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Ref. No. 582871.01/020063.00005

August 21, 2009

FILED

AUG 21 2009

VIA MESSENGER

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

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

**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

The Honorable Patricia D. Petersen
August 21, 2009
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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.)

FILED

AUG 21 2009

Hearings Unit OIC
Patricia D. Petersen
Chief Hearing Officer

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

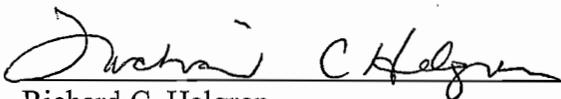
DECLARATION OF RICHARD C.
HELGREN

Richard C. Helgren, under penalty of perjury under the laws of the State of Washington, declares as follows:

1. I am Executive Vice President and Chief Operating Officer of FinCor Holdings, Inc. 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 19th day of August, 2009 at Lansing, Michigan.


Richard C. Helgren

**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 C.
HELGREN OFFERED ON
BEHALF OF MEDICAL
PROFESSIONAL MUTUAL
INSURANCE COMPANY**

PRE-FILED DIRECT TESTIMONY OF RICHARD C. HELGREN

I. INTRODUCTION

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

A. My name is Richard C. Helgren.

2. Q. Please state your business address.

A. FinCor Holdings, Inc.
6215 West St. Joseph Highway
Lansing, Michigan 48917-4852

3. Q. Please describe your educational background.

A. I have a Bachelor of Science from Aquinas College.

4. Q. Do you hold any professional designations?

A. I am a Certified Public Accountant, a Chartered Property Casualty Underwriter and a licensed property and casualty insurance agent.

5. Q. With whom are you currently employed?

A. I am currently employed by FinCor Holdings, Inc. and its wholly-owned subsidiary, MHA Insurance Company. For ease of reference, I shall refer to these as "FinCor" and "MHAIC," respectively. In addition to serving as a director and/or executive officer of FinCor's various subsidiaries, I currently serve as a

director and the President and Chief Executive Officer of Washington Casualty Company.

6. **Q. How long have you been working for MHAIC and FinCor?**

A. I have been with MAHIC since 1989.

7. **Q. What is your current title and how long have you served in this capacity?**

A. I became FinCor's Executive Vice President and Chief Operating Officer in 2004. I am also a director of FinCor, a position that I have held since 2006.

8. **Q. What are your responsibilities at FinCor?**

A. I am responsible for the operational management of FinCor and its subsidiaries. This includes underwriting, claims, information technology, corporate compliance and intercompany integration activities. I also work with FinCor's senior executives to plan, develop and execute strategic business initiatives.

9. **Q. What is your role expected to be following the Transaction?**

A. I will remain as the Executive Vice President and Chief Operating Officer of FinCor following the closing of the Transaction. In addition, I will continue to serve as an executive officer of various FinCor subsidiaries, including Washington Casualty.

10. **Q. Could you briefly describe the current operations of FinCor?**

A. FinCor, through Washington Casualty and MHAIC, is among the 35 largest U.S. based medical malpractice underwriters. In 2008, FinCor's two U.S. insurance subsidiaries collectively had over \$70 million in net written premiums, and policyholders included more than 268 healthcare facilities and more than 5,315 insured physicians. FinCor, through Washington Casualty and MHAIC, underwrites medical professional liability insurance in twelve states located in the Midwest and the Pacific Northwest. FinCor's direct, wholly-owned subsidiary FinCor Solutions, Inc. provides agency and administrative services. The Risk Management and Patient Safety Institute, another direct, wholly-owned subsidiary of FinCor, provides clinical risk management consulting services. In addition, FinCor owns all of the management shares in Capital Risk Solutions, A Segregated Portfolio Company, which is a Cayman Islands captive insurer.

