



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Sean Dilweg, Commissioner

Wisconsin.gov

January 8, 2007

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Advanced Via E-Mail

Ms. Janet L. Ekenberg
Senior Law Specialist
CUNA Mutual Group
5910 Mineral Point Road
Madison, WI 53701

Re: Proposed Transfer of Domicile of CUNA Mutual Insurance Society, CUMIS Insurance Society, Inc. and MEMBERS Life Insurance Company from the State of Wisconsin to the State of Iowa

Dear Ms. Ekenberg:

Responses to the following items are requested in connection with this Office's review of the proposed transfer of domicile of the above-referenced companies (hereinafter also, "CUNA Mutual Group").

1. Please identify any tax implications that are anticipated as a direct result of the redomestications of the CUNA Mutual Group from Wisconsin to Iowa.
2. Please identify any tax implications specific to the anticipated merger between CUNA Mutual Insurance Society and CUNA Mutual Life Insurance Company.
3. Please identify any revenue streams to the CUNA Mutual Group that are expected to be achieved from either the redomestications or the merger apart from tax implications. In your response, please distinguish between the two events.
4. Please identify any cost savings or efficiencies that are expected from either the redomestications or the merger. Again, please distinguish between the two events in your response.
5. Please identify any employment impact in the State of Wisconsin as a result of either the redomestications or the merger.
6. Please identify any employment commitments the CUNA Mutual Group has made to the State of Iowa.

Rationale for Redomestication Requests

The filings made with this office regarding CUNA Mutual Group's request for the redomestications allude to differences between existing Wisconsin and Iowa laws relating to both mutual holding company restructuring and potential demutualization that contributed to the selection of Iowa as the preferred domicile.

7. Please identify specific differences between the Iowa and Wisconsin laws that are significant, identify those differences that are influential to CUNA Mutual Group's decision to redomesticate, state whether CUNA Mutual will stipulate to an order imposing the Wisconsin requirement notwithstanding redomestication, and if not, state the reason as to each difference.

In addition to the differences between the two states' laws, discussions with CUNA Mutual representatives, including President and Chief Executive Officer Jeff Post, indicated that the number of credit unions has decreased significantly over the years as a result of numerous market pressures facing credit unions. Ongoing threats to credit unions tax exempt status places additional pressures on credit unions and threatens to further deteriorate the competitive advantages credit unions have within their marketplace. The CUNA Mutual Group, having been organized for the purpose of providing for the insurance needs of credit unions, credit union organizations and credit union members, represents that it is planning and acting to address these changing needs of its members.

8. Please describe how the above-referenced and other potential challenges to credit unions may result in the CUNA Mutual Group having to consider potential mutual holding company restructuring or demutualization to address the needs of its members.
9. Please discuss the equity interest credit unions and their members have as policyholders in the CUNA Mutual Group and its potential significance in relation to other balance sheet assets credit unions currently hold.

CUNA Mutual representatives also indicated that if credit unions do end up losing their tax exempt status, credit unions may become encouraged to convert to banks which would likely be a precursor to any potential mutual holding company restructuring or a demutualization of the CUNA Mutual Group.

10. Please describe the typical process credit unions would follow to convert to a bank and the approximate timeframes one generally would expect regarding the conversion.
11. Please describe how the CUNA Mutual Group would likely attempt to coordinate its potential conversion efforts with credit unions.
12. Please describe CUNA Mutual Group's ability to provide insurance coverage to credit unions as they convert to banks including the timing of any cancellation of coverage that may occur as a result.

