

Report on the Examination

As of December 31, 2019

of

Green Mountain Insurance Company, Inc.

and

Vermont Accident Insurance Company, Inc.

by the



VERMONT

DEPARTMENT OF FINANCIAL REGULATION

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

For consumer assistance:
[Banking] 888-568-4547
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Daniel McCabe
President 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, 2019 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.



Michael S. Pieciak, Commissioner

6/11/2021

Date



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May 14, 2021

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

Dear Commissioner Pieciak:

Pursuant to the November 20, 2019 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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EXAMINATION REPORT
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SCOPE OF EXAMINATION

As of December 31, 2019, 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, 2019, the Group consisted of seven insurance entities and one non-insurance entity as follows:

- Concord General Mutual Insurance Company
- Green Mountain Insurance Company, Inc.
- Vermont Accident Insurance Company, Inc.
- People's Business Services of NH, Inc.: non-insurance entity
- 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, 2015 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, 2016 through December 31, 2019. 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

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includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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 each Company's financial statements, respectively.

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, writing 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.

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Vermont Accident Insurance Company, Inc.

Vermont Accident Insurance Company, Inc. (VAIC) is a property and casualty insurance company established in 1961, writing 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.

In April of 2017, GMIC and VAIC through their Parent became affiliated with Auto-Owners Insurance Company (AO), who is now the lead entity within the holding company system. This affiliation allows for the sharing of resources, such as investment management, information and actuarial services, legal and printing services, employee training and access to reinsurance. The affiliation with AO resulted in no changes in ownership of GMIC and 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 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

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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 eleven, provided that the number of Directors is an odd number. Directors elected will serve a term of three years. Mandatory retirement age of Directors is seventy-five. In accordance with the Auto-Owners affiliation agreement up to six of the Directors are nominated by Auto-Owners and up to 5 are nominated by the Parent. The annual meeting of the Board of Directors is held on a date and at a time as designated by the Directors for the purpose of election of Officers, and consideration of any other business that is brought before the meeting. A majority of the Directors constitutes a quorum, provided that the majority be Auto-Owners nominated and elected Directors.

The following were elected to the Board of Directors of GMIC in accordance with the By-Laws and serving as of December 31, 2019:

Name and Principal Business Association:

Residence:

Linda J. Day
Retired

New Hampshire

Lori A. McAllister
Dykema Gossett PLLC

Michigan

Daniel L. McCabe
Concord General Mutual Insurance Company

New Hampshire

Warren C. McLean, Jr.
Concord General Mutual Insurance Company

New Hampshire

Carolyn B. Muller
Auto Owners Insurance Company

Michigan

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<u>Name</u>	<u>Residence</u>
Michael P. Nolin, Jr. Concord General Mutual Insurance Company	New Hampshire
Gordon A. Rehnborg Jr. McDowell & Morrissette, P.A.	New Hampshire
Theodore W. Reinbold Auto Owners Insurance Company	Michigan
Jeffrey S. Tagsold Auto Owners Insurance Company	Michigan
Daniel J. Thelen Auto Owners Insurance Company	Michigan
William F. Woodbury Auto Owners Insurance Company	Michigan

Officers:

The Officers of GMIC are a Chairman of the Board, a President, one or more Vice Presidents (one who is designated Senior Vice President), a Treasurer and a Secretary. Any two or more offices may be held by the same person, except the office of President may not serve as Treasurer or Secretary and may or may not be members of the Board of Directors.

The Officers of the Company as of December 31, 2019 were as follows:

<u>Name</u>	<u>Title</u>
Daniel L. McCabe	President and CEO
Michael P. Nolin, Jr.	Senior Vice President and COO
Kevin M. Ferreri	Vice President
Amy M. Kezar	Vice President

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<u>Name</u>	<u>Title</u>
Michael W. Percy	Vice President
Anthony L. Sychtysz	Vice President
Bruce W. Sorette	Vice President and Treasurer
William F. Woodbury	Secretary

Vermont Accident Insurance Company, Inc.

Shareholder

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 constitutes 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, 2019:

Name and Principal Business Association:

Residence:

Linda J. Day
Retired

New Hampshire

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Name and Principal Business Association:

Lori A. McAllister
Dykema Gossett PLLC

Daniel L. McCabe
Concord General Mutual Insurance Company

Warren C. McLean, Jr.
Concord General Mutual Insurance Company

Carolyn B. Muller
Auto Owners Insurance Company

Michael P. Nolin, Jr.
Concord General Mutual Insurance Company

Gordon A. Rehnborg Jr.
McDowell & Morrissette, P.A.

