

AGREEMENT AND PLAN OF MERGER

between

LIBERTY MUTUAL HOLDING COMPANY

and

**EMPLOYERS INSURANCE OF WAUSAU
MUTUAL HOLDING COMPANY**

dated [], 2001

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This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of April __, 2001, is made by and between Liberty Mutual Holding Company, a Massachusetts mutual holding company ("Liberty Mutual Holding Company"), and Employers Insurance of Wausau Mutual Holding Company, a Wisconsin mutual holding company ("EIOW MHC"). Liberty Mutual Holding Company and EIOW MHC are sometimes referred to herein as the "Constituent Companies". Capitalized terms used in this Agreement are defined in Article I.

WITNESSETH:

WHEREAS, the Board of Directors of each of the Constituent Companies deem it advisable and in the best interests of the members of their respective companies to effect the merger of EIOW MHC with and into Liberty Mutual Holding Company (the "Merger") upon the terms and subject to the conditions set forth herein;

WHEREAS, for United States federal income tax purposes, it is intended that the Merger will qualify as a reorganization under section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement is hereby adopted as a plan of reorganization for purposes of the Code; and

WHEREAS, the Board of Directors of each of the Constituent Companies has approved and adopted this Agreement by resolutions duly adopted.

NOW, THEREFORE, in consideration of the foregoing premises, the Constituent Companies hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following terms, when used in this Agreement, shall have the meanings set forth herein. The terms defined below, which may be used in their singular or plural forms, shall be deemed to refer to the singular or plural as the context requires.

"Agreement" shall mean this Agreement and Plan of Merger.

"Applicable Law" shall mean any applicable order, law, regulation, rule, ordinance, writ, injunction, directive, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to the parties hereto, or any of their respective Subsidiaries, properties, or assets as the case may be.

"Board of Directors" shall mean, with respect to any Person, such Person's board of directors.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in Massachusetts or Wisconsin are permitted or obligated by law to be closed for regular banking business.

"Closing" shall have the meaning set forth in Section 3.1.

"Closing Date" shall have the meaning set forth in Section 3.1.

"Code" shall have the meaning set forth in the preamble.

"Consent or Filing" shall have the meaning set forth in Section 4.3.

"Constituent Companies" shall mean Liberty Mutual Holding Company and EIOW MHC.

"Converted EIOW" shall mean Employers Insurance Company of Wausau, a Wisconsin stock property and casualty insurance company and a wholly-owned subsidiary of EIOW MHC.

"EIOW MHC" shall mean Employers Insurance of Wausau Mutual Holding Company, a Wisconsin mutual holding company.

"EIOW MHC Insurer Subsidiary" shall mean each EIOW MHC Subsidiary that is authorized to transact an insurance business.

"EIOW MHC Subsidiary" shall mean a Subsidiary of EIOW MHC.

"Effective Date" shall have the meaning set forth in Section 2.2.

"EMHC Equity Rights" shall mean the uncertificated rights in the equity of EIOW MHC, as provided under the Wisconsin Insurance Code.

"Financial Statements" shall mean the balance sheet, statements of income, statements of policyholders' surplus, statement of cash flows and accompanying notes to financial statements.

"GAAP" shall mean generally accepted accounting principles in effect in the United States of America.

"Governmental Entity" shall mean any domestic, foreign, federal, state or local governmental authority, quasi-governmental authority, instrumentality, court or government, commission, body or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations promulgated thereunder.

"Insurance License" shall mean a license, certificate of authority, permit or other authorization granted by a Governmental Entity to transact an insurance business.

"Knowledge" shall mean the actual knowledge of the relevant Person, and in the instance of a corporate Person, the actual knowledge of its executive officers.

"Liability" shall mean a liability, obligation, claim or cause of action (of any kind or nature whatsoever, whether absolute, accrued, contingent or other and whether known or unknown).

"Liberty Mutual Holding Company" shall mean Liberty Mutual Holding Company, a Massachusetts mutual insurance holding company.

"Liberty Mutual Holding Company Insurer Subsidiary" shall mean each Liberty Mutual Holding Company Subsidiary that is authorized to transact an insurance business.

"Liberty Mutual Holding Company Subsidiary" shall mean a Subsidiary of Liberty Mutual Holding Company.

"LMFIC" shall have the meaning set forth in Section 7.1(f).

"LMHC Equity Rights" shall mean the uncertificated rights in the equity of Liberty Mutual Holding Company, conferred by the Massachusetts General Laws.

"Massachusetts Commissioner" shall have the meaning set forth in Section 6.3(a).

