

MUTUAL HOLDING COMPANY PLAN

of

MILWAUKEE MUTUAL INSURANCE COMPANY

a Wisconsin Property and Casualty Insurer,

Under Chapter 644 of the

Wisconsin Insurance Code

Dated May 17, 2001

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PREAMBLE

This Mutual Holding Company Plan is adopted as of May 17, 2001 for the conversion of Milwaukee Mutual Insurance Company, a mutual insurance company organized under Chapter 611 of the Wisconsin Insurance Code (“MMIC”), into a stock insurance corporation organized under Chapter 611 of the Wisconsin Insurance Code, wholly-owned by a mutual holding company to be organized under Chapter 644 of the Wisconsin Insurance Code (collectively, the “Restructuring”).

RECITALS

WHEREAS, MMIC desires to restructure into a mutual holding company structure pursuant to the following steps: (i) MMIC will form Mutual Insurers Holding Company, a Wisconsin mutual holding company organized under Chapter 644 of the Wisconsin Insurance Code (“MIHC”); (ii) MMIC will convert to Milwaukee Insurance Company, a Wisconsin stock property and casualty insurance corporation (“Converted MMIC”); (iii) Converted MMIC will issue 100% of its initial shares of voting stock to MIHC; (iv) Policyholders who are Members of MMIC on the Effective Date of the Restructuring will become Members of MIHC; (v) all Equity Rights in MMIC on the Effective Date of the Restructuring shall be extinguished and replaced with Equity Rights in MIHC; and (vi) every MMIC Policy in force on the Effective Date of the Restructuring shall become a Policy of Converted MMIC containing the same terms and conditions as those contained in the Policy immediately prior to the Effective Date of the Restructuring, except for any Equity Rights extinguished as a result of the Restructuring;

WHEREAS, it is contemplated that the Restructuring will be one of a series of transactions whereby MMIC and First Nonprofit Mutual Insurance Company, an Illinois property and casualty insurer (“FNP”), will each form mutual holding companies under the laws of their respective states and, with the approval of the Wisconsin Commissioner, the Illinois Department of Insurance, and MMIC’s and FNP’s respective policyholders, merge those mutual holding companies into a single entity subsequent to the Restructuring;

WHEREAS, there are several reasons for pursuing the Restructuring at this time, including, but not limited to, the following:

1. In its current structure as a mutual insurance company, MMIC cannot merge with other mutual insurers without one of the two entities ceasing to exist as a separate insurer, which poses various difficulties for the MMIC, including, but not limited to, the following:
 - a. Reduced options for merging, acquiring or affiliating with other mutual organizations in ways that allow for improved efficiencies while maintaining each organization’s goodwill and the value of their respective “brands;”

- b. Limitations upon MMIC’s ability to merge, acquire or affiliate with non-insurers;
 - c. Restrictions on MMIC’s ability to put its excess surplus to more efficient use;
 - d. Sub-optimal positioning for long-term growth; and
 - e. A reduced ability to be a “first mover” during market consolidation;
2. An insurance company’s ability to be flexible and move quickly in its acquisition activities is increasingly important in light of the recent deregulation of financial services, which introduces new competitors to the market in which MMIC participates and may lead to significant consolidation within and/or between the banking, insurance, and securities industries;
 3. In the future, the most successful insurance companies will be those that have the structural, financial and strategic flexibility to respond quickly and decisively to changes in the marketplace, both in terms of pursuing (or defending against) potential acquisition activity and in terms of making changes or improvements in existing operations; and
 4. The Wisconsin Legislature specifically authorizes the restructuring of mutual insurance companies into mutual holding company structures, pursuant to Wis. Stat. § 644.07.

