



**POLICYHOLDER
INFORMATION
BOOKLET**

Date: June 4, 2019

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**CHURCH MUTUAL INSURANCE COMPANY
3000 Schuster Lane
Merrill, Wisconsin 54452**

**Notice of Special Meeting of Members
To be held on August 21, 2019**

TO MEMBERS OF CHURCH MUTUAL INSURANCE COMPANY:

NOTICE IS HEREBY GIVEN THAT a Special Meeting of Members of Church Mutual Insurance Company (“CMIC” or the “Company”) will be held at the Company’s headquarters at 3000 Schuster Lane, Merrill, Wisconsin, on August 21, 2019 at 1:00 p.m. Central Time (the “Special Meeting”), for the following purpose:

To consider and vote upon a proposal to approve the Mutual Holding Company Plan of Church Mutual Insurance Company (the “Plan”) and the transactions contemplated thereby, including the amendment and restatement of the Articles of Incorporation of the Company.

The full text of the Plan and the proposed Second Amended and Restated Articles of Incorporation of the Company, together with all exhibits to the Plan, are included in the Policyholder Information Booklet which accompanies this Notice. The Members will also consider and vote upon any matters as may properly come before the meeting, or any adjournments or postponements thereof.

THE BOARD OF DIRECTORS OF CMIC HAS UNANIMOUSLY APPROVED THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY AND BELIEVES THAT THE MUTUAL HOLDING COMPANY CONVERSION TRANSACTION PROVIDED FOR IN THE PLAN (THE “MHC CONVERSION”) IS FAIR AND EQUITABLE TO THE POLICYHOLDERS OF CMIC AND WILL BENEFIT CMIC AND ITS POLICYHOLDERS. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE MEMBERS OF CMIC VOTE FOR APPROVAL OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

Under Wisconsin law, the Wisconsin Commissioner of Insurance (the “Wisconsin Commissioner”) must approve the Plan before it can take effect. Wisconsin law further provides that the Wisconsin Commissioner shall approve the Plan unless the Wisconsin Commissioner finds that the Plan violates the law, is not fair and equitable to policyholders, or is contrary to the interests of policyholders or the public. **Any such approval by the Wisconsin Commissioner is neither an endorsement of the Plan nor a recommendation to vote in favor of the Plan.**

Your vote must be cast in person at the Special Meeting or by a duly appointed proxy, in accordance with the instructions which accompany this Notice.

***To Cast Your Vote by Proxy:** To appoint a proxy to vote on your behalf at the Special Meeting, please complete, sign, and return the enclosed proxy card in the postage-paid envelope provided.*

To Vote In Person: You may vote in person at the Special Meeting. Submitting a proxy will not prevent a Member from attending the Special Meeting and voting in person. If you attend the Special Meeting and cast your vote in person, any proxy you previously submitted will be invalidated.

YOUR VOTE IS IMPORTANT. IF YOU DO NOT PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE AND RETURN THE PROXY CARD AS SOON AS POSSIBLE.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU CAST YOUR VOTE “FOR” THE PROPOSAL TO APPROVE THE PLAN.

Proxies must be postmarked no later than midnight on July 22, 2019 in order to be voted at the Special Meeting.

By Order of the Board of Directors

/s/ Michael M. Smith

Michael M. Smith, Secretary

Merrill, Wisconsin
June 4, 2019

In the Matter of the Church Mutual
Insurance Company Mutual Holding
Company Plan

NOTICE OF HEARING

Case No. 19-C43125

Petitioners.

*** HEARING IS SCHEDULED

DATE: July 19, 2019, at 10:00 a.m. (C.D.S.T.)

PLACE: Office of the Commissioner of Insurance
125 South Webster Street
Madison, Wisconsin 53703

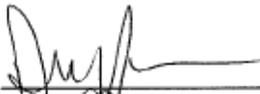
PLEASE READ CAREFULLY

A class 1 hearing under s. 644.07, Wis. Stat., will be held before Amy J. Malm, duly appointed hearing examiner, at the time and place stated above, to be continued at any time and place the hearing examiner considers necessary, to consider the matters set forth in this Notice of Hearing.

The issues to be considered are as follows:

- (1) The plan for the restructuring of Church Mutual Insurance Company to a mutual holding company and stock insurance company (the "plan").
- (2) The names, addresses, and interrelationships of all affiliates and principals of the Petitioners at the time of the filing and after the request is granted if the plan is approved.
- (3) Whether or not, under s. 644.07, Wis. Stat:
 - (a), The plan would violate the law or be contrary to the interests of the insureds of Church Mutual Insurance Company, the converting domestic corporation.
 - (b) The plan would violate the law or be unfair or contrary to the interests of the insureds of any participating domestic corporation.
 - (c) The proposed restructuring would be detrimental to the safety and soundness of the converting insurance company, or the contractual rights and reasonable expectations of its policyholders on the effective date of the restructuring.
- (4) Whether the Petitioners have complied with the filing requirements of s. 644.07, Wis. Stat.

Dated at Madison, Wisconsin, this 12th day of June, 2019.



Amy J. Malm
Hearing Examiner

FREQUENTLY ASKED QUESTIONS

Below are brief answers to frequently asked questions about the proposed mutual insurance holding company (also referred to as a “mutual holding company” or “MHC”) conversion (the “MHC Conversion”) of Church Mutual Insurance Company (“CMIC” or the “Company”). You should carefully review the more detailed discussion about the proposed MHC Conversion that follows in the Policyholder Information Statement, which qualifies all of the information presented in these brief answers.

1. What is the change being proposed for CMIC?

The Board of Directors of CMIC is proposing that CMIC change its organizational structure from a mutual insurance company to a mutual holding company-owned stock insurance company. Under this structure, CMIC would convert to a stock insurer, to be re-named Church Mutual Insurance Company, S.I. (“Converted CMIC”), and would become a wholly-owned subsidiary of the newly-organized mutual holding company. CMIC policyholders, who are currently the members of CMIC, would no longer be members of CMIC but would instead become members of the new mutual holding company, with comparable member rights. There would be no change in CMIC’s insurance policies (except that they would confer membership in the mutual holding company rather than CMIC) and those policies would remain obligations of Converted CMIC as a stock insurance company. The MHC Conversion would take place in accordance with the Mutual Holding Company Plan (the “Plan”) which has been unanimously approved by CMIC’s Board of Directors and which you and the other policyholders of CMIC are being asked to approve at the Special Meeting of Members (the “Special Meeting”), of which you are being notified in the attached Notice of Special Meeting of Members.

2. What is a mutual insurance holding company? Have other mutual insurance companies adopted this form of organization?

A mutual insurance holding company is a legal entity organized under state law to serve as the parent company (*i.e.*, the controlling shareholder) of an insurance company that has been converted from a mutual company to a stock company. In the mid-1990s, laws enabling the mutual insurance holding company structure began to appear in various states as a means for a mutual insurance company to address certain disadvantages of the mutual insurance company organizational form by converting to a stock company, while still preserving policyholder ownership and control of the enterprise. Mutual insurance holding companies were first made available under Wisconsin law in 1997. More than half of the state insurance codes now include mutual holding company laws and many large property and casualty and life insurance companies have chosen to restructure as mutual holding companies. See also “**THE MHC CONVERSION TRANSACTION—The Mutual Insurance Holding Company Organizational Form**” on page 5 of the Policyholder Information Statement.

3. What are my current rights as a policyholder of CMIC, and how would the proposed MHC Conversion affect those rights?

As a policyholder of CMIC, you have two types of interest in CMIC: (i) contract rights arising from your insurance policy with CMIC and (ii) voting rights and rights in surplus arising from your status as a member of CMIC.

Your contract rights will not be affected in any way by the proposed MHC Conversion. Your insurance policy with CMIC will become a contractual obligation of Converted CMIC and there will be no changes to your insurance coverage, claims payments, premiums, or policy benefits as a result of the MHC Conversion.

On the effective date of the MHC Conversion, you will cease being a member of CMIC and you will instead become a member of the new mutual holding company. You will be entitled to voting rights and rights to participate in distributions of surplus by the mutual holding company which are comparable to the rights that you now have in CMIC, except that the proposed Articles of Incorporation of the mutual holding company can be amended by the vote of the lesser of: (i) three-fourths of the members present and voting in person or by proxy at a meeting of the members or (ii) a majority of the voting power held by the members, as opposed to only by a vote of three-fourths of the members voting at such a meeting, as is required in CMIC's current Amended and Restated Articles of Incorporation. See also "**THE MHC CONVERSION TRANSACTION—Effects of the MHC Conversion—Effect On Contract Rights and Voting Rights/Rights in Surplus of CMIC Members/Policyholders**" on pages 15 through 18 of the Policyholder Information Statement.

4. Will anyone other than current CMIC policyholders be members of the new mutual holding company?

Only CMIC policyholders will be members of the new mutual holding company on the effective date of the MHC Conversion. In addition, future Converted CMIC policyholders will be members of the new mutual holding company. The Board of Directors will not be authorized to grant member status to the policyholders of other subsidiaries of the mutual holding company.

5. Will the proposed MHC Conversion affect the terms of my insurance policy with CMIC?

No. All insurance policies issued by CMIC will continue as obligations of Converted CMIC as a stock insurance company after the MHC Conversion. Your rights under your existing insurance policy, including your coverage, claims payments, premiums, and policy benefits, will not be changed as a result of the MHC Conversion. See also the information presented under the heading "Policy Rights" in the table found on page 17 of the Policyholder Information Statement.

6. How will the proposed MHC Conversion benefit CMIC and its policyholders?

CMIC's Board of Directors believes that the MHC Conversion of CMIC is desirable at the present time and will enhance CMIC's ability to grow and respond to future needs, challenges, and opportunities in a rapidly changing insurance industry, while preserving mutuality and the ability to operate with a focus on the long-term interests of policyholders.

Specifically, the Board of Directors believes the new mutual holding company structure will benefit CMIC and its policyholders by: (i) giving the Company the opportunity to pursue product and state expansion through subsidiary companies while maintaining its mutuality, (ii) enhancing the Company's ability to acquire and grow ancillary or non-insurance businesses, (iii) enhancing the Company's ability to pursue mergers with and acquisitions of other mutual insurance companies, and (iv) giving the Company enhanced access to capital and other forms of financing. See also "**THE MHC CONVERSION TRANSACTION—Benefits of Conversion**

to a Mutual Holding Company Structure” on pages 10 through 12 of the Policy Information Statement.

7. Has CMIC’s Board of Directors approved the proposed MHC Conversion, and does it have a recommendation for policyholders on voting?

After careful consideration and thorough deliberation in a series of meetings over the past three years, the CMIC Board of Directors has unanimously approved the Plan and the transactions contemplated thereby. Accordingly, the CMIC Board of Directors unanimously recommends that policyholders vote FOR the Plan at the Special Meeting. See also “**THE MHC CONVERSION TRANSACTION—Recommendation of Board of Directors**” on pages 14 and 15 of the Policyholder Information Statement.

8. Did the Board consider any alternatives to the MHC Conversion?

The Board of Directors considered, but rejected, other structural alternatives to the proposed MHC Conversion, including demutualization of CMIC. The Board of Directors determined not to pursue any of these alternatives and has no plans to do so following the MHC Conversion. In addition, the proposed MHC Conversion does not involve any changes to the existing workforce, operations, or office locations of CMIC and its subsidiaries, and the Board of Directors has no plans to make any such changes after the MHC Conversion. See also “**THE MHC CONVERSION TRANSACTION—Consideration of Alternatives**” on pages 13 and 14 of the Policyholder Information Statement.

