

**FORM A**  
**STATEMENT REGARDING THE**  
**ACQUISITION OF CONTROL OF OR MERGER WITH**  
**MICHIGAN COMMERCIAL INSURANCE MUTUAL,**  
**a Michigan domestic mutual insurance company**  
**to be converted to a Michigan domestic stock insurance company and acquired**  
*(Name of Domestic Insurer)*

by

**FREEDOM ADVANTAGE INSURANCE COMPANY,**  
**a Pennsylvania domestic stock insurance company**  
*(Name of Acquiring Person (Applicant))*

Filed with the  
Michigan Department of Insurance and Financial Services

Dated: June 11, 2024

Name, title, address, and telephone number of individual to whom notices and  
correspondence concerning this Statement should be addressed:

William V. Nutt, Jr., President  
**FREEDOM ADVANTAGE INSURANCE COMPANY**  
1403 Silverside Road, Suite 3B  
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with a copy to:

Matthew D. Coble, Esquire  
**METTE, EVANS & WOODSIDE**  
3401 North Front Street  
Harrisburg, PA 17110  
717-232-5000  
717-236-1816 (fax)  
E-mail: [mdcoble@mette.com](mailto:mdcoble@mette.com)

## **INTRODUCTION:**

This Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (this “Statement”) is submitted by Freedom Advantage Insurance Company, a Pennsylvania domestic stock insurance company (“FAIC” or the “Applicant”), in connection with the proposed acquisition of Michigan Commercial Insurance Mutual (“MCIM”) upon its conversion from a mutual-to-stock company in accordance with a Plan of Conversion adopted by MCIM’s Board of Directors on June 3, 2024 (the Plan of Conversion”).

Under the Plan of Conversion, MCIM will upon its conversion issue 400,000 shares of stock at \$10 per share par value and raise at least \$4,000,000 in capital. Policyholder members of MCIM will receive subscription rights to purchase MCIM stock as provided for in the Plan of Conversion, and all shares of MCIM that are not purchased by policyholder members will be purchased by FAIC pursuant to a Mutual to Stock Conversion and Purchase Agreement by and between MCIM and FAIC dated June 3, 2024 (the “Purchase Agreement”). A true and correct copy of the Purchase Agreement is attached to this Statement as Exhibit 1 (the Plan of Conversion is attached to the Purchase Agreement as an Exhibit).

Under the Plan of Conversion and Purchase Agreement, FAIC will purchase at least 50.1% of the MCIM shares, thereby acquiring control of MCIM as more particularly described below; at the same time, MCIM will be re-named “I-Que Insurance Company” (“the Acquisition”).

FAIC respectfully requests approval from the Director for the Acquisition described in this filing pursuant to Section 1311 of the Insurance Code of 1956, as amended.

### **ITEM 1. INSURER AND METHOD OF ACQUISITION**

The name and address of the Domestic Insurer to which this Statement relates is as follows:

**MICHIGAN COMMERCIAL INSURANCE MUTUAL**  
6948 Professional Parkway  
Sarasota, Florida 34240  
NAIC Company Code 10998

Upon approval by the Director, and the satisfaction of other conditions to closing that are customary in transactions of this type, including the conversion, MCIM will be acquired when at least a majority of the shares issued by MCIM are acquired by FAIC at closing. See Exhibit 1. The current organizational structure of MCIM and its affiliates is shown on the chart attached as Exhibit 2. The chart attached as Exhibit 3 shows the current organizational structure of FAIC and its affiliates. Attached as Exhibit 4 is a chart reflecting the pro forma organizational structure of FAIC and its affiliates following and as affected by the acquisition by FAIC of MCIM.

**ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

(a) Name and Address of Applicant.

The name and address of the Applicant seeking to acquire control of the Domestic Insurer is:

**FREEDOM ADVANTAGE INSURANCE COMPANY**  
1403 Silverside Road, Suite 3B  
Wilmington, DE 19810  
NAIC Company Code 11831

(b) Nature of Applicant's Business and its Affiliates.

