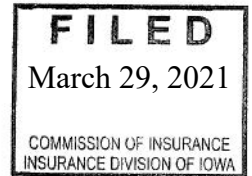


BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA



In the matter of the application of)
GUIDEONE SPECIALTY MUTUAL)
INSURANCE COMPANY, GUIDEONE)
MUTUAL INSURANCE COMPANY, and)
GUIDEONE MUTUAL HOLDING COMPANY)
for approval of a plan to reorganize and merge)
GUIDEONE SPECIALTY MUTUAL)
INSURANCE COMPANY into GUIDEONE)
MUTUAL HOLDING COMPANY, and convert)
GUIDEONE SPECIALTY MUTUAL)
INSURANCE COMPANY into a stock insurance)
company)

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

I. INTRODUCTION

GuideOne Specialty Mutual Insurance Company, a domestic mutual insurance company (“GuideOne Specialty” or “Applicant”), GuideOne Mutual Insurance Company, a domestic mutual insurance company (“GuideOne Mutual”), and GuideOne Mutual Holding Company, a domestic mutual insurance holding company to be organized in connection with the separate reorganization of GuideOne Mutual (“GuideOne Holdco,”) and together with GuideOne Specialty and GuideOne Mutual, (“Applicants”) jointly filed a limited application for approval of a plan to reorganize and merge the policyholder membership interests of GuideOne Specialty into GuideOne Holdco by converting GuideOne Specialty into a stock insurance company under Iowa Code chapter 490 to be named GuideOne Specialty Insurance Company (“GuideOne Specialty Stock”) and issuing shares of GuideOne Specialty Stock to GuideOne Holdco, which will then transfer all shares of GuideOne Specialty Stock to its wholly owned subsidiary, GuideOne Insurance Group, Inc., a domestic intermediate stock holding company (“GuideOne Group”). As a result of the proposed reorganization and merger, GuideOne Holdco will indirectly own all of the outstanding shares of GuideOne Specialty Stock through its ownership of GuideOne Group.

In accordance with the provisions of Iowa Code¹ § 521A.14 and Iowa Administrative Code rule 191–46.1 et seq., Applicants have filed a Limited Application, dated September 30, 2020 (the “Limited Application”), applying for approval of the proposed reorganization and merger 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 Applicants,² a public hearing was held virtually by webex on Wednesday, February 17, 2021, at the Iowa

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), Applicants 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.

Insurance Division (“Division”) for the purpose of determining whether the Applicant’s proposed reorganization and merger complies with the requirements set forth in Iowa Code section 521A.14 and Iowa Administrative Code rule 191–46.4(3).³ The hearing was held immediately after a related hearing on the separate limited application of GuideOne Mutual for approval of the proposed separate reorganization of GuideOne Mutual (and creation of GuideOne Holdco) pursuant to Iowa Code section 521A.14.

While GuideOne Specialty and GuideOne Mutual filed a joint mutual application, separate public hearings were conducted. In support of the joint application, GuideOne Specialty is seeking the approval of the Commissioner to reorganize and merge into GuideOne HoldCo.

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 5–6*) The Commissioner has jurisdiction over this matter under Iowa Code sections 17A.11, 17A.12, 521A.3, and 521A.14(2).

III. EVIDENCE PRESENTED

At the public hearing, the Applicant offered fourteen exhibits as follows:

- Exhibit 1: Certified resolutions of the Board of Directors of GuideOne Specialty approving the Agreement and Plan of Reorganization.
- Exhibit 2: Certified resolutions of the Board of Directors of GuideOne Mutual approving the Agreement and Plan of Reorganization.
- Exhibit 3: Affidavit of Voting Inspector reporting on the vote of GuideOne Specialty’s members approving the Agreement and Plan of Reorganization.
- Exhibit 4: Affidavit of Jessica E. Snyder, Chief Executive Officer and President of GuideOne Specialty and GuideOne Mutual, dated February 12, 2021.
- Exhibit 5: Affidavit of Andrew L. Noga, Senior Vice President, General Counsel, and Corporate Secretary of GuideOne Specialty and GuideOne Mutual, dated February 12, 2021.
- Exhibit 6: Affidavit of Elisabeth A. Sandersfeld, Senior Vice President, Chief Financial Officer, and Treasurer of GuideOne Specialty and GuideOne Mutual, dated February 12, 2021.
- Exhibit 7: Affidavit of D. Samuel Waters, Vice President and Deputy General Counsel of GuideOne Specialty and GuideOne Mutual, dated February 12, 2021.

