

MILWAUKEE MUTUAL INSURANCE COMPANY

A Wisconsin Property and Casualty Insurer

**250 North Sunny Slope Road, #250
Brookfield, WI 53005**

POLICYHOLDER INFORMATION STATEMENT

**Relating to the Proposed Amended and Restated Mutual Holding Company Plan
Of Milwaukee Mutual Insurance Company**

Dated _____, 2003

No person has been authorized to give any information or to make any representations other than, or inconsistent with, those contained in this Policyholder Information Statement in connection with the Amended and Restated Mutual Holding Company Plan referenced herein, and any such information or representation, if given or made, must not be relied upon as having been authorized by Milwaukee Mutual Insurance Company (“MMIC”) or any other person, firm or entity representing MMIC. The delivery of this Policyholder Information Statement shall not under any circumstances create an implication that there have not been any changes in the affairs of MMIC since the date hereof or that the information herein is correct as of any time subsequent to its date.

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INTRODUCTION

This Policyholder Information Statement is being provided to Policyholders of MILWAUKEE MUTUAL INSURANCE COMPANY (“MMIC” or the “Company”) to describe the Company’s proposal to change the structure of MMIC from its current form as a mutual insurance company to that of a stock insurance company owned and controlled by a mutual insurance holding company organized under Chapter 644 of the Wisconsin Insurance Code (the “Restructuring”). Capitalized terms used in this Policyholder Information Statement are defined where first used herein and/or in the *GLOSSARY* appearing at page 43.

The proposal described herein is based upon an Amended and Restated Mutual Holding Company Plan (the “Plan”) adopted by the Board of Directors of MMIC (the “Board”) at a meeting of the Board held on October 18, 2002, a copy of which is attached hereto as Attachment A. The Plan will also be the subject of a public hearing conducted by the Office of the Commissioner of Insurance for the State of Wisconsin (the “Wisconsin Commissioner”) on _____, 2003. The Wisconsin Commissioner, among others, must approve the Plan before it can take effect. Pursuant to the Plan:

- MMIC will form Mutual Insurers Holding Company (“MIHC”), a Wisconsin mutual holding company;
- MMIC will convert to Milwaukee Insurance Company (“Converted MMIC”), a Wisconsin stock property and casualty insurance company;
- MIHC will be issued 100% of the shares of voting stock of Converted MMIC;
- All Policyholders with Membership Interests in MMIC will become Members of MIHC, and all Equity Rights in MMIC previously held by such Policyholders will be extinguished and replaced with Equity Rights in MIHC;
- All Policyholders with Contract Rights stemming from Policies of MMIC shall become Policyholders with Contract Rights stemming from Policies of Converted MMIC, and all such Contract Rights shall otherwise be and remain as they existed immediately prior to the Effective Date of the Restructuring.

This information is being provided to you pursuant to, and the actions being proposed herein are to be taken in accordance with, Chapter 644 of the Wisconsin Insurance Code, various other statutory provisions referenced and/or incorporated therein, and applicable provisions of the current Amended and Restated Articles of Incorporation of MMIC (the “Current MMIC Articles”) and the current Bylaws of MMIC (the “Current MMIC Bylaws”). This Policyholder Information Statement is being mailed to all Policyholders of MMIC who are eligible under the Wisconsin Insurance Code and/or the Current MMIC Articles and Current MMIC Bylaws to vote on the Plan, and the proposed Amended and Restated Articles of Incorporation of Converted MMIC (the “Amended and Restated Articles”), at a Special Meeting of Members to be held at __: __.m., Central Time, on _____, 2003, at the law offices of Foley & Lardner, 777 East Wisconsin Avenue, 40th Floor, Milwaukee, Wisconsin (the “Special Meeting”). Eligible Members may vote on the Plan, and the Amended and Restated Articles, either by mailing a proxy to MMIC or by attending the meeting and voting in person. If

you prefer to vote by proxy, the enclosed proxy card enables you as an Eligible Member to vote “FOR” or “AGAINST” the Plan, and “FOR” or “AGAINST” the Amended and Restated Articles, but in order to be counted, completed proxy cards must be received before or at the time of the Special Meeting.

The consummation of the Plan is subject to, among other things, (i) approval of the Plan by a simple majority of those Eligible Members of MMIC voting at the Special Meeting, and (ii) approval of the Amended and Restated Articles by a two-thirds majority of those Eligible Members of MMIC voting at the Special Meeting.

The Board of Directors of MMIC unanimously approved and adopted the Plan and, for reasons stated herein, recommends that Eligible Members vote “FOR” approval and adoption of the Plan, and “FOR” approval of the Amended and Restated Articles, at the Special Meeting.

This Policyholder Information Statement and the accompanying form of proxy are being mailed on or about _____, 2003 to MMIC’s Policyholders. The date of this Policyholder Information Statement is _____, 2003.

AVAILABLE INFORMATION

MMIC is a mutual property and casualty insurer domiciled in the State of Wisconsin and licensed to do business in the states of Arizona, Colorado, Illinois, Indiana, Iowa, Kentucky, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. MMIC is subject in part to the laws and regulations of the State of Wisconsin applicable to insurance companies and, accordingly, files annual and quarterly financial reports (“Annual Statements” and “Quarterly Statements”) prepared on a statutory accounting basis and other information with the Wisconsin Commissioner as well as other state insurance departments.

In connection with obtaining approval of the Plan from the Wisconsin Commissioner, MMIC filed the Plan and other related documents, including drafts of this Policyholder Information Statement (collectively, the “Filing”), with the Wisconsin Commissioner pursuant to Chapter 644 of the Wisconsin Insurance Code. Policyholders of MMIC may inspect and obtain copies of the Filing, as well as the financial reports and other information filed by MMIC with the Wisconsin Commissioner, during normal business hours at the offices of MMIC located at 250 North Sunny Slope Road, #250, Brookfield, WI 53005. Members of the public may inspect and make copies of the Filing, as well as the financial reports and other information filed by MMIC with the Wisconsin Commissioner, during normal business hours at the offices of the Wisconsin Commissioner located at 121 East Wilson Street, Madison, Wisconsin 53707-7873. The publicly available financial reports of MMIC can also be inspected and copied during normal business hours at the offices of the insurance regulatory agency in each of the states where MMIC does business. Any Policyholder who has questions about this Policyholder Information Statement or the Filing in general may call MMIC at 262-938-0046 during normal business hours.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

MMIC's Annual Statements for the years ended December 31, 2001, 2000, and 1999 as filed by MMIC with the Wisconsin Commissioner, and any Quarterly Statements filed by MMIC with the Wisconsin Commissioner during 2002 (including Quarterly Statements filed after the date hereof and prior to the Special Meeting), are incorporated by reference in this Policyholder Information Statement.

Statements contained in this Policyholder Information Statement or in any document incorporated herein by reference, as to the contents of any contract or other documents referred to herein or therein, are not necessarily complete, and in each instance where reference is made to the copy of such contract or other document filed as an exhibit to the Filing or such other document, each such statement is qualified in all respects by such reference. For the purposes of this Policyholder Information Statement, the documents referred to herein, including the Attachments, Exhibits, the Annual and Quarterly Statements and the other financial reports and the Filing, are deemed incorporated by reference in their entirety.

SUMMARY

The following summary is not complete, is not intended to be complete, and is qualified in all respects by the more detailed information appearing elsewhere in this Policyholder Information Statement. You are urged to read this Policyholder Information Statement in its entirety.

The Board of Directors unanimously approved the Plan on October 18, 2002. The Plan will also be the subject of a public hearing conducted by the Office of the Commissioner of Insurance for the State of Wisconsin (the "Wisconsin Commissioner") on _____, 2003. The Plan will not become effective until all of the closing conditions are satisfied. See *CONDITIONS TO CLOSING OF RESTRUCTURING* at page 37.

Background of MMIC

MMIC is a property and casualty mutual insurance company based in Brookfield, Wisconsin. MMIC provides both personal and commercial lines coverages through independent agencies. MMIC's personal lines products include auto, homeowners and umbrella insurance, and its commercial products include commercial package policies (combining insurance for both property and liability exposures arising out of the property), workers' compensation insurance, commercial auto and commercial umbrella. MMIC is licensed in Arizona, Colorado, Illinois, Indiana, Iowa, Kentucky, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin, and over 90% of its business is generated in five states -- Wisconsin, Illinois, Minnesota, South Dakota and Indiana. MMIC's current A.M. Best rating is A.

On October 2, 1995, Trinity Universal Insurance Company ("Trinity"), a subsidiary of Unitrin, Inc., acquired 100% ownership of Milwaukee Insurance Group, Inc. ("MIG"), a publicly traded holding company that was 48% owned by MMIC. MMIC participates in an intercompany reinsurance pooling arrangement (originally effective January 1, 1985) with two of its affiliates, Milwaukee Casualty Insurance Co. (formerly Milwaukee

Guardian Insurance, Inc.) and Milwaukee Safeguard Insurance Company. Under the terms of the pooling arrangement, the combined premiums, losses, and expenses of the three insurers are prorated among the insurers. Due to amendments to the pooling arrangement, MMIC's participation in the pooling varied over time, beginning at 76% in 1985, declining to 60% between 1987 and 1993, 40% between 1993 and 1995, and 5% for the time period between October 1, 1995 and December 31, 1996. As of January 1, 1997, the amendment to the pooling arrangement covering the period from October 1, 1995 to December 31, 1996 was terminated and the insurance business attributable to that period was commuted effective October 1, 1995. Effective January 1, 1997, MMIC reinsured all of its insurance business written on or after October 1, 1995, including the commuted business, with Trinity pursuant to a 95% quota share reinsurance agreement.

Effective July 1, 2001, MMIC entered into an 80% quota share reinsurance agreement with First Nonprofit Insurance Company (formerly known as First Nonprofit Mutual Insurance Company) (collectively, "FNP"). FNP is a property and casualty stock insurance company based in Chicago and is the leading insurer of nonprofit organizations in Illinois. It is the wholly-owned subsidiary of First Nonprofit Mutual Holding Company ("FNMHC"). FNP provides three principal products: commercial package policies (combining insurance for both property and the liability exposures arising out of the property), workers' compensation and commercial automobile, exclusively to the nonprofit sector. FNP is licensed to do business in Illinois, Indiana, Maryland, Michigan, Minnesota, Pennsylvania, and the District of Columbia. The Company's current A.M. Best rating is A- (Excellent). Pursuant to the quota share agreement between MMIC and FNP, MMIC assumed 80% of FNP's net liability on FNP's in-force business and FNP's new business going forward in respect of all claims incurred (or claims reported under claims-made policies) after the effective date of the quota share agreement. Pursuant to the Illinois Insurance Code (*i.e.*, 215 ILCS 5/174), the quota share agreement was subject to prior review and approval by the Director of the Illinois Department of Insurance (the "Illinois Director"), which approval was granted effective July 1, 2001.

Challenges Facing MMIC

MMIC's Board of Directors believes that, 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. The importance of flexibility and the ability to move quickly and decisively, particularly in the area of merger and acquisition activities, is further heightened by the 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.

In its current structure as a mutual insurance company, MMIC has limited options to respond to change in the marketplace and to grow or solidify its business operations through acquisition activity and/or the investment of excess surplus. For example, MMIC cannot merge with other mutual insurers without one of the two entities ceasing to exist as a separate insurer. There are also limitations upon MMIC's ability to acquire or affiliate with non-insurers. In addition, MMIC currently has no stock to use as acquisition currency and limited ability to raise

new capital. While MMIC has no current need to raise new capital and has no immediate plans to access the capital markets or otherwise obtain additional capital following the Restructuring, there is always the possibility – particularly in an environment of consolidation and increased competition – that a need for new capital may arise in the future.

MMIC confronts all of these structural limitations during a period of significant change in the insurance and financial services marketplaces.

Benefits of Restructuring to a Mutual Holding Company Structure

In light of the foregoing, the Board of Directors of MMIC recommends that you vote FOR the Plan, and FOR the Amended and Restated Articles, for the following reasons:

(1) Mutual-to-Mutual Transactions

A mutual holding company structure provides MMIC with the ability to merge with other mutual organizations while preserving the separate insurance operations and “brands” of both MMIC and the target organizations, in each case as stock subsidiaries of MIHC. Currently, MMIC cannot merge with other mutual insurance companies without one of the entities terminating its separate existence and identity, even though it might not be in the best interests of MMIC, the other entity, or their respective policyholders to do so.

