



DATE: October 16, 2020

TO: Amy J. Malm

FROM: Steven J. Junior

SUBJECT: Merger of National Mutual Benefit with and into Western Fraternal Life Association, and the Latter's Simultaneous Name Change to BetterLife and Redomestication from Iowa to Wisconsin (Case No. 20-C43722)

DESCRIPTION OF THE TRANSACTION

Overview

On June 19, 2020, the Office of the Commissioner of Insurance (hereinafter also, the "OCI") received a Form A dated June 17, 2020, addressed jointly to the Iowa Insurance Division and the OCI. The plan is for National Mutual Benefit to merge with and into Western Fraternal Life Association, and the latter to simultaneously change its name to BetterLife and redomicile from Iowa to Wisconsin pursuant to the Agreement of Merger entered into on the 24th day of January, 2020, by and between National Mutual Benefit and Western Fraternal Life Association.

The supreme governing body of National Mutual Benefit is its Board of Directors, which National Mutual Benefit certified voted unanimously to approve the merger.

The supreme governing body of Western Fraternal Life Association is its National Convention. Of the 177 Delegates of the National Convention, Western Fraternal Life Association certified that 159 cast timely received ballots. Of the 159 timely received ballots, 110 were voted in favor of the merger and 49 were voted against the merger.

Scope of Wisconsin's Regulatory Concern

Under s. 614.73 (3), Wis. Stat., the supreme governing body of a fraternal proposing to merge must: (1) submit the text of the proposed merger agreement to its members at least 60 days before the proposed merger; (2) approve the proposed merger by a two-thirds vote; and (3) file the merger agreement and such other information required by law with the OCI for review.

Under s. 614.73 (4), Wis. Stat., the OCI must issue a certificate approving the merger if it finds that:

- (a) The merger contract conforms to the provisions of Chapter 614 of the Wisconsin Statutes;
- (b) The parties to the proposed merger contract have complied with the provisions of s. 614.73 (3); and
- (c) The proposed merger contract is just and equitable to the members of each fraternal.

If a nondomestic fraternal benefit society is involved, then pursuant to s. 614.73 (5), Wis. Stat., OCI must also obtain evidence that the merger agreement has been approved in the manner required by the laws of state of domicile of the nondomestic fraternal benefit society before she may issue a certificate of merger.

SUMMARY OF THE KEY DOCUMENTS

The following are the principal documents that allow one to form an understanding of the proposed acquisition:

Agreement of Merger

There is an Agreement of Merger entered into on the 24th day of January, 2020, by and between National Mutual Benefit and Western Fraternal Life Association. This was filed as Exhibit A to the Form A. Highlights of the Agreement of Merger include:

- The target effective date of the merger is January 1, 2021.
- The name of the post-merger society will be a new name approved by the Boards of Directors of National Mutual Benefit and Western Fraternal Life Association and the decision was to change the name of post-merger Western Fraternal Life Association to BetterLife.
- The Articles of Incorporation and Bylaws will be restated as attached to the Agreement of Merger.
- Following the merger, the home office will be relocated to National Mutual Benefit's current home office in Madison, Wisconsin. The current Cedar Rapids, Iowa home office of Western Fraternal Life Association will be maintained for the period of time deemed by the post-merger Board of Directors to be in the best interests of the society.
- Each party will bear its own transaction expenses, regardless of whether the merger is consummated.
- It is a condition of the consummation of the Agreement of Merger that Western Fraternal Life Association shall have a Certificate of Authority in all states in which National Mutual Benefit is licensed to do business or a waiver permitting Western Fraternal Life Association to assume and service all National Mutual Benefit certificates issued in such states.
- The Agreement of Merger shall be governed by Wisconsin law without regard for conflicts of laws principles.

Representations, Warranties and Covenants

There is a separate and distinct document entitled "Representations, Warranties & Covenants" signed on behalf of National Mutual Benefit and Western Fraternal Life Association. This was filed as Exhibit B to the Form A. In this agreement, the parties make the usual representations, warranties and covenants that are typical for merger agreements, including, among other matters, that they have provided one another accurate information, that they have the corporate authority to enter into the merger, will continue operations in the normal course until the merger is consummated, and will continue to actively and timely communicate all important matters to one another.

Fraternal Transition Plan

There is a Fraternal Transition Plan, which was filed as Exhibit C to the Form A. This Fraternal Transition Plan is referenced in Sections 1.07(d), 2.06, and 8.01 of the Agreement of Merger. The expressed intention of the parties to the merger is to provide for continuation and expansion of member engagement and the activities of the Branches of National Mutual Benefit and the Lodges of Western Fraternal Life Association following the merger. The Fraternal Transition Plan is to apply from January 1, 2021, or such later date as may be specified in the Articles of Merger, and continuing until January 1, 2024.

