

FORM A
STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

Michigan Professional Insurance Exchange
(“Domestic Insurer”)

BY

Constellation Solutions, Inc. and its affiliate, MMIC Insurance, Inc.
(the “Applicant”)

Filed with the Michigan Department of Insurance and Financial Services

Dated: March 25th, 2022

Name, Title, Address and Telephone Number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed:

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Portions of the NAIC biographical affidavits provided as Exhibit C contain certain information that is not otherwise available to the public, is subject to individual privacy protections and should be afforded confidential treatment. All such NAIC biographical affidavits are being provided with the express understanding that nonpublic personal information will be redacted and safeguarded from disclosure.

(Amended 03.28.2022)

ITEM I. METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

Application relates to Michigan Professional Insurance Exchange, located at 333 Bridge St., NW Suite 810, Grand Rapids, MI 49504. The proposed acquisition of the Domestic Insurer will occur pursuant to the Asset Purchase Agreement (“APA”), the Loss Portfolio Transfer (“LPT”), the Quota Share Reinsurance and Renewal Rights Agreement (“Quota Share Agreement”), and the Proposed Amended and Restated Bylaws of the Domestic Insurer to be voted on by the subscribers, attached as Exhibit A. Subject to all required regulatory and third-party approvals, Applicant will acquire control through the following actions:

- I. Acquiring the assets of the Domestic Insurer and the membership interest of the Domestic Insurer’s subsidiary, PRC D Holdings, LLC, (“PRCD”) which is the appointed Attorney-In-Fact (“AIF”) for the Domestic Insurer, pursuant to the APA.**
- II. Assume 100% of the Domestic Insurer’s loss and loss adjustment expense reserves pursuant to the LPT.**
- III. Utilize a Quota Share Agreement in which the Domestic Insurer will pay the Applicant 100% of premium, and the Applicant will assume 100% of ongoing losses and loss adjustment expenses and 100% of existing unearned premium reserves of the Domestic Insurer at the time of the transaction.**
- IV. Utilizing the Amended Management Agreement by and between the Domestic Insurer and its subsidiary, PRC D, to control the decisions and direction of the Domestic Insurer.**
- V. The Applicant’s parent entity, Constellation, Inc. (“Constellation”) will offer employment to the majority of the employees of PRC D at the time of close. Through the post-closing affiliation of PRC D, Constellation will perform any management and operational services required after closing.**
- VI. The Applicant will provide the minimum capital required to meet Michigan statutory requirements.**
- VII. The Bylaws of the Domestic Insurer will be amended and restated as attached.**

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

- (a) State the name and address of the applicant seeking to acquire control over the insurer.

Constellation Solutions, Inc, located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. Constellation Solutions is a corporation formed to evaluate potential products and solutions to assist physicians, hospitals and other health care organizations.

MMIC Insurance, Inc. ("MMIC") located at 7701 France Avenue South, Suite 500 Minneapolis, MN 55435 will assume loss reserves and renewal rights of the exchange. MMIC Insurance, Inc. ("MMIC") is a for-profit corporation that is incorporated in Minnesota pursuant to Chapter 302A of Minnesota. MMIC transacts business as a licensed liability insurance company in Minnesota and other states. MMIC is a direct subsidiary of Constellation, Inc., and a member of the Constellation insurance holding company system.

Constellation Inc. located at 7701 France Avenue South, Suite 500 Minneapolis, MN 55435 will assume loss reserves and renewal rights of the exchange. Constellation, Inc. ("Constellation") is an insurance holding company system formed in accordance with Minnesota law.

- (b) If the applicant is not an individual, state the nature of its business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall have been in existence. Describe the business intended to be done by the applicant and the applicant's subsidiaries.

Applicant's primary business is to provide medical professional liability insurance for physicians, hospitals and other health care professionals. The predecessor to the Applicant was formed by physicians working with medical societies to serve the professional liability needs of physicians and that principle remains fundamental to the operations of the Applicant. The Applicant is physician led and governed and committed to serving the professional liability insurance needs of the healthcare industry.

- (c) Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant, including the ultimate controlling person(s). Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by anyother such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. corporation, trust, partnership), primary business (e.g. holding company, insurance agency, manufacturer) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.

