

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA



In the matter of the application of)
GUIDEONE MUTUAL INSURANCE)
COMPANY for approval of a plan to create)
GUIDEONE MUTUAL HOLDING)
COMPANY and GUIDEONE INSURANCE)
GROUP, INC., and convert GUIDEONE)
MUTUAL INSURANCE COMPANY into a)
stock insurance company)

**FINDINGS OF FACT,
CONCLUSIONS OF LAW,
AND ORDER**
(Iowa Code chapter 521A)

I. INTRODUCTION

GuideOne Mutual Insurance Company, a domestic mutual insurance company (“Applicant”), filed a limited application for approval of a plan to create a mutual insurance holding company under Iowa Code chapter 491 to be named GuideOne Mutual Holding Company (“GuideOne Holdco”), create an intermediate stock holding company under Iowa Code chapter 490 to be named GuideOne Insurance Group, Inc. (“GuideOne Group”), convert Applicant into a stock insurance company under Iowa Code chapter 490 to be named GuideOne Insurance Company (“GuideOne Stock”), and issue shares of GuideOne Stock to GuideOne Holdco, which will then transfer all shares of GuideOne Stock to GuideOne Group in exchange for all shares of GuideOne Group. As a result, GuideOne Holdco will indirectly own all of the outstanding shares of GuideOne Stock through its ownership of GuideOne Group.

In accordance with the provisions of Iowa Code¹ section 521A.14 and Iowa Administrative Code rule 191–46.1 et seq., Applicant has filed a Limited Application, dated September 30, 2020 (the “Limited Application”), applying for approval of the proposed reorganization with the Commissioner of Insurance of the State of Iowa (the “Commissioner”).

Pursuant to the provisions of Iowa Code section 521A.3(4)(b), and at the request of Applicant,² a public hearing was held virtually by webex on Wednesday, February 17, 2021, at the Iowa Insurance Division (“Division”) for the purpose of determining whether the Applicant’s proposed reorganization complies with the requirements set forth in Iowa Code section 521A.14 and Iowa Administrative Code rule 191–46.4(3). The hearing was held immediately prior to a related hearing on the separate limited application pursuant to Iowa Code section 521A.14 and Iowa Administrative rule 191-46.1 et seq. and application pursuant to Iowa Code section 521.3 of GuideOne Specialty Mutual Insurance Company (“GuideOne Specialty”), Applicant, and GuideOne Holdco for approval of the proposed separate reorganization and merger of GuideOne

¹ All references to the Iowa Code herein are to the Code of 2021.

² To the extent applicable under Iowa Code section 521A.3(4)(b), Applicant waived the requirement that the Commissioner schedule a public hearing on the Limited Application within thirty (30) days of the filing of the Limited Application.

Specialty into GuideOne Holdco pursuant to Iowa Code section 521A.14(2), which is expected to take place immediately after the reorganization of Applicant.

II. JURISDICTION

Notice of the public hearing conducted on February 17, 2021, was provided to the parties in accordance with Iowa Code section 17A.12. (*Trans. at 5*) The Commissioner has jurisdiction over this matter under Iowa Code sections 17A.11, 17A.12, 521A.3, and 521A.14(1).

III. EVIDENCE PRESENTED

At the public hearing, the Applicants offered twelve exhibits as follows:

- Exhibit 1: Certified resolutions of the Board of Directors of Applicant approving the Plan of Reorganization.
- Exhibit 2: Affidavit of Voting Inspector reporting on the vote of Applicant's members approving the Plan of Reorganization.
- Exhibit 3: Affidavit of Jessica E. Snyder, Chief Executive Officer and President of Applicant, dated February 12, 2021.
- Exhibit 4: Affidavit of Andrew L. Noga, Senior Vice President, General Counsel, and Corporate Secretary of Applicant, dated February 12, 2021.
- Exhibit 5: Affidavit of Elisabeth A. Sandersfeld, Senior Vice President, Chief Financial Officer, and Treasurer of Applicant, dated February 12, 2021.
- Exhibit 6: Affidavit of D. Samuel Waters, Vice President and Deputy General Counsel of Applicant, dated February 12, 2021.
- Exhibit 7: Actuarial Fairness Opinion of ISC Strategies Consulting, Inc., dated September 9, 2020.
- Exhibit 8: Policyholder Information Statement for Applicant's annual member meeting held on January 28, 2021.
- Exhibit 9: Affidavit of Georgeson, LLC for Mailing for Applicant's annual member meeting.
- Exhibit 10: An electronic version of the Public Copy of the Limited Application, dated September 30, 2020, with sub-exhibits, including a Form A Statement Regarding the Reorganization of a Domestic Insurer (the "Form A Statement"), certain portions of which are not included in such public copy and are to be held confidential pursuant to the provisions of Iowa Code section 22.7(6) and Iowa Administrative Code rule 191-2.12(1).

