COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE
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In the Matter of the Proposed Reorganizations of Montgomery Mutual Insurance Company, Liberty Mutual Mid-Atlantic Insurance Company, and Patrons Mutual Insurance Company of Connecticut
Docket No. F2025-02

Decision and Order

I. Introduction

Three Massachusetts domestic mutual insurance companies, Montgomery Mutual Insurance, Liberty Mutual Mid-Atlantic Insurance, and Patrons Mutual Insurance Company, (the "Companies" or the "Applicants") have applied to the Commissioner of Insurance for approval, first of proposed reorganizations as domestic stock insurance companies and, subsequently, of merger transactions with a newly formed direct wholly-owned subsidiary of Liberty Mutual Holding Company ("LMHC") an existing Massachusetts mutual holding company. MASS. GEN. LAWS c. ("M.G.L. c.") 175, §§19F-19W provide statutory authority for these transactions.

On February 28, 2025, the Applicants submitted their plans of reorganization and merger to the Division of Insurance ("Division") for review. The Commissioner of Insurance appointed a Working Group consisting of Division staff and consultants to examine and make recommendations on the plan components and designated Jean F. Farrington, Esq. and Matthew A. Taylor, Esq. as Presiding Officers for the required hearing on the transactions. On August 29, 2025, the Applicants and the Working Group submitted a joint motion asking the Commissioner to approve the materials that the Companies proposed to send to their policyholders describing the reorganization plan and merger agreement, their plans for distributing those materials, and the procedures for policyholder voting on the reorganization plans. On September 2, 2025, the Applicants submitted the final version of their filing.

On September 8, 2025, a hearing notice was issued scheduling a November 18, 2025, public hearing on this matter and, on September 9, we issued an order allowing the requests in the August 29 motion. The Notice was posted on the Division's website and sent to the Applicants to publish and to distribute to their policyholders as required by applicable Massachusetts law and regulation.

The public hearing was held virtually, as scheduled, on November 18 using TEAMS, a digital meeting program. Peter Rice, Esq. of the firm DLA Piper represented the Companies and Margaret Barao, Esq., was present for the Division. Three witnesses testified: Ed Kenealy for the Companies and J. David Leslie, Esq. and Dana Rudmose, members of the Working Group, for the Division.

II. Summary of Testimony

Ed Kenealy

Mr. Kenealy is the Executive Vice President, Deputy General Counsel-Enterprise for the Liberty Mutual Group, Inc. He described the matters to be considered in this hearing as the proposed reorganizations of Montgomery Mutual Insurance Company, Liberty Mutual Mid-Atlantic Insurance Company and Patrons Mutual Insurance Company which will first reorganize each as a stock insurance company and then as an indirect, wholly-owned subsidiary of LMHC., The statutory authority for these transactions is found in M.G.L. c. 175, §§19F through 19W. As a result of these transactions the members of each company will become members of LMHC on equal terms with other members of that group and mutuality will be preserved.

Mr. Kenealy noted that the Companies are now all members of the Liberty Mutual Group and that, in his position, he participates in managing their legal affairs. Specifically, he has overseen all aspects of each Company's consideration and analysis of the proposed transactions. As mutual insurers, whose policyholders constitute its members, the Companies do not have stockholders. Each Company's Board of Directors and Liberty Mutual senior management periodically review and consider alternatives to protect and enhance the value of the business and the constituencies of each company; those constituencies include policyholders and the states and communities in which it operates. The Companies consider their strategic options in light of the totality of the circumstances, including current and anticipated business trends, regulatory conditions, member interests, policyholder interests and the effect on constituencies. He observed as well that Liberty Mutual itself is a large and diversified organization that has grown over years; its current structure reflects that inorganic growth.

In an effort to ensure that Liberty Mutual's structure is optimally efficient and to address other considerations, the Boards of Directors of each Company elected to evaluate its current format as a mutual insurer. That evaluation and deliberative process led to decisions to initiate the proposed transactions. Over many months each Company conducted a diligent process that included important feedback from the Division. On December 5, 2024, each Company formed a special committee of Directors to consider its available strategic options. Those special committees held numerous meetings to deliberate on and solicit advice from external advisors and Company management about the merits of potential strategic alternatives, including reorganization. On January 13, 2025, each special committee unanimously voted to recommend reorganization to the Company's Board of Directors. At meetings on February 4, 2025, following updates from the special committees, each Board voted to proceed with the proposed transactions. On February 28, 2025, the Companies filed their draft plans of reorganization with the Division of Insurance which then began a review that continued over several months. On March 6 and June 2, 2025, the Boards received updates on the status of those reviews. On June 6, 2025, the Division notified the Companies that it had completed its review.

