



DATE: November 25, 2024

TO: Amy J. Malm
Mark McNabb

FROM: Christopher Martin

SUBJECT: Form A - Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer

Form A Filing Contact(s)

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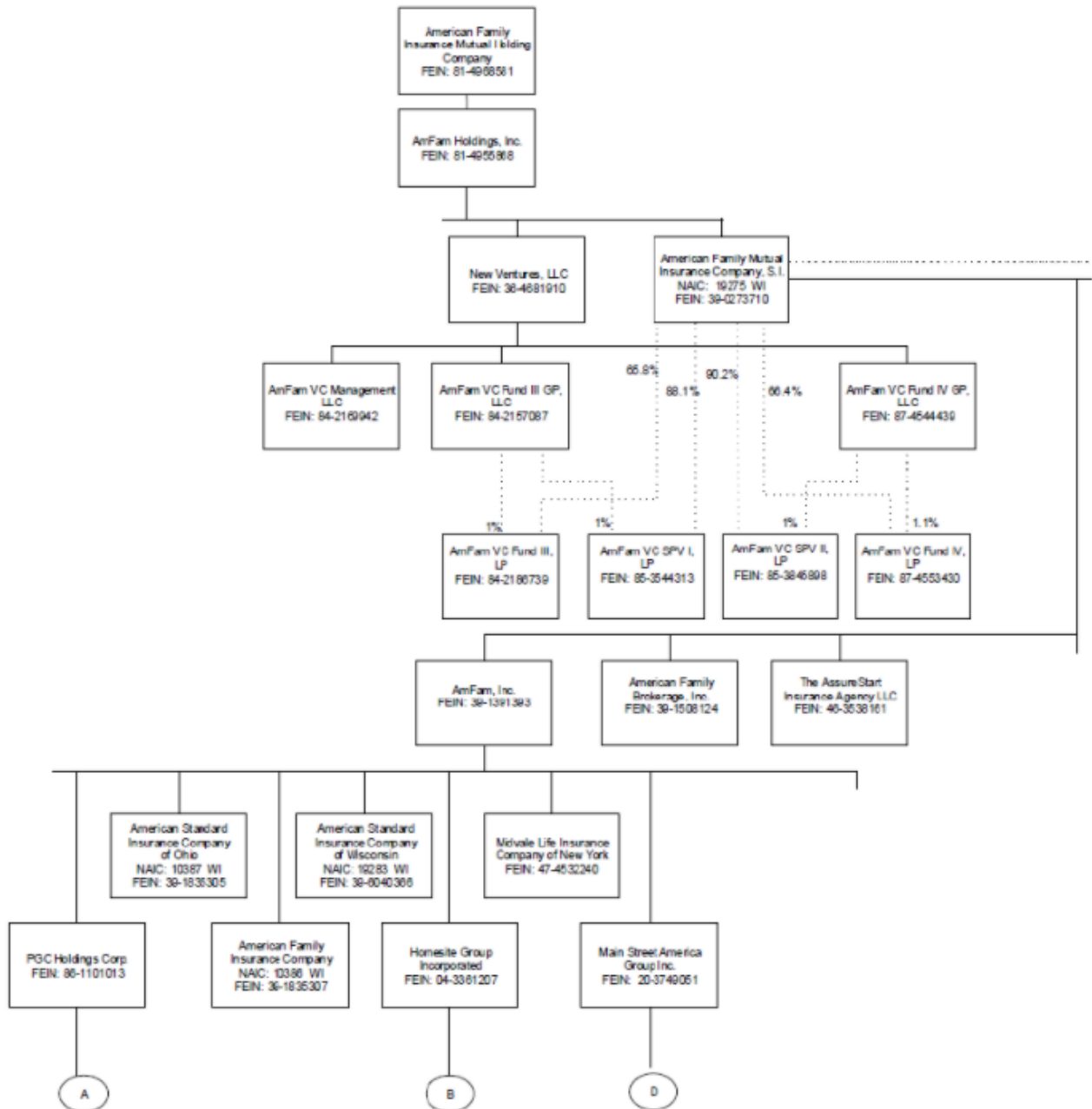
Form A Exhibit(s)

