

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

IN RE:)	
)	
FORM A STATEMENT REGARDING THE)	
APPLICATION OF CONTROL OF CASCO)	
INDEMNITY COMPANY)	DECISION AND ORDER
)	
Docket No. INS-10-401)	

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 New London County Mutual Insurance Company ("NLC" or the "Applicant"), a Connecticut domiciled insurer, for approval of its indirect acquisition of Casco Indemnity Company, ("Casco"), a Maine domiciled insurer, as a result of its proposed acquisition through affiliation of Hingham Mutual Fire Insurance Company ("Hingham") which is a controlling person of Casco.

I. THE PROPOSED ACQUISITION

Casco is a direct, wholly-owned subsidiary of NE Corporation ("NE"), a Maine domiciled insurance holding company. Hingham and Hingham's indirect, wholly-owned subsidiary, Danbury Insurance Company ("Danbury") collectively own approximately 55.2% of the capital stock of NE. The remaining 44.8% of the NE stock is owned by Phenix Mutual Fire Insurance Company. Hingham is a mutual property and casualty insurance company domiciled in the Commonwealth of Massachusetts. Danbury is a stock insurance company domiciled in the Commonwealth of Massachusetts.

NLC proposes to acquire direct control of Hingham and indirect control of Danbury pursuant to the terms of an Affiliation Agreement dated June 9, 2010. The Applicant has sought the approval of the Commissioner of the Division of Insurance of the Commonwealth of Massachusetts. The Massachusetts Commissioner approved the transaction on August 19, 2010 subject to this office's approval as well as the approval of Hingham's policyholders.

II. PROCEDURAL HISTORY

NLC filed its application for approval and the requisite Form A statement with this office on June 22, 2010. The Deputy Superintendent issued a Notice of Pending Proceeding and Hearing in this matter on August 9, 2010. That Notice designated NLC and Casco as parties to the proceeding. It also provided interested persons an opportunity to submit an application to intervene in the proceeding, but no one chose to do so prior to the hearing.

The public hearing was held as scheduled on August 27, 2010. NLC and Casco attended the hearing. Hingham and Danbury, through Counsel, requested and were granted late status as intervenors without objection by the parties.

At the hearing, certain evidence was offered and admitted into the record of the proceeding without objection, including the filing, an information request and responses thereto issued during the proceeding and the Decision and Order of the Massachusetts Commissioner approving the transaction. Testimonial evidence was provided at the hearing by Steve Chevalier, President and Chief Executive Officer of NLC, George A. Cole III, President and Chief Executive Officer of Hingham and Chief Executive Officer of Danbury 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 ending 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 NLC is such as would jeopardize the financial stability of Casco or prejudice the interest of its policyholders.
- (4) Whether any plans or proposals which NLC has to liquidate the insurer, 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 NLC'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 NLC'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 Superintendent finds that no issues of material concern exist with respect to NLC'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 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 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 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 Superintendent does not find that NLC'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 Superintendent finds that the competence, experience and integrity of NLC 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 NLC'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 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 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 Superintendent concludes that NLC 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 NLC to acquire indirect control of Casco through its affiliation with Hingham is hereby APPROVED subject to receipt of approval of the transaction by the policyholders of Hingham. NLC's acquisition of control of Casco is further subject to the ten day waiting period requirement of 24-A M.R.S. §222(4-A)(C).

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.A. § 206(2).

PER ORDER OF THE SUPERINTENDENT OF INSURANCE

August 30, 2010

By: _____
ERIC A. CIOPPA
Deputy Superintendent