

*In the Matter of the Restructuring of
SECURA INSURANCE, A Mutual Company
to a Mutual Holding Company and
a Stock Insurance Company
Case No. 20-C43665*

**TESTIMONY OF DANIEL P. FERRIS
VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY
SECURA INSURANCE, A MUTUAL COMPANY**

**September 3, 2020
MADISON, WISCONSIN**

I. Introductory Testimony

Q: What is your name?

A: Daniel P. Ferris.

Q: For the sake of brevity, let's refer to SECURA INSURANCE, A Mutual Company as "SECURA" or the "Company" during your testimony. What positions do you currently hold at SECURA?

A: I am the Vice President, General Counsel, and Corporate Secretary of SECURA.

Q: How long have you held those positions?

A: I have been Vice President, General Counsel, and Corporate Secretary since 2011.

Q: How long have you worked for SECURA, and what other positions have you held with SECURA?

A: I started working for SECURA in 1990 as Corporate Attorney, added the role of Assistant Corporate Secretary in 1996, was promoted to Vice President, General Counsel & Assistant Corporate Secretary in 2006 and became Vice President, General Counsel & Corporate Secretary in 2011.

Q: Were you involved in considering the proposed conversion of SECURA into a mutual holding company structure?

A: Yes. I was involved during the discussions in 2018, and have been deeply and directly involved in the preparation of the current Mutual Holding Company Plan, which I'm going to call the "Plan". I have participated in a management support role in all of SECURA's Board of Directors meetings regarding the Plan, and have been involved in extensive discussions with other members of SECURA's senior management, legal team, and others within the Company, as well as with SECURA's outside counsel.

Q: Mr. Ferris, I'd like to discuss the proposed conversion with you from several perspectives, in the following order:

First, I will ask you to describe the changing property casualty insurance market and the challenges it poses for SECURA, which led to SECURA's board considering and choosing to pursue the proposed conversion.

Second, I will ask you to explain how the proposed conversion helps SECURA respond to the challenges facing it in the future.

Third, I will ask you to describe the mechanics of the proposed conversion.

Fourth, I will ask you to describe the steps SECURA took to comply with legal and corporate requirements applicable to the proposed conversion.

Fifth, and finally, I will ask you to explain how the proposed conversion satisfies the statutory criteria for approval of the proposed conversion by the Wisconsin Commissioner of Insurance.

Do you believe you have sufficient personal knowledge of the foregoing matters to testify to the same during this hearing?

A: Yes, I do.

II. The Property Casualty Insurance Market and Challenges Facing SECURA

Q: What caused SECURA to begin considering the possibility of restructuring the Company?

A: SECURA's Board of Directors and management regularly evaluate the Company's strategic position and try to position it as a competitive, strong mutual enterprise capable of meeting its customers' insurance needs in an environment of rapid change. The changes the Board of Directors and management see include new underwriting methodologies in the property casualty insurance space, new sources of data and new tools with which insurers can analyze and act on that data, new technologies to prevent or mitigate losses and claims and protect our policyholders and the public, and new distribution channels for insurance products.

In broad terms, the Board of Directors believes that companies that have the structural, financial and strategic flexibility to respond quickly and decisively to changes (including those I just described and many more that we cannot yet anticipate) will be strong and competitive in the property casualty insurance industry of the future. The Board of Directors also believes that the current structure of SECURA limits the Company's flexibility in the face of such changes and hinders its ability to grow and diversify its business through acquisitions or investments.

Q: Tell us more about how SECURA's current structure limits its flexibility and ability to adapt to the rapidly changing property casualty insurance marketplace.

A: There are four primary challenges that SECURA's Board of Directors see arising from its current structure. First, SECURA's mutual insurance company structure limits its ability to sell products through its stock subsidiary while providing mutual membership to its customers. Second, SECURA has limited ability to acquire and grow ancillary and non-insurance subsidiaries. Third, SECURA's ability to pursue mergers and acquisitions is constrained by its current structure. Finally, SECURA has limited means to access capital in its current structure.

