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**IN THE MATTER OF THE ACQUISITION OF CONTROL OF  
ELECTRIC INSURANCE COMPANY BY GENERAL ELECTRIC COMPANY, GE  
CAPITAL U.S. HOLDINGS, INC. AND GE CAPITAL GLOBAL HOLDINGS, LLC**

**DOCKET NO. F2017-02**

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**DECISION AND ORDER**

**I. Introduction**

General Electric Company (“GE”), GE Capital U.S. Holdings, Inc. (“Capital U.S.”) and GE Capital Global Holdings, LLC (“Capital Global”) (collectively, the “Applicants”) seek approval by the Massachusetts Commissioner of Insurance (“Commissioner”) of its proposed acquisition of control (“Acquisition”) of Electric Insurance Company (“EIC”) pursuant to Massachusetts General Laws c. 175, §206B (“§206B”). EIC is a Massachusetts domiciled stock property and casualty insurance company formed in Massachusetts in 1966. It is authorized to write business in Massachusetts and 49 other states, the District of Columbia, Puerto Rico and Canada.

The Acquisition for which the Applicants seeks approval is structured as a stock transfer in which the Trust that now holds all shares in EIC will be dissolved and, upon dissolution, will transfer those shares to Capital U.S. Following the Acquisition, EIC will be a direct wholly-owned subsidiary of Capital U.S. and a wholly-owned indirect subsidiary of GE and Capital Global.

The Applicants initially submitted their “Form A Statement Regarding Acquisition of Control of EIC” (“Form A”), and accompanying exhibits to the Massachusetts Division of

Insurance (“Division”) on or about July 6, 2017. On or about November 17, 2017, they submitted an Amendment to the Form A. The Commissioner directed the formation of a working group of Division staff members (the “Working Group”) that included representatives of the Financial Surveillance, Financial Examination and Legal Units to review the proposed Acquisition on behalf of policyholders and the insuring public.

Pursuant to §206B (d)(1), the Commissioner must hold a public hearing on the proposed Acquisition at which the companies, any person to whom notice was sent, and “any other person whose interest may be affected . . . have the right to present evidence, examine and cross-examine witnesses, offer oral and written arguments therewith, and . . . conduct discovery proceedings . . .”. §206B (d)(2). The Commissioner appointed Jean F. Farrington, Esq. and Kristina A. Gasson, Esq., neither of whom participated in the Working Group’s analysis of the proposed Acquisition, to serve as Presiding Officers for the public hearing.

On November 29, 2017, the Working Group deemed the Applicants’ Form A complete and on the same date the Commissioner issued a Notice of Hearing (“Notice”) regarding the Acquisition. The Notice was posted on the Division’s website and published in the Boston Globe and the Wall Street Journal on December 6, 2017. The Notice set December 18, 2017 as the date for the public hearing and advised that information about the Acquisition was available for public inspection at the Division. The Applicants waived the twenty days’ notice of the hearing to which they were entitled under §206B(d)(2).

The Notice also stated that the purpose of the hearing was to afford persons identified in §206B (d)(2) an opportunity to participate in the hearing as prescribed by that section. It required any person seeking to participate to submit a Notice of Intent to Participate on or before December 7, 2017, setting forth the statutory ground for the requested participation, the basis for the person’s interest in the proposed Acquisition and the scope of the requested participation. The Notice also advised that all discovery proceedings must be concluded no later than December 12, 2017. No person or entity filed a Notice of Intent to Participate in this proceeding.

The public hearing took place on December 18, 2017. Cara Toomey, Esq. represented the Division of Insurance; Peter Rice, Esq. and John Goodman, Esq. appeared for the Applicants. Three witnesses testified: Stacey Regan, the GE executive responsible for its corporate insurance program and its global insurance risk manager; Thomas Bottichio, executive

vice-president, chief operating officer and chief financial officer of EIC; and Robert Macullar, the Division's Director of Financial Surveillance and Insurance Licensing.

## **II. Summary of Testimony**

Ms. Regan testified that in her position at GE, she has been directly involved in the business relationship between GE and EIC, including the commercial insurance programs that GE places with EIC. She commented that, from her perspective, EIC has an integral role in GE's enterprise risk management and commercial insurance coverage. She stated that she is also familiar with EIC's overall insurance operations, including its personal lines business. Ms. Regan was also co-leader of the team that evaluated the effect of the potential change of control and developed the structure of the proposed transaction.

