



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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In the Matter of:

PROPOSED ACQUISITION OF CONTROL OF

PATRONS MUTUAL INSURANCE COMPANY OF CT

Docket No. EX 21-77

By

LIBERTY MUTUAL HOLDING COMPANY INC. ET AL.  
-----X

### **MODIFIED ORDER**

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having read the record in the above-captioned matter, do hereby adopt the findings and recommendations of Ralph Chin, Hearing Officer, which are contained in the attached Proposed Final Decision, dated February 23, 2022, and issue the following order, TO WIT:

1. The Application of the Applicants in which they seek approval to acquire control of the Domestic Insurer is hereby approved.
2. The Applicants and Domestic Insurer shall conduct their operations consistent with the representations, disclosures and commitments set forth in the record of this proceeding and proposed final decision.
3. The Applicants shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.
4. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

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5. The Applicants shall abide by the terms of the Commitment Letter executed on January 26, 2022.
6. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
7. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurer shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
8. For the two (2) year period following the consummation of the Proposed Acquisition, prior approval of the Commissioner will be required with any respect to any dividends paid by the Domestic Insurer.
9. For the period of two (2) years, the Applicants shall file semiannually with the Insurance Department, commencing six (6) months from consummation of the Proposed Acquisition, a report under oath of its business operations in Connecticut, including but not limited to, integration process, any change of business of the Domestic Insurer, changes in offices of the Domestic Insurer, and notice of any statutory compliance or regulatory action taken by other state regulatory agencies against the Applicants and Domestic Insurer. In addition, the operating report shall provide an update on Connecticut Employee status.

10. The Domestic Insurer shall continue to maintain their books and records in Ohio<sup>1</sup> and shall make all such items available for inspection by the Commissioner at any time.
11. If the Proposed Acquisition is not consummated within three (3) months of the date of this Order and the Applicants intent to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner at statement, which shall include (i) the reason for the Applicants' inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicants and the Domestic Insurer.
12. The Applicants shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes §38a-132(c).

Dated at Hartford this 24th day of February, 2022.



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Andrew N. Mais  
Insurance Commissioner

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<sup>1</sup> The original Order was modified pursuant to Connecticut General Statutes § 4-181a(c) to correct a clerical error which incorrectly indicated Connecticut as the current location of the books and records instead of Ohio, as reflected by the record. Hrg. Transcr. 22:20-23:7 (Jan. 27, 2022).



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LIBERTY MUTUAL HOLDING COMPANY INC. ET AL.  
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### **MODIFIED PROPOSED FINAL DECISION<sup>2</sup>**

#### **I. INTRODUCTION**

Liberty Mutual Holding Company Inc., LMHC Massachusetts Holdings Inc., and Liberty Mutual Group Inc. (collectively, “Applicants”) seek the approval of the Insurance Commissioner of the State of Connecticut for the proposed acquisition of control (“Proposed Acquisition”) of Patrons Mutual Insurance Company of Connecticut (“Domestic Insurer”) which is controlled through affiliation by State Automobile Mutual Insurance Company (“State Auto”) pursuant to an Amended and Restated Form A dated November 1, 2021 (“Application”) filed with the Connecticut Insurance Department (“Department”) in accordance with General Statutes § 38a-130 and section 38a-138-6 of the Regulations of Connecticut State Agencies.

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<sup>2</sup> Page 22 of the Proposed Final Decision and Order was modified pursuant to Connecticut General Statutes § 4-181a(c) to correct a clerical error which incorrectly indicated Connecticut as the current location of the books and records instead of Ohio, as reflected by the record. Hrg. Transcr. 22:20-23:7 (Jan. 27, 2022).

The Proposed Acquisition will be effected pursuant to the terms of the Merger Agreement (“Agreement”) between State Auto and the Applicants dated as of July 12, 2021.

