

CARNEY  
BADLEY  
SPELLMAN

James P. Curry

Law Offices  
A Professional Service Corporation

701 Fifth Avenue, Suite 3600  
Seattle, Washington 98104-7010  
T (206) 622-8020  
F (206) 467-8215  
Direct Line (206) 607-4192

Email: curry@carneylaw.com

FILED

2012 JAN -4 A 11:11

January 3, 2012

The Honorable Patricia D. Petersen  
Chief Hearing Officer  
Office of the Insurance Commissioner, Hearings Unit  
P.O. Box 40255  
Olympia, WA 98504-0255  
5000 Capitol Blvd.  
Tumwater, WA 98501



Re: Pre-Filed Direct Testimony of Richard P. Quinlan for Redomestication Applications of Safeco Insurance Company of America, Safeco Surplus Lines Insurance Company, First National Insurance Company of America and General Insurance Company of America -- No. 11-0261

Dear Judge Petersen:

Please find enclosed the Pre-Filed Direct Testimony of Mr. Richard P. Quinlan in the above-referenced matter. Please do not hesitate to contact me with any questions at (206) 607-4192.

Sincerely,

CARNEY BADLEY SPELLMAN, P.S.

James P. Curry

Cc: James T. Odiorne, Deputy Insurance Commissioner, Office of the Insurance Commissioner  
Chuck Brown, Senior Staff Attorney, Office of the Insurance Commissioner

FILED

3, MW  
2012 JAN 31 A 11:41

Heather Hill, DIC  
Paula D. Polsson  
Chief Hearing Officer

BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Applications for  
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

PRE-FILED DIRECT TESTIMONY  
OF:

Richard P. Quinlan

**I. Introduction**

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

**A: My name is Richard P. Quinlan.**

2. Q: Can you state for the record your purpose for being here today?

**A: Yes. I am Senior Vice President and Deputy General Counsel of  
Liberty Mutual Group Inc. We have filed an application for the**

1 redomestication of four Washington domestic insurers, Safeco  
2 Insurance Company of America, General Insurance Company of  
3 America, First National Insurance Company of America and Safeco  
4 Surplus Lines Insurance Company (which I will refer to as the  
5 “Applicants”), and we seek approval from the Washington State  
6 Office of the Insurance Commissioner for these transactions. I am  
7 also a Vice President for each of the Applicants.  
8

9  
10 3. Q: What is your professional title or position?

11  
12 A: I am employed by Liberty Mutual Group Inc. as Senior Vice  
13 President and Deputy General Counsel. In this capacity, I provide  
14 counsel and advice with respect to potential acquisitions, insurance  
15 regulatory matters, including, redomestications and general corporate  
16 finance projects.  
17

18  
19 4. Q: Do you currently hold any other professional titles or positions?

20  
21 A: I am admitted to practice as an attorney in the Commonwealth of  
22 Massachusetts.  
23

24 5. Q: Please describe your educational background.  
25

A: I received a B.A. degree from Boston College and the degrees of

1                   **J.D. and M.B.A. from Boston College School of Law and Boston**  
2                   **College Graduate School of Management.**

3  
4           6.   Q: How long have you been employed by your current employer?

5  
6                   **A: I have been employed by a Liberty Mutual affiliate since 2000.**

7  
8           7.   Q: Please describe your previous employment positions.

9  
10                   **A: From 1996 to 2000, I was General Counsel, Chief Financial**  
11                   **Officer, Treasurer and Secretary of Occupational Health +**  
12                   **Rehabilitation, Inc., a publicly-traded corporation specializing in**  
13                   **occupational health services and work-related injuries. From 1991 to**  
14                   **1996, I was Senior Vice President and General Counsel of Advantage**  
15                   **Health Corporation, a publicly traded corporation and a provider of**  
16                   **physical rehabilitation, skilled nursing, home health and**  
17                   **senior/assisted living services in the Northeast United States. From**  
18                   **1985 to 1991, I was at the law firm of Nutter, McClennen & Fish in**  
19                   **Boston, Massachusetts, and served as a junior partner my final two**  
20                   **years there. From 1984 to 1985, I was an associate at the law firm of**  
21                   **Warner & Stackpole, also in Boston.**

22  
23  
24  
25           8.   Q: Have you been authorized by the Applicants to speak on their behalf at  
                  this hearing?

