

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

IN RE:)	
)	
REQUEST FOR APPROVAL OF)	
AGREEMENT AND PLAN OF MERGER)	FIRST INFORMATION
BETWEEN DANVILLE MUTUAL FIRE)	REQUEST OF THE DEPUTY
INSURANCE COMPANY AND NORTH)	SUPERINTENDENT
YARMOUTH-CUMBERLAND MUTUAL)	
FIRE INSURANCE COMPANY)	
)	
Docket No. INS-13-402)	

Deputy Superintendent of Insurance Timothy Schott issues this request upon Danville Mutual Fire Insurance Company (“Danville”) and North Yarmouth–Cumberland Mutual Fire Insurance Company (“North Yarmouth–Cumberland” and, together with Danville, the “Applicants”) for responding to the following inquiries and document requests. In producing the requested information, the Applicants shall furnish all information regardless of whether it is in the possession of the Applicants or any consultant, expert, or agent of the Applicants. If the Applicants refuse for any reason to provide any of the information requested, the Applicants must identify and describe the reason for such refusal.

The Applicants shall consider this information request continuing in nature so as to require the production of all documents and information responsive to any item included in this request produced by or on behalf of the Applicants or their consultants, experts, or agents and, furthermore, must supplement the responses provided should the information change or more information become available at any time during the pendency of this proceeding.

For any request seeking information for which hard copy, paper responses of electronic spreadsheet files are provided, the Applicants also shall file via e-mail the electronic spreadsheet version of the file (*e.g.*, Excel) with embedded formulas included (*i.e.*, active files).

1. The overview of transaction document states in 4(b) that the terms and conditions were determined by arm’s-length negotiation among the parties to the Merger Agreement. Please explain how the Merger Agreement resulted from an arms-length negotiation. In particular, please describe who handled the negotiations for each Company, who presented the original draft of the Merger Agreement, what substantive changes were made to the draft, if any, and when the negotiations started and concluded.
2. Please provide an analysis of why it is more beneficial for Danville policyholders to merge with and into North Yarmouth–Cumberland, as opposed to dissolving without any merger.
3. The documentation provided seems to have inconsistencies regarding the number and make up of Danville policyholders. Please confirm if the list of policyholders provided on Schedule 4.3 is correct and, if so, provide an explanation for the changes in the

policyholders from the December 31, 2012 Annual Statement information to the information provided on Schedule 4.3.

4. The Merger Agreement indicates that a two-thirds affirmative vote of the Companies is necessary to approve the merger. Please describe how the Companies will notify their policyholders about the special meetings at which the vote on the merger will be taken as well as what information will be provided to the policyholders prior to the vote. Please include the form of notice that each Company intends to use.
5. The Merger Agreement section 5.22(d) states that the deficiencies or violations, if any, noted in the examination reports described above have been resolved to the satisfaction of the Government authority that noted such deficiencies or violations. In regards to the financial examination performed by the Bureau of Insurance as of December 31, 2010, please provide details as to how North Yarmouth–Cumberland has complied with the findings noted in the report and management letter.
6. The Merger Agreement section 6.7 references tax returns for calendar year ended December 31, 2012. Is this accurate or should it be for calendar year ended December 31, 2013? Please explain.
7. The Merger Agreement section 6.9 indicates that Lionel C. Ferland, Sr. will be on the Board of the surviving company. However, Schedule 2.6 indicates that Lionel C. Ferland, Jr. will be on the Board. Please clarify whether Lionel Ferland Sr. or Jr. will be on the Board after the merger is complete.
8. The Merger Agreement recitals state that the Companies are fire assessment companies writing the same types of risks. Please provide details regarding the type of business written by the Companies. The details should address, at a minimum, the type of risks (personal vs. commercial) written by each company as well as the dollar value of the risks written by the Companies.

The Applicants shall provide their responses to this First Information Request as soon as possible, but no later than February 13, 2014.

PER ORDER OF THE DEPUTY SUPERINTENDENT OF INSURANCE

February 3, 2014


TIMOTHY N. SCHOTT
Deputy Superintendent of Insurance