

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE:

APPLICATION OF FREEDOM
ADVANTAGE INSURANCE
COMPANY FOR APPROVAL OF THE
ACQUISITION OF CONTROL OF
GREAT FALLS INSURANCE
COMPANY (Freedom Advantage
Ins. Co., NAIC Company Code 11831)

DOCKET NO. INS-24-400

AND

APPLICATION OF GREAT FALLS
INSURANCE COMPANY FOR
TERMINATION OF PLAN OF
DISSOLUTION (Great Falls Ins. Co.,
NAIC Company Code 14003)

DOCKET NO. INS-17-401

**NOTICE OF PENDING
PROCEEDING AND HEARING**

Timothy N. Schott, Deputy Superintendent of Insurance, issues this Notice of Pending Proceeding and Hearing in the above-captioned matters.¹

I. NOTICE OF PENDING PROCEEDING AND HEARING

Background.

Great Falls Insurance Company is a Maine domestic stock insurance company that has operated as a workers' compensation carrier in the past but is not actively writing premium at this time. GFIC is and has been in run-off for some time and, as of June 2024, is reported to have three (3) open claims.

Pending Proceeding.

Pursuant to Bureau of Insurance rule chapter 350, § (8)(8), the Deputy Superintendent hereby gives notice that Freedom Advantage Insurance Company ("FAIC"), a Pennsylvania domestic stock insurance company, has applied for approval of the acquisition

¹ By Delegation Order issued on September 11, 2024, the Superintendent of Insurance designated Timothy N. Schott as the presiding officer and decision-maker in this proceeding.

of control of Great Falls Insurance Company (“GFIC”), a Maine domestic stock insurance company.

Notice is further given that the Deputy Superintendent will consider GFIC’s requested termination of its approved Plan of Dissolution by reason of FAIC’s proposed acquisition of GFIC. *See* Bureau of Insurance Docket No. INS-17-401.

Hearing.

Pursuant to 24-A M.R.S. §§ 229 and 230, 5 M.R.S. § 9052, and Insurance Rule chapter 350, notice is hereby given that a public hearing will be held in the above-captioned matter beginning at 9:00 a.m. on Friday, September 27, 2024, in the Central Conference Room at the Department of Professional and Financial Regulation, Gardiner Annex, 76 Northern Avenue, Gardiner, Maine. The hearing will be conducted in a hybrid format, in both live and via videoconference. Members of the public are invited to attend the hearing. The link to register to attend the hybrid meeting via videoconference will be posted on the Bureau’s website on the Public Event Notices page.

The hearing will be conducted in accordance with the provisions of the Maine Administrative Procedure Act, 5 M.R.S. chapter 375, subchapter 4; 24-A.M.R.S. §§ 229 to 236; Bureau of Insurance rule chapter 350; and any rulings made by the Presiding Officer. All parties to the proceeding have the right to present evidence and witnesses at the hearing and have the right to be represented by counsel. Failure of any party to appear may result in disposition by default with respect to that party. The Presiding Officer may, however, set aside a default for good cause.

The Department of Professional and Financial Regulation does not discriminate on the basis of disability in the admission to, access to, or operation of its programs, services, or activities. Individuals in need of auxiliary aid for effective communication at the hearing are invited to make their needs and preference known to Karma Lombard at the Bureau of Insurance, telephone 207-624-8540, sufficiently in advance of the hearing so that appropriate arrangements can be made.

Intervention.

At this time, the parties to this proceeding are Freedom Advantage Insurance Company and Great Falls Insurance Company. All other persons wishing to intervene as parties in this proceeding shall file their applications in writing with the Bureau of Insurance no later than September 23, 2024. Applicants should either hand deliver their intervention applications to the attention of Karma Lombard at the offices of the Bureau of Insurance, 76 Northern Avenue, Gardiner, Maine or mail them to the Presiding Officer at the following address:

Timothy N. Schott, Deputy Superintendent
Attn: Karma Lombard, Docket Nos. INS-24-400 & INS-17-401
Bureau of Insurance, Maine Department of Professional and Financial Regulation
#34 State House Station
Augusta, Maine 04333-0034

The Presiding Officer will grant late intervention applications only upon a compelling demonstration of good cause. Persons should seek intervention only if they are willing to undertake the responsibilities placed upon parties to an adjudicatory proceeding under Maine law and Bureau of Insurance rule chapter 350.

An applicant claiming intervention as of right pursuant to 5 M.R.S. § 9054(1) shall include in the application a statement either explaining how the applicant is or may be, or is a member of a class that is or may be, substantially and directly affected by the proceeding or identifying the applicant as an agency of federal, state, or local government. Applications for permissive intervention pursuant to 5 M.R.S. § 9054(2) shall contain a statement explaining and substantiating the applicant's interest in the proceeding.

