



DATE: November 2, 2021  
TO: Amy J. Malm  
Mark McNabb  
FROM: Christopher Martin  
SUBJECT: Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (Case No. 21-C44212).

**Form A Filing Contact(s)**

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**Form A Exhibit(s)**

<b><u>Exhibit:</u></b>	<b><u>Description:</u></b>
Exhibit A	Redacted Stock Purchase Agreement (and excluding schedules and annexes)
Exhibit B	Unredacted Stock Purchase Agreement (submitted confidentially under separate cover)
Exhibit C	Voting Agreement
Exhibit D	Pre-Acquisition Organizational Chart of the Applicant
Exhibit E	Pre-Acquisition Organizational Chart of the Domestic Insurer
Exhibit F	Post-Acquisition Organizational Chart of the Applicant and Domestic Insurer
Exhibit G	List of Current and Proposed Directors and Executive Officers of the Applicant
Exhibit H	Biographical Affidavits Executed by the Directors and Executive Officers of the Applicant and the Proposed Directors and Officers of the Domestic Insurer (submitted confidentially under separate cover)
Exhibit I	Post-Acquisition Business Plan for the Domestic Insurer (submitted confidentially under separate cover)
Exhibit J	List of the Proposed Directors and Executive Officers of the Domestic Insurer
Exhibit K	Current Articles of Incorporation of the Domestic Insurer
Exhibit L	Current Bylaws of the Domestic Insurer

- Exhibit M Audited Annual Financial Statements for the Applicant for 2016, 2017, 2018, 2019, and 2020
- Exhibit N Quarterly Financial Statements for the Applicant for the quarters ended March 31, 2021, and June 30, 2021
- Exhibit O Annual Reports of the Applicant to Stockholders for 2019 and 2020
- Exhibit P ICC and Domestic Insurer Board Resolutions approving the Stock Purchase
- Exhibit Q Applicant Board Resolutions approving the Stock Purchase
- Exhibit R Competitive Impact Statement
- Exhibit S Consent to Jurisdiction Statement

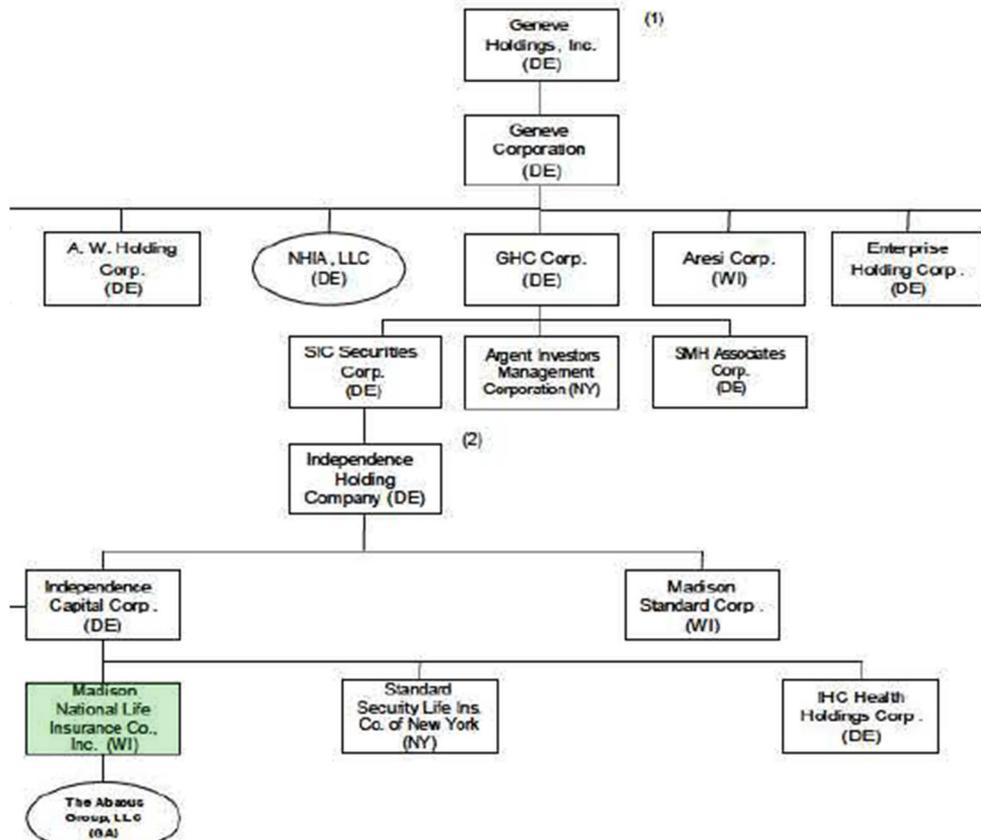
**Executive Summary**

On August 19, 2021, Horace Mann Educators Corporation, a publicly traded corporation (the “Applicant”), requested the prior approval of the Wisconsin Commissioner of Insurance (the “Commissioner”), pursuant to Wis Stat. §611.72(2), of the acquisition of Madison National Life Insurance Company, Inc., a Wisconsin domiciled stock life insurance company (the “Domestic Insurer”), by the Applicant.

