

**BEFORE THE INSURANCE COMMISSIONER OF THE
STATE OF OKLAHOMA**

FILED

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**INSURANCE COMMISSIONER
OKLAHOMA**

IN RE: APPLICATION OF SENTRY INSURANCE)
A MUTUAL COMPANY FOR APPROVAL OF)
IBT PLAN, NOVATION and AUTHORIZATION TO SEEK)
COURT APPROVAL FOR TRANSFER OF POLICIES) Case No. 20-0582-IBT
FROM SENTRY INSURANCE TO)
NATIONAL LEGACY INSURANCE COMPANY)

ORDER

COMES NOW the State of Oklahoma, ex rel. Glen Mulready, Insurance Commissioner, and issues this Order based upon the following findings and conclusions of law, to-wit:

JURISDICTION

Glen Mulready is the Insurance Commissioner (“Commissioner”) of the State of Oklahoma and as such is charged with the duty of administering and enforcing all provisions of the Oklahoma Insurance Code, 36 O.S. §§ 101-7402 , including the Insurance Business Transfer Act (“IBT Act”), Laws 2018, SB 1101, c. 232, § 2, codified at 36 O.S. §§ 1681-1688.

INTRODUCTION

The IBT Act provides a basis and procedures for the transfer and statutory novation of policies from a transferring insurer to an assuming insurer without the affirmative consent of policyholders or reinsureds. An Applicant (transferring insurer or reinsurer) is required to file an Insurance Business Transfer Plan with the Commissioner that contains information and elements prescribed by 36 O.S. § 1686. The Commissioner has reviewed the Plan with the assistance of an appointed Independent Expert and determined that the Plan would not have a material adverse

impact on the interests of policyholders or claimants that are part of the subject business. These adverse effects include policyholder financial security and levels of administrative service provided to the policyholders. For purposes of this Report, any adverse impact is deemed to be material if the level of financial security post-IBT would not have been acceptable under the normal constraints with which the company was managed pre-IBT.

FINDINGS OF FACT

1. Sentry Insurance a Mutual Company (Applicant) filed an application with the Oklahoma Insurance Department on October 2, 2020, requesting that the Insurance Commissioner review Applicant's Insurance Business Plan (Plan) to transfer certain policies of the Applicant to National Legacy Insurance Company (Assuming Insurer) and seek statutory novation of those policies pursuant to an order from the Oklahoma County District Court.

2. The Plan includes the elements required by 36 O.S. § 1686(1), including:
- a. the name, address and telephone number of the transferring insurer and the assuming insurer and their respective direct and indirect controlling persons, if any,
 - b. summary of the Insurance Business Transfer Plan,
 - c. identification and description of the subject business,
 - d. most recent audited financial statements and statutory annual and quarterly reports of the transferring insurer filed with their domiciliary regulator,
 - e. most recent financial statements and statutory annual and quarterly reports of the assuming insurer filed with their domiciliary regulator,
 - f. the most recent actuarial report and opinion that quantify the liabilities associated with the subject business,
 - g. pro-forma financial statements showing the projected statutory balance sheet, results of operations and cash flows of the assuming insurer for the three (3) years following the proposed transfer and novation,

- h. officers' certificates of the transferring insurer and the assuming insurer attesting that each has obtained all required internal approvals and authorizations regarding the Insurance Business Transfer Plan and completed all necessary and appropriate actions relating thereto,
- i. proposal for Plan implementation and administration, including the form of notice to be provided under the Insurance Business Transfer Plan to any policyholder whose policy is part of the subject business,
- j. full description as to how such notice shall be provided,
- k. a statement describing the assuming insurer's proposed investment policies and any contemplated third-party claims management and administration arrangements,
- l. evidence of approval or nonobjection of the transfer from the Commissioner of Insurance of Wisconsin, the state of Applicant's domicile.

