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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Application of
Redomestication of:

SAFECO INSURANCE COMPANY OF
AMERICA, GENERAL INSURANCE
COMPANY OF AMERICA, FIRST
NATIONAL INSURANCE COMPANY OF
AMERICA, and SAFECO SURPLUS
LINES INSURANCE COMPANY

No. 11-0261

FINAL ORDER APPROVING
APPLICATIONS FOR
REDOMESTICATION FROM THE
STATE OF WASHINGTON TO THE
STATE OF NEW HAMPSHIRE

TO: Richard P. Quinlan, Esq.
Deputy General Counsel
Senior Vice President and Manager, Corporate Group
Liberty Mutual Group, Inc.
175 Berkeley Street
Boston, MA 02116

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Liberty Mutual Group, Inc.
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701 Fifth Avenue, #3600
Seattle, WA 98104-7010

1 **COPY TO:** Mike Kreidler, Insurance Commissioner
2 Michael G. Watson, Chief Deputy Insurance Commissioner
3 Carol Sureau, Deputy Commissioner, Legal Affairs Division
4 Charles Brown, Staff Attorney, Legal Affairs Division
5 James Odiorne, Deputy Commissioner, Company Supervision
6 Office of the Insurance Commissioner
7 PO Box 40255
8 Olympia, WA 98504-0255

9 Pursuant to Chapter 48.04 RCW, Chapter 35.05 RCW, RCW 48.07.210, and
10 specifically RCW 48.07.210(2), and after notice to interested parties and persons (see facts
11 found concerning notice, below), the above-entitled matter came on regularly for hearing
12 before the Insurance Commissioner of the state of Washington commencing at 10:00 a.m. on
13 Tuesday, January 10, 2012. All persons to be affected by the above-entitled matter were
14 given the right to be present at such hearing, during the giving of testimony, and had
15 reasonable opportunity to inspect all documentary evidence, to examine witnesses and
16 present oral and written statements. The Insurance Commissioner was represented by
17 Charles D. Brown, Esq., Senior Staff Attorney in its Legal Affairs Division. The Applicants,
18 Safeco Insurance Company of America, Safeco Surplus Lines Insurance Company, First
19 National Insurance Company of America, and General Insurance Company of America, were
20 represented by Melvin N. Sorensen, Esq., of Carney Badley Spellman, P.S., in Seattle,
21 Washington.

22 NATURE OF THE PROCEEDING

23 On August 19, 2011, the Washington State Insurance Commissioner ("Insurance
24 Commissioner") received Applications from Safeco Insurance Company of America, Safeco
25 Surplus Lines Insurance Company, First National Insurance Company of America, and General
26 Insurance Company of America (hereinafter collectively referred to as "the Applicants" unless

1 otherwise indicated), requesting approval to transfer their state of incorporation (corporate
2 domicile) from the state of Washington to the state of New Hampshire.

3 Applications for redomestication are controlled by Title 48 RCW and specifically RCW
4 48.07.210(2). Pursuant to RCW 48.07.210(2), *[t]he commissioner shall approve any proposed*
5 *transfer of domicile unless the commissioner determines after a hearing, pursuant to such notice*
6 *as the commissioner may require, that the transfer is not in the best interests of the public or the*
7 *insurer's policyholders in this state.* On November 8, 2011 the undersigned received and filed a
8 request for hearing from the Insurance Commissioner relative to this Application for
9 Redomestication, which commenced the administrative hearing process. Should this
10 Application be approved, the Applicants would cease to be domestic insurers of Washington
11 State and would become domestic insurers of the state of New Hampshire.

12
13 **FINDINGS OF FACT**
14

15 Having considered the written and oral evidence presented at the hearing, and the
16 documents on file herein, the undersigned presiding officer designated to hear and determine
17 this matter finds as follows:
18

- 19 1. The hearing was duly and properly convened and all substantive and procedural
20 requirements under the laws of the state of Washington have been satisfied;
21
- 22 2. The Applicants are active Washington domestic property and casualty insurance
23 companies, with total gross annual written premiums as of December 2010 of
24 \$280,227,208 written in Washington State. [Ex. 1, Application and Organization
25 Charts; Testimony of Gayle D. Pasero, Company Licensing Manager, Office of the
26 Washington State Insurance Commissioner.]

