

FORM A

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

of

BADGER MUTUAL INSURANCE COMPANY

(the “Domestic Insurer”)

By

RURAL MUTUAL INSURANCE COMPANY

(the “Applicant”)

Filed with the Office of the Commissioner of Insurance,
State of Wisconsin

Date: September 27, 2024

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

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Confidentiality Legend

This Form A, together with any items that may be submitted separately as amendments or supplements hereto, contains confidential and/or proprietary information, business plans and strategies that are trade secrets and are not otherwise available to the public and that, if disclosed, could cause substantial injury to the competitive position of the Applicant.

Pursuant to Wis. Admin. Code § INS 40.05, such information is required pursuant to Wis. Stat. § 601.42; therefore, the Commissioner may withhold this information from public disclosure pursuant to Wis. Stat. § 601.465(1m)(a) and Wis. Admin. Code § Ins 6.13(2). Moreover, because the information is not public, it is presumed under Wis. Stat. § 601.465(1n)(a), notwithstanding Wisconsin public records law (Wis. Stat. §§ 19.31-.39), that the information is proprietary and confidential and that the potential for harm and competitive disadvantage if it is made public by the Commissioner outweighs the public interest in the disclosure of the information. The Applicant respectfully requests that Confidential Exhibits 1-5, which are being submitted under separate cover (the "Confidential Supplement"), be afforded confidential treatment and be excepted from disclosure pursuant to all applicable provisions of law, including as specified below. All such information is provided with the express understanding that the confidentiality of such information will be safeguarded.

The Confidential Exhibits included in the Confidential Supplement include "trade secrets" as defined under Wis. Stat. § 134.90(1)(c) because information in these exhibits "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use [and] is the subject of efforts to maintain its secrecy that are reasonable under the circumstances." Trade secrets are exempt from disclosure under the public records law under Wis. Stat. § 19.36(5) and Wis. Admin. Code § INS 6.13(2). Additionally, the exhibits to Exhibit 1 include certain form agreements that are necessary to effectuate the Proposed Affiliation (as defined below) and will themselves be filed as Form D filings. As Form D filings are generally granted confidential treatment, we so request Exhibit 1 also be afforded confidential treatment as part of this Form A.

Accordingly, the Applicants respectfully request that the Commissioner afford the Confidential Exhibits included in the Confidential Supplement confidential treatment and except them from disclosure pursuant to this authority.

The NAIC biographical affidavits provided collectively as Confidential Exhibit 2 include information that is not otherwise available to the public, is subject to financial privacy and individual privacy protections, and is presumed confidential and should be afforded confidential treatment pursuant to Wis. Stat. § 601.465(1m)(d). The public value of this personal information is outweighed by the privacy interests of persons submitting these affidavits and by the public interest in encouraging qualified people to serve in these capacities, see the Wisconsin Attorney General's March 2018 Wisconsin Public Records Law Compliance Guide, pp. 36-39, and, in particular, home information and the social security number of an employee provided by an employer are exempt from the public records law. *Id.* at p. 23, citing Wis. Stat. § 19.36(10)(a). Therefore, Confidential Exhibits 2-A and 2-B will be provided with the understanding that the

confidentiality of such information contained therein will be safeguarded and such individuals submitting NAIC biographical affidavits will be protected from unwarranted invasions of personal privacy pursuant to all provisions of law including, but not limited to, the referenced authority and any other applicable statutory or regulatory authority available to the Commissioner.

The Applicant also requests that it be notified in advance of any requesting party seeking to rebut the presumption of confidentiality for nonpublic documents and information in this Form A under Wis. Stat. § 601.465(1n)(b), or any proposed disclosure of any portion of this Form A designated as confidential, so that it has a reasonable opportunity to seek a protective order or take any other action to prevent or limit such disclosure.

ITEM 1. INSURER AND METHOD OF ACQUISITION

(a) Name and Address of the Domestic Insurer

This Form A Statement relates to the proposed acquisition of control of Badger Mutual Insurance Company, a chapter 611 mutual insurance corporation (“Badger” or the “Domestic Insurer”). The statutory and main administrative office of the Domestic Insurer is 1134 N. 9th Street, Suite 150, Milwaukee, Wisconsin 53233.

