

Junior, Steve J - OCI

From: Noreen Parrett <nparrett@parrettoconnell.com>
Sent: Monday, July 08, 2019 12:14 PM
To: Mancusi-Ungaro, Michael - OCI
Subject: RE: Jewelers MHC

You're welcome, Mike. Hope you had a good vacation.

I think I may have neglected to mark the Jewelers Business Plan and five-year projections confidential. Will the OCI please keep those two documents confidential.

Thank you.

Noreen Parrett

**Parrett &
O'Connell, LLP**

ATTORNEYS AT LAW

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From: Mancusi-Ungaro, Michael - OCI <Michael.MancusiUngaro@wisconsin.gov>
Sent: Monday, July 8, 2019 12:04 PM
To: Noreen Parrett <nparrett@parrettoconnell.com>
Subject: RE: Jewelers MHC

Thanks, Noreen.

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From: Noreen Parrett <nparrett@parrettoconnell.com>
Sent: Friday, June 28, 2019 3:58 PM
To: Mancusi-Ungaro, Michael - OCI <Michael.MancusiUngaro@wisconsin.gov>
Subject: RE: Jewelers MHC

Mike, following are Jewelers Mutual's responses the questions in your June 21, 2019 email:

1. **Will the authority (e.g. voting rights) possessed by the member/policyholders post-restructuring be duplicated (or at least not diminished) under the MHC structure?**

The rights of the Jewelers Mutual policyholders in the MHC will be the rights afforded MHC members under Chapter 644, including the right to vote for the MHC's directors. If the MHC ever proposes in the future to sell stock in converted Jewelers Mutual or demutualize the MHC, policyholders will have a right to vote on those proposals, but there is no current plan either to sell stock or to demutualize.

2. **Will all policies of the converting mutual insurer continue and become the obligation of the converted stock insurer, so that there are no breaks in coverage, and no possibility for contract novation?**

Yes. Jewelers Mutual does not intend to alter the way it administers its policies as a result of the MHC. All policies written by Jewelers Mutual prior to the effective date of the restructuring will be

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continued in converted Jewelers Mutual after the restructuring except those that are terminated either by the policyholder or by Jewelers Mutual in the ordinary course of business.

3. **Will the cost of the mutual insurer's insurance contracts currently in-force be significantly impacted by the reorganization?**

No.

4. **Did the filing include plans to transfer any assets or subsidiaries out of the converting insurance company to the MHC? If yes, was the rationale for the proposed transfer, and the consideration to be paid to the converting insurer, fair and reasonable to the converting insurer?**

As a part of the MHC restructuring, Jewelers Mutual will make a contribution to the MHC of \$13,500,000 to cover the operating costs of the MHC and to permit the MHC to capitalize JM New Holdings, Inc. Jewelers Mutual currently owns indirectly one insurance company (JM Specialty Insurance Company) and two warranty plan organizations (JM Care Plan Services, Inc. and JM Care Plan, Inc.). After the restructuring, converted Jewelers Mutual will hold these three companies directly. Jewelers Mutual currently directly holds two non-insurance companies (JM Insurance Services, LLC and JM Facets, LLC). JM Facets was created in 2017 to support Jewelers Mutual's investment in or acquisition of non-insurance business to meet customer needs while supporting the Group's core insurance operations. JM Insurance

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Services was created in 2000 to operate as an insurance agency in support of the company's insurance operations. Post-restructuring, those non-insurance companies will be held directly by JM New Holdings, Inc. and indirectly by Jewelers Mutual Holding Company. Jewelers Mutual's rationale for transferring both of the non-insurance entities from direct ownership of Jewelers Mutual to indirect ownership by Jewelers Mutual Holding Company was to allow them to grow in a way that does not put the surplus of the converting insurer at risk because of their operations. All insurance and non-insurance companies will, of course, be held indirectly by the MHC. The transfer of the two non-insurance companies from converting Jewelers Mutual to JM New Holdings are considered extraordinary dividends, and the transfer will occur at the companies' carrying value on the date of the conversion. The transfer is fair and reasonable to Jewelers Mutual in that it will be done in compliance with prescribed statutory accounting principles.

5. **Will the stated goals and objectives of the converting insurer significantly change following the proposed restructuring? If so, is it appropriate for the converting insurer to continue to stress the benefits of its 'mutual structure' in its marketing and advertising?**

The goals and objectives of converted Jewelers Mutual will not change following the proposed restructuring. The purpose of the restructuring is to enable Jewelers Mutual to expand its capabilities to serve its customers and the jewelry industry more effectively and still preserve policyholder ownership, which was at the heart of Jeweler's Mutual when it was founded by a group of jewelers in 1913. As indicated in the proposed letter from Jewelers Mutual's Chairperson to its policyholders:

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Jewelers Mutual, a mutual insurance company, is dedicated to and owned by our loyal policyholders. We have been providing policyholders with insurance products and services, backed by the company's solid financial standing, for the last 106 years. As part of our growth in financial strength and size, you have seen many changes, improvements, and innovations from Jewelers Mutual over the years. . .

