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BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

Department of Insurance

State of Idaho

STATE OF IDAHO

*In the matter of:*

**FARM BUREAU MUTUAL INSURANCE  
COMPANY OF IDAHO**, *an Idaho mutual  
insurance corporation, for the purpose of filing a plan of  
reorganization and for the forming of a mutual insurance  
holding company,*

**APPLICANT.**

Docket No. 18-4340-23

**MEMORANDUM DECISION  
AND ORDER**

**THE ABOVE-ENTITLED MATTER** having come before the Director (“Director”) of the Idaho Department of Insurance (“Department”), and the matter having been fully submitted and the record in the matter having now been closed, the Director does enter this Memorandum Decision and Order (“Order”).

**COURSE OF PROCEEDINGS**

Farm Bureau Mutual Insurance Company of Idaho (“FBMICI”) filed a Limited Application of Reorganization (as amended, “Limited Reorganization Plan”) under section 41-3824(1), Idaho Code, on July 26, 2023, wherein it applied for approval of the Director of a plan to form a mutual insurance holding company. The Limited Reorganization Plan included a certain document entitled “Plan of Reorganization”. The Department provided a written response to FBMICI’s Limited Reorganization Plan on August 10, 2023, and FBMICI met with the Department to discuss the Department’s response on August 29, 2023. Following the August 29, 2023, meeting, FBMICI submitted a draft amended Limited Reorganization Plan on September 14, 2023. On October 3, 2023, the Department notified FBMICI that the Department deemed the draft amended Limited

Reorganization Plan complete. FBMICI filed a signed amended Limited Reorganization Plan with the Department effective October 3, 2023.

A Notice of Hearing was filed, given, and published in accordance with sections 41-235, 41-3806, and 41-3824, Idaho Code, that provided lawful and timely notice of the time, date, and place of a hearing before the Director. Pursuant to the Notice of Hearing, a hearing was held before the Director commencing at 10:00 am, MST, on Thursday, November 16, 2023, at the offices of the Department in Boise, Idaho. Party representatives and counsel of FBMICI appeared at the hearing; a party representative of the department and a deputy attorney general representing the Department appeared at the hearing. Interested persons appeared at the hearing both in person and by electronic means. The Director offered the parties hereto and public witnesses the opportunity to provide evidence in the form of documents and oral testimony at the hearing. Several persons testified at the hearing, which is a part of the record in this matter. The exhibit used in the presentation and testimony from FBMICI, which is included as “Exhibit A” to this Order, was offered and entered into evidence and made a part of the record, whereupon the hearing was concluded, and the record closed.

### **MEMORANDUM DECISION**

FBMICI filed its Limited Reorganization Plan with the Department effective Tuesday, October 3, 2023, in accordance with chapter 38, title 41, Idaho Code, which states, in relevant part,

A domestic mutual insurer, upon approval of the director, may reorganize by forming an insurance holding company system, which shall be designated as “a mutual insurance holding company,” based upon a mutual insurance company plan and continuing the corporate existence of the reorganizing insurer as a stock insurer.

Idaho Code § 41-3824(1). The Plan of Reorganization on file with the Department and included in the record provides that the Plan will be implemented, among other things, as follows: that FBMICI intends to form a mutual insurance holding company, IFB Mutual Insurance Holding Company (“IFBMIHC”), as a corporation under title 30, chapter 29, Idaho Code effective as of April 1, 2024;

that upon the effectiveness of IFBMIHC's formation, FBMICI will convert from a mutual insurance company into a stock insurance company, Farm Bureau Insurance Company of Idaho ("FBICI"); that the membership interests of the policyholders of FBMICI will become membership interests of the IFBMIHC; that the membership interests in FBMICI will be extinguished, with the policyholders becoming members of IFBMIHC; that the members of IFBMIHC will have the same membership rights in IFBMIHC as in FBMICI, including the right to vote for IFBMIHC's board of directors (who at the time of reorganization will all be policyholders); that the Board of Directors of FBMICI approved the Limited Reorganization Plan on July 19, 2023; that FBICI and IFBMIHC will adhere to and follow all other statutory and procedural obligations as provided by law including but not limited to title 41, Idaho Code, and Idaho Administrative Code ("IDAPA") Rule 18.07.01; as to the effect of the Limited Reorganization Plan, that all FBMICI policies involving existing policyholders will remain in force and all policy rights and obligations will remain unchanged; and that the Limited Reorganization Plan will not cause any material change to the financial condition of FBMICI, its affiliates, or its subsidiaries.

