

**LEBANON-CLYMAN MUTUAL INSURANCE COMPANY**  
and  
**SENECA, SIGEL MUTUAL INSURANCE COMPANY**

To: All Policyholders of Seneca, Sigel Mutual Insurance Company and Lebanon-Clyman Mutual Insurance Company

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

Date: \_\_\_\_\_, 2024

The Boards of Directors of Seneca, Sigel Mutual Insurance Company (“Seneca”) and Lebanon-Clyman Mutual Insurance Company (“Lebanon”, and together with Seneca the “Constituent Corporations” and each a “Constituent Corporation”) have determined that it would be in the best interests of each company to combine their businesses and convert into a single mutual insurance corporation organized under Chapter 611 of Wisconsin Statutes (the “Conversion”).

To effectuate the Conversion, the Constituent Corporations have entered into an Agreement and Plan of Conversion, dated September 9, 2024 (the “Plan”), pursuant to which the Constituent Corporations shall convert from separate town mutual insurance corporations organized under Chapter 612 of the Wisconsin Statutes (a “Chapter 612 Corporation”) into a new single mutual insurance corporation organized under Chapter 611 of the Wisconsin Statutes (a “Chapter 611 Corporation”) whereby the separate existence of Seneca (the “Non-Continuing Corporation”) shall thereupon cease and Lebanon shall continue as the surviving company and a Chapter 611 Corporation under the name Lebanon Seneca Mutual Insurance Company (at times referred to herein as the “Converted Mutual”). The proposed effective date of the Conversion is January 1, 2025. This summary details the Plan and effects of the Conversion.

The Boards of Directors of the Constituent Corporations (collectively, the “Boards” and each a “Board”) have approved and adopted the Plan and the transactions contemplated thereby. The Conversion was filed with the Wisconsin Office of the Commissioner of Insurance (the “OCI” or the “Commissioner”) on September 9, 2024. Now, the policyholders of each Constituent Corporation must approve the Plan before it can take effect.

Current policyholders of each of the Constituent Corporations have a right to vote on the Conversion. The Boards recommend that their respective policyholders vote “**YES**” on the resolution to (i) adopt and approve, in all material respects, the Conversion pursuant to the Plan, including (a) the proposed amended and restated articles of incorporation and bylaws of the Company, in the form presented in the Plan and (b) the election of the proposed directors of the Board of Directors of the Company as set forth in Plan and (ii) authorize its Board of Directors to take or to cause to be taken any and all remaining actions necessary to effectuate the Conversion.

Please review this summary closely and plan to vote in person at the special meeting as referenced in the Notice of Special Meeting enclosed with this mailing.

***Parties to the Conversion***

Wisconsin law allows multiple Chapter 612 Corporations to jointly convert into a single Chapter 611 Corporation. The history and operations of each of the Constituent Corporations is summarized below.

Seneca is headquartered in Vesper, Wisconsin. It was organized as a town mutual insurance company on April 13, 1891, under the original name of the Seneca, Sigel Rudolph Mutual Fire Ins. Co. Seneca merged with New Hope Mutual Insurance Company on January 1, 2024. As of 2024, Seneca has approximately 1,652 policies in force, premiums written of \$1.7 million, and surplus of \$2.5 million. Seneca is currently authorized to operate in the following Wisconsin counties: Adams, Chippewa, Clark, Columbia, Juneau, Langlade, Lincoln, Marathon, Marquette, Oneida, Portage, Sauk, Shawano, Taylor, Waupaca and Wood.

Lebanon is headquartered in Lebanon, Wisconsin. It was organized on February 12, 1887, under the original name Lebanon Farmers Mutual Insurance Company. As of 2024, Lebanon has approximately 1,774 policies in force, premiums written of \$1.7 million and surplus of \$1.9 million. Lebanon is currently authorized to operate in the following Wisconsin counties: Columbia, Dane, Dodge, Fond du Lac, Green Lake, Jefferson, Milwaukee, Ozaukee, Walworth, Washington and Waukesha.

