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Ref. No. 582871.01/020063.00005

August 21, 2009

FILED

AUG 21 2009

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

VIA MESSENGER

The Honorable Patricia D. Petersen
Presiding Officer
Chief Hearing Officer
Office of Insurance Commissioner of Washington
5000 Capitol Boulevard
Tumwater, WA 98501

Re: In the Matter of the Proposed Acquisition of Control of:
Washington Casualty Company by Medical Professional Mutual Insurance Company
Docket No. 09-0095
Hearing Date: Tuesday, August 25, 2009 at 10:00 a.m.

Dear Judge Petersen:

Enclosed please find a notebook containing working copies of the following with regard to the hearing on the above referenced matter:

1. Opening Statement Offered on Behalf of Medical Professional Mutual Insurance Company and Washington Casualty Company;

2. Closing Argument Offered on Behalf of Medical Professional Mutual Insurance Company and Washington Casualty Company;

3. Final Order Approving Acquisition of Control (proposed);

4. Declaration of Richard W. Brewer (attaching pre-filed direct testimony). Mr. Brewer was physically unavailable to sign his declaration at the time of this filing, but he will do so before the hearing begins.

5. Declaration of Richard C. Helgren (attaching pre-filed direct testimony);

6. Declaration of John J. Donehue (attaching pre-filed direct testimony); and

7. Declaration of Janice W. Allegretto Offered on Behalf of Medical Professional Mutual Insurance Company.

The originals of the above documents have been filed today and served upon Mr. Brown.

Very truly yours,

Jerry Kindinger

JK:sks

Enclosure
cc: Client (w/o encl.)
Charles D. Brown, Sr. (w/encl.)

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unsigned
AUG 21 2009

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition of Control of: WASHINGTON CASUALTY COMPANY, A Domestic Insurer and Wholly-Owned Subsidiary of FINCOR HOLDINGS, INC., by MEDICAL PROFESSIONAL MUTUAL INSURANCE COMPANY, the Applicant.	Cause No. 09-0095 DECLARATION OF RICHARD W. BREWER

Richard W. Brewer, under penalty of perjury under the laws of the State of Washington, declares as follows:

1. I am President and Chief Executive Officer of ProMutual Group. I am over the age of eighteen years old, and I make this Declaration based upon personal knowledge.

2. Attached hereto is a true and correct copy of my pre-filed direct testimony in the above-referenced matter. I am competent to testify in the matters set forth in my testimony, and I incorporate the contents of my pre-filed direct testimony into this Declaration.

Signed this _____ day of August, 2009 at _____.

_____
Richard W. Brewer

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition of Control of: **WASHINGTON CASUALTY COMPANY, A Domestic Insurer and Wholly-Owned Subsidiary of FINCOR HOLDINGS, INC.,** **by** **MEDICAL PROFESSIONAL MUTUAL INSURANCE COMPANY,** **the Applicant.**	**Docket No. 09-0095** **PRE-FILED DIRECT TESTIMONY OF RICHARD W. BREWER OFFERED ON BEHALF OF MEDICAL PROFESSIONAL MUTUAL INSURANCE COMPANY**

PRE-FILED DIRECT TESTIMONY OF RICHARD W. BREWER

I. INTRODUCTION

1. Q. Please state your name for the record.

A. My name is Richard W. Brewer.

2. Q. Please state your business address.

A. ProMutual Group
101 Arch Street
Boston, Massachusetts 02110-1129

3. Q. Please state for the record your purpose for being here today.

A. I am here to testify in support of Medical Professional Mutual Insurance Company's proposed acquisition of control of Washington Casualty Company, which is a property and casualty insurer domiciled in the State of Washington. Washington Casualty is a direct, wholly-owned subsidiary of FinCor Holdings, Inc., a Michigan corporation.

I will refer to FinCor Holdings, Inc. during my testimony as "FinCor."

4. Q. Is there a trade name by which Medical Professional Mutual Insurance Company goes by?

A. Yes, Medical Professional Mutual Insurance Company goes by the name of "ProMutual."

5. Q. **Please describe the organization of ProMutual and its subsidiaries.**

A. ProMutual and its primary subsidiaries operate as "ProMutual Group." As illustrated in our organization chart, which is Exhibit 1 to my Pre-Filed Testimony, ProMutual Group consists of ProMutual, ProMutual Group, Inc., ProSelect Insurance Company, ProSelect National Insurance Company and ProMutual Insurance Agency, Inc. ProMutual Group, Inc. is a direct, wholly-owned subsidiary of ProMutual and a Massachusetts corporation. ProSelect Insurance Company, ProSelect National Insurance Company and ProSelect Insurance Agency are indirect, wholly-owned subsidiaries of ProMutual. ProSelect Insurance Company is a Massachusetts domiciled property and casualty insurer. ProSelect National Insurance Company is an Arizona domiciled property and casualty insurer. ProMutual Insurance Agency is a Massachusetts corporation.

6. Q. **Does ProMutual have any additional subsidiaries?**

A. Yes, ProMutual has two additional direct, wholly-owned subsidiaries which are not part of ProMutual Group. There is ProMutual Solutions Insurance Company, a captive insurer domiciled in Vermon,t and Horizon Merger Corporation, a Michigan corporation, which I will discuss later in my testimony.