Under the Fraternal Transition Plan, the Branch structure of active Branches of National Mutual Benefit and the Lodge and District structure of Western Fraternal Life Association are left intact. Branch and Lodge support arrangements will be continued without change until January 1, 2022.

In addition to other charitable and fraternal activities, each Western Fraternal Life Association Lodge and District is encouraged to continue to support and promote Czech and Slovak culture, history and heritage. Western Fraternal Life Association Lodges may continue to conduct State Meetings. The time, location and agenda of State Meetings will be determined by Western Fraternal Life Association Lodge leadership.

The Fraternal Transition Plan establishes a Fraternal Board to provide support and advice on Lodge and Branch matters and provide recommendations to the post-merger BetterLife on ways to continue to encourage and promote Lodge and Branch activities and expand engagement of members. The Fraternal Board will gather input from members and work closely and cooperatively with the home office and other member leaders. The Fraternal Board will also perform such other duties as are outlined in the Fraternal Board Charter as approved by the post-merger Board of Directors. The post-merger Board of Directors will set compensation and expense reimbursement for the Fraternal Board members.

The Fraternal Board will consist of 14 members comprised as follows:

- a. The 3 Western Fraternal Life Association District Directors who are not elected to the post-merger Board of Directors;
- b. 1 member of the Western Fraternal Life Association Pre-Convention Committee from each of the other 4 Districts elected by the District; and
- c. 7 National Mutual Benefit members selected by the National Mutual Benefit Board of Directors.

In the event of a vacancy in the Fraternal Board for one of the Western Fraternal Life Association District representatives, such vacancy shall be filled by election of the District by a Pre-Convention Committee member or alternate from that District, or if none are available, by another member of the District. In the event of a vacancy in the fraternal board for one of the National Mutual Benefit representatives, such vacancy shall be filled by vote of the members of the Board of Directors assigned to National Mutual Benefit.

After the merger, BetterLife will continue to conduct annual member meetings. Among other things, at such annual member meetings, the Fraternal Board will provide a forum to discuss fraternal plans and programs to continue and expand Lodge and Branch activities and member engagement.

BetterLife will conduct a national convention in Cedar Rapids, Iowa to celebrate the 125th anniversary of the society. The national convention will provide a forum to discuss fraternal plans and programs to continue and expand Lodge and Branch activities and member engagement in the future and to share organization updates from the Board and other leadership.

Articles of Incorporation

Under the Agreement of Merger, the Articles of Incorporation will be restated. Important changes include:

- The name of the society will be changed from Western Fraternal Life Association to BetterLife.
- The principal place of business will change from Cedar Rapids, Iowa to Madison, Wisconsin.
- The supreme governing body will change from the National Convention to the Board of Directors.
- Currently, any amendment or restatement of the Articles of Incorporation require a two-thirds vote of both the Board of Directors and the National Convention Delegates. Following the merger, the Articles of Incorporation can be amended and restated by a majority of the full Board of Directors.

Currently, the purpose of Western Fraternal Life Association is to associate its members and thus enable them to aid themselves and others in programs of:

1. Fraternal and benevolent activities through the lodge system, ritualistic work, and otherwise.

2. Encouragement, cultivation, and preservation of learning and study of Czech and Slovak history, culture, language, and traditions - bearing in grateful and appreciative memory the vision and pioneer spirit of the many immigrants and their descendants who founded and maintained the Association in its earlier years and generations.
3. Insurance and other benefits permissible under the laws governing fraternal beneficiary associations.
4. Assistance to such other lawful, social, educational, intellectual, patriotic, or civic undertakings as may be determined upon.

Following the merger, the purposes of Western Fraternal Life Association (to be known as "BetterLife") will be:

- (a) The purpose of the Society is to engage in any lawful act or activity for which it is authorized as a fraternal benefit society organized under ch. 614, Wis. Stats., or the laws of any other jurisdiction in which it is authorized to act.
- (b) The objective of the Society is to associate members and their families, and enable them through membership in the Society to aid themselves and others with programs of:
 - (1) Insurance and other benefits permissible under the law governing fraternal benefit societies;
 - (2) Fraternal and benevolent activities in local Chapters; and
 - (3) Any lawful, social, intellectual, educational, charitable, benevolent, moral, fraternal, or patriotic purpose carried on through voluntary activities of its members in their local Chapters or through institutional programs of the Society.