On June 24, 2025, pursuant to M.G.L c. 175, § 19H, each Company's Board of Directors, by unanimous written consent, took the following actions: 1) determined that each reorganization plan is fair and equitable to its members and in the best interests of the Company; 2) approved and adopted each plan of reorganization that included the merger agreement, a policyholder information statement and the Company's amended Organizational Documents. On June 25, each Company filed those documents with the Commissioner. The Working Group appointed by the Commissioner continued to review those filings that, among other things, addressed matters such as each Company's proposed voting procedures. The Division's Working Group and the Companies subsequently filed a joint motion for an order setting a hearing date and approving their mailing materials and voting rules. Copies of the plans of reorganization and merger agreements were submitted with the motion.

Mr. Kenealy provided additional details about the proposed transactions. If approved, the reorganizations will be effectuated through three merger subsidiaries, one for each mutual insurer with and into a to-be-formed subsidiary of LMHC. The merger subsidiaries are formed for the sole purpose of effectuating the proposed transactions. Each Company with be the surviving entity of the merger, under its current name, as a reorganized stock subsidiary of LMHC. The members of each company, i.e. their policyholders, will automatically become members of LMHC on equal terms with all other LMHC members. All the insurance policies issued by each of the Mutual Insurers will remain in force and unchanged. Mr. Kenealy noted that each Company's reorganization plan was described in detail in materials approved by the Working Group and provided to its policyholders.

Each of the Companies, pursuant to M.G.L. c. 175, §19N, intends to keep the word "Mutual" in its name. Mr. Kenealy noted that the decisions to do so are consistent with the continued use of the term in the names of their affiliates, Liberty Mutual Insurance Company and Liberty Mutual Fire Insurance Company, that the then Commissioner allowed in 2002. He pointed out as well that it is accurate because the policyholders of each Company will retain the benefits of mutuality. Further, continuing the current names will mean that the Companies will not have to make filings reporting a name change in each jurisdiction where they are licensed to conduct business or to change their policy forms and related documents, thereby avoiding time consuming and costly activities that may be confusing to policyholders.

Mr. Kenealy next addressed the expected benefits of the reorganizations. Becoming members of the LMHC will allow them to operate on an enhanced size and scale, to diversify risk, including greater geographic diversity, enhanced access to capital, greater efficiency from the perspectives of both corporate governance and capital management, and enhanced ability to preserve mutuality. The reorganizations will also protect the interests of their policyholders for the following reasons: 1) they will not in any way reduce their benefits and rights under their current policies; 2) they will make no material changes to their existing business operations relating to customer service; 3) because LMHC must always own 51% of each Company's shares, the policyholders will retain ultimate voting control over each Company; and 4) they will acquire all the right and benefits associated with membership in LMHC.

Mr. Kenealy next reviewed the Companies' compliance with the statutory requirements for obtaining policyholder approval of the proposed reorganizations. Each Board of Directors first set a date for determining eligibility to vote on the reorganization and scheduled a meeting of eligible members for December 18, 2025. As required by law, 60 days notice of that hearing was given to all policyholders. Notice was also published in multiple newspapers as directed by the Division. At the Companies' annual meetings, held on September 30, 2025, attendees were again reminded of the December meeting.

Mr. Kenealy then considered the six specific factors that the Commissioner must consider in determining whether to approve a request to reorganize a domestic mutual insurer. First, the reorganization must be in the best interests of that insurer. Mr. Kenealy affirmed his opinion that the reorganizations are in the best interests of each Company because they allow them to operate with an enhanced size and scale and enhance diversification of their risk. Second, the reorganizations must be fair and equitable to the Companies' policyholders. Mr. Kenealy affirmed his opinion that the reorganizations preserve each company's mutuality at the LMHC level and maintain the contract rights of each policyholder. Third, the reorganization must enhance the Company's operations. Mr. Kenealy stated that the proposed transactions will, among other things, allow each Company to operate such functions as corporate governance and capital management more efficiently.

