



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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 In the Matter of: :
 :
 PROPOSED REORGANIZATION OF :
 :
 CONNECTICUT MEDICAL INSURANCE COMPANY :
 :
 from : Docket No. EX20-24
 :
 :
 A MUTUAL INSURANCE COMPANY to :
 A STOCK INSURANCE COMPANY :
 :
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ORDER

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having read the record in the above-captioned matter, do hereby adopt the findings and recommendations of Joshua Hershman, Hearing Officer, which are contained in the attached Proposed Final Decision, dated September 15, 2020, and issue the following order, TO WIT;

1. The Application of the Applicant in which it seeks approval to reorganize from a mutual insurance company to a stock insurance company is approved.
2. The Applicant, Mutual Holding Company, Stock Insurance Company, and Converted Stock Company shall conduct their operations consistent with the representations, disclosures, and commitments as set forth in the record of this proceeding and proposed final decision.
3. Following the issuance of this Order, the board of directors, the chairperson of the board of directors or the president of the Applicant shall call a members' meeting to present and hold a vote on the plan of reorganization. Such

meeting shall be held not earlier than thirty days after the date of the public hearing held under subsection (c) of this section. The plan shall be approved by an affirmative vote of two-thirds of the members of the reorganizing insurer voting.

4. The Converted Stock Company shall maintain employee levels at least consistent with the current staffing levels of the Applicant, and that the offices shall remain in Connecticut for at least four (4) years following the consummation of the Proposed Reorganization.

5. If the Proposed Reorganization is not consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed Reorganization, the Applicant shall submit to the Commissioner a statement which shall include (i) the reason for the Applicant's inability to consummate the Proposed Reorganization; (ii) any material changes in the information contained in the Application; and (iii) the current financial statement of the Applicant.

6. The Applicant shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application.

Dated at Hartford, Connecticut this 17th day of September, 2020.



Andrew N. Mais
Insurance Commissioner



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PROPOSED FINAL DECISION

I. INTRODUCTION

Connecticut Medical Insurance Company (“Applicant”) seeks the approval of the Insurance Commissioner of the State of Connecticut for the proposed reorganization of the Applicant pursuant to a revised Plan of Reorganization dated March 7, 2020 (“Application”) filed with the Connecticut Insurance Department (“Department”) in accordance with General Statutes § 38a-156a.

The Proposed Reorganization will be effected pursuant to the terms of the Reorganization contained within the Application, dated as of March 7, 2020.

The Insurance Commissioner (“Commissioner”), is required by General Statutes § 38a-156a(c) to hold a public hearing on the Proposed Reorganization of the Applicant. The Department staff reviewed the original Application dated January 31, 2020 and thereafter requested the Applicant to file supplemental information. The Applicant filed the supplemental information along with a revised Plan of Reorganization dated March 7, 2020. On March 2, 2020 the Commissioner issued a notice of public hearing in which

he ordered that a public hearing be held on May 15, 2020 concerning the proposed reorganization of the Applicants. However, due to the COVID-19 pandemic and pursuant to Executive Order No. 7M issued by Connecticut Governor Ned Lamont, the Commissioner issued an order on May 8, 2020 to reschedule the public hearing. Thereafter, on July 24, 2020 the Commissioner issued a notice of public hearing in which he ordered the rescheduled public hearing be held on August 14, 2020. The hearing notice was subsequently published in the *Hartford Courant*, *New Haven Register*, and *The Stamford Advocate*. The notice of hearing was subsequently uploaded to the Connecticut State Agency Public Meeting Calendar and was published on the Department's internet website. In accordance with section 38a-8-48 of the Regulations of Connecticut State Agencies, the Applicant was designated as a party to this proceeding.

On June 10, 2020 the Applicant submitted its quarterly financial filing for the quarter ending March 31, 2020 and audited financial filing for the year ending December 31, 2019 as additional supplementary materials for consideration of its Plan of Reorganization. On August 7, 2020, the Commissioner appointed the undersigned to serve as the Hearing Officer in this proceeding.

On August 14, 2020, the public hearing on the Proposed Reorganization of the Applicant was held before the undersigned. Pursuant to Executive Order No. 7B, issued by Connecticut Governor Ned Lamont on March 14, 2020, this hearing was held remotely via teleconference.

Barbara A. Young, Esq. of Verrill Dana LLP, represented the Applicant. Stephen J. Gallant, Chief Executive Officer, Connecticut Medical Insurance Company, Michael

G. Roque, Chief Operating Officer, Connecticut Medical Insurance Company, and Michael P. Conneely, Chief Executive Officer, Connecticut Medical Insurance Company testified at the public hearing on behalf of the Applicant.