Any party that opposes an application for intervention shall file a statement in opposition with the Presiding Officer by September 25, 2024. The Presiding Officer in his discretion may rule on an intervention application at any time, without waiting for any statements in opposition.

Exhibits at Hearing.

On or before September 23, 2024, FAIC shall file with the Presiding Officer a document ("Exhibit List") that identifies the materials already submitted to the Bureau of Insurance, or new materials to be submitted to the Presiding Officer at hearing, that the insurer requests to be admitted as evidence in support of its Form A application, referred to below as the Proposed Acquisition Transaction. As to materials already submitted to the Bureau, the Exhibit List must describe the material previously submitted and provide the date of the submission. As to new materials intended to be offered at hearing and not already submitted to the Bureau, those documents must be provided as part of the filing made on September 23, 2024.

II. PROPOSED TRANSACTIONS

Application for Acquisition of Control (by FAIC).

FAIC's application seeks the Superintendent's approval of the proposed acquisition of control by Freedom Advantage Insurance Company of Great Falls Insurance Company (the "Proposed Acquisition Transaction"). The Proposed Acquisition Transaction contemplates that GFIC will merge with and into FAIC, with FAIC as the sole surviving entity. Thus, upon the acquisition, FAIC will merge GFIC with and into FAIC and out of existence.

The summary details of the Proposed Acquisition Transaction are as set forth in an Amendment No. 1 to Form A Statement, dated April 17, 2024. Attached to FAIC's First Amended Form A Statement are nine (9) exhibits and financial statements.

Upon the effective date of the merger, FAIC will acquire all of the assets of GFIC and assume all of the debts and liabilities (including claims liabilities) of GFIC; and the surplus of GFIC at Closing will come into FAIC. At Closing, FAIC will pay to the GFIC Shareholders an amount equal to the net assets of GFIC as of the Closing Date, such assets

being adjusted to reflect the market value of the investments as of the Closing Date or the last preceding date for which prices for such assets have been reported, minus approximately \$623,000. The source of the funds to be utilized by FAIC for its payment to the GFIC Shareholders will be the assets of GFIC so reduced to cash.

Application for Termination of Plan of Dissolution (by GFIC).

In a consolidated proceeding under Bureau of Insurance Docket No. INS-17-401, the Superintendent conditionally approved Great Falls Insurance Company's voluntary Plan of Dissolution submitted under 24-A M.R.S. § 3484. As of this date, GFIC has not consummated its dissolution under the Plan. The Plan provides for disposition, by bulk reinsurance or other lawful procedure, of all of GFIC's insurance in force. By reason of the Proposed Acquisition Transaction, and if it is approved, GFIC requests approval to terminate its Plan of Dissolution.

III. STANDARD OF REVIEW

In accordance with 24-A M.R.S. §§ 222(7)(A) and 3474(2), the issues to be considered by the Presiding Officer, acting on behalf of the Superintendent, are generally described as follows:

(1) Whether, after the proposed acquisition, FAIC could satisfy the requirements for the issuance of a certificate of authority according to requirements in force at the time of the issuance, or last renewal or continuation of its certificate of authority to do the insurance business that it intends to transact in the State of Maine.

(2) Whether the effect of the proposed acquisition may be substantially to lessen competition in insurance in the State of Maine or tend to create a monopoly in the State of Maine or would violate the laws of the State of Maine or the United States relating to monopolies or restraints of trade.

(3) Whether the financial condition of FAIC is such as the proposed acquisition would jeopardize its financial stability or prejudice the interests of GFIC's policyholders.

(4) Whether FAIC's proposed acquisition or proposals to make any major changes in the business or corporate structure or management of GFIC are unfair or prejudicial to policyholders.

(5) Whether the competence, experience, and integrity of FAIC's directors and officers indicate that it would not be in the interest of policyholders or the public to permit them to control the operation of GFIC in a lawful and proper manner.

(6) Whether the proposed acquisition would involve a merger that violates 24-A M.R.S. § 3474, by being:

(A) Contrary to law;

(B) Unfair or inequitable to GFIC's or FAIC's policyholders;

- (C) A substantial reduction in the security of and service to be rendered to GFIC's policyholders in the State of Maine or elsewhere; or
- (D) Subject to other material and reasonable objections.

(7) Whether the proposed acquisition would tend to affect adversely the contractual obligations of GFIC or FAIC's ability and tendency to render service in the future to GFIC's policyholders and the public.

In addition to the legal standards of review under 24-A M.R.S. §§ 222 and 3474, as generally described above, the Presiding Officer in his discretion may consider such other relevant issues identified by parties or otherwise.

September 12th, 2024



Timothy N. Schott
Deputy Superintendent of Insurance