

**Procedures for the Conduct of Voting on
EMPLOYERS INSURANCE OF WAUSAU A Mutual Company's Proposal
to Restructure to a Mutual Holding Company Structure**

1. Introduction

In connection with EMPLOYERS INSURANCE OF WAUSAU A Mutual Company's ("EIOW") proposed restructuring to a Wisconsin mutual holding company structure ("Mutual Holding Company Plan" or "Plan"), pursuant to Section 644.07(8) of the Wisconsin Statutes (the "Wisconsin Statutes"), and pursuant to section 5.5 of the Mutual Holding Company Plan, EIOW has set forth below proposed procedures dealing with the conduct of voting. All capitalized terms not defined herein shall have the meaning as set forth in EIOW's Policyholder Information Statement ("PIS").

2. Section 644.07(8) of the Wisconsin Statutes

Section 644.07(8) of the Wisconsin Statutes states, in relevant part, that "voting shall be in accordance with the articles or bylaws of the converting insurance company . . . and in no event shall the required vote to approve the plan be less than a majority of those policyholders voting. . . . Only proxies specifically related to the mutual holding company plan may be used for a vote on approval under this subsection."

3. Determination of Policyholders Entitled to Notice of and to Vote on EIOW's Proposal to Restructure

November 20, 2001, is the date of the Special Meeting at which Eligible Members of EIOW will vote on the Plan. The Plan was adopted unanimously by the Board of Directors on September 14, 2000, and subsequently amended by the Board on August 15, 2001.

The Plan must satisfy the two voting thresholds described below. The first threshold requires that at least a majority of Persons who were policyholders of EIOW on the Resolution Date and who remain policyholders on the Record Date who vote do so in favor of the Plan as required by Section 644.07(8) of the Wisconsin Statutes. The second threshold requires that at least a majority of policyholders who are Members on the Record Date who vote do so in favor of the Plan in accordance with/as required by EIOW's bylaws.

The two thresholds have different eligibility requirements. A person will be entitled to one vote on the Plan by virtue of having met either one of the following eligibility requirements:

First Eligibility Category:

- On September 14, 2000, the Resolution Date, an eligible person to vote was listed on the records of EIOW as a policyholder of one or more policies (or as principal if the policy is a surety bond or obligation) issued by EIOW; and
- One or more of such policies remained in force on October 31, 2001, the Record Date. A policy will be deemed to be in force on a given day if it has been issued and has not been cancelled or otherwise terminated.

In accordance with Section 644.07(8) of the Wisconsin Statutes, members in this eligibility category each have one vote.

Second Eligibility Category:

- On October 31, 2001, the Record Date, an eligible person to vote was listed on the records of EIOW as a policyholder of one or more policies (or as principal if the policy is a surety bond or obligation) issued by EIOW; and

- One or more of such policies is in force on October 31, 2001, the Record Date. A policy will be deemed to be in force on a given day if it has been issued and has not been cancelled or otherwise terminated.

In accordance with EIOW's bylaws, members in this eligibility category each have one vote.

Under this voting procedure, policyholders are grouped into two eligibility categories depending on when they purchased their Policies. If a policyholder purchased a policy before the Resolution Date and the policy was in force on the Record Date, the policyholder is qualified to vote under the first eligibility category. If a policyholder purchased a policy after the Resolution Date and the policy remains in force on the Record Date, the policyholder is qualified to vote under the second eligibility category. The two eligibility categories, which are separate distinct groups, exist due to differences regarding policyholders' right to vote under the Wisconsin Statutes and the EIOW bylaws.

The policyholder need only vote once. If the policyholder fits both categories, the vote will be counted under both categories; if the policyholder fits only one category the vote will be counted only under that category.

4. Giving of Notice of the Proposed Restructuring

EIOW has filed with the Wisconsin Office of the Commissioner of Insurance ("OCI") for the Commissioner's approval copies of the proposed notices of the Special Meeting that EIOW will hold and at which Eligible Members will vote, either in person or by proxy, on EIOW's proposal to convert to a mutual holding company structure.

