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2
3 BEFORE THE STATE OF WASHINGTON
4 OFFICE OF INSURANCE COMMISSIONER

5 In the Matter of the Acquisition of Control
6 of

7 SAFECO INSURANCE COMPANY OF
8 AMERICA, GENERAL INSURANCE
9 COMPANY OF AMERICA, FIRST
10 NATIONAL INSURANCE COMPANY
OF AMERICA, and SAFECO SURPLUS
LINES INSURANCE COMPANY

11 by

12 LIBERTY MUTUAL HOLDING
13 COMPANY, INC., LMHC
14 MASSACHUSETTS HOLDINGS, INC.,
LIBERTY MUTUAL GROUP, INC.,
15 LIBERTY MUTUAL INSURANCE
16 COMPANY, LIBERTY INSURANCE
HOLDINGS, INC., and LIH US P&C
CORPORATION

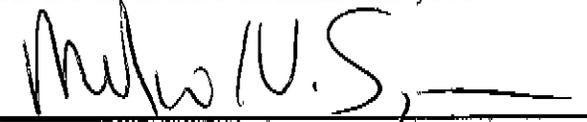
No. G08-0084

APPLICANT'S RESPONSES TO
SUBJECTS 1-8 OF AUGUST 29, 2008,
ORDER SUPPLEMENTING NOTICE OF
HEARING

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18 Applicant hereby responds to the Hearing Officer's August 29, 2008, Order
19 Supplementing Notice of Hearing: Additional Information Required from
20 Applicants/Proposed Purchasers. This response includes a letter from Mr. Richard P.
Quinlan, related exhibits, and an index to the Form A filing, including Amendments.

21 Respectfully Submitted this 3rd day of September, 2008.

22 CARNEY BADLEY SPELLMAN, P.S.

23
24 By 

25 Melvin N. Sorensen, WSBA No. 14817



175 Berkeley Street
Boston, Massachusetts 02117

Richard Quinlan
Senior Vice President &
Deputy General Counsel

Tel: (617) 357-9500 Ext. 45655

September 3, 2008

Patricia D. Petersen
Chief Hearing Officer
State of Washington
Office of Insurance Commissioner
Hearings Unit
P.O. Box 40255
Olympia, WA 98504-0255

Liberty Mutual/Safeco Corporation

Dear Ms. Petersen:

This letter is being submitted in response to the questions raised in the Order Supplementing Notice of Hearing: Additional Information Required from Applicants/Proposed Purchasers dated August 29, 2008 (the "Order"). For ease of reference we have reproduced below each question contained in the Order and provided our response in the space immediately following each question.

We believe the following to be fully responsive to all the questions set forth in the Order, and look forward to the hearing scheduled on September 10, 2008. If you believe any of these responses to be incomplete, or wish to receive any further information prior to the hearing, please so advise the undersigned, Richard P. Quinlan, directly so that any such information may be provided in the most expeditious manner possible.

1. Agreement and Plan of Merger [Acquisition]: The subject purchase and sale agreement, filed in Form A, is entitled Agreement and Plan of Merger Dated as of April 23, 2008. It identifies the parties as Liberty Mutual Insurance Company, Big Apple Merger Corporation and Safeco Corporation.

a. Please identify who is the Big Apple Merger Corporation? Big Apple (elsewhere entitled Merger Sub) is not included in Applicants' detailed summary, in the Form A or included in any organization chart.

Response: Big Apple Merger Corporation ("Merger Sub") is a "shell" corporation formed for the sole purpose of entering into, and consummating the

transactions contemplated by, the Agreement and Plan of Merger (the “Merger Agreement”). Under the terms of the Merger Agreement, it is intended that Merger Sub will be merged with and into Safeco Corporation (“Safeco”) in order to complete the proposed acquisition of Safeco (the “Acquisition”) in accordance with applicable provisions of the Washington Business Corporation Act. See Section 1.1 of the Merger Agreement. The separate existence of Merger Sub will cease when it is merged into Safeco upon filing of articles of merger with the Secretary of State of the State of Washington at completion of the Acquisition.

b. What is Big Apple’s function, ownership, governance and financing with respect to the proposed acquisition?

Response: As noted above, Merger Sub was created for the sole purpose of entering into and consummating the transactions contemplated by the Merger Agreement. This type of special purpose corporation is very commonly used in merger and acquisition transactions. The formation of a special purpose corporation allows the parties to create a legal mechanism whereby the acquired company becomes a subsidiary of the acquiring company through merger with one of the acquiring company’s existing subsidiaries (i.e., the special purpose company). This is generally considered the most efficient structure for this type of transaction from the perspective of both corporation law and tax structuring.

Merger Sub has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the Merger Agreement. It is a shell corporation with no assets or liabilities other than those necessary for the performance of its obligations under the Merger Agreement and it is a wholly-owned subsidiary of Liberty Mutual Insurance Company, a Massachusetts stock insurance company that is an indirect wholly-owned subsidiary of Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, such organizational structure more fully described in the organizational charts included in the Form A (see Response to Question 2.a., below). The members of its Board of Directors and its officers are as set forth on Exhibit 4.d.

Financing with respect to the proposed Acquisition will be provided by a contribution of capital from Liberty Mutual Insurance Company, all as more fully described in our response to Question 7.g. There will be no intercompany loan. At the effective time of the merger, Merger Sub will be merged with and into Safeco (the “Merger”). As a result of the Merger, the separate corporate existence of Merger Sub will cease and Safeco will continue under the name “Safeco Corporation” as the surviving corporation of the Merger.

c. What type of corporation is Big Apple?

Response: Merger Sub is a corporation formed under the laws of the State of Washington. It is a “C” corporation for tax purposes.

2. **LIH US P&C Corporation:** LIH US P&C Corporation is stated to be the proposed direct purchaser of all of the entire Safeco organization. LIH US P&C Corporation is also stated to become the owner of all of the Safeco organization if this transaction is approved. [Form A.] Form A, Amendment 1, 7th page states as follows: *(vi) LIH US, LIH US [P&C Corporation], a Delaware corporation, was acquired by the Liberty Mutual Group in 1999. LIH US is a direct, wholly-owned subsidiary of LIHI [Liberty Insurance Holdings Inc.]. LIH US will be the direct purchaser of Safeco. The only material asset of LIH US is its investment in its subsidiaries.*

a. With respect to the organization charts previously provided, please ensure that complete charts of the pre- and post-acquisition structure of LIH US P&C Corporation are provided.

Response: Reference is made to NO. G08-0084 NOTICE OF HEARING dated August 26, 2008 (the “Notice of Hearing”). The undersigned hereby confirms that Organizational Charts 1, 2 and 4 attached to and incorporated into the Notice of Hearing depict a complete illustration of the pre- and post acquisition structure of LIH US P&C Corporation.

b. Applicants state that there is no SEC filing required in this matter and that LIH US P&C Corporation has not been audited. Please indicate how RCW 48.31B.015(2)(c) will be complied with if the LIH US P&C Corporation is not audited. RCW 48.31B.015(2)(c) requires that the Form A contain *fully audited financial information as to the earnings and financial condition of each acquiring party for the preceding five fiscal years of each acquiring party ... and similar unaudited information as of a date not earlier than ninety days before the filing of the statement* [Form A].

Response: Audited financial statements are not available for LIH US P&C Corporation because this entity is a holding company whose only material assets and liabilities are those that arise as a result of its holding the shares of its wholly owned insurance company subsidiaries (collectively “LIH Insurance Subs”). We believe that LIH US P&C Corporation will comply with RCW 48.31B.015 (2) (c) because, most importantly, each of the LIH Insurance Subs, which upon the completion of the Merger will include all of the insurance subsidiaries of Safeco, have received, and will continue to receive, an annual statutory audit of their

respective financial statements. Further, LIH US P&C Corporation is also included as an entity that is consolidated in the audited GAAP financial statements of the ultimate controlling person which is Liberty Mutual Holding Company Inc. In addition, consolidating schedules for Liberty Mutual Holding Company Inc. were made available to the Washington State Office of the Insurance Commissioner's staff (the "OIC Staff") as part of its review of the Form A that culminated in its declaration on August 5, 2008 that the Form A filing was complete. It is our understanding that RCW 48.31B.015(2)(c) does not specifically require that each acquiring party must have fully audited financial information for the preceding five fiscal years, but rather that audited financial statements for such period be provided that contain fully audited financial information "as to the earning and financial condition of each acquiring party...". We believe that the combination of the information noted above satisfies this requirement of RCW 48.31B.015(2)(c).

c. Please provide by prior written testimony and by oral testimony at hearing how all rights and privileges of the current policyholders of the Safeco domestic insurers and their affiliates will be honored should this transaction be approved.

Response: The Merger Agreement does not limit, curtail or change the rights and privileges of the current policyholders of the Safeco domestic insurers and their affiliates in any manner or form, and upon the effective time of the Merger all such policyholder rights and privileges will continue to be honored on their current terms and conditions. Specifically, the Applicants have no plans to cause or permit the Domestic Insurers not to honor their contractual obligations, including those under insurance policies issued by them, in accordance with their terms.

3. **Governance Mechanisms:** Please identify the governance mechanisms for each of the following entities:

- a. Big Apple Merger Corporation;
- b. Liberty Mutual Holding Company Inc.;
- c. LMHC Massachusetts Holdings Inc.;
- d. Liberty Mutual Insurance Company;
- e. Liberty Insurance Holdings, Inc.; and
- f. LIH US P&C Corporation

Response: Pursuant to the bylaws of each entity the respective executive officers manage the day-to day operations of each of the above entities. These executive officers are elected and appointed by, and subject to the oversight of, the respective Boards of Directors of each such entity. Each such director is elected

by their respective shareholders, who are more fully illustrated in Organizational Charts 1, 2 and 4 attached to the Notice of Hearing, or their members in the case of Liberty Mutual Holding Company Inc. ("LMHC"), as dictated by the laws of the Commonwealth of Massachusetts. Please note that this response also applies to "Liberty Mutual Group Inc.", which is an acquiring party set forth in our Form A, but was not listed above. Additional details concerning "Liberty Mutual Group, Inc." are also included in Exhibit 4.a.

4. Ownership Interests: Please identify for each of the entities outlined in No. 3 above:

a. Who are the entity owners (specifically);

Response: Please see Exhibit 4.a. and the responses to questions 3.a. and c., above.

b. What shares of ownership does each hold; and

Response: Common stock in the percentages set forth in Exhibit 4.a. in the case of all entities except LMHC. For LMHC, current policyholders of the three former separate mutual insurance companies (Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company and Employers Insurance Company of Wausau) have uncertificated member and equity rights pursuant to Massachusetts law. These policyholders are commonly referred to as the "owners" of a mutual holding company.

c. By what means are these ownership interests held?

Response: Stock certificates for all entities and member and equity rights for LMHC as noted in item 4. b, above.

d. Please provide the names of all members of Boards of Directors and the Officers.

Response: Please see Exhibit 4.d., attached.

5. Litigation and Other Legal Action: The Agreement and Plan of Merger dated April 23, 2008, Ex. 1 of Form A, provides significant information upon which the

Commissioner relies in review of this proposal. Section 3.15 (p. 13) *Litigation* states: *There is no action, suit, investigation, claim, complaint, demand, summons, cease and desist letter, subpoena, injunction, notice of violation or other proceeding pending against, or, to the knowledge of the Company* [defined therein as Safeco Corporation], *threatened in writing against the Company or any of its Subsidiaries, which, if determined or resolved adversely in accordance with the plaintiff's or claimant's demands, would, ... reasonably be expected to have a Company Material Adverse Effect.* Please provide information, including a description of the nature of the proceedings and current cases status, for Case No. 08-2-18681-4 SEA was filed in the King County Superior Court on June 2, 2008 and Case No. 2:08-cv-00940-BAT was filed in the U.S. District Court for the Western District of Washington at Seattle on June 19, 2008, and answered by Safeco Corporation and Liberty Mutual shortly thereafter. In this case naming Safeco Corporation and Liberty Mutual Insurance Company and others as defendants, Gotham Investors, on behalf of itself and all others similarly situated, asserts, briefly, that, *This is a shareholder class action on behalf of plaintiff and other public holders of Safeco Corporation...common stock and against Safeco's directors and Liberty Mutual Insurance Company.... It challenges the sale of Safeco to Liberty Mutual and its wholly owned subsidiary Big Apple Merger Corporation...in a proposed transaction...which protects and advances the interests of Safeco's directors and Liberty Mutual at the expense of Safeco's public shareholders and defendants' efforts to conceal material information from plaintiff and Safeco's other public shareholders in conjunction with the same. Specifically, as further alleged below, a majority of Safeco's directors will receive extensive personal compensation as a result of the Sale Agreement – compensation that they would not otherwise receive at this time absent the Sale Agreement. This conflict of interest caused these directors to be unable to fairly and thoroughly evaluate the Sale Agreement to ensure that they are in the best interest of Safeco and its public shareholders. Additionally, Safeco's directors caused Safeco to file a proxy statement with the SEC on or about May 23, 2008 ... which concealed material information from plaintiff and Safeco's other public shareholders.* Further, please identify how these cases should be viewed in light of the statutory criteria set forth in RCW 48.31B.015?

Response: Please see Exhibit 5 attached as to the status of these matters. As noted in Exhibit 5, a memorandum of understanding reflecting a settlement in principle of these complaints was entered into on June 24, 2008 and is attached for your information as Exhibit 5.1. Liberty Mutual does not believe these cases should be viewed as having any bearing on the statutory criteria set forth in RCW 48.31B.015.

6. **Other Agreements:**

a. Please provide complete executed copies of all agreements which are in any way, in whole or in part, related to this proposed acquisition and which

provide compensation to Safeco officers and directors, Liberty Mutual officers and directors and any other individual or entity.

Response: There are no agreements that provide for compensation to Liberty Mutual officers and directors as a result of the Merger or the transactions contemplated thereby. Upon completion of the Acquisition, however, Liberty Mutual is required to pay certain fees to Lehman Brothers Inc. for investment banking services rendered in connection therewith, all as more fully provided in the letter agreement attached as Exhibit 6.a. Further, Liberty Mutual has agreed to pay customary legal and accounting fees on an hourly basis to various firms engaged by Liberty Mutual in connection with the proposed acquisition. Finally, in accordance with applicable Washington law, Liberty Mutual will be assuming the costs and expenses of Rudmose & Noller Advisors, LLC and Cantilo & Bennett LLP who have been engaged by the OIC Staff to assist them in their review of our Form A filing.

Clearly, shareholders of Safeco Corporation are due the consideration of \$68.25 per share, as more fully described in the Merger Agreement and the officers and directors of Safeco are in many cases also shareholders. Further, Liberty Mutual understands that certain officers and directors, in addition to their rights as shareholders of Safeco, may be entitled to further compensation by virtue of the Merger. In this regard, we respectfully refer you to the section entitled "Interests of Safeco's Directors and Executive Officers in the Merger" beginning on page 39 of the Proxy Statement filed with the SEC and mailed to Safeco's shareholders in connection with their vote on the Merger. In addition, Liberty Mutual expects that certain advisors of Safeco, including Morgan Stanley who provided investment banking services, are entitled to compensation by virtue of the Merger. Thus, in this regard, Liberty Mutual has requested that Ms. DeAnn Work, Senior Associate General Counsel. of Safeco, separately respond to this inquiry with any additional relevant information within the time frames set forth in the Order. We note that for purposes of our response to this question, we have assumed that you are seeking information concerning compensation that is triggered by virtue of the closing of the proposed acquisition and have been agreed to in advance, but not items dependent on yet to be determined actions or events such as stay-put bonuses and employee severance arrangements as noted in the Merger Agreement and referenced in the report dated August 26, 2008 issued by Rudmose & Noler Advisors, LLC, or similar forms of compensation.

b. Please provide complete executed copies of all agreements which concern other matters aside from compensation which in any way relate to this proposed acquisition.

Response: There are no other executed agreements which concern other matters aside from compensation which in any way related to this proposed acquisition other than Liberty Mutual's proposed intercompany agreements filed with its Form A and those related to the mechanics of the distribution of cash proceeds at the effective time of closing with institutional transfer agents on customary terms and conditions. The form of this agreement is attached as Exhibit 6.b. for your information.

c. Please detail, whether by written agreement or not, all compensation paid or to be paid to any individual or entity which would result from consummation of this proposed acquisition.

