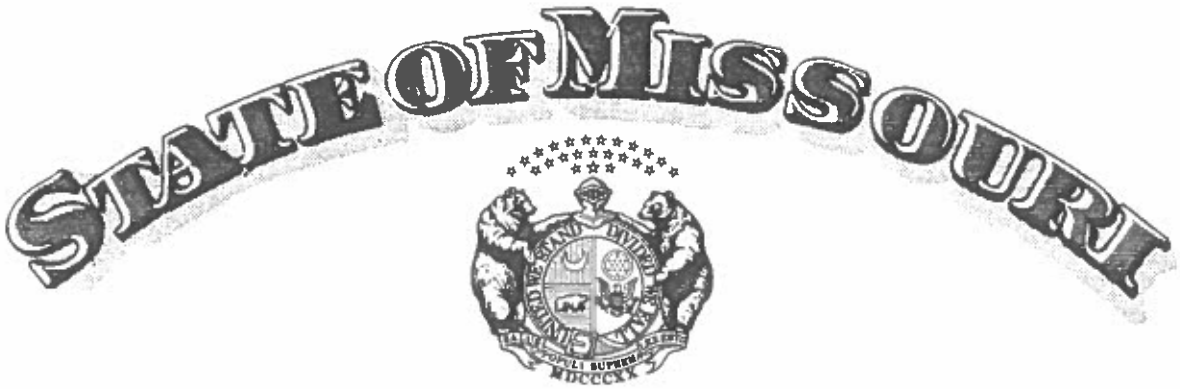

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

IN RE:	**Proposed Acquisition of**	)	
		)	
	Galen Insurance Company	)	**Case No. 160608301C**
		)	
	by	)	
		)	
	Missouri Professionals Mutual -	)	
	Physicians Professional	)	
	Indemnity Association.	)	

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

Based on the testimony and evidence on the whole record, I, John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration ("Director" of the "Department"), find and conclude that:

PROCEDURAL HISTORY

1. On June 3, 2016, Missouri Professionals Mutual – Physicians Professional Indemnity Association ("MPM-PPIA"), a Missouri Chapter 383 malpractice association, filed a Form A statement with the Department in connection with its proposed acquisition of control of Galen Insurance Company, a Missouri domestic property and casualty insurance company (the "Domestic Insurer").

2. On June 8, 2016, the Director issued a Notice of Hearing and Order Appointing

Hearing Officer, setting this matter for a public hearing on July 1, 2016, and appointing Mary S. Erickson as the Hearing Officer.

3. On June 17, 2016, the Hearing Officer issued the Notice to Interested Persons and Order ordering any person to whom notice was sent and any other person whose interests may be affected by the proposed acquisition to file, on or before June 24, 2016, a written entry of appearance and intent to participate in the hearing.

4. On June 22, 2016, the Division of Insurance Company Regulation (the "Division"), through counsel, filed its Entry of Appearance and Notification of Participation.

5. Also on June 22, 2016, MPM-PPIA filed its Unopposed Motion to Continue Hearing, requesting a continuance of the hearing, to be re-set at a later date upon request of the parties.

6. On June 23, 2016, the Hearing Officer entered an Order of Continuance and issued an Order Staying Notice to Interested Persons and Order.

7. On September 8, 2016, MPM-PPIA filed a revised Form A statement (the "Form A Filing"), replacing the June 3, 2016 filing in its entirety.

8. On September 19, 2016, the Hearing Officer issued an Amended Notice of Hearing, setting this matter for a public hearing on October 11, 2016. October 11, 2016 was the first business day after the thirtieth day following the filing of the revised Form A statement, which fell on a Saturday.

9. Also on September 19, 2016, the Hearing Officer issued another Notice to Interested Persons and Order ordering any person to whom notice was sent and any other person whose interests may be affected by the proposed acquisition to file, on or before October 3, 2016, a written entry of appearance and intent to participate in the hearing, exempting those who

previously filed such entry.

