



Paul R. LePage
GOVERNOR

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

Eric A. Cioppa
SUPERINTENDENT

May 19, 2017

Eric A. Cioppa, Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S.A. §221 and in conformity with your instructions, a financial examination has been made of

CASCO INDEMNITY COMPANY

at its primary administrative office in Bucyrus, Ohio. The following report is respectfully submitted.



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REPORT OF EXAMINATION
CASCO INDEMNITY COMPANY
AS OF
DECEMBER 31, 2015

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Casco Indemnity Company dated May 19, 2017, was delivered to that insurer on June 9, 2017, and

WHEREAS Casco Indemnity Company and Bureau of Insurance staff have agreed to certain modifications with respect to the Report of Examination, and

WHEREAS I find such modifications proper, and

WHEREAS no hearing with respect to the Report of Examination has been requested by Casco Indemnity Company,

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S.A. §226(3).

Dated: 6-30-17

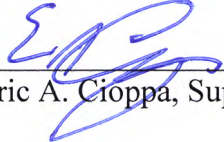

Eric A. Cioppa, Superintendent

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SCOPE OF EXAMINATION

Casco Indemnity Company ("Casco" or "Company") was last examined as of December 31, 2011, by the State of Maine Bureau of Insurance ("MBOI"). This examination covered the period from January 1, 2012 to December 31, 2015.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners ("NAIC"), in conformity with statutory accounting practices, NAIC guidelines, the 2016 Financial Condition Examiners Handbook and the laws, rules, and regulations prescribed or permitted by the State of Maine. The examination consisted of a review of the Company's operations, controls, and corporate governance, valuation of assets, and determination of liabilities at December 31, 2015. The examination also included the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

This examination was coordinated with the Ohio Department of Insurance ("ODI"), which concurrently examined United Ohio Insurance Company ("UOIC"), an Ohio domestic insurance company, the Company's affiliate, and Ohio Mutual Insurance Company ("OMIC"), also an Ohio domestic insurance company, the parent company of both Casco and UOIC. These companies, along with Casco, are members of the Ohio Mutual Insurance Group ("OMIG"). The examination was conducted at the OMIG offices in Bucyrus, Ohio, which are the main administrative offices of Casco and all companies within OMIG. Ernst & Young LLP, ("EY") performed the 2015 external audit of Casco and all insurance affiliates. EY work papers were utilized for this examination to the extent deemed appropriate. The MBOI utilized the work of ODI's examination of OMIC and UOIC when appropriate in order to enhance the effectiveness and efficiency of this examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

None noted.

CURRENT EXAMINATION

None noted.

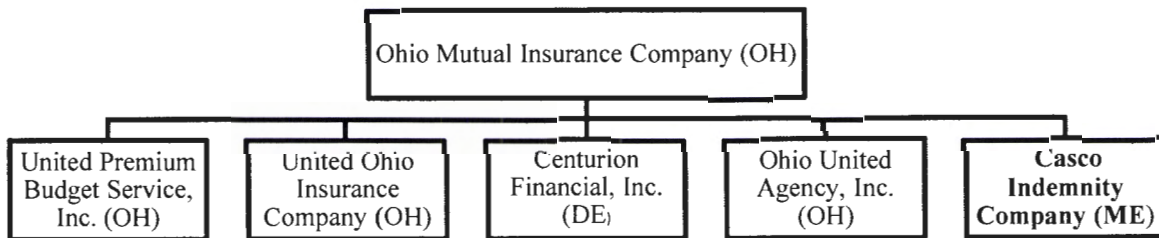
THE COMPANY

HISTORY

The Company was incorporated on June 27, 1985, in the State of Maine and commenced writing business during that year. The Company was a wholly owned subsidiary of NE Corporation, an insurance holding company domiciled in the State of Maine. Effective January 1, 2011, OMIC acquired all outstanding common shares of NE Corporation. NE Corporation's only assets were the Company and the Company's home office building located in Saco, Maine. In December of 2011, NE Corporation was dissolved and the shares of the Company were moved directly under the ownership of OMIC. Additionally, the office building in Saco, Maine was transferred directly to OMIC.

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of OMIC. A corporate ownership diagram follows:



CORPORATE RECORDS

The Company's articles of incorporation, bylaws, and minutes of the board of directors meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

Casco is governed and overseen by its board of directors and management team which are comprised of OMIG directors and officers.