"Massachusetts General Laws" shall mean the general laws of Massachusetts.

"Material Adverse Effect" shall mean a material adverse effect on the business, financial condition or results of operations of the businesses of Liberty Mutual Holding Company or EIOW MHC, as applicable, and their respective Subsidiaries, taken as a whole; provided, however, that the following shall be excluded from the definition of "Material Adverse Effect" and from any determination as to whether such Material Adverse Effect has occurred or may occur: the effects of changes that are generally applicable to (1) the property and casualty insurance and/or brokerage industries (including, without limitation, the impact of natural catastrophes) or (2) any material change in the financial, banking, currency or capital markets in general (either in the United States or any international market).

"Merger" shall mean the merger of EIOW MHC with and into Liberty Mutual Holding Company, with Liberty Mutual Holding Company being the surviving entity.

"Person" shall mean an individual, corporation, partnership, association, joint stock company, limited liability company, limited liability partnership, trust, government agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee, or fiduciary, or any similar entity.

"Required Filings and Approvals" shall mean (i) the filing of this Agreement with and the approval of such by the insurance departments, and such other applications, registrations, declarations, filings, authorizations, orders, consents and approvals as may be reasonably required to be made or obtained prior to consummation of the transactions contemplated hereby under the insurance laws of any jurisdiction, (ii) the approval of this Agreement by the members of Liberty Mutual Holding Company, (iii) the filing of this Agreement with the Massachusetts and Wisconsin Departments of Insurance as contemplated by Section 6.3, (iv) consents, authorizations, approvals, filings or exemptions in respect of the transactions contemplated hereby required to be made or obtained prior to consummation of the

transactions contemplated hereby for compliance with the applicable provisions of state and federal securities laws and (v) the filing of premerger notification reports by Liberty Mutual Holding Company and EIOW MHC under the HSR Act and the expiration or early termination of the waiting period thereunder.

"SAP" shall mean the statutory accounting principles and practices prescribed or permitted by the domiciliary state of the relevant Person.

"Subsidiary" of a Person means any Person with respect to whom such specified Person, directly or indirectly, beneficially owns fifty percent or more of the equity interests in, or holds the voting control of fifty percent or more of the equity interests in, such Person.

"Surviving Company" shall mean Liberty Mutual Holding Company from and after the Effective Date.

"Wisconsin Commissioner" shall have the meaning set forth in Section 6.3(b).

"Wisconsin Insurance Code" shall mean the insurance laws of Wisconsin.

ARTICLE II

THE MERGER

Section 2.1 The Merger.

(a) On the Effective Date, without any further action by either of the Constituent Companies, the Merger shall become effective, and EIOW MHC shall be merged with and into Liberty Mutual Holding Company in accordance with Section 19S of Chapter 175 of the Massachusetts General Laws and Section 611.73 of the Wisconsin Insurance Code (as made applicable to mutual holding companies by Section 644.27 of the Wisconsin Insurance Code) and Liberty Mutual Holding Company shall be the surviving and continuing entity.

(b) On the Effective Date, the separate existence of EIOW MHC shall cease and in accordance with the terms of this Agreement, (i) members of

EIOW MHC shall become members of the Surviving Company and (ii) all EMHC Equity Rights shall be extinguished and replaced by LMHC Equity Rights.

Section 2.2 Effective Date of the Merger. The Effective Date shall be the later of (i) the date on which this Agreement is filed with the Secretary of State in the Commonwealth of Massachusetts and (ii) such later date and time as may be mutually agreed to by the parties (the "Effective Date").

Section 2.3 Effects of the Merger. The Merger shall have the effects set forth in Section 19S of Chapter 175 of the Massachusetts General Laws and Section 611.73 of the Wisconsin Insurance Code (as made applicable to mutual holding companies by Section 644.27 of the Wisconsin Insurance Code). Without limiting the generality of the foregoing, and subject thereto, on the Effective Date:

(a) All members of EIOW MHC having EMHC Equity Rights shall have, by operation of law, such EMHC Equity Rights extinguished and replaced with LMHC Equity Rights in the Surviving Company.

(b) The title or right to all property (real, personal and mixed) owned or possessed by EIOW MHC shall accrue to the Surviving Company without reversion or impairment.

(c) Any and all other interests of, belonging to, or due to EIOW MHC shall accrue to the Surviving Company without further act or deed. At any time after the Effective Date, the officers of EIOW MHC or the corresponding officers of Liberty Mutual Holding Company shall, in the name of the respective Constituent Company, execute and deliver all such proper deeds, assignments and other instruments and take or cause to be taken all such further or other action as the Surviving Company may deem necessary or desirable in order to vest, perfect or confirm in the Surviving Company title to and possession of all of the property, rights, privileges, powers, franchises, immunities and interests of EIOW MHC and to otherwise carry out the purposes of this Agreement.