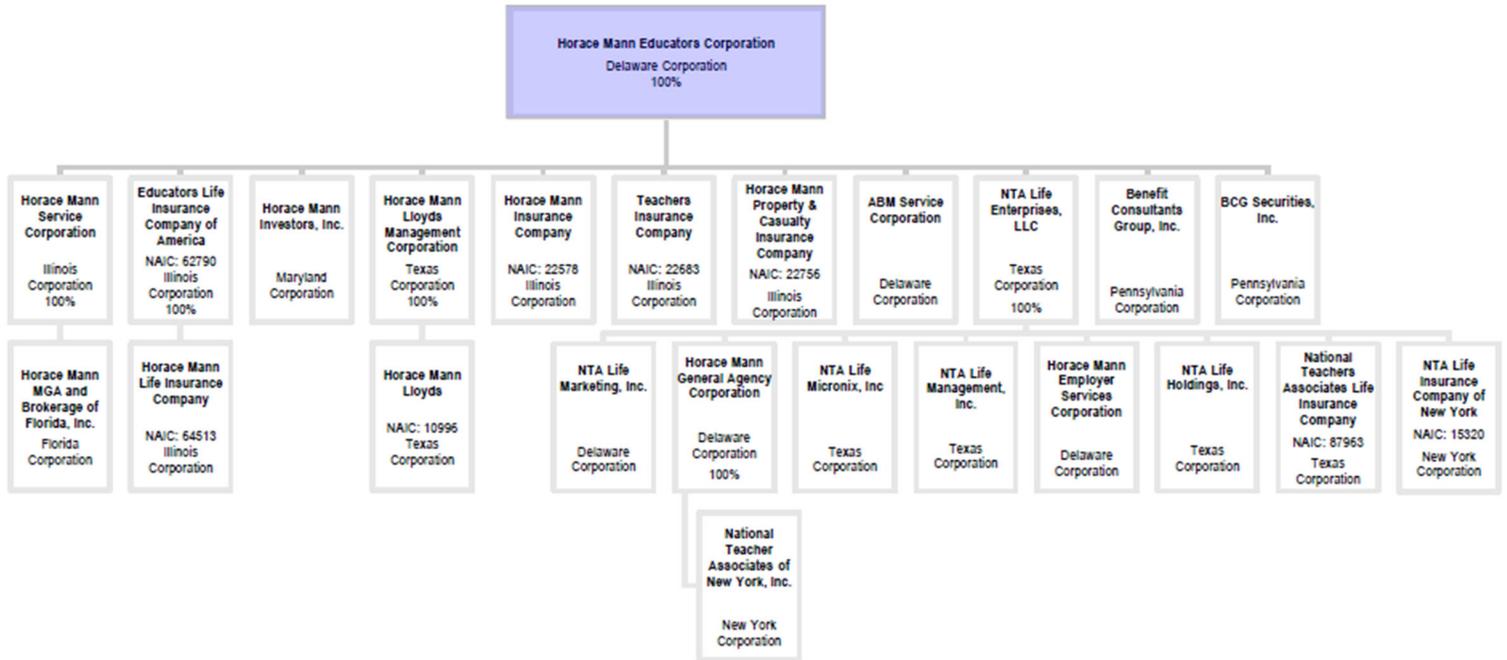
The Applicant has entered into a stock purchase agreement to acquire all of the issued and outstanding capital stock of the Domestic Insurer in an all-cash transaction, which will result in the Applicant becoming the controlling person of the Domestic Insurer.