Fourth, the reorganization must not substantially lessen competition in any line of insurance business. Mr. Kenealy stated that these reorganizations will neither affect the Companies' operations nor competition in the markets in which they conduct business. Fifth, when the transaction is completed the reorganized insurer's paid-in capital stock must be in an amount at least equal to the minimum paid in capital stock and the net surplus required of a new domestic stock insurer upon its initial authorization to transact like kinds of insurance. Mr. Kenealy affirmed that each Company is now well capitalized in excess of the statutory minimums and that the reorganization will not change that status. Sixth, the plan must comply with the requirements of M.G.L. c. 175, §§19F to 19W. Mr. Kenealy confirmed that throughout the proceeding the Companies were careful to comply with the statutory requirements and worked closely with the Division's Working Group to ensure that compliance.

J. David Leslie

Mr. Leslie, a member of the Working Group appointed to review the applications of the Applicants to reorganize as domestic stock insurance companies and become direct subsidiaries of LMHC, reported on its findings. Mr. Leslie's practice, since admission to the Massachusetts bar in 1974, has focused primarily on representing insurance regulators on complex issues, including material insurance company transactions, examinations, receiverships, reorganizations and mutual holding companies. He is a shareholder in the law firm of Davis, Malm, and D'Agostine, P.C.

Mr. Leslie summarized the sequence of transactions and related events that the Working Group reviewed. Each Applicant will reorganize from a domestic mutual insurer to a domestic stock insurer that ultimately will be owned directly by an existing domestic mutual holding company, LMHC. Following the reorganizations, each Applicant will be merged into a newly created, wholly-owned direct subsidiary of LMHC, with the reorganized Applicants surviving the mergers. The two steps will occur simultaneously as part of one transaction.

As a result of the reorganizations, the membership interests of the Applicants' policyholders will be extinguished and in exchange the policyholders will immediately receive substantially similar membership interests in LMHC. Thus, the members of each mutual insurer will become members of LMHC on equal terms with all other LMHC members. In addition to the Commissioner's approval of the plans of reorganization, governed by M.G.L. c. 175, § 19H, and each agreement and plan of merger forming a part thereof, governed by § 19T(a), the Applicants, pursuant to M.G.L. c. 175, § 19N, ask for permission to retain the word "mutual" in their names following the reorganization.

The Applicants filed with the Commissioner, in draft form, a series of documents including their proposed plans of reorganization with supporting exhibits that included their proposed agreements and plans of merger with and into a wholly-owned direct subsidiary of LMHC, policyholder information statements to be mailed to the Applicants' policyholders (including a letter from the Applicants' president and CEO); notices of special meeting of members; and proposed agreements and plans of merger of the applicants with and into a wholly-owned direct subsidiary of LMHC (collectively, "Application Materials"). Each Applicant also filed a pro forma financial statement.

Beginning in March 2025 and continuing through to the date of this hearing, the Working Group conducted an extensive review of the Application Materials and the proposed transactions. The Working Group also worked with the Applicants to develop rules governing the procedures for the conduct of voting by their members at the special meetings held to consider and vote on the proposed plans of reorganization and the related agreements and plans of merger ("Voting Rules"). The Working Group's review also included evaluating the Applicants' financial statements and financial projections, consulting with the Applicants' counsel, and reviewing actions of Applicants' management/directors. In the course of its review, the Working Group provided comments and suggested revisions to the Application Materials to the Applicant's counsel.

Mr. Leslie then stated that, on the basis of its reviews, the Working Group concluded that the Application Materials comply with the requirements of the mutual holding company statutes and the applicable regulations. It also concluded that the Applicants had complied with the statutes and regulations for providing notice of these transactions to their members, including the public hearing, special meeting and voting procedures, and the requirements for newspaper publication.