³ Per the request of the Applicants, the hearing was a joint hearing on the Limited Application filed with the Commissioner and the Applicants’ related Application pursuant to Chapter 521 of the Iowa Code (the “Chapter 521 Application”) that was filed with the Commissioner and heard by the Commissioner and the Attorney General for the State of Iowa.

- Exhibit 8: Actuarial Fairness Opinion of Willis Towers Watson US LLC, dated September 17, 2020.
- Exhibit 9: Actuarial Fairness Opinion of ISC Strategies Consulting, Inc., dated September 9, 2020.
- Exhibit 10: Policyholder Information Statement for GuideOne Specialty’s annual member meeting held on January 15, 2021.
- Exhibit 11: Affidavit of Mailing for GuideOne Specialty’s annual member meeting.
- Exhibit 12: 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 13: 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 14: An electronic version of the Chapter 521 Application, dated September 30, 2020, with sub-exhibits.

Exhibits 1 through 14 were received into the record. (*Trans. at 17, 21*)

On January 15, 2021, at the Annual Meeting of GuideOne Specialty policyholders, with a quorum of policyholders being present, 392 policyholders voted for and 16 policyholders voted against to approve and adopt the Agreement and Plan of Reorganization by and among GuideOne Mutual, GuideOne HoldCo, and GuideOne Specialty. (Exhibit 3)

In addition, the Applicants called two witnesses at the public hearing, Mr. Andrew Noga and Ms. Jessica Snyder, who were both authorized to speak on behalf of the Applicants. (*Trans. at 15*) Mr. Noga is a Senior Vice President, General Counsel, and Secretary for GuideOne Specialty and GuideOne Mutual. (*Trans. at 23*) Ms. Snyder is the President and Chief Executive Officer for GuideOne Specialty and GuideOne Mutual. (*Trans. at 49*)

Mr. Noga described the structure of the reorganization and merger. Pursuant to the proposed Agreement and Plan of Reorganization, GuideOne Specialty will amend and restate its Articles of Incorporation to voluntarily convert to a stock corporation and change its name to GuideOne Specialty Insurance Company (“GuideOne Specialty Stock”). All of the common stock of GuideOne Specialty Stock will be issued to GuideOne Holdco, which will contribute such stock to its wholly owned, intermediate holding company, GuideOne Group. By operation of law, the policyholders and members of GuideOne Specialty will become members of GuideOne Holdco, and their membership interests in GuideOne Specialty will become membership interests in GuideOne Holdco. Finally, the insurance policies issued by GuideOne Specialty will remain in

full force and effect in accordance with their original terms as policy obligations of GuideOne Specialty Stock. (*Trans. at 31–32*) Mr. Noga stated that, as a result of the reorganization, GuideOne Holdco will indirectly own 100% of the voting shares of GuideOne Specialty Stock and will thus control GuideOne Specialty Stock. (*Trans. at 36*) Mr. Noga further noted that the reorganization and merger of GuideOne Specialty is conditioned upon the reorganization of GuideOne Mutual, in which the mutual holding company structure GuideOne Specialty proposes to reorganize and merge into will be created. (*Trans. at 32*)

Mr. Noga testified as to the individuals that will control GuideOne Holdco, GuideOne Group, and GuideOne Specialty Stock after the proposed reorganization and merger. Currently, GuideOne Mutual and GuideOne Specialty have the same executive officers. (*Trans. at 36–37*) In addition, GuideOne Mutual and GuideOne Specialty have historically had identical boards of directors.⁴ (*Trans. at 28*) On the effective date of the reorganization of GuideOne Specialty, GuideOne Mutual's current senior executive officers and directors will be officers and directors of both GuideOne Holdco and GuideOne Group. GuideOne Specialty's current directors will join the boards of GuideOne Holdco and GuideOne Group immediately following the reorganization of GuideOne Specialty. At the GuideOne Specialty Stock level, GuideOne Specialty's directors will be replaced by an internal board of directors consisting of current executive officers of GuideOne Specialty. Mr. Noga noted that the current executive officers of GuideOne Specialty will continue in their same officer positions with GuideOne Specialty Stock, and as a result, there will be no change in the executive management team. (*Trans. at 36–37*) Other than these changes, Mr. Noga further noted there would be no material changes to the business operations of GuideOne Specialty. (*Trans. at 39*)

