

STATE OF WASHINGTON

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MIKE KREIDLER
STATE INSURANCE COMMISSIONER



FILED

AUG 14 2008

DECLARATION OF MAILING

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to the parties listed below
DATED this 13th day of August 2008
at Tumwater, Washington.

Signed: Wendy Galloway

OFFICE OF
INSURANCE COMMISSIONER

HEARINGS UNIT
Fax: (360) 664-2782

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

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Chief Hearing Officer
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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

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.

NO. G08-0084

ORDER ON FIRST PREHEARING CONFERENCE

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

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COPY TO: Mike Kreidler, Insurance Commissioner
Vernon Stoner, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Div.
Ronald Pastuch, Holding Manager, Company Supervision Div.
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Charles D. Brown, Sr. Staff Attorney, Legal Affairs Division
Office of the Insurance Commissioner
PO Box 40255
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AND TO: Christina Beusch, Assistant Attorney General
Office of the Attorney General
PO Box 40100
Olympia, WA 98504-0100

1. On May 16, 2008, 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 (the "Applicants") filed a Form A application with the Company Supervision Division of the Insurance Commissioner, requesting approval of its proposed acquisition of Safeco Insurance Company of America, General Insurance Company of America, First National Insurance Company of America, and Safeco Surplus Lines Insurance Company and change 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. In summary, the Form A is the request of Applicants for approval to acquire Safeco Insurance Company of America and affiliated companies for a purchase price of approximately \$6.2 billion. Said Form A, which includes substantial pertinent documents and is included on the Insurance Commissioner's website, remained incomplete until August 1, 2008.
2. On August 1, 2008, the Applicants filed their Amendments to Form A.
3. On August 5, 2008, the Insurance Commissioner deemed the Form A to be complete.
4. On August 5, 2008, the Insurance Commissioner filed this matter with the undersigned, with the request that she conduct an adjudicative proceeding and hear testimony and argument and make the final decision approving or disapproving this proposed acquisition.

5. On August 6, 2008, the Applicants filed a Stipulation and Protective Order for ruling by the undersigned, which is in fact, not involving an agreement with the Insurance Commissioner, and is considered to be a Motion for a Protective Order as to certain specified documents.

6. On August 7, 2008, the undersigned held a First Prehearing Conference which included all parties. The Applicants were represented by Richard P. Quinlan, Sr. Vice President & Deputy General Counsel for Liberty Mutual and Melvin N. Sorensen, of Carney Badley Spellman, as Washington counsel. DeAnn F. Work, Sr. Associate General Counsel, represented Safeco Insurance Companies. The Insurance Commissioner appeared pro se and was represented by Charles D. Brown, Sr. Staff Attorney of his Legal Affairs Division.

7. While Applicants have requested a hearing date of August 23 or 27, 2008, the undersigned explained to them that 1) the Applicants' motion for a protective order filed August 8, 2008, as to Exhibits 5-A, 5-B 7-G and 7-H must be ruled upon; 2) the required Detailed Summary would need to be filed prior to scheduling the hearing; and 3) one requirement in proceedings involving proposed acquisitions and mergers is that adequate notification to the public must be provided: the public must be notified of this request for approval of this proposed acquisition, and those who wish must be allowed to submit letters in support or opposition to this proposal. Interested members of the public must also be given the opportunity to appear and present statements at the hearing. For these reasons, the requested hearing dates would not allow for compliance with applicable law.

I. Applicants' Stipulation and Protective Order (considered as a Motion for Protective Order). On August 6, 2008, the Applicants filed a Stipulation and Protective Order, which, because it was not stipulated to by any other party including the Insurance Commissioner, in order to be considered, has been considered instead to be a Motion for a Protective Order. Said Motion requests that a protective order be entered providing that all of Exhibits 5-A, 5-B, 7-G and 7-H of Form A be withheld from public disclosure. Presentation of this Motion was heard during first prehearing conference.

It is noted that in May 2008, Washington counsel for the Applicants informally requested that a substantial number of documents contained in the Form A be considered confidential and withheld from public disclosure; in response, he was advised at that time that if the Applicants wished to have any portion of Form A considered confidential and not subject to public disclosure he should file a Motion therefore within two weeks; when two weeks passed and no Motion was filed in spite of a reminder, all of Form A including Exs. 5-A and 7-G (but, in consideration of his Mandate below, excluding Exs. 5-B and 7-H) were published and have remained published since May 2008. (In consideration of his Mandate cited below, before publication the Insurance Commissioner did allow the redaction of specific portions of Exs. 5-A and 7-G as detailed below.)