In addition to concluding that the Applicants had met the substantive criteria for the Commissioner’s approval, he stated that the Working Group had concluded that they satisfied five specific statutory conditions. First, it agreed with the Applicants that the transactions, if consummated, are expected to provide them with greater flexibility while maintaining mutuality, improve their access to capital or other financing, their ability to pursue growth and to increase competitiveness through enhanced efficiency. They also satisfied the requirement to evaluate alternatives before electing to reorganize. Second, the Working Group also concluded that the reorganizations will benefit policyholders as a class and also minimize any potential adverse effects. It observed that the plans do not affect policyholder rights under their policies and will not directly change the Applicants financial condition or their corporate governance. Third, the transactions will not substantially lessen competition in any line of insurance. The reorganized insurers will continue their current lines of business and will continue to be centrally managed as members of the Liberty Mutual Group. Fourth, the Working Group concluded that the plans satisfy the capitalization requirements for reorganized mutual companies, that the Applicants are well-capitalized and these transactions will have no negative effect on that capitalization. Finally, Mr. Leslie stated that the testimony supported the Working Group’s conclusion that the Applicants’ reorganization plans complied with the statutory requirements set out in M.G.L. c. 175, §§19F through 19W.

Mr. Leslie stated as well that the Working Group recommends that the decision in this matter approve each Applicant's reorganization plan and the agreement and plan of merger that is a part of that plan, and approve their requests to retain the word "mutual" in their names pursuant to §19N.

Dana Rudmose

Mr. Rudmose is a principal in Rudmose & Noller Advisors, LLC ("RNA"), which provides consulting services to state insurance regulators nationwide. For 45 years he has conducted audits, statutory financial examinations, and financial analyses of insurance companies, including insurance company corporate restructurings, mergers and acquisitions. As advisors to the Division of Insurance he and his business partner, Mark Noller, were asked to participate with other advisors and Division staff, in a Working Group to review the applications of the Companies to reorganize into stock insurance companies. Specifically, the Division asked RNA to conduct particular agreed-upon procedures related to the supervision of the Companies' processes for determining their eligible members and the rules governing the procedures for the conduct of member voting in accordance with M.G.L. c. 175, § 19H.

Those tasks included: 1) assessing each Company's voting procedures to ensure they were designed so that all eligible members could vote; 2) meeting with Company management to assess their processes and procedures for preparing listings of eligible members in accordance with the approved voting procedures; 3) meeting with Company management and their vendor, Computershare, Inc. to assess procedures for printing, assembly, mailing, and managing returned mail, and verifying reconciliations of eligible member listings and data to ensure that all member materials have been produced and mailed; 4) reviewing third-party attestation reports from PricewaterhouseCoopers LLP that evaluated the design and effectiveness of Computershare's processes and controls for pre-mailing review of member materials, processing undeliverable member materials, and tabulating proxies of eligible member votes; and 5) reviewed testing conducted by the Companies and Computershare reconciling total eligible members prior to printing, and a sample of printed materials sent to members.

Mr. Rudmose testified that after completing these tasks he concluded as follows with respect to each: 1) the listings of eligible members were properly determined in accordance with the voting procedures; 2) the audit testing was sufficient and reliable to validate the accuracy and completeness of the listings of eligible members; 3) the procedures used to ensure that member materials were produced and mailed were reliable; 4) based on testing, those procedures were sufficient and effective; and 5) voting procedures were properly designed to ensure that all the Companies' eligible members would have the opportunity to vote.

Summarizing his review, Mr. Rudmose concluded that the Companies' procedures for voting, identification of eligible members, printing, assembly and mailing of proxy materials to eligible members appear reasonable and sufficient with no exceptions identified.

III. Analysis

A domestic mutual insurance company may be reorganized as a domestic stock insurance company if it satisfies the requirements of M.G.L. c. 175, §19F through §19W, inclusive. The Commissioner shall approve the reorganization if, after the hearing required by M.G.L. c. 175, §19H(c), they find that: 1) the proposed reorganization is in the best interests of the reorganizing insurer; 2) the plan is fair and equitable to the reorganized insurer's policyholders; 3) the plan provides for the enhancement of the operations of the reorganizing insurer; 4) the plan will not substantially lessen competition in any line of insurance business; 5) the plan, when completed, provides for the reorganized insurer's paid in capital stock to be in an amount at least equal to the minimum paid in capital stock and the net surplus required of a new domestic stock insurer upon its initial authorization to transact like kinds of insurance; and 6) the plan complies with the requirements of sections 19F to 19W, inclusive.[1] Each of those conditions will be addressed in turn.