A common bond of membership is provided by support of the following:

- People helping people in time of need. To know and to keep in touch with fellow members so that in time of adversity we may demonstrate sympathy and fellowship that will bind us more closely together;
- Promote and encourage our members to engage in acts of fraternalism, charity, and benevolence for the benefit of members and others;
- Encouragement, cultivation, and preservation of learning and study of Czech, Slovak and other ethnic history, culture, language, and traditions - bearing in grateful and appreciative memory the vision and pioneer spirit of the many Immigrants and their descendants who founded and maintained the association in its earlier years and generations;
- Develop fraternal programs that encourage family togetherness and strengthen the family unit;
- Bring persons of good moral character together, through the lodge system, to provide them with social, intellectual, moral, and physical improvement;
- Support and promote patriotic programs and respect for the flag of our country;
- Assist in programs for the betterment of the communities in which members reside;
- Provide life insurance, disability, and annuity benefits for members and their beneficiaries;
- Through sound management and sound operation, safeguard and protect the interest of the Society's members;
- Maintain the Society through a democratic form of government.

Bylaws

Under the Agreement of Merger, the Bylaws will be restated. The changes to the Bylaws are very extensive, reflecting the change in the supreme governing body from the National Convention to the Board of Directors. Provisions of particular note include:

- The Board of Directors shall consist of eight elected directors, the Chief Executive Officer, and the President.
- Except for certain transitional provisions that will cause the terms of the eight elected directors to become staggered beginning January 1, 2025, the term of each director shall be for four years. No director can serve more than three full terms. Any partial term or service prior to January 1, 2021 will not count toward the term limit. Terms of office shall be staggered such that four elected directors' terms of office will expire every two years.
- Directors shall be elected by Benefit Members on record in good standing as of August 31 of applicable election years. Ballots must be received on or before September 30 of election years. Each Benefit Member shall have one vote for each Board position subject to election. Cumulative and proxy voting is not permitted.
- A majority of the number of Board members fixed by the Bylaws constitutes a quorum. An act of the majority of directors present at a meeting at which a quorum is present shall be an act of the Board of Directors.
- The principal offices shall be the Chief Executive Officer, President, Secretary and Treasurer. These principal offices must be held by no less than three separate persons.
- The society shall conduct member meetings at such times and locations as determined by the Board of Directors.
- An annual report shall be prepared and published in the official publication within six months after the term of each fiscal year.

OBSERVATIONS BASED ON REVIEW OF DOCUMENTS AND ON INQUIRIES

Format and Informational Sufficiency of the Form A

The Form A filing was prepared in a format that complies with s. 614.73, Wis. Stat. The information contained in the filing and in the supplementary information obtained by OCI in connection with review of this filing is sufficient for OCI to make a decision concerning the proposed plan.

Legality and Fairness of the Proposed Plan

My review of the Form A included, but was not limited to, a review of the following principal documents for effectuating the merger:

- Agreement of Merger
- Representations, Warranties and Covenants
- Fraternal Transition Plan
- Articles of Incorporation
- Bylaws

My review of the Agreement of Merger and the other principal agreements supporting the proposed merger is evidenced by the summary presented earlier in this memorandum. Review of the business plan is evidenced by the narrative in the section of this memorandum captioned, "Future Plans after the Change in Control". Review of the financial condition of the existing entities, Western Fraternal Life Association and National Mutual Benefit, and the prospective combined entity are summarized in the section of this memorandum captioned, "Financial Soundness of Prospective Entity".

This review of the Form A and the component agreements of the proposed plan, with due consideration to supplementary information filed in response to examiner inquiries, discloses no basis for denial of the application on a point of law. The Agreement of Merger contract conforms to the provisions of Chapter 614 of the Wisconsin Statutes.

I can find no basis on which execution of the proposed transactions disclosed in the Form A should not be regarded as reasonable and fair to each participating insurer and to each participating insurer's policyholders, within the scope of Wisconsin's regulatory concern.

Investigatory Review of the Vote of the Delegates to the National Convention of Western Fraternal Life Association

The author of this memorandum has had direct personal experience in the course of his 31-year career with OCI related to the mergers of fraternal benefit societies, and it is not uncommon for there to be very strong feelings surrounding any such merger. What was unusual in this instance were allegations that the process of the vote was unfair, with the implication that the vote tabulation itself may have lacked integrity. Concerned by these allegations, the OCI posed certain specific questions in its letters of inquiry dated August 20, 2020 and September 9, 2020.

Western Fraternal Life Association sought the services of a tabulating agent in order to ensure that an independent outside organization was responsible for the accurate counting of the ballots. YesElections was highly recommended to Western Fraternal Life Association by another fraternal benefit society that had used them in connection with a vote on governance changes. Craig Van Dyke spoke with YesElections about their services and how they handled the election process. They were able to provide multiple options on submitting ballots including the ability to return ballots in paper or electronically. They provided the design, material production and election administration. By using control numbers on each ballot, they were able to ensure that each delegate could only vote one time. The Chair of the Board submitted the recommendation to approve YesElections to the full Board and the Board unanimously approved the selection.

YesElections is said to have mailed a paper ballot to all Delegates on April 24, 2020 and sent an email on April 25, 2020 to those Delegates whose email addresses that were on record with Western Fraternal Life Association. The electronic ballot and paper ballot provided to the OCI clearly states the resolution that was to be voted upon, the voting period and deadline, and the number of votes needed to pass the resolution. The company stated that reminder emails were sent to the Delegates whose ballot had not been received on multiple occasions.

In response to questioning by the OCI, Western Fraternal Life Association confirmed that the voting procedures were under the supervision of the Chairman of the Board. A motion was made and passed unanimously by the Board of Directors to approve the voting procedures under Section 56 of the Bylaws of the society and this motion carried unanimously. Section 56 states that the procedures for such voting shall be under the supervision of the Chairman of the Board. The Chairman of the Board delegated to Craig Van Dyke, the society's President and Chief Executive Officer the responsibility of carrying out the voting process as approved by the Board of Directors, but continued to act in a supervisory role.

Section 56 of the By-Laws of Western Fraternal Life Association requires that any amendment to the By-Laws occurring outside the time the National Convention is in session requires at least two-thirds of the Delegates to the National Convention to vote upon the proposed amendment and for at least two-thirds of the votes cast to be in favor of the proposed amendment. Article V of the Articles of Incorporation require at least two-thirds of the members of the Board of Directors and two-thirds of the Delegates to the National Convention to vote in favor of any proposed amendment to the Articles of Incorporation to be enacted.

According to the company's tabulation agent, YesElections, of the 177 Delegates to the National Convention of Western Fraternal Life Association, 110 voted in favor of merger, 49 voted against, and 18 did not vote. The participation of 159 Delegates in the vote represents a 90% participation rate among the National Convention Delegates eligible to vote on the merger. The 110 votes for the merger constitute 69% of the ballots cast and the 49 votes against the merger constituted 31% of the ballots cast.

The breakdown of voting by internet and mail-in paper ballots and the results were as follows:

	For	Against	Total
Internet	67	24	91
Mail-in Paper	<u>43</u>	<u>25</u>	<u>68</u>
Voted	110	49	159
Not Received			<u>18</u>
Total			<u>177</u>

The day by day tally of votes was as follows:

	Internet		Mail-in Paper		Cumulative	
	For	Against	For	Against	For	Against
Saturday, April 25	17	10	0	0	17	10
Sunday, April 26	4	0	0	0	21	10
Monday, April 27	6	1	0	0	27	11
Wednesday, April 29	2	0	0	0	29	11
Thursday, April 30	5	1	0	0	34	12
Saturday, May 2	2	2	0	1	36	15
Sunday, May 3	1	0	0	0	37	15
Tuesday, May 5	1	0	0	0	38	15
Thursday, May 7	3	0	0	0	41	15
Friday, May 8	1	0	32	12	74	27
Sunday, May 10	1	0	0	0	75	27
Monday, May 11	3	0	0	0	78	27
Wednesday, May 13	5	0	0	0	83	27
Thursday, May 14	0	1	0	0	83	28
Friday, May 15	0	0	9	10	92	38
Saturday, May 16	2	0	0	0	94	38
Sunday, May 17	2	2	0	0	96	40
Monday, May 18	1	0	0	0	97	40
Tuesday, May 19	1	0	0	0	98	40
Wednesday, May 20	2	3	0	0	100	43
Thursday, May 21	0	1	2	2	102	46
Friday, May 22	4	1	0	0	106	47
Saturday, May 23	1	0	0	0	107	47
Monday, May 25	0	1	0	0	107	48
Tuesday, May 26	3	1	0	0	110	49
Totals	67	24	43	25	110	49

At least 6 votes for the merger of the 159 cast would have had to have been instead voted against the merger in order to have changed the outcome. At least 9 additional votes against the merger would have had to have been received in order to have changed the outcome.

Of the 10 people who wrote or called to express their disapproval with the plan or the process whereby it was approved, including the one individual who requested anonymity, eight were Delegates to the National Convention. In six of these eight instances, the votes were received and reported as votes against the merger. In the other two instances, the tabulating agent has stated that the two ballots, which Ann Torticill and Philip J. Torticill indicate they sent by U.S. Mail, never arrived.

There are three instances in which the OCI was informed that ballots sent by U.S. Mail never arrived. In addition to Ann Torticill and Philip J. Torticill, Elaine Benda also informed the OCI that her mailed ballot

had apparently not arrived by the May 26, 2020 deadline. However, when Ms. Benda called the tabulating agent to inquire about the status of her ballot and was informed that it had not been received, she noted that an employee of the tabulating agent assisted her through the process of voting electronically over the internet and OCI received confirmation that her vote against the merger had been recorded on May 26, 2020, which is the day that Ms. Benda said this interaction had taken place.

