



DATE: September 8, 2023
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):

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Form A Exhibit(s)

| <u>Exhibit:</u> | <u>Description:</u> |
|------------------------|---|
| Ex 1 | Purchase Agreement |
| Ex 2 | Balance Sheet of MGT as of March 31, 2023 |
| Ex 3 | Abbreviated Post-Closing Organizational Chart |
| Ex 4 | List of Current Directors and Executive Officers of the Applicants |
| Ex 5 | List of Individuals Proposed to be Initially Designated by Applicants as Executive Officers and Directors of CM Select's Board of Directors |
| Ex 6 | Unaudited financial statements for RCP I LP for the years ended December 31, 2021, December 31, 2020, and December 31, 2019 |

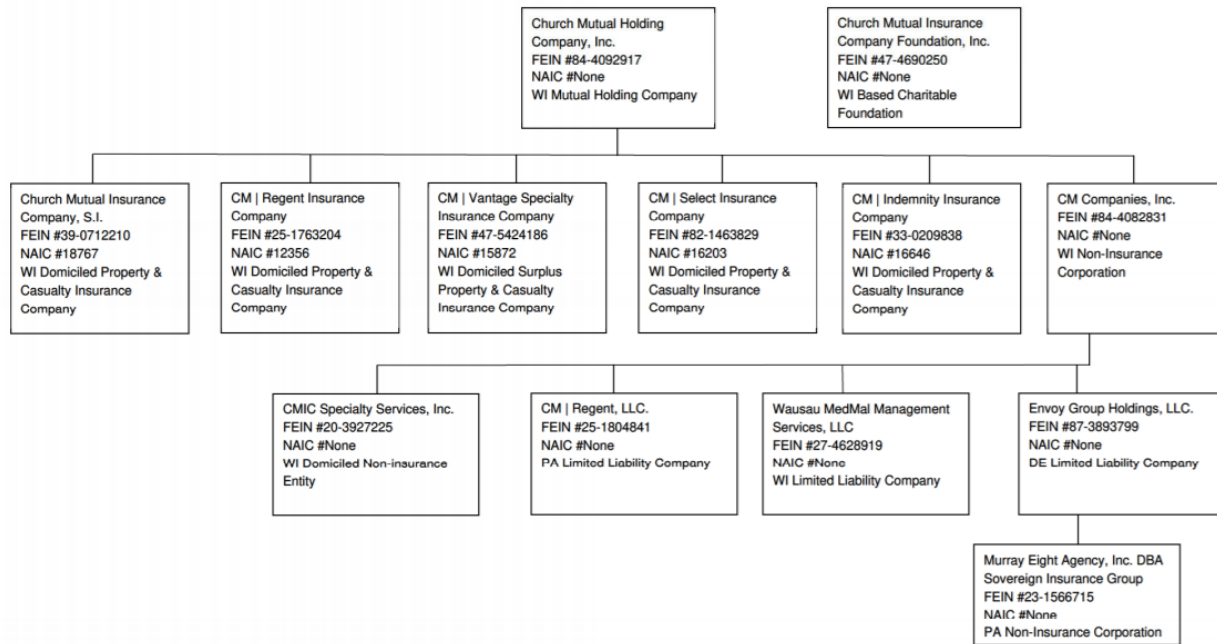
| | |
|-------|---|
| Ex 7 | Tax Returns for Michael Topol for the years ended December 31, 2021, December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017 |
| Ex 8 | Tax Returns for Graham Topol for the years ended December 31, 2021, December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017 |
| Ex 9 | Biographical Affidavits |
| Ex 10 | Plan of Operations |
| Ex 11 | Three-year Financial Projections of CM Select |

