

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE:)
Merger of ProAssurance Specialty)
Insurance Company, Inc. with and into)
Noetic Specialty Insurance Company)
)

Docket No. 21-047-I

Decision and Order

I. Introduction

a. Background

1. The Vermont Department of Financial Regulation (the “Department”) is responsible for licensing and regulating insurance companies pursuant to Title 8 of the Vermont Statutes Annotated. 8 V.S.A. § 3424 sets forth the procedure for a merger of any domestic insurer with any other insurer. Pursuant to 8 V.S.A. §3424(7)(C), “[t]he Commissioner shall approve the articles of merger if he or she finds that the merger will promote the general good of the State in conformity with those standards set forth in section 3305 of this title.” 8 V.S.A. §3305 states that:

[I]n determining the general good of the State as herein required, the Commissioner shall consider:

- (1) The character, reputation, financial standing, and purposes of the organizers, incorporators, and subscribers organizing the proposed insurer or organization.
- (2) The character, reputation, financial responsibility, insurance experience, and business qualifications of its proposed officers and directors.
- (3) Such other aspects of the proposed insurer or financing as he or she may deem advisable.

8 V.S.A. §3305

2. If, after a public hearing and analysis of statutory factors, the Commissioner concludes that the proposed merger will promote the general good of the State and approves the articles of merger, “he or she shall indorse his or her approval thereon and shall present the same to the Secretary of State of Vermont at his or her office.” 8 V.S.A. §3424(7)(C).

b. Procedural History

1. On November 3, 2021, Noetic Specialty Insurance Company (“Noetic”) filed an application (the “Application”) with the Department requesting that the Commissioner approve the merger (the “Merger”) of ProAssurance Specialty Insurance Company, Inc.

(“PRA Specialty”) with and into Noetic Specialty Insurance Company (“Noetic”) with Noetic surviving the merger (the “Surviving Company”) in accordance with the requirements of 8 V.S.A. §§3424 and 3431.

2. Included with the application were Affidavits of the Secretary of each of Noetic and PRA Specialty providing evidence of approval of the Merger Agreement and Articles of Merger by the respective directors and shareholder of each of Noetic and PRA Specialty in accordance with 8 V.S.A. §3424(4); and Certificates of Fees and Commissions Paid for each of Noetic and PRA Specialty in accordance with the requirements of 8 V.S.A. §3433.
3. On November 16, 2021, the Commission issued a Notice of Hearing (the “Notice of Hearing”) noting that a hearing to consider the proposed Merger would be held on December 17, 2021 at 2 p.m. eastern time at the offices of the Commissioner located at 89 Main Street, Montpelier, VT 05620-3101. The Notice Hearing also stated that an option to participate in the hearing remotely will be provided. The Notice of Hearing required Noetic to provide a notice of the hearing to PRA Specialty and attend to publication of a notice of the hearing in the Barre Times Argus once a week for three consecutive weeks with the last publication occurring at least twelve days prior to the hearing date pursuant to an in full satisfaction of the notice obligations under 8 V.S.A. §3305.
4. Attorney Peter J. McDougall of Paul Frank + Collins P.C. and Attorney Jack Stephenson of Burr & Forman LLP represented Noetic and PRA Specialty, and Karen M. Murphy, a director and Executive Vice President of Noetic, Robert D. Francis, a director and Executive Vice President of PRA Specialty, Dana S. Hendricks, Treasurer of Noetic and PRA Specialty, and Kathryn A. Neville, Secretary of Noetic and PRA Specialty, spoke in favor of the application. No members of the public or representatives of any other entity provided comment or testimony at the hearing.
5. The following exhibits were introduced during the course of the Hearing and were admitted to the record without objection:

Exhibit 1- Application for Approval of Merger filed November 3, 2021 with the Department along with Exhibit A through Exhibit K, attached thereto;

Exhibit A- Executed Merger Agreement;

Exhibit B- Executed Articles of Merger to be filed with the Vermont Secretary of State;

Exhibit C- Organization Chart of ProAssurance and subsidiaries;

Exhibit D- **CONFIDENTIAL**: Biographical affidavits of directors and officers of the surviving company;

Exhibit E- **CONFIDENTIAL**: Expense Allocation Agreement and proposed amendment to include NORCAL Group (ProAssurance Group);

