

In the Matter of
the Restructuring of American Family Mutual Insurance Company,
by American Family Mutual Insurance Company.

FINAL DECISION
AND ORDER

Petitioner.

Case No. 16-C41471

FINAL DECISION

I adopt the Hearing Examiner's Proposed Decision, including the findings of fact and conclusions of law, which is attached to this Final Decision and which was served on the Petitioners with an opportunity for submitting written objections which Petitioner has waived.

Based on these findings of fact and conclusions of law, I order that:

(16) The Petitioner's request for approval of the Plan, including the formation of a mutual holding company, should be approved, subject to the following conditions:

- a) Petitioner's consent to an order issued by the Commissioner under s. 601.41, Wis. Stat., which shall, at a minimum, require that the MHC Plan be implemented in accordance with its terms and the Stipulation and Order in Case No. 16-C41471.
- b) American Family Insurance Mutual Holding Company and AmFam Holdings, Inc. shall consent to the same order to which the Petitioner consents pursuant to Section (16)(a) of this order.
- c) AFMIC and its successors in interest shall ensure that voting procedures with respect to the MHC Plan are in accordance with the voting protocol filed with the Wisconsin Commissioner of Insurance on June 8, 2016, or such other voting protocols as may be approved by Wisconsin Commissioner of Insurance. AFMIC shall retain the services of a tabulation agent to assist it in the receipt, custody, safeguarding, verification and tabulation of proxy forms and ballots.
- d) Until the MHC Plan is consummated, the OCI shall have the right to alter, suspend, or withdraw its approval should any material interim development warrant such action.
- e) AFMIC and its successors in interest shall comply with the Plan as approved by the Commissioner herein.
- f) The MHC Plan may not be amended without the prior written consent of the Commissioner.

NOTICE OF APPEAL INFORMATION

(Notice of rights for rehearing and judicial review,
the times allowed for each, and the identification
of the party to be named as respondent)

The following notice is served on you as part of the Final Decision:

- 1. Rehearing.

Any person aggrieved by this Final Decision may petition for a rehearing within 20 days after the service of this Final Decision, as provided in s. 227.49, Wis. Stat. A petition for rehearing is not a prerequisite for appeal directly to circuit court through a petition for judicial review.

A petition for rehearing must be filed with the Commissioner at the address below.

2. Judicial Review.

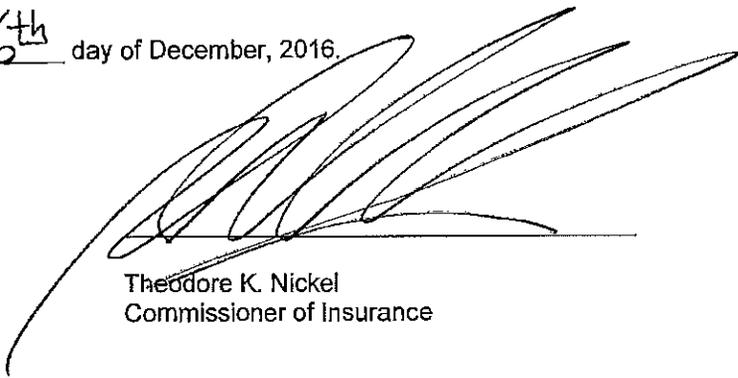
Any person aggrieved by this Final Decision has a right to petition for judicial review of this Final Decision as provided in s. 227.53, Wis. Stat. The petition must be filed in circuit court within 30 days after service of this Final Decision if there has been no petition for rehearing, or within 30 days after service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition by operation of law of any petition for rehearing.

A petition for judicial review must be served on, and name as the Respondent:

Commissioner of Insurance, Respondent
Office of the Commissioner of Insurance
P. O. Box 7873
Madison, Wisconsin 53707-7873

A copy of the relevant statutory provisions is attached.

Dated at Madison, Wisconsin, this 6th day of December, 2016.



Theodore K. Nickel
Commissioner of Insurance

WISCONSIN STATUTES

At all times material, the relevant parts of s. 227.49, Wis. Stat., read as follows:

227.49 PETITIONS FOR REHEARING IN CONTESTED CASES

(1) A petition for rehearing shall not be a prerequisite for appeal or review. Any person aggrieved by a final order may, within 20 days after service of the order, file a written petition for rehearing which shall specify in detail the grounds for the relief sought and supporting authorities. An agency may order a rehearing on its own motion within 20 days after service of a final order. . . .