7. Q. **By whom are you employed and in what capacity?**

A. I am the President and Chief Executive Officer of ProMutual.

8. Q. **What are your duties and responsibilities as President and CEO of ProMutual?**

A. I have overall responsibility for ProMutual Group and, as such, report to its Board of Directors.

9. Q. **Please describe your educational background.**

A. I have a Bachelor of Arts from Fairfield University and a Masters of Business Administration from the University of Bridgeport.

10. Q. **How long have you been employed with ProMutual?**

A. I have been employed by ProMutual since January of 2001.

11. Q. **How long have you held the position of President and Chief Executive Officer at ProMutual?**

A. Since I joined ProMutual in January of 2001.

12. Q. **What positions did you hold prior to joining ProMutual?**

A. From October 1988 until December 2000, I was the President and Chief Executive Officer of Arbella Mutual Insurance Company. Prior to that, I was Regional Vice President of National Grange Mutual Insurance from 1984 until 1988 and the General Manager of Hartford Insurance's regional office in Cleveland, Ohio from 1980 until 1984.

13. Q. Are you authorized to speak on behalf of ProMutual in this proceeding?

A. Yes, I have been authorized to speak on behalf of ProMutual.

14. Q. Could you explain what Horizon Merger Corporation is?

A. Horizon Merger Corporation is a newly-formed Michigan corporation. It was formed by ProMutual solely for the purpose of facilitating ProMutual's proposed acquisition of FinCor and the transactions contemplated by the Agreement and Plan of Merger by and among FinCor, Horizon Merger Corporation, ProMutual and Holders Agent, Inc., dated as of June 3, 2009, which I will refer to as the "Merger Agreement".

15. Q Does Horizon Merger Corporation do any business in Washington or elsewhere?

A. No, it does not.

16. Q. Could you explain what Holders Agent is?

A. Holders Agent is a newly-formed Michigan corporation formed by FinCor solely for the purpose of facilitating the transactions contemplated by the Merger Agreement.

17 Q. Does Holders Agent do any business in Washington or elsewhere?

A. No, to the best of my knowledge it does not.

18. Q. Could you provide us with a brief explanation of your involvement and role in the Transaction?

A. After being contacted by Raymond James, FinCor's investment banker, I was responsible for negotiating the Transaction on behalf of ProMutual. The team of individuals and outside advisors engaged in evaluating the Transaction, performing the due diligence and negotiating the terms of the Merger Agreement reported to me.

19. Q. Have you become familiar with and reviewed ProMutual's Form A Statement, as amended by Amendment No. 1, regarding the acquisition of control of Washington Casualty?

A. Yes, I have reviewed both the Form A Statement and Amendment No. 1.

20. Q. Did you execute the Form A Statement and Amendment No. 1 on behalf of ProMutual?

A. Yes, I signed both the Form A Statement and Amendment No. 1 on behalf of ProMutual.

21. Q. Did you have the authority to sign the Form A Statement and Amendment No. 1 on behalf of ProMutual?

A. Yes, I had such corporate authority.

22. Q. Could you explain what procedures ProMutual employed to make sure the Form A Statement is true, accurate and complete?

A. Yes, I would be happy to. Essentially, the Form A Statement was prepared by ProMutual and FinCor, together with ProMutual's outside legal advisors at Skadden, Arps and also Ryan, Swanson & Cleveland. We circulated drafts for review and comment to both ProMutual and FinCor in order to ensure that the Form A Statement was accurate and complete before it was filed. In addition, Warner Norcross & Judd, FinCor's outside counsel, was given the opportunity to review and comment on the Form A Statement.

23. Q. When was the Form A Statement filed by ProMutual with the Washington Office of Insurance Commissioner?

A. The Form A Statement was submitted by ProMutual on June 16, 2009. The Office of Insurance Commissioner acknowledged in writing that the Form A Statement was filed on June 17, 2009.

24 Q. Did ProMutual receive a Notice of Deficiency relating to the Form A Statement?

A. Yes. Mr. Ronald Pastuch sent a Notice of Deficiency dated June 26, 2009 requesting certain additional information. This information was submitted to the Office of Insurance Commissioner on July 8, 2009.

25. Q. Why did ProMutual file Amendment No. 1 to the Form A Statement?

A. In the Form A Statement, ProMutual proposed that the members of ProMutual's Board of Directors would serve as the Board of Directors of FinCor following the closing of the proposed Transaction. At a meeting on August 6, 2009, ProMutual's Board of Directors decided that Mr. John Donehue, Mr. Gregg Hanson and I should instead serve as the members of the FinCor Board of Directors following the closing of the proposed Transaction. As a result, we filed Amendment No. 1 to reflect this change in the proposed composition of the FinCor Board of Directors.

25. Q. When was Amendment No. 1 filed by ProMutual with the Washington Office of Insurance Commissioner?

A. Amendment No. 1 was submitted by ProMutual on August 7, 2009 and received on August 10, 2009 by the Washington Office of Insurance Commissioner.

26 Q. Did ProMutual send copies of the Form A Statement to Washington Casualty Company?

A. Yes, copies of the Form A Statement and Amendment No. 1 were provided to Richard Helgren at the offices of Washington Casualty.