The Insurance Commissioner (“Commissioner”), is required by General Statutes § 38a-132 and section 38a-136-6 of the Regulations of Connecticut State Agencies to hold a public hearing on the Proposed Acquisition of the Domestic Insurers within thirty (30) days after the Commissioner determines that the Application is complete in all respects. In this regard, the Department staff reviewed the original Form A dated August 6, 2021 and thereafter requested the Applicants to file supplemental information. On November 1, 2021, the Applicants filed an Amended and Restated Form A Application with the Department which amends and restates portions of the original Form A text and also includes certain new and revised exhibits.

Based on a determination that the Application was substantially complete, the Commissioner issued a notice of public hearing dated December 29, 2021 in which he ordered that the public hearing be held on January 27, 2022 concerning the application for approval of the Proposed Acquisition of the Domestic Insurer. The hearing notice was subsequently published in the *Hartford Courant*, *Boston Globe*, *Burlington Free Press*, *New Haven Register*, *New London’s The Day*, *Pittsfield’s Berkshire Eagle*, *Providence Journal*, *Springfield’s The Republican*, and *Worcester’s Telegram & Gazette* once a week for two consecutive weeks. The notice of hearing was also filed by the Department with the Office of the Secretary of State and was published on the Department’s internet website. In

accordance with section 38a-8-48 of the Regulations of Connecticut State Agencies, the Applicants and the Domestic Insurer were designated as parties to this proceeding.

On January 27, 2022, the public hearing on the Proposed Acquisition of the Domestic Insurer was held before the undersigned. This hearing was held in a hybrid capacity with individuals physically present, as well as appearing via videoconference. There was one conference line dedicated for this hearing that was capable of video- and teleconference for members of the parties as well as the public.

Elizabeth P. Retersdorf, Esq., of Day Pitney LLP, and Elena Coyle, Esq. of Skadden, Arps, Slate, Meagher & Flom LLP represented the Applicants. Richard Quinlan, Executive Vice President and Deputy General Counsel of Liberty Mutual Group, Inc. and Nik Vasilakos, Executive Vice President and Global Head of Mergers and Acquisitions of Liberty Mutual Group, Inc., testified at the public hearing on behalf of the Applicants.

Michael Menapace, Esq. of Wiggins and Dana, LLP represented the Domestic Insurer as controlled by State Auto. Michael LaRocco, Chief Executive Officer of State Auto, and Jerry Brumfield, Vice President of Legal of State Auto, testified on behalf of the Domestic Insurer and State Auto.

The following Department staff participated in the public hearing: Kathy Belfi, Director of the Financial Regulation Division, Kenneth Cotrone, Insurance Certified Supervising Examiner, and Jennifer Dowty, Counsel to the Insurance Department.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments on the Application with respect to the issues to be considered by the Commissioner. No oral or written comments on the Application were received.

## **II. FINDINGS OF FACT**

After reviewing the exhibits entered into the record of this proceeding, and based on the written and oral testimony of the witnesses, the undersigned makes the following findings of fact:

1. Liberty Mutual Holding Company Inc (“LMHC”) is a Massachusetts mutual holding company with a business address of 175 Berkeley Street, Boston, Massachusetts. This entity was formed in 2001 as part of the mutual holding company reorganization of Liberty Mutual Insurance Company. LMHC is the ultimate parent company of LMHC Massachusetts Holdings Inc. and Liberty Mutual Group Inc.
2. LMHC Massachusetts Holdings Inc. (“MHI”) is a Massachusetts stock holding company with a business address of 175 Berkeley Street, Boston, Massachusetts. It was formed in 2001 and is a direct, wholly owned subsidiary of LMHC.
3. Liberty Mutual Group Inc. (“LMGI”) is a Massachusetts stock holding company with a business address of 175 Berkeley Street, Boston. It is a direct, wholly owned subsidiary of MHI.
4. Patrons Mutual Insurance Company of Connecticut (the “Domestic Insurer”) is a Connecticut domiciled property and casualty mutual

insurance company with a business address of 100 Pearl Street, 11<sup>th</sup> Floor, Hartford, Connecticut. The Domestic Insurer is controlled through affiliation by State Automobile Mutual Insurance Company, an Ohio domiciled property and casualty mutual insurance company. State Auto acquired control of the Domestic Insurer in 2007 through a mutual affiliation transaction.

