CCM-101

City of Cambridge

O-6.

IN CITY COUNCIL

January 22, 2001

COUNCILLOR BRAUDE
MAYOR GALLUCCIO

WHEREAS: The insurance industry affects every business and resident of Cambridge and the Commonwealth of Massachusetts; and

WHEREAS: Boston-based Liberty Mutual has hundreds of thousands of Massachusetts policyholders and two million policyholders nationwide, and Liberty Mutual policyholders have built a $5.7 billion surplus in the company; and

WHEREAS: Massachusetts accounts for over twenty percent of the $1.39 billion in premiums that Liberty Mutual Insurance Company wrote nationwide in 1999; and

WHEREAS: Liberty Mutual (group) is the state's largest workers compensation insurer, carrying over twelve percent of that market, and also insures about seven percent of Massachusetts' drivers and five percent of Massachusetts' homeowners; and

WHEREAS: Cambridge has an estimated 20,000 homeowners, according to the City of Cambridge's Department of Community Development, and Liberty Mutual insures at least an estimated 1,000 Cambridge homeowners, and thousands more Cambridge drivers and employers; and

WHEREAS: The company plans to convert from a mutual company into a stock company using the controversial "mutual holding company" structure - a model that strips policyholders of ownership rights in the insurer-that has been banned in Canada and is not allowed in twenty-seven states; and

WHEREAS: Other mutual insurers, including Metropolitan Life and Boston-based John Hancock, have returned a combined $20 billion in surplus to policyholders as part of their conversions to stock ownership; and

WHEREAS: Liberty Mutual's stock conversion plan denies policyholders an estimated average of $2,800 each in surplus value that they created; and

WHEREAS: The proposed mutual holding company structure creates potential conflicts of interests between policyholders interested in the lowest possible costs, and stock shareholders seeking the highest possible return on their investment; and

WHEREAS: Liberty Mutual's draft plan acknowledges the potential for such conflicts of interest to arise; and

WHEREAS: The company's planned conversion has yet to be aired, discussed or debated in the public realm; and

WHEREAS: Liberty Mutual's rationales for its conversion fail to withstand even simple scrutiny - they note the need for acquisition capital, yet the company has acquired over thirty companies in 1998 and 1999 alone and already operate three companies as one; and

WHEREAS: Appropriate and responsible corporate behavior by insurance companies serving Cambridge residents and businesses enhances the city's civic and economic vitality; now therefore be it

ORDERED: That the appropriate Council committee conduct a public hearing to which Liberty Mutual executives be urged to appear to explain the effects of Liberty Mutual's conversion on Cambridge businesses, homeowners and drivers with Liberty Mutual policies; and be it further

ORDERED: That the Cambridge City Council calls upon Liberty Mutual Insurance Company to remain a policy holder-owned mutual company, or to take appropriate steps to become a stock company in a way that ensures fair treatment of its policyholders; and be it further

ORDERED: That the Cambridge City Council calls upon the Massachusetts Commissioner of Insurance to carefully consider the negative effects of this conversion on Cambridge policyholders.

In City Council January 22, 2001.
Adopted by the affirmative vote of eight members.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D. Margaret Drury

D. Margaret Drury
City Clerk

From: **MDrury@CI.Cambridge.MA.US (D. Margaret Drury)**
Organization: **City of Cambridge, Massachusetts USA**
To: **pcrane**
Date sent: **Thu, 18 Jan 2001 12:11:03 -0500**
Subject: **(Fwd) orders**
Priority: **normal**

O-6

------- Forwarded message follows -------
Date sent: Thu, 18 Jan 2001 07:13:57 -0800
From: Jim Braude <jimbraude@mediaone.net>
To: mdrury@ci.cambridge.ma.us
Subject: orders

1. an order filed by anthony and me re Fresh Pond Apts (please call Terry) 2. Liberty Mutual

Whereas: The insurance industry affects every business and resident of
Cambridge and the Commonwealth of Massachusetts; and

Whereas: Boston-based Liberty Mutual has hundreds of thousands of Massachusetts policyholders and two million policyholders nationwide,
and Liberty Mutual policyholders have built a $5.7 billion surplus in the company; and

Whereas: Massachusetts accounts for over 20 percent of the $1.39 billion
in premiums that Liberty Mutual Insurance Company wrote nationwide in
1999;

and

Whereas: Liberty Mutual (group) is the state's largest workers compensation
insurer, carrying over 12 percent of that market, and also insures about 7 percent of Massachusetts' drivers and 5 percent of Massachusetts' homeowners; and

Whereas: Cambridge has an estimated 20,000 homeowners, according to the

City of Cambridge's Department of Community Development, and Liberty Mutual insures at least an estimated 1,000 Cambridge homeowners, and thousands more Cambridge drivers and employers; and

Whereas: The company plans to convert from a mutual company into a stock

company using the controversial "mutual holding company" structure - a model that strips policyholders of ownership rights in the insurer - that has been banned in Canada and is not allowed in 27 states; and

Whereas: Other mutual insurers, including Metropolitan Life and Boston-based John Hancock, have returned a combined $20 billion in surplus
to policyholders as part of their conversions to stock ownership; and

Whereas: Liberty Mutual's stock conversion plan denies policyholders an estimated average of $2,800 each in surplus value that they created; and

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conflicts of interests between policyholders interested in the lowest possible costs, and stock shareholders seeking the highest possible return on their investment; and

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conflicts of interest to arise; and

Whereas: The company's planned conversion has yet to be aired, discussed or debated in the public realm; and

Whereas: Liberty Mutual's rationales for its conversion fail to withstand
even simple scrutiny - they note the need for acquisition capital, yet the company has acquired over 30 companies in 1998 and 1999 alone and already operate three companies as one; and

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effects of this conversion on Cambridge policyholders.

------- End of forwarded message -------

D. Margaret Drury
Cambridge City Clerk
City Hall
795 Massachusetts Ave.
Cambridge MA 02139
(617)349-4260

CCM-101

City of Cambridge

O-6.

IN CITY COUNCIL

January 22, 2001

COUNCILLOR BRAUDE

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Order #6 245

Liberty Mutual's stock conversion plan.

Councillor Braude

In City Council January 22, 2001

ORDER ADOPTED