

*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 DAVID D. GROSS  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
SECURA INSURANCE, A MUTUAL COMPANY**

**September 3, 2020  
MADISON, WISCONSIN**

**Q: What is your name?**

A: David D. Gross.

**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 with SECURA?**

A: I am the President and Chief Executive Officer of SECURA.

**Q: How long have you held those positions?**

A: I have been the President and Chief Executive Officer since July, 2014.

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

A: I started working for SECURA in 1997 as Vice President – Sales. After that, I was promoted to Senior Vice President – Underwriting Operations in 2001, and was appointed President and Chief Operating Officer in September 2013.

**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 involved in the preparation of the current Mutual Holding Company Plan, which I'm going to call the "Plan".

**Q: Let's discuss some background information about SECURA. What is the current corporate structure and location of SECURA?**

A: SECURA is a mutual property and casualty insurance company domiciled in Wisconsin. Its principal offices are located in Neenah, Wisconsin.

**Q: Tell me about the history of SECURA.**

A: SECURA was organized under Wisconsin law in 1900 as a mutual property and casualty insurance company, and has always been a mutual insurer domiciled in Wisconsin. After a devastating windstorm ripped through the community surrounding Seymour, Wisconsin, a local farmer named Julius Bubolz saw an opportunity to ease the financial burden caused by future storms. Along with a group of fellow farmers and neighbors, Julius formed a mutual insurance company in which charter members agreed to share losses and expenses. This was the beginning of The Farmers Home Mutual Hail, Tornado and Cyclone Insurance Company of Seymour, Wisconsin—now known as SECURA Insurance, A Mutual Company. The Company was founded on March 1, 1900 in Bubolz's 19th-century farmhouse. In the first year, the Company insured 135 charter members and paid \$78 in claims. Since then, the Company has evolved into a super-regional mutual property and casualty insurance company.

**Q: What kinds of property and casualty insurance does SECURA write today?**

A: SECURA offers a wide range of insurance coverage, including commercial, personal, farm-agriculture, and specialty lines of business.

**Q: Where is SECURA authorized to transact insurance business?**

A: SECURA currently actively writes business in Wisconsin, Arizona, Colorado, Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, and North Dakota, although we are also licensed in Arkansas, Idaho, Montana, Nebraska, New Mexico, Nevada, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Utah, Washington and Wyoming.

**Q: How does SECURA distribute its insurance products?**

A: SECURA distributes its products exclusively through a network of independent agents.

**Q: Does SECURA have subsidiary companies?**

A: Yes, SECURA's group of subsidiary companies today consists of SECURA Insurance Holdings, Inc., a stock company, and SECURA Supreme Insurance Company, a stock insurance company. SECURA Insurance Holdings, Inc. will be dissolved in connection with the MHC conversion.

**Q: How did SECURA come to have its insurance company subsidiary?**

A: SECURA formed SECURA Supreme Insurance Company, which I will call "SECURA Supreme".

**Q: Tell us more about SECURA Supreme.**

A: SECURA Supreme was formed in November of 1995 and is used primarily for our personal lines package product, which we call MILE-STONES. This insurer is an indirect, wholly-owned subsidiary of SECURA.

**Q: The proposed conversion was not the only strategic alternative available to the Board of Directors. Can you tell me what other alternatives were considered?**

A: During the Board's consideration of the proposed conversion to a mutual holding company structure, two other primary alternative strategies were identified. The first was to preserve the status quo and remain a mutual insurance company, and the second was to undergo a full demutualization.

**Q: Why did the Board of Directors reject preserving the status quo?**

A: The Board determined that it is in the best interests of SECURA and its policyholders to be able to extend mutual member status to the purchasers of SECURA-branded property casualty products underwritten by SECURA Supreme. While SECURA's current mutual

insurance company structure provides the benefits of mutuality to SECURA policyholders, it does not allow SECURA Supreme policyholders to enjoy the benefits of mutuality. Additionally the Board determined that continuing to operate as a mutual insurance company could place SECURA at a disadvantage in the marketplace and would restrict SECURA's ability to grow strategically. The Board has concluded that it is important for SECURA to have structural, financial, and strategic flexibility in the future to respond to changes in the property casualty insurance marketplace, including the option to pursue potential mergers and acquisitions and make investments in new technology, new insurance products, and synergistic non-insurance businesses. The Board of Directors has determined that remaining a mutual insurance company will prevent SECURA from realizing its full potential, especially compared to competitors who are organized as stock insurers or in a mutual holding company structure.

**Q: And why did the Board of Directors reject a full demutualization?**

A: A demutualization would convert SECURA from a mutual insurance company, and would not create a new mutual holding company. In essence, it would mean SECURA would cease to be owned by its policyholders, and would become owned by shareholders.

The Board of Directors identified some potential benefits of demutualization to current SECURA members during their consideration of this alternative. SECURA policyholders would receive cash, stock or other consideration in exchange for giving up their rights as members of a mutual company. Demutualized SECURA could use its stock as currency for acquisitions, and could sell additional stock if necessary to raise additional capital. Finally, the value of SECURA after demutualization might be higher than it would be after reorganizing to a mutual holding company structure, insofar as the mutual holding company will always have to own, directly or indirectly, at least 51% of the shares of the converted SECURA. Investors would likely place a lower value on the stock of a downstream subsidiary of a mutual holding company as a result of their inability to acquire a controlling interest.

Despite these potential benefits, the Board of Directors has concluded that maintaining SECURA's mutuality is important to preserve its focus on the best interests of its policyholders. Additionally, the Board of Directors believes it is important to retain and enhance the Company's ability to merge with, acquire or affiliate with other mutual entities in a way that preserves the separate insurance operations and brands of both SECURA and such other mutual entities. Demutualization is inconsistent with both of these important goals; it would terminate the mutual rights of SECURA's policyholders, and significantly reduce SECURA's ability to acquire other mutual insurers.

There are also a number of other disadvantages of demutualization as a strategy for SECURA.

For example, demutualization would subject SECURA to future demands of investors focused on short term market performance, rather than the Company's present focus on long term objectives benefitting current and future policyholders.

Demutualization could also result in SECURA's policyholders losing voting control over the enterprise. Although stock would initially be distributed to current and certain former members of SECURA, who would continue to have voting rights, persons besides former members could acquire sufficient stock holdings to become the controlling shareholders of SECURA.

**Q: In light of the deliberations you've described, has the Board of Directors of SECURA made a recommendation to the policyholders for their vote?**

A: Yes. The Board of Directors adopted the Plan and the transactions contemplated thereby. The Board has recommended that all eligible members vote yes on the proposed conversion.