5. The Proposed Acquisition will be effected pursuant to the terms of the Merger Agreement dated as of July 12, 2021, pursuant to which LMHC will acquire State Auto and, indirectly, the Domestic Insurer. Andover, Inc., an Ohio corporation wholly owned direct subsidiary of LMHC will merge with and into State Auto, with State Auto being the surviving entity reorganized as a stock insurance subsidiary of LMHC (“Reorganized State Auto”). LMHC will contribute all of the common stock of Reorganized State Auto to LMGI. As a result of the transaction LMHC will be the ultimate controlling person of Reorganized State Auto and, through assumption of the rights of State Auto under the affiliation agreement, the Domestic Insurer.
6. The cash consideration for the transaction pursuant to which the Proposed Acquisition will be effected is approximately \$1 billion.
7. The Applicants maintain that immediately following the closing of the Proposed Acquisition, the Domestic Insurer will continue to maintain its separate corporate existence and will continue its operations as currently conducted. The Applicants, pursuant to a Commitment Letter executed on

January 26, 2022, also represent that the number of employees in Connecticut, dedicated to the Domestic Insurer's business will remain at least consistent at fifteen for the next four years.

8. Following are the names and titles of the respective executive officers of the Applicants:

**LMHC:**

<b>Name</b>	<b>Positions Held</b>	<b>Business Address</b>
David H. Long	Director, Chairman of the Board, Chief Executive Officer	Liberty Mutual Holding Company Inc. 175 Berkeley Street Boston, Massachusetts 02116
Vlad Y. Barbalat	Chief Investment Officer, Executive Vice President	See above.
Neeti Bhalla Johnson	Executive Vice President	See above.
Melanie M. Foley	Chief Talent & Enterprise Services Officer, Executive Vice President	See above.
Damon P. Hart	Chief Legal Officer, Executive Vice President	See above.
James M. MacPhee	Executive Vice President	See above.
Anthony G. Martella, Jr.	Corporate Actuary, Executive Vice President	See above.
James M. McGlennon	Chief Information Officer, Executive Vice President	See above.
Christopher L. Peirce	Chief Financial Officer, Executive Vice President	See above.
Edward J. Pena	Treasurer, Executive Vice President	See above.
Paul Sanghera	Comptroller, Executive Vice President	See above.
Timothy M. Sweeney	President	See above.
Mark C. Touhey	Secretary, Executive Vice President	See above.

**MHI:**

<b>Name</b>	<b>Positions Held</b>	<b>Business Address</b>
David H. Long	Director, Chairman of the Board, Chief Executive Officer	Liberty Mutual Holding Company Inc. 175 Berkeley Street Boston, Massachusetts 02116
Damon P. Hart	Chief Legal Officer, Executive Vice President	See above.
Christopher L. Peirce	Director, Chief Financial Officer, Executive Vice President	See above.
Edward J. Pena	Treasurer, Executive Vice President	See above.
Timothy M. Sweeney	President	See above.
Mark C. Touhey	Secretary, Executive Vice President	See above.

**LMGI:**

<b>Name</b>	<b>Positions Held</b>	<b>Business Address</b>
David H. Long	Director, Chairman of the Board, Chief Executive Officer	Liberty Mutual Holding Company Inc. 175 Berkeley Street Boston, Massachusetts 02116
Damon P. Hart	Director, Chief Legal Officer, Executive Vice President	See above.
Christopher L. Peirce	Director, Chief Financial Officer, Executive Vice President	See above.
Vlad Y. Barbalat	Chief Investment Officer,	See above.

	Executive Vice President	
Neeti Bhalla Johnson	Executive Vice President	See above.
Melanie M. Foley	Chief Talent & Enterprise Services Officer, Executive Vice President	See above.
James M. MacPhee	Executive Vice President	See above.
Anthony G. Martella, Jr.	Corporate Actuary, Executive Vice President	See above.
James M. McGlennon	Chief Information Officer, Executive Vice President	See above.
Edward J. Pena	Treasurer, Executive Vice President	See above.
Paul Sanghera	Comptroller, Executive Vice President	See above.
Timothy M. Sweeney	President	See above.
Mark C. Touhey	Secretary, Executive Vice President	See above.