Q: Can you tell us how SECURA's mutual insurance company structure limits its ability to sell products through its stock subsidiary while providing mutual membership to its customers?

A: Because of state regulatory requirements, insurance companies like SECURA are often prevented from selling new products while they continue to sell their current generation

of products. Many insurers, including SECURA, use stock subsidiaries to offer new, alternative products. The policyholders of such stock subsidiaries are not eligible for membership in SECURA, despite purchasing insurance products that would have been issued by SECURA, but for SECURA's decision to avoid disrupting existing policyholders and to continue offering existing products for renewal. SECURA's sole stock insurance company subsidiary, SECURA Supreme Insurance Company, let's call it "SECURA Supreme", was formed in order to offer additional products to customers for the reasons I just described, among others. These SECURA Supreme customers do not receive mutual membership in SECURA currently.

Q: What restrictions does SECURA's mutual insurance company structure place on its ability to acquire and grow ancillary or non-insurance subsidiaries?

A: Investment restrictions applicable to SECURA limit the extent to which SECURA can invest in ancillary or non-insurance subsidiaries. So long as the ultimate parent is a mutual insurer, the entire enterprise is subject to these restrictions, which is not the case for SECURA's stock insurer competitors, who are free to use upstream stock holding companies to acquire and grow ancillary and non-insurance subsidiaries.

Q: How does SECURA's mutual insurance company structure hamper its ability to pursue mergers and acquisitions?

A: SECURA's ability to pursue certain mergers and acquisitions is hampered by its mutual company structure. More specifically, mutual insurers cannot merge with other mutual insurers without one of the two entities ceasing to exist. This prevents a mutual insurer like SECURA from acquiring other mutual insurers in ways that allow for efficiencies of scale and operations while maintaining both insurers' goodwill, licenses, and brands. Additionally, mutual insurers like SECURA have limited options to raise capital for possible mergers and acquisitions, and cannot use stock that reflects the value of the mutual insurer as "currency" for acquisitions.

Q: How does SECURA's mutual insurance company structure limit its access to capital?

A: Mutual insurers cannot issue stock to raise capital to grow the enterprise. There are ways for mutual insurance companies to raise capital, but they are more limited than those available to stock insurers or mutual holding companies. Mutual insurers can raise capital through profitable operations over time. They can also sell mutual bonds or contribution notes, but these securities are an expensive form of financing because of the repayment terms imposed by applicable law, and because they can only be sold in private placements. Finally, mutual insurers can sell the stock of a downstream holding company; however, this stock does not reflect the enterprise value of the mutual insurer.

III. Advantages of the Proposed Conversion

Q: Thank you for that explanation. I next want to address how the proposed mutual holding company conversion would help SECURA to respond to the marketplace

and mitigate or eliminate the challenges you've just described. Let's address each challenge in turn.

A: Sure.

Q: Let's start with the first challenge, about mutual membership for stocks subsidiary policyholders; can you tell me how the proposed conversion would address this challenge?

A: As a mutual insurance company, SECURA has a singular focus on the interests of its policyholders both as its insureds and as its owners. SECURA's management team and Board of Directors believe that this is a source of strength, and have no desire or intention to move away from SECURA's status as a mutual insurance company owned by its policyholders. However, persons insured by SECURA Supreme or other future stock subsidiaries of SECURA cannot receive membership interests in SECURA under its current structure (unless they are also SECURA policyholders). Wisconsin law permits policyholders of downstream stock insurers to be admitted as members of a mutual holding company. Restructuring as a mutual holding company is therefore a means for SECURA to continue to offer insurance products through stock subsidiaries, while continuing its 120-year tradition of extending mutual company member status to its policyholders.

Q: Moving to the second challenge, how would the proposed conversion help SECURA acquire and grow ancillary and non-insurance subsidiaries?