The Applicants correctly argue that 1) the Presiding Officer has authority to enter protective orders (RCW 34.05.446); and 2) chapter 42.56 RCW requires public agencies of the State of Washington to make records available for inspection and copying unless they fall within an exemption in the Public Records Act or other statute which exempts or prohibits disclosure of specific information or records (42.56.070(1)). However, CR 2(c) and CR 26(c) (1) and (7), cited by Appellants, are not applicable in this situation. Further, F.R.Civ. R. 26(c), cited by Appellants, is not applicable. Further, 3)

Appellants argue that RCW 42.56.070(1) provides that *To the extent required to prevent an unreasonable invasion of personal privacy interests protected by this chapter, an agency shall delete identifying details in a manner consistent with this chapter ...* without providing authority as to what constitutes *identifying details*. However, RCW 42.56.050 does state that personal privacy interests are invaded and violated if disclosure of information about a person (1) *[w]ould be highly offensive to a reasonable person, and* (2) *is not of legitimate concern to the public*. [Emphasis added.]

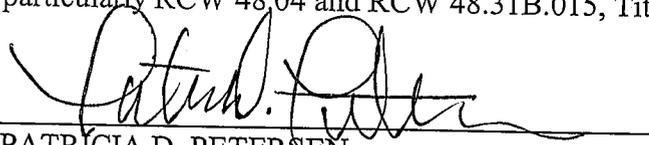
In consideration of RCW 42.56.050, it is determined that publication of the backgrounds of the individuals who are the subject of Exs. 5-A and 7-G, are, in fact, relevant to the criteria which must be considered in this adjudicative proceeding, specifically RCW 48.31B.015 and are therefore of legitimate public interest as contemplated by RCW 42.56.050(2). Further, it is noted that, consistent with the mandate of Wash. Executive Order 00-03(2000), the redaction of signatures of the affiants (Directors and Executive Officers of the Applicants), their social security numbers, dates of birth, places of birth, spouses names, maiden names and past ten years of residences and current home address is sufficient and proper and the balance of Exs. 5-A and 7-G should remain published. Exs. 5-B and 7-H, which contain fingerprints of these individuals together with their signatures, current home addresses, social security numbers and physical characteristics fall within the exemption provided by RCW 42.56.050 and will not be published.

II. Detailed Summary with Organizational Charts. As the parties were advised at first prehearing conference, a Detailed Summary of the proposed transaction from the Applicants is typically filed at least by the time the matter is transmitted to the undersigned, and this typically includes organizational charts. The Applicants (Mr. Quinlan) promptly filed said Detailed Summary on August 8, 2008. In this situation, legible organization charts are necessary, which describe 1) the current structures of the Applicants (including states of incorporation and type of corporation); 2) the current structure of the Safeco companies (including states of incorporation and types of corporations); 3) the proposed structure of the Applicants and the Safeco companies should the proposed acquisition be approved. Applicants are advised to submit these charts by mid day on August 15, 2008 in order to avoid delay. The parties were advised of this remaining requirement by Wendy Galloway, Paralegal to the undersigned, on August 14, 2008.

III. Hearing Date. It is the decision of the undersigned, recognizing the parties' keen interest in having this matter heard and decided as soon as possible, and recognizing the requirements of law, as long as Paragraph 2 above is complied with as stated above, the parties may indicate their preference of a hearing date of either September 9 or 10, 2008, or propose a later hearing date. Wendy Galloway, Paralegal to the undersigned, advised the parties of their choice of hearing dates on August 14, 2008. It is anticipated that the undersigned will enter her final written decision within 2 days following the hearing.

IV. Witness Lists. The Applicants, Safeco, and the Insurance Commissioner shall submit witness lists, which will not be binding or exclusive, within 10 days after entry of the Notice of Hearing in this matter.

ENTERED this 14th day of August, 2008 at Tumwater, Washington, pursuant to Title 48 RCW, and particularly RCW 48.04 and RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.

A handwritten signature in black ink, appearing to read "Patricia D. Petersen", written over a horizontal line.

PATRICIA D. PETERSEN
Presiding Officer