



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

1000 Washington Street, Suite 810 • Boston, MA 02118-6200
(617) 521-7794 • FAX (617) 521-7475
TTY/TDD (617) 521-7490
<http://www.mass.gov/doi>

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

GREGORY BIALECKI
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

BARBARA ANTHONY
UNDERSECRETARY

JOSEPH G. MURPHY
COMMISSIONER OF INSURANCE

**IN THE MATTER OF THE PROPOSED ACQUISITION OF CONTROL OF
HINGHAM MUTUAL FIRE INSURANCE COMPANY AND DANBURY INSURANCE
COMPANY BY NEW LONDON COUNTY MUTUAL INSURANCE COMPANY**

DOCKET NO. F2010-03

DECISION AND ORDER

I. Introduction

New London County Mutual Insurance Company ("NLC" or the "Applicant") seeks approval of its proposed acquisition of control of Hingham Mutual Fire Insurance Company and Danbury Insurance Company ("Hingham" or the "Insurer"), pursuant to M. G. L. c. 175, § 206B and 211 CMR 7.00 *et seq.*

A. The Applicant

NLC is a mutual property and casualty insurance company formed in 1840 and domiciled in Connecticut. Along with its indirect wholly-owned subsidiary, Thames Insurance Company ("Thames"), NLC writes over \$60 million in annual insurance premiums and does business with over 300 independent insurance agents in Connecticut, Rhode Island and Massachusetts. Homeowners insurance accounts for approximately 65% of its writings. Other products offered include mobile homeowners, personal automobile, dwelling fire, commercial package policies and personal and commercial umbrella policies. The Applicant employs approximately 83 people and is rated A- by A. M. Best. As of March 31, 2010, NLC had approximately \$122.7

million in total assets and approximately \$66.8 million in policyholder surplus on an unaudited basis.

B. The Domestic Insurer

Hingham Mutual Fire Insurance Company is a mutual property and casualty insurance company domiciled in Massachusetts that owns 100 percent of the outstanding shares of capital stock of the Danbury Holding Corporation, a Connecticut stock corporation. Danbury Holding Corporation owns 100 percent of the issued and outstanding shares of the capital stock of Danbury Insurance Company, a Massachusetts-domiciled stock insurance company. As a result, Hingham Mutual Fire Insurance Company indirectly wholly owns Danbury Insurance Company.

C. The Division of Insurance Working Group

The Commissioner of Insurance ("Commissioner") designated a Working Group of staff members of the Division of Insurance ("Division") to review and evaluate the proposed transaction on behalf of policyholders and the insuring public. The Working Group was led by Don Johnson, Manager of Financial Analysis, and consisted of representatives of the Financial Surveillance and Legal Units of the Division.

D. The Proposed Transaction

NLC has proposed to acquire control of Hingham and its indirect wholly-owned subsidiary, Danbury Insurance Company ("Proposed Transaction") pursuant to the terms of an Affiliation Agreement ("Affiliation") dated June 9, 2010. Pursuant to the Affiliation and conforming amendments to Hingham's Articles of Organization and Bylaws, the maximum number of members of Hingham's board of directors ("Hingham's Board") will be ten (10) until the earlier of the sixth anniversary of the closing of the Proposed Transaction or the termination of the Affiliation and NLC will have the right to nominate six (6) of those ten (10) directors (the "NLC Director Designees"). Hingham will have the right to nominate individuals to fill the remaining four (4) positions on Hingham's Board (the "Hingham Director Designees"). On or before the closing of the Proposed Transaction, Hingham shall cause all of its current directors who will not continue as one of the four (4) initial Hingham Director Designees to resign from

Hingham's Board. Until the earlier of the sixth anniversary of the closing of the Proposed Transaction or the termination of the Affiliation, any vacancy in a position of Hingham's Board filled by an NLC Director Designee will be filled with a replacement NLC Director Designee and any vacancy in a position of Hingham's Board filled by a Hingham Director Designee will be filled with a replacement Hingham Director Designee. On and after the sixth anniversary of the closing of the Proposed Transaction, all directors then on Hingham's Board shall have the power to cause the nomination and replacement of any and all individuals to the office of director of Hingham.

