

April 14, 2020

Michael Mancusi-Ungaro
Senior Insurance Examiner
Wisconsin Office of the Commissioner of Insurance

Subject: Western Fraternal Life Association Member Letter

Dear Mr. Mancusi-Ungaro

This is in response to the letter you forwarded to Noreen Parrett on April 9, 2020 from Delores E. Seymour, a member of Western Fraternal Life Association.

As you know, the boards of directors of Western Fraternal Life Association (WFL) and National Mutual Benefit (NMB) approved an Agreement of Merger dated January 24, 2020 (the "Merger"). The executive team, the board, and financial advisors to WFLA all determined the Merger to be in the best interests of WFL and its members based on important financial and insurance considerations. We believe you have already had initial conversations with NMB about the economies and new opportunities that will be available to the merged organization that are not available to either organization today.

WFL is an Iowa-domiciled fraternal benefit society and has worked closely with the Iowa Insurance Division to ensure that all requirements of the Iowa Fraternal Code are met with regard to approvals of the Merger. We have also had conversations with the Iowa Insurance Division about the financial and insurance benefits of the Merger to the society and its members.

The following are our responses to the letter from Ms. Seymour:

- 1. "WFL members were first advised of a proposed Consolidation in two letters from the two respective CEOs/Presidents dated 2-24-20 mailed to members with a copy of the Agreement of Merger dated 1-24-20 and were told NMB directors had already approved."**

WFL leadership and its Board of Directors conducted many months of due diligence and negotiations to determine whether the Merger with NMB would be in the best interests of WFL, its members, and its constituents in the future. The Board of WFL voted to approve the Merger and to submit the Merger for approval to the supreme governing body of WFL, its quadrennial convention. The Board of NMB also approved the Merger. Following that approval, the text of the Merger contract was furnished to the members of WFL pursuant to Section 512B.15(d) of the Iowa Fraternal Code on a timeline that is more than 60 days from the mail vote of the supreme governing body. This procedure was reviewed

with and approved by the Iowa Division of Insurance. NMB has also submitted the text of the Merger agreement to its members pursuant to Section 614.73(3)(a) of the Wisconsin Statutes.

"NMB does not have member representation in decision making but instead rests all decision making in their directors exclusively; nevertheless NMB maintains it is a not-for-profit."

As you know, this allegation is incorrect. NMB is a fraternal benefit society governed under Chapter 614 of the Wisconsin Statutes and, among other things, operates under a representative form of government under Section 614.01(1). Specifically, NMB operates under Section 614.42(1)(a) whereby its board is elected by vote of all of its benefit members. This direct member election structure is in place for many fraternal across the country, including another Wisconsin-domiciled fraternal, Thrivent Financial. The WFL governance structure rests the voting for the board with a small number of quadrennial convention delegates instead of all benefit members.

"The proposed consolidation states that the new organization will have a total of eight directors plus the CEO and President."

This is correct. This equitable representative structure will provide 4 directors from WFL and 4 directors from NMB and the CEO and President. WFL currently has an 8 member board and NMB currently has a 5 member board.

2. WFL's seven directors voted on the proposed consolidation with majority approval in January 2020. (WFL delegates, as yet, have NOT approved).

The WFL Board of Directors did approve the proposed consolidation. The Board approved the submission of the proposal to the convention by mail ballot under Section 56 of the WFL Bylaws. Pursuant to Section 56(b) of the WFL Bylaws this was by a two-thirds majority, not simple majority.

"Discussion meetings were then to be held face-to-face with all WFL delegates and members and WFL President and NMB CEO prior to voting dates of April 25- May 26, 2020 by WFL delegates. Only one meeting was held face-to-face in Michigan before the Coronavirus National Emergency. The remaining scheduled meeting(s) were cancelled and are now to be held by teleconference or similar venue depending upon the individual delegate's internet capability, if any. Many WFL members feel this is inadequate for proper representation and requested that voting be tabled until the National Emergency guidelines have been lifted. On an issue of such consequence to our company, we have been told NO and that voting will be held as scheduled."

The text of the Merger agreement was mailed to all WFL benefit members pursuant to Section 512B.15 of the Iowa Fraternal Code and the vote by the convention is by mail ballot pursuant to Section 56(b) of the WFL Bylaws. The procedures for the member notice and

delegate voting have been discussed with the Iowa Insurance Division and approved. In-person meetings are not required by the WFL Bylaws or Iowa Fraternal Code.

The society has gone to great lengths to inform the delegates of the rationale for the Merger and answer their questions. The delegate meetings have been scheduled by teleconference with ample time for members to ask questions. So far, the society has conducted teleconference meetings with delegates from Iowa and Nebraska. These meetings were very well attended with about 90% of delegates participating. Delegates have been able to ask questions of WFL Board, its CEO and the CEO of NMB.

The recent teleconference meetings for Iowa and Nebraska each went for over 2 hours and ended when all questions had been asked and answered. The society has gone well beyond what is required by law to receive and answer questions from delegates of the convention.