9. The biographical affidavits of the executive officers of the Applicants included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Applicants and indirectly the Domestic Insurer post-acquisition.

10. The Applicants represent that they have no intention of changing the day-to-day management of the business and operations of the Domestic

Insurer, however, they do plan on nominating a new slate of directors and appointing new executive officers in order to align with the other directors and executive officers of the other insurance companies within the Liberty Mutual group of companies. Following are the names and titles of the directors and executive officers of the Domestic Insurer post-acquisition:

<b>Name</b>	<b>Proposed Position(s)</b>	<b>Business Address</b>
Mark C. Touhey	Director, Chairman of the Board, Secretary, Executive Vice President	c/o Liberty Mutual Holding Company Inc. 175 Berkeley Street Boston, Massachusetts 02116
James M. Czapla	Director	See above.
Matthew P. Dolan	Director	See above.
Alison B. Erbig	Director	See above.
Michael J. Fallon	Director	See above.
Julie M. Haase	Director	See above.
James M. MacPhee	Director, President, Chief Executive Officer	See above.
Elizabeth J. Morahan	Director	See above.
Paul Sanghera	Director, Comptroller, Executive Vice President	See above.
Vlad Y. Barbalat	Chief Investment Officer, Executive Vice President	See above.
Damon P. Hart	Chief Legal Officer, Executive Vice President	See above.
Christopher L. Peirce	Chief Financial Officer, Executive Vice President	See above.
Edward J. Pena	Treasurer, Executive Vice President	See above.

11. The biographical affidavits of the members of the directors and officers of the Domestic Insurer, post-acquisition, included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Domestic Insurer after the Proposed Acquisition.
12. The Applicants represent that they have no present plans or proposals to cause the Domestic Insurer to declare any extraordinary dividend or make other distributions, to liquidate the Domestic Insurer, to sell the assets of the Domestic Insurer (other than in the ordinary course), to merge or consolidate the Domestic Insurer with any person or persons or to make any other material change in the Domestic Insurer's business operations, corporate structure or management.
13. The Applicants have represented that they do plan to eventually move the Domestic Insurer's corporate records from their current approved location to the state of Massachusetts in order to be centrally located with the Applicants' records and that they will adhere to all Department processes for obtaining the approval required prior to any movement of the records. The Applicants further represent to that they shall make the Domestic Insurer's books, records, documents, accounts, vouchers, and agreements available for inspection by the Commissioner at any time.

14. The Domestic Insurer does not have any voting securities as it is a mutual insurance company. Other than as disclosed in the Application none of the Applicants, their respective affiliates or, to the Applicants' knowledge, any of the Individuals has any plans or proposals to acquire any voting securities issued by Reorganized State Auto.
15. Other than as disclosed in the Application, there are no contracts, arrangements or understandings with respect to any voting security of Reorganized State Auto or any of its controlling persons in which any of the Applicants, their affiliates or the Individuals associated with the Applicants is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.
16. Other than as disclosed in Exhibit A of the Application (Merger Agreement), there are no agreements, contracts or understandings made with any broker-dealer as to solicitation of voting securities of Reorganized State Auto for tender with regard to the Proposed Acquisition.

### **III. DISCUSSION**

The Insurance Commissioner is required to approve the Proposed Acquisition unless, after a public hearing, he finds that the proposed acquisition of control of the Domestic Insurers would result in any of the conditions set forth in General Statutes §§ 38a-132(a)(1) through (6). These conditions will be addressed in turn.

**(1) After the change of control, the Domestic Insurers would not be able to satisfy the requirements for the issuance of a license to write the line, or lines of business for which they are presently licensed.**

General Statutes § 38a-132(a)(1) requires the Domestic Insurer to satisfy the requirements for the issuance of licenses to write the line or lines of business for which it is presently licensed following the proposed acquisition of control. The Domestic Insurer is currently licensed pursuant to General Statutes § 38a-41 and satisfies the requirements for the issuance of a license to write the lines of business for which it is licensed. The Applicants, through testimony and submissions, indicate that no changes will be made to the Domestic Insurer such that it would not be able to satisfy the requirements for the issuance of its licenses.

