



September 15, 2000

The Honorable Connie L. O'Connell  
Commissioner of Insurance for Wisconsin  
State of Wisconsin Office of the Commissioner of Insurance  
121 East Wilson Street  
Madison, Wisconsin 53702

Re: EMPLOYERS INSURANCE OF WAUSAU A Mutual  
Company's Proposed Restructuring to a Mutual Holding Company Structure.

Dear Commissioner O'Connell:

Pursuant to Section 644.07(4) of the Wisconsin Insurance Code and on behalf of the Board of Directors of EMPLOYERS INSURANCE OF WAUSAU A Mutual Company ("EIOW"), a Wisconsin mutual property and casualty insurance company, I respectfully submit for your review and comment five sets of the enclosed application in connection with EIOW's proposed restructuring to a Wisconsin mutual holding company structure (the "Restructuring"). With the consent of the State of Wisconsin Office of the Commissioner of Insurance (the "OCI"), EIOW intends to mail the enclosed documents to policyholders of EIOW for their consideration in connection with the special meeting of EIOW members relative to EIOW's Restructuring. A list of the documents in the enclosed application is attached as Schedule A to this letter.

#### **EIOW's Restructuring**

Pursuant to EIOW's Restructuring: (i) EIOW will form Employers Insurance of Wausau Mutual Holding Company ("EIOW MHC"), a Wisconsin mutual holding company; (ii) EIOW will convert into "Employers Insurance Company of Wausau", a Wisconsin stock property and casualty insurance company ("Converted EIOW"); (iii) EIOW MHC will be issued 100% of the initial shares of voting stock of Converted EIOW; and (iv) all equity rights of EIOW members in

EIOW will be extinguished and replaced with equity rights in EIOW MHC. Assuming all conditions to the effectiveness of EIOW's Restructuring are met or waived, as applicable, EIOW's Restructuring is expected to become effective sometime in the first quarter of 2001.

It is anticipated that EIOW's Restructuring, if consummated, will be part of a series of transactions (collectively, the "Global Transaction") that will result in EIOW and one or both of its affiliates, specifically, Liberty Mutual Insurance Company ("LMIC"), a Massachusetts mutual property and casualty insurance company, and Liberty Mutual Fire Insurance Company ("LMFIC"), a Massachusetts mutual property and casualty insurance company, (EIOW, LMIC and LMFIC, collectively, the "Liberty Companies") all reorganizing to stock companies and coming under the common ownership of Liberty Mutual Holding Company ("Liberty Mutual Holding Company"), a Massachusetts mutual holding company to be formed by LMIC as part of its reorganization. Assuming all conditions to the consummation of all of the transactions comprising the Global Transaction are met, or waived, as applicable, EIOW expects the Global Transaction to be consummated sometime in the second quarter of 2001.

### **The Global Transaction**

The Global Transaction consists of the following transactions, in addition to the Restructuring:

(i) LMIC will reorganize to a mutual holding company structure under the laws of the Commonwealth of Massachusetts. Pursuant to Chapter 175 Sections 19F to 19W, inclusive, of the Massachusetts General Laws, LMIC will (a) form Liberty Mutual Holding Company; (b) form two intermediate companies, LMG Massachusetts Holdings Inc. ("LMG Massachusetts Holdings"), a Massachusetts stock holding company that will be a direct, wholly-owned subsidiary of Liberty Mutual Holding Company and Liberty Mutual Group Inc. ("LMGI"), a Massachusetts stock holding company that will be a direct, wholly-owned subsidiary of LMG Massachusetts Holdings; and (c) reorganize to a Massachusetts stock property and casualty insurance company ("Reorganized LMIC"). Liberty Mutual Holding Company will be issued 100% of the initial shares of voting stock of Reorganized LMIC. Immediately thereafter, Liberty Mutual Holding Company will contribute all of the shares of voting stock of Reorganized LMIC to LMG Massachusetts Holdings and LMG Massachusetts Holdings, in turn, will contribute all such shares to LMGI. As a result, Reorganized LMIC will be a direct, wholly-owned subsidiary of LMGI

and all equity rights of LMIC members in LMIC will be extinguished and replaced with equity rights in Liberty Mutual Holding Company. Today, LMIC is filing with the Massachusetts commissioner for the Division of Insurance (the "Massachusetts Commissioner") its application to reorganize to a Massachusetts mutual holding company structure. Assuming all conditions to the consummation of LMIC's reorganization are met, or waived, as applicable, LMIC's reorganization is expected to be consummated sometime in the first quarter of 2001.

(ii) Assuming the reorganizations of EIOW and LMIC are consummated, the boards of directors of EIOW MHC and Liberty Mutual Holding Company are expected to vote on the merger of EIOW MHC with and into Liberty Mutual Holding Company, with Liberty Mutual Holding Company as the surviving mutual entity (the "MHC Merger") pursuant to the terms and conditions of a Merger Agreement between the parties (the "MHC Merger Agreement") and subject to the receipt of all necessary approvals. As a direct result of the MHC Merger, Converted EIOW will become a wholly-owned subsidiary of Liberty Mutual Holding Company. In addition to Liberty Mutual Holding Company's board of directors approving the MHC Merger, the members of Liberty Mutual Holding Company, among others, will also be required to approve the MHC Merger pursuant to Chapter 175 Section 19S of the Massachusetts General Laws. In considering whether to approve the MHC Merger, members of Liberty Mutual Holding Company will be receiving sometime in the beginning of the second quarter of 2001 a copy of Liberty Mutual Holding Company's member information statement (the "Liberty Mutual Holding Company Member Information Statement"), which will describe in detail the MHC Merger and the rationale and benefits of consummating the MHC Merger.

