



**DEPARTMENT OF COMMERCE AND INSURANCE**

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

IN RE: )  
Proposed Acquisition of )  
 )  
Cornerstone National Insurance Company, )  
 )  
By: )  
 )  
CFM Insurance, Inc. )

Case No. 181012907H

**ORDER**

Based on the competent and substantial evidence in the administrative record before me, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance (“Director” of the “Department”), enter the following findings, conclusions and order

**FINDINGS OF FACT**

1. On October 17, 2018, CFM Insurance, Inc. (“Applicant”), filed a Form A Statement with the Department in connection with the proposed acquisition of Cornerstone National Insurance Company (“Domestic Insurer”) by Applicant.

2. On or about December 7, 2018, the Division of Insurance Company Regulation, Department (“Division”) and Applicant entered into a Stipulation in order to address certain issues that had arisen during the Division’s review of the Applicant’s Form A Statement.

3. On January 4, 2019, the Director entered her Findings of Fact, Conclusions of Law and Order (“Order”) approving, with conditions, the Form A Statement, allowing the acquisition. The January 4, 2019, Order also incorporated the December 7, 2018, Stipulation by reference into the Order.

4. Section E, Modification, of the Stipulation provides that the Stipulation may not be modified or changed unless the parties agree to any modification in writing.

5. On August 23, 2021, the Applicant and Division entered into an Amended Stipulation, which made certain modifications to the December 7, 2018, Stipulation.

6. The Amended Stipulation is attached to this Order and, by this reference, incorporated herein.

7. Applicant and Domestic Insurer have operated pursuant to the December 7, 2018, Stipulation and the January 4, 2019, Findings of Fact, Conclusions of Law and Order for approximately two years. During that time, the Division has overseen both the Applicant’s and Domestic Insurer’s financial conditions.

8. Domestic Insurer’s Risk Based Capital Ratio has increased significantly since the December 7, 2018, Stipulation Agreement was put into place, with the year-end 2020 ratio calculated at 668.2% under Applicant’s management.

9. Domestic Insurer has had two fiscal years of net income since the signing and entry of the December 7, 2018, Stipulation.

10. Applicant's financial condition has not shown an adverse impact during the approximately two years of its ownership and management of Domestic Insurer.

**CONCLUSIONS OF LAW**

11. Applicant is a Missouri Extended Mutual Insurance Company created and regulated pursuant to §§ 380.201-380.651, RSMo.

12. Domestic Insurer is a domestic insurance company created and regulated pursuant to the provisions of Chapters 374, 375 and 379, RSMo.

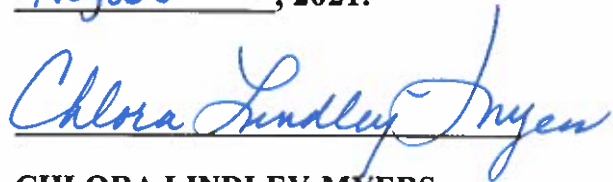
**ORDER**

13. Based on the foregoing Findings of Fact and Conclusions of Law, it is hereby Ordered that the December 7, 2018, Stipulation is modified as set forth in the August 23, 2021, Amended Stipulation.

14. The quarterly updates required in the January 4, 2019, Findings of Fact, Conclusions of Law and Order are no longer required and may be discontinued.

**SO ORDERED.**

WITNESS MY HAND THIS 26<sup>th</sup> DAY OF August, 2021.



**CHLORA LINDLEY-MYERS,  
DIRECTOR**

**BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE  
STATE OF MISSOURI**

|   |   |                     |
|---|---|---------------------|
| IN RE:                                  | ) |                     |
| Proposed Acquisition of                 | ) |                     |
|   | ) |                     |
| Cornerstone National Insurance Company, | ) |                     |
|   | ) | Case No. 181012907H |
| By:                                     | ) |                     |
|   | ) |                     |
| CFM Insurance, Inc.                     | ) |                     |

**AMENDED STIPULATION**

It is hereby stipulated and agreed by the Division of Insurance Company Regulation ("Division") and CFM Insurance, Inc. ("Applicant"), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (the "Department"), an agency of the state of Missouri, created and established to administer and enforce all laws in relation to insurance companies doing business in the state in Missouri; and

WHEREAS, Applicant is a Missouri Extended Mutual Insurance Company created and regulated pursuant to §§ 380.201-380.651, RSMo; and

WHEREAS, Applicant filed a Form A statement on or about October 17, 2018, seeking approval from the Director to acquire control of Cornerstone National Insurance Company (the "Domestic Insurer"), a Missouri domestic insurance company created pursuant to the provisions of Chapter 379, RSMo; and

WHEREAS, the Division and Applicant desire to ensure the protection of current

and future Applicant and the Domestic Insurer policyholders as well as the insurance buying public; and

WHEREAS, the Division believes that certain additional benchmarks are necessary to avoid prejudicing the interests of Applicant's and the Domestic Insurer's policyholders, and to ensure the acquisition is unlikely to be hazardous or prejudicial to the insurance buying public pursuant to § 382.060.1(3) and (6), RSMo; and

WHEREAS, Applicant, by letter dated May 27, 2021, has requested certain modifications to the Stipulation entered into by the Division and Applicant in the above-styled matter on December 7, 2018, and approved by the Director of the Department in her Findings of Fact, Conclusions of Law and Order entered January 4, 2019; and

WHEREAS, Applicant has operated pursuant to the December 7, 2018, Stipulation and January 4, 2019, Order for approximately two years. During that time, the Division has overseen both the Applicant's and Domestic Insurer's financial condition; and

WHEREAS, Domestic Insurer's Risk Based Capital Ratio has increased significantly since the December 7, 2018, Stipulation Agreement was put into place, with the year-end 2020 ratio calculated at 668.2% under Applicant's management; and

WHEREAS, Domestic Insurer has had two fiscal years of net income since the signing and entry of the December 7, 2018, Stipulation; and

WHEREAS, during the approximately two years Applicant has been operating pursuant to the December 7, 2018, Stipulation and the January 4, 2019, Order, Applicant's financial condition has not been adversely impacted as a result of its

acquisition of Domestic Insurer; and

WHEREAS, as a result of the significant improvement of the financial condition of Domestic Insurer and the acceptable financial condition of Applicant, the Division and the Applicant have agreed to certain modifications of the December 7, 2018, Stipulation as set forth more fully below; and

WHEREAS, prior to the acquisition, Applicant indicated that the name of the immediate parent of Domestic Insurer would be CNI Holdings Company; however, on or about February 7, 2019, Innovated Holdings, Inc. was formed, is the immediate parent of Domestic Insurer and a subsidiary of Applicant; and

WHEREAS, the Division and Applicant have agreed to certain additional stipulations to be followed by Applicant and the Domestic Insurer post-acquisition, as follows:

A. **Scope of Agreement.** This Amended Stipulation embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement, or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Conditions.** Applicant agrees to comply with the following conditions regarding the operation of Applicant and the Domestic Insurer post-acquisition:

1. Conditions to ensure that CFM and Cornerstone will be operated as separate legal entities:

(a) Corporate formalities will be followed. All shareholder and board meetings for CFM and Cornerstone will be held separately. Minutes of all meetings will be kept in each company's respective minutes' book.

(b) Innovated Holdings, Inc. and Cornerstone will have at least one independent director.

(c) Capitalization. CFM and Cornerstone will each be adequately capitalized and will comply with all applicable statutory and regulatory requirements. Without limiting the foregoing, on a going forward basis, Cornerstone will receive additional capital and surplus in an amount necessary to maintain Cornerstone's RBC ratio above 300%, and above regulatory action or company level action event.

(d) No commingling of assets. CFM and Cornerstone will maintain separate or segregated bank accounts, and there will be no commingling of funds between the entities. In addition, CFM and Cornerstone will maintain separate accounting records and financial statements.

(e) CFM and Cornerstone will be held out to the public as separate companies.

(f) Services or other assistance provided among CFM, Innovated Holdings, Inc. and Cornerstone will be properly documented in intercompany agreements that meet the requirements of applicable Missouri laws and regulations and for which a Form D filing has been made.

(g) CFM and Cornerstone will use separate insurance policies (i.e. there will not be any joint policies).

(h) CFM will not write any insurance coverage outside of the State of Missouri.

(i) Cornerstone and CFM policies will not be packaged together for sale in any state.

(j) Independent agents will be instructed that CFM and Cornerstone are separate companies and that CFM cannot write business outside of the State of Missouri. Agents will only be permitted to use written marketing materials that have been prepared or approved by CFM or Cornerstone, as applicable, and that are consistent with the foregoing conditions.

2. Conditions relating to CFM financial reporting to the Department:

CFM will provide the Department financial statements prepared in accordance with the Accounting Practices and Procedures Manual utilizing the Annual

Property and Casualty National Association of Insurance Commissioners ("NAIC") blank form and an annual Property and Casualty RBC report. The annual financial statement and RBC report will be due on March 1 for the preceding calendar year. CFM will also continue to provide the Department with an annual statutory filing in the form prescribed by the Director for Chapter 380, RSMo companies by March 1. CFM will also provide the Department with annual audited financial statements for CFM utilizing Generally Accepted Accounting Principles ("GAAP") to be filed with the Form B registration statement required by § 382.110, RSMo.

3. Conditions relating to accounting treatment for the transaction:

CFM will be allowed to include the GAAP value of the stock of Innovated Holdings, Inc. within its § 380.482, RSMo financial statements and the stock value of Innovated Holdings, Inc., as determined in accordance with SSAP 97, will be reported on CFM's statutory financial statements and filed in accordance with Condition B.2., above.

C. **Effect of Subsequent Transaction.** In the event that Applicant ceases to exist as a corporate entity or ceases to possess control with a 10% or greater ownership interest in the Domestic Insurer following a subsequent transaction approved by the Director, Applicant's duties and obligations under this Amended Stipulation shall terminate as of the effective date of any event whereby Applicant ceases to exist as a corporate entity or ceases to possess control with a 10% or more ownership interest in the Domestic Insurer.

D. **Applicability.** The Applicant and Domestic Insurer understand and agree that they remain subject to the statutory and regulatory requirements that apply to Chapter 380 and Chapter 379, RSMo, insurance companies, respectively.

E. **Modification.** No modifications or changes to this Amended Stipulation shall be effective unless made in writing and agreed to by all signatories to the Amended



Stipulation.

F. **Governing Law.** This Amended Stipulation shall be governed and construed in accordance with the laws of the state of Missouri.

G. **Authority.** The signatories below represent, acknowledge, and warrant that they are authorized to sign this Amended Stipulation.

H. **Effect of Amended Stipulation.** This Amended Stipulation shall not become effective until entry of a Final Order by the Director of the Department of Commerce and Insurance is entered approving the amendment.

I. **Request for an Order.** The signatories below request that the Director issue an Order approving this Amended Stipulation, and the signatories consent to the issuance of such Order.

DATED: 8/23/2021



John F. Rehagen, Director  
Division of Insurance Company Regulation

DATED: 8/23/2021



Shelley A. Woods, Legal Counsel  
Division of Insurance Company Regulation

DATED: 8.23.21

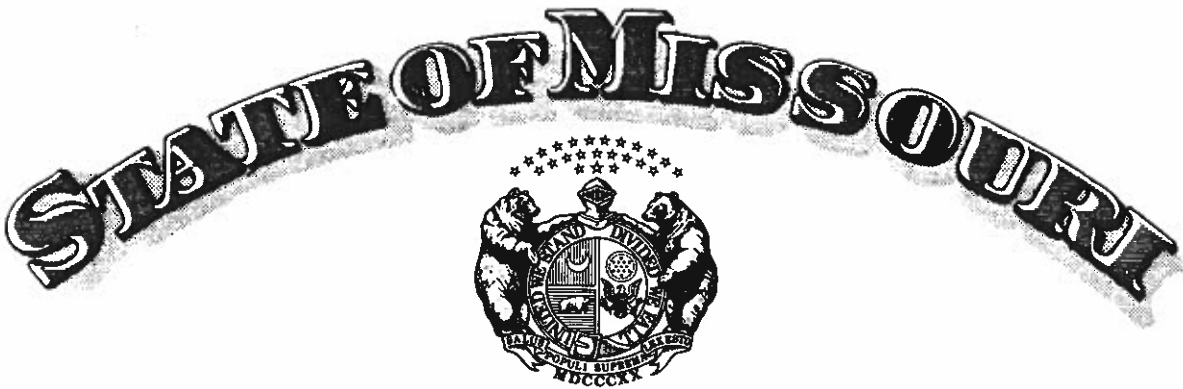


Jacob Black, Chief Executive Officer  
CFM Insurance Inc.

