



DATE: March 18, 2024

TO: Amy J. Malm
Mark McNabb

FROM: Christopher Martin

SUBJECT: The Proposed Conversion of Central Wisconsin Mutual Insurance Company into a Chapter 611 mutual insurance company

The purpose of this Memo is to summarize the results of OCI's analysis with respect to the above-referenced filing performed in accordance with the competitive standard criterion set-forth in ch. 611 and ch. 612, Wisconsin Statutes and Ins. 40.02 Wis. Adm. Code.

Form A Filing Contact(s)

Primary Contact:

Zachary P. Bemis
Godfrey & Kahn, S.C.
One East Main Street, Suite 500
Madison, WI 53703
(608) 284-2224
zbemis@gklaw.com

Exhibit(s)

<u>Exhibit:</u>	<u>Description:</u>
Ex. 1	Certified resolutions of the CWMIC Board of Directors approving the plan
Ex. 2	Redacted and unredacted versions of the executed Plan of Conversion including the following exhibits:
Ex. 2a	Projected Surplus
Ex. 2b	Business Plan
Ex. 2c	Proposed Amended and Restated Articles of Incorporation
Ex. 2d	Proposed Amended and Restated Bylaws
Ex. 2e	A listing of the proposed directors and officers
Ex. 3	A proposed notice of policyholder meeting to be sent to CWMIC policyholders
Ex. 4	A proposed summary of the conversion to be sent to CWMIC policyholders with the meeting notice
Ex. 5	The proposed policyholder resolution ballot to be presented at the special meeting of the policyholders
Ex. 6	The proposed report of policyholder votes to be submitted to the OCI following the special meeting
Ex. 7	Proposed compensation of directors and officers
Ex. 8	Annual Statements for the year ended December 31, 2023, of CWMIC and each of the entities it merged with effective January 1, 2024:
Ex. 8a	CWMIC
Ex. 8b	Caledonia Mutual Fire Insurance Company
Ex. 8c	Columbus Mutual Town Insurance Company

- Ex. 8d Helenville Mutual Insurance Company
- Ex. 9 The most recent unaudited financial statements for CWMIC
- Ex. 10 Financial Projections
- Ex. 11 Biographical Affidavits for each of the directors and officers

Executive Summary

On February 23, 2024, Central Wisconsin Mutual Insurance Company (CWMIC), a 612 town mutual insurer, filed a statement pursuant to s. 612.23 Wis. Stat. on behalf of the company seeking to convert to a 611 mutual insurer.

Identity and Background of the Domestic Insurer(s)

Identity of the Insurer(s):

Central Wisconsin Mutual Insurance Company

918 W Main Street
 Waupun, WI 53963

Background of the Insurer(s):

Central Wisconsin Mutual Insurance Company

CWMIC is a Wisconsin domestic town mutual insurance company and was incorporated on 06/1/1874. The company is licensed to write Property and Nonproperty insurance and is currently authorized to do business in Sheboygan, Washington, Waushara, Winnebago, Marquette, Columbia, Dodge, Fond Du Lac, Green Lake, Jefferson, Adams, Grant, Iowa, Richland, Dane, and Sauk County.

Proposed Executive Officers and Directors of CWMIC:

<u>Name</u>	<u>Title</u>	<u>Term Expires:</u>
Kevin Beske*	Director, Chairperson	2027
Tom Alsum*	Director, Vice Chairperson	2026
Heather Tessman *	Director, Secretary	2026
Brian Floeter*	Director, Treasurer	2027
Shelly Wiersma*	Director	2027
Anthony Brossard*	Director	2026
Steven Redeker*	Director	2026
Carlton Kastorff*	Director	2025
Nathan Pollnow*	Director	2025
David Zabel*	Director	2025
Jeff Miller*	Director	2025
Gerald Berg*	Director	2027
Denis Fuerstenberg*	President, CEO	

Note: * following an individual’s name indicates that the biographical affidavit was provided for the individual and there are no outstanding significant concerns after OCI review.