Response: Please see the response to question 6.a., above.

7. **Financing:** Amendment No. 1 to the Form A filed August 5, 2008, states that the purchase of the Safeco Corporation, including all of its affiliates, is valued at approximately \$6.2 billion which will be paid from cash on hand. Form A further states that, while LIH US is the purchasing corporation which will own the entire Safeco organization, in order to pay the purchase price, *[o]n May 29, 2008, LMGI issued \$1.25 billion of junior subordinated securities (hybrid debt). The [Applicants] intend to contribute the proceeds of such issuance down to LIH US as an investment in a subsidiary. Following such contribution, LMGI and LIH US will have adequate liquidity to fund the entire Proposed Acquisition with cash on hand, including, in part, proceeds from dividends that have been declared by certain of its current affiliates.*

a. Please identify who these "other current affiliates" are.

Response: Please see Exhibit 7.a., attached.

b. Please detail what funds will be paid from LMGI and what funds will be paid by "certain of [LIH US P&C Corporation's] other current affiliates"?

Response:

Overview

The purchase of Safeco, including all of its affiliates, is valued at approximately \$6.2 billion. To fund the acquisition: (i) Liberty Mutual Fire Insurance Company, a Wisconsin stock insurance company, will purchase approximately \$250 million worth of Liberty Insurance Holdings, Inc. ("LIHI") common stock; (ii) Employers Insurance Company of Wausau, a Wisconsin stock insurance company, will purchase approximately \$350 million worth of LIHI common stock; and (iii) Liberty Mutual Insurance Company, a Massachusetts stock insurance company, will purchase approximately \$5.545 billion worth of LIHI common stock. LIHI will then contribute, pursuant to a capital

contribution, approximately \$6.145 billion to its wholly owned subsidiary LIH US P&C Corporation. LIH US P&C Corporation will have received approximately \$55 million in dividends from its subsidiaries, which together with its receipt of the approximately \$6.145 billion capital contribution from LIHI will equal approximately \$6.2 billion.

Specifics

Liberty Mutual Fire Insurance Company will fund its purchase of \$250 million worth of shares of LIHI common stock from (i) approximately \$50 million of hybrid debt proceeds received as a capital contribution from its parent Liberty Mutual Group Inc., (ii) approximately \$16 million received as a dividend from Ohio Casualty Corporation and (iii) the rest from the sale of investment securities and cash on hand.

Employers Insurance Company of Wausau will fund its purchase of \$350 million worth of LIHI common stock from (i) approximately \$22 million received as a dividend from Ohio Casualty Corporation and (ii) the rest from sales of investment securities and cash on hand.

To finance its purchase of approximately \$6.145 billion worth of shares of LIHI common stock, Liberty Mutual Insurance Company (i) received as a capital contribution approximately \$1.160 billion of hybrid debt proceeds from its parent Liberty Mutual Group Inc., (ii) will use approximately \$500 million received from Peerless Insurance Company in exchange for readily marketable investment securities; (iii) will use approximately \$219 million received from The Ohio Casualty Insurance Company in exchange for readily marketable investment securities; (iv) will use approximately \$518 million received as dividends from its affiliates as indicated on Exhibit 7.a.; and (v) will fund the remaining \$3.748 billion from sales of investment securities and cash on hand.

Dividends Listed on Exhibit 7.a.

The precise details of the dividends set forth on Exhibit 7.a. are as follows:

A.) \$55 million to LIH US P&C Corporation from subsidiary dividends

1-Consolidated Insurance Company dividend its aggregate sum indicated in Exhibit 7.a. to its parent Indiana Insurance Company.

2-Indiana Insurance Company dividend its aggregate sum indicated in Exhibit 7.a. to its parent LIH US P&C.

B.) \$ 518 million to Liberty Mutual Insurance Company from dividends

1-Golden Eagle Insurance Corporation dividend its aggregate sum indicated in Exhibit 7.a. to its parent Liberty Mutual Insurance Company.

2 -San Diego Insurance Company dividend its aggregate sum indicated in Exhibit 7.a. to its parent Golden Eagle Insurance Corporation.

3 -LM Property and Casualty Insurance Company dividend its aggregate sum indicated in Exhibit 7.a. to its parent Liberty Mutual Insurance Company.

4 -Liberty Insurance Corporation dividend its aggregate sum indicated in Exhibit 7.a. to its parent Liberty Mutual Insurance Company.

5 -West American Insurance Company, American Fire and Casualty Company, and Ohio Casualty of New Jersey, Inc., each dividended their respective sums indicated in Exhibit 7.a. to their parent The Ohio Casualty Insurance Company.

6 -Liberty Personal Insurance Company dividend its aggregate sum indicated in Exhibit 7.a. to its parent Liberty Mutual Insurance Company.

7 - The Ohio Casualty Insurance Company dividend its aggregate sum indicated in Exhibit 7.a. to its parent Ohio Casualty Corporation, which in turn dividend the amounts among Liberty Mutual Insurance Company (78% or approximately \$212 million), Liberty Mutual Fire Insurance Company (6% or approximately \$16 million), Employers Insurance Company of Wausau (8% or approximately \$ 22 million) and Peerless Insurance Company (8% or approximately \$22 million).

8 -Liberty Northwest Insurance Corporation dividend its aggregate sum indicated in Exhibit 7.a. to its parent Liberty Mutual Insurance Company.

9 -Wausau Underwriters Insurance Company dividend its aggregate sum indicated in Exhibit 7.a. to its parent Wausau Service Corporation, which in turn dividend this amount to its parent Liberty Mutual Insurance Company.

10 -Wausau General Insurance Company dividend its aggregate sum indicated in Exhibit 7.a. to its parent Wausau Service Corporation, which in turn dividend this amount to its parent Liberty Mutual Insurance Company.

c. Are LMGI and the “other current affiliates” loaning LIH US P&C Corporation these funds?

Response: The funds are provided as capital contributions and not as loans. A capital contribution is a contribution that increases the equity value of a company, but does not increase the amount of shares outstanding or constitute a loan by, or liability owed to, the contributor.

d. What agreements exist for LIH US P&C Corporation to repay these funds to LMGI and the “other current affiliates”? Please furnish copies of these agreements.

Response: No such agreements exist since as noted in our response to question 7.c. above these funds are being provided as capital contributions and not as loans.

e. What collateral has LIH US P&C Corporation provided to LMGI and its “other current affiliates” related to the funds these entities are providing for payment of the purchase price?

Response: Since funding is being provided in the form of capital contributions as noted in Responses 7.b. and 7.c. above, no collateral has been required or provided.

f. Please state whether, as of September 2, 2008, the dividends used to fund the proposed acquisition have all been approved. If any have not been approved, please state the amount of such dividend(s), the status of approval, when approval is expected, and all other information that is relevant to the undersigned’s consideration of this aspect of the proposed acquisition.

Response: As of September 2, 2008, all dividends used to fund the proposed acquisition have either been approved or not disapproved in accordance with the laws and regulations in the controlling jurisdictions. For additional details, please see Exhibit 7.a.

g. Please provide a detailed, precise description of the plan to pay the \$6.2 billion purchase price, including where what amount of funds are coming from, specifically how they are generated and through what hands are they placed from origin until they are actually paid for the proposed purchase of the Safeco organization. If the financing is to come from dividends and if those dividends are to be paid to a mutual corporation prior to payment of the purchase price, how is the mutual allowed to retain these funds without distribution to its members?

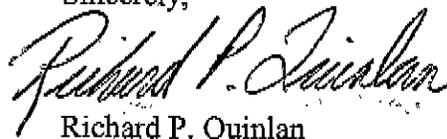
Response: Please see the response to question 7.b. above. No part of the financing or any dividends are to be paid by or paid to a mutual corporation.

8. **Index:** Please provide an index to the Form A filing, including Amendments.

Response: Please see “Index to the Liberty Mutual Form A Including Amendments”, attached.

As noted, we believe the above to be fully responsive to the questions and requests for information raised in the Order, however please advise us if there are any additional questions or requests for information prior to the hearing and we will make every effort to respond as expeditiously as possible.

Sincerely,

A handwritten signature in cursive script that reads "Richard P. Quinlan". The signature is written in black ink and is positioned above the printed name.

Richard P. Quinlan

Exhibit 4.a.

Legal Entity Name	Principal Activity	Parent Company	Share Capital and voting power held by immediate insurance parent undertaking
Liberty Mutual Holding Company Inc.	Holding Company	N/A	N/A No Shares
LMHC Massachusetts Holdings Inc.	Holding Company	Liberty Mutual Holding Company Inc.	100% 1,000 Shares of Common Stock, \$.01 Par Value
Liberty Mutual Group Inc.	Holding Company	LMHC Massachusetts Holdings Inc.	100% 1,000 Shares of Common Stock, \$.01 Par Value
Liberty Mutual Insurance Company	Insurance Company	Liberty Mutual Group Inc.	100% 100,000 Shares of Common Stock, \$100.00 Par Value
Liberty Insurance Holdings, Inc.	Holding Company	Liberty Mutual Insurance Company	100% 516 Shares of Common Stock, \$.01 Par Value
Big Apple Merger Corporation	Corporation	Liberty Mutual Insurance Company	100% 10,000 Shares of Common Stock, No Par Value
LIH US P&C Corporation	Holding Company	Liberty Insurance Holdings, Inc.	100% 1,000 Shares of Capital Stock, \$1.00 per share

LIBERTY MUTUAL HOLDING COMPANY INC.

BOARD OF DIRECTORS

Michael J. Babcock
Gary C. Butler
Charles I. Clough, Jr.
Gary L. Countryman
Francis A. Doyle, III
John P. Hamill
Marian L. Heard
Edmund F. Kelly
John P. Manning
Thomas J. May
Stephen F. Page
Ellen A. Rudnick
Martin P. Slark
William C. Van Faasen
Annette M. Verschuren

EXECUTIVE OFFICERS

Edmund F. Kelly	Chairman of the Board, President and Chief Executive Officer
J. Paul Condrin, III	Executive Vice President
A. Alexander Fontanes	Executive Vice President
Gary R. Gregg	Executive Vice President
David H. Long	Executive Vice President
Thomas C. Ramey	Executive Vice President
Dennis J. Langwell	Senior Vice President and Chief Financial Officer
Christopher C. Mansfield	Senior Vice President and General Counsel
Stuart M. McGuigan	Senior Vice President and Chief Information Officer
Robert T. Muleski	Senior Vice President and Corporate Actuary
Helen E.R. Sayles	Senior Vice President
Stephen G. Sullivan	Senior Vice President
John D. Doyle	Vice President and Comptroller
Dexter R. Legg	Vice President and Secretary
Laurance H.S. Yahia	Vice President and Treasurer

LMHC Massachusetts Holdings Inc. ^

Director

Edmund F. Kelly

Director

Dennis J. Langwell

Director

Christopher C. Mansfield

Chairman of the Board, President and Chief Executive Officer

Edmund F. Kelly

Vice President and Chief Financial Officer

Dennis J. Langwell

Vice President and Secretary

Dexter R. Legg

Vice President and General Counsel

Christopher C. Mansfield

Vice President and Treasurer

Laurance H. S. Yahia

Liberty Mutual Group Inc.

Director

Director

Director

Chairman of the Board, President and Chief Executive Officer

Vice President and Comptroller

Vice President and Chief Financial Officer

Vice President and Secretary

Vice President and General Counsel

Vice President and Manager, Corporate Human Resources & Administration

Vice President and Treasurer

Edmund F. Kelly

Dennis J. Langwell

Christopher C. Mansfield

Edmund F. Kelly

John D. Doyle

Dennis J. Langwell

Dexter R. Legg

Christopher C. Mansfield

Helen E. R. Sayles

Laurance H. S. Yahia

LIBERTY MUTUAL INSURANCE COMPANY

Elected Directors

J. Paul Condrin, III
 A. Alexander Fontanes
 Edmund F. Kelly
 Dennis J. Langwell
 David H. Long
 Christopher C. Mansfield
 Thomas C. Ramey

Elected Officers

Chairman of the Board, President and Chief Executive Officer	Edmund F. Kelly
Executive Vice President	J. Paul Condrin III
Executive Vice President and Chief Investment Officer	A. Alexander Fontanes
Executive Vice President	Gary R. Gregg
Executive Vice President	David H. Long
Executive Vice President	Thomas C. Ramey
Senior Vice President and Chief Financial Officer	Dennis J. Langwell
Senior Vice President and General Counsel	Christopher C. Mansfield
Senior Vice President and Chief Information Officer	Stuart M. McGuigan
Senior Vice President	Helen E. R. Sayles
Senior Vice President	Stephen G. Sullivan
Senior Vice President and Treasurer	Laurance H. S. Yahia
Senior Vice President and Corporate Actuary	Robert T. Muleski
Vice President and Comptroller	John D. Doyle
Vice President and Secretary	Dexter R. Legg

Liberty Insurance Holdings, Inc.

Director	James F. Dore
Director	Gary R. Gregg
Director	Edmund F. Kelly
Director	Dennis J. Langwell
Director	Christopher C. Mansfield
Chairman of the Board and Chief Executive Officer	Edmund F. Kelly
President	Gary R. Gregg
Executive Vice President and Chief Investment Officer	A. Alexander Fontanes
Senior Vice President and Chief Financial Officer	James F. Dore
Senior Vice President	Scott R. Goodby
Secretary	Dexter R. Legg
Treasurer	James E. Tulte

Big Apple Merger Corporation as of September 2, 2008

Director	Edmund F. Kelly
Director	Dennis J. Langwell
Director	Christopher C. Mansfield
President	Michael J. Fallon
Vice President	Dennis J. Langwell
Vice President	Richard P. Quinlan
Treasurer	Dennis J. Langwell
Secretary	Richard P. Quinlan

LIH US P&C Corporation

Director	James F. Dore
Director	Gary R. Gregg
Director	Dennis J. Langwell
Director	Christopher C. Mansfield
Chairman of the Board, President, CEO, and COO	Gary R. Gregg
Executive Vice President and Chief Investment Officer	A. Alexander Fontanes
Senior Vice President and Chief Financial Officer	James F. Dore
Senior Vice President	Scott R. Goodby
Secretary	Dexter R. Legg
Treasurer	James E. Tuite

Litigation Relating to the Merger

Loring v. Brown, et al.

On May 9, 2008, a purported class action complaint, *Loring v. Brown, et al.*, Action No. CV80733 RSM, was filed against Safeco and its directors, allegedly on behalf of Safeco shareholders, in the United States District Court for the Western District of Washington. The complaint alleges, among other matters, that the terms on which the Safeco board of directors agreed for Safeco to be acquired by Liberty Mutual constitute a breach of the directors' fiduciary and other duties due to the inadequacy of the consideration to be received by the class and the defendants' alleged failure to explore other alternatives. The complaint seeks injunctive and other relief against consummation of the merger and unspecified monetary damages.

Gotham Investors v. Reynolds, et al.

On June 2, 2008 a purported class action complaint on behalf of Safeco's shareholders, *Gotham Investors v. Reynolds, et al.*, was filed against Safeco, Safeco's directors and Liberty Mutual in King County, Washington Superior Court. That action was subsequently removed by defendants to the U.S. District Court for the Western District of Washington where it bears No.2:08-cv-980. The complaint alleges that the merger agreement advances the interests of Safeco's directors and Liberty Mutual at the expense of Safeco shareholders, principally because of an alleged failure to explore other possible transactions, and that the preliminary proxy statement filed by Safeco on or about May 23, 2008, was deficient in failing to disclose the amount of the compensation received by Morgan Stanley for its prior work on behalf of Liberty Mutual and its expectation of future work, as well as certain details of the methodologies used in assessing the consideration to be received pursuant to the merger agreement.

Memorandum of Understanding; Settlement in Principle.