Executive Summary

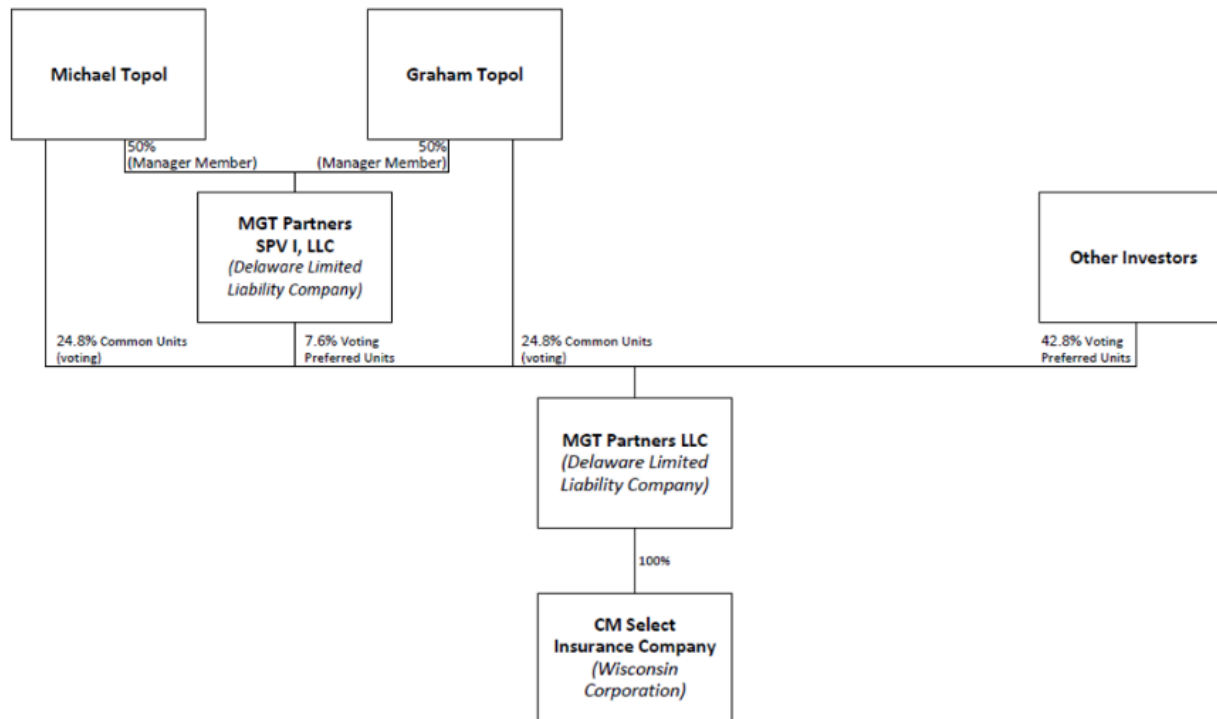
On April 14, 2023, a Form A Filing was submitted by MGT Partners LLC ("MGT"), Michael Topol, Graham Topol, Riviera Capital Partners I, LP ("RCP I LP"), Riviera Capital Partners II, LP ("RCP II LP"), and Riviera Capital Partners SPV III, LP ("RCP SPV III LP", and together the "Applicants") regarding the acquisition of control of CM Select Insurance Company ("CM Select"). The acquisition of control would occur pursuant to the purchase agreement. As stated in the form A, the purchase amount for the 4 million issued and outstanding common stock shares of CM Select common stock is expected to be \$10 million plus statutory surplus of approximately \$21.8 million, for a total of approximately \$31.8 million.

On July 28, 2023, the applicants submitted Change No. 1 to the Form A. The effect of this change was to remove RCP I LP, RCP II LP, and RCP SPV III LP as applicants to the Form A. The removal of the RCP entities as applicants to the Form A is due to changes made in the MGT LLC Agreement which result in RCP I LP, RCP II LP, and RCP SPV III LP, individually and together, no longer proposing to control greater than 10% of the domestic insurer, post transaction. Additionally, a Disclaimer of Affiliation was filed on August 29, 2023, which further clarified the position of the RCP entities post transaction. Wisconsin did not contest the Disclaimer of Affiliation.