As of December 31, 2015, Casco's board of directors consisted of the following members:

<u>Name</u>	<u>Title</u>
Susan Porter	Chair
Albert Michael Heister	Vice Chair, Secretary
Robert Bruce Albro	Director
James Joseph Kennedy*	Director
John Redon Purse	Director
Mark Clarence Russell	Director
David Anthony Siebenburgen	Director
Randy Lee Walker	Director
Thomas Eugene Woolley	Director

As of December 31, 2015, the officers of Casco consisted of the following individuals:

<u>Name</u>	<u>Title</u>
Mark Clarence Russell*	President
James Joseph Kennedy*	Chief Executive Officer
David Gary Hendrix	Treasurer & Chief Financial Officer
Albert Michael Heister	Secretary
Todd Emery Albert	Vice President Information Systems
Michael Robert Horvath	Vice President Human Resources
Michael Alexander Brogan	Vice President Claims
David Alan Grove	Vice President Product Management

* Effective January 1, 2016, Mark Russell was named both President and CEO of the Company and James Kennedy was no longer an officer or director of the Company.

TRANSACTIONS WITH AFFILIATES

As of January 1, 2011, the Company is a party to a reinsurance pooling agreement with its two insurance affiliates, OMIC and UOIC. Under this agreement the Company and UOIC cede 100% of their books of business in force to OMIC to form the pool. The Company assumes 8%, and UOIC assumes 65%, as their proportional shares of the pool, leaving OMIC with 27% as its share of the pool.

The Company is also a party to a cost sharing agreement, effective January 1, 2011, with OMIC and UOIC, under which UOIC and the Company provide personnel services, and UOIC makes all payments to outside vendors. The expenses for these personnel and vendor services are allocated based on percentages that are consistent with the reinsurance pooling agreement; the Company incurs 8% of these expenses, OMIC incurs 27%, and UOIC incurs the remaining 65% of these expenses.

The Company is party to a tax cost sharing agreement with OMIC, UOIC, Centurion Financial, Inc., United Premium Budget Service, Inc., Ohio United Agency, Inc., and N.E. Corporation. NE Corporation, dissolved in December of 2011, was properly included on the consolidated tax agreement. Under this agreement, one consolidated tax return is filed for the group and tax

expense/benefits are allocated based on the individual results of the companies. Any resulting tax payable or recoverable is handled through intercompany accounts.

TERRITORY & PLAN OF OPERATION

The Company is licensed in the states of Connecticut, Maine, New Hampshire, Ohio, Rhode Island, South Carolina and Vermont. The Company principally writes private passenger auto and homeowners multi-peril insurance.

REINSURANCE

The Company cedes 100% of its business to the OMIG pool and assumes 8% of the net pooled underwriting results.

The OMIG insurance entities, OMIC, UOIC, and the Company, have a Per Risk/Occurrence Cover reinsurance agreement with General Reinsurance Corporation ("Gen Re") that provides excess casualty coverage of \$4,500,000 per occurrence in excess of \$500,000 and excess property coverage of \$2,500,000 per risk in excess of \$500,000.

They also have a Quota Share and Excess of Loss reinsurance agreement with Gen Re that provides for the Group's Farm Excess/Umbrella, Commercial Excess Liability and Personal Umbrella Business. For Farm Excess/Umbrella and Commercial Excess Liability, the Quota Share reinsurance agreement provides a policy limit of \$5,000,000 each occurrence/\$10,000,000 aggregate in excess of a retention of 10% of the first \$1,000,000 each occurrence. For Personal Umbrella business, the Quota Share reinsurance agreement provides a policy limit of \$5,000,000 each occurrence in excess of a 10% retention of the first \$1,000,000 each occurrence.

OMIG has property catastrophe excess of loss reinsurance contracts with the Underwriters at Lloyd's and the Mutual Reinsurance Bureau, brokered through JLT Re, which provide catastrophe reinsurance coverage of 100% of \$100.5 million in excess of \$7.0 million retention.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Operations, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the MBOI and thus the MBOI does not express an opinion on the financial statements as a whole.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS
AS OF DECEMBER 31, 2015**

Assets

Bonds	\$ 18,714,323
Common stocks	2,170,719
Cash and cash equivalents	2,756,105
Investment income due and accrued	140,635
Uncollected premiums in the course of collection	184,015
Deferred premiums, agent's balances and installments	3,494,047
Amounts recoverable from reinsurers	65,787
Net deferred tax asset	1,123,752
Total assets	<u>\$ 28,649,383</u>

