MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000

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Hearings Unit, DIC
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Chief Hearing Officer

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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** **NOTICE OF HEARING**

TO: Anne B. Seggerman, Esq, Associate Counsel
Medical Professional Mutual Insurance Company
101 Arch Street, P.O. Box 55178
Boston, Massachusetts 02205

Jerry Kindinger, Esq.
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Seattle, Washington 98101-3034

Robert J. Sullivan, Esq.
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Four Times Square
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Richard C. Helgren, CPA, CPCU
Executive Vice President and COO of FinCor Holdings Inc.
President and Chief Executive Officer of Washington Casualty Company
FinCor Holdings Inc.
6215 West St. Joseph Highway
Lansing, Michigan 48917-4852

Christine C. Schmitt, CPA
Senior Vice President, Assistant Secretary & CFO of FinCor Holdings Inc.
FinCor Holdings Inc.
6215 West St. Joseph Highway
Lansing, Michigan 48917-4852

COPY TO: Mike Kreidler, Insurance Commissioner
Mike Watson, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Division
Ronald Pastuch, Holding Manager, Company Supervision Division
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Charles D. Brown, Sr. Staff Attorney, Legal Affairs Division
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

DETAILS OF PROPOSED ACQUISITION

The Applicant, Medical Professional Mutual Insurance Company ("Applicant"), is a property and casualty mutual insurance company domiciled in the Commonwealth of Massachusetts, NAIC No. 10206, with its headquarters in Boston, MA. The Applicant, together with its subsidiaries are referred to as ProMutual Group. ProMutual Group, through the Applicant and the Applicant's indirect, wholly-owned subsidiary, ProSelect Insurance Company, a Massachusetts property and casualty stock insurance company, writes professional liability coverage for physicians, surgeons, dentists and hospitals in the Northeast and also offers ancillary coverage to policyholders including general liability and billing errors and omissions, insuring more than 17,000 providers as well as a large number of hospitals, health centers and clinics, and as of December 31, 2008 had approximately $297.5 million in direct written premium, approximately $2.2 billion in net admitted assets and approximately $612.1 million in combined policyholder surplus, and is rated A- (Excellent) by A.M. Best Company. The Applicant is authorized and offers products and services in

Massachusetts. ProSelect Insurance Company is authorized and offers products and services in Massachusetts, Connecticut, Maine, New Hampshire, New Jersey, Pennsylvania, Rhode Island and Vermont. ProSelect also recently received authorization in Virginia and maintains a Certificate of Authority in New York.

FinCor Holdings, Inc. ("FinCor") is a Michigan holding company based in Lansing, Michigan. FinCor wholly owns five subsidiaries: MHA Insurance Company domiciled in the State of Michigan; Risk Management and Safety, Inc., a Michigan risk management company; FinCor Solutions, Inc., a Michigan business corporation; Capital Risk Solutions, a Cayman Islands captive insurance company; and Washington Casualty Company ("Domestic Insurer"). The Domestic Insurer is a property and casualty insurance company domiciled in the State of Washington with its headquarters in Maple Valley, WA, is authorized to conduct insurance business in Idaho, Montana, Nevada, Oregon and Washington and primarily writes medical professional liability insurance for hospitals. The Domestic Insurer currently writes business in Idaho, Oregon and Washington, is in the process of withdrawing from Nevada and is in run-off in Montana where its Certificate of Authority is inactive with respect to new business.

Briefly, the Applicant proposes to acquire FinCor and its five subsidiaries for $182,000,000, less an $8,000,000 allowance for certain costs and is also subject to an adjustment based upon change of book value, all to be paid from the cash reserves of the Applicant. The second portion of the consideration relates to the favorable loss and loss adjustment expense developments, if any of FinCor's two principal insurance company subsidiaries which include the Domestic Insurer, and is payable in 2014. In addition, upon consummation of the acquisition each outstanding share of FinCor's preferred stock will be cancelled and converted into the right to receive a one-time payment of $1,000 per share of preferred stock plus any accrued but unpaid dividends, totaling approximately $8.9 million. All documents which have been filed in this matter, including said Form A and Amendment No. 1 to Form A, descriptions of the companies, Agreement and Plan of Merger dated June 3, 2009, and all other matters can be found for public review on the Insurance Commissioner's website at http://www.insurance.wa.gov/orders/hearings_proceedings9.shtml.