FAIC is a Pennsylvania stock insurance company licensed to write workers' compensation insurance that also reinsures property and casualty business on a quota share basis. MCIM has successfully operated in several states (Michigan, Illinois, Indiana, Georgia, and Florida) as a workers' compensation carrier, though it is also licensed in other lines of business. FAIC intends to operate MCIM going forward as a wholly-owned subsidiary with its other affiliates, leveraging the geographic footprint and agency network that MCIM enjoys as part of its broader licensure.

FAIC itself is a wholly-owned subsidiary of Wilmington Insurance Company ("WIC"), which is a Delaware domiciled stock property and casualty insurance company. WIC is a wholly-owned subsidiary of Wilmington Holdings Corporation, which in turn is a wholly-owned subsidiary of Gearson Partners Holdings, L.P. ("Gearson"). Gearson is a privately owned holding company formed as a limited partnership that is owned by David N. Gearhart, Marshall Schutt and Clifford Thompson, together with additional limited partners. Personal financial statements Messrs. Gearhart, Schutt and Thompson, Applicant's ultimate controlling persons, are attached as Exhibit 5.

(c) Organizational Chart

The organizational charts attached as Exhibit 3 and Exhibit 4 present the identities of and the inter-relationships among FAIC and its affiliates prior to and following the Acquisition. Such charts indicate the percentage of voting securities of each entity owned or controlled by the Applicant or by any other such entity as well as the type of organization and the state or other jurisdiction of domicile of each entity specified therein. Unless otherwise indicated on such charts or in this Statement, no person directly or indirectly owns, controls, holds with power to vote or holds proxies representing collectively ten (10) percent or more of the voting securities of the Applicant. No court proceeding involving a reorganization or liquidation is pending with respect to FAIC or any of its affiliates.

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

A complete set of all biographical affidavits is being filed in response to this Item 3 as Exhibit 6 (background reports for each biographical affidavit submitted with this Form A will be

provided to DIFS by Applicant's vendor, Business Information Group, Inc. (NAIC approved) as soon as they are available).

(a)(1) Directors and Executive Officers of FAIC

Below is a list of the directors and executive officers of FAIC. The business addresses and residence addresses of the directors and executive officers of FAIC are stated in the biographical affidavits for such persons, which, as described above, are being filed as Exhibit 6, together with biographical affidavits for Messrs. Gearhart, Schutt and Thompson.

FAIC's Board of Directors currently consists of the following members:

<u>Director</u>	<u>Principal Occupation</u>
Marshall P. Schutt	Investment Management, Schutt Capital Management
William B. Allen	Secretary & CFO, FAIC
William V. Nutt, Jr.	President & CEO, FAIC
Steve Novak	Insurance Consultant
Dwight Davidson	Financial Consultant, Wentworth Consulting Services
Charles T. Hagan	Attorney, Offit Kurman
Troy Prevot	Physician's Assistant, Consultant

The day-to-day affairs of FAIC are managed by the following executive officers:

<u>Officer</u>	<u>Title</u>
William V. Nutt, Jr.	President & CEO
William B. Allen	Secretary & CFO

(a)(2) Owners of Ten Percent or More of the Voting Securities of FAIC

No person directly or indirectly owns, controls, holds with power to vote or holds proxies representing collectively ten (10) percent or more of the voting securities of FAIC.

(b) Present Principal Business Activity

The principal business activity, occupation, or employment of the directors and executive officers of the Applicant is stated in Item 3(a)(1) above. Additional employment information about the directors and executive officers of the Applicant is stated in the biographical affidavits for such persons, which, as described above, are being filed as Exhibit 6.

(c) Material Occupations, Positions, Offices and Employment

The material occupations, positions, offices or employment during the last five years, including 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, with respect to the directors and executive officers of the Applicant, are stated in the biographical affidavits for such persons, which, as described above, are being

filed as Exhibit 6. Except as set forth in such biographical affidavits, no such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency. The current status of any such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith, are stated in such biographical affidavits.

(d) Criminal Proceedings

Except as otherwise indicated in Exhibit 6, to the best knowledge, information and belief of the Applicant, no director or executive officer of the Applicant has been convicted in a criminal proceeding (excluding minor traffic violations) during the past ten years.

**ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

(a) Nature, Source and Amount of Funds or Other Consideration Used or to Be Used in Effecting the Merger or Other Acquisition of Control

As provided for in the Plan of Conversion and Purchase Agreement (Exhibit 1), upon approval by the Director, and the satisfaction of other conditions to closing that are customary in transactions of this type, FAIC will upon its conversion from mutual to stock form acquire at least a majority of the shares of MCIM at closing. At Closing, FAIC will pay in cash funds necessary to purchase whichever shares are not purchased by policyholder members pursuant to the Plan of Conversion (Exhibit 1).

The Plan of Conversion contemplates an infusion of capital not less than \$4,000,000. Consequently, if policyholder members exercise their subscription rights to purchase \$100,000 of MCIM stock pursuant to the Plan of Conversion, for instance, then FAIC will acquire the remainder of the shares for \$3,900,000 pursuant to the Purchase Agreement. In no event shall FAIC be required to pay more than \$4,000,000 for the MCIM stock it acquires pursuant to the Purchase Agreement. The source of the funds to be utilized by FAIC for its payment will be cash on hand, and no part of the consideration will be from borrowed funds or other debt.

(b) Criteria Used in Determining the Nature and Amount of Such Consideration

FAIC performed customary due diligence investigation and reviewed, among other things, the financial statements, operations and legal documents of MCIM. The basis and terms of the Purchase Agreement, including the consideration to be paid, resulted from arms-length negotiations between the respective management, representatives, financial advisors and counsel for the Applicant and MCIM, as well as the Pro Forma Valuation prepared in connection with the Plan of Conversion. The Boards of Directors of FAIC and MCIM after due diligence review and analysis under customary valuation techniques approved the Acquisition and determined that the Purchase Agreement was advisable and in the best interests of the companies' respective member policyholders and/or shareholders.

(c) Identities of the Lenders

As noted, the source of the funds utilized by FAIC for this Acquisition will be cash on hand, and no part of the consideration paid will be from borrowed funds or other debt.

#### **ITEM 5. FUTURE PLANS OF INSURER**

There are presently no plans to declare an extraordinary dividend, to liquidate or dissolve MCIM, sell any asset of MCIM, enter into any rental, leasing, service or financial, or other arrangements with MCIM. After the transaction closes and MCIM is acquired, the Applicant plans to allow MCIM to operate in a manner materially consistent with its pre-closing operations, though FAIC plans to significantly reduce total premium volume by exiting certain lines of business that have proven volatile and unprofitable. This will be achieved by non-renewing policies in accordance with all pertinent regulations. Additional premium reductions will be accomplished by re-underwriting the remaining business to ensure compliance with MCIM underwriting guidelines. Underwriting profitability will be the primary focus going forward. MCIM will also be re-named "I-Que Insurance Company." A post-acquisition Business Plan for MCIM and Pro-Forma Financial Projections are attached as Exhibit 7(a), (b).

FAIC also plans to replace the current officers and directors of MCIM at the time of closing. As to directors, when the transaction closes, the following individuals will serve as directors of MCIM:

Marshall Schutt  
William V. Nutt, Jr.  
William B. Allen  
Steven C. Novak  
Therese Stevens  
Troy Prevot  
Jeffrey Smith (Michigan resident)

As for officers, when the transaction closes, Mr. Nutt will serve as President and CEO of MCIM, and Mr. Allen will serve as CFO, Secretary/Treasurer. Biographical Affidavits for Ms. Stevens and Mr. Smith are also being filed as part of Exhibit 6.

#### **ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

(a) Number of Shares and Method of Acquisition

As set forth in the Purchase Agreement (Exhibit 1), at Closing and in exchange for payment of the MCIM shares being acquired, FAIC will acquire at least a majority of the MCIM shares issued upon its Conversion.

(b) Method by Which Fairness of Proposal was Determined

Please refer to Section 4(b) above, which sets forth the method by which fairness of the consideration proposed for the Acquisition was determined.

**ITEM 7. OWNERSHIP OF VOTING SECURITIES**

Neither FAIC, its affiliates nor any person identified in Item 3 above beneficially owns or has the right to acquire beneficial ownership of any voting security of MCIM or its parents or affiliates other than through the Acquisition that is the subject of this Application.

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

Except as provided in the Purchase Agreement, there are no contracts, arrangements or understandings with respect to any voting security of MCIM, its affiliates or any person listed in Item 3 above, including any 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.

**ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

There have been no purchases of any voting securities of MCIM, its affiliates or any person listed in Item 3 above during the 12 calendar months preceding the filing of this Statement.

**ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

There have been no recommendations to purchase any voting security of MCIM made during the 12 calendar months preceding the filing of this Statement by FAIC, its affiliates or any person listed in Item 3 above, or by any other person based on interviews or at the suggestion of FAIC, its affiliates or any person listed in Item 3 above.

**ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

There have been no agreements, contracts or understandings made with any broker-dealer as to solicitation of voting securities of MCIM for tender.

**ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

A. The following is a list of the exhibits and financial statements filed with this Statement:

Mutual to Stock Conversion and Purchase Agreement by and between Michigan Commercial Insurance Mutual and Freedom Advantage Insurance Company dated June 3, 2024 (with Schedules and Exhibits)	<u>Exhibit 1</u>
Pre-Acquisition organizational chart for MCIM and affiliates	<u>Exhibit 2</u>
Pre-Acquisition organizational chart for FAIC and its affiliates	<u>Exhibit 3</u>
Post-Acquisition organizational chart for FAIC and its affiliates	<u>Exhibit 4</u>
FAIC UCP Financial Statements	<u>Exhibit 5</u>

Biographical Affidavits for the Directors, Principal Officers and UCPs of FAIC, and Directors and Principal Officers of MCIM after Closing	<u>Exhibit 6</u>
Business & Plan Pro-Forma Financial Projections	<u>Exhibit 7(a)&amp;(b)</u>
Applicant's Audited Annual Statutory Statements for the years 2018 through 2023	<u>Exhibit 8(a)-(f)</u>

B. The above financial statements include the annual financial statements of the persons identified in Item 2(c) for the preceding five (5) fiscal years, and similar information covering the period from the end of the person's last fiscal year.

C. The Applicant is not an individual; therefore, this subparagraph is not applicable.

D. There are no 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 or management contracts concerning the insurer, annual reports to the stockholders of the insurer and the applicant for the last two fiscal years; therefore, this subparagraph is not applicable.

**ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT**

The Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form "F" within 15 days after the end of the month in which the acquisition of control occurs and annually thereafter as long as control exists or upon request as necessary for the Director to evaluate enterprise risk of the insurer unless otherwise ordered by the Director.




**ITEM 14. SIGNATURE AND CERTIFICATION**

**SIGNATURE**

Pursuant to the requirements of Section 1311 of the Insurance Code of 1956, as amended, Freedom Advantage Insurance Company has caused this Form "A" Statement to be duly signed on its behalf in the City of Greensboro and State of North Carolina on the 11th day of June 2024.

**FREEDOM ADVANTAGE INSURANCE  
COMPANY**

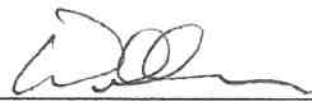
By:   
\_\_\_\_\_  
William V. Nutt, Jr.  
President

Attest:

\_\_\_\_\_  
William B. Allen, Secretary & CFO

**CERTIFICATION**

The undersigned deposes and says that he has duly executed the attached application dated June 11, 2024, for and on behalf of Freedom Advantage Insurance Company; that he is the President & Chief Executive Officer 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.

  
\_\_\_\_\_  
William V. Nutt, Jr.

**ITEM 14. SIGNATURE AND CERTIFICATION**

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**FREEDOM ADVANTAGE INSURANCE  
COMPANY**

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William V. Nutt, Jr.  
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Attest:

  
\_\_\_\_\_  
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\_\_\_\_\_  
William V. Nutt, Jr.