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June 23, 2008

RECEIVED

JUN 23 2008

**INSURANCE COMMISSIONER
COMPANY SUPERVISION**

Mr. Ronald J. Pastuch, CPA
Holding Company Manager
Company Supervision Division
Washington State Office of the Insurance Commissioner
5000 Capitol Blvd.
P.O. Box 40259
Olympia, WA 98504-0259


RE: Liberty Mutual Holding Company Inc. et al (Liberty Mutual) Form A Application to
Acquire Safeco Insurance Companies (Safeco)

Dear Mr. Pastuch:

Attached for your review is a letter from Mr. Richard P. Quinlan, Senior Vice President & Deputy General Counsel, Liberty Mutual Insurance Company, responding to the specific inquiries contained in your June 17, 2008 letter. We are pleased to provide this response a full week before the June 30 response date indicated in your letter. Liberty Mutual is diligently working to provide the earliest possible responses to these and other inquiries so that regulators can complete their reviews of this matter. Please do not hesitate to contact me if you have further inquiries regarding this matter.

Sincerely,

CARNEY BADLEY SPELLMAN, P.S.



Melvin N. Sorensen

MNS:jc

Enclosure



175 Berkeley Street
Boston, Massachusetts 02117

Richard Quinlan
Senior Vice President &
Deputy General Counsel

Tel: (617) 357-9500 Ext. 45655

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**INSURANCE COMMISSIONER
COMPANY SUPERVISION**

June 20, 2008

Mr. Ronald A. Pastuch, CPA
Holding Company Manager
Company Supervision Division
Washington Office of Insurance Commissioner
P.O. Box 40259
Olympia, WA 98504-0259

**Re: Liberty Mutual Holding Company Inc. et al ("Liberty Mutual")
Form A Application to Acquire Safeco Insurance Companies ("Safeco")**

Dear Mr. Pastuch:

This is in response to the requests set forth in your coordinated inquiry letter of June 17, 2008 to Melvin N. Sorensen, Esq., local Washington counsel for Liberty Mutual.

California

1. Regarding the \$1.25 billion financing, please describe how Liberty Mutual plans to service the debt and where the money will come from to repay this debt.

As also described in our Form A supplement dated June 9, 2008 filed with the California Department of Insurance (the "Form A Supplement"), the \$1.25 billion of junior subordinated securities (hybrid debt) created an obligation for Liberty Mutual Group Inc. ("LMGI") to pay annual interest of approximately \$134,375,000. It is intended that interest expense will be paid from cash flow to LMGI from both its service operations and from dividends from its direct insurance subsidiaries, which do not include any of the Safeco insurance companies to be acquired in the Proposed Transaction, and at all times subject to any applicable regulatory requirements. The 5-year pro forma financial projections provided with the Form A Supplement contain relevant information demonstrating Liberty Mutual's capacity to service this debt.

2. Please describe any proposed transition plan(s) dealing with issues such as accounting functions, agency production, claims handling and call centers, and IT integration.

Development of the post-closing business plan for Safeco is ongoing and in the preliminary stages of development. We will not be able to fully articulate our transition plans until we assume full access to information and personnel post-closing. We are confident, however, that the combination of Safeco and Liberty Mutual Agency Markets will result in a strong, profitable organization that takes the best components of two complementary businesses.

In this regard, we have already begun working in earnest with the senior leadership team at Safeco to form the joint integration teams tasked with combining the best of both organizations to create a stronger Liberty Mutual Agency Markets business. It is our further hope and expectation that certain members of Safeco's management will continue with us, not only for purposes of the integration and transition, but more importantly for providing a valuable contribution for the execution of Liberty Mutual Agency Markets' long term strategic vision.

Liberty Mutual has a long-standing history of excellence with respect to executing on its acquisitions and efficiently incorporating them into the Liberty Mutual Group on a timely and profitable basis by virtue of our highly focused and energized integration teams. Over the last 10 years, Liberty Mutual has successfully assimilated approximately 25 acquisitions and continually implements best practices achieved from these numerous experiences. After the acquisition we acknowledge that since Liberty Mutual remains a private company certain corporate functions mandated by Safeco's status as a publicly traded company, in particular those focusing on shareholder needs, will no longer be appropriate. A paramount goal of these integration teams, however, will be, and always is, to assure seamless integration of policyholders, agents and employees (including the retention of top performers in alternative capacities if their current function is eliminated). Significant time and effort will be spent on communications with these key constituencies and educating our employee teams that service them. The joint integration teams will represent a spectrum of all the vital services necessary to assure achievement of our mandate, including claims handling, underwriting, agency management, customer communications, information systems management, and all the other necessary corporate services. We fully recognize that any interruptions or mishandling of these vital areas could dramatically impact the tremendous long-term value this acquisition represents and thus we do not intend to let this happen.

Illinois

The Illinois department sent a letter to local counsel representing Liberty Mutual on June 4, 2008. They have not received a response.

The response to the Illinois Department's letter was filed on June 18, 2008.

Oregon

1. Please provide any proposed notice to Safeco policyholders regarding the acquisition. Please indicate whether the notice will be the same for all of the Safeco companies. If not, please provide the notice for each of the Safeco companies.

Liberty Mutual and Safeco have provided, and will continue to provide while this transaction is pending and upon its completion, frequent communications through multiple means to various constituencies including policyholders regarding the acquisition and its implications. Both Liberty Mutual and Safeco have targeted various constituencies through its communications, including policyholders, agents, employees, financial markets, regulators, potential customers and the general public.

