

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA

In the matter of the application for)
acquisition of control of MILBANK)
INSURANCE COMPANY, PLAZA) **FINDINGS OF FACT,**
INSURANCE COMPANY, and STATE) **CONCLUSIONS OF LAW,**
AUTO PROPERTY & CASUALTY) **AND ORDER**
INSURANCE COMPANY by LIBERTY) (Iowa Code chapter 521A)
MUTUAL HOLDING COMPANY INC.,)
LMHC MASSACHUSETTS HOLDINGS)
INC., and LIBERTY MUTUAL GROUP INC.)

I. INTRODUCTION

Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company (“LMHC”), LMHC Massachusetts Holdings Inc., a Massachusetts stock holding company (“MHI”), and Liberty Mutual Group Inc., a Massachusetts stock holding company (“LMGI” and collectively with LMHC and MHI, the “Applicants”) seek permission to acquire control of Milbank Insurance Company (“Milbank”), Plaza Insurance Company (“Plaza”), and State Auto Property & Casualty Insurance Company (“State Auto P&C”), each Iowa domestic insurers (collectively, the “Domestic Insurers”). Plaza is an indirect, wholly owned subsidiary of State Automobile Mutual Insurance Company, an Ohio mutual insurance company (“SAM”). Milbank and State Auto P&C are direct, wholly owned subsidiaries of State Auto Financial Corporation, a publicly traded Ohio corporation (“STFC”), which in turn is approximately 58.8% owned by SAM. The Agreement and Plan of Merger and Combination, dated as of July 12, 2021 (the “Merger Agreement”), among LMHC, Pymatuning, Inc., an Ohio corporation and indirect, wholly owned subsidiary of LMHC and direct, wholly owned subsidiary of LMGI (“Merger Sub I”), Andover, Inc., an Ohio corporation and direct, wholly owned subsidiary of LMHC (“Merger Sub II”), STFC, and SAM provides that, subject to the terms and conditions contained in the Merger Agreement, (i) Merger Sub II will merge with and into SAM, with SAM surviving as an Ohio domiciled reorganized stock insurance company and direct, wholly owned subsidiary of LMHC (“Reorganized SAM”) (such merger, the “SAM Merger”), and (ii) Merger Sub I will merge with and into STFC, with STFC surviving as an indirect, wholly owned subsidiary of LMHC (such merger, the “STFC Merger”). In the days following the closing of the Merger Agreement, LMHC intends to contribute all of the common stock of Reorganized SAM to its direct, wholly owned subsidiary, MHI, which in turn will contribute all of such common stock to its direct, wholly owned subsidiary, LMGI. Similarly, in the days following the closing of the Merger Agreement, LMGI intends to contribute all of the common stock it holds in STFC to Reorganized SAM. Upon the completion of the transactions contemplated in the Merger Agreement and subsequent contributions, the Domestic Insurers will become indirect, wholly owned subsidiaries of LMHC.

In accordance with the provisions of Iowa Code¹ § 521A.3, Applicants have filed a Form A, dated August 5, 2021 (the “Form A Statement”), applying for approval of their acquisition of control of the Domestic Insurers with the Commissioner of Insurance of the State of Iowa (the “Commissioner”).

Pursuant to the provisions of Iowa Code § 521A.3(4), and at the request of Applicants, a public hearing was held on Tuesday, February 1, 2022, at the Iowa Insurance Division (“Division”) for the purpose of determining whether the proposed acquisition of control of the Domestic Insurers by the Applicants complies with the statutory requirements set forth in Iowa Code § 521A.3(4)(a). Prior to the holding of the hearing, the Commissioner designated the undersigned as the presiding officer (the “Presiding Officer”) for the hearing. No objection to the Commissioner’s designation of the Presiding Officer was made by the Applicants, Domestic Insurers, or the Division. (*Trans. at 5-9*)

II. JURISDICTION

Notice of the public hearing conducted on February 1, 2022, was provided to the parties in accordance with Iowa Code § 17A.12. (*Trans. at 5, 14*) The Commissioner has jurisdiction over this matter under Iowa Code §§ 17A.11, 17A.12, and 521A.3. The Commissioner designated the Presiding Officer for the hearing pursuant to Iowa Code § 17A.11 and 191 Iowa Administrative Code chapter 3.

