



DATE: October 15, 2024

TO: Amy J. Malm
Mark McNabb

FROM: Christopher Martin

SUBJECT: The Proposed Conversion of Seneca, Sigel Mutual Insurance Company and Lebanon-Clyman 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, Wis. Stat. and Ins. 40.02 Wis. Adm. Code.

Form A Filing Contact(s)

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Exhibit(s)

<u>Exhibit:</u>	<u>Description:</u>
Ex. 1	Certified resolutions of the Seneca Board of Directors approving the Conversion
Ex. 2	Certified resolutions of the Lebanon Board of Directors approving the Conversion
Ex. 3	Redacted and unredacted versions of the executed Agreement and Plan of Conversion including the following exhibits:
Ex. 3a	Projected Surplus
Ex. 3b	Business Plan
Ex. 3c	The Articles of Incorporation of the Converted Mutual
Ex. 3d	The Bylaws of the Converted Mutual
Ex. 3e	The form of Certificate of Assumption which the Converted Mutual proposes to send to all Seneca policyholders after the effective time of the Conversion
Ex. 3f	The form of Name Change Endorsement which the Converted Mutual proposes to send to all Lebanon policyholders after the effective time of the Conversion.
Ex. 3g	A listing of the proposed directors and officers of the Converted Mutual
Ex. 4	A proposed summary of the conversion to be sent to all Seneca and Lebanon policyholders with their respective Notices of Special Policyholder Meetings
Ex. 5	The following Seneca related documents
Ex. 5a	The most recent year end annual statement for Seneca
Ex. 5b	The most recent year end annual statement for New Hope Mutual Insurance Company
Ex. 5c	The most recent monthly unaudited financial statements for Seneca
Ex. 5d	The most recent monthly unaudited financial statements for New Hope Mutual Insurance Company
Ex. 5e	A proposed Notice of Special Policyholder Meeting to be sent to Seneca policyholders
Ex. 5f	The proposed policyholder resolution ballot to be presented (i) in person at the special meeting and (ii) to policyholders via mail ballot pursuant to Wis. Stat. 612.12(a)(c)

- Ex. 5g The proposed report of policyholder votes to be submitted to the OCI following the special meeting
- Ex. 6 The following Lebanon related documents
- Ex. 6a The most recent annual statement for Lebanon
- Ex. 6b The most recent monthly unaudited financial statements for Lebanon
- Ex. 6c A proposed Notice of Special Policyholder Meeting to be sent to Lebanon policyholders
- Ex. 6d The proposed policyholder resolution ballot to be presented (i) in person at the special meeting and (ii) to policyholders via mail pursuant to Wis. Stat. 612.12(a)(c)
- Ex. 6e The proposed report of policyholder votes to be submitted to the OCI following the special meeting
- Ex. 7 Biographical Affidavits for each of the directors and officers of the Converted Mutual
- Ex. 8 Proposed compensation of directors and officers of the Converted Mutual
- Ex. 9 Financial Projections for the Converted Mutual

Executive Summary

On September 9, 2024, Seneca, Sigel Mutual Insurance Company (Seneca), a 612 town mutual insurer, and Lebanon-Clyman Mutual Insurance Company (Lebanon), a 612 town mutual insurance company, filed a statement pursuant to s. 612.23 Wis. Stat. on behalf of the companies seeking to jointly convert to a single 611 mutual insurer.

Identity and Background of the Domestic Insurer(s)

Identity of the Insurer(s):

Seneca, Sigel Mutual Insurance Company

6541 Cameron Ave
Vesper, WI 54489

Lebanon-Clyman Mutual Insurance Company

N1826 Main Street
Lebanon, WI 53047

Background of the Insurer(s):

Seneca, Sigel Mutual Insurance Company

Seneca is a Wisconsin domestic town mutual insurance company and was incorporated on 04/12/1891. The company is licensed to write Property and Nonproperty insurance and is currently authorized to do business in Oneida, Portage, Taylor, Waupaca, Wood, Langlade, Lincoln, Marathon, Juneau, Adams, Chippewa, Clark, Marquette, Sauk, Columbia, and Shawano County.

Lebanon-Clyman Mutual Insurance Company

Lebanon is a Wisconsin domestic town mutual insurance company and was incorporated on 02/12/1887. The company is licensed to write Property and Nonproperty insurance and is currently authorized to do business in Ozaukee, Walworth, Washington, Waukesha, Dane, Dodge, Fond Du Lac, Green Lake, Jefferson, and Columbia County.

Proposed Executive Officers and Directors of Lebanon Seneca:

<u>Name</u>	<u>Title</u>	<u>Term Expires:</u>
Stan Grulke*	Director	2026
Daryl Pernat*	Director	2027
Samuel Stangler*	Director	2028
Sally Schoenike*	Director	2026

Audrey Wagie*	Director	2027
Robert Hill*	Director	2028
Loren Scheunemann*	Director	2026
Harvey Petersen Jr.*	Director	2027
Ron Kremer*	Director	2028
Melissa Mattheis*	Director	2026
Paul Meuske*	Director	2027
Tom Bauer*	Director	2028
Dawn Pitz*	Chief Executive Officer	
Dawn Look*	Chief Operating Officer	

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.

The Chairperson, Vice Chairperson, Secretary, and Treasurer will be elected at the special meeting of the directors which will take place after the approval of the conversion plan by the members of Seneca and Lebanon.

Nature, Source, and Consideration

Pursuant to the plans of conversion, filed by Seneca and Lebanon and subject to the requirements in s. 612.23 Wis. Stat., Seneca and Lebanon intend to convert from chapter 612 town mutual insurers to a single chapter 611 mutual insurer. The companies have 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 requests that it be a nonassessable mutual company. The conversion, subject to the appropriate approvals and policyholder vote, is expected to have an effective date of 1/1/2025.

The estimated expenses related to the conversion are approximately \$100,000. No consideration will be transferred as this is a conversion.

The Applicant's 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.

Lebanon Seneca 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 mutual they will also expand their writing territory from the current counties to the entire state.

The CEO of the converted company will be the current manager of Lebanon and the COO will be the current manager of Seneca. All other employees of Lebanon and Seneca will be retained in similar roles. The Seneca office will maintain operations for at least 5 years unless a supermajority of the board determines it is no longer necessary. The name of the converted company will be Lebanon Seneca Mutual Insurance Company.

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

The s. 612.23 Wis. Stat. 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 Seneca and Lebanon, the OCI believes that approving this conversion is in the best interest of the policyholders of both companies. 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, Lebanon Seneca 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.