**Transaction**

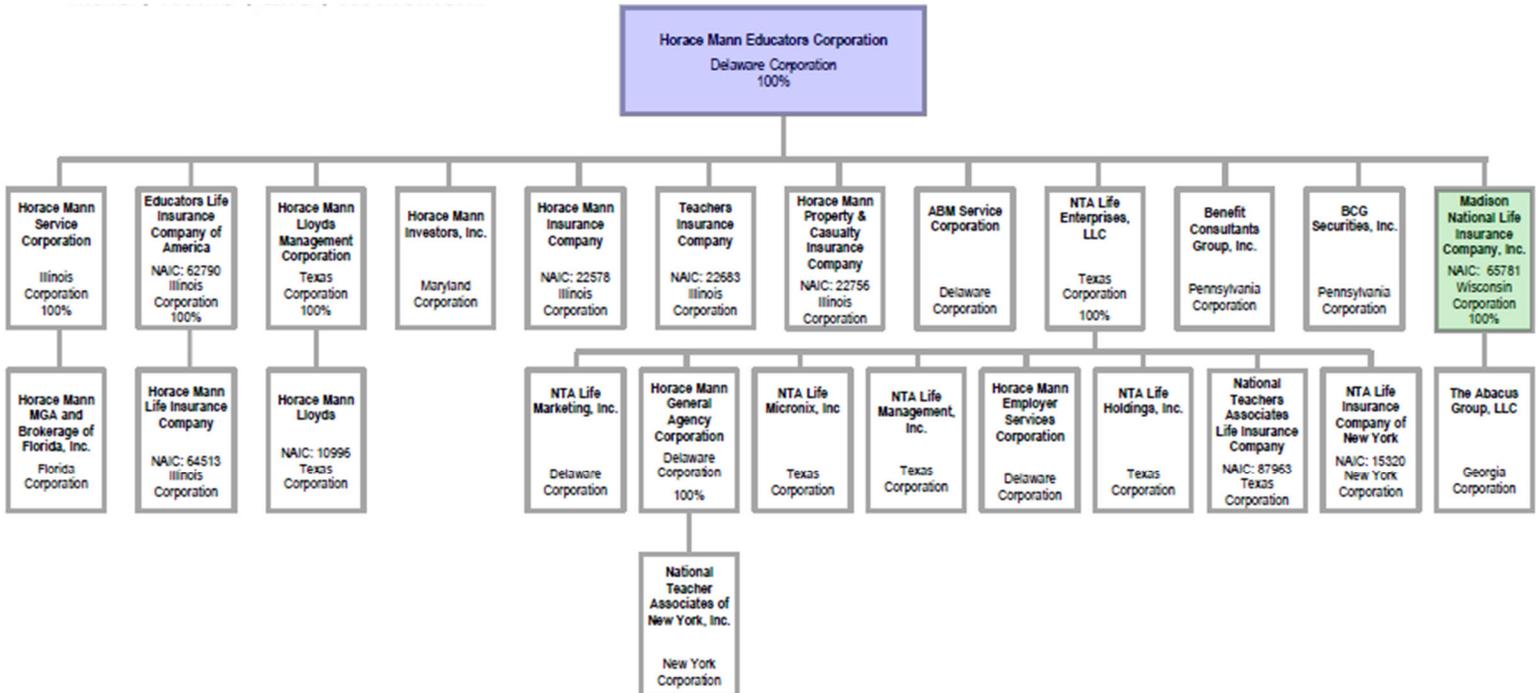
**Domestic Insurer Organizational Chart Before Proposed Transaction (partial):**



**Chart Before Proposed Transaction:**



**Domestic Insurer Organizational Chart After Proposed Transaction:**



## **Identity and Background of the Domestic Insurer**

### **Identity of the Domestic Insurer:**

#### **Madison National Life Insurance Company, Inc.**

1241 John Q Hammons Drive  
Madison, Wisconsin 53717

### **Background of the Domestic Insurer:**

#### **Madison National Life Insurance Company, Inc.**

The Domestic Insurer is a life and accident and health insurer licensed to write insurance in 49 states, the District of Columbia, the U.S. Virgin Islands, American Samoa, and Guam. Its core product offerings include group long-term disability, short-term disability, and term life insurance. As of July 14, 2021, the company had an A- (Excellent) financial strength rating from A.M. Best. The Domestic Insurer is a wholly-owned subsidiary of Independence Capital Corporation, a Delaware corporation ("ICC"), which is a direct, wholly-owned subsidiary of Independence Holding Company, a Delaware Corporation ("Parent" and together with ICC, the "Seller Party").

## **Identity and Background of the Applicant**

### **Identity of the Applicant:**

#### **Horace Mann Educators Corporation**

1 Horace Mann Plaza  
Springfield, Illinois 62715

### **Background of the Applicant:**

#### **Horace Mann Educators Corporation**

The Applicant is a stock corporation incorporated under the laws of the State of Delaware. The Applicant was founded in 1945 and is publicly traded on the New York Stock Exchange (NYSE: HMN). The Applicant acts as a holding company for insurance companies, as well as financial services companies. Through its subsidiaries, the Applicant markets and underwrites personal lines of property and casualty (primarily personal lines of automobile and property) insurance, retirement products (primarily tax-qualified annuities), life insurance and supplemental insurance in the U.S. Its products are primarily marketed to K-12 teachers, administrators and other public school employees and their families. The Applicant has eight insurance company subsidiaries, five of which are licensed in Wisconsin. Specifically, Horace Mann Insurance Company, Horace Mann Life Insurance Company, Horace Mann Property & Casualty Company, National Teachers Associates Life Insurance Company, and Teachers Insurance Company are Wisconsin Licensed subsidiaries of the Applicant. The Applicant's insurance subsidiaries have an A.M. Best rating of A (Excellent).