(2) Maintain Mutuality

As a mutual, MMIC has adopted a corporate culture and reputation as an entity that focuses on the interests and benefits of its current and future Policyholders, the owners of the Company. MMIC believes that a good portion of its success as an insurance enterprise stems from this inherent structural tendency to view its business operations and objectives from the perspective of the Policyholder. As such, MMIC wishes to preserve its “mutuality” as much as possible while still being able to compete against its larger stock and/or non-insurer competitors in the marketplace. The proposed Restructuring to a mutual holding company structure enables MMIC to ultimately retain its Policyholder focus by ensuring that the organization is always under the ultimate control of a mutual holding company even as it takes advantage of the corporate and operational flexibility available to a stock enterprise. See *RETENTION OF MUTUAL FORM OF ORGANIZATION* at page 29.

In addition, under Wisconsin law, if MIHC ever decides to sell stock in Converted MMIC, it will be required at all times to retain, directly or indirectly, at least 51% of the shares of voting stock of Converted MMIC (or 51% of the voting stock of any subsidiary intermediate stock holding company it may choose to create in the future), thereby preserving mutuality.

In addition to the foregoing reasons, there are several additional advantages to a mutual holding company structure which other mutual holding companies have identified, and which are applicable to MMIC as well, although MMIC currently has no intention of pursuing these additional advantages.

(3) Transactions with Non-Insurers, Diversification

A mutual holding company structure may ease MMIC's ability to acquire or affiliate with non-insurers thereby achieving efficiencies of scale and diversification of assets. Under a mutual holding company structure, MMIC would have the ability to respond quickly and decisively to changes in the insurance and financial services marketplace in ways that would not have been available to it as a mutual insurance company. See *ORGANIZATIONAL FLEXIBILITY* at page 29.

(4) Stock as an Acquisition Currency

A mutual holding company structure would enable MMIC to use stock as an acquisition currency, rather than having to rely upon cash alone. Under Wisconsin law, MIHC will have to own at least 51% of the voting stock of Converted MMIC at all times, but the remaining 49% may be sold to the public or used as currency to acquire or affiliate with other insurers or non-insurer entities. While MMIC has no current plans to use the voting stock of Converted MMIC in this manner, the ability to do so increases its options and ability to exploit strategic acquisition opportunities vital to MMIC's competitiveness.

(5) Access to Capital Markets

A mutual holding company structure would give MMIC the ability to access the capital markets to raise new capital by selling shares of stock of Converted MMIC (or any subsidiary intermediate stock holding company it may choose to create in the future) to the public or to other third parties as the needs occur and as market conditions permit. Such additional equity capital has the potential of increasing the financial strength of Converted MMIC and its parent, MIHC. MMIC does not currently have any plans to raise capital by selling shares of stock or issuing debt securities. However, a mutual holding company structure would put it in a position to do so. See *ACCESS TO CAPITAL MARKETS* at page 20.

Consideration of Alternatives

The alternatives to reorganizing under a mutual holding company structure are for MMIC to either (i) preserve the status quo and remain a mutual insurance company, or (ii) undergo a demutualization.

(1) Preserving the Status Quo

The Board of Directors determined that continuing to operate as a mutual insurance company imposes limits upon MMIC's ability to position itself for long-term growth and to compete effectively. The Board concluded that, 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. The Board also concluded that the importance of flexibility and the ability to move quickly and decisively, particularly in the area of merger and acquisition activities, is further heightened by the 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. The Board believes that if MMIC remains in its current structure as a mutual insurance company, it will have limited means available to it to respond to these changes in the marketplace and to grow or solidify its business operations through acquisition activity and/or the investment of excess surplus.

(2) Demutualization

A demutualization would convert MMIC from a mutual insurance company into a stock insurance company without simultaneously creating a mutual holding company as a parent. There would be certain benefits of a demutualization to MMIC and its Members such as the following:

- Policyholders, as Members of MMIC, would receive cash, stock or other consideration in exchange for their Equity Rights in MMIC.
- Stock of the demutualized company could be used by the demutualized company as acquisition currency.
- The value of MMIC's stock after or associated with a demutualization may be higher than it would be after reorganizing to a mutual holding company structure, insofar as, under Wisconsin law, the mutual holding company will always have to own, directly or indirectly, at least 51% of the shares of Converted MMIC. Public investors may place a lower value on the stock of Converted MMIC as a result of their inability to acquire a controlling interest in the entity.

The Board of Directors concluded, however, that maintaining the "mutuality" of MMIC in some form was important in order to preserve the Company's historical focus on the interests and benefits of its current and future Policyholders. In addition, the Board thought it important that MMIC retain and enhance its ability to merge, acquire or affiliate with other mutual entities, particularly in ways that preserve the separate insurance operations and "brands" of such organizations, including MMIC. Demutualization is inconsistent with both of these goals, as it terminates MMIC's existence as a "mutual" organization ultimately owned by its current and future Policyholders, and eliminates MMIC's practical ability to merge with other mutual insurers (other than through the acquisition of another mutual insurer through the latter's sponsored demutualization), thus limiting the number of strategic acquisition opportunities available to MMIC. Other potential disadvantages of demutualization as an alternative to the mutual holding company structure include the following:

- Demutualization may be a less efficient way to raise capital. Under a demutualization, MMIC would be required to distribute cash, stock or other forms of consideration to Policyholders in exchange for their Equity Rights in MMIC.
- Under the proposed mutual holding company structure, control of the insurance company remains, at least indirectly, with the Members of MMIC. Under a demutualization, Members who acquire shares of stock in exchange for their Equity Rights will continue to have voting rights in the demutualized company,

but other persons besides Members may acquire shares of stock in the entity and/or become the controlling stockholders.

- Historically, demutualizations are more difficult to structure, more time consuming and more expensive than mutual holding company reorganizations.

It is also worth noting that the Plan does not preclude a future demutualization of MIHC, the mutual holding company parent. However, no such demutualization is currently contemplated, and a demutualization may never occur.

Recommendation of Board of Directors

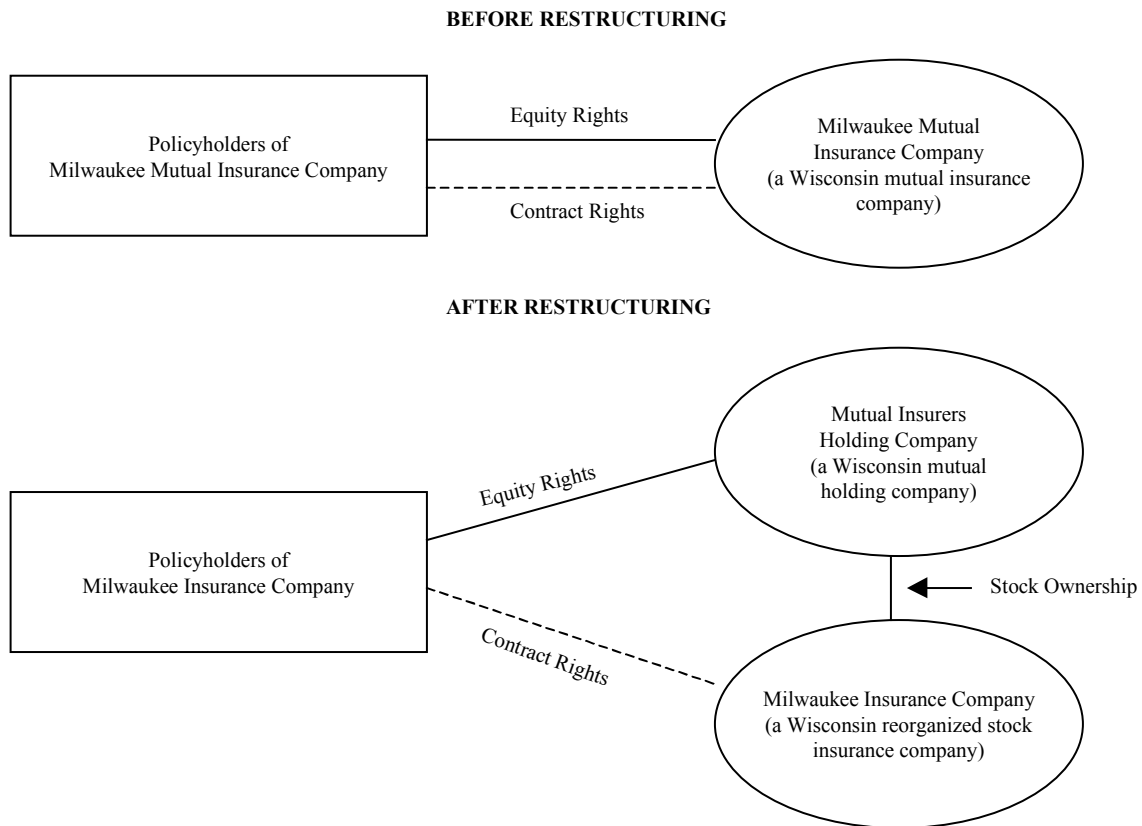
ON OCTOBER 18, 2002, THE BOARD OF DIRECTORS OF MMIC UNANIMOUSLY ADOPTED THE PLAN. AS REQUIRED BY CHAPTER 644 OF THE WISCONSIN INSURANCE CODE, THE BOARD SUBMITTED THE PLAN TO THE WISCONSIN COMMISSIONER FOR REVIEW AND APPROVAL. THE WISCONSIN COMMISSIONER WILL CONDUCT AND PRESIDE OVER A PUBLIC HEARING ON THE PLAN ON _____, 2003.

THE BOARD OF DIRECTORS OF MMIC UNANIMOUSLY RECOMMENDS THAT ELIGIBLE MEMBERS OF MMIC VOTE “FOR” APPROVAL AND ADOPTION OF THE PLAN, AND “FOR” APPROVAL AND ADOPTION OF THE AMENDED AND RESTATED ARTICLES, AT THE SPECIAL MEETING.

Description of the Restructuring

On or before the Effective Date of the Restructuring, MMIC will form and incorporate MIHC as a Wisconsin mutual holding company. On the Effective Date, Policyholders with Membership Interests in MMIC will immediately become Members of MIHC. MMIC will convert to, and continue its corporate existence as, Converted MMIC, a Wisconsin stock property and casualty insurance company. MIHC will be issued 100% of the shares of voting stock of Converted MMIC. All Equity Rights in MMIC previously belonging to Policyholders with Membership Interests in MMIC will be extinguished and replaced with Equity Rights in MIHC. As a result of the Restructuring, Converted MMIC will exist as a stock insurance company subsidiary of MIHC.

The following diagrams illustrate MMIC’s organizational structure before and after consummation of the Restructuring contemplated by the Plan:



For additional details concerning the Restructuring, see *DESCRIPTION OF THE RESTRUCTURING* at page 23.

Effects of the Restructuring

The Restructuring will have the following effects upon MMIC and its Members/Policyholders:

(1) Operations and Business of MMIC

The Restructuring will not result in any material changes in MMIC’s existing insurance operations or its services to Policyholders, except that such operations and services will in the future be conducted or provided by a stock insurance company rather than a mutual insurance company. In addition, the Restructuring of MMIC into a stock insurance 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 and replacement of Equity Rights as described below.

(2) Effect Upon Contract Rights and Equity Rights of MMIC Policyholders

Currently, Members of MMIC have both Contract Rights as Policyholders of the Company and Equity Rights as Members of the Company. Upon Restructuring, a Member's Contract Rights and Equity Rights will effectively be separated, as further explained below.

The principal Contract Right is the right to receive the type and amount of insurance coverage specified in a Member's Policy (or Policies) in accordance with the terms and provisions thereof, including the right to dividends or refunds of premiums as, if and when declared by the Board. On the Effective Date, the Contract Rights of Members will remain with Converted MMIC. Every Policy that has been issued by MMIC which is In Force on the Effective Date will remain in force at the Effective Date and continue as a Policy of Converted MMIC. The premiums currently required to be paid as specified in the Policies will not be increased or otherwise changed as a result of the Restructuring. It is the intention of MMIC that its current policies with respect to dividends or refunds of premiums to Policyholders will not be affected by the Restructuring.

