



DATE: May 30, 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)

Primary Contact(s):

Thomas J. Nichols
Shareholder
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Milwaukee, WI 53202
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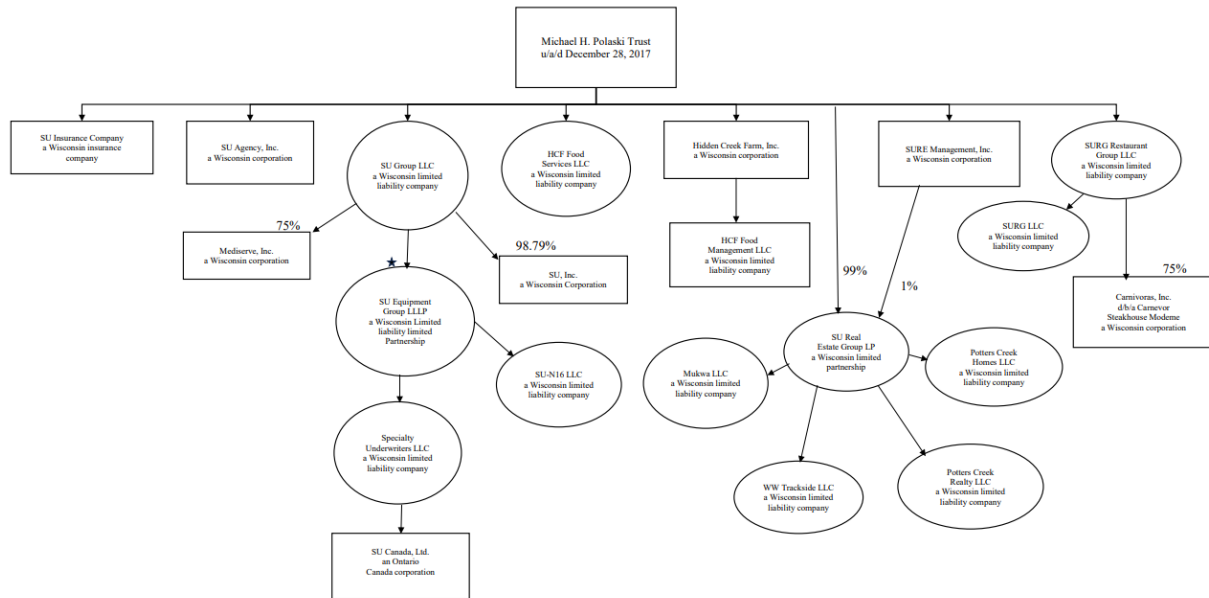
Form A Exhibit(s)

<u>Exhibit:</u>	<u>Description:</u>
Ex. 1	Subagency Agreement
Ex. 2	Agency Agreement
Ex. 3	General Agency Agreement
Ex. 4	Biographical Affidavits of the Directors and Officers
Ex. 5	Business Plan
Ex. 6	Organizational Chart
Ex. 7	List of Directors and Officers
Ex. 8	Audited Financial Statements of SUIC for the Years ended December 31, 2018 and 2017
Ex. 9	Audited Financial Statements of SUIC for the Years ended December 31, 2019 and 2018
Ex. 10	Audited Financial Statements of SUIC for the Years ended December 31, 2020 and 2019
Ex. 11	Audited Financial Statements of SUIC for the Years ended December 31, 2021 and 2020
Ex. 12	Audited Financial Statements of SUIC for the Years ended December 31, 2022 and 2021
Ex. 13	September 30, 2023 Quarterly Statement for SUIC
Ex. 14	Financial Projections of SUIC
Ex. 15	Trust Agreement

Executive Summary

On March 8, 2024, the Michael H. Polaski trust u/a/d October 24, 1991 (MHP Trust, and the "Applicant"), submitted a Form A filing in the matter of the acquisition of control of SU Insurance Company (SUIC, the "Company"). As Mr. Polaski has passed away, the successor trustees of the MHP trust have acquired control.