A: Restructuring as a mutual holding company provides additional flexibility for SECURA to invest in ancillary and non-insurance subsidiaries, if and when that is strategically desirable. Under Wisconsin law, SECURA is subject to limits on the amount it can invest in ancillary and non-insurance subsidiaries. SECURA's proposed new mutual holding company would be able to use its intermediate stock holding company to acquire and grow ancillary or non-insurance entities without being subjected to the regulatory restrictions that currently limit SECURA's ability to take advantage of such strategic opportunities. Any distributions to the intermediate stock holding company from the stock insurer into which SECURA is converted in the proposed conversion (which I'll call "Converted SECURA") or SECURA Supreme would remain subject to regulatory scrutiny, including rules regarding extraordinary dividends, and to independent review by industry rating agencies.

Q: Next, how would the proposed conversion help SECURA grow its business through mergers or acquisitions?

A: SECURA's mutual insurance company structure makes mergers with other mutual insurers more challenging and less advantageous than they would be under a mutual holding company structure. A mutual holding company has a broader range of options for pursuing acquisitions that preserve the separate identity, licenses, brand, and goodwill of other mutual insurers being acquired. Specifically, a mutual holding company can acquire mutual insurance companies through a sponsored conversion whereby the

acquired mutual insurance company's policyholders become members of the acquiring mutual holding company. This results in the converted mutual insurance company becoming a stock subsidiary, while retaining its identity, licenses, brand, and goodwill. This is in addition to the ability to acquire stock insurers as subsidiaries, which SECURA already has. Additionally, two existing mutual holding companies can merge, without affecting the identity of downstream insurance companies in either entity. Sponsored conversions and mutual holding company mergers are not available to SECURA as a mutual insurance company, but will be available after the proposed conversion.

Additionally, the mutual holding company structure also presents multiple options to raise capital for acquisition purposes that are not available to SECURA as a mutual insurer, or to issue stock (after receipt of the requisite approvals) from the intermediate stock holding company to use as currency for acquisitions.

SECURA does not have any current plans to pursue merger or acquisition activity, but restructuring as a mutual holding company will permit SECURA to take advantage of strategic opportunities as and when they become available.

Q: That leads to my next question. Please give us more detail on how the proposed conversion would provide SECURA with enhanced access to capital.

A: The mutual holding company would be able to access the private and public capital markets with voting or nonvoting stock or debt securities issued by its intermediate stock holding company or by Converted SECURA (both of which would result in the securities reflecting the value of SECURA's business), subject to approval from the Wisconsin Office of the Commissioner of Insurance, which I will call "OCI", and from the members of the mutual holding company, in the case of voting stock, and subject to the requirement that the mutual holding company own at all times, directly or indirectly, at least 51% of the voting stock of Converted SECURA. The proceeds of such securities issuance could be used to purchase other companies, to invest in other strategic growth opportunities, or to support the growth of the insurance business conducted by its subsidiaries.

Q: It sounds like SECURA will have a lot of new opportunities after the proposed conversion. How will SECURA's policyholders be protected during and after the proposed conversion?

A: The Plan and Wisconsin law provide a number of protections to SECURA's policyholders.

Q: Let's explore those protections. Can you describe how policyholders' insurance policies will be protected?

A: Yes. The policy rights and benefits that SECURA's policyholders currently enjoy will not be reduced or altered in any way as a result of the conversion, except that they will be provided by a stock company owned by a mutual holding company, instead of by a mutual company. Policyholders will have the same coverage, premiums, and other contract terms after the proposed conversion that they have today.

Q: Will SECURA change its corporate governance structure as a result of the proposed conversion? Could those changes harm policyholders?

A: The corporate governance of SECURA is not anticipated to change as a result of the conversion, except that members will own the mutual holding company, and the ultimate governance will shift from the Board of Directors of SECURA to the Board of Directors of the mutual holding company. The same directors will serve on the new mutual holding company's Board of Directors that currently serve on SECURA's board. Additionally, the principal officers of SECURA will continue in their same roles with the new mutual holding company.

Q: Will SECURA continue to be subject to state regulation after the conversion?

A: Yes. SECURA will continue to be regulated in the same manner by the Wisconsin Commissioner of Insurance after the proposed conversion as it is regulated today. OCI will still provide oversight of the Company's financial position and ability to meet its obligations to policyholders today and in the future.

