

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA

In the matter of the joint application of)	
EDEN MUTUAL INSURANCE)	
ASSOCIATION and)	
IMT MUTUAL HOLDING COMPANY)	FINDINGS OF FACT,
for approval of a plan to reorganize)	CONCLUSIONS OF LAW,
and merge)	AND ORDER
EDEN MUTUAL INSURANCE)	(Iowa Code chapter 521A)
ASSOCIATION into IMT MUTUAL)	
HOLDING COMPANY, and convert)	
EDEN MUTUAL INSURANCE)	
COMPANY into a stock insurance)	
company)	

I. INTRODUCTION

Eden Mutual Insurance Association, a domestic mutual insurance association (“Eden Mutual” or “Applicants”) and IMT Mutual Holding Company, a domestic mutual insurance holding company (“IMT MHC” or “Applicants”) together jointly filed a limited application for approval of a plan to reorganize and merge the policyholder membership interests of Eden Mutual into IMT MHC by converting Eden Mutual into a stock insurance company under Iowa Code chapter 490 to be named Eden Insurance Company and issuing shares of Eden Insurance to IMT MHC. As a result of the proposed reorganization and merger, IMT MHC will directly own all of the outstanding shares of Eden Insurance.

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 February 29, 2024 (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 reorganization plan, Eden Mutual also seeks approval to convert from an Iowa Code chapter 518A state mutual insurance association to an insurer licensed pursuant to Iowa Code chapter 515. Subsequent to completion of the reorganization, Eden Mutual seeks approval to pay an extraordinary dividend to IMT MHC.

As a result of the proposed reorganization and merger, IMT MHC will indirectly own all of the outstanding shares of Eden Insurance Company.

¹ All references to the Iowa Code herein are to the Code of 2023.

Pursuant to the provisions of Iowa Code section 521A.3(4)(b), and at the request of the Applicants, a public hearing was held in person on Tuesday, March 26, 2024, at the Iowa 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).

In support of the joint application, Eden Mutual is seeking approval of the Commissioner to merge Eden Mutual into IMT MHC.

II. JURISDICTION

Notice of the public hearing conducted on March 26, 2024, was provided to the parties in accordance with Iowa Code § 17A.12. The Commissioner has jurisdiction over this matter under Iowa Code §§ 17A.11, 17A.12, 521A.3, and 521.14(2).

III. EVIDENCE PRESENTED

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

- Exhibit A: Index pursuant to IAC 191-46.3(2)(i)
- Exhibit B: Plan of Reorganization
- Exhibit C: Articles of Incorporation for IMT Mutual Holding Company
- Exhibit D: By-Laws of IMT Mutual Holding Company
- Exhibit E.1: Articles of Amendment for IMT Mutual Holding Company
- Exhibit E.2: Resolution to Amend Bylaws of IMT Mutual Holding Company
- Exhibit F: Eden’s Member Information Statement
- Exhibit G: Financial Summary for Eden
- Exhibit H: Financial Summary for IMT MHC
- Exhibit I: Articles of Incorporation Eden Insurance Company
- Exhibit J: By-Laws Eden Insurance Company
- Exhibit K: Letter to Deputy Commissioner re Request for Extraordinary Dividend
- Exhibit L: Notice of Special Meeting to Eden Policyholders
- Exhibit M: Notice of Special Meeting to IMT MHC Policyholders
- Exhibit N: Exemplar Annual Report
- Exhibit O: Affidavit of Eden Secretary Certifying Special Meeting Vote
- Exhibit P: Form A
- Exhibit Q: Eden’s Application for licensure under Iowa Code Chapter 515
- Exhibit R: Articles of Amendment to Eden’s Amended and Substituted Articles

Exhibits A through R were received into the record.