(iii) Assuming that the LMIC reorganization is consummated, Liberty Mutual Holding Company, LMFIC and Liberty Insurance Acquisition Corporation ("Liberty Insurance Acquisition Corp."), a Massachusetts stock property and casualty insurance company that Liberty Mutual Holding Company will form, will enter into a Reorganization and Combination Agreement (the "Reorganization and Combination Agreement"), subject to, among other things, approval of the regulatory authorities and the boards of directors of the parties to the agreement. Pursuant to the terms of the Reorganization and Combination Agreement and to Chapter 175 Section 19T of the Massachusetts General Laws, LMFIC will reorganize from a Massachusetts mutual property and casualty insurance company into a Massachusetts stock property and casualty insurance company ("Reorganized LMFIC") and then merge with and into Liberty Insurance Acquisition Corp., with Reorganized LMFIC

as the surviving entity. As a result, Reorganized LMFIC will become a wholly-owned subsidiary of Liberty Mutual Holding Company.

Today, LMFIC is filing with the Massachusetts Commissioner its application to reorganize pursuant to Chapter 175 Section 19T of the Massachusetts General Laws. Consummation of the Reorganization and Combination Agreement will also require, among other things, the approval of the members of Liberty Mutual Holding Company, after their review of Liberty Mutual Holding Company's Member Information Statement, which will describe in detail the Reorganization and Combination Agreement and the rationale and benefits of consummating the Reorganization and Combination Agreement.

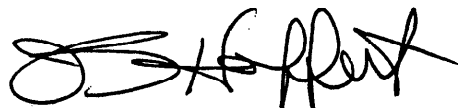
(iv) Assuming consummation of the MHC Merger Agreement and the Reorganization and Combination Agreement, Liberty Mutual Holding Company will contribute the shares of voting stock of Converted EIOW and Reorganized LMFIC to LMG Massachusetts Holdings which, in turn, will contribute such shares to LMGI (the "Contribution"). As a result of the Contribution, Converted EIOW and Reorganized LMFIC will become indirect, wholly-owned subsidiaries of Liberty Mutual Holding Company and affiliates of Reorganized LMIC. The policyholders of each of Converted EIOW, Reorganized LMIC and Reorganized LMFIC will become members of and have equity rights in Liberty Mutual Holding Company.

On September 14, 2000, the Board of Directors of EIOW adopted a resolution that the Restructuring is fair and equitable to the policyholders and adopted the Mutual Holding Company Plan set forth in the enclosed application. The Board of Directors of EIOW believes that EIOW's Restructuring is a necessary step in a series of transactions involving the Liberty Companies which comprise the Global Transaction; and furthermore, the Board of Directors of EIOW believe that while EIOW's Restructuring, if approved and consummated, would provide significant benefits to EIOW and its policyholders, additional and enhanced benefits would be realized upon consummation of the Global Transaction, which benefits would include the alignment of the legal structures of the Liberty Companies with their existing operating and economic structures, while each of the Liberty Companies would still maintain their mutuality and separate brands and identities.

At the OCI's earliest convenience, EIOW respectfully requests a meeting with the OCI to discuss in greater detail EIOW's Restructuring, as well as the Global Transaction.

Please feel free to call me, at (715) 842-6841, with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Stanley Hoffert". The signature is stylized with a large initial "J" and a long horizontal stroke.

J. Stanley Hoffert  
Vice President, General Counsel  
and Secretary

Enclosures

## Schedule A

The enclosed application consists of the following documents:

1. Transmittal Letter to Commissioner O'Connell
2. Certified resolutions of the Board of Directors of EIOW
3. Form of Letter from Chairman of the Board of EIOW to policyholders
4. Form of Notice of Public Hearing
5. Form of Notice of Special Meeting
6. The draft Policyholder Information Statement
7. The proposed Mutual Holding Company Plan, including the following exhibits:
  - (a) Amended and Restated Articles of Incorporation of Converted EIOW
  - (b) Amended and Restated Bylaws of Converted EIOW
  - (c) Articles of Incorporation of EIOW MHC
  - (d) Bylaws of EIOW MHC
  - (e) Directors and Officers of EIOW MHC and Converted EIOW
8. Form of MHC Merger Agreement
9. Form of Reorganization and Combination Agreement
10. CSFB Fairness Opinion
11. Statutory Financial Statements of EIOW
12. Audited GAAP Combined Financial Statements of Liberty Mutual Group
13. Proposed Articles of Organization and Bylaws of Mutual Holding Company, LMG Massachusetts Holdings and LMGI
14. Proposed Board of Directors and Officers of Liberty Mutual Holding Company, LMG Massachusetts Holdings and LMGI
15. Names and, for the preceding 10 years, addresses and occupations of all proposed directors and officers of EIOW MHC
16. List of all agreements relating to EIOW MHC to which any proposed director or officer is a party
17. Amount and sources of funds available for organization expenses and initial operating expenses
18. Proposed compensation of directors and officers
19. Proposed capital of EIOW MHC
20. Business plan of EIOW MHC for the first five years of operation
21. Filing fee of \$800 made payable to the OCI
22. Form of Proxy (to be submitted in a supplemental filing)
23. Form of Ballot (to be submitted in a supplemental filing)