II. Procedural History

On June 18, 2010, in accordance with M.G.L. c. 175, § 206B and 211 CMR 7.00 *et seq.*, the Applicant submitted to the Division a “Form A” application, “Statement Regarding Acquisition of Control of Hingham Mutual Fire Insurance Company and Danbury Insurance Company by New London County Mutual Insurance Company,” with accompanying exhibits (the “Application”). On July 28, 2010, the Working Group deemed the Application complete and the same day the Commissioner issued a Notice of Public Hearing (“Notice”) that scheduled the hearing in this matter for August 10, 2010.

The Notice was posted on the Division’s website on July 28, 2010 and also was mailed directly to individuals who requested notification of Division proceedings. The Applicant provided a copy of the Notice to the Insurer on July 29, 2010. The Notice appeared in *The Enterprise* on July 31, 2010 and *The Boston Globe* on August 1, 2010. The Notice informed the public that information about the Applicants proposed acquisition of the Insurer was available for inspection at the Division. Any person whose statutory interests may be affected by the proceeding, or to whom the Notice was sent, was advised to submit to the Division by August 6, 2010 a written Notice of Intent to Participate at the hearing. The Notice identified August 4, 2010 as the close of discovery. No person or entity filed a Notice of Intent to Participate, or sought discovery relative to the Proposed Transaction.

The Commissioner appointed Mindy A. Merow Rubin, Counsel to the Commissioner, to serve as Presiding Officer for the hearing. The Presiding Officer did not participate in the Working Group's analysis of the Application and related materials.

On August 2, 2010, the Applicant submitted to the Division a revised copy of Attachment A to the Form of Reinsurance Pooling Agreement included in the Form A filing at Exhibit 1, Tab A. The Applicant additionally submitted pre-filed testimony of Steve Chevalier on August 6, 2010. The Insurer submitted pre-filed written testimony of George A. Cole, III on August 6, 2010 and on August 9, 2010 the Working Group submitted pre-filed testimony of Don Johnson.

III. The Public Hearing

The hearing commenced on August 10, 2010 at 10:00 a.m. at the offices of the Division. Representatives of the Applicant, the Insurer and the Division's Working Group appeared at the hearing.

Mr. Steve Chevalier, President and Chief Executive Officer of NLC testified on behalf of the Applicant. Mr. Chevalier described NLC as a Connecticut domiciled mutual property and casualty insurance company, formed in 1840, headquartered in Norwich, Connecticut, where it has approximately 83 employees. Along with its wholly owned indirect subsidiary, Thames Insurance Company, which is also domiciled in Connecticut, NLC writes over \$60 million in annual insurance premiums, doing business with over 300 independent insurance agents in Connecticut, Rhode Island and Massachusetts. Homeowners insurance accounts for about 65 percent of NLC's writings. Other products offered include mobile homeowners, personal automobile, dwelling fire, commercial package policies and personal and umbrella policies. As of December 31, 2009, NLC had approximately \$121.7 million in total assets and approximately \$65.7 million in policyholder surplus. As of March 31, 2010, those figures had increased to approximately \$122.7 million and \$66.8 million, respectively, on an unaudited basis. NLC is rated A- by A.M. Best.

Mr. Chevalier described the terms and conditions of the Proposed Transaction, noting that he directly participated in the negotiations of the terms and will become the Chief Executive Officer and a member of the Board of Directors of Hingham following the closing. He explained

that the Proposed Transaction involves three principal components. The first component is that the Affiliation and conforming amendments to Hingham's Articles of Organization and Hingham's Bylaws will provide that the maximum number of members of Hingham's Board of Directors shall be fixed at ten until the earlier of the sixth anniversary of the closing of the Proposed Transaction or the termination of the Affiliation. The terms of the Affiliation provide that NLC will have the right to nominate six of the ten directors and Hingham will have the right to nominate individuals to fill the remaining four positions on Hingham's Board. On or before the closing, Hingham shall cause all of its current Directors who will not continue on the Hingham Board to resign. Until the earlier of the sixth anniversary of the closing or the termination of the Affiliation, any vacancy in a position of Hingham's Board filled by a Director Designee from the respective company which previously occupied this seat. On and after the sixth anniversary of the closing, all Directors then on Hingham's Board will have the power to cause the nomination and replacement of any and all individuals to the office of Director of Hingham. Mr. Chevalier added that in addition to his becoming CEO and a Director of Hingham, certain of NLC's current officers will also become Directors and/or principal executive officers of Hingham immediately after the closing, specifically George Kowalsky, NLC's Vice President and Treasurer, will become Vice President and Treasurer and a Director of Hingham; Dennis J. Nelson, NLC's Vice President, Claims, will become Vice President, Claims, and a Director of Hingham; and Debra L. Cusimano, NLC's Controller and Corporate Secretary, will become Controller and Corporate Secretary of Hingham.

