



Janet T. Mills
Governor

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION
BUREAU OF INSURANCE



Timothy N. Schott
Acting Superintendent

Anne L. Head
DPFR Commissioner

March 31, 2022

Timothy N. Schott, Acting Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Acting Superintendent:

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

CASCO INDEMNITY COMPANY

as of December 31, 2020. The following report is respectfully submitted.

Office Location: 76 Northern Avenue, Gardiner, Maine 04345
Mailing Address: 34 State House Station, Augusta, Maine 04333
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**STATE OF MAINE
BUREAU OF INSURANCE**

REPORT OF FINANCIAL EXAMINATION

**CASCO INDEMNITY COMPANY
BUCYRUS, OH**

AS OF DECEMBER 31, 2020

NAIC COMPANY CODE: 25950

NAIC GROUP CODE: 0963

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Casco Indemnity Company dated March 31, 2022, was delivered to that insurer on May 20, 2022; 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. §226 (3).

Dated: 6/7/2022



Timothy N. Schott, Acting Superintendent

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SCOPE OF EXAMINATION

Casco Indemnity Company (“Casco” or “Company”) was last examined as of December 31, 2015, by the State of Maine Bureau of Insurance (MBOI). This examination covered the period from January 1, 2016 to December 31, 2020.

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 2021 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, corporate governance, valuation of assets, and determination of liabilities at December 31, 2020. 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). Ernst & Young LLP, (EY) performed the 2020 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 performed by the ODI 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 COMMENTS

None noted.

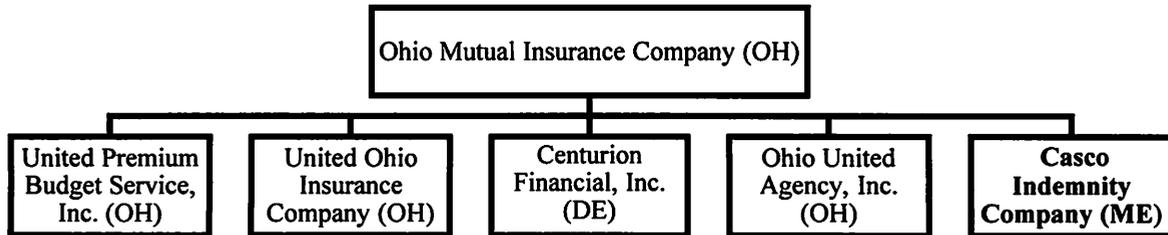
THE COMPANY

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, 2020, Casco's board of directors consisted of the following members:

<u>Name</u>	<u>Title</u>
David Anthony Siebenburgen	Chair
Randy Lee Walker	Vice Chair, Secretary
Karen Riley Haefling	Director
Albert Michael Heister	Director
Susan Porter	Director
John Redon Purse	Director
Mark Clarence Russell	Director
Robert H. Wheeler Jr.	Director
Thomas Eugene Woolley	Director

As of December 31, 2020, the officers of Casco consisted of the following individuals:

<u>Name</u>	<u>Title</u>
Mark Clarence Russell	President & Chief Executive Officer
David Gary Hendrix	Treasurer & Chief Financial Officer
Randy Lee Walker	Secretary
Howard Lowell Barber*	Vice President Sales
Chad Philip Combs	Vice President Personal Lines Underwriting
John Richard DeLucia	Vice President Claims Operations
David Alan Grove	Vice President Product Management
Gary Thomas Johnson	Vice President Commercial Lines Underwriting
Susan Elizabeth Kent	Vice President Business Analytics
James Bradley McCormack	Vice President Information Systems
Marcella Slone Smith	Vice President Human Resources

*In May 2021, Mendi Harris Riddle replaced Howard Lowell Barber as Vice President Sales. In March 2021, Todd Marshall Boyer was appointed Vice President Corporate Communications.

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. N.E. 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, and Vermont. The Company principally writes homeowners multi-peril, fire, and other liability insurance. The Company is also approved for private auto, commercial auto, fire, allied lines, farmowners multiple peril, inland marine, glass, and burglary & theft policies.

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 \$4,000,000 per occurrence in excess of \$1,000,000 and excess property coverage of \$3,000,000 per risk in excess of \$1,000,000.

OMIG also has an excess of loss reinsurance agreement with Gen Re that provides coverage of \$9,000,000 per occurrence/aggregate in excess of \$1,000,000 for the group’s Farm Excess/Umbrella, Commercial Excess Liability, and Personal Umbrella business, with a policy limit of \$5,000,000 each occurrence/\$10,000,000 aggregate.