Exhibit 11: An electronic version of the confidential Regulator-Only Copy of the Limited Application, dated September 30, 2020, with sub-exhibits, including the Form A Statement, which is held confidential pursuant to the provisions of Iowa Code section 22.7(6) and Iowa Administrative Code rule 191–2.12(1).

Exhibit 13: A flash drive containing Exhibits 1 through 11.

Exhibits 1 through 11 and 13 were received into the record. (*Trans. at 14; 59*)

On January 28, 2021, at the Applicant’s Annual Meeting of policyholders, with a quorum of policyholders being present, 2,570 policyholders voted in favor of and 120 policyholders voted against the Plan of Reorganization which was approved and adopted by the policyholders. (Exhibit 2)

In addition, the Applicant called two witnesses at the public hearing, Mr. Andrew Noga and Ms. Jessica Snyder, who were both authorized to speak on behalf of the Applicant. (*Trans. at 17, 39*) Mr. Noga is a Senior Vice President, General Counsel, and Secretary for the Applicant. (*Trans. at 18*) Ms. Snyder is the President and Chief Executive Officer for the Applicant. (*Trans. at 40*)

Mr. Noga described the structure of the reorganization. Pursuant to the proposed Plan of Reorganization, Applicant will form a new mutual holding company, to be named GuideOne Mutual Holding Company (“GuideOne Holdco”), which will become the new ultimate parent entity, as well as a new intermediate holding company, to be named GuideOne Insurance Group, Inc. (“GuideOne Group”). Mr. Noga testified that Applicant will then amend and restate its Articles of Incorporation to voluntarily convert to a stock corporation and change its name to GuideOne Insurance Company (“GuideOne Stock”). All of the common stock of GuideOne Stock will be issued to GuideOne Holdco, which will contribute such stock to GuideOne Group in exchange for the stock of GuideOne Group. By operation of law, the policyholders and members of Applicant will become members of GuideOne Holdco, and their membership interests in Applicant will become membership interests in GuideOne Holdco. Finally, the insurance policies issued by Applicant will remain in full force and effect in accordance with their original terms as policy obligations of GuideOne Stock. (*Trans. at 24–25*) Mr. Noga noted that, as a result of the reorganization, GuideOne Holdco will indirectly own 100% of the voting shares of GuideOne Stock and will thus control GuideOne Stock. (*Trans. at 28*)

Mr. Noga testified as to the individuals that will control GuideOne Holdco, GuideOne Group, and GuideOne Stock after the proposed reorganization. Applicant’s current senior executive officers and directors will become officers and directors of both GuideOne Holdco and GuideOne Group. At the GuideOne Stock level, Applicant’s directors will be replaced by an internal board of directors consisting of current executive officers of Applicant. Mr. Noga noted that the current executive officers of Applicant will continue in their same officer positions with GuideOne Stock, and as a result, there will be no change in the executive management team. (*Trans. at 28–29*) Other than these changes, Mr. Noga further noted there would be no material changes to the business operations of Applicant. (*Trans. at 30*)

Mr. Noga also provided a summary of the process followed by Applicant in considering and approving the proposed reorganization. He noted that the Applicant’s Board of Directors (the

