

CARNEY  
BADLEY  
SPELLMAN

Melvin N. Sorensen

FILED

LAW OFFICES  
A PROFESSIONAL SERVICE CORPORATION

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2008 JUN 20 A 11: 17

Email: sorensen@carneylaw.com

Hearings Unit, DIC  
June 19, 2008 Patricia D. Petersen  
Chief Hearing Officer

Mr. Ron Pastuch  
Holding Company Manager  
Washington State Office of the Insurance Commissioner  
5000 Capitol Blvd.  
P.O. Box 40255  
Tumwater, WA 98501

JUN 19 2008  
INSURANCE COMMISSIONER  
COMPANY SUPERVISION

RE: Form A Application to Acquire Safeco Insurance Company of America, First National Insurance Company of America, General Insurance Company of America, and Safeco Surplus Lines Insurance Company

Dear Mr. Pastuch:

I am writing in connection with the Form A Statement regarding 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, submitted by Liberty Mutual Insurance Company ("Liberty Mutual") to the Washington Office of Insurance on May 16, 2008 and as supplemented on June 9, 2008 (collectively, the "Form A Statement"). Please be advised that it has come to our attention that incorrect versions of Exhibits 7-A, 7-B, 7-C, 7-E and 7-F were inadvertently submitted with the Form A Statement on May 16th. Attached hereto are replacement Exhibits 7-A, 7-B, 7-C, 7-E and 7-F.

The incorrect exhibits that were accidentally submitted with the Form A Statement were intended for submission to the insurance departments in Indiana and Oregon as exhibits to the Form A statements that Liberty Mutual submitted in those states. Although we apologize for this mistake, please note that the terms of the agreements in replacement Exhibits 7-A, 7-B, 7-C and 7-E are identical to the forms previously filed except for the names of the parties, governing law and, only with respect to the proposed Investment Management Agreements with General Insurance Company of America and Safeco Insurance Company of America (Exhibit 7-A), variations in investment guidelines. Replacement Exhibit 7-F simply includes Amendment No. 1, which was omitted earlier, and is otherwise identical to the version submitted with the Form A Statement.

We would respectfully request that the enclosed replacement Exhibits 7-A, 7-B, 7-C, 7-E and 7-F be substituted for those contained in the Form A Statement. In the future, we will submit each of these proposed inter-affiliate agreements to the Department with a Form D application.

June 19, 2008

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We apologize for this confusion and regret any inconvenience this may cause the Office of the Insurance Commissioner. We are available to respond to any questions the Office might have in connection with this, or other, matters.

Sincerely,

CARNEY BADLEY SPELLMAN, P.S.

A handwritten signature in black ink, appearing to read 'MNS', with a long horizontal flourish extending to the right.

Melvin N. Sorensen

MNS:jc

Enclosure

## INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (this "Agreement") is made and entered into this \_\_\_ day of \_\_\_\_\_, 2008 by and between First National Insurance Company of America (the "Company"), a Washington stock insurance company and Liberty Mutual Insurance Company (the "Advisor"), a Massachusetts stock insurance company.

WHEREAS, the Company desires to enter into a contract for the purpose of appointing the Advisor to manage the assets of its investment portfolios in accordance with the terms hereof; and

WHEREAS, the Advisor is willing to manage the assets of the Company's investment portfolios in accordance with the terms hereof;

NOW, THEREFORE, the Company and the Advisor hereby agree as follows:

1. **Appointment.** The Company hereby authorizes and appoints the Advisor as its investment advisor and, as its agent and attorney-in-fact, to exercise the investment discretion set forth below with respect to the assets of the Company's investment portfolios, excluding those accounts managed by other investment managers (collectively, the "Investment Portfolios") and the cash, securities or other property contained therein from time to time. The Company hereby authorized and appoints the Advisor, as its agent and attorney-in-fact, to (i) execute all documentation on the Company's behalf necessary to open additional accounts in the Company's name to facilitate investments made within the investment discretion set forth in the Investment Guidelines, as defined below, and (ii) to execute all documentation, on the Company's behalf, to facilitate investment in securities for the Company's Investment Portfolios.

2. **Scope of Authorization for Investment Discretion.** The Advisor shall manage the Company's Investment Portfolios in accordance with the investment policy and guidelines set forth on Appendices A and B respectively (such guidelines, the "Investment Guidelines"), as such may be amended from time-to-time by written agreement between the parties hereto. In connection therewith, the Advisor shall have full power to supervise and direct the investment and reinvestment of the cash, securities and other assets and to engage in such transactions on behalf of the Company as the Advisor may deem appropriate, in the Advisor's absolute discretion and without prior consultation with the Company, subject only to this Agreement and the Investment Guidelines. The Company hereby acknowledges that the Advisor need not seek approval prior to engaging in any transaction where such transaction complies with the terms and conditions of the Investment Guidelines.

The cash and assets of the Company shall be held by third-party custodians that have agreed to act as custodian(s) for the Company in accordance with the Advisor's instructions. The Advisor shall at no time have custody or physical control of the Company's assets, and the Advisor shall not be liable for any act or omission of the custodian(s). The Advisor may give instructions to the custodian(s), in writing or orally. The Company shall instruct the custodian to provide the Advisor with such periodic reports concerning the status of any Company account as the Advisor may reasonably request from time to time.

Without limiting the foregoing, the Company hereby authorizes the Advisor:

(a) to act as the Company's agent and attorney-in-fact with respect to the Company's Investment Portfolios and to have complete discretionary control over the composition of the Investment Portfolios, including the power to make such acquisitions and disposals of

investments as the Advisor considers appropriate, but always in accordance with the Investment Guidelines;

(b) to issue to brokers instructions to buy or to sell or otherwise trade in or deal with any asset in the Investment Portfolios;

(c) to instruct any custodian of any asset in the Investment Portfolios to deliver any security or other asset sold, exchanged or otherwise disposed of from the Investment Portfolios;

(d) to pay any fee incurred on behalf of the Company in providing services under this Agreement, including commission expenses, attendant Securities and Exchange Commission transaction fees and National Association of Insurance Commissioners transaction fees which shall be paid from the Investment Portfolios in the conventional manner;

(e) to place any securities on deposit with any governmental authority as may be necessary or desirable to comply with applicable law, and to substitute other securities in their place; and

(f) to perform any other act necessary or desirable to enable the Advisor to carry out its obligations under this Agreement.

3. **Reports and Compliance.** Advisor shall promptly furnish to or place at the disposal of the Company, as appropriate, such information, reports, evaluations, analysis, and opinions as the Company may, at any time or from time to time, reasonably request. Additionally, Advisor shall furnish such information, reports and evaluations as the Company may from time to time reasonably request which may be necessary or appropriate in order to enable the Company to maintain oversight over the Investment Portfolios and assure compliance with the Investment Guidelines.

4. **Fees.** The Advisor shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Company shall be paid from the Investment Portfolios' assets. Compensation amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

5. **Limits on Advisor Responsibility.**

(a) The Advisor shall not be responsible for the solvency of or the performance of the obligations of any third party bank, clearing organization, broker, intermediary, nominee or agent appointed or employed by the Advisor in good faith for the performance of its duties but the Advisor shall assign to the Company such rights (if any) as the Advisor may have against such person in the event of the insolvency of any of the above or its failure properly to perform such obligations and shall give, without further compensation, such assistance as the Company may reasonably require to exercise such rights.

(b) The Advisor shall be fully protected in acting and relying upon any written advice, certificate, notice, instruction, request or other paper or document which the Advisor in good faith believes to be genuine and to have been signed or presented by an authorized person or other proper party or parties, and may assume that any person purporting to give such written advice or other paper or document has been duly authorized to do so unless contrary instructions have been delivered to the Advisor by the Company.

(c) The Advisor shall not be liable to the Company for any acts or omissions by the Advisor, its employees and agents under and in connection with this Agreement, except by reason of acts or omission constituting gross negligence, willful misconduct or fraud on the part of the Advisor, including its employees.

(d) The Company shall reimburse and indemnify the Advisor for, and hold it harmless against, any loss, liability or expense, including, without limit, reasonable counsel fees, incurred on the part of the Advisor arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement unless such loss, liability or expense is the result of acts or omissions by the Advisor constituting gross negligence, willful misconduct or fraud; provided, however, that nothing contained herein shall constitute a waiver or limitation of any rights which the Company may have under applicable securities or other laws.

6. **Termination.** This Agreement may be terminated by the Advisor upon 90 days written notice to the Company, and terminated by the Company at any time upon written notice to the Advisor, termination effective upon receipt of such notice by the Advisor. Upon termination, the Advisor shall have no further investment management responsibility for assets in the Account, but shall have reasonable time, not to exceed 90 days, to transfer assets to a custodian of the Company's selection.

7. **Enforceability.** If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.

8. **Successors and Assigns.** No assignment of this Agreement, including by operation of law, may be made by any party to this Agreement without the prior written consent of the other parties hereto. Notwithstanding the foregoing, the Advisor has full discretion to delegate any of its responsibilities, duties and authority set forth herein to, or otherwise to utilize the investment management services of, any of its affiliates provided that the Advisor will be fully accountable for any acts or omissions of an affiliate pursuant to such an arrangement, as if such acts or omissions were its own.

9. **Governing Law.** This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of The Commonwealth of Massachusetts without regard to its conflict of laws principles.

10. **Counterparts and Facsimile.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same instrument.

11. **Entire Agreement/Amendment.** This Agreement, including the Appendixes hereto, constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all previous agreements, promises, representations, understandings and negotiations, whether written or oral, between the parties with respect to the subject matter hereof. This Agreement, including the Appendixes hereto, may not be amended except in writing signed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Investment Management Agreement to be executed as of the date set forth above.

**First National Insurance Company of America**

By: \_\_\_\_\_  
Name:  
Title:

**Liberty Mutual Insurance Company**

By: \_\_\_\_\_  
Name: **A. Alexander Fontanes**  
Title: **Executive Vice President and  
Chief Investment Officer**

## Appendix A

### STATEMENT OF INVESTMENT POLICY

The investment policy of the Company, like that of the other portfolios managed for the accounts of Liberty Mutual Insurance Group ("LMIG"), has been formulated with two basic tenets in mind. First, as a property and casualty insurance company, the primary purpose of the investment portfolio is to support the company's insurance operations and to be consistent with the company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as an insurance company, the preponderance of risk assumed should be in the underwriting of the company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the Advisor discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the Advisor through the authority granted by the Company's Board of Directors. The Advisor consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMIG, currently totaling over \$50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMIG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Directors through the Chief Investment Officer of LMIG. All investment transactions will be reported to the Board at the regularly scheduled meetings.

## Appendix B

### INVESTMENT GUIDELINES

The investments will be managed on a full discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. The Advisor may invest up to ten percent of invested assets in assets not falling within the investments authorized below provided that the investment is permitted under applicable state regulations and the transaction is reported to the Board of Directors of the Company or the authorized committee thereof at its next regularly scheduled meeting.

Table 1  
Asset Category Guidelines

<u>Asset Category</u>	<u>Maximum % of Invested Assets or Surplus</u>	<u>Limits Within Asset Category</u>
<b>Debt Obligations:</b>		
U.S Government & Government Guaranteed	Up to 100% of invested assets	None
U.S. Government Agencies	Up to 50% of invested assets	10% of invested assets per issuer
Mortgage & Asset Backed Securities	Up to 35% of invested assets	2% of invested assets per issuer
Municipal Obligations	Up to 35% of invested assets	3% of invested assets per issuer
<b>Corporates:</b>		
Investment Grade	Up to 60% of invested assets	Lesser of 2% of invested assets per issuer or 15% of category per issuer
Noninvestment Grade	Lesser of 5% of invested assets or 50% of surplus	Lesser of 0.5% of investment assets per issuer or 15% of category per issuer
<b>Equities:</b>		
Public Common Securities	Lesser of 10% of invested assets or 50% of surplus	Lesser of 2% of invested assets per issuer or 20% of category per industry
Preferred Securities/Direct Investment	Up to 10% of invested assets	2% of invested assets per issuer
Limited Partnerships, LLC's or other investment fund vehicle.	Lesser of 10% of invested assets or 50% of surplus	None
<b>Short-Term Obligations:</b>		
Cash Equivalents	Up to 100% of invested assets	None

**Notwithstanding anything herein to the contrary, the portfolio will at all times be maintained in compliance with the statutes of the Company's state of domicile.**

Exposure to all categories with surplus restriction will not exceed 50% of surplus.

Maturity Constraints: The duration of the Company holdings of debt obligations will be managed commensurate with the general terms of its liabilities.

Credit Quality: The overall credit quality of the COMPANY holdings of debt obligations will not be below BBB.

#### OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.
2. Lending of portfolio securities will be permitted in any amount up to 40% of portfolio assets and subject to constraints and provisions as may be agreed upon in a securities lending agreement with an agent of the portfolio manager's choice or may be conducted directly by the portfolio manager. In any event, all securities lending activities will be conducted in accordance with the guidelines outlined in Addendum A, attached hereto.
3. Mortgage-Backed Securities dollar rolls will be permitted in an amount up to 25% of total holdings of eligible mortgage-backed securities.

In no event shall the aggregate amount of reverse repurchase agreements, securities lending transactions, and mortgage-backed securities dollar rolls exceed 40% of the portfolio at the time any commitments are made.

## Addendum A

### Securities Lending Program

The proposed lending program would be structured along the following lines:

-Lending Activity will remain secondary to the active management of the company's portfolios reflecting its role as an enhancement to portfolio income rather than an alternative investment strategy.

-Lending will be subject to the following constraints:

- (1) No more than 40% of total assets holdings will be on loan at any point in time.
- (2) Combined securities lending, dollar-roll, and reverse repurchase activity will not exceed 40% of total holdings.

-Exposure to any single borrower from securities lending, excluding repurchase agreements done as collateral investments will be limited to 5% of total asset holdings.

-Collateral investments other than repurchase agreements and short-term bank obligations will be restricted to security types in which the portfolios would normally invest. In addition, leveraged MBS (mortgage backed securities) products (e.g. IO's, PO's, Inverse Floaters, etc.) will be excluded as repurchase collateral.

-Collateral investments will be limited to U.S. dollar-denominated obligations. Investments of cash collateral may be made in issuers having a split short-term rating, provided that no portion of the rating is below A2/P2. Foreign issuers will be limited to banks with the further restrictions that these issuers must carry a minimum single "A" long-term rating.

-Letter of Credit will not be taken as collateral.

-Lending activity and Collateral reports will be generated on a weekly basis.

**Appendix C**  
to  
Investment Management Agreement  
by and among

First National Insurance Company of America  
and  
Liberty Mutual Insurance Company

***Compensation***

Advisor shall receive a monthly management fee calculated as follows:

1. As regards debt securities in the Account, an amount equal to:

{(the market value of all debt securities in the account on the first day of each month plus the market value of all debt securities in the Account on the last day of that same month) divided by two} times .0000283.

2. As regards equity securities in the Account, an amount equal to:

{(the market value of all equity securities in the account on the first day of each month plus the market value of all equity securities in the Account on the last day of that same month) divided by two} times .0000283.

For the purposes of the above calculations, the market value of the debt and equity securities, respectively, shall be determined as of the close of business on the first and last days of each month.

3. In the event that compensation of the Advisor is determined to be unfair and unreasonable in relation to the Advisor's actual expenses incurred in managing the account, then compensation to the Advisor shall be adjusted to an amount that is mutually acceptable to the parties.
4. Company shall be responsible for all custody related charges and wire transfer fees originating from the custody account.

## INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (this "Agreement") is made and entered into this \_\_\_ day of \_\_\_\_\_ 2008 by and between General Insurance Company of America (the "Company"), a Washington stock insurance company and Liberty Mutual Insurance Company (the "Advisor"), a Massachusetts stock insurance company.

WHEREAS, the Company desires to enter into a contract for the purpose of appointing the Advisor to manage the assets of its investment portfolios in accordance with the terms hereof; and

WHEREAS, the Advisor is willing to manage the assets of the Company's investment portfolios in accordance with the terms hereof;

NOW, THEREFORE, the Company and the Advisor hereby agree as follows:

1. **Appointment.** The Company hereby authorizes and appoints the Advisor as its investment advisor and, as its agent and attorney-in-fact, to exercise the investment discretion set forth below with respect to the assets of the Company's investment portfolios, excluding those accounts managed by other investment managers (collectively, the "Investment Portfolios") and the cash, securities or other property contained therein from time to time. The Company hereby authorized and appoints the Advisor, as its agent and attorney-in-fact, to (i) execute all documentation on the Company's behalf necessary to open additional accounts in the Company's name to facilitate investments made within the investment discretion set forth in the Investment Guidelines, as defined below, and (ii) to execute all documentation, on the Company's behalf, to facilitate investment in securities for the Company's Investment Portfolios.

2. **Scope of Authorization for Investment Discretion.** The Advisor shall manage the Company's Investment Portfolios in accordance with the investment policy and guidelines set forth on Appendices A and B respectively (such guidelines, the "Investment Guidelines"), as such may be amended from time-to-time by written agreement between the parties hereto. In connection therewith, the Advisor shall have full power to supervise and direct the investment and reinvestment of the cash, securities and other assets and to engage in such transactions on behalf of the Company as the Advisor may deem appropriate, in the Advisor's absolute discretion and without prior consultation with the Company, subject only to this Agreement and the Investment Guidelines. The Company hereby acknowledges that the Advisor need not seek approval prior to engaging in any transaction where such transaction complies with the terms and conditions of the Investment Guidelines.

The cash and assets of the Company shall be held by third-party custodians that have agreed to act as custodian(s) for the Company in accordance with the Advisor's instructions. The Advisor shall at no time have custody or physical control of the Company's assets, and the Advisor shall not be liable for any act or omission of the custodian(s). The Advisor may give instructions to the custodian(s), in writing or orally. The Company shall instruct the custodian to provide the Advisor with such periodic reports concerning the status of any Company account as the Advisor may reasonably request from time to time.

Without limiting the foregoing, the Company hereby authorizes the Advisor:

(a) to act as the Company's agent and attorney-in-fact with respect to the Company's Investment Portfolios and to have complete discretionary control over the composition of the Investment Portfolios, including the power to make such acquisitions and disposals of

investments as the Advisor considers appropriate, but always in accordance with the Investment Guidelines;

(b) to issue to brokers instructions to buy or to sell or otherwise trade in or deal with any asset in the Investment Portfolios;

(c) to instruct any custodian of any asset in the Investment Portfolios to deliver any security or other asset sold, exchanged or otherwise disposed of from the Investment Portfolios;

(d) to pay any fee incurred on behalf of the Company in providing services under this Agreement, including commission expenses, attendant Securities and Exchange Commission transaction fees and National Association of Insurance Commissioners transaction fees which shall be paid from the Investment Portfolios in the conventional manner;

(e) to place any securities on deposit with any governmental authority as may be necessary or desirable to comply with applicable law, and to substitute other securities in their place; and

(f) to perform any other act necessary or desirable to enable the Advisor to carry out its obligations under this Agreement.

3. **Reports and Compliance.** Advisor shall promptly furnish to or place at the disposal of the Company, as appropriate, such information, reports, evaluations, analysis, and opinions as the Company may, at any time or from time to time, reasonably request. Additionally, Advisor shall furnish such information, reports and evaluations as the Company may from time to time reasonably request which may be necessary or appropriate in order to enable the Company to maintain oversight over the Investment Portfolios and assure compliance with the Investment Guidelines.

4. **Fees.** The Advisor shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Company shall be paid from the Investment Portfolios' assets. Compensation amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

5. **Limits on Advisor Responsibility.**

(a) The Advisor shall not be responsible for the solvency of or the performance of the obligations of any third party bank, clearing organization, broker, intermediary, nominee or agent appointed or employed by the Advisor in good faith for the performance of its duties but the Advisor shall assign to the Company such rights (if any) as the Advisor may have against such person in the event of the insolvency of any of the above or its failure properly to perform such obligations and shall give, without further compensation, such assistance as the Company may reasonably require to exercise such rights.

(b) The Advisor shall be fully protected in acting and relying upon any written advice, certificate, notice, instruction, request or other paper or document which the Advisor in good faith believes to be genuine and to have been signed or presented by an authorized person or other proper party or parties, and may assume that any person purporting to give such written advice or other paper or document has been duly authorized to do so unless contrary instructions have been delivered to the Advisor by the Company.

(c) The Advisor shall not be liable to the Company for any acts or omissions by the Advisor, its employees and agents under and in connection with this Agreement, except by reason of acts or omission constituting gross negligence, willful misconduct or fraud on the part of the Advisor, including its employees.

(d) The Company shall reimburse and indemnify the Advisor for, and hold it harmless against, any loss, liability or expense, including, without limit, reasonable counsel fees, incurred on the part of the Advisor arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement unless such loss, liability or expense is the result of acts or omissions by the Advisor constituting gross negligence, willful misconduct or fraud; provided, however, that nothing contained herein shall constitute a waiver or limitation of any rights which the Company may have under applicable securities or other laws.

6. **Termination.** This Agreement may be terminated by the Advisor upon 90 days written notice to the Company, and terminated by the Company at any time upon written notice to the Advisor, termination effective upon receipt of such notice by the Advisor. Upon termination, the Advisor shall have no further investment management responsibility for assets in the Account, but shall have reasonable time, not to exceed 90 days, to transfer assets to a custodian of the Company's selection.

7. **Enforceability.** If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.

8. **Successors and Assigns.** No assignment of this Agreement, including by operation of law, may be made by any party to this Agreement without the prior written consent of the other parties hereto. Notwithstanding the foregoing, the Advisor has full discretion to delegate any of its responsibilities, duties and authority set forth herein to, or otherwise to utilize the investment management services of, any of its affiliates provided that the Advisor will be fully accountable for any acts or omissions of an affiliate pursuant to such an arrangement, as if such acts or omissions were its own.

9. **Governing Law.** This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of The Commonwealth of Massachusetts without regard to its conflict of laws principles.

10. **Counterparts and Facsimile.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same instrument.

11. **Entire Agreement/Amendment.** This Agreement, including the Appendixes hereto, constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all previous agreements, promises, representations, understandings and negotiations, whether written or oral, between the parties with respect to the subject matter hereof. This Agreement, including the Appendixes hereto, may not be amended except in writing signed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Investment Management Agreement to be executed as of the date set forth above.

**General Insurance Company of America**

By: \_\_\_\_\_  
Name:  
Title:

**Liberty Mutual Insurance Company**

By: \_\_\_\_\_  
Name: **A. Alexander Fontanes**  
Title: **Executive Vice President and  
Chief Investment Officer**

## Appendix A

### STATEMENT OF INVESTMENT POLICY

The investment policy of the Company, like that of the other portfolios managed for the accounts of Liberty Mutual Insurance Group ("LMIG"), has been formulated with two basic tenets in mind. First, as a property and casualty insurance company, the primary purpose of the investment portfolio is to support the company's insurance operations and to be consistent with the company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as an insurance company, the preponderance of risk assumed should be in the underwriting of the company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the Advisor discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the Advisor through the authority granted by the Company's Board of Directors. The Advisor consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMIG, currently totaling over \$50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMIG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Directors through the Chief Investment Officer of LMIG. All investment transactions will be reported to the Board at the regularly scheduled meetings.

## Appendix B

### INVESTMENT GUIDELINES.

The investments will be managed on a full discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. The Advisor may invest up to ten percent of invested assets in assets not falling within the investments authorized below provided that the investment is permitted under applicable state regulations and the transaction is reported to the Board of Directors of the Company or the authorized committee thereof at its next regularly scheduled meeting.

Table 1  
Asset Category Guidelines

<u>Asset Category</u>	<u>Maximum % of Invested Assets or Surplus</u>	<u>Limits Within Asset Category</u>
<b>Debt Obligations:</b>		
U.S Government & Government Guaranteed	Up to 100% of invested assets	None
U.S. Government Agencies	Up to 25% of invested assets	10% of invested assets per issuer
Mortgage & Asset Backed Securities	Up to 35% of invested assets	2% of invested assets per issuer
Municipal Obligations	Up to 60% of invested assets	3% of invested assets per issuer
<b>Corporates:</b>		
Investment Grade	Up to 60% of invested assets	Lesser of 2% of invested assets per issuer or 15% of category per issuer
Noninvestment Grade	Up to 10% of invested assets or 50% of surplus	Lesser of 0.5% of investment assets per issuer or 15% of category per issuer
<b>Equities:</b>		
Public Common Securities	Lesser of 10% of invested assets or 50% of surplus	Lesser of 2% of invested assets per issuer or 20% of category per industry
Preferred Securities/Direct Investment	Up to 10% of invested assets	2% of invested assets per issuer
Limited Partnerships, LLC's or other investment fund vehicle.	Lesser of 20% of invested assets or 50% of surplus	None
<b>Short-Term Obligations:</b>		
Cash Equivalents	Up to 100% of invested assets	None

**Notwithstanding anything herein to the contrary, the portfolio will at all times be maintained in compliance with the statutes of the Company's state of domicile.**

Exposure to all categories with surplus restriction will not exceed 100% of surplus.

Asset/Liability Matching: The duration of the Company holdings of debt obligations will be managed commensurate with the general terms of its liabilities.

Credit Quality: The overall credit quality of the Company holdings of debt obligations will not be below BBB.

#### OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.
2. Lending of portfolio securities will be permitted in any amount up to 40% of portfolio assets and subject to constraints and provisions as may be agreed upon in a securities lending agreement with an agent of the portfolio manager's choice or may be conducted directly by the portfolio manager. In any event, all securities lending activities will be conducted in accordance with the guidelines outlined in Addendum A, attached hereto.
3. Mortgage-Backed Securities dollar rolls will be permitted in an amount up to 25% of total holdings of eligible mortgage-backed securities.

In no event shall the aggregate amount of reverse repurchase agreements, securities lending transactions, and mortgage-backed securities dollar rolls exceed 40% of the portfolio at the time any commitments are made.

## Addendum A

### **Securities Lending Program**

The proposed lending program would be structured along the following lines:

-Lending Activity will remain secondary to the active management of the company's portfolios reflecting its role as an enhancement to portfolio income rather than an alternative investment strategy.

-Lending will be subject to the following constraints:

- (1) No more than 40% of total assets holdings will be on loan at any point in time.
- (2) Combined securities lending, dollar-roll, and reverse repurchase activity will not exceed 40% of total holdings.

-Exposure to any single borrower from securities lending, excluding repurchase agreements done as collateral investments will be limited to 5% of the total asset holdings

-Collateral investments other than repurchase agreements and short-term bank obligations will be restricted to security types in which the portfolios would normally invest. In addition, leveraged MBS (mortgaged backed securities) products (e.g. IO's, PO's, Inverse Floaters, etc.) will be excluded as repurchase collateral.

-Collateral investments will be limited to U.S. dollar-denominated obligations. Investments of cash collateral may be made in issuers having a split short-term rating, provided that no portion of the rating is below A2/P2. Foreign issuers will be limited to banks with the further restrictions that these issuers must carry a minimum single "A" long-term rating.

-Letter of Credit will not be taken as collateral.

-Lending activity and Collateral reports will be generated on a weekly basis.

**Appendix C**  
to  
Investment Management Agreement  
by and among

General Insurance Company of America  
and  
Liberty Mutual Insurance Company

***Compensation***

Advisor shall receive a monthly management fee calculated as follows:

1. As regards debt securities in the Account, an amount equal to:

{(the market value of all debt securities in the account on the first day of each month plus the market value of all debt securities in the Account on the last day of that same month) divided by two} times .0000283.

2. As regards equity securities in the Account, an amount equal to:

{(the market value of all equity securities in the account on the first day of each month plus the market value of all equity securities in the Account on the last day of that same month) divided by two} times .0000283.

For the purposes of the above calculations, the market value of the debt and equity securities, respectively, shall be determined as of the close of business on the first and last days of each month.

3. In the event that compensation of the Advisor is determined to be unfair and unreasonable in relation to the Advisor's actual expenses incurred in managing the account, then compensation to the Advisor shall be adjusted to an amount that is mutually acceptable to the parties.
4. Company shall be responsible for all custody related charges and wire transfer fees originating from the custody account.

## INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (this "Agreement") is made and entered into this \_\_\_ day of \_\_\_\_\_ 2008 by and between Safeco Insurance Company of America (the "Company"), a Washington stock insurance company and Liberty Mutual Insurance Company (the "Advisor"), a Massachusetts stock insurance company.

WHEREAS, the Company desires to enter into a contract for the purpose of appointing the Advisor to manage the assets of its investment portfolios in accordance with the terms hereof; and

WHEREAS, the Advisor is willing to manage the assets of the Company's investment portfolios in accordance with the terms hereof;

NOW, THEREFORE, the Company and the Advisor hereby agree as follows:

1. **Appointment.** The Company hereby authorizes and appoints the Advisor as its investment advisor and, as its agent and attorney-in-fact, to exercise the investment discretion set forth below with respect to the assets of the Company's investment portfolios, excluding those accounts managed by other investment managers (collectively, the "Investment Portfolios") and the cash, securities or other property contained therein from time to time. The Company hereby authorized and appoints the Advisor, as its agent and attorney-in-fact, to (i) execute all documentation on the Company's behalf necessary to open additional accounts in the Company's name to facilitate investments made within the investment discretion set forth in the Investment Guidelines, as defined below, and (ii) to execute all documentation, on the Company's behalf, to facilitate investment in securities for the Company's Investment Portfolios.

2. **Scope of Authorization for Investment Discretion.** The Advisor shall manage the Company's Investment Portfolios in accordance with the investment policy and guidelines set forth on Appendices A and B respectively (such guidelines, the "Investment Guidelines"), as such may be amended from time-to-time by written agreement between the parties hereto. In connection therewith, the Advisor shall have full power to supervise and direct the investment and reinvestment of the cash, securities and other assets and to engage in such transactions on behalf of the Company as the Advisor may deem appropriate, in the Advisor's absolute discretion and without prior consultation with the Company, subject only to this Agreement and the Investment Guidelines. The Company hereby acknowledges that the Advisor need not seek approval prior to engaging in any transaction where such transaction complies with the terms and conditions of the Investment Guidelines.

The cash and assets of the Company shall be held by third-party custodians that have agreed to act as custodian(s) for the Company in accordance with the Advisor's instructions. The Advisor shall at no time have custody or physical control of the Company's assets, and the Advisor shall not be liable for any act or omission of the custodian(s). The Advisor may give instructions to the custodian(s), in writing or orally. The Company shall instruct the custodian to provide the Advisor with such periodic reports concerning the status of any Company account as the Advisor may reasonably request from time to time.

Without limiting the foregoing, the Company hereby authorizes the Advisor:

(a) to act as the Company's agent and attorney-in-fact with respect to the Company's Investment Portfolios and to have complete discretionary control over the composition of the Investment Portfolios, including the power to make such acquisitions and disposals of

investments as the Advisor considers appropriate, but always in accordance with the Investment Guidelines;

(b) to issue to brokers instructions to buy or to sell or otherwise trade in or deal with any asset in the Investment Portfolios;

(c) to instruct any custodian of any asset in the Investment Portfolios to deliver any security or other asset sold, exchanged or otherwise disposed of from the Investment Portfolios;

(d) to pay any fee incurred on behalf of the Company in providing services under this Agreement, including commission expenses, attendant Securities and Exchange Commission transaction fees and National Association of Insurance Commissions transaction fees which shall be paid from the Investment Portfolios in the conventional manner;

(e) to place any securities on deposit with any governmental authority as may be necessary or desirable to comply with applicable law, and to substitute other securities in their place; and

(f) to perform any other act necessary or desirable to enable the Advisor to carry out its obligations under this Agreement.