On or about August 31, 2001, EIOW will begin mailing the approved notices to Eligible Members of EIOW. The following materials specifically related to the proposed Plan also will be sent with the notices:

- (i) Policyholder Guide (including Chairman's Letter)
- (ii) (a) Letter from the Commissioner
(b) Notice of Public Hearing
- (iii) PIS
(a) Notice of Special Meeting
(b) Description of the Plan
(c) Plan and its exhibits
- (iv) Proxy
- (v) Postage-paid return envelope

Two groups will receive this mailing:

- Group 1—Persons who were policyholders on September 14, 2000.
- Group 2—Persons who became policyholders on or after September 15, 2000 and who remain policyholders on May 31, 2001, the cut-off date for mailing purposes.

The address will either be the billing address or mailing address, as reflected on the records of the company.

EIOW has derived the list of policyholders and their addresses from its automated systems. Although some procedures unique to this mailing were employed to produce this list, the systems are generally designed to maintain and produce information relative to the policyholders and are used in billing and/or policy production. EIOW has a high degree of confidence in the accuracy of these records because they are used in the ordinary course of business to bill customers and/or provide legally binding contracts, and EIOW has been successful in these activities.

The mailing to both groups will be identical. However, the individual proxies will be coded to allow tabulation of votes with respect to both voting groups.

EIOW will use a nationally recognized tabulation agent, EquiServe, to conduct the mailing to the policyholders in the two groups. The primary EquiServe facility from which the mailing will be done is located in Edison, New Jersey. EIOW will not be able to determine which way an individual policyholder votes.

A person who becomes a policyholder after June 13, 2001 will receive a policy "stuffer" that will give notice of EIOW's proposed restructuring to a mutual holding company structure. The stuffer will encourage the individual to call EIOW and request that an information package, including a proxy, be sent to the policyholder. A toll-free phone number will be provided, and an EIOW call center designated specifically to respond to these inquiries will handle the calls. The package will include the same items sent in the August 31, 2001, mailing.

For those individuals who become Eligible Members after May 31, 2001, and whose policies are produced between June 1 and June 13, 2001, EIOW will either mail the policy stuffer separately to the policyholder or wait until June 13, 2001, to produce and mail the formal policy documentation so as to include the stuffer. EIOW will include the stuffer in new policies produced through October 31, 2001.

EIOW will send all notices and accompanying materials via first class mail.

In cases where a policyholder notifies EIOW that he or she did not receive, is missing parts of, or needs replacements of particular items of, the mailing, missing material will be replaced by EquiServe and delivered at no charge to the policyholder via first class mail.

5. Receipt, Custody, Safeguarding, Verification and Tabulation of Proxy Forms and Ballots

EIOW has also retained EquiServe to assist in the receipt, custody, safeguarding, verification and tabulation of proxy forms and ballots. The primary processing location will be EquiServe's Edison, NJ, office. Ballots will be distributed at the Special Meeting for purposes of voting. The custody, safeguarding, verification and tabulation of the votes by ballot will follow the same procedures as described for proxies.

A. Receipt of Proxies

(i) Domestic Proxies

Domestic proxies will be returned by mail in a postage-paid return envelope (provided in the notice package to policyholders) to a specifically designated and unique post office box in Edison, NJ. To facilitate supervision of all incoming mail, it is anticipated that this will be the only post office box used for the return of domestic proxies. EquiServe will collect incoming proxy envelopes from the post office at least daily, and up to three (3) times daily if the volume of the returns warrants. Proxies must be delivered to the Edison, NJ, facility no later than 5:00 p.m. on October 20, 2001, in order to be valid and counted.

(ii) Canadian Proxies

Proxies of Canadian policyholders will be returned in a postage-paid return envelope (provided in the notice package to policyholders) to a specifically designated Canadian post office box. A vendor of EquiServe will bundle and ship the collected envelopes to EquiServe's Edison, NJ, facility for tabulation on a daily basis. Proxies must be delivered to the Edison, NJ, facility no later than 5:00 p.m. on October 20, 2001, in order to be valid and counted.

(iii) Proxies by Facsimile

In addition to returning proxies by mail, policyholders will have the option of sending executed proxies by facsimile. Proxies sent via facsimile transmission must be received by EquiServe's Edison, NJ, facility no later than 5:00 p.m. on October 20, 2001, in order to be valid and counted.

(iv) Other

EIOW will advise each of its offices that usually receive policyholder correspondence to forward to the office of the EIOW corporate secretary in Wausau, Wisconsin any proxies mailed to those locations. Proxies will then be forwarded promptly to EquiServe, which must receive them no later than 5:00 p.m. on October 20, 2001, in order to be valid and counted.

