

STATE OF NORTH DAKOTA  
BEFORE THE INSURANCE COMMISSIONER

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

FINDINGS OF FACT,  
CONCLUSIONS OF LAW,  
AND ORDER

FILE NO. CO-19-794

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 7, 2019 (the "Plan") adopted by Farmers Union Mutual Insurance Company ("FUMIC") filed with the Commissioner on May 31, 2019, as amended (the "Application").
2. On June 25, 2019, a public hearing was held before the Deputy Commissioner of the North Dakota Insurance Department.
3. Appearing on behalf of FUMIC were Mark Anderson, Chief Executive Officer of FUMIC; Mark Watne, Board President of FUMIC, Kristi Schlosser Carlson, Chief Legal Officer of FUMIC and Kevin Kinross, outside counsel for FUMIC.
4. Appearing for the Department were Sara Gerving, Attorney, and Matt Fischer, Chief Examiner and Director of Company Licensing & Examinations.
5. Notice of Hearing was provided to FUMIC on June 10, 2019 in accordance with North Dakota Century Code §26.1-12.1-06. FUMIC waived the notice requirements prescribed under law.

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. Anderson and Mr. Fischer.

THE APPLICATION PROCESS

6. FUMIC is a North Dakota domiciled Mutual Insurance Company.
7. The Application was filed with the Department on May 31, 2019 and an amendment thereto was filed with the Department on June 20, 2019.
8. The Application was filed pursuant to the provisions of North Dakota Century Code ("N.D.C.C.") § 26.1-12.1, et. seq. (the "Reorganization Law").
9. Mr. Anderson's testimony established the following:
  - a. The Board of Directors of FUMIC (the "FUMIC Board") adopted and approved the Plan by a unanimous affirmative vote at a meeting held on May 7, 2019.

- b. The Plan will be submitted to a vote of FUMIC members at a special meeting to be held January 2020.
- c. The Plan must be approved by the affirmative vote of two-thirds of eligible members voting in person or by mailed ballot at such meeting. 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. Anderson testified that the Plan provides for the following steps to be taken (together the “Reorganization”):
  - a. FUMIC will cause to be formed a mutual holding company called Agraria Mutual Group, Inc. (“Agraria Mutual Group”).
  - b. FUMIC will cause to be formed an intermediate stock company called Farmers Union Holding Company.
  - c. FUMIC will become North Dakota Stock Insurance Company (that is, “Reorganized FUMIC”), and will be renamed Agraria Insurance Company.
  - d. The membership interests in FUMIC will be extinguished, and the members of FUMIC will become members of Agraria Mutual Group, with such rights and privileges including membership interests, as are provided for by law and the Articles of Incorporation and Bylaws of Agraria Mutual Group.
  - e. Agraria Mutual Group will own 100% of the initial shares of voting stock of Farmers Union Holding Company, which will own 100% of the shares of voting stock of Agraria Insurance Company.
  - f. Agraria Insurance Company will be considered to have been organized at the time FUMIC was organized, so that the corporate existence of FUMIC will continue without interruption in all respects and will be unaffected by the reorganization.

#### EVALUATION OF THE EFFECTS OF THE PLAN

11. Mr. Anderson’s testimony further established the following with respect to the proceedings of the FUMIC Board:
  - a. Since 2017, the FUMIC Board began considering the creation of a holding company structure under the Reorganization Law and considered undertaking such reorganization; and
  - b. The FUMIC Board unanimously adopted the Plan at a meeting held May 7, 2019.
12. Mr. Anderson’s testimony opined that the FUMIC Board considered all strategic options regarding the Reorganization Law to address that challenges facing FUMIC and mutual insurance companies.
13. Mr. Anderson indicated that the FUMIC Board determined the Plan to be in the best interests of FUMIC and its policyholders. Mr. Anderson explained these reasons for such determination:
  - a. Reorganizing FUMIC into a mutual insurance holding company enables FUMIC to maintain the benefits of mutuality and will permit FUMIC 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 FUMIC's structural flexibility and support for its current and future business opportunities, including potential mergers and acquisitions.
14. No testimony or other evidence was offered that any prejudice would result to the members of FUMIC from the Plan.
15. Mr. Anderson testified that the Reorganization will not involve any changes to the existing workforce, operations, or office locations of FUMIC, and the Board has no plans to make any such changes after the Reorganization.
16. Mr. Anderson further testified that the Company proposes that the Reorganization become effective on April 1, 2020 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. Anderson testified that the Reorganization will not alter the financial stability of FUMIC.
18. Mr. Fischer testified for the Department that the Reorganization will not alter the financial stability of FUMIC in any material sense.

#### INSURANCE POLICIES

19. Mr. Anderson testified that adoption of the Plan and consummation of FUMIC's Reorganization thereunder will in no way annul, modify, or change any of FUMIC's existing suits, rights, property interests, contracts or liabilities. Agraria Insurance Company will 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 written by FUMIC before 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 Agraria Mutual Group. Policyholders will have the same coverage, premiums, and other contract terms. Agraria Insurance Company will remain fully obligated under all of FUMIC's Policies.

#### COMPLIANCE WITH THE REORGANIZATION LAW

20. Mr. Anderson 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 FUMIC's common stock will be issued to the mutual holding company, and immediately thereafter, the mutual holding company will contribute 100% of those shares to the intermediate stock

holding company. In exchange for that contribution by the mutual holding company to the intermediate stock 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 FUMIC;
- c. The membership interests FUMIC will become membership interests in the mutual holding company, and all memberships interests in the FUMIC will be extinguished. The members of FUMIC 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 FUMIC or who becomes an owner of one or more policies of the Reorganized FUMIC 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 FUMIC 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 FUMIC. In this manner, the mutuality of the company is preserved;
- f. The Reorganization will not impact the financial stability of FUMIC; and
- g. Following the Reorganization, FUMIC will continue to satisfy all requirements for the issuance of a certificate of authority to write the lines of insurance for which FUMIC is presently licensed. FUMIC 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 FUMIC management;
- c. The Plan is not unfair or unreasonable to the policyholders;
- d. Following the Reorganization, FUMIC, which will be Agraria 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. FUMIC also published notice of the public hearing in connection with the Plan on its website at <http://www.FUMIC.com>.
- 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.

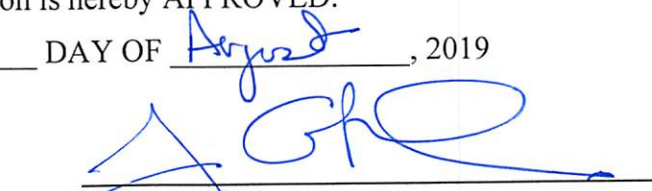
CONCLUSIONS OF LAW

- 1. FUMIC 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 FUMIC and the Department, and in accordance with N.D.C.C. § 26.1-12.1-06, the Department concludes that:
  - a. Following the Reorganization, FUMIC surplus in regard to policyholders will be reasonable in relation to FUMIC's outstanding liabilities and adequate to its financial needs;
  - b. The eligible members will receive a membership interest in Agraria Mutual Group equal to their existing membership interests in FUMIC;
  - c. The Reorganized FUMIC 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 FUMIC; and
  - e. There is good cause shown for extending the time period for the effective date of the Reorganization to April 1, 2020.

ORDER

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

DATED THIS 26<sup>th</sup> DAY OF August, 2019

  
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