



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

July 14, 2016

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MS ANN ROSS
ATTORNEY
FOLEY & LARDNER LLP
150 EAST GILMAN ST SUITE 5000
MADISON WI 53703 1482

Re: American Family Mutual Insurance Company
Mutual Holding Company Plan

Dear Ms. Ross:

The State of Wisconsin Office of the Commissioner of Insurance ("OCI") has completed an initial review of the Mutual Holding Company Plan submitted on June 8, 2016 by American Family Mutual Insurance Company ("Applicant" or "AFMIC"). Our review identified certain items requiring follow-up, as indicated below. **To ensure that the review process continues to move forward expeditiously, please provide the following information at your earliest convenience:**

1. Board Deliberations, Analyses and Opinions:
 - a) Please describe the process and the deliberation timeframe undertaken by AFMIC's management and board of directors in developing the mutual holding company plan.
 - b) Please provide copies of (or access to) all board minutes from meetings in which the proposed mutual holding company restructuring was discussed, as well as copies of all documentation, opinions, and analyses pertaining to the proposed restructuring.
2. Executive Compensation Plans: In conjunction with the mutual holding company plan, have any executive employment agreements, side agreements, executive compensation plans, or assurances been made or placed under development concerning staff retention, salaries and benefits (including any contemplated compensation in the form of stock or stock options), or severance packages, for the officers or employees of AFMIC? If yes, please discuss.
3. Business Plan and Operations of the Converted AFMIC: Please discuss:
 - a) Which types of insurance programs and services will the Converted AFMIC prioritize for growth and development (and conversely, which types of insurance programs and services will the Converted AFMIC seek to reduce or terminate)?
 - b) Are there any plans for the Converted AFMIC to reduce or terminate services in any region or jurisdiction in which it is currently active?
 - c) What are the Converted AFMIC's plans for charitable contributions and commitment to community outreach after the conversion in comparison to past practices? Will the Converted AFMIC continue to stress its 'mutuality' in its marketing and advertising?
 - d) Are there any plans to purchase or sell any books of business over the next 24 months?

4. Preemptive/Preferential Rights: Please discuss any preemptive or preferential rights that the members of the mutual holding company will have to participate in any future public offerings by subsidiaries of their mutual holding company.
5. Policy Costs: Please discuss whether the cost of AFMIC's insurance contracts currently in-force are expected to increase as a result of the restructuring, and whether AFMIC has any plans to shield its existing policyholders from any resulting cost increases.
6. Proposed Officers and Directors: The filing indicates that the proposed officers and directors of the Converted American Family Mutual Insurance Company will not mirror the proposed officers and directors of American Family Insurance Mutual Holding Company and AmFam Holdings, Inc. Please explain the rationale for the differences in the proposed officers and directors for the three companies.
7. Biographical Affidavit – Jessica J. Stauffacher: The filing indicated that the biographical affidavit for Jessica J. Stauffacher will be submitted under separate cover. Please provide the biographical affidavit for Jessica J. Stauffacher.
8. Pro Forma Financial Statements: The pro forma financial statements submitted for American Family Mutual Insurance Company, S.I. for 2016 – 2020 did not include the pro forma balance sheet or cash flow statement.
 - a) Please provide a pro forma balance sheet and cash flow statement for 2016 – 2020.
 - b) Please explain the purpose of the \$90 million “distribution to parent” shown in the 2016 projections.
 - c) In addition, please provide 2016 – 2020 projections for:
 - RBC
 - Compulsory/Security Surplus (and Excess balances)
 - Premium Writings (Direct, Assumed, Ceded, and Net) for each insurance entity
 - Loss Ratio (e.g., Loss & Loss Adjustment Expenses/Direct Premiums Earned)
 - Underwriting Expense Ratio (e.g., Underwriting Expenses/Direct Premiums Written)
 - Combined Ratio
 - Assumptions – how the projections for AMFIC under the mutual holding company will differ from the current projections, and the underlying rationale
 - Expected stockholder dividends to be paid by each of the insurance entities
 - The estimated number of AFMIC policies that are expected to be renewed in AFIC (or any other insurance subsidiary) over the next 5 years
9. Transfer of Subsidiary – New Ventures, LLC: According to the filing, on the effective date: (a) AmFam, Inc. and American Family Life Insurance Company will transfer 100% of the limited liability membership interests of New Ventures, LLC to AmFam Holdings, Inc., and (b) AmFam, Inc. and American Family Life Insurance Company shall assign to AmFam Holdings, Inc. and AmFam Holdings, Inc. shall assume all of AmFam, Inc.'s and American Family Life Insurance Company's rights and obligations under the Operating Agreement of New Ventures, LLC, and any related agreements or undertakings. Please provide the following information:
 - a) Please explain the rationale for the proposed transfer of New Ventures, LLC to AmFam Holdings, Inc.
 - b) Please provide the current fair market value of New Ventures, LLC, and discuss whether any consideration will be paid to American Family Life Insurance Company and AmFam, Inc. as a result of the transfer (or explain the rationale as to why no consideration will be paid).

