

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE:

APPLICATION OF FREEDOM
ADVANTAGE INSURANCE
COMPANY FOR APPROVAL OF THE
ACQUISITION OF CONTROL OF
GREAT FALLS INSURANCE
COMPANY(Freedom Advantage Ins.
Co., NAIC Company Code 11831)

DOCKET NO. INS-24-400

AND

APPLICATION OF GREAT FALLS
INSURANCE COMPANY FOR
TERMINATION OF PLAN OF
DISSOLUTION (Great Falls Ins. Co.,
NAIC Company Code 14003)

DOCKET NO. INS-17-401

DECISION AND ORDER

Timothy N. Schott, Deputy Superintendent of Insurance, issues this Decision and Order regarding the above captioned matters.

I. THE PROPOSED TRANSACTIONS

The above-captioned applications seek approval of two matters. First, Freedom Advantage Insurance Company ("FAIC"), a Pennsylvania domestic stock insurance company, seeks approval for the acquisition of control of Great Falls Insurance Company ("GFIC"), a Maine domestic stock insurance company, and for the merger of GFIC into FAIC (collectively, the "Proposed Acquisition Transaction"). Second, GFIC seeks to terminate a Plan of Dissolution which was conditionally approved in 2017 in case number INS-17-401. To date, the plan has not been consummated, and the plan would become moot if the Proposed Acquisition Transaction is

approved and completed.

GFIC has operated as a workers' compensation carrier in the past but is not actively writing premium at this time. GFIC is and has been in run-off for some time and, as of the October 2023 application date, had seven (7) open claims. The company currently has only three (3) open claims.

The Proposed Acquisition Transaction contemplates that GFIC will merge with and into FAIC, with FAIC as the sole surviving entity. Upon the effective date of the merger, FAIC will acquire all of the assets of GFIC and assume all of the debts and liabilities (including claims liabilities) of GFIC. The surplus of GFIC at closing will come into FAIC, and GFIC's separate existence will terminate. At the closing, FAIC will pay to GFIC's sole shareholder an amount equal to the net assets of GFIC as of the closing date minus \$850,000, the assets being adjusted to reflect the market value of the investments as of the closing date or the last preceding date for which prices for the assets have been reported. The source of the funds to be utilized by FAIC for its payment to the GFIC shareholder will be the assets of GFIC so reduced to cash.

II. HEARING

A hearing was held on the two matters on September 27, 2024 at the Bureau of Insurance's ("Bureau") offices in Gardiner, Maine. Representatives of both GFIC and FAIC participated in the hearing, both in-person and remotely through an audio/visual link. No members of the public attended or participated in the hearing. No parties moved to intervene prior to the hearing. At the hearing exhibits were entered into the record without objection, including:

1. Original Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer ("Form A") and cover letter;
2. Agreement and Plan of Merger by and between FAIC and GFIC;
3. Pre-Acquisition organizational chart for GFIC and affiliates;
4. Pre-Acquisition organizational chart for FAIC and its affiliates;
5. *Pro forma* post-Acquisition organizational chart for FAIC and its affiliates;
6. Biographical Affidavits for the Directors and Principal Officers of FAIC;
7. Draft Maine and Pennsylvania Merger Filings to effect the merger of GFIC with and into FAIC and out of existence;
8. Applicant's Audited Annual Statutory Statements for the years 2018 through 2023;

9. Forms of Merger Endorsement;
10. Multiple communications between representatives of FAIC, GFIC, and Bureau staff. These communications include a variety of matters, including requests by Bureau staff for additional and updated information related to the Form A statement, and responses to these requests;
11. Amendment Number 1 to the Form A statement and attachments thereto, including:
 - a. Amended Agreement and Plan of Merger by and between FAIC and GFIC; and
 - b. Form of Reinsurance Commutation & Release Agreement between GFIC and Citadel Re;
12. Uniform Certificate of Authority application on behalf of FAIC and related correspondence;
13. September 11, 2024 Delegation Order appointing the Deputy Superintendent to act on behalf of the Superintendent of Insurance in this proceeding;
14. September 12, 2024 Notice of Pending Proceeding & Hearing;
15. Entry of appearance of Matthew D. Coble on behalf of the applicant; and
16. Pre-filed testimony of William V. Nutt, Jr., Chairman of FAIC.