WHEREAS, relative to the foregoing concerns, the Restructuring will serve the following purposes:

1. It will allow MMIC to merge with other mutual organizations while preserving the separate insurance operations and “brands” of each organization as stock subsidiaries of the mutual holding company;
2. It will maximize MMIC’s ability to merge, acquire or affiliate with non-insurers without formal regulatory approval;
3. It will maximize MMIC’s options and flexibility to merge, acquire or affiliate with other mutual, mutual holding or stock companies, thereby achieving efficiencies of scale and diversification of assets;
4. It will allow MMIC to obtain the foregoing benefits while retaining its “mutuality” through the creation of a mutual holding company, thereby preserving MMIC’s historical focus on the interests and benefits of its current and future Policyholders

WHEREAS, the Restructuring is fair and equitable to Policyholders, and it is expected that the Restructuring will benefit Policyholders and will not be contrary to their interests or the interests of the Wisconsin public, for the following reasons:

1. It will preserve the Policyholders' Equity Rights in MMIC by transforming the same into Equity Rights in MIHC. MIHC will, in turn, own 100% of the voting stock of Converted MMIC. Therefore, MMIC's mutuality is preserved;
2. It will enhance the value of the Policyholders' Equity Rights in the following ways:
 - a. Relative to the existing MMIC, MIHC and/or Converted MMIC will be better able to realize efficiencies of scale through the acquisition of, or merger with, other mutual, mutual holding or stock companies;
 - b. Relative to the existing MMIC, MIHC and/or Converted MMIC will be better able to make the capital purchases and allocations necessary to enhance the efficiency and long-term growth of the insurance operations, which are important components of the value of those operations as an enterprise;
3. It will increase the financial strength and flexibility of the insurance operations, thereby enhancing the long-term stability of the insurance operations and the Policyholders' security that MMIC will have the funds necessary to meet its current and future policy obligations;
4. It will enhance the efficiency and management of the insurance operations, thereby making MMIC's insurance products more competitive;
5. It will not substantially lessen competition in any line of insurance business within the State of Wisconsin; and
6. It is expressly authorized by, and will comply in all respects with, the provisions of Chapter 644 of the Wisconsin Statutes.

WHEREAS, at a meeting duly called and held on May 17, 2001, the Board passed a resolution (i) finding that the Restructuring is fair and equitable to Policyholders and is expected to benefit Policyholders for the reasons and purposes set forth above, (ii) adopting this Mutual Holding Company Plan, (iii) directing that the Plan be submitted to the Wisconsin Commissioner for approval, and (iv) subject to approval by the Wisconsin Commissioner, directing that the Plan be submitted to the Policyholders of MMIC for approval by Eligible Members, in each case as provided by Wis. Stat. § 644.07(4)-(8), respectively;

NOW THEREFORE, this Mutual Holding Company Plan is entered into by
MMIC:

ARTICLE 1

DEFINITIONS

As used in this Mutual Holding Company Plan, and in the Preamble and Recitals thereto, the following words or phrases have the following meanings. The following definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

“Board” means the Board of Directors of Milwaukee Mutual Insurance Company.

“Contract Rights” means the Policyholder’s right to receive (i) the insurance coverage specified in the Policyholder’s Policy in accordance with the terms and provisions thereof and (ii) dividends, if and when declared by the Board in accordance with the terms and provisions of the Policyholder’s Policy.

“Converted MMIC” has the meaning set forth in the Recitals.

“Effective Date” means the date upon which the Restructuring becomes effective, which will be the date upon which the Wisconsin Commissioner issues the certificate of authority to Converted MMIC.

“Eligible Member” means a Policyholder of MMIC on the Resolution Date and Record Date, based on MMIC’s records.

“Equity Rights” means the uncertificated rights in the equity of MMIC or MIHC, as applicable, conferred by Wisconsin law, including (i) Membership Interests in MMIC or MIHC, as applicable, and (ii) Rights in Surplus of MMIC or MIHC, as applicable.

“FNP” has the meaning set forth in the Recitals.

“In Force” means (with respect to a Policy) issued and not cancelled or otherwise terminated.

“Member” means a Policyholder who, by the records of MMIC or Converted MMIC, and by their respective articles of incorporation and bylaws, is a holder of a Membership Interest in MMIC or MIHC, as applicable.

“Membership Interest” means the voting rights of a Member arising under the Wisconsin Insurance Code and the articles of incorporation and bylaws of MMIC, including the right to vote for the Board and the right to vote on any plan of conversion, voluntary dissolution or amendment of the articles of incorporation. On and after the Effective Date of

the Restructuring, “membership interest” means the voting rights of a Member arising under the Wisconsin Insurance Code and the articles of incorporation and bylaws of MIHC, including the right to vote for the board and the right to vote on any plan of conversion, voluntary dissolution or amendment of the articles of incorporation. “Membership Interest” does not include any Members’ Rights in Surplus, if any.

