

STATE OF NORTH DAKOTA
BEFORE THE INSURANCE COMMISSIONER

In the Matter of the
Application of Center Mutual Insurance
Company's Plan of Reorganization

FINDINGS OF FACT, CONCLUSIONS OF
LAW, AND ORDER

FILE NO.

PRELIMINARY STATEMENT

1. These findings of Fact and Conclusions of Law are made in relation to the Plan of Reorganization and Mutual Holding Company Formation dated May 4, 2023 (the "Plan") adopted by Center Mutual Insurance Company ("Center Mutual"). The Plan was filed June 19, 2023 (the "Application").
2. On July 27, 2023, a public hearing was held before Commissioner Jon Godfread of the North Dakota Insurance Department.
3. Appearing on behalf of Center Mutual were Robert Hovland, President and Chief Executive Officer of Center Mutual and Chris Edison, outside legal counsel.
4. Appearing for the Department were Helene Herauf, Legal Counsel, and Matt Fischer, Chief Examiner and Director of Company Licensing & Examinations.
5. Notice of Hearing was provided to Center Mutual on June 29, 2023 in accordance with North Dakota Century Code §26.1-12.1-06.

FINDINGS OF FACT

These Findings of Fact are based upon the review of the contents of the Plan and the Application, including exhibits thereto, and the sworn testimony of Mr. Hovland and Mr. Fischer.

THE APPLICATION PROCESS

6. Center Mutual is a North Dakota-domiciled Mutual Insurance Company.
7. On June 19, 2023, the Application was filed by Center Mutual with the Commissioner pursuant to the provisions of North Dakota Century Code ("N.D.C.C.") § 26.1-12.1, et. seq. (the "Reorganization Law").
8. The Department deemed the Application complete on June 29, 2023.
9. Mr. Hovland's testimony established the following:
 - a. The Board of Directors of Center Mutual (the " Board") adopted and approved the Plan by a unanimous affirmative vote at a meeting held on May 4, 2023.
 - b. The Plan will be submitted to a vote of Center Mutual members at a special meeting to be held on November 2, 2023.

- c. The Plan must be approved by a majority of eligible members voting in person, by mail, or online at or before such meeting. At least 10% of the policyholders must vote. If the Plan is not approved by the requisite vote of eligible members, then none of the transactions contemplated by the Plan will occur.

THE PLAN

10. Mr. Hovland testified that the Plan provides for the following steps to be taken (together the "Reorganization"):
 - a. Center Mutual will form a mutual holding company called Northern Lights Mutual Group, Inc. ("Northern Lights Mutual Group").
 - b. Center Mutual will form an intermediate stock company called Aurora Holding Company.
 - c. Center Mutual will become a North Dakota stock insurance company (that is, "Reorganized Center Mutual"), but will continue to be named Center Mutual Insurance Company as authorized by the Reorganization Law.
 - d. Policyholders' membership interests in Center Mutual will be transferred to Northern Lights Mutual Group as the members of Center Mutual will become members of Northern Lights Mutual Group, with such rights, privileges, including membership interests, as are provided for by law and the Articles of Incorporation and Bylaws of Northern Lights Mutual Group.
 - e. Northern Lights Mutual Group will own 100% of the initial shares of voting stock of Aurora Holding Company, which will own 100% of the shares of voting stock of Center Mutual Insurance Company.
 - f. Center Mutual Insurance Company will be considered to have been organized at the time Center Mutual was originally organized as a Mutual Insurance Company, so that the corporate existence of Center Mutual will continue without interruption in all respects and will be unaffected by the reorganization.

EVALUATION OF THE EFFECTS OF THE PLAN

11. Mr. Hovland's testimony further established the following with respect to the proceedings of the Center Mutual Board:
 - a. The Center Mutual Board has been considering ways to increase its financial and structural flexibility, including affiliating with other mutual insurance companies. The Center Mutual Board determined that forming a holding company structure under the Reorganization Law was the best option available to achieve the desired financial and structural flexibility; and
 - b. The Center Mutual Board unanimously adopted the Plan at a meeting held May 4, 2023.
12. Mr. Hovland's testimony opined that the Center Mutual Board considered other strategic options to address the challenges facing Center Mutual and mutual insurance companies, other than the formation of a Mutual Holding Company under the Reorganization Law.

13. Mr. Hovland indicated that the Center Mutual Board determined the Plan to be in the best interests of Center Mutual and its policyholders. Mr. Hovland explained these reasons for such determination:
 - a. Reorganizing Center Mutual into a mutual insurance holding company enables Center Mutual to maintain the benefits of mutuality and will permit Center Mutual to realize the benefit of preserving the members' membership interests at the mutual holding company level, including the right to elect directors of the mutual holding company and vote on amendments to the Articles of Incorporation and Bylaws of the mutual holding company;
 - b. The Reorganization will permit the organization to make investments that may otherwise be limited under the present structure; and
 - c. The Reorganization will enhance Center Mutual's structural flexibility and support for its current and future business opportunities, including potential mergers, acquisitions, and other affiliations.
14. Mr. Hovland testified that, though there is a minimal cost to the reorganization, the change of structure would not result in any prejudice to the existing members of Center Mutual.
15. Mr. Hovland testified that the Reorganization will not involve any changes to the existing workforce, operations, or office locations of Center Mutual, and the Board has no plans to make any such changes after the Reorganization.
16. Mr. Hovland further testified that the Company proposes that the Reorganization become effective on January 1, 2024 in order to ensure that eligible members have sufficient opportunity to become fully aware of the reorganization plan before voting, and to coincide the effective date with regular reporting dates.

