

CARNEY
BADLEY
SPELLMAN

Melvin N. Sorensen

LAW OFFICES
A PROFESSIONAL SERVICE CORPORATION

701 FIFTH AVENUE, SUITE 3600
SEATTLE, WA 98104-7010
FAX (206) 467-8215
TEL (206) 622-8020
DIRECT LINE (206) 607-4152

Email: sorensen@carneylaw.com

June 9, 2008

JUN 09 2008

INSURANCE COMMISSIONER
COMPANY SUPERVISION

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

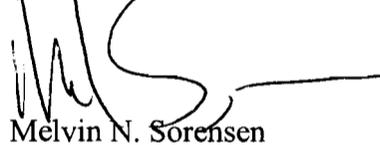
RE: Form A Application to Acquire Safeco Insurance Company of America, First National
Insurance Company of America, General Insurance Company of America, and
Safeco Surplus Lines Insurance Company

Dear Mr. Pastuch:

Attached for your review is a letter from Mr. Richard Quinlan, Senior Vice President &
Deputy General Counsel, Liberty Mutual Insurance Company with respect to the matter referenced
above.

Sincerely,

CARNEY BADLEY SPELLMAN, P.S.



Melvin N. Sorensen

MNS:jc

Enclosure



175 Berkeley Street
Boston, Massachusetts 02117

Richard Quinlan
Senior Vice President &
Deputy General Counsel

Tel: (617) 357-9500 Ext. 45655

June 9, 2008

BY HAND DELIVERY

Honorable Mike Kreidler
Insurance Commissioner
State of Washington
P.O. Box 40255
Olympia, WA 98504-0255

JUN 09 2008

INSURANCE COMMISSIONER
COMPANY SUPERVISION

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

Dear Commissioner Kreidler:

I am writing in regard to the Form A Statement Regarding the Acquisition of Control of Safeco Insurance Company of America, First National Insurance Company of America, General Insurance Company of America, and Safeco Surplus Lines Insurance Company, submitted by certain acquiring parties within the Liberty Mutual Group of companies (the "Acquiring Parties") on May 16, 2008 (the "Statement"). Specifically, I am writing to supplement the statement with information about the following developments we believe relevant to your review of the Statement.

1. On May 29, 2008, Liberty Mutual Group, Inc. issued \$1.25 billion of junior subordinated notes, the proceeds of which we currently intend to contribute down to LIH US P&C, the company that will merge with and into Safeco Corporation, as an investment in a subsidiary. Since this issuance was contemplated as a possible capital raising on May 16, it was referred to in Item 4 of the Statement. Specifically, in the first paragraph under "Consideration" in Item 4 of the Statement, the Acquiring Parties stated:

The purchase of the Acquired Companies is valued at approximately \$6.2 billion. Consummation of the Merger is not subject to any financing condition or other financing contingency. The Acquiring Parties' intention is to fund the Proposed Acquisition with cash on hand and LMGI may issue up to \$1.5 billion of junior subordinated securities (hybrid debt) and senior debt. The proceeds of such capital market issuances would then be contributed down to LIH US as an investment in a subsidiary. Absent any

capital market issuance or in the event of an issuance at lower amounts, LMGI and LIH US have adequate liquidity to fund the entire Proposed Acquisition with cash on hand, including, in part, proceeds from dividends anticipated to be declared by certain of their current affiliates, while using LMGI bridge financing to permit an orderly liquidation of investments. LMGI has received a commitment from a syndicate of lenders to provide a 364-day bridge facility in the amount of up to \$1.25 billion to finance a portion of the Proposed Acquisition. The amount of funds, if any, to be borrowed under the bridge facility will be reduced by the amount of proceeds received by LMGI in any capital market transactions and certain sales. Copies of the commitment letters relating to the bridge financing are attached as Exhibit 6.

The Acquiring Parties wish to supplement the Statement by striking the foregoing language from the Form A and replacing it with the following language:

The purchase of the Acquired Companies is valued at approximately \$6.2 billion. Consummation of the Merger is not subject to any financing condition or other financing contingency. The Acquiring Parties' intention is to fund the Proposed Acquisition with cash on hand. On May 29, 2008, LMGI issued \$1.25 billion of junior subordinated securities (hybrid debt). The Acquiring Parties 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, subject in some cases to regulatory approval or non-disapproval. LMGI will not borrow any funds under the previously-disclosed \$1.25 billion bridge financing facility.

2. Additionally, we are pleased to report that the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 for the Acquiring Parties' acquisition of Safeco Corporation expired at the end of the day on June 2, 2008.

If you have any questions about these, or any other, matters, please feel free to contact me.

Very truly yours,

Richard P. Quinlan