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**A: Yes.**

9. Q: What is the basis for your information and knowledge about the Application to Redomesticate the referenced companies?

**A: In my position as Senior Vice President and Deputy General Counsel, I have been involved in all significant legal decisions regarding the proposed redomestications, including evaluating the legal benefits of the transactions and pursuing all necessary regulatory approvals. I have also consulted with our business personnel on various issues related to the proposed redomestications and generally have personal knowledge of Liberty Mutual's internal business considerations and planning in connection with the proposed redomestications.**

10. Q: As part of this involvement, have you reviewed the Application and the supplemental information and materials provided to Washington State Office of the Insurance Commissioner relating to the Application, as already admitted into evidence as exhibits to this hearing?

**A: Yes.**



1 A: The purpose is two-fold. First, in December 2008, the  
2 Massachusetts Commissioner of Insurance met with the Board of  
3 Directors of our ultimate parent company Liberty Mutual Holding  
4 Company Inc. (which I will refer to as "Liberty Mutual") to request  
5 that they reduce the complexity of Liberty Mutual's corporate  
6 structure, including reducing the number of domiciliary states for its  
7 insurance companies. By virtue of its significant growth through  
8 various acquisitions over the last decade, Liberty Mutual had  
9 accumulated insurance companies domiciled in 19 different states.  
10 Liberty Mutual promptly responded to this request and has to date  
11 consolidated domiciliary operations in several jurisdictions where it  
12 already had domestic entities, such as New Hampshire, which has  
13 regulated Liberty Mutual affiliates for more than 100 years. Over the  
14 last three years, Liberty Mutual's efforts in this regard have resulted  
15 in a reduction in the total number of domiciliary jurisdictions  
16 regulating its insurance affiliates from 19 to 11. Liberty Mutual has  
17 continued to evaluate opportunities with respect to this initiative and  
18 believes that the redomestication of the Applicants will serve to further  
19 this objective by allowing a further reduction in its domiciliary  
20 jurisdictions.  
21  
22  
23  
24  
25

1                   **Second, Liberty Mutual will realize significant corporate**  
2                   **efficiencies by effecting the change in domicile. Liberty Mutual**  
3                   **continually analyzes strategic opportunities and reviews its corporate**  
4                   **structure to seek capital and operational efficiencies. Liberty Mutual**  
5                   **currently has ten affiliated insurance companies domiciled in New**  
6                   **Hampshire, including Peerless Insurance Company, the lead company**  
7                   **of the intercompany pool of which the Applicants are members. The**  
8                   **redomestications should make regulating oversight of the pool**  
9                   **members more efficient for both our domiciliary regulators and**  
10                   **Liberty Mutual, and will increase the efficiency of the pool's**  
11                   **operations from a retaliatory tax perspective. Liberty Mutual**  
12                   **estimates that if the redomestications are approved, substantial**  
13                   **savings will be realized in reduced exposure to retaliatory taxes. For**  
14                   **example, Liberty Mutual estimates that the savings would have**  
15                   **amounted to approximately \$1.9 million in retaliatory taxes in 2011.**  
16                   **The redomestications, however, should have no negative revenue**  
17                   **impact to the State of Washington.**

- 18  
19  
20  
21  
22                   **14.** The Washington State Insurance Code sets forth two criteria for the  
23                   Commissioner to consider in approving the Proposed Redomestications.  
24                   The following responses address those criteria:  
25

1 Q: With respect to the four Washington-domiciled insurers which are the  
2 subject of the applications that have been submitted to the Washington  
3 State Office of the Insurance Commissioner, will the effect of the  
4 redomestications be such that it is not in the interest of the public to permit  
5 the redomestications, as contemplated by RCW 48.07.210(2)?  
6

