

**STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE**

IN RE:)	
)	
FORM A STATEMENT REGARDING THE)	
APPLICATION OF OHIO MUTUAL)	
INSURANCE COMPANY TO OBTAIN)	DECISION AND ORDER
CONTROL OF CASCO INDEMNITY COMPANY)	
)	
Docket No. INS-10-402)	

Deputy Superintendent of Insurance Eric A. Cioppa issues this Decision and Order in the above-captioned proceeding.¹ The proceeding was instituted upon the application of Ohio Mutual Insurance Company ("Ohio Mutual" or the "Applicant"), an Ohio domiciled insurer, for approval of its acquisition of Casco Indemnity Company ("Casco"), a Maine domiciled insurer.

I. THE PROPOSED ACQUISITION

Casco is a direct, wholly-owned subsidiary of NE Corporation, a Maine domiciled insurance holding company ("NE Corp."). Hingham Mutual Fire Insurance Company ("Hingham") and Hingham's indirect, wholly-owned subsidiary Danbury Insurance Company ("Danbury"), collectively own approximately 55.2% of the capital stock of NE Corp. The remaining 44.8% of the NE Corp. stock is owned by Phenix Mutual Fire Insurance Company ("Phenix"). Hingham, Danbury, and Phenix are collectively referred to as "the Sellers" herein.

Ohio Mutual proposes to acquire direct control of NE Corp. and indirect control of Casco pursuant to the terms of a Stock Purchase Agreement, dated November 1, 2010. The Applicant has also sought and received the approval of the Ohio Director of Insurance for the transactions.

II. PROCEDURAL HISTORY

Ohio Mutual filed its application for approval and the requisite Form A statement with the Maine Bureau of Insurance on November 10, 2010. The Deputy Superintendent issued a Notice of Pending Proceeding and Hearing in this matter on November 22, 2010. The Notice designated Ohio Mutual and Casco as parties to the proceeding. The Notice also provided interested persons an opportunity to submit an application to intervene in the proceeding, but no applications for intervention were made.

The public hearing was held as scheduled on December 16, 2010. Ohio Mutual and Casco attended and participated in the hearing. The Sellers chose neither to

intervene nor testify but Steve Chevalier, President and Chief Executive Officer of New London County Mutual Insurance Company, which owns Hingham and Danbury participated in the hearing via telephone on their behalf. No members of the public attended the hearing.

The Form A filing and its attachments, the Bureau's First Information Request and the Applicant's response thereto, a request for confidential treatment of certain documents submitted by Applicants at the hearing,² and the written testimony of James J. Kennedy, President and Chief Executive Officer of Ohio Mutual were offered and admitted into the record of the proceeding. Testimonial evidence was provided at the hearing by James J. Kennedy, David Hendrix, Chief Financial Officer of Ohio Mutual, and William Swetland III, President and Chief Executive Officer of Casco.

III. STANDARD OF REVIEW

As identified in the Notice of Pending Proceeding and Hearing, the legal standard of review for the consideration of the pending application is set forth in 24-A M.R.S. §§ 222(7)(A) and 3476(2) and includes the following:

- (1) Whether, after the proposed acquisition, Casco could satisfy the requirements for the issuance of a certificate of authority according to requirements in force at the time of the issuance, or last renewal or continuation of its certificate of authority to do the insurance business which it intends to transact in the State of Maine.
- (2) Whether the effect of the proposed acquisition may be substantially or materially to lessen competition in insurance or the insurance business in the State of Maine or elsewhere as to the kinds of insurance involved, or would materially tend to create a monopoly as to such business therein, or would violate the laws of the State of Maine or of the United States relating to monopolies or restraints of trade.
- (3) Whether the financial condition of Ohio Mutual is such as would jeopardize the financial stability of Casco or prejudice the interest of its policyholders.
- (4) Whether any plans or proposals which Ohio Mutual has to liquidate Casco, to sell its assets or to merge it with any person, or to make any other major change in the business or corporate structure or management of Casco are unfair or prejudicial to policyholders.
- (5) Whether the competence, experience, and integrity of Ohio Mutual's directors and officers indicate that it would not be in the interest of policyholders or the public to permit them to control the operation of Casco; and whether Ohio Mutual's directors and officers are qualified by character, experience, and financial responsibility to control and operate Casco, or cause it to be operated in a lawful and proper manner.
- (6) Whether the proposed acquisition would tend to affect adversely the contractual obligations of Casco or its ability and tendency to render service in the future to its policyholders and the public.
- (7) Whether the interests of Casco or its stockholders would be impaired through the proposed acquisition.