Mutual Holding Company (MHC) Law

Please indicate whether CUNA Mutual is prepared to stipulate to an order imposing restrictions, notwithstanding redomestication, on a mutual holding company conversion that parallel the following Wisconsin law, and if not state the reason(s):

13. Wisconsin law limits the ability of officers, directors, and management from directly or beneficially acquiring voting stock for at least one year after the initial sale in a public offering.
14. Wisconsin law limits officers, directors and other members of management of the MHC, any intermediate holding company or the converted insurance company from individually, directly or beneficially owning more than 5% or, in the aggregate, more than 10% of any class of voting stock.
15. Wisconsin law requires a converting insurer to comply with an ongoing dividend plan approved by the commissioner as fair and reasonable to the policyholders.
16. Wisconsin law requires commissioner approval of the price, or procedure for setting the price, for any stock issue of the reorganized insurance company or intermediary holding company.

Demutualization

Please indicate whether CUNA Mutual is prepared to stipulate to an order imposing restrictions, notwithstanding redomestication, on a demutualization that parallel the following Wisconsin law, and if not, state the reason(s):

17. Under Wisconsin law, the commissioner appoints an appraisal committee, consisting of at least 3 qualified and disinterested persons with differing kinds of training, to determine the value of the corporation.
18. Under Wisconsin law, if the form of policyholder consideration is stock in a holding company which holds the stock of the converted insurance company, then no stock may be issued by the converted insurance company except to the holding company for a period of five years after the conversion effective date.
19. Wisconsin law requires that any new issue of stock for the 5 years after the conversion shall first be offered to persons that became shareholders as a result of the conversion.
20. Wisconsin law prohibits compensation other than regular salaries from being paid to any existing personnel in connection with the proposed conversion

21. Wisconsin law requires that the market value of the converting company be paid to policyholders in stock or otherwise. Wisconsin law does not permit the "closed block of business" or the "liquidation account" options permitted by Iowa law, neither of which require distribution of the market value of the company to the policyholders.
22. Wisconsin law requires excess distribution of market value to be paid to the state of Wisconsin.
23. Wisconsin law limits the percentage ownership of common stock by directors and officers for 5 years after the conversion.

Please describe how the following differences between Iowa and Wisconsin law will affect a demutualization:

24. Under Iowa law, policyholders who have a right to notice of the conversion and to vote on the plan are those who have policies or contracts that are in force on the date of adoption of the plan of conversion. Under Wisconsin law, all persons who were policyholders on the date the board adopted the resolution on conversion have a right to vote.
25. Under Iowa law, policyholders are entitled to consideration if their policy or contract is in force on the effective date of conversion and has been in effect continuously for one year prior to the date of adoption of the plan of conversion. Under Wisconsin law, all persons who have been policyholders and have paid premiums within five years prior to the board resolution adopting the plan of conversion shall be entitled, without additional payment, to common stock of the new stock corporation in proportion to their equitable share of the value of the converting corporation. In your response, please include discussion of the potential impact of these differences to credit unions that would be converting to banks that you previously discussed in questions 7 through 10. Please include an estimate and description of how s. 611.76 (4) (e), Stats., is likely to apply, and the result, to a demutualization. Please include an analysis of the application of s. 611.76 (4) (e), Stats., in the context of large numbers of credit unions converting and ceasing to be policyholders in a short period of time.

Policyholder Notice/Voting

26. Please provide a sample of the notice, required statements and amended articles and/or bylaws in the form in which these would be presented to policyholders (members) for their vote. Please describe the extent to which the issues described in this letter will be disclosed to policyholders and whether and how redomestication will be the subject of a policyholder vote.
27. Please identify whether the company intends to use ballots, proxies, or both in its efforts to tally the decisions of its policyholders (members) concerning the redomestications. Please include a description of how proxies will be solicited or utilized, including whether there will be a separate proxy solicitation with respect to this vote.

Please provide verification that the board of directors of the CUNA Mutual Group has received a copy of this letter and a copy of your response.

If you have questions on this or any other matter in which I may be of some assistance, please call me at (608) 267-5297.

Sincerely,

A handwritten signature in black ink that reads "Tim Vande Hey". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Tim Vande Hey, CFE
Insurance Financial Examiner – Advanced
Mergers, Acquisitions, and Licensing Specialist
Bureau of Financial Analysis and Examinations

cc: Mark Willson (via E-mail)