“Board”) began reviewing alternatives for a new corporate structure in 2018. In order to determine the best alternative available, Mr. Noga testified that the Board established a set of strategic objectives to be achieved through a new corporate structure. Mr. Noga described the creation of a special committee of the Board (the “Special Committee”) to evaluate the mutual holding company structure and make a recommendation to the Board as to whether a mutual holding company structure would be in the best interests of Applicant and its policyholders.³ He then noted that after an extensive review process, the Special Committee recommended to the Board that the reorganization of Applicant would be in the best interest of both the company and its policyholders. The Board ultimately approved the Plan of Reorganization providing for the reorganization of Applicant.⁴ (*Trans. at 22–23*)

Mr. Noga testified on how the proposed plan of reorganization will preserve and protect policyholder interests. First, each insurance policy of Applicant that is in force on the effective date of the proposed reorganization will continue in force as a policy of GuideOne Stock. As such, Mr. Noga noted that there will be no effect on policyholders’ contractual rights arising under such policies. (*Trans. at 25, 30*)

Next, Mr. Noga stated that each policyholders’ membership interest in Applicant will become a membership interest in GuideOne Holdco. Currently, policyholders are entitled to vote on the election of directors of Applicant, to receive a share of any remaining surplus in the event Applicant were to be liquidated, and to receive consideration in the event Applicant were to ever be demutualized. Mr. Noga noted that these membership rights will carry over to GuideOne Holdco. After the reorganization, policyholders will be entitled to vote on the election of directors of GuideOne Holdco, to receive a share of any remaining surplus in the event GuideOne Holdco were to be liquidated, and to receive consideration in the event GuideOne Holdco were to ever be demutualized. (*Trans. at 26–27, 30*)

In addition, Mr. Noga noted that the reorganization will not negatively effect the financial condition of Applicant. GuideOne Stock will continue to own all of the assets of Applicant and be subject to all the same liabilities as Applicant that existed immediately prior to the effective date of the reorganization. Mr. Noga stated that, as a result, the reorganization would not adversely impact the company’s ability to pay claims or provide policyholder services. (*Trans. as 27, 30*)

Mr. Noga finally testified that the Special Committee engaged ISC Strategies Consulting, Inc. (“ISC Strategies”) to consider the actuarial fairness of the proposed reorganization. Mr. Noga noted that following its review and evaluation of the proposed reorganization, ISC Strategies opined that the proposed reorganization is fair to Applicant’s policyholders from an actuarial

³ Mr. Noga testified that the Special Committee was also tasked to consider whether the proposed separate reorganization and merger of GuideOne Specialty into the mutual holding company structure to be created by the reorganization of Applicant would be in the best interests of Applicant and its policyholders. (*Trans. at 23*)

⁴ Mr. Noga also testified that the Board further approved a separate agreement and plan of reorganization providing for the subsequent reorganization of GuideOne Specialty into Applicant’s mutual holding company structure following the Special Committee’s recommendation that such reorganization would also be in the best interest of Applicant and its policyholders. (*Trans. at 23–24*)

point of view.⁵ (*Trans. at 34*) In addition, Mr. Noga stated that the Board also believes that the reorganization of Applicant is fair and equitable to its policyholders and that all policyholder interests will be properly preserved and protected in the transaction.⁶ (*Trans. at 33–34*)

Ms. Snyder discussed the lines of insurance offered by and markets targeted by Applicant. She testified that Applicant has been assigned a financial strength rating of “A-” (Excellent) from A.M. Best Company, Inc., with a “stable” outlook and that the reorganization is not expected to result in any change to this rating. (*Trans. at 41–42*) Ms. Snyder noted that the proposed reorganization of Applicant will not result in any material changes to Applicant’s business operations, including in services provided to its policyholders, to its business practices, or in its existing offices, management, staff, or distribution systems. Ms. Snyder also testified that there would be no effect on any of the insurance licenses that Applicant currently holds. In addition, Ms. Snyder noted that Applicant would continue to write the same lines of insurance business which it is presently authorized to write today. (*Trans. at 43*)

Ms. Snyder then discussed the primary benefits that Applicant seeks to achieve from the reorganization and mutual holding company structure. First, the mutual holding company structure will provide Applicant with additional opportunities to raise capital through the ability to issue traditional debt and equity securities at the intermediate holding company level. Ms. Snyder particularly noted that traditional debt securities are more attractive to capital markets than surplus notes, which is the only method to raise capital currently available to Applicant and an expensive form of financing due to regulatory limitations. Ms. Snyder emphasized that, although the mutual holding company structure would enable the sale of stock to third parties to raise equity capital, there are currently no plans to do so and that the company would need to apply for and receive regulatory approval from the Commissioner prior to doing so. (*Trans. at 43–44, 48*)