Q: What about the new mutual holding company? Is it subject to state regulation?

A: The mutual holding company will be regulated by the Wisconsin Commissioner of Insurance. Under Wisconsin law, the mutual holding company must at all times maintain direct or indirect ownership and control of at least 51% of the voting stock of Converted SECURA. The mutual holding company cannot amend its articles of incorporation without the prior approval of its members, pursuant to its Articles of Incorporation. The mutual holding company must file any such amendment with OCI within 60 days after adoption, and must also file any changes to its Bylaws. The mutual holding company is prohibited from directly engaging in the business of insurance, and must conduct such business only through licensed stock insurance company subsidiaries. Wisconsin law also prohibits mutual holding companies from delegating to any person the authority to exercise management control of the holding company or any of its major corporate functions to the exclusion of its Board of Directors, so members always retain ultimate control of the mutual holding company. We currently anticipate entering into a stipulation and order with OCI to the effect that the mutual holding company will not pay any dividends without prior approval from the Wisconsin Commissioner of Insurance. Finally, mutual holding companies are prohibited from being acquired, demutualizing, dissolving, or liquidating without the prior approval of the Wisconsin Commissioner of Insurance or a Wisconsin court having proper jurisdiction.

Q: Will SECURA's policyholders retain their control over the Company?

A: SECURA's policyholders will initially retain their effective voting control over the enterprise through their ownership and control of the mutual holding company, which will indirectly own and control Converted SECURA. Eventually, if the number of policyholders of SECURA Supreme and other member companies that may be added in the future grows in comparison to the number of SECURA policyholders, voting control

may shift away from SECURA policyholders, but it will always remain with the members of the mutual holding company.

Q: Will Converted SECURA or the Intermediate Stock Holding Company be able to sell voting stock to outside investors?

A: The intermediate stock holding company and Converted SECURA will be prohibited from selling any voting stock without the prior approval of OCI and approval from the members of the mutual holding company. SECURA has no plans to sell stock, and the Plan does not provide for the sale of stock.

Q: Will any stock be issued to SECURA's officers or directors as a result of the mutual holding company conversion?

A: No, no stock will be issued to any of SECURA's officers or directors as a result of the mutual holding company conversion.

Q: Does the proposed restructuring have any income tax consequences for SECURA, the mutual holding company, Converted SECURA or any policyholders?

A: No. As a condition to finalizing the mutual holding company conversion, SECURA must obtain a private letter ruling from the IRS or an opinion of our outside legal counsel to the effect that neither SECURA, nor the mutual holding company, nor Converted SECURA, nor any policyholders will recognize gain or loss for federal income tax purposes as a result of the proposed conversion.

Q: Will the proposed conversion trigger any obligation for SECURA or the mutual holding company to register the membership interests in the mutual holding company under any federal securities laws?

A: No. As a condition to finalizing the proposed conversion, SECURA must obtain a "no-action letter" from the Securities and Exchange Commission or an opinion of our outside legal counsel that registration is not required under federal securities laws.

IV. Mechanics of the Proposed Conversion

Q: Now, I'd like to turn to the details of the conversion itself. Are you familiar with how the proposed conversion will be implemented from a legal and corporate perspective?

A: Yes, I am.

Q: Can you summarize the mechanics of the proposed conversion?

A: There are a number of actions that will occur in conjunction with the proposed conversion.

First, on or before the effective date of the conversion, let's call this the "Effective Date", SECURA will incorporate a new intermediate stock holding company, SECURA Holdings, Inc., which I'm going to call "Holdings" for simplicity, as a Wisconsin business corporation under Chapter 180 of the Wisconsin Statutes.

Second, on or before the Effective Date, SECURA Insurance Holdings, Inc. will be liquidated and dissolved by the filing of Articles of Dissolution with the Wisconsin Department of Financial Institutions. 100% of the outstanding stock of SECURA Supreme, together with all other assets of SECURA Insurance Holdings, Inc. remaining after satisfaction of its liabilities, will be distributed to SECURA in its capacity as the sole shareholder of SECURA Insurance Holdings, Inc.