27. Q. Is the Form A Statement, as amended by Amendment No. 1 and presented to the Washington State Office of Insurance Commissioner, to the best of your knowledge, true, accurate and complete?

A. Yes, it is.

28. Q. Have there been any material changes with respect to the information provided or required in the Form A Statement since Amendment No. 1 was filed with the Office of Insurance Commissioner?

A. No, to the best of my knowledge, there have not been any material changes.

II. OVERVIEW OF THE APPLICANT

1. Q. Who is the Applicant in this proceeding?

A. The Applicant is ProMutual.

2. Q. How does ProMutual propose to acquire control of Washington Casualty?

A. ProMutual proposes to acquire control of Washington Casualty Company pursuant to the terms of the Merger Agreement. A copy of the executed Merger Agreement was provided to the Washington State Office of Insurance Commissioner as an exhibit to ProMutual's Form A Statement. The diagram identified as Exhibit 2 to my Pre-Filed Testimony illustrates how Horizon Merger Corporation will merge with FinCor.

3. Q. Will ProMutual become the ultimate controlling person of Washington Casualty upon consummation of the Transaction?

A. Yes, it will.

4. Q. Could you please describe the business of ProMutual?

A. ProMutual is a mutual property and casualty insurance company domiciled in the Commonwealth of Massachusetts. We insure more than 17,000 physicians, surgeons and dentists, as well as a large number of hospitals, health centers and

clinics. As of December 31, 2008, ProMutual Group had approximately $306 million in direct written premium, approximately $2.2 billion in net admitted assets and approximately $612 million in combined policyholder surplus. ProMutual also has an A.M. Best Company rating of "A- (Excellent)."

5. Q. **What type of insurance does ProMutual provide?**

A. ProMutual, together with ProSelect Insurance Company, which I will refer to as "ProSelect", writes professional liability coverage for physicians, surgeons, dentists and hospitals in the Northeast on both an occurrence and claims-made basis. In addition, ProMutual and ProSelect offer ancillary coverage to policyholders, including general liability and billing errors and omissions.

6. Q. **Where does ProMutual operate?**

A. As illustrated in the diagram identified as Exhibit 3 to my Pre-Filed Testimony, ProMutual is licensed and offers products and services in Massachusetts. ProSelect is licensed and offers products and services in the New England states, as well as New Jersey and Pennsylvania. ProSelect is also licensed in Virginia and New York, but has not written any business in these states.

7. Q. **What is the extent of ProMutual's current business operations in Washington?**

A. ProMutual and the other members of ProMutual Group do not currently have any business operations in the State of Washington.

8. Q. **Just to clarify, has any member of ProMutual Group written any premiums in Washington?**

A. No, ProMutual and the other members of ProMutual Group have not written any premiums in the State of Washington.

III. OVERVIEW OF THE TRANSACTION

1. Q. **Please give us an overview of the structure of the Transaction.**

A. Washington Casualty will be acquired when its ultimate parent, FinCor, is acquired by ProMutual. The acquisition of FinCor by ProMutual will be effected pursuant to the terms and subject to the conditions of the Merger Agreement. As illustrated in the diagram identified as Exhibit 2 to my Pre-Filed Testimony, Horizon Merger Corporation will merge with and into FinCor pursuant to the terms of the Merger Agreement. FinCor will be the surviving entity in the merger.

2. Q. **What will happen to Horizon Merger Corporation as a result of the Transaction?**

A. As a result of the Transaction, the separate corporate existence of Horizon Merger Corporation will cease. FinCor, which will succeed to all the rights and obligations of Horizon Merger Corporation, will survive as a wholly-owned subsidiary of ProMutual.

3. Q. **What will happen to Washington Casualty as a result of the Transaction?**

A. Following the Transaction, all of the outstanding voting securities of Washington Casualty will continue to be owned by FinCor. As a result, Washington Casualty will become an indirect, wholly-owned subsidiary of ProMutual, as reflected in the diagram identified as Exhibit 4 to my Pre-Filed Testimony.

4. Q. **The Merger Agreement must be approved by the shareholders of FinCor. Has the FinCor shareholders meeting been held at this time?**

A. Yes, the meeting was held on July 9, 2009.

5. Q. **Did FinCor's shareholders approve the Merger Agreement?**

A. Yes, of the 622,434.3 shares entitled to vote at the meeting, 621,694 shares of FinCor's common stock were voted. All of the shares voted at the meeting voted in favor of approving the Merger Agreement. This represented 99.9% of the shares of FinCor common stock.

6. Q. **Will, as a result of the Transaction, any person hold ten percent or more of the voting securities of ProMutual?**

A. No, as a mutual company, ProMutual does not have voting securities.

7. Q. **At the present time, are there any other affiliations and relationships between ProMutual and Washington Casualty?**

A. No, there are no other affiliations or relationships.

8. Q. **Please describe ProMutual's internal process for approving the Transaction and the Merger Agreement?**

A. The senior management of ProMutual, after consulting with the ProMutual Board of Directors, negotiated the Merger Agreement with FinCor. The ProMutual Board reviewed the Merger Agreement with Skadden, along with all of the other legal aspects relating to the Transaction. ProMutual's Board then approved and authorized the Merger Agreement and the Transaction on June 3, 2009. ProMutual's Board relied on the legal advice of Skadden. It also consulted with its independent investment bankers, Keefe, Bruyette & Woods, Inc., with respect to the financial aspects of the Transaction.