- Exhibit F- **CONFIDENTIAL**: Management Services Agreement and proposed amendment to include NORCAL Group (ProAssurance Group);
- Exhibit G- **CONFIDENTIAL**: Cash Management Agreement (Medmarc Group);
- Exhibit H- **CONFIDENTIAL**: Program Administration Agreement (Medmarc Group);
- Exhibit I- **CONFIDENTIAL**: ProAssurance Casualty and PRA Specialty Quota Share Reinsurance Agreement;
- Exhibit J- **CONFIDENTIAL**: Consolidated Tax Agreement; and
- Exhibit K- Financial information including audited financial statements of each Noetic and PRA Specialty for last 5 years and **CONFIDENTIAL**: projected combined balance sheet and income statement for the surviving company for the year ended December 31, 2021.
- Exhibit 2- Certificate of Fees and Commissions for PRA Specialty pursuant to 8 V.S.A. §3433;
- Exhibit 3- Certificate of Fees and Commissions for Noetic pursuant to 8 V.S.A. §3433;
- Exhibit 4- Affidavit of the Secretary of PRA Specialty pursuant to 8 V.S.A. §3424(4);
- Exhibit 5- Affidavit of the Secretary of Noetic pursuant to 8 V.S.A. §3424(4);
- Exhibit 6- Affidavit of Dana S. Hendricks, Treasurer of Noetic and PRA Specialty;
- Exhibit 7- Affidavit of Karen M. Murphy, Executive Vice President of Noetic;
- Exhibit 8- Affidavit of Robert D. Francis, Executive Vice President of PRA Specialty;
- Exhibit 9- Affidavit of Kathryn A. Neville, Secretary of Noetic and PRA Specialty;
- Exhibit 10- Affidavit of Publication from the Barre Times Argus; and
- Exhibit 11- Order dated December 7, 2021 issued by the State of Alabama Department of Insurance approving the Merger.

c. Overview of the Parties

1. Noetic is a Vermont stock insurance company that is licensed to write property and casualty insurance only in the State of Vermont. The principal place of business of Noetic is located at 4795 Meadow Wood Lane, Suite 335, West Chantilly, Virginia 20151. Noetic is wholly owned by PRA Professional Liability Group, Inc. (“PRA Professional”). PRA Professional is wholly owned by ProAssurance Corporation (“ProAssurance”). ProAssurance is the ultimate controlling person of Noetic.
2. PRA Specialty is an Alabama stock insurance company that is licensed to write property and casualty insurance only in the State of Alabama. The principal place of business of PRA Specialty is located at 100 Brookwood Place, Birmingham, Alabama 35209. PRA Specialty is also wholly owned by PRA Professional, and ProAssurance is also the ultimate controlling person of PRA Specialty.
3. ProAssurance, the ultimate controlling person of PRA Specialty and Noetic was organized as a business corporation in Delaware in 2001 to serve as insurance holding company. The common stock of ProAssurance is publicly traded on the New York Stock Exchange. ProAssurance owns 100% of the stock of PRA Professional which serves as an intermediate holding company for insurance subsidiaries in ProAssurance’s Specialty Property and Casualty Segment.

II. Analysis

The Commissioner must consider three criteria in determining whether the Merger will promote the general good of the State: 1) the character, reputation, financial standing, and purposes of the organizers, incorporators, and subscribers organizing the proposed company; 2) the character, reputation, financial responsibility, insurance experience, and business qualifications of the proposed company’s officers and directors; and 3) other aspects of the proposed insurer or financing as may be deemed advisable, per 8 V.S.A. § 3305. Each criterion is discussed more fully below.

- a. Character, Reputation, Financial Standing, and Purposes of the Organizers, Incorporators, and Subscribers.
 1. The Affidavit of Dana S. Hendricks was offered in support of the character, reputation, financial standing and purpose of PRA Specialty and Noetic as the parties to the merger, and the financial standing of Noetic after the proposed merger as the surviving company. The affidavit of Dana S. Hendricks stated that the “principal purpose of the Merger is to combine the surplus of Noetic and PRA Specialty to create a stronger balance sheet for the surplus lines products offered by the two companies.”
 2. Included as Exhibit K to the Application (Exhibit 1) are financial statements of both Noetic and PRA Specialty for the years ended December 31, 2020, 2019, 2018, 2017 and 2016 along with a confidential projected combined balance sheet and income state of the Surviving Company for the year ended December 31, 2021.
 3. In 2020, PRA Specialty had direct written premiums from surplus lines insurance in the amount of \$88,075,295 of which \$83,042,447 were premiums for medical professional liability insurance.

