

**CONVERSION**  
**of**  
**CENTRAL WISCONSIN MUTUAL INSURANCE COMPANY**  
**from a**  
**CHAPTER 612 TOWN MUTUAL INSURANCE COMPANY**  
**into a**  
**CHAPTER 611 MUTUAL INSURANCE COMPANY**

**PROPOSED POLICYHOLDER SUMMARY OF CONVERSION**

*Filed with the Wisconsin Office of the Commissioner of Insurance*

**February 23, 2023**

## [CWMIC LETTERHEAD]

To: All Policyholders of Central Wisconsin Mutual Insurance Company

Re: Summary of Proposed Conversion into a Chapter 611 Mutual Insurance Company

Date: March \_\_, 2024

The Board of Directors (the “Board”) of Central Wisconsin Mutual Insurance Company, a Wisconsin town mutual insurance company (the “Company”) has determined that it would be in the best interest of the Company to effectuate a conversion (the “Conversion”) in accordance with Section 612.23 of the Wisconsin Statutes, whereby the Company shall convert from a town mutual insurance corporation organized under Chapter 612 of the Wisconsin Statutes (a “Chapter 612 Corporation”) into a mutual insurance corporation organized under Chapter 611 of the Wisconsin Statutes (a “Chapter 611 Corporation”).

This summary details the Conversion pursuant to that certain Plan of Conversion of the Company (the “Plan”). After the Board approved and adopted the Plan on January 18, 2024, the Plan was filed with the Wisconsin Office of the Commissioner of Insurance (the “OCI” or the “Commissioner”) on February 23, 2024. In addition to the approval from the OCI, the policyholders of the Company must approve the Plan before it can take effect.

Current policyholders of the Company have the right to vote on the Conversion. The Board recommends that the policyholders vote “YES” to the (i) proposal to approve the Conversion pursuant to the Plan, including the proposed amended and restated articles of incorporation and bylaws of the Company attached as Exhibits C and D of the Plan and the election of the board of directors of the Company set forth on Exhibit E of the Plan and (iii) proposal to adjourn the annual meeting of policyholders, if necessary or appropriate.

### ***Reasons for and Purposes of the Conversion***

The Company will convert to a Chapter 611 Corporation pursuant to the Plan adopted by the Board as provided in Wis. Stat. § 612.23.

The reasons for and purposes of the Conversion include:

- *Access to Reinsurance.* Upon becoming a Chapter 611 Corporation, the Company will no longer be subject to the requirements of Wis. Stat. § 612.33 and Wis. Admin. Code § INS 13.09 and will have additional flexibility to obtain reinsurance, subject to the requirements of the OCI. The Company will maintain reinsurance and has confirmed that this coverage will satisfy the requirements of the OCI
- *Improved Competitive Position.* The Conversion will permit the Company to grow and improve its services and products to fulfill the expectations of its insurance customers based on the increased size and scale of operations. Better products and more sophisticated operations will improve the Company’s retention of existing customers and their ability to attract new customers.
- *Expansion of the Company’s territory.* The Conversion will allow the Company to expand into other Wisconsin counties. Expansion will help the Company to grow and to better serve the

needs of its customers and agents. Under Chapter 612, town mutual corporations can only write business in a maximum of sixteen (16) counties. As evidenced by the Projected Surplus, the Company’s financial position will be sufficient to write business statewide as a Chapter 611 mutual insurance company.

- *To achieve a greater spread of risk.* Expanding outside of the current authorized territory will allow for a greater spread of risk. The Company’s profitability is susceptible to catastrophic losses caused by natural disasters because it primarily writes property insurance. The Conversion will permit the Company to expand the geographical area in which it writes business and also offer additional insurance products which will allow for the Company to achieve a greater spread of risk.
- *To eliminate assessability of policyholders.* State law requires Chapter 612 Corporations to issue assessable policies meaning that a policyholder can be assessed in excess of the premium paid to the company. After the Conversion, the Company will issue nonassessable policies.

***The Plan of Conversion***

Below is a summary of the material terms of the Plan and the effect of the Conversion, which is proposed to take effect on January 1, 2025 (the “Effective Date”).