3. **Reports and Compliance.** Advisor shall promptly furnish to or place at the disposal of the Company, as appropriate, such information, reports, evaluations, analysis, and opinions as the Company may, at any time or from time to time, reasonably request. Additionally, Advisor shall furnish such information, reports and evaluations as the Company may from time to time reasonably request which may be necessary or appropriate in order to enable the Company to maintain oversight over the Investment Portfolios and assure compliance with the Investment Guidelines.

4. **Fees.** The Advisor shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Company shall be paid from the Investment Portfolios' assets. Compensation amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

5. **Limits on Advisor Responsibility.**

(a) The Advisor shall not be responsible for the solvency of or the performance of the obligations of any third party bank, clearing organization, broker, intermediary, nominee or agent appointed or employed by the Advisor in good faith for the performance of its duties but the Advisor shall assign to the Company such rights (if any) as the Advisor may have against such person in the event of the insolvency of any of the above or its failure properly to perform such obligations and shall give, without further compensation, such assistance as the Company may reasonably require to exercise such rights.

(b) The Advisor shall be fully protected in acting and relying upon any written advice, certificate, notice, instruction, request or other paper or document which the Advisor in good faith believes to be genuine and to have been signed or presented by an authorized person or other proper party or parties, and may assume that any person purporting to give such written advice or other paper or document has been duly authorized to do so unless contrary instructions have been delivered to the Advisor by the Company.

(c) The Advisor shall not be liable to the Company for any acts or omissions by the Advisor, its employees and agents under and in connection with this Agreement, except by reason of acts or omission constituting gross negligence, willful misconduct or fraud on the part of the Advisor, including its employees.

(d) The Company shall reimburse and indemnify the Advisor for, and hold it harmless against, any loss, liability or expense, including, without limit, reasonable counsel fees, incurred on the part of the Advisor arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement unless such loss, liability or expense is the result of acts or omissions by the Advisor constituting gross negligence, willful misconduct or fraud; provided, however, that nothing contained herein shall constitute a waiver or limitation of any rights which the Company may have under applicable securities or other laws.

6. **Termination**. This Agreement may be terminated by the Advisor upon 90 days written notice to the Company, and terminated by the Company at any time upon written notice to the Advisor, termination effective upon receipt of such notice by the Advisor. Upon termination, the Advisor shall have no further investment management responsibility for assets in the Account, but shall have reasonable time, not to exceed 90 days, to transfer assets to a custodian of the Company's selection.

7. **Enforceability**. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.

8. **Successors and Assigns**. No assignment of this Agreement, including by operation of law, may be made by any party to this Agreement without the prior written consent of the other parties hereto. Notwithstanding the foregoing, the Advisor has full discretion to delegate any of its responsibilities, duties and authority set forth herein to, or otherwise to utilize the investment management services of, any of its affiliates provided that the Advisor will be fully accountable for any acts or omissions of an affiliate pursuant to such an arrangement, as if such acts or omissions were its own.

9. **Governing Law**. This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of The Commonwealth of Massachusetts without regard to its conflict of laws principles.

10. **Counterparts and Facsimile**. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same instrument.

11. **Entire Agreement/Amendment**. This Agreement, including the Appendixes hereto, constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all previous agreements, promises, representations, understandings and negotiations, whether written or oral, between the parties with respect to the subject matter hereof. This Agreement, including the Appendixes hereto, may not be amended except in writing signed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Investment Management Agreement to be executed as of the date set forth above.

**Safeco Insurance Company of America**

**By:** \_\_\_\_\_  
**Name:**  
**Title:**

**Liberty Mutual Insurance Company**

**By:** \_\_\_\_\_  
**Name: A. Alexander Fontanes**  
**Title: Executive Vice President and**  
**Chief Investment Officer**

## Appendix A

### STATEMENT OF INVESTMENT POLICY

The investment policy of the Company, like that of the other portfolios managed for the accounts of Liberty Mutual Insurance Group ("LMIG"), has been formulated with two basic tenets in mind. First, as a property and casualty insurance company, the primary purpose of the investment portfolio is to support the company's insurance operations and to be consistent with the company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as an insurance company, the preponderance of risk assumed should be in the underwriting of the company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the Advisor discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the Advisor through the authority granted by the Company's Board of Directors. The Advisor consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMIG, currently totaling over \$50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMIG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Directors through the Chief Investment Officer of LMIG. All investment transactions will be reported to the Board at the regularly scheduled meetings.

## Appendix B

### INVESTMENT GUIDELINES.

The investments will be managed on a full discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. The Advisor may invest up to ten percent of invested assets in assets not falling within the investments authorized below provided that the investment is permitted under applicable state regulations and the transaction is reported to the Board of Directors of the Company or the authorized committee thereof at its next regularly scheduled meeting.

Table 1  
Asset Category Guidelines

<u>Asset Category</u>	<u>Maximum % of Invested Assets or Surplus</u>	<u>Limits Within Asset Category</u>
<b>Debt Obligations:</b>		
U.S Government & Government Guaranteed	Up to 100% of invested assets	None
U.S. Government Agencies	Up to 25% of invested assets	10% of invested assets per issuer
Mortgage & Asset Backed Securities	Up to 35% of invested assets	2% of invested assets per issuer
Municipal Obligations	Up to 60% of invested assets	3% of invested assets per issuer
<b>Corporates:</b>		
Investment Grade	Up to 60% of invested assets	Lesser of 2% of invested assets per issuer or 15% of category per issuer
Noninvestment Grade	Up to 10% of invested assets or 50% of surplus	Lesser of 0.5% of investment assets per issuer or 15% of category per issuer
<b>Equities:</b>		
Public Common Securities	Lesser of 10% of invested assets or 50% of surplus	Lesser of 2% of invested assets per issuer or 20% of category per industry
Preferred Securities/Direct Investment	Up to 10% of invested assets	2% of invested assets per issuer
Limited Partnerships, LLC's or other investment fund vehicle.	Lesser of 20% of invested assets or 50% of surplus	None
<b>Short-Term Obligations:</b>		
Cash Equivalents	Up to 100% of invested assets	None

**Notwithstanding anything herein to the contrary, the portfolio will at all times be maintained in compliance with the statutes of the Company's state of domicile.**

Exposure to all categories with surplus restriction will not exceed 100% of surplus.

Asset/Liability Matching: The duration of the Company holdings of debt obligations will be managed commensurate with the general terms of its liabilities.

Credit Quality: The overall credit quality of the Company holdings of debt obligations will not be below BBB.

#### OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.
2. Lending of portfolio securities will be permitted in any amount up to 40% of portfolio assets and subject to constraints and provisions as may be agreed upon in a securities lending agreement with an agent of the portfolio manager's choice or may be conducted directly by the portfolio manager. In any event, all securities lending activities will be conducted in accordance with the guidelines outlined in Addendum A, attached hereto.
3. Mortgage-Backed Securities dollar rolls will be permitted in an amount up to 25% of total holdings of eligible mortgage-backed securities.

In no event shall the aggregate amount of reverse repurchase agreements, securities lending transactions, and mortgage-backed securities dollar rolls exceed 40% of the portfolio at the time any commitments are made.

## Addendum A

### **Securities Lending Program**

The proposed lending program would be structured along the following lines:

-Lending Activity will remain secondary to the active management of the company's portfolios reflecting its role as an enhancement to portfolio income rather than an alternative investment strategy.

-Lending will be subject to the following constraints:

- (1) No more than 40% of total assets holdings will be on loan at any point in time.
- (2) Combined securities lending, dollar-roll, and reverse repurchase activity will not exceed 40% of total holdings.

-Exposure to any single borrower from securities lending, excluding repurchase agreements done as collateral investments will be limited to 5% of the total asset holdings

-Collateral investments other than repurchase agreements and short-term bank obligations will be restricted to security types in which the portfolios would normally invest. In addition, leveraged MBS (mortgaged backed securities) products (e.g. IO's, PO's, Inverse Floaters, etc.) will be excluded as repurchase collateral.

-Collateral investments will be limited to U.S. dollar-denominated obligations. Investments of cash collateral may be made in issuers having a split short-term rating, provided that no portion of the rating is below A2/P2. Foreign issuers will be limited to banks with the further restrictions that these issuers must carry a minimum single "A" long-term rating.

-Letter of Credit will not be taken as collateral.

-Lending activity and Collateral reports will be generated on a weekly basis.

**Appendix C**  
to  
Investment Management Agreement  
by and among

Safeco Insurance Company of America  
and  
Liberty Mutual Insurance Company

***Compensation***

Advisor shall receive a monthly management fee calculated as follows:

1. As regards debt securities in the Account, an amount equal to:

{(the market value of all debt securities in the account on the first day of each month plus the market value of all debt securities in the Account on the last day of that same month) divided by two} times .0000283.

2. As regards equity securities in the Account, an amount equal to:

{(the market value of all equity securities in the account on the first day of each month plus the market value of all equity securities in the Account on the last day of that same month) divided by two} times .0000283.

For the purposes of the above calculations, the market value of the debt and equity securities, respectively, shall be determined as of the close of business on the first and last days of each month.

3. In the event that compensation of the Advisor is determined to be unfair and unreasonable in relation to the Advisor's actual expenses incurred in managing the account, then compensation to the Advisor shall be adjusted to an amount that is mutually acceptable to the parties.
4. Company shall be responsible for all custody related charges and wire transfer fees originating from the custody account.

## INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (this "Agreement") is made and entered into this \_\_\_ day of \_\_\_\_\_, 2008 by and between Safeco Surplus Lines Insurance Company (the "Company"), a Washington stock insurance company and Liberty Mutual Insurance Company (the "Advisor"), a Massachusetts stock insurance company.

WHEREAS, the Company desires to enter into a contract for the purpose of appointing the Advisor to manage the assets of its investment portfolios in accordance with the terms hereof; and

WHEREAS, the Advisor is willing to manage the assets of the Company's investment portfolios in accordance with the terms hereof;

NOW, THEREFORE, the Company and the Advisor hereby agree as follows:

1. **Appointment.** The Company hereby authorizes and appoints the Advisor as its investment advisor and, as its agent and attorney-in-fact, to exercise the investment discretion set forth below with respect to the assets of the Company's investment portfolios, excluding those accounts managed by other investment managers (collectively, the "Investment Portfolios") and the cash, securities or other property contained therein from time to time. The Company hereby authorized and appoints the Advisor, as its agent and attorney-in-fact, to (i) execute all documentation on the Company's behalf necessary to open additional accounts in the Company's name to facilitate investments made within the investment discretion set forth in the Investment Guidelines, as defined below, and (ii) to execute all documentation, on the Company's behalf, to facilitate investment in securities for the Company's Investment Portfolios.

2. **Scope of Authorization for Investment Discretion.** The Advisor shall manage the Company's Investment Portfolios in accordance with the investment policy and guidelines set forth on Appendices A and B respectively (such guidelines, the "Investment Guidelines"), as such may be amended from time-to-time by written agreement between the parties hereto. In connection therewith, the Advisor shall have full power to supervise and direct the investment and reinvestment of the cash, securities and other assets and to engage in such transactions on behalf of the Company as the Advisor may deem appropriate, in the Advisor's absolute discretion and without prior consultation with the Company, subject only to this Agreement and the Investment Guidelines. The Company hereby acknowledges that the Advisor need not seek approval prior to engaging in any transaction where such transaction complies with the terms and conditions of the Investment Guidelines.

The cash and assets of the Company shall be held by third-party custodians that have agreed to act as custodian(s) for the Company in accordance with the Advisor's instructions. The Advisor shall at no time have custody or physical control of the Company's assets, and the Advisor shall not be liable for any act or omission of the custodian(s). The Advisor may give instructions to the custodian(s), in writing or orally. The Company shall instruct the custodian to provide the Advisor with such periodic reports concerning the status of any Company account as the Advisor may reasonably request from time to time.

Without limiting the foregoing, the Company hereby authorizes the Advisor:

(a) to act as the Company's agent and attorney-in-fact with respect to the Company's Investment Portfolios and to have complete discretionary control over the composition of the Investment Portfolios, including the power to make such acquisitions and disposals of

investments as the Advisor considers appropriate, but always in accordance with the Investment Guidelines;

(b) to issue to brokers instructions to buy or to sell or otherwise trade in or deal with any asset in the Investment Portfolios;

(c) to instruct any custodian of any asset in the Investment Portfolios to deliver any security or other asset sold, exchanged or otherwise disposed of from the Investment Portfolios;

(d) to pay any fee incurred on behalf of the Company in providing services under this Agreement, including commission expenses, attendant Securities and Exchange Commission transaction fees and National Association of Insurance Commissioners transaction fees which shall be paid from the Investment Portfolios in the conventional manner;

(e) to place any securities on deposit with any governmental authority as may be necessary or desirable to comply with applicable law, and to substitute other securities in their place; and

(f) to perform any other act necessary or desirable to enable the Advisor to carry out its obligations under this Agreement.

3. **Reports and Compliance.** Advisor shall promptly furnish to or place at the disposal of the Company, as appropriate, such information, reports, evaluations, analysis, and opinions as the Company may, at any time or from time to time, reasonably request. Additionally, Advisor shall furnish such information, reports and evaluations as the Company may from time to time reasonably request which may be necessary or appropriate in order to enable the Company to maintain oversight over the Investment Portfolios and assure compliance with the Investment Guidelines.

4. **Fees.** The Advisor shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Company shall be paid from the Investment Portfolios' assets. Compensation amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

5. **Limits on Advisor Responsibility.**

(a) The Advisor shall not be responsible for the solvency of or the performance of the obligations of any third party bank, clearing organization, broker, intermediary, nominee or agent appointed or employed by the Advisor in good faith for the performance of its duties but the Advisor shall assign to the Company such rights (if any) as the Advisor may have against such person in the event of the insolvency of any of the above or its failure properly to perform such obligations and shall give, without further compensation, such assistance as the Company may reasonably require to exercise such rights.

(b) The Advisor shall be fully protected in acting and relying upon any written advice, certificate, notice, instruction, request or other paper or document which the Advisor in good faith believes to be genuine and to have been signed or presented by an authorized person or other proper party or parties, and may assume that any person purporting to give such written advice or other paper or document has been duly authorized to do so unless contrary instructions have been delivered to the Advisor by the Company.

(c) The Advisor shall not be liable to the Company for any acts or omissions by the Advisor, its employees and agents under and in connection with this Agreement, except by reason of acts or omission constituting gross negligence, willful misconduct or fraud on the part of the Advisor, including its employees.

(d) The Company shall reimburse and indemnify the Advisor for, and hold it harmless against, any loss, liability or expense, including, without limit, reasonable counsel fees, incurred on the part of the Advisor arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement unless such loss, liability or expense is the result of acts or omissions by the Advisor constituting gross negligence, willful misconduct or fraud; provided, however, that nothing contained herein shall constitute a waiver or limitation of any rights which the Company may have under applicable securities or other laws.

6. **Termination.** This Agreement may be terminated by the Advisor upon 90 days written notice to the Company, and terminated by the Company at any time upon written notice to the Advisor, termination effective upon receipt of such notice by the Advisor. Upon termination, the Advisor shall have no further investment management responsibility for assets in the Account, but shall have reasonable time, not to exceed 90 days, to transfer assets to a custodian of the Company's selection.

7. **Enforceability.** If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.

8. **Successors and Assigns.** No assignment of this Agreement, including by operation of law, may be made by any party to this Agreement without the prior written consent of the other parties hereto. Notwithstanding the foregoing, the Advisor has full discretion to delegate any of its responsibilities, duties and authority set forth herein to, or otherwise to utilize the investment management services of, any of its affiliates provided that the Advisor will be fully accountable for any acts or omissions of an affiliate pursuant to such an arrangement, as if such acts or omissions were its own.

9. **Governing Law.** This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of The Commonwealth of Massachusetts without regard to its conflict of laws principles.

10. **Counterparts and Facsimile.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same instrument.

11. **Entire Agreement/Amendment.** This Agreement, including the Appendixes hereto, constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all previous agreements, promises, representations, understandings and negotiations, whether written or oral, between the parties with respect to the subject matter hereof. This Agreement, including the Appendixes hereto, may not be amended except in writing signed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Investment Management Agreement to be executed as of the date set forth above.

**Safeco Surplus Lines Insurance Company**

By: \_\_\_\_\_  
Name:  
Title:

**Liberty Mutual Insurance Company**

By: \_\_\_\_\_  
Name: **A. Alexander Fontanes**  
Title: **Executive Vice President and  
Chief Investment Officer**

## Appendix A

### STATEMENT OF INVESTMENT POLICY

The investment policy of the Company, like that of the other portfolios managed for the accounts of Liberty Mutual Insurance Group ("LMIG"), has been formulated with two basic tenets in mind. First, as a property and casualty insurance company, the primary purpose of the investment portfolio is to support the company's insurance operations and to be consistent with the company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as an insurance company, the preponderance of risk assumed should be in the underwriting of the company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the Advisor discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the Advisor through the authority granted by the Company's Board of Directors. The Advisor consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMIG, currently totaling over \$50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMIG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Directors through the Chief Investment Officer of LMIG. All investment transactions will be reported to the Board at the regularly scheduled meetings.

## Appendix B

### INVESTMENT GUIDELINES

The investments will be managed on a full discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. The Advisor may invest up to ten percent of invested assets in assets not falling within the investments authorized below provided that the investment is permitted under applicable state regulations and the transaction is reported to the Board of Directors of the Company or the authorized committee thereof at its next regularly scheduled meeting.

Table 1  
Asset Category Guidelines

<u>Asset Category</u>	<u>Maximum % of Invested Assets or Surplus</u>	<u>Limits Within Asset Category</u>
<b>Debt Obligations:</b>		
U.S Government & Government Guaranteed	Up to 100% of invested assets	None
U.S. Government Agencies	Up to 50% of invested assets	10% of invested assets per issuer
Mortgage & Asset Backed Securities	Up to 35% of invested assets	2% of invested assets per issuer
Municipal Obligations	Up to 35% of invested assets	3% of invested assets per issuer
<b>Corporates:</b>		
Investment Grade	Up to 60% of invested assets	Lesser of 2% of invested assets per issuer or 15% of category per issuer
Noninvestment Grade	Lesser of 5% of invested assets or 50% of surplus	Lesser of 0.5% of investment assets per issuer or 15% of category per issuer
<b>Equities:</b>		
Public Common Securities	Lesser of 10% of invested assets or 50% of surplus	Lesser of 2% of invested assets per issuer or 20% of category per industry
Preferred Securities/Direct Investment	Up to 10% of invested assets	2% of invested assets per issuer
Limited Partnerships, LLC's or other investment fund vehicle.	Lesser of 10% of invested assets or 50% of surplus	None
<b>Short-Term Obligations:</b>		
Cash Equivalents	Up to 100% of invested assets	None

**Notwithstanding anything herein to the contrary, the portfolio will at all times be maintained in compliance with the statutes of the Company's state of domicile.**

Exposure to all categories with surplus restriction will not exceed 50% of surplus.

Maturity Constraints: The duration of the Company holdings of debt obligations will be managed commensurate with the general terms of its liabilities.

Credit Quality: The overall credit quality of the COMPANY holdings of debt obligations will not be below BBB.

#### OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.
2. Lending of portfolio securities will be permitted in any amount up to 40% of portfolio assets and subject to constraints and provisions as may be agreed upon in a securities lending agreement with an agent of the portfolio manager's choice or may be conducted directly by the portfolio manager. In any event, all securities lending activities will be conducted in accordance with the guidelines outlined in Addendum A, attached hereto.
3. Mortgage-Backed Securities dollar rolls will be permitted in an amount up to 25% of total holdings of eligible mortgage-backed securities.

In no event shall the aggregate amount of reverse repurchase agreements, securities lending transactions, and mortgage-backed securities dollar rolls exceed 40% of the portfolio at the time any commitments are made.

## Addendum A

### **Securities Lending Program**

The proposed lending program would be structured along the following lines:

-Lending Activity will remain secondary to the active management of the company's portfolios reflecting its role as an enhancement to portfolio income rather than an alternative investment strategy.

-Lending will be subject to the following constraints:

- (1) No more than 40% of total assets holdings will be on loan at any point in time.
- (2) Combined securities lending, dollar-roll, and reverse repurchase activity will not exceed 40% of total holdings.

-Exposure to any single borrower from securities lending, excluding repurchase agreements done as collateral investments will be limited to 5% of total asset holdings.

-Collateral investments other than repurchase agreements and short-term bank obligations will be restricted to security types in which the portfolios would normally invest. In addition, leveraged MBS (mortgage backed securities) products (e.g. IO's, PO's, Inverse Floaters, etc.) will be excluded as repurchase collateral.

-Collateral investments will be limited to U.S. dollar-denominated obligations. Investments of cash collateral may be made in issuers having a split short-term rating, provided that no portion of the rating is below A2/P2. Foreign issuers will be limited to banks with the further restrictions that these issuers must carry a minimum single "A" long-term rating.

-Letter of Credit will not be taken as collateral.

-Lending activity and Collateral reports will be generated on a weekly basis.

**Appendix C**  
to  
Investment Management Agreement  
by and among

Safeco Surplus Lines Insurance Company  
and  
Liberty Mutual Insurance Company

***Compensation***

Advisor shall receive a monthly management fee calculated as follows:

1. As regards debt securities in the Account, an amount equal to:

{(the market value of all debt securities in the account on the first day of each month plus the market value of all debt securities in the Account on the last day of that same month) divided by two} times .0000283.

2. As regards equity securities in the Account, an amount equal to:

{(the market value of all equity securities in the account on the first day of each month plus the market value of all equity securities in the Account on the last day of that same month) divided by two} times .0000283.

For the purposes of the above calculations, the market value of the debt and equity securities, respectively, shall be determined as of the close of business on the first and last days of each month.

3. In the event that compensation of the Advisor is determined to be unfair and unreasonable in relation to the Advisor's actual expenses incurred in managing the account, then compensation to the Advisor shall be adjusted to an amount that is mutually acceptable to the parties.
4. Company shall be responsible for all custody related charges and wire transfer fees originating from the custody account.

## INVESTMENT MANAGEMENT AGREEMENT

Whereas, First National Insurance Company of America ("Company") desires to enter into a contract for the purpose of appointing an investment manager to manage the assets of its investment portfolios in accordance with the terms hereof,

WHEREAS, Company wishes to appoint Liberty Mutual Investment Advisors LLC ("Manager") as Investment Manager to invest and manage the Account (hereinafter defined); and

WHEREAS, The Manager, a Massachusetts limited liability company, is an affiliate of Company and was formed for the purpose of making, holding and administering investments in designated asset sectors for insurance members of the Liberty Mutual Group of Companies:

NOW, THEREFORE, Company and Manager agree as follows:

1. Company hereby appoints Manager as its Investment Manager with power to invest and manage the assets of the Account. "Account" shall mean the assets which Company notifies the Manager shall be included in the Account, together with the income, proceeds and profits thereon. Company authorizes and, unless otherwise notified by Company in writing, directs the Manager to invest and reinvest and manage the assets now or hereafter designated by Company as being a part of the Account (which may include one or more separate portfolios) in accordance with the investment policy and guidelines (see Appendices A and B, respectively) established by the Board of Directors. The funding policy, distribution policy and investment guidelines may be amended by Company from time to time upon reasonable notice to Manager.
2. Manager shall be responsible for prudent diversification of the assets in the Account under its discretion; provided, however, the Manager's responsibility for such diversification of the assets in the Account shall be subject to and is limited by the aforementioned investment policy and guidelines. The Manager shall be accorded a reasonable amount of time to restructure assets assumed from Company. The parties acknowledge and agree that Company shall retain ultimate control over the investment of the Account.
3. The Manager is hereby authorized on behalf of Company as its agent and attorney-in-fact with respect to the Account: to exercise discretionary investment authority, subject to the aforementioned investment policy and guidelines, without obtaining the consent of or consulting with Company (except as provided in paragraph 1 hereof) or any other person; to enter into or terminate custodial or escrow agreements for the purpose of providing custody for the general assets of the Account or the maintenance of securities deposits of the Account required under certain jurisdictions in the United States of America; to instruct any custodian or escrow agent of the Account to receive, assign, or deliver any security that has been purchased, sold, exchanged, tendered, substituted, or otherwise acquired or disposed of from custody

or escrow accounts; to issue to brokers instruction to buy on behalf of the Account and to sell, and otherwise trade in or deal with any asset in the Account; and generally to perform any other act necessary or proper to enable the Manager to carry out its obligations under this Agreement.

4. Manager shall promptly furnish to or place at the disposal of Company, as appropriate, such information, reports, evaluations, analyses and opinions as Company may, at any time or from time to time, reasonably request.
5. Manager shall furnish such information, reports and evaluations as Company may from time to time reasonably request which may be necessary or appropriate in order to enable Company to maintain oversight over the Account.
6. The Manager shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Account shall be paid from the Account in the conventional manner.
7. Manager's rights, powers and duties shall be limited to those specifically listed herein with respect to assets designated by Company to be included in the Account(s) maintained for its behalf by Manager, and Manager shall have no duty, responsibility or liability, in its capacity as Manager, in connection with investment or management of other assets and shall have no further duty, responsibility or liability, in its capacity as Manager, in connection with the operation or administration of the Account.
8. Company will certify to Manager the names and specimen signatures of all Company employees and/or representatives authorized to sign instructions on the Company's behalf. The Manager shall have the right to require that all directions and instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.
9. This Agreement shall continue until modified or terminated. This Agreement may be modified upon mutual written agreement of Manager and Company. This Agreement may be terminated by Manager upon 90 days written notice to Company, and terminated by Company at any time upon written notice to Manager, termination effective upon receipt of such notice by Manager, and Manager shall have no further investment management responsibility for assets in the Company's Account, but shall have reasonable time, not to exceed 90 days, to transfer assets to a custodian of Company's selection.
10. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.
11. This Agreement and the rights and obligations of the parties hereunder are not assignable without the express written consent of the other party hereto.
12. This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of the State of Washington.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

**First National Insurance Company of America**

By: \_\_\_\_\_  
Name:  
Title:

**Liberty Mutual Investment Advisors LLC**

By: \_\_\_\_\_  
Name:  
Title:

## Appendix A

### STATEMENT OF INVESTMENT POLICY

The investment policy of First National Insurance Company of America (Company) like that of the other portfolios managed for the accounts of Liberty Mutual Group of Companies (LMG) has been formulated with two basic tenets in mind. First, as property and casualty insurance companies, the primary purpose of the investment portfolio is to support the Company's insurance operations and to be consistent with the Company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as insurance company, the preponderance of risk assumed should be in the underwriting of the Company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the manager discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the investment manager through the authority granted by the Company's Board of Directors. The investment manager consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMG, currently totaling over \$50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Director through the Chief Investment Officer of LMG. All investment transactions will be reported to the respective Boards at its regularly scheduled meetings.

## Appendix B

### INVESTMENT GUIDELINES

The investments will be managed on a full discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. Any investment in assets classes other than those outlined in Table 1 will be reviewed with the Company's Boards of Directors prior to purchase.

Table 1  
Asset Category Guidelines

Asset Category	Maximum % of Invested Assets or Surplus	Limits Within Asset Category
Debt Obligations:		
Noninvestment Grade	Lesser of 5% of assets or 50% of surplus (lower of cost or market)	0.5% of invested assets per issuer 15% of category per issuer
Equities:		
Public Common Stocks	Lesser of 10% of assets or 50% of surplus (market value)	2% of invested assets per issuer 20% of category per industry
Preferred Stocks	Up to 10% of assets (amortized cost or market)	2% of invested assets per issuer
Limited Partnership Interests	Lesser of 10% of invested assets or 50% of surplus	None

Maturity Constraints: The expected average maturity of the Company's holdings of debt obligations will not exceed 15 years.

### OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.

## OWNERSHIP OF INVESTMENTS

By notice from the Company to the Manager, the Company may authorize the Manager to hold certain Account assets in the Manager's name. Notwithstanding anything to the contrary in any other agreement or document, the Company and the Manger agree that the Manager shall hold such assets solely for the benefit of the Company and that such assets shall for all purposes be the property of the Company. The Manager shall keep accurate records of all such assets. The Manager shall have the right to commingle such assets with assets held solely for the benefit of, and to acquire assets simultaneously on behalf of the Company and, any insurer affiliated with the Company. As used herein, "affiliated with the Company" means controlling, controlled by, or under common control with the Company.

**Appendix C**  
to  
Investment Management Agreement  
by and among

First National Insurance Company of America  
and  
Liberty Mutual Investment Advisors LLC

Compensation

Manager shall receive a monthly management fee calculated as follows:

- 1) As regards debt securities in the Account, an amount equal to:  
  
{(the market value of all debt securities in the account on the first day of each month plus the market value of all debt securities in the Account on the last day of that same month) divided by two} times .0000283.
  
  - 2) As regards equity securities in the Account, an amount equal to:  
  
{(the market value of all equity securities in the account on the first day of each month plus the market value of all equity securities in the Account on the last day of that same month) divided by two} times .0000283.
- For the purposes of the above calculations, the market value of the debt and equity securities, respectively, shall be determined as of the close of business on the first and last days of each month.
- 3) In the event that compensation of the Manager is determined to be unfair and unreasonable in relation to the Manager's actual expenses incurred in managing the account, then compensation to the Manager shall be adjusted to an amount that is mutually acceptable to the parties.
  
  - 4) The Company shall be responsible for all custody related charges and wire transfer fees relating to its investments originating from such Company's Account.

## INVESTMENT MANAGEMENT AGREEMENT

Whereas, General Insurance Company of America ("Company") desires to enter into a contract for the purpose of appointing an investment manager to manage the assets of its investment portfolios in accordance with the terms hereof,

WHEREAS, Company wishes to appoint Liberty Mutual Investment Advisors LLC ("Manager") as Investment Manager to invest and manage the Account (hereinafter defined); and

WHEREAS, The Manager, a Massachusetts limited liability company, is an affiliate of Company and was formed for the purpose of making, holding and administering investments in designated asset sectors for insurance members of the Liberty Mutual Group of Companies:

NOW, THEREFORE, Company and Manager agree as follows:

1. Company hereby appoints Manager as its Investment Manager with power to invest and manage the assets of the Account. "Account" shall mean the assets which Company notifies the Manager shall be included in the Account, together with the income, proceeds and profits thereon. Company authorizes and, unless otherwise notified by Company in writing, directs the Manager to invest and reinvest and manage the assets now or hereafter designated by Company as being a part of the Account (which may include one or more separate portfolios) in accordance with the investment policy and guidelines (see Appendices A and B, respectively) established by the Board of Directors. The funding policy, distribution policy and investment guidelines may be amended by Company from time to time upon reasonable notice to Manager.
2. Manager shall be responsible for prudent diversification of the assets in the Account under its discretion; provided, however, the Manager's responsibility for such diversification of the assets in the Account shall be subject to and is limited by the aforementioned investment policy and guidelines. The Manager shall be accorded a reasonable amount of time to restructure assets assumed from Company. The parties acknowledge and agree that Company shall retain ultimate control over the investment of the Account.
3. The Manager is hereby authorized on behalf of Company as its agent and attorney-in-fact with respect to the Account: to exercise discretionary investment authority, subject to the aforementioned investment policy and guidelines, without obtaining the consent of or consulting with Company (except as provided in paragraph 1 hereof) or any other person; to enter into or terminate custodial or escrow agreements for the purpose of providing custody for the general assets of the Account or the maintenance of securities deposits of the Account required under certain jurisdictions in the United States of America; to instruct any custodian or escrow agent of the Account to receive, assign, or deliver any security that has been purchased, sold, exchanged, tendered, substituted, or otherwise acquired or disposed of from custody

or escrow accounts; to issue to brokers instruction to buy on behalf of the Account and to sell, and otherwise trade in or deal with any asset in the Account; and generally to perform any other act necessary or proper to enable the Manager to carry out its obligations under this Agreement.

