



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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COMMISSIONER OF INSURANCE

In re the Proposed Redomestication of SPARTA Insurance Company to Connecticut
Docket No. F2008-03

MEMORANDUM OF DECISION AND ORDER

By letter dated May 27, 2008, SPARTA Insurance Company ("SPARTA"), a Massachusetts domestic insurer, advised the Massachusetts Commissioner of Insurance ("Commissioner") that it was seeking to transfer its corporate domicile to the State of Connecticut. SPARTA is a wholly-owned subsidiary of SPARTA Insurance Holdings, Inc., a Delaware corporation. On September 25, 2008, SPARTA submitted its application for redomestication to the Connecticut Insurance Department.

On October 9, 2008, the Commissioner issued a Notice of Hearing ("Notice") scheduling a hearing for November 7, 2008 regarding SPARTA's request to transfer its corporate domicile to the State of Connecticut ("SPARTA's request"). The Commissioner assigned me to preside over the hearing, which would afford an opportunity for persons to provide oral and/or written comments regarding the matter. The Notice was published in the Boston Globe on October 13, 2008 and in The Standard on October 17, 2008. It advised any person who intended to provide comment at the hearing to file a Notice of Intent to Provide Comment with the Division of Insurance ("Division") on or before October 30, 2008.

On October 30, 2008, SPARTA filed an Affidavit stating that it had complied with the requirements of M.G.L. c. 175, § 49A, and all other items required by the Division in conjunction with its request to redomesticate, together with written declarations by Beth N. Terrell, Senior Vice President and Chief Regulatory Compliance Officer of SPARTA.

The hearing took place as scheduled on November 7, 2008. Three individuals spoke: Ms. Terrell on behalf of SPARTA, Robert Dynan, the Division's Deputy Commissioner for Financial Analysis, on behalf of the Division's Financial Surveillance Unit, and Christopher Joyce, Esq., Counsel to the Commissioner.

Ms. Terrell in her written and oral presentations gave details about the proposed redomestication. She explained that SPARTA Insurance Holdings, Inc. on August 9, 2007, acquired American Employers' Insurance Company as a "shell," meaning that at the time it was not writing new business and that the previous owner had reinsured all of its existing liabilities. Following this acquisition, the name of American Employers' Insurance Company was changed to SPARTA Insurance Company effective August 31, 2007. No new business was written in the acquired insurance company until the name change was completed. The Division approved both these actions.

Ms. Terrell asked that the following matters be considered in acting on SPARTA's request: (1) upon redomestication, SPARTA's new home office address will align with its main administrative office address, as well as the main administrative office address of its parent, SPARTA Insurance Holdings, Inc., at 185 Asylum Street, CityPlace II, Hartford, Connecticut; (2) SPARTA has no employees who work in Massachusetts because all of its employees work from the Hartford, Connecticut office; (3) there will be no changes to management or the business plan of SPARTA as a result of redomestication; (4) many of the vendors with whom SPARTA does business have offices in Connecticut, including General Re New England Asset Management, Inc., in Farmington, Connecticut, responsible for managing the Company's assets; Insurity, in Hartford, Connecticut, providing the policy issuance and administration system; and The Donaldson Group, in Simsbury, Connecticut, providing advertising and branding services; (5) SPARTA meets all of the qualifications for licensure as a foreign insurer in Massachusetts; and (6) SPARTA is aware of no outstanding market conduct or financial examination issues. Ms. Terrell advised that SPARTA has approximately four Massachusetts policyholders as of October 24, 2008, and stated SPARTA's opinion that the redomestication of SPARTA to Connecticut will have no adverse impact on the interests of Massachusetts policyholders. She asked that, in coordination with the consent of the Connecticut Insurance Department, the

Commissioner approve the proposed redomestication of SPARTA to Connecticut and its licensure as a foreign insurer in Massachusetts.

Mr. Dynan stated that the Division's Financial Surveillance Unit was not opposed to the redomestication of SPARTA. He explained that among the considerations for reaching this conclusion were the following: (1) SPARTA's request to redomesticate to Connecticut is not the result of any accounting disputes or disputes of any kind; (2) Connecticut has laws and regulations that are substantially similar to Massachusetts with regard to financial regulation; and (3) the Connecticut Insurance Department is accredited by the National Association of Insurance Commissioners. He stated, furthermore, that the Division completed a financial examination of SPARTA on May 20, 2008 at the request of the Connecticut Insurance Department, which accepted the results. The Financial Surveillance Unit did not change its recommendation following this examination. He confirmed that SPARTA meets the requirements for licensure as a foreign insurer in Massachusetts.

Mr. Joyce addressed the coordination of SPARTA's redomestication to Connecticut. He advised that the Connecticut Insurance Department cannot state currently when it would approve SPARTA's application for redomestication, but anticipated that it would be approved following the Division's allowance of SPARTA's request. He requested that any allowance by the Division be conditional upon the Connecticut Insurance Department approval of SPARTA's application.

M.G.L. c. 175, § 49A provides in part that "[a]ny domestic insurer may, upon the approval of the commissioner, transfer its domicile to any other state in which it is admitted to transact the business of insurance." The record of the above-captioned hearing at first contained no information specifically addressing this provision requiring the admission of the insurer in another state, although Ms. Terrell, in her Affidavit attached to her written statement, stated that "[t]o the best of her knowledge, information and belief, SPARTA has complied with the requirements of Massachusetts General Laws Chapter 175 Section 49A . . ." I, therefore, permitted SPARTA Insurance Company to clarify this matter for the record, addressing specifically whether it is admitted to transact the business of insurance in Connecticut, and, if so, since what date.

By letter dated December 17, 2008, Ms. Terrell affirmed that SPARTA is admitted to transact the business of insurance in Connecticut. She also stated that the Connecticut Insurance Department advised her that American Employers' Insurance Company, re-named SPARTA effective August 31, 2007, originally was licensed in Connecticut on October 3, 1923. She accompanied her letter with a copy of SPARTA's Certificate of Authority and Compliance from the Connecticut Insurance Department.

M.G.L. c. 175, § 49A provides that any domestic insurer may transfer its domicile to any other state in which it is admitted to transact the business of insurance unless the Commissioner determines that such change is not in the interest of the policyholders of the Commonwealth of Massachusetts. The statute further provides that, upon such a transfer, a domestic company shall cease to be a domestic insurer, and shall be admitted to the Commonwealth, if qualified, as a foreign insurer. After careful consideration of the entire record, including all written statements, oral comment, exhibits and other documentary submissions to the docket, I conclude that SPARTA's application for approval, pursuant to M.G.L. c. 175, § 49A, of the transfer of its corporate domicile to the State of Connecticut is not contrary to the interest of the four policyholders of the Commonwealth of Massachusetts. I further find that SPARTA meets the requirements for licensure as a foreign insurer in Massachusetts and is admitted to transact the business of insurance in Connecticut.

Subject to the approval of SPARTA's application for redomestication by the Connecticut Insurance Department, SPARTA's transfer of its corporate domicile to the State of Connecticut and its application for licensure as a foreign insurer in Massachusetts are approved.

Filed: December 30, 2008

Stephen M. Sumner, Esq.
Presiding Officer

AFFIRMED:

Nonnie S. Burnes
Commissioner of Insurance
Dated: December 30, 2008