WFL made a website available to delegates on February 24, 2020 to provide information about the proposed Merger which also allowed questions to be submitted and answers provided. Questions from delegates continue to be gathered and the questions and answers will be posted for review by the delegates prior to the delegate vote.

Ms. Seymour has also had an opportunity to speak at great length directly with the WFL CEO.

A delay of the delegate vote is not required, not necessary or appropriate, and would have a negative effect on the society, its members, and its employees. The current circumstances further underscore the vital insurance and financial benefits to the merged organization that are not available to each society today.

3. "The proposed Articles of Incorporation and Bylaws of the new "Consolidated Society" appear that the 'representative form of governing' will not exist and that the directors will have full control over all decisions without oversight by the members and members will have no voting rights. It states that a member can nominate someone for director but the procedure is extremely complicated and thus in essence prohibitive. The existing new Board of Directors will have control over nominating replacement directors but do not have authority to remove the CEO or President. There are no checks and balances to protect the members in this "new" organization.

These statements are a misreading of the proposed Bylaws of the merged organization. The proposed Bylaws follow the NMB structure as described in Section 614.42(1)(a) of the Wisconsin Statutes.

- Article VII(a)(1) of the proposed Articles of Incorporation states: "Benefit Members also have the right to vote in the corporate and insurance affairs of the Society according to the Articles of Incorporation and Bylaws."

- Article III(c)(4) of the proposed Bylaws states: "All nominations in accordance with Paragraph (c)(1),(2) and (3) of this Article shall be placed before the Benefit Members for a vote. Election shall be by written ballot, or such other methods and procedures as the Board shall select. * Benefit members to receive ballots will be those on record in good standing as of August 31 of each year of the election...Directors shall be elected by a plurality of the votes cast by the Benefit Members. Each Benefit member shall have one vote for each Board position subject to election. Cumulative/ proxy voting is not permitted."
- Article IV(d) of the proposed Bylaws states "The Board of Directors may remove the CEO or President with or without cause by a majority vote of all Directors, excluding the CEO and President, at a meeting called for that purpose."

There is nothing preventing any member who is an eligible candidate from running for office as a director under the proposed Bylaws. If such candidate is not able to get support of 200 members for their run for the board, they are unlikely to be a serious candidate able to get support of members in the election. There is nothing complicated about the nomination process described in Article III(c) of the proposed Bylaws.

The statement that "members will have no voting rights" is the opposite of the terms of the proposed Bylaws. In fact, all benefit members will have voting rights for the board of directors where under the current WFL structure, only a very few have such voting rights.

In NMB's experience, more than 20% of all benefit members have participated in the Board election in recent years. That is many multiples more than the percentage that participate in the WFL election process for the Board today, which is less than 1% of all benefit members.

4. "Some WFL members feel there was a high possibility WFL's seven directors were encouraged to approve the consolidation by an assurance of substantially increased compensation for the four directors who will "transition" to the "new" Corp. (Note" NMB's Form 990 filed publically with the IRS shows NMB's current directors received compensation ranging from \$48-50,000 each in 2018.) WFL's directors currently receive far less compensation."

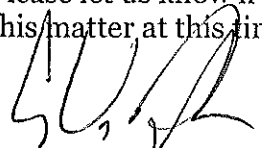
This is a false and potentially libelous statement about the WFL Board of Directors. It suggests, among other things, breach of fiduciary duty and is entirely baseless. There is nothing in the agreements setting compensation for the future board. This member has cited nothing of the sort other than stating that "some WFL members feel" that misconduct occurred.

WFL, its leadership, and its directors are prepared to defend to the fullest their actions and to pursue any further false and libelous statements by this member or others.

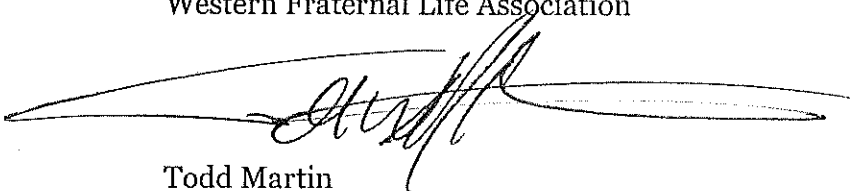
The financial and insurance benefits to WFL and its members from the Merger are clear, significant, and very straightforward for anyone with knowledge of the insurance

industry. Both societies will file with their respective regulators, financials and other required information about the benefits of the Merger to the members of both societies. Pursuant to Section 512B.15(2) of the Iowa Fraternal Code and Section 614.73 (4) of the Wisconsin Statutes, both the Iowa Insurance Division and the Wisconsin OCI will be charged with determining whether the Merger is "just and equitable" to the members of each fraternal after the final voting by both societies is completed. We are confident that Merger will very clearly meet this standard.

Please let us know if you have questions or would like any further information relating to this matter at this time.



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President and CEO
Western Fraternal Life Association



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cc.

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Delores E. Seymour