



DATE: June 1, 2023

TO: Amy J. Malm  
Mark McNabb

FROM: Christopher Martin

SUBJECT: The Proposed Merger of Trade Lake Mutual Insurance Company with and into River Falls Mutual 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 Chapter 612, Wisconsin Statutes and Ins. 40.02 Wis. Adm. Code.

#### **Form A Filing Contact(s)**

##### **Primary Contact:**

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#### **Exhibit(s)**

<b><u>Exhibit:</u></b>	<b><u>Description:</u></b>
Ex. 1	The Executed Resolution of the River Falls and Trade Lake Board of Directors Approving the Agreement and Plan of Merger
Ex. 2	The Certificate of Assumption that River Falls and Trade Lake Proposes to Send to all Their Policyholders after the Effective Date of the Merger
Ex. 3	Financial Statements for River Falls and Trade Lake as of December 31, 2022
Ex. 4	A proposed Notice of Special Policyholder Meeting and a Proposed Agreement and Plan of Merger to be sent to River Falls and Trade Lake policyholders
Ex. 5	Proposed Policyholder Resolutions Approving the Merger.

#### **Executive Summary**

On May 18, 2023, River Falls Mutual Insurance Company ("River Falls"), a Chapter 612 town mutual insurer, filed a statement on behalf of the Applicants. River Falls along with Trade Lake Mutual Insurance Company ("Trade Lake"), also a Chapter 612 town mutual insurer, intend that Trade Lake will merge with and into River Falls. After the merger, in accordance with the agreement and plan of merger, Trade Lake will cease to exist, and the surviving entity would be River Falls.

<b>Identity and Background of the Domestic Insurers</b>
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**Identity of the Insurers:**

**River Falls Mutual Insurance Company**

218 N Main Street  
River Falls, WI 54022

**Trade Lake Mutual Insurance Company**

11733 WI-48  
Frederic, WI 54837

**Background of the Insurers:**

**River Falls Mutual Insurance Company**

River Falls is a Wisconsin domestic town mutual insurance company and was incorporated on 07/01/1876. The company is licensed to write (2)(a) Fire, inland marine, and other property insurance and (2)(d) Liability and incidental medical expense insurance (other than automobile) is currently authorized to do business in Pepin, Pierce, St. Croix, Dunn, Barron, Polk, Chippewa, Clark, Eau Claire, and Taylor Counties.

**Trade Lake Mutual Insurance Company**

Trade Lake is a Wisconsin Domestic town mutual insurance company and was founded on 03/11/1874. The company is licensed to write (2)(a) Fire, inland marine, and other property insurance and (2)(d) Liability and incidental medical expense insurance (other than automobile) is currently authorized to do business in Polk, St. Croix, Sawyer, Washburn, Douglas, Dunn, Barron, and Burnett Counties.

**Proposed Executive Officers and Directors of River Falls:**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires:</u></b>
Richard Ruemmele	President	February 2026
Jeff Holst	Vice President	February 2025
George Matzek	Secretary/Treasurer	February 2025
Timothy Wiff	Director	February 2024
Dan Puhmann	Director	February 2024
Timothy Wells	Director	February 2026
Dan Sitz	Director	February 2024

**Proposed Trade Lake Division Advisory Group Members:**

<b><u>Name</u></b>	<b><u>Title</u></b>
Wayne Gustafson	Member
Richard Harder	Member
Deanne Mullner	Member
Susan Hughes	Member
Brandon Ayd	Member
Mark Miller	Member
Darlene Treague	Member
Doug Panek	Member
Josh Peck	Member

As of the effective date, the current directors of Trade lake will become members of the River Falls – Trade Lake Division Advisory Group. The members will meet quarterly with River Falls management to

receive an update on the financial and business status of the corporation. The members will serve for a 12-month term from the effective date, after which the group will cease.

### **Nature, Source, and Consideration**

Pursuant to the plans of merger, filed between River Falls and Trade Lake, Trade Lake will be merged into River Falls, with the surviving entity being River Falls. 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 no earlier than July 1, 2023 and no later than January 1, 2024.

The estimated expenses related to the merger of River Falls and Trade Lake are approximately \$15,000. In the event that the merger is unsuccessful, the two insurers will split the cost equally. No consideration will be transferred to any party as part of this merger.

### **The Applicant's Future Plans**

Besides combining operations and combining assets and liabilities under one structure, the future plans of the surviving entity, River Falls, also include the continued employment of all Trade Lake employees and appointment of Trade Lake's current agents.

Current River Falls and Trade Lake employees will continue to work out of their respective offices and will be eligible for benefits as listed in Exhibit E to the merger agreement. Current agents in good standing with Trade Lake will become appointed agents of River Falls as of the effective date.

Prior to the effective date of the merger Trade Lake will purchase, and River Falls will keep in effect for three years after the merger date, an extended reporting period option for Trade Lake's combined insurance company liability and directors and officers liability policy for \$2,000,000 of coverage.

Articles and Bylaws of the surviving corporation will be those as provided by River Falls in Exhibit A and Exhibit B to the merger agreement.

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

### **The s. 612.21 Wis. Stats. Standard**

Section 612.21 Wis. Stats. incorporates the information gathering requirements of s. 612.02(4) (the application requirements for a certificate of authority) while directing the Commissioner to answer three broad questions contained in s. 612.21(3).

1. Is the Plan contrary to the law; or,
2. That the surviving or new corporation would not satisfy the requires for a certificate of authority under s. 612.02 (6); or
3. That the plan would be contrary to the interest of the insureds or the public.

### **Conclusion**

After reviewing the information provided by the Applicants, the OCI believes that approving this merger is in the best interest of the policyholders of River Falls and Trade Lake. 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.

With the OCI's approval of the transaction, and as effected by the agreement and plan of merger, River Falls, as the surviving entity, will have the ability to operate in the following counties: Barron, **Burnett**, Chippewa, Clark, **Douglas**, Dunn, Eau Claire, Polk, Pierce, Pepin, **Sawyer**, St. Croix, Taylor, and **Washburn**. The four counties in bold are additional counties that River Falls has gained the ability to operate in as a result of the merger.