Mr. Chevalier then described the second component to the Proposed Transaction, whereby pursuant to a Reinsurance Pooling Agreement, Hingham and Danbury will join NLC's existing intercompany reinsurance pool with NLC and Thames. Under the terms of the Pooling Agreement, effective as of January 1, 2010, Hingham, Danbury and Thames will cede, and NLC will reinsure, 100 percent of the direct and assumed insurance business of Hingham, Danbury and Thames written prior to, on or after January 1, 2010, net of any losses ceded to other reinsurers. NLC will, in turn, retrocede to each of Hingham, Danbury and Thames each company's respective percentage share of the pooled liabilities. Such pooled liabilities will include the net liabilities arising from 100 percent of the direct and assumed insurance business of NLC written prior to, on or after January 1, 2010. Initially, each pool member's respective

percentage will be based on the pool member's share of the four members' combined unstacked surplus as of March 31, 2010, resulting in initial pool percentages of NLC at 50 percent, Thames at 15 percent, Hingham at 29 percent and Danbury at 6 percent.

The third component to the Proposed Transaction was described by Mr. Chevalier as an Intercompany Services Agreement that NLC, Thames, Hingham and Danbury will enter into pursuant to which NLC will coordinate the resources of the pool members and provide certain administrative and operational services to Hingham, Danbury and Thames, including claims management services. The cost and expenses for the combined resources of the pool members and the services provided by NLC will be allocated among the four pool members based on each company's respective percentage share of the pooled liabilities. Mr. Chevalier testified that Form D filings have been made regarding the Pooling Agreement and the Services Agreement in order to allow these agreements to take effect immediately upon the closing of the Proposed Transaction, should it be approved.

Mr. Chevalier then testified that the Proposed Transaction does not involve payment of any monetary amounts or other consideration and thus NLC will not incur any loans in connection with the Proposed Transaction. He discussed the benefits NLC anticipates from affiliating with Hingham, which include using Hingham as a key component in expanding NLC's and Thames' products and business throughout New England, distributing NLC's products through Hingham's agency network and increasing employment opportunities for NLC, Thames, Hingham and Danbury. Mr. Chevalier stated that "NLC intends to accomplish this by improving Hingham's underwriting results, reducing the cost of its third-party reinsurance, increasing its ability to compete through new and well-supported products and systems, as well as providing managerial, actuarial, product development and enterprise risk management support from NLC." He detailed a number of actions NLC intends to take to improve Hingham's underwriting results, including using staff adjustors to settle claims which will reduce loss adjustment expenses incurred by Hingham. Other actions include using NLC internal subrogation staff, which will increase salvage and subrogation recoveries and achieving savings through consolidation of reinsurance programs, and consolidation of IT systems, audit, investment and legal vendors. He added that the Applicant intends to modernize Hingham's products to ensure that they are multivariate in nature and allow for greater price differentiation and segmentation.