4. Manager shall promptly furnish to or place at the disposal of Company, as appropriate, such information, reports, evaluations, analyses and opinions as Company may, at any time or from time to time, reasonably request.
5. Manager shall furnish such information, reports and evaluations as Company may from time to time reasonably request which may be necessary or appropriate in order to enable Company to maintain oversight over the Account.
6. The Manager shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Account shall be paid from the Account in the conventional manner.
7. Manager's rights, powers and duties shall be limited to those specifically listed herein with respect to assets designated by Company to be included in the Account(s) maintained for its behalf by Manager, and Manager shall have no duty, responsibility or liability, in its capacity as Manager, in connection with investment or management of other assets and shall have no further duty, responsibility or liability, in its capacity as Manager, in connection with the operation or administration of the Account.
8. Company will certify to Manager the names and specimen signatures of all Company employees and/or representatives authorized to sign instructions on the Company's behalf. The Manager shall have the right to require that all directions and instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.
9. This Agreement shall continue until modified or terminated. This Agreement may be modified upon mutual written agreement of Manager and Company. This Agreement may be terminated by Manager upon 90 days written notice to Company, and terminated by Company at any time upon written notice to Manager, termination effective upon receipt of such notice by Manager, and Manager shall have no further investment management responsibility for assets in the Company's Account, but shall have reasonable time, not to exceed 90 days, to transfer assets to a custodian of Company's selection.
10. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.
11. This Agreement and the rights and obligations of the parties hereunder are not assignable without the express written consent of the other party hereto.
12. This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of the State of Washington.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

**General Insurance Company of America**

By: \_\_\_\_\_  
Name:  
Title:

**Liberty Mutual Investment Advisors LLC**

By: \_\_\_\_\_  
Name:  
Title:

## Appendix A

### STATEMENT OF INVESTMENT POLICY

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## Appendix B

### INVESTMENT GUIDELINES

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Table 1  
Asset Category Guidelines

Asset Category	Maximum % of Invested Assets or Surplus	Limits Within Asset Category
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<b>Equities:</b>		
Public Common Stocks	Lesser of 10% of assets or 50% of surplus (market value)	2% of invested assets per issuer 20% of category per industry
Preferred Stocks	Up to 10% of assets (amortized cost or market)	2% of invested assets per issuer
Limited Partnership Interests	Lesser of 10% of invested assets or 50% of surplus	None

**Maturity Constraints:** The expected average maturity of the Company's holdings of debt obligations will not exceed 15 years.

### OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.

## OWNERSHIP OF INVESTMENTS

By notice from the Company to the Manager, the Company may authorize the Manager to hold certain Account assets in the Manager's name. Notwithstanding anything to the contrary in any other agreement or document, the Company and the Manger agree that the Manager shall hold such assets solely for the benefit of the Company and that such assets shall for all purposes be the property of the Company. The Manager shall keep accurate records of all such assets. The Manager shall have the right to commingle such assets with assets held solely for the benefit of, and to acquire assets simultaneously on behalf of the Company and, any insurer affiliated with the Company. As used herein, "affiliated with the Company" means controlling, controlled by, or under common control with the Company.

**Appendix C**  
to  
Investment Management Agreement  
by and among  
  
General Insurance Company of America  
and  
Liberty Mutual Investment Advisors LLC

Compensation

Manager shall receive a monthly management fee calculated as follows:

- 1) As regards debt securities in the Account, an amount equal to:  
  
{(the market value of all debt securities in the account on the first day of each month plus the market value of all debt securities in the Account on the last day of that same month) divided by two} times .0000283.
  
- 2) As regards equity securities in the Account, an amount equal to:  
  
{(the market value of all equity securities in the account on the first day of each month plus the market value of all equity securities in the Account on the last day of that same month) divided by two} times .0000283.  
  
For the purposes of the above calculations, the market value of the debt and equity securities, respectively, shall be determined as of the close of business on the first and last days of each month.
  
- 3) In the event that compensation of the Manager is determined to be unfair and unreasonable in relation to the Manager's actual expenses incurred in managing the account, then compensation to the Manager shall be adjusted to an amount that is mutually acceptable to the parties.
  
- 4) The Company shall be responsible for all custody related charges and wire transfer fees relating to its investments originating from such Company's Account.

## INVESTMENT MANAGEMENT AGREEMENT

Whereas, Safeco Insurance Company of America ("Company") desires to enter into a contract for the purpose of appointing an investment manager to manage the assets of its investment portfolios in accordance with the terms hereof,

WHEREAS, Company wishes to appoint Liberty Mutual Investment Advisors LLC ("Manager") as Investment Manager to invest and manage the Account (hereinafter defined); and

WHEREAS, The Manager, a Massachusetts limited liability company, is an affiliate of Company and was formed for the purpose of making, holding and administering investments in designated asset sectors for insurance members of the Liberty Mutual Group of Companies:

NOW, THEREFORE, Company and Manager agree as follows:

1. Company hereby appoints Manager as its Investment Manager with power to invest and manage the assets of the Account. "Account" shall mean the assets which Company notifies the Manager shall be included in the Account, together with the income, proceeds and profits thereon. Company authorizes and, unless otherwise notified by Company in writing, directs the Manager to invest and reinvest and manage the assets now or hereafter designated by Company as being a part of the Account (which may include one or more separate portfolios) in accordance with the investment policy and guidelines (see Appendices A and B, respectively) established by the Board of Directors. The funding policy, distribution policy and investment guidelines may be amended by Company from time to time upon reasonable notice to Manager.
2. Manager shall be responsible for prudent diversification of the assets in the Account under its discretion; provided, however, the Manager's responsibility for such diversification of the assets in the Account shall be subject to and is limited by the aforementioned investment policy and guidelines. The Manager shall be accorded a reasonable amount of time to restructure assets assumed from Company. The parties acknowledge and agree that Company shall retain ultimate control over the investment of the Account.
3. The Manager is hereby authorized on behalf of Company as its agent and attorney-in-fact with respect to the Account: to exercise discretionary investment authority, subject to the aforementioned investment policy and guidelines, without obtaining the consent of or consulting with Company (except as provided in paragraph 1 hereof) or any other person; to enter into or terminate custodial or escrow agreements for the purpose of providing custody for the general assets of the Account or the maintenance of securities deposits of the Account required under certain jurisdictions in the United States of America; to instruct any custodian or escrow agent of the Account to receive, assign, or deliver any security that has been purchased, sold, exchanged, tendered, substituted, or otherwise acquired or disposed of from custody

or escrow accounts; to issue to brokers instruction to buy on behalf of the Account and to sell, and otherwise trade in or deal with any asset in the Account; and generally to perform any other act necessary or proper to enable the Manager to carry out its obligations under this Agreement.

4. Manager shall promptly furnish to or place at the disposal of Company, as appropriate, such information, reports, evaluations, analyses and opinions as Company may, at any time or from time to time, reasonably request.
5. Manager shall furnish such information, reports and evaluations as Company may from time to time reasonably request which may be necessary or appropriate in order to enable Company to maintain oversight over the Account.
6. The Manager shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Account shall be paid from the Account in the conventional manner.
7. Manager's rights, powers and duties shall be limited to those specifically listed herein with respect to assets designated by Company to be included in the Account(s) maintained for its behalf by Manager, and Manager shall have no duty, responsibility or liability, in its capacity as Manager, in connection with investment or management of other assets and shall have no further duty, responsibility or liability, in its capacity as Manager, in connection with the operation or administration of the Account.
8. Company will certify to Manager the names and specimen signatures of all Company employees and/or representatives authorized to sign instructions on the Company's behalf. The Manager shall have the right to require that all directions and instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.
9. This Agreement shall continue until modified or terminated. This Agreement may be modified upon mutual written agreement of Manager and Company. This Agreement may be terminated by Manager upon 90 days written notice to Company, and terminated by Company at any time upon written notice to Manager, termination effective upon receipt of such notice by Manager, and Manager shall have no further investment management responsibility for assets in the Company's Account, but shall have reasonable time, not to exceed 90 days, to transfer assets to a custodian of Company's selection.
10. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.
11. This Agreement and the rights and obligations of the parties hereunder are not assignable without the express written consent of the other party hereto.
12. This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of the State of Washington.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

**Safeco Insurance Company of America**

By: \_\_\_\_\_

**Name:**

**Title:**

**Liberty Mutual Investment Advisors LLC**

By: \_\_\_\_\_

**Name:**

**Title:**

## Appendix A

### STATEMENT OF INVESTMENT POLICY

The investment policy of Safeco Insurance Company of America (Company) like that of the other portfolios managed for the accounts of Liberty Mutual Group of Companies (LMG) has been formulated with two basic tenets in mind. First, as property and casualty insurance companies, the primary purpose of the investment portfolio is to support the Company's insurance operations and to be consistent with the Company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as insurance company, the preponderance of risk assumed should be in the underwriting of the Company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the manager discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the investment manager through the authority granted by the Company's Board of Directors. The investment manager consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMG, currently totaling over \$50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Director through the Chief Investment Officer of LMG. All investment transactions will be reported to the respective Boards at its regularly scheduled meetings.

## Appendix B

### INVESTMENT GUIDELINES

The investments will be managed on a full discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. Any investment in assets classes other than those outlined in Table 1 will be reviewed with the Company's Boards of Directors prior to purchase.

Table 1  
Asset Category Guidelines

Asset Category	Maximum % of Invested Assets or Surplus	Limits Within Asset Category
Debt Obligations:		
Noninvestment Grade	Lesser of 5% of assets or 50% of surplus (lower of cost or market)	0.5% of invested assets per issuer 15% of category per issuer
Equities:		
Public Common Stocks	Lesser of 10% of assets or 50% of surplus (market value)	2% of invested assets per issuer 20% of category per industry
Preferred Stocks	Up to 10% of assets (amortized cost or market)	2% of invested assets per issuer
Limited Partnership Interests	Lesser of 10% of invested assets or 50% of surplus	None

Maturity Constraints: The expected average maturity of the Company's holdings of debt obligations will not exceed 15 years.

### OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.

## OWNERSHIP OF INVESTMENTS

By notice from the Company to the Manager, the Company may authorize the Manager to hold certain Account assets in the Manager's name. Notwithstanding anything to the contrary in any other agreement or document, the Company and the Manger agree that the Manager shall hold such assets solely for the benefit of the Company and that such assets shall for all purposes be the property of the Company. The Manager shall keep accurate records of all such assets. The Manager shall have the right to commingle such assets with assets held solely for the benefit of, and to acquire assets simultaneously on behalf of the Company and, any insurer affiliated with the Company. As used herein, "affiliated with the Company" means controlling, controlled by, or under common control with the Company.

**Appendix C**  
to  
Investment Management Agreement  
by and among  
  
Safeco Insurance Company of America  
and  
Liberty Mutual Investment Advisors LLC

Compensation

Manager shall receive a monthly management fee calculated as follows:

- 1) As regards debt securities in the Account, an amount equal to:  
  
{(the market value of all debt securities in the account on the first day of each month plus the market value of all debt securities in the Account on the last day of that same month) divided by two} times .0000283.
  
  - 2) As regards equity securities in the Account, an amount equal to:  
  
{(the market value of all equity securities in the account on the first day of each month plus the market value of all equity securities in the Account on the last day of that same month) divided by two} times .0000283.
- For the purposes of the above calculations, the market value of the debt and equity securities, respectively, shall be determined as of the close of business on the first and last days of each month.
- 3) In the event that compensation of the Manager is determined to be unfair and unreasonable in relation to the Manager's actual expenses incurred in managing the account, then compensation to the Manager shall be adjusted to an amount that is mutually acceptable to the parties.
  
  - 4) The Company shall be responsible for all custody related charges and wire transfer fees relating to its investments originating from such Company's Account.

## INVESTMENT MANAGEMENT AGREEMENT

Whereas, Safeco Surplus Lines Insurance Company ("Company") desires to enter into a contract for the purpose of appointing an investment manager to manage the assets of its investment portfolios in accordance with the terms hereof,

WHEREAS, Company wishes to appoint Liberty Mutual Investment Advisors LLC ("Manager") as Investment Manager to invest and manage the Account (hereinafter defined); and

WHEREAS, The Manager, a Massachusetts limited liability company, is an affiliate of Company and was formed for the purpose of making, holding and administering investments in designated asset sectors for insurance members of the Liberty Mutual Group of Companies:

NOW, THEREFORE, Company and Manager agree as follows:

1. Company hereby appoints Manager as its Investment Manager with power to invest and manage the assets of the Account. "Account" shall mean the assets which Company notifies the Manager shall be included in the Account, together with the income, proceeds and profits thereon. Company authorizes and, unless otherwise notified by Company in writing, directs the Manager to invest and reinvest and manage the assets now or hereafter designated by Company as being a part of the Account (which may include one or more separate portfolios) in accordance with the investment policy and guidelines (see Appendices A and B, respectively) established by the Board of Directors. The funding policy, distribution policy and investment guidelines may be amended by Company from time to time upon reasonable notice to Manager.
2. Manager shall be responsible for prudent diversification of the assets in the Account under its discretion; provided, however, the Manager's responsibility for such diversification of the assets in the Account shall be subject to and is limited by the aforementioned investment policy and guidelines. The Manager shall be accorded a reasonable amount of time to restructure assets assumed from Company. The parties acknowledge and agree that Company shall retain ultimate control over the investment of the Account.
3. The Manager is hereby authorized on behalf of Company as its agent and attorney-in-fact with respect to the Account: to exercise discretionary investment authority, subject to the aforementioned investment policy and guidelines, without obtaining the consent of or consulting with Company (except as provided in paragraph 1 hereof) or any other person; to enter into or terminate custodial or escrow agreements for the purpose of providing custody for the general assets of the Account or the maintenance of securities deposits of the Account required under certain jurisdictions in the United States of America; to instruct any custodian or escrow agent of the Account to receive, assign, or deliver any security that has been purchased, sold, exchanged, tendered, substituted, or otherwise acquired or disposed of from custody

or escrow accounts; to issue to brokers instruction to buy on behalf of the Account and to sell, and otherwise trade in or deal with any asset in the Account; and generally to perform any other act necessary or proper to enable the Manager to carry out its obligations under this Agreement.

4. Manager shall promptly furnish to or place at the disposal of Company, as appropriate, such information, reports, evaluations, analyses and opinions as Company may, at any time or from time to time, reasonably request.
5. Manager shall furnish such information, reports and evaluations as Company may from time to time reasonably request which may be necessary or appropriate in order to enable Company to maintain oversight over the Account.
6. The Manager shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Account shall be paid from the Account in the conventional manner.
7. Manager's rights, powers and duties shall be limited to those specifically listed herein with respect to assets designated by Company to be included in the Account(s) maintained for its behalf by Manager, and Manager shall have no duty, responsibility or liability, in its capacity as Manager, in connection with investment or management of other assets and shall have no further duty, responsibility or liability, in its capacity as Manager, in connection with the operation or administration of the Account.
8. Company will certify to Manager the names and specimen signatures of all Company employees and/or representatives authorized to sign instructions on the Company's behalf. The Manager shall have the right to require that all directions and instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.
9. This Agreement shall continue until modified or terminated. This Agreement may be modified upon mutual written agreement of Manager and Company. This Agreement may be terminated by Manager upon 90 days written notice to Company, and terminated by Company at any time upon written notice to Manager, termination effective upon receipt of such notice by Manager, and Manager shall have no further investment management responsibility for assets in the Company's Account, but shall have reasonable time, not to exceed 90 days, to transfer assets to a custodian of Company's selection.
10. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.
11. This Agreement and the rights and obligations of the parties hereunder are not assignable without the express written consent of the other party hereto.
12. This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of the State of Washington.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

**Safeco Surplus Lines Insurance Company**

By: \_\_\_\_\_  
Name:  
Title:

**Liberty Mutual Investment Advisors LLC**

By: \_\_\_\_\_  
Name:  
Title:

## Appendix A

### STATEMENT OF INVESTMENT POLICY

The investment policy of Safeco Surplus Lines Insurance Company (Company) like that of the other portfolios managed for the accounts of Liberty Mutual Group of Companies (LMG) has been formulated with two basic tenets in mind. First, as property and casualty insurance companies, the primary purpose of the investment portfolio is to support the Company's insurance operations and to be consistent with the Company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as insurance company, the preponderance of risk assumed should be in the underwriting of the Company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the manager discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the investment manager through the authority granted by the Company's Board of Directors. The investment manager consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMG, currently totaling over \$50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Director through the Chief Investment Officer of LMG. All investment transactions will be reported to the respective Boards at its regularly scheduled meetings.

## Appendix B

### INVESTMENT GUIDELINES

The investments will be managed on a full discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. Any investment in assets classes other than those outlined in Table 1 will be reviewed with the Company's Boards of Directors prior to purchase.

Table 1  
Asset Category Guidelines

Asset Category	Maximum % of Invested Assets or Surplus	Limits Within Asset Category
<b>Debt Obligations:</b>		
Noninvestment Grade	Lesser of 5% of assets or 50% of surplus (lower of cost or market)	0.5% of invested assets per issuer 15% of category per issuer
<b>Equities:</b>		
Public Common Stocks	Lesser of 10% of assets or 50% of surplus (market value)	2% of invested assets per issuer 20% of category per industry
Preferred Stocks	Up to 10% of assets (amortized cost or market)	2% of invested assets per issuer
Limited Partnership Interests	Lesser of 10% of invested assets or 50% of surplus	None

**Maturity Constraints:** The expected average maturity of the Company's holdings of debt obligations will not exceed 15 years.

### OTHER AUTHORIZED INVESTMENT PRACTICES

- Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.

## OWNERSHIP OF INVESTMENTS

By notice from the Company to the Manager, the Company may authorize the Manager to hold certain Account assets in the Manager's name. Notwithstanding anything to the contrary in any other agreement or document, the Company and the Manger agree that the Manager shall hold such assets solely for the benefit of the Company and that such assets shall for all purposes be the property of the Company. The Manager shall keep accurate records of all such assets. The Manager shall have the right to commingle such assets with assets held solely for the benefit of, and to acquire assets simultaneously on behalf of the Company and, any insurer affiliated with the Company. As used herein, "affiliated with the Company" means controlling, controlled by, or under common control with the Company.

**Appendix C**  
to  
Investment Management Agreement  
by and among

Safeco Surplus Lines Insurance Company  
and  
Liberty Mutual Investment Advisors LLC

Compensation

Manager shall receive a monthly management fee calculated as follows:

- 1) As regards debt securities in the Account, an amount equal to:

{(the market value of all debt securities in the account on the first day of each month plus the market value of all debt securities in the Account on the last day of that same month) divided by two} times .0000283.

- 2) As regards equity securities in the Account, an amount equal to:

{(the market value of all equity securities in the account on the first day of each month plus the market value of all equity securities in the Account on the last day of that same month) divided by two} times .0000283.

For the purposes of the above calculations, the market value of the debt and equity securities, respectively, shall be determined as of the close of business on the first and last days of each month.

- 3) In the event that compensation of the Manager is determined to be unfair and unreasonable in relation to the Manager's actual expenses incurred in managing the account, then compensation to the Manager shall be adjusted to an amount that is mutually acceptable to the parties.
- 4) The Company shall be responsible for all custody related charges and wire transfer fees relating to its investments originating from such Company's Account.

# CASH MANAGEMENT AGREEMENT

Dated as of \_\_\_\_\_

This Cash Management Agreement, is effective as of the date first written above, by and between First National Insurance Company of America (the "Principal"), and Liberty Mutual Investment Advisors LLC (the "Manager").

## Background

The Manager, a Massachusetts limited liability company, is an indirect subsidiary of Liberty Mutual Insurance Company (the "Ultimate Parent Company") and was formed for the purpose of making, holding and administering short-term investments maturing in 365 days or less of purchase ("Short-Term Obligations").

The purpose of this Agreement is to provide for the terms and conditions under which the Manager will make, hold and administer certain investments in Short-Term Obligations for and on behalf of the Principal for and on behalf of the Principal and other Participants (as hereinafter defined) in accordance with applicable investment restrictions and the Washington Insurance Code.

## Statement of Agreement

In consideration of their mutual promises, the Principal and the Manager hereby agree as follows.

1. Investment Account. The Manager shall maintain an investment account or accounts (the "Account") on behalf of the Principal, any other participating insurer affiliated with the Principal and/or the Ultimate Parent Company, an insurance subsidiary or affiliate of the Principal and/or the Ultimate Parent Company or a pension plan or profit-sharing plan of the Principal, its insurance subsidiaries or affiliates, (collectively, the "Participants"), and shall hold therein all debt obligations, accounts or deposits permitted by the Washington Insurance Code as more fully described on Exhibit A, as may be amended from time to time, and attached hereto and incorporated herein (collectively, "Investments"), deposited in or purchased or otherwise acquired for and on behalf of the Principal and the Participants from time to time pursuant to the terms and conditions of this Agreement. All Investments in the Account shall be Short-Term Obligations.
2. Ownership of Investments. All Investments held or acquired for the Account whether or not commingled, intermingled or jointly acquired for the Principal and one or more Participants, shall for all purposes continue to be the property of the Principal and the Participants. The Principal shall have an undivided interest in such Investments with the Participants. Proportionate Share shall mean the Principal's share of the Investments in the Account determined on any day by dividing the value of Principal's contribution to the Account by the current value on such day of the Investments in the Account ("Proportionate Share"). The Principal's ownership interest in the Investments and the Account shall be evidenced by book-entries maintained by the Manager. The underlying assets of the Account are held solely for the benefit of each Principal.

3. Authority of Manager. The Principal hereby authorizes the Manager, upon the terms and subject to the conditions of this Agreement, to engage in any of the following activities:

- a) To sell, purchase, transfer or otherwise acquire or dispose of, whether through brokerage transactions or otherwise, investments for the Account;
- b) To collect and credit to the Account all dividends, interest and other income on the Investments;
- c) To collect and credit to the Account all proceeds from the sale, redemption or other disposition of the Investments;
- d) To reinvest any dividends or interest earned by the Principal in additional shares of the Investments on behalf of the Principal;
- e) To hold in the Account all funds deposited with the Manager and Investments purchased with such funds on behalf of Principal and the Participants. The Account shall be established with a "qualified bank" as defined below:
  - (i) A national bank, state bank or trust company that at all times is no less than adequately capitalized as determined by standards adopted by United States banking regulators and that either is regulated by state banking laws or is a member of the Federal Reserve System; or
  - (ii) A bank or trust company incorporated or organized under the laws of a country other than the United States that is regulated as a bank or trust company by that country's government or an agency thereof and that at all times is no less than adequately capitalized as determined by the standards adopted by international banking authorities; and
- f) To arrange for the automatic investment of any and all cash in the Account in Short-Term Obligations.

4. Duties of the Manager. Upon the terms and subject to the conditions of this Agreement, the Manager shall perform the following duties:

- a) At all times hold all funds and other Investments in the Account;
- b) Furnish to the Principal statements of investment income earned of and for the Account for such periods and in such reasonable detail as the Principal may from time to time request; and
- c) Keep, compile, maintain and provide for inspection detailed accounting records of cash receipts and disbursements that reflects the Proportionate Share of the Principal and the Participants in the Investments, a complete and accurate description of each Investment of the Principal in the Account including the amount, interest rate, and maturity date, if any, of each of the Investments and other records that on a daily basis allow third parties to verify each participant's

Investments in the Account.

5. Withdrawals.

- a) Principal may withdraw all or any portion of its Proportionate Share from the Account on demand, without penalty or other assessment on any business day and settlement of funds must occur within a reasonable and customary period after a withdrawal, not to exceed ten (10) business days.
- b) Upon termination of this Agreement as provided in Section 13 hereof, the Manager shall withdraw from the Account, Principal's Proportionate Share of all Investments held in the Account minus the Principal's Proportionate Share of all management fees and Account Expenses (as defined in Section 11) and deliver and pay over the same to the Principal without penalty or assessment on any business day.
- c) At the Discretion of the Manager, Principal's Proportionate Share shall be distributed as follows:
  - (i) In cash, earnings on the Principal's Proportionate Share will be credited daily and paid on the second business day of the following month;
  - (ii) In kind, the Principal's Proportionate Share of the Investments in the Account;
  - (iii) In a combination of cash and in-kind distributions of the Principal's Proportionate Share of the Investments in the Account.

6. Authority to Commingle Investments. The Principal understands and agrees that the Manager may from time to time act as agent: for the Parent Company, as a Participant, and other Participants under the terms and subject to the conditions of Cash Management Agreements which are substantially identical to this Agreement. The Principal expressly authorizes the Manager to intermingle or commingle the Investments held in the Account with the Investments held on behalf of one or more Participants and to jointly hold or jointly purchase, sell, transfer or otherwise acquire or dispose of Investments on behalf of Principal and one or more Participants.

7. Limited Authority. The Manager shall have only such authority to purchase, sell, transfer or otherwise acquire or dispose of Investments for the Account of the Principal and the Participants as is specifically provided for in this Agreement. Specifically, and without limitation of the foregoing sentence, the Manager shall not have (a) except as set forth in Section 6 above, the authority to commingle any investments in the Account with the general assets of the Manager or any other person, (b) the duty to advise the Principal or its representatives as to the value of any Investment (except to the extent expressly provided herein) or the advisability of acquiring or disposing of any Investment or to provide analysis of any Investment to the Principal or its representatives, (c) the authority to acquire Investments issued, assumed, guaranteed or insured by the Principal or any affiliate of the Principal, (d) the authority to borrow or incur indebtedness for borrowed money, except for securities lending and reverse

repurchase transactions, as defined in Washington law that meet the requirements of the Washington Insurance Code, (e) the authority to permit the aggregate value of Investments then loaned or sold to, purchased from or invested in any one business entity to exceed ten (10%) percent of the total assets in the Account, nor (f) the authority to exceed the aggregate limitations for authorized investments by Principal set forth in the Washington Insurance Code. For purposes of this Agreement, "business entity" means a corporation, limited liability company, association, partnership, joint stock company, joint venture, mutual fund trust, or other similar form of business organization whether organized as for-profit or not-for-profit.

8. Relationship to Third Parties. In order that the negotiability or transferability of the Investments shall not be limited and notwithstanding the provisions of Section 7 of this Agreement, the Principal acknowledges that every person or entity dealing with the Manager shall be justified and protected in relying upon the authority of the Manager to act for and on behalf of the Principal and the Participants in the purchase, sale, transfer or other acquisition or disposition of Investments and shall not be required to ascertain whether the approval or direction of the Principal or its representatives has been obtained.
9. Insurance Department Examination. The Principal and the Manager understand and agree that the Washington Department of Insurance, or such other insurance departments of those states in which the Principal is licensed to transact business, shall be entitled to inspect the records of the Manager relating to the Principal's Investments in the Account.
10. Insolvency. In the event of the insolvency, bankruptcy or receivership of the Principal, all or any portion of the Principal's Proportionate Share of the Account may be withdrawn by the trustee, receiver, conservator or other successor in interest of the Principal under the terms of this Agreement.
11. Compensation and Reimbursement of Manager. The Manager shall be entitled to reasonable compensation for its services hereunder, which compensation may include, without limitation, costs allocated to the Manager for performance of legal, auditing, investment, accounting and money management services on behalf of the Account (the "Management Fee"). The Principal shall pay its Proportionate Share of the Management Fee as agreed to by the parties hereto in writing. In addition, the Principal shall pay its Proportionate Share of all reasonable costs and expenses incurred by the Manager in performing its obligations under this Agreement, including but not limited to commissions, transaction fees and custodial fees for the Account (the "Account Expenses"). The Principal's Proportionate Share of the Management Fee, along with its Proportionate Share of any related Account Expenses, shall be billed to the Principal on a quarterly basis, or in such other manner as mutually agreed to by the Manager and Principal in writing, and remitted to the Manager pursuant to the following wire instructions:

wire instructions to be furnished upon request

12. Indemnification of Manager. The Principal shall indemnify the Manager and hold the Manager harmless from and against all actions, claims, demands, liabilities, losses, damages or expenses of whatever kind, including without limitation, attorneys' fees, sustained or incurred by the Manager or any of its nominees in carrying out its authority or duties under this Agreement, unless resulting from its gross negligence or willful misconduct.
13. Termination of Agreement. This Agreement may be terminated: (i) at the end of any business day by the Principal upon prior written notice to the Manager; or (ii) at any time by the Manager upon thirty (30) days' written notice to the Principal. In either event, Principal's Proportionate Share shall be disbursed as set forth in Section 5 above.
14. No Partnership Created. Nothing herein contained shall constitute the Principal as a partner of the Manager or as a partner of the Participants.
15. Governing Law. This Agreement will be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the State of Washington.
16. Assignment of Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto, their successors and assigns; provided, however, that this Agreement shall not be assignable by the Principal to any entity or person without the prior written consent of the Manager; except, however, that this Agreement shall not be assignable by the Principal to any other entity or person or enure to any successor of the Principal that is not an insurance entity. Should any successor of the Principal be a non-insurance entity, this Agreement shall terminate and the Principal's Proportionate Share shall be disbursed to such valid successor as set forth in Section 5 herein.
17. Complete Agreement, Waivers, Amendments, Etc. This Agreement supersedes all prior agreements relating to the subject matter hereof and constitutes the complete agreement of the Principal and Manager with respect to the subject matter hereof. No waiver of any rights under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from any breach or failure to perform will be deemed to be a waiver of any future such right or of any other right arising under this Agreement. No amendment to the terms and conditions of this Agreement shall be deemed effective unless it shall be in writing and signed by each of the parties hereto.
18. Headings. Section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.
19. Notice. Notices required or permitted hereunder will be in writing and shall be mailed, hand-delivered or telefaxed to the addresses given below or to such other addresses as the parties may hereafter specify, and will be deemed given:
  - a) When delivered to an authorized officer of either party;
  - b) Three days after mailing by prepaid first class to an authorized officer of either party; or
  - c) When a telefax is confirmed in writing as being received by the party receiving notification.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

This Agreement was executed in duplicate originals by the Principal and Manager as of the date first written above.

("Principal")  
FIRST NATIONAL INSURANCE COMPANY OF AMERICA

\_\_\_\_\_  
By:  
Its:

("Manager")  
LIBERTY MUTUAL INVESTMENT ADVISORS LLC

\_\_\_\_\_  
By:  
Its:

Exhibit A  
PERMITTED INVESTMENTS

Investments will be made in short-term obligations maturing in 365 days or less of purchase. Investments shall be limited to those eligible under the general laws concerning the investment of insurance company assets in Washington, including:

- Obligations issued or guaranteed by the United States Government or by any of its agencies or instrumentalities.
- Commercial Bank Obligations, such as Certificates of Deposit, Banker's Acceptances of U.S. Banks which have total assets in excess of \$500 million, and the obligations of the 50 largest foreign banks in terms in assets with branches or agencies in the United States that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.
- Certificates of Deposit issued by Savings Associations which have assets in excess of \$500 million and which are members of the Federal Deposit Insurance Corporation that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office and have:
  - i) A remaining maturity of 365 days or less or a put that entitles the holder to receive the principal amount of the obligation which put may be exercised through maturity at specified intervals not exceeding 365 days; or
  - ii) A remaining maturity of 365 days or less and a floating interest rate that resets no less frequently than quarterly on the basis of a current short-term index (federal funds, prime rate, treasury bills, London InterBank Offered Rate (LIBOR) or (commercial paper) and is subject to no maximum limit, if the obligations do not have an interest rate that varies inversely to market interest rate changes;
- Commercial Paper (including asset-backed commercial paper) rated one or two by the Securities Valuation Office or that have a rating, equivalent to a Securities Valuation Office rating of one or two made by a nationally recognized statistical rating organization recognized by the Securities Valuation Office.
- Corporate or Taxable Obligations, maturing in 365 days or less at the time of purchase, with the three highest, investment grades assigned by Standard & Poor's Corporation (AAA, AA, or A) or Moody's Investors Service, Inc. (Aaa, Aa, or A).
- Repurchase Agreements may be made by the Manager in respect to any of the securities described above.
- Restrict all Investments to United States dollar denomination.