The mutual holding company structure would permit Jewelers Mutual to diversify its businesses, including the products and services it offers to its policyholders, while maintaining the mutuality with its policyholders that has worked so well over the last 106 years. . . .

Under the Mutual Holding Company Plan, all Jewelers Mutual policyholders would become members of the mutual holding company and retain the same membership rights they currently have with Jewelers Mutual Insurance Company. . . .

As you know, Jewelers Mutual is a mutual insurance company – that is, one in which each of its policyholders has an undivided ownership interest while a policyholder. The mutual structure has worked well during the 106 years that Jewelers Mutual has provided policyholders

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with innovative insurance products and services. . . .

The mutual holding company structure will permit Jewelers Mutual to diversify its businesses, as well as the products and services it offers to its policyholders, while still maintaining mutuality with its policyholders.

Jewelers Mutual strongly believes that it is appropriate for converted Jewelers Mutual to continue to stress the benefits of its mutual structure in its marketing and advertising.

6. Were there any changes to the policy holder information statement you provided besides the inclusion of dates of certain events?

There have been no substantive changes since our updated filing with you on April 15, 2019. The changes to the Policyholder Information Booklet include the appropriate dates, language to recognize the Board's adoption of the updated documents through resolution which also sets the record date, an updated list of proposed officers and directors (a current copy of which is attached to this email), updated financials and other minor nonsubstantive changes.

7. Regarding the proposed business plan: It sounds like "ancillary products" are going to be one of the most important areas of company growth: what marketing methods will the applicant use to drive this growth? More directly: will telemarketing (both inbound and outbound) be used to

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drive the sale of the extended warranties?

Products sold by Jewelers Mutual and JM Specialty Insurance Company are a part of the Group's core insurance business. Products sold by Jewelers Mutual's other affiliated companies are complementary to, and supportive of, the Group's core insurance operations. In other words, these products and services, such as shipping and logistics services, are central to the day-to-day needs of the Group's insurance customers. For products sold by its non-insurance companies, Jewelers Mutual uses customer sales and support specialists, who may receive phone calls, for customer sales and service. The products sold by JM Care Plan Services, Inc. and JM Care Plan, Inc. are service contracts, or extended warranties, that [generally] are regulated by insurance departments in the states where they are sold. These products are sold by jewelry retailers typically during point-of-sale transactions (in person or through e-commerce).

Attached to this email are the following:

1. The requested five-year projections. Also included is a revised Business Plan that coordinates with the five-year projections.
2. An updated Directors and Officers listing including changes made by the Board of Directors since the company's January 25, 2019 filing.

Please let us know if you have any questions or require additional information.

Noreen Parrett

**Parrett &
O'Connell, LLP**

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From: Mancusi-Ungaro, Michael - OCI <Michael.MancusiUngaro@wisconsin.gov>

Sent: Friday, June 21, 2019 12:17 PM

To: Noreen Parrett <nparrett@parrettoconnell.com>

Subject: Jewelers MHC

Hi Noreen,

In addition to my request for financial projections, I have a few questions regarding the Jewelers MHC filing.

1. Will the authority (e.g. voting rights) possessed by the member/policyholders post-restructuring be duplicated (or at least not diminished) under the MHC structure?
2. Will all policies of the converting mutual insurer continue and become the obligation of the converted stock insurer, so that there are no breaks in coverage, and no possibility for contract novation?
3. Will the cost of the mutual insurer's insurance contracts currently in-force be significantly impacted by the reorganization?
4. Did the filing include plans to transfer any assets or subsidiaries out of the converting insurance company to the MHC? If yes, was the rationale for the proposed transfer, and the consideration to be paid to the converting insurer, fair and reasonable to the converting insurer?

5. Will the stated goals and objectives of the converting insurer significantly change following the proposed restructuring? If so, is it appropriate for the converting insurer to continue to stress the benefits of its 'mutual structure' in its marketing and advertising?
6. Were there any changes to the policy holder information statement you provided besides the inclusion of dates of certain events?
7. Regarding the proposed business plan: It sounds like "ancillary products" are going to be one of the most important areas of company growth: what marketing methods will the applicant use to drive this growth? More directly: will telemarketing (both inbound and outbound) be used to drive the sale of the extended warranties?

Sincerely,

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