See Exhibit B attached

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

On the biographical affidavit, include a third party background check and state the following with respect to 1) the applicant if she or he is an individual 2) if the applicant is not an individual, all persons who are, or who have been selected to be, directors, executive officers (or others who perform or will perform functions appropriate to those positions), or owners of 10% or more of the voting securities of the applicant, and if the applicant is not an individual.

- (a) Name and business address;
- (b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;
- (c) Material occupations, positions, offices or employment during the last 5 years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status or such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.
- (d) Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.
- (e) Upon the request of the Director, independent third party verification reports prepared by an NAIC approved vendor shall be provided. See https://www.naic.org/documents/industry_ucaa_third_party.pdf?19 for a list of third party vendors for background reports.

All the required information is on the submitted Biographical Affidavits (NAIC Form 11) for each member of the Board of Directors and senior leadership. Independent third-party verification reports have been ordered from Owens Online, LLC (“Owens”) and will be delivered directly to the Department with the completed Biographical Affidavits.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

- (a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. Describe any transaction where funds were or are to be obtained for such purpose, including any pledge of the insurer's stock or pledge of the stock of any of its subsidiaries or controlling affiliates.

If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

The Applicant will acquire the assets of MPIE and the membership interests in its subsidiary companies for a total consideration of \$7,700,000. Funds to affect the consideration will be paid from Constellation Solutions, Inc. All funds related to the consideration will be paid in cash, which is not contingent on any borrowed funds. A portion of the consideration payable at the Closing will be funded into an escrow account governed by Section 2.6 of the APA. The Applicant will provide additional compensation to the Domestic Insurer for certain assets specified in the APA section 2.6.1.

- (b) Explain the criteria used in determining the nature and amount of such consideration.

The basis and terms of the consideration to be paid, resulted from arm's length negotiations between the respective management and financial advisors of the Applicant and Domestic Insurer.

- (c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, the applicant must specifically request that the identity be kept confidential.

Not Applicable

ITEM 5. FUTURE PLANS FOR INSURER

Describe any plans or proposals which the applicant may have for the insurer to declare a dividend, (whether or not extraordinary), to liquidate the insurer, to sell its assets, to merge it with any person or persons, or to make any other material change in its business operations or corporate structure or management.

Following the close of the proposed transaction, and pursuant to the APA, LPT, and Quota Share Agreement, The Domestic Insurer will conduct the following actions:

- I. Transfer 100% of the Domestic Insurer's loss and loss adjustment expense reserves to the Applicant, pursuant to the LPT**
- II. The Domestic Insurer will pay the Applicant 100% of premium, and the Applicant will assume 100% of ongoing losses and loss adjustment expenses and 100% of existing unearned premium reserves of the Domestic Insurer, pursuant to the Quota Share Agreement**
- III. The Applicant will have the right to renew future insurance policies on the Applicant's paper as they come up for renewal, pursuant to the Quota Share Agreement**
- IV. The Domestic Insurer will contribute capital to Michigan Professional Exchange Services, Inc. ("MPES") who will represent the interests of the sellers and subscribers of the Domestic Insurer, pursuant to section 5.12 in the APA to protect the rights of the subscribers, manage insurance, and potential legal claims resulting from the transaction**
- V. The Domestic Insurer will fund PRCD for the exclusive purpose of funding any activities required through the eventual dissolution of the Domestic Insurer, pursuant to section 8.5 of the APA**
- VI. The Domestic Insurer will make distributions to subscribers, subject to regulatory approval, to pay out the value of subscriber savings accounts and the unassigned surplus due to subscribers in accordance with the APA.**

VII. In light of the distributions of the subscriber savings accounts and unassigned surplus due to subscribers in accordance with the APA, the Applicant will be responsible for the necessary minimum capital of the Domestic Insurer, pursuant to section 2.6.4 in the APA and in compliance with Michigan law

After the above-mentioned steps occur, the Domestic Insurer will continue to operate going forward. It is expected that the operations of the Domestic Insurer will be wound down over time, as other liabilities and obligations are settled and policies are renewed on the Applicant's paper. Once the Domestic Insurer has fulfilled its obligations, the Applicant will seek to dissolve the entity ("Dissolution Event"), subject to regulatory approval. See Exhibit C providing additional detail on the forecasted operations of the Domestic Insurer.