10. At the October 11, 2016 hearing, MPM-PPIA appeared by Executive Vice President Jonathan L. Downard, and by counsel, Charles W. Hatfield and Erin M. Naeger. The Domestic Insurer did not appear. The Domestic Insurer's sole shareholder, Galen Insurance Management Company ("GIMC"), appeared by counsel, Alexander C. Barrett. The Division appeared by counsel, Kelly A. Hopper.

11. The October 11, 2016 hearing concluded in one day, and the hearing record remained open to receive written argument from interested persons on or before 5:00 p.m., October 13, 2016, after which the hearing record would be considered complete and the matter taken under submission. Order, October 12, 2016.

12. On October 13, 2016, GIMC filed its "Suggestions in Support of the Form A."

13. Consistent with the Hearing Officer's October 12, 2016 Order, MPM-PPIA and the Division filed their separate proposed findings of fact, conclusions of law, and order.

EVIDENTIARY ISSUES

14. During direct examination of Scott Reeves, a financial examiner at the Department, the Division moved for the admission of Exhibit 12, Hazardous Financial Condition Loss Tests for MPM-PPIA. Hearing Transcript, page 67 (Tr. 67). Reeves testified that the hazardous financial condition statute does not apply to Chapter 383 companies, but that as a result of the merger, the surviving entity, the Domestic Insurer, would be a Chapter 379 company and the hazardous financial condition statute would apply. *Tr. 68.* MPM-PPIA offered no objection and Exhibit 12 was admitted. *Tr. 67.* As the testimony continued, MPM-PPIA moved to strike Exhibit 12 and conducted voir dire of Mr. Reeves regarding Exhibit 12 during which Mr. Reeves testified that MPM-PPIA is a Chapter 383 company. *Tr. 69-70.* The Division

explained that the evidence is relevant to illustrate MPM-PPIA's condition, but not to determine whether MPM-PPIA is in a hazardous financial condition under § 375.539. The Hearing Officer took the objection with the case. *Tr. 70.*

15. Also during the direct examination of Mr. Reeves, the Division moved for the admission of Exhibits 13 and 14, Hazardous Financial Condition Loss Tests for other time periods for MPM-PPIA. *Tr. 71-72.* MPM-PPIA objected to these exhibits on the same grounds.

16. The parties agree that MPM-PPIA is not subject to the hazardous financial condition statute, § 375.539, but disagree regarding the admissibility of the tests conducted by Mr. Reeves using MPM-PPIA's data to demonstrate that if MPM-PPIA had been subject to the hazardous financial condition loss tests, MPM-PPIA would have failed the tests as of December 31, 2015, March 1, 2016, and June 30, 2016. *Tr. 70-73.* Neither party briefed this evidentiary issue in their proposed findings of fact, conclusions of law and order.

17. The Division's Exhibits 12, 13, and 14 are admitted and MPM-PPIA's objections are overruled.

18. At the hearing, the parties submitted their Joint Stipulation of Facts and Exhibits.

FINDINGS OF FACT

19. MPM-PPIA provided timely notice of the hearing to the Domestic Insurer. *Certificate of Service*, filed October 3, 2016.

20. MPM-PPIA is a mutual insurance company domiciled in the State of Missouri, organized under Chapter 383, RSMo, and as such, is owned by its policyholders. *Exhibit A; Tr. 139.*

21. MPM-PPIA owns 100% of the stock of MPM Insurance Company of Kansas ("MPM-KS"), which is a stock insurance company domiciled under the laws of Kansas. *Exhibit*

A; Tr. 137-139.

22. The Domestic Insurer, Galen Insurance Company, is a Missouri domiciled insurance company, wholly owned by GIMC. GIMC provides management services to the Domestic Insurer through a management agreement. *Exhibit A*; *Tr. 34.*

23. The Domestic Insurer was placed under an order of administrative supervision on September 30, 2015 due to, *inter alia*, rapidly deteriorating surplus and corporate governance issues. *Exhibit 1; Tr. 34.* The Domestic Insurer remains under administrative supervision. *Exhibit 2.*