11. **Q. Have you received a copy of the Form A Statement and Amendment No. 1 that ProMutual has filed with the Washington Office of Insurance Commissioner in connection with the Transaction?**

A. Yes, I have received copies of both filings.

12. **Q. In your opinion, does the Form A Statement accurately characterize the Transaction?**

A. Yes, to the best of my knowledge, it does.

II. BACKGROUND ON WASHINGTON CASUALTY

1. **Q. Where does FinCor's insurance, agency and risk management subsidiaries operate?**

A. FinCor and its subsidiaries are headquartered in Lansing, Michigan. MHA Insurance Company writes business in Indiana, Iowa, Kentucky, Michigan, Minnesota, North Dakota, Ohio, South Dakota and Wisconsin. Washington Casualty Company writes business in Idaho, Oregon and Washington. FinCor Solutions, Inc. is a multi-line insurance agency that is responsible for the direct sales of FinCor's insurance subsidiaries and operates in eight core states: Idaho, Indiana, Iowa, Michigan, Ohio, Oregon, Washington and Wisconsin. Risk Management and Patient Safety Institute provides clinical risk management services in all fifty states. Capital Risk Solutions, A Segregated Portfolio Company, FinCor's Cayman Islands subsidiary, provides captive insurer capabilities to FinCor's clients.

2. **Q. Please describe FinCor's physical presence in Washington.**

A. Washington Casualty leases one office which is located in Maple Valley, Washington. The Maple Valley location is a 9,128 square foot facility housing a staff of eight full-time employees.

3. **Q. Please describe Washington Casualty.**

A. Washington Casualty is a property and casualty insurance company domiciled in the State of Washington. It is licensed and actively writes business in Idaho, Oregon and Washington. In addition, Washington Casualty is currently licensed in Montana and Nevada. However, it is in the process of withdrawing from Nevada, and its license is currently suspended/inactive in Montana until its reserves for Montana liabilities run off, at which time the license will be withdrawn.

4. **Q. Please describe the types of insurance products Washington Casualty markets in the State of Washington.**

A. Washington Casualty writes medical professional liability, general liability, employment practices liability and directors and officers insurance in the State of Washington.

5. **Q. Mr. Helgren, do you happen to know the current A.M. Best rating of Washington Casualty?**

A. Yes, A.M. Best has assigned Washington Casualty a financial strength rating of "B+ (Good)."

6. **Q. What was Washington Casualty risk-based capital as of December 31, 2008, as a percentage of total capital and surplus?**

A. Washington Casualty's risk-based capital as of December 31, 2008, was 821.7% of its authorized control level, which is significantly in excess of applicable risk-based capital requirements. As of June 30, 2009, Washington Casualty had total capital and surplus of approximately \$15 million.

III. EFFECTS OF THE TRANSACTION ON WASHINGTON CASUALTY

1. **Q. Mr. Helgren, could you please outline the purpose of the Transaction from FinCor's standpoint?**

A. FinCor's shareholders have been looking for an opportunity to liquidate their investment in FinCor for cash that could be used for delivery of healthcare services rather than retaining FinCor stock as an investment. The Transaction provides FinCor's shareholders with such an opportunity.

2. **Q. Are there any other advantages to FinCor's policyholders that are expected from the Merger?**

A. The FinCor Board of Directors considered a number of factors in examining the Transaction to determine if it was beneficial to not only FinCor's shareholders, but to its policyholders as well. The Board examined the ability of the combined organization to achieve economies of scale which may allow FinCor to offer lower prices for products and services to healthcare professionals in Washington and other states and the ability of the combined organization to leverage the experienced management teams and best practices from both organizations.

3. **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 will join together two highly complementary organizations with significant capabilities and a demonstrated commitment to serving diverse constituencies and expanding options for healthcare providers. Combining the brand prominence and deep relationships of ProMutual and FinCor in the Northeast, Midwest and Northwest will enable the combined organization to better respond to the needs of medical professionals across the country, including those in Washington.

4. **Q. Does FinCor have any internal plans to make any material changes with respect to Washington Casualty?**

No, other than as described in ProMutual's Form A statement, FinCor currently has no internal plans to make any material changes with respect to the business and operations of Washington Casualty.