Second, Ms. Snyder noted that the mutual holding company structure will provide Applicant more flexibility to engage in merger and acquisition activity if appropriate target mutual insurance companies are identified for this purpose. Third, upon the completion of the proposed subsequent reorganization and merger of GuideOne Specialty, the mutual holding company structure will provide additional flexibility for managing and potentially restructuring ownership of subsidiary companies that are currently jointly owned by Applicant and GuideOne Specialty. Specifically, Ms. Snyder noted that the proposed reorganization would permit ownership of such subsidiaries to be transferred to GuideOne Group, subject to any required regulatory approvals. Fourth, upon the completion of GuideOne Specialty’s subsequent reorganization and merger into GuideOne Holdco, the mutual holding company structure would result in the overall GuideOne

⁵ Mr. Noga further testified that ISC Strategies was also engaged by the Special Committee to consider the actuarial fairness of the proposed separate reorganization and merger of GuideOne Specialty into the mutual holding company structure. ISC Strategies ultimately opined that, assuming the reorganization of Applicant was completed, the subsequent reorganization of GuideOne Specialty is also fair to the policyholders of Applicant from an actuarial point of view. (*Trans. at 34*)

⁶ Mr. Noga also stated that the Board believes that the subsequent reorganization of GuideOne Specialty is also fair and equitable to Applicant’s policyholders. Specifically, Mr. Noga noted that none of the policyholder protections put in place as part of the reorganization of Applicant will be changed or negatively impacted by the subsequent reorganization of GuideOne Specialty. (*Trans. at 33–34*)

organization, which includes Applicant, GuideOne Specialty, and all of their jointly owned subsidiaries (the “GuideOne Organization”), becoming a single consolidated group for federal income tax reporting purposes. The GuideOne Organization is currently composed of three separate tax reporting groups. Ms. Snyder testified that consolidating into a single tax reporting group would provide for a more efficient tax reporting process and provide more flexibility to potentially obtain financial benefits from certain net operating losses that, due to the current structure, cannot be used to their full benefit. Finally, the mutual holding company structure would preserve the benefits of mutual ownership which the Board believes is central to the GuideOne Organization’s heritage and culture. (*Trans. at 44–46*)

All evidence was admitted without objection and is part of the record considered by the Commissioner in issuing the following findings, conclusions, and order. No one appeared at the hearing to oppose Applicant’s request or otherwise offer evidence to contradict or question Applicant’s submission of evidence.

IV. FINDINGS OF FACT

The statutory and regulatory requirements that the Applicant’s limited plan of reorganization must meet are relatively straightforward. The Applicant proposes the creation of a mutual insurance holding company with a wholly owned intermediate holding company, which in turn will wholly own a reorganized stock insurance company subsidiary.

Iowa Code section 521A.14(1)(a) authorizes this corporate structure upon a showing by an applicant that the facts and circumstances supporting the proposed reorganization in forming a mutual insurance holding company meet two statutorily prescribed standards. The statutory standards under Iowa Code section 521A.14(1)(a) mandate that: (1) the interests of the policyholders are properly protected; and (2) the plan of reorganization is fair and equitable to the policyholders.

In addition, Iowa Administrative Code rule 191–46.4 provides specific requirements for the plan of reorganization. Under rule 191–46.4(3), the plan of reorganization must ultimately demonstrate to the Commissioner that: (1) policyholder interests are properly preserved and protected; (2) the plan of reorganization is fair and equitable to policyholders; and (3) the financial condition of the applicant will not be diminished by the reorganization.

If an applicant establishes that its application for reorganization meets these statutory and regulatory requirements, the Commissioner may approve the proposed plan and may require as a condition of approval such modifications of the proposed plan of reorganization as the Commissioner finds necessary for the protection of the policyholder interests.