“MIHC” has the meaning set forth in the Recitals.

“MMIC” has the meaning set forth in the Preamble.

“Mutual Holding Company Plan” or “Plan” shall each mean this mutual holding company plan, including all Exhibits attached hereto.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, limited liability partnership, trust, government, government agency, state or political subdivision of a state, public or private corporation, board of directors, association, estate, trustee, or fiduciary, or any similar entity.

“Policy” means an insurance policy or contract (other than a reinsurance contract), including any fidelity bond or any surety bond, or any binder or a renewal certificate issued by MMIC (or, on and after the Effective Date, Converted MMIC) in the course of business and not cancelled or otherwise terminated.

“Policyholder” means the Person identified in the records of MMIC or Converted MMIC as the holder of the Policy.

“Public Hearing” means the public hearing conducted by the Wisconsin Commissioner or a hearing examiner designated by the Wisconsin Commissioner and regarding the Mutual Holding Company Plan, pursuant to the provisions of Wis. Stat. § 644.07(6).

“Record Date” means the date established by the Board for the vote by Eligible Members for approval of the Mutual Holding Company Plan.

“Resolution Date” means May 17, 2001, the date the Board passed a resolution to the effect that the Restructuring is fair and equitable to Policyholders and expected to benefit Policyholders.

“Restructuring” has the meaning set forth in the Preamble.

“Rights in Surplus” means any rights of a Member arising under MMIC’s articles of incorporation or Chapter 611 of the Wisconsin Insurance Code to a return of the surplus in respect of Policies of MMIC that may exist with regard to the surplus not apportioned or declared by the Board as divisible surplus, including rights of Members to a distribution of such surplus in dissolution or conversion proceedings under Chapter 611 of the Wisconsin Insurance Code. On and after the Effective Date of the Restructuring, “rights in

surplus” means any rights of a Member of MIHC arising under its articles of incorporation or Chapter 644 of the Wisconsin Insurance Code to the net worth of MIHC, including rights of Members of MIHC to a distribution of any portion of the net worth of MIHC in dissolution or conversion proceedings under Chapter 644 of the Wisconsin Insurance Code. “Rights in Surplus” shall not include any right to divisible surplus expressly conferred solely by the terms of an insurance policy or annuity contract.

“Wisconsin Commissioner” means the Office of the Commissioner of Insurance for the State of Wisconsin.

“Wisconsin Insurance Code” means the insurance laws of the State of Wisconsin, codified in Chapters 600 to 655 of the Wisconsin Statutes, and all applicable regulations.

ARTICLE 2

ADOPTION BY THE BOARD AND SUBMISSION TO THE WISCONSIN COMMISSIONER

- 2.1 Adoption by the Board.** A resolution determining that the Restructuring is fair and equitable to the Policyholders, and is expected to benefit the Policyholders, and further adopting this Mutual Holding Company Plan, was approved by the Board at a meeting duly called and held on May 17, 2001.

ARTICLE 3

SUBMISSION TO, AND APPROVAL BY, THE WISCONSIN COMMISSIONER

- 3.1 Submission of the Mutual Holding Company Plan.** This Mutual Holding Company Plan shall be submitted to the Wisconsin Commissioner for formal Public Hearing and approval. In addition to the Plan, MMIC will submit to the Wisconsin Commissioner the following documents:
- (a) The proposed articles of incorporation and proposed bylaws of MIHC;
 - (b) The proposed amended and restated articles of incorporation, and proposed amended and restated bylaws, of Converted MMIC;
 - (c) The following information relative to MIHC:
 - (1) The names and, for the preceding 10 years, all addresses and occupations of all proposed directors and officers;
 - (2) All agreements relating to MIHC to which any proposed director or officer is a party;
 - (3) The amount and sources of the funds available for organization expenses and initial operating expenses;

- (4) The proposed compensation of directors and officers;
- (5) The proposed capital; and
- (6) A business plan of MIHC for the first five (5) years of operation.