9. Q. **Is the Transaction considered a material transaction for ProMutual?**

A. Yes, it is. This is the largest transaction ProMutual has undertaken in its history.

10. Q. Will policyholders of ProMutual be given the opportunity to vote on the Transaction?

A. No, the policyholders of ProMutual do not hold equity securities in ProMutual and as a result are not entitled to or required to vote on the Transaction.

11. Q. Will former FinCor shareholders have any right to appoint directors or executive officers of ProMutual or Washington Casualty following consummation of the Transaction?

A. No, the former FinCor shareholders will not have any right to appoint directors or executive officers of ProMutual, FinCor or Washington Casualty after the consummation of the Transaction.

IV. EFFECTS OF THE TRANSACTION ON WASHINGTON CASUALTY

1. Q. Does ProMutual intend to make any material changes to Washington Casualty?

A. No, immediately following the consummation of the Transaction, Washington Casualty Company will continue to maintain its separate corporate existence. We have no current plans to change the name of Washington Casualty or relocate its home office or its corporate records.

2. Q. Does ProMutual intend to discontinue any products currently offered by Washington Casualty?

A. No, we do not. We do not plan to discontinue any products currently offered by Washington Casualty or terminate any of the in-force programs of business currently being written by Washington Casualty.

3. Q. What are ProMutual's current plans for Washington Casualty?

A. Washington Casualty currently enjoys an excellent reputation in its markets and has a proven record of service with its insureds. Immediately following the consummation of the Transaction, we intend for Washington Casualty to continue conducting its business and operations substantially as presently conducted.

4. Q. Are you aware of Washington Casualty's current plans?

A Yes, Washington Casualty has followed a conservative marketing plan of carefully controlled growth, using competitive rates and offering superior claim and risk management services to hospitals and community health centers. In addition, it has a plan in place to offer medical professional liability insurance to physicians and surgeons affiliated with its insured hospital clients. ProMutual endorses this strategy and has no intention to materially change this plan.

5. Q. **Does ProMutual have any intention of changing how Washington Casualty distributes its products?**

A. No. In addition to independent agents, Washington Casualty distributes its products through a relationship with FinCor Solutions, Inc., an affiliate of Washington Casualty, and a direct, wholly-owned subsidiary of FinCor. FinCor Solutions is a full service insurance agency. ProMutual has no plan to materially alter the agreements or the practices under which Washington Casualty and FinCor Solutions operate.

6. Q. **Does ProMutual have any plans in regards to Washington Casualty's reinsurance program?**

A. We believe that Washington Casualty's present reinsurance program is sound and has met its needs. However, because ProMutual enjoys the economies of a larger reinsurance program, we intend to explore some changes that will result in better coverage and lower costs. Any material changes to Washington Casualty's reinsurance program will be based upon the same conservative principles we use when placing our own reinsurance and will only involve reinsurance companies with an A.M. Best rating of "A-" or higher.

7. Q. **Does ProMutual have any plans or proposals to cause Washington Casualty to declare an extraordinary dividend, to liquidate, to sell its assets or merge with any other person or make any other material change in its business or corporate structure?**

A. No, we presently have no plans or proposals to cause Washington Casualty to declare an extraordinary dividend, to liquidate, to sell its assets or merge it with any person or to make any other material change in its business or corporate structure.

8. Q. **Is FinCor subject to any conditions in connection with its operation of Washington Casualty?**

A. Yes, under the agreement governing FinCor's acquisition of Washington Casualty out of rehabilitation in 2006, FinCor remains subject to two covenants until October 6, 2010.

9. Q. **What are these covenants?**

The first covenant requires FinCor to operate Washington Casualty as a separate corporate entity and as a domestic insurer with its principal place of business in the State of Washington. In addition, FinCor is not permitted to merge or consolidate Washington Casualty with another entity without the written approval of the Office of Insurance Commissioner, unless Washington Casualty is confronted by significant capital impairment or financial performance deficiencies.

10. Q. **What is the second covenant?**

The second covenant requires FinCor to cause Washington Casualty to use commercially reasonable efforts to market policies to medium and small hospitals and community health clinics in the State of Washington. In the event that Washington Casualty markets to large hospitals or additional medical providers in Washington, any adverse experience on those large hospitals or additional medical providers is not to be included in Washington Casualty's risk making calculations for medium and small hospitals and community health clinics in Washington.

11. Q. **What effect will the Transaction have on these covenants?**

A. None. FinCor and ProMutual, as the owner of FinCor, will remain subject to these covenants until October 6, 2010.

12. Q. **Does ProMutual intend to have Washington Casualty continue providing professional liability insurance to medium and small hospitals and community health clinics in the State of Washington?**

A, Yes, we do.

13. Q. **Does ProMutual have any plans to cause Washington Casualty to alter its targeted business in the State of Washington?**

A. No, we do not.

14. Q. **Does ProMutual intend to redomesticate Washington Casualty?**

A. No, we do not.

15. Q. **What are ProMutual's plans with respect to Washington Casualty's administrative functions upon the consummation of the Transaction?**

A. We do not intend to make any material changes to the administrative functions of Washington Casualty. However, where it makes sense to do so, some of the corporate functions of Washington Casualty that are currently performed by FinCor may be performed by ProMutual.