Mr. Noga also provided a summary of the processes followed by both GuideOne Specialty and GuideOne Mutual in considering and approving the proposed reorganization. He noted that the GuideOne Mutual Board of Directors (the "Mutual Board") and the GuideOne Specialty Board of Directors (the "Specialty Board," and together with the Mutual Board, the "Boards") began reviewing alternatives for a new corporate structure in 2018. In order to determine the best alternative available, Mr. Noga testified that the Boards 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 Mutual Board (the "Mutual Special Committee") to evaluate the mutual holding company structure and make a recommendation to the Mutual Board as to, first, whether a mutual holding company structure would be in the best interests of GuideOne Mutual and its policyholders and, second, whether a subsequent reorganization and merger of GuideOne Specialty into GuideOne Mutual's mutual holding company structure would also be in the best interests of GuideOne Mutual and its policyholders. He then noted that after an extensive review process, the Mutual Special Committee recommended to the Mutual Board that both the reorganization of GuideOne Mutual and the subsequent reorganization and merger of GuideOne Specialty would be in the best interest of both GuideOne Mutual and its policyholders. The

⁴ Mr. Noga's affidavit describes how the boards of directors of GuideOne Specialty and GuideOne Mutual split shortly before taking any action on the reorganization of either GuideOne Mutual or GuideOne Specialty so that a majority of the directors of each company could consider the transactions on behalf of such company and its policyholders free of a conflicting interest in favor of the other company. (*Exhibit 5*)

Mutual Board ultimately approved the Agreement and Plan of Reorganization providing for the reorganization and merger of GuideOne Specialty.⁵ (*Trans. at 28–30*)

Mr. Noga then described the Specialty Board's simultaneous creation of its own special committee (the "Specialty Special Committee") to evaluate the mutual holding company structure and make a recommendation to the Specialty Board as to whether a reorganization and merger of GuideOne Specialty into a mutual holding company structure created by the separate reorganization of GuideOne Mutual would be in the best interest of GuideOne Specialty and its policyholders. He noted that after an extensive review process, the Specialty Special Committee recommended to the Specialty Board that the reorganization and merger of GuideOne Specialty into the mutual holding company structure to be created by the separate reorganization of GuideOne Mutual would be in the best interest of both GuideOne Specialty and its policyholders. The Specialty Board ultimately also approved the Agreement and Plan of Reorganization providing for the reorganization and merger. (*Trans. at 29–30*)

Mr. Noga testified on how the proposed plan of reorganization will preserve and protect policyholder interests. First, each insurance policy of GuideOne Specialty that is in force on the effective date of the proposed reorganization will continue in force as a policy of GuideOne Specialty Stock. As such, Mr. Noga noted that there will be no effect on policyholders' contractual rights arising under such policies. (*Trans. at 33, 37–38*)

Next, Mr. Noga stated that each GuideOne Specialty policyholders' membership interest in GuideOne Specialty will become a membership interest in GuideOne Holdco. Currently, policyholders are entitled to vote on the election of directors of GuideOne Specialty, to receive a share of any remaining surplus in the event GuideOne Specialty were to be liquidated, and to receive consideration in the event GuideOne Specialty 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 33–34, 38*)

In addition, Mr. Noga noted that the reorganization will not negatively effect the financial condition of either GuideOne Specialty or GuideOne Mutual. GuideOne Specialty Stock will continue to own all of the assets of GuideOne Specialty and be subject to all the same liabilities as GuideOne Specialty that existed immediately prior to the effective date of the reorganization. Further, the financial condition of the two insurers is currently tied through a pooling agreement between the companies and their insurance subsidiaries. Mr. Noga stated that, as a result, the reorganization would not adversely impact either company's ability to pay claims or provide policyholder services. (*Trans. at 35, 38*)

Mr. Noga finally testified that the Mutual Special Committee and Specialty Special Committee each engaged their own financial consultants to consider the actuarial fairness of the proposed reorganization. The Mutual Special Committee engaged ISC Strategies Consulting, Inc. ("ISC

