

BEFORE THE INSURANCE COMMISSIONER  
FOR THE STATE OF ARKANSAS

IN THE MATTER OF THE APPLICATION  
FOR APPROVAL OF THE REORGANIZATION  
AND ACQUISITION OF CONTROL OF ARKANSAS  
MUTUAL INSURANCE COMPANY

AID NO. 2015- 061

**ORDER**

A hearing was held at 9:00 a.m. on June 26, 2015, at the Arkansas Insurance Department in accordance with the provisions of Ark. Code Ann. §§ 23-63-501, *et seq.*, and 23-69-301, *et seq.*, and other pertinent provisions of the Arkansas Insurance Code, pursuant to a Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the "Statement"), dated May 11, 2015, filed by MMIC Insurance, Inc. (the "Applicant" or "MMIC") seeking approval of the reorganization and acquisition of Arkansas Mutual Insurance Company ("AMIC"). The hearing was held before Chief Deputy Commissioner Russ Galbraith ("Hearing Officer") pursuant to his appointment by Commissioner Allen Kerr ("Commissioner") in accordance with Ark. Code Ann. § 23-61-103. The Arkansas Insurance Department (the "Department") was represented by Amanda Capps Rose, Associate Counsel, and Mel Anderson, Deputy Commissioner of Financial Regulation. The Applicant was represented by its President, Bill McDonough, and its legal counsel, Ross Formell. AMIC was represented by its President, Corey Little, and the company's legal counsel, Allan W. Horne.

**FINDINGS OF FACT**

From the Statement, related filings, testimony of the witnesses and other evidence introduced at the hearing, reports and statements on file with the Department, and actuarial report

submitted by Lewis & Ellis at the request of the Commissioner, representations of counsel and other matters and things considered, the Hearing Officer finds as follows:

1. The Statement and related filings were filed herein on May 12, 2015. The parties agree that the Commissioner has jurisdiction of the parties and the subject matter under the provisions of 23-63-501, *et seq.*, and 23-69-301, *et seq.*, and other pertinent provisions of the Arkansas Insurance Code. The Notice of Hearing was given within the time and in the manner required by law and the parties consented to the holding of this hearing at this time and on this date.

2. The Applicant is a wholly owned subsidiary of MMIC Group, Inc.

3. AMIC is an Arkansas domestic and writes medical malpractice insurance.

4. AMIC wishes to form a mutual insurance holding company pursuant to Ark. Code Ann. §§ 23-69-301, *et seq.*, and thereby become a stock insurance company subsidiary of the mutual holding company, which will immediately transfer all outstanding shares of AMIC stock to MMIC. The mutual holding company would then be dissolved and liquidated.

5. MMIC then plans to make a capital contribution to AMIC in an amount sufficient to retire all outstanding surplus notes of AMIC.

6. The testimony received during the public hearing was as follows:

a. That the acquisition will not adversely affect contractual obligations of the company to render service in the future to policyholders and the public;

b. That the acquisition will not substantially lessen competition in any line of insurance business in Arkansas or tend to create a monopoly;

c. That the financial condition of Applicant will not jeopardize the financial stability of the Arkansas domestic or any corporation controlling that domestic, or prejudice the interests of its policyholders;

d. That the plans, proposals, operations, investment policies, corporate structure and management will be fair and reasonable to Arkansas domestic's policyholders and in the public interest;

e. That the competence, experience, and integrity of the persons who will control the domestic are such that it is in the interest of the policyholders and the public to allow the acquisition;

f. That the plan of reorganization is fair and equitable to policyholders and does not deprive the policyholders of their property rights or due process of law; and

g. That the reorganized stock insurer would meet the minimum requirements to be issued a certificate of authority by the Commissioner to transact the business of insurance in Arkansas, and the continued operations of the reorganized stock insurer would not be hazardous to future policyholders and the public.

7. Applicant agrees to provide third party background checks on its officers and directors and cooperate with the Department regarding any subsequent questions or concerns that may be revealed in any such background check.

### **CONCLUSIONS OF LAW**

8. All filings, hearings and other procedures required by law or otherwise deemed appropriate by the Hearing Officer have been duly completed by the Applicant and the Department.

9. All requirements for the reorganization and change of control of AMIC pursuant to Ark. Code Ann. §§ 23-63-501, *et seq.* and 23-69-301, *et seq.* have been met via testimony or documentation.

**RECOMMENDATIONS OF THE HEARING OFFICER**

WHEREFORE, based upon the foregoing Findings of Fact, Conclusions of Law, and other matters before him, the Hearing Officer recommends that the proposed reorganization and acquisition of control of Arkansas Mutual Insurance Company should be approved as provided in the Statement and related filings, and as described in this Order.



RUSS GALBRAITH  
CHIEF DEPUTY COMMISSIONER  
and HEARING OFFICER

**CERTIFICATION**

I, Allen Kerr, Insurance Commissioner for the State of Arkansas, do hereby certify that the above Findings of Fact, Conclusions of Law, and Recommendations of the Hearing Officer were made by and under my authority and supervision by Russ Galbraith, Chief Deputy Commissioner, and Hearing Officer in this proceeding. I hereby adopt the Hearing Officer's Findings of Fact, Conclusions of Law, and Recommendations in full and enter this Order.

THEREFORE, it is hereby ORDERED, based upon the above and foregoing Findings of Facts, Conclusions of Law and other matters, the reorganization and acquisition of Arkansas Mutual Insurance Company, as set forth above, is hereby approved.

**IT IS SO ORDERED THIS 26<sup>TH</sup> DAY OF JUNE, 2015.**



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ALLEN KERR  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS