

Report on the Examination

As of December 31, 2015

of

**Green Mountain Insurance Company, Inc. and
Vermont Accident Insurance Company, Inc.**

by the

Vermont Department of Financial Regulation

Division of Insurance





State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance:
[Banking] 888-568-4547
[Insurance] 800-964-1784
[Securities] 877-550-3907
www.dfr.vermont.gov

Linda Joy Day
Chairman and Chief Executive Officer
Concord Group Insurance Companies
4 Bouton Street
Concord, NH 03301

ORDER OF ADOPTION

In accordance with 8 V.S.A. § 3574 (c), I order that the Report on the Examination of Green Mountain Insurance Company, Inc. and of Vermont Accident Insurance Company, Inc. for the year ending December 31, 2015 is adopted.

Green Mountain Insurance Company, Inc. or Vermont Accident Insurance Company, Inc. may appeal this order within 30 days of its adoption in accordance with the Vermont Administrative Procedure Act and Department of Financial Regulation Rule 82-1.

A handwritten signature in blue ink, appearing to read "Michael S. Pieciak", written over a horizontal line.

Michael S. Pieciak, Commissioner

1/18/17

Date



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802-828-3307

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December 28, 2016

Michael S. Pieciak, Commissioner
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Commissioner Pieciak:

Pursuant to the January 24, 2016 examination order, the Insurance Division's financial examination team has conducted an examination of:

**Green Mountain Insurance Company, Inc. and
Vermont Accident Insurance Company, Inc.**

with their statutory home offices located at

Airport Road
Berlin, VT 05601

The examination was performed pursuant to 8 V.S.A. §3563 in order to ascertain the Company's financial condition, ability to fulfill its obligations and compliance with the provisions of Vermont law.



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SCOPE OF EXAMINATION

As of December 31, 2015, the financial examination of Green Mountain Insurance Company, Inc. and Vermont Accident Insurance Company, Inc. (the Companies) was performed in coordination with the New Hampshire and Maine Departments of Insurance, with their concurrent financial examination of the Concord Group Insurance Companies (the Group). As of December 31, 2015, the Group consisted of eight insurance entities as follows:

- Concord General Mutual Insurance Company
- Green Mountain Insurance Company, Inc.
- Vermont Accident Insurance Company, Inc.
- People's Business Services of NH, Inc.
- State Mutual Insurance Company
- Sunapee Mutual Fire Insurance Company
- Bow Mutual Fire Insurance Company
- Weare Mutual Fire Insurance Company

The Companies' last financial condition examination was as of December 31, 2010 for the previous five-year period. The Reports on Examination of each of the Companies will be issued under separate covers by their respective domestic state regulators. New Hampshire Department of Insurance functioned as the lead state and examination coordinator.

The examination was conducted pursuant to 8 V.S.A. §3563 and guidance provided by the National Association of Insurance Commissioners (NAIC). The examination covered the period from January 1, 2011 through December 31, 2015. The Department conducted the examination in accordance with NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Companies and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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All accounts and activities of the Companies were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in 8 V.S.A. §3574 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings in the prior exam report or the current exam report. There were no adjustments made to the annual statement based on this examination.

HISTORY

Green Mountain Insurance Company, Inc.

Green Mountain Insurance Company, Inc. (GMIC), is a property and casualty insurance company established in 1916, and writes primarily personal and commercial auto and homeowner coverage. GMIC is wholly owned by Concord General Mutual Insurance Company (the Parent). In 1997, GMIC entered into a reinsurance contract whereby it cedes all business written to the Parent. The Parent provides all management, accounting and other services to GMIC at no charge.

Vermont Accident Insurance Company, Inc.

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Vermont Accident Insurance Company, Inc. (VAIC) is a property and casualty insurance company established in 1961, and writes primarily dwelling fire coverage. VAIC is wholly owned by Concord General Mutual Insurance Company (the Parent). Under the terms of a reinsurance agreement, VAIC cedes all business written to the Parent. The Parent also provides all management, accounting and other services at no charge to VAIC.

MANAGEMENT AND CONTROL

Corporate Records

The Companies' statutory home office is located in Berlin, Vermont, while main administrative offices and the majority of their corporate functions take place at the office of the Parent in Concord, New Hampshire. Examiners reviewed the minutes of the Board of Directors and key committees thereof and determined that the minutes adequately approve and support the Companies' transactions and events and that the meetings and minutes are in compliance with the Companies' articles and By-Laws.

Green Mountain Insurance Company, Inc.

Shareholder

The annual meeting of the Shareholder is held on the fourth Monday of March. The annual meeting is held at the registered office of GMIC in Vermont or at such other place as determined. The purpose of the annual meeting is to elect the Board of Directors and to transact other business that is brought before the meeting. A quorum is constituted by a majority of the Shareholders.

