

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA

IN THE MATTER OF)

The Reorganization of)
GRINNELL MUTUAL REINSURANCE)
COMPANY into GRINNELL MUTUAL)
HOLDING COMPANY, GRINNELL)
HOLDINGS, INC., and GRINNELL)
MUTUAL REINSURANCE COMPANY, SI)
7367021,)

**FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER**
(Iowa Code chapter 521A.14)

I. INTRODUCTION

Grinnell Mutual Reinsurance Company, a domestic mutual insurance company (the “Applicant”) filed a limited application for approval of a plan to (1) create a mutual insurance holding company to be named Grinnell Mutual Holding Company; (2) create one intermediate holding company, Grinnell Holdings, Inc.; and (3) convert Applicant into a stock insurance company under Iowa Code chapter 490 to be named Grinnell Mutual Reinsurance Company SI. Grinnell Mutual Reinsurance Company SI will then transfer all its shares to Grinnell Holdings, Inc. as an extraordinary dividend. All of the stock of Grinnell Holdings, Inc. will be owned by Grinnell Mutual Holding Company. As a result, Grinnell Mutual Holding Company will indirectly own all of the outstanding shares of Grinnell Mutual Reinsurance Company SI through its ownership of Grinnell Holdings, Inc.

Pursuant to the provisions of Iowa Code sections 521A.14(2)“a,” 521A.3(4)“b,” and Iowa Administrative Code chapter 191—46, on October 30, 2024, a public hearing was held at the offices of the Iowa Insurance Division (“Division”) for the purpose of determining whether the Applicant’s proposed reorganization complies with the requirements set forth in Iowa Code section 521A.14 and Iowa Administrative Code subrule 191—46.4(3). The public was invited to participate both in person and remotely.

II. JURISDICTION

The Commissioner has jurisdiction over this proceeding under Iowa Code sections 17A.11, 17A.12, 521A.3, and 521A.14(1). Notice of the public hearing was provided to the parties and to the public in accordance with Iowa Code section 17A.12.

III. FINDINGS OF FACT

Applicant filed a Limited Application on August 19, 2024 (the “Limited Application”), applying for approval of the proposed reorganization with the Commissioner of Insurance of the State of Iowa (the “Commissioner”).

Upon receipt of regulatory approval from the Commissioner, the Applicant will form a new mutual insurance holding company to be named Grinnell Mutual Holding Company, create one intermediate holding company, Grinnell Holdings, Inc., and convert Applicant into a stock insurance company under Iowa Code chapter 490 to be named Grinnell Mutual Reinsurance Company SI, which will then transfer all shares of Grinnell Mutual Reinsurance Company SI to Grinnell Holdings, Inc. as an extraordinary dividend. (*Exhibit E, Form A Statement*). All of Grinnell Mutual Holdings, Inc.'s stock will be owned by Grinnell Mutual Holding Company. As a result, Grinnell Mutual Holding Company will indirectly own all of the outstanding shares of Grinnell Mutual SI through its ownership of Grinnell Holdings, Inc. (*Exhibit B, Plan of Reorganization, ¶ 4*).

The policyholder members of Applicant on the effective date of the reorganization will become members of Grinnell Mutual Holding Company with membership rights therein, while their policy rights will remain obligations of Grinnell Mutual Holding Company. (*Exhibit C, Article IV; Exhibit B, Plan of Reorganization, ¶¶ 2, 5; Exhibit D, By-Laws of Grinnell Mutual Holding Company, Article II*). Future policyholders of Grinnell Mutual Reinsurance Company SI after the reorganization will become policyholder members of Grinnell Mutual Holding Company. *Id.* Therefore, the proposed reorganization alters the corporate structure of Applicant but does not change the ultimate control or ownership interest that Applicant's policyholders currently maintain.

Since the Applicant has proposed a limited reorganization and no stock will be sold to the public at this time, the reorganization will not result in any change to the financial condition of Applicant. (*Exhibit B, Limited Plan of Reorganization ¶ 6*). No changes will be made to insurance policies. (*Exhibit B, Limited Plan of Reorganization*). The reorganization will not result in any changes to the Board of Directors or executive officers of Applicant. (*Exhibit B, Plan of Reorganization, ¶ 11*).