Organizational Chart:



Note: The organizational chart will not change as the transaction involves the acquisition of control by new trustees within the MHP Trust.

Identity and Background of the Domestic Insurer(s)

Identity of the Domestic Insurer(s):

SU Insurance Company
9667 South 20th Street
Oak Creek, WI 53154

Background of the Domestic Insurer(s):

SU Insurance Company
SU Insurance Company was licensed to transact 2(a) Fire, Inland Marine, and Other Property Insurance and 2(n) Miscellaneous insurance business in the State of Wisconsin on April 26, 2005, and is rated A- (Excellent) by A.M. Best. The Company is licensed to issue policies in all 50 states and D.C.

Identity and Background of the Applicant(s)

Identity of the Applicant(s):

Michael H. Polaski Trust
111 East Kilbourn Avenue, 19th Floor
Milwaukee, WI 53202

Background of the Applicant(s):

Michael H. Polaski Trust
MHP Trust was established on October 24, 1991, to hold property on behalf of Mr. Polaski. Trust is the direct parent of SUIC.

Trustee of Michael H. Polaski Trust

<u>Name</u>	<u>Title</u>
Jennifer A. McFarland*	Trustee
Joseph A. Fallico*	Trustee
Thomas J. Nichols*	Trustee

Executive Officers and Directors of SUIC

<u>Name</u>	<u>Title</u>
Michael J. Polaski*	Director, Vice President, Secretary, Director of Account Management, Anti-Fraud Coordinator
Jennifer A. McFarland*	Director
Sarah M. McLean*	Director
Joseph A. Fallico*	Director, President, Chief Operations Officer,
Thomas J. Nichols*	Director,
Timothy P. Foley*	Assistant Treasurer, Director of Finance and Administration

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

100% of the outstanding shares of SUIC are owned by the Michael H. Polaski Trust. As a result of the passing of Michael H. Polaski, Jennifer McFarland, Joseph Fallico, and Thomas Nichols now control the Trust as Trustees, and therefore have obtained control of SUIC. No change has occurred to the ownership of the shares of SUIC by the Trust and no consideration has been transferred as a result.

The Applicants stated in the Form A that there has not been any recent purchase of any voting securities in the Domestic Insurer in the past 12 months and there have been no other recommendations to purchase voting shares in the past 12 months.

Future Plans

As described in the Nature, Source, and Consideration section above, the Trustees will gain control of SUIC through the Michael H. Polaski Trust. The domestic insurer will continue to be managed by the existing directors and officers, some of who are also Trustees, in substantially the same manner as before the transaction.

Review of the confidential business plan provided by the Applicants further shows the expectation that the Domestic Insurers' will continue to operate in a substantially similar manner post transaction. 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.

Financial Highlights

Highlighted Financial Data of MHP Trust:

The financial statements of the MHP Trust are confidential. OCI reviews these projections as part of the Form A review process.

Highlighted Financial Data of SUIC:

Financial Highlights (in thousands)	Audited Financial Statements					
	Sep-23	2022	2021	2020	2019	2018
Total Assets	41,292,925	30,642,449	25,526,511	24,432,964	24,127,301	23,461,767
Total Liabilities	28,784,864	16,261,184	11,735,181	11,377,152	11,594,894	10,838,225
Total Capital and Surplus	12,508,061	14,381,265	13,791,330	13,055,812	12,532,407	12,623,542
Premiums Earned	17,507,407	20,258,212	16,060,516	15,909,897	16,200,289	15,756,088
Underwriting Gain	(2,630,692)	1,000,440	(259,201)	96,432	(1,075,096)	(324,211)
Net Income	(2,342,958)	977,764	419,539	488,548	(705,969)	(22,299)
Net Cash Provided by Operating Activities	(759,511)	4,243,259	487,865	(282,917)	195,615	(249,496)

Financial Projections of the Domestic Insurer(s):

The financial projections of the Domestic Insurer(s) 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 Insurer, or to sell the assets of the Domestic Insurer. Additional review of the filing by OCI staff do not indicate any significant changes to the operation of the Domestic Insurer. 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.