

**BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA**

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| <b>In the matter of the Application</b> | ) | <b>AMENDED FINDINGS OF FACT,</b> |
| <b>for Approval of a Stock Offering</b> | ) | <b>CONCLUSIONS OF LAW</b>        |
| <b>by HOMESTEADERS LIFE MUTUAL</b>      | ) | <b>and ORDER</b>                 |
| <b>HOLDING COMPANY</b>                  | ) |                                  |
|   | ) |                                  |
|   | ) | (Iowa Code section 521A.14)      |
|   | ) |                                  |

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**I. INTRODUCTION**

Homesteaders Life Mutual Holding Company (“Applicant”) seeks the approval of the Commissioner of Insurance for the State of Iowa for the Applicant’s plan to issue common stock. Applicant seeks to enter into a conversion transaction pursuant to which Preferred Shares issued by Applicant’s wholly-owned intermediate holding company, One HoldCo, Inc., to SFG Tenura, a subsidiary of Sammons Financial Group (“SFG”), as well as all amounts owing under surplus notes issued by Homesteaders Life Company to Midland National Life Insurance Company and North American Company for Life and Health Insurance (affiliates of SFG), would convert into (or be exchanged for) shares of Common Stock of One HoldCo, Inc. After this Proposed Conversion, the Applicant would still own a majority (52%) of the common stock of One HoldCo, Inc. as required by Iowa Code section 514A.14.

Pursuant to the provisions of Iowa Code sections 521A.14(1)(a), and Iowa Administrative Code chapter 191—46.10, on December 11, 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 stock offering complies with the requirements set forth in Iowa Code section 521A.14 and Iowa Administrative Code subrule 191—46.10. 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, 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. EVIDENCE PRESENTED**

In addition to its Application, the Applicant offered four confidential exhibits:

Exhibit A: Subscription Agreement between Homesteaders One HoldCo, Inc. and SFG Tenura LLC, including Homesteaders Life Company’s 2023 Statutory Financial Statements with Independent Auditor’s Report;

- Exhibit B: Letter Agreement Between Homesteaders One HoldCo, Inc. and SFG Tenura LLC;
- Exhibit C: Shareholder Agreement between One Holdco, Inc. and SFG Tenura, LLC;
- Exhibit D: Alvarez & Marsal Valuation and Methodology Memorandum and Memorandum from Ryan Goins, Senior Vice President at Homesteaders Life Company, to Deputy Insurance Commissioner Kimberlee Cross.

The Division offered one confidential exhibit:

- Exhibit 1: Appraisal Review Report by Melissa Loughlin-Sines, Baker Tilly Advisory Group, LP.

Exhibits A through D and Exhibit 1 were received into the record. (*Trans. 17, 45*).

The Applicant presented three witnesses at the public hearing who were authorized to speak on behalf of the Applicant: Marla Lacey, Executive Vice President and General Counsel for the Applicant; Ryan Goins, Senior Vice President of Accounting and Finance for the Applicant; and Nick Gerhart, Executive Vice President and Chief Operating Officer for the Applicant. (*Trans. 14*). All three witnesses were authorized to speak on behalf of the Applicant. (*Trans. 19, 25-26, 32*).

The Division presented one witness, the author of Exhibit 1, Ms. Loughlin-Sines. (*Trans. 38*). Ms. Loughlin-Sines testified via a Microsoft Teams connection.

#### IV. FINDINGS OF FACT

On May 9, 2024, the Commissioner of Insurance of the State of Iowa (the “Commissioner”) approved a plan presented by Homesteaders Life Company, a domestic mutual insurance company, to create a mutual insurance holding company to be named Homesteaders Life Mutual Holding Company as well as three intermediate holding companies, Homesteaders One HoldCo, Inc. (“One HoldCo”), Homesteaders Two HoldCo, and Westown Holdings, Inc. Homesteaders Life Company was converted into a stock insurance company. At the time of this reorganization, Homesteaders Life Mutual Holding Company indirectly owned all of the outstanding shares of Homesteaders Life Company through its ownership of One HoldCo. (*May 9, 2024, Order in the Matter of the Limited Application of Homesteaders Life Company for approval of a Limited Plan of Reorganization under Iowa Code Chapter 521A; Trans. 21-22*).