9. Will CMIC be regulated differently if the MHC Conversion is completed?

CMIC is currently regulated by the Office of the Commissioner of Insurance for the State of Wisconsin (the “Wisconsin Commissioner”). After the MHC Conversion, Converted CMIC will continue to be regulated by the Wisconsin Commissioner; in addition, the mutual holding company will be subject to the Wisconsin Commissioner’s oversight. Certain anticipated differences between the current regulation of CMIC and the future regulation of the mutual holding company are described under the heading “**REGULATION**” on page 28 and 29 of the Policyholder Information Statement.

10. Does CMIC plan to issue stock following the proposed MHC Conversion?

CMIC does not have any plans to issue stock in any entity after the proposed MHC Conversion is completed. In any event, an initial sale of voting stock would require the prior approval of the Wisconsin Commissioner and the members of the new mutual holding company.

11. Will the proposed MHC Conversion result in any changes in the compensation of CMIC’s directors or officers?

No. The proposed MHC Conversion will not result in any changes in the compensation of CMIC’s directors and officers.

12. Will any CMIC director or officer receive any stock or stock options as a result of the MHC Conversion?

No. CMIC's directors and officers will not receive any stock or stock options in Converted CMIC, the new intermediate stock holding company (discussed in the Policyholder Information Statement) or any other entity.

13. Are there any potential disadvantages or risks in adopting the proposed mutual holding company structure?

There are potential disadvantages and risks associated with the proposed MHC Conversion that are discussed in greater detail under the heading "**THE MHC CONVERSION TRANSACTION—Special Considerations and Risk Factors**" on pages 23 through 26 of the Policyholder Information Statement.

14. What approvals are required before CMIC can complete the proposed MHC Conversion?

The Plan must be approved by the Wisconsin Commissioner and potentially also by other state insurance regulators in those states in which a CMIC subsidiary insurance company is domiciled.

Additionally, the Plan must be approved by three-fourths (3/4) of CMIC members as of the record date for the Special Meeting who are present and voting in person or by proxy at the Special Meeting. See also "**CONDITIONS TO CLOSING OF MHC CONVERSION**" on pages 27 and 28 of the Policyholder Information Statement.

15. If I vote at the Special Meeting by proxy, will the proxies have authority to vote on any matter other than the approval of the MHC Conversion?

The proxies will have authority to vote only on those matters which are germane to the purpose of the Special Meeting as stated in the Notice of Special Meeting. For example, in addition to casting votes "For" and "Against" the approval of the Plan, the proxies would have authority to vote on a proposal to adjourn the Special Meeting and reconvene at a later date.

16. When will the proposed MHC Conversion be completed, if all conditions are satisfied?

Provided the Plan has been approved by the Wisconsin Commissioner and by at least three-fourths (3/4) of CMIC's policyholders at the Special Meeting, it is expected that the MHC Conversion will be completed in the first quarter of 2020.

17. How can I vote on the Plan?

CMIC policyholders are being asked to vote on the Plan at the Special Meeting to be held at 1:00 p.m. local time on August 21, 2019 at the Company's offices at 3000 Schuster Lane, Merrill, Wisconsin. Your vote must be cast in person at the Special Meeting, or by a duly appointed proxy.

To cast your vote by proxy:

Please complete, sign and return the enclosed proxy card in the postage-paid envelope provided.

In lieu of appointing a proxy, you may vote in person at the Special Meeting.

Submitting a proxy will not prevent a member from attending the Special Meeting and voting in person. If you attend the Special Meeting and vote in person, any previously submitted proxy will not be counted.

Proxies must be postmarked no later than 12:00 a.m. on July 22, 2019 in order to be voted at the Special Meeting.

18. What should I do if I have other questions about the proposed MHC Conversion?

If your question is not answered in these Frequently Asked Questions, the Policyholder Information Statement or the additional available information described in the Policyholder Information Statement, please visit our website (www.churchmutual.com/mhc) or contact Michael Smith at (844) 503-6969 or msmith@churchmutual.com.

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POLICYHOLDER INFORMATION STATEMENT
RELATING TO THE
PROPOSED MUTUAL HOLDING COMPANY PLAN
OF
CHURCH MUTUAL INSURANCE COMPANY

Dated June 4, 2019

No Person has been authorized to give any information or to make any representations other than, or inconsistent with, those contained in this Policyholder Information Statement, with all Exhibits thereto, in connection with the Mutual Holding Company Plan referenced herein, and any such information or representation, if given or made, must not be relied upon as having been authorized by Church Mutual Insurance Company (“CMIC”) or any other Person representing CMIC. The delivery of this Policyholder Information Statement shall not under any circumstances create an implication that there have not been any changes in the affairs of CMIC since the date hereof or that the information herein is correct as of any time subsequent to its date.

TABLE OF CONTENTS

INTRODUCTION 3

ADDITIONAL AVAILABLE INFORMATION..... 3

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE 4

STATUS OF THE PLAN 5

THE MHC CONVERSION TRANSACTION..... 5

 The Mutual Insurance Holding Company Organizational Form 5

 Description of the MHC Conversion Transaction..... 6

 Background of Church Mutual Insurance Company and Affiliates and Subsidiaries 9

 Strategic Challenges Facing CMIC..... 10

 Benefits of Conversion to a Mutual Holding Company Structure 10

 Use of Stock Subsidiaries for Product and State Expansion While Maintaining Mutuality . 10

 Ability to Acquire and Grow Ancillary or Non-Insurance Subsidiaries 11

 Mergers and Acquisitions..... 11

 Access to Capital 12

 Protections Provided to Policyholders 12

 Consideration of Alternatives..... 13

 Preserving the Status Quo..... 13

 Demutualization..... 13

 Recommendation of Board of Directors 14

 Effects of the MHC Conversion..... 15

 Operations and Business of CMIC 15

 Effect on Contract Rights and Voting Rights/Rights in Surplus of CMIC
Members/Policyholders 15

 Directors and Executive Officers 19

 Corporate Governance 19

 Comparison of Articles of Incorporation and Bylaws of CMIC MHC with Current Articles
of Incorporation and Bylaws of CMIC..... 19

Comparison of Articles of Incorporation and Bylaws of Converted CMIC with Current Articles of Incorporation and Bylaws of CMIC	21
Federal Tax Consequences	23
Federal Securities Law Consequences	23
Special Considerations and Risk Factors.....	23
SPECIAL MEETING OF MEMBERS.....	27
Date, Time and Place	27
Matters to be Considered.....	27
Eligibility to Vote; Voting; Proxies	27
CONDITIONS TO CLOSING OF MHC CONVERSION	27
Approval of Wisconsin Commissioner and Receipt of Other Regulatory Approvals	27
Approval of Eligible Members of CMIC	27
Receipt of Tax Opinion.....	28
U.S. Federal Securities Matters.....	28
Issuance of New Certificates.....	28
Amendment or Withdrawal of the Plan.....	28
REGULATION.....	28
SELECTED FINANCIAL INFORMATION	29
CERTAIN DEFINITIONS	31

List of Exhibits

Mutual Holding Company Plan (with Exhibits).....	Exhibit A
Adopting Resolutions.....	Exhibit B
Second Amended and Restated Articles of Incorporation of Church Mutual Insurance Company, S.I.	Exhibit C
Second Amended and Restated Bylaws of Church Mutual Insurance Company, S.I.	Exhibit D
Articles of Incorporation of Church Mutual Holding Company, Inc.	Exhibit E
Bylaws of Church Mutual Holding Company, Inc.	Exhibit F
Articles of Incorporation of CM Companies, Inc.	Exhibit G
Bylaws of CM Companies, Inc.	Exhibit H
Directors and Officers of Church Mutual Holding Company, Inc., CM Companies, Inc. and Church Mutual Insurance Company, S.I.	Exhibit I

INTRODUCTION

This Policyholder Information Statement is being provided to Policyholders of CHURCH MUTUAL INSURANCE COMPANY (“CMIC” or the “Company”) in connection with the Special Meeting of Members of CMIC to be held on August 21, 2019 at 1:00 p.m. local time, at the Company’s offices at 3000 Schuster Lane, Merrill, Wisconsin 54452 (the “Special Meeting”), and any adjournment thereof, at which the Members will be asked to vote on the proposal to change the structure of CMIC, from its current form as a mutual insurance company to that of a stock insurance company wholly-owned and controlled by a mutual insurance holding company organized under Chapter 644 of the Wisconsin Insurance Code (the “MHC Conversion”). Capitalized terms used in this Policyholder Information Statement are defined where first used herein or under the heading “**CERTAIN DEFINITIONS**” at page 31 of this Policyholder Information Statement.

The proposal described herein is based upon a Mutual Holding Company Plan (the “Plan”) unanimously approved by the Board of Directors of CMIC (the “Board”) on December 13, 2017 which was revised and approved as of June 4, 2019, a copy of which is attached hereto as **Exhibit A**, together with all exhibits thereto which are attached hereto as **Exhibit B** through **Exhibit I**. Prior to the vote of the Members of CMIC at the Special Meeting, the Plan will be the subject of a Public Hearing conducted by the Office of the Commissioner of Insurance for the State of Wisconsin (the “Wisconsin Commissioner”) on July 19, 2019. The Plan will not take effect unless and until it has first been approved by order of the Wisconsin Commissioner after the Public Hearing and then by the requisite number of the Members, and until certain other conditions described under the heading “**CONDITIONS TO CLOSING OF MHC CONVERSION**” on pages 27 and 28 of this Policyholder Information Statement have been satisfied.

ADDITIONAL AVAILABLE INFORMATION

CMIC is a mutual property and casualty insurer domiciled in the State of Wisconsin and licensed to do business in every state. CMIC is subject to the laws and regulations of the State of Wisconsin applicable to insurance companies and, accordingly, files annual and quarterly financial reports (“Annual Statements” and “Quarterly Statements”) prepared in accordance with statutory accounting principles and other information with the Wisconsin Commissioner as well as other state insurance departments.

In connection with obtaining approval of the Plan from the Wisconsin Commissioner, CMIC filed the Plan, together with all exhibits thereto and other related documents (collectively, the “Filing”), with the Wisconsin Commissioner pursuant to Chapter 644 of the Wisconsin Insurance Code. Policyholders of CMIC may inspect and obtain copies of the Filing, as well as the financial reports and other information filed by CMIC with the Wisconsin Commissioner, during normal business hours at the offices of CMIC located at 3000 Schuster Lane, Merrill, Wisconsin 54452. Members of the public may inspect and make copies of the Filing, as well as the financial reports and certain other information filed by CMIC with the Wisconsin Commissioner, during normal business hours at the offices of the Wisconsin Commissioner located at 125 South Webster Street, Madison, Wisconsin 53703. Portions of the Filing are also available on the website maintained by the Wisconsin Commissioner at <https://oci.wi.gov/Pages/Companies/MrgrsAcquConvRedom.aspx#Restructurings> (click on the “Church Mutual Insurance Company to a Mutual Holding Company and Stock Insurance

Company” hyperlink). The publicly available financial reports of CMIC can also be inspected and copied during normal business hours at the offices of the insurance regulatory agency in each of the states where CMIC does business.

Any Policyholder who has questions about the Policyholder Information Statement, the Plan, or the Filing in general may visit our website (www.churchmutual.com/mhc) or contact Michael Smith at (844) 503-6969 or msmith@churchmutual.com.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

CMIC’s Annual Statements for the years ended December 31, 2018, 2017, and 2016 as filed by CMIC with the Wisconsin Commissioner, and any Quarterly Statements filed by CMIC with the Wisconsin Commissioner during 2019, are incorporated by reference in this Policyholder Information Statement.

Statements contained in this Policyholder Information Statement or in any document incorporated herein by reference, as to the contents of any contract or other documents referred to herein, are not necessarily complete, and in each instance where reference is made to the copy of such contract or other document filed as an exhibit to the Filing or such other document, each such statement is qualified in all respects by such reference. For the purposes of the Policyholder Information Statement, the documents referred to herein and therein, including the Exhibits, the Annual and Quarterly Statements and the other financial reports and the Filing, are deemed incorporated by reference in their entirety.

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This Policyholder Information Statement has been approved for mailing to Eligible Members of CMIC by the Wisconsin Commissioner in accordance with Section 644.07(6)(b) of the Wisconsin Insurance Code. The Wisconsin Commissioner does not make a recommendation for or against the proposal set forth in this Policyholder Information Statement or the Plan, and no such recommendation should be inferred from the Wisconsin Commissioner's approval of this Policyholder Information Statement.

STATUS OF THE PLAN

The Board unanimously approved the Plan on December 13, 2017, and directed that it be submitted for approval by the Wisconsin Commissioner and the Members. The Board approved a revised Plan on June 4, 2019 and set a Record Date of June 4, 2019 for Eligible Members who will have a right to vote on the Plan. The Plan will be the subject of a Public Hearing conducted by the Wisconsin Commissioner on July 19, 2019, and, after approval by the Wisconsin Commissioner, will be submitted for approval by the Members of CMIC at the Special Meeting of Members to be held on August 21, 2019. At any time prior to the Effective Date, the Board will have the discretion to amend or withdraw the Plan. Any amendment to the Plan, including its exhibits, would be subject to review by the Wisconsin Commissioner. If the Wisconsin Commissioner determines that the changes are materially disadvantageous to the Policyholders of CMIC, then the changes may be subject to an additional Public Hearing conducted by the Wisconsin Commissioner and will be subject to a separate approval by the Members of CMIC. If the Wisconsin Commissioner does not determine that the changes are materially disadvantageous to the Policyholders of CMIC, then neither an additional Public Hearing nor a separate approval by the Members of CMIC will be required. The Plan will not become effective until all of the closing conditions are satisfied; these closing conditions are summarized below under the heading “**CONDITIONS TO CLOSING OF MHC CONVERSION**” at pages 27 and 28 of this Policyholder Information Statement.

THE MHC CONVERSION TRANSACTION

The Mutual Insurance Holding Company Organizational Form

A mutual insurance holding company (also referred to herein as a “mutual holding company” or “MHC”) is a legal entity organized under state law to serve as the parent company (*i.e.*, the controlling shareholder) of an insurance company that has been converted from a mutual company to a stock company. In the mid-1990s, laws enabling the mutual insurance holding company structure began to appear in various states as a means for a mutual insurance company to address certain disadvantages of the mutual insurance company organizational form by converting to a stock company, while still preserving policyholder ownership and control of the enterprise. Prior to the adoption of mutual holding company laws, the only means for a mutual insurance company to gain the flexibility and competitive advantages of a stock company was to “demutualize,” *i.e.*, convert from a mutual company to a stock company owned up to 100% by outside investors. Mutual insurance holding companies were first made available under Wisconsin law in 1997. In December of 1998, the Mutual Holding Company Working Group of the Financial Condition Subcommittee of the National Association of Insurance Commissioners issued a comprehensive “white paper” discussing the rationale for the mutual holding company form of organization as compared to existing alternatives, comparing existing state laws, and setting forth certain recommendations for future state regulation of mutual holding companies, among other topics. Subsequent to the issuance of this white paper, a number of additional states passed laws

providing for the formation of mutual holding companies. Today, more than half of the state insurance codes now include mutual holding company laws and many large property and casualty and life insurance companies have chosen to restructure as mutual holding companies.

Description of the MHC Conversion Transaction

On or before the Effective Date, CMIC will form a new Wisconsin mutual holding company known as Church Mutual Holding Company, Inc. (“CMIC MHC”). It will also form a new intermediate stock holding company known as CM Companies, Inc. (“CM Companies”) to hold CMIC’s non-insurance subsidiaries. On the Effective Date, CMIC will convert to, and continue its corporate existence as, Church Mutual Insurance Company, S.I., a Wisconsin stock insurance company (“Converted CMIC”). The Voting Rights and Rights in Surplus of CMIC Policyholders will be extinguished in exchange for Voting Rights and Rights in Surplus in CMIC MHC. Also on the Effective Date, the ownership of the non-insurance subsidiaries of CMIC will transfer to CM Companies and the ownership of CM Vantage Specialty Insurance Company, CM Regent Insurance Company, CM Select Insurance Company and American Sterling Insurance Company, currently insurance subsidiaries of CMIC, will transfer to CMIC MHC.

The Board of Directors of CMIC MHC will not have the authority to grant Member status to the Policyholders of other subsidiaries of CMIC MHC.

A summary of the effect of the MHC Conversion on Voting Rights and Rights in Surplus of CMIC Members is found under the heading “**THE MHC CONVERSION TRANSACTION—Effects of the MHC Conversion—*Effect On Contract Rights and Voting Rights/Rights in Surplus of CMIC Members/Policyholders***” on pages 15 through 18 of this Policyholder Information Statement.

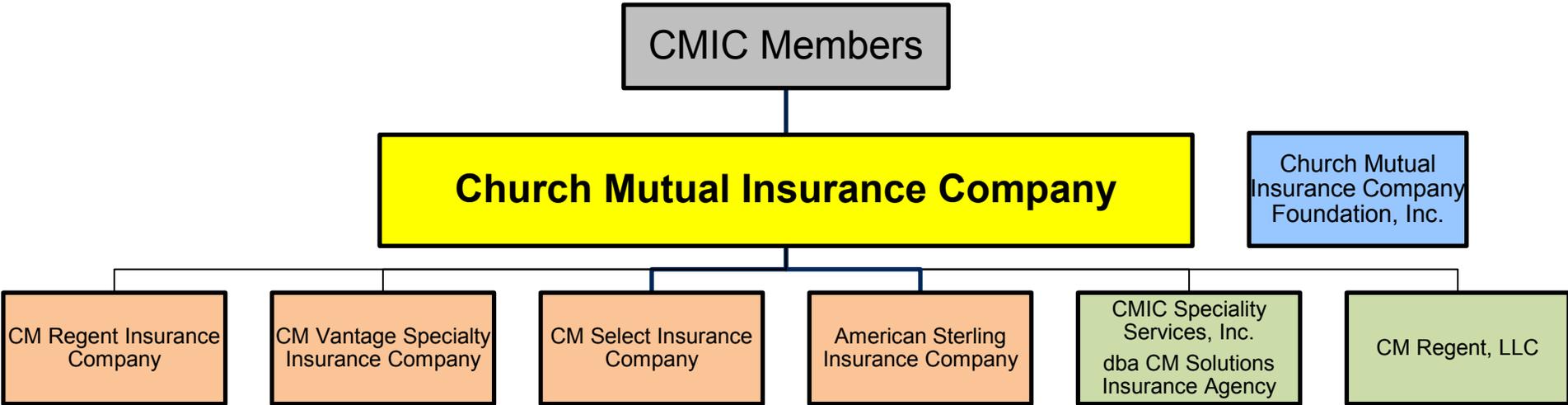
On the Effective Date, Converted CMIC will issue 100% of the outstanding shares of voting stock of Converted CMIC to CMIC MHC.

As a result of the MHC Conversion, Converted CMIC will exist as a stock insurance company, 100% of the voting stock of which is owned by CMIC MHC, a mutual holding company which will be 100% owned and controlled by the Policyholders of Converted CMIC.

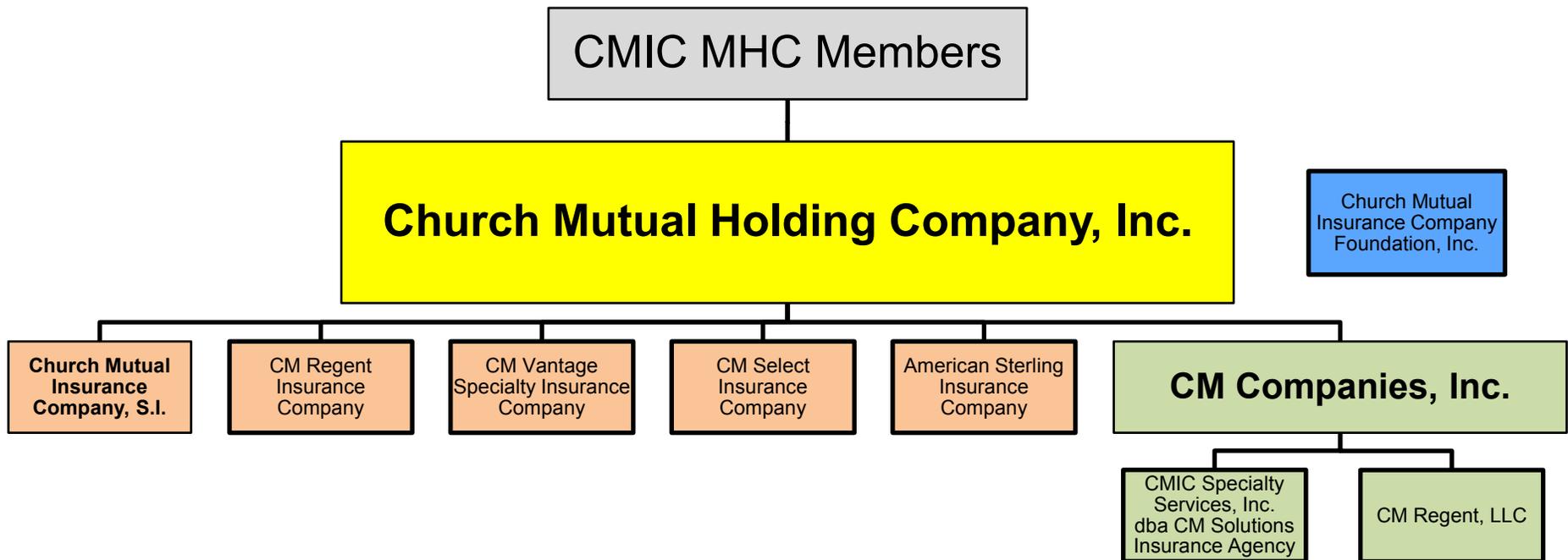
The following diagrams illustrate CMIC’s organizational structure before and after consummation of the MHC Conversion contemplated by the Plan:

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Current CMIC Structure



Proposed MHC Structure



Background of Church Mutual Insurance Company and Affiliates and Subsidiaries

CMIC is a Wisconsin mutual insurance company with its headquarters in Merrill, Wisconsin.

CMIC was founded in Wisconsin in 1897 when eight laypeople and two pastors in Merrill created a new kind of insurance company — one that would focus on specialized protection for the unique needs of the faith-based community. CMIC's original name was Wisconsin Church Mutual Fire Insurance Association. CMIC, which remains domiciled in Wisconsin, adopted its present name in 1959. Today, CMIC is the United States' leading insurer of religious organizations. CMIC and its subsidiaries form the CMIC group of companies headquartered in Merrill, Wisconsin.

CMIC is licensed in all 50 states and the District of Columbia. The Company employs approximately 1,100 people, with 850 employees located in Merrill, Wisconsin, and 250 employees located throughout the United States. CMIC offers specialized insurance products for religious organizations of all denominations, schools, camps, denominational offices and senior living facilities. CMIC writes most lines of commercial property and liability insurance, including multi-peril, workers' compensation and commercial auto insurance. In addition, CMIC offers specialized coverages including cyber liability, professional liability, employee benefit liability, catastrophic violence, legal defense, sexual misconduct, religious freedom, employment practices liability, umbrella liability and international travel insurance. In addition to insurance, CMIC provides value-added solutions that benefit its customers.

Subsidiaries and affiliate companies in the CMIC group of companies include:

- **CM Regent Insurance Company**, a leading commercial property and liability insurance company domiciled in Pennsylvania dedicated to serving public and private K-12 schools, colleges and universities. It offers commercial property and liability insurance, workers' compensation, school leaders' legal liability, excess liability, privacy protection and owner-controlled insurance. CM Regent is located in Mechanicsburg, Pennsylvania.
- **CM Regent, LLC**, a limited liability company that provides third-party claims administration services to CM Regent Insurance Company and others and employee benefit products. CM Regent, LLC is located in Mechanicsburg, Pennsylvania.
- **CM Vantage Specialty Insurance Company**, an excess and surplus lines insurance company domiciled in Wisconsin specializing in underwriting unique exposures and providing innovative product solutions. CM Vantage distributes products through select surplus lines wholesale brokers and general agents. CM Vantage is located in Madison, Wisconsin.
- **CM Select Insurance Company**, an insurance sales channel that is domiciled in Wisconsin. It is located in Denver, Colorado.
- **American Sterling Insurance Company**, an insurance sales channel that is domiciled in Wisconsin. It is located in Merrill, Wisconsin.
- **CMIC Specialty Services**, also known as CM Solutions Insurance Agency, is an independent agency owned by CMIC. Its offices are located in Merrill, Wisconsin.
- **Church Mutual Insurance Company Foundation, Inc.**, also known as CM CARES, the Church Mutual Insurance Company foundation. It is based in Merrill, Wisconsin.

As of December 31, 2018, CMIC had approximately \$1.832 billion in admitted assets, and aggregate policyholder surplus of \$620. The company's financial strength is rated "A" (Excellent) by A.M. Best.

Strategic Challenges Facing CMIC

The Board wants to ensure CMIC has structural, financial and strategic flexibility to remain strong and competitive. The insurance industry is changing at an ever-increasing pace, and successful companies must be positioned to respond quickly and act decisively in the face of challenges and opportunities. Changes in underwriting, new and evolving technology, and increased access to sophisticated data and analytics are driving business and reinventing the way insurers do business. CMIC's current structure limits the Company's ability to respond and capitalize on the rapidly changing marketplace. Considerations include the following:

- *The Company's ability to pursue product and state expansion through subsidiary companies without diluting its mutuality.*

Due to state regulatory requirements, new products are often restricted from being sold by the same insurance company that is selling the current generation of products. Insurance companies that want to sell their current generation of products and offer alternative products often form stock insurance company subsidiaries to enable this approach. The policyholders of these companies are not eligible for membership in the mutual insurance company parent organization.

- *The Company's ability to acquire and expand ancillary or non-insurance subsidiaries.*

State regulatory requirements limit the extent to which insurance companies can invest in ancillary and non-insurance subsidiaries. When a mutual insurance company is the ultimate parent, the entire family of companies is limited by these investment restrictions.

- *The Company's ability to pursue mergers and acquisitions.*

Mutual insurers cannot merge with or acquire other mutual insurers without one of the two insurers ceasing to exist. This prevents a mutual company from merging with or acquiring other mutual insurers in ways that allow for increased efficiencies and preservation of both organizations' goodwill and brand value. Further, mutual insurers have limited options to raise capital for possible mergers and acquisitions, and they cannot use stock as currency in acquisitions.

Benefits of Conversion to a Mutual Holding Company Structure

The Board has determined that the proposed MHC Conversion will benefit the Company and its Policyholders, including in the following ways:

Use of Stock Subsidiaries for Product and State Expansion While Maintaining Mutuality

In order to grow and stay competitive, property and casualty insurance companies must continually redesign their products to keep up with new developments in underwriting

methodology and delivery of benefits to policyholders. Due to state regulatory requirements, new products are sometimes prohibited from being sold by the same insurance company that is selling the current generation of products. Mutual insurance companies are therefore compelled to form stock insurance company subsidiaries to sell the new products. The Policyholders of these companies are not eligible for membership in the mutual company parent.

As a mutual insurance company, CMIC focuses on the interests of its Policyholders, the owners of the Company. CMIC believes that its success as an insurance enterprise stems in large part from this ability to focus its business operations and objectives from the perspective of the Policyholder. As such, CMIC wishes to preserve its “mutuality” as much as possible while still being able to compete against stock insurance companies.

Ability to Acquire and Grow Ancillary or Non-Insurance Subsidiaries

Regulatory restrictions place limits on the extent to which insurance companies can invest in ancillary and non-insurance subsidiaries. Many property and casualty insurance companies are increasingly focusing on investments in synergistic non-insurance businesses and technologies. The benefit of the mutual holding company structure with the inclusion of an intermediate stock holding company is that the intermediate stock holding company is well suited to acquire and grow ancillary or non-insurance entities as subsidiaries of the holding company, without being subjected to the regulatory restrictions that could limit CMIC’s ability to take advantage of certain strategic opportunities. For example, CM Companies will be better positioned to invest in or acquire non-insurance subsidiaries that can provide important customer benefits, such as technologies that can help prevent thefts or accidents and save lives, thereby also reducing potential claims and costs for the insurance companies in the group. Note that any distribution of funds or the provision of any other form of financial support from Converted CMIC to CMIC MHC for purposes of such investments or for other purposes that falls within the definition of an “extraordinary dividend” under the Wisconsin Insurance Code will be subject to the requirement that the Wisconsin Commissioner be notified not less than 30 days prior to such distribution and not have disapproved the distribution within such time. In addition, the claims-paying ability of Converted CMIC, after taking into account the effects of any such distributions or financial support, will be subject to ongoing regulatory scrutiny and independent review by industry rating agencies.

Mergers and Acquisitions

CMIC cannot acquire or merge with other mutual insurers without one of the two mutual entities ceasing to exist as a separate insurer. As a result, the valuable “brand” recognition and goodwill of the mutual insurer that ceases to exist is effectively a lost or diminished asset. By contrast, an insurance enterprise structured as a mutual holding company at the top of the organizational chart has a broader range of options for pursuing mergers and acquisitions in a manner that may preserve the separate identity, brand recognition and goodwill of the insurer or other entity being acquired. For example, a mutual holding company can acquire stock companies as subsidiaries. Alternatively, a mutual holding company can acquire mutual insurers through sponsored conversions, whereby the mutual insurance company being acquired undergoes its own mutual holding company conversion in which the Policyholders of the mutual insurance company being acquired cease being members of that mutual insurance company and instead become members of the acquiring mutual holding company, and the mutual insurance company undergoing the sponsored conversion becomes a stock insurance company owned by the acquiring mutual holding company. In addition, two existing mutual holding companies can merge, without

affecting the unique identity of any downstream insurance companies in either organization. These options are not available to CMIC in its current mutual insurance company structure.

Because the MHC Conversion includes the formation of an intermediate stock holding company as well as a stock insurance company, CMIC MHC will have multiple options available to raise capital for merger and acquisition purposes through public or private markets, and to use stock of the stock companies as currency in acquisitions.

Access to Capital

Mutual insurance companies have no stock which can be sold to raise capital to grow the enterprise. The only way for mutual insurance companies to raise capital is through profitable operations over time, through the sale of “surplus notes,” which is a relatively expensive form of financing due to regulatory restrictions on repayments to the purchasers of the notes, or through the sale of stock of a “downstream holding company” which, as stock issued by a subsidiary of the mutual insurance company parent, does not reflect the valuation of the mutual company. Once a mutual insurance company has been converted to a stock company, voting or nonvoting stock or debt securities issued by the former mutual company, or by an intermediate stock holding company, can be sold through an initial public offering, giving the company access to the public capital markets, or sold to private investors. The mutual holding company must still retain a majority of voting shares in the intermediate stock holding company or the former mutual company, as the case may be, thereby preserving mutuality.

Note that the access to capital provided through an intermediate stock holding company or the former mutual company is subject to the requirement of obtaining regulatory and mutual holding company member approval for the initial sale of voting stock. The Plan that is being submitted for approval by the Wisconsin Commissioner and the Members at this time does not provide for the sale of voting stock, and there is no plan for the sale of stock or debt securities of any kind. However, circumstances may arise where the availability of such financing may be a benefit to the Company. An initial sale of voting stock to provide such financing would be subject to the receipt of approvals as described in this paragraph.

Protections Provided to Policyholders

The Plan affords the following protections to Policyholders:

- *Continuation of Policy Rights.* The benefits and rights of Policyholders under their Policies will not be reduced or altered in any way by the adoption of the Plan. Premiums required to be paid as specified in all Policies will not be increased or otherwise changed by the MHC Conversion.
- *Business Operations Unchanged.* The MHC Conversion will not result in any material changes to the business operations of CMIC.
- *Continuation of Voting Control of CMIC.* CMIC MHC will, on the Effective Date, own 100% of the voting stock of Converted CMIC. An initial sale of voting stock to outside investors would require approval of both the Wisconsin Commissioner and the Members of CMIC MHC, and would be subject to the requirement that CMIC MHC must at all times directly or indirectly own not less than 51% of such voting stock. As a result, Members of CMIC MHC will retain voting control over Converted CMIC.

- *No Sales of Voting Stock without Additional Approvals.* The Plan does not provide for any sale of voting stock of Converted CMIC or CM Companies. As a result, no such voting stock may be sold to investors unless there is a subsequent approval by the Wisconsin Commissioner and the Members of CMIC MHC of the terms of such offering. CMIC has no plans to request approval for a sale of voting stock.
- *Voting Rights/Rights in Surplus.* The MHC Conversion will result in CMIC Policyholders becoming Members of CMIC MHC with associated rights, including: (i) the right to vote at annual meetings of CMIC MHC for the election of directors of CMIC MHC and on such other matters as may be presented to Members, from time to time, (ii) the right to receive distributions from CMIC MHC in the unlikely event of its dissolution or liquidation, and (iii) the right to receive payment in the form of stock, cash, policy credits or other kinds of consideration if CMIC MHC were ever to demutualize, which is not now contemplated.

Consideration of Alternatives

The principal alternatives to the MHC Conversion are for CMIC to either (i) preserve the status quo and remain a mutual insurance company, or (ii) undergo a demutualization.

Preserving the Status Quo

While CMIC's current structure provides the benefits of mutuality to its current Members and allows for organic growth through insurance operations, as described above in this Policyholder Information Statement, continuing to operate as a mutual insurance company imposes limits upon CMIC's ability to respond to significant opportunities for strategic growth. The Board has concluded that, in the future, it will be increasingly important to have the structural, financial and strategic flexibility to respond quickly and decisively to changes in the marketplace, both in terms of pursuing potential acquisition activity and in terms of making investments in new technology, new distribution channels, and synergistic non-insurance businesses. The Board believes that if CMIC remains in its current structure as a mutual insurance company, these limitations will prevent CMIC from realizing its full potential as compared to competitors who are not similarly restricted.

Demutualization

A demutualization would convert CMIC from a mutual insurance company into a stock insurance company without simultaneously creating a mutual holding company as a parent. In essence, CMIC would transition from a company owned by its Policyholders to one that is owned by shareholders. There would be certain benefits of a demutualization to CMIC and/or its Members, such as the following:

- Policyholders, as Members of CMIC, would receive cash, stock or other consideration in exchange for their Voting Rights and Rights in Surplus in CMIC.
- Stock of the demutualized company could be used by the demutualized company as acquisition currency.
- The value of CMIC's stock after a demutualization might be higher than it would be after reorganizing to a mutual holding company structure, insofar as, under Wisconsin law, the

mutual holding company will always have to own, directly or indirectly, at least 51% of the shares of Converted CMIC. Investors may place a lower value on the stock of Converted CMIC as a result of their inability to acquire a controlling interest in the entity.

The Board has concluded, however, that maintaining the “mutuality” of CMIC in some form is important in order to preserve the Company’s focus on the best interests of the Policyholders. In addition, the Board deems it important that CMIC retain and enhance its ability to merge with, acquire, or affiliate with other mutual entities, particularly in ways that preserve the separate insurance operations and “brands” of such organizations, including CMIC. Demutualization is inconsistent with both of these goals, as it would terminate CMIC’s existence as a “mutual” organization ultimately owned by its Policyholders, and would eliminate CMIC’s practical ability to merge with other mutual insurers (other than through a sponsored demutualization, which can be a difficult process and a relatively inefficient use of acquisition capital), thus limiting the number and types of strategic acquisition opportunities available to CMIC. Other potential disadvantages of demutualization as an alternative to the mutual holding company structure include the following:

- Demutualization may be an inefficient way to raise capital. In a demutualization under Wisconsin law, CMIC would be required to distribute cash, stock or other forms of consideration to current and former (within the five years preceding the demutualization) Policyholders in exchange for their Voting Rights and Rights in Surplus in CMIC, with an aggregate value up to 100% of all premiums paid by such Policyholders, together with interest at the legal rate, compounded annually. While this could be viewed as a benefit to those Policyholders who paid premiums to CMIC within the five years preceding the demutualization, the actual value of the distributed stock could be substantially depressed if there is no public trading market established for the stock, and/or if the demand to sell the stock significantly exceeds the demand to purchase.
- Demutualization would subject the Company to the future demands of investors focused on short term market performance, rather than the Company’s current focus on long term objectives benefitting current and future Policyholders.
- Under the proposed MHC Conversion, ultimate voting control of the enterprise remains with the Policyholders of CMIC. Under a demutualization, Members of CMIC who acquire shares of stock in exchange for their Voting Rights and Rights in Surplus would continue to have voting rights in the demutualized company, but other Persons besides Members could acquire sufficient shares of stock to become the controlling shareholders.
- Historically, demutualizations are more difficult to structure, more time consuming, and more expensive than mutual holding company reorganizations.

Recommendation of Board of Directors

On December 13, 2017, the Board unanimously adopted the Plan and approved the transactions contemplated thereby. The Board approved the revised Plan on June 4, 2019 (the “Resolution Date”) and set the Record Date for Eligible Members who will have a right to vote on the Plan of June 4, 2019. The Board is submitting the Plan to a vote of the Eligible Members after careful review and consideration, including advice from the Company’s outside legal counsel. The

Board believes that the MHC Conversion is fair and equitable to CMIC Policyholders, and the Board expects that the MHC Conversion will benefit CMIC Policyholders.

As required by Chapter 644 of the Wisconsin Insurance Code, the Company has submitted the Plan to the Wisconsin Commissioner for review and approval. The Wisconsin Commissioner will conduct and preside over a public hearing on the plan on July 19, 2019, as further described under the heading “**SPECIAL MEETING OF MEMBERS**” at page 27 of this Policyholder Information Statement.

The Wisconsin Commissioner may request that CMIC, Converted CMIC, and/or CMIC MHC enter into a Stipulation and Order or other agreement(s) with the Wisconsin Commissioner containing various covenants and/or undertakings binding upon such parties as a condition to the approval of the Plan. The Board has authorized the officers of CMIC to represent CMIC in all negotiations with the Wisconsin Commissioner related to the review and approval of the Plan and has further authorized the officers of CMIC to negotiate and execute, on behalf of CMIC and, if necessary, Converted CMIC and/or CMIC MHC, any such Stipulation and Order or other agreement(s) with the Wisconsin Commissioner which, in the officers’ sole judgment and discretion, are reasonable and necessary to secure the Wisconsin Commissioner’s approval of the Plan.

THE BOARD OF DIRECTORS OF CMIC UNANIMOUSLY RECOMMENDS THAT ELIGIBLE MEMBERS OF CMIC VOTE “FOR” APPROVAL OF THE PLAN AT THE SPECIAL MEETING.

Effects of the MHC Conversion

The MHC Conversion will have the following effects upon CMIC and its Members/Policyholders:

Operations and Business of CMIC

The MHC Conversion will not result in any material changes in CMIC’s existing insurance operations or its services to Policyholders, except that such operations and services will in the future be conducted or provided by a mutual holding company-owned stock insurance company rather than a mutual insurance company. In addition, the MHC Conversion of CMIC into a stock insurance company shall in no way annul, modify or change any of CMIC’s existing suits, rights, property interests, contracts, or liabilities, except with respect to the extinguishment and replacement of Members’ Voting Rights/ Rights in Surplus as described below. Converted CMIC will exercise all of the rights and powers, and perform all of the duties conferred or imposed by law upon insurers writing the types of insurance written by CMIC before the Effective Date, except with respect to the extinguishment and replacement of Members’ Voting Rights/Rights in Surplus as described below.

Effect on Contract Rights and Voting Rights/Rights in Surplus of CMIC Members/Policyholders

Currently, Members of CMIC have both contract rights as Policyholders of the Company and Voting Rights/Rights in Surplus as Members of the Company. Upon the MHC Conversion, a Member’s contract rights and Voting Rights/Rights in Surplus will effectively be separated, as further explained and illustrated below.

The principal contract right is the right to receive the type and amount of insurance coverage specified in a Policyholder's Policy (or Policies) in accordance with the terms and provisions thereof. On the Effective Date, the contract rights of a Policyholder will continue to flow between such Policyholder and Converted CMIC. Every Policy that has been issued by CMIC which is in force on the Effective Date will remain in force at the Effective Date and continue as a Policy of Converted CMIC. The premiums currently required to be paid as specified in the Policies will not be increased or otherwise changed as a result of the MHC Conversion.

The Voting Rights/Rights in Surplus of Members of CMIC can be summarized as follows:

Voting Rights:

- The right to elect the directors of CMIC;
- The right to approve or disapprove proposed changes in the CMIC Articles of Incorporation; and
- The right to vote (or grant proxies to vote) on any plan of conversion, voluntary dissolution or such other matters as may come before the Members at an annual or special meeting of CMIC's Members.

Rights in Surplus:

- The right to receive a *pro rata* share (based on premiums paid to CMIC within the past five years) of cash, stock, or such other consideration as is approved by the Wisconsin Commissioner in the event of the demutualization of CMIC (which would require approval by the Board, the Members, and the Wisconsin Commissioner); and
- The right to share in any distribution of, or to receive consideration based upon, the assets of CMIC remaining after satisfaction of all third party obligations (including obligations to Policyholders under insurance contracts in force), in the event of CMIC's ultimate voluntary or involuntary dissolution (*i.e.*, if CMIC were to become insolvent or go out of business) (which would likewise require approval by the Board and the Members, in the case of a voluntary dissolution, and the Wisconsin Commissioner).

As a matter of law, distributions to a Member of CMIC in the case of either a demutualization or dissolution would be capped at the amount of premiums such Member has paid to CMIC, together with interest at the legal rate compounded annually. Any excess over this amount would be required to be distributed according to the provisions of Chapter 611 of the Wisconsin Insurance Code.

On the Effective Date, the foregoing Voting Rights/Rights in Surplus of Members of CMIC will be replaced with Voting Rights/Rights in Surplus as Members of CMIC MHC. Members will not receive any cash, stock or other consideration in exchange for their Voting Rights/Rights in Surplus in CMIC. Rather, the Members' Voting Rights/Rights in Surplus in CMIC will be extinguished and replaced with Voting Rights/Rights in Surplus in CMIC MHC as summarized in the chart on pages 17 and 18 of this Policyholder Information Statement, under the heading "After MHC Conversion." Holders of Policies issued by Converted CMIC on or after the Effective Date will automatically become Members of CMIC MHC.

The contract rights and Voting Rights/Rights in Surplus of the then current Members of CMIC and CMIC MHC, respectively, before and after the MHC Conversion, are summarized in the table below:

<u>Policy Rights</u>		Before MHC Conversion	After MHC Conversion
	<i>Right to insurance coverage</i>	Insurance coverage is provided by Policies which are obligations of CMIC.	Policy obligations to provide insurance coverage continue unchanged for CMIC Policyholders, who are now Policyholders of Converted CMIC. Converted CMIC is the same company as CMIC except that it is reorganized as a stock insurance company. The Plan will not increase premiums, decrease policy benefits or alter policy obligations.
<u>Member Rights</u>		Before MHC Conversion	After MHC Conversion
Voting Rights	<i>Right to vote for election of directors and on other corporate matters</i>	Each CMIC Member is entitled to one vote on all matters subject to Member vote. Only Policyholders of CMIC are Members of CMIC.	Each CMIC MHC Member is entitled to one vote on all matters subject to Member vote. Only Policyholders of Converted CMIC are Members of CMIC.

[TABLE CONTINUED ON NEXT PAGE]

		Before MHC Conversion	After MHC Conversion
Member Rights (Continued)			
Rights in Surplus¹	<i>In the event of a dissolution or liquidation</i>	Any surplus remaining after payment of all liabilities of CMIC will be distributed according to a plan of dissolution approved by the Members, but in no event will a Member be entitled to receive assets with a value in excess of the value of all insurance premiums paid by such Member to CMIC, together with interest on such amounts at the legal rate compounded annually. Any amount in excess of amounts payable to the Members must be paid to the Wisconsin State Treasury to the credit of the Common School Fund.	Any surplus remaining after payment of all liabilities of CMIC MHC will be distributed according to a plan of dissolution approved by the Members, but in no event will a Member be entitled to receive assets with a value in excess of the value of all insurance premiums paid by such Member to CMIC MHC, together with interest on such amounts at the legal rate compounded annually. Any amount in excess of amounts payable to the Members must be paid to the Wisconsin State Treasury to the credit of the Common School Fund.
	<i>In the event of a reorganization to a stock insurer (also called a demutualization)</i>	Persons who have been Policyholders of CMIC at some time during the 5 years prior to demutualization are entitled to receive, without additional payment, her or his proportional share of stock in the reorganized stock insurer (or cash or other assets), determined by the net premium such Person paid to CMIC over such five-year period, as a percentage of all net premiums received by CMIC over the same period, capped at the value of all insurance premiums paid by such Person to CMIC, together with interest on such amounts at the legal rate compounded annually. Any amount in excess of amounts payable to the Members must be paid to the Wisconsin State Treasury to the credit of the Common School Fund.	Persons who have been Policyholders of CMIC/ Converted CMIC at some time during the 5 years prior to demutualization are entitled to receive, without additional payment, her or his proportional share of stock in the reorganized mutual holding company (or cash or other assets), determined by the net premium such Person paid to CMIC/Converted CMIC over such five-year period, as a percentage of all net premiums received by CMIC/ Converted CMIC over the same period, capped at the value of all insurance premiums paid by such Person to CMIC/ Converted CMIC, together with interest on such amounts at the legal rate, compounded annually. Any amount in excess of amounts payable to the Members must be paid to the Wisconsin State Treasury to the credit of the Common School Fund.

¹ The proposed Articles of Incorporation of CMIC MHC provide that the Members of CMIC MHC shall have such Rights in Surplus of CMIC MHC as are provided for under the Wisconsin Insurance Code.

Directors and Executive Officers

On the Effective Date (i) the Board of Directors of CMIC MHC will consist of the same directors that comprise the Board of Directors of CMIC immediately prior to the Effective Date, (ii) the Principal Officers of CMIC MHC will be the same individuals serving in those positions for CMIC immediately prior to the Effective Date, (iii) the Board of Directors of Converted CMIC will consist of the same individuals serving on the Board of Directors of CMIC MHC, (iv) the Principal Officers of Converted CMIC will consist of the same individuals serving as the Principal Officers of CMIC MHC, (v) the Board of Directors of CM Companies will consist of a sub-set of the individuals serving as the Principal Officers of CM Companies, and (vi) the Principal Officers of CM Companies will consist of a sub-set of the individuals serving as the Principal Officers of CMIC MHC. For more information regarding the proposed directors and executive officers of CMIC MHC and Converted CMIC, see “**DIRECTORS AND OFFICERS OF CMIC MHC AND CONVERTED CMIC**” attached hereto as **Exhibit I**.

Corporate Governance

CMIC is not authorized, as a mutual insurance company, to issue capital stock and, therefore, has no shareholders. Instead, CMIC operates under the direction of its Board of Directors, which is elected by the Members of CMIC.

After the MHC Conversion, Converted CMIC will operate under the direction of its Board of Directors and all voting rights, including the election of the Board of Directors of Converted CMIC, will be vested exclusively in the holder(s) of its outstanding voting stock, specifically CMIC MHC. Accordingly, CMIC MHC will have voting control over the outcome of all matters presented to the shareholders of Converted CMIC for resolution by vote, including the election of the Board of Directors for Converted CMIC. Likewise, CM Companies will operate under the direction of its Board of Directors, which will be elected by CMIC MHC in its capacity as sole shareholder of CM Companies. CMIC MHC will operate under the direction of its Board of Directors. All voting rights, including the election of the Board of Directors of CMIC MHC, will be vested exclusively in the Members of CMIC MHC, *i.e.*, the Policyholders of Converted CMIC. These Members will be entitled to vote on all matters requiring action by the Members, including the election of the directors of CMIC MHC.

Comparison of Articles of Incorporation and Bylaws of CMIC MHC with Current Articles of Incorporation and Bylaws of CMIC

CMIC MHC will be organized as a mutual holding company under Chapter 644 of the Wisconsin Insurance Code. The proposed Articles of Incorporation and Bylaws of CMIC MHC are attached to this Policyholder Information Statement as **Exhibits E and F**, respectively, and are incorporated herein by reference. You are encouraged to read the proposed CMIC MHC Articles of Incorporation and Bylaws in their entirety.

Certain provisions of the proposed Articles of Incorporation and Bylaws of CMIC MHC are summarized below. This summary is not complete, and does not identify all provisions that may, under certain circumstances, be material, and is subject in all respects to the Wisconsin Insurance Code and the entirety of the proposed Articles of Incorporation and Bylaws of CMIC MHC.

Purpose

CMIC MHC is formed for the purpose of owning, at all times, directly or indirectly, at least fifty-one percent (51%) of the voting stock of Converted CMIC, and engaging in all lawful activities permitted to mutual holding companies under Wisconsin law. CMIC MHC will not be engaged in the business of insurance. By contrast, CMIC is a mutual insurance company formed for the purpose of insuring its Members against all hazards authorized or permitted for a mutual insurance company.

Membership

Every Policyholder of CMIC will be a Member of CMIC MHC. Each Member of CMIC MHC will have one vote on all matters subject to a Member vote, including the election of directors of CMIC MHC. Each Member of CMIC MHC will also have certain Rights in Surplus, but only to the extent such Members have paid premiums to CMIC or Converted CMIC within the past five years. Further discussion of CMIC MHC Members' Rights in Surplus is found under the heading ***“THE MHC CONVERSION TRANSACTION--Effects of the MHC Conversion—Effect on Contract Rights and Voting Rights/Rights in Surplus of CMIC Members/Policyholders”*** on pages 15 through 18 of this Policyholder Information Statement.

Board of Directors

Pursuant to the Current CMIC Articles, CMIC is governed by a Board of Directors that must include no fewer than seven and no more than eleven individuals who serve staggered three-year terms. There are currently nine individuals serving on CMIC's Board of Directors. Pursuant to the Current CMIC Bylaws, nominations for the Board of Directors may be made either by the Board of Directors or by at least 500 Members. The provisions with respect to the Board of Directors in the proposed Bylaws of CMIC MHC are substantially similar to the provisions in the Current CMIC Articles, except that the proposed Bylaws of CMIC MHC provide that (i) the Board of Directors must include no fewer than nine individuals and that each class of directors must consist of at least three members and (ii) nominations for the Board of Directors by Members may only be made by Members holding, in the aggregate, at least 10% of the total voting power of CMIC MHC entitled to vote for election of directors.

Officers

The proposed Bylaws of CMIC MHC authorize the election by CMIC MHC's Board of Directors of corporate officers, including a Chief Executive Officer, Treasurer and Secretary. The provisions with respect to officers in the proposed Bylaws of CMIC MHC are substantially similar to those in the Current CMIC Bylaws except that the office of President has been eliminated and replaced with the office of Chief Executive Officer.

Member Meetings

The proposed Articles of Incorporation and Bylaws of CMIC MHC provide for annual and special meetings of the Members of CMIC MHC. The Current CMIC Bylaws provide for annual and special meetings of the Members of CMIC. The provisions of the proposed CMIC MHC Bylaws for the calling of special meetings of Members of CMIC MHC are substantially similar to those provisions in the Current CMIC Bylaws.

Dividends

The proposed Articles of Incorporation of CMIC MHC do not provide authority for CMIC MHC to pay dividends to Members of CMIC MHC. The Current CMIC Articles likewise do not provide authority for CMIC to pay dividends to Members of CMIC (CMIC is nevertheless permitted to pay dividends to holders of an insurance Policy in accordance with the Wisconsin Insurance Code Wis. Stat. § 631.51).

Amendment of Articles of Incorporation and Bylaws

The Current CMIC Articles can be amended by a vote of three-fourths of the Members of CMIC present and voting in person or by proxy at a Member meeting. The proposed CMIC MHC Articles of Incorporation can be amended by the vote of the lesser of (i) two-thirds of the CMIC MHC Members present and voting in person or by proxy at a Member meeting, or (ii) a majority of the voting power held by CMIC MHC Members.

The Current CMIC Bylaws can be amended (i) by a vote of three-fourths of the Members voting at a regular or special meeting or (ii) by the directors of CMIC at any regular meeting of the Board by a vote of two-thirds of the entire Board. The proposed CMIC MHC Bylaws can be amended (i) by a vote of two-thirds of the Members voting at a regular or special meeting of the Members or (ii) by a vote of two-thirds of the directors of CMIC MHC voting at any regular meeting of the Board.

Comparison of Articles of Incorporation and Bylaws of Converted CMIC with Current Articles of Incorporation and Bylaws of CMIC

Converted CMIC will be organized as a stock insurance corporation under Chapter 611 of the Wisconsin Insurance Code. The proposed Second Amended and Restated Articles of Incorporation of Converted CMIC (the “Proposed Converted CMIC Articles”) and proposed Second Amended and Restated Bylaws of Converted CMIC (the “Proposed Converted CMIC Bylaws”) are attached to this Policyholder Information Statement as **Exhibits C and D**, respectively. You are encouraged to read the Proposed Converted CMIC Articles and Proposed Converted CMIC Bylaws in their entirety.

Certain provisions of the Proposed Converted CMIC Articles and Proposed Converted CMIC Bylaws are summarized below. This summary is not complete, and does not identify all provisions that may, under certain circumstances, be material, and is subject in all respects to the Wisconsin Statutes and the entirety of the Proposed Converted CMIC Articles and the Proposed Converted CMIC Bylaws.

Purpose

Converted CMIC is being converted into a stock insurance corporation to continue the existence of CMIC after the consummation of the MHC Conversion, and, like CMIC, will have the purpose of insuring its Policyholders against all hazards authorized or permitted for a property and casualty insurance company by Wisconsin law. After the Effective Date, Converted CMIC will be a direct, wholly-owned subsidiary of CMIC MHC. As such, CMIC MHC Members will indirectly control Converted CMIC through the right to elect the Board of Directors of CMIC MHC. Converted CMIC will continue the insurance business currently conducted by CMIC. CM Vantage Specialty Insurance Company, CM Regent Insurance Company, CM Select Insurance

Company and American Sterling Insurance Company, currently subsidiaries of CMIC, will be transferred to CMIC MHC pursuant to the Plan.

Membership; Ability to Issue Stock

Because CMIC is a mutual insurance company, it is not authorized by Wisconsin law to issue any stock or other equity securities. Its Members are the Policyholders of CMIC. Each CMIC Member is entitled to one vote regardless of the number of CMIC Policies she or he owns. By contrast, Converted CMIC will be authorized by the Proposed Converted CMIC Articles to issue stock, and will not have any members. Each share of common stock will confer one vote per share for purposes of each matter voted on at a meeting of Converted CMIC shareholders.

Election of the Board of Directors and Voting Generally

Under the Proposed Converted CMIC Bylaws, each share of common stock of Converted CMIC will confer one vote for the election of directors and all other matters subject to a vote of Converted CMIC shareholders. Accordingly, the number of shares of common stock held by a shareholder of Converted CMIC will determine the relative voting power of that shareholder. By contrast, under the Current CMIC Bylaws, each Policyholder is entitled to one vote for the election of directors and all other matters subject to a vote of CMIC Members, regardless of the number of Policies such Policyholder owns.

Quorum at Meetings of Members/Shareholders

The Current CMIC Bylaws provide that a quorum at all meetings of Members consists of at least ten Members present and voting in person or by proxy. Under the Proposed Converted CMIC Bylaws, holders of a majority of votes entitled to be cast on a matter by a voting class shall constitute a quorum with respect to that class. Note that the Proposed Converted CMIC Articles provide for only one voting class of stock, the common stock, and accordingly holders of a majority of the shares of common stock present in person or by proxy shall constitute a quorum.

Amendment of Articles of Incorporation and Bylaws

The Current CMIC Articles can be amended by a vote of three-fourths of the Members of CMIC voting at a Member meeting. The Proposed Converted CMIC Articles can be amended in certain respects (as permitted by Chapter 611 of the Wisconsin Insurance Code) by a majority of the Converted CMIC Board of Directors without shareholder approval, and in all respects by majority vote of the shareholders of Converted CMIC.

The Current CMIC Articles and Current CMIC Bylaws can be amended by a vote of three-fourths of the Members of CMIC voting at any meeting of the Members. In addition, the Current CMIC Bylaws can be amended by a vote of two-thirds of the entire Board of CMIC at any regular meeting. The Proposed Converted CMIC Bylaws can be amended by a vote of two-thirds of the directors present at any meeting of the Board of Directors of Converted CMIC at which a quorum is in attendance. The Proposed Converted CMIC Articles can be amended by a majority vote of the shareholders of Converted CMIC, pursuant to applicable Wisconsin law.

Federal Tax Consequences

This Policyholder Information Statement does not purport to describe all tax consequences that may be relevant to a Member or to CMIC. For example, it does not discuss federal estate tax or excise tax considerations, or state, local and foreign tax considerations. Additionally, the Internal Revenue Code of 1986, as amended, regulations promulgated by the U.S. Treasury Department, and judicial and administrative rulings and decisions are all subject to change, possibly with retroactive effect. *Accordingly, each Member is urged to consult his or her own tax advisor regarding the specific tax consequences of the MHC Conversion that may be applicable.*

The consummation of the MHC Conversion is subject to the condition that CMIC obtain an opinion of Godfrey & Kahn S.C. or other independent tax counsel to CMIC substantially to the effect that neither CMIC, CM Companies, CMIC MHC, nor CMIC's Policyholders will recognize gain or loss for U.S. federal income tax purposes in connection with the MHC Conversion. It is anticipated that such legal opinion will reflect the following:

On the Effective Date, Voting Rights/Rights in Surplus in CMIC currently held by CMIC Members will be extinguished and such former CMIC Members will automatically receive Voting Rights/Rights in Surplus in CMIC MHC. Such Policyholders' contract rights and obligations under their Policies will remain with Converted CMIC. The terms and provisions of CMIC Policies in force at the Effective Date will not be changed.

The extinguishment of Members' Voting Rights/Rights in Surplus in CMIC in exchange for a grant of Voting Rights/Rights in Surplus in CMIC MHC pursuant to the Plan is anticipated to qualify as a non-recognition transfer under the Code, meaning that Members will not recognize any gain or loss for U.S. federal income tax purposes. The tax basis of the Voting Rights/Rights in Surplus in CMIC MHC received by Members whose CMIC Voting Rights/Rights in Surplus are extinguished will be zero.

Federal Securities Law Consequences

The consummation of the MHC Conversion is subject to the condition that CMIC obtain either a "no action" letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended, or an opinion of Godfrey & Kahn S.C. or other independent legal counsel to CMIC in form and substance satisfactory to the Board with respect to federal and state securities law matters.

Special Considerations and Risk Factors

In addition to the benefits of the mutual holding company structure and the pros and cons of the alternatives discussed above, you should consider the following risks and special considerations in connection with the proposed MHC Conversion:

- *No Distribution of Cash or Stock.* No cash consideration or stock will be distributed to the CMIC Members in the MHC Conversion, as would occur if CMIC were to demutualize. In the case of a conversion to a mutual insurance holding company structure, Members of the mutual insurance company receive non-transferable Voting Rights and Rights in Surplus in the mutual insurance holding company. In a demutualization, members receive cash or stock consideration upon the extinguishment of their Voting Rights and Rights in Surplus.

- *Potential for Increased Debt.* After the MHC Conversion, Converted CMIC and CM Companies could issue debt in amounts greater than CMIC would be permitted to issue if CMIC were to remain a mutual insurance company, and therefore, it might be possible for the Church Mutual group of companies to become financially leveraged to a greater extent than is now possible for CMIC.
- *Benefits May Not Be Achieved.* It is possible that any or all of the anticipated benefits of the mutual insurance holding company structure may never be achieved.
- *Risks Associated with Growth.* There can be no assurance that CMIC will grow more efficiently and cost-effectively as part of a mutual insurance holding company structure than if it remained a mutual insurance company. Moreover, faster growth can mean greater risks - for example, if liabilities are assumed in the acquisition of other companies or books of business.
- *Risks Associated with Investments in/Operation of Non-Insurance Subsidiaries.* CMIC's Board of Directors, officers, and other management employees have a track record of profitable operation of a variety of insurance and related companies. CMIC's management has more limited experience in the operation of non-insurance businesses. Further, such non-insurance businesses are not likely to be subject to the same degree of government regulation and scrutiny by independent risk analysts and rating agencies as are insurance companies, and therefore may be subject to greater risk of operating at a loss. Profitable investment in and/or operation of such non-insurance businesses will be somewhat dependent upon the recruitment and retention of investors, executives, and managers who have relevant experience and knowledge.
- *Acquisitions May Not Be Forthcoming.* CMIC MHC may not take advantage of the expanded opportunity to make acquisitions.
- *Restrictions on Movement of Funds.* The ability of CMIC MHC to engage in certain transactions may depend in part upon its ability to receive sufficient funds from Converted CMIC and/or CM Companies in the form of shareholder dividends or asset transfers, and there are regulatory limitations on such dividends and asset transfers.
- *Risks of Litigation.* Some mutual insurance companies that have reorganized or proposed to reorganize to a mutual insurance holding company structure have been sued by Persons alleging, among other things, that the mutual holding company structure, although expressly authorized by statute, is unfair to Policyholders. The Board believes that the MHC Conversion is fair to CMIC Policyholders and that implementing the MHC Conversion is in the best interests of CMIC and its Policyholders. There can be no assurance that litigation, if brought, would not entail significant cost, divert the efforts and resources of Company management, and/or delay or impede consummation of the MHC Conversion.
- *Dilution of Share Value.* Although CMIC has no plans to sell any stock to third parties, if shares of stock of Converted CMIC and/or CM Companies were ever approved for sale by the Wisconsin Commissioner and the CMIC MHC Members in the future and were sold at a per share price less than the per share book value of such shares of stock, then the per share book value of shares owned by CMIC MHC would be reduced, and the

book value of CMIC MHC Members' indirect aggregate ownership percentage in Converted CMIC or CM Companies, as the case may be, would be diluted.

- *Transfer of Assets Out of Converted CMIC.* The mutual holding company structure creates an opportunity for the future realignment of subsidiaries of Converted CMIC, and the distribution of the outstanding stock or other equity interests of such subsidiaries, as well as other assets, out of Converted CMIC to one or more affiliates which are not directly or indirectly owned by Converted CMIC. Any such distribution which involves assets with a value such that it qualifies as an “extraordinary” dividend or distribution meeting certain thresholds set forth in the Wisconsin Insurance Code would be subject to the prior approval of the Wisconsin Commissioner. The Plan calls for a transfer of 100% of the stock of CM Vantage Specialty Insurance Company, CM Regent Insurance Company, CM Select Insurance Company and American Sterling Insurance Company from CMIC to CMIC MHC. The Plan also calls for a transfer of 100% of the ownership of the non-insurance subsidiaries from CMIC to CM Companies. A transfer of ownership of additional Converted CMIC subsidiary companies to CMIC MHC or CM Companies, or any future distribution of cash or other assets of Converted CMIC to CMIC MHC or CM Companies, could result in a reduction of Converted CMIC’s assets and earnings (although Converted CMIC will be required to maintain sufficient assets to meet all obligations to Policyholders following the MHC Conversion).
- *Certain Assets May Not Be Available to Satisfy Policyholder Claims.* Assets held by CMIC MHC, whether as a result of distributions of such assets from Converted CMIC to CMIC MHC (which distributions would be subject to regulatory limitations on the payment of dividends or other distributions to shareholders of a Wisconsin stock insurance company) or the accumulation of such assets through the profitable operations of CMIC MHC or its subsidiaries other than Converted CMIC, may not be available to pay claims of Converted CMIC Policyholders. This could, in turn, under certain extreme circumstances, contribute to pressure for Converted CMIC to increase premiums in order to pay claims, or an inability of Converted CMIC to pay claims as they come due.
- *Potential Conflicts between Interests of Members and Possible Future Shareholders.* The current duties and obligations of the Board are to act in the best interests of CMIC and its Members, who are the Policyholders of CMIC. After the MHC Conversion, the duties and obligations of the Board of Directors of CMIC MHC will be to act in the best interests of CMIC MHC and its Members. There may be conflicts among the interests of the Members of CMIC MHC in connection with certain types of transactions. Furthermore, if Converted CMIC or CM Companies were to undertake an initial public offering or other issuance of stock, the obligations and duties of the Board of Directors of the issuer of such stock would extend to outside investors in addition to the majority shareholder of such issuer (*i.e.*, CMIC MHC). Accordingly, there would be the potential for the development of conflicting interests between the Members of CMIC MHC and the minority shareholders of Converted CMIC or CM Companies (collectively, the “Shareholders”). One potential conflict would be between the interests of the Members of CMIC MHC in receiving insurance with the greatest possible value and the interests of Shareholders in receiving the highest return on their investment. Additionally, there may be conflicts over how the growth of, and profit from, the business should be apportioned between growing the enterprise and distributions to the Shareholders. These conflicts

could be exacerbated if incentive stock or options were awarded to the officers or directors of such companies.

- *Market Conditions.* Any future decision to issue capital stock or debt securities would depend upon, among other factors, the then-current needs of the enterprise for additional capital, then-prevailing market conditions, the financial performance and business prospects of the enterprise, and the interests of the Members of CMIC MHC. There can be no assurance as to if, when, or on what terms any such capital raising efforts would take place.
- *No Fairness Opinion from an Investment Banker.* In connection with its approval of the Plan, the Board did not seek a fairness opinion of an investment banker. No opinion was deemed necessary in this case because, among other reasons (i) no sale of stock to outside investors is being undertaken or is presently contemplated, (ii) any initial stock offering would require the approval of the Wisconsin Commissioner and the CMIC MHC Members, and (iii) the Plan is generally similar to plans for forming mutual holding companies which have been approved and adopted in Wisconsin and other states.
- *Uncertain Regulatory Environment.* Certain activities that are regulated by the Wisconsin Commissioner under the present structure may not be regulated, or may be regulated differently, under the mutual holding company structure. Uncertainty in this area is heightened by the fact that there have been only three Wisconsin mutual insurance companies that have completed a mutual holding company conversion in Wisconsin, one of which is no longer domiciled in Wisconsin.
- *Absence of Implementing Regulations.* The Wisconsin Insurance Code provides that the Wisconsin Commissioner may issue regulations to implement the mutual holding company laws set forth in Chapter 644 of the Wisconsin Insurance Code and establish applicable procedures thereunder. Although no regulations or procedures have been promulgated to date, the Wisconsin Commissioner may at some future point propose and/or promulgate regulations or procedures that may adversely affect CMIC MHC and/or its Members. Converted CMIC Policyholders will receive Voting Rights/Rights in Surplus in CMIC MHC that may be subject to different insurance regulatory oversight from that of an insurance company. There can be no assurances that any regulations adopted by the Wisconsin Commissioner will not affect the future operations of CMIC MHC.
- *Differences in Insolvency Laws.* A Wisconsin mutual insurer, such as CMIC, is subject to the jurisdiction of the Wisconsin Commissioner in the event of the insolvency of the Company. While it is not clear, a Wisconsin mutual holding company may be under the jurisdiction of the federal bankruptcy laws. There can be no assurance that federal bankruptcy laws will not reduce the priority (if any) of the claims of Policyholders of CMIC, or preempt Wisconsin law and/or make it difficult for the Wisconsin Commissioner to recover assets of the mutual holding company for the benefit of the Policyholders of CMIC.

The Board has concluded that these special considerations and possible disadvantages/risks are outweighed by the potential benefits of the MHC Conversion.

SPECIAL MEETING OF MEMBERS

Date, Time and Place

This Policyholder Information Statement is being furnished to Eligible Members of CMIC in connection with the solicitation of proxies by the Board for use at a Special Meeting of Members (the “Special Meeting”) to be held on August 21, 2019 at 1:00 p.m. Central Time, at the Company’s offices at 3000 Schuster Lane, Merrill, Wisconsin 54452. See the **NOTICE OF SPECIAL MEETING OF MEMBERS** included with this Policyholder Information Statement for more details.

Matters to be Considered

At the Special Meeting, Eligible Members will be asked to consider and vote upon the proposal to approve the Plan and the transactions contemplated thereby, including the amendment and restatement of the Articles of Incorporation of the Company in the form of the Second Amended and Restated Articles of Incorporation of Converted CMIC.

Eligibility to Vote; Voting; Proxies

If you are an Eligible Member, you will be entitled to one vote regarding the Plan. Each Eligible Member will be entitled to vote either by ballot cast in person at the Special Meeting, or by proxy. Without regard to whether you are receiving these materials, if you are not an Eligible Member, you will not be entitled to vote at the Special Meeting, by ballot cast in person or by proxy. The Plan will be deemed approved if not less than three-fourths of Eligible Members present and voting in person or by proxy at the Special Meeting approve the Plan. Proxies must be postmarked before 12:00 a.m. on July 22, 2019 in order to be counted. The Special Meeting requires a quorum of at least ten (10) Eligible Members present in person. Any proxy given pursuant to this solicitation may be revoked by the Eligible Member at any time prior to the voting thereof on the matter to be considered at the Special Meeting by filing with the Secretary of CMIC a written revocation. Attendance at the Special Meeting will constitute a revocation of an Eligible Member’s proxy.

CONDITIONS TO CLOSING OF MHC CONVERSION

The consummation of the MHC Conversion is subject to the prior satisfaction of several conditions, as described below.

Approval of Wisconsin Commissioner and Receipt of Other Regulatory Approvals

As required by the Plan and the Wisconsin Insurance Code, the Plan must be approved by the Wisconsin Commissioner. Any other required regulatory approvals must also be received.

Approval of Eligible Members of CMIC

As required by the Plan, the Wisconsin Insurance Code, and applicable provisions of the Current CMIC Articles and Current CMIC Bylaws, the Plan and the transactions contemplated thereby must be approved by the affirmative vote of not less than three-fourths of Eligible Members present and voting in person or by proxy at the Special Meeting.

Receipt of Tax Opinion

CMIC must receive an opinion of Godfrey & Kahn S.C. or other independent tax counsel to CMIC, substantially to the effect that:

- No Policyholders will recognize taxable gain or loss in connection with the MHC Conversion, and
- Neither CMIC MHC nor CMIC will recognize taxable gain or loss in connection with the MHC Conversion.

U.S. Federal Securities Matters

CMIC must receive either a “no action” letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended, or an opinion of Godfrey & Kahn S.C. or other independent legal counsel to CMIC in form and substance satisfactory to the Board with respect to federal and state securities law matters.

Issuance of New Certificates

The Wisconsin Commissioner must issue a new certificate of authority to Converted CMIC and a certificate of incorporation to CMIC MHC.

Amendment or Withdrawal of the Plan

At any time prior to the Effective Date, the Board may amend the Plan or any related documents. If an amendment to the Plan is made after the approval of the Plan at the Special Meeting, and if the Wisconsin Commissioner determines that such amendment is materially disadvantageous to any of CMIC’s Policyholders, the amended Plan must be submitted for reconsideration by the Policyholders. If the amendment is made after the Public Hearing, and the Wisconsin Commissioner determines that the amendment is materially disadvantageous to any Policyholder of CMIC, the Wisconsin Commissioner may require a further Public Hearing on the Plan. The Board also may withdraw the Plan at any time prior to the Effective Date, notwithstanding prior approval thereof by CMIC’s Policyholders or the Wisconsin Commissioner, or both.

REGULATION

CMIC is licensed to transact the business of insurance in, and is therefore subject to regulation and supervision by the insurance regulatory agencies of, every state. The degree of regulation and supervision varies by jurisdiction, but Wisconsin and the other jurisdictions with regulatory authority over CMIC have similar laws and regulations governing the financial health of insurers, including standards for solvency, required reserves, reinsurance, capital adequacy, and the business conduct and sales operations of insurers.

After consummation of the MHC Conversion, Converted CMIC will continue to be subject to the same degree of insurance regulation and supervision in each of the states where CMIC is

currently licensed to transact the business of insurance, except that Converted CMIC will be regulated as a stock insurance company whereas CMIC is currently regulated as a mutual insurance company. Additionally, certain provisions of Chapter 644 of the Wisconsin Insurance Code will apply to Converted CMIC that do not currently apply to CMIC.

As a Wisconsin mutual holding company, CMIC MHC will be subject to regulation by the Wisconsin Commissioner. Generally, the Wisconsin Commissioner will have power over CMIC MHC to ensure that the interests of the Policyholders are protected. The Wisconsin Insurance Code regulates mutual holding companies in a number of ways, including the following:

- Requiring CMIC MHC to at all times maintain direct or indirect ownership and control of at least 51% of the outstanding shares of Converted CMIC's voting stock;
- Allowing CMIC MHC to make substantive amendments to its Articles of Incorporation only with approval by not less than a majority of votes cast by CMIC MHC's Members;
- Requiring CMIC MHC to file with the Wisconsin Commissioner, within 60 days after adoption, a copy of its Bylaws and any subsequent amendments to its Bylaws;
- Prohibiting CMIC MHC from engaging in the business of insurance (other than through insurance company subsidiaries, including Converted CMIC);
- Prohibiting CMIC MHC from entering into any contract or agreement that has the effect of delegating to any Person, to the substantial exclusion of CMIC MHC's Board of Directors, the authority to exercise management and control of CMIC MHC or any of its major corporate functions;
- Prohibiting CMIC MHC from dissolving, liquidating or otherwise winding up without the prior approval of the Wisconsin Commissioner or a court having jurisdiction over such matters;
- Prohibiting the demutualization of CMIC MHC except with approval by not less than a majority of votes cast by CMIC MHC's Members and prior written approval from the Wisconsin Commissioner; and
- Prohibiting the merger of CMIC MHC with any other mutual holding company except with approval from the Wisconsin Commissioner.

SELECTED FINANCIAL INFORMATION

The selected financial information set out below for CMIC for each of the three years ended December 31, 2018, 2017, and 2016 is derived from audited annual statutory financial statements of CMIC and its consolidated property and casualty subsidiaries. The selected financial information set forth below for the interim period ended as of March 31, 2019 and 2018 is derived from unaudited quarterly statutory financial statements. This selected financial information is presented on a statutory basis in conformity with statutory accounting practices ("SAP") described or permitted by the Wisconsin Commissioner, which is a comprehensive basis of accounting different from generally accepted accounting principles ("GAAP"). This financial information should be read in conjunction with the audited statutory financial statements on file with the Wisconsin Commissioner of Insurance.

Because the financial statements of CMIC MHC after consummation of the MHC Conversion, prepared on either a GAAP or SAP basis, will not differ materially from the financial statements of Converted CMIC on a GAAP or SAP basis, respectively, no pro forma financial information for CMIC MHC is presented in this Policyholder Information Statement.

Church Mutual Insurance Company
Consolidated Property and Casualty Statutory Financial Highlights

Combined Statement for Church Mutual Group
Balance Sheet
(\$ Millions)

	As of Dec 31, 2018	As of Dec 31, 2017	As of Dec 31, 2016	YTD March 31, 2019	YTD March 31, 2018
Premiums Earned	751	697	669	195	183
Losses & loss adjustment expenses incurred	645	464	370	117	128
Other underwriting expenses	247	227	238	67	62
Net Underwriting income	(141)	6	61	10	(7)
Investment Income	37	39	35	11	9
Total Other Income	-	(2)	1	0	0
Dividends to Policyholders	13	14	15	3	3
Income before taxes	(117)	29	82	19	(1)
Income tax expense	(32)	1	23	5	1
Net Income	(85)	28	59	14	(2)
Total Admitted Assets	1,832	1,740	1,743	1,939	1,856
Total Liabilities	1,212	1,036	1,079	1,274	1,150
Total Policyholder Surplus	620	704	664	665	706

Note:

Church Mutual acquired American Sterling Insurance Company in October 2018. American Sterling Insurance company was a shell company without business of any kind at the time it was acquired by Church Mutual and it has not written any business since its acquisition.

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Policyholder Information Statement. These definitions are qualified in their entirety by the definitions of such terms in the Plan, a copy of which is attached hereto as **Exhibit A**. These definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Current CMIC Articles” means the current Amended and Restated Articles of Incorporation of CMIC in effect prior to the Effective Date.

“Current CMIC Bylaws” means the current Restated Bylaws of CMIC in effect prior to the Effective Date.

“Effective Date” means the date upon which the MHC Conversion becomes effective, which will be the date upon which the Wisconsin Commissioner issues the certificate of authority to Converted CMIC and a certificate of incorporation to CMIC MHC.

“Eligible Member” means any Policyholder with one or more CMIC Policies in force on both the Resolution Date and the Record Date, as shown on CMIC’s records.

“Member” means a Policyholder who, by the records of CMIC and by the articles of incorporation and bylaws of CMIC and CMIC MHC, as applicable, is a member of CMIC or CMIC MHC, as applicable.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, limited liability partnership, trust, government, government agency, state or political subdivision of a state, public or private corporation, board of directors, association, estate, trustee, or fiduciary, or any similar entity.

“Policy” means an insurance policy or contract (other than a reinsurance contract), including any fidelity bond or any surety bond, or any binder or a renewal certificate issued by an insurer and not cancelled or otherwise terminated.

“Policyholder” means, with respect to an insurer, the Person identified in the declarations of the Policy and/or the records of such insurer as the holder of a Policy.

“Public Hearing” means the public hearing conducted by the Wisconsin Commissioner or a hearing examiner designated by the Wisconsin Commissioner and regarding the Plan, pursuant to the provisions of Section 644.07(6) of the Wisconsin Insurance Code.

“Record Date” means June 4, 2019, the date established by the Board to determine Eligible Members entitled to vote at the Special Meeting of Members.

“Resolution Date” means June 4, 2019, the date the Board passed the resolution to the effect that the final form of the Plan and the transactions contemplated thereby are fair and equitable to CMIC Policyholders and expected to benefit CMIC Policyholders, and are approved by the Board.

“Rights in Surplus” means any rights of a Member arising under the Current CMIC Articles or Chapter 611 of the Wisconsin Insurance Code to a return of the surplus in respect of Policies of

CMIC that may exist with regard to the surplus not apportioned or declared by the Board as divisible surplus, including rights of Members to a distribution of such surplus in dissolution or conversion proceedings under Chapter 611 of the Wisconsin Insurance Code. On and after the Effective Date, “Rights in Surplus” means any rights of a Member of CMIC MHC arising under its articles of incorporation or Chapter 644 of the Wisconsin Insurance Code to the net worth of CMIC MHC, including rights of Members of CMIC MHC to a distribution of any portion of the net worth of CMIC MHC in dissolution or conversion proceedings under Chapter 644 of the Wisconsin Insurance Code. “Rights in Surplus” shall not include any right to divisible surplus expressly conferred solely by the terms of an insurance policy.

“Voting Rights” means the voting rights of a Member arising under the Wisconsin Insurance Code and the articles of incorporation and bylaws of CMIC, including the right to vote for the Board and the right to vote on any plan of conversion, voluntary dissolution or amendment of the articles of incorporation. On and after the Effective Date, “Voting Rights” means the voting rights of a Member arising under the Wisconsin Insurance Code and the articles of incorporation and bylaws of CMIC MHC, including the right to vote for the Board of Directors of CMIC MHC and the right to vote on any plan of conversion, voluntary dissolution or amendment of the articles of incorporation. “Voting Rights” does not include Rights in Surplus, if any. Note that the term “Voting Rights” as used herein is equivalent to the defined term “Membership Interests” as defined in Chapter 644 of the Wisconsin Insurance Code.

“Wisconsin Insurance Code” means the insurance laws of the State of Wisconsin, codified in Chapters 600 to 655 of the Wisconsin Statutes, and all applicable regulations.