A. The Reorganization Must be in the Best Interest of the Insurer

Mr. Kenealy, on behalf of the Applicants, testified that the proposed reorganization was in the best interest of the insurer. The transaction would allow the Companies to maintain mutuality while preserving their boards, management and operations, provide greater operating flexibility with the ability to pursue acquisitions, affiliation opportunities and strategic alliances and to raise capital through stock sales. Mr. Leslie testified that the Working Group found no evidence that the reorganization would not be in the best interests of the insurers. For these reasons, we find that the proposed reorganization meets the first requirement of M.G.L. c.175, §19H(d).

[1] M.G.L. c.175, §19H(d)

B. The Reorganization Must be Fair and Equitable to the Policyholders

Mr. Kenealy, on behalf of the Applicants, testified that the proposed reorganization would maintain the benefits and premiums of policyholders. Additionally, the mutual holding company will be mandated to hold controlling voting interests in the Companies, preserving the voting control of policy holders. Mr. Leslie testified that the Working Group found no evidence that the proposed reorganization, if implemented, would not be fair and equitable to the Applicants' policyholders. For these reasons, we find that the proposed reorganization meets the second requirement of M.G.L. c.175, §19H(d).

C. The Reorganization Must Enhance the Operations of the Insurer

Mr. Kenealy, on behalf of the Applicants, testified that the proposed reorganization would enhance the operations of the Companies. He stated that the proposed reorganization would allow the company to raise additional capital and enhance the efficiency of its management and insurance operations. Mr. Leslie testified that the Working Group found no evidence that the transactions incorporated in the plan, if implemented, would not enhance the Applicants' operations. For these reasons, we find that the proposed reorganization meets the third requirement of M.G.L. c.175, §19H(d).

D. The Reorganization Must Not Substantially Lessen Competition in Any Line of Insurance Business

Mr. Kenealy, on behalf of the Applicants, testified that the proposed reorganization would not substantially lessen competition in any line of insurance. Mr. Leslie testified that the Working Group had found no evidence that the transactions incorporated in the plan, if implemented, would substantially lessen competition in any line of insurance. For these reasons, we find that the proposed reorganization meets the fourth requirement of M.G.L. c.175, §19H(d).

E. The Reorganization Must Provide for the Necessary Paid-in Capital and Surplus

Mr. Kenealy, on behalf of the Applicants, testified that the proposed reorganization would not decrease the Applicants' capital stock, which already exceeds statutory requirements. Mr. Leslie testified that the Working Group found no evidence that the transactions incorporated in the plan, if implemented, would result in insufficient paid-in capital. For these reasons, we find that the proposed reorganization meets the fifth requirement of M.G.L. c.175, §19H(d).

F. The Reorganization Must Comply with §§19F-19W, Inclusive

Mr. Kenealy, on behalf of the Applicants, testified that a vote had been scheduled to approve the proposed plan per the requirements of the above sections. Additionally, he testified that continuing to use the Applicants' names would not be deceptive to the public and should be allowed under §19N. Mr. Leslie and Mr. Rudmose testified that the Working Group found no evidence that the transactions were not in compliance with the requirements of §§19F-19W. For these reasons, we find that the proposed reorganization meets the final requirement of M.G.L. c.175, §19H(d).

IV. APPROVAL of continued use of Mutual in NAME

M.G.L. c. 175, §19N permits a reorganizing insurer that already uses the word "mutual" in its name to continue to do so after reorganization as a stock company, unless the Commissioner makes a specific finding that to do so would be likely to mislead or deceive the public. The Applicants have indicated that each intends to retain its current name after conversion into a stock company. Mr. Leslie testified that as part of its review, the Working Group reviewed that request and recommends that the Applicants be allowed to do so.

V. Conclusion

In conducting the hearing required by M.G.L. c.175, §19H(c), we examined the factors enumerated in M.G.L. c.175, §19H(d). We conclude that the proposed transaction meets the requirements for approval under §19H(d). Accordingly, the proposed transaction is **Approved**.

SO ORDERED January 2026.

Matthew Taylor

Matthew Taylor, Esq.
Hearing Officer

Jean F. Farrington

Jean Farrington, Esq.
Hearing Officer

AFFIRMED

Michael T. Caljouw
Commissioner of Insurance

Dated: January 15, 2026