Board of Directors

The number of Directors is no less than seven nor more than fifteen. Mandatory retirement age of Directors is seventy-five. The annual meeting of the Board of Directors is held immediately following and in the same place as the annual meeting of the Shareholder for the purpose of organization, election of Officers, and consideration of any other business that is brought before the meeting. A majority of the Directors, but never fewer than five, constitutes a quorum.

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The following were elected to the Board of Directors of GMIC in accordance with the By-Laws and serving as of December 31, 2015:

<u>Name and Principal Business Association:</u>	<u>Residence:</u>
J. Dudley Colcord Retired	New Hampshire
Linda J. Day Concord General Mutual Insurance Company	New Hampshire
Russell A. Holden Retired	New Hampshire
Daniel B. Langone Retired	New Hampshire
Warren C. McLean Jr. Concord General Mutual Insurance Company	New Hampshire
George H. Morehouse Retired	Vermont
Gordon A. Rehnborg Jr. McDowell & Osburn	New Hampshire

Officers:

The Officers of GMIC are a Chairman of the Board, a President, one or more Vice Presidents, a Treasurer and a Secretary. Any two or more offices may be held by the same person, except the offices of President and Secretary.

The Officers of the Company as of December 31, 2015 were as follows:

<u>Name</u>	<u>Title</u>
Linda J. Day	Chairman and President
<u>Name</u>	<u>Title</u>

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Brian R. Bodi	Vice President
Thomas J. McConnell	Vice President
Warren C. McLean, Jr.	Vice President
Michael P. Nolin, Jr.	Vice President
Richard E. Welch Jr.	Vice President
Daniel Rodgers	Treasurer and Secretary

Vermont Accident Insurance Company, Inc.

Shareholder

The annual meeting of the Shareholder is held no sooner than thirty nor more than ninety days after the year-end of VAIC's fiscal year end. The annual meeting of the Shareholder is held at the registered office of VAIC in Vermont, or at such other place as determined. The purpose of the annual meeting is to elect a Board of Directors and to transact other business that is brought before the meeting. A quorum is constituted by a majority of the Shareholders.

Board of Directors

The number of Directors is no less than six nor more than fifteen. Mandatory retirement age of Directors is seventy-five. The annual meeting of the Board of Directors is held immediately following and in the same place as the annual meeting of the Shareholder for the purpose of organization, election of officers, and consideration of any other business that is brought before the meeting. A majority of the total number of Directors shall constitute a quorum.

The following were elected to the Board of Directors of each of VAIC in accordance with each company's By-Laws and serving as of December 31, 2015:

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Name and Principal Business Association:

J. Dudley Colcord
Retired

Linda J. Day
Concord General Mutual Insurance Company

Russell A. Holden
Retired

Daniel B. Langone
Retired

Warren C. McLean Jr.
Concord General Mutual Insurance Company

George H. Morehouse
Retired

Gordon A. Rehnborg Jr.
McDowell & Osburn

Residence:

New Hampshire

New Hampshire

New Hampshire

New Hampshire

New Hampshire

Vermont

New Hampshire

Officers:

The Officers of VAIC are a Chairman of the Board, a President, one or more Vice Presidents, a Treasurer and a Secretary. Any two offices may be held by the same person, except the offices of President and Secretary.

The Officers of the Company as of December 31, 2015 were as follows:

Name

Linda J. Day

Brian R. Bodi

Thomas J. McConnell

Warren C. McLean, Jr.

Michael P. Nolin, Jr.

Title

Chairman and President

Vice President

Vice President

Vice President

Vice President

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<u>Name</u>	<u>Title</u>
Richard E. Welch Jr.	Vice President
Daniel Rodgers	Treasurer and Secretary

Affiliated Companies

Pursuant to an agreement between Concord General Mutual Insurance Company (the Parent) and GMIC and VAIC, the Parent performs all administrative functions for each Company. There are no charges for these services. GMIC and VAIC also maintain an agreement whereby 100% of all premiums and losses are ceded to the Parent. During 2015, GMIC declared and paid a dividend to the Parent in the amount of \$29,000; and likewise VAIC paid \$18,000. There were no other kinds of transactions with affiliates during the exam period.

Organizational Chart

The corporate structure as of December 31, 2015 is as follows:

Concord General Mutual Insurance Company - Parent
Green Mountain Insurance Company, Inc. – wholly owned subsidiary
Vermont Accident Insurance Company, Inc. – wholly owned subsidiary
People’s Business Services of NH, Inc. – wholly owned subsidiary
State Mutual Insurance Company – affiliated management
Sunapee Mutual Fire Insurance Company – affiliated management
Bow Mutual Fire Insurance Company – affiliated management
Weare Mutual Fire Insurance Company – affiliated management

TERRITORY AND PLAN OF OPERATIONS

Green Mountain Insurance Company, Inc.