Organizational Chart of the Domestic Insurer Before Proposed Transaction:



Organizational Chart of the Domestic Insurer After Proposed Transaction:



Identity and Background of the Domestic Insurers

Identity of the Domestic Insurers:

CM Select Insurance Company

3000 Schuster Lane
Merrill, WI 54452

Background of the Domestic Insurers:

CM Select is a Wisconsin Domestic, stock, property and casualty insurance company which was incorporated on 05/04/2017. The company is currently licensed to write Fire, Inland Marine and Other Property Insurance, Liability and Incidental Medical Expense Insurance (other than automobile), Automobile, Fidelity Insurance, Workers Compensation Insurance, and Miscellaneous. CM Select is licensed in 48 states and the District of Columbia. CM Select is currently part of the Church Mutual Group.

Identity and Background of the Applicants

Identity of the Applicants:

MGT Partners LLC

LLC 251 Little Falls Drive
Wilmington, DE 19808

Michael Topol

251 Little Falls Drive
Wilmington, DE 19808

Graham Topol

251 Little Falls Drive
Wilmington, DE 19808

Background of the Applicant:

MGT Partners LLC

MGT is a Delaware LLC formed by Graham Topol and Michael Topol for the purpose of consummating the acquisition of control of CM Select.

Michael Topol

An individual with previous private equity investment experience focusing on insurance technology and financial services.

Graham Topol

An individual with previous experience operating and investing in insurance companies.

Executive Officers and Directors of MGT Partners LLC:

Name

Title

Richard Poirier*
Mark Green*
Jeffrey Immelt*
Joel Peterson*
Michael Topol*

Director
Director
Director
Director
Director, Co-Chief Executive Officer, and Secretary

Graham Topol*

Director, Co-Chief Executive Officer

Proposed Executive Officers and Directors of CM Select Insurance Company:

| <u>Name</u> | <u>Title</u> |
|--------------------|--|
| Richard Poirier* | Director |
| Mark Green* | Director, Secretary |
| Jeffrey Immelt* | Director |
| Joel Peterson* | Director |
| Michael Topol* | Director, Co-Chief Executive Officer, Treasurer, and Assistant Secretary |
| Graham Topol* | Director, Co-Chief Executive Officer, President |

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

On March 7, 2023, MGT and Church Mutual signed a Stock Purchase Agreement wherein Church Mutual would sell all of the issued and outstanding shares of CM Select to MGT. The expected purchase price of which will be \$10 million plus statutory surplus of approximately \$21.8 million, for a total of \$31.8 million. The statutory surplus is subject to adjustments and the total purchase price will be paid in cash at the closing date. Based on the balance sheet as of March 31, 2023, MGT had \$20 million in cash and \$46 million in undrawn capital. As of July 25, 2023, MGT had approximately \$19 million in cash and intends that subject to OCI approval of the application, the company will draw capital necessary for the purchase price.

As stated in the Form A, MGT and Church Mutual determined the nature and amount of the consideration for the proposed transaction and the other terms and conditions of the Purchase Agreement through arm's-length negotiations with the assistance of their respective legal and other advisors.

As stated in the Form A, there are no other contracts, arrangements or understandings with respect to any voting security of CM Select in which the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Item 3 of the Form A is involved, including but not limited to transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits or the giving or withholding of proxies. There have also been no purchases of any voting securities of CM Select by the Applicants, their respective affiliates or any person listed in Item 3 to the Form A during the twelve calendar months preceding the filing of the application. Other than the Purchase Agreement, there have been no recommendations to purchase any voting security of CM Select made by the applicants, their respective affiliates or any person listed in Item 3 to the Form A, or by anyone based upon interviews or at the suggestion of the applicants, their respective affiliates, or any person listed in Item 3 to the Form A, during the twelve calendar months preceding the filing of the application.

The applicants note that no agreements, contracts or understandings have been made with any broker-dealer as to solicitation of voting securities of CM Select for tender.

