

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA

In the matter of the application for)
acquisition of control of BESTOW LIFE)
INSURANCE COMPANY by SAMMONS)
ENTERPRISES, INC., SAMMONS) **FINDINGS OF FACT,**
CORPORATION, CONSOLIDATED) **CONCLUSIONS OF LAW,**
INVESTMENT SERVICES, INC., SAMMONS) **AND ORDER**
FINANCIAL GROUP, INC., and NORTH) (Iowa Code chapter 521A)
AMERICAN COMPANY FOR LIFE AND)
HEALTH INSURANCE)

I. INTRODUCTION

The Applicants, as defined herein, are seeking to acquire control of Bestow Life Insurance Company, an Iowa domestic insurance company (the “Domestic Insurer”), in a transaction in which North American Company for Life & Health Insurance, an Iowa life insurance company (the “Purchaser”), a direct subsidiary of Sammons Financial Group, Inc., a Delaware corporation (“Sammons”), would acquire 100% of the outstanding shares of capital stock of the Domestic Insurer (the “Proposed Acquisition”). As a result of the Proposed Acquisition, the Domestic Insurer would become a direct wholly owned subsidiary of Purchaser and an indirect, wholly owned subsidiary of Sammons, Consolidated Investment Services, Inc., a Delaware corporation (“CIS”), Sammons Corporation, a Delaware corporation (“SC”), and Sammons Enterprises, Inc., a Delaware corporation (“SEI”). SEI, SC, CIS, Sammons and the Purchaser are collectively referred to herein as the “Applicants.”

In accordance with the provisions of Iowa Code¹ § 521A.3, the Applicants have filed Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer dated February 28, 2024 (the “Form A Statement”), applying for approval of their acquisition of control of the Domestic Insurer 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 the Applicants, a public hearing was held at 1 p.m. on Tuesday, May 28, 2024, at the Iowa Insurance Division (“Division”) for the purpose of determining whether the proposed acquisition of control of the Domestic Insurer by the Applicants complies with the statutory requirements set forth in Iowa Code § 521A.3(4)(a).

¹ All references to the Iowa Code herein are to the Code of 2024.

II. JURISDICTION

Notice of the public hearing conducted on May 28, 2024, was provided to the parties in accordance with Iowa Code § 17A.12. (*Trans. at 4; Exhibit 3*). The Commissioner has jurisdiction over this matter under Iowa Code §§ 17A.11, 17A.12, and 521A.3.

III. EVIDENCE PRESENTED

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

- Exhibit 1: A full electronic public copy of the Form A Statement and public exhibits dated February 28, 2024.
- Exhibit 2: A full electronic regulator-only copy of the Form A Statement and all exhibits dated February 28, 2024.
- Exhibit 3: Notice of Public Hearing issued by the Iowa Insurance Division on May 7, 2024 (the “Notice of Public Hearing”).

Exhibits 1 through 3 were received into the record. (*Trans. at 14*). The Applicants provided paper copies of Exhibits 1-4 to the Commissioner at the hearing.

In addition, the Applicants called two witnesses at the public hearing: Mr. Brent Mardis, who spoke on behalf of the Applicants, and Mr. Jeremy Bill, who spoke on behalf of the Domestic Insurer. (*Trans. at 14, 35*). Following the testimony of Mr. Mardis, the Commissioner requested that such notes Mr. Mardis referred to during his testimony be admitted into the record in order to supplement the record. (*Trans. at 33*). Without objection, Mr. Mardis’s notes were then received into the record as Exhibit 4. (*Trans. at 34*). Mr. Mardis is the Vice President and Chief Strategy Officer of Sammons (*Trans. at 15*) and Mr. Bill is the Chief Insurance Officer of the Domestic Insurer (*Trans. at 35*).

Mr. Mardis testified that he directed and assisted with the preparation of the Form A Statement and was personally familiar with the application filed with the Division and the Proposed Acquisition. (*Trans. at 17*). He affirmed that the Form A Statement submitted in this matter is complete, accurate and up to date. (*Trans. at 17–18*). He 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 since its submission. (*Trans. at 18, 31–32*). Mr. Mardis indicated that there were no contracts that are part of the Proposed Acquisition of which the Division has not been made aware. (*Trans. at 32–33*).

Mr. Mardis provided general information about the background and business of the Applicants, which included that SEI was incorporated on December 17, 1962 and operates in the United States through its subsidiaries. (*Trans. at 19*). SEI is considered the ultimate controlling party for each of its regulated, wholly owned subsidiaries. *Id.* SC was incorporated on December 24, 2004 and is a direct, wholly owned subsidiary of SEI. *Id.* According to Mr. Mardis’s testimony, SC’s principal business is to function as a holding company that operates primarily through its subsidiaries.