(d) The Surviving Company shall assume all the liabilities of each Constituent Company. Neither the rights of creditors nor any liens upon the property of either Constituent Company shall be impaired by the Merger, provided that such liens upon property of EIOW MHC shall be limited to the property affected thereby immediately prior to the Effective Date.

(e) Any civil, criminal, administrative or investigatory proceeding pending against either of the Constituent Companies may be continued as if the Merger did not occur, or the Surviving Company may be substituted in the proceeding for either of the Constituent Companies.

Section 2.4 Articles of Organization of the Surviving Company. From and after the Effective Date, and without any further action on the part of Liberty Mutual Holding Company, the articles of organization of Liberty Mutual Holding Company, as in effect immediately prior to the Effective Date, shall be the articles of organization of the Surviving Company.

Section 2.5 By-laws of the Surviving Company. From and after the Effective Date, and without any further action on the part of Liberty Mutual Holding Company, the by-laws of Liberty Mutual Holding Company, as in effect immediately prior to the Effective Date, shall be the by-laws of the Surviving Company.

Section 2.6 Directors of the Surviving Company. From and after the Effective Date, the persons who were the directors of Liberty Mutual Holding Company immediately prior to the Effective Date shall continue to be the directors of the Surviving Company and shall hold office until their respective terms of office expire or until their respective successors are duly appointed or elected and qualified.

Section 2.7 Officers of the Surviving Company. From and after the Effective Date, the persons who were the officers of Liberty Mutual Holding Company immediately prior to the Effective Date shall continue to be the officers of the Surviving Company until their respective successors are duly appointed or elected and qualified.

ARTICLE III

THE CLOSING

Section 3.1 Closing. The closing (the "Closing") of this Agreement shall be held at the offices of Skadden, Arps, Slate, Meagher & Flom LLP at One Beacon Street, Boston, Massachusetts or at such other location agreed to by the parties, on a date to be specified by the parties (the "Closing Date"), which shall be no later than five (5) Business Days after satisfaction or waiver of the conditions set forth in Article VII, unless another time or date is mutually agreed to by the parties.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF LIBERTY MUTUAL HOLDING COMPANY

Liberty Mutual Holding Company represents and warrants to EIOW MHC as follows:

Section 4.1 Organization and Qualification. (a) Liberty Mutual Holding Company is a mutual insurance holding company duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts and has the requisite corporate power and authority to conduct its business as it is currently being conducted. Each Liberty Mutual Holding Company Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the requisite corporate power and authority to conduct its business as it is currently being conducted. Liberty Mutual Holding Company and each of the Liberty Mutual Holding Company Subsidiary is duly qualified to do business, and is in good standing, in the respective jurisdictions where the character of its assets owned or leased or the nature of its business requires such qualification, except for the failures to be so qualified or in good standing which would not, individually or in the aggregate, have a Material Adverse Effect. Each Liberty Mutual Holding Company Subsidiary is listed on Schedule 4.1(a).

(b) Each Liberty Mutual Holding Company Insurer Subsidiary possesses an Insurance License in each jurisdiction in which such Liberty Mutual Holding Company Insurer Subsidiary is required to possess an Insurance License. Neither Liberty Mutual Holding Company nor any Liberty Mutual Holding Company Subsidiary has Knowledge of any event (other than the Merger), proceeding or investigation which would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, suspension or restriction of any Insurance License and which would have a Material Adverse Effect. Each Liberty Mutual Holding Company Insurer Subsidiary is listed in Schedule 4.1(b).

(c) Copies of the articles of organization and by-laws of Liberty Mutual Holding Company have heretofore been delivered to EIW MHC and copies of the articles of organization and by-laws of each of the Liberty Mutual Holding Company Subsidiaries have heretofore been delivered or made available to EIW MHC, and all such copies are accurate and complete as of the date hereof.