The plaintiffs, Safeco and Liberty Mutual entered into a memorandum of understanding reflecting a settlement in principle of the complaints in the *Loring v. Brown, et al.* and *Gotham Investors v. Reynolds, et al.* actions on June 24, 2008. In connection with the settlement, (1) Safeco has included certain additional disclosures in its proxy statement and (2) Liberty Mutual has agreed that for the six month period beginning on the date of closing of the merger, Liberty Mutual will not, and will use its reasonable best efforts to cause its affiliates not to, consummate any transaction in which it sells 90% or more of Safeco's assets (as existing on the date of consummation of the merger) to an unaffiliated third party, whether by merger, consolidation, or otherwise (a so-called "flip transaction"), for an amount in excess of 120% of the amount that Liberty Mutual paid in connection with the merger (including transaction costs incurred by Liberty Mutual and Safeco and any debt assumed or issued in connection with the merger), unless Liberty

Mutual pays or causes to be paid to the members of the shareholder class an amount equal to 10% of any amount in excess of 120% of the amount that Liberty Mutual paid in connection with the merger (including transaction costs incurred by Liberty Mutual and Safeco and any debt assumed or issued in connection with the merger), up to a maximum payment of \$15,000,000.

The settlement will not affect the amount or form of the merger consideration that Safeco shareholders are entitled to receive in the proposed merger or otherwise modify the terms of the transaction, other than in connection with the consummation of a flip transaction as described above. Under the terms of the settlement, the parties have agreed to enter into a stipulation of settlement that will dismiss the claims in the two complaints with prejudice and release the defendants, Liberty Mutual, Safeco, and the current and former directors of Safeco, and their current and former affiliates, representatives and advisors from all of the claims that were or could have been brought in the settled litigation, including all claims relating to the merger, the merger agreement and any disclosure made in connection therewith. Liberty Mutual has agreed to pay on behalf of all of the defendants without contribution from them the sum of \$850,000 to plaintiffs' counsel for attorneys fees and expenses within five business days after final dismissal of the two actions. The settlement will be contingent upon, among other things, confirmatory due diligence, consummation of the merger and final court approval.

MEMORANDUM OF UNDERSTANDING

The undersigned parties to the actions captioned *Gotham Investors v. Reynolds, et al.*, Case No. 08-2-18681-4 SEA (the “Gotham Investors Action”), originally pending in the Superior Court of Washington, King County but subsequently removed to the United States District Court for the Western District of Washington, and *Loring v. Brown, et al.*, pending in the United States District Court for the Western District of Washington (the “Loring Action”) (collectively, the “Actions”), by their respective attorneys, have reached an agreement in principle providing for the settlement of the Actions on the terms and subject to the conditions set forth below:

WHEREAS, on April 23, 2008, Safeco Corporation (“Safeco” or the “Company”) announced that it had entered into a definitive Merger Agreement (the “Merger Agreement”) to merge with and into a wholly owned subsidiary of Liberty Mutual Insurance Company (“Liberty Mutual”) (the “Merger”). Under the terms of the Merger Agreement, the Company’s shareholders will receive \$68.25 per share in cash for each Safeco common share they own; and

WHEREAS, on May 9, 2008, plaintiff Steven Loring (“Loring”), a shareholder of the Company, filed a putative class action complaint, on behalf of all holders of Safeco’s common stock, other than defendants and their affiliates, in the United States District Court for the Western District of Washington captioned *Loring v. Brown, et al.*, Civil Action # 08-CV-00733-TSZ; and

WHEREAS, on May 23, 2008, Safeco, in connection with a proposed meeting of its shareholders, filed a preliminary proxy statement (the “Preliminary Proxy Statement”) with the United States Securities and Exchange Commission (“SEC”), which stated that Safeco’s board of directors unanimously approved the Merger Agreement; and

WHEREAS, the Preliminary Proxy Statement also contained a discussion of the background of the Merger Agreement and the reasons the board of directors recommended that shareholders vote in favor of the Merger, and sought shareholder approval for the Merger; and

WHEREAS, on June 2, 2008, plaintiff Gotham Investors, a shareholder of the Company, filed a putative class action complaint, on behalf of all holders of Safeco's common stock, other than defendants and their affiliates, in the Superior Court of Washington, King County captioned *Gotham Investors v. Safeco, et al.*, Case No. 08-2-18681-4 SEA; and

WHEREAS, both the Loring Action and the Gotham Investors Action sought relief against Safeco and the members of its board of directors (the "Board"): Paula Rospit Reynolds, Joseph W. Brown, Robert S. Cline, Peter L.S. Currie, Joshua Green III, John S. Hamlin, Kerry Killinger, Gary Locke, Gerardo I. Lopez, William G. Reed, Jr., Charles R. Rhinehart, and Judith M. Runstad (the "Individual Defendants" and, along with Safeco, the "Safeco Defendants"). The Gotham Investors Action also sought relief against Liberty Mutual as a Defendant (collectively with the Safeco Defendants, the "Defendants"); and

WHEREAS, the Actions also challenged, *inter alia*, the Merger and the Merger Agreement, including, but not limited to, the Company's disclosures in the Preliminary Proxy Statement and the terms of the Merger Agreement, and alleged that the Board had breached its fiduciary duties in connection therewith. The Gotham Investors Action alleged, *inter alia*, that the following information, alleged by plaintiff to be material, was not disclosed in the Preliminary Proxy Statement:

- (i) According to the Proxy Statement, Morgan Stanley has provided financing services to Liberty Mutual and its affiliates and received fees in connection with such services. Also according to the Proxy Statement, subsequent to the date of its fairness opinion, Morgan Stanley served as a co-manager in a securities offering for an affiliate of Morgan Stanley. Gotham Investors asserted that the

Proxy Statement is deficient because it fails to disclose (a) the amount of the fees that Morgan Stanley has received for work it has done for Liberty Mutual and (b) any work, and the fees payable therefrom, that Morgan Stanley expects to perform for Liberty Mutual or its affiliates in the future.

- (ii) With regard to Morgan Stanley's *Comparable Transaction Analysis*, Gotham Investors asserted that the Proxy Statement is deficient because it fails to disclose the results of Morgan Stanley's analysis considering the assumed transaction synergies (calculated at \$250 million per annum, net of assumed tax expenses in the *Comparable Companies Analysis*).
- (iii) According to the Proxy Statement, on March 26, 2008, the Board directed Ms. Reynolds to communicate its belief that a price range near \$70.00 more adequately reflected the Board's view of Safeco's value. Thereafter, on April 18, 2008, Ms. Reynolds indicated to Liberty Mutual that Safeco's board would consider an acquisition of Safeco at a price of \$68.50 per share. Gotham Investors asserted that the Proxy Statement is deficient because it fails to disclose (a) the methodology used by the board to determine that a price at \$70.00 per share adequately reflected Safeco's value and (b) the basis for Ms. Reynolds' indication that the board would consider an acquisition of Safeco at a price of \$68.50 per share.
- (iv) According to the Proxy Statement, in December 2007 and January 2008, Safeco's board determined against pursuing a business combination of Safeco with any of the four entities, including Liberty Mutual, which had expressed an interest in Safeco. However, in February 2008, the Board determined that it would be interested in pursuing a transaction with Liberty Mutual. Gotham Investors asserted that the Proxy Statement is deficient because it fails to disclose (a) the board's rationale for declining to consider a business combination of Safeco in December 2007 and January 2008 and (b) the rationale underlying the board's decision to reverse its earlier determination a month later.
- (v) According to the Proxy Statement, discussions with regard to a sale of Safeco were held with a total of five entities, four of which contacted Safeco and only one of which was contacted on behalf of Safeco. Gotham Investors asserted that the Proxy Statement is deficient because it fails to disclose the board's rationale for failing to conduct a broader sale process to fully explore the realm of potential buyers for the Company.

WHEREAS, the Actions further alleged, *inter alia*, that by reason of Defendants' actions, Plaintiffs and the Class members had suffered and would suffer irreparable harm for which they had no adequate remedy at law, and requested that the Court grant appropriate relief for such alleged harm; and

WHEREAS, on June 13, 2008, plaintiff Gotham Investors filed Motions for a Temporary Restraining Order and for Expedited Discovery, which motions were scheduled for hearing on June 23, 2008; and

WHEREAS, also on June 13, 2008, plaintiff Loring sent a letter to counsel for the Defendants requesting that certain disclosures be made in the Definitive Proxy Statement as part of any settlement (the "June 13 Letter"); and

WHEREAS, on June 16, 2008, Defendants filed a Notice of Removal, removing the Gotham Investors Action to the United States District Court for the Western District of Washington; and

WHEREAS, between June 6, 2008 and June 24, 2008, counsel for the Defendants and counsel for Plaintiffs engaged in good faith discussions with regard to the possible settlement of the Actions; and

WHEREAS, after lengthy negotiations, the Parties reached an agreement in principle concerning the proposed settlement of the Actions, which is set forth in this Memorandum of Understanding ("MOU"). Because counsel for the Parties have concluded that the terms contained in this MOU are fair and adequate to both the Company and its shareholders and that it is reasonable to pursue a settlement of the Actions based upon the procedures outlined herein and the benefits and protections offered herein, the parties wish to document their agreement in principle in this MOU; and

WHEREAS, Defendants deny all allegations of wrongdoing, fault, liability or damage to Plaintiffs and the putative Class, deny that they are engaged in any wrongdoing or violation of law or breach of duty, and believe that they acted properly at all times, but wish to settle the litigation on the terms and conditions stated in this MOU in order to eliminate the burden and expense of further litigation and to put the claims to be released hereby to rest finally and forever, and to avoid any possible delay in the vote by the shareholders of the Company on the proposed Merger; and

WHEREAS, all parties recognize the time and expense that would be incurred by further litigation in this matter and the uncertainties inherent in such litigation; and

WHEREAS, the parties to this MOU have reached an agreement in principle providing for the settlement of the Actions on the following terms:

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and among the parties hereto:

1. In consideration for the full settlement and release of all Settled Claims (as defined below) the Company agrees to disclose additional information in the definitive proxy statement (the "Definitive Proxy Statement") filed by the Company with the SEC and mailed to the Company's shareholders of record as of June 10, 2008 (the record date for the special meeting called for consideration of the Merger (the "Record Date")), as described in a Schedule of Disclosures which has been provided to and reviewed and approved by Plaintiffs' Counsel.

2. Defendants acknowledge that the pendency and prosecution of the Actions and communications from Plaintiffs' Counsel, as well as Defendants' desire to settle the Actions,

were the sole factors causing them to agree to make the additional disclosures referred to in paragraph 1.

3. In further consideration for the release and settlement of all Settled Claims, for the six (6) month period beginning on the date of consummation of the Merger, Liberty Mutual will not, and will cause its affiliates not to, consummate (i.e. close) any transaction in which it sells 90% or more of Safeco's assets (as existing on the date of consummation of the Merger) to an unaffiliated third party, whether by merger, consolidation, or otherwise, for an amount in excess of 120% of the amount that Liberty Mutual paid in connection with the Merger (including transaction costs incurred by Liberty Mutual and Safeco and any debt assumed or issued in connection with the Merger) (a "Flip Transaction") unless Liberty Mutual pays or causes to be paid to the Class Members an amount equal to 10% of any amount in excess of 120% of the amount that Liberty Mutual paid in connection with the Merger (including transaction costs incurred by Liberty Mutual and Safeco and any debt assumed or issued in connection with the Merger), up to a maximum payment to the Class Members of \$15,000,000. The proceeds of any such payment to the Class Members shall promptly be distributed to the Class Members. The parties do not intend or expect this fund provision to be treated as a security under any law or regulation; however, for so long as any court or federal or state agency has determined that such provision should be treated as a security under any law, then this provision shall be treated as null and void by the parties thereto, without affecting the remaining terms of this Stipulation or further obligating Liberty Mutual or Safeco to any other amount or remedy. In the event of a Flip Transaction, payment of the Flip Amount shall be the sole remedy available to the Class Members, and only Liberty Mutual may be held liable for the payment of the Flip Amount described herein, and neither Liberty Mutual, Safeco, nor any Defendant shall in any event have

liability for an amount in excess of the Flip Amount; no person shall be entitled to seek or obtain any injunctive or similar relief with respect to any Flip Transaction. Any payment under this provision shall not provide the basis for an additional request for attorneys' fees. Any right the Class Members have to payment of the Flip Amount pursuant to this term is not transferable. Although the Releases and dismissals described in the Settlement Agreement will remain otherwise effective, the parties further agree that the Court will retain jurisdiction to enforce this provision until the six (6) months period has expired. Such jurisdiction will terminate automatically upon expiration of the six (6) month period.

4. Defendants acknowledge that the decision to pay the Flip Amount described in paragraph 3 in the event that Liberty Mutual consummates a Flip Transaction was a direct and sole result of the Actions, the efforts of Plaintiffs' Counsel and the negotiations between counsel for Plaintiffs and counsel for Liberty Mutual, and Defendants' desire to settle the Actions.

5. The parties in the Gotham Investors Action will promptly file a stipulated motion or such other documents as are reasonably necessary to remand the Gotham Investors Action to the Superior Court of Washington, King County. This will be without prejudice to Defendants once again removing the case to the United States District Court for the Western District of Washington if Final Approval of the Settlement (as defined in paragraph 10 herein) is not obtained and without prejudice to Plaintiffs' right to file a subsequent motion to remand.

6. Liberty Mutual will bear the cost and administrative responsibility of notice to the Class Members in connection with the settlement of the Actions and the settlement hearing. Liberty Mutual will consult with Plaintiffs' Counsel prior to hiring a notice administrator.

7. The parties will negotiate in good faith and use their best efforts to agree upon, execute and present to the Superior Court of Washington, King County (the "Court") an appropriate stipulation of settlement (the "Stipulation") in the Gotham Investors Action and such other documentation as may be required in order to obtain Final Approval of the Settlement by that Court (as defined in paragraph 10 herein) and the dismissal with prejudice of the Action upon the terms set forth in this MOU. The Stipulation will expressly provide, *inter alia*:

(a) for certification, for settlement purposes only, pursuant to Washington Superior Court Civil Rule 23, of a class consisting of all persons (other than Defendants and their immediate families, heirs and assigns, and those in privity with them) who owned common stock of the Company at any time from and including April 23, 2008 through and including the effective date of the Merger, including any and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, heirs, assigns or transferees, immediate and remote, or any person or entity acting for or on behalf of, or claiming under any of them, and each of them (the "Class Members"), which certification shall be a condition of the settlement;

(b) for entry of judgment dismissing the Gotham Investors Action with prejudice and, except as set forth in paragraphs 6 and 9, without costs to any party;

(c) for the complete discharge, dismissal with prejudice on the merits, settlement and release of any and all claims, demands, rights, actions or causes of action, rights, liabilities, damages, losses, obligations, judgments, suits, matters and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, that have been or could have been asserted by Plaintiff or any Class Member in the Gotham Investors Action or any other court against any or all Defendants in the Gotham Investors Action or their current and former directors, officers, agents, affiliates,

subsidiaries, successors or assigns, or any representatives, trustees, executors, heirs, assigns or transferees, attorneys, or advisors of any of the foregoing (collectively, the "Released Persons") which the Plaintiffs, or any Class Member ever had, now have, or hereafter can, shall or may have by reason of, arising out of, relating to or in connection with the allegations, facts, events, transactions, acts, occurrences, statements, representations, misrepresentations, omissions or any other matter, thing or cause whatsoever, or any series thereof, embraced, involved, set forth or otherwise related to the Actions (the "Settled Claims"). Notwithstanding the foregoing, any claims for appraisal pursuant to 23B.13 of the Washington Business Corporation Act ("WBCA") or claims to enforce the Settlement are excluded from this release;

(d) that Defendants, including any and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, heirs, assigns or transferees, immediate and remote, and any person or entity acting for or on behalf of, or claiming under any of them, and each of them, release Plaintiffs and Plaintiffs' Counsel from any and all claims, including unknown claims, arising out of or relating to their filing and prosecution of the Actions;

(e) that the releases contemplated by the Settlement extend to claims that Defendants, Plaintiffs, and each Class Member do not know or suspect to exist at the time of the release, which if known, might have affected the decision to enter into the release or to object or not to object to the Settlement. Plaintiffs, Defendants, and each Class Member shall be deemed to waive, and shall waive and relinquish to the fullest extent permitted by law any and all provisions, rights and benefits conferred by any law of the United States or any state or territory of the United States, or principle of common law, which governs or limits a person's release of unknown claims; further, that (i) the Plaintiffs, the Class Members, and Defendants shall be

deemed to waive, and shall waive and relinquish, to the fullest extent permitted by law, the provisions, rights and benefits of Section 1542 of the California Civil Code which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR

(ii) Plaintiffs, the Class Members and Defendants also shall be deemed to waive any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code § 1542; and (iii) Plaintiffs, the Class Members and Defendants acknowledge that they may discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this release, but that it is their intention, as Plaintiffs, Defendants and Class Members to fully, finally and forever settle and release any and all claims released hereby known or unknown, suspected or unsuspected, which now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery or existence of such additional or different facts. Plaintiffs and Defendants acknowledge, and the Class Members shall be deemed by operation of the entry of a final order and judgment approving the Settlement to have acknowledged, that the foregoing waiver was separately bargained for and is a key element of the Settlement of which this release is a part;

(f) that each of the Defendants has denied and continues to deny that any of them have committed or threatened to commit any wrongdoing, violation of law or breaches of any duty of any kind to Plaintiffs in the Actions, the Class Members, or anyone; and

(g) that the Defendants are entering into the Stipulation solely because the proposed Settlement would eliminate the distraction, burden, risk and expense of further litigation; and

(h) that Defendants shall have the right to withdraw from the proposed Settlement in the event that any claims related to the subject matter of the Action are commenced or prosecuted against any of the Released Persons in any court prior to Final Approval of the Settlement, and (following a motion by Defendants) such claims are not dismissed with prejudice or stayed in contemplation of dismissal, and that in the event any such claims are commenced, Plaintiffs and Defendants agree to cooperate and use all reasonable efforts to secure the dismissal (or a stay in contemplation of dismissal following Final Approval) thereof.