DATED: 8-23-21



Scott Forrest, Secretary and General Counsel  
(as counsel for CFM Insurance, Inc.)



**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

**IN RE: Proposed Acquisition of:** )  
 )  
**Cornerstone National Insurance** )  
**Company,** )  
 ) **Case No. 181012907H**  
**by** )  
 )  
**CFM Insurance, Inc.** )

**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER**

Based on the testimony and evidence on the whole record, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (“Director” of the “Department”), finds and concludes that:

1. On or about October 17, 2018, CFM Insurance, Inc. (“Applicant”), filed a Form A Statement (“Form A”) with the Department, in connection with the proposed acquisition of Cornerstone National Insurance Company (the “Domestic Insurer”) by Applicant.
2. The Applicant will acquire control of the Domestic Insurer pursuant to an Amended and Restated Stock Purchase Agreement dated December 7, 2018, by and among

the Applicant, the Domestic Insurer and the parent company of the Domestic Insurer, Cornerstone Management Partners, Inc., whereby an affiliate of Applicant would acquire ownership in 100% of stock in the Domestic Insurer.

3. After a public hearing pursuant to § 382.060, RSMo 2016, and a review of the Form A, and all the Exhibits, including the Stipulation, which is attached hereto and by this reference, incorporated herein, the Director fails to find that:

- a. After the acquisition of the Domestic Insurer by the Applicant, 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.
- 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.
- c. The financial condition of the Applicant is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders.
- d. The Applicant'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.
- e. The competence, experience and integrity of the Applicant's management 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 the Applicant.

- f. The proposed acquisition of the Domestic Insurer by the Applicant is likely to be hazardous or prejudicial to the insurance buying public.

**ORDER**

Based on the foregoing findings and conclusions, the proposed acquisition of control of Cornerstone National Insurance Company by CFM Insurance, Inc. is hereby **APPROVED WITH CONDITIONS**, namely, subject to the terms and conditions of the Stipulation, and further, CFM Insurance, Inc. shall hereby provide to the Department, via quarterly meetings with the Director, updates as specified by the Department, through Department staff, within forty-five (45) days of filing each quarterly financial statement with the Department. The updates shall include, but not be limited to, the status and progress of the financial and operational integration of the resultant companies. The aforementioned meetings and updates shall continue pursuant to the above schedule until such time as the Director orders that said meetings and updates are no longer required.

**SO ORDERED, SIGNED AND OFFICIAL SEAL AFFIXED THIS 4<sup>th</sup>**

**DAY OF JANUARY, 2019.**



CHLORA LINDLEY-MYERS  
DIRECTOR

Department of Insurance, Financial Institutions  
and Professional Registration  
State of Missouri

**IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION  
STATE OF MISSOURI**

|   |   |                     |
|---|---|---------------------|
| IN RE: Proposed Acquisition of          | ) |                     |
|   | ) |                     |
| Cornerstone National Insurance Company, | ) |                     |
|   | ) | Case No. 181012907H |
| By:                                     | ) |                     |
|   | ) |                     |
| CFM Insurance, Inc.                     | ) |                     |

**STIPULATION**

It is hereby stipulated and agreed by the Division of Insurance Company Regulation ("Division") and CFM Insurance, Inc. ("Applicant"), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (the "DIFP"), an agency of the state of Missouri, created and established to administer and enforce all laws in relation to insurance companies doing business in the state in Missouri; and

WHEREAS, Applicant is a Missouri Extended Mutual Insurance Company created and regulated pursuant to §§ 380.201-380.651, RSMo; and