Section 4.2 Authorization. Liberty Mutual Holding Company has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved and authorized by the Board of Directors of Liberty Mutual Holding Company. Except for the approval of this Agreement by the affirmative vote of at least two-thirds of the votes cast by members of Liberty Mutual Holding Company entitled to vote on the Merger, no other corporate proceedings on the part of Liberty Mutual Holding Company are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Liberty Mutual Holding Company and (assuming this Agreement is a legal, valid and binding obligation of EIOW MHC) constitutes a legal, valid and binding agreement of Liberty Mutual Holding Company enforceable against Liberty Mutual Holding Company in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, rehabilitation, liquidation, conservation, dissolution, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 4.3 Consents and Approvals of Government Agencies. Other than Required Filings and Approvals, no consent, approval, order or authorization of, or registration, application, declaration, or filing (collectively, "Consents or Filings") with any Person is required with respect to Liberty Mutual Holding Company or any Liberty Mutual Holding Company Subsidiary in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, except for any Consent or Filing, the failure to obtain or do which would not (A) cause any Insurance License held by a Liberty Mutual Holding Company Insurer Subsidiary to fail to be in full force and effect without amendment, limitation or condition of any kind, or (B) individually or in the aggregate, have a Material Adverse Effect.

Section 4.4 No Violation. The execution, delivery and performance of this Agreement by Liberty Mutual Holding Company and the consummation of the transactions contemplated hereby will not (i) violate any provision of the articles of organization or the by-laws of Liberty Mutual Holding Company or of any of the Liberty Mutual Holding Company Subsidiaries, (ii) violate, conflict with, result in a breach of any provision of, constitute a default (or an event which, with

notice or lapse of time or both, would constitute a default) under, result in the termination of or accelerate the performance required by, result in a right of termination or acceleration under, or result in the creation of any lien upon any of the assets of Liberty Mutual Holding Company or of any of the Liberty Mutual Holding Company Subsidiaries under, any of the terms, conditions or provisions of any contract to which Liberty Mutual Holding Company or any such Liberty Mutual Holding Company Subsidiary is a party or to which it or any of its assets may be subject or (iii) constitute a breach or violation of or default under any Insurance License or any other license that is material to the business of Liberty Mutual Holding Company or any Liberty Mutual Holding Company Subsidiary or law to which Liberty Mutual Holding Company or any Liberty Mutual Holding Company Subsidiary is subject, excluding from the foregoing clauses (ii) and (iii) violations, breaches or defaults that would not individually or in the aggregate have a Material Adverse Effect, except as disclosed on Schedule 4.4.

Section 4.5 Financial Statements. Liberty Mutual Holding Company has previously delivered to EIOW MHC true and complete copies of the Liberty Mutual Group Financial Statements. Each of the Liberty Mutual Group Financial Statements was (and, as to Financial Statements not yet provided, will be) prepared in accordance with GAAP, and each presents (and, as to Financial Statements not yet provided, will present) fairly in all material respects the financial condition, results of operations and changes in surplus of Liberty Mutual Holding Company and its consolidated Subsidiaries as of the dates or for the periods covered thereby, in conformity with GAAP.

Section 4.6 Absence of Certain Changes or Events. Since [DATE], each of Liberty Mutual Holding Company and the Liberty Mutual Holding Company Subsidiaries has conducted its business only in the ordinary course, consistent with past practice, and (i) there has not occurred any event, change or development which individually or in the aggregate would have a Material Adverse Effect, (ii) there has not been any setting aside or payment of any dividend or other distribution by Liberty Mutual Holding Company to its members other than regular dividends consistent with past practice, (iii) there have not been any changes in the articles of organization or by-laws of Liberty Mutual Holding Company and (iv) there has not been any damage, destruction or loss, whether covered by insurance or not, which would have a Material Adverse Effect.

Section 4.7 No Undisclosed Liabilities. Since [DATE], neither Liberty Mutual Holding Company nor any Liberty Mutual Holding Company Subsidiary incurred any Liabilities, other than (i) Liabilities incurred in the ordinary

course of business, consistent with, past practice or (ii) Liabilities that, individually or in the aggregate, would not be material to Liberty Mutual Holding Company and the Liberty Mutual Holding Company Subsidiaries taken as a whole, except as disclosed on Schedule 4.7.

Section 4.8 Litigation. Except as set forth in Schedule 4.8, there are no proceedings or investigations pending nor, to the Knowledge of Liberty Mutual Holding Company and the Liberty Mutual Holding Company Subsidiaries, threatened, against, relating to, involving or otherwise affecting Liberty Mutual Holding Company or any Liberty Mutual Holding Company Subsidiary that individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF EIOW MHC

EIOW MHC represents and warrants to Liberty Mutual Holding Company as follows:

Section 5.1 Organization and Qualification. (a) EIOW MHC is a mutual insurance holding company duly organized, validly existing and in good standing under the laws of the State of Wisconsin and has the requisite corporate power and authority to conduct its business as it is currently being conducted. Each EIOW MHC Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the requisite corporate power and authority to conduct its business as it is currently being conducted. EIOW MHC and each of the EIOW MHC Subsidiary is duly qualified to do business, and is in good standing, in the respective jurisdictions where the character of its assets owned or leased or the nature of its business requires such qualification, except for the failures to be so qualified or in good standing which would not, individually or in the aggregate, have a Material Adverse Effect. Each EIOW MHC Subsidiary is listed on Schedule 5.1(a).