Liabilities

Losses	\$ 6,251,452
Loss adjustment expenses	1,506,211
Commissions payable	628,746
Other expenses	16,494
Taxes, licenses and fees	21,116
Current federal and foreign income taxes	224,607
Unearned premiums	7,295,485
Advance premium	158,765
Ceded reinsurance premiums payable	(62,640)
Funds held under reinsurance treaties	21,683
Remittances and items not allocated	6,392
Payable to parent, subsidiaries and affiliates	265,788
Total liabilities	<u>16,334,099</u>

Surplus

Common capital stock	2,500,000
Gross paid in and contributed surplus	4,900,000
Unassigned funds	4,915,284
Policyholders' surplus	12,315,284
Total liabilities and surplus	<u>\$ 28,649,383</u>

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2015

Premiums earned	\$	15,616,546
Deductions:		
Losses incurred		8,221,966
Loss adjustment expenses		1,395,936
Other underwriting expenses		5,473,908
Total underwriting deductions		<u>15,091,810</u>
Total underwriting gain		<u>524,736</u>
Net investment income earned		503,429
Net realized capital losses, net of capital gains taxes		<u>(2,389)</u>
Net investment income		<u>501,040</u>
Net loss from premiums charged off		(73,432)
Finance and service charges		167,665
Aggregate write-ins for miscellaneous expense		<u>(2,066)</u>
Total other income		<u>92,167</u>
Net income before federal income taxes		1,117,943
Federal income taxes		<u>226,610</u>
Net income	\$	<u><u>891,333</u></u>

**STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2015**

Surplus, December 31, 2014	\$ 11,414,476
Net Income	891,333
Change in net unrealized capital gains/(losses)	(12,713)
Change in net deferred income tax	(94,431)
Change in nonadmitted assets	<u>116,619</u>
Net change in surplus	<u>900,808</u>
Surplus, December 31, 2015	<u><u>\$ 12,315,284</u></u>

COMMENTS ON THE FINANCIAL STATEMENTS

NOTE 1 – RESERVES

The Company's Board of Directors appointed Thomas P. Conway, ACAS, MAAA, an actuary with EY, to render the Company's Statement of Actuarial Opinion ("Opinion"). Mr. Conway prepared an Actuarial Report supporting the Opinion in connection with the preparation of the Company's December 31, 2015 Annual Statement.

Thomas S. Botsko, ACAS, MAAA, Chief Property & Casualty Actuary of the Ohio Department of Insurance, reviewed the actuarial report provided by Mr. Conway. Based on his review, Mr. Botsko determined that the loss and loss adjustment expense reserves presented in the 2015 Annual Statement were reasonably stated.

NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the four year period since the MBOI's last examination of the company, dated December 31, 2011:

Capital and surplus, December 31, 2011	\$	5,900,107
Net income		3,618,666
Change in net unrealized capital gains or (losses), net of capital gains tax		(24,131)
Change in net deferred income tax		(674,612)
Change in nonadmitted assets		1,406,763
Change in provision for reinsurance		628
Aggregate write-ins for gains and losses		87,863
Surplus adjustments: Paid In		<u>2,000,000</u>
Capital and surplus, December 31, 2015	\$	<u><u>12,315,284</u></u>

SUBSEQUENT EVENTS

No significant material items came to our attention for inclusion in the report of examination.

SUMMARY OF RECOMMENDATIONS

There are no report level recommendations.

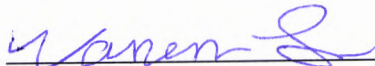
**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Vanessa J. Leon, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Eric A. Cioppa, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

CASCO INDEMNITY COMPANY

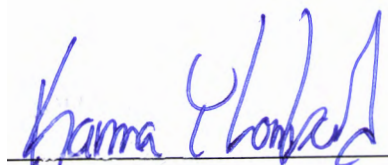
of Saco, Maine as of December 31, 2015, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. The following examiners from the Bureau assisted:

Audrey L. Wade, CFE, CISA
Rebecca J. Nelson



Vanessa J. Leon, CFE

Subscribed and sworn to before me
This 30 day of June, 2017



Notary Public
My Commission Expires:

**KARMA LOMBARD
Notary Public, Maine
My Commission Expires June 12, 2023**