III. EVIDENCE PRESENTED

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

- Exhibit 1: A full electronic public copy of the Form A Statement, as supplemented, with public exhibits.
- Exhibit 2: A full electronic confidential regulator-only copy of the Form A Statement, as supplemented, with exhibits.
- Exhibit 3: The notice of public hearing issued by the Division on January 11, 2022 (the “Notice of Public Hearing”).
- Exhibit 4: The affidavit of Richard P. Quinlan, Deputy General Counsel and Executive Vice President and Manager, Corporate Group of LMGI.
- Exhibit 5: The affidavit of Nik Vasilakos, Executive Vice President, Group Head, Mergers & Acquisitions of LMGI.

¹ All references to the Iowa Code herein are to the Code of 2022 as amended.

- Exhibit 6: The affidavit of Jerry W. Brumfield, Vice President Legal and ASEC of SAM.
- Exhibit 7: The affidavit of the Domestic Insurers regarding receipt of the Form A Statement and Notice of Public Hearing.
- Exhibit 8: A letter of counsel for the Applicants to the Division dated December 10, 2021, regarding market share information.

Exhibits 1 through 8 were received into the record. (*Trans. at 11*)

In addition, the Applicants called three witnesses at the public hearing, Mr. Richard Quinlan and Mr. Nik Vasilakos, who were each authorized to speak on behalf of the Applicants, and Mr. Jerry Brumfield, who spoke on behalf of SAM and the Domestic Insurers. (*Trans. at 11, 24, 34*)

Mr. Quinlan is the Executive Vice President and Deputy General Counsel of LMGI, and Mr. Vasilakos is the Executive Vice President, Group Head of Mergers and Acquisitions at LMGI. (*Trans. at 12, 24*) Mr. Vasilakos testified that the Liberty Mutual group is a diversified global insurer and the fourth largest property and casualty insurer in the U.S. based on 2020 direct written premium. It ranks 71st on the Fortune 100 list of largest corporations in the U.S. based on 2020 revenue. (*Exhibit 5; Trans. at 26*)

According to Mr. Vasilakos's affidavit and the Form A Statement, the proposed acquisition of the Domestic Insurers will expand Liberty Mutual's position as an industry leader for personal lines and small commercial insurance. Liberty Mutual today distributes its personal auto, homeowners, and specialty products as well as small business insurance through more than 10,000 independent agencies nationwide. Upon the consummation of the proposed acquisition, Liberty Mutual will add \$2.3 billion in premium and State Auto's network of approximately 3,400 independent agencies across 33 states. Overall, the proposed acquisition is expected to make Liberty Mutual the second largest carrier in this key distribution channel. In addition, the combined organization will benefit from the opportunity to leverage additional platforms for growth, enhanced distribution channels, greater diversification of risk—including greater geographic diversity, and an expansion of SAM's intellectual property and technology expertise, which is ultimately expected to enhance the Liberty Mutual group's long-term capabilities. (*Exhibit 1; Exhibit 5*)

Mr. Quinlan and Mr. Vasilakos each testified that they assisted with the preparation of the Form A Statement and were personally familiar with the application and the proposed transaction. Each affirmed that the Form A Statement submitted in this matter is complete, accurate, and up-to-date. Both witnesses also confirmed that the Form A Statement does not contain any misleading statements or omit any material facts, and that there had been no material changes to the facts, statements, and representations in the Form A Statement. Both further indicated that there were no contracts or agreements that are part of the proposed transaction of which the Division and the Presiding Officer have not been made aware. (*Trans. at 13–14; 21–23; 32–34*)

Mr. Quinlan testified that the Applicants seek permission to acquire control of the Domestic Insurers through the Applicants' acquisitions of SAM and STFC, pursuant to the terms of the Merger Agreement. (*Trans. at 15–16*). Specifically, a direct, wholly owned subsidiary of LMHC, Merger Sub II, will merge with and into SAM, which is the indirect 100% parent of

Plaza. Then Merger Sub I, a directly, wholly owned subsidiary of LMGI, will merge with and into SFTC, a majority-owned subsidiary of SAM and the direct 100% parent of Milbank and State Auto P&C. Upon the closing of the SAM Merger and STFC Merger, Reorganized SAM will be a direct, wholly owned subsidiary of LMHC, and STFC will be an indirect, wholly owned subsidiary of LMHC through Reorganized SAM and LMGI. Thereafter, LMHC intends to contribute all of the common stock of Reorganized SAM to its direct, wholly owned subsidiary, MHI, which in turn will contribute all of such common stock to its direct, wholly owned subsidiary, LMGI. Similarly, LMGI intends to contribute all of the common stock it holds in STFC to Reorganized SAM. Upon the conclusion of the proposed transactions, STFC will be a direct, wholly owned subsidiary of Reorganized SAM, which in turn will be a direct, wholly owned subsidiary of LMGI. As such, the Applicants will be the controlling persons of the Domestic Insurers. (*Exhibit 1; Exhibit 4*) The consideration for the acquisition of STFC and, indirectly, Milbank and State Auto P&C will be approximately \$1 billion and will be paid to STFC's shareholders (other than with respect to any shares owned by SAM, STFC, or LMHC) in cash. (*Exhibit 1; Exhibit 5*)

Mr. Vasilakos also testified that the Applicants financial conditions and resources will strengthen the financial stability of the Domestic Insurers after the acquisition of the Domestic Insurers. (*Trans. at 28–29*) Upon the consummation of the proposed transactions, Reorganized SAM, STFC, and the Domestic Insurers will be wholly owned subsidiaries of LMHC. LMHC is a Fortune 100 company based on 2020 revenue. As of December 31, 2020, LMHC had over \$145 billion in consolidated assets, over \$119 billion in consolidated liabilities, and over \$43 billion in annual consolidated revenue. The financial statements attached to the Form A Statement confirmed the financial strength of the Applicants. The Liberty Mutual insurance holding system currently has an “A” rating from A.M. Best Company. The Applicants intend to finance the cash consideration for the proposed transaction with a mix of cash on hand and existing lines of credit. (*Exhibit 1; Exhibit 5*) Further, the Applicants do not intend to declare any extraordinary dividend from the Domestic Insurers in connection with the proposed transaction. (*Exhibit 1*)

Each witness testified that the Domestic Insurers will be well-managed and financially stable insurance companies following the closing of the Merger Agreement. Given the above and that the financial statements provided by the Applicants demonstrate that the Applicants are financially strong, the acquisition of the Domestic Insurers will neither jeopardize their financial position nor prejudice the interests of its policyholders. (*Trans. at 18, 31; Exhibit 4; Exhibit 5*) In addition, both Mr. Quinlan and Mr. Vasilakos stated that, after the consummation of the proposed transaction, the Domestic Insurers will continue to satisfy the requirements for issuance of licenses to write the lines of insurance for which they are presently licensed. (*Trans. at 17, 28; Exhibit 4*)

Mr. Quinlan and Mr. Vasilakos each further testified that the proposed acquisition will not substantially lessen competition in insurance in Iowa. Mr. Quinlan testified that Liberty Mutual and State Auto are not significant competitors in the state. He also noted that in each overlapping line of business between the Liberty Mutual group and the State Auto group, a number of strong competitors write premiums in Iowa today. (*Trans. at 17–18, 28; Exhibit 4; Exhibit 5*)

Mr. Quinlan testified that the directors and executive officers of the Applicants who will be involved in managing the Domestic Insurers after the proposed transaction have the requisite competence, experience, and integrity such that the interests of the policyholders of the Domestic Insurers and the public will not be jeopardized by the proposed transaction. (*Trans. at 19; Exhibit 4*) Mr. Vasilakos's affidavit further stated that Domestic Insurers' day-to-day management teams will continue to manage them following the proposed transaction (*Exhibit 5*)

Both Mr. Quinlan and Mr. Vasilakos testified that the Applicants have no plans to liquidate the Domestic Insurers or make any material changes to the Domestic Insurers' business. The Applicants also have no plans to consolidate or merge the Domestic Insurers with any other person. (*Trans. at 18-19, 29-30; Exhibit 4; Exhibit 5*) Mr. Vasilakos's affidavit noted that while the Applicants have no present intention to change the day-to-day management of the business and operations of the Domestic Insurers, the Applicants do intend to appoint a new slate of directors and executive officers of the Domestic Insurers in order to align with the slate of directors and executive officers of the other insurance companies within the Liberty Mutual group. (*Exhibit 5*) Mr. Vasilakos's affidavit further provided that the Applicants intend for the Domestic Insurers to enter into new intercompany agreements with Liberty Mutual affiliates upon the closing of the proposed transactions, including new intercompany pooling arrangements, management services agreements, investment management agreements, and cash management agreements. (*Exhibit 5*)

