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2014 DEC 17 A 10:32

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

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

NO. 14-0228
FINAL ORDER APPROVING
APPLICATION FOR
REDOMESTICATION FROM THE STATE
OF WASHINGTON TO THE STATE OF
ILLINOIS

TO: Daniel Kennedy
Contractors Bonding and Insurance Company
9025 N Lindbergh Drive
Peoria, IL 61615-1499

and

Timothy J. Parker
Carney Badley Spellman, P.S.
701 Fifth Avenue, Suite 3600
Seattle, WA 98101

COPY TO: Mike Kreidler, Insurance Commissioner
James T. Odiorne, Chief Deputy Insurance Commissioner
AnnaLisa Gellermann, Deputy Commissioner, Legal Affairs Division
Drew Stillman, Insurance Enforcement Specialist, Legal Affairs Division
Bill Michels, Deputy Commissioner, Company Supervision
Gayle Pasero, Company Licensing Manager, Company Supervision
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

1 On December 16, 2014, at 11:30 AM, this matter came on for hearing before the
2 undersigned hearing officer, appointed by the Insurance Commissioner of the state of
3 Washington. The Office of the Insurance Commissioner ("OIC") was represented by Drew
4 Stillman, Attorney at Law, Insurance Enforcement Specialist, Legal Affairs Division. The
5 Applicant, Contractors Bonding and Insurance Company ("CBIC") [NAIC #37206], was
6 represented by Timothy J. Parker, Attorney at Law, of Carney Badley Spellman, P.S., Seattle,
7 Washington.

8 I have considered the written and oral evidence presented at the hearing and the
9 documents on file herein.

10 **FINDINGS OF FACT**

11 1. Applications for redomestication are governed by Title 48 RCW, specifically RCW
12 48.07.210(2), which provides: *The commissioner shall approve any proposed transfer of*
13 *domicile unless the commissioner determines after a hearing, pursuant to such notice as the*
14 *commissioner may require, that the transfer is not in the best interests of the public or the*
15 *insurer's policyholders in this state.*

16 2. CBIC is an active Washington property and casualty insurance company, with total
17 gross annual written premiums as of December 2013 of \$55,423,228, with approximately
18 \$17,064,455 written in Washington. [Application and Organization Charts.]

19 3. On September 15, 2014, pursuant to RCW 48.07.210, CBIC filed an Application
20 for Redomestication, with detailed attachments concerning its history, personnel, and financial
21 status, requesting approval to transfer its state of incorporation (corporate domicile) from
22 Washington to Illinois, effective on or before December 31, 2014. Upon approval, CBIC
23 would cease to be a Washington domestic insurer and become an Illinois domestic insurer.

24 4. CBIC provided the Insurance Commissioner with at least thirty days advance written
25 notice of its proposed plans to redomesticate, consistent with RCW 48.07.210(2). The OIC
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1 Company Supervision Division is satisfied that CBIC's Application is complete. [Pasero
2 December 1, 2014, letter to Hearings Unit; testimony.]

3 5. The Notice of Hearing on Application for Redomestication, filed on December 4,
4 2014, includes detailed information concerning the Application and the administrative hearing
5 and provides links to filed documents. On December 12, 2014, the Application and supporting
6 documents were published on the OIC website and remained there continuously through the date
7 of the hearing.

8 6. The Notice advised all interested individuals and entities of their right to submit
9 support for, or objections to, the proposed redomestication by letter on or before 9:30 AM
10 December 16, 2014. The OIC, CBIC, and the Hearings Unit received no objections or
11 complaints requesting denial of the Application.

12 7. Reasonable and adequate notice of the hearing concerning the proposed
13 redomestication was provided.

14 8. All interested persons were given the right to be present at the hearing and had
15 reasonable opportunity to inspect all documentary evidence, to examine witnesses, and to
16 present evidence. The hearing was duly and properly convened, and all substantive and
17 procedural requirements under the laws of Washington have been satisfied.

18 9. Gayle D. Pasero, Company Licensing Manager in the Company Supervision Division
19 of the OIC, appeared as the sole witness for the OIC. Ms. Pasero presented her testimony in a
20 detailed and credible manner and exhibited no apparent biases.

21 10. Daniel Kennedy, Esq., Vice President and General Counsel of CBIC and its parent,
22 RLI Corp., appeared as the sole representative and witness for CBIC. Mr. Kennedy presented
23 his testimony in a detailed and credible manner and exhibited no apparent biases.

24 11. Redomestication would be consistent with CBIC's effort to increase regulatory
25 efficiency and to reduce the complexity of its holding company system: CBIC is part of a
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1 holding company system which includes three other insurers, all domesticated in Illinois and
2 regulated by the Illinois Department of Insurance. [Pasero and Kennedy testimony.]

3 12. Redomestication would not be disruptive to policyholders, because CBIC is not
4 moving, consolidating, or reducing its sizeable Washington presence. [Pasero and Kennedy
5 testimony.]