It may seem strange that three of the 71 ballots known or said to have been mailed were never received. The three ballots that were said to have been mailed not only failed to be received on or before May 26, 2020, but, according to the tabulating agent, have never been received in the four months following the due date. However, even if the two additional votes against the merger had been received and added to the tally, the merger would have been approved by a supermajority of 68% to 32% instead of the tabulated 69% to 31%.

From the voting information provided, it appears that YesElections checked for mail-in paper ballots on May 2, May 8, May 15, and May 21. YesElections stated in writing that their firm checked the mail on May 26 and their firm has continued to check to see if there have been any mail-in paper ballots that came in late, but that their firm has not received any additional ballots since the election close on May 26, 2020.

The investigatory review of the vote of the Delegates to the National Convention of Western Fraternal Life Association did not disclose any impropriety in the vote, nor any evidence that the conduct of tabulation lacked integrity. It is the conclusion of the OCI's investigatory review that the required supermajority of participation by the Delegates and the and the votes of the Delegates for the proposed merger was met.

Satisfaction of Licensing Requirements Maintained

The licensed territory of Western Fraternal Life Association and National Mutual Benefit overlap to a great extent.

Western Fraternal Life Association is licensed in the following states:

California	Michigan	Oklahoma
Colorado	Minnesota	Oregon
Illinois	Montana	South Dakota
Iowa	Nebraska	Texas
Kansas	North Dakota	Washington
Louisiana	Ohio	Wisconsin

National Mutual Benefit is licensed in the following states:

Arizona	Michigan	North Dakota
Colorado	Minnesota	South Dakota
Illinois	Montana	Wisconsin
Indiana	Nebraska	Wyoming
Iowa		

National Mutual Benefit is licensed in Arizona, Indiana and Wyoming, while Western Fraternal Life Association is not. Accordingly, the merger of National Mutual Benefit with and into Western Fraternal Life Association would lead to a gap in licensed territory that it will be essential for Western Fraternal Life Association to rectify prior to actual consummation of the merger.

Western Fraternal Life Association is licensed in California, while National Mutual Benefit is not. It has been decided that the post-merger BetterLife will not continue operations in California. Western Fraternal Life Association is in negotiations with another fraternal benefit society to acquire its certificates in California.

Effect on Competition within the Wisconsin Insurance Marketplace

During 2019, National Mutual Benefit and Western Fraternal Life Association wrote the following direct premiums written in Wisconsin in the following lines:

Type of Business	National Mutual Benefit	Western Fraternal Life Association	Combined
Life	\$6,472,197	\$2,255,978	\$8,728,175
Annuity	6,394,348	1,695,336	8,089,684
Accident & Health	71,585	0	71,585
Deposit-Type Contracts	<u>30,453</u>	<u>141,995</u>	<u>172,448</u>
Totals	<u>\$12,968,583</u>	<u>\$4,093,309</u>	<u>\$17,061,892</u>

In 2019, direct written premium volume written on an admitted basis, for all lines and for both domestic and nondomestic insurance companies was as follows:

Health	\$19,754,137,456
Life/Annuity	12,162,082,721
Property/Casualty	10,828,496,727
Title	188,846,359
Risk Retention Group	<u>11,899,936</u>
Total	<u>\$42,945,463,199</u>

As of December 31, 2019, the number of licensed domestic and nondomestic insurers in Wisconsin totaled 1,953 as follows:

Company Type	Domestic	Nondomestic	Combined
Property/Casualty	164	840	1,004
Life/Annuity	16	367	383
Health	52	41	93
Fraternal	5	39	44
Title	0	21	21
Risk Retention Groups	0	0	0
All Other	<u>98</u>	<u>310</u>	<u>408</u>
Totals	<u>335</u>	<u>1,618</u>	<u>1,953</u>

In terms of products offered, fraternal benefit societies compete with mutual and stock life insurance companies.

The number of licensed domestic and nondomestic insurers in Wisconsin that actually wrote life insurance and annuities on an admitted basis during 2019 was as follows:

Company Type	Domestic	Nondomestic	Combined
Life/Annuity	10	295	305
Fraternal	<u>3</u>	<u>34</u>	<u>37</u>
Totals	<u>13</u>	<u>329</u>	<u>342</u>

As a result of a merger with National Mutual Benefit, on the basis of admitted life insurance and annuity premium volume, the market share controlled by Western Fraternal Life Association will increase from 0.03% to 0.14%.

In 2019, 37 fraternal benefit societies wrote \$888,874,219 in direct life insurance and annuity premiums in Wisconsin on an admitted basis. This represents 7.31% of the \$12,162,082,721 in life insurance and annuity premiums written in Wisconsin in 2019.

As a result of a merger with National Mutual Benefit, on the basis of fraternal life insurance and annuity premium volume alone, the market share controlled by Western Fraternal Life Association will increase from 0.44% to 1.89%.

