



DATE: October 19, 2022

TO: Amy J. Malm  
Mark McNabb

FROM: Christopher Martin

SUBJECT: The Proposed Merger of Pella Mutual Insurance Company with and into Mutual of Wausau Insurance Company

The purpose of this Memo is to summarize the results of OCI's analysis with respect to the above-referenced filing performed in accordance with the competitive standard criterion set-forth in s. 612.22, Wisconsin Statutes and Ins. 40.02 Wis. Adm. Code.

**Form A Filing Contact(s)**

**Primary Contact:**

Todd J. Lentz  
Mutual of Wausau Insurance Corporation, President & CEO  
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**Exhibit(s)**

<b><u>Exhibit:</u></b>	<b><u>Description:</u></b>
Ex. 1	Mutual of Wausau/ Pella – Merger Agreement
Ex. 2a	Board Resolution – Mutual of Wausau
Ex. 2b	Certification of Resolution – Mutual of Wausau
Ex. 3a	Board Resolution – Pella Mutual
Ex. 3b	Certification of Resolution – Pella Mutual
Ex. 4	Summary of Merger Plan
Ex. 5	Policyholder Meeting Announcement – Pella Mutual
Ex. 6	Proposed Policyholder Resolution
Ex. 7	Proposed Report of Policyholder Vote
Ex. 8a	2021 Financial Statements – Mutual of Wausau [CONFIDENTIAL]
Ex. 8b	2021 Financial Statements – Pella Mutual [CONFIDENTIAL]

## **Executive Summary**

On October 17, 2022, Todd Lentz, President and CEO of Mutual of Wausau Insurance Company filed a statement on behalf of the Applicants, Pella Mutual Insurance Company (“Pella Mutual”, the “Applicant”) and Mutual of Wausau Insurance Company (“Mutual of Wausau”), to merge the two mutuals. After the merger, Pella Mutual will cease to exist, and the surviving entity would be Mutual of Wausau.

## **Identity and Background of the Domestic Insurers**

### **Identity of the Insurers:**

#### **Pella Mutual Insurance Company**

W11261 Cty Hwy D  
Marion, WI 54950

#### **Mutual of Wausau Insurance Company**

3910 Stewart Ave  
Wausau, WI 54402

### **Background of the Insurers:**

#### **Pella Mutual Insurance Company**

From Pella Mutual’s website, “The company was organized on November 30th, 1876 as Pella Farmers Mutual Insurance Company in an effort to provide affordable insurance and prompt service. At that time insurance companies were located in larger cities, insurance was expensive and the service to rural areas was very slow. Therefore, the need existed for a local company that could take care of its members who were also their neighbors. The first year 28 members applied for coverage totaling \$28,700 in the townships of Pella and Grant in Shawano County. The same principles which guided the original founders in 1876 have remained over time and are evident as the company now writes insurance in 16 counties and has in excess of \$1 billion of coverage in force.

The name of the company was changed to Pella Mutual Insurance Company in 1991 to better represent the company, as it now wrote many other policy types.

Pella Mutual Insurance Company has been at the current location since the spring of 1990 when construction of the office building was completed. The company also became computerized at that time.

Policyholders are the owners of the company guided by 9 board members who are also policyholders. Premiums are used for the payment of losses and expenses. There are no stockholders, so the main objective is not the value of the stock or dividend payments to the investors. Pella Mutual’s main goals are providing the best service possible and being there when it matters most – should a loss occur.”

#### **Mutual of Wausau Insurance Company**

From Mutual of Wausau’s website, “In the 1870s across Wisconsin, farmers and businessmen organized town mutual insurance companies to protect themselves from financial loss if their farms, businesses, or homes were lost due to fire. The key goals of these mutuals were to maintain local control, provide excellent service and keep rates affordable. As mutual companies, they were (and still are) owned by and directed by the very people who purchased their insurance policies. For more than a century, these companies have kept their focus on the “mutual” interest they have with their policyholders.

In 1875 and 1876, in the townships of Berlin and Stettin (which included the city of Wausau), two of Wisconsin’s first insurance companies were created. Berlin Farmers (Wausau) Mutual and Stettin Mutual Fire were organized for the sole purpose of helping their neighbors in hard times.

To better compete in the modern age, yet keep their local service advantage, Stettin Mutual and Wausau Mutual combined their strengths in 1998 as Wausau-Stettin Mutual Insurance Company. Then, in January 2011, we updated our name to Mutual of Wausau and we became a full domestic mutual insurance company. That change allowed us to offer more types of insurance to our customers and to expand the area we service. Later in 2011, Manitowoc Mutual joined with us to further add to our rich history and spread our risk throughout a larger territory.

On January 1, 2015, we teamed up with our affiliate company, Homestead Mutual from Larsen, Wisconsin to form the “Mutual of Wausau Group”. This affiliation includes an Inter-Company Risk Pooling Agreement, which helps to further spread our risk throughout an even larger territory. Homestead retained their mutual status, home office, staff, and agents. While still an independent mutual company, they gain strength and efficiency by working in partnership with Mutual of Wausau.”

**Proposed Executive Officers and Directors of Mutual of Wausau**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term</u></b>
Todd Lentz	President and Chief Executive Officer	
Jon Petroskey	Director, Chairman of the Board of Directors	2025
Charlie Lang	Director, Vice Chairman of the Board of Directors	2024
Bruce Bartell	Director, Secretary/Treasurer	2023
Bill Rauen	Director	2025
Judith Smith	Director	2023
Todd Toppen	Director	2024
Faye Zernicke	Director	2024
Alfred Nakhla	Director	2025

The proposed directors above, who will serve as directors of the surviving entity, come from the current directors of Mutual of Wausau. OCI notes that the Merger Agreement and Articles state that the board should have at least nine directors. Wausau recently had a director step down and the board nominating committee has already found a replacement.

**Nature, Source, and Consideration**

Pursuant to the Merger Agreement, Pella Mutual will be merged into Mutual of Wausau, with the surviving entity being Mutual of Wausau. Subject to the appropriate approvals and a vote held by the members of the Insurers, the effective date of the transaction is expected to be January 1, 2023.

**The Applicant’s Future Plans**

Besides combining operations and combining assets and liabilities under one structure, the Applicant’s future plans provide for the surviving entity to offer employment to all Pella Mutual employees.

Articles and Bylaws of the surviving corporation will be those as provided by the company as exhibits in the Merger Agreement.

The financial statements of the Domestic Insurers are confidential. OCI reviews these financials as part of the review process.

**The s. 612.22 Wis. Stats. Standard**

Section 612.22 Wis. Stats describes the requirements for the merger of a town mutual and mutual insurance corporation:

(1) CONDITIONS FOR MERGER. One or more town mutuals may merge with a single domestic mutual under ch. 611. If the domestic mutual is nonassessable, the surviving corporation shall be a mutual under ch. 611. If the domestic mutual is assessable, the surviving corporation may be either a mutual under ch. 611 or a town mutual under this chapter.

(2) PLAN OF MERGER. The board of each participating corporation shall adopt the same plan of merger under s. 181.1102 (1), by resolution containing all of the items described in s. 181.1102 (1) (a) to (f), and s. 181.1102 shall apply.

(3) APPROVAL BY COMMISSIONER.

(a) Each of the participating corporations shall file with the commissioner for approval a copy of the resolution and any explanatory material proposed to be issued to the members who have the right to vote on the merger under sub. (4), together with so much of the information under s. 611.13 (2) or 612.02 (4), whichever is appropriate, for the surviving or new corporation as the commissioner reasonably requires. The commissioner shall approve the plan unless he or she finds, after a hearing, that it would be contrary to the law, or that the surviving or new corporation would not satisfy the requirements for a certificate of authority under s. 611.20 or 612.02 (6), whichever is appropriate, or that the plan would be contrary to the interest of insureds or of the public.

(b) If the surviving corporation will be a town mutual, the plan filed with the commissioner under par. (a) shall include a time schedule for bringing the surviving corporation into compliance with this chapter. The commissioner may approve a reasonable time schedule that does not exceed 3 years.

(4) APPROVAL BY MEMBERS OF THE MUTUALS. After being approved by the commissioner under sub. (3), the plan shall be submitted for approval to the members of the participating town mutual or mutuals and to the members of the participating domestic mutual if the domestic mutual is assessable. The members of each participating mutual who have the right to vote on the merger shall vote separately.

(6) REPORTS TO COMMISSIONER. Each participating mutual, the members of which have the right to vote under sub. (4), shall file with the commissioner a copy of the resolution adopted under sub. (4), stating the number of members entitled to vote, the number of members voting, and the number of votes cast in favor of the plan, stating separately in each case the mail votes and the votes cast in person.

(7) CERTIFICATE OF AUTHORITY. If the requirements of the law are met, the commissioner shall issue a certificate of authority to the surviving mutual. Thereupon the nonsurviving corporations shall cease their legal existence. The surviving mutual shall have all the assets and be liable for all of the obligations of each of the participating

## Conclusion

After reviewing the information provided by the Applicants, OCI believes that approving this merger is in the best interest of the policyholders of Pella Mutual and Mutual of Wausau. OCI notes that a town mutual is being merged into a mutual corporation. The Boards of both companies have adopted the same merger resolution. Signed resolutions have been provided to OCI from both companies. It is the OCI's opinion that the plan cannot be said to be contrary to the law because it provides the necessary information required by statute, the surviving entity would be able to satisfy the requirement for a certificate of authority, and the plan would not be contrary to the interest of the insureds or the public. Therefore, the transaction should be approved.