

MERGERS

2018 MIAI Managers' Meeting

CRITERIA FOR APPROVAL

- Iowa Code chapter 521.8 –
- “... affected policyholders are properly protected and no reasonable objection to the plan of merger exists”.
- “...may approve, disapprove, or require modification of the proposed plan ...”

WHAT APPROVALS ARE REQUIRED?

1. Board of Director Approval (both insurers)
2. Policyholder Approval (of non-survivor only)
3. Insurance Commissioner & Attorney General Approval

WHERE DO I START?

- Courting
- Board of Directors decision to proceed with merger (both companies)
- Share the decision to merge with the Insurance Division
- Establish a proposed merger effective date
- Prepare drafts of materials that will be mailed to Association policyholders, which include:
 1. Plan of Merger
 2. Policyholder Information Statement
- Share drafts with Insurance Division for comment (before mailing)

PLAN OF MERGER

- The parties
- Who will be the surviving mutual and who will merge with and into it
- Effective date of the merger
- Board Directors in place at the effective date
- What happens to non-survivor assets & liabilities
- No officers/directors receive any inducements to support merger
- Employees Pre/Post Merger
- Other terms negotiated terms
- Signed by both Associations

POLICYHOLDER INFORMATION STATEMENT

- Educate the policyholder
- Fully disclose the details of the proposed merger
- Board of Directors Recommendation
- Required approvals from policyholders (disclose the percentage of policyholders that must approve – found in articles of incorporation)
- Questions and Answers (examples):
 1. Why am I receiving this Policyholder Information Statement?
 2. When is the Meeting (or Special Meeting) of Policyholder Members?
 3. What will be voted on at the Meeting (or Special Meeting)?

QUESTIONS & ANSWERS CONTINUED ...

4. How can I vote on the proposal?
5. What vote is required to approve the proposal?
6. If the merger is approved, what happens with respect to my policy and premium?
7. What happens to my policy and premium after it expires?
8. What happens to my rights as a policyholder of non-surviving mutual?
9. Will the officers or directors of survivor or non-survivor receive inducements of any kind for their support and approval of the merger?

POLICYHOLDER INFORMATION STATEMENT ...

- Descriptions of both mutual
- Discussion of non-surviving mutuals reasons for merger. (ex. expense reduction, specific efficiencies, etc...)
- Post merger governance and business operations (ex. Board and officers post merger, plans to divest of a home office building if appropriate).
- Other policyholder matters
- Approvals required and effective date of merger
- Financial statements

POLICYHOLDER INFORMATION STATEMENT ADDITIONAL ITEMS INCLUDED IN PACKET MAILED TO POLICYHOLDERS

- Financial Statements
- Articles of Merger
- Plan of Merger
- Articles and Bylaws
- Presidents letter to policyholders (non-surviving mutual)
- Notice of Meeting (whether annual membership meeting or special meeting)

ADDITIONAL INFORMATION REQUIRED

- Board resolution approving merger from both insurers
- Final financial statement for non-surviving insurer (as of the date immediately prior to the effective date of the merger)
- Surrender of non-surviving insurers certificate of authority
- Copy of post-effective date letter that surviving mutual sends to merged policyholders instructing as to details of premium payments, coverage and claims
- Stand still agreement – Letter from non-surviving mutual to survivor affirming that assets will not be dissipated and that no transactions out of the ordinary course of business of the mutual will be conducted

ADDITIONAL ITEMS

- Real estate – divesture plans and timeframe
- Consulting or other agreements – provide copy of agreement (if any) and support for terms & conditions
- Ownership of book of business
- Pre & Post Merger: Employees of Mutual - roles, salaries agreements [formal or informal])
- Pre & Post merger Commission Rates
- Post Merger territory; expansion; servicing
- Changes in salaries, commissions, etc...– if any
- Post Merger Reinsurance
- Other – each transaction will present its own issues/questions/necessity for disclosure

WHAT NEEDS TO BE SUBMITTED FOR APPROVAL AND WHO APPROVES?

- Application for Approval of Merger – which includes:
 - Financial Statements
 - Articles of Merger
 - Plan of Merger
 - Articles and Bylaws
 - Presidents letter to policyholders (non-surviving mutual)
 - Notice of Meeting (whether annual membership meeting or special meeting)
 - Everything ...
- ‘The “Commission”’: Insurance Commissioner AND Attorney General

APPROVAL

- The “Commission” may elect to have a public hearing
- Enters an Order
- Articles of Merger submitted filed by Insurance Commissioner with the Secretary of State