7  
8 **A: This requested change in the Applicants' state of domicile will not**  
9 **affect Liberty Mutual's business operations or employees in the State**  
10 **of Washington. Since the acquisition of Safeco Corporation and its**  
11 **subsidiaries in 2008, Liberty Mutual has maintained a significant**  
12 **presence in Washington and the Pacific Northwest. The headquarters**  
13 **of Safeco Insurance have remained in Seattle, Washington, and**  
14 **Liberty Mutual maintains significant operations and employees in the**  
15 **State.**  
16

17  
18  
19 **I would also note that if the applications for redomestications are**  
20 **approved, taxes and fees paid to the State of Washington by the**  
21 **companies as foreign insurers would be no different from the taxes**  
22 **and fees paid to the State of Washington as domestic insurers. Savings**  
23 **relating to reduced retaliatory taxes paid relate solely to taxes paid in**  
24 **other states and has no detrimental impact on the State of**  
25 **Washington.**

1           **Finally, the Safeco Foundation remains a valued and active partner to**  
2           **numerous charitable and community organizations within the State.**  
3           **The Safeco Foundation has consistently made significant contributions**  
4           **to such organizations over the last three years. The Safeco**  
5           **Foundation's purpose has been fortified by its alignment with Liberty**  
6           **Mutual's other charitable activities and its history of community**  
7           **giving. This transaction will not adversely impact the continuation of**  
8           **the Foundation's goals, objectives and continued vibrancy in the**  
9           **Washington community. Finally, Safeco Field remains a prominent**  
10           **landmark in Seattle and a visible sign of Liberty Mutual's**  
11           **commitment to the Safeco brand.**

12  
13  
14  
15           Q: With respect to the four Washington-domiciled insurers which are the  
16           subject of the applications that have been submitted to the Washington  
17           State Office of the Insurance Commissioner, will the effect of the  
18           redomestications be such that it is not be in the interest of the insurers'  
19           policyholders in this state to permit the redomestications, as contemplated  
20           by RCW 48.07.210(2)?  
21

22  
23           **A: The proposed redomestications will be seamless and virtually**  
24           **invisible to the Applicants' Washington policyholders because they**  
25           **will not result in any changes to the Applicants' producer base or to**

1 their methods and ability to handle claims and service policyholders.  
2 The proposed redomestications, if approved, will not have any  
3 substantive impact on the contractual or statutory rights of the  
4 Applicants' Washington policyholders. Nor will the redomestications  
5 have a material impact on any pending litigation filed in Washington  
6 involving the Applicants' Washington policyholders. In addition, all  
7 of the Applicants' policyholders will benefit from the fact that the  
8 proposed redomestications will enable the Applicants to compete more  
9 effectively in the marketplace as a result of the significant annual  
10 retaliatory tax savings that I referred to in my answer to a previous  
11 question. Finally, if the redomestications of the applicants are  
12 approved, each of the applicants will conduct insurance business as a  
13 foreign insurer, and will qualify as such without interruption. As a  
14 consequence, the redomestications of the applicants should be virtually  
15 seamless to the Applicants' Washington policyholders.  
16  
17  
18  
19

- 20 15. Q: What are the strategic plans for the next 5 years for the location of the  
21 company operations and staff currently in Washington? 10 years? Are  
22 there plans to restructure, consolidate, eliminate or move any of the staff or  
23 current operations located in Washington?  
24  
25

1           **A: There are no current strategic plans in the next 5 or 10 years to**  
2           **restructure, consolidate, eliminate or to move the Applicants'**  
3           **Washington-based operations or employee population. As I said in my**  
4           **answer to the previous question, the proposed redomestications will be**  
5           **seamless to the Applicants' Washington policyholders because they**  
6           **will not result in any changes to the Applicants' producer base or to**  
7           **their methods and ability to handle claims and service policyholders.**  
8           **The proposed redomestications, if approved, will not have any**  
9           **substantive impact on the contractual or statutory rights of the**  
10           **Applicants' Washington policyholders. Nor will the redomestications**  
11           **have a material impact on any pending litigation filed in Washington**  
12           **involving the Applicants' Washington policyholders. In light of**  
13           **economic uncertainties and the intensely competitive nature of the**  
14           **property-casualty insurance industry, however, the Applicants must**  
15           **reserve their right to make operational and staffing changes as their**  
16           **business judgment deems appropriate in the future.**