### **THE ISSUES**

The controversy at issue before the Director is set out in sections 41-3806 and 41-3824, Idaho Code, which requires the Director to approve "any purchase, exchange, merger or other acquisition of control referred to . . . in section 41-3824, Idaho Code, unless, after a public hearing, the director finds that", in relevant part,

- (a) After the change of control, the domestic insurer referenced in section 41-3804(1), Idaho Code, would be unable to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;
- (b) The effect of the purchase, exchange, merger or other acquisition of control would substantially lessen competition in the business of insurance in this state or tend to create a monopoly. In applying the competitive standard in this paragraph:
  - (i) The informational requirements of section 41-3808(3)(a), Idaho Code, and the standards of section 41-3808(4)(b), Idaho Code, shall apply;

- (ii) The merger or other acquisition shall not be disapproved if the director finds that any of the situations meeting the criteria provided by section 41-3808(4)(c), Idaho Code, exist; and
- (iii) The director may condition the approval of the merger or other acquisition on the removal of the basis of disapproval within a specified period of time;
- (c) The financial condition of any acquiring party may jeopardize the financial stability of the insurer or prejudice the interest of its policyholders or, in the case of an acquisition of control, the interest of any remaining stockholders who are unaffiliated with the acquiring person;
- (d) The plans or proposals of the acquiring party to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and are not in the public interest;
- (e) The competence, experience and integrity of the persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and stockholders of the insurer or of the public to permit the merger or other acquisition of control; or
- (f) The acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Idaho Code § 41-3806(1). Further, section 41-3824(1)(a), Idaho Code, states in part that the Director, after a public hearing as provided in section 41-3806, Idaho Code,

if satisfied that the interests of the policyholders are properly protected and that the plan of reorganization is fair and equitable to the policyholders, may approve the proposed plan of reorganization and may require as a condition of approval such modifications of the proposed plan of reorganization as the director finds necessary for the protection of the policyholders' interests.

Idaho Code § 41-3824(1)(a) (emphasis added). With regard to this matter, IDAPA provides that the Limited Reorganization Plan “needs to preserve property and protect policyholders’ interest, be fair and equitable to policyholders, and not diminish the applicant’s financial condition.” IDAPA 18.07.01.053.01. Upon review of the record herein, the Director will, by order, approve, conditionally approve, or deny the Limited Reorganization Plan submitted by FBMICI. IDAPA 18.07.01.054.02.

In addition, the Director may prescribe modifications of the proposed Limited Reorganization Plan. Such modifications, if any, are, “accepted by filing amendments to the proposed plan of reorganization with the Director within thirty (30) days after the Director’s order is issued.” IDAPA 18.07.01.054.02.a. Unless extended by order of the Director, the approval or conditional approval of

the Limited Reorganization Plan expires if the reorganization is not completed within one-hundred eighty (180) days of the order. IDAPA 18.07.01.054.02.b. In accordance with the Rule, the Director retains jurisdiction over this matter until the Limited Reorganization Plan is completed. IDAPA 18.07.01.054.02.c. Upon all elements of the Limited Reorganization Plan having been completed, FBMICI shall provide notice of completion to the Director. IDAPA 18.07.01.054.02.d.

## DISCUSSION

At the hearing, FBMICI offered oral testimony as to the issues noted above<sup>1</sup>. FBMICI offered “Exhibit A” as evidence, which was admitted. As provided in the record, several principals of FBMICI testified. In summary, FBMICI stated that it is seeking a reorganization into a mutual insurance holding company system to be prepared to move swiftly if a strategic opportunity presents itself that would support FBMICI’s overall strategy and goals. “Exhibit A”, p. 9. While FBMICI is not currently considering any mergers or acquisitions, FBMICI believes that the formation of a mutual insurance holding company could ease the company’s efforts to acquire other insurers, should such an opportunity present itself. “Exhibit A”, p. 9. Further, FBMICI believes that the Limited Reorganization Plan could improve the company’s product line, risk management practices, profitability, stability, and community service efforts. “Exhibit A”, p. 8. FBMICI serves the entire state of Idaho and will reintroduce products in the State of Washington in 2024 through its subsidiary, Western Community Insurance Company. “Exhibit A”, p. 6.

FBMICI testified that FBMICI is, like other insurers, facing an increasingly competitive market from national and regional property and casualty insurance competitors, and that FBMICI seeks to provide greater affordability and options to its policyholders amid a challenging economic

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<sup>1</sup> Due to a technological error, the transcript of the hearing is not available as of this writing. The Department anticipates issuing an amended Memorandum Decision and Order containing citations to the transcript when the transcript becomes available.

environment. “Exhibit A”, p. 9. FBMICI also provided testimony that the proposed mutual insurance holding company structure would allow FBMICI to better compete in the market. “Exhibit A”, p. 9.

FBMICI testified that the proposed mutual insurance holding company structure would allow FBMICI to increase its spread of risk by product and geography, although it does not anticipate near-term changes in its spread of risk. “Exhibit A”, p. 8. FBMICI testified the mutual insurance holding company structure would allow FBMICI to pursue certain strategic opportunities currently unavailable to FBMICI as an insurer, with the effect of spreading risk and increasing stability for FBMICI and its policyholders. “Exhibit A”, p. 8. FBMICI believes the Limited Reorganization Plan will help serve its policyholders through continued focus on financial security and maintaining profitable growth. “Exhibit A”, p. 8. FBMICI also stated that the Limited Reorganization Plan (a) maintains policyholder control of the organization, and (b) will have no effect on FBMICI’s solid financial footing or ability to continue to write all existing lines of business. “Exhibit A”, p. 9.

