

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA

In the Matter of the limited application of)	FINDINGS OF FACT,
HOMESTEADERS LIFE COMPANY)	CONCLUSIONS OF LAW,
for approval of a Limited Plan of)	AND ORDER
Reorganization under Iowa Code)	
Chapter 521A)	(Iowa Code chapter 521A.14)
)	

I. INTRODUCTION

Homesteaders Life Company, a domestic mutual insurance company (the “Applicant” or “Old Homesteaders”) filed a limited application for approval of a plan create a mutual insurance holding company under Iowa Code chapters 491 to be named Homesteaders Life Mutual Holding Company (“Homesteaders MHC”), create three intermediate holding companies Homesteaders One Holdco, Inc., a (“One HoldCo”), Homesteaders Two HoldCo, Inc. and Westown Holdings, Inc. (collectively “the Intermediate Holding Companies”), convert Applicant into a stock insurance company under Iowa Code chapter 490 to be named Homesteaders Life Company (“New Homesteaders”), which will then transfer all shares of New Homesteaders to One HoldCo in exchange for all shares of One HoldCo. As a result, Homesteaders MHC will indirectly own all of the outstanding shares of New Homesteaders through its ownership of One HoldCo.

In accordance with the provisions of Iowa Code¹ section 521A.14 and Iowa Administrative Code rule 191-46.1 et seq. Applicant filed a Limited Application on March 8, 2024 (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 sections 521A.14(2)(a), 521A.3(4)(b) and 191 Iowa Administrative Code 46, on April 4, 2024, a public hearing was held on Thursday, April 4, 2024, 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 Coe section 521A.14 and Iowa Administrative Code rule 191-46.4(3).

II. JURISDICTION

Notice of the public hearing conducted on April 4, 2024, was provided to the parties in accordance with Iowa Code section 17A.12 (*Trans. at 6-7, Exhibit 3*). The Commissioner has jurisdiction over this proceeding under Iowa Code sections 17A.11, 17A.12, 521A.3, and 521A.14(1).

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

III. EVIDENCE PRESENTED

At the public hearing, the Applicant offered three exhibits:

Exhibit 1: A hard copy and electronic version of the Regulator-Only Copy of the Limited Application 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 2: A hard copy and electronic version of the Public Copy of the Limited Application, 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 the public copy and are to be held confidential pursuant to provisions of Iowa Code section 22.7(6) and Iowa Administrative Code rule 191-2.12(1).

Exhibit 3: Affidavit of Notice of Hearing

Exhibits 1 through 3 were received into the record (*Trans. at 7, 39*).

On February 19, 2024, at the Applicant's Annual Meeting of policyholders, with a quorum of policyholders present, the Limited Plan of Reorganization of the Applicant was approved by a vote of the policyholders (*Exhibit 1, pp. 4-31; Trans. at 16-17*).

In addition, the Applicant presented three witnesses at the public hearing, Ms. Marla Lacey, Mr. Nick Gerhart, and Mr. Stephen Shaffer, who were authorized to speak on behalf of the Applicant (*Trans. at 13, 20, 34*). Ms. Lacey is Executive Vice President and General Counsel for the Applicant (*Trans. at 12*). Mr. Gerhart is Executive Vice President and Chief Operating Officer for the Applicant (*Trans. at 20*). Mr. Shaffer is Chief Executive Officer and President of the Applicant (*Trans. at 34*).

Ms. Lacey described the proposed reorganization and the steps required to complete. Applicants' policyholders and board of directors have approved the reorganization (*Exhibit 1, pp. 10 Affidavit of Executive Vice President and Corporate Secretary*). Upon receipt of regulatory approval from the Commissioner, the Applicant will form a new mutual insurance holding company to be named Homesteaders Mutual Insurance Holding Company ("Homesteaders MHC"), which will become the new ultimate parent entity. Ms. Lacey testified that Applicant will then amend and restate its Articles of Incorporation to voluntarily convert to a reorganized stock corporation and that its name will remain Homesteaders Life Company. Homesteaders MHC will indirectly acquire all of the issued and outstanding shares of the reorganized insurer, New Homesteaders. Additionally, three intermediate holding companies will be formed: Homesteaders One HoldCo, Inc., Homesteaders Two HoldCo, Inc. and Westown Holdings, Inc. Homesteaders MHC will acquire 100 percent of the shares of Homesteaders One HoldCo, Inc. which will acquire 100 percent of the shares of the Applicant (*Trans. at 17-18*).

Ms. Lacey testified that by operation of law, Old Homesteaders policyholders will automatically become members of Homesteaders MHC retaining all existing policyholder interests. Ms. Lacey stated that all of Old Homesteaders policyholders received notice of the proposed reorganization

and hearing (*Trans. at 18*). Ms. Lacey also described the nature and type of materials provided to mutual policyholder members of Old Homesteaders to inform them of the proposed reorganization and described the policyholder approval process (*Trans. at 15, 16, 17*).

Mr. Gerhart testified that the proposed reorganization will have no effect on the contractual rights of Old Homesteader policyholders. Specifically, that all insurance policies issued by Old Homesteaders will remain the contractual obligations of New Homesteaders, the reorganized stock insurer, and that no change to insurance benefits or premiums payable as a result of the reorganization will occur (*Trans. at 21*).

Next, Mr. Gerhart discussed that each policyholders' membership interests in Old Homesteaders will become a membership interest in Homesteaders MHC, entitling policyholders to substantially the same rights as they have before the reorganization. Currently, policyholders are entitled to vote on the election of directors of Old Homesteaders, to receive a share of any remaining surplus in the event that Old Homesteaders were to be liquidated, and to receive consideration in the event that Old Homesteaders were to ever be demutualized. Mr. Gerhart noted that these same membership rights will carry over to Homesteaders MHC. After the reorganization, policyholders will be entitled to vote on the election of directors of Homesteaders MHC, to receive a share of any remaining surplus in the event Homesteaders MHC were to be liquidated, and to receive consideration in the event that Homesteaders MHC were ever to be demutualized as long as their policy remains in force (*Trans. at 21-23*).

Mr. Gerhart noted that the reorganization will not negatively affect the financial condition of Applicant. He stated that there will be no change in the financial condition of New Homesteaders as the reorganized stock company will continue to own substantially the same assets and be subject to the same liabilities other than those under HFS II and HFS III which will be transferred to Homesteaders Two Holdco, Inc. All the same assets will be subject to all the same liabilities as existed prior to the effective date. The reorganization will not diminish the financial condition of New Homesteaders nor have an adverse impact on the ability to pay claims or provide policyholder service (*Trans. at 26-27*).

Mr. Gerhart also noted that the current directors and executive officers of Old Homesteaders will become the directors and executive officers of Homesteaders MHC and Homesteaders One HoldCo., Inc. He stated that the Homesteaders MHC board of directors, before and after reorganization, will have a majority of independent directors. Additionally, he stated that the current directors and executive officers of Old Homesteaders will remain as directors and executive officers of New Homesteaders after the reorganization. (*Trans. at 24-25*)

Mr. Gerhart outlined the policyholder protections that the plan of reorganization provides to assure policyholder interests are preserved and protected.

- That each insurance policy of Old Homesteaders, in force on the effective date of the reorganization, will continue in force as a policy of New Homesteaders with no change to the insurance benefits or premium payments.
- Each policyholder membership interest in Homesteaders MHC entitles the policyholder to

substantially the same rights that they have as a member of Old Homesteaders.

- There will be no change in the financial condition of New Homesteaders. The reorganization will not diminish the financial condition of New Homesteaders nor have an adverse impact on the ability to pay claims or provide policyholder service.
- The reorganization will not result in any material changes to the business operations of Old Homesteaders.
- Homesteaders MHC will indirectly own 100 percent of the issued voting shares of New Homesteaders following the reorganization.
- The reorganization plan does not provide for the sale of stock to third parties.
- New Homesteaders will continue to be regulated by the Commissioner. Homesteaders MHC and the new intermediate holding companies will also be subject to regulation by the Commissioner.
- The reorganization will allow New Homesteaders and its affiliates to maintain the attributes of mutual ownership and control.

(Trans. at 26-29)

Finally, Mr. Gerhart testified that the Board of Directors of Old Homesteaders, determined that the reorganization is fair and equitable and is in the best interests of policyholders and is the best structural alternative for the Applicant to pursue its strategic objectives and promote the long-term interests of its policyholders. Specifically, the mutual insurance holding company structure will provide flexibility to engage in merger and acquisition activity if appropriate and will provide flexibility to manage and potentially restructure ownership of subsidiary companies to achieve operating efficiencies *(Trans. at 30-32)*.

