

# METTE, EVANS & WOODSIDE

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June 5, 2024

Public Version

**Via Citrix ShareFile (Karen.ducharme@vermont.gov)**

Karen Ducharme  
Director of Company Licensing and Examinations  
State of Vermont  
Department of Financial Regulation  
89 Main Street  
Montpelier, VT 05620-3101

**RE: Form “A” Filing - Proposed Affiliation Between Union Mutual Fire Insurance Company and New England Guaranty Insurance Company, Inc. (collectively, “UM”) and Dorchester Mutual Insurance Company, Fitchburg Mutual Insurance Company, and Norfolk & Dedham Mutual Fire Insurance Company (collectively, the Applicants)**

Dear Karen:

We are in receipt of your letters dated May 13, 2024 and May 28, 2024 setting forth a number of questions regarding the Form “A” submitted in connection with the proposed Affiliation referenced above. While you directed the letters to the N&D Group as Applicants, we note that a number of the questions pertained to UM, or to both the Applicants and UM. Consequently, note that the responses being provided were in large part the result of collaborative efforts between Applicants and UM.

Also note the confidential and proprietary nature of much of the information and documentation being provided, which implicates the protections afforded by the Public Records Act, particularly the last 5 years of N&D Audited Financial Statements and Management Assessment of Internal Controls (Attachment “1”), the Disclosure Schedules to the Master Affiliation Agreement (“MAA”) (Attachment “2”), the Due Diligence Report (Attachment “3”), and the White Paper (Attachment “4”), as well as the answers to Questions 5, 7-10, 13-14, 16-18 and 21 in your May 13, 2024 letter, and Questions 1-4 in your May 28, 2024 letter, all of which contain information that if made public would likely result in harm to the Applicants and/or UM. See generally Vt. Stat. Ann. tit. 1, § 317(c)(9), (15), and (24).

Accordingly, the Applicants respectfully request that all of this information and documentation be afforded confidential treatment and be excepted from disclosure pursuant to all applicable provisions of law. The Applicants request that: (i) the materials described above be afforded confidential treatment; (ii) the Applicants be notified in advance of any proposed

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disclosure by the Department of such confidential information; and (iii) the Applicants be given a reasonable opportunity to seek a protective order or take other action to prevent or limit any such disclosure. We are submitting to the ShareFile a “Public” version of this letter with all confidential and proprietary information and attachments removed.

All that being said, the responses to your questions are as follows:

### **May 13, 2024 Questions & Answers**

**1. Are there any additional filings required in Massachusetts? Please list the types of filings and anticipated filing date.**

The Applicants filed with the Massachusetts Division of Insurance on April 29, 2024 a letter seeking the Division’s acknowledgement that the proposed Affiliation is exempt from the change of control filing requirements contained in the Massachusetts Insurance Holding Company Act because there is no change of control of any of the companies within the N&D Group resulting from the proposed Affiliation. MASS. GEN. LAWS ch. 175 § 206. The Applicant also requested in that submission, as the Applicants have in Vermont, that the Massachusetts Division of Insurance approve the inter-company agreements to be consummated at the closing on the proposed Affiliation, including the Amended Pooling Agreement and Shared Services Agreement.

**2. Does the affiliation require any other regulatory body filings, for example the HSR filing with the Federal Trade Commission?**

The Applicants sought your acknowledgment as part of the Form “A” that the proposed Affiliation satisfied the exemption set forth at 8 V.S.A. §3683a(b)(4), which you confirmed by letter dated May 15, 2024. On May 21, 2024, the Applicant filed similar letters in Connecticut, New Hampshire and Rhode Island seeking acknowledgment that the exemption was also satisfied in those states. With respect to your reference to an HSR filing, the parties are familiar with the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the “HSR Act”), and do not believe that the proposed Affiliation triggers any required filings under the HSR Act.

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3. **Other than those identified in response to questions 1 and 2 above, identify all parties from which approval is needed or otherwise will impact the transaction closing.**

To the best of the Applicants' knowledge, information and belief, none.

4. **Are there current plans for Lisa Keysar to retire post affiliation? If so, when is that expected to occur?**

No, there are no plans for Lisa Keysar to retire post affiliation, as she will remain as President & CEO of UM. When she does retire, she will remain on the combined Board of Directors. See generally Article III of the MAA.

5. **Will the current Union affiliation with Community National change post affiliation? I read that the Company is listed in the Reinsurance Pooling Agreement.**

**Redacted**

6. **Are there any plans for the N&D group of companies to submit an expansion application for a Certificate of Authority to write business in Vermont?**

Not at this time, though we note that Fitchburg Mutual Insurance Company is already licensed in Vermont.