Finally, one of the witnesses testifying on behalf of FBMICI emphasized the proposed mutual insurance holding company structure will have minimal effects on the organization’s existing structure. FBMICI testified the reorganization will not change the structure of the other companies in the insurance holding company system – Farm Insurance Brokerage Company, Farm Bureau Finance Company, and Western Community Insurance Company. Further, no changes to (a) FBMICI’s purpose and mission statement, (b) strategic or business plans of any existing entities in the insurance holding group, or (c) benefits for employees or affiliate employees are anticipated immediately following reorganization. FBMICI also testified existing contracts and policies of current policyholders will not be disturbed. “Exhibit A”, p. 9.

The final closing point from FBMICI concerned timing for IFBMIHC’s formation. The Limited Reorganization Plan calls for the reorganization of FBMICI and the formation of IFBMIHC to be effective on April 1, 2024. This date was proposed for two reasons. First, this date permits the

vote of the policyholders to occur at FBMICI's regularly scheduled annual policyholders meeting in February of 2024. This is the time when policyholders expect to vote on important issues affecting the organization. Second, this date permits sufficient time from the hearing date and after the annual policyholders' meeting to allow FBMICI to prepare for the reorganization and ensure a smooth transition for policyholders, employees, and other stakeholders.

The representative appearing on behalf of the Department testified that the Department's analysis team was provided with a "majority of effectively everything" FBMICI testified to at the hearing, in addition to "a number of confidential pieces that are part of the Form A filing." The representative testified that the Department received all information needed to be satisfied and move to the public hearing. The representative then confirmed that the Department's team has concluded that the signed amended Limited Reorganization Plan, effective October 3, 2023, has been deemed complete, and the Limited Reorganization Plan filed with the Department, as amended, fulfills all legal requirements.

Individuals in attendance at the hearing, both in person and electronically, were offered the opportunity to provide evidence in the form of documents and oral testimony at the hearing. After no other person in attendance testified at the hearing, and the Department and FBMICI provided closing statements, the hearing was adjourned.

Based on the foregoing,

1. The Director finds that FBMICI's Limited Reorganization Plan, as filed with the Department on July 26, 2023, and amended on October 3, 2023, is complete, is compliant with the requirements of the law, in particular chapter 38, title 41, Idaho Code, and fulfills the requirements for reorganization;
2. In accordance with section 41-3806(1), Idaho Code, the Director finds:

- a. there is no evidence in the record that if the Limited Reorganization Plan were approved, FBMICI would be unable to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed;
  - b. there is no evidence in the record that if the Limited Reorganization Plan were approved, the effect of granting the Limited Reorganization Plan would lessen the competition in the business of insurance in this state or tend to create a monopoly;
  - c. there is no evidence in the record that if the Limited Reorganization Plan were approved, granting the Limited Reorganization Plan would otherwise jeopardize the financial stability of FBMICI or otherwise prejudice the interests of its policyholders;
  - d. there is no evidence in the record that the plan set forth in the Limited Reorganization Plan to change FBMICI's corporate structure would be unfair and unreasonable to policyholders of FBMICI or not in the public interest;
  - e. there is no evidence in the record that if the Limited Reorganization Plan were approved, the competence, experience and integrity of the persons who would be in control of FBICI would not be in the best interest of FBMICI's policyholders; and
  - f. there is no evidence in the record that the Limited Reorganization Plan would be otherwise hazardous or prejudicial to the insurance-buying public; and,
3. The Director finds that the Limited Reorganization Plan as proposed by FBMICI will preserve property, will protect the interests of the policyholders, and is fair and equitable to FBMICI's policyholders.

### **ORDER**

Based on the foregoing, the Director hereby Orders as follows:

1. **IT IS HEREBY ORDERED** that FBMICI's Limited Reorganization Plan is APPROVED, with no further action required or conditions precedent to approval, in accordance with section 41-3824(1)(a), Idaho Code, and IDAPA 18.07.01.054.02; and,
2. **IT IS FURTHER ORDERED** upon completion of all elements of the Limited Reorganization Plan, FBMICI shall provide notice of completion to the Director; and,
3. **IT IS FURTHER ORDERED** that FBMICI shall provide said notice of completion to the Director within fourteen (14) days of April 1, 2024.

**IT IS SO ORDERED.**

**DATED** this 14 day of December, 2023.

IDAHO DEPARTMENT OF INSURANCE



DEAN L. CAMERON  
Director

# CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this day of 15<sup>th</sup>, 2023, I caused a true and correct copy of the MEMORANDUM DECISION AND ORDER to be served upon the following parties by the method(s) indicated below:

Gabriel Hamilton HOLLAND & HART LLP 800 W. Main Street, Suite 1750 Boise, ID 83701-2527	<input checked="" type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input type="checkbox"/> Email: gahamilton@hollandhart.com
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