24. MPM-PPIA seeks to acquire control of the Domestic Insurer pursuant to a Memorandum of Understanding and Binding Letter of Intent ("MOU") executed by MPM-PPIA, GIMC, MPM-KS, and the Domestic Insurer. The MOU states, in relevant part: "[W]hen MPM-PPIA becomes the sole shareholder of Galen Insurance Company, MPM-PPIA intends to merge Galen with MPMKS and Galen will be the surviving entity after merger." *Exhibit A-24, p. 1.*

25. The Form A Filing states that MPM-KS will acquire 100% of the outstanding shares of the Domestic Insurer from GIMC in exchange for $600,000, to be partially offset by the payment by GIMC to the Domestic Insurer of a note receivable in the approximate amount of $200,000. *Exhibit A, pp. 2, 4-5.*

26. The Form A Filing also states that the Domestic Insurer will obtain control of MPM-KS through an exchange of shares with MPM-PPIA, which is logically inconsistent with other descriptions of the transaction contained in the Form A Filing. *Exhibit A, p. 2.*

27. While the intermediate steps of the proposed transaction are unclear from the Form A Filing, it is clear that following execution of the proposed transaction, MPM-PPIA will own 100% of the outstanding shares of the Domestic Insurer, and MPM-KS will cease to exist.

MPM-PPIA is therefore the "acquiring party" contemplated by § 382.060.1(3), RSMo;[1] *see also* 20 CSR 200-11 Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer ("*Name of Acquiring Person (Applicant)*") (italics in original). *See generally Exhibit A, Form A Filing by MPM-PPIA; see also Galen Insurance Management Company's Suggestions in Support of the Form A, p. 3.*

28. The Domestic Insurer reported surplus as of June 30, 2016 of $1,247,259. *Exhibit G, p. 3.*

29. The Domestic Insurer reported surplus as of August 31, 2016 of $319,933. *Exhibit 4, p. 2.*

30. While a more recent exact figure was not available, Scott Reeves, an appointed administrative supervisor of the Domestic Insurer, estimated that the surplus of the Domestic Insurer was below $319,933 as of October 11, 2016. *Tr. 45-46.*

31. To avoid repetition, the factual findings *supra* and *infra* are incorporated fully within this Findings of Fact, Conclusions of Law and Order, including and not limited to the factual findings relating to each separate subparagraph under § 382.060.1 discussed below.

A. Section 382.060.1(3)

32. Pursuant to § 382.060.1(3), the Director may disapprove this acquisition of control if he finds after a public hearing that "[t]he financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders."

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[1] All references to § 382.060 of the Revised Statutes of Missouri contained herein are to the section as amended by House Bill 50 (2015).

The Historical Performance of PPIA and MPM-PPIA

33. Missouri Professionals Mutual ("MPM") and Physicians Professional Indemnity Association ("PPIA") were Missouri Chapter 383 malpractice associations prior to their merger in late 2014. MPM was the surviving entity renamed MPM-PPIA. *See Exhibits A-15-23.*

34. PPIA management, including Executive Vice President Jonathan L. Downard, took over management of MPM-PPIA, and continues in that role today. *Tr. 250.*

35. As of December 31, 2010, MPM and PPIA reported combined surplus of $19,358,123. *Exhibit A-15, p. 5*; *Exhibit A-16, p. 4.*

36. As of December 31, 2014, the merged entity MPM-PPIA reported surplus of $2,449,596. *Exhibit A-21, p. 5.*

37. Prior to the merger with MPM, PPIA experienced the following losses from underwriting activities: $(743,615) in 2010, $(668,368) in 2011, $(663,554) in 2012, and $(1,307,386) in 2013. *Exhibit A-16, p. 5*; *Exhibit A-18, p. 5*; *Exhibit A-20, p. 6.*

38. Prior to the merger with MPM, PPIA experienced the following net income losses: $(5,172) in 2012 and $(812,829) in 2013. *Exhibit A-18, p. 5*; *Exhibit A-20, p. 6.*

39. In 2014, MPM-PPIA reported an underwriting loss of $(1,727,241), a net income loss of $(1,090,713), and a surplus decrease of $(1,564,226). *Exhibit A-19, p. 5*; *Exhibit A-20, p. 5*; *Exhibit A-21, pp. 5-6.*