6 13. Redomestication would have no impact on the contractual or statutory rights and
7 privileges of CBIC's Washington policyholders, including the maintenance of adequate reserves
8 to protect policyholders. [Pasero and Kennedy testimony.]

9 14. Redomestication would have no impact on any pending litigation filed in
10 Washington involving CBIC's Washington policyholders. [Kennedy testimony.]

11 15. CBIC has filed a request with the Illinois Department of Insurance to redomesticate
12 to Illinois. The Illinois Department of Insurance has completed its review process and is
13 prepared to approve the redomestication of CBIC from Washington to Illinois, subject only to
14 the final approval of the proposed redomesticaton by the Washington Insurance Commissioner.
15 [Letter from Marcy Savage, Illinois Department of Insurance, December 9, 2014.]

16 16. The OIC has determined that CBIC will be qualified to be admitted to do business in
17 Washington as a foreign insurer as of the effective date that it becomes a domestic insurer in
18 Illinois. [Pasero testimony.]

19 17. I do not find that the proposed transfer of domicile of CBIC from Washington to
20 Illinois would not be in the best interests of the public or would not be in the best interests of
21 CBIC's Washington policyholders.

22 18. CBIC's Application for Redomestication should be approved.

23 **CONCLUSIONS OF LAW**

24 1. Pursuant to Title 48 RCW, specifically RCW 48.07.210, the Washington State
25 Insurance Commissioner has jurisdiction over CBIC, and the undersigned, pursuant to
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1 appointment and delegation by the Honorable Mike Kreidler, has jurisdiction and authority to
2 issue this Final Order on CBIC's Application for Redomestication.

3 2. CBIC has provided reasonable and lawful notice of its Redomestication plan to
4 the OIC, as required by RCW 48.07.210(2).

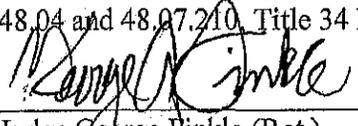
5 3. The statutory criteria have been met. No legal or factual basis exists for
6 concluding that CBIC's proposed transfer of domicile from Washington to Illinois is not in
7 the interests of the public or CBIC's Washington policyholders. Because no such
8 determination has been made, the Insurance Commissioner must approve this Application for
9 Redomestication. RCW 48.07.210(2).

10 **ORDER**

11 1. The Application for Redomestication of Contractors Bonding and Insurance
12 Company, seeking approval of the Washington State Insurance Commissioner to transfer its
13 state of incorporation from the state of Washington to the state of Illinois, thereby becoming a
14 domestic insurer in the state of Illinois and becoming a foreign insurer in the state of
15 Washington, is GRANTED, effective as of the date of filing of this Order.

16 2. The effective date of the transfer of domicile from the state of Washington to the
17 state of Illinois shall be the date that the state of Illinois determines that Contractors Bonding
18 and Insurance Company becomes a domestic Illinois insurer. Likewise, that same date shall
19 be the effective date on which Contractors Bonding and Insurance Company shall become
20 admitted as a foreign insurer in the state of Washington (in order to allow no gap in the clear
21 state of domicile as between the state of Washington and the state of Illinois).

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23 Dated this 17th day of December, 2014, pursuant to Title 48 RCW and specifically RCW
24 48.04 and 48.07.210, Title 34 RCW, and the regulations applicable thereto.

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26 _____ J
Judge George Pinkle (Ret.)
OIC Hearing Officer

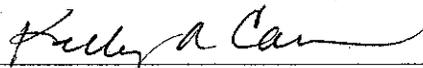
FINAL ORDER APPROVING APPLICATION FOR
REDOMESTICATION FROM THE STATE OF WASHINGTON
TO THE STATE OF ILLINOIS, NO. 14-0228

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3 Pursuant to RCW 34.05.461(3), the parties are advised that they may seek reconsideration of
4 this order by filing a request for reconsideration under RCW 34.05.470 with the undersigned
5 within 10 days of the date of service (date of mailing) of this order. Further, the parties are
6 advised that, pursuant to RCW 34.05.514 and 34.05.542, this order may be appealed to
7 Superior Court by, within 30 days after date of service (date of mailing) of this order, 1) filing
8 a petition in the Superior Court, at the petitioner's option, for (a) Thurston County or (b) the
9 county of the petitioner's residence or principal place of business; and 2) delivery of a copy
10 of the petition to the Office of the Insurance Commissioner; and 3) depositing copies of the
11 petition upon all other parties of record and the Office of the Attorney General.
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14 Declaration of Mailing

15 I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused
16 delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed
17 above: Daniel Kennedy., Timothy J. Parker, Mike Kreidler, James T. Odiorne, William R. Michels, Gayle D. Pasero,
18 AnnaLisa Gellermann, and Drew Stillman.

19 DATED this 17th day of December, 2014.

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KELLY A. CAIRNS