NATURE OF PROCEEDING

On June 17, 2009, pursuant to RCW 48.31B.015, the Applicant filed a preacquisition notification with the Company Supervision Division of the Office of the Insurance Commissioner (Form "A" Statement Regarding the Acquisition of Control of a Domestic Insurer) which 1) includes substantial information and agreements concerning this proposed acquisition as required by RCW 48.31B.015(2) and in accordance with RCW 48.31B.020(3)(a), including the Agreement and Plan of Merger executed June 3, 2009, organizational charts for both before and after this proposed transaction, biographical affidavits of individuals who would control the Domestic Insurer and all other relevant documents; and which 2) includes information and agreements relative to the issues which must be the subject of findings pursuant to RCW 48.31B.015(4). Said Form A requests approval of its proposed acquisition. On August 10, 2009, the Applicant filed Amendment No. 1 to

Form A, attached Amended Exhibit H-2, to reflect changes to the proposed list of individuals to serve as the Board of Directors of FinCor following the proposed transaction.

On July 24, 2009, Ronald Pastuch, CPA, Holding Company Manager of the Company Supervision Division had completed review of the Form A and on behalf of the Insurance Commissioner transmitted said Form A to the undersigned with the request that the undersigned conduct an adjudicative proceeding and make the final decision concerning whether this proposed acquisition should be approved or disapproved.

Pursuant to RCW 48.31B.015(4), the Insurance Commissioner shall approve an acquisition of a domestic insurer unless, after a public hearing thereon, it is found: 1) that after the change of control, the domestic insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed; 2) that the effect of the acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly therein; 3) that the financial condition of an acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders; 4) that the plans or proposals that the acquiring party has to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest; 5) that the competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the acquisition or control; or 6) that the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Toward this end, the parties are advised that the Insurance Commissioner is expected to testify as to whether he has given reasonable advance notice to the public of the hearing scheduled herein and whether he or any members of his staff have received any objections or concerns relative to this proposed transaction and provide details of these objections or concerns. The Insurance Commissioner is also expected to testify as to the conclusions he has reached during his examination of the subject Form A, as amended, insofar as they relate to the above stated issues 1) through 6). A duly authorized representative of the Applicant is expected to testify as to the above stated issues and as to whether the Applicant has received any objections or concerns regarding the proposed transaction and provide details of these objections or concerns. Finally, a duly authorized representative of Washington Casualty Company is expected to testify as to the above stated issues and as to whether the company or any of its affiliates have received any objections or concerns relative to the proposed transaction. Duly authorized representatives may not include outside counsel. While live testimony from the Insurance Commissioner, the Applicants, and Washington Casualty Company will be taken during the hearing as to the above identified issues, written declarations from those parties must be filed at least one working day prior to the date of the hearing. Further, oral opening statements and oral and written closing arguments from the Applicant and Washington Casualty Company are expected. Finally, the Applicant may choose whether to submit Proposed Findings of Facts, Conclusions of Law and Order on Hearing.

NOTICE

YOU ARE HERBY NOTIFIED that a hearing will be held commencing at 10:00 a.m. Pacific Standard Time on Tuesday, August 25, 2009, in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501, to consider the proposed acquisition of FinCor Holdings, Inc. and all five of its wholly owned subsidiaries including Washington Casualty Company, the Domestic Insurer, by Medical Professional Mutual Insurance Company, a Massachusetts property and casualty mutual insurance company, based upon the information provided in the abovereferenced Form A. The hearing will be held under the authority granted the Insurance Commissioner by Chapter 48.04 RCW and RCW 48.31B.015, and shall have as its purpose consideration of the Applicant's request for approval of its proposed acquisition of control of Washington Casualty Company. The hearing will be governed by the Administrative Procedure Act, Chapter 34.05 RCW, and the model rules of procedure contained in Chapter 10-08 WAC. A party who fails to attend or participate in any stage of the proceeding may be held in default in accordance with Chapter 34.05 RCW.

The Insurance Commissioner has not taken, and will not take, any position on this matter prior to entry of the Findings of Facts, Conclusions of Law and Final Order to be entered after hearing.

YOU ARE FURTHER NOTIFIED that all interested individuals and entities may submit comments on, or objections to, this proposed acquisition to the undersigned. Said comments or objections, which will be included in the hearing record and will be considered by the undersigned prior to her making her final decision, must be submitted by 9:30 a.m., Pacific Standard Time, on Monday, August 24, 2009, by fax, U.S. Mail, personal delivery, or email to Judge Petersen at PatriciaP@oic.wa.gov. The fax number of the undersigned is (360) 664-2782, her mailing address is PO Box 40255, Olympia, WA 98504-0255, her delivery address is 5000 Capitol Boulevard, Tumwater, Washington 98501.