(b) Each EIOW MHC Insurer Subsidiary possesses an Insurance License in each jurisdiction in which such EIOW MHC Insurer Subsidiary is required to possess an Insurance License. Neither EIOW MHC nor any EIOW MHC Subsidiary has Knowledge of any event (other than the Merger), proceeding or

investigation which would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, suspension or restriction of any Insurance License and which would have a Material Adverse Effect. Each EIOW MHC Insurer Subsidiary is listed in Schedule 5.1(b).

(c) Copies of the articles of incorporation and by-laws of EIOW MHC have heretofore been delivered to EIOW MHC and copies of the articles of incorporation and by-laws of each of the EIOW MHC Subsidiaries have heretofore been delivered or made available to EIOW MHC, and all such copies are accurate and complete as of the date hereof.

Section 5.2 Authorization. EIOW MHC has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved and authorized by the Board of Directors of EIOW MHC. No other corporate proceedings on the part of EIOW MHC are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by EIOW MHC and (assuming this Agreement is a legal, valid and binding obligation of Liberty Mutual Holding Company) constitutes a legal, valid and binding agreement of EIOW MHC enforceable against EIOW MHC in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, rehabilitation, liquidation, conservation, dissolution, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 5.3 Consents and Approvals of Government Agencies. Other than Required Filings and Approvals, no Consents or Filings with any Person is required with respect to EIOW MHC or any EIOW MHC Subsidiary in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, except for any Consent or Filing, the failure to obtain or do which would not (A) cause any Insurance License held by a EIOW MHC Insurer Subsidiary to fail to be in full force and effect without amendment, limitation or condition of any kind, or (B) individually or in the aggregate, have a Material Adverse Effect.

Section 5.4 No Violation. The execution, delivery and performance of this Agreement by EIOW MHC and the consummation of the transactions

contemplated hereby will not (i) violate any provision of the articles of incorporation or the by-laws of EIOW MHC or of any of the EIOW MHC Subsidiaries, (ii) violate, conflict with, result in a breach of any provision of, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the termination of or accelerate the performance required by, result in a right of termination or acceleration under, or result in the creation of any lien upon any of the assets of EIOW MHC or of any of the EIOW MHC Subsidiaries under, any of the terms, conditions or provisions of any contract to which EIOW MHC or any such EIOW MHC Subsidiary is a party or to which it or any of its assets may be subject or (iii) constitute a breach or violation of or default under any Insurance License or any other license that is material to the business of EIOW MHC or any EIOW MHC Subsidiary or law to which EIOW MHC or any EIOW MHC Subsidiary is subject, excluding from the foregoing clauses (ii) and (iii) violations, breaches or defaults that would not individually or in the aggregate have a Material Adverse Effect, except as disclosed on Schedule 5.4.

Section 5.5 Financial Statements. EIOW MHC has previously delivered to Liberty Mutual Holding Company true and complete copies of the Converted EIOW Financial Statements. Each of the Converted EIOW Financial Statements was (and, as to Financial Statements not yet provided, will be) prepared in accordance with SAP, and each presents (and, as to Financial Statements not yet provided, will present) fairly in all material respects the financial condition, results of operations and changes in surplus of Converted EIOW and its consolidated Subsidiaries as of the dates or for the periods covered thereby, in conformity with SAP.

Because the Financial Statements of EIOW MHC, prepared on a GAAP or SAP basis, would not differ materially from the Financial Statements of Converted EIOW prepared on a GAAP or SAP basis, respectively, Financial Statements for EIOW MHC have not been prepared.

Section 5.6 Absence of Certain Changes or Events. Since [DATE], each of EIOW MHC and the EIOW MHC Subsidiaries has conducted its business only in the ordinary course, consistent with past practice, and (i) there has not occurred any event, change or development which individually or in the aggregate would have a Material Adverse Effect, (ii) there has not been any setting aside or payment of any distribution by EIOW MHC to its members, (iii) there have not been any changes in the articles of incorporation or by-laws of EIOW MHC and (iv) there has not been any damage, destruction or loss, whether covered by insurance or not, which would have a Material Adverse Effect.