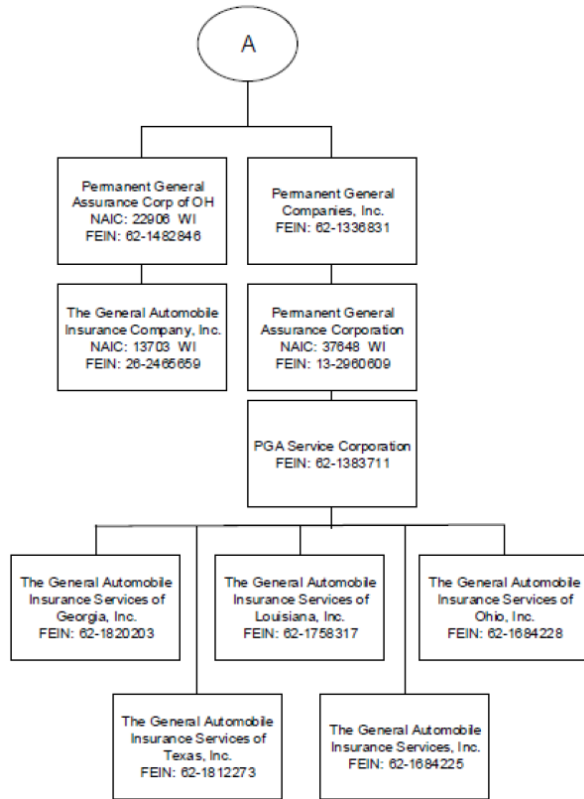
<u>Exhibit:</u>	<u>Description:</u>
Ex. 1	Redacted Stock Purchase Agreement
Ex. 2	Pre-Closing Organizational Chart of the Applicants and their Affiliates
Ex. 3	Post-Closing Reorganization Organizational Chart of the Applicants and their Affiliates
Ex. 4	List of Directors and Executive Officers of the Applicants
Ex. 5	List of the Proposed Post-Closing Directors and Executive Officers of the Domestic Insurers
Ex. 6	Annual Reports of the Applicants
Ex. 7	Statement of Competitive Impact
Ex. 8	NAIC Biographical Affidavits
Ex. 9	Unredacted Stock Purchase Agreement
Ex. 10	Business Plan
Ex. 11	Three-Year Financial Projections of the Domestic Insurers

Executive Summary

On September 25, 2024, Sentry Insurance Company (SIC), Sentry Holdings, Inc. (SHI), and Sentry Mutual Holding Company (SMHC, and together the “Applicants”), submitted a Form A filing. Pursuant to the terms of the Stock Purchase Agreement dated September 4, 2024, the Applicants will acquire 100% of the issued and outstanding shares of PGC Holdings Corp. (PGC). PGC, directly or indirectly, owns all of the issued and outstanding shares of Permanent General Assurance Corporation (PGAC), Permanent General Assurance Corporation of Ohio (PGAC OH), and The General Automobile Insurance Company, Inc. (General Auto, and together the “Domestic Insurers”).

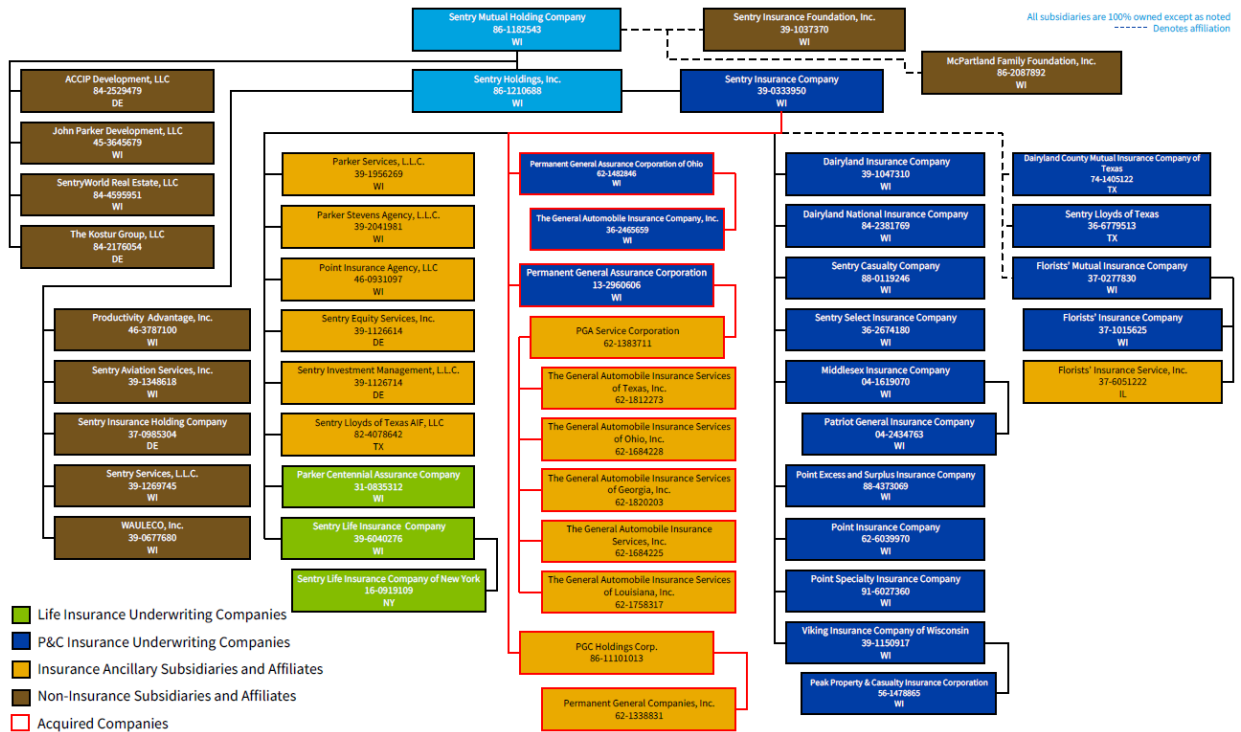
Organizational Chart Before Proposed Transaction:





Note: OCI has only included part of the Organizational Chart to show the chain of control. Please see the Organizational Chart Before Proposed Transaction document for a complete organizational chart.

Organizational Chart After Proposed Transaction:



Identity and Background of the Domestic Insurer(s)

Identity of the Domestic Insurer(s):

Permanent General Assurance Corporation

2636 Elm Hill Pike
Nashville, TN 37214

Permanent General Assurance Corporation of Ohio

2636 Elm Hill Pike
Nashville, TN 37214

The General Automobile Insurance Company, Inc.

2636 Elm Hill Pike
Nashville, TN 37214

Background of the Domestic Insurer(s):

Permanent General Assurance Corporation

PGAC is a Wisconsin domestic property and casualty insurer that was incorporated on 10/01/1978. The company is licensed to write Aircraft, Automobile, Credit Insurance, Fire, inland marine and other property insurance, Liability and incidental medical expense insurance (other than automobile), Miscellaneous, Surety Insurance, Credit Unemployment, Disability Insurance, Fidelity Insurance, Legal expense insurance, Ocean marine insurance, and Workers Compensation Insurance. The company is licensed to do business in 49 states and the District of Columbia.

Permanent General Assurance Corporation of Ohio

PGAC OH is a Wisconsin domestic property and casualty insurer that was incorporated on 12/18/1991. The company is licensed to write Automobile, Fire, inland marine and other property insurance, Liability and incidental medical expense insurance (other than automobile), Miscellaneous, and Workers Compensation Insurance. The company is licensed to do business in 39 states.

The General Automobile Insurance Company, Inc.

General Auto is a Wisconsin domestic property and casualty insurance company that was incorporated on 01/22/2009. The company is licensed to write Automobile, Fire, inland marine and other property insurance, Liability and incidental medical expense insurance (other than automobile), and Miscellaneous. The company is licensed to do business in 35 states.

Identity and Background of the Applicant(s)
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Identity of the Applicant(s):

Sentry Mutual Holding Company

1800 North Point Drive
Stevens Point, Wisconsin 54481

Sentry Holdings, Inc.

1800 North Point Drive
Stevens Point, Wisconsin 54481

Sentry Insurance Company

1800 North Point Drive
Stevens Point, Wisconsin 54481

Background of the Applicant(s):

Sentry Mutual Holding Company

SMHC is a Wisconsin mutual insurance holding company and direct parent of SHI. SHI controls 100% of SHI.

Sentry Holdings, Inc.

SHI is a Wisconsin corporation and the direct parent of SIC. SHI controls 100% of SIC.

Sentry Insurance Company

SIC is a Wisconsin domestic property and casualty insurer that was incorporated on 08/01/1913. The company is licensed to write Aircraft, Automobile, Credit Insurance, Credit Unemployment, Disability Insurance, Fidelity Insurance, Fire, inland marine and other property insurance, Liability and incidental medical expense insurance (other than automobile), Miscellaneous, Ocean marine insurance, Surety Insurance, Workers Compensation Insurance, and Legal expense insurance. The company is licensed to do business in all states, the District of Columbia, Puerto Rico, and Canada.