In addition to the criteria set forth in General Statutes § 38a-72, the Department considers the location of the company's books, records and assets, and the management of the company when evaluating an insurer's ability to operate in this state pursuant to § 38a-41. The Applicants in testimony and submissions have indicated that while they do eventually plan to move the books and records to their corporate headquarters in Boston, they intend to comply with General Statutes § 38a-57 and keep the books and records in their current approved location unless and until they receive approval from the Commissioner and the Applicants further confirmed it will remain in compliance with Insurance Department Bulletin No. FS-2 with respect to custody arrangements for securities.<sup>3</sup>

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<sup>3</sup> Hr. Transcr. 22:21-23:7 (Jan. 27, 2022).

As noted in the findings of fact, the Applicants have no plans or proposals following consummation of the Proposed Acquisition, to liquidate the Domestic Insurer, to sell assets other than in the ordinary course of business, or merge or consolidate any Domestic Insurer with any other person or entity. There are no plans for any Domestic Insurers to enter into any material contract, agreement, arrangement or transaction of any kind with any person or entity.

Moreover, based on the information contained in the biographical affidavits for the directors and officers of the Applicants, the competence, experience and integrity of the individuals who will be responsible for the governance and operation of the Domestic Insurer following the consummation of the proposed transaction, are such that the safe and expert operation of the Domestic Insurer will continue following the Proposed Acquisition.

Accordingly, the undersigned hereby finds that the evidence contained in the record supports a finding that the Domestic Insurer will be able to satisfy the requirements for the issuance of the necessary insurance licenses for which it is presently licensed following completion of the Proposed Acquisition of control.

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

General Statutes § 38a-132 (a) (2) requires that a proposed transaction shall neither substantially lessen competition nor create a monopoly in the Connecticut insurance market. In evaluating the effect of the proposed acquisition on competition in Connecticut, the Commissioner is required by General Statutes § 38a-132 (a) (2) (A) to consider the information required under General Statutes §

38a-131 (c) (1) and the considerations specified in General Statutes § 38a-131 (d) (1). In this regard, the Commissioner must consider the percentages of market shares of the Applicants and affiliates and the Domestic Insurer and the market in which the insurers compete, as set forth in § 38a-131 (d) (1). If certain quantitative criteria are met, then there is prima facie evidence that the competitive standard has been violated. (See § 38a-131 (d) (1)).

General Statutes § 38a-131 (d) (2) defines “market” as the relevant product and geographical markets. In determining the relevant product and geographical markets, § 38a-131 (d) (2) specifies that in the absence of sufficient information to the contrary, the relevant product market shall be the direct written insurance premium for a line of business as used in the annual statement insurers doing business in this State are required to file with the Commissioner, and the relevant geographical market shall be Connecticut.

There is only one line of business in which a company owned and controlled by the Applicants and the Domestic Insurer both write business. An independent evaluation of that line of business was completed pursuant to a confidential Form E that was filed with the Department. The findings of the Form E resulted in no prima facie finding of a violation of competitive standards under General Statutes § 38a-131(d)(1)(A).

Further, Mr. Quinlan testified at the hearing that “there is nothing in this transaction that we see that will lessen competition in the State of Connecticut for

insurance or tend to create a monopoly in Connecticut with respect to insurance.”<sup>4</sup>

Accordingly, the undersigned hereby finds that, based on the evidence contained in the record of this proceeding, the effect of the acquisition of control of the Domestic Insurers by the Applicants will not substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.

