



DATE: October 12, 2022

TO: Amy J. Malm  
Mark McNabb

FROM: Christopher Martin

SUBJECT: The Proposed Merger of Farmers Town Mutual Insurance Company with and into Arlington 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 s. 612, Wisconsin Statutes and Ins. 40.02 Wis. Adm. Code.

**Form A Filing Contact(s)**

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**Exhibit(s)**

<b><u>Exhibit:</u></b>	<b><u>Description:</u></b>
Ex. 1	The certified resolution of the Arlington Mutual Board of Directors approving the Agreement and Plan of Merger (the "Plan").
Ex. 2	The certified resolution of the Farmers Town Mutual Board of Directors approving the Plan.
Ex. 3	A copy of the Plan executed by both companies and with the following exhibits:
Ex. 3a	The proposed Amended and Restated Articles of Incorporation of Arlington Mutual.
Ex. 3b	The proposed Amended and Restated Bylaws of Arlington Mutual.
Ex. 3c	The Certificate of Assumption which Arlington Mutual proposes to send to all Farmers Town Mutual policyholders after the effective date of the merger.
Ex. 3d	A listing of Arlington Mutual's proposed directors and officers as of the effective date of the merger.
Ex. 4	A proposed Notice of Special Policyholder Meeting
Ex. 5	A proposed summary of the Plan to be sent to Arlington Mutual and Farmers Town Mutual policyholders with the notice of meeting.

<b>Executive Summary</b>
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On October 3, 2022, Transaction Counsel Zachary Bemis filed a statement on behalf of the Applicants, Arlington Mutual Insurance Company (“Arlington Mutual”, the “Applicant”) and Farmers Town Mutual Insurance Company (“Farmers Town Mutual”), to merge the two town mutuals. After the merger, Farmers Town Mutual will cease to exist, and the surviving entity would be Arlington Mutual.

<b>Identity and Background of the Domestic Insurers</b>
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**Identity of the Insurers:****Arlington Mutual Insurance Company**

203 Main Street  
Arlington, WI 53911

**Farmers Town Mutual Insurance Company**

400 East Street, Suite 105  
Wilton, WI 54670

**Background of the Insurers:****Arlington Mutual Insurance Company**

Arlington Mutual is authorized to conduct business in Columbia, Dane, Dodge, Fond du Lac, Grant, Green Lake, Iowa, Lafayette, Marquette, and Sauk Counties.

**Farmers Town Mutual Insurance Company**

Farmers Town Mutual is authorized to conduct business in Adams, Clark, Jackson, Juneau, La Crosse, Monroe, Richland, Sauk, and Vernon Counties

**Proposed Executive Officers and Directors of Arlington Mutual**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires:</u></b>
Kurt Breunig	Director, President	2025
Jake Gaitan	Director	2025
Mark Raymond	Director	2025
Rosanne Cheeseman	Director	2024
Trent Schuster	Director	2024
Jerry Traut	Director, Vice President	2024
Ron Lovick	Director	2023
Kim Bauer	Director	2023
Stephen Elmer	Director, Secretary/Treasurer	2023

The proposed directors above, who will serve as directors of the surviving entity, come from the current directors of Arlington Mutual.

The officers serve an annual term and elections will be held at each annual meeting subsequent to the transaction.

### **Nature, Source, and Consideration**

Pursuant to the Plan filed as Exhibit 3, Farmers Town Mutual will be merged into Arlington Mutual, with the surviving entity being Arlington Mutual. Subject to the appropriate approvals and a vote held by the members of the Insurers, the effective date of the transaction is expected to be January 1, 2023.

The estimated expenses related to the merger are \$20,000. In the event that the merger is unsuccessful, the insurers will split the cost equally. No consideration will be transferred to either party as part of this merger.

### **The Applicant's Future Plans**

Besides combining operations and combining assets and liabilities under one structure, the Applicant's future plans provide for Teri Krysa, the current Manager of Arlington Mutual, to continue to be employed by the surviving entity. Additionally, the surviving entity will offer Michael Haidt, Farmers Town Mutual's current Manager, a position with job duties relating to servicing the assumed policies of former members of Farmers Town Mutual. The Applicants will offer agency agreements to each agent who currently has an appointment with Farmers Town Mutual.

Articles and Bylaws of the surviving corporation will be those as provided by the company in exhibit 3a and 3b.

The financial statements of the Domestic Insurers are confidential. OCI reviews these financials as part of the review process.

### **The s. 612.21 Wis. Stats. Standard**

Section 612.21 Wis. Stats incorporates the information gathering requirements of s. 612.02(4) (the application requirements for a town mutual certificate of authority) while directing the Commissioner to answer three broad questions contained in s. 612.21(3).

1. Is the Plan contrary to the law; or,
2. That the surviving or new corporation would not satisfy the requires for a certificate of authority under s. 612.02 (6); or
3. That the plan would be contrary to the interest of the insureds or the public.

### **Conclusion**

After reviewing the information provided by the Applicants, the OCI believes that approving this merger is in the best interest of the policyholders of Arlington Mutual and Farmers Town Mutual. 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 surviving 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, with the following conditions:

1. Arlington Mutual is approved to do business in Adams, Jackson, Juneau, La Crosse, Monroe, Vernon, Sauk, Columbia, Dane, Dodge, Fond Du Lac, Grant, Green Lake, Iowa, Lafayette, and Marquette Counties.