- Excluded from Investments shall be initial offerings and public offerings.
- Obligations issued or guaranteed by the Govt. of Canada or securities which are of substantially the same kind, class and investment grades as U.S. securities outlined in this policy that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.
- Government money market mutual funds or Class 1 Exempt funds which (a) invest only in obligations issued, guaranteed or insured by the United States or collateralized repurchased agreements composed of these obligations and (b) are qualified for investment without a reserve under the Purposes and Procedures Manual of the Securities Valuation Office or any successor publication.

## CASH MANAGEMENT AGREEMENT

Dated as of \_\_\_\_\_

This Cash Management Agreement, is effective as of the date first written above, by and between General Insurance Company of America (the "Principal"), and Liberty Mutual Investment Advisors LLC (the "Manager").

### Background

The Manager, a Massachusetts limited liability company, is an indirect subsidiary of Liberty Mutual Insurance Company (the "Ultimate Parent Company") and was formed for the purpose of making, holding and administering short-term investments maturing in 365 days or less of purchase ("Short-Term Obligations").

The purpose of this Agreement is to provide for the terms and conditions under which the Manager will make, hold and administer certain investments in Short-Term Obligations for and on behalf of the Principal for and on behalf of the Principal and other Participants (as hereinafter defined) in accordance with applicable investment restrictions and the Washington Insurance Code.

### Statement of Agreement

In consideration of their mutual promises, the Principal and the Manager hereby agree as follows.

- Investment Account. The Manager shall maintain an investment account or accounts (the "Account") on behalf of the Principal, any other participating insurer affiliated with the Principal and/or the Ultimate Parent Company, an insurance subsidiary or affiliate of the Principal and/or the Ultimate Parent Company or a pension plan or profit-sharing plan of the Principal, its insurance subsidiaries or affiliates, (collectively, the "Participants"), and shall hold therein all debt obligations, accounts or deposits permitted by the Washington Insurance Code as more fully described on Exhibit A, as may be amended from time to time, and attached hereto and incorporated herein (collectively, "Investments"), deposited in or purchased or otherwise acquired for and on behalf of the Principal and the Participants from time to time pursuant to the terms and conditions of this Agreement. All Investments in the Account shall be Short-Term Obligations.
- Ownership of Investments. All Investments held or acquired for the Account whether or not commingled, intermingled or jointly acquired for the Principal and one or more Participants, shall for all purposes continue to be the property of the Principal and the Participants. The Principal shall have an undivided interest in such Investments with the Participants. Proportionate Share shall mean the Principal's share of the Investments in the Account determined on any day by dividing the value of Principal's contribution to the Account by the current value on such day of the Investments in the Account ("Proportionate Share"). The Principal's ownership interest in the Investments and the Account shall be evidenced by book-entries maintained by the Manager. The underlying assets of the Account are held solely for the benefit of each Principal.

3. Authority of Manager. The Principal hereby authorizes the Manager, upon the terms and subject to the conditions of this Agreement, to engage in any of the following activities:

- a) To sell, purchase, transfer or otherwise acquire or dispose of, whether through brokerage transactions or otherwise, investments for the Account;
- b) To collect and credit to the Account all dividends, interest and other income on the Investments;
- c) To collect and credit to the Account all proceeds from the sale, redemption or other disposition of the Investments;
- d) To reinvest any dividends or interest earned by the Principal in additional shares of the Investments on behalf of the Principal;
- e) To hold in the Account all funds deposited with the Manager and Investments purchased with such funds on behalf of Principal and the Participants. The Account shall be established with a "qualified bank" as defined below:
  - (i) A national bank, state bank or trust company that at all times is no less than adequately capitalized as determined by standards adopted by United States banking regulators and that either is regulated by state banking laws or is a member of the Federal Reserve System; or
  - (ii) A bank or trust company incorporated or organized under the laws of a country other than the United States that is regulated as a bank or trust company by that country's government or an agency thereof and that at all times is no less than adequately capitalized as determined by the standards adopted by international banking authorities; and
- f) To arrange for the automatic investment of any and all cash in the Account in Short-Term Obligations.

4. Duties of the Manager. Upon the terms and subject to the conditions of this Agreement, the Manager shall perform the following duties:

- a) At all times hold all funds and other Investments in the Account;
- b) Furnish to the Principal statements of investment income earned of and for the Account for such periods and in such reasonable detail as the Principal may from time to time request; and
- c) Keep, compile, maintain and provide for inspection detailed accounting records of cash receipts and disbursements that reflects the Proportionate Share of the Principal and the Participants in the Investments, a complete and accurate description of each Investment of the Principal in the Account including the amount, interest rate, and maturity date, if any, of each of the Investments and other records that on a daily basis allow third parties to verify each participant's

Investments in the Account.

5. Withdrawals.

- a) Principal may withdraw all or any portion of its Proportionate Share from the Account on demand, without penalty or other assessment on any business day and settlement of funds must occur within a reasonable and customary period after a withdrawal, not to exceed ten (10) business days.
- b) Upon termination of this Agreement as provided in Section 13 hereof, the Manager shall withdraw from the Account, Principal's Proportionate Share of all Investments held in the Account minus the Principal's Proportionate Share of all management fees and Account Expenses (as defined in Section 11) and deliver and pay over the same to the Principal without penalty or assessment on any business day.
- c) At the Discretion of the Manager, Principal's Proportionate Share shall be distributed as follows:
  - (i) In cash, earnings on the Principal's Proportionate Share will be credited daily and paid on the second business day of the following month;
  - (ii) In kind, the Principal's Proportionate Share of the Investments in the Account;
  - (iii) In a combination of cash and in-kind distributions of the Principal's Proportionate Share of the Investments in the Account.

6. Authority to Commingle Investments. The Principal understands and agrees that the Manager may from time to time act as agent: for the Parent Company, as a Participant, and other Participants under the terms and subject to the conditions of Cash Management Agreements which are substantially identical to this Agreement. The Principal expressly authorizes the Manager to intermingle or commingle the Investments held in the Account with the Investments held on behalf of one or more Participants and to jointly hold or jointly purchase, sell, transfer or otherwise acquire or dispose of Investments on behalf of Principal and one or more Participants.

7. Limited Authority. The Manager shall have only such authority to purchase, sell, transfer or otherwise acquire or dispose of Investments for the Account of the Principal and the Participants as is specifically provided for in this Agreement. Specifically, and without limitation of the foregoing sentence, the Manager shall not have (a) except as set forth in Section 6 above, the authority to commingle any investments in the Account with the general assets of the Manager or any other person, (b) the duty to advise the Principal or its representatives as to the value of any Investment (except to the extent expressly provided herein) or the advisability of acquiring or disposing of any Investment or to provide analysis of any Investment to the Principal or its representatives, (c) the authority to acquire Investments issued, assumed, guaranteed or insured by the Principal or any affiliate of the Principal, (d) the authority to borrow or incur indebtedness for borrowed money, except for securities lending and reverse

repurchase transactions, as defined in Washington law that meet the requirements of the Washington Insurance Code, (e) the authority to permit the aggregate value of Investments then loaned or sold to, purchased from or invested in any one business entity to exceed ten (10%) percent of the total assets in the Account, nor (f) the authority to exceed the aggregate limitations for authorized investments by Principal set forth in the Washington Insurance Code. For purposes of this Agreement, "business entity" means a corporation, limited liability company, association, partnership, joint stock company, joint venture, mutual fund trust, or other similar form of business organization whether organized as for-profit or not-for-profit.

8. Relationship to Third Parties. In order that the negotiability or transferability of the Investments shall not be limited and notwithstanding the provisions of Section 7 of this Agreement, the Principal acknowledges that every person or entity dealing with the Manager shall be justified and protected in relying upon the authority of the Manager to act for and on behalf of the Principal and the Participants in the purchase, sale, transfer or other acquisition or disposition of Investments and shall not be required to ascertain whether the approval or direction of the Principal or its representatives has been obtained.
9. Insurance Department Examination. The Principal and the Manager understand and agree that the Washington Department of Insurance, or such other insurance departments of those states in which the Principal is licensed to transact business, shall be entitled to inspect the records of the Manager relating to the Principal's Investments in the Account.
10. Insolvency. In the event of the insolvency, bankruptcy or receivership of the Principal, all or any portion of the Principal's Proportionate Share of the Account may be withdrawn by the trustee, receiver, conservator or other successor in interest of the Principal under the terms of this Agreement.
11. Compensation and Reimbursement of Manager. The Manager shall be entitled to reasonable compensation for its services hereunder, which compensation may include, without limitation, costs allocated to the Manager for performance of legal, auditing, investment, accounting and money management services on behalf of the Account (the "Management Fee"). The Principal shall pay its Proportionate Share of the Management Fee as agreed to by the parties hereto in writing. In addition, the Principal shall pay its Proportionate Share of all reasonable costs and expenses incurred by the Manager in performing its obligations under this Agreement, including but not limited to commissions, transaction fees and custodial fees for the Account (the "Account Expenses"). The Principal's Proportionate Share of the Management Fee, along with its Proportionate Share of any related Account Expenses, shall be billed to the Principal on a quarterly basis, or in such other manner as mutually agreed to by the Manager and Principal in writing, and remitted to the Manager pursuant to the following wire instructions:

wire instructions to be furnished upon request

12. Indemnification of Manager. The Principal shall indemnify the Manager and hold the Manager harmless from and against all actions, claims, demands, liabilities, losses, damages or expenses of whatever kind, including without limitation, attorneys' fees, sustained or incurred by the Manager or any of its nominees in carrying out its authority or duties under this Agreement, unless resulting from its gross negligence or willful misconduct.
13. Termination of Agreement. This Agreement may be terminated: (i) at the end of any business day by the Principal upon prior written notice to the Manager; or (ii) at any time by the Manager upon thirty (30) days' written notice to the Principal. In either event, Principal's Proportionate Share shall be disbursed as set forth in Section 5 above.
14. No Partnership Created. Nothing herein contained shall constitute the Principal as a partner of the Manager or as a partner of the Participants.
15. Governing Law. This Agreement will be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the State of Washington.
16. Assignment of Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto, their successors and assigns; provided, however, that this Agreement shall not be assignable by the Principal to any entity or person without the prior written consent of the Manager; except, however, that this Agreement shall not be assignable by the Principal to any other entity or person or enure to any successor of the Principal that is not an insurance entity. Should any successor of the Principal be a non-insurance entity, this Agreement shall terminate and the Principal's Proportionate Share shall be disbursed to such valid successor as set forth in Section 5 herein.
17. Complete Agreement, Waivers, Amendments, Etc. This Agreement supersedes all prior agreements relating to the subject matter hereof and constitutes the complete agreement of the Principal and Manager with respect to the subject matter hereof. No waiver of any rights under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from any breach or failure to perform will be deemed to be a waiver of any future such right or of any other right arising under this Agreement. No amendment to the terms and conditions of this Agreement shall be deemed effective unless it shall be in writing and signed by each of the parties hereto.
18. Headings. Section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.
19. Notice. Notices required or permitted hereunder will be in writing and shall be mailed, hand-delivered or telefaxed to the addresses given below or to such other addresses as the parties may hereafter specify, and will be deemed given:
  - a) When delivered to an authorized officer of either party;
  - b) Three days after mailing by prepaid first class to an authorized officer of either party; or
  - c) When a telefax is confirmed in writing as being received by the party receiving notification.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

This Agreement was executed in duplicate originals by the Principal and Manager as of the date first written above.

("Principal")  
GENERAL INSURANCE COMPANY OF AMERICA

\_\_\_\_\_  
By:  
Its:

("Manager")  
LIBERTY MUTUAL INVESTMENT ADVISORS LLC

\_\_\_\_\_  
By:  
Its:

Exhibit A  
PERMITTED INVESTMENTS

Investments will be made in short-term obligations maturing in 365 days or less of purchase. Investments shall be limited to those eligible under the general laws concerning the investment of insurance company assets in Washington, including:

- Obligations issued or guaranteed by the United States Government or by any of its agencies or instrumentalities.
- Commercial Bank Obligations, such as Certificates of Deposit, Banker's Acceptances of U.S. Banks which have total assets in excess of \$500 million, and the obligations of the 50 largest foreign banks in terms in assets with branches or agencies in the United States that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.
- Certificates of Deposit issued by Savings Associations which have assets in excess of \$500 million and which are members of the Federal Deposit Insurance Corporation that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office and have:
  - i) A remaining maturity of 365 days or less or a put that entitles the holder to receive the principal amount of the obligation which put may be exercised through maturity at specified intervals not exceeding 365 days; or
  - ii) A remaining maturity of 365 days or less and a floating interest rate that resets no less frequently than quarterly on the basis of a current short-term index (federal funds, prime rate, treasury bills, London InterBank Offered Rate (LIBOR) or (commercial paper) and is subject to no maximum limit, if the obligations do not have an interest rate that varies inversely to market interest rate changes;
- Commercial Paper (including asset-backed commercial paper) rated one or two by the Securities Valuation Office or that have a rating, equivalent to a Securities Valuation Office rating of one or two made by a nationally recognized statistical rating organization recognized by the Securities Valuation Office.
- Corporate or Taxable Obligations, maturing in 365 days or less at the time of purchase, with the three highest, investment grades assigned by Standard & Poor's Corporation (AAA, AA, or A) or Moody's Investors Service, Inc. (Aaa, Aa, or A).
- Repurchase Agreements may be made by the Manager in respect to any of the securities described above.
- Restrict all Investments to United States dollar denomination.

- Excluded from Investments shall be initial offerings and public offerings.
- Obligations issued or guaranteed by the Govt. of Canada or securities which are of substantially the same kind, class and investment grades as U.S. securities outlined in this policy that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.
- Government money market mutual funds or Class 1 Exempt funds which (a) invest only in obligations issued, guaranteed or insured by the United States or collateralized repurchased agreements composed of these obligations and (b) are qualified for investment without a reserve under the Purposes and Procedures Manual of the Securities Valuation Office or any successor publication.

## CASH MANAGEMENT AGREEMENT

Dated as of \_\_\_\_\_

This Cash Management Agreement, is effective as of the date first written above, by and between Safeco Insurance Company of America (the "Principal"), and Liberty Mutual Investment Advisors LLC (the "Manager").

### Background

The Manager, a Massachusetts limited liability company, is an indirect subsidiary of Liberty Mutual Insurance Company (the "Ultimate Parent Company") and was formed for the purpose of making, holding and administering short-term investments maturing in 365 days or less of purchase ("Short-Term Obligations").

The purpose of this Agreement is to provide for the terms and conditions under which the Manager will make, hold and administer certain investments in Short-Term Obligations for and on behalf of the Principal for and on behalf of the Principal and other Participants (as hereinafter defined) in accordance with applicable investment restrictions and the Washington Insurance Code.

### Statement of Agreement

In consideration of their mutual promises, the Principal and the Manager hereby agree as follows.

- Investment Account. The Manager shall maintain an investment account or accounts (the "Account") on behalf of the Principal, any other participating insurer affiliated with the Principal and/or the Ultimate Parent Company, an insurance subsidiary or affiliate of the Principal and/or the Ultimate Parent Company or a pension plan or profit-sharing plan of the Principal, its insurance subsidiaries or affiliates, (collectively, the "Participants"), and shall hold therein all debt obligations, accounts or deposits permitted by the Washington Insurance Code as more fully described on Exhibit A, as may be amended from time to time, and attached hereto and incorporated herein (collectively, "Investments"), deposited in or purchased or otherwise acquired for and on behalf of the Principal and the Participants from time to time pursuant to the terms and conditions of this Agreement. All Investments in the Account shall be Short-Term Obligations.
- Ownership of Investments. All Investments held or acquired for the Account whether or not commingled, intermingled or jointly acquired for the Principal and one or more Participants, shall for all purposes continue to be the property of the Principal and the Participants. The Principal shall have an undivided interest in such Investments with the Participants. Proportionate Share shall mean the Principal's share of the Investments in the Account determined on any day by dividing the value of Principal's contribution to the Account by the current value on such day of the Investments in the Account ("Proportionate Share"). The Principal's ownership interest in the Investments and the Account shall be evidenced by book-entries maintained by the Manager. The underlying assets of the Account are held solely for the benefit of each Principal.

3. Authority of Manager. The Principal hereby authorizes the Manager, upon the terms and subject to the conditions of this Agreement, to engage in any of the following activities:

- a) To sell, purchase, transfer or otherwise acquire or dispose of, whether through brokerage transactions or otherwise, investments for the Account;
- b) To collect and credit to the Account all dividends, interest and other income on the Investments;
- c) To collect and credit to the Account all proceeds from the sale, redemption or other disposition of the Investments;
- d) To reinvest any dividends or interest earned by the Principal in additional shares of the Investments on behalf of the Principal;
- e) To hold in the Account all funds deposited with the Manager and Investments purchased with such funds on behalf of Principal and the Participants. The Account shall be established with a "qualified bank" as defined below:
  - (i) A national bank, state bank or trust company that at all times is no less than adequately capitalized as determined by standards adopted by United States banking regulators and that either is regulated by state banking laws or is a member of the Federal Reserve System; or
  - (ii) A bank or trust company incorporated or organized under the laws of a country other than the United States that is regulated as a bank or trust company by that country's government or an agency thereof and that at all times is no less than adequately capitalized as determined by the standards adopted by international banking authorities; and
- f) To arrange for the automatic investment of any and all cash in the Account in Short-Term Obligations.

4. Duties of the Manager. Upon the terms and subject to the conditions of this Agreement, the Manager shall perform the following duties:

- a) At all times hold all funds and other Investments in the Account;
- b) Furnish to the Principal statements of investment income earned of and for the Account for such periods and in such reasonable detail as the Principal may from time to time request; and
- c) Keep, compile, maintain and provide for inspection detailed accounting records of cash receipts and disbursements that reflects the Proportionate Share of the Principal and the Participants in the Investments, a complete and accurate description of each Investment of the Principal in the Account including the amount, interest rate, and maturity date, if any, of each of the Investments and other records that on a daily basis allow third parties to verify each participant's

Investments in the Account.

5. Withdrawals.

- a) Principal may withdraw all or any portion of its Proportionate Share from the Account on demand, without penalty or other assessment on any business day and settlement of funds must occur within a reasonable and customary period after a withdrawal, not to exceed ten (10) business days.
- b) Upon termination of this Agreement as provided in Section 13 hereof, the Manager shall withdraw from the Account, Principal's Proportionate Share of all Investments held in the Account minus the Principal's Proportionate Share of all management fees and Account Expenses (as defined in Section 11) and deliver and pay over the same to the Principal without penalty or assessment on any business day.
- c) At the Discretion of the Manager, Principal's Proportionate Share shall be distributed as follows:
  - (i) In cash, earnings on the Principal's Proportionate Share will be credited daily and paid on the second business day of the following month;
  - (ii) In kind, the Principal's Proportionate Share of the Investments in the Account;
  - (iii) In a combination of cash and in-kind distributions of the Principal's Proportionate Share of the Investments in the Account.

6. Authority to Commingle Investments. The Principal understands and agrees that the Manager may from time to time act as agent: for the Parent Company, as a Participant, and other Participants under the terms and subject to the conditions of Cash Management Agreements which are substantially identical to this Agreement. The Principal expressly authorizes the Manager to intermingle or commingle the Investments held in the Account with the Investments held on behalf of one or more Participants and to jointly hold or jointly purchase, sell, transfer or otherwise acquire or dispose of Investments on behalf of Principal and one or more Participants.

7. Limited Authority. The Manager shall have only such authority to purchase, sell, transfer or otherwise acquire or dispose of Investments for the Account of the Principal and the Participants as is specifically provided for in this Agreement. Specifically, and without limitation of the foregoing sentence, the Manager shall not have (a) except as set forth in Section 6 above, the authority to commingle any investments in the Account with the general assets of the Manager or any other person, (b) the duty to advise the Principal or its representatives as to the value of any Investment (except to the extent expressly provided herein) or the advisability of acquiring or disposing of any Investment or to provide analysis of any Investment to the Principal or its representatives, (c) the authority to acquire Investments issued, assumed, guaranteed or insured by the Principal or any affiliate of the Principal, (d) the authority to borrow or incur indebtedness for borrowed money, except for securities lending and reverse

repurchase transactions, as defined in Washington law that meet the requirements of the Washington Insurance Code, (e) the authority to permit the aggregate value of Investments then loaned or sold to, purchased from or invested in any one business entity to exceed ten (10%) percent of the total assets in the Account, nor (f) the authority to exceed the aggregate limitations for authorized investments by Principal set forth in the Washington Insurance Code. For purposes of this Agreement, "business entity" means a corporation, limited liability company, association, partnership, joint stock company, joint venture, mutual fund trust, or other similar form of business organization whether organized as for-profit or not-for-profit.

8. Relationship to Third Parties. In order that the negotiability or transferability of the Investments shall not be limited and notwithstanding the provisions of Section 7 of this Agreement, the Principal acknowledges that every person or entity dealing with the Manager shall be justified and protected in relying upon the authority of the Manager to act for and on behalf of the Principal and the Participants in the purchase, sale, transfer or other acquisition or disposition of Investments and shall not be required to ascertain whether the approval or direction of the Principal or its representatives has been obtained.
9. Insurance Department Examination. The Principal and the Manager understand and agree that the Washington Department of Insurance, or such other insurance departments of those states in which the Principal is licensed to transact business, shall be entitled to inspect the records of the Manager relating to the Principal's Investments in the Account.
10. Insolvency. In the event of the insolvency, bankruptcy or receivership of the Principal, all or any portion of the Principal's Proportionate Share of the Account may be withdrawn by the trustee, receiver, conservator or other successor in interest of the Principal under the terms of this Agreement.
11. Compensation and Reimbursement of Manager. The Manager shall be entitled to reasonable compensation for its services hereunder, which compensation may include, without limitation, costs allocated to the Manager for performance of legal, auditing, investment, accounting and money management services on behalf of the Account (the "Management Fee"). The Principal shall pay its Proportionate Share of the Management Fee as agreed to by the parties hereto in writing. In addition, the Principal shall pay its Proportionate Share of all reasonable costs and expenses incurred by the Manager in performing its obligations under this Agreement, including but not limited to commissions, transaction fees and custodial fees for the Account (the "Account Expenses"). The Principal's Proportionate Share of the Management Fee, along with its Proportionate Share of any related Account Expenses, shall be billed to the Principal on a quarterly basis, or in such other manner as mutually agreed to by the Manager and Principal in writing, and remitted to the Manager pursuant to the following wire instructions:

wire instructions to be furnished upon request

12. Indemnification of Manager. The Principal shall indemnify the Manager and hold the Manager harmless from and against all actions, claims, demands, liabilities, losses, damages or expenses of whatever kind, including without limitation, attorneys' fees, sustained or incurred by the Manager or any of its nominees in carrying out its authority or duties under this Agreement, unless resulting from its gross negligence or willful misconduct.
13. Termination of Agreement. This Agreement may be terminated: (i) at the end of any business day by the Principal upon prior written notice to the Manager; or (ii) at any time by the Manager upon thirty (30) days' written notice to the Principal. In either event, Principal's Proportionate Share shall be disbursed as set forth in Section 5 above.
14. No Partnership Created. Nothing herein contained shall constitute the Principal as a partner of the Manager or as a partner of the Participants.
15. Governing Law. This Agreement will be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the State of Washington.
16. Assignment of Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto, their successors and assigns; provided, however, that this Agreement shall not be assignable by the Principal to any entity or person without the prior written consent of the Manager; except, however, that this Agreement shall not be assignable by the Principal to any other entity or person or enure to any successor of the Principal that is not an insurance entity. Should any successor of the Principal be a non-insurance entity, this Agreement shall terminate and the Principal's Proportionate Share shall be disbursed to such valid successor as set forth in Section 5 herein.
17. Complete Agreement, Waivers, Amendments, Etc. This Agreement supersedes all prior agreements relating to the subject matter hereof and constitutes the complete agreement of the Principal and Manager with respect to the subject matter hereof. No waiver of any rights under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from any breach or failure to perform will be deemed to be a waiver of any future such right or of any other right arising under this Agreement. No amendment to the terms and conditions of this Agreement shall be deemed effective unless it shall be in writing and signed by each of the parties hereto.
18. Headings. Section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.
19. Notice. Notices required or permitted hereunder will be in writing and shall be mailed, hand-delivered or telefaxed to the addresses given below or to such other addresses as the parties may hereafter specify, and will be deemed given:
  - a) When delivered to an authorized officer of either party;
  - b) Three days after mailing by prepaid first class to an authorized officer of either party; or
  - c) When a telefax is confirmed in writing as being received by the party receiving notification.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

This Agreement was executed in duplicate originals by the Principal and Manager as of the date first written above.

("Principal")  
SAFECO INSURANCE COMPANY OF AMERICA

\_\_\_\_\_  
By:  
Its:

("Manager")  
LIBERTY MUTUAL INVESTMENT ADVISORS LLC

\_\_\_\_\_  
By:  
Its:

Exhibit A  
PERMITTED INVESTMENTS

Investments will be made in short-term obligations maturing in 365 days or less of purchase. Investments shall be limited to those eligible under the general laws concerning the investment of insurance company assets in Washington, including:

- Obligations issued or guaranteed by the United States Government or by any of its agencies or instrumentalities.
- Commercial Bank Obligations, such as Certificates of Deposit, Banker's Acceptances of U.S. Banks which have total assets in excess of \$500 million, and the obligations of the 50 largest foreign banks in terms in assets with branches or agencies in the United States that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.
- Certificates of Deposit issued by Savings Associations which have assets in excess of \$500 million and which are members of the Federal Deposit Insurance Corporation that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office and have:
  - i) A remaining maturity of 365 days or less or a put that entitles the holder to receive the principal amount of the obligation which put may be exercised through maturity at specified intervals not exceeding 365 days; or
  - ii) A remaining maturity of 365 days or less and a floating interest rate that resets no less frequently than quarterly on the basis of a current short-term index (federal funds, prime rate, treasury bills, London InterBank Offered Rate (LIBOR) or (commercial paper) and is subject to no maximum limit, if the obligations do not have an interest rate that varies inversely to market interest rate changes;
- Commercial Paper (including asset-backed commercial paper) rated one or two by the Securities Valuation Office or that have a rating, equivalent to a Securities Valuation Office rating of one or two made by a nationally recognized statistical rating organization recognized by the Securities Valuation Office.
- Corporate or Taxable Obligations, maturing in 365 days or less at the time of purchase, with the three highest, investment grades assigned by Standard & Poor's Corporation (AAA, AA, or A) or Moody's Investors Service, Inc. (Aaa, Aa, or A).
- Repurchase Agreements may be made by the Manager in respect to any of the securities described above.
- Restrict all Investments to United States dollar denomination.

- Excluded from Investments shall be initial offerings and public offerings.
- Obligations issued or guaranteed by the Govt. of Canada or securities which are of substantially the same kind, class and investment grades as U.S. securities outlined in this policy that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.
- Government money market mutual funds or Class 1 Exempt funds which (a) invest only in obligations issued, guaranteed or insured by the United States or collateralized repurchased agreements composed of these obligations and (b) are qualified for investment without a reserve under the Purposes and Procedures Manual of the Securities Valuation Office or any successor publication.

## CASH MANAGEMENT AGREEMENT

Dated as of \_\_\_\_\_

This Cash Management Agreement, is effective as of the date first written above, by and between Safeco Surplus Lines Insurance Company (the "Principal"), and Liberty Mutual Investment Advisors LLC (the "Manager").

### Background

The Manager, a Massachusetts limited liability company, is an indirect subsidiary of Liberty Mutual Insurance Company (the "Ultimate Parent Company") and was formed for the purpose of making, holding and administering short-term investments maturing in 365 days or less of purchase ("Short-Term Obligations").

The purpose of this Agreement is to provide for the terms and conditions under which the Manager will make, hold and administer certain investments in Short-Term Obligations for and on behalf of the Principal for and on behalf of the Principal and other Participants (as hereinafter defined) in accordance with applicable investment restrictions and the Washington Insurance Code.

### Statement of Agreement

In consideration of their mutual promises, the Principal and the Manager hereby agree as follows.

1. Investment Account. The Manager shall maintain an investment account or accounts (the "Account") on behalf of the Principal, any other participating insurer affiliated with the Principal and/or the Ultimate Parent Company, an insurance subsidiary or affiliate of the Principal and/or the Ultimate Parent Company or a pension plan or profit-sharing plan of the Principal, its insurance subsidiaries or affiliates, (collectively, the "Participants"), and shall hold therein all debt obligations, accounts or deposits permitted by the Washington Insurance Code as more fully described on Exhibit A, as may be amended from time to time, and attached hereto and incorporated herein (collectively, "Investments"), deposited in or purchased or otherwise acquired for and on behalf of the Principal and the Participants from time to time pursuant to the terms and conditions of this Agreement. All Investments in the Account shall be Short-Term Obligations.
2. Ownership of Investments. All Investments held or acquired for the Account whether or not commingled, intermingled or jointly acquired for the Principal and one or more Participants, shall for all purposes continue to be the property of the Principal and the Participants. The Principal shall have an undivided interest in such Investments with the Participants. Proportionate Share shall mean the Principal's share of the Investments in the Account determined on any day by dividing the value of Principal's contribution to the Account by the current value on such day of the Investments in the Account ("Proportionate Share"). The Principal's ownership interest in the Investments and the Account shall be evidenced by book-entries maintained by the Manager. The underlying assets of the Account are held solely for the benefit of each Principal.

3. Authority of Manager. The Principal hereby authorizes the Manager, upon the terms and subject to the conditions of this Agreement, to engage in any of the following activities:

- a) To sell, purchase, transfer or otherwise acquire or dispose of, whether through brokerage transactions or otherwise, investments for the Account;
- b) To collect and credit to the Account all dividends, interest and other income on the Investments;
- c) To collect and credit to the Account all proceeds from the sale, redemption or other disposition of the Investments;
- d) To reinvest any dividends or interest earned by the Principal in additional shares of the Investments on behalf of the Principal;
- e) To hold in the Account all funds deposited with the Manager and Investments purchased with such funds on behalf of Principal and the Participants. The Account shall be established with a "qualified bank" as defined below:
  - (i) A national bank, state bank or trust company that at all times is no less than adequately capitalized as determined by standards adopted by United States banking regulators and that either is regulated by state banking laws or is a member of the Federal Reserve System; or
  - (ii) A bank or trust company incorporated or organized under the laws of a country other than the United States that is regulated as a bank or trust company by that country's government or an agency thereof and that at all times is no less than adequately capitalized as determined by the standards adopted by international banking authorities; and
- f) To arrange for the automatic investment of any and all cash in the Account in Short-Term Obligations.

4. Duties of the Manager. Upon the terms and subject to the conditions of this Agreement, the Manager shall perform the following duties:

- a) At all times hold all funds and other Investments in the Account;
- b) Furnish to the Principal statements of investment income earned of and for the Account for such periods and in such reasonable detail as the Principal may from time to time request; and
- c) Keep, compile, maintain and provide for inspection detailed accounting records of cash receipts and disbursements that reflects the Proportionate Share of the Principal and the Participants in the Investments, a complete and accurate description of each Investment of the Principal in the Account including the amount, interest rate, and maturity date, if any, of each of the Investments and other records that on a daily basis allow third parties to verify each participant's

Investments in the Account.