1 3. On August 19, 2011, pursuant to RCW 48.07.210, the Applicants filed an Application
2 for Redomestication, with detailed attachments concerning the Applicants' history,
3 personnel, and financial status. The proposed effective date is to be scheduled, should
4 approval be granted herein, to occur after the effective date of said approval. The
5 Applicants have, therefore, provided the Insurance Commissioner with at least thirty
6 days advance written notice of their proposed plans to redomesticate.

7
8 4. If the proposed redomestication is approved, the result will be that the Applicants will
9 have their state of incorporation (be domiciled) in the state of New Hampshire and will
10 no longer have their state of incorporation in the state of Washington. The State of New
11 Hampshire Insurance Department has advised the Applicants and the Insurance
12 Commissioner that the Applicants qualify to be approved in New Hampshire as
13 domestic insurers conditioned upon approval of their Applications for Redomestication
14 by the undersigned. [Applicants' Exhibit A, December 30, 2011 Letter from the New
15 Hampshire Insurance Department; Testimony of Richard P. Quinlan, Senior Vice
16 President and Deputy General Counsel of Liberty Mutual Group, Inc., the ultimate
17 parent company of the Applicants; Testimony of Pasero]. Further, the Applicants will
18 be qualified to be admitted to do business in Washington as foreign insurers as of the
19 date they are admitted by the New Hampshire Insurance Department as domestic
20 insurers. [Testimony of Pasero.]

21 5. The Applicants have applied for redomestication consistent with an effort by Liberty
22 Mutual Holding Company Inc., their current ultimate parent company, to reduce the
23 complexity of Liberty Mutual's corporate structure, including reducing the number of
24 domiciliary states of its insurance companies. Additionally, the redomestication will
25 result in significant corporate and capital efficiencies. [Testimony of Quinlan;
26 Testimony of Pasero.]

1 6. In reliance upon the assertions of the Applicants during testimony, the proposed
2 redomestications will be seamless and virtually invisible to the Applicants' Washington
3 policyholders if the redomestications are approved because at this time there are no
4 planned changes to the Applicants' producer base or to their methods and ability to
5 handle claims and service policyholders. Further, in reliance upon the assertions of the
6 Applicants during testimony, if the proposed redomestications are approved, there will
7 be no impact on the contractual or statutory rights of the Applicants' Washington
8 policyholders: the rights and privileges of Washington policyholders will not change.
9 [Testimony of Quinlan; Testimony of Pasero.] Further, in reliance upon the assertions
10 of the Applicants during testimony, the redomestications will have no impact on any
11 pending litigation filed in Washington involving the Applicants' Washington
12 policyholders. [Testimony of Quinlan; Testimony of Pasero].
13

14 7. The Applicants have filed a request to redomesticate to New Hampshire with the New
15 Hampshire Insurance Department. The New Hampshire Department of Insurance has
16 advised the Washington State Insurance Commissioner that it has completed its review
17 process and is prepared to approve the redomestication of the Applicants from the state
18 of Washington to the state of New Hampshire, subject only to the final approval of the
19 referenced redomestications by the Washington State Insurance Commissioner.
20 [Applicants' Exhibit A; Testimony of Quinlan; Testimony of Pasero]. Further, the
21 Washington State Insurance Commissioner has determined that the Applicants will be
22 qualified to be admitted to do business in Washington State as foreign insurers as of the
23 effective date that they become domestic insurers in the state of New Hampshire.
24 [Testimony of Pasero]
25

26 8. The Notice of Hearing on Application for Redomestication herein entered by the
undersigned on December 8, 2011, which contains detailed information concerning the

