

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA

In the matter of the Reorganization)	FINDINGS OF FACT, CONCLUSIONS OF
of PHARMACISTS MUTUAL)	LAW and ORDER
INSURANCE COMPANY into)	
PHARMACISTS MUTUAL)	(Iowa Code chapter 521A.14)
INSURANCE GROUP,)	
PMIG HOLDINGS, INC.,)	
PMIG SERVICES, LLC, and)	
PHARMACISTS INSURANCE)	
COMPANY)	

I. INTRODUCTION

Pharmacists Mutual Insurance Company (the “Applicant”), a domestic mutual insurance company, filed a limited application for approval of a plan to (1) create a mutual insurance holding company under Iowa Code chapter 491 (to be named “Pharmacists Mutual Insurance Group”); (2) create one intermediate holding company for underwriting services under Iowa Code chapter 489 (to be named “PMIG Services, LLC”); (3) create another intermediate holding company to hold the insurer under Iowa Code chapter 490 (to be named “PMIG Holdings, Inc.”); and (4) convert the Applicant into a stock insurance company under Iowa Code chapter 490 (to be named “Pharmacists Insurance Company”).

Following Iowa Code sections 521A.14(2) “a” and 521A.3(4) “b” and Iowa Administrative Code chapter 191—46, on May 21, 2025, 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 of Insurance of the State of Iowa (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

The Applicant filed a Limited Application on April 30, 2025 (the “Limited Application”), applying for approval of the proposed reorganization with the Commissioner.

Upon receipt of regulatory approval from the Commissioner, the Applicant will form a new mutual insurance holding company to be named Pharmacists Mutual Insurance Group, create two

intermediate holding companies to be named PMIG Holdings, Inc. and PMIG Services, LLC, and convert the Applicant into a stock insurance company under Iowa Code chapter 490 to be named Pharmacists Insurance Company.

Upon the creation of the four companies, the reorganized stock insurer will issue all its outstanding 1,000 shares of common stock to PMIG Holdings, Inc. (*Exhibit 2, Limited Plan of Reorganization*, ¶ 5). Simultaneously, PMIG Holdings, Inc. will issue 1,000 shares of its common stock to Pharmacists Mutual Insurance Group, and the LLC intermediate holding company will issue all of its membership interests to Pharmacists Mutual Insurance Group. *Id.* Current policyholders' shares in Pharmacists Mutual Insurance Company will be automatically replaced by shares in Pharmacists Mutual Insurance Group. *Id.* All of Pharmacists Insurance Company's stock will be owned by PMIG Holdings, Inc. *Id.* As a result, Pharmacists Mutual Insurance Group will indirectly own all of the outstanding shares of Pharmacists Insurance Company through its ownership of PMIG Holdings, Inc. (*Exhibit 3, Letter from the Board of Directors to Policyholders*).

The policyholder members of the Applicant on the effective date of the reorganization will become members of Pharmacists Mutual Insurance Group with membership rights therein, while their policy rights will remain obligations of Pharmacists Mutual Insurance Group and Pharmacists Insurance Company. (*Exhibit 2, Limited Plan of Reorganization*, ¶¶ 7, 9). Future policyholders of Pharmacists Insurance Company after the reorganization will become policyholder members of Pharmacists Mutual Insurance Group. *Id.* Therefore, the proposed reorganization alters the corporate structure of the Applicant but does not change the ultimate control or ownership interest that the 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 the Applicant. (*Exhibit 1, Limited Application*, ¶ 8). No changes will be made to insurance policies. (*Exhibit 2, Limited Plan of Reorganization*). The reorganization will not add any new directors or executive officers of the Applicant. (*Exhibit 1, Limited Application*, ¶ 7).

On May 16, 2025, the Applicant held a Special Meeting of its members. (*Exhibit 19, Affidavit of Policyholder Approval*). With a quorum of policyholders, 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 nineteen exhibits, including confidential exhibits:

- Exhibit 1: Limited Application.
- Exhibit 2: Limited Plan of Reorganization.
- Exhibit 3: Letter from the Board of Directors to Policyholders.
- Exhibit 4: Notice of Annual Meeting.
- Exhibit 5: Proxy Card.

- Exhibit 6: Notice of Hearing from the Iowa Insurance Commissioner.
- Exhibit 7: Policyholder Information Statement.
- Exhibit 8: Form A Statement.
- Exhibit 9: Pharmacists Mutual Insurance Group Articles of Incorporation.
- Exhibit 10: Pharmacists Mutual Insurance Group Bylaws.
- Exhibit 11: Pharmacists Insurance Company Restated Articles of Incorporation.
- Exhibit 12: Pharmacists Insurance Company Restated Bylaws.
- Exhibit 13: PMIG Holdings, Inc. Articles of Incorporation.
- Exhibit 14: PMIG Holdings, Inc. Bylaws.
- Exhibit 15: PMIG Services, LLC Certificate of Organization.
- Exhibit 16: PMIG Services, LLC Operating Agreement.
- Exhibit 17: PM Underwriters, LLC Certificate of Organization.
- Exhibit 18: PM Underwriters, LLC Operating Agreement.
- Exhibit 19: Affidavit of Policyholder Approval.

Exhibits 1 through 19 were received into the record. (*Tr. at 11*).

The Applicant also presented two witnesses at the public hearing. Aaron Pearce and Kristi Tesni spoke, both of whom were authorized to speak on behalf of the Applicant. (*Tr. at 9-10; Exhibit 7, Policyholder Information Statement*). Mr. Pearce has been in the insurance industry for 19 years and is currently the President and Chief Executive Officer of the Applicant. (*Tr. at 20; Exhibit 7, Policyholder Information Statement*). Ms. Tesni has been in the insurance industry for 23 years and is currently the Vice President, General Counsel, and Secretary of the company. (*Tr. at 12; Exhibit 7, Policyholder Information Statement*). Both witnesses described the proposed reorganization and the reasons for pursuing it. (*Tr. at 15, 30*). The insurance industry has experienced rapid changes, and the Applicant would like the ability to raise capital in the future. (*Exhibit 7, Policyholder Information Statement*). The Applicant would also consider diversifying its operations in the future, and the reorganized structure would allow the Applicant the flexibility to do this. (*Tr. at 31*).

IV. CONCLUSIONS OF LAW

The legislature has vested discretion in the Commissioner to 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, Pharmacists Mutual Insurance Group. (*Exhibit 2, Limited Plan of Reorganization*). The mutual insurance holding company will wholly own two intermediate holding companies: PMIG Holdings, Inc. and PMIG Services, LLC. *Id.* PMIG Holdings, Inc. will wholly own a reorganized stock insurance company subsidiary, Pharmacists Insurance Company. *Id.* Thus, the mutual insurance holding company will indirectly and entirely control the reorganized insurer through its ownership of PMIG Holdings, Inc. *Id.*

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(3) provides that any application for 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.

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. 191 IAC 46.5(2).

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 the Applicant’s policyholders will be properly preserved and protected.

The Applicant demonstrated that there would be no material change to the current rights of the policyholders under the plan of reorganization. (*Tr. at 18*). The policyholder members of the Applicant on the effective date of the reorganization will become members of Pharmacists Mutual Insurance Group with membership rights therein, while their policy rights will remain obligations of Pharmacists Mutual Insurance Group and Pharmacists Insurance Company. (*Exhibit 2, Limited Plan of Reorganization*, ¶¶ 7, 9; *Exhibit 9, Pharmacists Mutual Insurance Group Articles of Incorporation, Article VI*; *Exhibit 10, Pharmacists Mutual Insurance Group Bylaws, Article II*). After the reorganization, future policyholders of Pharmacists Insurance Company will become policyholder members of Pharmacists Mutual Insurance Group. *Id.* Therefore, the proposed reorganization alters the corporate structure of the Applicant but does not change the ultimate control or ownership interest that the Applicant’s policyholders currently maintain.