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

The Constituent Corporations will convert to a Chapter 611 Corporation pursuant to the Plan adopted by the Boards 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 Converted Mutual 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 develop alternative reinsurance programs, subject to the requirements of the OCI.
- *Improved Competitive Position.* The Conversion will permit the Constituent Corporations to grow and improve their services and products to fulfill the expectations of their insurance customers based on the increased size and scale of operations. Better products and more sophisticated operations will improve the Constituent Corporations' retention of existing customers and their ability to attract new customers.
- *Expansion of the Company's territory.* The Conversion will allow the Converted Mutual to expand into other Wisconsin counties. Collectively, the Constituent Corporations currently write business in twenty-seven (27) counties. While there are no current plans for the Converted Mutual to write outside of the current twenty-seven (27) county territory at this point, the Conversion will allow it to do so in the future.
- *To achieve a greater spread of risk.* Expanding outside of the current authorized territory will allow for a greater spread of risk. In their separate existence, each Constituent Corporation's profitability is susceptible to catastrophic losses caused by natural disasters because they primarily write property insurance. The Conversion will permit the Converted Mutual to expand the geographical area in which it writes business and also offer additional insurance products which will allow for the Constituent Corporations 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 Converted Mutual 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 Converted Mutual shall undergo a name change and shall be named “Lebanon Seneca Mutual Insurance Company”.
- *Office Locations.* upon the effectuation of the Conversion. Its principal office will be the current office of Lebanon in Lebanon, Wisconsin. The Converted Mutual will maintain the current office of Seneca in Vesper, Wisconsin as an additional office location to service policyholders in that area of the state. The Parties expect that each office location will remain open for at least five (5) years.
- *Mutual Membership.* All policyholders of the Constituent Corporations will automatically become members and policyholders of the Converted Mutual. Shortly after the Effective Date of the Conversion, each former member of the Seneca will be sent a Certificate of Assumption and Endorsement formally confirming that their existing policy has been assumed by the Converted Mutual and that the policyholder is now a member of the Converted Mutual. Each member of Lebanon will receive a Name Change Endorsement recognizing the new name of the Converted Mutual and that it is now a chapter 611 mutual insurance company.
- *Operations and Business Plan.* Lebanon will be the surviving entity after the Conversion and, thus, the Converted Mutual will generally continue the use of Lebanon’s existing procedures, systems, rates, forms, products, marketing materials, and other related items.
- *Effect on Policies.* No changes to the policies or premiums now in effect for the policyholders of either company will occur immediately upon the Effective Date. All of Seneca’s policies will be rewritten using the current forms, rates and underwriting rules of the Converted Mutual on the first renewal or anniversary date of each such policy following the Effective Date or as soon as thereafter as practicable or as permitted under applicable law.
- *Assets and Liabilities.* All assets and property owned by the Constituent Corporations will become the property of the Converted Mutual and all liabilities (including insurance policy liabilities) of the Constituent Corporations will become liabilities of the Converted Mutual.
- *Articles and Bylaws.* The articles of incorporation and bylaws for the Converted Mutual will reflect its status as a Chapter 611 Corporation. The articles of incorporation will specify that the Converted Mutual will issue nonassessable policies. A full copy of the Converted Mutual articles of incorporation and bylaws 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 and comprised of six (6) directors presently serving on the Lebanon board and six (6) directors presently serving on the Seneca board. The proposed Converted Mutual Board, in addition to the Constituent Corporation with which they are now associated, and the expiration of their term on the Converted Mutual Board will be as follows, subject to the approval of the Constituent Corporations’ policyholders:

| Name                | Current Constituent Corporation | Term Expires |
|---------------------|---------------------------------|--------------|
| Stan Grulke         | Lebanon                         | 2026         |
| Daryl Pernat        | Lebanon                         | 2027         |
| Samuel Stangler     | Lebanon                         | 2028         |
| Sally Schoenike     | Lebanon                         | 2026         |
| Audrey Wagie        | Lebanon                         | 2027         |
| Robert Hill         | Lebanon                         | 2028         |
| Loren Scheunemann   | Seneca                          | 2026         |
| Harvey Petersen Jr. | Seneca                          | 2027         |
| Ron Kremer          | Seneca                          | 2028         |
| Melissa Mattheis    | Seneca                          | 2026         |
| Paul Meuske         | Seneca                          | 2027         |
| Tom Bauer           | Seneca                          | 2028         |

At each annual meeting of the policyholders of the Converted Mutual 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 Converted Mutual's articles of incorporation and bylaws.

- *Officers.* Dawn Pitz, the current manager of Lebanon, will become the CEO of the Converted Mutual. Dawn Look, the current manager of Seneca, will become the COO. The positions of Chairperson, Vice Chairperson, Secretary, and Treasurer will be selected from the Directors of the Converted Mutual at a special meeting of the Directors to take place after the members of each of the Constituent Corporations have approved the Plan. The officers will serve until the 2026 annual meeting of the Converted Mutual Board or until their successors shall have been elected and shall qualify for office. Vacancies will be filled in the manner provided by the Converted Mutual's articles of incorporation and bylaws.
- *Employees.* All current employees for Seneca and Lebanon will be retained in similar employment roles.
- *Agents.* All agents who are currently appointed by Lebanon or Seneca will continue to be appointed agents of the Converted Mutual. The Converted Mutual will develop a new, standardized agency agreement to be offered to each agent who currently is appointed by the Constituent Corporations.

### ***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 Constituent Corporations project that the Converted Mutual will be able to comply with the surplus requirements upon Conversion and will have a surplus of approximately \$4.6 Million.

- Chapter 611 Corporations also have to comply with mandated reinsurance requirements. Lebanon has confirmed that the Converted Mutual will be able to comply with the requirements of state law and the Commissioner relating to reinsurance requirements.
- Chapter 611 Corporations must have a qualified actuary opine on reserves annually, and must comply with all other requirements of Chapter 611, 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. Presently, the Constituent Corporations write in a total of twenty-seven (27) counties. As a Chapter 611 Corporation, the Converted Mutual will be able to continue writing policies in each of the counties in which each of the Constituent Corporations 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 Converted Mutual will become a nonassessable mutual insurance company. This will allow the Converted Mutual to sell nonassessable insurance policies, which the Boards believe will make the Converted Mutual more competitive.

### ***Additional Information***

A complete copy of the Plan, Articles and Bylaws, and related materials are available for your inspection at the office of each Constituent Corporation. Please contact any of the individuals identified below if you have any questions or would like to review any of the documents referenced herein.

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