8. Promptly following Final Approval of the Settlement (as defined in paragraph 10 herein), the Parties in the Loring Action will file papers to dismiss that action with prejudice based upon the *res judicata* effect of the Gotham Investors Action.

9. The Stipulation and Exhibits thereto will also provide that the Defendants acknowledge that Plaintiffs' Counsel have a claim for attorneys' fees and reimbursement of expenses in this action based upon the benefits that the Settlement has and will provide to the Class Members, and that, rather than continuing to litigate this issue, the parties to this Settlement (after negotiating the other elements of the Settlement) agreed that, subject to Court approval of the Settlement in the Gotham Investors Action, Liberty Mutual will cause to be paid to Plaintiffs' Counsel the sum of \$850,000 (Eight Hundred and Fifty Thousand US dollars) in full settlement of this claim for attorneys' fees and expenses as a unitary term of the Settlement. The Settlement Agreement will provide that the payment of any amount in settlement of this claim for attorneys' fees and expenses will be made within five (5) days after Final Approval of the

settlement as defined in paragraph 10 and the dismissal with prejudice of the Loring Action has become final and not subject to further appeal or challenge. The amounts paid to Plaintiffs' Counsel for attorneys' fees and reimbursement of expenses will *not* be paid out of amounts that would otherwise have been paid to the Class Members. At the time the fees are paid they shall be paid by check, one-half made payable to The Brualdi Law Firm, P.C. and one-half made payable to Harwood Feffer LLP, as receiving agents for Plaintiffs' Counsel, to allocate among Plaintiffs' Counsel as they believe to reflect the relative contributions of each counsel to the prosecution of this Action.

10. Consummation of the Settlement is subject to the following, which the parties to this MOU agree to use their best efforts to achieve: (a) satisfactory completion of reasonable confirmatory discovery by Plaintiffs, to confirm the fairness and adequacy of the settlement contemplated herein; (b) drafting and execution of a formal Stipulation of Settlement and such other documentation as may be required to obtain Final Approval by the Court in the Gotham Investors Action of the Settlement ("Settlement Documents"), by counsel for the Parties (provided that the Parties comply with their obligation to act in good faith to negotiate and execute such a formal Settlement Agreement); (c) consummation of the Merger; (d) satisfaction of any other conditions set forth herein; and (e) Final Approval by the Court in the Gotham Investors Action of the Settlement and entry of a final order and judgment by that Court (and the exhaustion of possible appeals, if any) dismissing the Gotham Investors Action with prejudice on the merits and with each party to bear its own costs (except for the costs set forth in paragraphs 6 and 9 above), and providing for such release language as is contained in the Settlement Agreement. As used herein, "Final Approval" of the Settlement means that the Court in the Gotham Investors Action has entered an order approving the Settlement and that such order is

finally affirmed on appeal or is no longer subject to appeal and the time for any petition for reargument, appeal or review, by certiorari or otherwise, has expired; provided, however, and notwithstanding any provision to the contrary in this MOU, Final Approval shall not include (and the Settlement is expressly not conditioned on) the approval of attorneys fees and the reimbursement of expenses to Plaintiffs' Counsel as provided in Paragraph 9 above, and any appeal related thereto.

11. Subject to prior Court approval of the form of notice, the parties to this MOU will present the Settlement to the Court in the Gotham Investors Action for hearing and approval as soon as practicable following appropriate notice to the class members and will use their best efforts to obtain expeditiously Final Approval of the settlement by the Court in the Gotham Investors Action and the dismissal of the Actions with prejudice.

12. This MOU shall be null and void and of no force and effect should any of the conditions set forth herein not be met; or should Plaintiffs' Counsel in the Actions determine in good faith that, based upon the facts learned subsequent to the execution of this MOU, the proposed Settlement is not fair, reasonable and adequate to Class members. In such event, the MOU shall not be deemed to prejudice in any way the positions of the Parties with respect to the Actions nor to entitle any party to the recovery of costs and expenses incurred to implement this MOU (except as provided in paragraph 6 hereof for the costs of notice of the Settlement). Notwithstanding the foregoing, neither Plaintiffs nor any Class Member shall have any right to terminate or withdraw from the Settlement by reason of any Order relating to attorneys' fees and expenses, and the finality of the Settlement shall not be affected by any Order relating to such matters.

13. The provisions contained in this MOU and all negotiations, discussions and proceedings in connection with this MOU shall not be deemed or constitute a presumption, concession or an admission by any party in the Actions of any fault, liability or wrongdoing or lack of any fault, liability or wrongdoing, as to any facts or claims alleged or asserted in the Actions, or any other actions or proceedings, and shall not be interpreted, construed, deemed, involved, offered, or received in evidence or otherwise used by any person in the Actions, or in any other action or proceeding, whether civil, criminal or administrative, except in connection with any proceeding to enforce the terms of this MOU. If the settlement does not receive Final Approval, the parties shall revert to their respective litigation positions as if this Memorandum of Understanding never existed.

14. The parties to this MOU agree that except as expressly provided herein, the Actions shall be stayed with respect to all parties to the Actions pending court action on the proposed settlement and Plaintiffs will stay, and will not initiate, any other proceedings other than those incident to the Settlement itself. The Parties also agree to use their best efforts to prevent, stay or seek dismissal of or oppose entry of any interim or final relief in favor of any Class Member in any other litigation against any of the parties to this MOU which challenges the Settlement, the Merger or the Merger Agreement or otherwise involves a Settled Claim. Plaintiffs' Counsel agrees that Defendants' time to answer or otherwise respond to the Complaints in the Actions or any discovery requests or requests for interim relief is extended indefinitely. Except as provided herein, Plaintiffs shall file no further motions in the Actions and Plaintiff in the Gotham Investors Action will promptly withdraw its pending Motions for a Temporary Restraining Order and Expedited Discovery.

15. Plaintiffs through their counsel in the Actions represent and warrant that none of Plaintiffs' claims or causes of action referred to in any complaint in the Actions or this MOU have been assigned, encumbered or in any manner transferred in whole or in part, and that Plaintiffs are and have been shareholders of the Company throughout the period covered by the Complaints and this Settlement.

16. This MOU constitutes the entire agreement among the Parties with respect to the subject matter hereof, and may not be amended, nor any of its provisions waived, except by a writing signed by all of the parties hereto.

17. This MOU, and all rights and powers granted hereby, shall be binding on and inure to the benefit of the parties hereto (including all Class Members) and their respective agents, executors, heirs, successors and assigns.

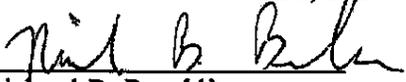
18. This MOU shall be governed by, and construed in accordance with the laws of the State of Washington, exclusive of choice of law provisions.

19. This MOU will be executed by counsel for the Parties, each of whom represents and warrants that they have the authority from their clients to enter this MOU.

20. This MOU may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. Signed signature pages of this MOU may be delivered by facsimile, e-mail or PDF transmission, which will constitute complete delivery without any necessity for delivery of originally signed signature pages in order for this to constitute a binding agreement.

Date: June 24, 2008

THE BRUALDI LAW FIRM, P.C.

By: 
Richard B. Brualdi
29 Broadway, Suite 2400
New York, New York 10006

(212) 952-0602

***Counsel for Plaintiff Gotham
Investors***

Date: June 24, 2008

HARWOOD FEFER, LLP

By: Robert Harwood / ^{by permission} Richard Brucoli
Robert I. Harwood
488 Madison Avenue, 8th Floor
New York, New York 10022
(212) 935-7400

Counsel for Plaintiff Steven Loring

Date: June __, 2008

BINGHAM MCCUTCHEN, LLP

By: _____
David M. Balabanian
Three Embarcadero Center
San Francisco, California 94111
(415) 393-2170

***Counsel for the Individual Defendants and
Safeco Corporation***

Date: June __, 2008

WILSON SONSINI GOODRICH
& ROSATI

By: _____
Barry M. Kaplan
701 Fifth Avenue, Suite 5100
Seattle, Washington 98104
(206) 883-2500

***Counsel for Liberty Mutual Insurance
Company***

(212) 952-0602

***Counsel for Plaintiff Gotham
Investors***

Date: June __, 2008

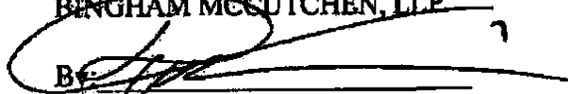
HARWOOD FEFFER, LLP

By: _____
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New York, New York 10022
(212) 935-7400

Counsel for Plaintiff Steven Loring

Date: June 24, 2008

BINGHAM MCCUTCHEN, LLP

By:  _____
David M. Balabanian
Three Embarcadero Center
San Francisco, California 94111
(415) 393-2170

***Counsel for the Individual Defendants and
Safeco Corporation***

Date: June __, 2008

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& ROSATI

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(206) 883-2500

***Counsel for Liberty Mutual Insurance
Company***

(212) 952-0602

***Counsel for Plaintiff Gotham
Investors***

Date: June __, 2008

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By: _____
Robert I. Harwood
488 Madison Avenue, 8th Floor
New York, New York 10022
(212) 935-7400

Counsel for Plaintiff Steven Loring

Date: June __, 2008

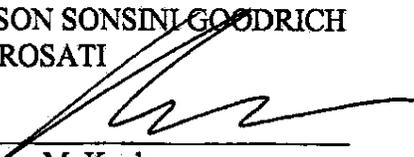
BINGHAM MCCUTCHEN, LLP

By: _____
David M. Balabanian
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San Francisco, California 94111
(415) 393-2170

***Counsel for the Individual Defendants and
Safeco Corporation***

Date: June 24, 2008

WILSON SONSINI GOODRICH
& ROSATI

By: 

Barry M. Kaplan
701 Fifth Avenue, Suite 5100
Seattle, Washington 98104
(206) 883-2500

***Counsel for Liberty Mutual Insurance
Company***

LEHMAN BROTHERS

March 3, 2008

Liberty Mutual Group Inc.
175 Berkeley Street
Boston, MA 02116

Attention: Michael Fallon
Vice President and Director
Corporate Finance

Dear Sirs:

This letter agreement (this "Agreement") will confirm the understanding and agreement between Lehman Brothers Inc. ("Lehman Brothers") and Liberty Mutual Group Inc. (the "Company") as follows:

1. The Company hereby engages Lehman Brothers on an exclusive basis to render financial advisory services to the Company, all as more fully described in paragraph 2 below, concerning its potential acquisition (as defined in paragraph 3) of Safeco Corporation ("Safeco").
2. Lehman Brothers hereby accepts the engagement and, in that connection, agrees to:
 - (a) provide advisory services, including general business and financial analysis, transaction feasibility analysis and pricing of the prospective acquisition of Safeco;
 - (b) assist in negotiations and related strategy concerning such acquisition;
 - (c) assist in corporate capital planning and risk management for such acquisition;
 - (d) if requested by the Company, render an opinion (the "Opinion") to the Board of Directors of the Company with respect to the fairness, from a financial point of view, to the Company of the consideration to be paid in an acquisition of Safeco. The Opinion shall be in such a form as Lehman Brothers shall reasonably determine, including statements therein that Lehman Brothers has relied upon the information furnished to it by the Company and has assumed the accuracy and completeness of all information used by it without assuming any responsibility for independent verification of such information. In any event, the Opinion shall be limited to the fairness, from a financial point of view, to the Company of the consideration to be paid in such acquisition of Safeco, and shall not address the Company's underlying business decision to proceed with or effect such acquisition of Safeco.

3. For purposes of this Agreement, an "acquisition" of Safeco shall mean any transaction or series or combination of transactions whereby, directly or indirectly, control of or a controlling interest in Safeco or its businesses or substantially all of the respective assets of Safeco is transferred to the Company or any of its affiliates (including a joint venture or partnership formed in connection with a combination of the Company or any portion thereof with Safeco) for consideration, including, without limitation, by means of a sale or exchange of capital stock or assets, a merger or consolidation, a tender or exchange offer, the formation of a joint venture or partnership, a reinsurance transaction, a leveraged buy-out or any similar transaction, but excluding any subsequent sale, merger, securities offering or other transfer of such interests or assets by the Company or any of its affiliates, including, without limitation a so-called down stream IPO.
4. The term of Lehman Brothers' engagement hereunder shall extend from November 15, 2007 (the "Engagement Date") until terminated as set forth below. Subject to the provisions of paragraphs 5 through 16, which shall survive any termination of this Agreement, either party may terminate Lehman Brothers' engagement hereunder with or without cause at any time by giving the other party at least 10 days' prior written notice.
5. As compensation for the services rendered by Lehman Brothers hereunder, the Company shall pay Lehman Brothers as follows:
 - (a) A retainer of \$75,000, payable upon the signing of this Agreement, which fee shall be credited against any fees paid under subparagraph 5(c).
 - (b) A fee of \$1,000,000, payable upon delivery of the Opinion, if so requested, which fee shall be credited against any fees paid under subparagraph 5(c).
 - (c) If an acquisition of Safeco occurs either during the term of Lehman Brothers' engagement hereunder or, assuming Lehman Brothers did not terminate the engagement or Lehman Brothers was not terminated by Liberty for Cause (as defined below), then at any time during a period of 12 months following the effective date of such termination of Lehman Brothers' engagement hereunder (the periods together, the "Engagement Period"), then the Company shall pay to Lehman Brothers (i) in the case where an acquisition of Safeco occurs on a friendly basis without a publicly disclosed dispute, a fee of \$10 million less any credits for previous payments made pursuant to paragraphs 5 (a) and (b) and (ii) in the case where an acquisition of Safeco occurs pursuant to an unfriendly process, an additional fee to be mutually agreed upon by Liberty Mutual and Lehman Brothers.

For purposes of this Agreement "Cause" means (i) any acts constituting bad faith, gross negligence or willful misconduct or (ii) the failure by Lehman Brothers to perform in a material respect its obligations hereunder, provided, however, that the Company shall first give Lehman Brothers reasonable prior written notice of the Company's intent to terminate the engagement for such failure (such notice to specify in reasonable detail the facts alleged to give rise to the Company's right to terminate for such failure) and shall have provided Lehman Brothers a reasonable opportunity (not to exceed ten (10) days in any event) to cure by performing such obligations.

