

**STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE**

IN RE:

APPLICATION OF TOWER GROUP, INC. AND)
CASTLEPOINT NATIONAL INSURANCE)
COMPANY FOR APPROVAL OF THE)
ACQUISITION OF CONTROL OF YORK)
INSURANCE COMPANY OF MAINE, INC.)

DECISION AND ORDER

Docket No. INS-10-400

Deputy Superintendent of Insurance Eric A. Cioppa issues this Decision and Order in the above-captioned proceeding.¹ The proceeding was instituted upon the application by Tower Group, Inc., a Delaware Corporation ("Tower Group"), and its wholly owned indirect subsidiary, CastlePoint National Insurance Company, an Illinois domestic insurer ("CastlePoint"), for approval of the proposed acquisition of control of York Insurance Company of Maine, a Maine domiciled stock property and casualty insurance company ("York"), a majority owned indirect subsidiary of White Mountains Insurance Group, Ltd., a Bermuda domiciled, publicly traded holding company ("White Mountains").

I. THE PROPOSED ACQUISITION

The application seeks the approval by the Superintendent of the proposed acquisition of control by Tower Group and CastlePoint (collectively the "Applicants") of York (the "Domestic Insurer"). Tower Group proposes to acquire control of York as part of a larger transaction in which Tower Group will acquire the U.S. personal lines insurance division of White Mountains' indirect subsidiary OneBeacon Insurance Group, Ltd. ("OneBeacon"). The acquisition of the OneBeacon personal lines division will involve the purchase from two of OneBeacon's subsidiaries of all of the issued and outstanding shares of capital stock of York and Massachusetts Homeland Insurance Company, a Massachusetts domiciled stock insurer ("MHIC"). Tower Group will also purchase from OneBeacon certain assets related to the management of OneBeacon's personal lines division. Other related transactions are proposed, as more specifically set forth in the application on file with the Superintendent.² Upon the close of the proposed acquisition, York will be directly owned by CastlePoint, and Tower Group will be the ultimate controlling person.

II. PROCEDURAL HISTORY

Tower Group and CastlePoint filed the Form A Statement comprised of three volumes, including Exhibits, with the Superintendent by correspondence dated February 22, 2010.³ Thereupon, the Deputy Superintendent issued a Notice of

Pending Proceeding and Hearing on May 26, 2010. In the Notice, interested persons were provided an opportunity to submit an application to intervene as a full party in the proceeding, but no one chose to do so.

The public hearing was held as scheduled at 1:00 p.m. on June 11, 2010. No persons from the public attended or participated in the public hearing.

At the hearing, certain evidence was offered and admitted into the record of the proceeding without objection, including the pre-filed testimony of witnesses and the responses to information requests issued during the proceeding. Testimonial evidence was provided at the hearing by Gary Maier, Senior Vice President and Chief Underwriting Officer of Tower Group, Adam Perri, Regulatory Counsel for Tower Group, and Michael McSally, Senior Vice President for Personal Lines of OneBeacon.

IV. STANDARD OF REVIEW

As identified in the Notice of Pending Proceeding and Hearing, the legal standard of review for consideration of the pending application include the following under 24-A M.R.S.A. §§ 222(7)(A) and 3476(2):

- (1) Whether, after the proposed acquisition, York could satisfy the requirements for the issuance of a certificate of authority according to requirements in force at the time of the issuance, or last renewal or continuation of its certificate of authority to do the insurance business which it intends to transact in the State of Maine.
- (2) Whether the effect of the proposed acquisition may be substantially or materially to lessen competition in insurance or the insurance business in the State of Maine or elsewhere as to the kinds of insurance involved, or would materially tend to create a monopoly as to such business therein, or would violate the laws of the State of Maine or of the United States relating to monopolies or restraints of trade.
- (3) Whether the financial condition of Tower Group and/or CastlePoint is such as would jeopardize the financial stability of York or prejudice the interest of its policyholders.
- (4) Whether Tower Group's and/or CastlePoint's proposed acquisition or proposals to make any major change in the business or corporate structure or management of York are unfair or prejudicial to policyholders.
- (5) Whether the competence, experience, and integrity of Tower Group's and/or CastlePoint's directors and officers indicate that it would not be in the interest of policyholders or the public to permit them to control the operation of York; and whether Tower Group's and/or CastlePoint's directors and officers are qualified by character, experience, and financial responsibility to control and operate York, or cause it to be operated in a lawful and proper manner.
- (6) Whether the proposed acquisition would tend to affect adversely the contractual obligations of York or its ability and tendency to render service in the future to its policyholders and the public.
- (7) Whether the interests of York or its stockholders would be impaired through the proposed acquisition.

In addition to the legal standards of review under 24-A M.R.S.A. §§ 222 and 3476 as identified above, the Superintendent in her discretion may consider such other relevant issues identified by parties or otherwise.

V. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based on the testimonial and documentary evidence presented at the hearing, and upon a review of the record of this proceeding, the Superintendent finds that no issues of material concern exist with respect to Tower Group's and/or CastlePoint's abilities to satisfy the legal standards for approval set forth in 24-A M.R.S.A. §§ 222(7)(A) and 3476(2), summarized as follows:

(1) No evidence was presented to the contrary, and the Superintendent finds, that York can satisfy the requirements for the issuance of a certificate of authority according to requirements in force at the time of the issuance, or last renewal or continuation of its certificate of authority to do the insurance business which it intends to transact in the State of Maine.