(2) The filing of a petition for rehearing shall not suspend or delay the effective date of the order, and the order shall take effect on the date fixed by the agency and shall continue in effect unless the petition is granted or until the order is superseded, modified, or set aside as provided by law.

(3) Rehearing will be granted only on the basis of:

(a) Some material error of law.

(b) Some material error of fact.

(c) The discovery of new evidence sufficiently strong to reverse or modify the order, and which could not have been previously discovered by due diligence.

(4) Copies of petitions for rehearing shall be served on all parties of record. Parties may file replies to the petition.

(5) The agency may order a rehearing or enter an order with reference to the petition without a hearing, and shall dispose of the petition within 30 days after it is filed. If the agency does not enter an order disposing of the petition within the 30-day period, the petition shall be deemed to have been denied as of the expiration of the 30-day period.

(6) Upon granting a rehearing, the agency shall set the matter for further proceedings as soon as practicable. . . .

At all times material, the relevant part of s. 227.52, Wis. Stat., read as follows:

227.52 JUDICIAL REVIEW; DECISIONS REVIEWABLE. Administrative decisions which adversely affect the substantial interests of any person, whether by action or inaction, whether affirmative or negative in form, are subject to review as provided in this chapter. . . .

At all times material, the relevant parts of s. 227.53, Wis. Stat., read as follows:

227.53 PARTIES AND PROCEEDINGS FOR REVIEW. (1) Except as otherwise specifically provided by law, any person aggrieved by a decision specified in s. 227.52 shall be entitled to judicial review thereof as provided in this chapter.

(a) 1. Proceedings for review shall be instituted by serving a petition therefor personally or by certified mail upon the agency or one of its officials, and filing the petition in the office of the clerk of the circuit court for the county where the judicial review proceedings are to be held. . . .

2. Unless a rehearing is requested under s. 227.49, petitions for review under this paragraph shall be served and filed within 30 days after the service

of the decision of the agency upon all parties under s. 227.48. If a rehearing is requested under s. 227.49, any party desiring judicial review shall serve and file a petition for review within 30 days after service of the order finally disposing of the application for rehearing, or within 30 days after the final disposition by operation of law of any such application for rehearing. The 30-day period for serving and filing a petition under this paragraph commences on the day after personal service or mailing of the decision by the agency.

...

(b) The petition shall state the nature of the petitioner's interest, the facts showing that petitioner is a person aggrieved by the decision, and the grounds specified in s. 227.57 upon which petitioner contends that the decision should be reversed or modified. . . .

...

(c) A copy of the petition shall be served personally or by certified mail or, when service is timely admitted in writing, by first class mail, not later than 30 days after the institution of the proceeding, upon each party who appeared before the agency in the proceeding in which the decision sought to be reviewed was made or upon the party's attorney of record. . . .

(d) The agency . . . and all parties to the proceeding before it, shall have the right to participate in the proceedings for review. . . .

In the Matter of
the Restructuring of American Family Mutual Insurance Company,
by American Family Mutual Insurance Company.

PROPOSED DECISION

Petitioner.

Case No. 16-C41471

J.P. Wieske, Deputy Commissioner and Hearing Examiner, Presiding

Appearances

For the Office of the
Commissioner of Insurance: Richard B. Wicka, Deputy Chief Legal Counsel
Kristin Forsberg, Senior Insurance Examiner

125 S. Webster St.
Madison, Wisconsin 53707.

For the Petitioner, American Family Mutual Insurance Company

Anne Ross
Thomas R. Hrdlick
Morgan Tilleman

Foley & Lardner
777 E. Wisconsin Ave
Milwaukee WI, 53202

Mark Afable
Scott Seymour

American Family Mutual Insurance Company
6000 American Parkway
Madison, WI 53783

PRELIMINARY

Pursuant to a Notice of Hearings and Invitation for Public Comment dated September 30, 2016, a hearing was held at 2:00 p.m. on November 16, 2016, to determine whether the Petitioner's application for approval of its Mutual Holding Company Plan (the "MHC Plan") should be granted. Based on the record, the Hearing Examiner makes the following:

PROPOSED FINDINGS OF FACT

- (1) American Family Mutual Insurance Company ("AFMIC"), 6000 American Parkway, Madison, WI 53783, is a mutual insurance corporation organized and domiciled in Wisconsin.
- (2) AFMIC prepared and made representations in support of the Plan orally and in writing.
- (3) The Petitioner filed the MHC Plan with the Office of the Commissioner of Insurance

("Commissioner"). The MHC Plan includes, among other things, the formation of a Wisconsin-domiciled mutual holding company to be known as American Family Insurance Mutual Holding Company and a Wisconsin-domiciled business corporation to be known as AmFam Holdings, Inc. After the mutual holding company conversion plan is effectuated, American Family Mutual Insurance Company will convert to a stock company, and AmFam Holdings, Inc. will own 100% of the shares of the Converted Insurance Company. American Family Insurance Mutual Holding Company will own 100% of the shares of AmFam Holdings, Inc.

(4) The Petitioner was served with a Notice of Hearings and Invitation for Public Comment dated September 30, 2016.

(5) The Petitioner fulfilled the filing requirements of s. 644.07, Wis. Stat.

(6) The MHC Plan will not violate the law or be contrary to the interest of the insureds of AFMIC or of the public.

(7) The MHC Plan will not be unfair or inequitable to the policyholders of AFMIC with respect to their membership interests or rights in surplus.

(8) The MHC Plan would not be detrimental to the safety and soundness of the converting insurance company, AFMIC, or to the contractual rights and reasonable expectations of its policyholders on the effective date of the restructuring.

(9) After implementation of the MHC Plan, American Family Mutual Insurance Company, S.I. will be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed.

(10) The effect of the MHC Plan will not be to create a monopoly or substantially to lessen competition in any type or line of insurance in Wisconsin.

(11) The Petitioners have no plans or proposals to liquidate AFMIC following its conversion to a stock insurance company, to sell its assets (other than investment portfolio transactions in the ordinary course of business), to consolidate or merge it with any other person, or to make any other material change in its business, corporate structure, or management other than described in the Policyholder Information Booklet that was approved by the Wisconsin Office of the Commissioner of Insurance and distributed to AFMIC's policyholders.

(12) The competence and integrity of the persons who will control the operation of the restructured domestic stock insurance corporation, American Family Mutual Insurance Company, S.I., and other entities in the succession of control of American Family Mutual Insurance Company, S.I. are such that it will be in the interest of the policyholders and the public to permit the restructuring, including the formation of a mutual holding company.

PROPOSED CONCLUSION OF LAW

(13) The proposed findings of fact set forth above establish that the requirements of chs. 227 and 644, Wis. Stats., have been satisfied and approval of the MHC Plan should be granted.

(14) With the addition of certain conditions, the MHC Plan does not violate the law, and is not unfair or inequitable to policyholders with respect to their membership interests, rights in surplus, or otherwise, nor is it contrary to the interests of policyholders or the public. The MHC Plan is neither detrimental to the safety and soundness of the insurer nor the contractual rights and reasonable expectations of the persons who are policyholders, nor to the public interest.

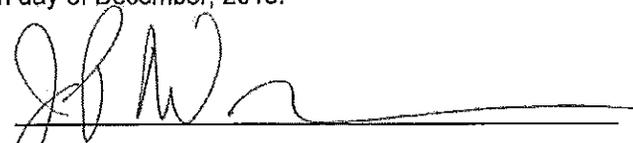
PROPOSED ORDER

NOW, THEREFORE, based upon the findings of fact and conclusion of law, I hereby recommend that:

(15) The Petitioners' request for approval of the Plan, including the formation of a mutual holding company, should be approved, subject to the following conditions:

- a) Petitioners consent to an order issued by the Commissioner under s. 601.41, Wis. Stat., which shall, at a minimum, require that the MHC Plan be implemented in accordance with its terms and the Stipulation and Order in Case No. 16-C41471.
 - b) American Family Insurance Mutual Holding Company and AmFam Holdings, Inc. shall consent to the same order to which the Petitioner consents pursuant to Section (15)(a) of this order.
 - c) AFMIC and its successors in interest shall ensure that voting procedures with respect to the MHC Plan are in accordance with the voting protocol filed with the Wisconsin Commissioner of Insurance on June 8, 2016, or such other voting protocols as may be approved by Wisconsin Commissioner of Insurance. AFMIC shall retain the services of a tabulation agent to assist it in the receipt, custody, safeguarding, verification and tabulation of proxy forms and ballots.
 - d) Until the MHC Plan is consummated, the OCI shall have the right to alter, suspend, or withdraw its approval should any material interim development warrant such action.
 - e) AFMIC and its successors in interest shall comply with the Plan as approved by the Commissioner herein.
-
- f) The MHC Plan may not be amended without the prior written consent of the Commissioner.

Dated at Madison, Wisconsin, this 5th day of December, 2016.



J.P. Wieske
Deputy Commissioner and Hearing Examiner