Directors and Executive Officers of SMHC

<u>Name</u>	<u>Title</u>
Peter George McPartland*	President, CEO, and Chairman
Graham Wilton Atkinson*	Director
David Robert Casper*	Director
Larry Jay Goodman, M.D.*	Director
Susan C. Morisato*	Director
James Donald Pearson*	Director
Peter John Pestillo*	Director
Jean Louise Hedberg Regan*	Director
Patricia Ann Steinert*	Director
Timothy Kenneth Kovac*	Vice President, General Counsel and Corporate Secretary
Todd Michael Schroeder*	Vice President and Treasurer
James Elliot McDonald*	Vice President
Peter Gregory Anhalt*	Vice President
John James Hyland*	Vice President
Scott Allan Miller*	Vice President
Stephanie Lorraine Smith*	Vice President
James William Frank*	Vice President
Michael Kenneth Cloud*	Vice President
Sean R. Nimm*	Vice President and Chief Actuary

Directors and Executive Officers of SHI

<u>Name</u>	<u>Title</u>
Peter George McPartland*	President and Chairman
Sean R. Nimm*	Vice President and Director
Timothy Kenneth Kovac*	Secretary and Director
Todd Michael Schroeder*	Treasurer and Director
James Elliot McDonald*	Director

Directors and Executive Officers of SIC

<u>Name</u>	<u>Title</u>
Peter George McPartland*	President, CEO, Director, and Chairman
Timothy Kenneth Kovac*	Vice President, Secretary, and Director
Todd Michael Schroeder*	Vice President, Treasurer, and Director
James Elliot McDonald*	Vice President and Director
Peter Gregory Anhalt*	Vice President
John James Hyland*	Vice President
Scott Allan Miller*	Vice President
Stephanie Lorraine Smith*	Vice President
James William Frank*	Vice President
Michael Kenneth Cloud*	Vice President
Sean R. Nimm*	Vice President and Chief Actuary, Director

Proposed Directors and Executive Officers of PGAC

<u>Name</u>	<u>Title</u>
Kautilya N. Raval*	President, Director
Paul Gwidt*	Treasurer
Raina Zanow*	Secretary
Siddarth Jain*	Vice President, Director
Eileen Manners*	Vice President
Robert Meikle*	Vice President
Rob Yeiser*	Vice President
Peter McPartland*	Chairman
Peter Anhalt*	Director
Todd Schroeder*	Director

Proposed Directors and Executive Officers of PGAC OH

<u>Name</u>	<u>Title</u>
Kautilya N. Raval*	President, Director
Paul Gwidt*	Treasurer
Raina Zanow*	Secretary
Siddarth Jain*	Vice President, Director
Eileen Manners*	Vice President
Robert Meikle*	Vice President
Rob Yeiser*	Vice President
Peter McPartland*	Chairman
Peter Anhalt*	Director
Todd Schroeder*	Director

Proposed Directors and Executive Officers of General Auto

<u>Name</u>	<u>Title</u>
Kautilya N. Raval*	President, Director
Paul Gwidt*	Treasurer
Raina Zanow*	Secretary
Siddarth Jain*	Vice President, Director
Eileen Manners*	Vice President
Robert Meikle*	Vice President

Rob Yeiser*
Peter McPartland*
Peter Anhalt*
Todd Schroeder*

Vice President
Chairman
Director
Director

Note: * following an individual's name indicates that the biographical affidavit was provided for the individual and there are no outstanding significant concerns after OCI review.

Nature, Source, and Consideration

The Applicants propose to purchase 100% of the issued and outstanding shares of PGC pursuant to the stock purchase agreement dated September 4, 2024. As a result of the acquisition of control of PGC, the Applicants will also acquire control of PGAC, PGAC OH, and General Auto. PGC has 5,000 shares of voting common stock authorized, issued, and outstanding, which is currently owned by AmFam. PGC owns all 300 shares of voting common stock authorized, issued, and outstanding of PGAC, and all 10,000 shares of voting common stock authorized, issued, and outstanding of PGAC. Additionally, PGAC OH owns all 1,000 shares of voting common stock authorized, issued, and outstanding of General Auto.

The purchase price for the shares will be \$1.7 billion, subject to post-closing adjustments for transaction expenses, a statutory capital adjustment, and other such items as further described in the Form A and stock purchase agreement. At closing, SIC will pay the adjusted purchase price to AmFam in cash by wire transfer.

The Applicants stated in the Form A that there has not been any recent purchase of any voting securities in the Domestic Insurers in the past 12 months and there have been no other recommendations to purchase voting shares in the past 12 months. They also stated that the terms of the combination agreement were determined as the result of arm's length negotiations between the parties.

Future Plans

After the close date PGAC OH and PGAC will become direct subsidiaries of SIC and General Auto will remain a direct subsidiary of PGAC OH, as shown in the post transaction organizational chart above. The Applicants also intend to file Form Ds related to reinsurance agreements, intercompany administrative services agreements, joint investment agreements, tax allocation agreements, and intercompany loan agreements.

