

**STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
INSURANCE DIVISION**

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS  
SERVICES

In the Matter of the Proposed Restructure of the	)	
Holding Company System of Liberty Northwest	)	Order of Exemption
Insurance Corporation, North Pacific Insurance	)	
Company and Oregon Automobile Insurance	)	Case No. INS 08-12-007
Company	)	

**INTRODUCTION**

By letter dated October 27, 2008, Liberty Mutual Insurance Company (“LMIC”), filed a request for exemption from the provisions of Oregon Revised Statutes (“ORS”) 732.521(1) pursuant to ORS 732.521(2) with regard to a 100% contribution of the issued and outstanding shares of stock of Liberty Northwest Insurance Corporation (“LNW”) to Peerless Insurance Company (“PIC”).

LNW is an Oregon domiciled stock insurance company, authorized under ORS chapter 731 to transact property, casualty including workers’ compensation, surety, and marine & transportation insurance business in Oregon since February 18, 1983.

North Pacific Insurance Company (“NPIC”) is an Oregon domiciled stock insurance company, authorized under ORS chapter 731 to transact property, casualty including workers’ compensation, surety, and marine & transportation insurance business in Oregon since July 1, 1958.

Oregon Automobile Insurance Company (“OAIC”) is an Oregon domiciled stock insurance company, authorized under ORS chapter 731 to transact property, casualty including workers’ compensation, surety, and marine & transportation insurance business in Oregon since December 31, 1925.

LMIC is a Massachusetts domiciled stock insurance company, authorized under ORS chapter 731 to transact property, casualty including workers’ compensation, health, surety, and

marine & transportation insurance in Oregon since August 20, 1934.

Peerless Insurance Company is a New Hampshire domiciled stock insurance company, authorized under ORS chapter 731 to transact property, casualty including workers' compensation, surety, and marine & transportation insurance business in Oregon since January 3, 1949.

Liberty Mutual Holding Company Inc. ("LMHC") is a Massachusetts mutual holding company and is the ultimate parent corporation of the companies that are a party to the proposed restructure.

#### FACTS PROVIDED

LMIC owns 100% of the issued and outstanding shares of LNW. LMIC intends to contribute the shares of LNW downstream through intervening holding companies and ultimately to PIC, a downstream subsidiary. Because NPIC and OAIC are wholly-owned subsidiaries of LNW, they, along with two-non-insurance subsidiaries of LNW, will become indirect wholly-owned subsidiaries of PIC.

The purpose of the proposed contribution is to align some of the holding company system's property and casualty insurance subsidiaries with the business unit they support. Each of the insurers are underwriting companies within Liberty Mutual Group's Agency Markets strategic business unit. Each of the insurers cede 100% of direct written premium to the inter-company pool of which PIC is the lead company. In addition to the proposed transaction, additional, similar transactions will be completed to achieve the realignment objective, none of which are Oregon domiciled insurers.

The parties stated the proposed contribution of shares will not result in a change in ultimate control of LNW, NPIC, or OAIC, nor will it result in a change in the management of the insurers.

#### CONCLUSION OF LAW

The proposed contribution of shares will not have the effect of changing or influencing the control or ownership of a domestic insurer since LMIC and LMHC will remain controlling

parties of LNW, NPIC, and OAIC as before the contribution. The proposal transaction thereby meets the requirements for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2).

ORDER

Based on the foregoing facts provided and conclusion of law, it is hereby ordered that the proposed contribution of shares submitted by Liberty Mutual Insurance Company is exempt from the provisions of ORS 732.521(1).

Issued this 16<sup>th</sup> day of December 2008.



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CORY STREISINGER, Director  
Department of Consumer and Business Services