Section 5.7 No Undisclosed Liabilities. Since [DATE], neither EIOW MHC nor any EIOW MHC Subsidiary incurred any Liabilities, other than (i) Liabilities incurred in the ordinary course of business, consistent with, past practice or (ii) Liabilities that, individually or in the aggregate, would not be material to EIOW MHC and the EIOW MHC Subsidiaries taken as a whole, except as disclosed on Schedule 5.7.

Section 5.8 Litigation. Except as set forth in Schedule 5.8, there are no proceedings or investigations pending nor, to the Knowledge of EIOW MHC and the EIOW MHC Subsidiaries, threatened, against, relating to, involving or otherwise affecting EIOW MHC or any EIOW MHC Subsidiary that individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

ARTICLE VI

CERTAIN COVENANTS

Section 6.1 Conduct of Business Pending the Merger. Each of Liberty Mutual Holding Company and EIOW MHC covenants and agrees as to itself and its Subsidiaries that, from and after the date hereof up to and including the Effective Date, unless the other party shall otherwise agree in writing or as otherwise expressly permitted or contemplated by this Agreement or required by law:

(a) Such party's business and its Subsidiaries' business shall be conducted only in the ordinary course in substantially the same manner as heretofore conducted, such party and its Subsidiaries shall use all reasonable efforts to preserve intact their respective present business organizations, keep available the services of their respective present officers and employees and preserve their respective relationships with policyholders, insureds, agents, brokers, suppliers and others having business dealings with them to the end that their respective goodwill and ongoing businesses shall not be impaired in any material respect.

(b) Such party or its Subsidiaries shall not declare, set aside or pay any dividend or make any similar distribution other than policy dividends declared and paid in a manner consistent with past practice without prior disclosure to and approval by the other party, which approval shall not be unreasonably withheld.

(c) Such party shall not make or propose to make, nor shall such party permit any of its Subsidiaries to make or propose to make, any change in its dividend, underwriting, investment and other material insurance practices in any respect which is material to the condition of such party and its Subsidiaries taken as a whole.

(d) Such party shall not agree nor permit any of its Subsidiaries to agree, in writing or otherwise, to take any of the actions prohibited by the foregoing clauses (a) through (c).

Section 6.2 Member Approval. As soon as is practicable following the date hereof, Liberty Mutual Holding Company shall duly call, give notice of, convene and hold a special meeting of its members who under Massachusetts law are eligible to vote with respect to the Merger for the purpose of considering and approving this Agreement. Notice of the meeting of the members of Liberty Mutual Holding Company shall be accompanied by a copy of this Agreement pursuant to the requirements of Massachusetts law. The Board of Directors of Liberty Mutual Holding Company will recommend that the members of Liberty Mutual Holding Company will vote in favor of this Agreement and will use its best efforts to solicit such members to vote in favor of this Agreement and to take all other actions reasonably necessary or advisable to secure the votes of the members of Liberty Mutual Holding Company which are required in order to approve this Agreement and effect the Merger.

Section 6.3 Government Approvals.

(a) As soon as practicable after the date hereof, Liberty Mutual Holding Company shall apply for or obtain any necessary consent, satisfaction, or approval of the Commissioner of Insurance for the Commonwealth of Massachusetts (the "Massachusetts Commissioner"), for, regarding, or of the Merger. Liberty Mutual Holding Company shall use its best efforts to secure such consent, satisfaction, or approval of the Massachusetts Commissioner, for, regarding or of the Merger.

(b) As soon as practicable after the date hereof, EIOW MHC shall apply for or obtain any necessary consent, satisfaction, or approval of the Commissioner of Insurance for the State of Wisconsin (the "Wisconsin Commissioner"), for, regarding, or of the Merger. EIOW MHC shall use its best efforts to secure such consent, satisfaction, or approval of the Wisconsin Commissioner, for, regarding, or of the Merger.

(c) After obtaining all governmental and regulatory approvals for the Merger set forth on Schedule 6.3(c), Liberty Mutual Holding Company shall file a duplicate of this Agreement with the state secretary in the Commonwealth of Massachusetts.

Section 6.4 Cooperation. Liberty Mutual Holding Company and EIOW MHC shall use their respective best efforts to secure all other governmental and regulatory approvals as may be necessary or desirable to comply with the laws of any governmental instrumentality with respect to the transactions contemplated by this Agreement. Each of the parties shall cooperate with each other by furnishing any additional information and executing and delivering any additional documents as may be reasonably requested by the other party to further perfect or evidence the consummation of, or otherwise implement, the Merger.