IV. STATUTORY STANDARDS

1. **Q. The following questions address the statutory requirements with which any proposed acquisition of control transaction must comply before Commissioner Kreidler can approve any such transaction.**

After the Transaction, will Washington Casualty be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed?

- A. Yes, as part of its Form A Statement, ProMutual has indicated that it has no plans to change the operations of Washington Casualty following the consummation of the Transaction. As a result, I see no reason why Washington Casualty would not continue to qualify for its Washington license after the Transaction.

2. **Q. Will the effect of the Transaction be to substantially lessen competition in this state or tend to create a monopoly herein?**

- A. No, as Mr. Donehue has noted in his testimony, ProMutual and its subsidiaries do not currently write any business in Washington. Therefore, I believe that the Transaction will not substantially lessen competition for medical professional liability insurance in the State of Washington or tend to create a monopoly in the State.

3. **Q. Do you believe that ProMutual's financial condition will jeopardize the financial stability of Washington Casualty or prejudice the interests of Washington Casualty's policyholders?**

- A. No, I do not. Among the factors considered by the FinCor Board of Directors were the business, operations, technological capabilities, financial condition, earnings and prospects of ProMutual as well as ProMutual's track record of industry leadership, both strategically and operationally.

ProMutual is a well-capitalized company, with a financial strength rating of "A- (Excellent)" from A.M. Best compared to Washington Casualty's financial strength rating of "B+ (Good)." In addition, ProMutual has an issuer credit rating of "a-" from A.M. Best. Therefore, Washington Casualty's financial stability will not be jeopardized by ProMutual's financial condition. In addition, the interests of Washington Casualty's policyholders will not be prejudiced in any way by the proposed acquisition of control.

4. **Q. Are there any current plans that you are aware of which ProMutual has to liquidate Washington Casualty, sell its assets or consolidate or merge the company with any person, or make any other material change in its business**

or corporate structure or management that are unfair or unreasonable to Washington Casualty's policyholders and not in the public interest?

A. No. ProMutual's Form A provides, and Mr. Brewer has testified here today, that ProMutual has no current plans to change the business or corporate structure of Washington Casualty. In addition, the proposed changes to Washington Casualty's executive officers will add the experience of ProMutual's executives to Washington Casualty's management. Therefore, I am not aware of any current plans that ProMutual has for Washington Casualty which are unfair or unreasonable to Washington Casualty's policyholders. In fact, because the business and operations of Washington Casualty are not expected to materially change following the Transaction, the transition should be seamless for policyholders who will continue to receive the high quality of service that they currently receive from WCC.

5. Q. Do you believe that the competence, experience and integrity of those persons who would control the operation of Washington Casualty are such that it would not be in the interest of the policyholders of Washington Casualty or the public to permit the Transaction?

A. No, I do not. We view the management of ProMutual as extremely competent and able, with a proven industry leadership track record.

6. Q. Do you believe that the Transaction is likely to be hazardous or prejudicial to the insurance-buying public?

A. No, I do not believe that the Transaction will be hazardous or prejudicial to the insurance buying public.

7. Q. Has Washington Casualty or FinCor received any communications expressing concerns from the public in response to the publication of the Notice of Hearing?

A. To the best of knowledge, no such concerns have been expressed to either Washington Casualty or FinCor.

8. Q. Do you believe that Commissioner Kreidler should approve ProMutual's proposed acquisition of control of Washington Casualty?

A. Yes, based on ProMutual's Form A Statement and the record established at today's hearing, I believe that Commissioner Kreidler should approve ProMutual's acquisition of Washington Casualty.

9. Q. Is there anything else you would like to add, Mr. Helgren?

A. Yes, I would like to thank Chief Hearing Officer Petersen, Commissioner Kreidler, as well as the staff of the Washington Office of Insurance Commissioner, for their review of ProMutual's Form A Statement. I also strongly

urge the approval of ProMutual's application as being compliant with the relevant statutory standards.

10. Q. **Thank you, Mr. Helgren.**