Then, on the Effective Date, a number of things will occur:

- SECURA Insurance Mutual Holding Company, which I am going to call "SECURA MHC", will be incorporated as a Wisconsin mutual holding company under Chapter 644 of the Wisconsin Insurance Code, and will be capitalized at \$500,000 by SECURA.
- SECURA will become a Wisconsin stock insurance company (that is, Converted SECURA).
- The membership interests and rights in surplus of SECURA members will be extinguished, and the members of SECURA will become members of SECURA MHC, with such rights and privileges, including membership interests and rights in surplus, as are provided for by law and the Articles of Incorporation and Bylaws of SECURA MHC.
- Holdings will be issued 100% of the outstanding stock of Converted SECURA.
- SECURA MHC will be issued 100% of the outstanding stock of Holdings.

Converted SECURA will be considered to have been organized at the time SECURA was organized, so that the corporate existence of SECURA will continue without interruption in all respects and will be unaffected by the conversion.

The Articles of Incorporation and Bylaws of SECURA will, without further deed or act, be amended and restated as the "Third Amended and Restated Articles of Incorporation" and "Third Amended and Restated Bylaws" of Converted SECURA, as set forth in Exhibits B and C, respectively, to the Plan on file with OCI. These revised Articles of Incorporation and Bylaws will supersede in their entirety the current Articles of Incorporation and Bylaws of SECURA. On the Effective Date, the Articles of Incorporation and Bylaws of SECURA MHC will be as set forth in Exhibits D and E, respectively, to the Plan on file with OCI, and the Articles of Incorporation and Bylaws of Holdings will be as set forth in Exhibits F and G, respectively, to the Plan on file with OCI.

The conversion of SECURA into a stock insurance company subsidiary of SECURA MHC will in no way annul, modify or change any of SECURA's existing suits, rights, property interests, contracts or liabilities. Converted SECURA will 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 SECURA before the Effective Date, and will retain the rights and contracts existing prior to the Effective Date, except with respect to membership interests and rights in surplus that are extinguished and replaced by membership interests and rights in surplus of SECURA MHC.

Q: Will policyholders of SECURA Supreme become members of the mutual holding company?

A: Yes. The Plan provides for policyholders of SECURA Supreme to become members of the new mutual holding company.

Q: When will that take place?

A: Under the Plan, persons acquiring or renewing a policy issued by SECURA Supreme after the Effective Date will become members at such time as the policy is issued or renewed.

V. Compliance with Legal and Corporate Requirements

Q: Thank you. I'd like to move to discuss the procedures SECURA has followed and will follow to complete the conversion. What was the first step in that process?

A: The first step was for the Board of Directors of SECURA to adopt the Plan.

Q: When did the Board of Directors do that?

A: The Board of Directors adopted the Plan on July 28, 2020.

Q: Is that Plan the same plan that is the subject of today's hearing?

A: Yes, it is.

Q: What was the next required step?

A: SECURA filed the Plan with OCI, along with various other documents required under the mutual holding company laws in Chapter 644 of the Wisconsin Statutes.

Q: What is the next required step?

A: The next step is for the Wisconsin Commissioner of Insurance to hold a hearing on the Plan.

Q: That is today's hearing, right?

A: Yes, that's correct.

Q: Did SECURA have any other statutory obligations with respect to today's hearing?

A: Yes. SECURA was required to mail a notice of this hearing and the public hearing immediately following it to each person who was a policyholder of SECURA on the date of the Board of Directors resolution approving the Plan, which was July 28, 2020. SECURA was also required to mail notice of today's hearings to the insurance commissioner of every jurisdiction in which SECURA is authorized to do business.

Q: When was SECURA required to mail these notices?

A: Not more than 60 days and not less than 10 days before today's hearing.

Q: When did SECURA mail these notices?

A: Our proxy solicitation agent, AST Fund Solutions, mailed notices to our policyholders between August 11 and August 13, 2020. SECURA delivered notices to the relevant insurance commissioners promptly thereafter.