Mr. Chevalier then spoke to the Applicant's future plans for Hingham, noting the commitment by the Applicant to continue to operate Hingham as a separate mutual property and casualty insurance company domiciled in the Commonwealth of Massachusetts for a minimum of 10 years following the closing, with Danbury continuing to operate as a subsidiary of Hingham. This commitment includes keeping the corporate office of Hingham in Plymouth County, Massachusetts, for a minimum of 10 years following the closing of the Proposed Transaction. Mr. Chevalier explained that some underwriting, claims and service operations of Hingham and its principal place of business will remain in Plymouth County, Massachusetts, for a minimum of 10 years following the closing, pursuant to the Services Agreement supporting functions or management positions may be provided by NLC from its Norwich, Connecticut location. Mr. Chevalier then described the Applicant's commitments regarding employment, noting that NLC will offer or cause Hingham to offer continued employment to Hingham's current employees with substantially similar duties as they have now for a period of one year following the closing, and NLC will also honor, or cause Hingham to honor, the terms of all current Benefit Plans for one year following the closing. In addition, he stated that NLC will enter into employment contracts with George A. Cole III, Bruce M. Arnold and Cheryl E. Wigmore, three of Hingham's current executives. Finally, Mr. Chevalier noted that NLC has agreed, for a period of six years from the closing, to preserve, or cause Hingham to preserve, Hingham's support of local charitable works and activities at least at the same level that they were supported in calendar year 2009.

Mr. Chevalier testified as to other required regulatory approvals, noting that the Affiliation must be approved by the Maine Superintendent of Insurance because Hingham and Danbury collectively own 55.2 percent of the capital stock of NE Corporation, a Maine-domiciled insurance holding company, which in turn owns 100 percent of Casco Indemnity Insurance, a Maine-domiciled property and casualty insurance company. He stated, "We have been advised by staff at the Maine Bureau of Insurance that they have scheduled a public hearing for August 27, 2010. We expect the Superintendent's approval with respect to this aspect of the transaction may be received shortly thereafter." He also explained that Hingham's affiliation with NLC and the amendments of Hingham's Articles of Organization and of Hingham's Bylaws to accommodate the restructuring of Hingham's Board require the approval of Hingham's

members and noted that a vote by Hingham's members regarding these matters and to elect the initial NLC Director Designees and the initial Hingham Director Designees is scheduled to take place at a Special Meeting of Hingham's policyholders on August 30, 2010. Mr. Chevalier explained that while NLC does not need approval from the Connecticut Commissioner of Insurance in order to complete the transaction, copies of all the Affiliation documents have been provided to him and Form D filings will be made in Connecticut with respect to the Pooling Agreement and Services Agreement immediately after the closing. Mr. Chevalier also testified that if the Commissioner approves the Affiliation, there are two new inter-affiliate agreements among Hingham, Danbury, NLC and Thames that those companies will enter into at the Closing of the Affiliation, along with employment agreements with three of Hingham's existing executives and noted that Hingham has made Form D filings in connection with these transactions to the Commissioner under separate cover. He additionally stated that Hingham and Danbury have requested authority, pursuant to General Laws Chapter 175, Section 20A, to enter into the Reinsurance Pooling Agreement.

Mr. Chevalier was asked whether there are products in the market that NLC writes but that Hingham does not. He responded that NLC writes auto insurance in Connecticut and Rhode Island and Hingham does not currently write auto, and stated "Eventually we would like, after obviously the Affiliation and integration, we would like to use the Hingham as a vehicle to expand northward and into Massachusetts auto." He then explained that cost savings based on using in-house adjustors are expected as Hingham currently uses external adjustors while NLC maintains staff adjustors in their claims department. Mr. Chevalier responded to a question regarding differences in underwriting guidelines between NLC and Hingham by stating "We have obviously different rating methodologies, but not significantly different underwriting standards. We don't anticipate major changes; more like gradual changes over time, versus significant changes. We don't want to create disruption for the policyholders or the agents."

Mr. George A. Cole, III, President and CEO of Hingham Mutual Fire Insurance Company, testified in support of the Proposed Acquisition of the Insurer. Mr. Cole described the terms of the Proposed Transaction and testified that he was significantly involved in all aspects of the Proposed Transaction, including the due diligence process, negotiations of the agreement, and the preparation of the Application. Additionally he noted that upon the consummation of the

proposed transaction, he will serve as President of Hingham. When questioned about board member resignations, Mr. Cole stated that of Hingham's current eight member board, the four members who will not continue as board members had already submitted their resignations pursuant to the terms of the Affiliation.