- (d) Compensation which is payable to Lehman Brothers pursuant to subparagraph 5(c) shall be paid in cash by the Company to Lehman Brothers at the closing of an acquisition of Safeco.
- (e) If discussions regarding an acquisition of Safeco are terminated or such an acquisition of Safeco does not occur for any reason whatsoever and the Company or any of its affiliates are paid a break-up, termination or similar fee by Safeco or any other person or entity in connection therewith during the Engagement Period, then the Company shall pay to Lehman Brothers the fees payable under subparagraphs 5(a), 5(b) and 5(c) as if the acquisition of Safeco was completed during the Engagement Period from the proceeds of such break-up, termination or similar fees promptly following the receipt thereof; provided, however, that any payment to Lehman Brothers under this subparagraph 5(e) shall not exceed 20% of such break-up, termination or similar fees. Such break-up, termination or similar fees shall include, without limitation, any profits earned by the Company or any of its affiliates in connection with any sales or dispositions of securities granted to or received by the Company or any of its affiliates in connection with the acquisition of Safeco, net of out-of-pocket expenses incurred by the Company in connection with the proposed acquisition excluding, however, the fee due Lehman under this paragraph 5 (e).
6. The Company shall provide Lehman Brothers the opportunity to discuss with the Company (i) arranging any financing that may be required for or in connection with an acquisition of Safeco (including arranging any debt financing and underwriting and acting as placement agent for any debt and/or equity securities issued by the Company and/or any affiliate), and (ii) providing any investment banking or financial advisory services in connection with an acquisition of Safeco for which the services of an investment banking firm are utilized, including without limitation, execution of risk management strategies (e.g., acting as counterparty in interest rate, foreign exchange, credit and commodities hedging or equity derivative transactions). Notwithstanding anything contained herein to the contrary, any commitment on the part of Lehman Brothers and Liberty with respect to (i) and (ii) above will exist only upon the execution of a final, written commitment or engagement letter or loan agreement, as the case may be, and then only in accordance with the terms and conditions thereof. In the event that Lehman Brothers agrees to lead the financing for or in connection with an acquisition of Safeco or to provide any investment banking or financial advisory services in connection therewith, Lehman Brothers shall be paid fees to be mutually agreed upon and which are customary for the industry for the services rendered. In the event that Lehman Brothers, with respect to the financing of the acquisition of Safeco or any other particular transaction, elects not to provide such services to the Company, nothing contained herein shall be deemed to prevent the Company from utilizing the services of another investment banking firm for such transaction or to require the Company to pay a fee to Lehman Brothers with respect to such transaction.
7. The Company shall reimburse Lehman Brothers for (i) its reasonable out-of-pocket expenses and (ii) its third-party professional and legal fees up to \$50,000, incurred in connection with its services set forth in paragraph 2. Thereafter, such professional and

legal fees will only be reimbursed with the prior written (which shall include e-mail) consent of the Company, not to be unreasonably withheld.

8. The Company shall:

- (a) indemnify Lehman Brothers and hold it harmless against any and all losses, claims, damages or liabilities to which Lehman Brothers may become subject arising in any manner out of or in connection with the rendering of services by Lehman Brothers hereunder (including any services rendered prior to the Engagement Date) or the rendering of additional services by Lehman Brothers as requested by the Company that are related to the services rendered hereunder, unless it is finally judicially determined that such losses, claims, damages or liabilities resulted directly from the bad faith, gross negligence or willful misconduct of Lehman Brothers; and
- (b) reimburse Lehman Brothers promptly for any legal or other expenses reasonably incurred by it in connection with investigating, preparing to defend or defending, or providing evidence in or preparing to serve or serving as a witness with respect to, or otherwise relating to, any lawsuits, investigations, claims or other proceedings arising in any manner out of or in connection with the rendering of services by Lehman Brothers hereunder or the rendering of additional services by Lehman Brothers as requested by the Company that are related to the services rendered hereunder (including, without limitation, in connection with the enforcement of this Agreement and the indemnification obligations set forth herein); provided, however, that in the event a final judicial determination is made to the effect specified in subparagraph 8(a) above, Lehman Brothers will remit to the Company any amounts reimbursed under this subparagraph 8(b).

The Company agrees that the indemnification and reimbursement commitments set forth in this paragraph 8 shall apply whether or not Lehman Brothers is a formal party to any such lawsuits, investigations, claims or other proceedings and that such commitments shall extend upon the terms set forth in this paragraph to any controlling person, affiliate, director, officer, employee or consultant of Lehman Brothers (each, with Lehman Brothers, an "Indemnified Person"). The Company further agrees that, without Lehman Brothers' prior written consent, it will not enter into any settlement of a lawsuit, claim or other proceeding arising out of the transactions contemplated by this Agreement if Lehman Brothers or any other Indemnified Person is an actual party to such lawsuit, claim or proceeding, unless such settlement includes an explicit and unconditional release from the party bringing such lawsuit, claim or other proceeding of all such Indemnified Persons.

If indemnification is to be sought hereunder by an Indemnified Person, then such Indemnified Person shall notify the Company of the commencement of any action or proceeding in respect thereof; provided, however, that the failure so to notify the Company shall not relieve the Company of any liability that it may have to such Indemnified Person pursuant to this paragraph 8 except to the extent the Company has been prejudiced in any material respect by such failure or from any liability that it may have to such Indemnified Person other than pursuant to this paragraph 8.

Notwithstanding the above, following such notification, the Company may elect in writing to assume the defense of such action or proceeding, and, upon such election, it shall not be liable for any legal costs subsequently incurred by such Indemnified Person (other than reasonable costs of investigation or providing evidence) in connection therewith, unless (i) the Company has failed to provide counsel reasonably satisfactory to such Indemnified Person in a timely manner, (ii) counsel which has been provided by the Company reasonably determines that its representation of such Indemnified Person would present it with a conflict of interest or (iii) the Indemnified Person reasonably determines that there may be legal defenses available to it which are different from or in addition to those available to the Company. In connection with any one action or proceeding, the Company shall not be responsible for the fees and expenses of more than one separate law firm in any one jurisdiction for all Indemnified Persons.

9. The Company and Lehman Brothers agree that if any indemnification or reimbursement sought pursuant to the preceding paragraph 8 is judicially determined to be unavailable for a reason other than the bad faith, gross negligence or willful misconduct of Lehman Brothers, then, whether or not Lehman Brothers is the Indemnified Person, the Company and Lehman Brothers shall contribute to the losses, claims, damages, liabilities and expenses for which such indemnification or reimbursement is held unavailable (i) in such proportion as is appropriate to reflect the relative benefits to the Company on the one hand, and Lehman Brothers on the other hand, in connection with the transactions to which such indemnification or reimbursement relates, or (ii) if the allocation provided by clause (i) above is judicially determined not to be permitted, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative faults of the Company on the one hand, and Lehman Brothers on the other hand, as well as any other equitable considerations; provided, however, that in no event shall the amount to be contributed by Lehman Brothers pursuant to this paragraph exceed the amount of the fees actually received by Lehman Brothers hereunder.
10. Except as contemplated by the terms hereof or as required by applicable law, regulations, administrative proceedings, rating agency reviews or pursuant to an order entered or subpoena issued by a court of competent jurisdiction, Lehman Brothers shall keep confidential all material non-public information provided to it by the Company, and shall not disclose such information to any third party and shall only disclose such information to such of its employees and advisors as Lehman Brothers determines to have a need to know.
11. Except as contemplated by the terms hereof or as required by applicable law, regulations, administrative proceedings, rating agency reviews or pursuant to an order entered or subpoena issued by a court of competent jurisdiction, any advice (including the Opinion) to be provided by Lehman Brothers under this Agreement shall not be disclosed publicly or made available to third parties without the prior approval of Lehman Brothers, and accordingly such advice shall not be relied upon by any person or entity other than the Company.
12. The Company agrees that Lehman Brothers has the right following the closing of an acquisition to place advertisements in financial and other newspapers and journals at its

own expense describing its services to the Company hereunder, provided that Lehman Brothers will submit a copy of any such advertisements to the Company for its prior approval, which approval shall not be unreasonably withheld.

13. The Company and Lehman Brothers each represent to the other that there is no other person or entity that is entitled to a finder's fee or any type of brokerage commission in connection with the transactions contemplated by this Agreement as a result of any agreement or understanding with it.
14. Nothing in this Agreement, expressed or implied, is intended to confer or does confer on any person or entity other than the parties hereto or their respective successors and assigns, and to the extent expressly set forth herein, the Indemnified Persons, any rights or remedies under or by reason of this Agreement or as a result of the services to be rendered by Lehman Brothers hereunder. The parties acknowledge that Lehman Brothers is not acting as an agent of the Company (but as an independent contractor) or in a fiduciary capacity with respect to the Company and that Lehman Brothers is not assuming any duties or obligations other than those expressly set forth in this Agreement. The Company further agrees that neither Lehman Brothers nor any of its controlling persons, affiliates, directors, officers, employees or consultants shall have any liability to the Company or any person asserting claims on behalf of or in right of the Company for any losses, claims, damages, liabilities or expenses arising out of or relating to this Agreement or the services to be rendered by Lehman Brothers hereunder, unless it is finally judicially determined that such losses, claims, damages, liabilities or expenses resulted directly from the bad faith, gross negligence or willful misconduct of Lehman Brothers or any of its controlling persons, affiliates, directors, officers, employees or consultants.
15. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.
16. This Agreement may not be amended or modified except in writing signed by each of the parties and shall be governed by and construed and enforced in accordance with the laws of the State of New York. The Company and Lehman Brothers hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States District Courts located in the City of New York for any lawsuits, actions or other proceedings arising out of or relating to this Agreement and agree not to commence any such lawsuit, action or other proceeding except in such courts. The Company further agrees that service of any process, summons, notice or document by mail to the Company's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought against the Company in any such court. The Company and Lehman Brothers hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding arising out of or relating to this Agreement in the courts of the State of New York or the United States District Courts located in the City of New York, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been

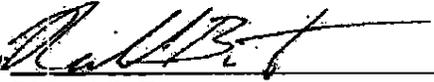
brought in an inconvenient forum. Any right to trial by jury with respect to any lawsuit, claim or other proceeding arising out of or relating to this Agreement or the services to be rendered by Lehman Brothers hereunder is expressly and irrevocably waived.

17. The Company acknowledges and agrees that:

- (a) Lehman Brothers is a full service securities firm engaged in a wide range of businesses and from time to time, in the ordinary course of its business, Lehman Brothers or its affiliates will hold long or short positions and trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or loans of the companies which may be the subject of the transactions contemplated by this Agreement. Such trading is conducted, of course, with strict informational barriers in place to protect the confidentiality of client information and in strict compliance with applicable securities laws. During the course of Lehman Brothers engagement with the Company, Lehman Brothers may have in its possession material, non-public information regarding other companies that could potentially be relevant to the Company or the transactions contemplated herein but which cannot be shared due to an obligation of confidence to such other companies.
- (b) Lehman Brothers' research analysts and research departments are independent from Lehman Brothers' investment banking division and are subject to certain regulations and internal policies. Lehman Brothers' research analysts may hold and make statements or investment recommendations and/or publish research reports with respect to the Company, the transactions contemplated herein or any counterparty thereto that differ from or are inconsistent with the views or advice communicated by Lehman Brothers' investment banking division.

If the foregoing correctly sets forth the understanding and agreement between Lehman Brothers and the Company, please so indicate in the space provided for that purpose below, whereupon this letter shall constitute a binding agreement as of the Engagement Date. This agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

LEHMAN BROTHERS INC.

By: 
Richard R. Bonaventura
Managing Director

AGREED:

LIBERTY MUTUAL GROUP INC.

By: 
Michael Fallon
Vice President and Director
Corporate Finance



PAYING AGENT AGREEMENT

THIS PAYING AGENT AGREEMENT (this “Agreement”) between Liberty Mutual Insurance Company, a Massachusetts stock insurance corporation (the “Company”), and Mellon Investor Services LLC (operating with the service name BNY Mellon Shareowner Services), a New Jersey limited liability company (“Agent”), is dated as of September 2, 2008.

1. *Appointment.*

(a) Subject to the provisions hereof, the Company hereby appoints Agent to act as paying agent with respect to the surrender of shares (the “Shares”) of Common Stock, no par value per share, of Safeco Corporation, a Washington corporation (the “Target”), in exchange for payment of \$68.25 in cash, without interest, per Share (the “Merger Consideration”), as set forth in the Agreement and Plan of Merger (the “Merger Agreement”), dated as of April 23, 2008 by and among the Company, Big Apple Merger Corporation, a Washington corporation and a wholly owned subsidiary of the Company (“Merger Sub”), and the Target, providing for the merger of Merger Sub with and into Target (the “Merger”), with the Target continuing as the surviving corporation. Agent hereby accepts such appointment in accordance with and subject to the terms and conditions set forth in this Agreement.

(b) The time at which the Merger becomes effective is referred to in this Agreement as the “Effective Time.” The Company shall inform Agent of the Effective Time at least two (2) business days prior thereto.

(c) The Company has furnished Agent, or will furnish Agent prior to the Effective Time, with copies of the following documents:

(i) a letter from the President of the Company, to holders of the certificated Shares, announcing the effectiveness of the Merger;

(ii) the letter of transmittal (the “Letter of Transmittal”) to accompany certificates for Shares when surrendered for cash (such Letter of Transmittal to be in a form acceptable to Agent), including instructions for use in effecting the surrender of Shares in exchange for payment of the Merger Consideration, and the related Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

(iii) a copy of a letter from an authorized representative of the Target to Agent in its capacity as transfer agent for the Shares, instructing Agent as transfer agent (i) to close the transfer books for the Shares at the Effective Time and (ii) if the Company should authorize Agent as transfer agent to retroactively to reopen the transfer books for a special transaction, to send a copy of the transaction journal covering that transaction to Agent as paying agent.

(d) Agent, in its capacity as the Target’s transfer agent, shall use its commercially reasonable efforts to prepare, certify as correct and complete and deliver to the Company on the business day on which the Effective Time occurs (the “Effective Date”) a list of record holders of Shares at the Effective Time, including each such holder’s name, address, taxpayer identification number (“TIN”), Share amount and any certificate detail (the “Record Shareholders List”).

(e) Agent, in its capacity as the Target's transfer agent, shall provide to Agent on the Effective Date, or shall arrange for Agent to have access to the information contained in, (i) a Stop List and (ii) a list of shareholders that have certified that their TIN's are correct and, with respect to each shareholder who has not so certified, advising whether such shareholder's account is a "post-1983 account" as defined in U.S. Treasury Regulations under Internal Revenue Code Section 3406.

(f) Subject to the terms and conditions of this Agreement and the Company's confirmation of the Effective Time pursuant to Section 1(b) hereof, Agent in its capacity as paying agent hereunder shall:

(i) with respect to certificated Shares:

(A) as promptly as practicable (and in any event, within three (3) business days of the Effective Time) mail, by first class mail, postage prepaid, each of the documents described in Sections 1(c)(i) and 1(c)(ii) above, together with a return envelope, to holders of record of certificated Shares at the Effective Time as set forth in the Record Shareholders List; and

(B) (1) accept certificates representing Shares, together with the accompanying Letters of Transmittal, sent to Agent by such holders for surrender and (2) make payment of the Merger Consideration, less any applicable tax withholding, to each such holder by the mailing of a check (by first class mail) or such other payment method as mutually agreed by the Company and Agent; and

(ii) with respect to book-entry Shares, if any, as promptly as practicable (and in any event, within three (3) business days of the Effective Time):

(A) debit all book-entry Shares held in the shareholder accounts of holders of record of book-entry Shares at the Effective Time as set forth in the Record Shareholders List; and

(B) make payment of the Merger Consideration, less any applicable tax withholding, to each such holder by the mailing of a check (by first class mail) or such other payment method as mutually agreed by the Company and Agent.

2. ***Procedure for Discrepancies.*** Agent shall follow its regular procedures and make reasonable efforts to attempt to reconcile any discrepancies between the number of certificated Shares that any Letter of Transmittal may indicate are owned by a surrendering shareholder and the number that the Record Shareholders List indicates such shareholder owned of record as of the Effective Time. In any instance where Agent cannot reconcile such discrepancies by following such procedures, Agent will consult with the Company for instructions as to the number of certificated Shares, if any, Agent is authorized to accept for payment hereunder. In the absence of such instructions, Agent is authorized not to accept any such certificated Shares for payment hereunder and will return to the surrendering shareholder (at Agent's option by either first class mail under a blanket surety bond or insurance protecting Agent and the Company from losses or liabilities arising out of the non-receipt or non-delivery of such Shares

or by registered mail insured separately for the value of such Shares) to such shareholder's address as set forth in the Letter of Transmittal any certificates for Shares surrendered in connection therewith, the related Letters of Transmittal and any other documents received with such Shares.