WHEREAS, Applicant filed a Form A statement on or about October 17, 2018, seeking approval from the Director to acquire control of Cornerstone National Insurance Company, Inc. (the "Domestic Insurer"), a Missouri domestic insurance company created pursuant to the provisions of Chapter 379, RSMo; and

WHEREAS, the Division and Applicants desire to ensure the protection of current and future Applicant and the Domestic Insurer policyholders as well as the insurance buying public;

and

WHEREAS, the Division believes that certain additional benchmarks are necessary to protect the financial stability of both Applicant and the Domestic Insurer to avoid prejudicing the interest of Applicant's and the Domestic Insurer's, and to reduce the likelihood that the acquisition will be hazardous or prejudicial to the insurance buying public pursuant to § 382.060.1(3) and (6), RSMo; and

WHEREAS, the Division and Applicant have agreed to certain additional stipulations to be followed by Applicant and the Domestic Insurer post-acquisition, as follows:

A. **Scope of Agreement.** This Stipulation embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement, or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Conditions.** Applicants agree to comply with the following conditions regarding the operation of Applicant and the Domestic Insurer post-acquisition:

1. Conditions to ensure that CFM and Cornerstone will be operated as separate legal entities:

(a) Corporate formalities will be followed. All shareholder and board meetings for CFM and Cornerstone will be held separately. Minutes of all meetings will be kept in each company's respective minutes' book.

(b) CNI Holding Company and Cornerstone will have at least one independent director.

(c) Capitalization. CFM and Cornerstone will each be adequately capitalized and will comply with all applicable statutory and regulatory requirements. Without limiting the foregoing, after the closing date of the Cornerstone acquisition, Cornerstone will receive additional capital and surplus in an amount necessary to maintain Cornerstone's RBC ratio above 300%, and above regulatory action or company level action event (the "Required Initial Contribution"). The Required Initial Contribution to Cornerstone's capital and surplus will be made in accordance with Statements of Statutory Accounting Principles ("SSAP") 72,

paragraph 8, and the amount to be contributed will be determined after year end reporting and RBC calculations for December 31, 2018 are fully completed and reviewed, with such contribution to be made on or prior to March 1, 2019 subject to the ultimate closing of the Cornerstone acquisition by CFM.

(d) No commingling of assets. CFM and Cornerstone will maintain separate or segregated bank accounts, and there will be no commingling of funds between the entities. In addition, CFM and Cornerstone will maintain separate accounting records and financial statements.

(e) CFM and Cornerstone will be held out to the public as separate companies.

(f) Services or other assistance provided among CFM, CNI Holding Company and Cornerstone will be properly documented in intercompany agreements that meet the requirements of applicable Missouri laws and regulations and for which a Form D filing has been made.

(g) CFM and Cornerstone will use separate insurance policies (i.e. there will not be any joint policies).

(h) CFM will not write any insurance coverage outside of the State of Missouri.

(i) Cornerstone and CFM policies will not be packaged together for sale in any state.

(j) Independent agents will be instructed that CFM and Cornerstone are separate companies and that CFM cannot write business outside of the State of Missouri. Agents will only be permitted to use written marketing materials that have been prepared or approved by CFM or Cornerstone, as applicable, and that are consistent with the foregoing conditions.

2. Conditions relating to CFM financial reporting to DIFP:

CFM will provide the DIFP the financial statements prepared in accordance with the Accounting Practices and Procedures Manual utilizing the Annual and Quarterly Property and Casualty National Association of Insurance Commissioners ("NAIC") blank forms and related instructions, including the annual actuarial opinion regarding the adequacy of CFM's reserves and an annual Property and Casualty RBC report. The annual financial statement, actuarial opinion, and RBC report will be due on March 1 for the preceding calendar year and on May 15, August 15, and November 15 for the NAIC quarterly financial statements. CFM will also continue to provide the DIFP with an annual statutory filing in the form prescribed by the director for Chapter 380, RSMo companies by March 1. CFM will also provide the DIFP with annual audited financial statements for CFM utilizing Generally Accepted Accounting Principles ("GAAP") to be filed with the Form B registration statement required by § 382.110, RSMo.