The Applicant intends to continue offering insurance products and services through its subsidiaries, including the Domestic Insurer (pending approval of this Form A and Closing) by using the Domestic Insurer's present method of operation following the approval and closing of the proposed stock purchase.

### **Current Directors and Executive Officers of Horace Mann Educators Corporation:**

<b>Name</b>	<b>Positions Held</b>
Mark S. Casady*	Director
Daniel A. Domenech*	Director
Perry G. Hines*	Director
Mark E. Konen*	Director
Beverley J. McClure*	Director

H. Wade Reece*	Director, Chairman
Elaine A. Sarsynski*	Director
Robert Stricker*	Director
Steven O. Swyers*	Director
Marita Zuraitis*	Director, President & Chief Executive Officer
Bret A. Conklin*	Executive Vice President & Chief Financial Officer
Donald M. Carley*	Executive Vice President, General Counsel, Corporate Secretary, Chief Compliance Officer, Insider Trading Compliance Officer, and Ethics Officer
Matther P. Sharpe*	Executive Vice President, Distribution & Business Strategy
Timothy A. Darley*	Senior Vice President, Shared Services
Mark R. Desrochers	Senior Vice President, Property & Casualty and Chief Corporate Actuary
Stephanie Fulks*	Senior Vice President and Chief Information Officer
Ryan E. Greenier*	Senior Vice President, Finance and Chief Investment Officer
Kimberly A. Johnson*	Senior Vice President, Controller and Chief Accounting Officer
Jennifer E. Thayer*	Senior Vice President and Chief Human Resources Officer
Michael B. Weckenbrock*	Senior Vice President, Life & Retirement
Raymond M. Chopik*	Vice President and Audit Director
Troy M. Gayle*	Vice President and Treasurer
D. Tyson Sanders*	Vice President, Supplemental
Matthew H. Shapiro*	Vice President & Chief Procurement Officer
Jeremy A. Stuenkel*	Vice President & Tax Director
Linea K. Michael*	Assistant Corporate Secretary

**Proposed Directors and Executive Officers of Madison National Life Insurance Company:**

<b>Name</b>	<b>Positions Held</b>
Donald M. Carley*	Director, Executive Vice President, General Counsel, Corporate Secretary, and Chief Compliance Officer
Bret A. Conklin*	Director, Executive Vice President & Chief Financial Officer
Mark R. Desrochers*	Director
D. Tyson Sanders*	Director
Matthew P. Sharpe*	Director, Executive Vice President, Distribution and Business Development
Robert J. Stubbe*	Director, Senior Vice President, Employer Services
Michael B. Weckenbrock*	Director,
Marita Zuraitis*	Director, President & Chief Executive Officer
Kimberly A. Johnson*	Senior Vice President, Controller and Chief Accounting Officer
Ryan E. Greenier*	Senior Vice President, Finance and Chief Investment Officer
Troy M. Gayle*	Vice President & Treasurer
Jeremy Stuenkel*	Vice President & Tax Director
Linea K. Michael*	Assistant Corporate Secretary

**Proposed Directors and Executive Officers of Horace Mann Educators Corporation:**

<b>Name</b>	<b>Positions Held</b>
Mark S. Casady*	Director
Daniel A. Domenech*	Director
Perry G. Hines*	Director
Mark E. Konen*	Director
Beverley J. McClure*	Director
H. Wade Reece*	Director, Chairman
Elaine A. Sarsynski*	Director
Robert Stricker*	Director
Steven O. Swyers*	Director
Marita Zuraitis*	Director, President & Chief Executive Officer

Bret A. Conklin*	Executive Vice President & Chief Financial Officer
Donald M. Carley*	Executive Vice President, General Counsel, Corporate Secretary, Chief Compliance Officer, Insider Trading Compliance Officer, and Ethics Officer
Matther P. Sharpe*	Executive Vice President, Distribution & Business Strategy
Timothy A. Darley*	Senior Vice President, Shared Services
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Troy M. Gayle*	Vice President and Treasurer
D. Tyson Sanders*	Vice President, Supplemental
Matthew H. Shapiro*	Vice President & Chief Procurement Officer
Jeremy A. Stuenkel*	Vice President & Tax Director
Linea K. Michael*	Assistant Corporate Secretary