3. ***Treasury Shares; Dissenting Shareholders.***

(a) The Company shall, at or prior to the Effective Time, provide or cause to be provided to Agent a written list of all Shares held in the treasury of the Target, if any, or owned by any direct or indirect subsidiary of the Target, outstanding immediately prior to the Effective Time, to be cancelled as of the Effective Time, indicating whether such Shares are certificated or in book-entry form. The Company shall, and shall cause the Target to, promptly deliver all certificates representing any such Shares to Agent for proper cancellation. If any such Shares are registered through a brokerage account, the Company shall, or shall cause the Target to, instruct its broker to deliver such Shares to Agent for cancellation. The Company hereby authorizes and instructs Agent to cancel all such Shares delivered to Agent hereunder or maintained by Agent in book-entry.

(b) Agent shall not pay any Merger Consideration with respect to any Shares held in the treasury of the Target, if any, or owned by any direct or indirect subsidiary of the Target identified in accordance with paragraph (a) above; provided that, if Agent receives a certificate representing any such Shares, then it shall notify the Company and hold such certificates pending receipt of further instructions from the Company.

(c) Agent shall not pay any Merger Consideration with respect to any Shares owned of record by a shareholder perfecting appraisal rights under applicable state law ("Dissenting Shareholder"). As promptly as practicable after the Effective Time, the Company shall provide Agent with a list of the names of all Dissenting Shareholders, if any. Agent shall promptly notify the Company of the receipt of any certificates from a Dissenting Shareholder and hold such certificates and all documents accompanying such surrender pending receipt of further instructions from the Company.

4. ***Deposit of Funds.*** At or prior to the Effective Time, the Company will deposit, or cause to be deposited, with Agent in a segregated account for the benefit of the holders of the Shares, cash in an amount at least equal to the aggregate Merger Consideration for all Shares outstanding, other than Shares held in the treasury of the Target, if any, or Shares owned by any direct or indirect subsidiary of the Target, immediately prior to the Effective Time (the "Aggregate Merger Consideration") (the Aggregate Merger Consideration, and any proceeds thereof being hereinafter referred to as the "Exchange Fund"). The funds in the Exchange Fund shall be invested in one or a combination of the instruments set forth on Exhibit A hereto in accordance with the written instructions of the Company. The Company shall provide written instructions with respect to the initial investment allocation amongst the instruments set forth on Exhibit A hereto of the funds in the Exchange Fund at least five days prior to the Effective Date. Agent will draw upon the funds in the Exchange Fund as required from time to time in order to make payments for surrendered Shares and any applicable tax withholding payments. Other than with respect to funds held in a BNY Mellon bank deposit, any interest and other income resulting from such investments shall be paid to and be income of the Company. Interest shall be paid to

the Company on any funds invested in a BNY Mellon bank deposit at the rate earned by such deposit less 25 basis points, up to a maximum rate equal to the Federal Funds target rate less 25 basis points. Agent must receive cash prior to the times set forth on Exhibit A hereto under the heading "Paying Agent Cut-Off Time" on the funding date in order for the Company to commence earning interest on such funds on such date. Funds received after such time on the funding date will not commence earning interest for the Company until the following business day. Interest shall be paid to the Company prior to the end of the month immediately following the month in which it was earned. Interest shall not be paid if any outstanding invoices issued under this Agreement are past due. If for any reason (including losses) the funds in the Exchange Fund shall be insufficient to fully satisfy all of the payment obligations to be made by Agent hereunder, the Company shall promptly deposit, or cause to be deposited into the Exchange Fund, federal or other immediately available funds in an amount at least equal to the deficiency in the amount required to fully satisfy such payment obligations. Except as expressly provided above, Agent will not be obligated to calculate or pay interest to any holder or any other party.

5. ***Lost Certificates.*** If any holder of Shares as of the Effective Time reports to Agent that his or her failure to surrender a certificate representing any Shares registered in his or her name at the Effective Time according to the Record Shareholders List is due to the theft, loss or destruction of such certificate, upon Agent's receipt from such shareholder of (a) an affidavit of such theft, loss or destruction and (b) a bond of indemnity in form and substance satisfactory to Agent, Agent will make payment of the Merger Consideration to the former shareholder as though the certificate for Shares had been surrendered. Agent may charge holders an administrative fee for processing payment with respect to Shares represented by lost certificates, which shall be charged only once in instances where a single surety bond obtained covers multiple certificates and in accordance with the Agent's regular procedures and which shall be in an amount consistent with past practice. Agent may receive compensation from the surety companies or surety agents for administrative services provided to them. Holders of Shares may obtain a bond of indemnity from a surety company of their choice, provided the surety company satisfies Agent's minimum requirements.

6. ***Eligibility of Shares for Payment.*** All certificates representing Shares are eligible for payment regardless of any restrictive legend affixed thereupon or applicable thereto.

7. ***Procedure for Deficient Items.***

(a) Agent shall examine the Letter of Transmittal and certificates for the Shares received by it as paying agent to ascertain whether they appear to have been completed and executed in accordance with the instructions set forth in the Letter of Transmittal. In the event Agent determines that any Letter of Transmittal does not appear to have been properly completed or executed, or where the certificates representing Shares do not appear to be in proper form for surrender, or any other deficiency in connection with the surrender appears to exist, Agent is authorized to advise the surrendering shareholder of the existence of the irregularity and Agent will follow, where possible, its regular procedures and, in any event, will make reasonable efforts to attempt to cause such irregularity to be corrected. Agent is not authorized to waive any deficiency in connection with the surrender, unless the Company provides written authorization

to waive such deficiency.

(b) If a Letter of Transmittal specifies that payment for Shares is to be made to a person other than the person in whose name a surrendered certificate is registered, Agent will issue no Merger Consideration until such Letter of Transmittal has been properly endorsed with the signature guaranteed (or otherwise put in proper form for transfer).

(c) If any such deficiency with respect to any certificated Shares is neither corrected nor waived, Agent shall return to the surrendering shareholder (at Agent's option by either first class mail under a blanket surety bond or insurance protecting Agent and the Company from losses or liabilities arising out of the non-receipt or non-delivery of such Shares or by registered mail insured separately for the value of such Shares) to such shareholder's address as set forth in the Letter of Transmittal any certificates for Shares surrendered in connection therewith, the related Letters of Transmittal and any other documents received with such Shares.

8. **Cancellation and Debit of Shares.** As of the Effective Time, Agent will become the sole recordkeeping agent for the Shares, and shall maintain such records in accordance with its standard practices and the provisions hereof. Upon making payment of the Merger Consideration for Shares, (a) the certificates representing such Shares will be canceled by Agent and (b) the book-entry Shares held in the shareholder account of the applicable Target shareholder will be debited, and such cancellation or debit shall be reflected within the records maintained by Agent. Copies of cancelled certificates and the related documentation will be retained by Agent pending further instructions from the Company or pursuant to applicable law

9. **Report of Activity.** Agent will forward to each of the parties listed below (each a "Receiving Party") a report of the number of Shares surrendered, the aggregate amount of cash paid therefore and the funds remaining in the Exchange Fund following such payment (i) during the 60-day period following the Effective Time, for each day on which payment activity occurs and (ii) thereafter, upon the Company's reasonable request:

To the Company:

with an additional copy to:

Liberty Mutual Group Inc.
175 Berkeley Street
Boston, MA 02117
Attn: Richard Quinlan
Tel: 617-574-5655
Fax: 617-574-5753

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn: Gregory V. Gooding, Esq.
Nicholas F. Potter, Esq.
Tel: 212-909-6000
Fax: 212-909-6836

To Target:

with an additional copy to:

Safeco Corporation
Safeco Plaza
1001 4th Avenue
Seattle, Washington 98185
Attn: Chief Legal Officer

Skadden, Arps, Slate, Meagher & Flom
LLP
Four Times Square
New York, New York 10036
Attn: Todd E. Freed, Esq.

Tel: (206) 545-5000
Fax: (206) 473-6731

Tel: (212) 735-3000
Fax: (212) 735-2000

Notwithstanding anything to the contrary herein, Agent agrees to promptly forward to each Receiving Party such standard reports as the Company may reasonably request from time to time.

10. ***Tax Reporting.***

(a) On or before January 31st of the year following the year that Merger Consideration is paid to a shareholder, Agent shall prepare and mail to each such shareholder, other than shareholders who demonstrate their status as nonresident aliens in accordance with U.S. Treasury Regulations ("Foreign Shareholders"), a Form 1099-B reporting the Merger Consideration as of the year of payment, in accordance with U.S. Treasury Regulations. Agent shall also prepare and file copies of such Forms 1099-B by magnetic tape with the Internal Revenue Service on or before February 28th of the year following the payment of Merger Consideration for Shares, in accordance with U.S. Treasury Regulations.

(b) With respect to any surrendering shareholder whose TIN has not been certified as correct and relates to a post-1983 account, Agent shall deduct and withhold the appropriate backup withholding tax from any payment made to such shareholder (other than a Foreign Stockholder) pursuant to the Internal Revenue Code.

(c) Should any issue arise regarding federal income tax reporting or withholding, Agent shall take such reasonable action as the Company may reasonably request in writing. Such action may be subject to additional fees.

11. ***Reminder Mailing.*** Approximately six months after the Effective Time, Agent shall mail a follow-up letter to all shareholders who did not surrender their Share certificates for payment or supply an affidavit and bond of indemnity pursuant to Section 5 hereof. The follow-up letter will be mailed with a Letter of Transmittal, return envelope, and W-9 Guidelines.

12. ***Termination of Exchange Fund.*** Any portion of the Exchange Fund (other than cash underlying outstanding checks drawn to the Agent) that remains undistributed to the holders of Shares one (1) year after the Effective Time (including earnings thereon) shall be delivered to the Target and/or the Company (as directed in writing by the Company) upon demand, and any holder of Shares who have not previously surrendered their certificated Shares shall, thereafter, look only to the Company for consideration relating to the exchange of their certificated Shares under the terms of the Merger Agreement. With respect to any portion of the Exchange Fund delivered to the Target and/or the Company pursuant to this Section 12, the Company shall assume, and Agent shall be released from, all obligations to comply with state abandoned or unclaimed property rules as set forth in Section 13 hereof.

13. ***Escheatment.*** Agent shall identify, report and deliver all unclaimed Merger Consideration and related unclaimed property to all states and jurisdictions for the Company in accordance with applicable abandoned property law. In consideration of receiving compensation from the agents of the states for processing and support services provided by Agent relating to

initial compliance with applicable abandoned property law, Agent shall not charge the Company for such services.

14. ***Authorizations and Protections.*** As agent for the Company hereunder Agent:

(a) shall have no duties or obligations other than those specifically set forth herein or as may subsequently be agreed to in writing by Agent and the Company;

(b) shall have no obligation to make payment for any surrendered Shares unless the Company shall have provided the necessary federal or other immediately available funds to pay in full amounts due and payable with respect thereto;

(c) shall be regarded as making no representations and having no responsibilities as to the validity, sufficiency, value, or genuineness of any certificates or the Shares represented thereby surrendered hereunder and will not be required to and will make no representations as to, or be responsible for, the validity, sufficiency, value or genuineness of the Merger;

(d) shall not be obligated to take any legal action hereunder; if, however, Agent determines to take any legal action hereunder, and, where the taking of such action might, in Agent's judgment, subject or expose it to any expense or liability, Agent shall not be required to act unless it shall have been furnished with an indemnity satisfactory to it;

(e) may rely on, and be fully authorized and protected in acting or failing to act upon any certificate, instrument, opinion, notice, letter, telegram, telex, facsimile transmission or other document or security delivered to Agent and believed by Agent to be genuine and to have been signed by the proper party or parties;

(f) shall not be liable or responsible for any recital or statement contained in the Merger Agreement or any other documents relating thereto;

(g) shall not be liable or responsible for any failure of the Company to comply with any of its obligations relating to the Merger, including without limitation obligations under applicable securities laws;

(h) shall not be liable to any holder of Shares for any Merger Consideration payable with respect to such Shares and any related unclaimed property that has been delivered to a public official pursuant to applicable abandoned property law;

(i) may rely on and shall be authorized and protected in acting or failing to act upon (i) the written, telephonic, electronic or oral instructions of any authorized representative of the Company with respect to any matter relating to Agent acting as paying agent pursuant to this Agreement; (ii) any guaranty of signature by an "eligible guarantor institution" that is a member or participant in the Securities Transfer Agents Medallion Program, Foreign Investor Registered Securities Transfer Global Program or other comparable "signature guarantee program" or insurance program in addition to, or in substitution for, the foregoing; or (iii) any law, act, regulation or any interpretation of the same even though such law, act, or regulation may thereafter have been altered, changed, amended or repealed;

(j) may consult counsel satisfactory to Agent (including internal counsel), and the advice of such counsel shall be full and complete authorization and protection in respect of action taken, suffered or omitted by Agent hereunder in good faith and in accordance with the advice of such counsel;

(k) may perform any of its duties hereunder either directly or by or through agents or attorneys and Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with reasonable care hereunder; and

(l) is not authorized, and shall have no obligation, to pay any brokers, dealers, or soliciting fees to any person.

15. **Indemnification.** The Company shall indemnify Agent for, and hold Agent harmless from and against, any costs, expenses (including the reasonable fees of its legal counsel) losses or damages (collectively, "Losses") that may be paid, incurred or suffered by Agent arising from or out of any claims in connection with Agent's duties under this Agreement or this appointment, including the costs and expenses of defending itself against any Losses or enforcing this Agreement, except to the extent that such Loss shall have been determined by a court of competent jurisdiction to be a result of, or to have arisen out of Agent's gross negligence, bad faith or intentional misconduct.

16. **Limitation of Liability.**

(a) In the absence of gross negligence, bad faith or intentional misconduct on its part, Agent shall not be liable for any action taken, suffered, or omitted by it or for any error of judgment made by it in the performance of its duties under this Agreement. Anything in this Agreement to the contrary notwithstanding, in no event shall Agent be liable for special, indirect, incidental, consequential or punitive losses or damages of any kind whatsoever (including but not limited to lost profits), even if Agent has been advised of the possibility of such losses or damages and regardless of the form of action. Any liability of Agent will be limited in the aggregate to the greater of (i) three times the amount of fees paid by the Company hereunder and (ii) \$100,000.

(b) If any question or dispute arises with respect to the proper interpretation of this Agreement or Agent's duties hereunder or the rights of the Company or of any shareholders, Agent shall not be required to act and shall not be held liable or responsible for failing or refusing to act until the question or dispute has been (i) judicially settled (and Agent may, if it deems it advisable, but shall not be obligated to, file a suit in interpleader or for a declaratory judgment for such purpose) by a final judgment of a court of competent jurisdiction that is binding on all shareholders and parties interested in the matter and is no longer subject to review or appeal, or (ii) settled by a written document in form and substance satisfactory to Agent and executed by the Company and each such shareholder and party.

17. **Representations, Warranties and Covenants.** The Company represents, warrants and covenants that (a) it is duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, (b) the making and consummation of the Merger Agreement and the execution, delivery and performance of all transactions contemplated thereby (including

without limitation this Agreement) have been duly authorized by all necessary corporate action and do not and will not conflict with, violate, result in a breach of or constitute a default under the certificate of incorporation or bylaws of the Company, any law or regulation, any order or decree of any court or public authority having jurisdiction, or any mortgage, indenture, contract, agreement or undertaking to which it is a party or is bound, (c) this Agreement has been duly executed and delivered by the Company and, subject to Section 22(a), constitutes its legal, valid, binding and enforceable obligation, (d) the Merger will comply in all material respects with all applicable requirements of law and (e) to the best of its knowledge, there is no litigation pending or threatened as of the date hereof in connection with the Merger.

18. **Notices.** All notices, demands and other communications given pursuant to the terms and provisions hereof shall be in writing, shall be deemed effective on the date of receipt, and may be sent by facsimile, overnight delivery services, or by certified or registered mail, return receipt requested to:

If to the Company:

Liberty Mutual Group Inc.
175 Berkeley Street
Boston, MA 02117
Attn: Richard Quinlan
Tel: 617-574-5655
Fax: 617-574-5753

with an additional copy to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn: Gregory V. Gooding, Esq.
Nicholas F. Potter, Esq.
Tel: 212-909-6000
Fax: 212-909-6836

If to Agent:

Mellon Investor Services LLC
480 Washington Blvd, 27th Floor
Jersey City, NJ 07310
Attn: Mark C. Smith, Event Manager
Tel: (201) 680-3708
Fax: (201) 680-4665

with an additional copy to:

Mellon Investor Services LLC
480 Washington Blvd, 29th Floor
Jersey City, NJ 07310
Attn: Legal Department
Tel: (201) 680-2198
Fax: (201) 680-4610

19. **Specimen Signatures.** Set forth in Exhibit B hereto is a list of the names, titles and specimen signatures of the persons authorized to act for the Company under this Agreement. The Secretary of the Company shall, from time to time, certify to Agent the names, titles and signatures of any other persons authorized to act for the Company under this Agreement.