Based upon the evidence in the record viewed as a whole, the Commissioner finds as follows:

1. After the reorganization as a mutual holding company, the interests of Applicant’s policyholders will be properly preserved and protected.

Iowa Code section 521A.14(1)(a) requires an applicant to demonstrate to the Commissioner that the interests of the policyholders will be properly protected. Iowa Administrative Code rule

191–46.4(3) further requires an applicant demonstrate that policyholder interests are properly preserved and protected in the plan of reorganization.

Mr. Noga affirmed that there would be no material change to the current rights of the policyholders. (*Trans. at 26–27*) Mr. Noga stated that policyholder ownership of Applicant, through the mutual holding company structure, will not be impacted by the conversion. (*Trans. at 32*)

The policyholder members of Applicant on the effective date of the reorganization will become members of GuideOne Holdco with membership rights therein, while their policy rights will remain obligations of GuideOne Stock. Future policyholders of GuideOne Stock after the reorganization will become policyholder members of GuideOne Holdco. The proposed reorganization alters the corporate structure of Applicant but does not change the ultimate control or ownership interest which Applicant’s policyholders currently maintain. (*Exhibit 10; Trans. at 25, 27, 32*)

Further, the reorganization will not result in any change to the financial condition of Applicant. (*Exhibit 5; Exhibit 7; Trans. at 27*) No changes will be made to insurance policies or insurance licenses. (*Trans. at 25–26, 43*) The reorganization will not result in any changes in services provided to policyholders or in business practices (including any administration, underwriting, or claims practices). The reorganization will also not result in any changes to Applicant’s existing offices, management, staff, or distribution systems. (*Exhibit 3; Exhibit 10; Trans. at 43*) Overall, the plan of reorganization offers reasonable and appropriate protection for policyholders. (*Exhibit 10*)

Nothing in the record supports a finding that the proposed reorganization is adverse to Applicant’s policyholders’ interests. The Commissioner finds that these interests will be properly preserved, protected, and unimpaired following the reorganization.

2. The plan of reorganization as a mutual holding company is fair and equitable to the policyholders.

Iowa Code section 521A.14(1)(a) and Iowa Administrative Code rule 191–46.4(3) both require an applicant to demonstrate to the Commissioner that the proposed plan of reorganization is fair and equitable to the policyholders.

After the proposed reorganization, Applicant’s policyholders will indirectly own, through their 100 percent ownership of GuideOne Holdco, 100 percent of GuideOne Stock. (*Exhibit 8; Exhibit 10; Trans. at 25, 28*) As stated above, Applicant’s proposed plan of reorganization (1) maintains the status of Applicant’s policyholders as of the effective date of the reorganization as members of GuideOne Holdco and will not result in changes to their policy rights, (2) provides that future policyholders of GuideOne Stock will become members of GuideOne Holdco, and (3) maintains Applicant’s ability to service and pay policyholders claims and benefits. (*Exhibit 10; Trans. at 25–27*)

Policyholders currently do not have any dividend rights in Applicant, and GuideOne Holdco members after the reorganization will also not have any dividend rights. While the GuideOne Holdco Articles of Incorporation do not provide for the application of any accumulation of

excess earnings, the Articles do provide that the GuideOne Holdco Board of Directors may adopt a plan, subject to the Commissioner's approval, to apply any accumulation or prospective accumulation of excess earnings to inure to the benefit of its members. Additionally, GuideOne Holdco may not waive the receipt by GuideOne Holdco of dividends from its subsidiaries unless they are to be applied for the benefit of the policyholder members. (*Exhibit 10; Trans. at 37, 52–53*)

In the event of the dissolution, liquidation, or winding up of GuideOne Holdco, any assets of GuideOne Holdco remaining after payment of all liabilities shall be distributed to the policyholders. (*Exhibit 10*) Iowa Code section 521A.14(4) further provides that assets of an mutual insurance holding company are subject to policyholder claims in the event of the reorganized insurer's insolvency and liquidation.