On September 18, 2024, the Applicant held a Special Meeting of its members. (*Exhibit O, Affidavit of Secretary of State; Tr. at 13-14; Ex. N, Notice of Special Meeting*). With a quorum of policyholders present, the Limited Plan of Reorganization of the Applicant was approved by a vote of the policyholders. *Id.*

In support of its application, the Applicant offered eighteen exhibits:

- Exhibit A: An index of exhibits pursuant to Iowa Administrative Code rule 191—46.3(2) "i."
- Exhibit B: The Plan of Reorganization.
- Exhibit C: Articles of Incorporation of Grinnell Mutual Holding Company.
- Exhibit D: By-Laws of Grinnell Mutual Holding Company.
- Exhibit E: Form A Statement.
- Exhibit F: Articles of Incorporation of Grinnell Holdings, Inc.
- Exhibit G: By-Laws of Grinnell Holdings, Inc.
- Exhibit H: Articles of Incorporation of Grinnell Mutual Reinsurance Company, SI.
- Exhibit I: Amended By-Laws of Grinnell Mutual Reinsurance Company, SI.
- Exhibit J: Articles of Incorporation of Grinnell Select Insurance Company.
- Exhibit K: By-Laws of Grinnell Select Insurance Company.

- Exhibit L: Articles of Incorporation of Grinnell Compass, Inc.
- Exhibit M: By-Laws of Grinnell Compass, Inc.
- Exhibit N: Notice of Special Meeting.
- Exhibit O: Secretary of State Affidavit regarding Special Meeting.
- Exhibit P: Letter to Deputy Commissioner Kim Cross regarding Extraordinary Dividend.
- Exhibit Q: 2023 Audited Financial Statements for the Grinnell Mutual Group.
- Exhibit R: Member Information Statement.

Exhibits A through R were received into the record. (*Tr. at 9*).

The Applicant also presented a witness at the public hearing, David M. Wingert, who was authorized to speak on behalf of the Applicant. (*Tr. at 10-15*). Mr. Wingert has been employed by the Applicant for thirteen years and is currently the President of the company. (*Tr. at 11:1-6*). Mr. Wingert described the proposed reorganization and the reasons for pursuing it. (*Tr. at 11-12*). The insurance industry is experiencing challenging times, and the Applicant would like the ability to raise capital in the future. (*Tr. at 11*). The Applicant would also consider diversifying its operations through merger in the future and the reorganized structure would allow the Applicant to bring in a new entity and maintain separate identities and brand. (*Tr. at 12-13*).

IV. CONCLUSIONS OF LAW

The legislature has vested discretion in the Commissioner to hold hearings, make factual findings, and 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.

The Applicant proposes the creation of a mutual insurance holding company, Grinnell Mutual Holding Company, which in turn will wholly own a reorganized stock insurance company subsidiary, Grinnell Mutual Reinsurance Company, SI. Additionally, an additional intermediate holding company will be created that will be wholly owned by the mutual insurance holding company. (*Exhibit B, Limited Plan of Reorganization; Exhibit A, Index*).

Iowa Code section 521A.14(1)“a” authorizes this corporate structure upon a showing by an applicant that (1) the interests of the policyholders are properly protected under the reorganization plan; and (2) the plan of reorganization is fair and equitable to the policyholders. In addition, Iowa Administrative Code rule 191—46.4 provides that the plan of reorganization must 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.

from the reorganized insurance company on the condition that such amounts will be applied for the benefit of policyholders. (*Ex. B, Plan of Reorganization, ¶ 12*).

In the event of the dissolution, liquidation, or winding up of Grinnell Mutual Holding Company, any assets of Homesteaders Mutual Holding Company remaining after payment of all liabilities shall be distributed to the policyholders. Iowa Code § 521A.14(4). The Iowa Code 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.

The Commissioner finds that the plan of reorganization is fair and equitable to the policyholders.

3. The financial condition of Applicant will not be diminished by the reorganization.

After the proposed reorganization, Grinnell Mutual Reinsurance Company SI would issue shares of stock to Grinnell Holdings, Inc. (*Exhibit B, Plan of Reorganization, ¶ 3-5*). Grinnell Holdings, Inc. would issue stock directly to Grinnell 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. (*Exhibit Q, 2023 Audited Financial Statements for Grinnell Mutual Group*). The plan of reorganization permits the sale of stock only with further prior approval of the Iowa Insurance Commissioner and the policyholders. (*Exhibit B, Plan of Reorganization, ¶ 6*). The Applicant has no current plans to issue stock. (*Tr. at 12*).

Since the Applicant has proposed a limited reorganization and no stock will be sold to the public at this time, the reorganization will not result in any change to the financial condition of Applicant. (*Exhibit B, Plan of Reorganization, ¶ 6*).

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.

4. The Plan of Reorganization satisfies the standards in Iowa Code chapter 521A.

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 Grinnell Mutual Reinsurance 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 26th day of November, 2024.



DOUGLAS M. OMMEN
Commissioner of Insurance