3. Conditions relating to reinsurance:

(a) Following the closing date of the Cornerstone acquisition, Cornerstone will use commercially reasonable efforts to obtain reinsurance on favorable terms for Cornerstone and consistent with Cornerstone's goals of balancing risk and profitability. Cornerstone will provide a quarterly report to the DIFP with respect to Cornerstone's reinsurance program.

(b) CFM will provide quarterly to the DIFP an updated "Extended Missouri and Missouri Mutual Exposure Calculation" to ensure that CFM will not have to adjust its reinsurance "Attachment Point" due to the changes in its surplus level, as a result of the initial acquisition of Cornerstone and any subsequent surplus contributions to maintain Authorized Control level RBC of at least 300%.

**4. Conditions relating to accounting treatment for the transaction:**

Following the closing date of the Cornerstone acquisition, CFM will be allowed to include the GAAP value of the stock of CNI Holding Company within its § 380.482, RSMo financial statements and the stock value of CNI Holding Company, as determined in accordance with SSAP 97, will be reported on CFM's statutory financial statements and filed quarterly on the NAIC Property and Casualty Blank.

**5. Stipulated Remedies:**

In the event that any of the foregoing conditions are not complied with and Cornerstone's RBC ratio falls below 300% as set forth in any RBC report required to be filed by Cornerstone with the DIFP, Cornerstone and CFM will have ninety (90) days in which to either (i) obtain an outside investment sufficient to maintain Cornerstone's RBC ratio above 300%, or (ii) request approval from the Director under Section 380.471, RSMo for CFM to make an additional capital contribution sufficient to maintain Cornerstone's RBC ratio above 300% (an "Additional CFM Contribution"). If CFM has requested approval to make an Additional CFM Contribution, and the amount of the Additional CFM Contribution, when aggregated with any other capital contributions made by CFM to Cornerstone after the closing date of the Cornerstone acquisition by CFM (which for the avoidance of doubt will not include the Required Initial Contribution), exceeds 10% of CFM's surplus as set forth on CFM's § 380.482, RSMo financial statement for the immediately preceding year end prior to the date of such request, CFM agrees Cornerstone will consent to Administrative Supervision pursuant to the provisions of Section 375.1160, RSMo. The stipulated remedies set forth in this paragraph shall automatically terminate and be of no further force or effect if Cornerstone has reported net income on its year-end financial statements filed with the DIFP for two (2) consecutive years.

**C. Effect of Subsequent Transaction.** In the event that Applicant ceases to exist as a corporate entity or ceases to possess control with a 10% or greater ownership interest in the Domestic Insurer following a subsequent transaction approved by the Director,



Applicant's duties and obligations under this Stipulation shall terminate as of the effective date of any event whereby Applicant ceases to exist as a corporate entity or ceases to possess control with a 10% or more ownership interest in the Domestic Insurer.

**D. Applicability.** The Applicant and Domestic Insurer understand and agree that they remain subject to the statutory and regulatory requirements that apply to Chapter 380 and Chapter 379, RSMo, insurance companies, respectively.

**E. Modification.** No modifications or changes to this Stipulation shall be effective unless made in writing and agreed to by all signatories to the Stipulation.

**F. Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the state of Missouri.

**G. Authority.** The signatories below represent, acknowledge, and warrant that they are authorized to sign this Stipulation.


**H. Effect of Stipulation.** This Stipulation shall not become effective until entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration approving this Stipulation.

**I. Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation, and the signatories consent to the issuance of such Order. The signatories anticipate such approval would be included in an Order approving the proposed acquisition of Cornerstone National Insurance Company, Inc. by Applicant.

DATED: 12/7/2018

  
John F. Rehagen, Director  
Division of Insurance Company Regulation


DATED: 12/7/2018

  
Shelley A. Woods, Legal Counsel  
Division of Insurance Company Regulation

DATED: 12/7/2018

  
Jacob Black, Chief Executive Officer  
CFM Insurance Inc.

DATED: 12/7/18

  
Kevin Fischer  
Bryan Cave Leighton Paisner LLP (as counsel for CFM  
Insurance, Inc.)