Finally, in considering the proposed reorganization, Applicant obtained an actuarial fairness opinion from ISC Strategies. (*Exhibit 7*) In line with the actuarial fairness opinion, the Commissioner's review of the plan of reorganization found that the reorganization offers reasonable and appropriate protection for Applicant's policyholders—namely, the right to vote on matters before policyholders and the right to a distribution of assets upon dissolution and liquidation. (*Exhibit 7*) The Commissioner notes that, from a policyholder perspective, the reorganization proposed by Applicant would preserve and protect policyholder rights and do nothing more than create a different organizational structure within which Applicant operates.

Nothing in the record supports a contrary finding to those noted above. As such, the Commissioner finds that the Applicant's reorganization is fair and equitable to the policyholders and that the Policyholder Information Statement provided to policyholders adequately described the reorganization and its effects on policyholders.

3. The financial condition of Applicant will not be diminished by the reorganization.

Iowa Administrative Code rule 191–46.4(3) requires that an applicant demonstrate to the Commissioner that the financial condition of the applicant will not be diminished by the proposed reorganization.

The affidavit of Applicant's Chief Financial Officer, Elisabeth Sandersfeld, and the pro forma balance sheet attached thereto clearly outlined the minimal impact of the reorganization on Applicant's financial condition. Specifically, two new accounts will appear on the statutory-basis balance sheet, consisting of: (i) a capital stock account to be credited with \$5,000,000—which reflects the issuance to GuideOne Holdco of 5,000,000 shares of common stock of GuideOne Stock at a par value of \$1.00 per share—and (ii) a paid-in and contributed surplus account to be credited with \$2,500,000. The amounts to be credited to these accounts will be transferred from the Applicant's unassigned funds (surplus) account. (*Exhibit 5*) The pro forma balance sheet illustrates there will be no negative change in the financial condition of Applicant as a result of the proposed reorganization as GuideOne Stock will continue to own all of the same assets and be subject to all of the same liabilities as immediately prior to the effective date of the proposed reorganization. (*Exhibit 5; Trans. at 27*)

In addition, Applicant currently has been assigned a financial strength rating of “A-” (Excellent) from A.M. Best Company, Inc., with a “stable” outlook. (*Trans. at 41*) Ms. Snyder noted that this rating is not expected to change as the reorganization will neither affect the ability of Applicant to pay its claims or otherwise negatively impact the financial condition of Applicant. (*Exhibit 3*)

Nothing in the record supports a finding that the proposed reorganization will diminish Applicant’s financial condition. As such, the Commissioner finds that the financial condition of Applicant will not be diminished by the proposed reorganization.

V. CONCLUSIONS OF LAW

The legislature has vested discretion in the Commissioner not only to hold hearings and make factual findings, but also to interpret and apply the law.

Iowa Code section 521A.14(1)(a) permits the Commissioner to approve an application for reorganization as an insurance holding company based on a mutual plan if, after a public hearing, the applicant meets the requirements listed within that section. Iowa Administrative Code rule 191–46.5 further permits the Commissioner to approve such application if, in addition to the requirements set forth in the Iowa Code, the requirements for a plan of reorganization set forth in rule 191–46.4 have been met.

After a careful review of all evidence submitted, the Commissioner concludes, based upon substantial evidence, that the Applicant has demonstrated all requirements set forth in, and required by, Iowa Code section 521A.14(1)(a) and Iowa Administrative Code rule 191–46.4. None of these standards are violated by Applicant’s proposed reorganization. As such, the Applicant’s proposed reorganization into a mutual insurance holding company should be approved.

ORDER

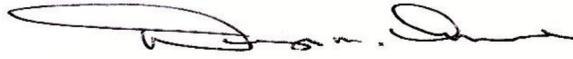
IT IS ORDERED that:

GuideOne Mutual Insurance Company’s limited application for approval of a plan to reorganize, including the authorization and issuance of stock as specified in the plan, is **APPROVED**.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A. Any action challenging the Order shall comply with the requirements of Iowa Code Chapter 17A.

Any application for rehearing shall comply with the requirements of Iowa Code Chapter 17A.

DATED this 29th day of March, 2021.



DOUG OMMEN
Commissioner of Insurance

Copies to:

Andrew Noga, GuideOne Mutual Insurance Company

Mark Dickinson, Nyemaster Goode PC

John Hunter, Brown, Winick, Graves, Gross and Baskerville, P.L.C.