

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

IN RE:

REQUEST FOR APPROVAL BY
AUTO-OWNERS INSURANCE
COMPANY FOR ACQUISITION OF
CONTROL OF STATE MUTUAL
INSURANCE COMPANY

Docket No. INS-16-402

**ORDER REGARDING
CONSOLIDATED PROCEEDING**

Eric A. Cioppa, Superintendent of Insurance, issues this Order in the above-captioned matter.

I. FILING

On December 22, 2016, Auto-Owners Insurance Company, a Michigan domiciled mutual insurance company ("Auto-Owners"), filed a Form A Statement seeking approval pursuant to the provisions of 24-A M.R.S. § 222 of its proposed acquisition of control of Concord General Mutual Insurance Company, a New Hampshire domiciled mutual insurance company ("Concord"), and all of its affiliates and subsidiaries (collectively, the "Concord Group"), including State Mutual Insurance Company, a Maine domiciled mutual insurance company ("State Mutual"). State Mutual is currently affiliated with Concord through affiliated management, a reinsurance agreement, and a management services agreement.

Auto-Owners proposes to acquire control of State Mutual through an Affiliation Agreement. Under the Affiliation Agreement, Auto-Owners will have the right to designate six representatives as nominees to serve on the Board of Directors of Concord and State Mutual, and Concord will have the right to designate five representatives as nominees to each Board. The parties will enter into a customary management services agreement whereby Auto-Owners will provide management services to Concord. The parties will also enter into a reinsurance agreement under which Auto-Owners will reinsure the business of Concord, which, in turn, reinsures the business of State Mutual (through an internal reinsurance agreement previously filed with the Bureau of Insurance) on an excess basis until Concord's current reinsurance contracts expire, after which Auto-Owners will become the primary reinsurer for the Concord Group. The existing reinsurance agreement between Concord and State Mutual will continue in effect, as will the existing management services and tax allocation agreement.

Because the proposed transaction is an affiliation rather than a merger or acquisition, no funds or other consideration will be paid in connection with the closing of the affiliation. To the extent that Auto-Owners will fund various portions of Concord Group's operating expenses following the affiliation, this will be undertaken pursuant to the terms of the Affiliation

Agreement and other transaction documents and will be funded through Auto-Owners' available surplus funds. No borrowing or other type of debt financing will be utilized.

Auto-Owners has no plans to declare an extraordinary dividend, to liquidate Concord or State Mutual, to sell their assets to or merge them with Auto-Owners or any other party. The management team of Concord and State Mutual will remain in place. Following the affiliation Auto-Owners intends to leave in place the existing intra-holding company agreement pertaining to management services between Concord and State Mutual. A new management services agreement will be put into place between Auto-Owners and Concord, which will provide for services to all members of the Concord Group, including State Mutual.

II. CONSOLIDATED PROCEEDING

A. *New Hampshire.*

On February 10, 2017, pursuant to New Hampshire law (RSA 401-B:3(6)(c)), Auto-Owners asked that its request for approval filed with the New Hampshire Insurance Department be reviewed on a consolidated basis with the related requests for approval filed with the insurance departments for the States of Maine and Vermont.¹ Auto-Owners filed a copy of its February 10 request with the National Association of Insurance Commissioners.

On February 13, 2017, the New Hampshire Insurance Department accepted Auto-Owners' request for a consolidated proceeding (the "New Hampshire Consolidated Proceeding"). A public hearing has been scheduled for March 15, 2017, at 9:00 am at the New Hampshire Insurance Department in Concord, New Hampshire.

B. *Maine.*

Under Maine law, the Superintendent may participate in a consolidated proceeding conducted under the laws of another state if the consolidated proceeding provides for a public hearing with substantially similar rights of participation and judicial review as a proceeding conducted in Maine pursuant to 24-A M.R.S. § 222(7-A)(D). I find that the New Hampshire Consolidated Proceeding provides such rights, and specifically find that:

- (1) A person who would have the right to participate in a proceeding on the Form A Statement if it were held in Maine (*i.e.*, has satisfied applicable criteria for party intervention) would have the right to participate in the New Hampshire Consolidated Proceeding.

¹ Auto-Owners filed a Form A Statement with New Hampshire pertaining to the proposed acquisition of control of Concord and its New Hampshire affiliates Bow Mutual Fire Insurance Company, Sunapee Mutual Fire Insurance Company, and Weare Mutual Insurance Company; and a Form A Statement with Vermont pertaining to Concord's Vermont subsidiaries Green Mountain Insurance Company, Inc. and Vermont Accident Insurance Company, Inc.

(2) The Superintendent has the right to participate in making the decision or in designating a decision-making panel in the New Hampshire Consolidated Proceeding.

(3) The hearing in the New Hampshire Consolidated Proceeding will be public, and the evidence and decision will be public records, unless specific exceptions are made for information that is determined to be confidential under standards that are substantially similar to those applicable under Maine law.

(4) Provision will be made for parties, witnesses, insurance regulators, and members of the public to attend and participate in the New Hampshire Consolidated Proceeding. *See* Section III, below.

(5) The decision in the New Hampshire Consolidated Proceeding is subject to judicial review in New Hampshire in a substantially similar manner as a final agency action of the Superintendent would be subject to review in Maine.

III. ATTENDANCE AND PARTICIPATION

Per this Order, the Form A Statement filed in Maine is being reviewed as a part of the New Hampshire Consolidated Proceeding. The New Hampshire Insurance Department (“NHID”) has designated their proceeding as Docket No. 16-037-AP. By Public Notice, the NHID is establishing procedures and deadlines for attendance at and participation in the hearing, anticipated to be generally as follows:

On March 15, 2017, the New Hampshire Insurance Department will hold a public hearing in connection with the Applicant’s Form A filing. The public hearing will commence promptly at 9:00 a.m. and will be held at the following location: 21 South Fruit Street, Suite 14, New Hampshire Insurance Department Room 274, Concord, New Hampshire. The New Hampshire Insurance Department invites all persons whose interests would be affected by the proposed acquisition of control of the Insurers to participate in the public hearing. Persons who participate in the hearing may testify, offer oral and/or written argument, cross-examine other witnesses, and conduct pre-hearing discovery. Such discovery shall be conducted in accordance with the rules of the Superior Court of New Hampshire and completed no later than March 10, 2017. Any such persons who wish to participate shall notify the Department in writing on or before March 10, 2017, of their intention to participate and file a summary of their testimony on or before March 14, 2017. The Department’s mailing address is 21 South Fruit Street, Suite 14, Concord, New Hampshire 03301. Copies of the Form A statement filed by the applicants may be obtained by contacting the New Hampshire Insurance Department.

Persons desiring to attend and/or participate in the New Hampshire Consolidated Proceeding are advised to confirm the foregoing dates and deadlines directly with the NHID.

In addition to the procedures established by the NHID for participation in the New Hampshire Consolidated Proceeding, persons are hereby advised of their further opportunity to provide written comments directly to the Maine Superintendent of Insurance regarding the proposed acquisition of control, which the Superintendent will offer at hearing for admission into the record of the proceeding. On or before March 14, 2017, persons should either hand deliver their written comments to the attention of Karma Lombard at the offices of the Bureau of Insurance, 76 Northern Avenue, Gardiner, Maine; email them to Karma Lombard at Karma.Y.Lombard@maine.gov; or mail them to the attention of Karma Lombard at the following address (for receipt by March 14):

Eric A. Cioppa, Superintendent
Attn: Karma Lombard
Docket No. INS-16-402
Bureau of Insurance
Maine Department of Professional and Financial Regulation
#34 State House Station
Augusta, Maine 04333-0034

IV. **ORDER**

By reason of the foregoing, and pursuant to authority provided by 24-A M.R.S. § 222(7-A)(E), the Superintendent issues this ORDER specifying his election to participate in the New Hampshire Consolidated Proceeding.² By reason of this election, Auto-Owners' Form A Statement filed in Maine is hereby exempt from further review under Section 222. *See* 24-A M.R.S. § 222(4-C)(D)(4). Notwithstanding the Superintendent's participation in the New Hampshire Consolidated Proceeding, Auto-Owners' Form A Statement filing in Maine is not subject to any provisions of law of this State governing adjudicatory proceedings, judicial review, public records, or public meetings. *See* 24-A M.R.S. § 222(7-A)(E).

PER ORDER OF THE SUPERINTENDENT OF INSURANCE

February 17, 2017


ERIC A. CIOPPA
Superintendent

² The New Hampshire Consolidated Proceeding will be conducted under RSA 401-B:3.