3. The IBT Plan also includes an opinion report from an independent expert selected by the Commissioner. The opinion report includes the elements required by 36 O.S. § 1686(A)(1)(n):

- a. a statement of the independent expert's professional qualifications and descriptions of the experience that qualifies him or her as an expert suitable for the engagement,
- b. whether the independent expert has, or has had, direct or indirect interest in the transferring or assuming insurer or any of their respective affiliates
- c. the scope of the report,
- d. a summary of the terms of the Insurance Business Transfer Plan to the extent relevant to the report,
- e. documents, reports and other material information the independent expert has considered in preparing the report and whether any information requested was not provided,
- f. the extent to which the independent expert has relied on information provided by and the judgment of others,
- g. the people on whom the independent expert has relied and why, in his or her opinion, such reliance is reasonable,

- h. the independent expert's opinion of the likely effects of the Insurance Business Transfer Plan on policyholders and claimants, distinguishing between:
 - (i) transferring policyholders and claimants,
 - (ii) policyholders and claimants of the transferring insurer whose policies will not be transferred, and
 - (iii) policyholders and claimants of the assuming insurer,
 - i. for each opinion that the independent expert expresses in the report the facts and circumstances supporting the opinion, and
 - j. consideration as to whether the security position of policyholders that are affected by the Insurance Business Transfer are materially adversely affected by the transfer.
4. The Independent Expert's report also treats the elements required by 36 O.S. § 1686(A)(2), as follows:
- a. analysis of the transferring insurer's actuarial review of reserves for the subject business to determine the reserve adequacy,
 - b. analysis of the financial condition of the transferring and assuming insurers and the effect the transfer will have on the financial condition of each company,
 - c. review of the plans or proposals the assuming insurer has with respect to the administration of the policies subject to the proposed transfer,
 - d. whether the proposed transfer has a material, adverse impact on the policyholders and claimants of the transferring and the assuming insurers, and
 - e. analysis of the assuming insurer's corporate governance structure to ensure that there is proper board and management oversight and expertise to manage the subject business.
5. The Application and the independent expert's report were reviewed by the Commissioner and appropriate staff at the Oklahoma Insurance Department.
6. The Applicant has paid or agreed to pay all fees and costs related to these proceedings, as required by 36 O. S. 1688.

7. On September 21, 2020, the Honorable Mark Afable, Commissioner of Insurance of the State of Wisconsin, Sentry's state of domicile, issued his letter of "Non-disapproval" to the Applicant's IBT Plan.

CONCLUSIONS OF LAW

The Commissioner has reviewed the Plan with the assistance of an appointed Independent Expert and determined that the Plan meets the criteria for approval and if implemented, would not have a material adverse impact on the interests of policyholders or claimants that are part of the subject business.

ORDER

IT IS THEREFORE ORDERED by the Insurance Commissioner that the IBT Plan is hereby approved and the Applicant is authorized to submit the subject Insurance Business Transfer Plan to the District Court of Oklahoma County and request that the Court approve the Plan, including novation of the subject policies.

WITNESS My Hand and Official Seal this 23 day of November 2020.



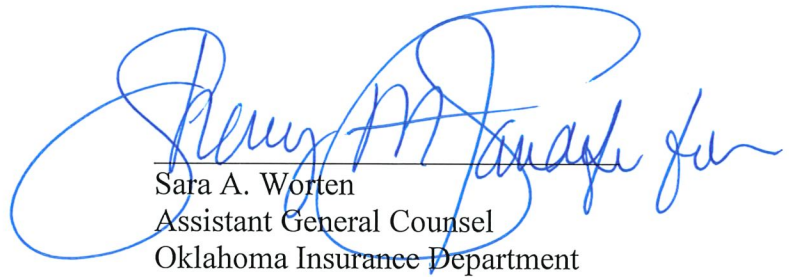


THE HONORABLE GLEN MULREADY
Insurance Commissioner

CERTIFICATE OF MAILING

I, Sara Worten, hereby certify that a true and correct copy of the above foregoing Order was mailed postage prepaid with return receipt requested on this 23rd day of November, 2020, to:

Stephen L. McCaleb
Derryberry & Naifeh, LLP
4800 North Lincoln Boulevard
Oklahoma City, OK 73105
Attorney for Applicant


Sara A. Worten
Assistant General Counsel
Oklahoma Insurance Department