(*Trans. at 19–20*). CIS is a direct, wholly owned subsidiary of SC and its principal business is to act as a holding company that operates primarily through its subsidiaries. *Id.* Sammons was incorporated on February 21, 1996 and is a direct, wholly owned subsidiary of CIS. *Id.* The principal business of Sammons is a holding company that operates primarily through its subsidiaries. *Id.* Finally, Purchaser is an Iowa life insurance company that was formed on September 27, 2007. *Id.* Purchaser is a direct, wholly owned subsidiary of Sammons and its principal business is to sell life insurance and annuity products in the State of Iowa and other states in which it holds the required licensure. (*Trans. at 20; Exhibit 1, Form A Statement at 3*).

Mr. Mardis also provided a brief summary of the Proposed Acquisition. (*Trans. at 21*). Purchaser and the Domestic Insurer entered into a Stock Purchase Agreement dated February 14, 2024 in which Purchaser will acquire 100% of the common stock of the Domestic Insurer (*Id.; Exhibit 1, Form A Statement at 3*). In addition, Purchaser and the Domestic Insurer entered into an amendment to the Stock Purchase Agreement, dated May 13, 2024 relating to the treatment of Statutory Interest Maintenance Reserve as an admitted asset as it relates to the Accounting Principles used in the Closing Statement. (*Trans. at 22*). This amendment was provided in a supplemental filing to the Division on May 16, 2024. *Id.* Following the closing of the Proposed Acquisition, Purchaser will be the direct shareholder of the Domestic Insurer, with Sammons, CIS, and SC and SEI holding indirect ownership of the Domestic Insurer. *Id.* The Proposed Acquisition has been approved by the shareholders of the Domestic Insurer on February 14, 2024. *Id.*

The purchase price payable for the shares of the Domestic Insurer were determined through an arm's-length negotiation between the Purchaser and the Domestic Insurer with the assistance of their respective advisors and counsel and under the direction of their respective boards of directors. (*Trans. at 22–23; Exhibit 1, Form A Statement at 5*). Pursuant to the Form A Statement, the purchase price and consideration to be paid as part of the Proposed Acquisition will equal the sum of (a) the aggregate amount of the Domestic Insurer's adjusted statutory capital and surplus as of the closing date of the Proposed Acquisition, and (b) \$275,000 per state of the United States and the District of Columbia, where the Domestic Insurer holds an insurance carrier license and certificates of authority in good standing. (*Exhibit 1, Form A Statement at 5*). The parties anticipate that the capital and surplus of the Domestic Insurer at the time of the closing of the Proposed Acquisition will be no less than the minimum capital and surplus required to keep all relevant licenses and certificates of authority in good standing. (*Exhibit 1, Form A Statement at 5*). As further provided by the Form A Statement, for purposes of calculating the purchase price, the Domestic Insurer's statutory capital and surplus would be determined in accordance with statutory accounting principles, except that the Domestic Insurer's investment assets not in a designated, funds withheld account associated with the Somerset Re treaty would be valued at market value as of the closing date of the Proposed Acquisition. (*Exhibit 1, Form A Statement at 5*). The purchase price would be payable in cash on the closing date of the Proposed Acquisition. (*Exhibit 1, Form A Statement at 5*).

Mr. Mardis testified regarding the financial stability of the Applicants, noting that each of the Applicants is financially stable and adequately capitalized. (*Trans. at 24–26*). Based on the financial statements provided with the Form A Statement, Mr. Mardis testified that the Applicants' acquisition of control of the Domestic Insurer through the Proposed Acquisition will in no way adversely affect or jeopardize the financial stability of the Domestic Insurer or prejudice the interests of their policyholders. (*Trans. at 25–26*). In addition, Mr. Mardis testified that after the

closing of the Proposed Acquisition, the Domestic Insurer will have the statutory total adjusted capital and surplus well in excess of the statutory minimum capital and surplus to satisfy the requirements for licensure under Iowa law. (*Trans. at 24*). In particular, Mr. Mardis stated that after the closing of the Proposed Acquisition, the Domestic Insurer will operate with a sound plan of operation and will be managed by experienced personnel with significant insurance industry experience. *Id.*

Mr. Mardis further testified that the Applicants do not believe that the Proposed Acquisition will substantially lessen competition in insurance in Iowa. (*Trans. at 25*). He noted that, based on publicly available information, the Domestic Insurer had life and annuity premiums of just \$6,897 in Iowa during 2023, representing a de minimis market share of the life and annuity market in the State of Iowa, and thereby stated that the Proposed Acquisition will not result in any concentration of insurance business under the control of the Applicants in Iowa. *Id.*