The following Department staff participated in the public hearing: Kathy Belfi, Director of the Financial Regulation Division; Joan Nakano, Supervising Insurance Examiner; and Jennifer Bush, Counsel to the Insurance Department.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments on the Application with respect to the issues to be considered by the Commissioner. No oral or written comments on the Application were received.

II. FINDINGS OF FACT

After reviewing the exhibits entered into the record of this proceeding, and based on the written and oral testimony of the witnesses, the undersigned makes the following findings of facts:

1. The Applicant, Connecticut Medical Insurance Company, is a Connecticut mutual insurance company with a business address of 80 Glastonbury Boulevard, Glastonbury Connecticut.
2. Integris Group Incorporated (the "Mutual Holding Company"), will be incorporated as a Connecticut domiciled mutual holding company with a business address of 330 Roberts Street, Suite 303, East Hartford, CT on or before October 1, 2020.
3. Integris Financial Services Incorporated (the "Stock Holding Company"), will be incorporated as a Connecticut domiciled business corporation with a business address of 330 Roberts Street, Suite 303, East Hartford, CT on or before October

1, 2020. The Stock Holding Company will be incorporated for the sole purpose of the Proposed Reorganization.

4. The Proposed Reorganization will be effected pursuant to the terms of the Reorganization Plan dated March 7, 2020 pursuant to which all membership interests and equity rights of the members of the Applicant will be extinguished and the members shall become members of the Mutual Holding Company with membership interest and equity rights in the Mutual Holding Company.
5. Effective October 1, 2020 at 12:01am, the Applicant shall become a stock insurance company bearing the name Integris Insurance Company (the "Converted Stock Company") pursuant to the terms of the amended and restated certificate of incorporation.
6. One purpose of the Mutual Holding Company is to own at least 51% of the voting stock of the reorganized insurer either directly or through one or more intermediate stock holding companies. The Mutual Holding Company will be issued 100% of the initial 10,000 shares of the voting stock of the Converted Stock Company and will be capitalized by the Applicant at \$100 per share.
7. Immediately thereafter, the Mutual Holding Company will contribute all shares of voting stock of the Converted Stock Company to the Stock Holding Company in exchange for 100% of the initial shares of voting stock of the Stock Holding Company.
8. The Applicant represents that immediately following the Reorganization, the Board of Directors, officers, agents, and employees of Applicant shall all continue

in like capacity at the Converted Stock Company subject to any and all existing rights and obligations pursuant to existing contracts and applicable law.

9. The Applicant represents that immediately following the Reorganization the Converted Stock Company shall automatically succeed to, and assume, all of the rights, suits, properties, contracts, debts, obligations and liabilities of the Applicant.
10. The Applicant represents that on and after October 1, 2020 following the Reorganization, every policy of the Applicant which is in force shall continue as a policy of the Converted Stock Company, including all rights of all such policies which shall remain as they existed immediately prior to the Reorganization as contract rights of the Converted Stock Company. The only exception shall be those membership interests and equity rights in the Applicant which are to be extinguished and replaced by membership interests and equity rights in the Mutual Holding Company.
11. The Applicant represents that immediately following the Reorganization it has no plans to alter the employee levels at the Converted Stock Company and that the Converted Stock Company's offices will remain in Connecticut for at least the four years post-closing.
12. The Applicant currently does not have any debts.

III. DISCUSSION

The Insurance Commissioner shall approve the Proposed Reorganization if, after a public hearing, he finds that the proposed reorganization of the Applicant from a mutual insurance company to a stock insurance company would satisfy the conditions

set forth in General Statutes §§ 38a-156a(c)(3)(A) (i) through (vi). These conditions will be addressed in turn.

(i) The proposed reorganization is in the best interest of the reorganizing insurer.

General Statutes § 38a-156a (c) (3) (A) (i) requires the proposed reorganization to be in the best interest of the reorganizing insurer. With respect to the Proposed Reorganization, Mr. Gallant testified that, “[i]t creates opportunity ... for the company to remain independent and continue with its mutuality structure, to remain competitive in this environment, to provide options for growth for this company, to provide valuable benefits and services to our policyholders, and to enhance overall operations.”¹ Mr. Gallant also testified that the reorganization will provide the company with “the ability to have other shareholders without actually giving away . . . the voting rights, . . . the voting control, [which] does provide the potential to bring in more capital from various sources.”² Furthermore, Mr. Gallant indicated that “there will be no change in board or management of the company”³ as part of the reorganization.

Based on the steady financial strength of the Applicant, the added potential for growth under the reorganized structure as a stock insurance company, and the lack of disruption to the current management of the company, there is sufficient evidence to indicate that the proposed reorganization is in the best interest of the Applicant.

