

FORM A

**STATEMENT REGARDING THE ACQUISITION OF CONTROL
OF OR MERGER WITH A DOMESTIC INSURER**

Filed with the Office of the Commissioner of Insurance,
State of Wisconsin

SOUTHERN FIRE & CASUALTY COMPANY

by

SENTRY INSURANCE A MUTUAL COMPANY

Dated: July 10, 2020

Name, Title, Address and Telephone Number of Individual(s) to Whom Notices and
Correspondence Concerning this Statement Should Be Addressed:

Raina Zanow
Associate General Counsel
Sentry Insurance a Mutual Company
1800 North Point Drive
Stevens Point, Wisconsin 54481
(715) 346-6483

With a Copy to:

Kevin G. Fitzgerald
Foley & Lardner LLP
777 E. Wisconsin Avenue
Milwaukee, WI 53202
(414) 297-5841

ITEM 1. INSURER AND METHOD OF ACQUISITION

The name and address of the Domestic Insurer to which this application (the “Form A”) relates is as follows:

Southern Fire & Casualty Company
One QBE Way
Sun Prairie, WI 53596

Southern Fire & Casualty Company (“SFCC” or the “Domestic Insurer”) is a stock insurance company domiciled in Wisconsin. General Casualty Company of Wisconsin, (“Seller”) owns 100% of the issued and outstanding capital stock of SFCC.

The applicant, and acquiring party, in this transaction is Sentry Insurance a Mutual Company (“Sentry” or the “Applicant”). Sentry is a Wisconsin mutual insurance company and is the ultimate and/or direct controlling entity to multiple insurers and non-insurers as identified in Exhibit 2(c)(i).

Subject to the receipt of all required regulatory approvals, including the approval of the transactions contemplated in the Purchase Agreement by the Wisconsin Office of the Commissioner of Insurance (the “Commissioner”), Sentry intends to acquire control of the Domestic Insurer by acquiring 100% of the issued and outstanding capital stock of SFCC (the “Proposed Acquisition”) pursuant to the terms of that certain Stock Purchase Agreement dated June 26, 2020, by and between Seller and Sentry (the “Purchase Agreement”). A true and correct copy of the Purchase Agreement (with exhibits) is attached hereto as Exhibit 1(a), and is submitted under a request for confidential treatment, and is hereby incorporated into this Form A by this reference. A true and correct copy of the Disclosure Schedules to the Purchase Agreement is attached hereto as Exhibit 1(b) and is submitted under a request for confidential treatment.

As a result of the Proposed Acquisition, the Applicant will acquire the power to exercise all voting rights in the governance of the Domestic Insurer. The specific terms and conditions governing the Proposed Acquisition are set forth in the Purchase Agreement, but subject to those specific terms and conditions, the material terms of the Purchase Agreement are summarized as follows (terms not defined in the summary below shall have the meanings ascribed to them in the Purchase Agreement):

- i. At the time the Agreement was signed, there were 277,778 shares of capital stock of SFCC issued and outstanding, all of which were voting common stock with a par value of \$9.00 per share (the “Shares”).
- ii. At the closing of the Proposed Acquisition (the “Closing Effective Time”), the Applicant will acquire all of the Shares, representing all of the issued and outstanding capital stock of SFCC, and will thereby acquire control of the Domestic Insurer.
- iii. As consideration for the Proposed Acquisition, and subject to the terms and conditions of the Purchase Agreement, Sentry will pay to Seller an aggregate cash purchase price in an amount equal to (i) One Hundred Seventy-Five Thousand Dollars (\$175,000) multiplied by the number of Authorized States (those states in which the Domestic

Insurer possesses an Insurance License), excluding any Authorized State as to which there is a Deficiency as of the Closing Date, and (ii) the Surplus Amount remaining in the Domestic Insurer (the "Purchase Price").