1 proposed redomestications and the administrative hearing to be held, and links the
2 reader to all of the documents which were filed in this proceeding prior to the hearing
3 date (and currently since the hearing date), were published in its entirety on the
4 Insurance Commissioner's website since at least December 12, 2011 and remained there
5 continuously through the date of the hearing, January 10, 2012. Therefore, reasonable
6 and adequate notice of the hearing concerning the proposed redomestications was
7 provided. [OIC Exhibit A, Notice of Hearing; Testimony of Pasero.] Further, in the
8 Notice of Hearing as published, all interested individuals and entities were advised of
9 their right to submit either support for, or objections to, the proposed redomestications
10 by letter on or before 10:00 a.m. on January 10, 2012. The Insurance Commissioner
11 received two objections: The first was from Joseph Manning, an individual who advised
12 he opposed the redomestication because he believed the state of Washington better
13 regulated insurance companies than New Hampshire; he did not leave his telephone
14 number. [Testimony of Pasero.] The second objection was from Rose Howell, a
15 Washington resident, in the form of telephone calls and an electronic filing of a
16 document entitled "Creditor Objection and Notice to Show Cause for the Immediate
17 Action of the Insurance Commissioner" on January 3, 2012, together with subsequent
18 supplemental submissions from Ms. Howell. The objections submitted by Ms. Howell,
19 while taken at face value are certainly serious concerns regarding her private claims
20 against Safeco Insurance Company of Illinois, fail to be sufficiently relevant to the
21 statutory criteria for approval set forth in RCW 48.07.210(2) and provides no evidence
22 that those criteria are not met. [Testimony of Pasero]. It is noted here that both the
23 Applicants and the Insurance Commissioner argued that the documents submitted by
24 Ms. Howell should not be admitted because they were not relevant to this proceeding.
25 The undersigned did admit those documents filed by Ms. Howell into evidence in this
26 proceeding over the objections of the parties [Ex. 9] but advised that she would review
these documents and give them the proper weight they deserved; i.e., the undersigned

1 ruled that the parties' objections based on relevancy would go to the weight the
2 undersigned gives to this evidence and not to their admissibility. Upon review, while
3 Ms. Howell's information is concerning, and while her claim is against Safeco Insurance
4 Company of Illinois which has the same ultimate parent company, Liberty Mutual
5 Insurance Group, as the Applicants, Safeco Insurance Company of Illinois is not an
6 Applicant herein itself. Further, Ms. Howell's concerns represent her private interest
7 and, best read, do not represent the general interest of Washington policyholders or the
8 public. Additionally, to the extent it is relevant, while Richard P. Quinlan is Senior Vice
9 President and Deputy General Counsel of Liberty Mutual Insurance Group and is a Vice
10 President of each Applicant, he is not an officer or director of Safeco Insurance
11 Company of Illinois. For these reasons, after review of Ms. Howell's documents, while
12 they are of concern, the undersigned determined that little weight should be given to her
13 testimony and the documents she presented because her issues are not the issues in this
14 proceeding for the above stated reasons.

15
16 9. Given the above Findings of Facts, it cannot be found that the proposed transfer of
17 domicile of the Applicants from Washington State to the state of New Hampshire is not
18 in the best interests of the public or not in the best interest of the Applicants'
19 Washington policyholders. [Testimony of Quinlan; Testimony of Pasero.]

20
21 10. Gayle D. Pasero, Company Licensing Manager in the Company Supervision Division of
22 the Office of the Insurance Commissioner, appeared as the sole witness for the Insurance
23 Commissioner. Ms. Pasero presented her testimony in a detailed and credible manner
24 and exhibited no apparent biases. Ms. Pasero also filed her testimony in written form
25 prior to the hearing as required; said written prefiled testimony, with attachments, is
26 included in the hearing file. [Ex. 7.] Prior to becoming employed by the Insurance
Commissioner in April 2008, Ms. Pasero worked for twenty five years for Safeco. She

1 testified, and in reliance upon her testimony at hearing, it is here found that she has no
2 financial or other interests in Safeco, and that the fact that she worked for Safeco for
3 twenty-five years has had no bearing on her review of the Applications herein, on her
4 prefiled written testimony or on her testimony presented at hearing.

5
6 11. Richard P. Quinlan, Senior Vice President and Deputy General Counsel of Liberty
7 Mutual Group Inc., and a Vice President for each of the Applicants, appeared as the sole
8 witness for the Applicants. Mr. Quinlan presented his testimony in a detailed and
9 credible manner and exhibited no apparent biases. Mr. Quinlan also filed his testimony
10 in written form prior to the hearing as required; said written testimony is included in the
11 hearing file. [Ex. 4.]

12
13 12. Based upon the above Findings of Fact, it is here found that the Applications for
14 Redomestication filed herein by Safeco Insurance Company of America, Safeco Surplus
15 Lines Insurance Company, First National Insurance Company of America, and General
16 Insurance Company of America, which propose to transfer their state of incorporation
17 from the state of Washington to the state of New Hampshire, to the effect that they
18 would become domestic insurers in the state of New Hampshire and foreign insurers in
19 the state of Washington, and as detailed in their Applications and documents submitted
20 subsequent thereto, are reasonable under the circumstances and the Applicants'
21 Applications for Redomestication should be approved.

22
23 **CONCLUSIONS OF LAW**

24
25 1. Pursuant to Title 48 RCW, and specifically RCW 48.07.210, the Washington State
26 Insurance Commissioner has jurisdiction over Safeco Insurance Company of America,

1 Safeco Surplus Lines Insurance Company, First National Insurance Company of
2 America, and General Insurance Company of America.

3
4 2. Based upon the Findings of Facts, the Applicants filed their Applications for
5 Redomestication with the Insurance Commissioner on August 19, 2011, with a proposed
6 effective date after said Application was reviewed and approved by the Insurance
7 Commissioner. Therefore, the Applicants have provided at least thirty days advance
8 written notice of their plan to the Washington Commissioner as required by RCW
9 48.07.210(2).

10
11 3. Based upon the above Findings of Fact, reasonable and adequate notice of the hearing
12 required by the Insurance Commissioner was given, in compliance with RCW
13 48.07.210(2).

14
15 4. Based upon the above Findings of Fact, after the hearing herein, it cannot be concluded
16 that the proposed transfer of domicile of Safeco Insurance Company of America, Safeco
17 Surplus Lines Insurance Company, First National Insurance Company of America, and
18 General Insurance Company of America from the state of Washington to the state of
19 New Hampshire is not in the interests of the public or the Applicants' Washington
20 policyholders. Therefore, because no such determination has been made, as required by
21 RCW 48.07.210(2), the Insurance Commissioner must approve these Applications for
22 Redomestication.

23
24 **ORDER**

25
26 On the basis of the foregoing Findings of Fact and Conclusions of Law, to the effect
that the statutory criteria for approval of these Applications have been met,

1 **IT IS HEREBY ORDERED** that the Applications for Redomestication of Safeco
2 Insurance Company of America, Safeco Surplus Lines Insurance Company, First National
3 Insurance Company of America, and General Insurance Company of America, which seek
4 approval of the Washington State Insurance Commissioner to transfer their state of
5 incorporation from the state of Washington to the state of New Hampshire, thereby becoming
6 domestic insurers in the state of New Hampshire and becoming foreign insurers in the state
7 of Washington, is GRANTED effective as of the date of entry of this Order.

8
9 **IT IS FURTHER ORDERED** that the actual effective date of the transfers of
10 domicile from the state of Washington to the state of New Hampshire shall be the effective
11 date that the state of New Hampshire has determined that Safeco Insurance Company of
12 America, Safeco Surplus Lines Insurance Company, First National Insurance Company of
13 America, and General Insurance Company of America shall become domestic New
14 Hampshire insurers. Likewise, that same date shall be the effective date on which Safeco
15 Insurance Company of America, Safeco Surplus Lines Insurance Company, First National
16 Insurance Company of America, and General Insurance Company of America shall become
17 admitted as foreign insurers in the state of Washington. Thus, these transactions shall
18 become effective on the same date in order to allow no gap in clear state of domicile as
19 between the state of Washington and the state of New Hampshire.

20
21 **ENTERED** at Tumwater, Washington, this 12th day of January, 2012, pursuant to Title 48
22 RCW and specifically RCW 48.04 and 48.07.210, Title 34 RCW, and regulations applicable
23 thereto.

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25 PATRICIA D. PETERSEN
26 Chief Hearing Officer
Presiding Officer

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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: Richard P. Quinlan, Esq., Tara Colby, CPCU, Melvin N. Sorensen, Esq., Mike Kreidler, Michael G. Watson, Carol Sureau, Esq., Charles Brown, Esq., Gayle Pasero and James Odiorne.

DATED this 12th day of January 2012.



KELLY A. CAIRNS