Mr. Don Johnson, Manager of Financial Analysis within the Financial Surveillance Unit of the Division testified on behalf of the Working Group regarding its view of the Proposed Transaction. Mr. Johnson testified that the Working Group had reviewed the Application and exhibits, including the Affiliation Agreement, financial projections and financial statements. Mr. Johnson described the Proposed Transaction and testified that approval of the Affiliation and amendment to Hingham's articles of organization and bylaws require approval of the policyholders. He noted that the Working Group had been informed by the Applicant that a special meeting of the policyholders regarding these matters has been scheduled for August 30, 2010. Mr. Johnson testified that in addition to the proposed restructuring of Hingham's Board of Directors, two related transactions are contemplated pursuant to the Affiliation. First, pursuant to a proposed Reinsurance Pooling Agreement, Hingham and Danbury would join the Applicant's intercompany reinsurance pool effective January 1, 2010. Second, the Applicant, Hingham and Danbury propose to enter into an Intercompany Services Agreement, pursuant to which the Applicant would coordinate the resources of the pool members and provide certain administrative and operational services to the Insurer. He noted that pursuant to Mass. General Laws, Chapter 175, Section 206C(n), Hingham has filed Form D submissions with the Division, under separate cover, relative to both the Pooling Agreement and the Services Agreement. Additionally, Mr. Johnson noted that in connection with the proposed Pooling Agreement, Hingham also has requested, pursuant to Mass. General Laws Chapter 175, Section 20A, approval from the Division to cede more than 75 percent of its outstanding risks to the Applicant. Mr. Johnson stated that "While the related transactions are not specifically before you today, the Working Group recommends that they be taken into consideration when reviewing the Form A application." Mr. Johnson additionally stated that the Working Group noted no matters that would lead to an adverse determination under Sections 20A or 206C relative to the related transaction submissions. Mr. Johnson concluded his testimony by addressing each of the seven standards articulated in M.G.L. c. 175, § 206B(d)(1). He testified that the Working Group did

not believe that any matter reviewed would lead to an adverse determination relative to any of the standards set forth in that statute. He also noted that as the Applicant has sought approval from the Maine insurance commissioner and requires approval from the Hingham policyholders, the Working Group recommends that any final order issued in this matter be conditioned upon the Applicants also receiving those requested approvals. Additionally, Mr. Johnson testified that the Working Group recommends that any final order issued in this matter impose upon the Applicant an ongoing obligation to provide information about the progress of the proposed Affiliation until its final consummation.

The public hearing was adjourned and the docket remained open until 5:00 pm on August 10, 2010. No additional filings were received and the docket was closed.

IV. Analysis of the Proposed Transaction

A. Statutory Standard

The Commissioner shall approve the proposed transaction unless he finds that such approval would result in any of the circumstances set forth in M.G.L. c. 175, § 206B(d)(1)(i) through (vii). These circumstances, and the testimony relevant to these circumstances, are as follows.

(1) After the change of control, the domestic insurer . . . would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.

M.G.L. c. 175, § 206B (d)(1)(i) requires the domestic insurer, post-acquisition, to be able to satisfy the same licensing requirements as required for the writing of the lines of insurance currently written by the domestic insurer. The Insurer currently is licensed to write insurance in Massachusetts. Mr. Chevalier testified that “I do not expect that the proposed Affiliation will in any manner adversely impact Hingham's or Danbury's ability to satisfy the requirements for the issuance of a license to write the lines of business for which they are presently licensed.

Hingham and Danbury meet Massachusetts' statutory standards for capital and surplus, and the experience of the new Directors and executives who will be joining Hingham from NLC after the Affiliation closes satisfies any reasonable standard the Division might apply with respect to the qualifications of an insurer's management.” Mr. Cole testified that no changes will be made to Hingham such that they would not be able to satisfy the requirements for the issuance of their licenses, and that Hingham will continue to satisfy the minimal capital and surplus requirements necessary for the maintenance of a license to conduct their present operations and will also continue to meet the risk-based capital requirements set out in Massachusetts law. Mr. Johnson testified that the Working Group found nothing in its review that would lead to an adverse determination relative to this standard.