(b) Method of Acquisition of Control

The Applicant intends to acquire control of the Domestic Insurer by having the right to nominate for election a majority of the Domestic Insurer’s board of directors pursuant to that certain Affiliation Agreement (the “Affiliation Agreement”) dated September 25, 2024, by and between the Domestic Insurer and the Applicant, which right will be also reflected in the domestic Insurer’s Amended and Restated Bylaws (the “A&R Bylaws”). A redacted and unredacted copy of the Affiliation Agreement are included with this Form A as Exhibit A and Confidential Exhibit 1, respectively. The A&R Bylaws are included as Exhibit A to the Affiliation Agreement and included in Confidential Exhibit 1.

Pursuant to the Affiliation Agreement, and subject to, among other things, the receipt of all required regulatory approvals, including the approval of this Form A by the Office of the Commissioner of Insurance (the “Commissioner”), the Applicant intends to nominate a majority of the directors on the Badger Board of Directors (the “Affiliation”). As a result of the Affiliation, the Applicant will acquire the power to control the Domestic Insurer’s Board of Directors.

To further effectuate the Affiliation, the Applicant and the Domestic Insurer will enter into a Management Agreement and Reinsurance Agreement (collectively, the “Affiliate Agreements”). The Affiliate Agreements are summarized below and Form D (Prior Notice of a Transaction) filings in respect of the Affiliate Agreements will be filed with the OCI under separate cover. The Applicant and Domestic Insurer respectfully request that the Commissioner approve the Affiliate Agreement in connection with the review and approval of the Affiliation.

The specific terms and conditions governing the Affiliation are set forth in the Affiliation Agreement. Certain material terms of the Affiliation Agreement that are relevant to the Acquisition are summarized as follows:

- Badger and Rural will enter into a 100% quota-share Reinsurance Agreement with Rural as the Reinsurer. Rural worked closely with A.M. Best and Aon to structure a reinsurance contract that allows Badger to gain the benefit of a group rating. A redacted copy of the Reinsurance Agreement is included as Exhibit D to the Affiliation Agreement, and an unredacted copy is included in Confidential Exhibit 1.
- Badger and Rural will enter into a Management Agreement to allow the parties to identify and implement economies of scale and efficiencies they can gain as affiliated companies and provide for the fair compensation to each for the services they provide to each other. A redacted copy of the Management Agreement is included as Exhibit E to the Affiliation Agreement, and an unredacted copy is included in Confidential Exhibit 1.
- Prior to the Closing Date, the Badger Board will adopt and approve the A&R Bylaws, to be effective immediately following Closing.
- Effective immediately prior to the Closing, Badger will cause all but three then-current Badger directors (identified below) to resign from the Badger Board. The three remaining Badger directors will be the “Badger-Appointed Directors”, as referenced in A&R Bylaws.
- Immediately following the resignations of the former directors and simultaneously with the Closing, the Badger-Appointed Directors will appoint to the Badger Board the eight directors selected by Rural and identified below as new directors to fill vacancies on the Badger Board created by such resignations and/or increased size (such individuals and their successors, the “Rural-Appointed Directors”) until the first annual meeting of the Badger policyholders following Closing, where the Rural-Appointed Directors will be nominated for reelection and assigned to one of two classes (the Badger Board after such appointments, the “Reconstituted Badger Board”).
- The Rural-Appointed Directors will serve staggered two-year terms. The initial terms of all Rural-Appointed Directors will end at the first annual Badger policyholder meeting following Closing. At that policyholder meeting, the Rural-Appointed Directors will be nominated and reelected to create a staggered Board. The second term of Class I Rural-Appointed Directors ends at the second annual Badger policyholder meeting after Closing. The second term of Class II Rural-Appointed Directors ends at the third annual Badger policyholder meeting after Closing. The then-incumbent Rural-Appointed Directors on the Board of Directors will, by majority vote, nominate individuals to succeed each Rural-Appointed Director whose term of office will expire on the day of such annual meeting.
- Going forward, the then-incumbent Badger-Appointed Directors on the Board of Directors will nominate individuals to succeed each Badger-Appointed Director. The Badger-Appointed Directors nominations are subject to the approval of the Applicant. The Badger-Appointed Directors will serve one-year terms.