OMIG has property catastrophe excess of loss reinsurance contracts with various unaffiliated reinsurers, brokered through Guy Carpenter & Company, LLC, which provide catastrophe reinsurance coverage of 100% of \$120 million in excess of \$10 million.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Income, 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, 2020**

Assets

Bonds	\$ 29,587,079
Common stocks	3,979,421
Cash and cash equivalents	1,381,989
Investment income due and accrued	186,804
Uncollected premiums in the course of collection	727,229
Deferred premiums, agents' balances and installments	4,915,145
Amounts recoverable from reinsurers	28,706
Other amounts receivable under reinsurance contracts	15,018
Net deferred tax asset	177,584
Total assets	<u>\$ 40,998,975</u>

Liabilities

Losses	\$ 7,908,294
Loss adjustment expenses	1,914,302
Commissions payable	670,298
Other expenses	13,049
Taxes, licenses and fees	51,936
Current federal income taxes	289,796
Unearned premiums	10,388,910
Advance premium	124,608
Ceded reinsurance premiums payable	13,175
Funds held under reinsurance treaties	74,558
Amounts withheld or retained for account of others	55,932
Payable to parent, subsidiaries and affiliates	246,587
Total liabilities	<u>\$ 21,751,445</u>

Capital and Surplus

Common capital stock	\$ 2,500,000
Gross paid in and contributed surplus	4,900,000
Unassigned funds	11,847,530
Total capital and surplus	<u>19,247,530</u>
Total liabilities, capital and surplus	<u>\$ 40,998,975</u>

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2020

Premiums earned	\$ 20,958,813
Deductions:	
Losses incurred	11,175,895
Loss adjustment expenses	1,711,854
Other underwriting expenses	6,986,847
Total underwriting deductions	<u>19,874,596</u>
Total underwriting gain	<u>1,084,217</u>
Net investment income earned	751,024
Net realized capital gains net of capital gains taxes	15,917
Net investment income	<u>766,941</u>
Net loss from premiums charged off	(130,733)
Miscellaneous income	13,933
Total other income	<u>(116,800)</u>
Net income before federal income taxes	1,734,358
Federal income taxes	254,241
Net income	<u>\$ 1,480,117</u>

**STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2020**

Capital and surplus, December 31, 2019	\$ 17,394,786
Net income	1,480,117
Change in net unrealized capital gains (losses), net of capital gains tax	437,115
Change in net deferred income tax	(66,708)
Change in nonadmitted assets	2,220
Change in capital and surplus	<u>1,852,744</u>
Capital and surplus, December 31, 2020	<u>\$ 19,247,530</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, 2020 Annual Statement.

Thomas S. Botsko, ACAS, MAAA, Chief Property & Casualty Actuary of the ODI, 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 Company's 2020 Annual Statement are reasonably stated.

NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the five-year period since the MBOI's last examination of the Company, dated December 31, 2015:

Capital and surplus, December 31, 2015	\$ 12,315,284
Net income	6,157,315
Change in net unrealized capital gains or (losses), net of capital gains tax	1,585,441
Change in net deferred income tax	(818,503)
Change in nonadmitted assets	144,774
Aggregate write-ins for gains and losses in surplus	(136,781)
Capital and surplus, December 31, 2020, as reported by the Company	<u>\$ 19,247,530</u>

SUBSEQUENT EVENTS

Effective January 1, 2021, Ohio Mutual Insurance Company changed its organizational structure from a mutual insurance company to a mutual holding company-owned stock insurance company. Under this structure, Ohio Mutual Insurance Company converted to a stock insurer and became a wholly-owned subsidiary of a newly organized holding company, OMIG Holdings Inc. OMIG Holdings Inc. is a wholly-owned subsidiary of a newly organized mutual holding company, Ohio Mutual Insurance Group, Inc. (OMIG). OMIG is the ultimate controlling parent for the group. UOIC and the Company remain wholly owned stock insurance subsidiaries of Ohio Mutual Insurance Company.

SUMMARY OF RECOMMENDATIONS

There are no report level recommendations.

STATE OF MAINE
COUNTY OF KENNEBEC, SS

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Timothy N. Schott, Acting 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

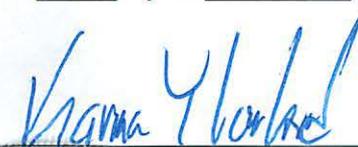
located in Bucyrus, Ohio as of December 31, 2020, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. The following examiners from the Bureau of Insurance assisted:

Arias Wan, CPA, CFE
Jeremy C. Finch
Colin J. Greeley

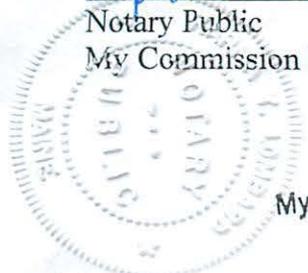


Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 7 day of June, 2022



Notary Public
My Commission Expires:


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