16. Q. **Does ProMutual anticipate entering into any intercompany agreements with Washington Casualty upon the consummation of the Transaction?**

A. As I previously mentioned, we intend to explore whether Washington Casualty's reinsurance program could benefit from our reinsurance program, which could result in Washington Casualty entering into reinsurance or pooling agreements with ProMutual Group.

17. Q. **Does ProMutual intend to enter into a tax sharing agreement with Washington Casualty?**

A. Yes, we intend to enter into a consolidated tax sharing agreement with Washington Casualty. ProMutual and its subsidiaries currently file on a consolidated basis, and we intend to include FinCor and its subsidiaries in our consolidated tax returns going forward.

18. Q. **Are there any other types of intercompany agreements that may be entered into with Washington Casualty?**

A. Yes, if it is necessary to facilitate the preservation of existing business and promote the growth of new business, Washington Casualty may enter into additional service, expense sharing or administrative agreements with ProMutual Group.

19. Q. **Are you aware that the reinsurance, tax sharing and other agreements you have described may require the review or approval of the Washington Office of Insurance Commissioner?**

A. Yes, if any such agreements are found to be necessary or appropriate, we would submit such agreements to the Washington Office of Insurance Commissioner for review or approval as required by applicable law.

20. Q. **Are you familiar with the provisions of Washington law with which a domestic property and casualty insurance company must comply in order to qualify for its license?**

A. Yes, I generally am.

21. Q. **Upon consummation of the Transaction, will Washington Casualty be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance in Washington for which it is presently licensed?**

A. To the best of my knowledge, yes it will.

22. Q. **What is the basis for that answer?**

A. The Transaction will not affect Washington Casualty in a way that would adversely impact its existing financial condition, operations or regulatory compliance. More specifically, the operations of Washington Casualty will remain virtually unchanged immediately following the Transaction. Further, ProMutual is a financially strong company, and we expect to remain so after the Transaction. There is nothing about the Transaction that would affect Washington Casualty's ability to continue to satisfy its requirements as a property and casualty insurance company in Washington.

23. Q. What are the lines of insurance for which Washington Casualty is licensed to write in Washington?

A. Washington Casualty is currently licensed to write medical professional liability, general liability, employment practices liability and directors and officers insurance in the State of Washington.

V. OFFICERS AND DIRECTORS OF WASHINGTON CASUALTY AND PROMUTUAL

1. Q. Does ProMutual intend to make any changes to the management of Washington Casualty?

A. We have no present plans to materially change Washington Casualty's management, except that Ms. Amy T. Irish will no longer serve as Treasurer of Washington Casualty. We intend to have Mr. John J. Donehue serve as a Senior Vice President and Treasurer and Ms. Janice W. Allegretto serve as Vice President, General Counsel and Secretary of Washington Casualty.

2. Q. Please describe the composition of the executive officers of Washington Casualty upon the consummation of the Transaction.

A. In addition to John Donehue and Janice Allegretto, we intend for Mr. Richard C. Helgren to remain as President and Chief Executive Officer of Washington Casualty and for Ms. Christine Schmitt to remain as Senior Vice President, Chief Financial Officer and Assistant Treasurer of Washington Casualty. Ms. Schmitt will no longer serve as Secretary, and Ms. Irish will no longer serve as Treasurer.

3. Q. Does ProMutual intend to make any changes to the Board of Directors of Washington Casualty?

A. We intend to replace Washington Casualty's current Board of Directors, which consists of Thomas F. Dickinson, Richard C. Helgren and Christine C. Schmitt, with myself, John J. Donehue, and Gregg L. Hanson. John Donehue is our Senior Vice President and Chief Financial Officer. Gregg Hanson is our Chief Operating Officer.

4. Q. Have biographical affidavits for each of the proposed directors and executive officers of Washington Casualty, upon the consummation of the Transaction, been filed with the Washington Office of Insurance Commissioner?

A. We have submitted biographical affidavits for all of the proposed directors and the new executive officers of Washington Casualty to the Office of Insurance Commissioner. We did not submit biographical affidavits for the current executive officers of Washington Casualty that will remain as executive officers following the consummation of the Transaction, as these individuals already have biographical affidavits on file with the Washington Office of Insurance Commissioner.

5. Q. **Have biographical affidavits for each of the directors and executive officers of ProMutual been filed with the Washington State Office of Insurance Commissioner?**

A. Yes, we have submitted all of the biographical affidavits.

VI. FINANCIAL CONDITION OF WASHINGTON CASUALTY UPON THE CONSUMMATION OF THE TRANSACTION

1. Q. **Will Washington Casualty's capitalization change in any way as a result of the Transaction?**

A. No, all of Washington Casualty's issued and outstanding shares of capital stock will continue to consist of the same number of shares following the Transaction.

2. Q. **Will Washington Casualty's policyholder surplus or risk based capital level change in any way as a result of the Transaction?**

A. No, neither will change as a result of the Transaction.

3. Q. **Is there anything about the financial condition of ProMutual that would jeopardize the financial stability of Washington Casualty or prejudice the interests of Washington Casualty's policyholders?**

A. Absolutely not. Quite the contrary, ProMutual, which will be the ultimate controlling person of Washington Casualty, is a well capitalized company. As I previously stated, ProMutual Group has a financial strength rating of A- ("Excellent") from A.M. Best. This rating is expected to remain unchanged after the Transaction. The Transaction will not adversely affect the financial strength of ProMutual or Washington Casualty. The interests of Washington Casualty's policyholders, therefore, will not be adversely affected in any way by the consummation of the Transaction.