The principal Equity Rights of Members of MMIC are as follows:

- The right to elect the directors of MMIC;
- The right to approve or disapprove proposed changes in the Current MMIC Articles;
- The right to vote (or grant proxies to vote) on any plan of conversion, voluntary dissolution or such other matters as may come before the Members at an annual or special meeting of MMIC's Members;
- The right to receive and/or share in any distribution of, or to receive consideration based upon, the remaining surplus, if any, of MMIC in the event of MMIC's ultimate dissolution and liquidation (which means, if MMIC were to become insolvent or go out of business); and
- The right to receive cash, stock or such other consideration as is approved by the Wisconsin Commissioner in exchange for the Members' Equity Rights in the event of the demutualization of MMIC (which would require approval by the Board and the Members and by the Wisconsin Commissioner).

On the Effective Date, the foregoing Equity Rights of Members of MMIC shall be automatically transferred to MIHC. Members will not receive any cash, stock or other consideration in exchange for their Equity Rights in MMIC. Rather, the Members' Equity Rights in MMIC will be extinguished and replaced with Equity Rights in MIHC, and the Equity Rights in MIHC will be identical to those set forth above with respect to MMIC, except that they shall be exercised with respect to the operations of MIHC and not those of MMIC or Converted MMIC. The Board of Directors of MIHC, representing the interests of Policyholders, will exercise voting control over the election of directors of Converted MMIC and over other matters pertaining to the governance of Converted MMIC. Holders of Policies issued by Converted MMIC on or after the Effective Date will automatically become Members of MIHC.

(3) Directors and Executive Officers

On the Effective Date of the Restructuring, it is intended that the Board of Directors of Converted MMIC will consist of the same nine (9) directors that currently comprise the Board of Directors of MMIC. It is intended that the Executive Officers of Converted MMIC and of MIHC will be the same individuals currently serving in those positions for MMIC. Finally, it is intended that the Board of Directors of MIHC will consist of Daniel R. Doucette, Joseph C. Branch, Richard A. Hemmings, Terry L. Van Der Aa, Richard C. Vie, Donald G. Southwell, Eric J. Draut, Philip R. Warth, Jr., and David F. Bengston. For information regarding the current directors and executive officers of MMIC, and the proposed directors and executive officers of MIHC and Converted MMIC, see *DIRECTORS AND OFFICERS OF MMIC, CONVERTED MMIC AND MIHC* at page 39.

(4) Corporate Governance

After the Restructuring, Converted MMIC will operate under the direction of its Board of Directors and all voting rights, including the election of the Board of Directors of Converted MMIC, will be vested exclusively in the holder(s) of its outstanding voting stock; specifically, MIHC. Moreover, under Wisconsin law, MIHC must retain ownership, directly or indirectly, of at least 51% of the voting stock of Converted MMIC at all times. Accordingly, MIHC will have voting control over the outcome of most matters presented to the stockholders of Converted MMIC for resolution by vote, including the election of the Board of Directors for Converted MMIC. MIHC will operate under the direction of its Board of Directors and all voting rights, including the election of the Board of Directors of MIHC, will be vested exclusively in the Policyholders of Converted MMIC who become Members of MIHC. These Members will be entitled to vote on all matters requiring action by the Members, including the election of the directors of MIHC.

(5) Potential Sale of Stock of Subsidiaries

Converted MMIC, or any subsidiary intermediate holding company created by MIHC after the Restructuring, may issue new shares of capital stock or debt securities to the public or other third parties. Under Wisconsin law, however, MIHC will have to own at least 51% of the voting stock of Converted MMIC or any subsidiary intermediate holding company created by MIHC, and thereby will maintain voting control of the same. No shares of capital stock or debt securities will be issued or sold concurrently with the Restructuring and there are no current plans for such activity in the future.

(6) Federal Tax Consequences

The consummation of the Restructuring is subject to the condition that MMIC obtain either a private letter ruling issued by the IRS or an opinion of Foley & Lardner or other independent tax counsel to MMIC, in either case substantially to the effect that MMIC, MIHC, and/or MMIC's Policyholders will not recognize gain or loss for U.S. federal income tax purposes 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.

For further details regarding any of the foregoing effects of the Restructuring, see *EFFECTS OF THE RESTRUCTURING* at page 24.

Voting Considerations and Risk Factors

In addition to the benefits of the mutual holding company structure and the pros and cons of the alternatives discussed above, you should consider certain risks and other factors involved in adopting a mutual holding company structure, including the following:

(1) Movement of Subsidiaries and Other Assets.

The mutual holding company structure permits the realignment of subsidiaries of MMIC, and the transfer of other assets out of MMIC to one or more affiliates, provided such movement is approved by the Wisconsin Commissioner and consistent with Wisconsin law. It is possible that sometime in the future a realignment of subsidiaries may occur either by sale, or as an ordinary or extraordinary dividend or otherwise, as the case may be. There can be no assurances that any future transfers of assets, including an ordinary or extraordinary dividend or realignment of subsidiaries, would not be detrimental to the financial condition of MMIC, although any material transaction would likely require regulatory approval.

(2) Issuance of Stock to Third Parties

At present, Policyholders have the right to elect the Board of Directors of MMIC and to vote on all other corporate matters presented to them for a vote. On the Effective Date, MIHC will directly or indirectly own all of the outstanding voting stock of Converted MMIC. However, either Converted MMIC, or a subsidiary intermediate holding company subsequently created by MIHC to hold the stock of Converted MMIC (an “intermediate holding company”) could issue voting securities to the public or to other third parties, subject to approval by the Wisconsin Commissioner. The result of any such stock issuance or sale would be that such subsidiary would receive the proceeds of the sale, which would thereby increase its assets and stockholders’ equity, but MIHC – and indirectly, the Members of MIHC – would then control less than 100% of the voting stock of such subsidiary. However, MIHC by law is required at all times to maintain direct or indirect voting control of Converted MMIC. MMIC has no current plans to issue stock to third parties.

(3) Potential Conflicts between Interests of Policyholders and Shareholders

The current duties and obligations of the Board of Directors of MMIC is to act in the best interests of its Members, who are the Policyholders of MMIC. After the Restructuring, the duties and obligations of the Board of Directors of MIHC will be to act in the best interests of these same Members and Policyholders, and those which become Members and Policyholders after the Restructuring. If, however, Converted MMIC decides to undertake an initial public offering or other issuance of stock, the obligations and duties of the Board of Directors of Converted MMIC will extend to outside investors in addition to the Members of MIHC. This would also be true if a subsidiary intermediate holding company were organized in the future and shares of stock of the subsidiary were sold to the public or to other third parties. Accordingly, there may be some potential for the development of conflicting interests between the Members of MIHC and the shareholders of Converted MMIC or any subsidiary intermediate holding

company (collectively, the “Shareholders”). One potential conflict would be between the interests of Policyholders of Converted MMIC in receiving insurance at the lowest cost possible and the interests of Shareholders in receiving the highest return on their investment. Additionally, there may be conflicts over how the growth of, and profit from, Converted MMIC’s business should be apportioned between the Policyholders and the Shareholders. However, MIHC, representing the Policyholders, would remain the majority voting shareholder with ultimate voting control, directly or indirectly, over Converted MMIC.

(4) Market Conditions

Any future decision to issue capital stock or debt securities would depend upon, among other factors, the then-current needs of the organization for additional capital, then-prevailing market conditions, the financial performance and business prospects of the organization, and the interests of the Members of MIHC. There can be no assurance as to if, when, or on what terms any such capital raising efforts would take place.

(5) Issuance of Debt

A mutual insurance company may issue debt in the form of surplus notes. Generally, payments of either principal or interest on surplus notes may not be made without consent of the Wisconsin Commissioner. A mutual company is often limited directly by regulatory bodies as to the amount of surplus notes which may be issued in relation to the issuer’s other surplus. Under the proposed mutual holding company structure, MIHC or any subsidiary could issue debt in forms other than surplus notes. Unlike surplus notes, no approval of the Wisconsin Commissioner would be required to pay principal or interest on such debt. The mutual holding company complex could become financially leveraged to a greater extent than is now the case. No assurances can be given that such additional leverage would not be detrimental to the financial solvency or ratings of MIHC or Converted MMIC.

(6) No Fairness Opinion from an Investment Banker

In connection with its approval of the Plan, the Board of Directors did not receive a fairness opinion of an investment banker. No opinion was necessary in this case because, among other reasons (a) no initial public offering is being undertaken or is presently contemplated, (b) any initial stock offering would require the approval of the Wisconsin Commissioner, and (c) the Plan is generally similar to plans for forming mutual holding companies which have been approved and adopted in other states.

(7) Possible Litigation

There can be no assurance that adoption of the Plan will not result in litigation. Certain mutual insurance companies that have reorganized or proposed to reorganize to a mutual holding company structure have been sued by certain policyholders alleging that such a structure, although expressly authorized by statute, is unfair to policyholders. Litigation can be costly and time consuming and could result in a diversion of effort and resources by MMIC’s management. MMIC believes it has complied with applicable law, and the Board believes that the Restructuring is fair and equitable to Policyholders and expects that the Restructuring will

benefit Policyholders and will not be contrary to their interests or the interests of the Wisconsin public.

(8) Differences in Insolvency Laws

A Wisconsin mutual insurer, such as MMIC, is subject to the jurisdiction of the Wisconsin Commissioner in the event of the insolvency of the Company. While it is not clear, a Wisconsin mutual holding company may be under the jurisdiction of the federal bankruptcy laws. There can be no assurance that federal bankruptcy laws will not reduce the priority (if any) of the claims of Policyholders of MMIC, or preempt Wisconsin law and/or make it difficult for the Wisconsin Commissioner to recover assets of the mutual holding company for the benefit of the Policyholders of MMIC.

(9) Change in Regulations

Certain activities that are regulated by the Wisconsin Commissioner under the present structure may not be regulated, or may be regulated differently, under the mutual holding company structure. Uncertainty in this area is heightened by the fact that there has been only one Wisconsin mutual insurance company that has completed a mutual holding company restructuring in Wisconsin. Furthermore, depending on its future business activities, MIHC may become subject to various federal laws and come under the authority of federal regulators. If the interests of federal regulators and state insurance regulators conflict, Members' Equity Rights in MIHC could be adversely affected.

(10) Absence of Implementing Regulations

The Wisconsin Insurance Code provides that the Wisconsin Commissioner may issue regulations to implement the mutual holding company laws set forth in Chapter 644 of the Wisconsin Insurance Code and establish applicable procedures thereunder. Although no regulations or procedures have been promulgated to date, the Wisconsin Commissioner may at some future point propose and/or promulgate regulations or procedures that may adversely affect MIHC and/or its Members. Converted MMIC Policyholders will receive Equity Rights in MIHC that may be subject to different insurance regulatory oversight than an insurance company. There can be no assurances that any regulations adopted by the Wisconsin Commissioner will not affect MMIC's Plan, including its conditions as to effectiveness and the contemplated timing for consummation of the Plan.

(11) Reliance on Management

The success of Converted MMIC's strategy will depend, in large part, upon the skill and judgment of its management. While past performance does not assure future success, MMIC's management believes that it has consistently demonstrated high levels of skill and judgment in managing the operations and affairs of the Company for the benefit of Policyholders.

Special Meeting of Members

MMIC will hold a Special Meeting of Members on _____, 2003 at _____: _____m., Central Time, at the law offices of Foley & Lardner, 777 East Wisconsin Avenue, 40th Floor, Milwaukee, Wisconsin. At the Special Meeting, Eligible Members will be asked to consider and vote upon proposals to (i) approve and adopt the Plan, (ii) approve and adopt the Amended and Restated Articles, and (iii) consider and vote upon all other matters as they may properly come before the meeting. If you are listed as a Policyholder of MMIC based on MMIC's records as of the Record Date, you will be entitled to one vote regarding the Plan and one vote regarding the Amended and Restated Articles. Each Eligible Member shall be entitled to vote either by ballot made in person at the Special Meeting, or by proxy. The affirmative vote of at least a majority of the Eligible Members present in person or by valid proxy at the Special Meeting is required to approve the Plan. The affirmative vote of at least a two-thirds majority of the Eligible Members present in person or by valid proxy at the Special Meeting is required to approve the Amended and Restated Articles. Proxies must be received before or at the time of the Special Meeting in order to be counted. The Special Meeting requires a quorum of at least ten (10) Eligible Members present in person.