Q: What had to be included in the mailings?

A: The mailings were required to include notice of this hearing as prepared by OCI, a copy of the Plan, and information regarding the Plan approved by OCI, which in this case constitutes a Policyholder Information Statement with a number of exhibits, which is on file with OCI and is part of the record for today's hearing.

Q: Were all of those items included in the mailings?

A: Yes. In addition, SECURA included a letter to its members from John Bykowski, who is Board Chair, and Retired President and Chief Executive Officer, of SECURA, a proxy card, and a "Frequently Asked Questions" document, all of which were reviewed and approved by OCI.

Q: Assuming the Plan is approved by the Wisconsin Commissioner of Insurance after today's hearings, what happens next?

A: The Plan must be approved by a vote of two-thirds of the eligible members of SECURA present in person or by proxy and voting at an annual or special meeting held for that purpose.

Q: Has a special meeting been set for that vote?

A: Yes. At the July 28, 2020 meeting of the Board of Directors of SECURA, the Board of Directors called for a special meeting of members to take place at 10:00 a.m. Central Time on September 15, 2020, for the purpose of voting on the Plan and the proposed conversion.

Q: Who is eligible to vote at the September 15, 2020 special meeting of SECURA's policyholders?

A: For statutory purposes, anyone who was a member on the date of the Board of Directors written consent approving the Plan and who was still a member on the record date established by the Board for the special meeting is entitled to notice of, and to vote at, the special meeting. For purposes of SECURA's current Bylaws, anyone who was a member on the record date is entitled to notice of, and to vote at, the special meeting.

Q: Did the Board of Directors set a record date for the September 15, 2020 special meeting of SECURA policyholders?

A: Yes, at the July 28, 2020 meeting of the Board of the Directors, the Board of Directors set July 28, 2020 as the record date.

Q: That means the record date and the resolution date are the same?

A: Yes, that's correct.

Q: What are the timing requirements for providing notice of the September 15, 2020 special meeting to eligible members?

A: By law, notice must be mailed no later than 20 days before the special meeting.

Q: When did SECURA mail these notices of the special meeting?

A: SECURA mailed these notices in the same mailing that was sent to give notice of today's hearings, so the mailings were sent between August 11 and August 13, 2020.

Q: SECURA combined the statutory mailing and the mailing of notice of the special meeting?

A: Yes, that's correct.

Q: So, what was mailed to the policyholders in August?

A: Each policyholder was mailed a packet containing a letter from SECURA's Board Chair, and Retired President and Chief Executive Officer, a proxy card and prepaid return envelope, a notice of today's hearings, notice of the September 15, 2020 special meeting, a Frequently Asked Questions document, and a Policyholder Information Statement with various exhibits, including a copy of the Plan, and all of the exhibits to the Plan.

Q: Was this packet and its contents reviewed and approved by the Wisconsin Commissioner of Insurance before it was mailed to SECURA policyholders?

A: Yes. Steven J. Junior of OCI communicated OCI's approval of the final package by e-mail on July 22, 2020.

Q: How will SECURA conduct the special meeting of policyholders in light of the ongoing Coronavirus pandemic?

A: SECURA encouraged its policyholders to participate in the special meeting by proxy, both for convenience and to avoid needing to gather in a physical meeting. SECURA will conduct the special meeting at our home office. Myself, Mr. Kargus, Mr. Gross and Todd Thiel (SECURA's CIO) will be present in person. SECURA will stream the special meeting through ZOOM for its Directors, including the Chair, and for policyholders who come to SECURA on the day of the meeting and elect to watch remotely. Policyholders who come to SECURA on the day of the meeting will be allowed attend the special meeting and participate in person. Attendees will be required to wear appropriate face masks (SECURA will make these available). Appropriate social distance will be maintained between all persons, including SECURA officers and policyholders, physically attending the special meeting. SECURA will accommodate all policyholders who attend in person, but policyholders who attend will also be given the option to watch the meeting (but not to vote) through ZOOM.