VII. OTHER REGULATORY APPROVALS

1. Q. **Aside from the Washington Form A filing which is the subject of today's hearing, could you describe any other acquisition of control filings that the Applicant is required to make in connection with the Transaction.**

A. ProMutual was required to make an acquisition of control filing with the Commissioner of the Office of Financial and Insurance Regulation of the State of Michigan. We submitted this filing on June 16, 2009.

2. Q. **What is the status of the Michigan Form A filing?**

A. ProMutual's proposed acquisition of control of MHA Insurance Company was approved by the Commissioner of Financial and Insurance Regulation of the State of Michigan in an order dated July 27, 2009.

3. Q. **Are there any other regulatory filings required in order for the parties to consummate the Transaction?**

A. Yes. A filing has been made in connection with the change in the beneficial ownership of the management shares of Capital Risk Solutions, a subsidiary of FinCor.

4. Q. **Do you happen to know if any Form E Pre-Acquisition Notification filings have been made in connection with the Transaction?**

A. No Form E Pre-Acquisition Notification filings are required to be made in connection with the Transaction.

5. Q. **Please describe the domestic antitrust regulatory filing that ProMutual is required to make in connection with the Transaction.**

A. Under the Hart-Scott-Rodino Act and related rules, the Transaction may not be consummated until all requisite notifications have been given and certain information has been furnished to the Federal Trade Commission and the Antitrust Division of the Justice Department, and thereafter, a specified waiting period has either been satisfied or earlier terminated.

6. Q. **What is the current status of the HSR filings?**

A. On July 8, 2009, we filed the notification and report forms required under the Hart-Scott-Rodino Act with the Federal Trade Commission and the Antitrust Division of the Justice Department. FinCor made its filing under the Hart-Scott-Rodino Act on July 9, 2009. The waiting period applicable to these filings expired at the end of the day on August 10, 2009.

VIII. BENEFITS OF THE TRANSACTION

1. Q. **Could you outline for us the benefits that ProMutual expects to derive from the Transaction?**

A. Yes, we expect that the Transaction will result in a number of benefits for ProMutual, which will contribute to the future success of ProMutual, FinCor and Washington Casualty. The Transaction will result in geographic expansion into new markets where ProMutual Group does not have a presence, including the Pacific Northwest and the Midwest. Washington Casualty's skilled staff and distribution system will enhance ProMutual's corporate knowledge base. Additionally, Washington Casualty's current book of hospital and community facilities business will add diversification to ProMutual's corporate-wide risk exposure and is consistent with key platforms in ProMutual's strategic plan. In addition, the increased number of insureds will allow better actuarial predictions for the Company.

2. Q. **What are the benefits that Washington Casualty and its policyholders can reasonably expect to realize as a result of the Transaction?**

A. While there will be no immediate change for policyholders, we expect that the Transaction will, over time, have a positive impact on Washington Casualty and its policyholders based on the strong financial backing of ProMutual Group.

3. Q. **Are any of Washington Casualty's employees expected to be terminated as a result of the Transaction?**

A. No, we do not have any current plans to terminate any employees of Washington Casualty as a result of the Transaction.

4. Q. **Do you believe that the operations and growth potential of Washington Casualty will be enhanced by the Transaction?**

A. Yes, I do. The Transaction provides a significant opportunity to improve the overall access to affordable medical professional liability insurance to doctors, healthcare professionals and healthcare organizations in Washington. Over time, ProMutual Group's size, scope, financial strength and focus on medical professional liability insurance should improve Washington Casualty's ability to meet competitive pressures and serve policyholders more efficiently.

5. Q. **Has ProMutual received any communications expressing concerns from the public in response to the publication of the Notice of Hearing?**

A. To the best of my knowledge, no such concerns have been expressed to ProMutual.

6. Q. **Is it your opinion that the Washington Insurance Commissioner should approve ProMutual's Form A Statement for the acquisition of control of Washington Casualty?**

A. Yes, it is. We have demonstrated through the Form A Statement and in our responses to Office of Insurance Commissioner that ProMutual and the Transaction meet the statutory requirements for approving the Transaction. Therefore, Commissioner Mike Kreidler should approve ProMutual's acquisition of control of Washington Casualty.

