

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



Phone: (360) 725-7000
www.insurance.wa.gov

FILED

DECLARATION OF MAILING

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to parties listed below *by regular office procedure*
DATED this 24th day of March 2009 at Tumwater, Washington.

Signed Wendy Galloway

OFFICE OF
INSURANCE COMMISSIONER

HEARINGS UNIT
Fax: (360) 664-2782

2009 MAR 24 A 9:21

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Wendy Galloway
Paralegal
(360) 725-7002
Wendyg@oic.wa.gov

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Acquisition of Control of:

SAFECO INSURANCE COMPANY OF AMERICA, GENERAL INSURANCE COMPANY OF AMERICA, FIRST NATIONAL INSURANCE COMPANY OF AMERICA, and SAFECO SURPLUS LINES INSURANCE COMPANY, Subsidiaries of SAFECO CORPORATION, a Washington Corporation,

by

LIBERTY MUTUAL HOLDING COMPANY, INC., LMHC MASSACHUSETTS HOLDINGS, INC., LIBERTY MUTUAL GROUP, INC., LIBERTY MUTUAL INSURANCE COMPANY, LIBERTY INSURANCE HOLDINGS, INC., and LIH US P&C CORPORATION.

NO. G08-0084

ORDER ON POSTHEARING
TELEPHONE CONFERENCE

TO: Richard P. Quinlan, Sr. Vice President & Deputy General Counsel
Liberty Mutual
175 Berkeley Street
Boston, Massachusetts 02117-0140



COPY TO: Melvin N. Sorensen, Esquire
Carney Badley Spellman P.S.
701 Fifth Avenue, Suite 3600
Seattle, Washington 98104-7010

James F. Williams, Esquire for Safeco
Perkins Coie LLP
1201 Third Avenue, Suite 4800
Seattle, Washington 98101-3099

DeAnn F. Work, Sr. Associate General Counsel
Safeco Insurance Companies
Safeco Plaza
1001 4th Avenue, Floor 27
Seattle, Washington 98154

Linda Dalton, Sr. Assistant Attorney General
Office of the Attorney General
P.O. Box 40100
Olympia, Washington 98504-0100

Christina Beusch, Assistant Attorney General
Office of the Attorney General
P.O. Box 40100
Olympia, Washington 98504-0100

Richard J. Silverberg, Esquire
Richard J. Silverberg & Associates, P.C.
1500 Walnut Street, Suite 1500
Philadelphia, Pennsylvania 19102

Michael J. Miller, Esquire
Drinker Biddle & Reath LLP
One Logan Square, 18th and Cherry Streets
Philadelphia, Pennsylvania 19103-6996

Mike Kreidler, Insurance Commissioner
Vernon Stoner, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Div.
Ronald Pastuch, Holding Manager, Company Supervision Division
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Charles D. Brown, Sr. Staff Attorney, Legal Affairs Division
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

On September 10 and 11, 2008, an adjudicative proceeding was held in the matter of the proposed acquisition of Safeco Corporation and all of its subsidiaries by Liberty Mutual Holding Company Inc. (LMHC), a Massachusetts mutual privately held holding corporation which is the ultimate parent corporation of the affiliated Liberty Mutual Group of companies including LMHC Massachusetts Holdings, Inc., Liberty Mutual Group, Inc., Liberty Mutual Insurance Company, Liberty Insurance Holdings, Inc., and LIH US P&C Corporation among many others.

On September 18, 2008, based upon the evidence and argument presented at hearing, including analysis of the specific statutory criteria, the arguments of the parties and the entire hearing file, the undersigned determined that no significant reasonable objection had been received at that time, and therefore the undersigned entered a Final Order Approving Acquisition of Control.

On September 22, 2008, Wendy Galloway, Paralegal to the undersigned, received an e-mail from Richard J. Silverberg, Esq. of Richard J. Silverberg & Associates, P.C. of Philadelphia, Pennsylvania., requesting the State's immediate attention "because the Liberty/Safeco transaction is scheduled to close Monday, September 22, 2008, and Safeco will be dissolved as of that date . . .".