In addition to the legal standards of review under 24-A M.R.S.A. §§ 222 and 3476 as identified above, the Deputy Superintendent in his discretion may consider such other relevant issues identified by parties or otherwise.

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon the testimonial and documentary evidence presented at the hearing and upon a review of the record of this proceeding, the Deputy Superintendent finds that no issues of material concern exist with respect to Ohio Mutual's abilities to satisfy the legal standards for approval set forth in 24-A M.R.S. §§ 222(7)(A) and 3476(2), summarized as follows:

(1) No evidence was presented to the contrary and the Deputy Superintendent finds that Casco can satisfy the requirements for the issuance of a certificate of authority according to the requirements in force at the time of the issuance, or the last renewal or continuation of its certificate of authority to do the kinds of insurance business it intends to transact in the State of Maine;

(2) No evidence was presented that demonstrates, and the Deputy Superintendent does not find that any aspect of the proposed acquisition will substantially or materially lessen competition in insurance or the insurance business in the State of Maine or elsewhere as to the kinds of insurance involved, or would materially tend to create a monopoly as to such business therein, or would violate the laws of the State of Maine or of the United States relating to monopolies or restraints of trade;

(3) No evidence was presented that demonstrates, and the Deputy Superintendent does not find that any aspect of the proposed acquisition would jeopardize the financial stability of Casco or prejudice the interest of its policyholders;

(4) No evidence was presented that demonstrates and the Deputy Superintendent does not find that Ohio Mutual's proposed acquisition or proposals to make any other major change in the business or corporate structure or management of Casco are unfair or prejudicial to policyholders;

(5) No evidence was presented to the contrary and the Deputy Superintendent finds that the competence, experience and integrity of Ohio Mutual's directors and officers indicate that it would be in the interest of policyholders or the public to permit them to control the operation of Casco; and that Ohio Mutual's directors and officers are qualified by character, experience and financial responsibility to control and operate Casco, or cause it to be operated, in a lawful and proper manner:

(6) No evidence was presented that demonstrates and the Deputy Superintendent does not find that the proposed acquisition would tend to affect adversely the contractual obligations of Casco or its ability and tendency to render service in the future to its policyholders and the public; and

(7) No evidence was presented that demonstrates and the Deputy Superintendent does not find that the interests of Casco or its stockholder would be impaired through the proposed acquisition.

For all of the foregoing reasons, the Deputy Superintendent concludes that Ohio Mutual has met the legal standards for approval set forth in 24-A M.R.S. §§222(7)(A) and 3476(2).

V. ORDER

The application of Ohio Mutual to acquire control of Casco through its Stock Purchase Agreement with the Sellers is hereby APPROVED. Ohio Mutual's acquisition of control of Casco is subject to the ten day waiting period requirement of 24-A M.R.S. § 222(4-A)(C).

The Deputy Superintendent's review of the information for which confidentiality is sought indicates that the request relates to future business plans of the Applicant and the terms of certain reinsurance, management agreements, service agreements, and cost-sharing agreements among and between Ohio Mutual and its subsidiaries which will apply to Casco following the transaction. The request for confidentiality is hereby granted. See 1 M.R.S. § 402(3)(B). The Bureau of Insurance will hold the information identified in the request on a confidential basis. Should a member of the public seek access to the specified documents, only redacted versions will be provided unless and until otherwise ordered by a Court of competent jurisdiction or otherwise agreed to by the Applicant.

VI. NOTICE OF APPEAL RIGHTS

This Decision and Order is a final agency action of the Superintendent of Insurance within the meaning of the Maine Administrative Procedure Act. It may be appealed to the Superior Court in the manner provided by 24-A M.R.S. § 236, 5 M.R.S. § 11001 *et seq* and Maine Rule of Civil Procedure 80C. Any party to this proceeding may initiate an appeal within thirty days after receiving this notice. Any aggrieved non-party whose interests are substantially and directly affected by this Decision and Order may initiate an appeal within forty days of the issuance of this decision. There is no automatic stay pending appeal; application for stay may be made in the manner provided for by 5 M.R.S. § 11004.

¹ Superintendent of Insurance Mila Kofman delegated all procedural and decision making legal authority with respect to this proceeding to Deputy Superintendent Cioppa. See 24-A M.R.S. §206(2).

² Counsel for the Applicants requested that specifically identified information found on page 5 of the Form A, within Exhibits 4 and 5 to the Form A, and within the Applicant's Response to the Bureau's Information Request be accorded confidential status. The basis for the request is that the information contains trade secrets of the Applicant. The Applicant has further proposed specific redactions to the documents identified.

PER ORDER OF THE SUPERINTENDENT OF INSURANCE

December 17, 2010

By: _____
Eric A. Cioppa

Deputy Superintendent