or any of its controlling persons.

ITEM 8. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE DOMESTIC INSURER

Other than as disclosed in this Form A, there are no contracts, arrangements or understandings with respect to any voting security of the Domestic Insurer or any of its controlling persons in which the Applicants, their respective affiliates or, to the Applicants' knowledge, the Individuals is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits or the giving or withholding of proxies.

In the interest of disclosure, on the date of, but following, the execution of the Merger Agreement, SAM entered into a voting and support agreement (the "Voting Agreement"),

⁷ The financial projections of the Domestic Insurer attached as Exhibit CE-3 to the Confidential Supplement assume the continuation of existing inter-company pooling arrangements as final terms for the Pooling Agreement have not yet been finalized.

pursuant to which SAM has agreed, among other things, to vote its shares of STFC’s common stock (i) in favor of (a) the adoption of the Merger Agreement and (b) any proposal to adjourn or postpone the STFC shareholders meeting if there are insufficient shares of STFC’s common stock represented to constitute the necessary quorum; and (ii) against (a) any takeover proposal, (b) any action, proposal, transaction, or agreement which would reasonably be expected to result in a breach of any representation, warranty, covenant or agreement of SAM or STFC under the Merger Agreement or of SAM under the Voting Agreement, and (c) any action, proposal, transaction, or agreement that would reasonably be expected to prevent or materially delay or materially impair consummation of the STFC Merger.⁸

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

During the last twelve calendar months preceding the filing of this Form A, none of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any of the Individuals has purchased any voting securities of the Domestic Insurer or any of its controlling persons.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

None of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any of the Individuals, nor anyone based upon interviews or at the suggestion of the foregoing persons has made any recommendations to purchase any voting securities of the Domestic Insurer or any of its controlling persons during the twelve calendar months preceding the filing of this Form A.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Except as disclosed in the Merger Agreement, there are no agreements, contracts or understandings made with any broker-dealer as to solicitation of voting securities of the Domestic Insurer or any of its controlling persons for tender with regard to the Proposed Transaction.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) – (b)

The following is a list of the exhibits and financial statements to this Form A which are attached hereto:

<u>Exhibit</u>	<u>Description</u>
A	Merger Agreement

⁸ This summary of the terms of the Voting Agreement is qualified in its entirety by the terms and conditions of the Voting Agreement, a copy of which can be found in the Current Report on Form 8-K filed by STFC with the SEC on July 12, 2021.

B-1	Organizational Chart of the Applicants Before the Proposed Transaction
B-2	Organizational Chart of the Applicants After the Proposed Transaction
B-3	Abbreviated Organizational Chart of the Domestic Insurer Before the Proposed Transaction
B-4	Abbreviated Organizational Chart of the Domestic Insurer After the Proposed Transaction
C-1	Current Directors and Executive Officers of LMHC
C-2	Current Directors and Executive Officers of MHI
C-3	Current Directors and Executive Officers of LMGI
D-1	Proposed Directors and Executive Officers of the Domestic Insurer
D-2	Proposed Directors and Executive Officers of SAM
E-1	Audited Consolidated Financial Statements of LMHC for the Year ended December 31, 2020
E-2	Audited Consolidated Financial Statements of LMHC for the Year ended December 31, 2019
E-3	Audited Consolidated Financial Statements of LMHC for the Year ended December 31, 2018
E-4	Audited Consolidated Financial Statements of LMHC for the Year ended December 31, 2017
E-5	Audited Consolidated Financial Statements of LMHC for the Year ended December 31, 2016
E-6	Consolidated Statements of Income of LMHC for the Quarter ended March 31, 2021
F-1	Annual Report of STFC for 2020
F-2	Annual Report of STFC for 2019

The following is a list of the exhibits and financial statements to this Form A to be filed as a confidential supplement to this Form A:

<u>Exhibit</u>	<u>Description</u>
CE-1	Biographical Affidavits of Directors and Executive Officers of the Applicants
CE-2	Biographical Affidavits of Proposed Directors and Executive Officers of the Domestic Insurer and SAM
CE-3	Three-Year Financial Projections of the Domestic Insurer

(c) Tender Offer Documents and Certain Proposed Agreements

Other than as disclosed in this Form A, there have been no tender offers for, requests or invitations for, tenders of, exchange offers for, or agreements to acquire or exchange any voting securities of the Domestic Insurer, and there are no soliciting materials relating thereto.