4. In 2020 Noetic had direct written premiums in the amount of \$24,174,498 of which \$23,239,578 were premiums for products liability insurance for medical technology and life science companies. All of the premiums were from surplus lines policies except for \$133,729 received from policies issued in Vermont where Noetic is licensed. Noetic ceded \$7,384,397 of its direct written premiums to unaffiliated reinsurers.
5. The risk based capital of PRA Specialty represented 437% of its authorized control level at the end of 2020 and the risk based capital of Noetic represented 1,139% of its authorized control level at the end of 2020. Based on actual results as of June 30, 2021 and expectations for the remainder of the year, the pro-forma risk based capital of the combined company at the end of 2021 is projected to be 759% of the authorized control level of the combined company.
6. In light of the above, the Affidavit of Dana Hendricks, and information contained in the Application including the financial statements included as Exhibit K thereto, the Commissioner concludes that the character, reputation, financial standing, and purposes of the organizers, incorporators, and subscribers organizing of the Surviving Company after the Merger are satisfactory for the purpose of promoting the general good of the State.

b. Character, Reputation, Financial Standing, Insurance Experience, and Business Qualifications of its Proposed Officers and Directors.

1. Noetic submitted a complete listing of the directors and officers of the Surviving Company, as well as biographical affidavits of each as contained in Exhibit D to the Application. The directors currently serving on the Board of Directors of Noetic Edward L. Rand, Jr., Michael L. Boguski, and Karen M. Murphy, will continue as the directors on the Board of Directors of the Surviving Company after the Merger.
2. After the Merger, the individuals below will serve in the officer position of the Surviving Company:

<u>Name</u>	<u>Office</u>
Edward L. Rand	Chairman
Michael L. Boguski	President
Dana S. Hendrick	Treasurer
Kathryn A. Neville	Secretary
Robert D. Francis	Executive VP
Karen M. Murphy	Executive VP
Darryl K. Thomas	Senior VP
Francis A. Stockwell	Senior VP
Craig G. Musgrave	Senior VP
Shepherd M. Tapasak	Senior VP
Sokol Berisha	Senior VP
Lawrence K. Cochran	Vice President
Jeffrey P. Lisenby	Assistant Secretary/Assistant Treasurer
Brian S. Kern	Assistant Secretary

3. In light of the above, the affidavits of Ms. Karen M. Murphy and Mr. Robert D. Francis, and the biographical affidavits of each director and officer of the Surviving Company, and information contained in the Application concerning the insurance experience and business qualifications of each director and officer of the Surviving Company, the Commissioner concludes that character, reputation, financial standing, insurance experience and business qualifications of the proposed officers and directors of the Surviving Company after the Merger are satisfactory for the purpose of promoting the general good of the State.
- c. Other Aspects.
1. Information regarding other aspects of the Merger and of the Surviving Company are included with the Application and the Affidavit of Karen M. Murphy, the Affidavit of Kathryn Neville, the Affidavit of Publication from the Barre Times Argus, and the Order issued by the State of Alabama Department of Insurance approving the Merger. These include, but are not limited to, plans for the operations of the Surviving Company, the principal officers of the Surviving Company, the business operations of the Surviving Company, and evidence of the satisfaction of the notice requirement of 8 V.S.A. §3305 and evidence of approval of the merger by the State of Alabama Insurance Department in accordance with 8 V.S.A. §3431.
 2. The Affidavit of Karen M. Murphy noted that the Merger is not expected to result in material change in the underwriting or claims operations of either Noetic or PRA Specialty. After the Merger the name of Surviving Company will change to “ProAssurance Specialty Insurance Company.” Noetic as the Surviving Company will continue to market and issue medical professional liability insurance on a surplus lines basis under the name ProAssurance Specialty Insurance Company consistent with the past practice of PRA Specialty prior to the Merger. Noetic will continue to market and issue liability insurance on a surplus lines basis under the assumed business name “Noetic Specialty Insurance” consistent with the past practice of Noetic prior to the Merger.
 3. The Affidavit of Kathryn Neville confirmed the delivery by Noetic to PRA Specialty of the Notice of Hearing.
 4. The Affidavit of Publication in the Barre Times Argus confirmed publication of a notice of hearing the Barre Time Argus Newspaper, a newspaper published in Washington Country, Vermont, on November 19, 2021, November 26, 2021 and December 3, 2021 with the final publication of notice on December 3, 2021 more than 12 days prior to the date of the hearing in compliance with the notice provisions of 8 V.S.A. §3305 and the Notice of Hearing.
 5. An order dated December 7, 2021 from the State of Alabama Insurance Department and issued by the Commissioner of Insurance for the State of Alabama Jim L. Ridling,

is included as Exhibit 7 to the hearing. The order provides evidence of the approval of the Merger by the Alabama Commissioner of Insurance.