40. In the first three months of 2015, MPM-PPIA reported an underwriting loss of $(664,723), a net income loss of $(509,724), and a surplus decrease of $(149,600). *Exhibit 6.*

41. In the first six months of 2015, MPM-PPIA reported an underwriting loss of $(1,488,136), a net income loss of $(1,248,772), and a surplus decrease of $(578,347). *Exhibit 7.*

42. In the first nine months of 2015, MPM-PPIA reported an underwriting loss of $(2,261,097), a net income loss of $(1,939,655), and a surplus decrease of $(1,292,864). *Exhibit 8.*

43. In 2015, MPM-PPIA reported an underwriting loss of $(2,358,532), a net income loss of $(2,070,002), and a surplus decrease of $(1,485,693). *Exhibit 9.*

44. MPM-PPIA additionally reported unfavorable reserve development of $(1,725,278) in 2015. *Id.* Unfavorable reserve development results in an increase in reserves, and a corresponding decrease in surplus. *Tr. 58- 60.*

45. In the first three months of 2016, MPM-PPIA reported an underwriting loss of $(131,770), a net income loss of $(89,842), and a surplus increase of $26,531. *Exhibit 10.*

46. In the first six months of 2016, MPM-PPIA reported an underwriting loss of $(434,494), a net income loss of $(311,528), and a surplus decrease of $(122,090). MPM-PPIA additionally reported unfavorable reserve development of $(406,634) in the first six months of 2016. *Exhibit 11.*

47. The foregoing facts may be summarized as follows:

a. MPM-PPIA management has operated PPIA and MPM-PPIA with consistently negative underwriting results dating back to 2010, and MPM-PPIA has reported negative underwriting results in each of the six full quarters since the 2014 merger for which MPM-PPIA has filed a financial statement with the Department.

b. MPM-PPIA management has operated PPIA and MPM-PPIA with consistently negative net income dating back to 2012, and MPM-PPIA has reported negative net income in each of the six full quarters since the 2014

merger for which MPM-PPIA has filed a financial statement with the Department.

48. Consistently negative underwriting results produce "a high level of concern that the company will eventually become insolvent if it is not able to get its costs under control either in expenses or reserving." *Tr. 143.*

49. Companies with consistently negative underwriting results do not help themselves when they write additional business absent some improvement in underwriting. *Tr. 178-179.*

50. Consistently negative net income indicates that "the capital and surplus of the company is continually declining unless the company is receiving some type of capital contribution." *Tr. 144.*

51. MPM-PPIA is contractually obligated to make monthly payments of $62,500 to Timothy Trout until December 31, 2020, for an annual obligation of $750,000. *Exhibit 11*; *Tr. 64- 65; see also, testimony of Jonathan L. Downard, Tr. 266.*

52. MPM-PPIA does not possess readily available assets to pay claims in excess of its liabilities, and is illiquid. *Tr. 148.*

53. MPM-PPIA's consistent underwriting losses, consistent negative net income, consistent surplus deterioration, unfavorable reserve development, ongoing payment obligation to Timothy Trout, and illiquidity contribute to the financial condition of MPM-PPIA being such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of its policyholders.

54. Post-acquisition, the combined entity surplus of the Domestic Insurer and MPM-KS would be approximately $3.6 million. *Tr. 236.*

55. The Notice and Order of Administrative Supervision currently prohibits the

Domestic Insurer from writing insurance business. In order to rescind the supervision, the Domestic Insurer must, *inter alia*, file a true and accurate financial statement showing surplus as regards policyholders of at least $7,440,905. *Exhibit 1.*

56. Jonathan Downard admitted that post-acquisition, the Domestic Insurer would not meet the order of supervision's required showing of surplus as regards policyholders. *Tr. 268, 270.*

57. Therefore, post-acquisition, the Domestic Insurer will continue to be prohibited from writing insurance business.

The Impact of the Proposed Transaction on MPM-PPIA and its Policyholders

58. MPM-PPIA currently owns 100% of the outstanding stock of MPM-KS, and reports the capital and surplus of MPM-KS as a common stock investment on its balance sheet. *Exhibit 11*; *Tr. 63-64.* Any consideration paid by MPM-KS to GIMC in excess of the capital and surplus of the Domestic Insurer will therefore have an immediate dollar-for-dollar negative impact on MPM-PPIA's surplus. *Testimony of J. Randy Snodgrass, Tr. 246-248.*