(2) No evidence was presented that demonstrates, and the Superintendent does not find, that any aspect of the proposed acquisition will substantially or materially lessen competition in insurance or the insurance business in the State of Maine or elsewhere as to the kinds of insurance involved, or would materially tend to create a monopoly as to such business therein, or would violate the laws of the State of Maine or of the United States relating to monopolies or restraints of trade.

(3) No evidence was presented that demonstrates, and the Superintendent does not find, that any aspect of the proposed acquisition would jeopardize the financial stability of York or prejudice the interest of its policyholders.

(4) No evidence was presented that demonstrates, and the Superintendent does not find, that Tower Group's and/or CastlePoint's proposed acquisition or proposals to make any other major change in the business or corporate structure or management of York are unfair or prejudicial to policyholders.

(5) No evidence was presented to the contrary, and the Superintendent finds, that the competence, experience, and integrity of Tower Group's and/or CastlePoint's directors and officers indicate that it would be in the interest of policyholders or the public to permit them to control the operation of York; and that Tower Group's and/or CastlePoint's directors and officers are qualified by character, experience, and financial responsibility to control and operate York, or cause it to be operated, in a lawful and proper manner.

(6) No evidence was presented that demonstrates, and the Superintendent does not find, that the proposed acquisition would tend to affect adversely the contractual obligations of York or its ability and tendency to render service in the future to its policyholders and the public.

(7) No evidence was presented that demonstrates, and the Superintendent does not find, that the interests of York or its stockholders would be impaired through the proposed acquisition.

For all of the foregoing reasons, the Superintendent concludes that Tower Group's and/or CastlePoint's have met the legal standards for approval set forth in 24-A M.R.S.A. §§ 222(7)(A) and 3476(2).

VI. ORDER

As set forth and pursuant to this Decision and Order, the application of Tower Group, Inc. and CastlePoint National Insurance Company to acquire control of York Insurance Company of Maine through acquisition is APPROVED.

VII. EXEMPTION REQUEST

By filing made June 11, 2010, Tower Group and CastlePoint requested an exemption from the 10-day statutory waiting period under 24-A M.R.S.A. § 222(4-A)(C). Among other matters, the Superintendent may grant an exemption if she finds that the interests of the State in regulating the transaction are minimal relative to the interests of other jurisdictions or are minimal relative to the impact of the transaction as a whole, provided that it does not appear likely that exempting the transaction from the 10-day waiting period will be detrimental to the interests of Maine policyholders. 24-A M.R.S.A. § 222(4-A). Upon a review of the transaction as set forth in the record of this proceeding, the Superintendent finds that the interests of the State are minimal relative to the impact of the transaction as a whole and that it does not appear likely that exempting the transaction from the 10-day waiting period will be detrimental to the interests of Maine policyholders. Accordingly, the Superintendent GRANTS the request for an exemption from the statutory 10-day waiting period.

VIII. NOTICE OF APPEAL RIGHTS

This Decision and Order is a final agency action of the Superintendent of Insurance within the meaning of the Maine Administrative Procedure Act. It may be appealed to the Superior Court in the manner provided by 24-A M.R.S.A. § 236, 5 M.R.S.A. § 11001, et seq. and M.R. Civ. P. 80C. Any party to the proceeding may initiate an appeal within thirty days after receiving this notice. Any aggrieved non-party whose interests are substantially and directly affected by this Decision and Order may initiate an appeal within forty days of the issuance of this decision. There is no automatic stay pending appeal; application for stay may be made in the manner provided in 5 M.R.S.A. § 11004.

¹ Superintendent of Insurance Mila Kofman delegated all legal authority for the procedural processing and decision making with respect to this proceeding to Deputy Superintendent Cioppa. See 24-A M.R.S.A. § 206(2).

² Except for limited portions for which confidentiality has been granted, the "Form A Statement " is publicly available for access and inspection at the Bureau of Insurance offices in Augusta, Maine.

³ In its February 22nd filing Tower and CastlePoint requested confidentiality for certain information, submitted by it under separate volume. Tower and CastlePoint invoked the statutory confidentiality provision under 24-A M.R.S.A. § 222(13) and the trade secrets privilege recognized by Maine courts as

exceptions to Maine's Freedom of Access laws. 1 M.R.S. § 402(3). In addition, Tower and CastlePoint indicated that portions of its filing contained confidential personal information, including social security numbers, home addresses and dates of birth, disclosure of which could compromise personal privacy. In accordance with this request, the Deputy Superintendent at the Public Hearing provisionally granted Tower and CastlePoint's request for confidentiality subject to further argument should the Superintendent receive a request for this information. Accordingly, confidential volume I of I is designated confidential and not subject to public inspection. All other portions of the record are open to public inspection.

PER ORDER OF THE SUPERINTENDENT OF INSURANCE

June _____, 2010

By: _____
ERIC A. CIOPPA
Deputy Superintendent of Insurance