Prior to the reorganization, in February 2023, Homesteaders Life Company issued surplus notes in the aggregate principal amount of \$40 million to Midland National Life Insurance Company and North American Company for Life and Health Insurance, both subsidiaries of Sammons Financial Group. (*Trans. 12:15-20*).

In August 2024, the Applicant entered into a transaction that involved the acquisition of Park Lawn Corporation by a newly created entity owned by affiliates of Homesteaders and affiliates of Birch Hill Equity Partners. (*Trans. 10:17-18*). Capital for this transaction was raised by issuing 200,000

shares of nonvoting Preferred Stock of One HoldCo to SFG Tenura, LLC, a subsidiary of the Sammons Financial Group. The consideration for these shares was used as a portion of the Park Lawn purchase price. (*Trans. 11:2-7*).

Applicant filed this Application on September 30, 2024, applying for approval of a proposed stock offering in order to restructure the preferred stock arrangement that made the Park Lawn transaction possible. (*Trans. 11:8-11*). Upon receipt of regulatory approval from the Commissioner, the Applicant will enter into a conversion transaction (the "Proposed Conversion") pursuant to which the non-voting Preferred Stock issued by One HoldCo to SFG Tenura, as well as all amounts owing the surplus notes issued by Homesteaders Life Company to Midland National Life Insurance Company and North American Company for Life and Health Insurance, would convert into (or be exchanged for) shares of Common Stock of One HoldCo. (*Application, p. 3*).

After the Proposed Conversion, the Applicant will retain control of 1,000 shares of Common Stock, representing approximately 52% of the outstanding equity, a controlling interest in One HoldCo and Homesteaders Life. SFG will own 924 shares of One HoldCo, which will equal approximately 48% of the outstanding stock. (*Trans. 22*). As the holder of the Common Stock, SFG will have the right to vote these shares for any matter arising that requires a vote of the stockholders of One HoldCo. (*Trans. 35*).

The Applicant provided evidence concerning how it calculated the value of the shares to be issued to SFG. The Applicant retained an independent third party, Alvarez & Marsal Valuation Services, LLC, ("Alvarez & Marsal") to provide a valuation the insurance operations of Homesteaders Life Company as of December 31, 2023. (*Trans. 26; Exhibit D*). The Applicant provided Alvarez & Marsal's analysis to the Commissioner in its confidential Exhibit D. Alvarez & Marsal provided the Applicant with a valuation based on the weighting of two different approaches: 1) the income approach, which is based on discounted cash flows; and 2) the market approach, which is based on comparable public company valuation. (*Trans. 26*).

Since there is little to no market for the resale of SFG's investment in the Applicant, the investment is illiquid in nature. Therefore, both the Applicant and SFG agreed to discount the value of the investment. (*Trans. 26*). It is a common practice to use a discount in a valuation where an investment lacks marketability. (*Trans. 26-27, 43*).

The Applicant engaged Alvarez & Marsal to refresh the valuation using the Homesteaders Life Company balance sheet and insurance operations plan as of June 30, 2024, using September 15, 2024 economics, and Alvarez & Marsal produced a range of fair market values similar to those it had provided in the original report. (*Exhibit D*).

The Division retained the firm of Baker Tilly to evaluate the Alvarez & Marsal report of the fair market value of the equity of Homesteaders Life Company. Melissa Loughlin-Sines, a director in Baker Tilly's forensic, litigation, and valuation services practice performed the evaluation. She provided a report which was admitted into evidence as confidential Exhibit 1. Ms. Loughlin-Sines reached the following conclusion: that the business valuation report dated September 27, 2024 and prepared by Alvarez & Marsal for the fair market value of the equity of Homesteaders Life Company is complete, adequate and appropriate when considering the purpose and intended user

- c. The plan and offering will not unfairly impact the interests of members of the mutual insurance holding company.

191 Iowa Admin. Code r. 46.10(6).

In addition, surplus notes are recognized by the Commissioner for both stock and mutual insurers. All payments of principal and interest on these notes require the prior approval of the Commissioner. 191 Iowa Admin. Code r. 5.4.