59. The Form A Filing states that MPM-KS will acquire 100% of the outstanding shares of the Domestic Insurer from GIMC in exchange for $600,000, to be partially offset by the payment by GIMC to the Domestic Insurer of a note receivable in the approximate amount of $200,000. *Exhibit A, pp. 2, 4-5.* Following execution of the proposed transaction, MPM-PPIA will own 100% of the outstanding shares of the Domestic Insurer, and MPM-KS will cease to exist. *Id.*

60. Using the Domestic Insurer's reported surplus of $319,933 as of August 31, 2016, the proposed acquisition would therefore have an immediate negative impact on MPM-PPIA's surplus of $(80,067). The likely decrease in the Domestic Insurer's surplus since August 31,

2016, would increase the negative impact on MPM-PPIA's surplus on a dollar-for-dollar basis.

61. The immediate negative impact on MPM-PPIA's surplus post-acquisition contributes to the financial condition of MPM-PPIA being such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of its policyholders.

MPM-PPIA's Intent and Ability to Support the Domestic Insurer Post-Acquisition

62. Post-acquisition, MPM-PPIA and the Domestic Insurer will be run "separate and independent," and MPM-PPIA has no plans to provide a surplus infusion if the Domestic Insurer drops back below minimum capital and surplus in the future. *Testimony of Jonathan L. Downard, Tr. 279- 280.*

63. In the course of reviewing the Form A Filing "for whether or not the company has the ability to both acquire and support a company, [the Division is] going to look to whether or not that company has the ability to put money into this company when it needs it." *Testimony of Debbie Doggett, Tr. 162.* Whether MPM-PPIA can support the Domestic Insurer is relevant to the Director's review of the financial condition of MPM-PPIA under § 382.060.1(3).

64. MPM-PPIA "does not have readily available assets to be able to contribute to [the Domestic Insurer] post acquisition." *Tr. 148-149.*

65. MPM-PPIA "does not have the ability to support [the Domestic Insurer] in the future without jeopardizing its own policyholders through assessments or other means to support [the Domestic Insurer]." *Id. at 151.*

66. While no Missouri insurance law requires a shareholder to infuse money into an insurance company subsidiary, MPM-PPIA's lack of both intent and ability to do so in the future contributes to the financial condition of MPM-PPIA being such as might jeopardize the financial stability of the Domestic Insurer, or prejudice the interest of its policyholders.

The Receivable Due to the Domestic Insurer from GIMC

67. The Domestic Insurer reported a receivable due from its parent, GIMC, of $228,766 as of June 30, 2016. *Exhibit G, p. 2.*

68. An independent review by the accountants of Conner Ash, P.C., the accounting firm that performed the audit for the Domestic Insurer as of 2015, determined that GIMC owed an additional $925,375 to the Domestic Insurer as of June 30, 2016. *Exhibit 5, p. 4*; *Tr. 46- 49.*

69. The Domestic Insurer reported a receivable due from its parent, GIMC, of $1,201,038 as of August 31, 2016. *Exhibit 4, p. 1*; *Tr. 48-49.*

70. The Form A Filing contemplates payment of approximately $200,000 from GIMC to the Domestic Insurer, leaving approximately $1,000,000 of the receivable unpaid. *Exhibit A, pp. 4-5*; *Exhibit 4, p. 1.*

71. MPM-PPIA has no current plans to seek collection of the additional $1,000,000 from GIMC. *Testimony of Jonathan L. Downard, Tr. 272.*

72. Failing to collect the receivable would prejudice the interest of policyholders of the Domestic Insurer.

73. Collecting the receivable would be in the best interests of policyholders of the Domestic Insurer, but would result in GIMC losing approximately $600,000 on a net basis from the proposed acquisition.