Theodore W. Reinbold
Auto Owners Insurance Company

Jeffrey S. Tagsold
Auto Owners Insurance Company

Daniel J. Thelen
Auto Owners Insurance Company

William F. Woodbury
Auto Owners Insurance Company

Residence:

Michigan

New Hampshire

New Hampshire

Michigan

New Hampshire

New Hampshire

Michigan

Michigan

Michigan

Michigan

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.

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The Officers of the Company as of December 31, 2019 were as follows:

<u>Name</u>	<u>Title</u>
Daniel L. McCabe	President and CEO
Michael P. Nolin, Jr.	Senior Vice President and COO
Kevin M. Ferreri	Vice President
Amy M. Kezar	Vice President
Michael W. Percy	Vice President
Anthony L. Sychtysz	Vice President
Bruce W. Sorette	Vice President and Treasurer
William F. Woodbury	Secretary

Affiliated Companies

Pursuant to an agreement between Concord General Mutual Insurance Company (CGMIC or 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 2016, GMIC declared and paid a dividend to the Parent in the amount of \$25,500; and likewise, VAIC paid \$16,000. There were no other dividend payments during the exam period.

Organizational Chart

The corporate structure as of December 31, 2019 is as follows:

Auto-Owners Insurance Company - Affiliated
Concord General Mutual Insurance Company - Parent
Green Mountain Insurance Company, Inc. – wholly owned subsidiary
Vermont Accident Insurance Company, Inc. – wholly owned subsidiary

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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 was also licensed in New York during the exam period and surrendered its license in that state in 2017. GMIC also writes a small percentage 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, Massachusetts, 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, 2019.

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Statement of Assets and Liabilities and Surplus and Other Funds

	<u>GMIC</u>	<u>VAIC</u>
Cash and Invested Assets:		
Bonds, at amortized cost of fair value	\$ 10,038,243	\$ 10,442,718
Common stocks, at fair value	3,770,696	5,798,046
Cash and cash equivalents	1,221,811	1,005,655
Other invested assets	182,321	-
Total cash and invested assets	<u>15,213,071</u>	<u>17,246,419</u>
Dividend and interest due and accrued	121,388	99,095
Total assets	<u>\$ 15,334,459</u>	<u>\$ 17,345,514</u>
Liabilities		
Federal income tax payable	\$ 422,858	\$ 132,235
Deferred tax liability	366,733	810,468
Payable to parent	8,486	9,095
Total liabilities	<u>798,077</u>	<u>951,798</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	5,900,000
Unassigned surplus	11,786,382	7,993,716
Total surplus and other funds	<u>14,536,382</u>	<u>16,393,716</u>
Total liabilities and surplus and other funds	<u>\$ 15,334,459</u>	<u>\$ 17,345,514</u>

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Statement of Income

	<u>GMIC</u>	<u>VAIC</u>
Net investment income earned	\$ 469,695	\$ 449,767
Net realized capital gains, net of tax	1,217,079	140,514
Net income before federal income taxes	<u>1,686,774</u>	<u>590,281</u>
Federal income tax expense	92,263	85,574
Net income	<u>\$ 1,594,511</u>	<u>\$ 504,707</u>

Statement of Changes in Surplus and Other Funds

	<u>GMIC</u>	<u>VAIC</u>
Surplus and other funds - December 31, 2018	\$ 13,060,332	\$ 14,889,964
Net income	1,594,511	504,707
Change in unrealized investment (losses) gains, net of tax	(125,440)	992,834
Change in net deferred income tax	6,979	6,211
Change in surplus and other funds for the year	<u>1,476,050</u>	<u>1,503,752</u>
Surplus and other funds - December 31, 2019	<u>\$ 14,536,382</u>	<u>\$ 16,393,716</u>

COMMENTS AND RECOMMENDATIONS

There are no significant recommendations, findings or financial adjustments as a result of this examination.

SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared a worldwide pandemic due to a novel coronavirus outbreak, known as COVID 19. The direct and indirect effects of the pandemic

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on the financial health and operations of the Company may be material, however, the ultimate impact is not determinable at this time.

CONCLUSION

In addition to the undersigned, Miranda Cloutier, Examiner in Charge, 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,



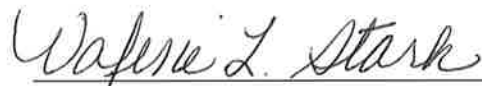
Karen Ducharme, CPA, CFE
Chief Examiner, Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Ducharme, 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 9th day of June, 2021



Notary Public

Commission expires 1/31/2023