No changes will be made to insurance policies. (*Exhibit 7, Policyholder Information Statement*).

The reorganization will not result in any additions to the Board of Directors or executive officers of the Applicant. (*Exhibit 1, Limited Application*, ¶ 7). Overall, the plan of reorganization offers reasonable and appropriate protection for policyholders. *Id.*

Nothing in the record supports a finding that the proposed reorganization is adverse to the Applicant's policyholders' interests. The Commissioner finds that these interests will be properly preserved and protected following the reorganization.

2. The plan of reorganization as a mutual holding company is fair and equitable to the policyholders.

After the proposed reorganization, the Applicant's policyholders will indirectly own, through their 100 percent ownership of Pharmacists Mutual Insurance Group, 100 percent of Pharmacists Insurance Company's stock. (*Exhibit 2, Limited Plan of Reorganization*, ¶ 5; *Exhibit 8, Form A Statement*). As stated above, the Applicant's proposed plan of reorganization: (1) maintains the status of the Applicant's policyholders as of the effective date of the reorganization as members of Pharmacists Mutual Insurance Group and will not result in changes to their policy rights, (2) provides that future policyholders of Pharmacists Insurance Company will become members of Pharmacists Mutual Insurance Group, and (3) maintains the Applicant's ability to service and pay for policyholder claims and benefits. (*Exhibit 7, Policyholder Information Statement*).

If the Board of Directors of Pharmacists Mutual Insurance Group determines that the accumulation of earnings is in excess of that which it deems necessary, the Board of Directors may cause all or a part of such excess to be returned to its members, or it may waive any dividends or distributions from the reorganized insurance company on the condition that such amounts will be applied for the benefit of policyholders. (*Exhibit 1, Limited Application*, ¶ 9).

In the event of the dissolution, liquidation, or winding up of Pharmacists Mutual Insurance Group, any assets of Pharmacists Mutual Insurance Group 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. *Id.*

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

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

As part of the proposed reorganization, Pharmacists Insurance Company would issue shares of stock to PMIG Holdings, Inc. (*Exhibit 2, Limited Plan of Reorganization*, ¶ 5). Simultaneously, PMIG Holdings, Inc. would issue stock directly to Pharmacists Mutual Insurance Group. The Applicant has provided a balance sheet and stated that it does not anticipate its financial condition to diminish as a result of the reorganization. (*Exhibit 7, Policyholder Information Statement*). The Applicant's statement aligns with its balance sheet. *Id.* The plan of reorganization permits the sale of stock only with further prior approval of the Iowa Insurance Commissioner. *Id.* The Applicant has no current plans to issue stock. *Id.*

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 the Applicant. *Id.*

Nothing in the record supports a finding that the proposed reorganization will harm the Applicant's financial condition. Therefore, the Commissioner finds that the financial condition of the Applicant will not be diminished by the proposed reorganization. In reorganizing, the applicant shall be held to the most recent values of Iowa Code section 515.8 for required capital and surplus.

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 the Applicant's proposed reorganization. Accordingly, the Applicant's proposed reorganization into a mutual insurance holding company should be approved.

ORDER

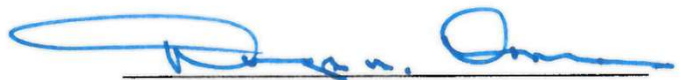
IT IS THEREFORE ORDERED that:

Pharmacists Mutual 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 18th day of June, 2025.



DOUGLAS M. OMMEN
Commissioner of Insurance

Copies to:

Aaron Pearce and Kristi Tesni, Pharmacists Mutual Insurance Company
Michael Abbott and JT Minor, Faegre Drinker