Q: If the eligible members of SECURA approve the Plan at the September 15, 2020 special meeting, what is required thereafter?

A: Following the meeting, appropriate officers of SECURA will execute affidavits and/or certificates concerning the member vote, and will execute the articles of incorporation and bylaws of SECURA MHC, Holdings, and Converted SECURA. Thereafter, upon satisfaction of all conditions precedent to finalizing the conversion, SECURA will file these documents with OCI and ask that a new certificate of authority for Converted SECURA and a certificate of incorporation for SECURA MHC be issued. The day these two certificates are issued will be the Effective Date, and the actions I described earlier will all take place. SECURA intends for the Effective Date to be January 1, 2021.

VI. Satisfaction of Statutory Criteria

Q: Are you aware of the statutory requirement that the proposed conversion be approved by the Wisconsin Commissioner of Insurance before it can go into effect?

A: Yes, I am aware.

Q: And are you familiar with the findings that the Wisconsin Commissioner of Insurance must make under Chapter 644 of the Wisconsin Statutes as a basis for approving the Plan?

A: Yes.

Q: The first statutory requirement is that the proposed conversion must not violate the law. Do you think the proposed conversion violates the law?

A: No, I do not. As I just explained, SECURA has carefully complied, and will continue to carefully comply, with all statutory requirements and corporate procedures applicable to the proposed conversion.

Q: Can you reiterate the steps SECURA has taken to comply with the law in connection with the proposed restructuring?

A: First, the Board of Directors of SECURA adopted the Plan on July 28, 2020 and filed the Plan and other required documents with OCI as required under Chapter 644 of the Wisconsin Statutes.

Second, the Board of Directors, by the same July 28, 2020 resolutions, scheduled a special meeting of members to take place on September 15, 2020 for the purpose of voting on the Plan, and established July 28, 2020 as the record date for determining which members are entitled to receive notice of, and to vote at, that special meeting.

Third, SECURA's current Articles of Incorporation require any amendments to such Articles to be approved by not less than two-thirds of the members voting at an annual or special meeting. While it may be the case that this corporate requirement is overridden by the statutory requirement that the Plan—which includes amendments to SECURA's Articles of Incorporation which take effect by operation of law in connection with the conversion—be approved by a simple majority of the Company's members. To avoid any uncertainty and to offer SECURA's members maximum protection, the Board of Directors decided to subject the Plan's approval to the higher voting threshold imposed by SECURA's current Articles of Incorporation. That means that the Plan will only become effective, and the proposed conversion will only take place, if approved by two-thirds of SECURA's eligible members who are present and voting, in person or by proxy, at the September 15, 2020 special meeting.

Fourth, acting through an independent proxy solicitation firm, AST Fund Solutions, SECURA mailed the required notice of today's hearings and the special meeting of members to all eligible members of SECURA and to the insurance commissioners of every jurisdiction in which SECURA is licensed to do business. These notices were prepared by OCI, in the case of the notice of today's hearings, or reviewed by OCI, in the case of the notice of special meeting, before they were mailed. As authorized by Section 644.07(8) of the Wisconsin Statutes, both notices were sent to SECURA's eligible members in a single mailing sent from August 11 and August 12, 2020. The notices were delivered to the relevant insurance commissioners promptly thereafter. In each case, the notices complied with the notice requirements of both applicable Wisconsin law and the current Articles of Incorporation and Bylaws of SECURA.

Fifth, SECURA included with this mailing a Policyholder Information Statement that was reviewed and approved by OCI prior to mailing. The Policyholder Information Statement included copies of the Plan and each of its exhibits, and a summary of the Plan describing its effects, the Board of Directors' considerations in approving the Plan, and the conditions to closing on the Plan, among other information.

Finally, SECURA's independent proxy solicitation firm will receive and tabulate all proxies and ballots submitted in connection with the Plan pursuant to voting procedures established by the Company and approved by OCI. The proxy solicitation firm will certify the results of the member vote to SECURA, and SECURA will prepare and file an affidavit with OCI attesting to the same.