EIOW has hired Ernst & Young to test and verify this process.

B. Custody and Safeguarding of Proxies

All proxies shall be held and safeguarded in a locked room by EquiServe located in Edison, New Jersey.

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C. Verification and Tabulation of Proxies

EquiServe will open all envelopes by machine. The machine will separate proxy forms that have been returned with attachments. EquiServe will manually count these proxies and forward the attachments to EIOW (EIOW will not receive any information on how a specific policyholder voted). Proxies that are machine-readable will be electronically counted through Optical Character Recognition ("OCR"). OCR is a method of reading text from paper and translating the images or markings captured from the paper into a form that a computer system can manipulate for efficient and accurate processing. EquiServe will program their OCR systems to categorize proxies according to EIOW validation criteria set forth below. OCR processed proxies will fall into two categories:

- (i) Valid or invalid
- (ii) Defective

To be valid, proxies must meet the following criteria:

- Proxies must only have one box "For" or "Against" checked. If both boxes are checked, the proxy will be deemed invalid.
- Proxies must be signed (only one named insured need sign a proxy).
- If a proxy is signed, but no preference for the vote is indicated, it shall be deemed valid and a vote "For" the Restructuring.
- If two or more otherwise valid proxies are received for the same policyholder the proxy last received shall be valid and earlier dated proxies will be superceded.

EquiServe will consider proxies not meeting any of the above criteria as invalid and will not include them in the final vote count.

EquiServe will categorize proxies that have been mangled or with off-center scan lines as defective and will attempt to repair them manually to be read by OCR for inclusion in the vote. EquiServe will discard those defective proxies that are deemed not repairable.

First and Second Voting Threshold Tabulation Rules:

The envelopes, proxies and any other material contained in the envelopes will be processed and the proxies tabulated by EquiServe on a daily basis, to the extent feasible.

Additionally, for purposes of determining eligibility under the first and second voting thresholds, EquiServe will send to EIOW a file containing a list of policyholders who voted sorted by Eligibility threshold up to and including the Record Date. EIOW will run this file against a file of current policyholders as of the Record Date, and match policyholders between files. EIOW will eliminate unmatched policyholders from the EquiServe file. EIOW will send the adjusted file to EquiServe for the tabulation of votes.

Prior to the close of the Special Meeting of Eligible Members, except as otherwise permitted or directed by the Commissioner, EquiServe will make information on the policyholder vote available to EIOW only as follows:

- Current data on the number of votes received and the percentage voted "For" and "Against" adoption of the Plan. All data provided will not include any information which would permit the identification of a policyholder.
- Information on the receipt (but not the voting preferences) of a policyholder's proxy used to respond to a particular policyholder's inquiry as to whether the policyholder's proxy has been received.

Data as to how any particular policyholder voted will not be made available to EIOW, any policyholder or any other party at any time, except upon direction of the Commissioner.

As promptly as practicable after the close of the Special Meeting, EquiServe shall provide to EIOW a certificate as to the accuracy of the vote count. All proxies and such computer tapes and other records deemed necessary by the Commissioner to record the vote shall be delivered to the inspectors. All proxies shall, immediately upon completion of the vote count, be placed in sealed packages and stored as directed by the inspectors and shall not be given to EIOW until three years after the date of the Special Meeting.

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D. Filing of Affidavit with the OCI

After the Special Meeting, EIOW shall deliver an affidavit to the Commissioner. If the affidavit is acceptable to the Commissioner, the OCI will issue a certificate of authority to Converted EIOW effective on the date of the Special Meeting or such later effective date for the Restructuring approved by the policyholders. The affidavit shall include, at a minimum, the following information: (a) the date of the Special Meeting; (b) the number of policyholders eligible to vote at the Special Meeting; (c) the number of policyholder information packets returned as undeliverable; (d) the tabulation of votes for and against the Plan and upon any other matter voted upon at the Special Meeting; and (e) the number of invalid and defective proxies.

6. Solicitation of Votes

Votes FOR the approval of the Mutual Holding Company Plan may be solicited by representatives (including directors and officers) of EIOW in person or by mail, telephone, facsimile or other means of communication. Furthermore, EIOW may retain EquiServe as an information agent, for a fixed payment plus additional fees per solicitation or response to requests for information, to assist in the solicitation of votes and the provision of information in connection with the Mutual Holding Company Plan.