The proposed merger of National Mutual Benefit with and into Western National Fraternal Association will not create a monopoly or substantially lessen competition in any type or line of insurance in Wisconsin.

Future Plans after the Change in Control

As part of the plan of merger, there will be immediate changes to:

- Name
- Domicile
- Composition of the Board of Directors
- Change in officers
- Restatement of the Articles of Incorporation and Bylaws

As part of the merger, Western Fraternal Life Association will change its name to BetterLife and redomicile to Wisconsin.

In keeping with the principle of this being a merger of equals, the Board of Directors of post-merger BetterLife will be comprised of the four current elected directors of National Mutual Benefit and four of the current seven elected directors of Western Fraternal Life Association and Daniel Shinnick, as the initial post-merger Chief Executive Officer, and Craig A. Van Dyke, as the initial post-merger President. The four directors of Western Fraternal Life Association to serve on the Board of the post-merger BetterLife will be selected by vote of Western Fraternal Life Association Delegates as described in the Merger Agreement.

All officers other than the Chief Executive Officer and the President have yet to be selected. National Mutual Benefit and Western Fraternal Life Association will develop and agree to a plan for employment of National Mutual Benefit and Western Fraternal Life Association employees. The employment plan shall outline terms, benefits, and expectations for continuing employment of employees following the effective time and terms for severance for employees not continuing employment with the post-merger BetterLife.

The Articles of Incorporation and Bylaws shall be extensively restated. Highlights of the changes to these governance documents were described earlier in this memorandum.

In the near term, the efforts of the organization will be directed to completing a successful integration. Thereafter, there will be an expanded emphasis on growth of the membership and on community engagement.

The anticipated business, governance structure, and management following the acquisition has been described in the Form A and its supplements, but such plans are subject to additional change and development. The plan does not appear to be adverse to either National Mutual Benefit or Western Fraternal Life Association, or their respective policyholders, or to conflict with the public interest.

Financial Soundness of Prospective Entity

Recent years' selected financial statistics for Western Fraternal Life Association are as follows:

Financial Data	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Admitted Assets	\$304,066,274	\$301,909,674	\$298,022,314	\$295,325,782
Liabilities	280,951,720	278,249,179	273,758,876	271,333,090
Surplus	23,114,554	23,660,495	24,263,438	23,992,692
Direct Premiums Written	18,586,693	17,159,852	18,945,996	17,695,139
Net Premiums Written	17,748,475	16,312,382	18,098,113	16,909,950
Net Investment Income	12,171,954	12,271,694	12,305,792	12,732,542
Total Revenues	29,187,441	28,512,950	29,755,510	29,446,395
Death Benefits	5,436,870	5,510,089	5,067,785	4,685,062
Annuity Benefits	6,242,254	4,039,982	6,545,836	2,562,585
Surrender Benefits	8,249,311	8,088,900	9,270,831	6,623,232
Total Benefit Payments	23,776,333	22,670,456	22,980,072	22,437,170
General and Fraternal Expenses	3,905,813	4,187,515	4,208,446	4,377,425
Dividends and Refunds to Members	697,825	652,894	742,294	711,542
Net Income	(406,492)	(420,026)	345,655	183,433
Life Insurance in Force	1,142,769,000	1,178,919,000	1,199,621,000	1,212,828,000
Life Certificates in Force	39,453	40,556	41,620	42,608
Annuity Contracts in Force	4,030,	4,187	4,380	4,636
RBC Ratio	578%	923%	1,200%	1,216%

Recent years' selected financial statistics for National Mutual Benefit are as follows:

Financial Data	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Admitted Assets	\$344,960,028	\$342,336,052	\$343,641,412	\$337,933,080
Liabilities	307,487,196	307,303,256	308,278,348	302,101,646
Surplus	37,472,832	35,032,795	35,363,064	35,831,434
Direct Premiums Written	19,224,568	18,055,630	19,948,507	20,667,871
Net Premiums Written	18,086,147	16,983,102	18,757,863	19,398,744
Net Investment Income	15,256,848	15,330,830	15,755,582	15,819,415
Total Revenues	34,048,898	33,027,703	35,301,457	35,554,083
Death Benefits	4,302,820	5,221,186	5,932,385	5,705,853
Annuity Benefits	13,176,773	11,810,105	9,057,824	9,452,853
Surrender Benefits	5,772,584	5,508,888	6,220,055	4,884,878
Total Benefit Payments	24,608,650	24,927,463	26,806,713	26,055,245
General and Fraternal Expenses	8,254,026	8,124,459	8,099,361	7,043,598
Dividends and Refunds to Members	283,761	445,750	426,844	430,319
Net Income	103,858	(161,080)	(347,079)	1,103,798
Life Insurance in Force	1,091,518,000	1,084,418,000	1,111,212,000	1,136,902,000
Life Certificates in Force	28,653	29,591	30,520	31,550
Annuity Contracts in Force	4,176,	4,373	4,553	4,662
RBC Ratio	1,161%	1,323%	1,221%	1,255%