(ii) The plan is fair and equitable to the members of the reorganizing insurer.

¹ Hrg. Transcr. 35:21-36:4 (August 14, 2020).

² Hrg. Transcr. 48:2-8 (August 14, 2020).

³ Hrg. Transcr. 29:9-11 (August 14, 2020).

General Statutes § 38a-156a (c) (3) (A) (ii) requires the proposed reorganization be fair and equitable to the members of the reorganizing insurer.

Mr. Gallant testified, with respect to the proposed reorganization, that “it’s fair and equitable to all members as their rights continue, including voting control. And the equity rights remain, except they will now be at the mutual holding company level.”⁴ He added that “the overall structure in terms of the plan being fair and equitable to members, their rights as a member and as a policyholder are unaffected by the change in structure”⁵

Mr. Gallant’s testimony is consistent with the information in the Application which outlines the manner in which the nature of the rights of the members will be preserved throughout the reorganization process. There is sufficient evidence in the record, through testimony and in the exhibits, that the reorganization is fair and equitable to the members of the reorganizing insurer.

(iii) The plan will not substantially lessen competition in any line of insurance business.

General Statutes § 38a-156a (c) (3) (A) (iii) requires that the proposed reorganization not substantially lessen competition in any line of insurance business.

Attorney Young testified that “[t]he insurance operations of CMIC, the applicant, will continue unchanged after the reorganization. There will not be a negative competitive effect on insurance offerings in the state due to the fact that these operations continue unchanged.”⁶ The representations made by Attorney Young in her

⁴ Hrg. Transcr. 36:5-12 (August 14, 2020).

⁵ Hrg. Transcr. 37:3-7 (August 14, 2020).

⁶ Hrg. Transcr. 37:16-22 (August 14, 2020).

testimony are consistent with those made in the Plan of Reorganization which do not include any plans to acquire additional business immediately or to change the nature of the existing business.

Based on the information entered into the record of this proceeding, including the Application and the testimony of the witnesses, the undersigned hereby finds that the proposed reorganization plan will not substantially lessen competition in any line of insurance business.

(iv) The plan provides for the enhancement of the operations of the reorganizing insurer.

General Statutes § 38a-156a (c) (3) (A) (iv) requires the proposed reorganization provide for the enhancement of the operations of the reorganizing insurer.

At the hearing Attorney Young testified that “under the reorganization we believe that, in fact, it will strengthen the applicant’s ability to offer these insurance products to the insuring public.”⁷ Mr. Gallant’s testimony expanded on these ideas by explaining that reorganization “will provide flexibility for the company to meet future marketplace opportunities and challenges. It enhances the company’s ability to respond to the future needs of our members. It provides an avenue to obtain additional capital, if necessary, and creates opportunity for business expansion and offsetting expense efficiencies.”⁸

Mr. Gallant also testified that “[t]he company’s strategic plans outline several initiatives that include modest growth in premium in a current book of business. We also do not have planned to grow premium by acquiring other MPL companies and by expanding geographically in states in which we have little or no premium. We are also

⁷ Hrg. Transcr. 37:22-38:2 (August 14, 2020).

⁸ Hrg. Transcr. 38:4-20 (August 14, 2020).

looking to expand our offering of complimentary products and services to our policyholders.”⁹

The undersigned hereby finds, based on the information in the Proposed Plan and as presented in Mr. Gallant’s testimony, that the Plan provides the Converted Stock Company with the ability to enhance its operations following the proposed reorganization.

- (v) The plan, when completed, provides for the reorganized insurer’s paid-in capital stock to be in an amount at least equal to the minimum paid-in capital stock and the net surplus required of a new domestic stock insurer upon such domestic stock insurer’s initial authorization to transact like kinds of insurance.**

General Statutes § 38a-156a (c) (3) (A) (v) requires the proposed reorganization provide for the reorganized insurer’s paid-in capital stock to be in an amount at least equal to the minimum paid-in capital stock and the net surplus required of a new domestic stock insurer upon such domestic stock insurer’s initial authorization to transact like kinds of insurance. General Statutes § 38a-72 sets forth the financial requirements to license an insurance company in Connecticut. For the Applicant the paid-in capital must be at least \$1,000,000 and the net surplus must be at least \$1,750,000.

According to Attorney Young “[p]ursuant to the plan, the applicant will be capitalized at a minimum level of a[t] least \$1,000,000 in paid-in capital. The capitalization of the new stock company is 10,000 shares at a hundred dollars par, which aggregates to the \$1,000,000.”¹⁰

⁹ Hrg. Transcr. 42:22-43:8 (August 14, 2020).

