



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott McCallum, Governor
Connie L. O'Connell, Commissioner

Wisconsin.gov

December 20, 2001

121 East Wilson Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: information@oci.state.wi.us
http://badger.state.wi.us/agencies/oci/oci_home.htm

Advanced Via Facsimile

Daniel R. Doucette
President and Chief Executive Officer
Milwaukee Mutual Insurance Company
250 North Sunnyslope Road #250
Brookfield, WI 53005

Re: Application for the Formation and Subsequent Merger of a Mutual Holding Company
(Case No. 01-C27045)

Dear Mr. Doucette:

The following items are requested in connection with this Office's review of the application for the formation and subsequent merger of a mutual holding company.

Development of the Restructuring Plan and Proposed "MHC Merger"

1. Please describe the process and time frame of deliberation that was undertaken by Milwaukee Mutual's management and board of directors in arriving at the current mutual holding company restructuring plan and MHC Merger Agreement.
2. This Office will need copies of the portions of the Milwaukee Mutual board minutes that relate to deliberations on the mutual holding company plan or related transactions.

Effect on Milwaukee Mutual and the Holding Company System

3. Will the restructuring of Milwaukee Mutual and First Nonprofit Mutual Insurance Company or subsequent merger of the mutual holding companies trigger any change in control provisions under the terms of any executive employment agreement?
4. With respect to the transactions described in the mutual holding company plan, have any executive employment agreements, side agreements, written plans, or assurances been made or placed under development concerning staff retention, salaries and benefits, or severance packages, for the officers or employees that provide services to Milwaukee Mutual or First Nonprofit Mutual?
5. Is any reorganization of the succession of control or ownership of Milwaukee Mutual's or First Nonprofit Mutual's present subsidiaries contemplated?
6. What changes does management anticipate with respect to service, management, cost allocation, or other written agreements among members of the holding company system in consequence of the proposed restructuring and subsequent merger of the mutual holding companies?

7. Are there any plans to repay Milwaukee Mutual's surplus notes with the proceeds of a future public offering of common stock by a subsidiary of Mutual Insurers Holding Company following the MHC Merger?

Business Plan and Operations of Converted MMIC

8. Which types of insurance programs and services will the Converted MMIC prioritize for growth and development?
9. Which types of insurance programs and services will the Converted MMIC seek to reduce or terminate?
10. Will the Converted MMIC seek to reduce or terminate services in any region or jurisdiction in which it is currently active?
11. Will Converted MMIC's distribution network be cross-licensed for agency on behalf of First Nonprofit Mutual? Will the First Nonprofit Mutual distribution network be cross-licensed for agency on behalf of the Converted MMIC? Will the producer networks be more or less comprehensively integrated, or will they remain more or less distinct?
12. Does management anticipate any changes in Converted MMIC's marketing practices or distribution channels?
13. Describe the Converted MMIC's plans for charitable contributions and commitment to community outreach after the conversion in comparison to past practices.
14. Does Milwaukee Mutual plan to purchase or sell any books of business over the next twelve months?

Employment and Compensation Matters

15. What is the anticipated effect of the proposed mutual holding company plan and the intended MHC Merger on the employees that presently provide services to Milwaukee Mutual?
16. Is it anticipated that the number of people employed to provide services to Milwaukee Mutual would increase or decrease? If so, what is the anticipated magnitude of the change?
17. Is it anticipated that there will be any change in the companies that presently provide services to Milwaukee Mutual?
18. Does management anticipate opening or closing any offices from which Milwaukee Mutual's operations are conducted or regularly supported?

Corporate Governance under the Mutual Holding Company Structure

19. What preemptive or preferential rights will members of Mutual Insurers Holding Company have to participate in any future public offerings by subsidiaries of their mutual holding company? After the merger with First Nonprofit Mutual Holding Company, what preemptive or preferential rights will members of the surviving mutual holding company have to participate in any future public offerings by subsidiaries of their mutual holding company?