CAPITAL SURPLUS

17. Mr. Hovland testified that the Reorganization will not alter the financial stability of Center Mutual.
18. Mr. Fischer testified for the Department that the Reorganization will not alter the financial stability of Center Mutual in any material sense.

INSURANCE POLICIES

19. Mr. Hovland testified that adoption of the Plan and consummation of Center Mutual's Reorganization thereunder will in no way annul, modify, or change any of Center Mutual's existing suits, rights, property interests, contracts or liabilities. Center Mutual Insurance Company will continue to exercise all of the rights and powers and perform all of the duties conferred or imposed by law upon insurers writing the classes of insurance it wrote prior to the effective date of the Reorganization, and it will retain the rights and contracts existing prior to the effective date, except with respect to membership interests that are extinguished and replaced by membership interest of Northern Lights Mutual Group. Policyholders will have the same coverage, premiums, and other contract terms. Center Mutual Insurance Company will remain fully obligated under all of Center Mutual's Policies.

COMPLIANCE WITH THE REORGANIZATION LAW

20. Mr. Hovland testified as follows with respect to the specific items for the Commissioner to consider in evaluating the application for reorganization as provided in N.D.C.C. § 26.1-12.1-06:
- a. One hundred percent (100%) of the shares of Reorganized Center Mutual's common stock will be issued to the mutual holding company, Northern Lights Mutual Group, and immediately thereafter, Northern Lights Mutual Group will contribute 100% of those shares to the intermediate stock holding company, Aurora Holding Company. In exchange for that contribution by Northern Lights Mutual Group, Aurora Holding Company, the intermediate stock holding company, will issue to the mutual holding company 100% of its shares of common stock;
 - b. Through the intermediate stock holding company, the mutual holding company will indirectly hold, at all times, a majority of the voting shares of Center Mutual;
 - c. The membership interests in Center Mutual will become membership interests in the mutual holding company, and all membership interests in Center Mutual will be extinguished. The members of Center Mutual shall become members of the mutual holding company in accordance with the mutual holding company's articles and bylaws and the applicable provisions of the Reorganization Law;
 - d. Each person who is currently a policyholder of Center Mutual or who becomes an owner of one or more policies of the Reorganized Center Mutual after the effective date will become a member of and be granted membership interests in the mutual holding company without further act, commencing on the date the policy is in force, and will remain a member as long as at least one policy remains in force;
 - e. On the effective date, the former members of Center Mutual will constitute one-hundred percent (100%) of the members of the mutual holding company, and the mutual holding company will indirectly own one-hundred percent (100%) of the shares of voting stock of the Reorganized Center Mutual. In this manner, the mutuality of the company is preserved;
 - f. The Reorganization will not impact the financial stability of Center Mutual; and
 - g. Following the Reorganization, Center Mutual will continue to satisfy all requirements for the issuance of a certificate of authority to write the lines of insurance for which Center Mutual is presently licensed. Center Mutual will likewise continue to be subject to the same level of oversight by the Department as immediately preceding the Reorganization.
21. Mr. Fischer testified to the following:
- a. As the Chief Examiner & Director of Company Licensing & Examinations, he was one of the Department staff members who reviewed the documentation submitted with respect to the proposed reorganization;
 - b. In his review, he considered the Application, the Plan and related documents, the articles and bylaws, the pro forma, the organizational charts, and the competence of the Center Mutual management;

- c. The Plan is not unfair or unreasonable to the policyholders;
- d. Following the Reorganization, Center Mutual, which will become the reorganized Center Mutual Insurance Company, will be able to satisfy the requirements for issuance of a certificate of authority to write the lines of insurance for which it is presently licensed;
- e. The Plan complies with the requirements of N.D.C.C. § 26.1-12.1-04 and N.D.C.C. § 26.1-12.1-06; and
- f. The Plan sets forth all provisions that must be included pursuant to said chapter, and does not set forth any provision that is contrary to said chapter.

PUBLIC COMMENTS

- 22. The Department published notice of the public hearing in connection with the Plan on the Department's website.
- 23. Center Mutual also published notice of the public hearing in connection with the Plan on its website at: <https://centermutual.com/company-reorganization>.
- 24. The Department is aware of no objections to the Plan at this time which would be material to the factors found in the Reorganization Law.
- 25. No objections to the proposed Reorganization or Plan were offered at the hearing.

CONCLUSIONS OF LAW

- 1. Center Mutual has properly filed all the materials required by N.D.C.C. § 26.1-12.1-04 of the Reorganization law.
- 2. In consideration of the submissions and evidence offered by Center Mutual and the Department, and in accordance with N.D.C.C. § 26.1-12.1-06, the Department concludes that:
 - a. Following the Reorganization, Center Mutual surplus in regard to policyholders will be reasonable in relation to Center Mutual's outstanding liabilities and adequate to its financial needs;
 - b. The eligible members will receive a membership interest in Northern Lights Mutual Group equal to their existing membership interests in Center Mutual;
 - c. The Reorganized Center Mutual will be able to satisfy the requirements for the issuance of a certificate of authority to write the lines of insurance for which it was licensed before the reorganization;
 - d. The Plan is fair, reasonable, and equitable to the policyholders of Center Mutual; and
 - e. There is good cause shown for extending the time period for the effective date of the Reorganization to January 1, 2024.

ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, Center Mutual's Application for Approval of a Plan of Reorganization is hereby APPROVED.

Dated this 21st day of August, 2023.



Jon Godfread
Commissioner
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