⁵ Mr. Noga also testified that the Mutual Board further approved a separate plan of reorganization providing for the reorganization of GuideOne Mutual. (*Trans. at 29–30*)

Strategies”), while the Specialty Special Committee engaged Willis Towers Watson US LLC (“Willis Towers Watson”). Mr. Noga noted that following its review and evaluation of the proposed reorganization, ISC Strategies opined that the proposed reorganization of GuideOne Specialty is fair to GuideOne Mutual’s policyholders from an actuarial point of view.⁶ Similarly, following its separate review and evaluation of the proposed reorganization, Willis Towers Watson opined that the proposed reorganization is fair to GuideOne Specialty’s policyholders from an actuarial point of view. (*Trans. at 42–43*) Mr. Noga also stated that the Mutual Board and Specialty Board each believe that the reorganization and merger of GuideOne Specialty is fair and equitable to its own policyholders and that their respective policyholders’ interests will be properly preserved and protected in the transaction. With regard to GuideOne Mutual, Mr. Noga noted that none of the protections put in place as part of the reorganization of GuideOne Mutual will be changed or negatively impacted by the subsequent reorganization and merger of GuideOne Specialty. (*Trans. at 41–42*)

Ms. Snyder discussed the lines of insurance offered by and markets targeted by both GuideOne Mutual and GuideOne Specialty. She testified that both GuideOne Mutual and GuideOne Specialty have been assigned a financial strength rating of “A-” (Excellent) from A.M. Best Company, Inc., with a “stable” outlook and that the proposed reorganization and merger of GuideOne Specialty is not expected to result in any change to these ratings. (*Trans. at 49–50*) Ms. Snyder noted that the proposed reorganization and merger of GuideOne Specialty will not result in any material changes to either GuideOne Mutual’s or GuideOne Specialty’s business operations, including in services provided to their policyholders, to their business practices, or in their existing offices, management, staff, or distribution systems. Ms. Snyder also testified that there would be no effect on any of the insurance licenses that GuideOne Specialty currently holds. (*Trans. at 51–52*)

Ms. Snyder then discussed the primary benefits that GuideOne Mutual and GuideOne Specialty seek to achieve from the reorganization and merger of GuideOne Specialty. First, by joining the new mutual holding company structure to be created in the separately proposed reorganization of GuideOne Mutual, GuideOne Specialty will have 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 GuideOne Specialty and an expensive form of financing due to regulatory limitations. (*Trans. at 52–53*) Both Ms. Snyder and Mr. Noga 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 46–47, 53*)

Second, Ms. Snyder noted that the mutual holding company structure will provide both GuideOne Mutual and GuideOne Specialty 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 reorganization and merger of GuideOne Specialty, the

⁶ Mr. Noga further testified that ISC Strategies was also engaged by the Special Committee to consider the actuarial fairness of the proposed separate reorganization of GuideOne Mutual. ISC Strategies ultimately opined that the separate reorganization of GuideOne Mutual is also fair to the policyholders of GuideOne Mutual from an actuarial point of view. (*Trans. at 43*)

mutual holding company structure will provide additional flexibility for managing and potentially restructuring ownership of subsidiary companies that are currently jointly owned by GuideOne Mutual 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, GuideOne Specialty's reorganization and merger into GuideOne Holdco and the mutual holding company structure would result in the overall GuideOne organization, which includes GuideOne Mutual, 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 Boards believe is central to the GuideOne Organization's heritage and culture. (*Trans. at 52-55*)

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 Applicants' plan of reorganization and merger must meet are relatively straightforward. The Applicants propose to reorganize GuideOne Specialty into a mutual holding company by merging its policyholders' membership interests into GuideOne Holdco, a mutual holding company, and continuing the corporate existence of the reorganized insurance company as a stock insurance company subsidiary of the mutual insurance holding company.

Iowa Code section 521A.14(2)(a) authorizes this reorganization upon a showing by an applicant that the facts and circumstances supporting the proposed reorganization and merger into a insurance holding company meet two statutorily prescribed standards. The statutory standards under Iowa Code section 521A.14(2)(a) mandate that: (1) the interests of the policyholders are properly protected; and (2) the merger 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 and merger 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 merger 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 and merger into GuideOne Holdco, the interests of GuideOne Specialty's policyholders will be properly preserved and protected.