Mr. Silverberg stated further in his e-mail that,

. . . a motion for Preliminary Injunction to Enjoin the Acquisition of Safeco Insurance Company by the Liberty Mutual Group was filed in the United States District Court for the Eastern District of Pennsylvania. The motion is pending. Although both Liberty and Safeco were duty-bound to bring the Motion for Preliminary Injunction to the State's attention within 48 hours of the date it was filed, they intentionally failed to do so in order to foreclose the State from considering it.

In light of the above information, a posthearing teleconference was held on September 22, 2008 at 11:30 a.m. (PST), a time prior to the closing of the Liberty Mutual/Safeco acquisition. Said posthearing teleconference was requested by and included Richard J. Silverberg, Esq., of Richard J. Silverberg & Associates, P.C., 1500 Walnut Street, Suite 1500, Philadelphia, Pennsylvania; James F. Williams, Esquire for Safeco, Perkins Coie LLP, 1201 Third Avenue, Suite 4800, Seattle, Washington; Deann F. Work, Sr. Associate General Counsel for Safeco Insurance Companies, Safeco Plaza, 1001 4th Avenue, Floor 27, Seattle, Washington; Richard P. Quinlan, Deputy General Counsel for Liberty Mutual, 175 Berkeley Street, Boston, Massachusetts; Tim Parker, Esquire, Carney Badley Spellman P.S., 701 Fifth Avenue, Suite 3600, Seattle, Washington representing Liberty Mutual. Also present for Liberty Mutual were Sean McSweeney Senior Vice President and Deputy General Counsel for Liberty Mutual Holding Company Inc., and esquire, Michael J. Miller, of Drinker Biddle & Reath LLP, One Logan Square, 18th and Cherry Streets, Philadelphia, Pennsylvania representing Liberty Life Assurance Company of Boston, the subject litigation. The Insurance Commissioner appeared pro se and was represented by Christina Beusch, Asst. Attorney General, Office of the Attorney General, P.O. Box 40100, Olympia, Washington and by Charles D. Brown, Sr. Staff Attorney, Office of the Insurance Commissioner,

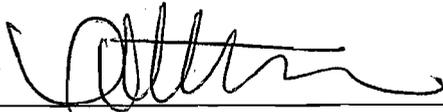
P.O. Box 40255, Olympia, Washington.

During said posthearing teleconference, Mr. Silverberg presented extensive information and chronology of the litigation at issue, as well as did opposing counsel for Liberty Life Assurance Company of Boston, Michael J. Miller, Esq., of Drinker Biddle & Reath LLP of Philadelphia, Pennsylvania. Of note was the information presented by Mr. Miller that, while the litigation was technically still ongoing, the federal judge involved in the matter had already determined that the litigation lacked good cause to proceed and in Federal Judge M. Faith Angell's Order for Preliminary Injunction Seeking to Enjoin Liberty Mutual and Safeco Acquisition stated, as quoted by Mr. Miller and uncontroverted by Mr. Silverberg:

I reiterated that the hearing before me was Plaintiff's opportunity to be heard on his request for immediate court action. Plaintiff's counsel again declined to address the substantive arguments in support of his motion for preliminary injunction. Now this 19th day of September 2008 after holding a hearing on plaintiff's request for "immediate" action by the court relating to his pending Motion for Preliminary Injunction at which time plaintiffs' counsel declined to address the merits of his motion and declined to address how the acquisition of Safeco Insurance Company by Liberty Mutual Group will effect plaintiff, it is hereby ordered that the plaintiff has not established a basis for expediting his motion for preliminary injunction.

After careful consideration of the information and argument presented at posthearing teleconference, and the entire hearing file, the undersigned at the time of the subject posthearing teleconference concluded that while it would have been appropriate for Liberty Mutual to advise the undersigned about this litigation prior to the hearing, the failure to do so was not significant to either the hearing itself or to the Final Order entered by the undersigned on September 18, 2008.

ENTERED at Tumwater, Washington, this 24th day of March, 2009, pursuant to Title 48 RCW and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.



PATRICIA D. PETERSEN

Presiding Officer
Chief Hearing Officer