Both societies are roughly of comparable size, have substantial overlap in their licensed territory, and have to contend with unusually low investment yields. Both societies are facing a notable trend of decline in their benefit membership. From December 31, 2016 to December 31, 2019, Western Fraternal Life Association's number of life certificates and annuities in force decreased by 7.4% and 13.1%, respectively, while life insurance in force declined 5.8%. From December 31, 2016 to December 31, 2019, National Mutual Benefit's number of life certificates and annuities in force decreased by 9.2% and 10.4%, respectively, while life insurance in force declined 4%.

The financial condition of National Mutual Benefit and Western Fraternal Life Association, individually, and their respective holding company systems taken as a whole, are unlikely to jeopardize either

society's financial stability as a result of the proposed merger, or to prejudice the interests of their respective Wisconsin policyholders. The combined entity can reasonably be expected to be in a better position financially, and thus for the support of fraternal purposes and functions, than the two societies continuing to operate separately.

Competence and Integrity of Prospective Management

In keeping with the principle of this being a merger of equals, the Board of Directors of post-merger BetterLife will be comprised of the four current elected directors of National Mutual Benefit and four of the current seven elected directors of Western Fraternal Life Association and Daniel Shinnick, as the initial post-merger Chief Executive Officer, and Craig A. Van Dyke, as the initial post-merger President. The four directors of Western Fraternal Life Association to serve on the Board of the post-merger BetterLife will be selected by vote of Western Fraternal Life Association Delegates as described in the Merger Agreement.

The only initial officers of post-merger BetterLife that have been determined at this time are:

Name	Office
Daniel L. Shinnick	Chief Executive Officer
Craig A. Van Dyke	President

All other officers have yet to be selected. National Mutual Benefit and Western Fraternal Life Association will develop and agree to a plan for employment of National Mutual Benefit and Western Fraternal Life Association employees. The employment plan shall outline terms, benefits, and expectations for continuing employment of employees following the effective time and terms for severance for employees not continuing employment with the post-merger BetterLife.

The Board of Directors of Western Fraternal Life Association at the time of this review were as follows:

Name and Residence	Principal Occupation
Duane J. Jirik New Prague, Minnesota	Deputy Sheriff Scott County, Minnesota
Mary K. Bradley Franklin, Michigan	Chief Operating Officer National Charter Schools Institute
Michael S. Hosek Lincoln, Nebraska	Operations Administrator American Communications
Donald R. Krall Cedar Rapids, Iowa	Owner and President Krall Plumbing Inc.
Karen J. Ryba Oslo, North Dakota	Director of Risk Management Northridge Construction, Inc.
Ross E. Sestak Prague, Oklahoma	Extension Educator Oklahoma Cooperative Extension Service Oklahoma State University
Craig A. Van Dyke Marion, Iowa	President and Chief Executive Officer Western Fraternal Life Association

Brenda L. Vrieze
Holmen, Wisconsin

Deposit Operations Supervisor
Marine Credit Union

The officers of Western Fraternal Life Association at the time of this review were as follows:

Name	Office
Duane J. Jirik	Chairperson
Craig A. Van Dyke	President and Chief Executive Officer
Jack H. Minder, Jr.	Vice President, Treasurer and Controller
Donald M. Nieland	Vice President – Information Technology and Secretary
Ann B. Day Freeman	Senior Vice President and Chief Underwriter
Kevin L. Simpson	Vice President of Sales and Marketing

The Board of Directors of National Mutual Benefit at the time of this review were as follows:

Name and Residence	Principal Occupation
Nancy N. Heykes Krakow, Wisconsin	Vice President of Development Goodwill Industries of North Central Wisconsin
Maureen A. O'Hern Hahn Appleton, Wisconsin	President and Founder Encore Financial Group, LLC
John T. McHugh, Jr. Sparta, Wisconsin	Manager of Corporate Communications, Leadership Development, and Training Kwik Trip, Inc.
Thomas R. Johnson Fitchberg, Wisconsin	Retired Partner McGladrey LLP
Daniel L. Shinnick	President and Chief Executive Officer National Mutual Benefit

The officers of National Mutual Benefit at the time of this review were as follows:

Name	Office
Daniel L. Shinnick	President and Chief Executive Officer
Steven G. Reindl	Senior Vice President, Finance, Secretary and Treasurer
Jenna M. Dunker	Senior Vice President, Market Development
Jared Bruley	Senior Vice President, Member Acquisition and Engagement
Michelle Maffet	Vice President, Member Services
Nick McCullick	Vice President, Change Champions
Anne D. Rogers	Vice President, Fraternal Services

As part of the Form A, Western Fraternal Life Association provided copies of biographical reports for their officers and directors. The OCI has received biographical reports for National Mutual Benefit's officers and directors in the normal course of their election or appointment.