Iowa Code section 521A.14(2)(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 of either GuideOne Specialty or GuideOne Mutual. (*Trans. at 33-34*) Both Mr. Noga and Ms. Snyder stated that policyholder ownership of both GuideOne Specialty and GuideOne Mutual, through the mutual holding company structure, will not be impacted by the conversion. (*Trans. at 31-32, 41, 55*)

The policyholder members of GuideOne Specialty 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 Specialty Stock. Future policyholders of GuideOne Specialty Stock after the reorganization will become policyholder members of GuideOne Holdco. Immediately prior to the reorganization and merger of GuideOne Specialty, GuideOne Holdco's members will consist of the policyholders of the stock insurance company resulting from the separate reorganization of GuideOne Mutual ("GuideOne Stock"). (*Exhibit 12; Trans. at 33-35*) The current rights of both GuideOne Specialty and GuideOne Mutual policyholders—the right to one vote per policyholder, the right to a distribution of assets upon dissolution and liquidation, and the right to consideration upon a demutualization—will remain the same. Overall, the proposed reorganization alters the corporate structure of GuideOne Specialty but does not change the ownership interests which GuideOne Specialty's and GuideOne Mutual's policyholders currently maintain and preserves and protects policyholder rights. (*Exhibit 12; Trans. at 33-35*)

Further, the reorganization and merger will not result in any change to the financial condition of Applicants. (*Exhibit 6; Exhibit 8; Exhibit 9; Trans. at 50*) GuideOne Mutual and GuideOne Specialty are currently each part to a pooling agreement with each other and the rest of the insurance companies in the GuideOne Organization, such that each company shares risks and their financial condition is already closely tied together. (*Exhibit 8; Exhibit 9; Trans. at 35*) No changes will be made to insurance policies or insurance licenses. (*Trans. at 33, 52*) 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 GuideOne Specialty's existing offices, management, staff, or distribution systems as GuideOne Specialty already shares administrative services with GuideOne Mutual. (*Exhibit 4; Exhibit 12; Trans. at 51-52*) Overall, the plan of reorganization offers reasonable and appropriate protection for policyholders of GuideOne Specialty. (*Exhibit 12*)

Nothing in the record supports a finding that the proposed reorganization and merger is adverse to the interests of GuideOne Specialty's policyholders or GuideOne Mutual's policyholders. The

Commissioner finds that these interests will be properly preserved, protected, and unimpaired following the reorganization and merger.

2. The plan of reorganization and merger into GuideOne Holdco is fair and equitable to the policyholders.

Iowa Code section 521A.14(2)(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 and merger is fair and equitable to the policyholders.

After the proposed reorganization and merger, the policyholders of GuideOne Stock and GuideOne Specialty Stock will indirectly own, through their 100 percent ownership of GuideOne Holdco, 100 percent of GuideOne Specialty Stock. (*Exhibit 9; Exhibit 12; Trans. at 31–32, 36*) As stated above, Applicants’ proposed plan of reorganization and merger (1) maintains the status of GuideOne Specialty’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 Specialty Stock will become members of GuideOne Holdco, and (3) maintains GuideOne Specialty’s ability to service and pay policyholders claims and benefits. (*Exhibit 12; Trans. at 33–35*)

Policyholders currently do not have any dividend rights in GuideOne Specialty or GuideOne Mutual, and, after the separate reorganization of GuideOne Mutual, GuideOne Holdco members will also not have any dividend rights. (*Exhibit 9*) 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 12*)

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 12; Trans. at 33–34*) In order to provide for a liquidation that will be equitable and fair to both the policyholders of GuideOne Mutual and the policyholders of GuideOne Specialty, the GuideOne Holdco Articles of Incorporation specifically provide that any assets of GuideOne Holdco remaining after payment of liabilities will be distributed to its members “in a fair and equitable manner at the time of such dissolution or liquidation as determined by the [GuideOne Holdco] Board of Directors and approved by the Commissioner.” (*Exhibit 12*) Iowa Code section 521A.14(4) further provides that assets of a 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 and merger, GuideOne Specialty obtained an actuarial fairness opinion from Willis Towers Watson (the “WTW Fairness Opinion”). (*Exhibit 8*) GuideOne Mutual also obtained an actuarial fairness opinion from ISC Strategies (the “ISC Fairness Opinion”), and collectively with the WTW Fairness Opinion, the (“Fairness Opinions”). The ISC Fairness Opinion not only opined on the fairness and equity of the separate