On March 25, 2024, at Applicant Eden Mutual's Special Meeting of policyholders, with a quorum of policyholders being present, 19 policyholders voted in favor of and 0 policyholders voted against the Plan of Reorganization which was approved and adopted by the policyholders. (*Exhibit O*)

On March 25, 2024, at Applicant IMT Mutual Holding Company's Special Meeting of policyholders, with a quorum of policyholders being present, by unanimous vote policyholders voted in favor of the Plan of Reorganization which was approved and adopted by the policyholders. (*Trans. at 21, 22*)

The Plan of Reorganization is comprised of three steps, first the conversion of Eden Mutual Insurance Association, a state mutual insurance association organized under Iowa Code chapter 518A to a non-life property and casualty insurance company organized under Iowa Code chapter 515. Second, Eden Mutual will reorganize by merging its policyholder membership interests into IMT MHC pursuant to Iowa Code section 521A.14(2)(a) and it will then form a new stock subsidiary of IMT MHC named Eden Insurance Company. The third step in the reorganization and merger will be for Eden Insurance Company to declare an extraordinary dividend of all of its stock to IMT. (*Trans. at 9*)

In addition, Applicants called two witnesses at the public hearing. Mr. Josh McGowan and Mr. Sean Kennedy, who were authorized to speak on behalf of the Applicants. (*Trans. at 10*) Mr. McGowan, Secretary, Treasurer and Manager of Eden Mutual and Mr. Sean Kennedy, IMT MHC President and Chief Executive Officer. (*Trans. at 10, 13*)

Mr. McGowan described Eden Mutual's business reasons for pursuing the reorganization and merger with IMT MHC. Eden Mutual was unable to secure reinsurance for the 2024 policy period. (*Trans. at 13, 14*) Eden Mutual negotiated a reinsurance extension that runs out April 1, 2024, and was unable to identify viable reinsurance options outside of a merger or change of control. (*Trans. at 14*) Eden Mutual determined that reorganization and merger with IMT MHC best protected its policyholders, provides business continuity and access to resources previously not available to Eden Mutual such as advanced technology. (*Trans. at 14-16*) Eden Insurance Company will retain its office in Vinton, Iowa and plans to continue to be actively engaged with the communities that they serve. (*Trans. at 16, 17*) Finally, Mr. McGowan testified that Eden Mutual's financial condition will not be diminished as a result of the proposed reorganization and merger and that the transaction is fair and equitable to Eden Mutual policyholders. (*Trans. at 17*)

Mr. Kennedy testified that farm mutuals provide property insurance coverage to policyholders and that IMT attaches complementary coverages such as liability, personal auto, umbrella, watercraft, power sports, commercial lines, and umbrellas lines of business. While IMT is not seeking to increase its property insurance footprint in Iowa, Eden Mutual's writing territory has little overlap on IMT's risk concentration. (*Trans. at 19*)

Next, Mr. Kennedy discussed the benefits of the reorganization and merger to IMT MHC. First, multiple agents within IMT's independent agency force have lost their farm mutual market, through merger or cancellation, so they are moving the business to national carriers, resulting in IMT losing market share. Second, Eden is financially strong with very good leverage ratios and the merger will provide IMT MHC some improvement in leverage ratios. (*Trans. at 20, 21*) Additionally, Mr. Kennedy stated that IMT understands the importance to the local economy, employees, and farmers for Eden to maintain a presence in Vinton. (*Trans. at 21*)

Mr. Kennedy also stated that after the reorganization and merger, Eden Insurance Company will be covered under IMT's reinsurance program. (*Trans. at 21*)

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 the 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 plan of reorganization and merger must meet are relatively straightforward. The Applicants propose to reorganize Eden Mutual into a mutual holding company by merging its policyholders' membership interests into IMH MHC, 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 an 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; (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 policyholders interests.

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

1. After the reorganization and merger into IMT MHC, the interests of Eden Mutual'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 the policyholder interests are properly preserved and protected in the plan of reorganization.