ARTICLE VII

CONDITIONS PRECEDENT TO EFFECTING THE MERGER

Section 7.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Date of the following conditions:

(a) This Agreement and the Merger shall have been approved and adopted by the vote of at least two-thirds of the members of Liberty Mutual Holding Company as are present and voting at the special meeting called for such purpose.

(b) The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated.

(c) All Required Filings and Approvals required to be obtained prior to the Effective Date shall have been obtained and not rescinded or adversely modified or limited (as set forth in the proviso below) or, if merely required to be filed, such filings shall have been made and accepted, and all waiting periods prescribed by Applicable Law shall have expired or been terminated in accordance with Applicable Law; provided that such approvals shall not contain any conditions or limitations that compel or seek to compel the Surviving Company to dispose of or to hold separately all or any portion of the business or assets of the

Constituent Companies or their respective Subsidiaries or impose or seek to impose any limitation on the ability of the Surviving Company or any Subsidiary of the Surviving Company to conduct its business or own its assets after the Effective Date in substantially the same manner as the Constituent Companies and their respective Subsidiaries may presently conduct their business or own their assets.

(d) No order entered or law promulgated or enacted by any Governmental Entity shall be in effect which would prevent the consummation of the Merger or the other transactions contemplated hereby, and no proceeding brought by a Governmental Entity shall have been commenced and be pending which seeks to restrain, prevent, or materially delay or restructure the transactions contemplated hereby or which otherwise questions the validity or legality of any such transactions.

(e) Liberty Mutual Fire Insurance Company, a Massachusetts mutual property and casualty insurance company ("LMFIC") which is planning to reorganize with Liberty Mutual Holding Company to a stock property and casualty insurance company pursuant to Section 175:19T under the Massachusetts General Laws, has obtained LMFIC policyholder and Massachusetts Commissioner approvals for its proposed plan of reorganization; provided, however, with respect to the condition set forth in this subsection (e) only, it may be waived by the Constituent Companies.

Section 7.2 Conditions to Obligation of EIW MHC to Effect the Merger. The obligation of EIW MHC to effect the Merger shall be subject to the fulfillment at or prior to the Effective Date of the following additional conditions:

(a) Liberty Mutual Holding Company shall have performed and complied in all material respects with all obligations and agreements required to be performed and complied with by it under this Agreement at or prior to the Effective Date and EIW MHC shall have received an Officers' Certificate from Liberty Mutual Holding Company as to the satisfaction of this condition.

(b) The representations and warranties of Liberty Mutual Holding Company contained in this Agreement shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Effective Date as if made at and as of such date and time, except as otherwise contemplated or permitted by this Agreement (it being understood that the truth and correctness of any such representations and warranties made as of a specified date shall be determined only as of such specified date) and EIW MHC shall have received an

Officers' Certificate from Liberty Mutual Holding Company as to the satisfaction of this condition.

(c) EMPLOYERS INSURANCE OF WAUSAU A Mutual Company shall have obtained either (i) a private letter ruling from the Internal Revenue Service that is in force on the Effective Date or (ii) an opinion of special tax counsel to EMPLOYERS INSURANCE OF WAUSAU A Mutual Company, dated as of the Effective Date, in either case, substantially to the effect that, for United States federal income tax purposes, the Merger will qualify as a reorganization under section 368(a) of the Code.

Section 7.3 Conditions to Obligation of Liberty Mutual Holding Company to Effect the Merger. The obligation of Liberty Mutual Holding Company to effect the Merger shall be subject to the fulfillment at or prior to the Effective Date of the following additional conditions:

(a) EIOW MHC shall have performed and complied in all material respects with all obligations and agreements required to be performed and complied with by it under this Agreement at or prior to the Effective Date and Liberty Mutual Holding Company shall have received an Officers' Certificate from EIOW MHC as to the satisfaction of this condition.

(b) The representations and warranties of EIOW MHC contained in this Agreement shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Effective Date as if made at and as of such date and time, except as otherwise contemplated or permitted by this Agreement (it being understood that the truth and correctness of any such representations and warranties made as of a specified date shall be determined only as of such specified date) and Liberty Mutual Holding Company shall have received an Officers' Certificate from EIOW MHC as to the satisfaction of this condition.

(c) Liberty Mutual Insurance Company shall have obtained either (i) a private letter ruling from the Internal Revenue Service that is in force on the Effective Date or (ii) an opinion of special tax counsel to Liberty Mutual Insurance Company, dated as of the Effective Date, in either case, substantially to the effect that, for United States federal income tax purposes, the Merger will qualify as a reorganization under section 368(a) of the Code.