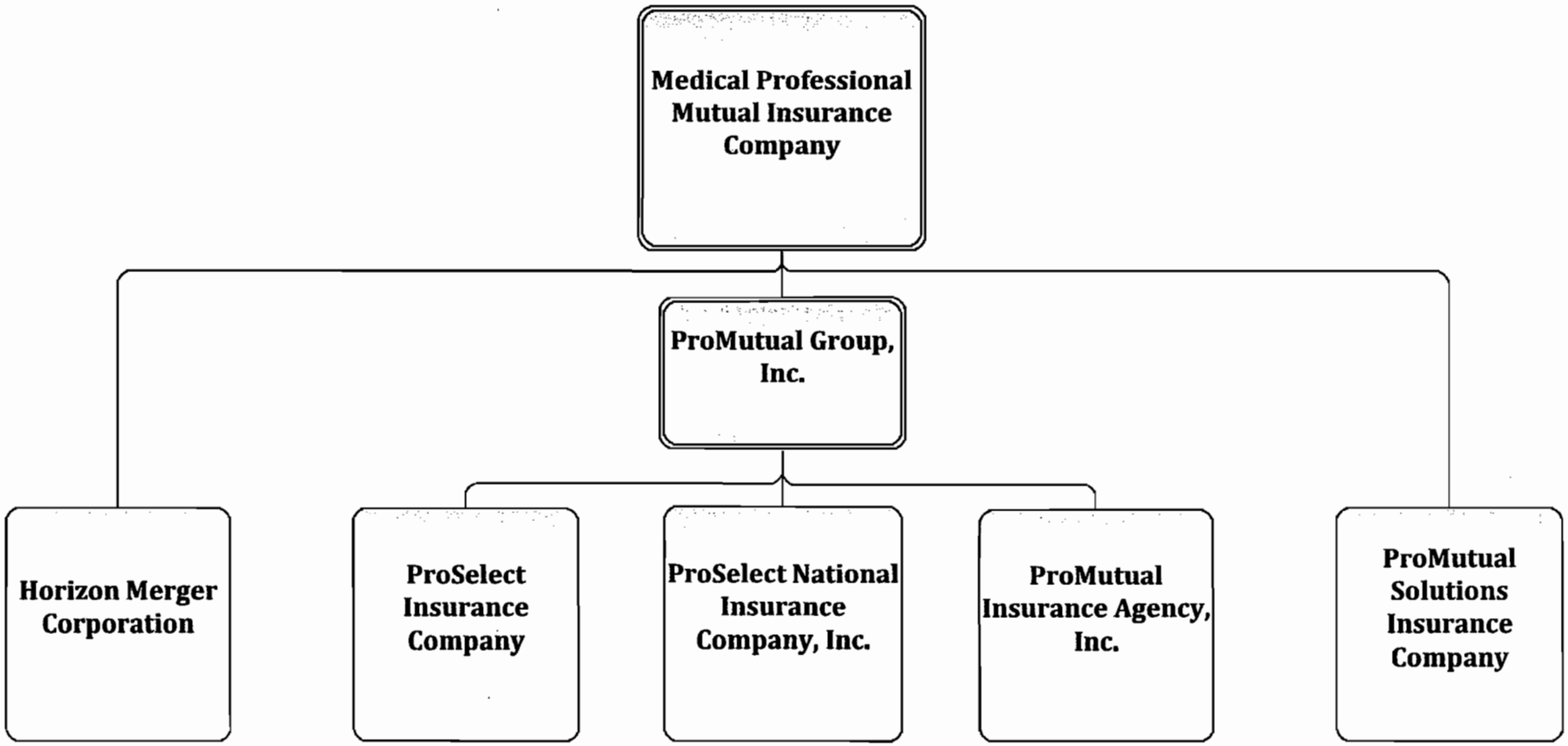
7. Q. **Is there anything else that you would like to add Mr. Brewer?**

A. Yes. I would like to thank Chief Hearing Officer Peterson, Commissioner Mike Kreidler, as well as the staff of the Office of Insurance Commissioner for their attention to our Form A filing and for their diligence in reviewing the Form A Statement and related materials.

8. **Thank you Mr. Brewer.**

Pre-Filed Direct Testimony
of
Richard W. Brewer
Exhibit 1

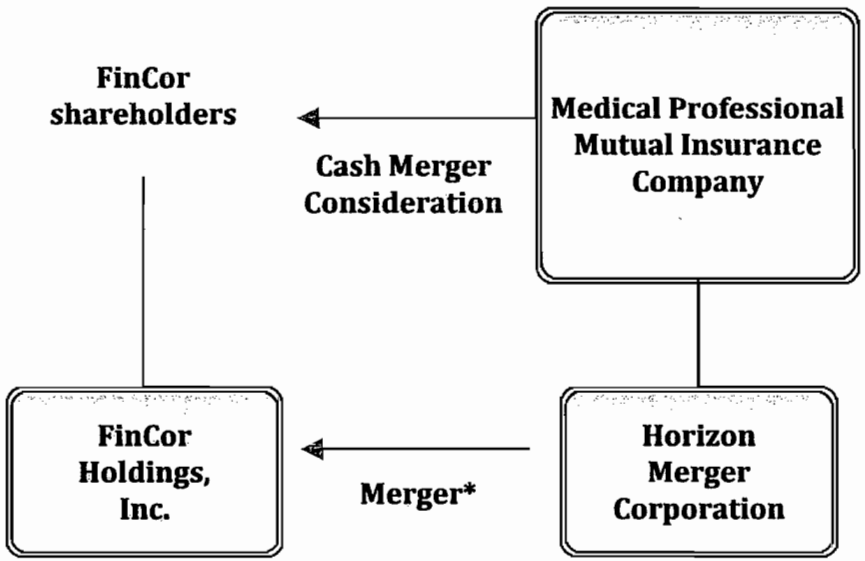
ProMutual Group
(Pre-Acquisition)