7. Resolution of Disputes

The following are guidelines that will be employed in determining which proxies are valid or invalid for purposes of counting them. The use of the word "proxy" in these guidelines shall be deemed to include the word "ballot" except where noted.

- A. Proxies must only have one box "For" or "Against" checked. If both boxes are checked, the proxy will be deemed invalid.
- B. Proxies must be signed by one of the named insureds. If there is no signature, the proxy will be deemed invalid.
 - (i) If a proxy is signed, but no preference for the vote is indicated, it shall be deemed valid and a vote "For" the Restructuring.
 - (ii) A proxy shall not be deemed invalid merely because the signature is hand printed or written in pencil, or because it bears a rubber stamped or facsimile signature or because the signature appears on the proxy other than on the indicated signature line.
 - (iii) Initials or abbreviations may be used for first and middle names, names may be used for the first and middle initials, and first and middle names or initials may be added to or omitted without affecting the validity of the proxy. Furthermore, if the manner in which a policyholder signed the proxy card constitutes a slight change or variation in spelling form, but is phonetically similar to, the manner in which his name is printed on the record date, the inspectors or assistants may ignore such variation at their discretion.
 - (iv) Where a woman signs her married name to a proxy, and the policy is issued in her maiden name, the proxy shall be presumptively valid if the name used as the signature allows identification to be made of the signer from EIOW's records.
 - (v) Titles such as Mr., Mrs., Miss, Ms. or Dr. may be added or omitted without affecting the validity of the proxy.
 - (vi) Where the surnames of two or more joint owners are identical they need not be repeated in the signature: for example, policies in the name of "John Jones and Mary Jones" shall be valid if the proxy is signed as "John and Mary Jones" or as "John Jones and Mary" whether signed by one individual or both.
 - (vii) The proxy will be deemed valid if (a) the policyholder is an entity and the name signed purports to be that of an officer, attorney-in-fact or representative of the entity; (b) two or more persons hold the membership as co-tenants or fiduciaries and the name signed corresponds to the name of one of them; (c) two or more persons residing at the same household address are policyholders and the name signed corresponds to the name of one of them.
 - (viii) The addition or omission of Jr. or Sr. or Roman or Arabic numerals after a signature will not void a proxy. The substitution after a signature of Jr. for Sr. or Sr. for Jr. or Roman or Arabic numerals which are different from those appearing on the printed form will void a proxy.
- C. The addition of an address different from that appearing on the record shall not affect the validity of that proxy.

- D. Proxies need not be dated to be valid.
- E. If a policyholder shall have executed more than one proxy in respect of the same voting policies, the following rules shall apply to determine which proxy shall prevail:
 - (i) The proxy with the latest execution date shall prevail.
 - (ii) The date of execution of a proxy shall be the date written on the proxy card (the date of the post mark on the envelope shall not be considered the execution date).
 - (iii) A proxy which is undated shall be deemed to have been executed before any conflicting proxy which is dated.
 - (iv) If, after application of the rules contained in (a), (b) and (c) above two or more conflicting proxies have the same latest execution date, or neither shall have an execution date, the policies represented by such conflicting proxies shall be deemed "stand-offs" and shall not be voted.
- F. A proxy in the name of a person other than a natural person must be signed by an officer or other person purporting to act in an official capacity on behalf of such person and when so signed is presumptively valid in the absence of satisfactory evidence of lack of authority of such person to act. If the policyholder's name has been repeated, the official capacity of the signer need not be indicated. No corporate seal, attestation, or copy of bylaws, or resolution conferring authority is necessary. Where the name appears on the face of the proxy, failure to repeat such name as part of the signature will not invalidate the proxy, so long as the title or other capacity or source of authority of the signer has been indicated.
- G. A proxy signed merely in the name of one of the policyholders listed in paragraph F above, but without the signature of an individual purporting to act on behalf of such Eligible Member, is presumptively invalid.
- H. Policyholders also may authorize individuals other than designated employees of EIOW to cast their votes by proxy; however, only proxies that meet the standards established by the Commissioner will be considered valid. The proxy standards will be set forth in the Commissioner's instructions to EIOW dated [], 2001.

The intent of these rules is to favor giving validity to the proxies and the intent of the policyholder where discernible, and the inspectors or assistants shall act accordingly. Where a matter is not covered by these rules, the inspectors or assistants shall generally favor validity rather than invalidity of the proxies.