- (2) ***The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this commonwealth or tend to create a monopoly therein.***

M.G.L. c. 175, § 206B (d)(1)(ii) requires that the proposed transaction neither lessens competition nor creates a monopoly in the Massachusetts insurance market. Mr. Chevalier testified that “NLC's strategic objective is to grow its business in Massachusetts. We anticipate that, as a result of the Affiliation, Hingham will be able to offer NLC's products and vice versa, increasing competition in insurance in Massachusetts.” Mr. Cole testified that the Affiliation would not result in any significant increase in market share or market concentration in the admitted market or any change in the competitive dynamics in this market. Mr. Johnson testified that the Working Group found nothing in its review that would lead to an adverse determination relative to this standard.

- (3) ***The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders.***

M.G.L. c. 175, § 206B (d)(1)(iii) requires that any acquiring company be in sufficiently sound financial condition such that the proposed transaction does not jeopardize the financial

stability of the domestic insurer or prejudice the interests of policyholders. Mr. Chevalier testified that he believed the Proposed Transaction will not jeopardize the financial stability of the Insurer or prejudice the interest of its policyholders, stating “NLC is rated A- by A.M. Best. Based on our discussions to date with A.M. Best, we are confident that the affiliation with Hingham as proposed will not put NLC's A- rating at risk. In addition, A.M. Best publicly commented on the impact of the Affiliation to NLC on June 16, 2010, and in doing so, indicated that NLC's rating remains unchanged and that Hingham's rating has been placed under review with "positive" implications. We believe that A.M. Best will probably raise Hingham and Danbury's ratings from their current levels to A- after the Affiliation closes. Therefore, the financial condition of NLC will not jeopardize the financial stability of Hingham or Danbury or their policyholders.” Mr. Cole testified that the Form A filing demonstrated that NLC has sufficient assets and the necessary capital to support the acquisition and the growth of Hingham, and that the transaction will not prejudice the interests of Hingham’s policyholders. He additionally noted that following consummation of the proposed transaction, risk-based capital to total adjusted capital will remain adequate for the type of business conducted by Hingham, and their surplus funds will bear a reasonable relationship to its liabilities, based upon the type, volume and nature of the insurance business transacted. Mr. Johnson testified that the Working Group found nothing in its review that would lead to an adverse determination relative to this standard.

- (4) *The terms of the offer, request, invitation, agreement or acquisition referred to in the said subsection (a) are unfair and unreasonable to the policyholders of the insurer.***

M.G.L. c. 175, § 206B (d)(1)(iv) requires that the terms of the offer or agreement of acquisition not be unfair or unreasonable to policyholders of the domestic insurer. Mr. Chevalier testified that “The terms of the Affiliation were negotiated at arm's length and are not unfair or unreasonable to Hingham's or Danbury's policyholders. Policyholders' contract benefits will be unchanged and services to policyholders will continue to be provided on a consistent basis. Hingham's and Danbury's policyholders will benefit from the fact that Hingham will be affiliated

with a financially strong partner company that is committed to competing in Massachusetts and New England.” Mr. Cole testified that the basis and terms of the agreement were determined through arm's-length negotiations among the parties to the agreement, with the advice of their respective financial, legal and other advisors. He noted that in selecting NLC for affiliation, Hingham performed due diligence, which included evaluating NLC's assets, liabilities, capitalization, investment portfolio and client base and as a result of the negotiation by Hingham's senior management with NLC, the parties agreed on terms that Hingham believes are fair and reasonable and will benefit Hingham's policyholders. He explained that Hingham's Board of Directors believes that the proposed transaction will provide long-term value to the Insurer's policyholders, and stated that upon consummation of the proposed transaction, the policyholders of Hingham will benefit from the combined financial resources, management and personnel of the NLC, and will be better able to capitalize on opportunities in the reinsurance and insurance industry than Hingham could as a stand-alone entity. Mr. Johnson testified that the Working Group found nothing in its review that would lead to an adverse determination relative to this standard.