Conditions to Closing of Restructuring

The consummation of the Restructuring contemplated by the Plan is subject to the prior satisfaction of several conditions, including (i) approval of the Plan by the Eligible Members of MMIC, (ii) approval of the Amended and Restated Articles by the Eligible Members of MMIC, (iii) receipt of a satisfactory private letter ruling from the Internal Revenue Service or a tax opinion from Foley & Lardner or other independent legal counsel, (iv) receipt of a satisfactory "no action" letter from the Securities and Exchange Commission or a securities opinion from Foley & Lardner or other independent legal counsel, and (v) the issuance by the Wisconsin Commissioner of a new certificate of authority to Converted MMIC and a certificate of incorporation to MIHC.

THE RESTRUCTURING

Introduction

The following is a more detailed description of certain aspects of the Restructuring, including the material provisions of the Plan. This description is qualified in its entirety by reference to the other information contained elsewhere herein, including the Attachments hereto and the documents incorporated by reference herein. A full text of the Plan, as well as the exhibits thereto, are attached hereto as Attachment A.

The Board of Directors unanimously approved the Plan on October 18, 2002. The Plan will also be the subject of a public hearing conducted by the Wisconsin Commissioner on _____, 2003. The Plan will not become effective until all of the closing conditions are satisfied. See *CONDITIONS TO CLOSING OF RESTRUCTURING* at page 37.

Background of MMIC

MMIC is a property and casualty mutual insurance company based in Brookfield, Wisconsin. MMIC provides both personal and commercial lines coverages through independent agencies. MMIC's personal lines products include auto, homeowners and umbrella insurance, and its commercial products include commercial package policies (combining insurance for both property and liability exposures arising out of the property), workers' compensation insurance, commercial auto and commercial umbrella. MMIC is licensed in Arizona, Colorado, Illinois, Indiana, Iowa, Kentucky, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin, and over 90% of its business is generated in five states -- Wisconsin, Illinois, Minnesota, South Dakota and Indiana. MMIC's current A.M. Best rating is A.

The Company was originally organized in 1916 as Milwaukee Automobile Insurance Company Limited Mutual Exchange, and commenced business in 1917. The name of the company was changed to Milwaukee Automobile Mutual Insurance Company in 1955, and the name was changed to its current form in 1964. MMIC has absorbed three other mutual insurers by way of merger over the course of its existence: Wisconsin Retailers Mutual Fire Insurance Company Ltd. (in 1970), Midland Union Mutual Insurance Company (in 1981), and Heartland Mutual Insurance Company (in 1995).

On October 2, 1995, Trinity Universal Insurance Company ("Trinity"), a subsidiary of Unitrin, Inc., acquired 100% ownership of Milwaukee Insurance Group, Inc. ("MIG"), a publicly traded holding company that was 48% owned by MMIC. MMIC participates in an intercompany reinsurance pooling arrangement (originally effective January 1, 1985) with two of its affiliates, Milwaukee Casualty Insurance Co. (formerly Milwaukee Guardian Insurance, Inc.) and Milwaukee Safeguard Insurance Company. Under the terms of the pooling arrangement, the combined premiums, losses, and expenses of the three insurers are prorated among the insurers. Due to amendments to the pooling arrangement, MMIC's participation in the pooling varied over time, beginning at 76% in 1985, declining to 60% between 1987 and 1993, 40% between 1993 and 1995, and 5% for the time period between October 1, 1995 and December 31, 1996. As of January 1, 1997, the amendment to the pooling arrangement covering the period from October 1, 1995 to December 31, 1996 was terminated and the insurance business attributable to that period was commuted effective October 1, 1995. Effective January 1, 1997, MMIC reinsured all of its insurance business written on or after October 1, 1995, including the commuted business, with Trinity pursuant to a 95% quota share reinsurance agreement.

Effective July 1, 2001, MMIC entered into an 80% quota share reinsurance agreement with First Nonprofit Insurance Company (formerly known as First Nonprofit Mutual Insurance Company) (collectively, "FNP"). FNP is a property and casualty stock insurance company based in Chicago and is the leading insurer of nonprofit organizations in Illinois. It is the wholly-owned subsidiary of First Nonprofit Mutual Holding Company ("FNMHC"). FNP provides three principal products: commercial package policies (combining insurance for both property and the liability exposures arising out of the property), workers' compensation and commercial automobile, exclusively to the nonprofit sector. FNP is licensed to do business in Illinois, Indiana, Maryland, Michigan, Minnesota, Pennsylvania, and the District of Columbia. The Company's current A.M. Best rating is A- (Excellent). Pursuant to the quota share

agreement between MMIC and FNP, MMIC assumed 80% of FNP's net liability on FNP's in-force business and FNP's new business going forward in respect of all claims incurred (or claims reported under claims-made policies) after the effective date of the quota share agreement. Pursuant to the Illinois Insurance Code (*i.e.*, 215 ILCS 5/174), the quota share agreement was subject to prior review and approval by the Director of the Illinois Department of Insurance (the "Illinois Director"), which approval was granted effective July 1, 2001.

Challenges Facing MMIC in its Current Organizational Form

MMIC's Board of Directors believes that, 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. The importance of flexibility and the ability to move quickly and decisively, particularly in the area of merger and acquisition activities, is further heightened by the 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.

In its current structure as a mutual insurance company, MMIC has limited options for responding to changes in the marketplace and to grow or solidify its business operations through acquisition activity and/or the investment of excess surplus. For example, MMIC cannot merge with other mutual insurers without one of the two entities ceasing to exist as a separate insurer. This prevents MMIC from merging, acquiring or affiliating with other mutual organizations in ways that allow for improved efficiencies and which maintain each organization's goodwill and the value of their respective "brands." There are also limitations upon MMIC's ability to acquire or affiliate with non-insurers. The foregoing restrictions lessen MMIC's ability to put its excess surplus to more efficient use and to be a "first mover" during market consolidation. Collectively, these difficulties burden MMIC with sub-optimal positioning for long-term growth.

In addition, MMIC's current structure as a mutual insurance company means that it has no stock to use as acquisition currency and limited ability to raise new capital. While MMIC has no current need to raise new capital and has no immediate plans to access the capital markets or otherwise obtain additional capital following the Restructuring, there is always the possibility – particularly in an environment of consolidation and increased competition – that a need for new capital may arise in the future. At present, MMIC can increase its statutory capital only by increasing premiums, retaining earnings, issuing surplus notes, engaging in financial reinsurance transactions or selling assets. These financing options are limited as reliable sources of permanent capital: Premium increases are difficult to impose in times of increased competition, earnings vary from year-to-year, surplus notes and reinsurance are often costly, and assets available for sale are finite and, in some cases, critical to MMIC's financial strength and its continuing operations.

MMIC is confronted with these structural limitations during a period of significant change in the insurance and financial services marketplaces, change that will have continuing effects on its business operations. Technological changes force many insurers to

invest in new products and technologies designed to meet customer needs and expectations, and to do so at much faster rates than had previously been the case. Strong financial and claims-paying ratings are critical to an insurer's success and are increasingly dependent upon the insurer's ability to achieve high levels of profitable growth. Further, due to deregulation of the financial services industries, insurers face increased competition from banks, mutual funds and retail brokerage firms.

Benefits of Restructuring to a Mutual Holding Company Structure

Recognizing the foregoing structural limitations confronting mutual insurers, as well as the value of providing options for addressing those difficulties in ways that preserve the mutual form of organization, a number of states (including Wisconsin) have passed mutual holding company laws, whereby a mutual insurance company can reorganize into a stock insurance company that is owned by a non-insurance mutual holding company. The proposed Restructuring to a mutual holding company format presents several benefits to MMIC and its Policyholders.

(1) Mutual-to-Mutual Transactions

A mutual holding company structure provides MMIC with the ability to merge with other mutual organizations while preserving the separate insurance operations and "brands" of both MMIC and the target organizations as stock subsidiaries of MIHC. As indicated above, prior to the passage of mutual holding company laws, MMIC could not merge with other mutual insurance companies without one of the entities terminating its separate existence and identity, even where it might not be in the best interests of MMIC or the other entity to do so.

(2) Maintain Mutuality

As a mutual, MMIC has adopted a corporate culture and reputation as an entity that focuses on the interests and benefits of its current and future Policyholders, the owners of the Company. MMIC believes that a good portion of its success as an insurance enterprise stems from this inherent structural tendency to view its business operations and objectives from the perspective of the Policyholder. As such, MMIC wishes to preserve its "mutuality" as much as possible while still being able to compete against its larger stock and/or non-insurer competitors in the marketplace. The proposed Restructuring to a mutual holding company structure enables MMIC to ultimately retain its Policyholder focus by ensuring that the organization is always under the control of a mutual holding company, yet allows MMIC to obtain the corporate and operational flexibility available to a stock enterprise.

In addition, under Wisconsin law, if MIHC ever decides to sell stock in Converted MMIC, it will be required at all times to retain, directly or indirectly, at least 51% of the shares of voting stock of Converted MMIC (or 51% of the voting stock of any subsidiary intermediate stock holding company it may choose to create in the future), thereby preserving mutuality.

In addition to the foregoing reasons, there are several additional advantages to a mutual holding company structure which other mutual holding companies have identified, and which are applicable to MMIC as well, although MMIC currently has no intention of pursuing these additional advantages.

(3) Transactions with Non-Insurers, Diversification

A mutual holding company structure may ease MMIC's ability to acquire or affiliate with non-insurers, thereby achieving efficiencies of scale and diversification of assets. Under a mutual holding company structure, MMIC would have the ability to respond quickly and decisively to changes in the insurance and financial services marketplace in ways that would not have been available to it as a mutual insurance company. See *ORGANIZATIONAL FLEXIBILITY* at page 29.

(4) Stock as an Acquisition Currency

A mutual holding company structure would enable MMIC to use stock as an acquisition currency, rather than having to rely upon cash alone. Under Wisconsin law, MIHC will have to own, directly or indirectly, at least 51% of the voting stock of Converted MMIC at all times, but the remaining 49% may be sold to the public or used as currency to acquire or affiliate with other insurers or non-insurer entities. While MMIC has no current plans to use the voting stock of Converted MMIC in this manner, the ability to do so increases its options and ability to exploit strategic acquisition opportunities vital to MMIC's competitiveness.

(5) Access to Capital Markets

A mutual holding company structure would give MMIC the ability to access the capital markets to raise new capital by selling shares of stock of Converted MMIC (or any subsidiary intermediate stock holding company it may choose to create in the future) to the public or to other third parties as the needs occur and as market conditions permit. Such additional equity capital has the potential of increasing the financial strength of Converted MMIC and its parent, MIHC, which could in turn enhance MMIC's capability and flexibility to do the following:

- Maintain, or possibly increase, its ratings from rating agencies;
- Invest in infrastructure, including computer enhancements, to increase operational efficiency and provide improved services to Policyholders, thereby increasing MMIC's ability to compete more effectively in the marketplace;
- Expand distribution channels for current products and services;
- Expand into new markets or product lines; and
- Take advantage of opportunities to acquire other companies or books of business, thereby increasing economies of scale and diversification of assets.

MMIC does not currently have any plans to raise capital by selling shares of stock or issuing debt securities. However, a mutual holding company structure would put it in a position to do so. Future consideration of any such sale of stock or issuance of debt securities of any company within the mutual holding company structure would depend upon many factors, including without limitation the then-current needs of the organization for additional capital, the interests of the Members of MIHC, prevailing investment market conditions and the financial

performance and business prospects of the organization as a whole. There can be no assurance as to if or when any such capital raising efforts would take place or if they do, whether they would be on attractive terms or provide substantial benefits to MIHC and its subsidiaries, including Converted MMIC.

Consideration of Alternatives

The alternatives to reorganizing under a mutual holding company structure are for MMIC to either (i) preserve the status quo and remain a mutual insurance company, or (ii) undergo a demutualization.

(1) Preserving the Status Quo

The Board of Directors determined that continuing to operate as a mutual insurance company imposes limits upon MMIC's ability to position itself for long-term growth and to compete effectively. See *CHALLENGES FACING MMIC IN ITS CURRENT ORGANIZATIONAL FORM* at page 18. The Board concluded that, 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. The Board also concluded that the importance of flexibility and the ability to move quickly and decisively, particularly in the area of merger and acquisition activities, is further heightened by the 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. The Board believes that if MMIC remains in its current structure as a mutual insurance company, it will have limited means available to it for responding to these changes in the marketplace and to grow or solidify its business operations through acquisition activity and/or the investment of excess surplus.