- *Name.* The Company will retain its name “Central Wisconsin Mutual Insurance Company”
- *Articles and Bylaws.* The articles of incorporation and bylaws for the Company will reflect its status as a Chapter 611 Corporation (the “611 Articles” and “611 Bylaws”, respectively, and collectively, the “Company’s 611 Organizational Documents”). The 611 Articles will specify that the Company will issue nonassessable policies. Full copies of the Company’s 611 Organizational Documents are available for your review upon request.
- *Board of Directors.* Pursuant to Wis. Stat. § 612.23(4), promptly following the approval of the Plan, the directors shall be promptly elected. The Plan proposes an initial twelve (12) member board divided into three (3) classes of directors. The proposed board of directors and the expiration of their term on the Board will be as follows, subject to the approval of the Company’s policyholders:

<u>Director</u>	<u>Term Expiration</u>
Kevin Beske	2027
Tom Alsum	2026
Heather Tessmann	2026
Brian Floeter	2027
Shelly Wiersma	2027
Anthony Brossard	2026
Steven Redeker	2026
Carlton Kastorff	2025
Nathan Pollnow	2025
David Zabel	2025
Jeff Miller	2025
Gerald Berg	2027

At each annual meeting of the policyholders of the Company after the Effective Date of the Conversion, the policyholders will elect the directors to fill the positions of the directors whose terms expire, as provided in the Company's 611 Organizational Documents.

- *Officers.* The officers of the Company in office immediately prior to the Effective Date and listed below will continue to serve as the officers of the Company as of the Effective Date. In addition, the current manager of the Company will be the President/CEO. The officers will serve until the next annual meeting of the Company Board or until their successors shall have been elected and shall qualify for office. Vacancies will be filled in the manner provided by the Company's articles of incorporation and bylaws.

Chairperson	Kevin Beske
Vice Chairperson	Tom Alsum
President/CEO	Denis Fuerstenberg
Secretary	Heather Tessmann
Treasurer	Brian Floeter

### ***Differences between Chapter 611 Corporations and Chapter 612 Corporations***

The following list summarizes some of the significant differences between being a Chapter 612 Corporation and a Chapter 611 Corporation:

- A Chapter 612 Corporation is required to have unlimited aggregate excess of loss reinsurance, which is intended to help mitigate the risk of certain other features of a Chapter 612 Corporation (as compared to a Chapter 611 Corporation): lower capital and financial requirements, limited filing requirements, no actuarial opinion requirements, geographic concentration and certain flexibility with respect to the services provided by its certified public accountant/auditor.
- Chapter 611 Corporations need to comply with compulsory and security surplus requirements mandated by law. In order to convert to a Chapter 611 Corporation, the Company must have at least \$2.8 million in compulsory and security surplus. The Company projects that it will be able to comply with the surplus requirements upon Conversion and will have a surplus of approximately \$7.7 Million.
- Chapter 611 Corporations also have to comply with mandated reinsurance requirements. The Company has confirmed that it will be able to comply with the requirements of state law and the Commissioner relating to reinsurance requirements. The Company anticipates that converting to a Chapter 611 Corporation will provide greater flexibility in satisfying its reinsurance requirements in future years.
- Chapter 611 Corporations must have a qualified actuary opine on reserves annually, and must comply with all other Ch. 611, Wis. Stat., requirements, which include, but are not limited to, annual and quarterly reporting. These compliance requirements will impose additional administrative costs on the Company.
- Chapter 612 Corporations are limited to writing policies in no more than 16 counties. Chapter 611 Corporations typically are permitted to write policies statewide. Pursuant to an order from the Commissioner dated December 22, 2023, the Company currently writes business in twenty-one (21) counties with certain restrictions. As a Chapter 611 Corporation, the Company will be able to continue writing policies in each of the counties in which the Company operates

prior to the Effective Date and will have the authority to write policies throughout the state of Wisconsin in the future.

- Chapter 612 Corporations must issue assessable policies (meaning a policyholder can be assessed in excess of the premium paid to the company). A Chapter 611 Corporation may issue assessable or nonassessable policies. In connection with the Conversion, the Company will become a nonassessable mutual insurance company. This will allow the Company to sell nonassessable insurance policies, which the Board believes will make the Company more competitive.

***Additional Information***

A complete copy of the Plan, the Company's 611 Organizational Documents, and related materials are available for your inspection at the office of the Company. Please contact Denis Fuerstenberg by phone at (920) 324-2517 or by email at [denisf@cwmutual.com](mailto:denisf@cwmutual.com) if you have any questions or would like to review any of the documents referenced herein.