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STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER

In the Matter of the Redomestication of:  
Contractors Bonding and Insurance  
Company,  
Authorized Domestic Insurer.

Docket No. 14-0228

PREFILED TESTIMONY OF DANIEL O.  
KENNEDY

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

Daniel O. Kennedy.

**2. Can you state for the record your purpose for telephonic appearance today?**

I am the official representative of Contractors Bonding and Insurance Company ("CBIC") and will testify regarding the company's application to redomesticate from Washington to Illinois.

**3. What is your professional title or position?**

Vice President and General Counsel of Contractors Bonding and Insurance Company and its parent company – RLI Corp. ("RLI").

**4. Please describe your educational background.**

I have a Bachelor's in Business Administration from Western Michigan University and a Juris Doctorate from Wake Forest University School of Law.

**5. How long have you been employed by your current employer?**

RLI acquired CBIC in 2011. The acquisition was formally approved by the Washington Office of the Insurance Commissioner as required by Washington law. I have served as Vice President and General Counsel of CBIC since the acquisition. I have been Vice President and General Counsel of RLI since 2006.

ORIGINAL

1 **6. Please describe your previous employment positions.**

2 Prior to joining RLI, I was a corporate partner with the Hunton & Williams law firm  
3 (Atlanta office). Prior to that, I was an associate with other law firms in Atlanta  
(Jones Day and Minkin & Snyder).

4 **7. Have you been authorized by RLI and CBIC to speak on CBIC's behalf at this**  
5 **hearing?**

6 Yes.

7 **8. What is the basis for your information and knowledge about the Application to**  
8 **Redomesticate the referenced company?**

9 In my position as Vice President and General Counsel, I have been involved in all  
10 significant decisions regarding the proposed redomestication, including evaluating the  
11 financial, regulatory and legal benefits of the transactions and securing regulatory  
12 approvals. I have also consulted with our business personnel on various issues related  
to the proposed redomestication and generally have personal knowledge of  
Applicant's internal business considerations and planning in connection with the  
proposed redomestication.

13 **9. As part of this involvement, are you familiar with the Application and the**  
14 **supplemental information and materials provided to the Washington State Office**  
15 **of the Insurance Commissioner relating to the Application, as already admitted**  
16 **into evidence as exhibits to this hearing?**

17 I am.

18 **10. Do you believe that the Application and the supplemental information and**  
19 **materials provided to the Department are complete, true and current in all**  
20 **material respects?**

21 Yes.

22 **11. Has the Applicant submitted a redomestication application to the proposed new**  
23 **state of domicile?**

24 Yes. The Illinois Department of Insurance has indicated that it will approve the  
25 Application after the Washington State Office of the Insurance Commissioner  
26 completes its review of the Application in order to coordinate the effective date of the  
redomestication between the two states and has so advised the Washington Office of  
Insurance Commissioner.

1 **12. What is the purpose of the Proposed Redomestication?**

2 Regulatory consistency and efficiency – RLI owns four insurance companies  
3 including CBIC. The other three are Illinois domestic companies. We have concluded  
4 that having all RLI insurance companies subject to the same regulator will make  
5 ~~operations and regulation consistent and more efficient.~~

6 **13. The Washington State Insurance Code sets forth two criteria for the  
7 Commissioner to consider in approving the Proposed Redomestication.**

8 **First, with respect to the Washington-domiciled insurer that is the subject of the  
9 application that has been submitted to the Washington State Office of the  
10 Insurance Commissioner, will the effect of the redomestication be such that it is  
11 not in the interest of the public to permit the redomestication, as contemplated by  
12 RCW 48.07.210(2)?**

13 We believe the proposed redomestication will be in the best interests of the  
14 public. This requested change in the Applicant's state of domicile will not  
15 affect Applicant's business operations in the State of Washington. CBIC has  
16 50 employees resident in Washington; there are no plans to move or eliminate  
17 those positions. Also, CBIC maintains a Seattle office of over 15,000 square  
18 feet. There are no plans to move, consolidate or reduce those operations and  
19 space.

20 I would also note that if the Application for redomestication is approved, taxes  
21 and fees paid to the State of Washington by the company as a foreign insurer,  
22 if any, would be no different from the taxes and fees paid to the State of  
23 Washington as a domestic insurer. There will be no detrimental impact on the  
24 State of Washington or the public generally.

25 **Second, with respect to the Washington-domiciled insurer that is the subject of  
26 the application that has been submitted to the Washington State Office of the  
Insurance Commissioner, will the effect of the redomestication be such that it is  
not in the interest of the insurer's policyholders in this state to permit the  
redomestication, as contemplated by RCW 48.07.210(2)?**

We believe the proposed redomestication will not be detrimental to CBIC's  
policyholders. As stated, insurance operations, including policyholder service  
of Washington insureds will continue as they have for the foreseeable future;  
there are no plans to move or change that. Therefore, the proposed  
redomestication, if approved, will not have any substantive impact on the  
contractual or statutory rights of the Applicant's Washington policyholders.  
Nor will the redomestication have a material impact on any pending litigation.  
The Illinois Department of Insurance is an experienced, well-respected  
insurance regulator, which is very familiar with the other RLI insurance

1 companies. As a consequence, the redomestication of the Applicant should be  
2 virtually seamless to the Applicant's Washington policyholders.

3 **14. Has the applicant or any of its affiliates, employees, officers or directors, or other**  
4 **affiliates received any comments, complaints or concerns concerning the**  
5 **proposed-redomestication?**

6 We have not received any comments, complaints or concerns from any policyholders,  
7 and no residents of the state of Washington or elsewhere have contacted us with any  
8 comments, complaints or concerns.

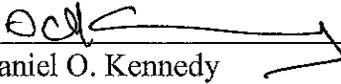
9 **15. Is there anything else you would like to add?**

10 On behalf of CBIC and RLI, I would like to express my appreciation to the staff of the  
11 Washington State Office of the Insurance Commissioner for the careful and prompt  
12 review that has been applied to this application. I'd also like to express appreciation  
13 to Judge Finkle for his review and facilitating approval before year end. CBIC and  
14 RLI believe that the application that has been submitted and the testimony and exhibits  
15 offered at the hearing today demonstrate that there is no basis for the Office of the  
16 Insurance Commissioner to determine that the proposed transfer of domicile is not in  
17 the best interests of the public or the insurer's policyholders in this State. Further, if  
18 the proposed transfer of domicile is approved, the Applicant will continue to  
19 effectively and locally administer policyholder claims and any related policyholder  
20 services. The proposed transfer of domicile will not impact pending litigation  
21 involving policyholders or adversely affect their contractual rights nor will it result in  
22 the wholesale removal of assets from the State of Washington. Finally, we remain  
23 committed to the Washington insurance market, as an insurance company and an  
24 employer. Accordingly, the Applicant requests the approval of the application as soon  
25 as possible in order to facilitate a year-end redomestication.

26 **VERIFICATION**

I, Daniel O. Kennedy, declare under penalty of perjury of the laws of the State of  
Washington that the foregoing answers are true and correct.

DATED this 9<sup>th</sup> day of December, 2014, at Peoria, Illinois.

  
Daniel O. Kennedy  
Vice President and General Counsel  
Contractors Bonding and Insurance Company