ARTICLE VIII

TERMINATION

Section 8.1 Termination. This Agreement may be terminated and the Merger abandoned at any time prior to the Effective Date by mutual written consent of Liberty Mutual Holding Company and EIOW MHC.

Section 8.2 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 8.1, this Agreement shall thereafter become void and have no further force or effect.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Costs and Expenses. Except as expressly otherwise provided herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be the obligation of the party incurring such costs or expenses.

Section 9.2 Notices. All notices, requests, demands, and other communications required or permitted to be given under this Agreement shall be given in writing and shall be deemed to have been given if delivered by hand, by facsimile or by certified mail, postage pre-paid, to the parties at the following addresses:

If to Liberty Mutual Holding Company:

Liberty Mutual Holding Company
175 Berkeley Street
Boston, Massachusetts 02117
Attn: General Counsel
Facsimile: (617) 426-7125

If to EIOW MHC:

EIOW MHC
2000 Westwood Drive
Wausau, Wisconsin 54401
Attn: General Counsel
Facsimile:

Any party to this Agreement may by notice given in accordance with this Section 9.2 designate a new address for notices, requests, or other communications to such party.

Section 9.3 Service of Process. The Surviving Company agrees that it may be served with process in the State of Wisconsin in any proceeding for enforcement of any obligation of the Surviving Company arising from the Merger. The address upon which such process shall be served is: Liberty Mutual Holding Company, 175 Berkeley Street, Boston, Massachusetts 02117.

Section 9.4 Invalidity. Unless the invalidity or unenforceability of any provision or portion thereof frustrates the intent of the parties or the purpose of this Agreement, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions or portions thereof. In the event that such provision shall be declared unenforceable by a court of competent jurisdiction, such provision or portion thereof, to the extent declared unenforceable, shall be stricken. However, in the event any such provision or portion thereof shall be declared unenforceable due to its scope, breadth or duration, then it shall be modified to the scope, breadth or duration permitted by law and shall continue to be fully enforceable as so modified.

Section 9.5 Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the parties hereto any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.6 Construction. The terms and conditions of this Agreement represent the results of bargaining and negotiations among the parties, and none of which has acted under duress or compulsion, whether legal, economic or otherwise, and represent the results of a combined draftsmanship effort. Consequently, the terms and conditions hereof shall be interpreted and construed in accordance with their usual and customary meanings, and the parties hereby ex-

pressly waive and disclaim in connection with the interpretation and construction hereof any rule of law or procedures requiring otherwise, specifically including but not limited to any rule of law to the effect that ambiguous or conflicting terms or conditions contained herein shall be interpreted or construed against the party which prepared this Agreement or any earlier draft hereof.

Section 9.7 Entire Agreement. This Agreement, together with each exhibit, agreement, certificate, and other document contemplated hereby, contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral among the parties, with respect to the subject matter hereof, and there are no agreements, representations, or warranties between the parties other than those set forth herein.

Section 9.8 Severability. If any provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid or unenforceable in any jurisdiction, such determination shall not affect the validity or enforceability of the remaining provisions of this Agreement in such jurisdiction or affect the validity or enforceability of such provision in any other jurisdiction.

Section 9.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties hereto.

Section 9.10 Headings. The headings in this Agreement are for the convenience of reference only and shall not affect its interpretations.

Section 9.11 Governing Law. Except as provided in Sections 2.1 and 2.3, this Agreement shall be governed by the laws of the Commonwealth of Massachusetts, without application of Massachusetts' conflicts of law principles.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers and by a majority of the board of directors¹ of each of Liberty Mutual Holding Company and EIOW MHC on the date first above written.

Liberty Mutual Holding Company

By: _____
Name:
Title: President

Liberty Mutual Holding Company

By: _____
Name:
Title: Secretary

Liberty Mutual Holding Company

By: _____
Name:
Title: Director

Liberty Mutual Holding Company

By: _____
Name:
Title: Director

¹ §175:19S(b)(i) requires the merger agreement be executed in duplicate by the president and secretary and by a majority of the board of directors of each company under its corporate seal and accompanied by copies of the resolutions authorizing the merger and the execution of the agreement attested by the recording officer of each company.

Liberty Mutual Holding Company

By: _____
Name:
Title: Director

Liberty Mutual Holding Company

By: _____
Name:
Title: Director

Liberty Mutual Holding Company

By: _____
Name:
Title: Director

Liberty Mutual Holding Company

By: _____
Name:
Title: Director

EIOW MHC

By: _____
Name:
Title: President

EIOW MHC

By: _____
Name:
Title: Secretary

EIOW MHC

By: _____
Name:
Title: Director

Corporate Seal