(2) Demutualization

A demutualization would convert MMIC from a mutual insurance company into a stock insurance company without simultaneously creating a mutual holding company as a parent. There would be certain benefits of a demutualization to MMIC and its Members such as the following:

- Policyholders, as Members of MMIC, would receive cash, stock or other consideration in exchange for their Equity Rights in MMIC.
- Stock of the demutualized company could be used by the demutualized company as acquisition currency.
- The value of the Company's stock after or associated with a demutualization may be higher than it would be after reorganizing to a mutual holding company structure, insofar as, under Wisconsin law, the mutual holding company will always have to own, directly or indirectly, at least 51% of the shares of Converted MMIC. Investors may place a lower value on the stock of Converted MMIC as a

result of the inability for outside investors to obtain or purchase ultimate control of the entity.

The Board of Directors concluded, however, that maintaining the “mutuality” of MMIC in some form was important in order to preserve the Company’s historical focus on the interests and benefits of its current and future Policyholders. See *MAINTAIN MUTUALITY* at page 19. In addition, the Board thought it important that MMIC retain and enhance its ability to merge, acquire or affiliate with other mutual entities, particularly in ways that preserve the separate insurance operations and “brands” of such organizations, including MMIC. See *MUTUAL-TO-MUTUAL TRANSACTIONS* at page 19. Demutualization is inconsistent with both of these goals, as it terminates MMIC’s existence as a “mutual” organization ultimately owned by its current and future Policyholders, and eliminates MMIC’s practical ability to merge with other mutual insurers (other than through the acquisition of another mutual insurer in a sponsored demutualization), thus limiting the number of strategic acquisition opportunities available to MMIC. Other potential disadvantages of demutualization as an alternative to the mutual holding company structure include the following:

- Demutualization may be a less efficient way to raise capital. Under a demutualization, MMIC would be required to distribute cash, stock or other forms of consideration to Policyholders in exchange for their Equity Rights in MMIC.
- Under the proposed mutual holding company structure, control of the insurance company remains, at least indirectly, with the Members of MMIC. See *RETENTION OF MUTUAL FORM OF ORGANIZATION* at page 29. Under a demutualization, Members who acquire shares of stock in exchange for their Equity Rights will continue to have voting rights in the demutualized company, but other persons besides Members may acquire shares of stock in the entity and/or become the controlling stockholders.
- Historically, demutualizations are more difficult to structure, more time consuming and more expensive than mutual holding company reorganizations.

It is also worth noting that the Plan does not preclude a future demutualization of MIHC, the mutual holding company parent. However, no such demutualization is currently contemplated, and a demutualization may never occur.

Recommendation of Board of Directors

The Board of Directors of MMIC unanimously adopted the Plan and approved the transactions contemplated thereby. It is submitting the Plan to a vote of the Eligible Members after careful review and consideration, including advice from the Company’s outside legal counsel. The Board believes that the Restructuring is fair and equitable to Policyholders, and the Board expects that the Restructuring will benefit Policyholders and will not be contrary to their interests or the interests of the Wisconsin public. The Board also believes that the Plan complies with the requirements of the Wisconsin Insurance Code for a conversion of a mutual insurance company to a mutual holding company structure.

As required by Chapter 644 of the Wisconsin Insurance Code, the Board submitted the Plan to the Wisconsin Commissioner for review and approval. The Wisconsin Commissioner will conduct and preside over a public hearing on the Plan on _____, 2003.

THE BOARD OF DIRECTORS OF MMIC UNANIMOUSLY RECOMMENDS THAT ELIGIBLE MEMBERS OF MMIC VOTE “FOR” APPROVAL AND ADOPTION OF THE PLAN, AND “FOR” APPROVAL AND ADOPTION OF THE AMENDED AND RESTATED ARTICLES, AT THE SPECIAL MEETING.

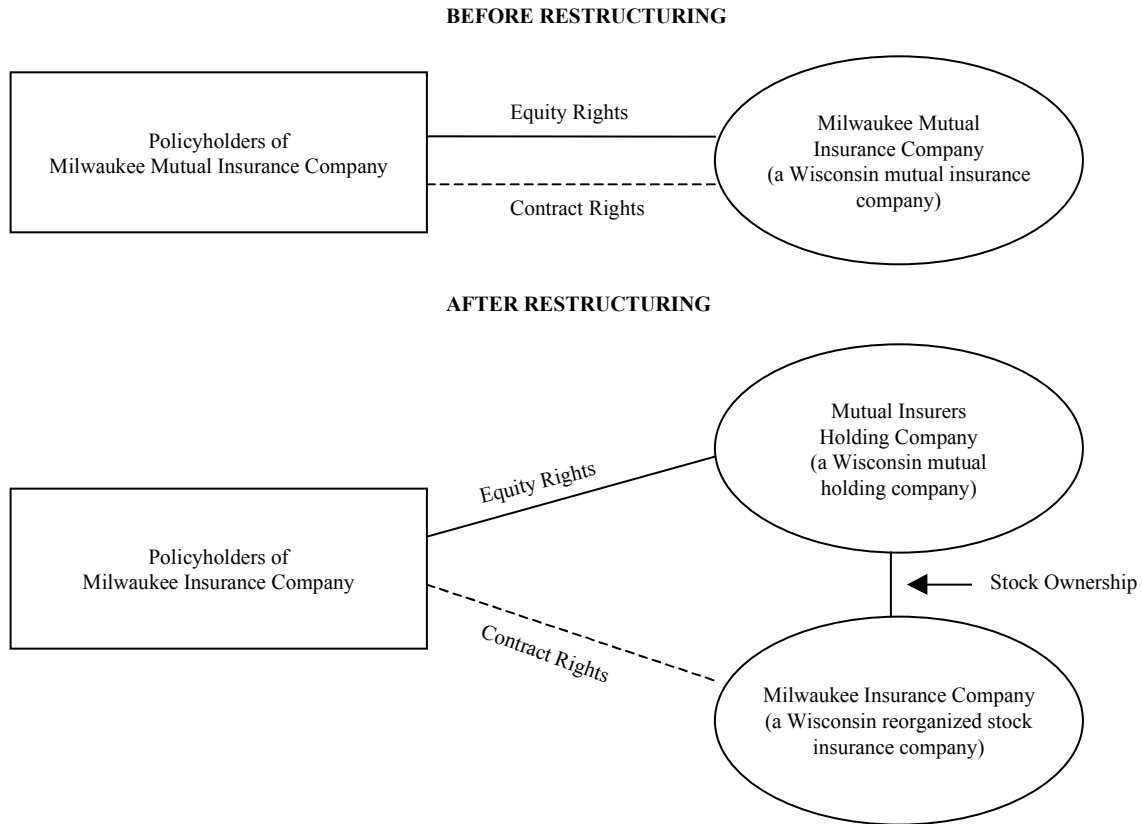
Description of the Restructuring

On or before the Effective Date of the Restructuring, MMIC shall duly form and incorporate MIHC as a Wisconsin mutual holding company. As of 12:01 a.m. on the Effective Date, and in accordance with the terms of the Plan and Chapter 644 of the Wisconsin Insurance Code, the following will occur:

- The Policyholders with Membership Interests in MMIC will immediately become Members of MIHC.
- MMIC will convert to, and continue its corporate existence as, a Wisconsin stock property and casualty insurance company, referred to herein as Converted MMIC.
- MIHC will be issued 100% of the shares of voting stock of Converted MMIC.
- All Equity Rights previously belonging to Policyholders with Membership Interests in MMIC will be extinguished and replaced with Equity Rights in MIHC.

As part of the Restructuring, MMIC shall change its name to “Milwaukee Insurance Company.” The Converted MMIC, renamed “Milwaukee Insurance Company,” 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.

The following diagrams illustrate MMIC’s organizational structure before and after consummation of the Restructuring contemplated by the Mutual Holding Company Plan:



On the Effective Date, the articles of incorporation and bylaws of MMIC shall, without further act or deed, be amended and restated as “Amended and Restated Articles of Incorporation of Milwaukee Insurance Company” and “Amended and Restated Bylaws of Milwaukee Insurance Company,” as set forth in documents attached to the Plan as Exhibits A and B, respectively. These revised articles and bylaws shall supersede in their entirety the current articles and bylaws of MMIC. On the Effective Date, the articles of incorporation of MIHC shall be as set forth in the articles of incorporation attached to the Plan as Exhibit C, and the bylaws of MIHC shall be as set forth in the bylaws attached to the Plan as Exhibit D.

Effects of the Restructuring

The Restructuring will have the following effects upon MMIC and its Members/Policyholders:

(1) Operations and Business of MMIC

It is anticipated that the Restructuring will not result in any material changes in MMIC’s existing insurance operations or its services to Policyholders, except that such operations and services will in the future be conducted or provided by a stock insurance company rather than a mutual insurance company. After the Restructuring, Converted MMIC will continue to be subject to the Wisconsin Insurance Code and to regulation and examination by the Wisconsin Commissioner and those states and foreign jurisdictions in which it is

authorized to transact business. In addition, the Restructuring of MMIC into a stock insurance 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 and replacement of Equity Rights as described herein. 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 and replacement of Equity Rights as described herein.

(2) Effect Upon Contract Rights and Equity Rights of MMIC Policyholders

Currently, Members of MMIC have both Contract Rights as Policyholders of the Company and Equity Rights as Members of the Company. Upon Restructuring, a Member's Contract Rights and Equity Rights will effectively be separated, as further explained below.

The principal Contract Right is the right to receive the type and amount of insurance coverage specified in a Member's Policy (or Policies) in accordance with the terms and provisions thereof, including the right to dividends or refunds of premiums as, if and when declared by the Board. On the Effective Date, the Contract Rights of Members will remain with Converted MMIC. Every Policy that has been issued by MMIC which is In Force on the Effective Date will remain in force at the Effective Date and continue as a Policy of Converted MMIC. The premiums currently required to be paid as specified in the Policies will not be increased or otherwise changed as a result of the Restructuring. It is the intention of MMIC that its current policies with respect to dividends or refunds of premiums to Policyholders will not be affected by the Restructuring.

The principal Equity Rights of Members are as follows:

- The right to elect the directors of MMIC.
- The right to approve or disapprove proposed changes in the Articles of Incorporation of MMIC.
- The right to vote (or grant proxies to vote) on any plan of conversion, voluntary dissolution or such other matters as may come before the Members at an annual or special meeting of MMIC's Members.
- The right to receive and/or share in any distribution of, or to receive consideration based upon, the remaining surplus, if any, of MMIC in the event of MMIC's ultimate dissolution and liquidation (which means, if MMIC were to become insolvent or go out of business).
- The right to receive cash, stock or such other consideration as is approved by the Wisconsin Commissioner in exchange for the Members' Equity Rights in the event of the demutualization of MMIC (which would require approval by the Board and the Members and by the Wisconsin Commissioner).

On the Effective Date, the Equity Rights of Members of MMIC shall be automatically transferred to MIHC. Members will not receive any cash, stock or other consideration in exchange for their Equity Rights in MMIC. Rather, the Members' Equity Rights in MMIC will be extinguished and replaced with Equity Rights in MIHC, and the Equity Rights in MIHC will be identical to those set forth above with respect to MMIC, except that they shall be exercised with respect to the operations of MIHC and not those of MMIC or Converted MMIC. The Board of Directors of MIHC, representing the interests of Policyholders, will exercise voting control over the election of directors of Converted MMIC and over other matters pertaining to the governance of Converted MMIC. 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.