Ms. Regan testified that the purpose of the proposed transaction is to update EIC's ownership structure so that its relationship with GE and its affiliates more closely resembles that typical of an insurance company and its industrial parent. She reviewed the conditions that led to establishment of the Trust that now holds EIC's stock and reported that GE and EIC believe that: 1) those conditions no longer exist; and 2) it is in the interest of GE, EIC, and the EIC policyholders to reunite the economic and legal interest in EIC (*i.e.*, its issued and outstanding stock) by terminating the Trust and distributing the stock to a GE subsidiary, Capital U.S.

After the Acquisition, GE, through Capital U.S. will acquire control of EIC as a wholly owned indirect subsidiary. The proposed transaction was approved by the trustees of the Trust on May 19, 2017, the date on which they executed a Stock Purchase Agreement. Ms. Regan characterized the transaction as "normalizing" the relationship between GE and EIC, opining that it is in the interest of EIC's policyholders because it will enable EIC to operate more effectively and efficiently while maintaining its secure capital structure. She also observed that the revised structural relationship will allow EIC to perform a more effective and efficient role in supporting GE's enterprise risk management and its commercial operations.

Ms. Regan testified that, following the Acquisition, the Applicants plan to continue EIC's current operation, with no change to its corporate name or identity, and with no material change to its strategies, management, insurance business activities and location, other than those that may arise in the ordinary course of its business, but would not be material to EIC's financial condition or the interests of its policyholders. She stated that GE intends to maintain EIC's current Board of Directors, and has no present plans to cause EIC to declare any extraordinary

dividends, to sell its assets, other than to perform investment portfolio transactions in the ordinary course of business, or to merge or consolidate with any other person.

For the record, Ms. Regan noted two decisions that GE has made that relate to EIC's operations but are unrelated to the proposed Acquisition. First, some of the non-insurance litigation support services that EIC has recently provided to GE will be reduced because of GE's changing needs. Second, GE is considering whether to continue the use of Electric Insurance Ireland, DAC ("EIC Ireland"), EIC's Irish captive insurance company, because of possible cross-border insurance regulatory issues under the European Union's Solvency II directive. Ms. Regan noted that at this time no change is expected, but that future decisions relating to EIC's Irish subsidiary would not affect the proposed Acquisition because that company has no employees and insures only GE. At this time, GE has requested approval from the Central Bank of Ireland in connection with the proposed Acquisition, and has been told by the Irish regulatory authorities that they have no issues or objections and will formally approve it if the Commissioner approves the Form A. The Applicants will notify the Division of approval by the Irish regulators and also of any changes to the current relationship between EIC and EIC Ireland.

Ms. Regan testified that EIC has a second subsidiary, Elm Insurance Company, a captive insurance company domiciled in Vermont. The Applicants gave notice of the proposed Acquisition to the Vermont insurance regulators and have been advised that no additional information is required and that the parties are free to complete this transaction. They have also given notice to other jurisdictions in which EIC is licensed and to Canadian insurance regulators about an EIC branch that is domiciled in Canada. No objections have been raised in response to those notices.

Ms. Regan further testified that recent announcements by GE about changes in its corporate leadership, dividend policy and similar matters are unrelated to the proposed Acquisition, which was planned before those developments and independent of them. She stated that none of those developments affect EIC's role in GE's operations or its importance to its business. Ms. Regan testified that EIC will maintain its strong capital position following the Acquisition.

Addressing the seven statutory standards that apply to the Commissioner's review of proposed transactions under §206B (d)(1), Ms. Regan testified that the proposed Acquisition: 1) will not adversely affect EIC's ability to satisfy the requirements for a license to write the lines

of insurance business for which it is now licensed, including Massachusetts statutory standards for capital and surplus and its standards for management experience; 2) will not adversely lessen competition in the market for property and casualty insurance in Massachusetts; 3) will not jeopardize EIC's financial stability or prejudice the interests of its policyholders; 4) sets terms that are not unfair or unreasonable to EIC's policyholders; and 7) is not likely to be hazardous or prejudicial to the insurance-buying public. In support of her opinion on the third standard, Ms. Regan noted GE's commitment to ensuring that it continues to make timely payment of certain premiums to EIC.