The Financial Examination of MPM-PPIA as of December 31, 2014

74. On the date of the hearing, a financial examination of MPM-PPIA as of December 31, 2014 was in progress. *Tr. 33.*

75. The Hearing Officer admitted the written testimony of Kristine M. Fitzgerald, a consulting actuary who performed work on the financial examination through her actuarial

consulting firm, Actuarial & Technical Solutions, Inc. ("Actuarial Solutions"), and Exhibits 16-A and 16-B, examiner workpapers from that financial examination. *Tr. 196.*

76. Exhibits 16-A and 16-B, prepared by Kristine M. Fitzgerald and Actuarial Solutions, and the written testimony of Kristine M. Fitzgerald relevant thereto,[2] questions 6 to 39, are highly relevant to the financial condition of MPM-PPIA, whether the financial condition of MPM-PPIA is such as might jeopardize the financial stability of the Domestic Insurer, and whether the financial condition of MPM-PPIA is such as might prejudice the interest of the Domestic Insurer's and/or MPM-PPIA's policyholders. Exhibits 16-A and 16-B and the relevant written testimony thereto are found to be credible by the Director and are relied upon in these Findings of Fact, Conclusions of Law and Order.

The Adequacy of MPM-PPIA's Reserves as of December 31, 2015

77. Kristine M. Fitzgerald and Actuarial Solutions were engaged by the Director pursuant to § 382.060.6, to assist in reviewing the proposed acquisition. *Exhibit 16, p. 8.*

78. The Division attempted to obtain from MPM-PPIA through discovery information necessary for Actuarial Solutions to conduct an actuarial review of certain aspects of MPM-PPIA's reserves as of December 31, 2015. *Exhibit 16, pp. 8-10.* Following the Hearing Officer's October 6, 2016 Order granting the Division's motion to compel, MPM-PPIA provided responsive information on October 7, 2016, the business day immediately prior to the Form A hearing date. A cursory review of the information indicated that the information may be incomplete. *Exhibit 16, pp. 9-10.*

79. Exhibits 16-D and 16-E, prepared by Stephen Streff (actuary retained by MPM-

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[2] The Hearing Officer ordered that Exhibits 16-A and 16-B, as well as the written testimony of Kristine M. Fitzgerald relevant thereto, are closed records not available for public inspection.

PPIA), and the written testimony of Kristine M. Fitzgerald relevant thereto,[3] questions 63 to 84, are highly relevant to the financial condition of MPM-PPIA, whether or not the financial condition of MPM-PPIA is such as might jeopardize the financial stability of the Domestic Insurer, and whether or not the financial condition of MPM-PPIA is such as might prejudice the interest of the Domestic Insurer's and/or MPM-PPIA's policyholders.

B. Section 382.060.1(5)

80. Pursuant to § 382.060.1(5), the Director may disapprove this acquisition of control if he finds after a public hearing that:

> The competence, experience or integrity of those persons who would control the operation of the insurer are such that it would be contrary to the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control.

81. Mr. Downard served as the Executive Vice President of PPIA prior to the 2014 merger and currently serves as the Executive Vice President of MPM-PPIA. *Tr. 265.*

82. Mr. Downard testified that the Domestic Insurer will be operated post-acquisition by the same individuals that currently operate MPM-PPIA. *Id. at 273.*

83. The competence and experience of MPM-PPIA management in managing PPIA prior to the 2014 merger and MPM-PPIA post-merger demonstrates consistently negative underwriting results, a consistent deterioration of surplus, and unfavorable reserve development.

84. J. Randy Snodgrass testified that his understanding was that MPM-PPIA did not intend to do anything to hurt the Domestic Insurer post-acquisition. *Tr. 228:3 – 228:21.*

85. Neither Mr. Snodgrass nor Mr. Downard testified to specific actions MPM-PPIA

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[3] The Hearing Officer ordered that Exhibits 16-D and 16-E, as well as the written testimony of Kristine M. Fitzgerald relevant thereto, are closed records not available for public inspection.

management has taken or will take to improve its consistently negative profitability and performance.

86. In evaluating the competence and experience of those persons who would control the operation of the Domestic Insurer, the Director finds the consistently negative operating results of MPM-PPIA to be more persuasive than its management's unsubstantiated intent going forward to improve performance.