YOU ARE FURTHER NOTIFIED that, pursuant to RCW 48.31B.015(4)(b), any person whose interest is determined by the undersigned to be affected, may present evidence and argument on all issues involved, examine and cross-examine witnesses, and offer oral and written statements, and in connection therewith may conduct discovery proceedings.

The Insurance Commissioner will be represented by Charles D. Brown, Sr. Staff Attorney of the OIC Legal Affairs Division. He can be reached at (360) 725-7044. Medical Professional Mutual Insurance Company will be represented by Jerry Kindinger, Esq. of 1201 Third Avenue, Suite 3400, Seattle, Washington 98101-3034. He can be reached at (206) 654-2216. Medical Professional Mutual Insurance Company is also represented by Robert J. Sullivan, Esq. and H. Matthew Crusey, Esq. of Skadden, Arps, Slate, Meagher and Flom, LLP of Four Times Square, New York, New York 10036. They can be reached at (212) 735-2930. Richard Helgren, President and CEO of Washington Casualty Company, and Christine Schmitt, CFO of FinCor Holdings, both of 6215 West St. Joseph Highway, Lansing, Michigan 48917-4852, will represent Washington Casualty Company. They can be reached at (517) 886-8295.

Based upon a delegation of authority from the Insurance Commissioner, the undersigned will conduct the hearing and will make the final decision and enter the final order relative to this matter without input from the Insurance Commissioner or his staff or any other individual who has knowledge of the issues herein, except as will be presented as evidence in the hearing. Her address is Office of the Insurance Commissioner, Hearings Unit, P.O. Box 40255, Olympia, WA 98504-0255 and her telephone number is (360) 725-7105. All questions or concerns should be directed to Wendy Galloway, Paralegal to the undersigned, who may be reached at the telephone, e-mail and fax numbers specified above.

On August 5, 2009, the undersigned held a first prehearing conference in this matter. The parties were represented by the above stated individuals. During said first prehearing conference, the undersigned identified the parties, reviewed the proposed action involved, responded to all questions and concerns of the parties and established a hearing date which is both mutually convenient to the parties and in compliance with applicable statute. As stated above, should any party or any interested individual have any further questions or concerns prior to the hearing date, they are advised to telephone or e-mail Wendy Galloway, Paralegal to the undersigned, for assistance or to schedule a second prehearing conference as necessary.

Pursuant to WAC 10-08-040(2) and in accordance with ch. 2.42 RCW, if a limited English-speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified interpreter will be appointed. There will be no cost to the party or witness therefore, except as may be provided by ch. 2.42 RCW. Following this Notice is a form you may use to advise the Chief Hearing Officer of your need for an interpreter.

ENTERED at Tumwater, Washington, this 13th day of August, 2009, pursuant to Title 48 RCW and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.

PATRICIA D. PETERSEN
Presiding Officer
Chief Hearing Officer

Declaration of Mailing

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: Anne Seggerman, Robert Sullivan, H. Matthew Crusey, Jerry Kindinger, Richard Helgren, Christine Schmitt, Chuck Brown, Ronald Pastuch, James Odiorne, and Carol Sureau. Electronic copies were sent to Mike Kreidler and Mike Watson.

DATED this 13th day of August, 2009.

Wendy Galloway
WENDY GALLOWAY

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT
Fax: (360) 664-2782

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Wendy Galloway
Paralegal
(360) 725-7002
wendyg@oic.wa.gov

To request an interpreter, complete and mail this form to:

Chief Hearing Officer
Office of Insurance Commissioner
P.O. Box 40255
Olympia, Washington 98504-0255

REQUEST FOR INTERPRETER

I am a party or witness in Matter No. _____, before the Insurance Commissioner. I NEED AN INTERPRETER and request that one be furnished.

Please check the statements that apply to you:

☐ I am a non-English-speaking person. I cannot readily speak or understand the English language. My primary language is _____ (insert your primary language). I need an interpreter who can translate to and from the primary language and English.

☐ I am unable to readily understand or communicate the spoken English language because:

- ☐ I am deaf.
- ☐ I have an impairment of hearing.
- ☐ I have an impairment of speech.

[Please state below or on the reverse side any details which would assist the commissioner or presiding officer in arranging for a suitable interpreter, or in providing appropriate mechanical or electronic amplification, viewing, or communication equipment.]

Date: _____ Signed: _____

Please print or type your name: _____
Address: _____
_____
Telephone: _____