OCI reviewed the confidential business plan and financial projections for each of the Domestic Insurers as part of the Form A review.

As stated in the Form A, the Applicants have no plans to declare an extraordinary dividend, liquidate the Domestic Insurers, sell the Domestic Insurers assets, or merge it with any person or to make any other material changes in the Domestic Insurers' business operations, corporate structure, or management other than as included in the Form A.

Financial Highlights

Highlighted Financial Data of the Applicant(s):

SMHC

Financial Highlights (in millions)	Consolidated Financial Statements		
	2023	2022	2021
Total Assets	25,035	22,921	23,931
Total Liabilities	16,990	15,375	16,371
Total Net Assets	8,045	7,547	7,560
Total Revenue	4,936	4,521	4,222
Operating Income	440	488	583
Net Income	338	291	719
Net Cash Provided by Operating Activities	705	291	725

Note: Wisconsin requires that five years of audited financial statements be provided for the Ultimate Controlling Person (UCP). In this case, while the group has been in existence for greater than five years, the mutual holding company was formed during 2021. OCI reviewed predecessor financial statements for 2019 and 2020, but only included 2021 to 2023 for comparability.

Financial Projections of the Domestic Insurer(s):

PGAC

The financial projections of the Domestic Insurers are confidential. OCI reviews these projections as part of the Form A review process.

PGAC OH

The financial projections of the Domestic Insurers are confidential. OCI reviews these projections as part of the Form A review process.

General Auto

The financial projections of the Domestic Insurers are confidential. OCI reviews these projections as part of the Form A review process.

611.72 (3) Standard

Wisconsin Statute s. 611.72(3)(am) creates a five-part test for the Commissioner to use when evaluating the merger or acquisition of a domestic stock insurance company. It reads, in relevant part:

(am) The commissioner shall approve the plan if the commissioner finds...that it would not violate the law or be contrary to the interests of the insureds of any participating domestic corporation or of the Wisconsin insureds of any participating nondomestic corporation and that:

1. After the change of control, the domestic stock insurance corporation or any domestic stock insurance corporation controlled by the insurance holding corporation would 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;
2. The effect of the merger or other acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in this state;

3. The financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic stock insurance corporation or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders;

4. The plans or proposals which the acquiring party has to liquidate the domestic stock insurance corporation or its parent insurance holding corporation, sell its assets, merge it with any person or make any other material change in its business or corporate structure or management, are fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest; and

5. The competence and integrity of those persons who would control the operation of the domestic stock insurance corporation or its parent insurance holding corporation are such that it would be in the interest of the policyholders of the corporation and of the public to permit the merger or acquisition of control.

These five requirements are analyzed below.

s. 611.72(3)(am)1: After reviewing the documents provided by the Applicant in their Form A filing, OCI Staff believes that the Applicant is able to satisfy s. 611.72(3)(am)1. In reaching this decision, OCI staff has relied heavily on the proposed business plan and financial projections.

s. 611.72(3)(am)2: OCI's determined that a Form E analysis was not necessary. OCI's examination of the potential competitive effects concluded that approving the acquisition would not violate the competitive standards set forth in s. Ins 40.025(4), Wis. Adm. Code.

s. 611.72(3)(am)3: Paragraph three requires that the financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic insurance corporation or its parent insurance corporation, or prejudice the interest of its Wisconsin policyholders. After reviewing the documents provided by the Applicants, the concern that affiliated non-insurance operations would jeopardize the financial condition is deemed minimal. OCI, however, will monitor compliance with s. 611.72(3)(am)3, Wis. Stat., going forward.

s. 611.72(3)(am)4: Paragraph four requires that the post-transaction plans to change the business structure be "fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest." The Form A filing notes that the Applicants have no current plans or proposals to declare any extraordinary dividend, to liquidate the Domestic Insurers, or to sell the assets of the Domestic Insurers. Additional review of the filing by OCI staff does not indicate any significant changes to the operation of the Domestic Insurers. Compliance with s. 611.72(3)(am)4, Wis. Stat., is expected.

s. 611.72(3)(am)5: Paragraph 5 requires that OCI review the Biographical Affidavits of the proposed officers and directors of the Applicants. This review did not raise significant concerns.

Recommendation

The Acquisition of Control in the above-referenced Form A filing will not violate the law or be contrary to the interests of the insureds, and it does not meet any of the disqualifying criteria outlined in s. 611.72 (3), Wis. Adm. Code. Therefore, the transaction should be approved.