Mr. Brumfield is the Vice President of Legal and Assistant Secretary of SAM. Mr. Brumfield confirmed the Domestic Insurers', SAM's, and STFC's support of the proposed acquisition and the Form A Statement. Mr. Brumfield testified that the Domestic Insurers, SAM, and STFC respectfully request that the Commissioner approve the proposed transaction. (*Trans. at 34-35*)

IV. FINDINGS OF FACT

The statutory requirements that the Applicants' acquisition plan must meet are relatively straightforward. Iowa Code § 521A.3(4)(a) provides that the Commissioner is to approve an application for acquisition of control if, after a public hearing on such acquisition, the applicant has demonstrated to the Commissioner all of the following:

1. That after the change of control the domestic insurer will be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;
2. That the effect of the acquisition of control will not substantially lessen competition in insurance in the State of Iowa;
3. That the financial condition of any acquiring party will not jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders;
4. That the plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are not unfair or unreasonable to policyholders of the insurer and are not contrary to the public interest;

5. That the competence, experience, and integrity of those persons who would control the operation of the insurer are sufficient to indicate that the interests of the policyholders of the insurer and of the public will not be jeopardized by the acquisition of control; and
6. That the acquisition of control is not likely to be hazardous or prejudicial to the insurance-buying public.

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

1. After the change of control, the Domestic Insurers will be able to satisfy Iowa licensure requirements and continue writing the line or lines of insurance for which they are presently licensed.

Iowa Code § 521A.3(4)(a)(1) requires an applicant to demonstrate to the Commissioner that, after the change of control, the acquired domestic insurer will be able to satisfy the requirements for issuing a license to write the line or lines of insurance for which it is presently licensed.

Mr. Quinlan testified that after the consummation of the proposed transaction, the Domestic Insurers will each continue to satisfy the requirements for issuance of a license to write the lines of insurance for which they are presently licensed. (*Trans. at 17*) Evidence in the record supports the conclusion that the Domestic Insurers will continue to satisfy all capital and surplus requirements for licensure under Iowa law post-acquisition. The Presiding Officer notes that the Applicants' financial projections for the Domestic Insurers, which were attached to the Form A Statement, call for sufficient capital levels. (*Exhibit 2*) The new intercompany agreements to be entered into by the Domestic Insurers and LMHC's affiliates—similar to those currently existing between LMHC's affiliates—also provide sound capital and investment management plans, and a comprehensive risk management approach. (*Exhibit 1; Exhibit 5*) This is further supported by the fact that the Domestic Insurers' current day-to-day management teams will continue to manage and support the continuity of the Domestic Insurers' businesses upon the completion of the proposed transaction. (*Exhibit 1*) Mr. Quinlan's testimony and affidavit gain further support from the evidence regarding the financial strength and significant financial resources of the Applicants and the evidence that the proposed acquisition will not jeopardize the financial position of the Domestic Insurer. (*Exhibit 1; Exhibit 5*)

The Presiding Officer finds that the Domestic Insurers' ability to satisfy Iowa licensure requirements and their ability to continue writing existing lines of insurance for which they are licensed will be unimpaired after the change of control.

2. The effect of Applicants' acquisition of control of the Domestic Insurers will not substantially lessen competition in insurance in Iowa.

Iowa Code § 521A.3(4)(a)(2) requires an applicant to demonstrate to the Commissioner that the effect of the acquisition of control will not substantially lessen competition in insurance in Iowa.

A review of the increases in an applicant's market shares within the state is a strong indicator of whether an acquisition will substantially lessen competition in insurance in Iowa. Specifically, the consolidation of existing competitors in the insurance market could reduce choice for insurance-buying customers in Iowa or otherwise have a negative impact on competition in Iowa.