GMIC is a multi-line carrier underwriting personal automobile and property coverage through independent agents in Maine, Massachusetts, New Hampshire and Vermont. GMIC is also licensed in New York but not currently writing any business. GMIC also writes a small percentage

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of overall written premium in small-sized commercial lines products which are underwritten through the same distribution channels within the same region.

Vermont Accident Insurance Company, Inc.

VAIC is a multi-line carrier underwriting Dwelling Fire coverage through independent agents in Maine, New Hampshire and Vermont.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Companies with the Vermont Department of Financial Regulation and present the financial condition of each Company for the period ending December 31, 2015.

Statement of Assets

	<u>GMIC</u>	<u>VAIC</u>
Cash and Invested Assets	\$ 415,981	\$ 207,404
Bonds	6,759,200	4,150,480
Common Stocks	4,306,746	3,925,070
Total cash and invested assets	<u>11,481,927</u>	<u>8,282,954</u>
 Dividend and interest due and accrued	 89,817	 50,377
Total assets	<u><u>\$ 11,571,744</u></u>	<u><u>\$ 8,333,331</u></u>

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Statement of Liabilities and Surplus and Other Funds

Liabilities		
Federal income tax payable	\$ 128,999	\$ 69,777
Deferred tax liability	359,544	597,861
Total liabilities	<u>488,543</u>	<u>667,638</u>
Surplus and other funds		
Common stock, \$100 per share; 30,000 shares authorized; 25,000 shares issued and outstanding	2,500,000	2,500,000
Gross paid-in and contributed surplus	250,000	500,000
Unassigned surplus	8,333,201	4,665,693
Total surplus and other funds	<u>11,083,201</u>	<u>7,665,693</u>
Total liabilities and surplus and other funds	<u>\$ 11,571,744</u>	<u>\$ 8,333,331</u>

Statement of Income

Net investment income earned	\$ 381,767	\$ 231,714
Net realized capital gains (losses)	(134,601)	3,034
Net income before federal income taxes	<u>247,166</u>	<u>234,748</u>
Federal income tax expense	126,744	70,872
Net income	<u>\$ 120,422</u>	<u>\$ 163,876</u>

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Statement of Changes in Surplus and Other Funds

	<u>GMIC</u>	<u>VAIC</u>
Surplus and other funds - January 1, 2015	\$ 10,948,974	\$ 7,515,770
Net income	120,422	163,876
Change in unrealized investment (losses) gains, net of tax	(19,373)	36
Dividend to stockholder	(29,000)	(18,000)
Change in net deferred income tax	62,178	4,011
Change in surplus and other funds for the year	<u>134,227</u>	<u>149,923</u>
Surplus and other funds - December 31, 2015	<u>\$ 11,083,201</u>	<u>\$ 7,665,693</u>

COMMENTS AND RECOMMENDATIONS

There are no significant findings or financial adjustments as a result of this examination. A Comment Letter will be issued to the Board as a result of this exam addressing opportunities for improvement and other items that did not reach a level of significance to warrant inclusion in this report. In such cases, these matters were thoroughly discussed with responsible personnel and/or officials during the examination.

SUBSEQUENT EVENT

In December 2016, it was announced of a proposed affiliation between Auto-Owners Insurance Company and Concord General Mutual Insurance Group. Auto-Owners Insurance was founded in 1916 and offers multiple lines of insurance, including life insurance and Excess & Surplus lines. Auto-Owners is a Fortune 500 company and is rated A++ (superior) by A.M. Best. The affiliation is subject to customary closing conditions including regulatory approvals. The above affiliation is currently being reviewed by the Department.

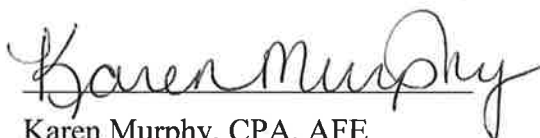
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CONCLUSION

In addition to the undersigned, Miranda Cloutier, Examiner in Charge, KC Ng, Examiner II, Ellen Adams, Examiner, and regulators and their appointees from the New Hampshire and Maine Insurance Departments also participated in this coordinated examination. Additionally, work completed by the New Hampshire Department of Insurance in this coordinated examination of GMIC and VAIC was accepted to support conclusions in certain areas of the examination.

Respectfully submitted,



Karen Murphy, CPA, AFE
Chief Examiner, Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Murphy, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

Subscribed and sworn to before me

This 17th day of January, 2017



2/10/2019
Notary Public