Until the Dissolution Event, following the close of the proposed transaction, the Applicant, through the AIF and Amended Management Agreement in place with PRCD, may evaluate the business and operations of the Domestic Insurer and make any necessary or desirable changes to such business and operations, subject in each to obtaining any required regulatory approvals.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

None

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class or any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

None

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the 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. Such description shall identify the persons with whom the contracts, arrangements or understandings have been entered into.

None

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefore. State whether any shares so purchased are hypothecated.

There have been no purchases of any voting securities of the insurer in the prior twelve months.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

Not applicable

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

Not applicable

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial statements, exhibits, and three-year financial projections of the insurer(s) shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached. Also provide a three-year narrative business plan which describes the types of business to be written by the insurer, and marketing plan. The financial projections shall include projected direct, assumed, ceded, and net written premiums by line, pro-forma statutory balance sheets and income statements. Also, describe proposed changes to the insurer's reinsurance program (if any), amount, timing, and type of capital contributions (if any), proposed changes to the insurer's executive officers and directors, and compliance plan with the "books and records in Michigan" requirement of Section 5256.

See Exhibit C attached

- (b) The financial statements shall include the audited annual financial statements of the persons (both corporate and individual) identified in Item 2(c), including individuals who are applying to be the ultimate controlling persons, for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year as of a date not earlier than 90 days prior to the filing of the statement if the information is available. The statements may be prepared on either an individual basis, or, unless the Director otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business. The consolidated financial statements shall include the consolidating work sheets.

Any ultimate controlling person who is an individual may file personal financial statements that are reviewed rather than audited by an independent public accountant. The review shall be conducted in accordance with standards for review of personal financial statements published in the *Personal Financial Statements Guide* by the American Institute of Certified Public accountants. Personal financial statements shall be accompanied by the independent public accountant's Standard Review Report stating that the accountant is not aware of any material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

See Exhibit D attached

- (c) File as exhibits copies of all tender offers for, requests or invitations for tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory, managing general agent, controlling producer, or management contracts concerning the insurer, annual reports and proxy statements to the stockholders or the insurer and the applicant for the best two fiscal years, and any additional documents or papers required by Form A forms and instructions for Sections 4 and 6.

See Exhibit A attached

ITEM 13. AGREEMENT REQUIREMENT FOR ENTERPRISE RISK MANAGEMENT

Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.

Applicant so agrees

(Signature and Certification on next pages)

ITEM 14.

SIGNATURE AND CERTIFICATION


Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, **Constellation Solutions, Inc.**, has caused this application to be duly signed on its behalf in the City of Minneapolis and State of MN on the 5 day of March, 2022.

(SEAL)

Constellation Solutions Inc

By: 
Name: Ryan Crawford
Title: President and CEO


Attest:

By: _____
(Signature)
Chief Compliance Officer
(Title)



CERTIFICATION

The undersigned deposes and says that she or he has duly executed the attached application dated March 25, 2022, for and on behalf of Constellation Solutions, Inc., that he is the President and CEO of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

By: 
Name: Ryan Crawford
Title: President and CEO


ITEM 14.

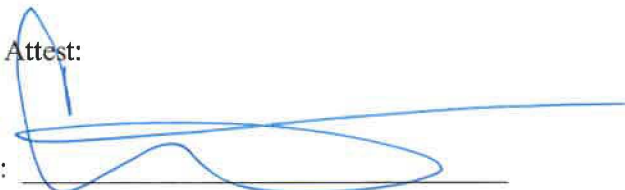
SIGNATURE AND CERTIFICATION

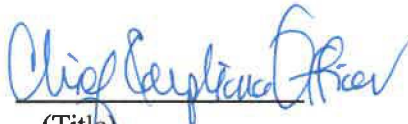
Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, **MMIC Insurance, Inc.**, has caused this application to be duly signed on its behalf in the City of Minneapolis and State of MN on the 25 day of March, 2022.

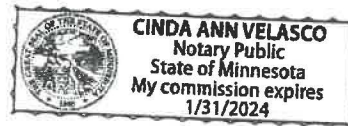
(SEAL)

MMIC Insurance, Inc.

By: 
Name: Ryan Crawford
Title: President and CEO


Attest:

By: _____
(Signature)


(Title)



CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated March 25, 2022, for and on behalf of MMIC Insurance, Inc., that he is the President and CEO of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

By: 
Name: Ryan Crawford
Title: President and CEO