The Liberty Mutual insurance group is the fourth largest property and casualty insurer in the U.S. based on 2020 direct written premium. (*Exhibit 1; Exhibit 5*) While Liberty Mutual and State Auto insurance groups wrote in 17 overlapping lines of business in Iowa in 2020, the State Auto group did not record a market share of over 1% in any of these overlapping lines of business. Within these overlapping lines of business, the Liberty Mutual group only recorded a 2020 market share in Iowa over 4% in one such line, Inland Marine. With respect to the Inland Marine line of business, Liberty Mutual accounted for 17.84% of direct written premiums in Iowa in 2020 and State Auto accounted for 0.05%. Even in this line of business where Liberty Mutual is almost certainly a market leader in Iowa, the proposed transaction will only result in a de minimis increase in market share within the state. (*Exhibit 8*)

In addition, both LMHC and SAM filed premerger notifications with the Federal Trade Commission and Department of Justice under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the “HSR Act”) on July 23, 2021. The initial 30-day waiting period under the HSR Act with respect to the proposed transaction expired on August 23, 2021. (*Exhibit 1; Trans. at 15*) The Presiding Officer notes that the lack of action by the FTC and DOJ with respect to these filings is strong evidence that the proposed transaction will have minimal anticompetitive effect on the Iowa insurance market.

Given there will be minimal impact on Iowa market shares, the Presiding Officer finds that the Applicants’ acquisition of control of the Domestic Insurers will not substantially lessen competition in insurance in Iowa.

3. The Applicants’ financial condition will not jeopardize the financial stability of the Domestic Insurers or prejudice the interests of their policyholders.

Iowa Code § 521A.3(4)(a)(3) requires an applicant to demonstrate to the Commissioner that the applicant’s financial condition will not jeopardize the financial stability of the acquired domestic insurer, or prejudice the interest of its policyholders.

The cash consideration of the proposed mergers is approximately \$1 billion. Pursuant to the Merger Agreement, each share of STFC’s common stock that is issued and outstanding immediately prior to the effective time of the STFC Merger (other than (i) shares owned by SAM STFC (as treasury shares or otherwise) or that may be owned by LMHC and (ii) dissenting shares) will be converted into the right to receive an amount in cash, without interest, equal to \$52.00, and will be automatically cancelled and retired and cease to exist. LMHC intends to fund the cash consideration for the STFC Merger² using available funds, including cash on hand and potentially existing available lines of credit. Other than existing available lines of credit, no new third-party loans or other external financing will be utilized for the sole purpose of funding the purchase price. Similarly, the stock and assets of the Domestic Insurers will not be pledged or hypothecated in any way as part of the funding of the purchase price. (*Exhibit 1; Exhibit 5*)

The Applicants, SAM, and STFC obtained a number of fairness opinions evaluating the financial fairness of the proposed transaction. The board of directors of LMHC received two fairness

² No cash consideration will be paid for the SAM Merger as the policyholder members of SAM will become members of LMHC while remaining policyholders of Reorganized SAM.

opinions in connection with the proposed transactions. The first, from Waller Helms Advisors LLC, opined that the proposed transactions is fair from a financial point of view to LMHC's members (excluding SAM's members which become LMHC's members as a result of the SAM Merger). The second, from Goldman Sachs & Co. LLC, opined that the Merger Agreement is fair from a financial point of view to LMHC. A special committee of independent SAM directors also received a fairness opinion from BofA Securities, Inc., opining that the exchange of equity rights in SAM for equity rights in LMHC is fair from a financial point of view to SAM's members. Finally, a separate special committee of independent STFC directors received a fairness opinion from Houlihan Lokey Capital, Inc., which opined that the merger consideration to be received by the holders of STFC shares in the STFC Merger is fair from a financial point of view. (*Exhibit 5*)

The record and Mr. Vasilakos' affidavit indicate that the Applicants are financially strong. The Liberty Mutual group is a diversified global insurer and the fourth largest property and casualty insurer in the U.S. based on 2020 direct written premium. It ranks 71st on the Fortune 100 list of largest corporations in the U.S. based on 2020 revenue. As of December 31, 2020, LMHC had \$145.377 billion in consolidated assets, \$119.420 billion in consolidated liabilities, and \$43.796 billion in annual consolidated revenue. LMHC also currently has an "A" rating from A.M. Best Company. (*Exhibit 1; Exhibit 5*) In addition, the Applicants' financial statements were submitted along with the Form A Statement. (*Exhibit 1*)

Together with the testimony and affidavit of Mr. Vasilakos as well as the fairness opinions, these statements demonstrate that the financial health of the Applicants will in no way jeopardize the financial interests of the Domestic Insurers or prejudice the interests of the policyholders. (*Exhibit 1; Exhibit 5; Trans. at 18, 28–29*)

Given the facts in the record, the Presiding Officer finds that neither the acquisition itself nor the other post-acquisition plans will create a material adverse financial impact on the Domestic Insurers. There being no evidence of a material adverse financial impact on the Domestic Insurers, the Presiding Officer further finds that the interests of the Domestic Insurers' policyholders will not be prejudiced by the Applicants' financial position.