3.2 Public Hearing. This Mutual Holding Company Plan is subject to the approval of the Wisconsin Commissioner who, pursuant to Wis. Stat. § 644.07(6), must hold a Public Hearing on the Plan after receipt thereof.

3.3 Notice to Policyholders of Public Hearing. MMIC shall mail notice of the Public Hearing to the last-known address of each person who was a Policyholder on the Resolution Date as such appears on the records of MMIC. The notice shall be mailed not more than sixty (60) days and not less than ten (10) days before the scheduled date of the Public Hearing. The notice shall be accompanied by a copy of this Mutual Holding Company Plan, or a copy of a summary of the Plan if the summary is approved by the Wisconsin Commissioner, and any comment that the Wisconsin Commissioner considers necessary for the adequate information of Policyholders. MMIC's failure to mail notice to a Policyholder as required by this Paragraph does not invalidate a Public Hearing if the Wisconsin Commissioner determines that MMIC substantially complied with this Paragraph and attempted in good faith to mail notice to all Policyholders entitled thereto.

3.4 Notice to Other Insurance Commissioners of Public Hearing. The notice, documents and/or comment(s) described in Paragraph 3.3 shall also be mailed to the insurance commissioner of every jurisdiction in which MMIC is authorized to do any business. The notice shall be mailed not more than sixty (60) days and not less than ten (10) days before the scheduled date of the Public Hearing.

3.5 Statements by Policyholders and Other Insurance Commissioners. In accordance with such hearing procedures as the Wisconsin Commissioner or the designated hearing examiner may prescribe, any Policyholder identified in Paragraph 3.3 and any insurance commissioner identified in Paragraph 3.4 may present written or oral statements at the Public Hearing and may present written statements within a period after the Public Hearing specified by the Wisconsin Commissioner or the hearing examiner. The Wisconsin Commissioner shall take statements so presented into consideration in making the determination to approve the Mutual Holding Company Plan.

3.6 Approval by the Wisconsin Commissioner. The Wisconsin Commissioner shall approve the Mutual Holding Company Plan unless he or she finds that the Plan violates the law, is not fair and equitable to Policyholders, or is contrary to the interests of Policyholders or the public.

ARTICLE 4

APPROVAL BY ELIGIBLE MEMBERS

- 4.1 Policyholder Vote.** After approval of this Mutual Holding Company Plan by the Wisconsin Commissioner, the Plan shall be submitted at any regular or special meeting of Policyholders to a vote of the Eligible Members. Voting shall be in accordance with the articles or bylaws of MMIC, which require a majority of those Eligible Members voting. Only proxies specifically related to this Mutual Holding Company Plan may be used for a vote on approval under this Paragraph.
- 4.2 Notice of Meeting of Policyholders.** There shall be no fewer than twenty (20) days advance notice of any meeting for a Policyholder vote on approval of this Mutual Holding Company Plan. Notice of such a meeting shall be sent to the last-known address of each Eligible Member and may be included with any notice sent under Paragraph 3.3.

ARTICLE 5

CONDITIONS PRECEDENT TO RESTRUCTURING

- 5.1 Approval of Wisconsin Commissioner and Eligible Members.** This Mutual Holding Company Plan shall not become effective, and the Restructuring shall not be consummated, until the Plan has been approved as follows:
- (a) This Plan, including the proposed amended and restated articles of incorporation and bylaws of Converted MMIC and the proposed articles of incorporation and bylaws of MIHC, are approved by the Wisconsin Commissioner as set forth in Article 3;
 - (b) This Plan, including the proposed amended and restated articles of incorporation and bylaws of Converted MMIC and the proposed articles of incorporation and bylaws of MIHC, are approved by the majority vote of the Eligible Members voting at a regular or special meeting as set forth in Article 4.
- 5.2 Tax Opinion.** This Mutual Holding Company Plan shall not become effective, and the Restructuring shall not be consummated, until MMIC receives either a private letter ruling issued by the Internal Revenue Service or an opinion from Foley & Lardner or other independent legal counsel substantially to the effect that:
- (a) Policyholders will not recognize gain or loss in connection with the conversion of MMIC from a mutual insurance company to a stock insurance company, the formation of MIHC and the contribution of the stock of Converted MMIC to MIHC (the “Transaction”), and
 - (b) Neither MIHC nor MMIC will recognize gain or loss in connection with the Transaction.