reorganization of GuideOne Mutual, but also opined on the fairness and equity of the proposed reorganization and merger of GuideOne Specialty into GuideOne Holdco. (*Exhibit 9*) In line with the Fairness Opinions, the Commissioner's review of the plan of reorganization and merger found that the reorganization and merger offers reasonable and appropriate protection for both GuideOne Specialty's and GuideOne Mutual's policyholders—namely, the right to vote on matters before policyholders and the right to a distribution of assets upon dissolution and liquidation. (*Exhibit 8; Exhibit 9*) The Commissioner notes that, from a policyholder perspective, the reorganization and merger proposed by Applicants would preserve and protect policyholder rights and do nothing more than create a different organizational structure within which GuideOne Specialty and GuideOne Mutual currently operate.

Nothing in the record supports a contrary finding to those noted above. As such, the Commissioner finds that the reorganization and merger proposed by Applicants is fair and equitable to the policyholders of both GuideOne Specialty and GuideOne Mutual. The Commissioner further finds that the Policyholder Information Statement provided to policyholders of GuideOne Specialty adequately described the reorganization and its effects on policyholders.

3. The financial condition of neither GuideOne Specialty nor GuideOne Mutual will be diminished by the reorganization and merger.

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 the Chief Financial Officer of both GuideOne Specialty and GuideOne Mutual, Elisabeth Sandersfeld, and the pro forma balance sheet attached thereto clearly outlined the minimal impact of the reorganization and merger on GuideOne Specialty's financial condition. Specifically, two new accounts will appear on GuideOne Specialty's 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 Specialty 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 GuideOne Specialty's unassigned funds (surplus) account. (*Exhibit 6*) The pro forma balance sheet illustrates there will be no negative change in the financial condition of GuideOne Specialty as a result of the proposed reorganization and merger as GuideOne Specialty 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 6; Trans. at 35*)

As noted above, the financial condition of both GuideOne Specialty and GuideOne Mutual are currently tied together through a pooling agreement between the two companies and their subsidiary insurers. (*Trans. at 35*) Given this, and as there will be no consideration paid by GuideOne Holdco or GuideOne Mutual as part of the reorganization and merger, there will be no change in the financial condition of either GuideOne Mutual or GuideOne Holdco as a result of the reorganization and merger of GuideOne Specialty. (*Exhibit 12; Trans. at 35*)

In addition, both GuideOne Specialty and GuideOne Mutual have currently been assigned a financial strength rating of “A-” (Excellent) from A.M. Best Company, Inc., with a “stable” outlook. (*Trans. at 50*) Ms. Snyder noted that this rating is not expected to change as the reorganization will neither affect the ability of either company to pay its claims or otherwise negatively impact the financial condition of either company. (*Exhibit 4; Trans. at 50*)

Nothing in the record supports a finding that proposed reorganization will diminish either GuideOne Mutual’s or GuideOne Specialty’s financial condition. As such, the Commissioner finds that neither the financial condition of GuideOne Specialty nor GuideOne Mutual will 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(2)(a) permits the Commissioner to approve an application for reorganization and merger of a mutual insurance company into an existing mutual insurance holding company 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 Applicants have demonstrated all requirements set forth in, and required by, Iowa Code section 521A.14(2)(a) and Iowa Administrative Code rule 191–46.4. None of these standards are violated by Applicants’ proposed reorganization and merger. As such, the Applicants’ proposed reorganization and merger of GuideOne Specialty into GuideOne Holdco should be approved.

ORDER

IT IS ORDERED that:

GuideOne Specialty Mutual Insurance Company, GuideOne Mutual Insurance Company, and GuideOne Mutual Holding Company’s limited application for approval of a plan to reorganize and merge GuideOne Specialty Mutual Insurance Company into GuideOne Mutual Holding Company, 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 Specialty Mutual Insurance Company
John Hunter, Brown, Winick, Graves, Gross and Baskerville, P.L.C.
Mark Dickinson, Nyemaster Goode PC