Mr. Mardis also testified that the Applicants do not have any current plans or proposals to liquidate the Domestic Insurer, to sell its assets or to consolidate or merge the Domestic Insurer with any person or persons or to make any other material changes in the Domestic Insurers' business, corporate structure or management, except as was disclosed in the Form A Statement. (*Trans. at 26–27; Exhibit 1, Form A Statement at 5–6; Exhibit 2, Form A Statement at Exhibits E and F*). Mr. Mardis testified that the Form A Statement does not set forth any plans or proposals that would be unfair or unreasonable to the policyholders of the Domestic Insurer or contrary to the public interest. (*Trans. at 27*). Mr. Mardis further stated that projected financial statements of the Domestic Insurer, filed with the Division as part of the Form A Statement, reflect the continuation of the Domestic Insurer's current business plan. (*Trans. at 27; Exhibit 2, Form A Statement at Exhibits E, F, and G(1–5)*). Mr. Mardis's testimony stated that there are no plans by the Applicants to reduce employment levels of the Domestic insurer in any material nature. (*Trans. at 27*).

Mr. Mardis stated that the directors and executive officers of both the Applicants and the Domestic Insurer have the necessary competence, experience, and integrity to properly manage the Domestic Insurer, such that it would be in the interests of the Domestic Insurer's policyholders and the public to permit the acquisition of control through the Proposed Acquisition. (*Trans. at 28*). He further stated that he believes such individuals are persons of high integrity and are very experienced in the insurance and financial services industry. *Id.*

Mr. Mardis's testimony indicated that neither the current policyholders of the Domestic Insurer, nor the insurance-buying public will be prejudiced by the Proposed Acquisition. (*Trans. at 29*). The Domestic Insurer will maintain all of its licenses to write business in Iowa, and its financial condition will not be impaired. *Id.* The Applicants have no current plans for the Domestic Insurer that are unfair or unreasonable to its policyholders or contrary to public interest and therefore the Proposed Acquisition will in no way be hazardous or prejudicial to the insurance-buying public. *Id.*

Mr. Bill read a prepared statement for the record on behalf of the Domestic Insurer and Bestow, Inc. He stated that both Bestow, Inc. and the Domestic Insurer support the Proposed Acquisition of control of the Domestic Insurer by the Applicants. (*Trans. at 35–36*). Having participated in discussions with the Applicants, Mr. Bill testified that he is aware of the Applicants' plans for the Domestic Insurer, which include the growth of the Domestic Insurer's business and establishment

of operations and believes that the approval of the Proposed Acquisition is not likely to be hazardous to or prejudicial to the insurance-buying public in Iowa. *Id.*

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 Commissioner finds as follows:

1. After the change of control, the Domestic Insurer will be able to satisfy Iowa licensure requirements and continue writing the line or lines of insurance for which it is 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.

The facts in the record support Mr. Mardis's testimony that after the consummation of the Proposed Acquisition, the Domestic Insurer will continue to satisfy the requirements for issuance of a license to write the lines of insurance for which they are presently licensed. Mr. Mardis testified that, following the Proposed Acquisition, the Domestic Insurer will continue to satisfy all capital and surplus requirements for licensure under Iowa law. (*Trans. at 24*). The documents provided to the

Commissioner in support of the Form A Statement confirm Mr. Mardis' testimony. (*Exhibit 2, Form A Statement at Exhibits E, F, and G(1-5)*). The Applicants have further confirmed that the Domestic Insurer will operate with a sound plan of operation and continue to be managed by an experienced management team. (*Trans. at 24; Exhibit 1, Form A Statement at 5-6; Exhibit 2 at Exhibit E*).

The Commissioner finds that the Domestic Insurer's ability to satisfy Iowa licensure requirements and its ability to continue writing existing lines of insurance for which it is licensed will be unimpaired after the change of control.

2. The Applicant's acquisition of control of the Domestic Insurer 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 less competition in insurance in Iowa.

Mr. Mardis testified that based on publicly available information, the Domestic Insurer had life and annuity premiums of \$6,897 in Iowa during 2023, representing a de minimis market share of the life and annuity market in the State of Iowa, meaning that the Proposed Acquisition will not result in any concentration of insurance business under the control of the Applicants in Iowa, and therefore, the Applicants do not believe that the proposed transaction will substantially lessen competition in Iowa. (*Trans. at 25*).