(3) Summary of Contract and Member Rights

	Before Restructuring	After Restructuring
Contract Rights	<p>A. All Policy benefits and obligations are obligations of MMIC.</p> <p>B. Some Policies pay dividends or provide other re-funds of premiums, which amounts may increase or decrease as determined by the Board of Directors of MMIC.</p>	<p>A. All Policy benefits and obligations remain as obligations of Converted MMIC. Converted MMIC is the same company as MMIC except it is reorganized as a stock insurance company. The Plan will not in any way increase premiums, diminish Policy benefits or alter other Policy obligations.</p> <p>B. MMIC's current policies with respect to dividends or other refunds of premiums to Policyholders will not be affected by the Restructuring.</p>
Equity Rights	<p>A. One vote per Member.</p> <p>B. Policyholders share in MMIC's net worth and/or stock subscription rights in the event of liquidation, dissolution or conversion proceedings.</p>	<p>A. One vote per Member.</p> <p>B. Members of MIHC share in MIHC's net worth and/or stock subscription rights in liquidation, dissolution or conversion proceedings.</p>

(4) Directors and Executive Officers

On the Effective Date of the Restructuring, it is intended that the Board of Directors of Converted MMIC will consist of the same nine (9) directors that currently comprise the Board of Directors of MMIC. It is intended that the Board of Directors of MIHC will consist of Daniel R. Doucette, Joseph C. Branch, Richard A. Hemmings, Terry L. Van Der Aa, Richard C. Vie, Donald G. Southwell, Eric J. Draut, Philip R. Warth, Jr., and David F. Bengston. It is also intended that the Executive Officers of Converted MMIC and MIHC will be the same individuals currently serving in those positions for MMIC. In subsequent years, directors of MIHC will be elected by its voting Members, and directors of Converted MMIC will be elected by its shareholders, in each case in accordance with the applicable corporate bylaws. Also in

subsequent years, the Boards of Directors of MIHC and Converted MMIC will appoint the officers of their respective companies.

For information regarding the current directors and executive officers of MMIC, and the proposed directors and executive officers of MIHC and Converted MMIC, see *DIRECTORS AND OFFICERS OF MMIC, CONVERTED MMIC AND MIHC* at page 39.

(5) Corporate Governance

MMIC is not authorized, as a mutual insurance company, to issue capital stock and, therefore, has no shareholders. MMIC operates under the direction of its Board of Directors, which is elected by the Members of MMIC. After the Restructuring, Converted MMIC will operate under the direction of its Board of Directors and all voting rights, including the election of the Board of Directors of Converted MMIC, will be vested exclusively in the holder(s) of its outstanding voting stock; specifically, MIHC. Moreover, under Wisconsin law, MIHC must retain ownership, directly or indirectly, of at least 51% of the voting stock of Converted MMIC at all times. Accordingly, MIHC will have voting control over the outcome of most matters presented to the stockholders of Converted MMIC for resolution by vote, including the election of the Board of Directors for Converted MMIC.

MIHC will not be authorized, as a mutual holding company, to issue capital stock and therefore will have no shareholders. After the Restructuring, MIHC will operate under the direction of its Board of Directors and all voting rights, including the election of the Board of Directors of MIHC, will be vested exclusively in the Policyholders of Converted MMIC who become Members of MIHC. These Members will be entitled to vote on all matters requiring action by the Members, including the election of the directors of MIHC. On the Effective Date, the Policyholders of MMIC will become the exclusive Members of MIHC. Subsequent to the Effective Date, the owners of Policies issued from time to time by Converted MMIC will also automatically become Members of MIHC. Such Policyholders will remain Members of MIHC as long as their respective Policies remain In Force.

(6) Potential Sale of Stock of Subsidiaries

Converted MMIC, or any subsidiary intermediate holding company created by MIHC after the Restructuring, may issue new shares of capital stock or debt securities to the public or other third parties. Under Wisconsin law, however, MIHC will at all times own at least 51% of the voting stock of Converted MMIC or any subsidiary intermediate holding company created by MIHC, and thereby will maintain voting control of the same. No shares of capital stock or debt securities will be issued or sold concurrently with the Restructuring and there are no current plans for such activity in the future.

(7) Federal Tax Consequences

The following is a general discussion of certain U.S. federal income tax consequences of the Restructuring. This discussion is for general information purposes only and does not purport to address all tax consequences that may be relevant to a Member or to MMIC. For example, this discussion does not address any federal estate tax or excise tax considerations, any state, local or foreign tax considerations, or any special federal income tax considerations

which may apply to particular Policyholders because of their individual circumstances. This discussion is based upon the Internal Revenue Code of 1986, as amended (“Code”), regulations promulgated by the U.S. Treasury Department and judicial and administrative rulings and decisions in effect on the date of this Policyholder Information Statement, all of which are subject to change, possibly with retroactive effect. **Accordingly, each Member is urged to consult his or her own tax advisor regarding the specific tax consequences of the Restructuring that may be applicable, including the reporting requirements, the applicability of federal, state, local and foreign tax laws and the effects of any changes in tax laws or regulations.**

The consummation of the Restructuring is subject to the condition that MMIC obtain either a private letter ruling issued by the IRS or an opinion of Foley & Lardner or other independent tax counsel to MMIC, in either case substantially to the effect that MMIC, MIHC and/or MMIC’s Policyholders will not recognize gain or loss for U.S. federal income tax purposes 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.

On the Effective Date, Equity Rights in MMIC currently held by Policyholders will be extinguished and automatically will become Equity Rights in MIHC. The Policyholders’ Contract Rights and obligations under their insurance Policies will remain with Converted MMIC. The terms and provisions of Policies In Force at the Effective Date will not be changed. See *EFFECT UPON CONTRACT RIGHTS AND EQUITY RIGHTS OF MMIC POLICYHOLDERS* at page 25.

The extinguishing of Members’ Equity Rights in MMIC and the replacement of such Equity Rights with Equity Rights in MIHC pursuant to the Restructuring is intended to qualify as a non-recognition transfer under the Code, meaning that Members will not recognize any gain or loss for U.S. federal income tax purposes. The tax basis of the Equity Rights in MIHC received by Members whose MMIC Equity Rights are extinguished will be zero.

(8) Federal Securities Law Consequences

The consummation of the Restructuring is subject to the condition that MMIC obtain 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.

VOTING CONSIDERATIONS AND RISK FACTORS

The Board of Directors and management of MMIC believe that the Restructuring described above is fair and equitable to Policyholders and will benefit MMIC and Policyholders. However, prior to voting, Eligible Members should carefully consider the implications of the Restructuring, including the following:

Retention of Mutual Form of Organization

The mutual nature of the organization will be preserved in a number of important aspects. The Equity Rights of Policyholders will be transferred from MMIC to the new mutual insurance holding company, MIHC. Policyholders, through MIHC, will maintain ultimate direct or indirect voting control of Converted MMIC. Under Wisconsin law, even if MIHC decides to sell stock, directly or indirectly, of Converted MMIC, it will be required at all times to retain, directly or indirectly, at least 51% of shares of voting stock of Converted MMIC. As a consequence, the new structure serves to preserve mutuality.

MMIC believes that the continuation of this mutual structure will serve other positive ends. Foremost, MMIC believes that mutuality will help preserve its Policyholder service orientation and best facilitate MMIC's ability to pursue long range goals. In this vein, the mutual holding company structure also preserves MMIC's ability to engage in certain mutual-to-mutual company merger and affiliation transactions. See *MUTUAL-TO-MUTUAL TRANSACTIONS* at page 19.

Organizational Flexibility

The new holding company structure will be more complex, but it will give MMIC greater organizational flexibility in the future with respect to affiliating with other companies or aligning subsidiaries and affiliates for optimal financial benefits or for administrative advantages. For example, the mutual insurance holding company structure would make it possible for MMIC and another mutual insurance company to combine under a single mutual insurance holding company. Combinations with other insurance companies could include either property-casualty companies or life and health companies. Each of these insurers could, if considered strategically advantageous to do so, maintain its separate identity. Additionally, through the ability to use stock as an acquisition currency, Converted MMIC and its parent company will be better positioned to respond to strategic acquisition opportunities. Flexibility to address these growth opportunities is essential as the insurance industry continues to consolidate.

Your Rights as a Policyholder

Each MMIC Policyholder has both Contract Rights under his or her Policy(ies) and Equity Rights in MMIC. Upon consummation of the Plan, a Policyholder's Contract Rights will remain in the Converted MMIC. If you are a Policyholder of a Policy issued by MMIC that is In Force on the Effective Date of the Restructuring, you will automatically become a Member of MIHC. Policyholders of Policies issued by Converted MMIC after the Effective Date of the Restructuring also will automatically become Members of MIHC.

On the Effective Date, the Equity Rights of Members of MMIC will be extinguished and replaced with Equity Rights in MIHC. "Equity Rights" are the uncertificated rights in the equity of MMIC, conferred by Wisconsin law, including: (i) the right to vote for the board of directors and the right to vote on any plan of conversion, voluntary dissolution or amendment to the articles of MMIC, and (ii) the right to share in any liquidation, dissolution or conversion proceedings under the articles of incorporation or bylaws of MMIC, or otherwise as provided by Wisconsin law.

The Plan will not result in any change in the Contract Rights of Policyholders or in MMIC's existing business operations. After the consummation of the Plan, the entire organization, including Converted MMIC and MIHC, will continue to be regulated in varying degrees by the Wisconsin Commissioner to assure that Policyholders' interests are protected.

Every Policy issued by MMIC that is In Force on the Effective Date will continue In Force as a Policy of Converted MMIC. The Plan will not increase premiums or diminish Policy benefits or other Policy obligations to Policyholders. It is MMIC's intention that its current policies with respect to dividends to Policyholders will not be affected by the Restructuring.

No Consideration Distributed to Policyholders in the Conversion.

The Plan contemplates extinguishing the Policyholders' Equity Rights in MMIC and substituting for those extinguished rights similar Equity Rights in MIHC. See *EFFECT UPON CONTRACT RIGHTS AND EQUITY RIGHTS OF MMIC POLICYHOLDERS* at page 25. Other than Equity Rights in MIHC, no consideration in the form of cash or stock or other forms of consideration will be distributed to Policyholders. By contrast, if MMIC were to undergo a demutualization, Policyholders might receive consideration in the form of stock, cash, subscription rights to purchase shares of stock, or policy credits in exchange for the extinguishing of their Membership Interests. The Restructuring would not preclude a subsequent demutualization of MIHC at some future date if the Board and Members were to determine that such an alternative was appropriate and the Wisconsin Commissioner approved the demutualization. There are, however, no present plans to demutualize.

Movement of Subsidiaries and Other Assets

The mutual holding company structure permits the realignment of subsidiaries of MMIC, and the transfer of other assets out of MMIC to one or more affiliates, provided such movement is approved by the Wisconsin Commissioner and consistent with Wisconsin law. It is possible that sometime in the future a realignment of subsidiaries may occur either by sale, or as an ordinary or extraordinary dividend or otherwise, as the case may be. There can be no assurances that any future transfers of assets, including an ordinary or extraordinary dividend or realignment of subsidiaries, would not be detrimental to the financial condition of MMIC, although any material transaction would likely require regulatory approval.

Issuance of Stock to Third Parties

At present, Policyholders have the right to elect the Board of Directors of MMIC and to vote on all other corporate matters presented to them for a vote. On the Effective Date, MIHC will directly or indirectly own all of the outstanding voting stock of Converted MMIC. However, either Converted MMIC, or a subsidiary intermediate holding company subsequently created by MIHC to hold the stock of Converted MMIC (an "intermediate holding company"), could issue voting securities to the public or to other third parties, subject to approval by the Wisconsin Commissioner. The result of any such stock issuance or sale would be that such subsidiary would receive the proceeds of the sale, which would thereby increase its assets and stockholders' equity, but MIHC – and indirectly, the Members of MIHC – would then control

less than 100% of the voting stock of such subsidiary. However, MIHC by law is required at all times to maintain direct or indirect voting control of Converted MMIC. MMIC has no current plans to issue stock to third parties.

Potential Conflicts between Interests of Policyholders and Shareholders

The current duties and obligations of the Board of Directors of MMIC is to act in the best interests of its Members, who are the Policyholders of MMIC. After the Restructuring, the duties and obligations of the Board of Directors of MIHC will be to act in the best interests of these same Members and Policyholders, and those which become Members and Policyholders after the Restructuring. If, however, Converted MMIC decides to undertake an initial public offering or other issuance of stock, the obligations and duties of the Board of Directors of Converted MMIC will extend to outside investors in addition to the Members of MIHC. This would also be true if a subsidiary intermediate holding company were organized in the future and shares of stock of the subsidiary were sold to the public or to other third parties. Accordingly, there may be some potential for the development of conflicting interests between the Members of MIHC and the shareholders of Converted MMIC or any subsidiary intermediate holding company (collectively, the “Shareholders”). One potential conflict would be between the interests of Policyholders of Converted MMIC in receiving insurance at the lowest cost possible and the interests of Shareholders in receiving the highest return on their investment. Additionally, there may be conflicts over how the growth of, and profit from, Converted MMIC’s business should be apportioned between the Policyholders and the Shareholders. However, MIHC, representing the Policyholders, would remain the majority voting shareholder with ultimate voting control, either directly or indirectly, over Converted MMIC.