The policyholder members of Eden Mutual on the effective date of the reorganization will become members of IMT MHC with membership rights therein, while their policy rights will remain obligations of Eden Insurance Company. (*Exhibit B, Exhibit E.1*) Future policyholders of Eden Insurance Company after the reorganization will become policyholder members of IMT MHC. (*Exhibit E.1*) The current rights of Eden 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 Eden Mutual but does not change the ownership interests that Eden Mutual policyholders currently maintain and preserves and protects policyholder rights. (*Exhibit B, Exhibit C, Exhibit E.1, Exhibit E.2; Trans. at 11, 17*)

Further, the reorganization and merger will not result in any change to the financial condition of Applicants. (*Exhibit G, Exhibit H*) Eden Insurance Company will secure reinsurance as a subsidiary of IMT MHC. (*Trans. at 15-16, 21*) The reorganization will continue the policies by Eden Mutual without interruption. The present policies will remain in effect, without change, and when they expire, at renewal, the replacement policy will be issued by Eden Insurance Company. (*Exhibit F*) The reorganization will not result in any changes to Eden Mutual’s existing office, management, or staff. (*Trans. at 16, 21*) Overall, the plan of reorganization offers reasonable and appropriate protection for policyholders of Eden Mutual. (*Exhibit B, Exhibit P, Exhibit Q*)

Nothing in the record supports a finding that the proposed reorganization and merger is adverse to the interests of Eden Mutual 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 IMT MHC 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 Eden Insurance Company will directly own, through their 100 percent ownership of IMT MHC, 100 percent of Eden Insurance Company stock. (*Exhibit B, Exhibit C, Exhibit E.1, Exhibit E.2, Exhibit K*)

Policyholders currently do not have any dividend rights in Eden Mutual, after the reorganization Eden Insurance Company policyholders will also not have any dividend rights. (*Exhibit B*) IMT MHC’s Articles of Incorporation provide that dividends or other distributions will not be paid except as approved by the Commissioner. The Board of Directors may waive receipt of dividends or distributions from subsidiaries, provided that such dividends or distributions waived be applied for the sole benefit of policyholders. (*Exhibit B, Exhibit C*)

In the event of the dissolution or liquidation of IMT MHC, any assets of IMT MHC remaining after payment of all liabilities shall be distributed to the policyholders. (*Exhibit C*) 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.

The Commissioner finds that the plan of reorganization and merger offers reasonable and appropriate protection for Eden Mutual policyholders – namely, the right to vote on matters before policyholders and the right to a distribution of assets upon dissolution and liquidation. (*Exhibit B, Exhibit C*)

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

3. The financial condition of Eden Mutual will not 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.

Mr. Josh McGowan testified that the financial condition of Eden Mutual would not be diminished in any way as a result of the reorganization. (*Trans. at 17*) The reorganization will enable Eden Insurance Company to secure reinsurance and will permit strategic flexibility and access to capital that the reorganization may provide to position Eden Insurance Company for future growth. (*Exhibit F*)

Mr. Sean Kennedy stated that Eden Mutual is financially strong and the merger will also benefit IMT MHC. (*Trans. at 21, 22*) In 2022, IMT MHC was reaffirmed by AM Best with an A (Excellent) rating. (*Exhibit N*) The Commissioner takes notice that AM Best revised IMT MHC's AM Best rating on December 19, 2023 to an A (Excellent) with a negative outlook noting deteriorating underwriting results.

Nothing in the record supports a finding that the proposed reorganization will diminish Eden Mutual's financial condition. As such, the Commissioner finds that the financial condition of Eden Mutual 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 laws.

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 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 Eden Mutual into IMT MHC should be approved.

ORDER

IT IS ORDERED that:

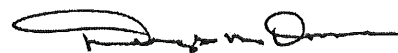
Eden Mutual Insurance Association and IMT Mutual Holding Company's limited application for approval of a plan to reorganize and merge Eden Mutual Insurance Association into IMT Mutual Holding Company, including the authorization and issuance of stock as specified in the plan, is **APPROVED**.

The request for approval of Eden Insurance Company to pay an extraordinary dividend to IMT MHC 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, 2024.



DOUG OMMEN
Commissioner of Insurance

Copies to:
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