87. Bringing the Domestic Insurer under common management with MPM-PPIA, and thereby subjecting PPIA's and MPM-PPIA's consistently negative operating results upon the Domestic Insurer, would be contrary to the interests of the policyholders of the Domestic Insurer.

88. The Form A Filing contains conflicting statements as to the mechanics of the proposed acquisition in Item 1, Item 4, and the MOU. It is unclear whether or not the Domestic Insurer will hold MPM-KS stock, or vice-versa, prior to the merger of the two entities.

89. The Form A statement filed on June 3, 2016 contained numerous completeness issues that were brought to the attention of MPM-PPIA by the Division. *Exhibit 15*; *Tr. 131-133.*

90. The revised Form A Filing filed on September 8, 2016, addressed some but not all of the issues noted in the June 3, 2016 filing and additional issues were discovered. *Tr. 133-136.*

91. The inability of MPM-PPIA to file a complete and internally consistent Form A Filing that accurately and consistently describes the proposed acquisition reflects poorly on the competence of MPM-PPIA management.

C. Section 382.060.1(6)

92. Pursuant to § 382.060.1(6), the Director may disapprove this acquisition of control if he finds after a public hearing that "[t]he acquisition is likely to be hazardous or prejudicial to the insurance buying public."

93. The negative impact of the proposed acquisition on the deteriorating financial condition of MPM-PPIA, as described herein, is a separate and sufficient basis to disapprove this proposed acquisition under § 382.060.1(6). The negative impact on MPM-PPIA resulting from the proposed acquisition would likely be hazardous or prejudicial to current policyholders of MPM-PPIA, as well as any other members of the insurance buying public who may consider purchasing an MPM-PPIA policy in the future.

94. In light of all of the findings, the acquisition is likely to be hazardous or prejudicial to the policyholders of the Domestic Insurer, MPM-PPIA, and/or to the insurance buying public in Missouri.

CONCLUSIONS OF LAW

95. After a public hearing pursuant to § 382.060, the Director fails to find that:

A. After the acquisition of the Domestic Insurer by MPM-PPIA, the Domestic Insurer will be unable to satisfy the requirements for the issuance of a license to write the lines of business for which it is presently licensed. § 382.060.1(1).

B. The effect of the acquisition of the Domestic Insurer will be to substantially lessen competition in insurance or tend to create a monopoly in this State. § 382.060.1(2).

C. MPM-PPIA's plans or proposals, if any, to liquidate the Domestic Insurer, or sell its assets, to consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair or unreasonable to its policyholders or contrary to the public interest. § 382.060.1(4).

96. After a public hearing pursuant to § 382.060, the Director finds that:

A. The financial condition of the acquiring party, MPM-PPIA, is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of the Domestic Insurer's and/or MPM-PPIA's policyholders. § 382.060.1(3).

B. The competence, experience and integrity of MPM-PPIA and its officers and directors are such that it would be contrary to the interests of policyholders of the Domestic Insurer and of the public to permit the acquisition of the Domestic Insurer by MPM-PPIA. § 382.060.1(5).

C. The proposed acquisition of the Domestic Insurer by MPM-PPIA is likely to be hazardous or prejudicial to the insurance buying public. § 382.060.1(6).

ORDER

Based on the foregoing specific findings as required by § 382.060.2, and the conclusions set forth herein, the proposed acquisition of control of Galen Insurance Company by Missouri Professionals Mutual – Physicians Professional Indemnity Association is hereby **DISAPPROVED**.

So ordered, signed and official seal affixed this 10th day of November, 2016.

JOHN M. HUFF
DIRECTOR
Department of Insurance, Financial Institutions and Professional Registration
State of Missouri

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing was served by hand-delivery and courtesy copy by electronic mail, on this 10th day of November, 2016, to:

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Counsel for Missouri Professionals Mutual – Physicians Professional Indemnity Association

By U.S. Mail, postage prepaid, on November 10, 2016, and courtesy copy by electronic mail where email address indicated to:

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Counsel for Division of Insurance Company Regulation

_/s/__Mary S. Erickson_____