**(3) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurers or prejudice the interests of their policyholders.**

General Statutes § 38a-131(a)(3) requires that the financial condition of any acquiring party to be in sufficiently sound financial condition so as not to jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders. When questioned about the potential financial impact the Proposed Transaction could have on the Domestic Insurer, Mr. Vasilakos explained “[w]e believe that this will only strengthen the relationship that the Domestic Insurer has with its policyholders. Liberty Mutual is a large, very well-capitalized and financially-strong company, and it has a very long history of mutual heritage that we think will make it a great fit.”<sup>5</sup>

Based on the information entered into the record of this proceeding, including the Application and pre-filed testimony of Mr. Vasilakos, the undersigned hereby finds that there is no evidence indicating that the financial

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<sup>4</sup> Hrg. Transcr. 19:11-15 (Jan. 27, 2022).

<sup>5</sup> Hrg. Transcr. 19:22-20:2 (Jan. 27, 2022).

condition of the Applicants might jeopardize the financial condition of the Domestic Insurer, or prejudice the interests of its policyholders.

**(4) The plans or proposals of the acquiring party to liquidate the Domestic Insurers, sell their assets or consolidate or merge them with any person, or make any other material change in the business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurers and not in the public interest.**

General Statutes § 38a-132(a)(4) requires that an 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.

When asked if the Applicants had any plans to liquidate the Domestic Insurers, sell their assets or consolidate or merge them with any person, or make any other material change in the business or corporate structure or management, Mr. Vasilakos confirmed that “[w]e currently have no such plans.”<sup>6</sup> This testimony was consistent with the information provided in the Application, as well as the pre-filed testimony of both Mr. Quinlan and Mr. Vasilakos.

Accordingly, based on the information entered into the record of this proceeding, the undersigned hereby finds that there are no material plans or proposals for the Domestic Insurers that are unfair and unreasonable to policyholders of the Domestic Insurers or not in the best interest of the public.

**(5) The competence, experience and integrity of those persons who would control the operation of the Domestic Insurers are such that it would not be in the interest of the policyholders of the Domestic**

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<sup>6</sup> Hrg. Transcr. 20:13-14 (Jan. 27, 2022).

**Insurers and of the public to permit the merger or other acquisition of control.**

General Statutes § 38a-132(a)(5) requires that the competence, experience, and integrity of those persons who would control the operation of the Domestic Insurers post-acquisition be of sufficient quality so as not to be prejudicial or contrary to the interests of the policyholders and of the public. The record includes the biographical affidavits and third-party reports of those individuals who serve as officers of the Applicants and who will serve as members of the board and as officers of the Domestic Insurer post-acquisition. The biographical affidavits disclose each individual's education background, professional credentials, and their employment history. In addition, the Applicants have represented, and the biographical affidavits confirm, that during the last ten (10) years, none of the officers of the Applicants or members of the board and officers of the Domestic Insurers have been convicted in a criminal proceeding (excluding minor traffic violations) or have been convicted or otherwise penalized for violating any federal or state law regulating the business of insurance, securities or banking. During the last ten (10) years, none of the officers of the Applicants or members of the board and officers of the Domestic Insurers have been the subject of any proceeding under the Federal Bankruptcy Code, or have been affiliated with a business or organization which has been subject to such proceeding.

Furthermore, no officer of the Applicants or member of the board and officers of the Domestic Insurer have had a revocation, suspension or disciplinary sanction imposed against him or her by a governmental agency. None of the filed

biographical affidavits contain any information that reflect negatively on these individuals.

At the hearing Mr. Quinlan testified to the character and experience of the proposed new directors of the Domestic Insurer stating that “we intend to place the directors on the Board of the Domestic Insurer who have significant experience in the insurance industry, and I know some of them personally, and I can attest to their personal integrity. These are directors who have been in the industry for quite some time”.<sup>7</sup>

Accordingly, based on the information entered into this record of proceeding, the undersigned hereby finds that the competence, experience, and integrity of those persons who would control the operations of the Domestic Insurer after completion of the Proposed Acquisition are sufficient to indicate that the interest of policyholders of the Domestic Insurer and of the public will not be jeopardized by the Applicants’ acquisition of control of the Domestic Insurer.

**(6) The acquisition of control or the Domestic Insurers is likely to be hazardous or prejudicial to those buying insurance.**

General Statutes § 38a-132(a)(6) requires that the proposed acquisition not be hazardous or prejudicial to the insurance buying public.