- Badger will enter into one-year employment agreements with nine Badger executive officers and key personnel, to help ensure stability and a smooth implementation of the Affiliation.
- The Affiliation Agreement contains representations and warranties by the parties, and imposes certain covenants on the parties, in each case that are either customary for affiliations of this nature or otherwise suitable for this particular Affiliation.
- The Closing is subject to closing conditions that are either customary for affiliation of this nature or otherwise suitable for this particular Affiliation, including, without limitation, conditions relating to the receipt of regulatory approvals (including the approval of this Form A), accuracy at the Closing of certain representations and warranties made by the parties in the Affiliation Agreement, compliance with pre-Closing covenants, the absence of any Material Adverse Effect (as that term is defined in the Affiliation Agreement), the receipt of certain material third-party consents, and the delivery of certain closing documentation.
- As a condition to close, Badger must maintain a surplus to direct written premium ratio of 0.21:1 as of the year-end or month-end immediately prior to the Closing. If the Closing occurs on January 1, 2025, as desired by the parties, Rural will confirm Badger's compliance with the minimum surplus ratio requirement using Badger's audited financial statements for December 31, 2024, and two independent reserve opinions prepared post-close - specifically using an average of the point IBNR reserve estimates provided by the two independent actuaries.
- It is anticipated that the Closing will occur on January 1, 2025. The parties desire to close on January 1, 2025, assuming all Closing conditions are satisfied or waived, including the approval of this Form A by the Commissioner. If the Closing does not occur on January 1, 2025, the Closing will occur on April 1, 2025, again assuming all Closing conditions are satisfied or waived.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) Name and Address of the Applicant

The name of the Applicant seeking to acquire control of the Domestic Insurer is Rural Mutual Insurance Company. The statutory and main administrative office of the Domestic Insurer is 1241 John Q. Hammons Drive, Suite 200, Madison, Wisconsin 53717.

(b) Business Operations of the Applicant

Rural has been providing property and casualty insurance in Wisconsin since 1934. Rural was formed in 1934 in Madison, Wisconsin by the Wisconsin Farm Bureau Federation to provide low-cost auto insurance to Farm Bureau members. Seeing customers' needs for additional

protection, Rural worked to expand its offerings. First, it offered broader farm insurance, including fire, wind and hail crop damage protection. Then it expanded to offer additional protection for farm families and businesses in the communities it serves. Rural now offers Agriculture & Farm Insurance, Personal Auto Insurance, Business Insurance, Renters Insurance, and Home Insurance. It also partners with Farm Bureau Life Insurance Company to make available life Insurance and annuity products to its customers, and with Broker Source to offer health insurance options for individuals, groups, and Medicare.

Rural's reputation as one of the top 50 property and casualty companies in the country was built delivering on that promise exclusively for Wisconsin farms, businesses and families. It has a network of more than 150 captive agents in 100+ locations across the state. Since its founding, Rural has been headquartered in Madison.

(c) Organization Chart

Attached hereto as Exhibit B is an organizational chart presenting the identities of and the interrelationships among the Applicant and its subsidiaries and affiliates before giving effect to the Affiliation. Attached hereto as Exhibit C is an organizational chart presenting the identities of and the interrelationships among the Applicant, Applicant's subsidiaries and affiliates, and the Domestic Insurer after giving effect to the Affiliation.

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

(a) Names and Business Addresses of Directors, Executive Officers, or Owners of Ten Percent or More of Voting Securities

The names of the directors and executive officers of Applicant are set forth on Exhibit D attached hereto. The business address of all such persons is Rural Mutual Insurance Company, 1241 John Q. Hammons Drive, Suite 200, Madison, Wisconsin 53717. The Applicant, as a mutual insurance corporation, has no voting securities, and therefore no person or entity owns 10% or more of the voting securities of Applicant. We have also included as Exhibit E for convenience the names of the directors and executive officers of Badger effective as of the Closing of the Affiliation.

(b) Present Occupation and Employment Information

Current occupation and employment information, 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 for each person identified in Item 3(a) is set forth in his or her NAIC biographical affidavit (collectively, the "Biographical Affidavits"), copies of which have been filed with the OCI and are included herein as Confidential Exhibit 2-A. Certain Biographical Affidavits and completed releases for the individuals identified above are being provided with this Form A. The remaining Biographical Affidavits and completed releases, as required by the Commissioner, will be provided under separate cover as soon as they are completed.