10. Distribution of \$50M from AFMIC to New Ventures, LLC: The filing states that converted AFMIC will make a distribution to New Ventures, LLC in the amount of \$50 million. Please explain the rationale for this distribution.
11. Private Letter Ruling or Tax Opinion: The filing states that the Plan shall not become effective, and the restructuring shall not be consummated, until AFMIC receives a private letter ruling issued by the IRS, or an opinion of Foley & Lardner LLP or other independent tax counsel to AFMIC, in either case or in combination, substantially to the effect that: (a) Neither the members nor the newly admitted members will recognize taxable gain or loss in connection with the restructuring, and (b) Neither AFI MHC, AmFam Holdings, Inc., nor AFMIC will recognize taxable gain or loss in connection with the restructuring. Please provide a copy of this Private Letter Ruling (or Tax Opinion) (when available).
12. Securities Law Opinion: The filing states that the Plan shall not become effective, and the restructuring shall not be consummated, until AFMIC receives a "no action" letter from the SEC, or an opinion from Foley & Lardner LLP or other independent legal counsel in form and substance satisfactory to the duly authorized officers of AFMIC with respect to federal and state securities law matters. Please provide a copy of this Securities Law Opinion (when available).
13. Other Regulatory Approvals: The filing states that the Plan shall not become effective, and the restructuring shall not be consummated, until AFMIC has received all other regulatory approvals that the duly authorized officers of AFMIC deem to be necessary or appropriate. Please discuss the 'other regulatory approvals' deemed necessary or appropriate by AFMIC, and provide a copy of the other regulatory approval letters (when available).
14. Newly Admitted Members: According to the Plan, American Family Insurance Company ("AFIC") and American Standard Insurance Company of Ohio ("ASICO") policyholders will be granted membership interests in American Family Mutual Holding Company, but American Standard Insurance Company of Wisconsin ("ASICW") and American Family Life Insurance Company ("AFLIC") policyholders will not be granted membership interests. Please explain the rationale as to why AFIC and ASICO policyholders will be granted membership interests, but not ASICW and AFLIC policyholders.
15. Policyholder Communications: Please discuss:
 - a) Does the Applicant plan to post information pertaining to the planned reorganization to the company's website? If yes, please discuss when this website is expected to be available, and provide a link to the website.
 - b) Does the Applicant plan to set-up a toll-free number, or email address where policyholders may ask questions concerning the planned reorganization? If yes, please discuss when this toll-free number is expected to be available, and provide the toll-free number.
16. Procedural Matters – Proxy Forms and Ballots: Please discuss whether the Applicant has retained the services of a nationally significant tabulation agent to assist in the receipt, custody, safeguarding, verification and tabulation of proxy forms and ballots, and an independent public accounting firm to test and verify the process with respect to the mutual holding company plan.
17. Holding Company Organizational Chart – Post-Restructuring: Please provide an organizational chart that outlines the corporate structure of the holding company system after the proposed mutual holding company restructuring.
18. Group Policies: Please provide the number of group policies in American Family Mutual Insurance Company that would have rights in surplus in the mutual holding company.

19. Electronic Filing: Please provide an electronic copy of the complete filing on a flash drive for posting to OCI's public website. [Note: If there are portions of the filing for which confidential treatment is being requested, please provide an electronic file with the complete public (redacted) version of the filing for posting to OCI's public website, and a separate electronic file with the confidential portions of the filing, along with a cover letter identifying the portions of the filing for which confidentiality is being requested, the legal basis for the request for confidentiality, and the name and contact information of the Applicant's attorney (in the event there is a Freedom of Information Act request for the confidentially-designated materials).]

This request is being made pursuant to OCI's authority under ss. 601.42 and 601.43, Wis.Stats. All confidential, non-public information produced in response to this request will be held confidentially by OCI pursuant to s. 601.465, Wis.Stat.

Please mail all requested information to my attention at the address listed at the top of this letterhead (or alternatively, you can email scanned copies to kristin.forsberg@wisconsin.gov). Please feel free to call me at (608) 266-9896 should you have any questions.

Sincerely,



Kristin L. Forsberg, CPA/CFE
Insurance Financial Examiner/Company Licensing Specialist
Bureau of Financial Analysis and Examinations
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