



**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

IN THE MATTER OF:

**THE ACQUISITION OF FARMERS LIFE INSURANCE
COMPANY BY ARROWHEAD CAPITAL GROUP, LLC**

No.: 20-131

ORDER APPROVING PLAN OF ACQUISITION

On March 23, 2020, Arrowhead Capital Group, LLC (“Applicant” or “ACG”) filed a Form A application requesting permission to acquire control of Farmers Life Insurance Company (“FLIC”). FLIC is wholly owned by Farmers Bank (“FB”).

On the May 28, 2020, a request for waiver of the public hearing was submitted to the Commissioner of the Department of Commerce and Insurance of the State of Tennessee (the “Commissioner”). After review of the application and Tenn. Code Ann. § 56-11-103(d), it was determined no public hearing was required to consider the proposed Form A filed by the Applicant.

These Findings of Fact and Conclusions of Law are issued based on the Form A as filed and supplemented with the Tennessee Department of Commerce and Insurance (the “Department”).

FINDINGS OF FACT

1. On March 23, 2020, the Department received the Form A filing from the Applicant.
2. FLIC is a limited credit life reinsurance company domiciled in Tennessee.
3. FLIC is wholly owned by FB.
4. FLIC is managed by Plateau Insurance Company (“PIC”). FLIC and PIC are not affiliated.

5. The Applicant, ACG, is a Delaware limited liability company and a newly formed acquisition entity, formed for the primary purpose of acquiring FLIC.

6. The Applicant is owned by Ben Jacobs and Shira Jacobs, who are the Ultimate Control Person(s) (“UCP”) for ACG, and who hold an ownership of ninety percent (90%) and ten percent (10%), respectively.

7. After the acquisition, the Applicant intends to wholly own FLIC as a parent company. Ben Jacobs will serve as President and CEO. Shira Jacobs will serve as a shareholder and provide access to capital, if needed.

8. On May 28, 2020, the Applicant requested that the Department waive the hearing requirement found in Tenn. Code Ann. § 56-11-103(d).

9. On June 16, 2020, an extraordinary dividend request was filed by FLIC’s current immediate parent, FB, requesting FLIC to make a one million, five hundred thousand dollar (\$1,500,000) extraordinary dividend payment to FB on July 17, 2020. Approval of this extraordinary dividend would effectively reduce the size of FLIC’s capital and surplus prior to the Form A transaction from one million, seven hundred thirty-four thousand, one hundred ten dollars (\$1,734,110) to two hundred thirty-four thousand, one hundred ten dollars (\$234,110).

10. FLIC’s capital and surplus will still meet the minimum statutory requirements; however, the submitted proforma indicates assumptions with the plan of adding capital back into FLIC in the amount of one million, seven hundred fifty thousand dollars (\$1,750,000) on the date of closing pursuant to the Purchase and Sale Agreement.

11. After all requests for additional information were satisfied, the Form A was deemed complete on June 24, 2020.

12. After the completion of the sale (the “Acquisition Transaction”), ACG will be the new owner of FLIC. Upon the acquisition of all the outstanding shares of stock, ACG will be the direct parent of and thus obtain direct control of FLIC.

13. On and after the effective date of the Acquisition Transaction, FLIC will continue to operate as a limited credit life reinsurer in Tennessee and will continue to be subject to and governed by the laws of the State of Tennessee.

14. After the Acquisition Transaction has been consummated, FLIC will continue to satisfy all requirements for the issuance of a license to engage in the activities for which it is presently licensed.

15. The effect of the Acquisition Transaction will not substantially lessen competition in insurance in this state or tend to create a monopoly in this state.

16. Upon consummation of the Acquisition Transaction, the financial condition of the Applicant will not jeopardize the financial stability of FLIC or prejudice the interests of FLIC’s policyholders.

17. The Applicant indicated in the Form A that it is investigating a conversion plan for FLIC to change from a limited credit life reinsurer to a traditional life insurer, which would be done separately from this transaction. The Department informed the Applicant that the approval of this Form A does not signify an agreement of the prospective license conversion plans, which would be assessed separately and under the appropriate guidelines as determined by the Department.

18. Other than Paragraph 17, the Applicant has no plans or proposals to liquidate FLIC, to sell its assets or to consolidate or merge it with any person, or to make any other material change

in its respective business or corporate structure or management that is unfair or unreasonable to the policyholders of FLIC or not in the public interest.

19. The competence, experience, and integrity of those persons who would control the operation of FLIC following consummation of the Acquisition Transaction are not such that it would be against the interest of the policyholders of FLIC or of the public to permit the Acquisition Transaction.

20. The Acquisition Transaction of FLIC by the Applicant is not likely to be hazardous or prejudicial to the insurance buying public.

CONCLUSIONS OF LAW

Tenn. Code Ann. § 56-11-103(d)(1) provides that “the [C]ommissioner shall approve any merger or other acquisition of control [of a domestic insurer] unless, after a public hearing, the [C]ommissioner finds that:

- (A) After the change of control, the domestic insurer . . . would not be able 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 merger or other acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly in this state. In applying the competitive standard in this subdivision (d)(1)(B):
 - (i) The informational requirements of § 56-11-104(c)(1) and the standards of § 56-11-104(d)(2) shall apply;
 - (ii) The merger or other acquisition shall not be disapproved if the [C]ommissioner finds that any of the situations meeting the criteria provided by § 56-11-104(d)(3) exist; and
 - (iii) The [C]ommissioner 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 is such that it might jeopardize the financial stability of the domestic insurer, or prejudice the interest of its policyholders;
- (D) The plans or proposals that the acquiring party has 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 [domestic] insurer and not in the public interest;
- (E) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and 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.

Applying the standards delineated in Tenn. Code Ann. § 56-11-103(d)(1)(A)-(F) to the Acquisition Transaction, as established by the filings made in this matter, the Findings of Fact contained herein, and the record taken as a whole, the Acquisition Transaction meets the statutory standards for approval by the Commissioner.

ORDER

Accordingly, based upon the above Findings of Fact and Conclusions of Law, it is hereby

ORDERED that:

1. The Form A filing, as supplemented by the Applicant, to acquire control of Farmers Life Insurance Company is **APPROVED**.

2. The Extraordinary Dividend request filed on June 16, 2020, to pay the current parent company, Farmers Bank, is **APPROVED**.

ENTERED AND EXECUTED July 20, 2020.


[Hodgen Mainda \(Jul 20, 2020 09:17 EDT\)](#)
Hodgen Mainda, Commissioner
State of Tennessee
Department of Commerce and Insurance

APPROVED FOR ENTRY AND EXECUTION:

Nikita Hampton

Nikita Hampton (BPR # 033327)
Patrick W. Merkel (BPR # 022191)
Associate General Counsel
Department of Commerce and Insurance
Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243
615-532-6830
nikita.g.hampton@tn.gov
patrick.merkel@tn.gov
Attorneys for Department

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Approving Plan of Acquisition has been sent via email to Arrowhead Capital Group, LLC attorney Ben Whitehouse at Ben.whitehouse@butlersnow.com and via certified mail to The Farmer's Bank contact Mickie Hodge at P.O. Box 10, Portland, TN 37148 on this July 21, 2020.

Nikita Hampton

Nikita Hampton