(c) Past Occupation and Employment Information

The name, business address, residence address, and present principal business activity, occupation, or employment of the individuals listed in Exhibit D are stated in the Biographical Affidavits. The material occupations, positions, offices, or employment during the last ten 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 individuals listed in Exhibit D, are stated in the Biographical Affidavits. Except as set forth in the Biological 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 the Biological Affidavits.

(d) Convictions

Except as otherwise indicated in the Biological Affidavits, to the knowledge of Applicant, no individual listed in Exhibit D has been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the past ten years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Nature, Source and Amount of Funds or Other Consideration.

Because both parties are mutual (non-stock) insurance companies, no cash consideration will be paid with respect to the Affiliation. No funds have been or will be used in effecting the Proposed Affiliation, other than amounts that may be paid in the ordinary course subsequent to the Signing pursuant to the terms and subject to the conditions of the Reinsurance Agreements and Management Agreement. No funds in connection with the Proposed Affiliation will be borrowed from any source.

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

No consideration will be paid with respect to the Affiliation. All negotiations concerning the Proposed Affiliation and the Affiliation Documents were conducted at arm's length among the parties.

ITEM 5. APPLICANT'S FUTURE PLANS FOR THE INSURER

Applicant currently has no plans or proposals to declare an extraordinary dividend, to liquidate the Domestic Insurer, to sell the Domestic Insurer's assets to or merge it with any person or persons, or to make any other material change in its business operations or corporate structure or management other than as described in this Form A Statement and the Business Plan for the Domestic Insurer attached hereto at Confidential Exhibit 3.

After the Closing, the Domestic Insurer's executive officers and management will generally remain in place, but subject to the direction and supervision of the Badger President and

Reconstituted Badger Board. The executive officers of Badger immediately after the Closing are set forth on Exhibit 5. The Badger CEO will report directly to the Badger Board President. All other Badger executive officers will report directly to the CEO, subject to the oversight and governance of the Reconstituted Badger Board.

The Applicant has no current plans to close the Domestic Insurer's principal office in Milwaukee or change its name. In the Affiliation Agreement, the Applicant has agreed to not close the Domestic Insurer's current headquarters or change its name for five years without the agreement of at least one Badger-Appointed Director, except that the Badger Board may close the headquarters with the consent of a simple majority of the Board if: (a) required by applicable law or the Commissioner; (b) the location on a stand-alone basis is not, or is not reasonably expected to, remain profitable or otherwise support the overall profitability and growth of Badger, based on the then-current financial statements for the location or financial projections; or (c) a majority of the directors of the Badger Board determines in good faith, consistent with the Board's fiduciary obligations, that closing the headquarters is necessary or prudent based on Badger's surplus adequacy and safety and soundness considerations.

Three-year financial projections for the Domestic Insurer are attached hereto as Confidential Exhibit 5.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

Not applicable. Because both parties are mutual (non-stock) insurance companies, neither party has equity securities. The terms and conditions of the Affiliation Agreement were arrived at through arm's length negotiations between Rural and Badger.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Not applicable. Because the Domestic Insurer is a mutual (non-stock) insurance company, the Domestic Insurer does not have voting securities.

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

Not applicable. Because the Domestic Insurer is a mutual (non-stock) insurance company, the Domestic Insurer does not have voting securities. There exists no contract, arrangement or understanding with respect to any voting security of the Domestic Insurer in which 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, or the giving or withholding of proxies. The Affiliation Agreement and Badger's Amended and Restated Bylaws govern the Applicant's right to control the Badger Board of Directors.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Not applicable. Because the Domestic Insurer is a mutual (non-stock) insurance company, the Domestic Insurer does not have voting securities.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Not applicable. Because the Domestic Insurer is a mutual (non-stock) insurance company, the Domestic Insurer does not have voting securities.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

The Domestic Insurer is a mutual company without voting securities. There are no agreements, contracts or understandings with any broker-dealer as to the solicitation of voting securities of Badger for tender. Because Badger is a mutual (non-stock) insurance company, Badger does not have voting securities. PhiloSmith has served as a financial advisor and agent for the Domestic Insurer in connection with exploring various strategic alternatives, including the Affiliation.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) – (b) *Financial Statements, Financial Projections, and Exhibits*

All Exhibits referenced in this Form A, financial statements, and projections are itemized below:

<u>Description</u>	<u>Exhibit</u>
Affiliation Agreement (Redacted)	<u>Exhibit A</u>
Pre-Closing Organization Chart of the Applicant	<u>Exhibit B</u>
Post-Closing Organization Chart of the Applicant	<u>Exhibit C</u>
Directors and Executive Officers of the Applicant	<u>Exhibit D</u>
Proposed Directors and Executive Officers of the Domestic Insurer Post-Closing	<u>Exhibit E</u>
Annual Statements of the Applicant for Five Fiscal Year ended December 31, 2019, through 2023	<u>Exhibit F</u>
Quarterly Financial Statement of the Applicant for Quarter Ended June 30, 2024	<u>Exhibit G</u>

Annual Statements of the Domestic Insurer for Five Fiscal Year ended December 31, 2019, through 2023	<u>Exhibit H</u>
Quarterly Financial Statement of the Domestic Insurer for the Quarter Ended June 30, 2024	<u>Exhibit I</u>

The following is a list of the exhibits are included in the Confidential Supplement to this Form A:

<u>Description</u>	<u>Exhibit</u>
Unredacted Affiliation Agreement (including Exhibits)	<u>Confidential Exhibit 1</u>
Biographical Affidavits for the Directors and Executive Officers of the Applicant	<u>Confidential Exhibit 2-A</u>
Biographical Affidavits for the Directors and Executive Officers of the Domestic Insurer as of the Effective Date	<u>Confidential Exhibit 2-B</u>
Business Plan	<u>Confidential Exhibit 3</u>
Three-Year Financial Projections for the Domestic Insurer (including Compulsory and Security Surplus Calculation)	<u>Confidential Exhibit 4</u>
Competitive Impact Statement	<u>Confidential Exhibit 5</u>

(c) Tender Offers, Employment or Management Contracts, and Annual Reports

The Domestic Insurer is a mutual insurance company without voting securities. 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 Domestic Insurer relating to the Affiliation.

There are no proposed consultation, or advisory agreements concerning the Domestic Insurer related to the Proposed Affiliation. The Management Agreement is attached as Exhibit E to the Affiliation Agreement, which is included in Confidential Exhibit 1 hereto. The List of Badger Employees Receiving Employment Agreements is attached as Exhibit H to the Affiliation Agreement and Form of Employment Agreement offered to certain existing officers and management of the Domestic Insurers is attached as Exhibit I to the Affiliation Agreement, which is included as Confidential Exhibit 1 hereto.

Because there are no stockholders of the Applicant and Domestic Insurer, neither Applicant nor Domestic Insurer have annual reports to the stockholders.

ITEM 13. AGREEMENT REQUIREMENTS 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.

ITEM 13A. COMPETITIVE ANALYSIS

As illustrated in Confidential Exhibit 5, the Affiliation meets the pre-acquisition notification exemption standards set forth in Wis. Admin. Code § INS 40.025(2)(d) because the combined market shares of the Applicant and Domestic Insurer in every line of business in Wisconsin will qualify for one or more of the exemptions in Wis. Admin. Code § INS 40.025(2)(d). More specifically, in every line of business, the combined market shares will qualify for the exemption in Wis. Admin. Code § 40.025(2)(d)2 or Wis. Admin. Code § 40.025(2)(d)3.

Therefore, to the extent the Commissioner determines the Affiliation is subject to the requirements of Wis. Admin. Code § 40.025, the Applicant respectfully requests that the Commissioner determine that the Affiliation is exempted from pre-acquisition notification requirements of Wis. Admin. Code § INS 40.025(3) and, therefore, presumptively would not substantially lessen competition in any line of insurance in this state or tend to create a monopoly.

[Remainder of page intentionally left blank.]

ITEM 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of ch. Ins 40, Wis. Adm. Code, Rural Mutual Insurance Company has caused this application to be duly signed on its behalf in the city of Madison, state of Wisconsin the 26th day of September, 2024.

RURAL MUTUAL INSURANCE COMPANY

By: _____
Name: Daniel J. Merk
Title: Chief Executive Officer

Attest:

Name:
Title:

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated September 26th, 2024, for and on behalf of Rural Mutual Insurance Company, that he is the 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 knowledge, information and belief.

Name: Daniel J. Merk
Title: Chief Executive Officer

Subscribed and sworn to this ____ day of September, 2024.

Notary Public

My commission expires on _____