6. Based on the above, the Affidavit of Karen M. Murphy, and information contained in the Application, the Commissioner concludes that such other aspects of the proposed insurer and Merger are satisfactory for the purpose of promoting the general good of the State of Vermont.

III. Conclusions of Law

- a. Pursuant to 8 V.S.A. §3424(7)(C), the Commissioner shall approve the articles of merger if he or she finds that the merger will promote the general good of the State in conformity with those standards set forth in section 3305 of this title [Title 8].
- b. In accordance with 8 V.S.A. §3305, a public hearing was held on December 17, 2021 at 2 p.m. Eastern Time at the offices of the Commissioner located at 89 Main Street, Montpelier, VT.
- c. Noetic has complied with the notice requirements of 8 V.S.A. §3305 by causing a copy of the Notice of Hearing to be provided to PRA Specialty and attending to the publication of a notice of the hearing in a newspaper published in Washington County, Vermont for three consecutive weeks with the last publication occurring at least 12 days before the day appointed for the hearing.
- d. The Commissioner of Insurance for State of Alabama has approved the Merger pursuant to an order issued on December 7, 2021. A copy of the order has been filed with the Commissioner, and it meets the requirements of 8 V.S.A.3431 so that the Merger will be effective when the Articles of Merger are filed with the Vermont Secretary of State.
- e. Having considered the application, the exhibits, the testimony and the applicable law, the Commissioner finds that the proposed merger and the articles of merger evidencing the proposed merger of PRA Specialty with and into Noetic with Noetic surviving the merger, will promote the general good of the State of Vermont in conformity with those standards set forth in 8 V.S.A. §3305.
- f. The Articles of Merger, with a desired effective date and time of 11:59 p.m. eastern time on December 31, 2021, shall be approved with Noetic changing its name to ProAssurance Specialty Insurance Company upon the effective date and time of the Merger.

IV. Order

For the foregoing reasons, the Articles of Merger of ProAssurance Specialty Insurance Company, Inc., an Alabama corporation, with and into Noetic Specialty Insurance Company, a Vermont corporation, and the Merger evidenced thereby are hereby APPROVED, and the

Commissioner shall indorse his approval thereon and such Articles of Merger shall be presented to the Vermont Secretary of State for filing and acceptance.

IT IS SO ORDERED.

Dated at Montpelier, Vermont, this 22nd day of December, 2021.



Michael S. Pieciak, Commissioner

**BEFORE THE COMMISSIONER OF THE VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

In Re:)
)
Merger of ProAssurance Specialty) **Docket No. 21-047-I**
Insurance Company, Inc. with and into)
Noetic Specialty Insurance Company)

CERTIFICATE OF APPROVAL OF MERGER

Noetic Specialty Insurance Company, a Vermont domiciled insurance company (“Noetic”) and ProAssurance Specialty Insurance Company, Inc., an Alabama insurance company (“PRA Specialty”), have petitioned the Commissioner of the Vermont Department of Financial Regulation pursuant to 8 V.S.A. §3424 for approval of Articles of Merger for the merger of PRA Specialty with and into Noetic as the surviving entity, with Noetic changing its name to ProAssurance Specialty Insurance Company upon the effective date and time of the merger, on the grounds that such merger promotes the general good of the State of Vermont. Noetic and PRA Specialty (both of which are directly owned by PRA Professional Liability Group, Inc. and indirect subsidiaries of ProAssurance Corporation) have filed an application for approval of the merger including executed Articles of Merger and an executed Agreement and Plan of Merger with the Commissioner and have provided evidence that the shareholder and directors of each entity have unanimously approved the merger and the Agreement and Plan of Merger in accordance with Vermont law. A public hearing on the merger was held on December 17, 2021 at 2 p.m. The hearing was properly noticed in accordance with 8 V.S.A. §3305.

Based on the Agreement and Plan of Merger, the Articles of Merger, the public hearing, and other filings and representations by Noetic, as a licensed Vermont insurance company, and PRA Specialty, as a licensed Alabama insurance company, I find that the merger will promote the general good of the State of Vermont, in conformity with the standards set forth in 8 V.S.A. §3305. Accordingly, the Articles of Merger are hereby approved.

Dated at Montpelier, Vermont, this ^{23rd} day of December, 2021.



Michael S. Pieciak, Commissioner