Pre-Filed Direct Testimony
of
Richard W. Brewer
Exhibit 2

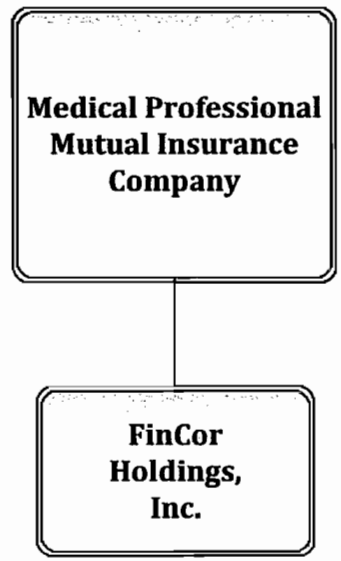
Reverse Subsidiary Merger

Merger Structure



* Horizon Merger Corporation will merge with and into FinCor, Holdings, Inc. with FinCor Holdings, Inc. as the surviving entity.

Post Merger Corporate Organization



- FinCor Holdings, Inc. is the surviving entity of the merger and becomes a wholly-owned subsidiary of Medical Professional Mutual Insurance Company.

Pre-Filed Direct Testimony
of
Richard W. Brewer
Exhibit 3

ProMutual Group Licensed States (Pre-Acquisition)

- Medical Professional Mutual Insurance Company and ProSelect
- ProSelect Only -- 10 (with PA, NC & VA)
- ProSelect National -- 27
- Non-Licensed States -- 14
- ProSelect & ProSelect National

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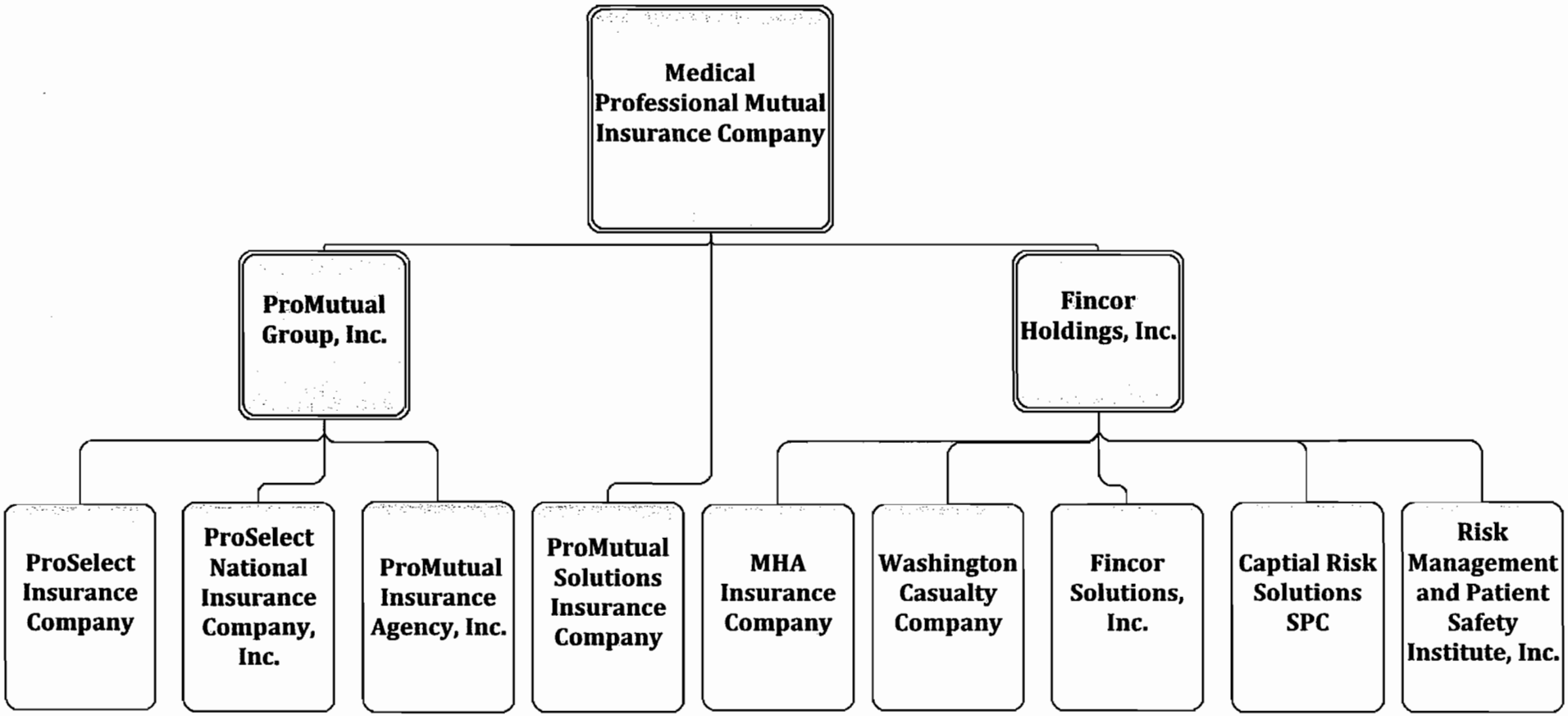
Pre-Filed Direct Testimony
of
Richard W. Brewer
Exhibit 4

ProMutual Group
(Post Acquisition)