20. **Confidentiality.**

(a) In connection with Agent's appointment hereunder, each party shall obtain confidential information related to the other party or its shareholders that is not available to the general public ("Confidential Information"), which Confidential Information shall include the terms and conditions of this Agreement and the exhibits attached hereto. Each party agrees that the Confidential Information shall be held and treated by it, its directors, officers, employees,

affiliates, agents and subcontractors (collectively, "Representatives") in confidence and, except as hereinafter provided, shall not be disclosed in any manner whatsoever except as otherwise required by law, regulation, subpoena or governmental authority. Confidential Information shall be used by each party and its Representatives only for the purposes for which provided and shall be disclosed by such party only to those Representatives who have a need to know in order to accomplish the business purpose in connection with which the Confidential Information has been provided. Confidential Information does not include information that (i) is now or subsequently becomes generally available to the public through no fault or breach on the part of the receiving party; (ii) the receiving party had rightfully in its possession prior to disclosure to it by the disclosing party; (iii) is independently developed by the receiving party without the use of or reference to any Confidential Information; or (iv) the receiving party rightfully obtains on a non-confidential basis from a source other than the disclosing party who has the right to transfer or disclose it.

(b) In connection with the provision of services under this Agreement, the Company may direct Agent to release information, including non-public personal information ("NPPI"), as defined in Title V of the Gramm Leach Bliley Act and the regulations issued thereunder (including but not limited to Regulation P of the Board of Governors of the Federal Reserve) to the Company's agents or other third party service providers, including, without limitation, broker/dealers, custodians and depositories. In addition, the Company consents to the release of information, including NPPI, (i) to any of Agent's Representatives in connection with the services provided hereunder and (ii) as required by law, regulation, subpoena or governmental authority. Agent shall not be liable for the release of information in accordance with the foregoing provisions.

21. *Compensation and Expenses.*

(a) The Company shall pay to Agent compensation in accordance with the fee schedule attached as Exhibit C hereto, together with reimbursement for reasonable fees and disbursements of counsel, regardless of whether any Shares are surrendered to Agent, for Agent's services as paying agent hereunder.

(b) All amounts owed to Agent hereunder are due within thirty (30) days of the invoice date. Delinquent payments are subject to a late payment charge of one and one half percent (1.5%) per month commencing forty-five (45) days from the invoice date. The Company agrees to reimburse Agent for any attorney's fees and any other costs associated with collecting delinquent payments.

(c) No provision of this Agreement shall require Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights.

(d) All invoices pursuant to the terms and provisions hereof shall be in writing and may be sent by overnight delivery services, or by certified or registered mail, return receipt requested to:

c/o Liberty Mutual Group Inc.

175 Berkeley Street
Boston, MA 02117
Attn: Richard Quinlan
Tel: 617-574-5655
Fax: 617-574-5753

22. ***Term and Termination.***

(a) Notwithstanding anything to the contrary in this Agreement, with respect to any obligation of a party to this Agreement to be performed at or after the Effective time, the parties' respective obligations hereunder will become effective at, and contingent upon the occurrence of, the Effective Time.

(b) This Agreement shall remain in effect until the one (1) year anniversary of the Effective Time and this Agreement shall thereafter be renewed from month to month until terminated by either party upon 30 days' written notice to Agent; provided, however, either party may terminate this Agreement prior to the one (1) year anniversary of the Effective Time upon 30 days prior written notice to the other party. In the event of such early termination, the Company will appoint a successor paying agent and inform Agent of the name and address of any successor paying agent so appointed, provided that no failure by the Company to appoint such a successor paying agent shall affect the termination of this Agreement or the discharge of Agent as paying agent hereunder. Upon any termination, Agent shall promptly forward to the Company or its designee any portion of the Exchange Fund (other than cash underlying outstanding checks drawn to the Agent) that remains undistributed to the holders of Shares (included earnings thereon) and all surrendered certificates for Shares and other related documents and property, and the Agent shall be relieved and discharged of any further responsibilities hereunder. Notwithstanding the foregoing, Agent shall advise the Company with respect to any certificate for Shares, Letter of Transmittal or other documents received subsequent to the termination of this Agreement and, unless otherwise required by applicable law, accept the Company's instruction with respect to the disposition of such certificates for Shares, Letters of Transmittal or other documents.

23. ***Force Majeure.*** Agent shall not be liable for any failures, delays or losses, arising directly or indirectly out of conditions beyond its reasonable control including, but not limited to, acts of government, exchange or market ruling, suspension of trading, work stoppages or labor disputes, fires, civil disobedience, riots, rebellions, storms, electrical or mechanical failure, computer hardware or software failure, communications facilities failures including telephone failure, war, terrorism, insurrection, earthquakes, floods, acts of God or similar occurrences.

24. ***Submission to Jurisdiction; Foreign Law.***

(a) The parties irrevocably (i) submit to the non-exclusive jurisdiction of any New York State court sitting in New York City or the United States District Court for the Southern District of New York in any action or proceeding arising out of or relating to this Agreement, (ii) waive, to the fullest extent they may effectively do so, any defense based on inconvenient forum, improper venue or lack of jurisdiction to the maintenance of any such action or proceeding, and

(iii) waive all right to trial by jury in any action, proceeding or counterclaim arising out of this Agreement or the transactions contemplated hereby.

(b) Agent shall not be required hereunder to comply with the laws or regulations of any country other than the United States of America or any political subdivision thereof. Agent may consult with foreign counsel, at the Company's expense, to resolve any foreign law issues that may arise as a result of the Company or any other party being subject to the laws or regulations of any foreign jurisdiction.

25. *Miscellaneous.*

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflict of laws rules or principles.

(b) No provision of this Agreement may be amended, modified, or waived, except in writing signed by both parties.

(c) In the event that any claim of inconsistency between this Agreement and the terms of the Merger Agreement arise, as they may from time to time be amended, the terms of the Merger Agreement shall control, except with respect to the duties, liabilities and rights, including compensation and indemnification, of Agent as paying agent, which shall be controlled by the terms of this Agreement.

(d) If any provision of this Agreement shall be held illegal, invalid, or unenforceable by any court, this Agreement shall be construed and enforced as if such provision had not been contained herein and shall be deemed binding and enforceable to the full extent permitted by applicable law.

(e) This Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of the parties hereto.

(f) This Agreement may not be assigned, or otherwise transferred, in whole or in part, by either party without the prior written consent of the other party, which the other party will not unreasonably withhold, condition or delay; provided that (i) consent is not required for an assignment to an affiliate of Agent and (ii) any reorganization, merger, consolidation, sale of assets or other form of business combination by Agent shall not be deemed to constitute an assignment of this Agreement.. Any attempted assignment in violation of the foregoing will be void.

(g) Sections 14, 15, 16, 18, 20, 21, 22, 24 and 25 hereof shall survive termination of this Agreement.

(h) Nothing in this Agreement shall be construed to give any person or entity other than Agent and the Company any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of Agent and the Company.

(i) The headings contained in this Agreement are for the purposes of convenience only and are not intended to define or limit the contents of this Agreement.

(j) This Agreement may be executed manually in any number of counterparts, each of which such counterparts, when so executed and delivered, shall be deemed an original, and all such counterparts when taken together shall constitute one and the same original instrument.

(k) This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and supercedes all prior written or oral communications, understandings, and agreements with respect to the subject matter of this Agreement. The parties acknowledge that the Exhibits hereto are an integral part of this Agreement.

(l) The Company acknowledges that Agent is subject to the customer identification program (“Customer Identification Program”) requirements under the USA PATRIOT Act and its implementing regulations, and that Agent must obtain, verify and record information that allows Agent to identify the Company. Accordingly, prior to accepting an appointment hereunder, Agent may request information from the Company that will help Agent to identify the Company, including without limitation the Company’s physical address, tax identification number, organizational documents, certificate of good standing, license to do business, or any other information that Agent deems necessary. The Company agrees that Agent cannot accept an appointment hereunder unless and until Agent verifies the Company’s identity in accordance with the Customer Identification Program requirements.

[The remainder of this page has been intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the day and year above written.

LIBERTY MUTUAL INSURANCE COMPANY

By: _____
Name:
Title:

MELLON INVESTOR SERVICES LLC

By: _____
Name:
Title:

- Exhibit A Investment of Exchange Fund
- Exhibit B List of Authorized Representatives
- Exhibit C Schedule of Fees

EXHIBIT A

Investment Name	Nasdaq	Paying Agent Cut-Off Time	Fund Cut-Off Time
BNY Hamilton Treas MF/Classic	BYCXX	3:00 Eastern Time	4:30 Eastern Time
Dreyfus Govt Cash Mgmt/Part	DPGXX	3:00 Eastern Time	4:30 Eastern Time
Dreyfus Treas&Agen Cash Mgmt/Part	DTPXX	3:00 Eastern Time	4:30 Eastern Time
JPMorgan US Treas Plus MMF/Reserve	HTIXX	3:00 Eastern Time	4:30 Eastern Time
Columbia Treas Reserves/Class A	NTSXX	3:00 Eastern Time	4:30 Eastern Time
Goldman Sachs FS Federal/Ser	FVSXX	1:00 Eastern Time	2:30 Eastern Time
BNY Mellon Bank Deposit	N/A	4:30 Eastern Time	4:30 Eastern Time

EXHIBIT B

LIST OF AUTHORIZED REPRESENTATIVES

<u>Name</u>	<u>Title</u>	<u>Specimen Signature</u>
Mark D'Amato	Manager, Financial Operations	_____
Matthew Coyle	Assistant Treasurer and Director of Investor Relations	_____
Steven Zagoren	Director of Corporate Finance	_____
Dennis Langwell	Chief Financial Officer	_____
Laurance Yahia	Treasurer	_____

EXHIBIT C
SCHEDULE OF FEES

1. Calculate, create and clear check + 1099B for Safeco book-entry shareholders. Per account,	\$1.00
2. Full exchange process of certificated Safeco shareholders. Per account,	\$8.00
3. Staffing, managing and training a merger information call center,	Included
4. Event Management support,	Included
5. Investment of merger proceeds pending exchange,	Included
6. Printing, shipping and stationary expense,	Included
7. Additional services,	By Appraisal
8. Minimum Fee per annum (waived if BNY Mellon manages a shareholder location program after the 1 year anniversary of the effective date)	\$2,500.00

Company Declaring Dividend	Amount (\$)	Type	Jurisdiction Filed	Date of Approval/Deemer
Golden Eagle Insurance Corporation	32,473,185	ordinary	CA	Deemed approved - 10 business days lapsed 6/10/2008
Golden Eagle Insurance Corporation	65,000,000	extraordinary	CA	Approved 6/18/08
San Diego Insurance Company	6,323,610	ordinary	CA	Deemed approved - 10 business days lapsed 6/10/2008
LM Property and Casualty Insurance Company	See amounts reflected in IN entry below	extraordinary	CA - commercially domiciled (see IN entry below)	Approved 7/9/08
Liberty Insurance Corporation	54,694,838	ordinary	IL	Deemed approved - 10 business days lapsed 6/9/2008
Liberty Insurance Corporation	55,000,000	extraordinary	IL	Approved 6/11/08
Consolidated Insurance Company	2,428,043	ordinary	IN	Deemed approved - 10 days lapsed on 6/2/2008
Indiana Insurance Company	34,348,499	ordinary common	IN	Deemed approved - 10 days lapsed on 6/2/2008
Indiana Insurance Company	223,850	ordinary preferred	IN	Deemed approved - 10 days lapsed on 6/2/2008
Indiana Insurance Company	20,000,000	extraordinary	IN	Approved 6/30/08
West American Insurance Company	21,387,642	ordinary	IN	Deemed approved - 10 days lapsed on 6/2/2008
LM Property and Casualty Insurance Company	12,011,891	ordinary	IN	Deemed approved - 10 days lapsed on 6/2/2008
LM Property and Casualty Insurance Company	68,000,000	other than earned surplus	IN	Approved 6/30/08
Liberty Personal Insurance Company	1,350,193	ordinary	MI	Michigan has waived notice period.
American Fire and Casualty Company	3,568,807	ordinary	OH	Deemed approved - 10 days lapsed on 6/6/2008
Ohio Casualty of New Jersey, Inc.	5,987,509	ordinary	OH	Deemed approved - 10 days lapsed on 6/6/2008
The Ohio Casualty Insurance Company	141,832,863	ordinary	OH	Deemed approved - 10 days lapsed on 6/6/2008
The Ohio Casualty Insurance Company	130,000,000	extraordinary	OH	Approved 6/18/08
Liberty Northwest Insurance Corporation	9,009,421	ordinary	OR	Deemed approved - 10 days lapsed on 6/2/2008
Wausau Underwriters Insurance Company	4,940,835	ordinary	WI	Deemed approved - 30 days lapsed on 6/22/2008
Wausau General Insurance Company	3,012,385	ordinary	WI	Deemed approved - 30 days lapsed on 6/22/2008

Index to the Liberty Mutual Form A, Including Amendments

I. **Form A Submitted on May 16, 2008—Supplemental Information Submitted on June 9, 2008 with Respect to Item 4 (See #II Below). Amendment #1 to the Form A Submitted on August 1, 2008 (See #V Below)**

Exhibit 1—Merger Agreement

Exhibit 2—Post-Closing Organization Chart of Acquiring Parties and Acquired Companies

Exhibit 3—Current Organization Chart of the Acquiring Parties—Legible Copy Provided on August 1, 2008 (See #V Below), and August 18, 2008 (See # VI Below)

Exhibit 4—List of Directors and Executive Officers of the Acquiring Parties

Exhibit 5-A—Biographical Affidavits of the Directors and Executive Officers of the Acquiring Parties

Exhibit 5-B—Fingerprint Cards for the Directors and Executive Officers of the Acquiring Parties—Remaining Fingerprint Cards Submitted on June 23, 2008 (See #IV Below)

Exhibit 6—Commitment Letters Relating to the Bridge Financing

Exhibit 7-A—Investment Management Agreements (Liberty Mutual Insurance Company)—Corrections Submitted on June 19, 2008 (See #III Below)

Exhibit 7-B—Investment Management Agreements (Liberty Mutual Investment Advisors LLC)—Corrections Submitted on June 19, 2008 (See #III Below)

Exhibit 7-C—Cash Management Agreements—Corrections Submitted on June 19, 2008 (See #III Below)

Exhibit 7-D—Federal Tax Sharing Agreement

Exhibit 7-E—Management Services Agreements (Liberty Mutual Insurance Company)—Corrections Submitted on June 19, 2008 (See #III Below)

Exhibit 7-F—Management Services Agreement (Peerless Insurance Company)—Corrections Submitted on June 19, 2008 (See #III Below)

Exhibit 7-G—Biographical Affidavits of Certain of the Proposed Directors and Executive Officers of the Domestic Insurers

Exhibit 7-H—Fingerprint Cards for the Proposed Directors and Executive Officers of the Domestic Insurers

Exhibit 8—Purchases during the twelve calendar months preceding the filing of this Statement of any voting securities of Safeco or the Domestic Insurers which were effected by any Acquiring Party, any person controlled under common control with any Acquiring Party or any person listed in Item 3 of the Form A (Identity and Background of Individuals Associated with the Acquiring Parties)

Exhibit 9-A—Consolidated Financial Statements of LMHC for the Period Ended March 31, 2008

Exhibit 9-B—Audited Consolidated Financial Statements (prepared on a GAAP basis) of LMHC for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003—Supplemental Information Provided on June 23, 2008 (See #IV Below)

Exhibit 9-C—Balance Sheets of LIHI for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003—Revision Submitted on August 1, 2008 (See #V Below)

Exhibit 9-D—Balance Sheets of LIH US P&C Corporation for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003—Revision Submitted on August 1, 2008 (See #V Below)