¹⁰ Hrg. Transcr. 39:7-14 (August 14, 2020).

From the evidence of the quarterly financial statements and the audited financial statement filed for 2019, there is sufficient evidence that the net surplus has remained consistently above the minimum with the most recent reported surplus from the quarter ending March 31, 2020 being \$304,452,856. Furthermore, it is evident that these numbers will remain largely unchanged according to Attorney Young because, “[t]he insurance operations of CMIC, the applicant, will continue unchanged after the reorganization.”¹¹

The total amount of the paid-in capital stock is sufficient to satisfy the minimum paid-in capital stock and net surplus required of a new domestic stock insurer pursuant to General Statutes § 38a-72.

(vi) The plan complies with the provisions of this section and sections 38a-156b to 38a-156f, inclusive.

General Statutes § 38a-156a (c) (3) (A) (vi) requires the proposed reorganization complies with sections 38a-156a as well as 38a-156b through 38a-156f, inclusive. These statutes govern the requirements for a mutual holding company, amendments to articles of incorporation and plan of reorganization, the transfer of assets or liabilities and acquisition of subsidiaries by a reorganized insurer, the reorganization of a mutual life insurer, and voting stock offerings.

The Applicant’s Application includes the Proposed Plan of Reorganization, the Proposed Bylaws of the Mutual Holding Company and Stock Holding Company, and the Amended and Restated Converted Stock Company. These documents have been thoroughly reviewed by the Department’s staff and found to be sufficient at this time.

¹¹ Hrg. Transcr. 37:16-18 (August 14, 2020).

When asked if the Proposed Reorganization complies with the Applicant's understanding of these comprehensive requirements, Attorney Young answered affirmatively.¹²

Based on the information present in the record and due to the fact that the Department will continue to monitor the activities of the Converted Stock Company, the undersigned is of the belief that the Proposed Reorganization of the Applicant, and the proposed future business plan for the Converted Stock Company will comply with the aforementioned statutory provisions.

IV. RECOMMENDATION

Based on the foregoing Findings of Fact and Discussion, the written and oral testimony and exhibits submitted to the Department, including the Application, and the record of the August 14, 2020 public hearing, the undersigned hereby concludes that the conditions justifying approval set forth in General Statutes § 38a-156a(c)(3)(A) are present with respect to the completion of the Proposed Reorganization. Accordingly, the undersigned recommends that the Commissioner find, pursuant to General Statutes § 38a-156a that after the Proposed Reorganization (i) the proposed reorganization is in the best interest of the reorganizing insurer; (ii) the plan is fair and equitable to the members of the reorganizing insurer; (iii) the plan will not substantially lessen competition in any line of insurance business; (iv) the plan provides for the enhancement of the operations of the reorganizing insurer; (v) the plan, when completed, provides for the reorganized insurer's paid-in capital stock to be in an amount at least equal to the minimum paid-in capital stock and the net surplus required

¹² Hrg. Transcr. 39:15-40:2 (August 14, 2020).

of a new domestic stock insurer upon such domestic stock insurer's initial authorization to transact like kinds of insurance; and (vi) the plan complies with the provisions of this section 38a-156a and sections 38a-156b to 38a-156f, inclusive.

Accordingly, the undersigned recommends that the Commissioner issue the following orders:

7. The Application of the Applicant in which it seeks approval to reorganize from a mutual insurance company to a stock insurance company is approved.

8. The Applicant, Mutual Holding Company, Stock Insurance Company, and Converted Stock Company shall conduct their operations consistent with the representations, disclosures, and commitments as set forth in the record of this proceeding and proposed final decision.

9. Following the issuance of this Order, the board of directors, the chairperson of the board of directors or the president of the Applicant shall call a members' meeting to present and hold a vote on the plan of reorganization. Such meeting shall be held not earlier than thirty days after the date of the public hearing held under subsection (c) of this section. The plan shall be approved by an affirmative vote of two-thirds of the members of the reorganizing insurer voting.

10. The Converted Stock Company shall maintain employee levels at least consistent with the current staffing levels of the Applicant, and that the offices shall remain in Connecticut for at least four (4) years following the consummation of the Proposed Reorganization.

11. If the Proposed Reorganization is not consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed

Reorganization, the Applicant shall submit to the Commissioner a statement which shall include (i) the reason for the Applicant's inability to consummate the Proposed Reorganization; (ii) any material changes in the information contained in the Application; and (iii) the current financial statement of the Applicant.

12. The Applicant shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application.

Dated at Guilford, Connecticut, this 15th day of September, 2020.



Joshua Hershman
Insurance Deputy Commissioner