5. Withdrawals.

- a) Principal may withdraw all or any portion of its Proportionate Share from the Account on demand, without penalty or other assessment on any business day and settlement of funds must occur within a reasonable and customary period after a withdrawal, not to exceed ten (10) business days.
- b) Upon termination of this Agreement as provided in Section 13 hereof, the Manager shall withdraw from the Account, Principal's Proportionate Share of all Investments held in the Account minus the Principal's Proportionate Share of all management fees and Account Expenses (as defined in Section 11) and deliver and pay over the same to the Principal without penalty or assessment on any business day.
- c) At the Discretion of the Manager, Principal's Proportionate Share shall be distributed as follows:
  - (i) In cash, earnings on the Principal's Proportionate Share will be credited daily and paid on the second business day of the following month;
  - (ii) In kind, the Principal's Proportionate Share of the Investments in the Account;
  - (iii) In a combination of cash and in-kind distributions of the Principal's Proportionate Share of the Investments in the Account.

6. Authority to Commingle Investments. The Principal understands and agrees that the Manager may from time to time act as agent: for the Parent Company, as a Participant, and other Participants under the terms and subject to the conditions of Cash Management Agreements which are substantially identical to this Agreement. The Principal expressly authorizes the Manager to intermingle or commingle the Investments held in the Account with the Investments held on behalf of one or more Participants and to jointly hold or jointly purchase, sell, transfer or otherwise acquire or dispose of Investments on behalf of Principal and one or more Participants.

7. Limited Authority. The Manager shall have only such authority to purchase, sell, transfer or otherwise acquire or dispose of Investments for the Account of the Principal and the Participants as is specifically provided for in this Agreement. Specifically, and without limitation of the foregoing sentence, the Manager shall not have (a) except as set forth in Section 6 above, the authority to commingle any investments in the Account with the general assets of the Manager or any other person, (b) the duty to advise the Principal or its representatives as to the value of any Investment (except to the extent expressly provided herein) or the advisability of acquiring or disposing of any Investment or to provide analysis of any Investment to the Principal or its representatives, (c) the authority to acquire Investments issued, assumed, guaranteed or insured by the Principal or any affiliate of the Principal, (d) the authority to borrow or incur indebtedness for borrowed money, except for securities lending and reverse

repurchase transactions, as defined in Washington law that meet the requirements of the Washington Insurance Code, (e) the authority to permit the aggregate value of Investments then loaned or sold to, purchased from or invested in any one business entity to exceed ten (10%) percent of the total assets in the Account, nor (f) the authority to exceed the aggregate limitations for authorized investments by Principal set forth in the Washington Insurance Code. For purposes of this Agreement, "business entity" means a corporation, limited liability company, association, partnership, joint stock company, joint venture, mutual fund trust, or other similar form of business organization whether organized as for-profit or not-for-profit.

8. Relationship to Third Parties. In order that the negotiability or transferability of the Investments shall not be limited and notwithstanding the provisions of Section 7 of this Agreement, the Principal acknowledges that every person or entity dealing with the Manager shall be justified and protected in relying upon the authority of the Manager to act for and on behalf of the Principal and the Participants in the purchase, sale, transfer or other acquisition or disposition of Investments and shall not be required to ascertain whether the approval or direction of the Principal or its representatives has been obtained.
9. Insurance Department Examination. The Principal and the Manager understand and agree that the Washington Department of Insurance, or such other insurance departments of those states in which the Principal is licensed to transact business, shall be entitled to inspect the records of the Manager relating to the Principal's Investments in the Account.
10. Insolvency. In the event of the insolvency, bankruptcy or receivership of the Principal, all or any portion of the Principal's Proportionate Share of the Account may be withdrawn by the trustee, receiver, conservator or other successor in interest of the Principal under the terms of this Agreement.
11. Compensation and Reimbursement of Manager. The Manager shall be entitled to reasonable compensation for its services hereunder, which compensation may include, without limitation, costs allocated to the Manager for performance of legal, auditing, investment, accounting and money management services on behalf of the Account (the "Management Fee"). The Principal shall pay its Proportionate Share of the Management Fee as agreed to by the parties hereto in writing. In addition, the Principal shall pay its Proportionate Share of all reasonable costs and expenses incurred by the Manager in performing its obligations under this Agreement, including but not limited to commissions, transaction fees and custodial fees for the Account (the "Account Expenses"). The Principal's Proportionate Share of the Management Fee, along with its Proportionate Share of any related Account Expenses, shall be billed to the Principal on a quarterly basis, or in such other manner as mutually agreed to by the Manager and Principal in writing, and remitted to the Manager pursuant to the following wire instructions:

wire instructions to be furnished upon request

12. Indemnification of Manager. The Principal shall indemnify the Manager and hold the Manager harmless from and against all actions, claims, demands, liabilities, losses, damages or expenses of whatever kind, including without limitation, attorneys' fees, sustained or incurred by the Manager or any of its nominees in carrying out its authority or duties under this Agreement, unless resulting from its gross negligence or willful misconduct.
13. Termination of Agreement. This Agreement may be terminated: (i) at the end of any business day by the Principal upon prior written notice to the Manager; or (ii) at any time by the Manager upon thirty (30) days' written notice to the Principal. In either event, Principal's Proportionate Share shall be disbursed as set forth in Section 5 above.
14. No Partnership Created. Nothing herein contained shall constitute the Principal as a partner of the Manager or as a partner of the Participants.
15. Governing Law. This Agreement will be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the State of Washington.
16. Assignment of Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto, their successors and assigns; provided, however, that this Agreement shall not be assignable by the Principal to any entity or person without the prior written consent of the Manager; except, however, that this Agreement shall not be assignable by the Principal to any other entity or person or enure to any successor of the Principal that is not an insurance entity. Should any successor of the Principal be a non-insurance entity, this Agreement shall terminate and the Principal's Proportionate Share shall be disbursed to such valid successor as set forth in Section 5 herein.
17. Complete Agreement, Waivers, Amendments, Etc. This Agreement supersedes all prior agreements relating to the subject matter hereof and constitutes the complete agreement of the Principal and Manager with respect to the subject matter hereof. No waiver of any rights under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from any breach or failure to perform will be deemed to be a waiver of any future such right or of any other right arising under this Agreement. No amendment to the terms and conditions of this Agreement shall be deemed effective unless it shall be in writing and signed by each of the parties hereto.
18. Headings. Section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.
19. Notice. Notices required or permitted hereunder will be in writing and shall be mailed, hand-delivered or telefaxed to the addresses given below or to such other addresses as the parties may hereafter specify, and will be deemed given:
  - a) When delivered to an authorized officer of either party;
  - b) Three days after mailing by prepaid first class to an authorized officer of either party; or
  - c) When a telefax is confirmed in writing as being received by the party receiving notification.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

This Agreement was executed in duplicate originals by the Principal and Manager as of the date first written above.

("Principal")  
SAFECO SURPLUS LINES INSURANCE COMPANY

\_\_\_\_\_  
By:  
Its:

("Manager")  
LIBERTY MUTUAL INVESTMENT ADVISORS LLC

\_\_\_\_\_  
By:  
Its:

Exhibit A  
PERMITTED INVESTMENTS

Investments will be made in short-term obligations maturing in 365 days or less of purchase. Investments shall be limited to those eligible under the general laws concerning the investment of insurance company assets in Washington, including:

- Obligations issued or guaranteed by the United States Government or by any of its agencies or instrumentalities.
- Commercial Bank Obligations, such as Certificates of Deposit, Banker's Acceptances of U.S. Banks which have total assets in excess of \$500 million, and the obligations of the 50 largest foreign banks in terms in assets with branches or agencies in the United States that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.
- Certificates of Deposit issued by Savings Associations which have assets in excess of \$500 million and which are members of the Federal Deposit Insurance Corporation that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office and have:
  - i) A remaining maturity of 365 days or less or a put that entitles the holder to receive the principal amount of the obligation which put may be exercised through maturity at specified intervals not exceeding 365 days; or
  - ii) A remaining maturity of 365 days or less and a floating interest rate that resets no less frequently than quarterly on the basis of a current short-term index (federal funds, prime rate, treasury bills, London InterBank Offered Rate (LIBOR) or (commercial paper) and is subject to no maximum limit, if the obligations do not have an interest rate that varies inversely to market interest rate changes;
- Commercial Paper (including asset-backed commercial paper) rated one or two by the Securities Valuation Office or that have a rating, equivalent to a Securities Valuation Office rating of one or two made by a nationally recognized statistical rating organization recognized by the Securities Valuation Office.
- Corporate or Taxable Obligations, maturing in 365 days or less at the time of purchase, with the three highest, investment grades assigned by Standard & Poor's Corporation (AAA, AA, or A) or Moody's Investors Service, Inc. (Aaa, Aa, or A).
- Repurchase Agreements may be made by the Manager in respect to any of the securities described above.
- Restrict all Investments to United States dollar denomination.

- Excluded from Investments shall be initial offerings and public offerings.
- Obligations issued or guaranteed by the Govt. of Canada or securities which are of substantially the same kind, class and investment grades as U.S. securities outlined in this policy that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.
- Government money market mutual funds or Class 1 Exempt funds which (a) invest only in obligations issued, guaranteed or insured by the United States or collateralized repurchased agreements composed of these obligations and (b) are qualified for investment without a reserve under the Purposes and Procedures Manual of the Securities Valuation Office or any successor publication.

## MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") is made and entered into this 1st day of January 2009, by and between Liberty Mutual Insurance Company ("Liberty Mutual"), a Massachusetts stock insurance company and First National Insurance Company of America ("FNICA"), a Washington stock insurance company.

I. Performance of Services. Liberty Mutual agrees, to the extent requested by FNICA, to perform such services (collectively, "services") for FNICA as FNICA determines to be reasonably necessary or desirable in the conduct of its operations; provided, however, that Liberty Mutual may, in its sole discretion, decline to provide any of the services contemplated in this Agreement if providing the requested services would interfere with Liberty Mutual's ability to meet its obligations to its policyholders or would otherwise adversely affect Liberty Mutual. All services provided under this Agreement shall comply with all applicable state laws and regulations governing FNICA, including all laws and regulations relating to review of FNICA's books and records. As may be necessary for the performance of Liberty Mutual's services under this Agreement, Liberty Mutual shall have the authority to negotiate or conclude contracts on behalf of FNICA or bind FNICA to any such contracts.

The listing of the following services to be performed under this Agreement is not intended to limit the performance of other services that may be provided by Liberty Mutual to or on behalf of FNICA, as may be agreed to by the parties from time to time:

A. Accounting, financial, tax and auditing. Subject to the direction and control of FNICA's Board of Directors and responsible officers, Liberty Mutual shall provide FNICA with such financial and accounting services as may be desirable, including:

1. Preparation and maintenance of annual and quarterly financial statements and other reports providing information required by the state of domicile and other states in which FNICA is transacting business, the maintenance of necessary and proper records and books of account with respect to the business of FNICA, and the maintenance and compilation of all data required for the preparation of tax returns.

2. Assistance to FNICA in connection with the examination or audit of the books, records, affairs and activities of FNICA by governmental, insurance or taxing authorities having regulatory or taxing authority with respect to the operations of FNICA, or by any firm of certified public accounts appointed by FNICA to audit its books, records and accounts.

3. Assistance to FNICA with treasury and accounts payable functions as may be determined between the parties. FNICA shall certify to Liberty Mutual the names and specimen signatures of all officers or employees of FNICA who are authorized to sign instructions on its behalf. Liberty Mutual shall have the right to require that all instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.

Nothing in this Agreement shall be construed to alter the fact that FNICA's books records and accounts are owned by FNICA; and FNICA shall have the right to inspect, or authorize others to inspect, its books, records and accounts.

B. Purchasing, payroll and employee benefits. Subject to the direction and control of FNICA's Board of Directors and responsible officers, Liberty Mutual shall provide FNICA with such services involving purchasing (including access to group purchasing contracts and fleet management services), payroll processing, and employee relations and/or benefits as may be permissible and desirable.

C. Information Technology and Support. Subject to the direction and control of FNICA's Board of Directors and responsible officers, Liberty Mutual shall provide the technology infrastructure, information technology systems, software, data center management, network management services, monitoring, management/oversight, and support services to FNICA and shall provide trouble-shooting functions on behalf of FNICA.

D. Policy Administration and Production. Subject to the direction and control of FNICA's Board of Directors and responsible officers, Liberty Mutual may perform all policy production, print and mail activities on FNICA's behalf for all the states in which FNICA currently operates and in which it may operate in the future.

E. Real Estate Management. Subject to the direction and control of FNICA's Board of Directors and responsible officers, Liberty Mutual may handle all matters and issues relating to FNICA's real estate purchases, sales, leases and lease-backs.

F. Legal. Subject to the direction and control of FNICA's Board of Directors and responsible officers, Liberty Mutual may provide legal services, including litigation management services, to or on behalf of FNICA.

G. General Administration. Providing all personnel, equipment, data processing programs, materials and supplies necessary or desirable for the performance of the services contemplated in this Agreement.

H. Miscellaneous. Subject to the direction and control of FNICA's Board of Directors and responsible officers, Liberty Mutual may perform such other services on behalf of FNICA as it may desire, and as may be mutually agreed to between Liberty Mutual and FNICA.

I. Reinsurance. Reinsurance services including, but not limited to (i) agreement to reinsurance policy and/or contract wordings and endorsements to existing policies; (ii) processing of reinsurance policy cancellations, nonrenewals and endorsements and other amendatory addenda; (iii) collection of premiums due under reinsurance policies or contracts, audits and remittances; (iv) negotiation and purchase of reinsurance coverage; (v) administration of letters of credit and other arrangements for the provision of security; and (vi) administration of reinsurance contracts.

II. Charges. FNICA shall reimburse Liberty Mutual for the reasonable cost of performing any of the services provided pursuant to this Agreement. Charges for such services shall include direct expenses and directly allocable expenses allocated to FNICA by Liberty Mutual in conformity with customary insurance accounting practices consistently applied. The method of expense allocations under this Agreement shall be consistent with the principles stated in the Statement of Statutory Accounting Principles No. 70, "Allocation of Expenses."

III. Accounts and Disbursements. Amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

IV. Confidentiality. Liberty Mutual and FNICA are prohibited from disclosing or communicating to any other person, not a party to this Agreement, any confidential or proprietary information or trade secrets relating to the parties' respective business or relating to any affiliate or agency of any party to this Agreement, including business methods and techniques, research data, marketing and sales information, customer lists, know-how and any other information concerning the business operations of any party of this Agreement, or any such party's affiliates and subsidiaries, unless the disclosure of communication of such information has been consented to in writing by the party whose confidential and proprietary information or trade secrets is to be released. Confidential and proprietary information shall not include (a) information generally known to the public, (b) information known to Liberty Mutual or FNICA to be non-confidential from other, third party, sources prior to the execution of this Agreement, and (c) information required to be disclosed by law or a state or federal governmental agency having authority over the business of Liberty Mutual or FNICA, but only for the limited purpose of such disclosure.

V. Standards for Performance of Delegated Administrative and Management Functions.

A. At all times during the term of this Agreement, Liberty Mutual shall perform all delegated administrative and management functions at a level that is at least equal to its standards for performing such functions on behalf of its own insurance operations. In addition, all delegated administrative and management functions shall be performed in accordance with, and subject to, at all times, the relevant and applicable state (or federal) insurance laws and regulations to which FNICA's insurance operations are, or may be, subject.

B. In the event that Liberty Mutual receives a notice from any governmental agency, board, bureau, commission or public authority of any type, of any alleged violation of any state or federal insurance law, such notice shall immediately be forwarded to FNICA. Liberty Mutual shall cooperate in responding to any such governmental notice as such notice relates to its rendering of services under this Agreement.

VI. Term and Termination.

A. Term. This Agreement shall be effective as of the 1<sup>st</sup> day of January 2009 and shall continue in full force and effect until terminated in accordance with subsection B, below. In the event that this Agreement is required to be approved by any state Department of

Insurance, any request for such approval shall seek an effective date that mirrors the date expressed above.

B. Termination.

1. Termination without Cause. This Agreement may be terminated, in whole or in relevant part, as appropriate, by FNICA or Liberty Mutual, without case, upon ninety (90) days prior written notice. The terminating party shall provide the applicable state Department(s) of Insurance with written notification of any whole or partial termination of this Agreement, as may be appropriate, in accordance with state law requirements.

2. Termination with Cause. This Agreement may be terminated immediately, in relevant part, as appropriate, by FNICA or Liberty Mutual, for the following reasons:

(a) Material failure by Liberty Mutual to perform the services delegated in accordance with the standards set forth in this Agreement; provided, however, that upon notification by FNICA that the services so delegated are not being performed in an appropriate or satisfactory manner, Liberty Mutual shall have thirty (30) days in which to cure the deficiency. In the event the deficiency is not cured to the satisfaction of FNICA, FNICA may immediately terminate this Agreement.

(b) nonpayment of costs by a delegating party to the party performing the services so delegated.

(c) The suspension, revocation or other restriction on the insurance license of either FNICA or Liberty Mutual.

(d) The insolvency, voluntary or involuntary bankruptcy, reorganization or liquidation of either FNICA or Liberty Mutual.

(e) In the event of (i) the acquisition of FNICA by a third party from Liberty Mutual; or (ii) any other change in control with causes Liberty Mutual to no longer maintain a majority on the Board of Directors of FNICA, then this Agreement shall terminate with respect to FNICA as of the effective date of the change of control.

C. Effect of Termination. In the event that this Agreement is terminated, with, or without, cause, in whole or in part, as appropriate, the relevant services shall continue to be provided by Liberty Mutual until alternate arrangements reasonably can be made by FNICA (the "Transition Services"); provided, however, that the Transition Services shall not be required to be provided for a period of time extending beyond ninety (90) days from the effective date of termination, unless otherwise agreed to by parties. In the event that this Agreement is terminated, in whole or in part, as appropriate, for any reason other than those relating to change of control as described in Section VI.B.2(e), above, all such Transition Services shall continue to be compensation for on a cost basis. In the event that this Agreement is terminated for reasons specified in Section VI.B.2(e), above, all such Transition Services shall be compensated for at the then-prevailing market rate for the provision of such services.

VII. Indemnification.

A. Liberty Mutual Indemnification of FNICA. Liberty Mutual shall indemnify, defend and hold harmless FNICA from and against any expenses, damages, liability, actions, costs or other claims, including but not limited to reasonable attorney's fees and associated costs, incurred by FNICA either (i) as a result of the failure of Liberty Mutual or any subcontractor appointed by Liberty Mutual to comply with any law or administrative regulations, only if such failure is the result of willful neglect or gross negligence, or (ii) as a result of, or in connection with, Liberty Mutual's breach of any duty or obligation hereunder or the breach of any duty or obligation of any subcontractor appointed by Liberty Mutual if such breach is the result of willful neglect or gross negligence. FNICA may set off against any amount due Liberty Mutual any amount due to FNICA, pursuant to this or any other agreement to which the parties to this indemnification are also parties.

B. FNICA's Indemnification of Liberty Mutual. FNICA shall indemnify Liberty Mutual and hold Liberty Mutual harmless from all actions, liabilities, costs and expenses arising out of or in any way related to Liberty Mutual's services under this Agreement, unless directly related to Liberty Mutual's willful neglect or gross negligence.

VIII. No Waiver. The parties hereto agree that no indulgence or acceptance of any delinquent or partial payment or ratification after the fact of any violation or breach of any provision of this Agreement by any party hereto shall be construed as a waiver of any party's rights hereunder.

IX. Notices. Any notice required to be given pursuant to any provision of this Agreement shall be in writing and shall be sent to the parties at their respective last known address by first class mail, postage prepaid, by overnight delivery service, or by confirmed facsimile transmission.

X. Severability. If any provision of this Agreement is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if that provision had not been included.

XI. Amendment. This Agreement may only be amended upon the written agreement of both parties hereto.

XII. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

XIII. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (without application of the conflict of laws principles thereof).

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement under seal as of the day and year first above written.

Liberty Mutual Insurance Company

---

By:  
Its:

First National Insurance Company of America

---

By:  
Its:

## MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") is made and entered into 1st day of January 2009, by and between Liberty Mutual Insurance Company ("Liberty Mutual"), a Massachusetts stock insurance company and General Insurance Company of America ("GICA"), a Washington stock insurance company.

I. Performance of Services. Liberty Mutual agrees, to the extent requested by GICA, to perform such services (collectively, "services") for GICA as GICA determines to be reasonably necessary or desirable in the conduct of its operations; provided, however, that Liberty Mutual may, in its sole discretion, decline to provide any of the services contemplated in this Agreement if providing the requested services would interfere with Liberty Mutual's ability to meet its obligations to its policyholders or would otherwise adversely affect Liberty Mutual. All services provided under this Agreement shall comply with all applicable state laws and regulations governing GICA, including all laws and regulations relating to review of GICA's books and records. As may be necessary for the performance of Liberty Mutual's services under this Agreement, Liberty Mutual shall have the authority to negotiate or conclude contracts on behalf of GICA or bind GICA to any such contracts.

The listing of the following services to be performed under this Agreement is not intended to limit the performance of other services that may be provided by Liberty Mutual to or on behalf of GICA, as may be agreed to by the parties from time to time:

A. Accounting, financial, tax and auditing. Subject to the direction and control of GICA's Board of Directors and responsible officers, Liberty Mutual shall provide GICA with such financial and accounting services as may be desirable, including:

1. Preparation and maintenance of annual and quarterly financial statements and other reports providing information required by the state of domicile and other states in which GICA is transacting business, the maintenance of necessary and proper records and books of account with respect to the business of GICA, and the maintenance and compilation of all data required for the preparation of tax returns.

2. Assistance to GICA in connection with the examination or audit of the books, records, affairs and activities of GICA by governmental, insurance or taxing authorities having regulatory or taxing authority with respect to the operations of GICA, or by any firm of certified public accounts appointed by GICA to audit its books, records and accounts.

3. Assistance to GICA with treasury and accounts payable functions as may be determined between the parties. GICA shall certify to Liberty Mutual the names and specimen signatures of all officers or employees of GICA who are authorized to sign instructions on its behalf. Liberty Mutual shall have the right to require that all instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.

Nothing in this Agreement shall be construed to alter the fact that GICA's books records and accounts are owned by GICA; and GICA shall have the right to inspect, or authorize others to inspect, its books, records and accounts.

B. Purchasing, payroll and employee benefits. Subject to the direction and control of GICA's Board of Directors and responsible officers, Liberty Mutual shall provide GICA with such services involving purchasing (including access to group purchasing contracts and fleet management services), payroll processing, and employee relations and/or benefits as may be permissible and desirable.

C. Information Technology and Support. Subject to the direction and control of GICA's Board of Directors and responsible officers, Liberty Mutual shall provide the technology infrastructure, information technology systems, software, data center management, network management services, monitoring, management/oversight, and support services to GICA and shall provide trouble-shooting functions on behalf of GICA.

D. Policy Administration and Production. Subject to the direction and control of GICA's Board of Directors and responsible officers, Liberty Mutual may perform all policy production, print and mail activities on GICA's behalf for all the states in which GICA currently operates and in which it may operate in the future.

E. Real Estate Management. Subject to the direction and control of GICA's Board of Directors and responsible officers, Liberty Mutual may handle all matters and issues relating to GICA's real estate purchases, sales, leases and lease-backs.

F. Legal. Subject to the direction and control of GICA's Board of Directors and responsible officers, Liberty Mutual may provide legal services, including litigation management services, to or on behalf of GICA.

G. General Administration. Providing all personnel, equipment, data processing programs, materials and supplies necessary or desirable for the performance of the services contemplated in this Agreement.

H. Miscellaneous. Subject to the direction and control of GICA's Board of Directors and responsible officers, Liberty Mutual may perform such other services on behalf of GICA as it may desire, and as may be mutually agreed to between Liberty Mutual and GICA.

I. Reinsurance. Reinsurance services including, but not limited to (i) agreement to reinsurance policy and/or contract wordings and endorsements to existing policies; (ii) processing of reinsurance policy cancellations, nonrenewals and endorsements and other amendatory addenda; (iii) collection of premiums due under reinsurance policies or contracts, audits and remittances; (iv) negotiation and purchase of reinsurance coverage; (v) administration of letters of credit and other arrangements for the provision of security; and (vi) administration of reinsurance contracts.

II. Charges. GICA shall reimburse Liberty Mutual for the reasonable cost of performing any of the services provided pursuant to this Agreement. Charges for such

services shall include direct expenses and directly allocable expenses allocated to GICA by Liberty Mutual in conformity with customary insurance accounting practices consistently applied. The method of expense allocations under this Agreement shall be consistent with the principles stated in the Statement of Statutory Accounting Principles No. 70, "Allocation of Expenses."

III. Accounts and Disbursements. Amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

IV. Confidentiality. Liberty Mutual and GICA are prohibited from disclosing or communicating to any other person, not a party to this Agreement, any confidential or proprietary information or trade secrets relating to the parties' respective business or relating to any affiliate or agency of any party to this Agreement, including business methods and techniques, research data, marketing and sales information, customer lists, know-how and any other information concerning the business operations of any party of this Agreement, or any such party's affiliates and subsidiaries, unless the disclosure of communication of such information has been consented to in writing by the party whose confidential and propriety information or trade secrets is to be released. Confidential and proprietary information shall not include (a) information generally known to the public, (b) information known to Liberty Mutual or GICA to be non-confidential from other, third party, sources prior to the execution of this Agreement, and (c) information required to be disclosed by law or a state or federal governmental agency having authority over the business of Liberty Mutual or GICA, but only for the limited purpose of such disclosure.

V. Standards for Performance of Delegated Administrative and Management Functions.

A. At all times during the term of this Agreement, Liberty Mutual shall perform all delegated administrative and management functions at a level that is at least equal to its standards for performing such functions on behalf of its own insurance operations. In addition, all delegated administrative and management functions shall be performed in accordance with, and subject to, at all times, the relevant and applicable state (or federal) insurance laws and regulations to which GICA's insurance operations are, or may be, subject.

B. In the event that Liberty Mutual receives a notice from any governmental agency, board, bureau, commission or public authority of any type, of any alleged violation of any state or federal insurance law, such notice shall immediately be forwarded to GICA. Liberty Mutual shall cooperate in responding to any such governmental notice as such notice relates to its rendering of services under this Agreement.

VI. Term and Termination.

A. Term. This Agreement shall be effective as of the 1<sup>st</sup> day of January 2009 and shall continue in full force and effect until terminated in accordance with subsection B, below. In the event that this Agreement is required to be approved by any state Department of Insurance, any request for such approval shall seek an effective date that mirrors the date expressed above.

B. Termination.

1. Termination without Cause. This Agreement may be terminated, in whole or in relevant part, as appropriate, by GICA or Liberty Mutual, without case, upon ninety (90) days prior written notice. The terminating party shall provide the applicable state Department(s) of Insurance with written notification of any whole or partial termination of this Agreement, as may be appropriate, in accordance with state law requirements.

2. Termination with Cause. This Agreement may be terminated immediately, in relevant part, as appropriate, by GICA or Liberty Mutual, for the following reasons:

(a) Material failure by Liberty Mutual to perform the services delegated in accordance with the standards set forth in this Agreement; provided, however, that upon notification by GICA that the services so delegated are not being performed in an appropriate or satisfactory manner, Liberty Mutual shall have thirty (30) days in which to cure the deficiency. In the event the deficiency is not cured to the satisfaction of GICA, GICA may immediately terminate this Agreement.

(b) nonpayment of costs by a delegating party to the party performing the services so delegated.

(c) The suspension, revocation or other restriction on the insurance license of either GICA or Liberty Mutual.

(d) The insolvency, voluntary or involuntary bankruptcy, reorganization or liquidation of either GICA or Liberty Mutual.

(e) In the event of (i) the acquisition of GICA by a third party from Liberty Mutual; or (ii) any other change in control with causes Liberty Mutual to no longer maintain a majority on the Board of Directors of GICA, then this Agreement shall terminate with respect to GICA as of the effective date of the change of control.

C. Effect of Termination. In the event that this Agreement is terminated, with, or without, cause, in whole or in part, as appropriate, the relevant services shall continue to be provided by Liberty Mutual until alternate arrangements reasonably can be made by GICA (the "Transition Services"); provided, however, that the Transition Services shall not be required to be provided for a period of time extending beyond ninety (90) days from the effective date of termination, unless otherwise agreed to by parties. In the event that this Agreement is terminated, in whole or in part, as appropriate, for any reason other than those relating to change of control as described in Section VI.B.2(e), above, all such Transition Services shall continue to be compensation for on a cost basis. In the event that this Agreement is terminated for reasons specified in Section VI.B.2(e), above, all such Transition Services shall be compensated for at the then-prevailing market rate for the provision of such services.

VII. Indemnification.

A. Liberty Mutual Indemnification of GICA. Liberty Mutual shall indemnify, defend and hold harmless GICA from and against any expenses, damages, liability, actions, costs or other claims, including but not limited to reasonable attorney's fees and associated costs, incurred by GICA either (i) as a result of the failure of Liberty Mutual or any subcontractor appointed by Liberty Mutual to comply with any law or administrative regulation, only if such failure is the result of willful neglect or gross negligence, or (ii) as a result of, or in connection with, Liberty Mutual's breach of any duty or obligation hereunder or the breach of any duty or obligation of any subcontractor appointed by Liberty Mutual if such breach is the result of willful neglect or gross negligence. GICA may set off against any amount due Liberty Mutual any amount due to GICA, pursuant to this or any other agreement to which the parties to this indemnification are also parties.

B. GICA's Indemnification of Liberty Mutual. GICA shall indemnify Liberty Mutual and hold Liberty Mutual harmless from all actions, liabilities, costs and expenses arising out of or in any way related to Liberty Mutual's services under this Agreement, unless directly related to Liberty Mutual's willful neglect or gross negligence.

VIII. No Waiver. The parties hereto agree that no indulgence or acceptance of any delinquent or partial payment or ratification after the fact of any violation or breach of any provision of this Agreement by any party hereto shall be construed as a waiver of any party's rights hereunder.

IX. Notices. Any notice required to be given pursuant to any provision of this Agreement shall be in writing and shall be sent to the parties at their respective last known address by first class mail, postage prepaid, by overnight delivery service, or by confirmed facsimile transmission.

X. Severability. If any provision of this Agreement is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if that provision had not been included.

XI. Amendment. This Agreement may only be amended upon the written agreement of both parties hereto.

XII. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

XIII. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (without application of the conflict of laws principles thereof).

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement under seal as of the day and year first above written.

Liberty Mutual Insurance Company

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By:  
Its:

General Insurance Company of America

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By:  
Its:

## MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") is made and entered into this 1st day of January 2009, by and between Liberty Mutual Insurance Company ("Liberty Mutual"), a Massachusetts stock insurance company and Safeco Insurance Company of America ("SICA"), a Washington stock insurance company.

I. Performance of Services. Liberty Mutual agrees, to the extent requested by SICA, to perform such services (collectively, "services") for SICA as SICA determines to be reasonably necessary or desirable in the conduct of its operations; provided, however, that Liberty Mutual may, in its sole discretion, decline to provide any of the services contemplated in this Agreement if providing the requested services would interfere with Liberty Mutual's ability to meet its obligations to its policyholders or would otherwise adversely affect Liberty Mutual. All services provided under this Agreement shall comply with all applicable state laws and regulations governing SICA, including all laws and regulations relating to review of SICA's books and records. As may be necessary for the performance of Liberty Mutual's services under this Agreement, Liberty Mutual shall have the authority to negotiate or conclude contracts on behalf of SICA or bind SICA to any such contracts.