17  
18  
19  
20  
21  
22           16.    **Q: Have the applicants or any of their affiliates, employees, officers or**  
23           **directors, or other affiliates received any comments, complaints or**  
24           **concerns concerning these proposed redomestications?**  
25

1           **A: Ms. Rose Howell, apparently a resident of Vancouver, Washington,**  
2           **recently objected to the proposed redomestication stating that no**  
3           **assets may move to New Hampshire or elsewhere until her demand is**  
4           **tendered. As I have already testified, this redomestication is intended**  
5           **to be seamless and will not affect the Applicants business operations,**  
6           **employees or policyholders. There are no plans to make wholesale**  
7           **movements of assets out of Washington to New Hampshire in an effort**  
8           **to avoid any alleged amounts owed to anyone, including Ms. Howell.**

10  
11           **For context, I note that Ms. Howell's communications are often very**  
12           **difficult to understand and can be quite provocative in terms of**  
13           **accusations and demands. My limited understanding of Ms. Howell's**  
14           **matter is as follows. Ms. Howell was involved in a motor vehicle**  
15           **accident with an individual in 1999. Such individual was not an**  
16           **insured of these Washington based Applicants, but rather an Illinois**  
17           **domiciled affiliate known as Safeco Insurance Company of Illinois. As**  
18           **a result of the accident, Ms. Howell filed a suit against the insured in**  
19           **Clark County Superior Court for personal injuries. Neither the**  
20           **Applicants nor Safeco Insurance Company of Illinois were ever named**  
21           **in that litigation. In May 2009, there was a two day trial that resulted**  
22           **in a judgment in favor of Ms. Howell for \$6,946.50. On August 7, 2009**  
23           **the Court ordered that judgment could be satisfied by depositing the**  
24  
25

1 amount of the judgment with the Court Clerk, and Safeco Insurance  
2 Company of Illinois made that deposit on behalf of its insured and  
3 satisfied the judgment. In November, 2009, Ms. Howell appealed the  
4 trial courts orders and in August, 2010 the Court of Appeals affirmed  
5 the decision of the lower trial court. Ms. Howell then subsequently  
6 made several attempts to seek review of the matter by the Washington  
7 Supreme Court. On two occasions, January 5, 2011 and July 1, 2011,  
8 the Washington Supreme Court denied review. Finally, by letter  
9 dated September 29, 2011, the Washington Supreme Court informed  
10 Ms. Howell that the case was final and closed, and also advised Ms.  
11 Howell that any further filings would be placed in a closed file without  
12 action and without acknowledgment. A copy of this letter from the  
13 Washington Supreme Court is attached to our Pre-filed Direct  
14 Testimony as Exhibit B.  
15  
16  
17  
18

19 17. Q: Is there anything else that you would like to add?  
20

21 A: I would like to express my appreciation to the staff of the  
22 Washington State Office of the Insurance Commissioner for the  
23 careful review that has been applied to this application. I'd also like to  
24 express appreciation to Judge Petersen for her review and attention to  
25 this matter. The Applicants firmly believe that the applications that

1 have been submitted, together with the testimony and exhibits offered  
2 at the hearing today, demonstrate that there is no basis for the Office  
3 of the Insurance Commissioner to determine that the proposed  
4 transfers of domicile are not in the best interests of the public or the  
5 insurers' policyholders in this State. If the proposed transfers of  
6 domicile are approved, the Applicants will continue to maintain a  
7 significant business and employee presence in the state, and will  
8 continue to maintain active involvement with important charitable and  
9 civic activities throughout the State of Washington. Further, if the  
10 proposed transfers of domicile are approved, the Applicants will  
11 continue to effectively administer policyholder claims and related  
12 policyholder services. The proposed transfers of domicile will not  
13 impact pending litigation involving policyholders or adversely impact  
14 their contractual rights nor will it result in the wholesale removal of  
15 assets out of the State of Washington. Accordingly, the Applicants  
16 request the approval of the applications as soon as possible.  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 **Verification**

2  
3 I Richard P. Quinlan declare under penalty of perjury of the  
4 laws of the State of Washington that the foregoing answers are true and correct.