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

#### **Nature, Source, and Consideration**

As noted in the stock purchase agreement, the base price to be paid in connection with the stock purchase is \$172.5 million, which amount is subject to adjustment pursuant to the terms of the stock purchase agreement. The stock purchase will be an all-cash transaction and is not subject to any financing condition. The Applicant plans to fund the stock purchase with its existing excess capital along with its available line of credit under its credit agreement dated June 21, 2019, and as amended effective July 12, 2021, with various lenders and PNC Bank, National Association, and JPMorgan Chase Bank, N.A. as joint lead arrangers, whereby the Applicant can draw up to \$325 million, if preferred, to optimize its liquidity position or further enhance return on equity. The Applicant is not affiliated with any lender under the referenced credit facility and the Applicant will keep the Commissioner apprised as to the amount (if any) borrowed or to be borrowed in connection with the consummation of the stock purchase.

Immediately after giving effect to the stock purchase, the RBC ratio of the Domestic Insurer will be at or above 400% company action level RBC. According to the Applicant, the nature and amount of the funds to be used to effect the proposed stock purchase were determined by arm's length negotiations among the parties to the stock purchase.

#### **Applicant's Future Plan for the Insurer**

Except as described in the Form A, the Applicant has no present plans or proposals to cause the Domestic Insurer to declare an extraordinary dividend or to liquidate the Domestic Insurer, sell any of the Domestic Insurer's assets (other than such sales of assets as may be contemplated in the ordinary course of the Domestic Insurer's business), merge or consolidate the Domestic Insurer with any person or persons, or make any other material change in the business operations or corporate structure or management of the Domestic Insurer, including a change in the number of the Domestic Insurer's employees. A post-acquisition business plan for the Domestic Insurer, and three years of financial projections, were included in the exhibits to the Form A application. Upon review, neither the business plan nor the financial projections raised significant concerns.

The Domestic Insurer is currently a party to intercompany agreements with entities with which it is currently affiliated. As a result of the proposed stock purchase, certain of these intercompany agreements

will need to be amended or terminated. The requisite Form D filings will be made with respect to any such amendments and the requisite informal notices will be given with respect to any such terminations.

As currently contemplated by the seller party, the Domestic Insurer is only expected to enter into a reinsurance agreement with its current affiliate, Independence American Insurance Company. The requisite Form D filing will be made with respect to any such agreement. The Domestic Insurer is no longer expected to enter into another reinsurance agreement with its current affiliate, Standard Security Life Insurance Company of New York.

Further, the Applicant and certain of its subsidiaries are parties to intercompany agreements for the purpose of sharing costs and services. The Domestic Insurer and its subsidiary, The Abacus Group, LLC, a Georgia limited liability company, will be added to such Intercompany agreements at or after the closing of the proposed stock purchase and the requisite Form D filings are being made with respect to any such additions either concurrently herewith or shortly following this Form A application. The anticipated intercompany agreements will include tax sharing and shared services agreements, which would cover accounting, payroll/benefits, and all other shared services.

The Applicant also has no present plans or proposals to amend the Domestic Insurer's articles of incorporation, bylaws, or registered agent.

## Financial Highlights

### Highlighted Financial Data of the Applicant:

Financial Highlights (in thousands)	Unaudited		Consolidated Financial Statement			
	Q2 2021	2020	2019	2018	2017	2016
Total Revenue	669,100	1,310,441	1,430,485	1,191,599	1,171,500	1,128,910
Consolidated Net Income	86,000	133,315	184,443	18,343	169,400	83,765
Total Assets	14,190,100	13,471,813	12,487,705	11,031,896	11,198,340	10,576,824
Total Liabilities	12,373,500	11,681,734	10,911,419	9,741,346	9,696,767	9,282,842
Total Equity	1,816,600	1,790,079	1,567,285	1,290,550	1,501,573	1,293,982
Net Cash Provided by Operating Activities	116,600	259,794	127,573	200,888	256,586	211,433

### Financial Projections of the Domestic Insurer:

The financial projections of the Domestic Insurer 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:** It is OCI's opinion that a Form E analysis is not necessary as this proposed merger will not result in the combined market share of the involved insurers will not be greater than 5%. As such, the risk that this transaction would eliminate competition for insurance products in Wisconsin is minimal. OCI's initial 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 of the Domestic Insurer 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 has 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 Applicant. This review did not raise significant concerns.

<b>Recommendation</b>
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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.