Marketability of Stock

MIHC will own 100% of the shares of voting stock of Converted MMIC. Under Wisconsin law, in the event that shares of Converted MMIC are sold at a later date to third parties, MIHC will be required at all times to own, directly or indirectly, at least 51% of the shares of voting stock of Converted MMIC. Accordingly, only a minority voting interest in Converted MMIC may be directly or indirectly available for sale to the public at such time. There is a risk that the inability of public investors to acquire a controlling interest could potentially have an adverse effect on the value and/or marketability of the stock.

Market Conditions

Any future decision to issue capital stock or debt securities would depend upon, among other factors, the then-current needs of the organization for additional capital, then-prevailing market conditions, the financial performance and business prospects of the organization, and the interests of the Members of MIHC. There can be no assurance as to when, if, or on what terms any such capital raising efforts would take place.

Issuance of Debt

A mutual insurance company may issue debt in the form of surplus notes. Generally, payments of either principal or interest on surplus notes may not be made without consent of the Wisconsin Commissioner. A mutual company is often limited directly by

regulatory bodies as to the amount of surplus notes which may be issued in relation to the issuer's other surplus. Under the proposed mutual holding company structure, MIHC or any subsidiary could issue debt in forms other than surplus notes. Unlike surplus notes, no approval of the Wisconsin Commissioner would be required to pay principal or interest on such debt. The mutual holding company complex could become financially leveraged to a greater extent than is now the case. No assurances can be given that such additional leverage would not be detrimental to the financial solvency or ratings of MIHC or Converted MMIC. However, there are no current plans for MIHC or any subsidiary to issue any debt.

No Fairness Opinion from an Investment Banker

In connection with its approval of the Plan, the Board of Directors did not receive a fairness opinion of an investment banker. No such opinion was necessary in this case because, among other reasons (i) no initial public offering is being undertaken or is presently contemplated, (ii) any initial stock offering would require the approval of the Wisconsin Commissioner, and (iii) the Plan is generally similar to plans for forming mutual holding companies which have been approved and adopted in other states.

Possible Litigation

There can be no assurance that adoption of the Plan will not result in litigation. Certain mutual insurance companies that have reorganized or proposed to reorganize to a mutual holding company structure have been sued by certain policyholders alleging that such a structure, although expressly authorized by statute, is unfair to policyholders. Litigation can be costly and time consuming and could result in a diversion of effort and resources by MMIC's management. MMIC believes it has complied with applicable law, and the MMIC Board of Directors believes that the Restructuring is fair and equitable to Policyholders, and the Board expects that the Restructuring will benefit Policyholders and will not be contrary to their interests or the interests of the Wisconsin public.

Differences in Insolvency Laws

A Wisconsin mutual insurer, such as MMIC, is subject to the jurisdiction of the Wisconsin Commissioner in the event of the insolvency of the Company. While it is not clear, a Wisconsin mutual holding company may be under the jurisdiction of the federal bankruptcy laws. There can be no assurance that federal bankruptcy laws will not reduce the priority (if any) of the claims of Policyholders of MMIC, or preempt Wisconsin law and/or make it difficult for the Wisconsin Commissioner to recover assets of the mutual holding company for the benefit of the Policyholders of MMIC.

Holding Company Structure Limitations on Shareholder Dividends

After the Restructuring, MIHC will be an insurance holding company whose assets consist, directly or indirectly, of all of the outstanding shares of common stock of Converted MMIC. The ability of MIHC to engage in any meaningful business may depend in part upon the receipt of sufficient funds from Converted MMIC in the form of stockholder dividends. The payment of stockholder dividends from Converted MMIC to its parent company will be regulated under the Wisconsin Insurance Code. Converted MMIC would need the

Wisconsin Commissioner's prior approval to pay a stockholder dividend which exceeds certain statutory levels.

Change in Regulations

Certain activities that are regulated by the Wisconsin Commissioner under the present structure may not be regulated, or may be regulated differently, under the mutual holding company structure. See *REGULATION* at page 38. Uncertainty in this area is heightened by the fact that there has been only one Wisconsin mutual insurance company that has completed a mutual holding company restructuring in Wisconsin. Furthermore, depending on its future business activities, MIHC may become subject to various federal laws and come under the authority of federal regulators. If the interests of federal regulators and state insurance regulators conflict, Members' Equity Rights in MIHC could be adversely affected.

Absence of Implementing Regulations

The Wisconsin Insurance Code provides that the Wisconsin Commissioner may issue regulations to implement the mutual holding company laws set forth in Chapter 644 of the Wisconsin Insurance Code and establish applicable procedures thereunder. Although no regulations or procedures have been promulgated to date, the Wisconsin Commissioner may at some future point propose and/or promulgate regulations or procedures that may adversely affect MIHC and/or its Members. Converted MMIC Policyholders will receive Equity Rights in MIHC that may be subject to different insurance regulatory oversight than an insurance company. There can be no assurances that any regulations adopted by the Wisconsin Commissioner will not affect MMIC's Plan, including its conditions as to effectiveness and the contemplated timing for consummation of the Plan.

Reliance on Management

The success of Converted MMIC's strategy will depend, in large part, upon the skill and judgment of its management. While past performance does not assure future success, MMIC's management believes that it has consistently demonstrated high levels of skill and judgment in managing the operations and affairs of the Company for the benefit of Policyholders.

SELECTED FINANCIAL INFORMATION

The selected financial information set out below for MMIC for each of the three (3) years ended December 31, 2001, 2000, and 1999 is derived from audited annual statutory financial statements of MMIC. The selected financial information set forth below at and for the interim periods ended as of June 30, 2002 and 2001 is derived from unaudited quarterly statutory financial statements. This selected financial information is presented on a statutory basis in conformity with accounting practices described or permitted by the Wisconsin Commissioner, which is a comprehensive basis of accounting other than generally accepted accounting principles. This financial information should be read in conjunction with the audited statutory financial statements on file with the Wisconsin Commissioner and is incorporated herein by reference.

Because the financial statements of MIHC after consummation of the Restructuring, prepared on either a GAAP or SAP basis, will not differ materially from the financial statements of Converted MMIC on a GAAP or SAP basis, respectively, no pro forma financial information for MIHC is presented in this Policyholder Information Statement.

**Milwaukee Mutual Insurance Company
SAP Income Statement
(Dollars in Thousands)**

	Year ended December 31,			6 Months Ended June 30,	
	2001	2000	1999	2002	2001
Premiums earned	2,991	2,575	2,501	1,619	1,310
Losses incurred	2,693	2,755	(303)	1,170	824
LAE incurred	718	824	314	181	190
Other underwriting expenses	1,861	1,147	1,401	842	696
Net underwriting income	<u>(2,281)</u>	<u>(2,151)</u>	<u>1,089</u>	<u>(574)</u>	<u>(400)</u>
Net investment income	205	865	1,282	26	218
Other income/expense	1	1	(8)	1	1
Realized capital gains	329	(49)	138	(82)	267
Dividends to policyholders	58	50	30	18	33
Income before taxes	<u>(1,804)</u>	<u>(1,384)</u>	<u>2,471</u>	<u>(647)</u>	<u>53</u>
Income taxes incurred	<u>(8)</u>	<u>2</u>	<u>18</u>	<u>-</u>	<u>-</u>
Net income	<u><u>(\$1,795)</u></u>	<u><u>(\$1,386)</u></u>	<u><u>\$2,453</u></u>	<u><u>(647)</u></u>	<u><u>53</u></u>
Total assets	54,216	72,537	71,734	55,169	54,496
Total liabilities	20,086	35,644	32,058	21,694	17,417
Surplus	34,130	36,893	39,676	33,475	37,079

SPECIAL MEETING

Date, Time and Place

This Policyholder Information Statement is being furnished to Eligible Members of MMIC in connection with the solicitation of proxies by the Board of Directors of MMIC for use at the Special Meeting to be held on _____, 2003 at ___:___m., Central Time, at the law offices of Foley & Lardner, 777 East Wisconsin Avenue, 40th Floor, Milwaukee, Wisconsin. See *NOTICE OF SPECIAL MEETING OF POLICYHOLDERS*.

Matters to be Considered

At the Special Meeting, Eligible Members will be asked to consider and vote upon proposals to (i) approve and adopt the Plan, (ii) approve and adopt the Amended and Restated Articles, and (iii) consider and vote upon all other matters as they may properly come before the meeting.

Eligibility to Vote

A Member of MMIC will be entitled to vote on the Plan and the Amended and Restated Articles if such Member was listed on the records of MMIC as the Policyholder of one or more Policies on the Resolution Date (or as principal if the Policy is a surety bond or obligation), and one or more of these Policies was In Force on 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. Whether or not a Policy is In Force will be determined based upon MMIC's records.

Vote Required

Each Eligible Member is entitled to one vote. The affirmative vote of at least a majority of the Eligible Members present in person or by valid proxy at the Special Meeting is required to approve the Plan. The affirmative vote of at least a two-thirds majority of the Eligible Members present in person or by valid proxy at the Special Meeting is required to approve the Amended and Restated Articles. A quorum is required at the Special Meeting and shall consist of at least ten (10) Eligible Members in person at the Special Meeting. Approval of the Plan and the Amended and Restated Articles by the requisite votes of the Eligible Members is a condition to, and is required for, consummation of the Restructuring.

Voting; Revocation of Proxies

Each Eligible Member shall be entitled to vote either by ballot made in person at the Special Meeting, or by proxy. For all Eligible Members, a proxy exclusively for use at the Special Meeting accompanies this Policyholder Information Statement. The proxy enables Eligible Members to vote FOR or AGAINST the Plan and the transactions contemplated thereby, and FOR or AGAINST the Amended and Restated Articles. Only the Special Meeting proxy shall be used in connection with approval of the Plan and the Amended and Restated Articles. Eligible Members may use the proxy if they are unable to attend the Special Meeting in person. A proxy properly signed and received by MMIC prior to or at the time of the Special Meeting will be voted at the Special Meeting in accordance with the instructions thereon, unless properly revoked prior to such vote. Proxies must be received before or at the time of the Special Meeting in order to be counted. If a proxy is properly signed and received, and the manner of voting is not indicated for a particular item or items on the proxy, the proxy will be voted FOR the corresponding item(s) being considered at the Special Meeting. If a proxy is marked to vote both FOR and AGAINST a particular item or items on the proxy, the proxy will not be counted for the corresponding item(s) and will not be regarded as a vote cast at the Special Meeting for the corresponding item(s). A replacement proxy may be obtained by calling us at 262-938-0046, Monday through Friday from 9:00 a.m. to 4:00 p.m., Central Time.

Any proxy given pursuant to this solicitation may be revoked by the Eligible Member at any time prior to the voting thereof on the matters to be considered at the Special Meeting by filing with the Secretary of MMIC a written revocation or a duly executed proxy bearing a later date. Attendance at the Special Meeting will constitute a revocation of the proxy.

CONDITIONS TO CLOSING OF RESTRUCTURING

Approval of Eligible Members of MMIC

As required by the Plan, the Wisconsin Insurance Code, and applicable provisions of the Current MMIC Articles and Current MMIC Bylaws, the Plan and the Restructuring contemplated thereby must be approved by the affirmative vote of at least a majority of the Eligible Members represented by valid proxy or present in person at the Special Meeting. As required by the Plan, the Wisconsin Insurance Code, and applicable provisions of the Current MMIC Articles and Current MMIC Bylaws, the Amended and Restated Articles must be approved by the affirmative vote of at least a two-thirds majority of the Eligible Members represented by valid proxy or present in person at the Special Meeting.

Certain U.S. Federal Tax Matters

As required by the Plan, the Plan and the transactions contemplated thereby 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 MMIC, MIHC and/or MMIC's 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.

