

June 14, 2001

RESPONSE OF THE OFFICE OF CHIEF COUNSEL  
DIVISION OF CORPORATION FINANCE

Re: Employers Insurance of Wausau  
Incoming letter dated June 12, 2001

Based on the facts presented, but without necessarily agreeing with your analysis, the Division will not recommend enforcement action to the Commission if, in reliance on your opinion of counsel that membership interests in Employers Insurance of Wausau Mutual Holding Company are not securities within the meaning of the Securities Act of 1933 or the Securities Exchange Act of 1934, Employers Insurance of Wausau causes its members and members of its stock company successor to become members of Liberty Mutual Holdings without registration under either statute.

In reaching this position, we particularly note that:

- the Restructuring will be effected under Wisconsin law permitting the formation of mutual insurance holding companies by mutual insurance companies;
- membership rights in the new mutual holding company will be substantially the same as rights in Employers Insurance of Wausau;
- with the Restructuring, policy holders of Employers Insurance of Wausau will automatically become members of the new mutual holding company;
- the Restructuring is subject to approval by Wisconsin Commissioner of Insurance after notice to policy holders and a public hearing where they are entitled to appear;
- the Commissioner will approve the Restructuring only after finding that it is fair and equitable to policy holders;
- the new mutual holding company will be subject to oversight by the Commissioner in its conduct toward members comparable to the oversight governing Employers Insurance of Wausau and its members; and

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- the new mutual holding company may not pay dividends or make any other payment of income or profits except as approved by the Commissioner.

This position is based on the representations made to the Division in your letter. Different facts or conditions might require a different result. This letter expresses the Division's position on enforcement action only. It does not express a legal position on the question presented.

Sincerely,

A handwritten signature in black ink that reads "Michael Hyatte". The signature is written in a cursive style with a large, stylized initial "M".

Michael Hyatte  
Special Counsel