Review of the composition of the boards of directors and management of both Western Fraternal Life Association and National Mutual Benefit, from whom the BetterLife Board of Directors and management will be drawn, discloses no basis for disapproval of the Form A.

Requirements for Redomestication Met

Western Fraternal Life Association has been licensed as a nondomestic fraternal benefit society in Wisconsin since November 1, 1900. Pursuant to s. 611.223, Wis. Stat., a foreign insurer, such as Western Fraternal Life Association, which desires to become a domestic insurer, may submit to the OCI an application for a certificate of incorporation and a certificate of authority. Given the long period of Western Fraternal Life Association's operation within Wisconsin, the information contained in the Form A filing and in the supplementary information obtained by OCI in connection with review of this filing is sufficient for OCI to make a decision concerning the proposed redomestication from Iowa to Wisconsin. Upon review of this application, the OCI may issue a domestic certificate of incorporation and a domestic certificate of authority, if the OCI determines that all of the following are satisfied:

1. The applicant, Western Fraternal Life Association, is in compliance with the provisions of Chapters 600 to 655 of the Wisconsin Statutes that apply to domestic insurers.
2. The directors and officers of the applicant, Western Fraternal Life Association, are trustworthy and competent and collectively have the competence and experience to engage in the particular insurance business proposed.
3. The proposed business is consistent with the interests of insureds and the public.

Western Fraternal Life Association meets the criteria in accordance with s. 611.223, Wis. Stat., for redomestication to Wisconsin.

Summary of Observations

1. The Form A filing was prepared in a format that complies with s. 614.73, Wis. Stat. The information contained in the Form A filing and its supplements are sufficient to the transaction.
2. The plan would not violate the law or be contrary to the interests of National Mutual Benefit or Western Fraternal Life Association or their respective Wisconsin policyholders. The Agreement of Merger contract conforms to the provisions of Chapter 614 of the Wisconsin Statutes.
3. After the merger, Western Fraternal Life Association, then renamed BetterLife, will not experience a change that would cause it to become unable to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed in Wisconsin. However, National Mutual Benefit is licensed in Arizona, Indiana and Wyoming, while Western Fraternal Life Association is not. Accordingly, the merger of National Mutual Benefit with and into Western Fraternal Life Association would lead to a gap in licensed territory that it will be essential for Western Fraternal Life Association to rectify prior to actual consummation of the merger.
4. The proposed transaction will not create a monopoly or substantially lessen competition in any type or line of insurance in Wisconsin.
5. The financial condition of National Mutual Benefit and Western Fraternal Life Association, individually, and their respective holding company systems taken as a whole, are unlikely to jeopardize either society's financial stability as a result of the proposed merger, or to prejudice the interests of their respective Wisconsin policyholders. The combined entity can reasonably be expected to be in a better position financially, and thus for the support of fraternal purposes and functions, than the two societies continuing to operate separately.
6. The anticipated business, governance structure, and management following the acquisition has been described in the Form A and its supplements, but such plans are subject to additional change and development. The plan does not appear to be adverse to either National Mutual Benefit or Western Fraternal Life Association, or their respective policyholders, or to conflict with the public interest.

7. The competence and integrity of the persons who would control the operation of BetterLife, the intended post-merger name of Western Fraternal Life Association, are such that it is in the interest of the respective Wisconsin policyholders of National Mutual Benefit and Western Fraternal Life Association and of the public to permit the proposed plan.
8. The totality of my review indicates that the Agreement of Merger is just and equitable to the members of each fraternal.
9. Western Fraternal Life Association meets the criteria in accordance with s. 611.223, Wis. Stat., for redomestication to Wisconsin.

RECOMMENDATION

I recommend that the plan for the merger of National Mutual Benefit with and into Western Fraternal Life Association be approved, subject to the following conditions subsequent:

- The Petitioners file with the OCI a copy of the approval of the Agreement of Merger by the Iowa Insurance Division.
- Western Fraternal Life Association files with the OCI copies of either certificates of authority or waivers permitting Western Fraternal Life Association to assume and service all National Mutual Benefit certificates from each of the states of Arizona, Indiana and Wyoming certified by the Secretary or an Assistant Secretary of the fraternal.
- Western Fraternal Life Association files with the OCI the agreed post-merger Articles of Incorporation certified by the Secretary or an Assistant Secretary of the fraternal.
- Western Fraternal Life Association files with the OCI the agreed post-merger Bylaws certified by the Secretary or an Assistant Secretary of the fraternal.