The listing of the following services to be performed under this Agreement is not intended to limit the performance of other services that may be provided by Liberty Mutual to or on behalf of SICA, as may be agreed to by the parties from time to time:

A. Accounting, financial, tax and auditing. Subject to the direction and control of SICA's Board of Directors and responsible officers, Liberty Mutual shall provide SICA with such financial and accounting services as may be desirable, including:

1. Preparation and maintenance of annual and quarterly financial statements and other reports providing information required by the state of domicile and other states in which SICA is transacting business, the maintenance of necessary and proper records and books of account with respect to the business of SICA, and the maintenance and compilation of all data required for the preparation of tax returns.

2. Assistance to SICA in connection with the examination or audit of the books, records, affairs and activities of SICA by governmental, insurance or taxing authorities having regulatory or taxing authority with respect to the operations of SICA, or by any firm of certified public accounts appointed by SICA to audit its books, records and accounts.

3. Assistance to SICA with treasury and accounts payable functions as may be determined between the parties. SICA shall certify to Liberty Mutual the names and specimen signatures of all officers or employees of SICA who are authorized to sign instructions on its behalf. Liberty Mutual shall have the right to require that all instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.

Nothing in this Agreement shall be construed to alter the fact that SICA's books records and accounts are owned by SICA; and SICA shall have the right to inspect, or authorize others to inspect, its books, records and accounts.

B. Purchasing, payroll and employee benefits. Subject to the direction and control of SICA's Board of Directors and responsible officers, Liberty Mutual shall provide SICA with such services involving purchasing (including access to group purchasing contracts and fleet management services), payroll processing, and employee relations and/or benefits as may be permissible and desirable.

C. Information Technology and Support. Subject to the direction and control of SICA's Board of Directors and responsible officers, Liberty Mutual shall provide the technology infrastructure, information technology systems, software, data center management, network management services, monitoring, management/oversight, and support services to SICA and shall provide trouble-shooting functions on behalf of SICA.

D. Policy Administration and Production. Subject to the direction and control of SICA's Board of Directors and responsible officers, Liberty Mutual may perform all policy production, print and mail activities on SICA's behalf for all the states in which SICA currently operates and in which it may operate in the future.

E. Real Estate Management. Subject to the direction and control of SICA's Board of Directors and responsible officers, Liberty Mutual may handle all matters and issues relating to SICA's real estate purchases, sales, leases and lease-backs.

F. Legal. Subject to the direction and control of SICA's Board of Directors and responsible officers, Liberty Mutual may provide legal services, including litigation management services, to or on behalf of SICA.

G. General Administration. Providing all personnel, equipment, data processing programs, materials and supplies necessary or desirable for the performance of the services contemplated in this Agreement.

H. Miscellaneous. Subject to the direction and control of SICA's Board of Directors and responsible officers, Liberty Mutual may perform such other services on behalf of SICA as it may desire, and as may be mutually agreed to between Liberty Mutual and SICA.

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II. Charges. SICA shall reimburse Liberty Mutual for the reasonable cost of performing any of the services provided pursuant to this Agreement. Charges for such services shall

include direct expenses and directly allocable expenses allocated to SICA by Liberty Mutual in conformity with customary insurance accounting practices consistently applied. The method of expense allocations under this Agreement shall be consistent with the principles stated in the Statement of Statutory Accounting Principles No. 70, "Allocation of Expenses."

III. Accounts and Disbursements. Amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

IV. Confidentiality. Liberty Mutual and SICA are prohibited from disclosing or communicating to any other person, not a party to this Agreement, any confidential or proprietary information or trade secrets relating to the parties' respective business or relating to any affiliate or agency of any party to this Agreement, including business methods and techniques, research data, marketing and sales information, customer lists, know-how and any other information concerning the business operations of any party of this Agreement, or any such party's affiliates and subsidiaries, unless the disclosure of communication of such information has been consented to in writing by the party whose confidential and propriety information or trade secrets is to be released. Confidential and proprietary information shall not include (a) information generally known to the public, (b) information known to Liberty Mutual or SICA to be non-confidential from other, third party, sources prior to the execution of this Agreement, and (c) information required to be disclosed by law or a state or federal governmental agency having authority over the business of Liberty Mutual or SICA, but only for the limited purpose of such disclosure.

V. Standards for Performance of Delegated Administrative and Management Functions.

A. At all times during the term of this Agreement, Liberty Mutual shall perform all delegated administrative and management functions at a level that is at least equal to its standards for performing such functions on behalf of its own insurance operations. In addition, all delegated administrative and management functions shall be performed in accordance with, and subject to, at all times, the relevant and applicable state (or federal) insurance laws and regulations to which SICA's insurance operations are, or may be, subject.

B. In the event that Liberty Mutual receives a notice from any governmental agency, board, bureau, commission or public authority of any type, of any alleged violation of any state or federal insurance law, such notice shall immediately be forwarded to SICA. Liberty Mutual shall cooperate in responding to any such governmental notice as such notice relates to its rendering of services under this Agreement.

VI. Term and Termination.

A. Term. This Agreement shall be effective as of the 1<sup>st</sup> day of January 2009 and shall continue in full force and effect until terminated in accordance with subsection B, below. In the event that this Agreement is required to be approved by any state Department of Insurance, any request for such approval shall seek an effective date that mirrors the date expressed above.

B. Termination.

1. Termination without Cause. This Agreement may be terminated, in whole or in relevant part, as appropriate, by SICA or Liberty Mutual, without case, upon ninety (90) days prior written notice. The terminating party shall provide the applicable state Department(s) of Insurance with written notification of any whole or partial termination of this Agreement, as may be appropriate, in accordance with state law requirements.

2. Termination with Cause. This Agreement may be terminated immediately, in relevant part, as appropriate, by SICA or Liberty Mutual, for the following reasons:

(a) Material failure by Liberty Mutual to perform the services delegated in accordance with the standards set forth in this Agreement; provided, however, that upon notification by SICA that the services so delegated are not being performed in an appropriate or satisfactory manner, Liberty Mutual shall have thirty (30) days in which to cure the deficiency. In the event the deficiency is not cured to the satisfaction of SICA, SICA may immediately terminate this Agreement.

(b) nonpayment of costs by a delegating party to the party performing the services so delegated.

(c) The suspension, revocation or other restriction on the insurance license of either SICA or Liberty Mutual.

(d) The insolvency, voluntary or involuntary bankruptcy, reorganization or liquidation of either SICA or Liberty Mutual.

(e) In the event of (i) the acquisition of SICA by a third party from Liberty Mutual; or (ii) any other change in control which causes Liberty Mutual to no longer maintain a majority on the Board of Directors of SICA, then this Agreement shall terminate with respect to SICA as of the effective date of the change of control.

C. Effect of Termination. In the event that this Agreement is terminated, with, or without, cause, in whole or in part, as appropriate, the relevant services shall continue to be provided by Liberty Mutual until alternate arrangements reasonably can be made by SICA (the "Transition Services"); provided, however, that the Transition Services shall not be required to be provided for a period of time extending beyond ninety (90) days from the effective date of termination, unless otherwise agreed to by parties. In the event that this Agreement is terminated, in whole or in part, as appropriate, for any reason other than those relating to change of control as described in Section VI.B.2(e), above, all such Transition Services shall continue to be compensation for on a cost basis. In the event that this Agreement is terminated for reasons specified in Section VI.B.2(e), above, all such Transition Services shall be compensated for at the then-prevailing market rate for the provision of such services.

VII. Indemnification.

A. Liberty Mutual Indemnification of SICA. Liberty Mutual shall indemnify, defend and hold harmless SICA from and against any expenses, damages, liability, actions, costs or other claims, including but not limited to reasonable attorney's fees and associated costs, incurred by SICA either (i) as a result of the failure of Liberty Mutual or any subcontractor appointed by Liberty Mutual to comply with any law or administrative regulation, only if such failure is the result of willful neglect or gross negligence, or (ii) as a result of, or in connection with, Liberty Mutual's breach of any duty or obligation hereunder or the breach of any duty or obligation of any subcontractor appointed by Liberty Mutual if such breach is the result of willful neglect or gross negligence. SICA may set off against any amount due Liberty Mutual any amount due to SICA, pursuant to this or any other agreement to which the parties to this indemnification are also parties.

B. SICA's Indemnification of Liberty Mutual. SICA shall indemnify Liberty Mutual and hold Liberty Mutual harmless from all actions, liabilities, costs and expenses arising out of or in any way related to Liberty Mutual's services under this Agreement, unless directly related to Liberty Mutual's willful neglect or gross negligence.

VIII. No Waiver. The parties hereto agree that no indulgence or acceptance of any delinquent or partial payment or ratification after the fact of any violation or breach of any provision of this Agreement by any party hereto shall be construed as a waiver of any party's rights hereunder.

IX. Notices. Any notice required to be given pursuant to any provision of this Agreement shall be in writing and shall be sent to the parties at their respective last known address by first class mail, postage prepaid, by overnight delivery service, or by confirmed facsimile transmission.

X. Severability. If any provision of this Agreement is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if that provision had not been included.

XI. Amendment. This Agreement may only be amended upon the written agreement of both parties hereto.

XII. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

XIII. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (without application of the conflict of laws principles thereof).

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement under seal as of the day and year first above written.

Liberty Mutual Insurance Company

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By:  
Its:

Safeco Insurance Company of America

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By:  
Its:

## MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") is made and entered into this 1st day of January 2009, by and between Liberty Mutual Insurance Company ("Liberty Mutual"), a Massachusetts stock insurance company and Safeco Surplus Lines Insurance Company ("SSLIC"), a Washington stock insurance company.

I. Performance of Services. Liberty Mutual agrees, to the extent requested by SSLIC, to perform such services (collectively, "services") for SSLIC as SSLIC determines to be reasonably necessary or desirable in the conduct of its operations; provided, however, that Liberty Mutual may, in its sole discretion, decline to provide any of the services contemplated in this Agreement if providing the requested services would interfere with Liberty Mutual's ability to meet its obligations to its policyholders or would otherwise adversely affect Liberty Mutual. All services provided under this Agreement shall comply with all applicable state laws and regulations governing SSLIC, including all laws and regulations relating to review of SSLIC's books and records. As may be necessary for the performance of Liberty Mutual's services under this Agreement, Liberty Mutual shall have the authority to negotiate or conclude contracts on behalf of SSLIC or bind SSLIC to any such contracts.

The listing of the following services to be performed under this Agreement is not intended to limit the performance of other services that may be provided by Liberty Mutual to or on behalf of SSLIC, as may be agreed to by the parties from time to time:

A. Accounting, financial, tax and auditing. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, Liberty Mutual shall provide SSLIC with such financial and accounting services as may be desirable, including:

1. Preparation and maintenance of annual and quarterly financial statements and other reports providing information required by the state of domicile and other states in which SSLIC is transacting business, the maintenance of necessary and proper records and books of account with respect to the business of SSLIC, and the maintenance and compilation of all data required for the preparation of tax returns.

2. Assistance to SSLIC in connection with the examination or audit of the books, records, affairs and activities of SSLIC by governmental, insurance or taxing authorities having regulatory or taxing authority with respect to the operations of SSLIC, or by any firm of certified public accounts appointed by SSLIC to audit its books, records and accounts.

3. Assistance to SSLIC with treasury and accounts payable functions as may be determined between the parties. SSLIC shall certify to Liberty Mutual the names and specimen signatures of all officers or employees of SSLIC who are authorized to sign instructions on its behalf. Liberty Mutual shall have the right to require that all instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.

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B. In the event that Liberty Mutual receives a notice from any governmental agency, board, bureau, commission or public authority of any type, of any alleged violation of any state or federal insurance law, such notice shall immediately be forwarded to SSLIC. Liberty Mutual shall cooperate in responding to any such governmental notice as such notice relates to its rendering of services under this Agreement.

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(c) The suspension, revocation or other restriction on the insurance license of either SSLIC or Liberty Mutual.

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(e) In the event of (i) the acquisition of SSLIC by a third party from Liberty Mutual; or (ii) any other change in control with causes Liberty Mutual to no longer maintain a majority on the Board of Directors of SSLIC, then this Agreement shall terminate with respect to SSLIC as of the effective date of the change of control.

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XII. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

XIII. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (without application of the conflict of laws principles thereof).

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement under seal as of the day and year first above written.

Liberty Mutual Insurance Company

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By:  
Its:

Safeco Surplus Lines Insurance Company

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By:  
Its:

## SERVICES AGREEMENT

SERVICES AGREEMENT effective January 1, 1999 between THE NETHERLANDS INSURANCE COMPANY, a New Hampshire corporation ("NIC"), EXCELSIOR INSURANCE COMPANY, a New Hampshire corporation, ("EIC"), INDIANA INSURANCE COMPANY, an Indiana corporation, ("IIC"); CONSOLIDATED INSURANCE COMPANY, an Indiana corporation, ("CIC"), ATLAS ASSURANCE COMPANY OF AMERICA, a New York Company ("Atlas"), AMERICA FIRST INSURANCE COMPANY, a New Hampshire corporation, ("AMFIC"), ALBANY INSURANCE COMPANY, a New York insurer ("Albany"), AMERICAN AMBASSADOR CASUALTY COMPANY, an Illinois insurer ("American Ambassador"), GLOBE AMERICAN CASUALTY COMPANY, an Ohio insurer ("Globe"), THE MIDWESTERN INDEMNITY COMPANY, an Ohio insurer ("Midwestern"), and MID-AMERICAN FIRE AND CASUALTY COMPANY, an Ohio insurer ("Mid-American");(hereinafter together called the "COMPANIES") on the one part and PEERLESS INSURANCE COMPANY, a New Hampshire corporation ("PIC") on the other part and collectively referred to as the "Parties."

WHEREAS, as a result of a change of control of PIC, NIC, EIC, IIC, CIC, and AMFIC on August 28, 1998 the Parties are now all affiliated companies under the ultimate control of Guardian Royal Exchange plc; and

WHEREAS the Parties deem it in their best interests to enter into this Services Agreement to replace and supersede all services and management agreements between and among the Parties, and specifically those service agreements dated February 23, 1993 between NIC on the one part and PIC, EIC, IIC, CIC, and AMFIC on the other, and that management agreement effective September 1, 1998 between and among Albany, American Ambassador, Atlas, Caledonian, Globe, Midwestern, Mid-American, The National Corporation, NIC and Tower;

NOW, THEREFORE, the Parties hereto agree as follows:

1. SERVICES. PIC agrees to perform for the COMPANIES such services as the COMPANIES may request from time to time, including, without limitation, supervising the COMPANIES investments, coordinating the activities of the COMPANIES, coordinating the development of corporate plans for the COMPANIES and providing consulting and other services to the COMPANIES as the COMPANIES may request. All underwriting, claims and investment services provided the COMPANIES are to be based upon the written criteria, standards and guidelines of the COMPANIES. The COMPANIES shall have the ultimate and final authority over decisions and policies; to include but not limited to the acceptance, rejection or canceling of risks, the payment or nonpayment of claims and the purchases and sale of securities.

2. ACCOUNTS. PIC shall maintain and shall be signatory on bank and other types of accounts necessary for the performance of this Agreement and shall handle all deposits and withdrawals from such accounts. PIC shall maintain and be a signatory on behalf of the COMPANIES on the COMPANIES assets, custodial accounts, safety deposit boxes, any nominee partnership and any other depositories related to the conduct of the COMPANIES operations supervised pursuant to this Agreement.

3. PERSONNEL. PIC will provide at its cost a staff of professional and office personnel necessary to carry out the services to be provided hereunder and may, in fulfilling this requirement, utilize employees of one or more of the COMPANIES.

4. INSURANCE. PIC and the COMPANIES shall determine the type and amount of insurance necessary or appropriate for the conduct of the business operations supervised pursuant to this Agreement. PIC shall seek to obtain and maintain in force such insurance on behalf of the COMPANIES. PIC shall be named as co-insured where appropriate.

5. COMPLIANCE. PIC shall supervise compliance with all applicable laws, rules and regulations, and shall notify the COMPANIES of any and all litigation relating to or affecting business operations contemplated by this Agreement.

6. REPORTS. The following reports will be made available to PIC by the COMPANIES:

DESCRIPTION	PERIOD
Federal Income Tax Returns	As required by law
State Income Tax Returns	As required by law
Franchise Tax Returns	As required by law
Property and All Other Tax Filings	As required by law
Other Reports as Deemed Necessary by the COMPANIES	As required by the COMPANIES

7. COMPENSATION. In consideration of the services rendered hereunder, the COMPANIES agree to pay, or cause to be paid, to PIC for each quarter an amount equal to the costs which PIC incurred during the preceding quarter and which relate directly or indirectly to the performance by PIC of such services less any revenues received from any other source. The amount paid by the COMPANIES to PIC shall not exceed the costs that the COMPANIES would have expended in providing such services for themselves. The COMPANIES will pay each such amount within 30 days after receiving from PIC an invoice therefor, and each such statement may take into account any adjustment for prior periods that is necessary to reflect accurately the costs incurred by PIC for services rendered to the COMPANIES during those periods and will credit the COMPANIES for the costs associated with PIC's utilization of their employees as permitted under Paragraph 3 of this Agreement. If such credit exceeds the amount due to PIC, then PIC shall pay the appropriate COMPANIES the amount by which the credit exceeds the charge for services provided by PIC.

8. ALLOCATION OF EXPENSES. All expenses shall be classified and allocated between PIC and the COMPANIES in strict accordance with the pooling percentages under Endorsement Number 1 to the Reinsurance Agreement effective January 1, 1996 and consistent with the provisions of New York Insurance Regulation 30, 11 NYCRR 105-109.

9. SCOPE OF AUTHORITY. PIC shall perform services hereunder and shall have authority to negotiate or conclude contracts on behalf of the COMPANIES or bind the COMPANIES as necessary for the performance of such services.

10. GENERAL. Notwithstanding any other provision of this agreement, it is understood that the business and affairs of the COMPANIES shall be managed by their Boards of Directors, and, to the extent delegated by such Boards, by their appropriately delegated designated officers. The Board of Directors and officers of PIC shall not have any management prerogatives with respect to the business affairs and operations of the COMPANIES.

11. TERMINATION. This Service Agreement may be terminated as between PIC and any other Party at any time by mutual agreement, or by PIC and any other Party upon not less than 30 days' prior written notice to the other, but the obligations and liabilities of PIC and the COMPANIES under this Service Agreement shall continue until all such obligations have been met and such liabilities paid in full.

12. INDEMNIFICATION. The COMPANIES shall indemnify PIC and hold PIC harmless from all actions, liabilities, costs and expenses arising out of or in any way related to PIC's services under this Agreement, unless directly related to PIC's willful neglect or gross negligence.

13. INSPECTION. The COMPANIES shall have the right at all reasonable times to examine books, records and assets maintained by PIC in respect of this Agreement.

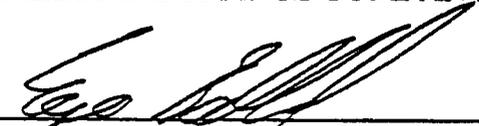
14. ARBITRATION. All disputes and controversies of every kind and nature arising out of or in connection with the performance or nonperformance, or the figures and calculations used pursuant to this Agreement, whether before or after the termination of this Agreement, shall be settled by arbitration in accordance with the rules of the American Arbitration Association. Unless a single arbitrator is agreed upon, the arbitration panel shall be composed of two arbitrators and an umpire chosen from persons knowledgeable in the insurance business. One arbitrator shall be named in writing by each Party within ten (10) days after the notice of arbitration is served by either Party upon the other, and the umpire selected by the two arbitrators within fifteen (15) days thereafter. If the arbitrators are unable to agree upon an umpire, then the umpire shall be chosen impartially by the American Arbitration Association. An award rendered by a majority of the arbitrators shall be binding on the Parties to the proceeding. The arbitration costs and expenses of each Party shall be borne by that Party.

15. RECORDS. The books, accounts and records of all Parties shall disclose the nature and details of the transactions including such accounting information as is necessary to describe the charges and fees. Notwithstanding anything to the contrary herein, the COMPANIES, respectively, shall at all times retain ownership of their records.

16. AMENDMENTS AND ASSIGNMENTS. It is further understood and agreed that this Agreement cannot be changed or modified except by express written agreement of the Parties, and shall not be assigned or transferred, directly or indirectly, by one Party without the consent of the other Party.

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be duly executed by their respective duly authorized representatives as of the dates below written.

PEERLESS INSURANCE COMPANY

By 

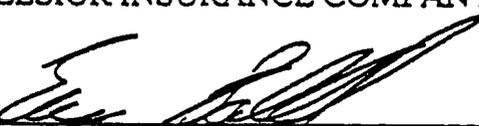
Date: February 2, 1999

THE NETHERLANDS INSURANCE COMPANY

By 

Date: February 2, 1999

EXCELSIOR INSURANCE COMPANY

By 

Date: February 2, 1999

INDIANA INSURANCE COMPANY

By 

Date: February 2, 1999

CONSOLIDATED INSURANCE COMPANY

By 

Date: February 2, 1999

AMERICA FIRST INSURANCE COMPANY

By 

Date: February 2, 1999

ATLAS INSURANCE COMPANY OF AMERICA

By 

Date: February 2, 1999

ALBANY INSURANCE COMPANY

By 

Date: February 2, 1999

AMERICAN AMBASSADOR CASUALTY  
COMPANY

By 

Date: February 2, 1999

GLOBE AMERICAN CASUALTY COMPANY

By 

Date: February 2, 1999

THE MIDWESTERN INDEMNITY COMPANY

By   
Date: February 2, 1999

MID-AMERICAN FIRE AND CASUALTY  
COMPANY

By   
Date: February 2, 1999

AMENDMENT NUMBER 1  
TO  
SERVICES AGREEMENT

The SERVICES AGREEMENT (hereinafter "Agreement") effective January 1, 1999 between THE NETHERLANDS INSURANCE COMPANY, a New Hampshire corporation ("NIC"), EXCELSIOR INSURANCE COMPANY, a New Hampshire corporation, ("EIC"), INDIANA INSURANCE COMPANY, an Indiana corporation ("IIC"), CONSOLIDATED INSURANCE COMPANY, an Indiana corporation, ("CIC"), ATLAS ASSURANCE COMPANY OF AMERICA, a New York Company, ("Atlas"), AMERICA FIRST INSURANCE COMPANY, a New Hampshire corporation, ("AMFIC"), LIBERTY INSURANCE UNDERWRITERS INC. (formerly ALBANY INSURANCE COMPANY), a New York insurer ("LIU"), AMERICAN AMBASSADOR CASUALTY COMPANY, an Illinois insurer ("American Ambassador"), GLOBE AMERICAN CASUALTY COMPANY, an Ohio insurer ("Globe"), THE MIDWESTERN INDEMNITY COMPANY, an Ohio insurer ("Midwestern"), and MID-AMERICAN FIRE AND CASUALTY COMPANY, an Ohio insurer ("Mid-American"), (hereinafter together called the "Companies") on the one part and PEERLESS INSURANCE COMPANY, a New Hampshire corporation ("PIC") on the other part and collectively referred to as the "Parties."

WHEREAS, there was a change of control of the above-listed participants to the Agreement from the former Guardian Royal Exchange plc to the ultimate control of Liberty Mutual Insurance Company (hereinafter "Liberty"); and

WHEREAS, Liberty has developed a business unit entitled Regional Agency Markets (hereinafter "RAM") which includes all of the Parties to this Agreement as well as several additional insurance companies owned or controlled by Liberty; and

WHEREAS, the Parties and Liberty deem it in their best interests to add one or more of these additional insurance companies as a party or as parties to this Agreement to further the business purposes of RAM;

NOW, THEREFORE, the Parties hereto agree to amend the Agreement, as follows:

1. MONTGOMERY MUTUAL INSURANCE COMPANY, a Maryland corporation ("MMIC"), MONTGOMERY INDEMNITY COMPANY, a Maryland corporation ("MIC") and COLORADO CASUALTY INSURANCE COMPANY, a Colorado corporation ("CCIC"), are hereby added to the Agreement and are hereby deemed to be included in the definition of "Companies" and "Parties" as set forth above, and as used in the Agreement; provided, however, that wherever MMIC and/or MIC are referenced herein, such reference shall be deemed to include Liberty Insurance Holdings, Inc. ("LIH") in accordance with that certain Management Agreement entered into between MMIC and LIH and MIC and LIH, effective January 1, 2001. MMIC may be referred to herein as part of "Companies" or, singularly, as "MMIC" depending

on whether it is providing services on behalf of PIC or any of the Companies, or receiving services from PIC.

2. Section 1, SERVICES, shall be deleted in its entirety and replaced with the following new Section 1:

1. SERVICES: PIC and/or MMIC, as appropriate and as determined among the Parties hereto agrees to perform for the Companies such services as the Companies may request from time to time, including, without limitation, coordinating the activities of the Companies, marketing and advertising services, information systems support, payroll services, human resources support and personnel, coordinating the development of corporate plans for the Companies and providing consulting and other services to the Companies as the Companies may request. PIC and/or MMIC, as appropriate and as determined between or among the Parties hereto also agrees to perform for the Companies other financial services, as the Companies may request, including payment of taxes on premiums, fees for licensing, advertising, losses, claims and any other expenses incurred in the conduct of the insurance business of the Companies on behalf of any of the Companies. PIC and/or MMIC, as appropriate and as determined between or among the parties hereto, may also collect and maintain assets, including premiums and other receivables, in one or more accounts held in the name of and collected by one or more of the Companies, or PIC, on behalf of one or more of the individual parties to this Agreement. All underwriting and claims provided to and on behalf of the Companies are to be based upon the written criteria, standards and guidelines of the respective Companies. The Companies shall have the ultimate and final authority over decisions and policies; to include but not be limited to the acceptance, rejection or canceling of risks, and the payment or nonpayment of claims.

3. Section 2, ACCOUNTS, shall be deleted in its entirety and replaced with the following new Section 2:

2. ACCOUNTS. PIC and/or MMIC, as appropriate and as agreed between or among the relevant Parties to this Agreement, shall maintain and shall be a signatory on bank and other types of accounts necessary for the performance of this Agreement and shall handle all deposits and withdrawals from such accounts. PIC shall maintain and be a signatory on behalf of the Companies (excluding MMIC, MIC and CCIC) on the Companies' assets, custodial accounts, safety deposit boxes, any nominee partnerships and any other depositories related to the conduct of the Companies' operations supervised pursuant to this Agreement. Other, additional, account services to be performed by or on behalf of the Companies by PIC and/or MMIC, shall be subject to agreement between or among the Parties.

4. Section 3, PERSONNEL, shall be deleted in its entirety and replaced with the following new Section 3:

3. PERSONNEL. PIC shall provide in good faith, in a commercially reasonable manner and, at its cost, a staff of professional and office personnel necessary to carry out the services to be provided hereunder, which personnel services may be required to be provided in certain regions of the United States as may be specifically requested by the Companies. In performing its personnel functions under this Agreement, PIC may utilize employees of one or more of the Companies.
  
5. Section 4, INSURANCE, shall be deleted in its entirety and replaced with the following new Section 4:
  4. INSURANCE. The Companies, PIC and MMIC shall determine the type and amount of insurance necessary or appropriate for the conduct of the business operations performed and/or supervised pursuant to this Agreement. PIC and/or MMIC, as appropriate for the services provided hereunder, shall seek to obtain and maintain in force such insurance on behalf of the Companies. In addition, and where appropriate, PIC and/or MMIC, as appropriate, shall be named as an additional insured on the Companies' insurance.
  
6. Section 5, COMPLIANCE, Section 6, REPORTS, Section 7, COMPENSATION, Section 9, SCOPE OF AUTHORITY, Section 10, GENERAL, Section 13, INSPECTION, and Section 15, RECORDS shall be revised to include the words " and/or MMIC, as appropriate" immediately following each and every reference to "PIC" in each Section specified above.
  
7. Section 8, ALLOCATION OF EXPENSES, shall be deleted in its entirety and replaced with the following new Section 8:

8. ALLOCATIONS AND SETTLEMENT.

A. Allocations.

All expenses shall be classified and allocated between or among PIC and/or MMIC, as appropriate, and the Companies, in strict accordance with the pooling percentages under the following pooling agreements in which PIC, MMIC and the Companies, respectively, participate: (a) the Peerless Insurance Reinsurance Agreement, including all amendments and endorsements thereto, and consistent with the provisions of New York Insurance Regulation 30, 11 NYCRR 105-109 (PIC pooling arrangement); and (b) the Liberty Mutual Inter-Company Reinsurance Agreement, including all amendments and endorsements thereto (Liberty pooling arrangement).

B. Settlement.

Amounts owing between or among the parties shall be settled between or among such parties on a monthly basis, unless otherwise agreed to between or among such

parties, provided, however, that the parties shall settle all amounts owing on at least a calendar quarterly basis.

8. Section 11, TERMINATION shall be deleted in its entirety and replaced with the following new Section 11:

11. TERM AND TERMINATION.

A. Term.

This Agreement shall be effective as of the 1<sup>st</sup> day of January, 2000 and shall continue in full force and effect until terminated in accordance with subsection B, below. In the event that this Agreement is required to be approved by any state Department of Insurance, any request for such approval shall seek an effective date that mirrors the date expressed above.

B. Termination.

(1) Termination Without Cause. This Agreement may be terminated, in whole or in relevant part, as appropriate and by the respective Parties, without cause, upon ninety (90) days prior written notice.

(2) Termination With Cause. This Agreement may be terminated immediately, in relevant parts or in its entirety, as appropriate, for the following reasons:

(a) Material failure by any party to perform the services delegated in accordance with the standards set forth in this Agreement; *provided, however*, that upon notification by the party who delegated such services that the services so delegated are not being performed in an appropriate or satisfactory manner, the party performing such services shall have thirty (30) days in which to cure the deficiency. In the event the deficiency is not cured to the satisfaction of the delegating party, such party may immediately terminate that part of this Agreement relating to the delegation and performance of its services.

(b) Nonpayment of costs by a delegating party to the party performing the services so delegated.

(c) In the event of (i) the de-affiliation of MMIC from Liberty; (ii) the acquisition of one or more of the Companies by a third party from Liberty; or (iii) any other change in control which causes Liberty to no longer maintain a majority on the Board of Directors of one or more of the Companies, then this Agreement shall terminate with respect to any or all such party(ies) as of the effective date of the change of control.

(d) The suspension, revocation or other restriction on the insurance license of any of the parties to this Agreement; in such event, this Agreement shall terminate only to the extent that such suspension, revocation or restriction impairs such party's ability to perform all or a part of the services so provided hereunder.

(e) The insolvency, voluntary or involuntary bankruptcy, reorganization or liquidation of any party to this Agreement; in such event, this Agreement shall terminate only with respect to such party(ies).

(3) Effect of Termination.

In the event that this Agreement is terminated, with, or without, cause, in whole or in part, as appropriate, the relevant services shall continue to be provided by the appropriate party until alternate arrangements reasonably can be made by the delegating party (the "Transition Services"); *provided, however*, that the Transition Services shall not be required to be provided for a period of time extending beyond ninety (90) days from the effective date of termination, unless otherwise agreed to by the relevant parties. In the event that this Agreement is terminated, in whole or in part, as appropriate, for any reason other than those relating to change of control as described in Section 11.B(2)(c), above, all such Transition Services shall continue to be compensated for on a cost basis. In the event that this Agreement is terminated for reasons specified in Section 11.B(2)(c), above, all such Transition services shall be compensated for at the then-prevailing market rate for the provision of such services.