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- 7. Post affiliation, will all the current Union reinsurance contracts expire once Union is part of the Pooling Agreement? How does the current Union permitted practice request change going forward?**

**Redacted**

- 8. Provide estimates and details on what the reinsurance savings will be for Union once Union is part of the Reinsurance Pooling Agreement to support the UM Financial Projections.**

**Redacted**

- 9. Provide estimates and details of the savings for Union after Union is part of the Management & Services Agreement to support the UM Financial Projections.**

**Redacted**

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10. **When Union employees become employees of Newbury, will any current benefits change? How does this create administrative savings going forward? Provide estimates and details of the savings.**

**Redacted**

11. **Will the affiliation result in a change to current IT systems? Will the current underwriting and claims system change? Are there any other changes planned for the current systems?**

Upon affiliation there will be no change other than allowing IT access across the entities. This is to facilitate file sharing, connected email systems, and allow for a shared intranet. Once the affiliation is approved, IT staff from both entities will perform an in-depth analysis of the policy administration systems used by each of the entities. These systems are currently used for underwriting and claims functions. It is likely that a third-party expert will be retained to assist with this analysis and to provide an impartial recommendation about whether the entities should remain status quo, or whether one entity should migrate policies onto the other entity's existing system. If there were a decision to migrate all policies onto a single system, that migration would take a substantial period of time (at least 6 to 12 months, depending on the extent to which we were able to allocate or add staff resources). In term of financial systems, the General Ledger systems will be evaluated as well to determine which systems will be used across both entities.

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12. **Which entity will own the personally identifiable information, as defined in 9 V.S.A. § 2430, which is currently held by Union?**

UM will continue to own the personally identifiable information held by UM.

13. **Please submit audited financial statements for Norfolk & Dedham Group for the past 5 years. This can be on a combined basis.**

See Attachment "1".

14. **Please submit the Management's Assessment of Internal Controls for the past 5 years.**

See Attachment "1".

15. **Have background checks been ordered for the post affiliation Board of Directors?**

As part of its Corporate Governance policy, N&D performs background checks on all Directors upon joining a Board and every five years thereafter. Following this policy, background checks of current UM directors who will be joining the N&D Boards will be ordered.

16. **Please discuss any actual or accused material violation of, or material failure on the part of, Dorchester Mutual Insurance Company, Fitchburg Mutual Insurance Company & Norfolk & Dedham Mutual Fire Insurance Company to comply with any Applicable Laws in the last ten years.**

**Redacted**

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17. **Please discuss any ongoing or anticipated actions, arbitrations, lawsuits, material claims, suits, proceedings, or investigations pending or, to Norfolk & Dedham Group's knowledge, threatened against or affecting Dorchester Mutual Insurance Company, Fitchburg Mutual Insurance Company or Norfolk & Dedham Mutual Fire Insurance Company or its properties, assets or businesses, other than claims under the terms of the Insurance Contracts of Dorchester Mutual Insurance Company, Fitchburg Mutual Insurance Company or Norfolk & Dedham Mutual Fire Insurance Company that: (i) are within applicable policy limits and were incurred in the Ordinary Course of Business, (ii) do not allege bad faith or any violation of law and (iii) with respect to which class certification has not been granted.**

**Redacted**



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- 18. Please explain the rationale/justification for paying Resigning Union Mutual and New England Guaranty Directors the following: three (3) years of annualized directors fees, or the number of years until such Director is scheduled to retire, whichever is less, paid by Union Mutual in three equal annual installments.**

**Redacted**

- 19. Are there any other incentives, bonuses, or resignation payments/fees that would be paid to employees, offices, or directors post affiliation? If so, please explain both the amount and the rationale for such a payment.**

There are none. No UM or N&D employees or Directors received, nor will they receive, any financial incentive to influence the decision to affiliate.

- 20. Check with the Captives Division on any filings/notifications regarding White Rock Protected Cell.**

The Captive Division has confirmed that no specific approval will be required from the Captive Division, and they would accept the approval of the affiliation by the Insurance Division as notice.

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- 21. Please provide an overview of the due diligence steps taken by Union to ensure that Applicants were in fact good prospective business partners and operational fits.**

See Attachment “3”.

### **May 28, 2024 Questions & Answers**

- 1. The Master Affiliation Agreement references schedules. We are not locating the schedules in the filing received on April 23rd. Please provide or point us to the previously filed documents.**

See Attachment “2”.

- 2. The Master Affiliation Agreement Sections 4.11 and 5.11 includes information on Material Contracts. Please explain how the amount of \$500,000 was determined to be material and provide a list of the Material Contracts.**

**Redacted**

- 3. In the request letter dated May 13, 2024, question #18, we requested an explanation and rationale for paying Resigning Union Mutual and New England Guaranty Directors for 3 years. To expand on this question, please provide a schedule of the amounts to be paid and the rationale of the 3-year period and how that was determined to be fair or an acceptable business practice during this type of transaction.**

See Attachment “2”, at Schedule 3.1(b)(i), and response to Question 18, above.

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**4. In the request letter dated May 13, 2024, question #21, we requested an overview of the due diligence steps taken by Union to ensure the Applicants are in fact a good prospective business partner. We understand that a White Paper was prepared for the current Union Board members. Please provide the White Paper for review.**

See Attachment "4".

Should you require any additional information regarding the Form "A", please do not hesitate to contact myself or Michele C. Sears, Esquire.

Very respectfully yours,

s/Matthew D. Coble  
Matthew D. Coble

Confidential Attachments 1-4

cc: Lisa Messier, Analyst (via ShareFile)  
Vermont Department of Financial Regulation  
Jesse Lussier (via ShareFile)  
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Michele C. Sears, Esquire  
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