4. The Applicants' proposed post-acquisition changes in the Domestic Insurer's business or corporate structure or management are not unfair or unreasonable to the Domestic Insurers' policyholders and are not contrary to the public interest.

Iowa Code § 521A.3(4)(a)(4) requires an applicant to demonstrate to the Commissioner that the applicant's plans or proposals to liquidate the domestic insurer, sell its assets or consolidate or merge it with any person, or to make any other material change to the acquired domestic insurer's business or corporate structure or management, are not unfair or unreasonable to its policyholders and are not contrary to the public interest.

The facts in the record indicate that the Applicants have no present plans to liquidate, consolidate, or merge the Domestic Insurers or to sell their assets. The Domestic Insurers will maintain their separate corporate existence and simply be indirect subsidiaries of the Applicants. The Applicants further have no plans to relocate the Domestic Insurers' respective home offices in Iowa. (*Exhibit 1; Exhibit 5*) While the Applicants have no present intention to change the

day-to-day management of the business and operations of the Domestic Insurers, the Applicants do intend to appoint a new slate of directors and executive officers of the Domestic Insurers in order to align with the slate of directors and executive officers of the other insurance companies within the Liberty Mutual group of companies. (*Exhibit 5*)

After the proposed transactions have been completed, the Applicants intend for the Domestic Insurers to enter into a number of intercompany agreements with the Applicants and their affiliates. First, the Domestic Insurers will be added to the Liberty Mutual reinsurance pooling arrangement. Pursuant to the pooling arrangement, all of the pool members within the Liberty Mutual Group (other than the pool leader, Liberty Mutual Insurance Company (“LMIC”)) cede 100% of their underwriting activity to LMIC, net of third-party reinsurance. LMIC in turn retrocedes 50% of the entire pool’s underwriting activity to five other pool members in specified percentages and retains the remaining 50%. The remaining pool participants, which shall include the Domestic Insurers, retain a 0% participation percentage in the reinsurance pool. (*Exhibit 1; Exhibit 5*)

The Domestic Insurers will also enter into the following new intercompany agreements with Liberty Mutual affiliates: (1) a management services agreement to provide certain services to the Domestic Insurers; (2) an investment management agreement to manage and invest certain assets on behalf of the Domestic Insurers; and (3) a cash management agreement to administer certain short-term investments maturing within 365 days or less of purchase. In addition, the Applicants plan to add the Domestic Insurers as a party to the Liberty Mutual group federal tax sharing agreement, allowing the Domestic Insurers’ federal tax returns to be consolidated with the same of LMHC and its affiliates. (*Exhibit 1; Exhibit 5*)

While the proposed intercompany agreements were not submitted with the Form A Statement, the Presiding Officer notes that such agreements are subject to required approval of the Division, each pursuant to a Form D statement, and must be done in compliance with applicable statutory and regulatory requirements.

On the basis of the foregoing evidence, the Presiding Officer finds that the Applicants’ proposed post-acquisition business plans and transactions are not unfair or unreasonable to its policyholders and are not contrary to the public interest.

5. The competence, experience and integrity of those persons who will control the operation of the Domestic Insurers are sufficient to indicate that the interests of the Domestic Insurers’ policyholders and the public will not be jeopardized by the Applicants’ acquisition of control of the Domestic Insurers.

Iowa Code § 521A.3(4)(a)(5) requires an applicant to demonstrate to the Commissioner that the competence, experience and integrity of those the applicant selects to control the operations of the acquired domestic insurer are sufficient to indicate that policyholders’ interests and the public interest will not be jeopardized by the acquisition.

To that end, the Commissioner must review detailed information of the person or persons who would be in control of the insurer in the event the application is approved. This analysis focuses not on intermediate control but on ultimate control of the insurer. An “ultimate controlling

person” is broadly defined in Iowa Administrative Code rule 191-45.2(3) as one who is not controlled by any other person. An ultimate controlling person may include, but is not limited to, an individual or business enterprise.