Applicants Future Plans

The applicant proposes that subsequent to the purchase of CM Select, the domestic insurer will change its name to MGT Insurance Company. It is intended that the company will continue similar operations to those that CM Select currently conducts, with the following changes. The company currently focuses on offering P&C products to religious organizations and non-profits, and plans to expand to other small and medium sized businesses. The company does not have any plans to change its state of domicile or

registered agent. The applicants also intend to retain substantially all current employees and management of CM Select pursuant to retention agreements, with the exception of Kurtis Brandau, the current President of CM Select, who will remain with CMIC. Upon Closing, the Applicants plan to appoint Graham Topol as co-Chief Executive Officer and President of CM Select, and Michael Topol as co-Chief Executive Officer, Treasurer, and Assistant Secretary of CM Select. Mark Green will join CM Select as an executive and hold the title of Secretary. A full list of the directors and executive officers was provided as an exhibit to the Form A filing.

The applicant intends that the company will enter into an Administrative Services Agreement, Amended and Restated Reinsurance Agreement, Sub Lease, Transition Services Agreement, and Custodial Agreement after closing.

As stated in the Form A, except as may arise in the ordinary course of business, the applicants have no present plans or proposals for CM Select to declare an extraordinary dividend, to liquidate CM Select, to sell CM Select's assets or to merge CM Select with any other person or entity or to make any other material changes to the operations or corporate structure or management other than as described in the application.

Financial Highlights

Highlighted Financial Data of Michael Topol:

| Financial Highlights | 2021 | 2020 | 2019 | 2018 | 2017 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Total Assets | 1,436,406 | 1,341,305 | 1,310,962 | 1,146,204 | 1,280,209 |
| Total Liabilities | 88 | - | 21,038 | - | - |
| Total Net Worth | 1,436,318 | 1,341,305 | 1,289,924 | 1,146,204 | 1,280,209 |

Financial information for year end 2022 was not available as the individual requested an October tax filing extension. Liabilities in the highlighted information above relate to income tax payable.

Highlighted Financial Data of Graham Topol:

| Financial Highlights | 2021 | 2020 | 2019 | 2018 | 2017 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Total Assets | 1,749,041 | 1,494,055 | 1,355,968 | 1,223,971 | 1,271,370 |
| Total Liabilities | 13,132 | - | 19,027 | - | - |
| Total Net Worth | 1,735,909 | 1,494,055 | 1,336,941 | 1,223,971 | 1,271,370 |

Financial information for year end 2022 was not available as the individual requested an October tax filing extension. Liabilities in the highlighted information above relate to income tax payable.

Highlighted Financial Data of MGT Partners LLC:

| Financial Highlights (in millions) | 3/31/2023 |
|---|------------------|
| Total Assets | 66 |
| Total Liabilities | - |
| Total Net Worth | 66 |

As MGT was recently formed they did not have operations as of 3/31/2023. OCI received a cash confirmation from JPMorgan Chase for MGT as of July 25, 2023, showing that the company had an appropriate cash balance. The company intends to draw additional capital for the purchase.

Financial Projections of the Domestic Insurer:

| Financial Projections | 2023 | 2024 | 2025 |
|--------------------------------------|-------------|-------------|-------------|
| Total Admitted Assets | 66,403,480 | 81,982,706 | 98,971,985 |
| Total Liabilities | 10,580,000 | 24,577,607 | 38,535,869 |
| Policyholder Surplus | 55,823,480 | 57,405,099 | 60,439,116 |
| RBC Ratio - Authorized Control Level | 2775% | 2235% | 1809% |
| | | | |
| Net Premiums | 5,250,000 | 14,580,000 | 23,240,000 |
| Underwriting Gain (Loss) | (1,737,500) | 1,324 | 1,548,952 |
| Investment Income | 1,796,916 | 2,000,725 | 2,287,779 |
| Net Income (Loss) | 46,939 | 1,581,619 | 3,031,017 |
| | | | |
| Dividends to Stockholders | - | - | - |

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.