Exhibit 9-E—Financial Statements of LMGI for the Period Ended March 31, 2008, and for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003—Submitted on August 1, 2008 (See #V Below)

Exhibit 9-F—Financial Statements of LMHC MA for the Period Ended March 31, 2008, and for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003—Submitted on August 1, 2008 (See #V Below)

Exhibit 9-G—Consolidated Financial Statements of LMHC for the Period Ended June 31, 2008—Submitted on August 1, 2008 (See #V Below)

Exhibit 9-H—Audited Combined Statutory Basis Financial Statements of the Liberty Mutual Insurance Company Pool for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003—Submitted on August 1, 2008 (See #V Below)

Exhibit 10-A—Statutory Financial Statements of LMIC for the Period Ended March 31, 2008

Exhibit 10-B—Statutory Financial Statements of LMIC for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003

Exhibit 11—Analysis of the Potential Competitive Impact of the Proposed Acquisition

Exhibit A—Chart Presenting the names of the persons affiliated with the applicants

Exhibit B—Current market and market share data based on 2007 data for Washington, for the Liberty Mutual Group and the Acquired Companies

Exhibit C—5-year historical market and market share data (top 10 market share for 2003-2007) for the lines of business with exceed the safe harbor exemptions in Washington (the Non-Exempt Lines)

Exhibit D—Top 50 market share—Washington—Earthquake, Homeowners Multiple Peril, Other Liability, Other Private Passenger Liability, Private Passenger Auto Physical Damage and Private Passenger No-Fault—2007

Exhibit E—Top 100 market share—U.S.—Earthquake, Homeowners Multiple Peril, Other Liability, Other Private Passenger Liability, Private Passenger Auto Physical Damage and Private Passenger No-Fault—2007

Exhibit F—Top 50 market share—Washington—Allied Lines—2007

Exhibit G—Top 100 market share—U.S.—Allied Lines—2007

Exhibit H—Top 50 market share—Washington—Commercial Auto Non-Fault—2007

Exhibit I—Top 100 market share—U.S. Commercial Auto Non-Fault—2007

Exhibit J—Top 50 market share—Washington—Commercial Auto Physical Damage—2007

Exhibit K—Top 100 market share—U.S.—Commercial Auto Physical Damage—2007

Exhibit L—Top 50 market share—Washington—Commercial Multiple Peril (Liability)—2007

Exhibit M—Top 100 market share—U.S. Commercial Multiple Peril (Liability)—2007

Exhibit N—Top 50 market share—Washington—Commercial Multiple Peril (Non-Liability)—2007

Exhibit O—Top 100 market share—U.S. Commercial Multiple Peril (Non-Liability)—2007

Exhibit P—Top 50 market share—Washington—Farmowners Multiple Peril—2007

Exhibit Q—Top 100 market share—U.S.—Farmowners Multiple Peril—2007

Exhibit R—Top 50 market share—Washington—Fire—2007

Exhibit S—Top 100 market share—U.S.—Fire—2007

Exhibit T—Top 50 market share—Washington—Inland Marine—2007

Exhibit U—Top 100 market share—U.S.—Inland Marine—2007

Exhibit V—Top 50 market share—Washington—Other Commercial Auto Liability—2007

Exhibit W—Top 100 market share—U.S.—Other Commercial Auto Liability—2007

Exhibit X—Top 50 market share—Washington—Surety—2007

Exhibit Y—Top 100 market share—U.S.—Surety—2007

Exhibit Z—Top 50 market share—Washington—Workers' Compensation—2007

Exhibit AA—Top 100 market share—U.S. Workers' Compensation—2007

Exhibit BB—Calculation of the HHI for each of the Non-Exempt Lines

- II. June 9, 2008 Letter from Mr. Richard Quinlan to Insurance Commissioner Kreidler—Supplemental Information Provided With Respect to Item 4—Nature, Source, and Amount of Consideration. Replace certain language in the “Consideration” section of Item 4 with supplemental language included in the June 9, 2008 letter.

- III. June 19, 2008 Letter from Mel Sorensen to Mr. Ronald Pastuch, Holding Company Manager, with corrections to Exhibits 7-A, 7-B, 7-C, 7-E, and 7-F including replacement copies of the referenced Exhibits. The original exhibits were accidentally submitted with the Form A, and were related to Form A submissions in Indiana and Oregon. The replacements accompanying the June 19, correct the submission.

IV. June 23, 2008 Letter from Mel Sorensen to Mr. Ronald Pastuch, Holding Company Manager, with enclosed supplemental information with respect to Exhibit 9-B with audited financial statements for LMHC for the years ended December 31, 2004 and December 31, 2003. Also enclosed with the June 23, 2008 letter were remaining fingerprint cards for Exhibit 5-B—Fingerprint Cards for the Directors and Executive Officers of the Acquiring Parties.

V. Amendment No. 1 to Form A Statement Submitted on August 1, 2008 to Mr. Ronald Pastuch, Holding Company Manager, with cover letter from Mel Sorensen. In addition to the Amendment to the Form A, revisions to the following Exhibits were submitted:

Exhibit 3—Legible copy of the Current Organization Chart of the Acquiring Parties;

Revised Exhibit 9-C—Financial Exhibits of LIHI for the Period Ended March 31, 2008 and for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003;

Revised Exhibit 9-D—Financial Statements of LIH US for the Period Ended March 31, 2008 and for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003;

Exhibit 9-E—Financial Statements of LMGI for the Period Ended March 31, 2008, and for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003;

Exhibit 9-F—Financial Statements of LMHC MA for the Period Ended March 31, 2008, and for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003;

Exhibit 9-G—Consolidated Financial Statements of LMHC for the Period Ended June 30, 2008;

Exhibit 9-H—Audited Combined Statutory Basis Financial Statements of the Liberty Mutual Insurance Company Pool for the Years Ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003.

VI. August 18, 2008 Letter from Melvin Sorensen to Ms. Wendy Galloway, Hearings Unit, with legible copies of the organization charts provided pursuant to Item II, Page 4 of the Order on First Prehearing Conference that was filed on August 14, 2008 by Chief Hearing Officer Patricia Petersen.

VII. Key Correspondence relating to the Form A

-June 20, 2008 Letter from Mr. Richard P. Quinlan to Mr. Ronald Pastuch responding to Mr. Pastuch's June 17, 2008 Coordinated Inquiry Letter;

-August 8, 2008 Letter from Mr. Richard P. Quinlan to Judge Patricia Petersen Addressing Inquiries Identified by Judge Petersen during the First Prehearing Conference held on August 7, 2008

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4 BEFORE THE STATE OF WASHINGTON
5 OFFICE OF INSURANCE COMMISSIONER

6 In the Matter of the Acquisition of Control
7 of

8 SAFECO INSURANCE COMPANY OF
9 AMERICA, GENERAL INSURANCE
10 COMPANY OF AMERICA, FIRST
11 NATIONAL INSURANCE COMPANY
12 OF AMERICA, and SAFECO SURPLUS
13 LINES INSURANCE COMPANY

14 by

15 LIBERTY MUTUAL HOLDING
16 COMPANY, INC., LMHC
17 MASSACHUSETTS HOLDINGS, INC.,
18 LIBERTY MUTUAL GROUP, INC.,
19 LIBERTY MUTUAL INSURANCE
20 COMPANY, LIBERTY INSURANCE
21 HOLDINGS, INC., and LIH US P&C
22 CORPORATION

No. G08-0084

CERTIFICATE OF SERVICE

23 The undersigned, under penalty of perjury, hereby declares as follows:

24 1. I am a citizen of the United States and over the age of 18 years and am not a
25 party to the within cause.

2. I am employed by the law firm of Carney Badley Spellman, P.S. My business
and mailing addresses are both 701 Fifth Avenue, Suite 3600, Seattle, WA 98104.

3. On the 3rd day of September, 2008, I served via courier and electronic copy,
APPLICANT'S RESPONSES TO SUBJECTS 1-8 OF AUGUST 29, 2008, ORDER
SUPPLEMENTING NOTICE OF HEARING to:

1 Judge Patricia D. Petersen
2 Office of the Insurance Commissioner
3 Attn: Wendy Galloway
4 Hearings Unit
5 5000 Capitol Blvd.
6 Tumwater, WA 98501

7 4. On the same day, I made arrangements for copies of the same documents to be
8 delivered by U.S. Mail to:

9 Charles D. Brown, Sr. Staff Attorney, Legal Affairs Division
10 Office of the Insurance Commissioner
11 P.O. Box 40255
12 Olympia, WA 98504-0255
13 CharlesB@oic.wa.gov

14 Linda Dalton, Sr. Asst. Attorney General
15 Christina Beusch, Asst. Attorney General
16 Office of the Attorney General
17 PO Box 40100
18 Olympia, WA 98504-0100
19 LindaD@atg.wa.gov; ChristinaB@atg.wa.gov

20 James F. Williams
21 Perkins Coie LLP
22 1201 Third Avenue, Suite 4800
23 Seattle, WA 98101-3099
24 JWilliams@perkinscoie.com

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

I CERTIFY UNDER PENALTY OF PERJURY under the laws of the State of
Washington that the foregoing is true and correct.

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SIGNED and DATED at Seattle, Washington, this 3rd day of September, 2008 by

JAMES CURRY.


James P. Curry

FACSIMILE COVER SHEET

FILED

Perkins
Coie**CONFIDENTIAL AND PRIVILEGED**

SEP 03 2008

1201 Third Avenue, Suite 4800
Seattle, WA 98101-3099
PHONE: 206.359.8000
FAX: 206.359.9000
www.perkinscoie.com

If there are any problems with this transmission, please call:
Carol Kness, Ext. 3639

Hearings Unit, OIC
Patrick O. Petersen
Chief Hearing Officer

DATE: September 3, 2008 COVER SHEET & 4 PAGE(S)CLIENT NUMBER: 63511-1007RETURN TO: (NAME) Carol Kness (EXT.) 3639 (ROOM NO.) 4184ORIGINAL DOCUMENT(S) WILL BE: SENT TO YOU HELD IN OUR FILES

SENDER:	TELEPHONE:	FACSIMILE:
James F. Williams	206.359.3543	206.359.9000

RECIPIENT:	COMPANY:	TELEPHONE:	FACSIMILE:
Hon. Patricia Petersen Attn: Wendy	Insurance Commissioner's Office	(360) 725-7002	(360) 664-2782

In the Matter of the Proposed Acquisition of Control of
Safeco by Liberty — No. G08-0084

Attached please find Safeco's Amended Certificate of Service

Thank you

This Fax contains confidential, privileged information intended only for the intended addressee. Do not read, copy or disseminate it unless you are the intended addressee. If you have received this Fax in error, please email it back to the sender at perkinscoie.com and delete it from your system or call us (collect) immediately at 206.359.8575, and mail the original Fax to Perkins Cole LLP, 1201 Third Avenue, Suite 4800, Seattle, WA 98101-3099.

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MENLO PARK • OLYMPIA • PORTLAND • SAN FRANCISCO • SEATTLE • WASHINGTON, D.C.

Perkins Cole LLP and Affiliates

11472068 1.DOC1

FILED

SEP 03 2008

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

**THE HONORABLE PATRICIA D. PETERSEN
CHIEF HEARING OFFICER**

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**BEFORE THE STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER**

No. G08-0084

AMENDED CERTIFICATE OF SERVICE

In the Matter of the Proposed Acquisition
of Control of:

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

By

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

CAROL KNESS states as follows:

AMENDED CERTIFICATE OF SERVICE - 1

1 1. I am a secretary at the law firm of PERKINS COIE LLP, attorneys of record
2
3 for Safeco Insurance Companies, have personal knowledge of the facts set forth herein and
4
5 am competent to testify thereto.

6 2. On the 3rd day of September, 2008, I made arrangements to forward Safeco
7
8 Insurance Companies' Responses to Subjects 5 and 6 of August 29, 2008 Order
9
10 Supplementing Notice of Hearing to The Honorable Patricia D. Petersen, Attn: Wendy
11
12 Galloway, Paralegal, by hand delivery, as follows:

13
14
15 Office of the Insurance Commissioner
16 Attn: Wendy Galloway, Paralegal
17 Hearings Unit
18 5000 Capitol Boulevard
19 Tumwater, WA

20 3. On the same day, I made arrangements for copies of the same documents to
21
22 be delivered to the following via email (sans attachments) and First Class Mail (with
23
24 attachments):

25
26
27 Richard P. Quinlan, Sr. VP & Deputy General Counsel
28 Liberty Mutual
29 175 Berkeley Street
30 Boston, MA 02117-0140
31 Richard.Quinlan@libertymutual.com

32
33 Melvin N. Sorensen
34 Carney Badley Spellman, P.S.
35 701 Fifth Ave., Suite 3600
36 Seattle, WA 98104-7010
37 Sorensen@carneylaw.com; parker@carneylaw.com

38
39 Patrick Cantilo
40 Cantilo & Bennett
41 11401 Century Oaks Terrace, Suite 300
42 Austin, TX 78758
43 phcantilo@cb-firm.com; slhiroms@cb-firm.com

44
45
46
47
AMENDED CERTIFICATE OF SERVICE - 2

Perkins Coie LLP
1201 Third Avenue, Suite 4800
Seattle, WA 98101-3099
Phone: 206.359.8000
Fax: 206.359.9000

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Mike Kreidler, Insurance Commissioner
Vernon Stoner, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner
Company Supervision Division
Ronald J. Pastuch, CPA, Holding Company Manager
Company Supervision Division
Carol Sureau, Deputy Commissioner, Legal Affairs Div.
Charles D. Brown, Sr. Staff Atty, Legal Affairs Div.
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255
CarolS@oic.wa.gov; CharlesB@oic.wa.gov

Linda Dalton, Sr. Asst. Attorney General
Christina Beusch, Asst. Attorney General
Office of the Attorney General
P.O. Box 40100
Olympia, WA 98504-0100
LindaD@atg.wa.gov; ChristinaB@atg.wa.gov

4 I further made arrangements to have this Amended Certificate of Service delivered to The Honorable Patricia D. Petersen, Attn: Wendy Galloway, Paralegal, by forwarding the same via fax to (360) 664-2782 and via First Class Mail addressed to:

Office of the Insurance Commissioner
Attn: Wendy Galloway, Paralegal
Hearings Unit
P.O. Box 40255
Olympia, WA 98504-0255

5. On the same day, I made arrangements for copies of the same document to be delivered to the following via email:

Richard P. Quinlan, Sr. VP & Deputy General Counsel
Liberty Mutual
175 Berkeley Street
Boston, MA 02117-0140
Richard.Quinlan@libertymutual.com

AMENDED CERTIFICATE OF SERVICE - 3

63511-1007/LEGAL14636105.1

Perkins Coie LLP
1201 Third Avenue, Suite 4800
Seattle, WA 98101-3099
Phone: 206.359.8000
Fax: 206.359.9000

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Melvin N. Sorensen
Carney Badley Spellman, P.S.
701 Fifth Ave., Suite 3600
Seattle, WA 98104-7010
Sorensen@carneylaw.com; parker@carneylaw.com

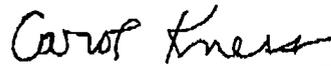
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Austin, TX 78758
phcantilo@cb-firm.com; silhiroms@cb-firm.com

Mike Kreidler, Insurance Commissioner
Vernon Stoner, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner
Company Supervision Division
Ronald J. Pastuch, CPA, Holding Company Manager
Company Supervision Division
Carol Sureau, Deputy Commissioner, Legal Affairs Div.
Charles D. Brown, Sr. Staff Atty, Legal Affairs Div.
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CarolS@oic.wa.gov; CharlesB@oic.wa.gov

Linda Dalton, Sr. Asst. Attorney General
Christina Beusch, Asst. Attorney General
Office of the Attorney General
P.O. Box 40100
Olympia, WA 98504-0100
LindaD@atg.wa.gov; ChristinaB@atg.wa.gov

I CERTIFY UNDER PENALTY OF PERJURY under the laws of the State of
Washington that the foregoing is true and correct.

SIGNED and DATED at Seattle, Washington, this 3rd day of September, 2008 by
CAROL KNESS.



Carol Kness

AMENDED CERTIFICATE OF SERVICE - 4

Perkins Coie LLP
1201 Third Avenue, Suite 4800
Seattle, WA 98101-3099
Phone: 206.359.8000
Fax: 206.359.9000