Nature, Source, and Consideration

Pursuant to the plans of conversion, filed by CWMIC, and subject to the requirements in s. 612.23 Wis. Stat., CWMIC intends to convert from chapter 612 town mutual insurers to a chapter 611 mutual insurer. The company has provided the following reasons and purposes for the conversion plan as required by statute. The conversion

plan states that the conversion to a 611 mutual insurer will improve the company's competitive market position by allowing it to expand the company's territory beyond the 16 county limit that 612 mutual insurers must follow. The company also is requesting that it be a nonassessable mutual company, as it notes that assessable insurance policies are becoming increasingly difficult to sell. The company, subject to the appropriate approvals and policyholder vote, expects that the effective date of the conversion will be 1/1/2025.

The estimated expenses related to the conversion are approximately \$25,000. No consideration will be transferred as this is a conversion.

Future Plans

As this is a conversion application, the company does not intend to make significant changes to its operations, other than those expected when converting from a 612 town mutual to a 611 mutual.

CWMIC, as the converted company, has requested the ability to write (2)(a) Fire, inland marine and other property insurance and (2)(d) Liability and incidental medical expense (other than automobile) insurance after converting to a 611 mutual. These lines would replace the Property and Nonproperty business that they currently write as a 612 town mutual. As a 611 they will also expand their available writing territory from the current counties to the entire state.

No changes to the number of CWMIC employees or location were discussed as part of the conversion. Some employee titles may change in line with the change from a 612 to 611. The name of the converted company will be Central Wisconsin Mutual Insurance Company.

Articles and Bylaws of the converted corporation will be those as provided by CWMIC as amended for the conversion.

The s. 612.23 Wis. Stats. Standard

(1) Conversion plan. The board of each participating town mutual shall adopt the same plan of conversion by resolution stating:

- (a)** The reasons for and the purposes of the proposed action;
- (b)** The proposed terms, conditions and procedures for and estimated expenses of implementing the conversion;
- (c)** The proposed name of the corporation; and
- (d)** The proposed articles and bylaws.

(2) Approval by commissioner. The town mutuals shall file with the commissioner for approval the plan together with so much of the information under s. 611.13 (2) as the commissioner reasonably requires. The commissioner shall approve the plan unless the commissioner finds, after a hearing, that it would be contrary to the law, that the new mutual would not satisfy the requirements for a certificate of authority under s. 611.20 or that the plan would be contrary to the interests of insureds or of the public.

(3) Approval by members. After being approved by the commissioner, the plan shall be submitted to the members of each town mutual for their approval.

(4) Election of directors. A plan of conversion shall contain a provision for prompt election of directors if the plan goes into effect. If the plan is approved by the members of each town mutual, directors shall be elected promptly.

(5) Reports to commissioner. Each town mutual shall file with the commissioner a copy of the resolution adopted under sub. (3), stating the number of members entitled to vote, the number of members voting and the number of

votes cast in favor of the plan, stating separately in each case the mail votes and the votes cast in person. Any election of directors under sub. (4) shall also be reported to the commissioner.

(6) Certificate of authority. If the requirements of the law are met, the commissioner shall issue a certificate of authority to the new mutual. Thereupon the nonsurviving town mutuals shall cease their legal existence, the corporate existence of any new mutual shall begin, and the directors elected under sub. (4) shall take office. The new mutual shall have all the assets and be liable for all of the obligations of each of the participating town mutuals. The commissioner may grant a period not exceeding one year for adjustment to the requirements of ch. 611, specifying the extent to which particular provisions of ch. 611 shall not apply.

Conclusion

After reviewing the information provided by CWMIC, the OCI believes that approving this conversion is in the best interest of the policyholders of the company. It is the OCI's opinion that the plan cannot be said to be contrary to the law because it provides the necessary information required by statute, the converted entity would be able to satisfy the requirement for a certificate of authority, and the plan would not be contrary to the interest of the insureds or the public. Therefore, the transaction should be approved.

After the transaction closes the converted mutual, Central Wisconsin Mutual Insurance Company, as stated in the stipulation and order, will be authorized to write (2)(a) Fire, inland marine and other property insurance, (2)(d) Liability and incidental medical expense (other than automobile), and (2)(e) automobile insurance (only on an excess basis in conjunction with an umbrella excess liability program) insurance business in all counties throughout the state as a chapter 611 mutual insurance company.