5.3 Securities Law Opinion. This Mutual Holding Company Plan shall not become effective, and the Restructuring shall not be consummated, until MMIC receives either a “no action” letter from 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, or an opinion from Foley & Lardner or other independent legal counsel in form and substance satisfactory to the Board with respect to federal and state securities law matters.

5.4 Other Conditions. This Mutual Holding Company Plan shall not become effective, and the Restructuring shall not be consummated, until the following other conditions precedent are satisfied:

(a) The issuance by the Wisconsin Commissioner of a new certificate of authority to Converted MMIC and a certificate of incorporation to MIHC;

(b) The satisfaction of all conditions precedent to FNP’s restructuring to a mutual holding company structure; provided, however, that this condition may be waived at the discretion of the Board.

ARTICLE 6

THE RESTRUCTURING

6.1 Formation of MIHC. On or before the Effective Date, MMIC shall duly form and incorporate MIHC as a Wisconsin mutual holding company.

6.2 The Restructuring. As of 12:01 a.m. on the Effective Date, and in accordance with the terms of this Mutual Holding Company Plan and Chapter 644 of the Wisconsin Insurance Code, the following will occur:

(a) The Policyholders with Membership Interests in MMIC will immediately become Members of MIHC;

(b) MMIC will convert to a Wisconsin stock property and casualty insurance company;

(c) MIHC will be issued 100% of the initial shares of voting stock of Converted MMIC;

(d) All Equity Rights previously belonging to Policyholders with Membership Interests in MMIC will be extinguished and replaced with Equity Rights in MIHC.

6.3 Corporate existence of Converted MMIC. On the Effective Date, MMIC shall change its name to “Milwaukee Insurance Company.” The Converted MMIC shall be considered to have been organized at the time that MMIC was organized, such that the

corporate existence of MMIC before, on and after the Effective Date shall continue without interruption in all respects and shall remain unaffected by the Restructuring.

- 6.4 Continuation of Rights and Obligations.** The Restructuring of MMIC into a stock insurance company subsidiary of MIHC shall in no way annul, modify or change any of MMIC's existing suits, rights, property interests, contracts or liabilities, except with respect to the extinguishing of Equity Rights as provided in Paragraph 6.2(d). Converted MMIC shall exercise all of the rights and powers and perform all of the duties conferred or imposed by law upon insurers writing the classes of insurance written by MMIC before the Effective Date, and shall retain the rights and contracts existing prior to the Effective Date, except with respect to the extinguishing of Equity Rights as provided in Paragraph 6.2(d).
- 6.5 Continuation of Policies.** On and after the Effective Date, every Policy of MMIC which is In Force shall continue as a Policy of Converted MMIC, and all Contract Rights of all such Policies shall be and remain as they existed immediately prior to the Effective Date as Contract Rights of Policies of Converted MMIC, except with respect to the extinguishing of Equity Rights as provided in Paragraph 6.2(d).
- 6.6 Equity Rights in MIHC.** Holders of MMIC Policies that are In Force on the Effective Date shall receive Equity Rights in MIHC as of the Effective Date. Holders of Policies issued by Converted MMIC on or after the Effective Date will automatically become Members of MIHC in accordance with the articles of incorporation and bylaws of MIHC and the applicable provisions of Chapter 644 of the Wisconsin Insurance Code; provided, however, that the Equity Rights of a Policyholder of Converted MMIC shall continue only so long as the related Policy remains In Force, and no Member of MIHC may transfer such Member's Equity Rights in MIHC apart from the Policy which gives rise to the Member's Equity Rights.
- 6.7 Articles of Incorporation and Bylaws of Converted MMIC.** On the Effective Date, the articles of incorporation of MMIC shall, without further act or deed, but subject to the approval of the Wisconsin Commissioner, be restated as set forth in the amended and restated articles of incorporation attached hereto as Exhibit A. On the Effective Date, the bylaws of MMIC shall, without further act or deed, but subject to the approval of the Wisconsin Commissioner, be restated as set forth in the amended and restated bylaws attached hereto as Exhibit B.
- 6.8 Articles of Incorporation and Bylaws of MIHC.** On the Effective Date, the articles of incorporation of MIHC shall be as set forth in the articles of incorporation attached hereto as Exhibit C, subject to the approval of the Wisconsin Commissioner. On the Effective Date, the bylaws of MIHC shall be as set forth in the bylaws attached hereto as Exhibit D, subject to the approval of the Wisconsin Commissioner.