9. Section 12, INDEMNIFICATION, shall be deleted in its entirety and replaced with the following new Section 12:

12. INDEMNIFICATION.

A. MMIC Indemnification of the Companies. MMIC shall indemnify, defend and hold harmless the Companies from and against any expenses, damages, liability, actions, costs or other claims, including but not limited to reasonable attorney's fees and associated costs, incurred by the Companies either (i) as a result of the failure of MMIC or any subcontractor appointed by MMIC to comply with any law or administrative regulation, only if such failure is the result of willful neglect or gross negligence, or (ii) as a result of, or in connection with, MMIC's breach of any duty or obligation hereunder or the breach of any duty or obligation of any subcontractor appointed by MMIC if such breach is the result of willful neglect or gross negligence. The Companies may set off against any amount due MMIC any amount due to the Companies, pursuant to this or any other agreement to which the parties to this indemnification are also parties.

B. PIC Indemnification of the Companies. PIC shall indemnify, defend and hold the Companies harmless from and against any expenses, damages, liability, actions, costs or other claims, including but not limited to reasonable attorney's fees and associated costs, incurred by the Companies either (i) as a result of the failure of PIC or

any subcontractor appointed by PIC to comply with any law or administrative regulation, only if such failure is the result of willful neglect or gross negligence, or (ii) as a result of, or in connection with, PIC's breach of any duty or obligation hereunder or the breach of any duty or obligation of any subcontractor appointed by PIC if such breach is the result of willful neglect or gross negligence. The Companies may set off against any amount due PIC any amount due to the Companies, pursuant to this or any other agreement to which PIC are also parties.

C. The Companies Indemnification of MMIC and PIC. The Companies shall indemnify MMIC and/or PIC, as appropriate, and hold MMIC and/or PIC, as appropriate, harmless from all actions, liabilities, costs and expenses arising out of or in any way related to MMIC's or PIC's services under this Agreement, unless directly related to either MMIC's or PIC's, as appropriate, willful neglect or gross negligence.

10. There is hereby added a new Section 17, Section 18, Section 19, Section 20, Section 21, Section 22 and Section 23:

17. STANDARDS FOR PERFORMANCE OF DELEGATED ADMINISTRATIVE AND MANAGEMENT FUNCTIONS.

A. At all times during the term of the Agreement, MMIC and PIC, as appropriate, shall perform all delegated administrative and management functions at a level that is at least equal to their respective standards for performing such functions on behalf of their own, respective, insurance operations. In addition, all delegated administrative and management functions shall be performed in accordance with, and subject to, at all times, the relevant and applicable state (or federal) insurance laws and regulations to which the delegees' insurance operations are, or may be, subject.

B. In the event either MMIC or PIC, as appropriate, in their respective capacities as the delgatee hereunder, receives a notice from any governmental agency, board, bureau, commission or public authority of any type, of any alleged violation of any state or federal insurance law, such notice shall immediately be forwarded to one or more of the Companies, including PIC, as appropriate. MMIC and PIC shall cooperate in responding to any such governmental notice as such notice relates to their respective rendering of services under the Agreement.

18. NONDISCLOSURE OF CONFIDENTIAL AND PROPRIETARY INFORMATION AND TRADE SECRETS. The Parties to this Agreement are prohibited from disclosing or communicating to any other person, not a party to this Agreement, any confidential or proprietary information or trade secrets relating to the Parties' business or relating to any affiliate or agency of any party to this Agreement, including business methods and techniques, research data, marketing and sales information, customer lists, know-how and any other information concerning the business operations of any party of this Agreement, or any such party's affiliates and subsidiaries, unless the disclosure of communication of such information has been consented to in writing by the party whose confidential and propriety information or trade secrets is to be released. Confidential and proprietary information shall not include (a) information generally known to the public, (b) information known to the Companies and PIC to be non-confidential from other, third party, sources prior to the execution of this Amendment, and (c) information required to be disclosed by law or a state or federal governmental agency having authority over the business of the Companies, including PIC, but only for the limited purpose of such disclosure.

19. NO WAIVER. The parties hereto agree that no indulgence or acceptance of any delinquent or partial payment or ratification after the fact of any violation or breach of any provision of this Agreement by any party hereto shall be construed as a waiver of any party's rights hereunder.

20. NOTICES. Any notice required to be given pursuant to any provision of this Agreement shall be in writing and shall be sent to the parties at their respective last known address by first class mail, postage prepaid, by overnight delivery service, or by confirmed facsimile transmission.

21. INVALID PROVISIONS. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision had been omitted. To the extent that this Agreement requires the approval of any public official, agency, board, commission or bureau prior to becoming effective, it shall not be effective until such approval shall have been obtained or otherwise as required by applicable law.

22. BINDING EFFECT OF AGREEMENT. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, and shall not be assignable or transferable, without the prior written consent of the relevant parties.

23. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective duly authorized officers.

THE NETHERLANDS INSURANCE COMPANY



A handwritten signature in cursive script, appearing to read "Michael A. Cartman", is written over a horizontal line.

EXCELSIOR INSURANCE COMPANY



A handwritten signature in cursive script, appearing to read "Michael A. Cartman", is written over a horizontal line.

INDIANA INSURANCE COMPANY



A handwritten signature in cursive script, appearing to read "Richard D. Bell", is written over a horizontal line.

CONSOLIDATED INSURANCE COMPANY

Richard T. Bell

ATLAS ASSURANCE COMPANY OF AMERICA

Michael C. Cantano

AMERICA FIRST INSURANCE COMPANY

Michael C. Cantano

LIBERTY INSURANCE UNDERWRITERS  
(formerly Albany Insurance Company)

Gregory

AMERICAN AMBASSADOR CASUALTY COMPANY

[Signature]

GLOBE AMERICAN CASUALTY COMPANY

[Signature]

THE MIDWESTERN INDEMNITY COMPANY

Richard T. Bell

PEERLESS INSURANCE COMPANY

*William M. Portner*

MONTGOMERY MUTUAL INSURANCE COMPANY

*Steve F. Linn*

MONTGOMERY INDEMNITY COMPANY

*Steve F. Linn*

COLORADO CASUALTY INSURANCE COMPANY

*Donald E. Feltz*

MID-AMERICAN FIRE AND CASUALTY COMPANY

*Paul C. King*

RATIFIED AND CONFIRMED

6/27/2004

AMENDMENT NUMBER 2  
TO  
SERVICES AGREEMENT

That certain SERVICES AGREEMENT originally effective January 1, 1999 among THE NETHERLANDS INSURANCE COMPANY, a New Hampshire corporation ("NIC"), EXCELSIOR INSURANCE COMPANY, a New Hampshire corporation. ("EIC"), INDIANA INSURANCE COMPANY, an Indiana corporation ("IIC"), CONSOLIDATED INSURANCE COMPANY, an Indiana corporation, ("CIC"), ATLAS ASSURANCE COMPANY OF AMERICA, a New York Company, ("Atlas"), AMERICA FIRST INSURANCE COMPANY, a New Hampshire corporation, ("AMFIC"), LIBERTY INSURANCE UNDERWRITERS INC. (formerly ALBANY INSURANCE COMPANY), a New York insurer ("LIU"), AMERICAN AMBASSADOR CASUALTY COMPANY, an Illinois insurer ("American Ambassador"), GLOBE AMERICAN CASUALTY COMPANY, an Ohio insurer ("Globe"), THE MIDWESTERN INDEMNITY COMPANY, an Ohio insurer ("Midwestern"), and MID-AMERICAN FIRE AND CASUALTY COMPANY, an Ohio insurer ("Mid-American"), (hereinafter together called the "Companies") on the one part and PEERLESS INSURANCE COMPANY, a New Hampshire corporation ("PIC") on the other part and collectively referred to as the "Parties," was amended, effective January 1, 2000, via a written instrument entitled "Amendment No. 1 to Services Agreement" which was duly approved by all relevant state Departments of Insurance, to include as "Parties," MONTGOMERY MUTUAL INSURANCE COMPANY, a Maryland mutual corporation ("MMIC"), MONTGOMERY INDEMNITY COMPANY, a Maryland corporation ("MIC"), and COLORADO CASUALTY INSURANCE COMPANY, a Colorado corporation ("CCIC") (the Services Agreement, Amendment No. 1 and this Amendment No. 2, to Services Agreement shall be referred to hereinafter, collectively, as the "Agreement").

WHEREAS, Golden Eagle Insurance Corporation, a California corporation ("GEIC") is a member company of the Liberty Regional Agency Markets ("RAM"), the marketing name under which certain insurance companies within the Liberty Mutual Group ("Liberty") market their insurance products to the public using the American Agency System;

WHEREAS, the Parties and Liberty deem it in their best interests to add GEIC as a party to the Agreement to further the business purposes of RAM;

NOW, THEREFORE, the Parties hereto agree to amend the Agreement, as follows:

1. GEIC is hereby added to the Agreement and is hereby deemed to be included in the definition of "Companies" and "Parties" as set forth above, as, and whenever, used in the Agreement; *provided, however*, that GEIC may be referred to herein as part of "Companies" or, singularly, as "GEIC" depending on whether it is providing services on behalf of PIC or any of the Companies, or receiving services from PIC or any of the Companies.

2. Retroactive to January 1, 2000, subsection A, ALLOCATIONS, of Section 8, ALLOCATIONS AND SETTLEMENTS, of the Agreement shall be deleted in its entirety and replaced with the following:

A. Allocations.

All expenses charged under this Agreement shall be classified and allocated in accordance with the following: (i) for all Companies' that participate in the Peerless Insurance Reinsurance Agreement (which are all Companies except GEIC, MMIC and CCIC), including all amendments and endorsements thereto (the "Peerless Pool"), in accordance with each Companies' respective percentages under the Peerless Pool and consistent with the provisions of New York Insurance Regulation 30, 11 NYCRR 105-109; (ii) for GEIC and MMIC, in accordance with each such companies' respective pooling percentages under the Liberty Mutual Inter-Company Reinsurance Agreement, including all amendments and endorsements thereto (the "Liberty Pool"); and (iii) for CCIC, in accordance with the terms of that certain Reinsurance Agreement between CCIC and Liberty Mutual Insurance Company, dated September 29, 1998, including all amendments thereto. The method of expense allocations under this Agreement shall be consistent the principles stated in the Statement of Statutory Accounting Principles No. 70, "Allocation of Expenses."

3. Section 1, SERVICES, shall be deleted in its entirety and replaced with the following new Section 1:

1. SERVICES: PIC, GEIC, and/or MMIC, as appropriate and as determined among the Parties hereto agrees to perform for the Companies such services as the Companies may request from time to time, including, without limitation, coordinating the activities of the Companies, marketing and advertising services, information systems support, payroll services, human resources support and personnel, coordinating the development of corporate plans for the Companies and providing consulting and other services to the Companies as the Companies may request. PIC, GEIC, and/or MMIC, as appropriate and as determined between or among the Parties hereto also agrees to perform for the Companies other financial services, as the Companies may request, including payment of taxes on premiums, fees for licensing, advertising, losses, claims and any other expenses incurred in the conduct of the insurance business of the Companies on behalf of any of the Companies. PIC, GEIC, and/or MMIC, as appropriate and as determined between or among the parties hereto, may also collect and maintain assets, including premiums and other receivables, in one or more accounts held in the name of and collected by one or more of the Companies, or PIC, on behalf of one or more of the individual parties to this Agreement. All underwriting and claims provided to and on behalf of the Companies are to be based upon the written criteria, standards and guidelines of the respective Companies. The Companies shall have the ultimate and final authority over decisions and policies; to include but not be limited to the acceptance, rejection or canceling of risks, and the payment or nonpayment of claims. All services provided hereunder shall comply with all applicable state laws and regulations governing the Companies, including all laws and regulations relating to review of such Companies' books and records.

4. Section 11, *Termination*, of the Agreement, is hereby clarified by stating that all notices of termination of the Agreement among or between the parties shall be in writing and that the respective and applicable state Departments of Insurance shall be notified of any termination of the Agreement, in whole or in part, in accordance with state law requirements.

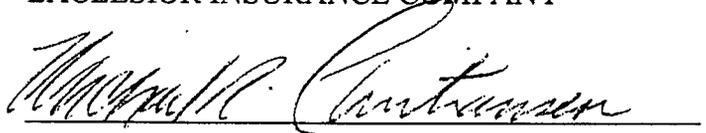
5. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 2 to Services Agreement, effective this 1<sup>st</sup> day of April, 2001, to be executed by their respective duly authorized officers.

THE NETHERLANDS INSURANCE COMPANY

  
\_\_\_\_\_

EXCELSIOR INSURANCE COMPANY

  
\_\_\_\_\_

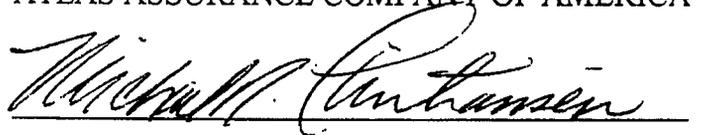
INDIANA INSURANCE COMPANY

\_\_\_\_\_

CONSOLIDATED INSURANCE COMPANY

\_\_\_\_\_

ATLAS ASSURANCE COMPANY OF AMERICA

  
\_\_\_\_\_

4. Section 11, *Termination*, of the Agreement, is hereby clarified by stating that all notices of termination of the Agreement among or between the parties shall be in writing and that the respective and applicable state Departments of Insurance shall be notified of any termination of the Agreement, in whole or in part, in accordance with state law requirements.

5. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 2 to Services Agreement, effective this 1<sup>st</sup> day of April, 2001, to be executed by their respective duly authorized officers.

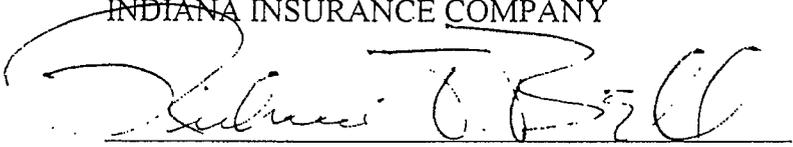
THE NETHERLANDS INSURANCE COMPANY

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EXCELSIOR INSURANCE COMPANY

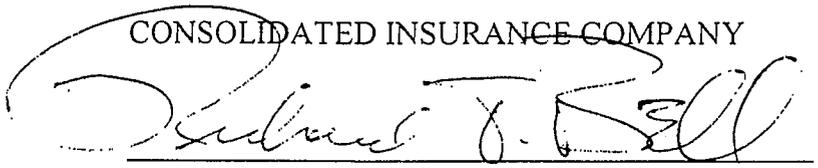
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INDIANA INSURANCE COMPANY



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CONSOLIDATED INSURANCE COMPANY



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ATLAS ASSURANCE COMPANY OF AMERICA

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AMERICA FIRST INSURANCE COMPANY

*Signature*

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LIBERTY INSURANCE UNDERWRITERS, INC.  
(formerly Albany Insurance Company)

*Jan F. Kelleher*

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AMERICAN AMBASSADOR CASUALTY COMPANY

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GLOBE AMERICAN CASUALTY COMPANY

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THE MIDWESTERN INDEMNITY COMPANY

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PEERLESS INSURANCE COMPANY

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MONTGOMERY MUTUAL INSURANCE COMPANY

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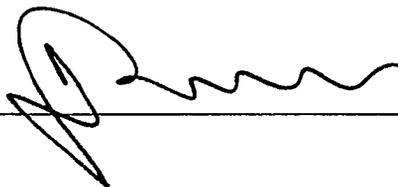
AMERICA FIRST INSURANCE COMPANY

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LIBERTY INSURANCE UNDERWRITERS, INC.  
(formerly Albany Insurance Company)

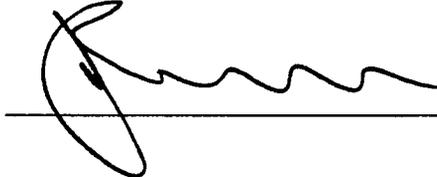
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AMERICAN AMBASSADOR CASUALTY COMPANY



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GLOBE AMERICAN CASUALTY COMPANY



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THE MIDWESTERN INDEMNITY COMPANY

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PEERLESS INSURANCE COMPANY

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MONTGOMERY MUTUAL INSURANCE COMPANY

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AMERICA FIRST INSURANCE COMPANY

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LIBERTY INSURANCE UNDERWRITERS, INC.  
(formerly Albany Insurance Company)

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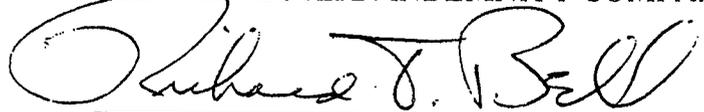
AMERICAN AMBASSADOR CASUALTY COMPANY

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GLOBE AMERICAN CASUALTY COMPANY

---

THE MIDWESTERN INDEMNITY COMPANY



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PEERLESS INSURANCE COMPANY

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MONTGOMERY MUTUAL INSURANCE COMPANY

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AMERICA FIRST INSURANCE COMPANY

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LIBERTY INSURANCE UNDERWRITERS, INC.  
(formerly Albany Insurance Company)

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AMERICAN AMBASSADOR CASUALTY COMPANY

---

GLOBE AMERICAN CASUALTY COMPANY

---

THE MIDWESTERN INDEMNITY COMPANY

---

PEERLESS INSURANCE COMPANY

*Michael C. Cantanese*

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MONTGOMERY MUTUAL INSURANCE COMPANY

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AMERICA FIRST INSURANCE COMPANY

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LIBERTY INSURANCE UNDERWRITERS, INC.  
(formerly Albany Insurance Company)

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AMERICAN AMBASSADOR CASUALTY COMPANY

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GLOBE AMERICAN CASUALTY COMPANY

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THE MIDWESTERN INDEMNITY COMPANY

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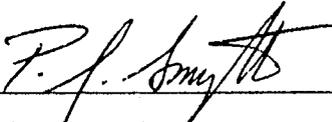
PEERLESS INSURANCE COMPANY

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MONTGOMERY MUTUAL INSURANCE COMPANY

  
Vice President Controller & Treasurer

MONTGOMERY INDEMNITY COMPANY

  
\_\_\_\_\_  
Vice President Controller & Treasurer

COLORADO CASUALTY INSURANCE COMPANY

\_\_\_\_\_

GOLDEN EAGLE INSURANCE CORPORATION

\_\_\_\_\_

MID-AMERICAN FIRE AND CASUALTY COMPANY

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MONTGOMERY INDEMNITY COMPANY

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COLORADO CASUALTY INSURANCE COMPANY

*Christopher J. Wenz*

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GOLDEN EAGLE INSURANCE CORPORATION

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MID-AMERICAN FIRE AND CASUALTY COMPANY

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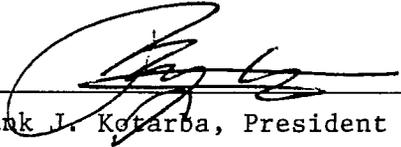
MONTGOMERY INDEMNITY COMPANY

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COLORADO CASUALTY INSURANCE COMPANY

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GOLDEN EAGLE INSURANCE CORPORATION

  
\_\_\_\_\_  
Frank J. Kotarba, President

MID-AMERICAN FIRE AND CASUALTY COMPANY

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MONTGOMERY INDEMNITY COMPANY

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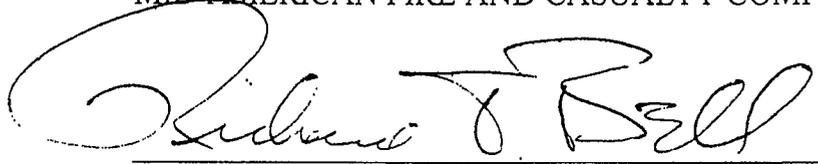
COLORADO CASUALTY INSURANCE COMPANY

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GOLDEN EAGLE INSURANCE CORPORATION

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MID-AMERICAN FIRE AND CASUALTY COMPANY

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**AMENDMENT NO. 3  
TO  
SERVICES AGREEMENT**

That certain SERVICES AGREEMENT, originally effective January 1, 1999 among THE NETHERLANDS INSURANCE COMPANY, a New Hampshire corporation ("NIC"), EXCELSIOR INSURANCE COMPANY, a New Hampshire corporation ("EIC"), INDIANA INSURANCE COMPANY, an Indiana corporation ("IIC"), CONSOLIDATED INSURANCE COMPANY, an Indiana corporation ("CIC"), PEERLESS INDEMNITY INSURANCE COMPANY (formerly ATLAS ASSURANCE COMPANY OF AMERICA), an Illinois corporation ("PIIC"), AMERICA FIRST INSURANCE COMPANY, a New Hampshire corporation ("AMFIC"), LIBERTY INSURANCE UNDERWRITERS INC. (formerly ALBANY INSURANCE COMPANY), an New York insurer ("LIU"), AMERICAN AMBASSADOR CASUALTY COMPANY, an Illinois insurer ("American Ambassador"), GLOBE AMERICAN CASUALTY COMPANY, an Ohio insurer ("Globe"), THE MIDWESTERN INDEMNITY COMPANY, an Ohio insurer ("Midwestern"), and MID-AMERICAN FIRE AND CASUALTY COMPANY, an Ohio insurer ("Mid-American"); (hereinafter together called the "Companies") on the one part and PEERLESS INSURANCE COMPANY, a New Hampshire corporation ("PIC") on the other part and collectively referred to as the "Parties" was amended, effective January 1, 2000 and April 1, 2001, via written instruments entitled "Amendment No. 1 to Services Agreement" and "Amendment No. 2 to Services Agreement," respectively which were duly approved by all relevant state Departments of Insurance, to include as "Parties," MONTGOMERY MUTUAL INSURANCE COMPANY, a Maryland mutual corporation ("MMIC"), COLORADO CASUALTY INSURANCE COMPANY, a Colorado corporation ("CCIC") and GOLDEN EAGLE INSURANCE CORPORATION, a California corporation (the Services Agreement, Amendment No. 1, Amendment No. 2 and this Amendment No. 3, to Services Agreement shall be referred to hereinafter, collectively, as the "Agreement.").

WHEREAS, Gulf States AIF, Inc., a Texas corporation ("Gulf") as Attorney-in-Fact for America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC") is a member company of the Liberty Mutual Agency Markets strategic business unit, of the Liberty Mutual Group under which certain insurance companies within Liberty Mutual Group market their insurance products to the public using independent agents;

WHEREAS the parties deem it in their best interests to add AFLIC as a party to the Agreement;

WHEREAS Gulf is authorized pursuant to certain powers of attorney among Gulf and the Underwriters of AFLIC to contract for and on behalf of AFLIC;

NOW, THEREFORE, the Parties hereto agree to amend the Agreement, as follows:

1. AFLIC is hereby added to the Agreement and is hereby deemed to be included in the definition of "Companies" and "Parties" as set forth above, as, and whenever, used in the Agreement; provided, however, that AFLIC may be referred to herein as part of "Companies" or singularly, as "AFLIC" depending on whether it is providing services on behalf of PIC or any of the Companies, or receiving services from PIC or any of the Companies.

2. Section 3, PERSONNEL, shall be deleted in its entirety and replaced with the following new Section 3:

3. PERSONNEL: PIC shall provide in good faith, in a commercially reasonable manner, at its cost, a staff of professional and office personnel necessary to carry out the services to be provided hereunder, which personnel services may be required to be provided in certain regions of the United States as may be specifically requested by the Companies. In performing its personnel functions under this Agreement, PIC may utilize employees of one or more of the Companies or their affiliates.

3. Subsection A, ALLOCATIONS, of Section 8, ALLOCATIONS AND SETTLEMENTS, of the Agreement shall be deleted in its entirety and replaced with the following:

A. Allocations. All expenses charged under this Agreement shall be classified and allocated in accordance with the following: for all Companies that participate in the Peerless Insurance Company Reinsurance Agreement, including all amendments and endorsements thereto (the "Peerless Pool"), in accordance with each Company's relative percentages under the Peerless Pool and consistent with the provisions of New York Insurance Regulation 30, 11 NYCRR 105-109; the method of expense allocations under this Agreement shall be consistent with the principles stated in the Statement of Statutory Accounting Principles No. 70, "Allocation of Expenses."

4. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 3 to the Services Agreement, effective as of the 1<sup>st</sup> day of January 2006 to be executed by their respective authorized officers.

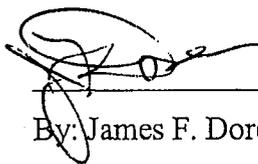
PEERLESS INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

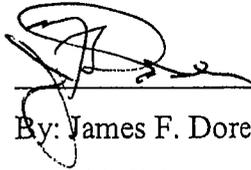
THE NETHERLANDS INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

EXCELSIOR INSURANCE COMPANY

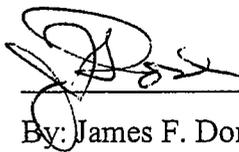


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By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

INDIANA INSURANCE COMPANY

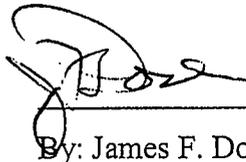


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By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

CONSOLIDATED INSURANCE COMPANY



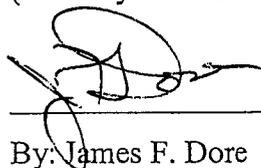
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By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

PEERLESS INDEMNITY INSURANCE COMPANY

(formerly Atlas Assurance Company of America)

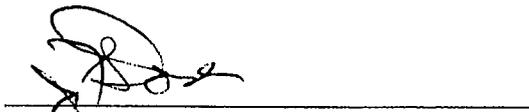


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By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

AMERICA FIRST INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

LIBERTY INSURANCE UNDERWRITERS, INC.

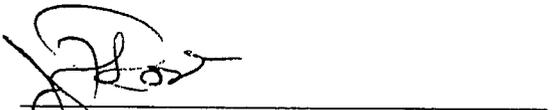
(formerly Albany Insurance Company)



By: Michael J. Horvath

Its: Assistant Secretary

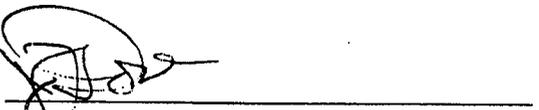
AMERICAN AMBASSADOR CASUALTY COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

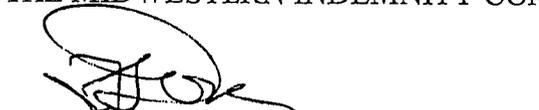
GLOBE AMERICAN CASUALTY COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

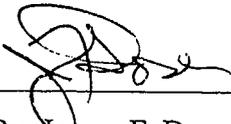
THE MIDWESTERN INDEMNITY COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

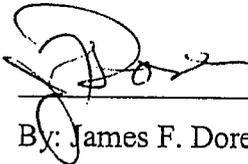
MID-AMERICAN FIRE AND CASUALTY COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

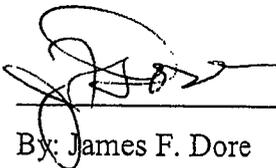
MONTGOMERY MUTUAL INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

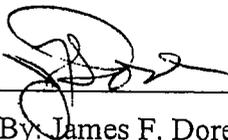
COLORADO CASUALTY INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

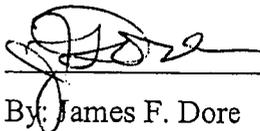
GOLDEN EAGLE INSURANCE CORPORATION



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY BY POA GULF STATES AIF, INC.



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

**AMENDMENT NO. 4  
TO  
SERVICES AGREEMENT**

That certain SERVICES AGREEMENT, originally effective January 1, 1999 among THE NETHERLANDS INSURANCE COMPANY, a New Hampshire corporation ("NIC"), EXCELSIOR INSURANCE COMPANY, a New Hampshire corporation ("EIC"), INDIANA INSURANCE COMPANY, an Indiana corporation ("IIC"), CONSOLIDATED INSURANCE COMPANY, an Indiana corporation ("CIC"), PEERLESS INDEMNITY INSURANCE COMPANY (formerly ATLAS ASSURANCE COMPANY OF AMERICA), an Illinois corporation ("PIIC"), AMERICA FIRST INSURANCE COMPANY, a New Hampshire corporation ("AMFIC"), LIBERTY INSURANCE UNDERWRITERS INC. (formerly ALBANY INSURANCE COMPANY), an New York insurer ("LIU"), AMERICAN AMBASSADOR CASUALTY COMPANY, an Illinois insurer ("American Ambassador"), GLOBE AMERICAN CASUALTY COMPANY, an Ohio insurer ("Globe"), THE MIDWESTERN INDEMNITY COMPANY, an Ohio insurer ("Midwestern"), and MID-AMERICAN FIRE AND CASUALTY COMPANY, an Ohio insurer ("Mid-American"); (hereinafter together called the "Companies") on the one part and PEERLESS INSURANCE COMPANY, a New Hampshire corporation ("PIC") on the other part and collectively referred to as the "Parties" was amended, effective January 1, 2000, April 1, 2001 and January 1, 2006 via written instruments entitled "Amendment No. 1 to Services Agreement," "Amendment No. 2 to Services Agreement" and "Amendment No. 3 to Services Agreement," respectively which were duly approved by all relevant state Departments of Insurance, to include as "Parties," MONTGOMERY MUTUAL INSURANCE COMPANY, a Maryland mutual corporation ("MMIC"), COLORADO CASUALTY INSURANCE COMPANY, a Colorado corporation ("CCIC"), GOLDEN EAGLE INSURANCE CORPORATION, a California corporation and America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC") (the Services Agreement, Amendment No. 1, Amendment No. 2, Amendment No. 3, and this Amendment No. 4 to Services Agreement shall be referred to hereinafter, collectively, as the "Agreement.").

WHEREAS, LIBERTY NORTHWEST INSURANCE CORPORATION, an Oregon corporation ("LNW"), OREGON AUTOMOBILE INSURANCE COMPANY, an Oregon corporation ("OAIC"), and NORTH PACIFIC INSURANCE COMPANY, an Oregon corporation ("NPIC") are member companies of the Liberty Mutual Agency Markets strategic business unit of the Liberty Mutual Group under which certain insurance companies within Liberty Mutual Group market their insurance products to the public using independent agents;

WHEREAS the Parties deem it in their best interests to add LNW, OAIC and NPIC to the Agreement;

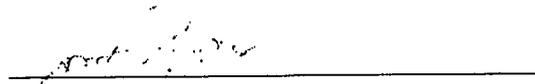
WHEREAS LIU is terminating its participation in the Agreement;

NOW, THEREFORE, the Parties hereto agree to amend the Agreement, as follows:

1. LNW, OAIC and NPIC are hereby added to the Agreement and are hereby deemed to be included in the definition of "Companies" and "Parties" as set forth above, as, and whenever, used in the Agreement; provided, however, that each may be referred to herein as part of "Companies" or singularly, as "LNW," "OAIC," or "NPIC" depending on whether it is providing services on behalf of PIC or any of the Companies, or receiving services from PIC or any of the Companies.
2. LIU is hereby removed from the Agreement effective as of May 20, 1999 and from that date forward will no longer be included in the definition of "Companies" and "Parties" as set forth above.
3. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 4 to the Services Agreement, effective as of the 1<sup>st</sup> day of January 2006 to be executed by their respective authorized officers.

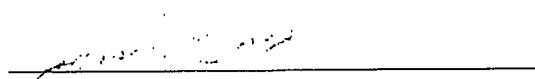
PEERLESS INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

THE NETHERLANDS INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

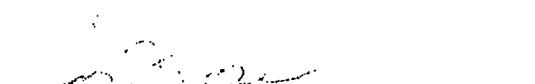
EXCELSIOR INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

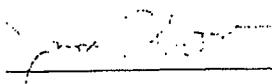
INDIANA INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

CONSOLIDATED INSURANCE COMPANY



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By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

PEERLESS INDEMNITY INSURANCE COMPANY

(formerly Atlas Assurance Company of America)

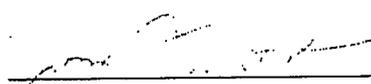


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By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

AMERICA FIRST INSURANCE COMPANY



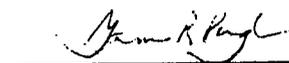
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By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

LIBERTY INSURANCE UNDERWRITERS INC.

(formerly Albany Insurance Company)



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By: James R. Pugh

Its: Assistant Secretary

AMERICAN AMBASSADOR CASUALTY COMPANY

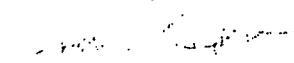


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By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

GLOBE AMERICAN CASUALTY COMPANY

  
\_\_\_\_\_  
By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

THE MIDWESTERN INDEMNITY COMPANY

  
\_\_\_\_\_  
By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

MID-AMERICAN FIRE AND CASUALTY COMPANY

  
\_\_\_\_\_  
By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

MONTGOMERY MUTUAL INSURANCE COMPANY

  
\_\_\_\_\_  
By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

COLORADO CASUALTY INSURANCE COMPANY

  
\_\_\_\_\_  
By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

GOLDEN EAGLE INSURANCE CORPORATION

  
\_\_\_\_\_  
By: James F. Dore

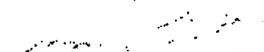
Its: Chief Financial Officer and Senior Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY BY POA GULF STATES AIF, INC.

  
\_\_\_\_\_  
By: James F. Dore

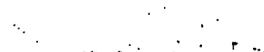
Its: Chief Financial Officer and Senior Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION

  
\_\_\_\_\_  
By: James F. Dore

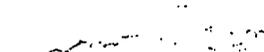
Its: Chief Financial Officer and Senior Vice President

OREGON AUTOMOBILE INSURANCE COMPANY

  
\_\_\_\_\_  
By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

NORTH PACIFIC INSURANCE COMPANY

  
\_\_\_\_\_  
By: James F. Dore

Its: Chief Financial Officer and Senior Vice President

**AMENDMENT NO. 5  
TO  
SERVICES AGREEMENT**

That certain SERVICES AGREEMENT, originally effective January 1, 1999 among THE NETHERLANDS INSURANCE COMPANY, a New Hampshire corporation ("NIC"), EXCELSIOR INSURANCE COMPANY, a New Hampshire corporation ("EIC"), INDIANA INSURANCE COMPANY, an Indiana corporation ("IIC"), CONSOLIDATED INSURANCE COMPANY, an Indiana corporation ("CIC"), PEERLESS INDEMNITY INSURANCE COMPANY (formerly ATLAS ASSURANCE COMPANY OF AMERICA), an Illinois corporation ("PIIC"), AMERICA FIRST INSURANCE COMPANY, a New Hampshire corporation ("AMFIC"), LIBERTY INSURANCE UNDERWRITERS INC. (formerly ALBANY INSURANCE COMPANY), an New York corporation ("LIU"), AMERICAN AMBASSADOR CASUALTY COMPANY, an Illinois corporation ("American Ambassador"), GLOBE AMERICAN CASUALTY COMPANY, an Ohio corporation ("Globe"), THE MIDWESTERN INDEMNITY COMPANY, an Ohio corporation ("Midwestern"), and MID-AMERICAN FIRE AND CASUALTY COMPANY, an Ohio corporation ("Mid-American"); (hereinafter together called the "Companies") on the one part and PEERLESS INSURANCE COMPANY, a New Hampshire corporation ("PIC") on the other part and collectively referred to as the "Parties" was amended, effective January 1, 2000, April 1, 2001 and January 1, 2006, via written instruments entitled "Amendment No. 1 to Services Agreement," "Amendment No. 2 to Services Agreement," "Amendment No. 3 to Services Agreement" and "Amendment No. 4 to Services Agreement," respectively which were duly approved by all relevant state Departments of Insurance, to include as "Companies" and "Parties," MONTGOMERY MUTUAL INSURANCE COMPANY, a Maryland mutual corporation ("MMIC"), COLORADO CASUALTY INSURANCE COMPANY, a Colorado corporation ("CCIC"), GOLDEN EAGLE INSURANCE CORPORATION, a California corporation, AMERICA FIRST LLOYD'S INSURANCE COMPANY, a Texas Lloyd's company ("AFLIC"), LIBERTY NORTHWEST INSURANCE CORPORATION, an Oregon corporation ("LNW"), NORTH PACIFIC INSURANCE COMPANY, an Oregon corporation

("NPIC") and OREGON AUTOMOBILE INSURANCE COMPANY, an Oregon corporation ("OAIC") (the Services Agreement, Amendment No. 1, Amendment No. 2, Amendment No. 3, Amendment No. 4 and this Amendment No. 5 to the Services Agreement shall be referred to hereinafter, collectively, as the "Agreement").

WHEREAS, The Ohio Casualty Insurance Company, an Ohio corporation ("OCIC"), American Fire and Casualty Company, an Ohio corporation ("AFCC"), Ohio Security Insurance Company, an Ohio corporation ("OSIC"), Ohio Casualty of New Jersey, Inc., an Ohio corporation ("OCNJ"), West American Insurance Company, an Indiana corporation ("WAIC") and Avomark Insurance Company, an Indiana corporation ("AIC") are member companies of the Liberty Mutual Agency Markets strategic business unit of the Liberty Mutual Group, under which certain insurance companies within Liberty Mutual Group market their insurance products to the public using independent agents; and

WHEREAS, the Parties deem it in their best interests to add OCIC, AFCC, OSIC, OCNJ, WAIC and AIC as parties to the Agreement.

NOW, THEREFORE, the Parties hereto agree to amend the Agreement, as follows:

1. OCIC, AFCC, OSIC, OCNJ, WAIC and AIC are hereby added to the Agreement and are hereby deemed to be included in the definition of "Companies" and "Parties" as, and whenever, used in the Agreement; provided, however, that each may be referred to herein as part of "Companies," or singularly as "OCIC," "AFCC," "OSIC," "OCNJ," "WAIC" and "AIC" depending on whether it is providing services on behalf of PIC or any of the Companies, or receiving services from PIC or any of the Companies or their affiliates.

2. Subsection A, ALLOCATIONS, of Section 8, ALLOCATIONS AND SETTLEMENTS, of the Agreement shall be deleted in its entirety and replaced with the following:

A. Allocations. All expenses charged under this Agreement shall be classified and allocated in accordance with the following:

(i) for all Companies that participate directly or indirectly in the Peerless Insurance Company Reinsurance Agreement, including all amendments and endorsements thereto (the "Peerless Pool"), in accordance with each Company's relative percentages under the Peerless Pool and consistent with the provisions of New York Insurance Regulation 30, 11 NYCRR 105-109;

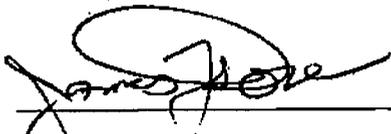
(ii) for all Companies not direct or indirect participants in the Peerless Pool, such Companies shall reimburse PIC for the reasonable cost of performing any of the services provided pursuant to this Agreement. Charges for such services shall include direct expenses and directly allocable expenses allocated to such Companies by PIC in conformity with customary insurance accounting practices consistently applied;

(iii) the method of expense allocations under this Agreement shall be consistent with the principles stated in the Statement of Statutory Accounting Principles No. 70, "Allocation of Expenses."

3. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 5 to the Services Agreement, effective as of the 24<sup>th</sup> day of August, 2007 to be executed by their respective authorized officers.

PEERLESS INSURANCE COMPANY

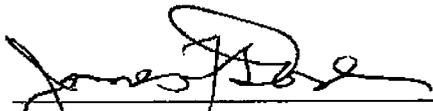
  
\_\_\_\_\_  
By: James F. Dore  
Its Chief Financial Officer

THE NETHERLANDS INSURANCE COMPANY



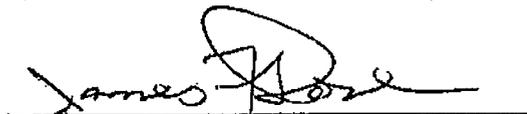
By: James F. Dore  
Its: Chief Financial Officer

EXCELSIOR INSURANCE COMPANY



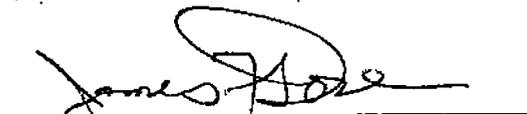
By: James F. Dore  
Its: Chief Financial Officer

INDIANA INSURANCE COMPANY



By: James F. Dore  
Its: Chief Financial Officer

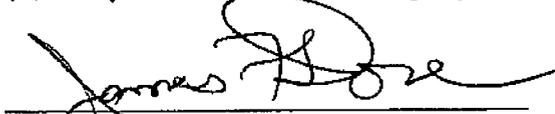
CONSOLIDATED INSURANCE COMPANY



By: James F. Dore  
Its: Chief Financial Officer

PEERLESS INDEMNITY INSURANCE COMPANY

(formerly Atlas Assurance Company of America)



By: James F. Dore  
Its: Chief Financial Officer

AMERICA FIRST INSURANCE COMPANY



By: James F. Dore  
Its: Chief Financial Officer

AMERICAN AMBASSADOR CASUALTY COMPANY



By: James F. Dore  
Its: Chief Financial Officer

GLOBE AMERICAN CASUALTY COMPANY



By: James F. Dore  
Its: Chief Financial Officer

THE MIDWESTERN INDEMNITY COMPANY



By: James F. Dore  
Its: Chief Financial Officer

MID-AMERICAN FIRE AND CASUALTY COMPANY



By: James F. Dore  
Its: Chief Financial Officer

MONTGOMERY MUTUAL INSURANCE COMPANY

  
By: James F. Dore  
Its: Chief Financial Officer

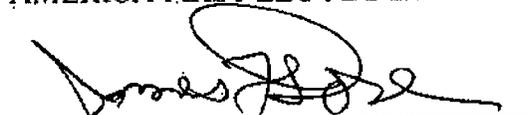
COLORADO CASUALTY INSURANCE COMPANY

  
By: James F. Dore  
Its: Chief Financial Officer

GOLDEN EAGLE INSURANCE CORPORATION

  
By: James F. Dore  
Its: Chief Financial Officer

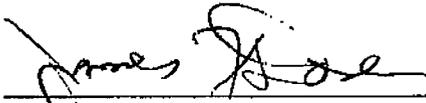
AMERICA FIRST LLOYDS INSURANCE COMPANY BY POA GULF STATES AIF, INC.

  
By: James F. Dore  
Its: Chief Financial Officer

LIBERTY NORTHWEST INSURANCE CORPORATION

  
By: James F. Dore  
Its: Chief Financial Officer

NORTH PACIFIC INSURANCE COMPANY



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By: James F. Dore  
Its: Chief Financial Officer

OREGON AUTOMOBILE INSURANCE COMPANY



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By: James F. Dore  
Its: Chief Financial Officer

THE OHIO CASUALTY INSURANCE COMPANY



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By: James F. Dore  
Its: Chief Financial Officer

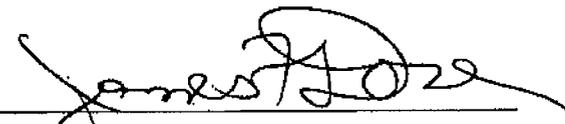
AMERICAN FIRE AND CASUALTY COMPANY



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By: James F. Dore  
Its: Chief Financial Officer

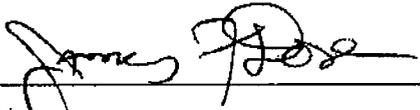
OHIO SECURITY INSURANCE COMPANY



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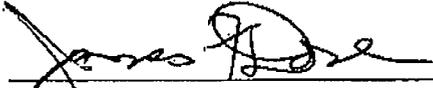
By: James F. Dore  
Its: Chief Financial Officer

OHIO CASUALTY OF NEW JERSEY, INC.



By: James F. Dore  
Its: Chief Financial Officer

WEST AMERICAN INSURANCE COMPANY



By: James F. Dore  
Its: Chief Financial Officer

AVOMARK INSURANCE COMPANY



By: James F. Dore  
Its: Chief Financial Officer

**AMENDMENT NO. 6  
TO  
SERVICES AGREEMENT**

That certain SERVICES AGREEMENT, originally effective January 1, 1999 among THE NETHERLANDS INSURANCE COMPANY, a New Hampshire corporation ("NIC"), EXCELSIOR INSURANCE COMPANY, a New Hampshire corporation ("EIC"), INDIANA INSURANCE COMPANY, an Indiana corporation ("IIC"), CONSOLIDATED INSURANCE COMPANY, an Indiana corporation ("CIC"), PEERLESS INDEMNITY INSURANCE COMPANY (formerly ATLAS ASSURANCE COMPANY OF AMERICA), an Illinois corporation ("PIIC"), AMERICA FIRST INSURANCE COMPANY, a New Hampshire corporation ("AMFIC"), LIBERTY INSURANCE UNDERWRITERS INC. (formerly ALBANY INSURANCE COMPANY), an New York insurer ("LIU"), AMERICAN AMBASSADOR CASUALTY COMPANY, an Illinois insurer ("American Ambassador"), GLOBE AMERICAN CASUALTY COMPANY, an Ohio insurer ("Globe"), THE MIDWESTERN INDEMNITY COMPANY, an Ohio insurer ("Midwestern"), and MID-AMERICAN FIRE AND CASUALTY COMPANY, an Ohio insurer ("Mid-American"); (hereinafter together called the "Companies") on the one part and PEERLESS INSURANCE COMPANY, a New Hampshire corporation ("PIC") on the other part and collectively referred to as the "Parties" was amended, effective January 1, 2000, April 1, 2001 and January 1, 2006 via written instruments entitled "Amendment No. 1 to Services Agreement," "Amendment No. 2 to Services Agreement," "Amendment No. 3 to Services Agreement," "Amendment No. 4 to Services Agreement" and "Amendment No. 5 to Services Agreement," respectively which were duly approved by all relevant state Departments of Insurance, to include as "Parties," MONTGOMERY MUTUAL INSURANCE COMPANY, a Maryland mutual corporation ("MMIC"), COLORADO CASUALTY INSURANCE COMPANY, a Colorado corporation ("CCIC"), GOLDEN EAGLE INSURANCE CORPORATION, a California corporation, America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC"), LIBERTY NORTHWEST INSURANCE CORPORATION, an Oregon corporation ("LNW"), NORTH PACIFIC INSURANCE COMPANY, an Oregon corporation ("NPIC"), Oregon

Automobile Insurance Company, an Oregon corporation ("OAIC"), THE OHIO CASUALTY INSURANCE COMPANY, an Ohio corporation ("OCIC"), OHIO SECURITY INSURANCE COMPANY, an Ohio corporation ("OSIC"), AVOMARK INSURANCE COMPANY, an Indiana corporation ("AIC"), AMERICAN FIRE & CASUALTY COMPANY, an Ohio corporation ("AFCC"), WEST AMERICAN INSURANCE COMPANY, an Indiana corporation ("WAIC"), and OHIO CASUALTY OF NEW JERSEY, INC., an Ohio corporation ("OCNJ") (the Services Agreement, Amendment No. 1, Amendment No. 2, Amendment No. 3, Amendment No. 4, Amendment No. 5 and this Amendment No. 6 to Services Agreement shall be referred to hereinafter, collectively, as the "Agreement.").

WHEREAS, HAWKEYE-SECURITY INSURANCE COMPANY ("HSIC"), a Wisconsin corporation, and NATIONAL INSURANCE ASSOCIATION ("NIA"), an Indiana reciprocal insurer are member companies of the Liberty Mutual Agency Markets strategic business unit of the Liberty Mutual Group under which certain insurance companies within Liberty Mutual Group market their insurance products to the public using independent agents;

WHEREAS the parties deem it in their best interests to add HSIC and NIA as parties to the Agreement effective January 1, 2008; and

WHEREAS the parties deem it in their best interest to modify section 8.B of the Agreement.

NOW, THEREFORE, the Parties hereto agree to amend the Agreement, as follows:

1. HSIC and NIA are hereby added to the Agreement effective January 1, 2008 and is hereby deemed to be included in the definition of "Companies" and "Parties" as set forth above, as, and whenever, used in the Agreement; provided, however, that each may be referred to herein as part of "Companies" or singularly, as "HSIC," or "NIA"

depending on whether it is providing services on behalf of PIC or any of the Companies, or receiving services from PIC or any of the Companies.

2. Effective as of December 31, 2007, Section 8.B. "Settlement," is deleted in its entirety and replaced with the following new Section 8.B:

Settlement. Amounts owing between or among the parties shall be settled between or among such parties on a quarterly basis and payments of amounts owing shall be made within forty-five (45) days after the end of the calendar quarter.

This Amendment No. 6 may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 6 to the Services Agreement, effective as of the 31st day of December 2007, to be executed by their respective authorized officers.

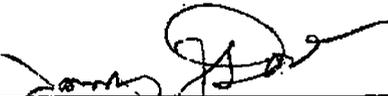
PEERLESS INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer

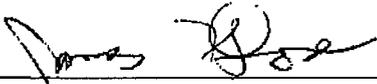
THE NETHERLANDS INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer

EXCELSIOR INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer

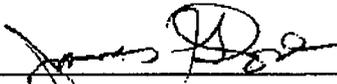
INDIANA INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer

CONSOLIDATED INSURANCE COMPANY

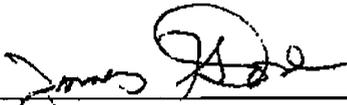


By: James F. Dore

Its: Chief Financial Officer

PEERLESS INDEMNITY INSURANCE COMPANY

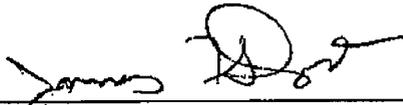
(formerly Atlas Assurance Company of America)



By: James F. Dore

Its: Chief Financial Officer

AMERICA FIRST INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer

AMERICAN AMBASSADOR CASUALTY COMPANY



By: James F. Dore

Its: Chief Financial Officer

GLOBE AMERICAN CASUALTY COMPANY



By: James F. Dore

Its: Chief Financial Officer

THE MIDWESTERN INDEMNITY COMPANY



By: James F. Dore

Its: Chief Financial Officer

MID-AMERICAN FIRE AND CASUALTY COMPANY



By: James F. Dore

Its: Chief Financial Officer

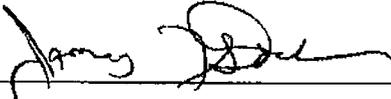
MONTGOMERY MUTUAL INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer

COLORADO CASUALTY INSURANCE COMPANY



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By: James F. Dore

Its: Chief Financial Officer

GOLDEN EAGLE INSURANCE CORPORATION

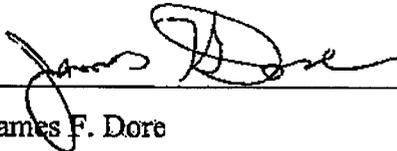


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By: James F. Dore

Its: Chief Financial Officer

AMERICA FIRST LLOYDS INSURANCE COMPANY BY POA GULF STATES AIF, INC.

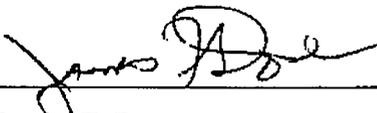


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By: James F. Dore

Its: Chief Financial Officer

LIBERTY NORTHWEST INSURANCE CORPORATION

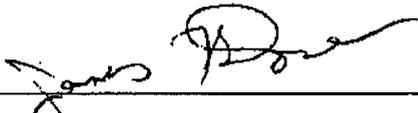


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By: James F. Dore

Its: Chief Financial Officer

OREGON AUTOMOBILE INSURANCE COMPANY

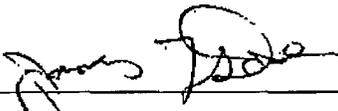


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By: James F. Dore

Its: Chief Financial Officer

NORTH PACIFIC INSURANCE COMPANY



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By: James F. Dore

Its: Chief Financial Officer

HAWKEYE-SECURITY INSURANCE COMPANY

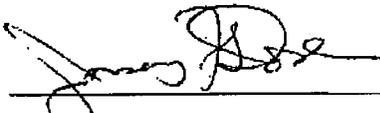


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By: James F. Dore

Its: Chief Financial Officer

NATIONAL INSURANCE ASSOCIATION BY POA THE NATIONAL CORPORATION

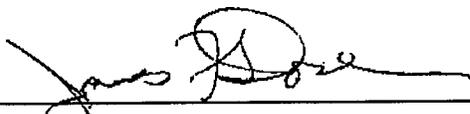


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By: James F. Dore

Its: Chief Financial Officer

THE OHIO CASUALTY INSURANCE COMPANY



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By: James F. Dore

Its: Chief Financial Officer

OHIO SECURITY INSURANCE COMPANY



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By: James F. Dore

Its: Chief Financial Officer

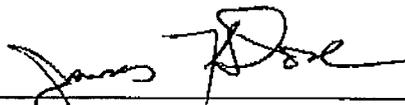
OHIO CASUALTY OF NEW JERSEY, INC.



By: James F. Dore

Its: Chief Financial Officer

AVOMARK INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer

AMERICAN FIRE & CASUALTY COMPANY



By: James F. Dore

Its: Chief Financial Officer

WEST AMERICAN INSURANCE COMPANY



By: James F. Dore

Its: Chief Financial Officer

AMENDMENT NO. 7  
TO  
SERVICES AGREEMENT

That certain SERVICES AGREEMENT, originally effective January 1, 1999 among THE NETHERLANDS INSURANCE COMPANY, a New Hampshire corporation ("NIC"), EXCELSIOR INSURANCE COMPANY, a New Hampshire corporation ("EIC"), INDIANA INSURANCE COMPANY, an Indiana corporation ("IIC"), CONSOLIDATED INSURANCE COMPANY, an Indiana corporation ("CIC"), PEERLESS INDEMNITY INSURANCE COMPANY (formerly ATLAS ASSURANCE COMPANY OF AMERICA), an Illinois corporation ("PIIC"), AMERICA FIRST INSURANCE COMPANY, a New Hampshire corporation ("AMFIC"), LIBERTY INSURANCE UNDERWRITERS INC. (formerly ALBANY INSURANCE COMPANY), an New York insurer ("LIU"), AMERICAN AMBASSADOR CASUALTY COMPANY, an Illinois insurer ("American Ambassador"), GLOBE AMERICAN CASUALTY COMPANY, an Ohio insurer ("Globe"), THE MIDWESTERN INDEMNITY COMPANY, an Ohio insurer ("Midwestern"), and MID-AMERICAN FIRE AND CASUALTY COMPANY, an Ohio insurer ("Mid-American"); (hereinafter together called the "Companies") on the one part and PEERLESS INSURANCE COMPANY, a New Hampshire corporation ("PIC") on the other part and collectively referred to as the "Parties" was amended, effective January 1, 2000, April 1, 2001, January 1, 2006 and December 31, 2007 via written instruments entitled "Amendment No. 1 to Services Agreement," "Amendment No. 2 to Services Agreement," "Amendment No. 3 to Services Agreement," "Amendment No. 4 to Services Agreement," "Amendment No. 5 to Services Agreement" and "Amendment No. 6 to Services Agreement," respectively which were duly approved by all relevant state Departments of Insurance, to include as "Parties," MONTGOMERY MUTUAL INSURANCE COMPANY, a Maryland mutual corporation ("MMIC"), COLORADO CASUALTY INSURANCE COMPANY, a Colorado corporation ("CCIC"), GOLDEN EAGLE INSURANCE CORPORATION, a California corporation, America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC"), LIBERTY NORTHWEST INSURANCE CORPORATION, an Oregon corporation ("LNW"), NORTH PACIFIC INSURANCE COMPANY, an Oregon corporation ("NPIC"), OREGON AUTOMOBILE INSURANCE COMPANY, an

Oregon corporation ("OAIC"), THE OHIO CASUALTY INSURANCE COMPANY, an Ohio corporation ("OCIC"), OHIO SECURITY INSURANCE COMPANY, an Ohio corporation ("OSIC"), AVOMARK INSURANCE COMPANY, an Indiana corporation ("AIC"), AMERICAN FIRE & CASUALTY COMPANY, an Ohio corporation ("AFCC"), WEST AMERICAN INSURANCE COMPANY, an Indiana corporation ("WAIC"), OHIO CASUALTY OF NEW JERSEY, INC., an Ohio corporation ("OCNJ"), HAWKEYE SECURITY INSURANCE COMPANY, a Wisconsin corporation ("HSIC") and NATIONAL INSURANCE ASSOCIATION, an Indiana reciprocal insurer ("NIA") (the Services Agreement, Amendment No. 1, Amendment No. 2, Amendment No. 3, Amendment No. 4, Amendment No. 5, Amendment No. 6 and this Amendment No. 7 to Services Agreement shall be referred to hereinafter, collectively, as the "Agreement.").

WHEREAS, AMERICAN ECONOMY INSURANCE COMPANY ("AEIC"), an Indiana corporation, AMERICAN STATES INSURANCE COMPANY OF TEXAS ("ASICT"), a Texas corporation, AMERICAN STATES INSURANCE COMPANY ("ASIC"), an Indiana corporation, AMERICAN STATES PREFERRED INSURANCE COMPANY ("ASPIC"), an Indiana corporation, FIRST NATIONAL INSURANCE COMPANY OF AMERICA ("FNICA"), a Washington corporation, AMERICAN STATES LLOYDS INSURANCE COMPANY ("ASLIC"), a Texas Lloyd's entity, SAFECO LLOYDS INSURANCE COMPANY ("SLIC"), a Texas Lloyd's entity, GENERAL INSURANCE COMPANY OF AMERICA ("GICA"), a Washington corporation, SAFECO INSURANCE COMPANY OF INDIANA ("SICIN"), an Indiana corporation, SAFECO INSURANCE COMPANY OF AMERICA ("SICA"), a Washington corporation, SAFECO INSURANCE COMPANY OF OREGON ("SICO"), an Oregon corporation, SAFECO SURPLUS LINES INSURANCE COMPANY ("SSLIC"), a Washington corporation, SAFECO INSURANCE COMPANY OF ILLINOIS ("SICIL"), an Illinois corporation, INSURANCE COMPANY OF ILLINOIS ("ICI"), an Illinois corporation, and SAFECO NATIONAL INSURANCE COMPANY ("SNIC"), a Missouri corporation are member companies of the Liberty Mutual Agency Markets strategic business unit of the Liberty Mutual Group under which certain insurance companies within Liberty Mutual Group market their insurance products to the public using independent agents;

WHEREAS the parties deem it in their best interests to add AEIC, ASICT, ASIC, ASPIC, FNICA, ASLIC, SLIC, GICA, SICIN, SICA, SICO, SSLIC, SICIL, ICI and SNIC as parties to the Agreement effective January 1, 2009; and

WHEREAS the parties deem it in their best interest to modify section 8.B of the Agreement.

NOW, THEREFORE, the Parties hereto agree to amend the Agreement, as follows:

1. AEIC, ASICT, ASIC, ASPIC, FNICA, ASLIC, SLIC, GICA, SICIN, SICA, SICO, SSLIC, SICIL, ICI and SNIC are hereby added to the Agreement effective January 1, 2009 and is hereby deemed to be included in the definition of "Companies" and "Parties" as set forth above, as, and whenever, used in the Agreement; provided, however, that each may be referred to herein as part of "Companies" or singularly, as "AEIC," "ASICT," "ASIC," "ASPIC," "FNICA," "ASLIC," "SLIC," "GICA," "SICIN," "SICA," "SICO," "SSLIC," "SICIL," "ICI" or "SNIC" depending on whether it is providing services on behalf of PIC or any of the Companies, or receiving services from PIC or any of the Companies.

This Amendment No. 7 may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 7 to the Services Agreement, effective as of the 1st day of January 2009, to be executed by their respective authorized officers.

PEERLESS INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

THE NETHERLANDS INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

EXCELSIOR INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

INDIANA INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

CONSOLIDATED INSURANCE COMPANY

---

By: James F. Dore

Its: Chief Financial Officer

PEERLESS INDEMNITY INSURANCE COMPANY

(formerly Atlas Assurance Company of America)

---

By: James F. Dore

Its: Chief Financial Officer

AMERICA FIRST INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

AMERICAN AMBASSADOR CASUALTY COMPANY

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By: James F. Dore

Its: Chief Financial Officer

GLOBE AMERICAN CASUALTY COMPANY

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By: James F. Dore

Its: Chief Financial Officer

THE MIDWESTERN INDEMNITY COMPANY

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By: James F. Dore

Its: Chief Financial Officer

MID-AMERICAN FIRE AND CASUALTY COMPANY

---

By: James F. Dore

Its: Chief Financial Officer

MONTGOMERY MUTUAL INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

COLORADO CASUALTY INSURANCE COMPANY

---

By: James F. Dore

Its: Chief Financial Officer

GOLDEN EAGLE INSURANCE CORPORATION

---

By: James F. Dore

Its: Chief Financial Officer

AMERICA FIRST LLOYDS INSURANCE COMPANY BY POA GULF STATES AIF, INC.

---

By: James F. Dore

Its: Chief Financial Officer

LIBERTY NORTHWEST INSURANCE CORPORATION

---

By: James F. Dore

Its: Chief Financial Officer

OREGON AUTOMOBILE INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

NORTH PACIFIC INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

HAWKEYE-SECURITY INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

NATIONAL INSURANCE ASSOCIATION BY POA THE NATIONAL CORPORATION

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By: James F. Dore

Its: Chief Financial Officer

THE OHIO CASUALTY INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

OHIO SECURITY INSURANCE COMPANY

---

By: James F. Dore

Its: Chief Financial Officer

OHIO CASUALTY OF NEW JERSEY, INC.

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By: James F. Dore

Its: Chief Financial Officer

AVOMARK INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

AMERICAN FIRE & CASUALTY COMPANY

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By: James F. Dore

Its: Chief Financial Officer

WEST AMERICAN INSURANCE COMPANY

---

By: James F. Dore

Its: Chief Financial Officer

AMERICAN ECONOMY INSURANCE COMPANY

---

By: James F. Dore

Its: Chief Financial Officer

AMERICAN STATES INSURANCE COMPANY OF TEXAS

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By: James F. Dore

Its: Chief Financial Officer

AMERICAN STATES INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

AMERICAN STATES PREFERRED INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

FIRST NATIONAL INSURANCE COMPANY OF AMERICA

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By: James F. Dore

Its: Chief Financial Officer

AMERICAN STATES LLOYDS INSURANCE COMPANY BY POA GENERAL AMERICA  
CORPORATION OF TEXAS

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By: James F. Dore

Its: Chief Financial Officer

SAFECO LLOYDS INSURANCE COMPANY BY POA GENERAL AMERICA  
CORPORATION OF TEXAS

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By: James F. Dore

Its: Chief Financial Officer

GENERAL INSURANCE COMPANY OF AMERICA

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By: James F. Dore

Its: Chief Financial Officer

SAFECO INSURANCE COMPANY OF INDIANA

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By: James F. Dore

Its: Chief Financial Officer

SAFECO INSURANCE COMPANY OF AMERICA

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By: James F. Dore

Its: Chief Financial Officer

SAFECO INSURANCE COMPANY OF OREGON

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By: James F. Dore

Its: Chief Financial Officer

SAFECO SURPLUS LINES INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer

SAFECO INSURANCE COMPANY OF ILLINOIS

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By: James F. Dore

Its: Chief Financial Officer

INSURANCE COMPANY OF ILLINOIS

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By: James F. Dore

Its: Chief Financial Officer

SAFECO NATIONAL INSURANCE COMPANY

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By: James F. Dore

Its: Chief Financial Officer