20. Please describe the factors taken into consideration in arriving at the proposed composition of the board of directors of First Nonprofit Mutual Holding Company following its intended merger with Mutual Insurers Holding Company.
21. Following the MHC Merger, will Mutual Insurers Holding Company become the principal employer within the holding company subsystem in order to affirm the officers' and employees' continued commitment to mutuality?
22. A mutual holding company structure can give rise to conflicts over how the growth of and profit from the business would be apportioned between policyholders and shareholders. What consideration has been given to mitigate such conflicts?
23. In previous meetings regarding the mutual holding company plan, it was indicated that the surviving mutual holding company would be domiciled in Illinois because Illinois law offers flexibility. Please describe the specific business advantages presented by Illinois law that are impeded by Wisconsin law. How is it anticipated that these business advantages will work to advance the interests of the surviving mutual holding company's members?
24. The concept of mutuality as it relates to insurance companies includes two principles, among others, which are vital to its effective operation, the equity rights of policyholders and provision of insurance at cost. Under the traditional mutual structure, a mutual provides insurance at cost, given that income is either returned to policyholders in the form of dividends or retained for their exclusive benefit as surplus.

In the present case, Milwaukee Mutual is seeking to build a mutual division for a publicly-traded stock company, much as some mutuals have utilized the stock form of organization, whether in a publicly-traded or privately-held form. How would a mutual division of a publicly-traded stock corporation retain the mutual principle of insurance at cost? Additionally, how will the policyholders participate equitably in the financial results of their mutual holding company's subsidiaries or in their insurer so that the substance of mutuality as well as its form is preserved?

Other Regulatory Influences

25. Are there any regulatory actions or approvals by any federal, state, or non-U.S. jurisdictions required for completion of the "MHC Merger", as that term is described in the Application, other than that of the Illinois Department of Insurance and Wisconsin's Office of the Commissioner of Insurance? If so, please identify these required regulatory actions and approvals.
26. When is it anticipated that Milwaukee Mutual might obtain a private letter ruling from the U.S. Internal Revenue Service to the effect that, for U.S. federal income tax purposes, the formation of Mutual Insurers Holding Company and the conversion of Milwaukee Mutual from a mutual company into a stock company will qualify under sections 368(a) or 351(a) of the Internal Revenue Code? What is the anticipated time frame in which Milwaukee Mutual could receive a comparable opinion from special tax counsel? If these documents have already been received, please provide me with copies. Please provide the same information for First Nonprofit Mutual.
27. When is it anticipated that Milwaukee Mutual might obtain a "no-action" letter from the staff of 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? If this has already been received, please provide me with a copy of that letter, together with company correspondence requesting the letter. Please provide the same information for First Nonprofit Mutual.

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Procedural and Miscellaneous

28. Will Milwaukee Mutual establish a toll-free number for questions about the mutual holding company plan, and if so, when would it be operative?
29. Please provide a copy of the Hart-Scott-Rodino filing, when available.
30. Please provide correspondence from the Illinois Department of Insurance confirming their approval of the transactions related to the proposed restructuring of the First Nonprofit Mutual when these become available.
31. Has Milwaukee Mutual retained the services of a nationally significant tabulation agent to assist it in the receipt, custody, safeguarding, verification and tabulation of proxy forms and ballots and an independent public accounting firm to test and verify the process with respect to the mutual holding company plan and, if required by the OCI, the subsequent merger of Mutual Insurers Holding Company into First Nonprofit Mutual Holding Company?

If you have questions on this or any other matter in which I may be of some assistance, please call my direct line at (608) 267-4388.

Sincerely,

Steven J. Junior
Senior Insurance Examiner
Bureau of Financial Analysis & Examinations

cc: Philip R. Warth, Jr., First Nonprofit Mutual Insurance Company (via facsimile only)
Joseph C. Branch, Foley & Lardner (via facsimile only)
Kevin M. Fitzgerald, Foley & Lardner (via facsimile only)
Richard A. Hemmings, Lord, Bissell, & Brook (via facsimile only)