Mr. Shaffer summarized the testimony of Ms. Lacey and Mr. Gerhart and affirmed that the rights of current policyholders are preserved and that policyholder rights in Old Homesteaders will continue as policyholders of New Homesteaders and Homesteaders MHC without interruption and change. He also reiterated that the reorganization will provide financial flexibility and growth opportunities that were not available to Old Homesteaders while it was a mutual company. Finally, he stated that the proposed reorganization is in the best interest of the insurance company and its policyholders *(Trans. at 34-35)*.

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, Homesteaders OneCo, Inc., which in turn will wholly own a reorganized stock insurance company subsidiary. Additionally, two additional intermediate holding companies will be created that will be wholly owned by the mutual insurance holding company *(Exhibit 1-Limited Plan of Reorganization, Exhibit 1, pp. 66-110)*.

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 the 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 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. Gerhart and Ms. Lacey affirmed that there would be no material change to the current rights of the policyholders (*Trans. at 18, 21-23*). Mr. Gerhart stated that policyholder ownership of the Applicant through the mutual holding company structure, will not be impacted by the conversion (*Trans. at 21-23*).

The policyholder members of Applicant on the effective date of the reorganization will become members of Homesteaders Life Mutual Holding Company with membership rights therein, while their policy rights will remain obligations of New Homesteaders. Future policyholders of New Homesteaders after the reorganization will become policyholder members of Homesteaders Life Mutual Holding Company. 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 1, pp. 36-41; Trans. at 21-23, 24*).

Further, the reorganization will not result in any change to the financial condition of Applicant (*Exhibit 1-Limited Plan of Reorganization, Trans. at 26-27*). No changes will be made to insurance policies (*Trans. at 21*). The reorganization will not result in any changes to the board of directors or executive officers of Applicant and will not result in any material changes in the business operations of Applicant (*Trans. at 27*). Overall, the plan of reorganization offers reasonable and appropriate protection for policyholders (*Exhibit 1; Trans. at 26-29, 35*).

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 Homesteaders One HoldCo, Inc., 100 percent of New Homesteaders stock (*Exhibit 1-Limited Plan of Reorganization; Trans. at 24, 27-28*). 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 member of Homesteaders Mutual Holding Company and will not result in changes to their policy rights, (2) provides that future policyholders of New Homesteaders will become members of Homesteaders Mutual Holding Company, and (3) maintains Applicant's ability to service and pay policyholder claims and benefits. (*Exhibit 1, pp. 44-50, Trans. at 21-23, 24, 27*)

Policyholders currently do not have any dividend rights in Applicant, and Homesteaders Mutual Holding Company members after the reorganization will also not have any dividend rights. While the Homesteaders Mutual Holding Company Articles of Incorporation do not provide for the application of any accumulation of excess earnings, the Articles do provide that the Homesteaders Mutual Holding Company Board of Directors shall not pay dividends or other distributions except as approved by the Commissioner. Additionally, Homesteaders Mutual Holding Company may not waive the receipt by Homesteaders Mutual Holding Company of dividends from its subsidiaries unless they are to be applied for the sole benefit of the policyholder members (*Exhibit 1, Article XIII, Section 2, p. 47*).

In the event of the dissolution, liquidation, or winding up of Homesteaders Mutual Holding Company, any assets of Homesteaders Mutual Holding Company remaining after payment of all liabilities shall be distributed to the policyholders (*Exhibit 1, Article VI, Section 1, p. 46*). 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 or liquidation.

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.

Pursuant to the proposed reorganization, New Homesteaders would issue 1,000 shares of capital stock to Homesteaders One HoldCo, Inc., no par value and Homesteaders One HoldCo, Inc. will in turn issue 1,000 shares of its common stock to Homesteaders Mutual Holding Company. (*Exhibit 1, p. 6 ¶ 5, Trans. at 17-18.*) The remaining two intermediate holding companies will

issue stock directly to Homesteaders Mutual Holding Company. The Applicant has provided a balance sheet and stated that there are no anticipated changes in the financial condition of the Applicant as a result of the reorganization. The plan of reorganization permits the sale of stock only with further prior approval of the Iowa Insurance Commissioner and the policyholders. (*Exhibit 1, p. 6 ¶ 6, Trans. 27-28*).

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 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 THEREFORE ORDERED that:

Homesteader Insurance Company's limited application for approval of a plan to reorganize 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 9th day of May, 2024.



DOUGLAS M. OMMEN
Commissioner of Insurance

Copies to:
Marla Lacey, Homesteaders Life Company
David A McNeill, Faegre, Drinker, Biddle & Reath