When questioned about the nature of the Proposed Acquisition, keeping the insurance buying public in mind, Mr. Vasilakos stated “Liberty Mutual is a very large, diversified, financially-strong company with a long heritage of

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<sup>7</sup> Hrg, Transcr. 20:25-21:6 (Jan. 27, 2022).

mutuality, and we think by combining these two companies, that those benefits will be afforded to the policyholders.”<sup>8</sup>

Based on the financial strength of the Applicants, the commitments contained within the Application and Merger Agreement, the competence, experience and integrity of those persons who would control the operation of the Domestic Insurer post-acquisition, the testimony of Mr. Quinlan and Mr. Vasilakos, the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, assuming compliance with the Applicants’ commitments as set forth in the record and with all of Connecticut’s insurance statutes and regulations, the undersigned hereby finds that it is reasonable to conclude that the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

#### **IV. RECOMMENDATION**

Based on the foregoing Findings of Fact and Discussion, the written and oral testimony and exhibits submitted to the Department, and the record of the January 27, 2022 public hearing, the undersigned hereby concludes that no condition justifying disapproval listed in General Statutes § 38a-132(a) is present with respect to completion of the Proposed Acquisition. Accordingly the undersigned recommends that the Commissioner find, pursuant to § 38a-132(a) that after the Proposed Acquisition of control (i) the Domestic Insurer will be able to satisfy the requirements for the issuance of a license for the lines of business

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<sup>8</sup> Hrg. Transcr. 21:15-19 (Jan. 27, 2022).

for which it is presently licensed; (ii) the effect of the acquisition of control will not substantially lessen competition of insurance in this state or tend to create a monopoly herein; (iii) the financial condition of the Applicants is not such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders; (iv) the Applicants' plans or proposals for the Domestic Insurer are not unfair and unreasonable to the policyholders of the Domestic Insurer and are in the public interest; (v) the competence, experience and integrity of the management of the Applicants and Domestic Insurer are such that it would be in the interest of the policyholders of the Domestic Insurer and of the public to permit the Proposed Acquisition; and (vi) completion of the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends that the Commissioner issue the following orders:

1. The Application of the Applicants in which they seek approval to acquire control of the Domestic Insurer is hereby approved.
2. The Applicants and Domestic Insurer shall conduct their operations consistent with the representations, disclosures and commitments set forth in the record of this proceeding and proposed final decision.
3. The Applicants shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.
4. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

5. The Applicants shall abide by the terms of the Commitment Letter executed on January 26, 2022.
6. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
7. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurer shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
8. For the two (2) year period following the consummation of the Proposed Acquisition, prior approval of the Commissioner will be required with any respect to any dividends paid by the Domestic Insurer.
9. For the period of two (2) years, the Applicants shall file semiannually with the Insurance Department, commencing six (6) months from consummation of the Proposed Acquisition, a report under oath of its business operations in Connecticut, including but not limited to, integration process, any change of business of the Domestic Insurer, changes in offices of the Domestic Insurer, and notice of any statutory compliance or regulatory action taken by other state regulatory agencies against the Applicants and Domestic Insurer. In addition, the operating report shall provide an update on Connecticut Employee status.

10. The Domestic Insurer shall continue to maintain their books and records in Ohio<sup>9</sup> and shall make all such items available for inspection by the Commissioner at any time.
11. If the Proposed Acquisition is not consummated within three (3) months of the date of this Order and the Applicants intent to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner at statement, which shall include (i) the reason for the Applicants' inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicants and the Domestic Insurer.
12. The Applicants shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes §38a-132(c).

Dated at Hartford this 23rd day of February, 2022.



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Ralph Chin  
Hearing Officer

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<sup>9</sup> The original Proposed Final Order and Decision was modified pursuant to Connecticut General Statutes § 4-181a(c) to correct a clerical error which incorrectly indicated Connecticut as the current location of the books and records instead of Ohio, as reflected by the record. Hrg. Transcr. 22:20-23:7 (Jan. 27, 2022).