With respect to this analysis, the proposed acquisition is relatively straightforward. Plaza is an indirect, wholly owned subsidiary of SAM, whereas Milbank and State Auto P&C are currently direct, wholly owned subsidiaries of STFC, which is majority owned by SAM. Once Merger Sub II is merged into SAM, Merger Sub I is merged into STFC, and the post-closing contributions have been completed, the Domestic Insurers will be indirect, wholly owned subsidiaries of Reorganized SAM, which in turn will be an indirect, wholly owned subsidiary of LMHC. LMHC is a mutual insurance holding company, whose members are policyholders of certain LMHC subsidiary insurance companies, and according will be the ultimate controlling person of the Domestic Insurers. (*Exhibit 1*)

Facts in the record indicate that the ultimate controlling person and its directors and executive officers are experienced and competent based upon their current experience in the insurance industry. Biographical affidavits for each of the directors and executive officers of the Applicants, Reorganized SAM, STFC, and the Domestic Insurers post-closing were submitted to the Division, along with confidential background reports on the biographical affidavits prepared by an independent third-party. (*Exhibit 1; Exhibit 2; Exhibit 4*)

The Presiding Officer finds that the competence, experience, and integrity of those individuals and entities that would control the operation of the Domestic Insurers after the acquisition are sufficient to indicate that the interests of the Domestic Insurers’ policyholders and of the public will not be jeopardized by the Applicants’ proposed acquisition of control of the Domestic Insurers.

6. The Applicants’ acquisition of control of the Domestic Insurers is not likely to be hazardous or prejudicial to the insurance-buying public.

Iowa Code § 521A.3(4)(a)(6) requires an applicant to demonstrate to the Commissioner that the acquisition of control of the domestic insurer is not likely to be hazardous or prejudicial to the insurance-buying public.

Based upon a thorough review of the record in this proceeding, including Exhibits 1 through 8, the testimonies of Mr. Quinlan and Mr. Vasilakos, and the statement of Mr. Brumfield, the Presiding Officer finds that the Applicants’ acquisition of control of the Domestic Insurers is not likely to be hazardous or prejudicial to the insurance-buying public of the State of Iowa. The Form A Statement submitted by Applicants, the exhibits thereto, the testimonies of Mr. Quinlan and Mr. Vasilakos, the statement of Mr. Brumfield, and the other exhibits entered into the record of this proceeding collectively demonstrate that the criteria set forth in Iowa Code § 521A.3(4)(a)(1)–(5) are established. When viewed as a whole, the record indicates that there are no other factors which might make the merger hazardous or prejudicial to the insurance-buying public. Accordingly, the requirements of Iowa Code § 521A.3(4)(a)(6) have likewise been established.

The Presiding Officer finds that the Applicants' acquisition of control of the Domestic Insurers is not likely to be hazardous or prejudicial to the insurance-buying public.

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 § 521A.3(4)(a) requires the Commissioner to approve an application for acquisition of control if, after a public hearing, the applicant demonstrates all six criteria listed within that section to the Commissioner.

After a careful review of all evidence submitted, the Presiding Officer concludes, upon substantial evidence, that the Applicants have demonstrated to the Commissioner all six requirements set forth in, and required by, Iowa Code § 521A.3(4)(a). The Applicants' proposed acquisition of control of the Domestic Insurers should be approved.

ORDER

IT IS ORDERED that:

The application of Liberty Mutual Holding Company Inc. and the other above-named Applicants for approval of the acquisition of control of Milbank Insurance Company, Plaza Insurance Company, and State Auto Property & Casualty Insurance Company, each an Iowa domestic insurer, be **APPROVED**.

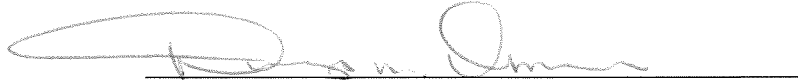
DATED this 22nd day of February, 2022.



ANDREW M. HARTNETT
Assistant Commissioner of Insurance

I adopt the Findings of Fact, Conclusions of Law, and Order in its entirety.

DATED this 22nd day of February, 2022.



DOUG OMMEN
Commissioner

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.

Copies to:

Mark C. Dickinson, Nyemaster Goode, P.C.

Melissa Centers, Milbank insurance Company, Plaza Insurance Company, and State Auto Property & Casualty Insurance Company