Addressing the two remaining standards, Ms. Regan testified, with respect to Standard 5, that GE has no plans to liquidate EIC, to sell its assets, or to make material changes in EIC's business or corporate structure that are unfair to its policyholders or are not in the public interest. Testifying on Standard 6, she noted that EIC's management team consists of highly experienced senior leadership, and that the competence, experience and integrity of those who will control EIC's operations are such that they do not support disapproval of the Form A on the grounds that it is not in the public interest or the interest of policyholders.

Mr. Bottichio testified in support of the proposed Acquisition, noting that he plans to remain with EIC after it is completed. Concurring with Ms. Regan's testimony, he stated that the transaction should simplify and solidify GE's governance of EIC as a consolidated entity and demonstrates GE's commitment to EIC's strategic role in GE's risk management practices. Mr. Bottichio pointed out that EIC will remain subject to Massachusetts statutes and regulations and the authority of the Massachusetts Division of Insurance. He agreed with Ms. Regan's testimony that the proposed Acquisition satisfies the seven statutory conditions set out in §206B (d)(1).

Robert Macullar, testifying on behalf of the Working Group, reported on its review of the proposed Acquisition. He noted that the Working Group included members of the Division's Financial Surveillance Unit, Financial Examinations Unit, and Legal Unit. In reaching its recommendation, the Working Group reviewed the Form A application and exhibits, including the Trust, documents relating to the restructuring of EIC's former parent, EMLICO, financial projections and financial statements. Mr. Macullar reviewed EIC's history, its roles as a participant in GE's enterprise risk management activities and as a provider of personal lines insurance, and the form of the proposed transaction. He commented that, because a significant portion of EIC's business is related to GE, GE has provided a letter under which it commits to

transfer to EIC payments of commercial lines retrospective premiums within 90 days of the invoice due date and to the unconditional payment of such premiums if they are more than 90 days past due.

Mr. Macullar confirmed that the Working Group analyzed the Form A application based on the seven standards contained in §206B (d)(1). He concluded that, following its review of the Form A application and all related materials, the Working Group did not note any matters that would lead to an adverse determination regarding any of those standards.

Mr. Macullar noted that the Working Group is aware that the insurance regulators in the domiciliary jurisdictions of EIC's subsidiaries are reviewing the proposed Acquisition as it relates their domestic companies. However, it is the Working Group's understanding that those regulators will base their decisions on the Commissioner's decision on the Applicants' Form A. For that reason, the Working Group does not recommend that approval of the Form A be conditional on receiving other regulatory approvals. It does ask that an order approving the proposed Acquisition require the Applicants to provide information to the Division about the progress of the transaction, including other regulatory reviews.

### **III. Analysis of the Proposed Acquisition**

The Commissioner must approve the Acquisition unless he finds that such approval would result in any of the conditions set forth in subsections (i) through (vii) of §206B (d)(1). Each of those conditions will be addressed in turn.

#### **A. The Acquisition Satisfies the Requirements of §206B (d)(1)(i)**

Section 206B (d)(1)(i) requires the domestic insurer, post-merger, to be able to satisfy the licensing requirements required to write the lines of insurance that it currently writes. EIC is now authorized to write property and casualty insurance business in Massachusetts, both on commercial enterprises and personal lines. Ms. Regan testified that the change in ownership of EIC will not affect its existing license and that it will continue to satisfy the Massachusetts licensing requirements.

As Mr. Macullar noted, the Working Group, which included staff from the Division's Financial Surveillance Unit who oversee company licensing, had no concerns that the proposed Acquisition would adversely affect EIC's ability to satisfy Massachusetts licensing requirements for domestic insurers. For these reasons, we find that §206B(d)(1)(i) does not present an obstacle to approval of the Acquisition.

**B. The Acquisition Satisfies the Requirements of §206B (d)(1)(ii)**

Section 206B (d)(1)(ii) requires that the Acquisition not have the effect of lessening competition or creating a monopoly in the Massachusetts insurance market. Ms. Regan testified that the Acquisition will not lessen competition for property and casualty insurance in Massachusetts. EIC writes commercial insurance for GE and its enterprises, and the majority of its personal lines policyholders are current and former GE employees. As noted above, Mr. Macullar testified that the Working Group had no concerns that the Acquisition would reduce competition in the Massachusetts market or tend to create a monopoly.

For these reasons, we find that §206B (d)(1)(ii) does not present an obstacle to approval of the Acquisition.