William Nutt, Jr., FAIC Chairman and President of FAIC, David Gearhart, Chairman and CEO of Wilmington Holdings Corporation, and Bill Allen, FAIC Chief Financial Officer, testified at the hearing. The record was left open for additional information requests from Bureau staff.

FAIC requested confidentiality for the biographical information filing for its directors and principal officers. Consistent with Maine law and Bureau practice, only the social security numbers in these filings will be granted confidentiality and the remainder of the biographical filings will be held as public records.

FAIC filed an Amended Exhibit List on October 7, 2024, which included an updated post-closing balance sheet.

On October 21, 2024, the Bureau made a first post-hearing information request. FAIC responded to this information request on November 19, 2024, and additionally filed a second amendment to the merger agreement and an updated post-closing balance sheet.

On October 25, 2024, the Bureau made a second post-hearing information request and introduced the following exhibits:

1. November 30, 2023, e-mail from GFIC to the Bureau with attached excel file titled "11.29.23 GFIC Claims List",
2. August 6, 2024, e-mail from GFIC to the Bureau with attached file titled "Reinsurance Templates.pdf", and
3. Letter dated December 11, 2023, from GFIC to the Bureau regarding GFIC's request to terminate their Plan of Dissolution related to INS-17-401.

The additional post-hearing information requests, responses to those requests, and post-hearing exhibits are hereby entered into the record. Bureau exhibit #1 contains personal claimant information that will be granted confidentiality and protected from public disclosure.

FAIC responded to Bureau staff's final information request on December 3, 2024, which response is made a part of the record.

The record closed on December 3, 2024.

III. STANDARD OF REVIEW

The standard of review for consideration of the Proposed Acquisition Transaction includes the following under 24-A M.R.S. § 222(7)(A):

- (1) Whether, after the proposed acquisition, FAIC could not satisfy the requirements for the issuance of a certificate of authority according to requirements in force at the time of the issuance, or last renewal or continuation of its certificate of authority to do the insurance business which it intends to transact in the State of Maine.
- (2) Whether the effect of the proposed acquisition may be to substantially or materially lessen competition in insurance or the insurance business in the State of Maine, or would materially tend to create a monopoly as to such business in Maine, or would violate the laws of the State of Maine or of the United States relating to monopolies or restraints of trade.
- (3) Whether the financial condition of FAIC is such as would jeopardize the financial stability of GFIC or prejudice the interest of its policyholders.
- (4) Whether FAIC's proposed acquisition or proposals to make any major change in the business or corporate structure or management of GFIC are unfair or prejudicial to policyholders.
- (5) Whether the competence, experience, and integrity of FAIC's directors and officers indicate that it would not be in the interest of policyholders or the public to permit them to control the operation of GFIC.
- (6) Whether the proposed transaction would be a merger that violates 24-A M.R.S. § 3474(2).
- (7) Whether the proposed acquisition would tend to affect adversely the contractual obligations of GFIC or its ability and tendency to render service in the future to its policyholders and the public.

In addition to the legal standards of review under 24-A M.R.S. §§ 222 and 3474 as identified above, the Deputy Superintendent in his discretion may consider such other relevant issues as are identified by parties or otherwise. The transaction shall be approved unless the Deputy Superintendent finds that one or more of the disqualifying factors listed in 24-A M.R.S. § 222(7)(A)(1)-(7) is proven.

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

A. Acquisition and Merger Filing

As to the Proposed Acquisition Transaction, based upon the testimonial and documentary evidence presented at the hearing and upon a review of the record of this proceeding, it is hereby found that no issues of material concern exist with respect to FAIC's ability to satisfy the legal standards for approval set forth in 24-A M.R.S. §§ 222(7)(A) and 3474(2). Specifically:

- (1) No evidence was presented to demonstrate, and it is hereby not found, that GFIC's successor, FAIC, will be unable to satisfy the requirements for the issuance of a certificate of authority according to requirements in force at the time of the issuance, for the insurance business which it intends to transact in the State of Maine.
- (2) No evidence was presented to demonstrate, and it is hereby not found, that any aspect of the Proposed Acquisition Transaction may substantially or materially lessen competition in insurance or the insurance business in the State of Maine, or would materially tend to create a monopoly as to such business in Maine, or would violate the laws of the State of Maine or of the United States relating to monopolies or restraints of trade.
- (3) No evidence was presented to demonstrate, and it is hereby not found, that the financial condition of FAIC is such as would jeopardize the financial stability of GFIC or prejudice the interest of its policyholders.
- (4) No evidence was presented to demonstrate, and it is hereby not found, that FAIC's proposed acquisition or proposals to make any major change in the business or corporate structure or management of GFIC contemplated by the Proposed Acquisition Transaction are unfair or prejudicial to policyholders.
- (5) No evidence was presented to demonstrate, and it is hereby not found, that the competence, experience, and integrity of FAIC's directors and officers

indicate that it would not be in the interest of policyholders or the public to permit them to control the operation of GFIC.

- (6) No evidence was presented to demonstrate, and it is hereby not found, that the proposed merger is in violation of 24-A M.R.S. § 3474(2). Specifically, it is not found that the merger:

- (a.) Is contrary to law;
- (b.) Is unfair or inequitable to the policyholders of either GFIC or FAIC;
- (c.) Would substantially reduce the security of and service to be rendered to policyholders of GFIC in the State of Maine or elsewhere;
- (d.) Would materially tend to lessen competition in the insurance business in the State of Maine or elsewhere as to the kinds of insurance involved, or would materially tend to create a monopoly as to such business; or
- (e.) Is subject to other material and reasonable objections.

- (7) No evidence was presented to demonstrate, and it is hereby not found, that the Proposed Acquisition Transaction would tend to affect adversely the contractual obligations of GFIC or the ability and tendency of its successor to render service in the future to its policyholders and the public.

There was no other evidence presented establishing any further concerns about the proposed transaction.

B. Application for Termination of Plan of Dissolution (by GFIC)

The conditionally approved Plan of Dissolution in INS-17-401, has not been consummated, and will become moot upon the completion of the Proposed Acquisition Transaction. It is hereby found that the Proposed Acquisition Transaction is a suitable replacement and will satisfy the purposes for which the Plan of Dissolution was conditionally approved, in that it makes adequate provision for the protection of claimants, policyholders, and other existing and potential creditors.

ORDER RE: INS-24-400

The Proposed Acquisition of GFIC by FAIC and the merger of GFIC into FAIC are hereby APPROVED, subject to the following conditions:

1. FAIC shall obtain approval of the proposed merger from the Pennsylvania Insurance Department prior to closing the merger.
2. FAIC shall make all filings required by the Maine Department of the Secretary of State, including Articles of Merger or Share Exchange, within the time required by Maine law.
3. FAIC shall make all filings required by the Pennsylvania Department of State, within the time required by Pennsylvania law.
4. FAIC shall obtain other required regulatory approvals prior to closing the merger, as applicable.
5. FAIC shall obtain a limited certificate of authority in Maine for the purpose of running off GFIC's business prior to closing the merger.
6. FAIC shall issue additional capital stock sufficient to bring it into compliance with the requirements of 24-A M.R.S. §410 before obtaining a certificate of authority in Maine or within a reasonable time thereafter as established by Bureau staff.

ORDER RE: INS-17-401

The Application for Termination of Plan of Dissolution is hereby APPROVED, effective upon the completion of the Proposed Acquisition Transaction.

V. NOTICE OF APPEAL RIGHTS

This Decision and Order is a final agency action of the Superintendent of Insurance within the meaning of the Maine Administrative Procedure Act. It may be appealed to the Superior Court in the manner provided by 24-A M.R.S. § 236, 5 M.R.S. §§ 11001, et seq. and M.R. Civ. P. 80C. Any party to the proceeding may initiate an appeal within thirty days after receiving this notice. Any aggrieved non-party whose interests are substantially and directly affected by this Decision and Order may initiate an appeal within forty days of the issuance of this decision. There is no automatic stay pending appeal; application for stay may be made in the manner provided in 5 M.R.S. § 11004.

PER ORDER OF THE SUPERINTENDENT OF INSURANCE

December 6, 2024



Timothy N. Schott
Deputy Superintendent of Insurance