

**VandeHey, Tim**


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**From:** Suleski, Steve R. [Steve.Suleski@cunamutual.com]  
**Sent:** Wednesday, January 24, 2007 11:25 AM  
**To:** tim.vandehey@state.wi.us  
**Subject:** Yesterday's email re Wisconsin and Iowa Law Clarifications

Tim -- Based on our conversation last Friday, I have additional research to provide to you on Wisconsin and Iowa law provisions that relate to the item numbers in our recent letter exchange:

**Item 20. Compensation to management in connection with a demutualization conversion:**

Wisconsin stats. sec.611.76(10) prohibits any compensation other than salary and makes no exceptions; the similar provision of Iowa law, sec. 508B.8, says no compensation other than salary is allowed "except as set forth in the plan approved by the commissioner."

**Item 25. Five-year look-back vs. current policyholder for at least one-year:**

Although the Iowa commissioner's discretion is not as obvious here as it is in the prior point, the Iowa statutes do provide flexibility and past Iowa action supports the presence of a high level of flexibility.

Iowa stats. sec. 508B.2, in the bolded section below, provides Iowa regulators with considerable flexibility to consider alternative ideas to the standard prescribed plans. Also, the introductory language to sec. 508B.3, below, also makes clear the commissioner's discretion. Finally, we know from two examples that the commissioner in practice has exercised discretion. We have the example of the Principal Mutual activity, discussed generally in response to item 25 in our letter dated January 15, 2007. We also understand that several years ago Iowa allowed a 3-year look-back in a P&C demutualization context because that was considered more fair for policyholders even though the statute at the time had a one-year lookback (the statute has since been changed to three years for P&C companies).

**Iowa Code § 508B.2 (2005)*****508B.2 Mutual company becoming stock company -- authorization.***

A mutual life insurance company may become a stock life insurance company pursuant to a plan of conversion established and approved in the manner provided by this chapter.

A plan of conversion may provide that a mutual company may convert into a domestic stock company, convert and merge, or convert and consolidate with a domestic stock company, as provided in chapter 490 or 491, whichever is applicable. However, the mutual company is not required to comply with sections 491.102 through 491.105 or sections 490.1102 and 490.1104 relating to approval of merger or consolidation plans by boards of directors and shareholders, if at the time of approval of the plan of conversion the board of directors approves the merger or consolidation and if at the time of approval of the plan by policyholders as provided in section 508B.6, the policyholders approve the merger or consolidation. This chapter supersedes any conflicting provisions of chapters 521 and 521A. A mutual company may convert, merge, or consolidate as part of a plan of conversion in which a majority or all of the common shares of the stock company are acquired by another corporation, which may be a corporation organized for that purpose, or in which the new stock company consolidates with a stock company to form another stock company.

**In lieu of selecting a plan of conversion provided for in this chapter, a mutual company may convert to a stock company pursuant to a plan approved by the commissioner. The**

**commissioner or the mutual company may use any provisions or combination of provisions provided for a plan in this chapter and may adopt any other provisions which are not unfair or inequitable to the policyholders of the mutual company.** If a mutual company selects this procedure for conversion purposes, the mutual company shall reimburse the state for expenses incurred by the division in connection with the conversion plan except for expenses that are normal operating expenses of the division.

*508B.3 Conversion plans to be fair and equitable -- alternative procedures and requirements.*

A plan of conversion shall be fair and equitable to policyholders. A plan of conversion is fair and equitable if it satisfies the conditions of subsection 1, 2, or 3. The commissioner may determine whether any other plan proposed by a mutual company is fair and equitable to its policyholders.

**Item 17. Amendments to Wisconsin's Demutualization Law.**

In CUNA Mutual's January 15 letter to the OCI, it stated that Wis. Stat. § 611.76 had not been amended since its enactment in 1971. We were mistaken. In fact, Wis. Stats. § 611.76 was first enacted in 1971, Wisconsin Laws, Chapter 260. It has been amended ten times since then, with the first amendment in 1979 and the last in 2003. Only three of the 10 were substantive amendments, the last substantive amendment being in 1985.

**Iowa Presence.**

We have also confirmed with the Iowa Department of Insurance that CUNA Mutual Insurance Society will have an adequate presence in Iowa to comply with Iowa Stat. sec. 506.12. We understand that you have also contacted the Iowa Department regarding this issue.

We look forward to our conversations later today.

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