- 6.9 Preservation of Mutuality.** On and after the Effective Date, MIHC will own 100% of the shares of voting stock of Converted MMIC. In this manner, the mutuality of MMIC is preserved.
- 6.10 Sale of Voting Stock.** The Board has no current plans for the sale of voting stock of Converted MMIC to third parties.

ARTICLE 7

ADDITIONAL PROVISIONS

- 7.1 Directors and Officers.** Upon Restructuring, the directors and officers of MMIC serving immediately prior to the Effective Date shall continue to serve as the directors and officers of Converted MMIC and MIHC, respectively, until their successors have been duly elected and qualified.
- 7.2 Liability of Member.** A Member of MIHC shall not – by virtue of being a Member – be personally liable for the acts, debts, liabilities or obligations of MIHC.
- 7.3 Expenses.** MMIC shall not pay compensation of any kind to any Person in connection with this Mutual Holding Company Plan other than regular salaries to MMIC personnel. This Paragraph does not prohibit the payment of reasonable fees and compensation to attorneys at law, accountants, financial advisors, actuaries or other consultants for services performed in the independent practice of their professions. All expenses of the Restructuring, including the expenses incurred by the Wisconsin Commissioner and the prorated salaries of any involved office staff members of the Wisconsin Commissioner, shall be borne by MMIC.
- 7.4 Amendment or Withdrawal of Mutual Holding Company Plan.** At any time before the Effective Date, MMIC may, by resolution of the Board, amend this Mutual Holding Company Plan or withdraw the Plan. The Wisconsin Commissioner shall determine whether any amendment made after the Public Hearing identified in Paragraph 3.2 changes the Mutual Holding Company Plan in a manner that is materially disadvantageous to any of the Policyholders of MMIC and, in such case, may require a further Public Hearing on the Plan as amended. If an amendment that the Wisconsin Commissioner determines is materially disadvantageous to any of the Policyholders is made after the Mutual Holding Company Plan has been approved by the Policyholders, the Plan as amended shall be submitted for reconsideration by the Policyholders.
- 7.5 Agreements Among Affiliates.** MIHC or any of its subsidiaries or affiliates may enter into any tax sharing agreements, management agreements, service contracts, other cost-sharing arrangements, and similar agreements with another affiliate, subject to any required regulatory approval by the Wisconsin Commissioner pursuant to the Wisconsin Insurance Code.


- 7.6 **Merger Plans.** Prior to adoption of this Mutual Holding Company Plan by the Board, MMIC has been engaged in discussions with FNP about the possibility of a merger between MIHC and the mutual holding company formed by FNP. In the event that any definitive agreement is reached with respect to this or any other merger or affiliation, the transaction will be submitted to the Wisconsin Commissioner and the Members of MIHC for approval at a future time following the Effective Date.
- 7.7 **Governing Law.** The terms of this Mutual Holding Company Plan shall be governed by and construed in accordance with the laws of the State of Wisconsin, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.
- 7.8 **Headings.** Article and Paragraph headings contained in this Mutual Holding Company Plan are used for convenience only, and shall not be considered in construing or interpreting any of the provisions hereof.

IN WITNESS WHEREOF, Milwaukee Mutual Insurance Company, by authority of its Board of Directors, has caused this Mutual Holding Company Plan to be signed by its President and Chief Executive Officer and attested to by its Secretary on May __, 2001.

MILWAUKEE MUTUAL INSURANCE COMPANY

By: 
Daniel R. Doucette
President and Chief Executive Officer

ATTEST:

By: 
Joseph C. Branch
Secretary