5  
6 Dated this 29 day of December, 2011 at Boston, MA

7 Richard P. Quinlan

8 **Name:** Richard P. Quinlan

9 **Title:** Senior Vice President and Deputy General Counsel

10 Liberty Mutual Group Inc.  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**Exhibit A**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

THE STATE OF NEW HAMPSHIRE  
INSURANCE DEPARTMENT

Roger A. Seivigny  
Commissioner

Thomas S. Burke  
Director of Examinations



December 30, 2011

Gayle Pasero  
Company Licensing Manager  
Office of the Insurance Commissioner  
PO Box 40259  
Olympia, WA 98504-0255

**RE: Redomestication to New Hampshire from Washington**  
**Safeco Insurance Company of America (NAIC #24740)**  
**Safeco Surplus Lines Insurance Company (NAIC #11100)**  
**General Insurance Company of America (NAIC #24732)**  
**First National Insurance Company of America (NAIC #24724)**

Dear Ms. Pasero:

Reference is made to my previous letter to you dated September 12, 2011 concerning the above captioned matter and companies. Please be advised that the New Hampshire Insurance Department (NHDI) has now completed its review process and is prepared to approve the redomestication of these companies from Washington to New Hampshire, subject only to the final approval of the referenced redomestications by the Washington State Office of the Insurance Commissioner.

If you have any other questions related to the redomestications requested by the Companies, please contact the undersigned.

Sincerely,

A handwritten signature in cursive script that reads "Thomas S. Burke".

Thomas S. Burke  
Director of Examinations  
New Hampshire Insurance Department

cc: George Roussos, Esq.  
Mel Sorensen

**Exhibit B**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

RONALD R. CARPENTER  
SUPREME COURT CLERK

SUSAN L. CARLSON  
DEPUTY CLERK / CHIEF STAFF ATTORNEY

**THE SUPREME COURT**  
STATE OF WASHINGTON



TEMPLE OF JUSTICE  
P.O. BOX 40929  
OLYMPIA, WA 98504-0929

(360) 357-2077  
e-mail: [supreme@courts.wa.gov](mailto:supreme@courts.wa.gov)  
[www.courts.wa.gov](http://www.courts.wa.gov)

September 29, 2011

**LETTER SENT BY E-MAIL ONLY**

Rose Howell  
9504 NE 5th Street  
Vancouver, WA 98664

M. Colleen Barrett  
Gregory S. Worden  
Barrett & Worden, PS  
2101 4th Avenue, Suite 700  
Seattle, WA 98121-2393

Re: Supreme Court No. 85973-6 - Rose Howell v. Arlis J. Plotner, P.R.  
Court of Appeals No. 39670-0-II and 40004-9-II (consolidated)

Counsel and Ms. Howell:

The "APPELLANT HOWELL'S OBJECTION / REPLY TO 'DECEASED' RESPONDENT PLOTNER'S REPLY TO APPELLANT HOWELL'S OBJECTION / ANSWER TO PLOTNER'S OBJECTION TO APPELLANT'S REPLY TO MOTION TO MODIFY ON RECALL MANDATE- PENDING MOTION(S) – ORDERS(S) OF THE COURT" (objection) was received on September 29, 2011.

Review of the docket for this matter indicates that a Department of the Court denied the Petitioner's motion to modify the Commissioner's ruling on September 27, 2011. Therefore, this case is now final and has been closed. The objection received today will be placed in the closed file but no further action will be taken as to it.

I note that any further filings in this matter will also be placed in the closed file without action and without acknowledgement of receipt.

Sincerely,

Susan L. Carlson  
Supreme Court Deputy Clerk

SLC:alb