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

1. The Offering Complies with the Administrative Rules and Iowa Law.

We conclude that this proposed Transaction complies with Iowa law and rules.

Iowa Code requires that majority of the shares of capital stock of the mutual insurance company must be owned at all times by the mutual holding company, and that indirect ownership through one or more intermediate holding companies shall not result in the mutual insurance holding company owning less than the equivalent of a majority of the voting shares of the capital stock of the mutual insurer. Iowa Code §§ 521A.14(7); Iowa Admin. Code r. 191-46.10(4). The Applicant's proposal complies with these requirements, since SFG will hold 48% of the issued Common Stock of One HoldCo after this Transaction, and Homesteaders Life Mutual Holding Company will retain 52% of the Common Stock of One HoldCo.

The Application materials provided by the Applicant provided all the information required by Iowa Administrative Code rule 191-46.10(2) and the provisions required by Iowa Administrative Code rule 191-46.10(3). (*Application, pp. 4-6*).

2. The method for establishing the price of the stock offering is consistent with generally accepted market or industry practices for establishing stock offering prices in similar transactions.

The reputable firms of Alvarez & Marsal (engaged by the Applicant) and Baker Tilly (engaged by the Division) testified that the valuation of Homesteaders Life provided by Alvarez & Marsal is consistent with generally accepted market or industry practices for establishing stock offering prices in similar transactions, and we agree. The Applicant used that valuation in a reasonable manner to calculate the value of the interest that SFG will hold if this Proposed Conversion is approved, and to calculate the number of shares that will be issued.

3. The plan and offering will not unfairly impact the interests of members of the mutual insurance holding company.

We conclude that the Proposed Conversion will not unfairly impact the interests of members of Homesteaders Life Mutual Holding Company for the following reasons.

The Applicant is retaining control of One HoldCo, and the Proposed Conversion will create a more permanent capital structure than the current capital provided by the Preferred Stock and the surplus notes. (*Trans. 23*). The Proposed Conversion will not result in any change to the surplus,

liabilities, or financial condition generally of Homesteaders Life Company, One HoldCo, or Homesteaders Life Mutual Holding Company. (Trans. 33). The Applicant does not have any plans to issue any additional shares of stock as part of this Proposed Conversion and any future offerings would require another application. (Trans. 34). The Applicant and SFG do not anticipate that any dividend distributions will take place for the first ten years of the common equity investment. (Trans. 23, 34).

The Proposed Conversion will not make any material changes to the rights and obligations of the policyholders. No changes will be made to insurance policies issued by Homesteaders Life Company. (Trans. 32). All insurance policies will remain contractual obligations of Homesteaders Life Company without any change to the insurance benefits or premiums. (Trans. 32). The membership interest that each policyholder currently holds in Homesteaders Life Mutual Holding Company will not change due to this Proposed Conversion. (Trans. 33).

4. The surplus notes issued by Homesteaders Life Company to Midland National Life Insurance Company and North American Company for Life and Health Insurance can be converted into shares of One HoldCo Common Stock as provided in the Application.

As a result of the Proposed Conversion, surplus notes issued by Homesteaders Life Company to Midland National Life Insurance Company and North American Company for Life and Health Insurance would be converted into shares of One HoldCo Common Stock. Surplus notes are recognized by the Commissioner for both stock and mutual insurers. All payments of principal and interest on these notes require the prior approval of the commissioner, 191 Iowa Admin. Code r. 5.4. The conversion of the surplus notes is appropriate as part of this Proposed Conversion.

## ORDER

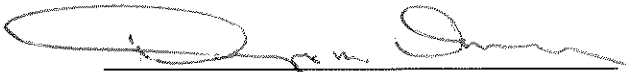
**IT IS THEREFORE ORDERED** that:

Homesteaders Life Mutual Holding Company's application for approval of a stock offering and retirement of surplus notes 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 January, 2025.

  
DOUGLAS M. OMMEN  
Commissioner of Insurance

Copies to:

David McNeill

Michael Abbott

JT Minor

Faegre, Drinker, Biddle & Reath, LLP