Upon the signing of the Merger Agreement both companies issued press releases that were filed with the SEC and NYSE that resulted in media and internet coverage stretching from coast-to-coast and worldwide. In addition, both companies provided informational postings on their respective websites that continue today. Subsequent news stories by both local and national TV, print and internet sources have continued concerning this acquisition including the joint announcement by the companies of the expiration of the waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976. Additional press releases and media coverage will occur as additional milestones for consummation of this transaction are achieved such as shareholder and regulatory approvals. Further, the companies have provided agent newsletter stories and provided talking points for agent facing staff to educate agents on behalf of their customers and Safeco's policyholders so that they will be able to convey the pertinent details of this transaction. Similarly, Safeco has educated and provided its Safeco Service Center staffs and departments with the necessary tools to keep its policyholders and agents abreast of the acquisition. As a formal legal matter, notice of various public hearings that have, and will be held with respect to this transaction, have been, and will be posted in various prominent publications in various states or as otherwise required by applicable law. Also, each of the shareholders will receive an extremely detailed proxy statement setting forth all of the details of this transaction in advance of their meeting on this matter, and copies of the same will be available to the public at the SEC's website. Finally, both Liberty Mutual and Safeco have, and will continue to provide internal communications to their respective employees concerning the acquisition as details develop so that they are not only informed for their own purposes, but also to assure that they are able to communicate appropriate details to the various constituencies they serve on behalf of the companies including policyholders.

2. If Liberty Mutual and Safeco's intention to waive its right to an Oregon hearing regarding this acquisition, please provide a statement to that effect to the Oregon department.

By this letter Liberty Mutual hereby confirms its intent to waive its right to a hearing, and it has also been authorized by Safeco Corporation to state the same on its behalf.

3. Please explain [Liberty Mutual's] purpose of the transaction and the benefit to Safeco and its policyholders.

We believe that the transaction is consistent with our commitment to the growth of our Agency Markets business and that the business of Safeco will complement Liberty Mutual's existing Agency Markets business. Safeco has an excellent brand, a profitable book of business, talented people and a strong position in the independent agency system. The addition of Safeco expands the scale and scope of our Agency Markets SBU in a very complementary fashion. Safeco has strong operations west of the Mississippi, whereas our

Agency Markets SBU is stronger in the east. Safeco's business mix is approximately 65 percent personal lines and approximately 35 percent commercial lines, whereas our Agency Markets SBU is nearly the reverse. Additionally, both companies have superb surety businesses.

Safeco's policyholders will benefit from Liberty Mutual's commitment to its property and casualty operations. Our highly developed customer service culture is a reflection of our commitment to this business and something that we believe will be well received by the ongoing policyholders. Policyholders will also benefit from their insurer being affiliated with a large, stable group of companies that benefits from the geographic and product diversification provided by the Liberty Mutual Group of entities. We look forward to working with the leadership of Safeco, who will play a key role in the joint integration team tasked with combining the best of both organizations to create a stronger Liberty Mutual Agency Markets. We share Safeco's commitment to employees, policyholders and agents.

4. What securities filings apply to the proposed transaction or what exemption applies from the securities requirements?

As a private company, there are no securities laws that obligate filings on the part of Liberty Mutual. Safeco Corporation, however, as a publicly-traded entity filed with the SEC a Form 8-K at the time this transaction was publicly announced and in addition has filed a proxy statement to be mailed to the shareholders of Safeco relating to the shareholders meeting expected to be held on July 29, 2008 for the purpose of voting on the approval of the merger agreement that gives rise to this transaction.

Washington

1. Audited financial statements for:

LIH US P&C Corporation. Audited financial statements are not available for this entity. This entity is not subject to any requirement to have audited financial statements. Because this entity is a holding company whose only material assets and liabilities are as a result of its holding the shares of its wholly owned insurance companies that receive an annual statutory audit, Liberty Mutual believes there is no additional benefit to subjecting this entity to a separate audit. To initiate the preparation of audited financial statements for this entity at this point would involve undue cost, time and burden. Attached are the unaudited balance sheets and income statements for each of the past three years for this entity.

Liberty Mutual Group Inc. Audited financial statements are not available for this entity. This entity is not subject to any requirement to have audited financial statements. Because the only material asset of Liberty Mutual Holding Company Inc. ("LMHC") is the shares of LMHC Massachusetts Holdings Inc., and the only material asset of LMHC Massachusetts Holdings Inc. is the shares of Liberty Mutual Group Inc., the GAAP consolidated financial statements of Liberty Mutual Group Inc. would not differ materially from the audited GAAP consolidated financial statements of LMHC, which were provided as Exhibit 9-B to the Form A. We respectfully note that to initiate the preparation of audited financial statements for

Liberty Mutual Group Inc. at this point would involve undue cost, time, delay and burden.

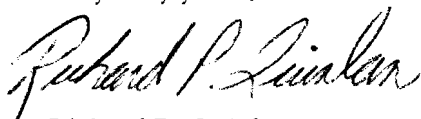
2. Draft intercompany agreements.

Liberty Mutual filed the replacement exhibits with you on June 19, 2008 by way of a letter of from Melvin N. Sorensen, Esquire of Carney Badley Spellman, P.S.

Please note in deference to, and respect for, the various insurance departments noted in this letter, we have asked our local counsels in these jurisdictions to forward our response to these departments directly as well on our behalf.

If you have any further questions, please feel free to contact me.

Very truly yours,

A handwritten signature in cursive script that reads "Richard P. Quinlan".

Richard P. Quinlan