Other than the Stay Bonus Agreements and retention bonuses referenced in Item 1(b), there are no proposed employment, consultation, advisory or management contracts concerning the Domestic Insurer by the Applicants.

SAM does not currently prepare annual reports for its members. Attached as Exhibit F-1 and Exhibit F-2, respectively, are the annual reports issued to the shareholders of STFC for the last two fiscal years for which such reports are currently available, 2020 and 2019. LMHC has not prepared annual reports for its members for the last two fiscal years, 2020 and 2019. None of the Domestic Insurer, MHI or LMGI prepares annual reports to its respective stockholders.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

The Applicants agree to provide, to the best of their knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.

ITEM 14. SIGNATURES AND CERTIFICATIONS

The signatures and certifications of the Applicants are set forth on the immediately following page.

SIGNATURE

Pursuant to the requirements of ch. Ins 40, Wis. Adm. Code, Liberty Mutual Holding Company Inc. has caused this application to be duly signed on its behalf in the City of Boston and Commonwealth of Massachusetts on the 29th day of July, 2021.



LIBERTY MUTUAL HOLDING
COMPANY INC.

By: Richard P. Quinlan

Name: Richard P. Quinlan
Title: Assistant Secretary

Attest:

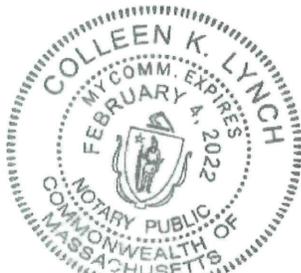
By: Colleen K. Lynch
Name: Colleen K. Lynch
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated August 5, 2021, for and on behalf of Liberty Mutual Holding Company Inc.; that he is the Assistant Secretary of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Richard P. Quinlan
Name: Richard P. Quinlan

Subscribed and sworn to this 29 day of July, 2021.



Colleen K. Lynch
Notary Public

My commission expires on: 2/4/22

SIGNATURE

Pursuant to the requirements of ch. Ins 40, Wis. Adm. Code, LMHC Massachusetts Holdings Inc. has caused this application to be duly signed on its behalf in the City of Boston and Commonwealth of Massachusetts on the 21st day of July, 2021.



LMHC MASSACHUSETTS HOLDINGS
INC.

By: *Richard P. Quinlan*

Name: Richard P. Quinlan
Title: Vice President and Assistant
Secretary

Attest:

By: *Colleen K. Lynch*

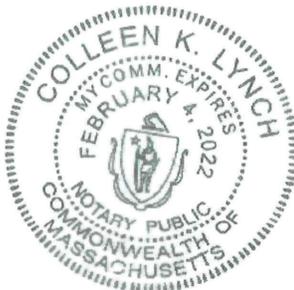
Name: Colleen K. Lynch
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated August 5, 2021, for and on behalf of LMHC Massachusetts Holdings Inc.; that he is the Vice President and Assistant Secretary of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Richard P. Quinlan
Name: Richard P. Quinlan

Subscribed and sworn to this 21 day of July, 2021.



Colleen K. Lynch
Notary Public

My commission expires on: 2/4/22

SIGNATURE

Pursuant to the requirements of ch. Ins 40, Wis. Adm. Code, Liberty Mutual Group Inc. has caused this application to be duly signed on its behalf in the City of Boston and Commonwealth of Massachusetts on the 29th day of July, 2021.



LIBERTY MUTUAL GROUP INC.

By: 
Name: Richard P. Quinlan
Title: Vice President and Assistant Secretary

Attest:

By: 
Name: Colleen K. Lynch
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated August 5, 2021, for and on behalf of Liberty Mutual Group Inc.; that he is the Vice President and Assistant Secretary of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.


Name: Richard P. Quinlan

Subscribed and sworn to this 29 day of July, 2021.




Notary Public

My commission expires on: 2/4/22