Q: The second statutory requirement is that the Plan be fair and equitable to SECURA’s policyholders. Do you think the Plan is fair and equitable to the Company’s policyholders?

A: Yes, I believe that the Plan is fair and equitable to SECURA’s policyholders.

Q: Can you tell us the basis for your opinion in this regard?

A: First, the contractual rights and obligations of SECURA’s policyholders—and by this I mean the premiums, policy terms, insurance benefits, and services provided to or required of SECURA’s policyholders under their SECURA policies—will not change as a result of the Plan, except that after the Effective Date those rights and obligations will be provided or required by Converted SECURA, a stock company, rather than SECURA as a mutual company.

Second, while the current membership rights in SECURA enjoyed by SECURA members will be extinguished as a result of the proposed conversion, those membership rights will be replaced by comparable membership rights in SECURA MHC, the mutual holding company created as a result of the proposed conversion. SECURA MHC will own 100% of the stock of Holdings, which will in turn own 100% of the stock of Converted SECURA, the successor to SECURA.

Now, as I’ve discussed before, new and renewal policyholders of SECURA Supreme will become members of SECURA MHC after the proposed conversion. These policyholders will have the rights and privileges available under Wisconsin law and SECURA MHC’s Articles of Incorporation and Bylaws. While this change will dilute the voting power of existing SECURA policyholders, changes in the voting power held by any single member of SECURA (or any other mutual insurer) are always subject to change through any change in the number of policies in effect. In my opinion, the Plan and the transactions contemplated along with it represent a fair and equitable exchange of rights and benefits for the policyholder members of SECURA.

Finally, I note that the Plan will not go into effect unless it is approved by not less than two-thirds of the eligible members present and voting at a special meeting of SECURA’s members duly called for such purpose. The notice given to eligible members of this special meeting included a detailed Policyholder Information Statement—which was reviewed and approved by OCI—explaining the Plan, the Board’s reasons for adopting it, and the effects of the proposed conversion on SECURA’s members. This Policyholder Information Statement sets forth in detail voting considerations, risks, alternatives and other matters reasonably to be considered by SECURA’s eligible members in deciding if and how to vote on the Plan.

Q: The third and final statutory requirement is that the proposed conversion not be contrary to the interests of the policyholders or of the general public. In your view, is SECURA’s proposed conversion contrary to the interests of the policyholders of SECURA or the general public?

A: No.

Q: Again, can you tell us the basis for your opinion in this regard?

A: Yes, there are several grounds for my opinion. As Jeff Kargus will describe in more detail, the proposed conversion is not expected to materially affect the Company's financial strength or ability to pay policyholder claims.

Additionally, I submit that the proposed conversion is not only *not contrary* to the interests of SECURA's policyholders or the general public, it is in the *best interests* of both SECURA's policyholders and the general public. SECURA's Board of Directors believes that the most successful insurance organizations in the future will be those with the structural, financial and strategic flexibility to act decisively and quickly in response to changes in the insurance marketplace. That flexibility is critical to achieving sustainable, profitable, long-term growth, and in today's highly competitive insurance marketplace, that is the best means for ensuring the future safety and soundness of SECURA's group of companies. That benefits not only SECURA's policyholder members, but also the policyholders of SECURA Supreme, our employees and their families, our agents and other partners, and the communities in which we live and work

VII. Closing Remarks

Q: Thank you, Mr. Ferris. I have only one further question. Can you provide us with current proxy counts regarding SECURA member approval of the Plan?

A: Yes, I can. As of August 31, out of 2,267 total proxies received, there are 2,146 proxies in favor of the Plan, representing approximately 94.66% of the total proxies received, and 121 proxies against the Plan.

Q: Thank you. Would you like to make any closing remarks?

A: While I understand we have additional testimony, I want to take this time to thank the Wisconsin Commissioner of Insurance, and all of his staff, for their thoughtfulness, hard work, and diligence throughout this process. SECURA deeply appreciates the dedication and professionalism you have exhibited throughout this process, and which is entirely consistent with the manner in which you exercise your authority as regulator of the Wisconsin insurance industry. Thank you.