**C. The Acquisition Satisfies the Requirements of §206B (d)(1)(iii)**

Subsection (iii) of §206B (d)(1) requires that the financial condition of the acquiring company is such that the Acquisition will not jeopardize the financial stability of the domestic insurer or prejudice the interests of the policyholders. Ms. Regan testified that GE's financial condition will not jeopardize EIC's financial stability or prejudice the interests of its policyholders, again noting GE's written commitment to make timely payment of premiums that EIC carries as an asset on its balance sheet.

Mr. Macullar further stated that the Working Group found no indication that the Acquisition would jeopardize EIC's financial stability or prejudice the interest of its policyholders. For these reasons, we find that §206B (d)(1)(iii) does not present an obstacle to approval of the Acquisition.

**D. The Acquisition Satisfies the Requirements of §206B (d)(1)(iv)**

Subsection (iv) of §206B (d)(1) requires that the terms of the offer or agreement of acquisition not be unfair or unreasonable to policyholders of the domestic insurer. Ms. Regan testified that the terms of the proposed Acquisition are not unfair or unreasonable to EIC policyholders. She pointed out that GE anticipates no material change to EIC's operations as a result of the Acquisition, noting that it will allow EIC to operate more simply and effectively, while maintaining its secure capital.

Mr. Macullar further stated that the Working Group found no indication that the terms of the Acquisition would be unfair or unreasonable to EIC's policyholders. For these reasons, we find that §206B (d)(1)(iv) does not present an obstacle to approval of the Acquisition.

**E. The Acquisition Satisfies the Requirements of §206B (d)(1)(v)**

Subsection (v) of §206B (d)(1) requires that the acquiring party not be contemplating any material changes in the business of the domestic insurer that would be unfair and unreasonable to policyholders, or otherwise would not be in the public interest. Ms. Regan testified that GE has no present plans to liquidate EIC or make any major changes to its business or corporate structure that would be unfair to EIC policyholders or not in the public interest.

Again, we note Mr. Macullar's testimony that the Working Group, after its review, noted no matters that would lead to an adverse determination with respect to any of the standards in §206B(d)(1)(v). For these reasons, we find that §206B (d)(1)(v) does not present an obstacle to approval of the Acquisition.

**F. The Acquisition Satisfies the Requirements of §206B (d)(1)(vi)**

Subsection (vi) of §206B (d)(1) requires that the competence, experience and integrity of those who will control the operations of EIC post-acquisition are sufficient to support a conclusion that the Acquisition will be in the interest of EIC's policyholders and of the insuring public. Ms. Regan testified that she has worked with EIC's leadership team for over 15 years. She pointed out that the members of its Board of Directors, including its independent directors, will remain in place following the Acquisition and that EIC's day-to-day operations will continue to be controlled by its current management team of highly experienced senior leadership.

As with standards (i) through (v), Mr. Macullar testified that the Working Group, after its review, noted no matters that would lead to an adverse determination with respect to any of the statutory standards. Accordingly, for these reasons, we find that §206B (d)(1)(vi) does not present an obstacle to approval of the Acquisition.

**G. The Acquisition Satisfies the Requirements of §206B (d)(1)(vii)**

Finally, subsection (vii) of §206B (d)(1) requires that the acquisition not be hazardous or prejudicial to the insurance buying public. Ms. Regan testified that the Acquisition does not affect EIC's financial condition or business activities and will not be prejudicial to the insurance-buying public.



Again, we consider Mr. Macullar's testimony that the Working Group, after its review, noted no matters that would lead to an adverse determination with respect to this or any of the statutory standards. Accordingly, for these reasons we find that §206B (d)(1)(vii) does not present an obstacle to approval of the Acquisition.

**IV. Conclusion**

We find and conclude, for all of the reasons set forth above, that the Application by General Electric Company, GE Capital Global Holdings, LLC and GE Capital U.S. Holdings, Inc. to Acquire Control of Electric Insurance Company complies with the requirements of §206B and will not be prejudicial to EIC policyholders or to the insuring public. The Working Group has requested that any order approving the Application require the Applicants to report on the progress of the transactions associated with the Application and any future decisions relating to EIC subsidiaries. The Commissioner hereby approves the Acquisition, with the condition that the Applicants comply with those reporting requirements.

**SO ORDERED.**

Dated: January 17, 2018

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Kristina A. Gasson  
Presiding Officer

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Jean F. Farrington  
Presiding Officer

Approved this    th day of January, 2018

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Gary D. Anderson  
Commissioner of Insurance