Certain U.S. Federal Securities Matters

As required by the Plan, the Plan and the transactions contemplated thereby 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.

Issuance of Certificates

As required by the Plan, the Plan and the transactions contemplated thereby shall not be consummated until the issuance by the Wisconsin Commissioner of a new certificate of authority to Converted MMIC and a certificate of incorporation to MIHC.

AMENDMENT AND WITHDRAWAL OF THE PLAN

The Plan provides that, at any time before the Effective Date, MMIC may, by resolution of the Board, amend or withdraw the Plan and the Restructuring contemplated therein. In the event of any such amendment, the Wisconsin Commissioner will determine whether the amendment changes the Plan in a manner that is materially disadvantageous to any of the Policyholders of MMIC and, in such case, may require another Public Hearing on the Plan as amended. If an amendment that the Commissioner determines is materially disadvantageous to any of the Policyholders is made after the Plan has been approved by the Eligible Members at the

Special Meeting, the Plan as amended must be submitted to the Eligible Members for their reconsideration.

REGULATION

MMIC is licensed to transact insurance business in, and is subject to the regulation and supervision of, the states of Wisconsin, Arizona, Colorado, Illinois, Indiana, Iowa, Kentucky, Minnesota, Nebraska, North Dakota, Ohio, and South Dakota. See *BACKGROUND OF MMIC* at page 16. The degree of this regulation and supervision varies by jurisdiction, but Wisconsin and most of the other jurisdictions with authority over MMIC have laws and regulations governing the financial aspects of insurers, including standards of solvency, reserves, reinsurance, capital adequacy and the business conduct of insurers. Upon consummation of the Restructuring, Converted MMIC will continue to be subject to the same degree of insurance regulation and supervision, albeit as a stock insurance company rather than a mutual insurance company.

As a Wisconsin mutual holding company, MIHC will also be subject to regulation by the Wisconsin Commissioner. Generally, the Commissioner will have the power over MIHC to assure that the interests of Policyholders are protected. The Wisconsin Insurance Code provides for such regulation in the following ways, among others:

- Requiring MIHC to at all times maintain direct or indirect ownership and control of at least 51% of the outstanding shares of Converted MMIC's voting stock;
- Allowing MIHC to amend its Articles of Incorporation only with the prior approval of the requisite number of its Members;
- Requiring MIHC to file with the Commissioner, within sixty (60) days after adoption, a copy of its bylaws and any amendments thereto;
- Prohibiting MIHC from engaging in the business of insurance (other than through subsidiaries like Converted MMIC);
- Prohibiting MIHC from becoming party to any contract that has the effect of delegating to a person, to the substantial exclusion of its Board of Directors, the authority to exercise management control of MIHC or any of its major corporate functions; and
- Prohibiting MIHC from dissolving or liquidating without the prior approval of the Wisconsin Commissioner or the court having jurisdiction over such matters (and in which case each Member may share in the amount, if any, of MIHC's assets in excess of its liabilities to the extent of all premium payments made by such Member plus interest at a statutorily determined rate).

DIRECTORS AND OFFICERS OF MMIC, CONVERTED MMIC AND MIHC

The following individuals – identified by name, current business address, and occupation (for the preceding ten (10) years) – currently serve as the directors and/or officers (as

indicated) for MMIC, and as of the Effective Date of the Restructuring will serve in those same capacities for Converted MMIC:

David D. Chomeau (Director)

David D. Chomeau retired as of May, 2001. Prior to retirement, Mr. Chomeau held the position of Vice Chairman & Director of Corporate Development for The Reliable Life Insurance Company, St. Louis, Missouri. Mr. Chomeau has held various positions at Reliable since 1966. Address: 419 Way Avenue, Kirkwood, MO 63122.

Sanford J. Jett (Director)

Sanford J. Jett is currently the Executive Director of Trinity Lutheran Church. Prior to this position, he was the Senior Vice President of Administration for The ServiceMaster Company, Downers Grove, Illinois. He had been with ServiceMaster since 1979. Address: 1101 Kimberly Way, Lisle, IL 60532.

Terry L. Van Der Aa (Director)

Terry L. Van Der Aa is currently President & CEO of American Transit Corporation, Oakbrook Terrace, Illinois. He has held that position since 1990, and has been with the company since 1973. Address: Vancom, 1 MidAmerica Plaza, #401, Oakbrook Terrace, IL 60181.

Richard C. Vie (Director)

Richard C. Vie is the Chairman, President & CEO of Unitrin, Inc., a company he has been with since 1990. Address: Unitrin, Inc., One East Wacker Drive, Chicago, IL 60601.

John P. Gould (Director)

John P. Gould is a Professor and Distinguished Service Professor of Economics at the University of Chicago. He has held this position since 1965. Address: 100 East Huron, #2105, Chicago, IL 60611.

Richard A. Hemmings (Director)

Richard A. Hemmings is a Partner in the law firm of Lord, Bissell & Brook, a position he has held since 1980. Address: Lord, Bissell & Brook, 115 South LaSalle Street, Chicago, IL 60603.

Peter H. Huizenga (Director)

Peter H. Huizenga is President of Huizenga Capital Management and has held this position since 1997. Prior 1997, Mr. Huizenga was a Director of Waste Management, Inc., a company he co-founded in 1968. Address: Huizenga Capital Management, 2215 York Road, #500, Oak Brook, IL 60521.

Daniel R. Doucette (Director, President and Chief Executive Officer)

Daniel R. Doucette is the President & Chief Executive Officer of Milwaukee Mutual Insurance Company and has held this position since 1989. Address: Milwaukee Mutual, 250 North Sunny Slope Road, #250, Brookfield, WI 53005.

Joseph C. Branch (Director, Vice President and Secretary)

Joseph C. Branch is a Partner in the law firm of Foley & Lardner and has held that position since 1989. From 1977 to 1989, Mr. Branch was a shareholder/officer in the law firm of Whyte & Hirschboeck, S.C.

Address: Foley & Lardner, 777 East Wisconsin Avenue, Milwaukee, WI 53202.

Elisha F. Wright (Vice President/Finance and Treasurer)

Elisha F. Wright is the Treasurer and Vice President of Milwaukee Mutual Insurance Company and has held this position since 1997. From 1994 to 1997, Ms. Wright was the Senior Corporate Analysis/Planning Analyst for the Milwaukee Insurance Company. From 1991 to 1994, Ms. Wright held the position of Senior Accountant at KPMG Peat Marwick, LLP.

Address: Milwaukee Mutual, 250 North Sunny Slope Road, #250, Brookfield, WI 53005.

Patrice L. Bottoni (Assistant Secretary)

Patrice L. Bottoni is the Administrator of Executive Services and Assistant Secretary of Milwaukee Mutual Insurance Company and has held that position since 1995. From 1989 to 1995, Ms. Bottoni was the Administrator of Executive Services for Milwaukee Insurance Company.

Address: Milwaukee Mutual, 250 North Sunny Slope Road, #250, Brookfield, WI 53005.

The following individuals – identified by name, current business address, and occupation (for the preceding ten (10) years) – will serve as the initial directors and/or officers (as indicated) for MIHC as of the Effective Date of the Restructuring:

Terry L. Van Der Aa (Director)

Terry L. Van Der Aa is currently President & CEO of American Transit Corporation, Oakbrook Terrace, Illinois. He has held that position since 1990, and has been with the company since 1973.

Address: Vancom, 1 MidAmerica Plaza, #401, Oakbrook Terrace, IL 60181.

Richard C. Vie (Director)

Richard C. Vie is the Chairman, President & CEO of Unitrin, Inc., a company he has been with since 1990.

Address: Unitrin, Inc., One East Wacker Drive, Chicago, IL 60601.

Donald G. Southwell (Director)

Donald G. Southwell is the President and Chief Operating Officer of Unitrin Services Company, a company he has been with since 1997. From March, 1996 through December, 1996, Mr. Southwell was employed by Unitrin, Inc. as its Group Executive and President of Life and Health Insurance Group. From 1973 to 1995, Mr. Southwell was employed by Prudential Insurance Company of America in a variety of positions.

Address: Unitrin Services Company, One East Wacker Drive, Chicago, IL 60601

Eric J. Draut (Director)

Eric J. Draut is the Executive Vice President and Chief Financial Officer of Unitrin Services Company, a company he has been with since 1997. From 1989 to 1996, Mr. Draut was employed by Unitrin, Inc. in a variety of positions.

Address: Unitrin Services Company, One East Wacker Drive, Chicago, IL 60601

David F. Bengston (Director)

David F. Bengston is the Vice President of Unitrin Services Company, a company he has been with since 1997. From 1992 through 1996, Mr. Bengston was employed by Unitrin, Inc. in a variety of positions.

Philip R. Warth, Jr. (Director)

Philip R. Warth, Jr. is the President and Chief Executive Officer of First Nonprofit Insurance Company, a company he has been with since 1992.

Address: First Nonprofit Insurance Company, 111 North Canal Street, Suite 801, Chicago, IL 60606

Richard A. Hemmings (Director)

Richard A. Hemmings is a Partner in the law firm of Lord, Bissell & Brook, a position he has held since 1980.

Address: Lord, Bissell & Brook, 115 South LaSalle Street, Chicago, IL 60603.

Daniel R. Doucette (Director, President and Chief Executive Officer)

Daniel R. Doucette is the President & Chief Executive Officer of Milwaukee Mutual Insurance Company and has held this position since 1989.

Address: Milwaukee Mutual, 250 North Sunny Slope Road, #250, Brookfield, WI 53005.

Joseph C. Branch (Director, Vice President and Secretary)

Joseph C. Branch is a Partner in the law firm of Foley & Lardner and has held that position since 1989. From 1977 to 1989, Mr. Branch was a shareholder/officer in the law firm of Whyte & Hirschboeck, S.C.

Address: Foley & Lardner, 777 East Wisconsin Avenue, Milwaukee, WI 53202.

Elisha F. Wright (Vice President/Finance and Treasurer)

Elisha F. Wright is the Treasurer and Vice President of Milwaukee Mutual Insurance Company and has held this position since 1997. From 1994 to 1997, Ms. Wright was the Senior Corporate Analysis/Planning Analyst for the Milwaukee Insurance Company. From 1991 to 1994, Ms. Wright held the position of Senior Accountant at KPMG Peat Marwick, LLP.

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Patrice L. Bottoni (Assistant Secretary)

Patrice L. Bottoni is the Administrator of Executive Services and Assistant Secretary of Milwaukee Mutual Insurance Company and has held that position since 1995. From 1989 to 1995, Ms. Bottoni was the Administrator of Executive Services for Milwaukee Insurance Company.

Address: Milwaukee Mutual, 250 North Sunny Slope Road, #250, Brookfield, WI 53005.

GLOSSARY

The following are definitions of certain terms used in this Policyholder Information Statement. These definitions are qualified in their entirety by the definitions of such terms in the Plan, a copy of which is attached hereto as Attachment A. These definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Amended and Restated Articles” means the proposed Amended and Restated Articles of Incorporation Milwaukee Insurance Company (attached to the Plan as Exhibit A) that will go into effect on the Effective Date of the Restructuring.

“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 and/or returns of premium, if and when declared by the Board in accordance with the terms and provisions of the Policyholder’s Policy.

“Converted MMIC” means Milwaukee Insurance Company, the stock insurance entity that will continue the corporate existence and insurance operations of MMIC, and be a subsidiary of MIHC, following the Restructuring.

“Current MMIC Articles” means the current Amended and Restated Articles of Incorporation of MMIC in effect prior to the Effective Date of the Restructuring.

“Current MMIC Bylaws” means the current Bylaws of MMIC in effect prior to the Effective Date of the Restructuring.

“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.

“In Force” means (with respect to a Policy) issued and not cancelled, expired 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” means the holding company that will be created as a result of the Restructuring set forth in this Plan, which holding company will be named “Mutual Insurers Holding Company.”

“MMIC” means Milwaukee Mutual Insurance Company.

“Plan” shall mean the amended and restated mutual holding company plan approved by the MMIC Board of Directors on October 18, 2002 and attached hereto as Attachment A, including all Exhibits thereto.

“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 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 Plan and for approval of the Amended and Restated Articles.

“Resolution Date” means October 18, 2002, the date the Board passed a resolution to the effect that the Restructuring is fair and equitable to Policyholders and expected to benefit Policyholders.

“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.