Given that the Proposed Acquisition will have only a minimal impact on Iowa market shares, the Commissioner finds that the Applicants' acquisition of control of the Domestic Insurer will not substantially lessen competition in insurance in Iowa.

3. The Applicants' financial condition will not jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its 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 facts in the record support Mr. Mardis's testimony that the financial condition of the Applicants will neither jeopardize the financial stability of the Domestic Insurer nor prejudice the interests of their policyholders. Pursuant to the Stock Purchase Agreement between the Purchaser and the Domestic Insurer, as well as the Form A Statement, the purchase price payable for the Proposed Acquisition will equal the sum of (a) the aggregate amount of the Domestic Insurer's adjusted statutory capital and surplus as of the closing date of the Proposed Acquisition, and (b) \$275,000 per state where the Domestic Insurer holds an insurance carrier license and certificates of authority in good standing. (*Exhibit 1, Form A Statement at 5; Exhibit 1, Form A Statement at Exhibit A, Section 2.2*).

As demonstrated by the financial statements of the Applicants submitted with the Form A Statement, the Applicants and their affiliates are financially stable and adequately capitalized. (*Exhibit 2, Form A Statement at Exhibits F and G(1-5)*).

Given the facts in the record, the Commissioner finds neither the Proposed Acquisition itself nor the Applicants' post-acquisition plans will create a material adverse financial impact on the Domestic Insurer. There being no evidence of a material adverse financial impact on the Domestic Insurer, the Commissioner further finds the interest of the Domestic Insurer's 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 Insurer's 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 sell their assets. (*Trans. at 26–27; Exhibit 1, Form A Statement at 5–6; Exhibit 2, Form A Statement at Exhibits E and F*). Mr. Mardis's testimony reflects that other than as described in the Form A Statement, the Applicants do not have any current plans or proposals to liquidate the Domestic Insurer, to sell its assets, or to consolidate or merge the Domestic Insurer with any person or persons or to make any other material changes in the Domestic Insurer's business, corporate structure or management. (*Trans. at 26–27*).

Mr. Mardis stated in his testimony that following the Proposed Acquisition, the Domestic Insurer will continue to operate with its current business plans and has no plans to reduce employment levels in any material nature. (*Trans. at 27*).

On the basis of the foregoing evidence, the Commissioner 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 Insurer are sufficient to indicate that the interests of the Domestic Insurer's policyholders and the public will not be jeopardized by the Applicants' acquisition of control of the Domestic Insurer.

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's 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 if 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.

Immediately following the Proposed Acquisition, Purchaser will own 100% of the voting shares of the Domestic Insurer. (*Trans. at 21; Exhibit 1, Form A Statement at 3, 6*). As a result, the Domestic Insurer will become a direct, wholly owned subsidiary of Purchaser, and an indirect subsidiary of Sammons, CIS, SC and SEI. (*Exhibit 1, Form A Statement at 6*).

Facts in the record indicate that these ultimate controlling persons as well as the directors and officers of the Domestic Insurer and the Applicants post-closing are experienced and competent based upon their current experience in the insurance industry as well as general corporate governance and business operations. (*Trans. at 28; Exhibit 1, Form A Statement at 4–5, Exhibit D; Exhibit 2, Form A Statement at Exhibit D*). Biographical affidavits and third-party background verification reports for each director and executive officer of the Applicants were previously submitted to the Division. (*Trans. at 28; Exhibit 2, Form A Statement at Exhibit D*).

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

6. The Applicants’ acquisition of control of the Domestic Insurer 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 4, and the testimonies of Mr. Mardis and Mr. Bill, the Commissioner finds that the Applicants’ acquisition of control of the Domestic Insurer is not likely to be hazardous or prejudicial to the insurance-buying public of the State of Iowa. The Form A Statement submitted by the Applicants, the exhibits thereto, the testimonies of the witnesses called at the public hearing 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 proposed acquisition hazardous or prejudicial to the insurance-buying public. Accordingly, the requirements of Iowa Code § 521A.3(4)(a)(6) have likewise been established.

The Commissioner finds that the Applicants’ acquisition of control of the Domestic Insurer 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 Commissioner concludes, upon substantial evidence, that the Applicant has 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 Insurer should be approved.

ORDER

IT IS ORDERED that:

The application of Sammons Enterprises, Inc., Sammons Corporation, Consolidated Investment Services, Inc., Sammons Financial Group, Inc., and North American Company for Life and Health Insurance for approval of the acquisition of control of Bestow Life Insurance Company, an Iowa domestic insurer, 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 24th day of June, 2024.



DOUG OMMEN
Commissioner of Insurance

Copies to:

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