- (5) ***The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest.***

M.G.L. c. 175, § 206B (d)(1)(v) requires that the acquiring party not be contemplating any material changes in the insurer's/acquiree's business that would be unfair and unreasonable to the domestic insurer's policyholders, or otherwise would not be in the public interest. Mr. Chevalier testified that NLC has no plans or proposals to make any unfair or unreasonable change in Hingham's or Danbury's business or corporate structure. He stated that “Hingham's and Danbury's policyholders will benefit from this transaction as a result of, among other factors, an expected increase in Hingham's ratings. In addition, NLC has committed to maintaining Hingham as a separate company for at least 10 years and to maintaining Hingham's charitable activities at their current level for at least six years.” Mr. Cole testified that the filings made with

the Division show no present intention of NLC to liquidate the Insurer, to sell their assets, or to merge or consolidate them with any person, or to make any other material change in its business or corporate structure that is not in the policyholders' or the public's interest. He noted that NLC intends to pool Hingham's assets and surplus with its insurance operations to support and expand the Hingham's business operations and that it is anticipated that as a result of the Proposed Transaction, there will be increased employment opportunities with Hingham. Mr. Johnson testified that the Working Group found nothing in its review that would lead to an adverse determination relative to this standard.

- (6) *The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of the policyholders of the insurer and of the public to permit the merger or other acquisition of control.***

M.G.L. c. 175, § 206B (d)(1)(vi) requires that the competence, experience and integrity of those who will control the operations of domestic insurers subsequent to a proposed transaction be of a sufficient quality so as not to be prejudicial or contrary to the interests of the policyholders and the insuring public. Mr. Chevalier testified that “Hingham's and Danbury's operations will be controlled on a day-to-day basis by a competent management team with experience in insurance, including myself and the three other current executives at NLC who will become executives at Hingham.” Mr. Cole noted that Hingham's board will be fixed at ten, and the NLC will have the right to nominate six of those ten Directors, and Hingham will have the right to nominate individuals to fill the remaining four positions. He testified that the evidence provided to the Division demonstrates that each of those persons who would control the operation of the Insurer following the proposed transaction have the competence, experience and the integrity do so. Mr. Johnson testified that the Working Group found nothing in its review that would lead to an adverse determination relative to this standard.

(7) *The acquisition is likely to be hazardous or prejudicial to the insurance buying public.*

Finally, M.G.L. c. 175, § 206B (d)(1)(vii) requires that the proposed transaction not be hazardous or prejudicial to the insurance buying public. Mr. Chevalier testified that he does not believe the Proposed Transaction will be hazardous or prejudicial to the insurance buying public, stating “A.M. Best has publicly commented on the impact of the Affiliation to NLC and has indicated that NLC's rating remains unchanged and that Hingham's rating has been placed under review with "positive" implications. We believe that A.M. Best will probably raise Hingham's and Danbury's ratings to A- after the Affiliation closes.” Mr. Cole testified that “the information provided to the Division in connection with the Form A Statement has demonstrated that the contrary will result and that there is no evidence which indicates that the proposed transaction is likely to be hazardous or prejudicial to those buying insurance.” Mr. Johnson testified that the Working Group found nothing in its review that would lead to an adverse determination relative to this standard.

B. Findings

Based on the testimony presented at the hearing, including the Working Group’s recommendation, as well as an independent review of the Application, related documents and all of the materials and information in the record of this proceeding, I find no obstacles to the approval of the Applicants proposed acquisition of the Insurer pursuant to M.G.L. c. 175, § 206B (d)(1)(i) through (vii).

V. Conclusion

The Applicant shall provide information to the Division’s Working Group regarding the progress of the Proposed Transaction until it is fully consummated. If there is any material change to any item submitted to the Division as it relates to the approval of this proposed acquisition or any matters testified to during the hearing, the Applicant shall promptly submit

such additional information to the Working Group so that the docket may be reopened and such information presented for my review. The docket may be reopened through the date of the consummation of the Proposed Transaction upon the request of the Working Group for any reason, or at the Commissioner's initiation. Additionally, the approval of the Proposed Transaction is specifically contingent upon the receipt of the requested approvals from the Commissioner of Insurance of Maine and the policyholders of Hingham.

Based on the findings and analysis set forth above, the Applicants' Proposed Acquisition of Control of Hingham Mutual Fire Insurance Company and Danbury Insurance Company complies with the requirements of M. G. L. c. 175, § 206B and is not prejudicial to the policyholders or to the insuring public. The Division hereby authorizes the Proposed Acquisition of Control subject to the conditions contained in the above paragraph.

SO ORDERED.

August 19, 2010

Mindy A. Merow Rubin
Presiding Officer

Affirmed:

Joseph G. Murphy
Commissioner of Insurance