- iv. At the Closing, the Domestic Insurer and QBE Insurance Corporation shall enter into a Loss Portfolio Transfer and Quota Share Reinsurance Agreement (the "LPT"), the effect of which shall be for QBE Insurance Corporation (an affiliate of Seller) to assume all Policy Liabilities (as defined in the LPT) of the Domestic Insurer relating to (i) all treaties, policies, binders, slips or other contracts of insurance or assumed reinsurance issued or entered into by or on behalf of the Domestic Insurer prior to the Closing Effective Time, (ii) all renewals, if any, of such policies, binders, slips or other contracts of insurance that are issued on or after the Closing Effective Time, to the extent that such renewals are required by Applicable Law or under contractual commitments of the Domestic Insurer entered into prior to the Closing Effective Time, and (iii) all policies, binders, slips or contracts of insurance that are required to be issued or accepted on or after the Closing Effective Time by or on behalf of the Domestic Insurer as a result of assignments from Involuntary Mechanisms (such as risk plans, FAIR plans, and similar) to the extent such assignments are directly attributable to the business described in (i), (ii), or (iii) above (the "Policies").
- v. At the Closing, the Domestic Insurer and QBE Insurance Corporation shall enter into an Administrative Services Agreement (the "ASA") to be effective at the Closing Effective Time, pursuant to which QBE Insurance Corporation (an affiliate of Seller) will provide administrative services with respect to the Policies and related Inuring Reinsurance Agreements and TPA Contracts (each as defined in the ASA).
- vi. Pursuant to Section 3.2 of the Purchase Agreement, prior to Closing, and subject to all applicable regulatory approvals or non-disapprovals (including those required of the Commissioner), Seller shall cause the Domestic Insurer to transfer assets (the "Asset Transfer") to Seller or to an Affiliate of Seller in an amount sufficient to reduce the remaining Acceptable Financial Assets of the Domestic Insurer to no less than Four Million Dollars (\$4,000,000), and no more than Five Million Dollars (\$5,000,000). Following the Asset Transfer and the consummation of the transactions contemplated by the LPT, the Domestic Insurer shall not have any material assets other than Acceptable Financial Assets, the Insurance Licenses, and the reinsurance recoverables under the LPT and under applicable Reinsurance Agreements. As a result, for all practical purposes, the Domestic Insurer shall take on the characteristics of a "shell" insurer as at the Closing Effective Time.
- vii. Pursuant to Section 8.19 of the Purchase Agreement, at the Closing, Seller shall deliver to Buyer a guaranty whereby QBE Insurance Group Limited (the publicly traded, Australian parent entity of Seller) shall guaranty the obligations of Seller under the Purchase Agreement, the ASA, and the LPT.
- viii. The Purchase Agreement contains representations and warranties by the parties, and imposes certain pre-closing covenants and post-closing indemnification obligations on

the parties, in each case that are either customary for acquisitions of this nature or otherwise suitable for the Proposed Acquisition.

- ix. The closing of the Proposed Acquisition is subject to closing conditions that are either customary for acquisitions of this nature or otherwise suitable for this particular Proposed Acquisition, including, without limitation, conditions relating to the receipt of regulatory approvals, accuracy at the Closing Date of certain representations and warranties made in the Purchase Agreement, compliance with pre-closing covenants, the absence of any Material Adverse Effect, and the delivery of certain closing documentation.
- x. The Purchase Agreement provides that unless another date or time is mutually agreed upon by the Parties in writing, the Closing will take place at 10:00 a.m. Eastern Time on the last day of the calendar quarter on which all of the conditions to Closing (other than those to occur on the Closing day) have been satisfied or waived; provided, however, that if all of such conditions have not been satisfied or waived at least ten (10) days prior to such date, then the Closing shall be deferred until the last day of the subsequent calendar quarter that is at least ten (10) days after the date on which all of such conditions have been satisfied or waived. The actual date of the Closing is referred to above as the Closing Date, but the purchase and sale of the Shares shall be effective as of the Closing Effective Time, which will be 12:01:00 a.m. on the first calendar day following the Closing Date.
- xi. Pursuant to Section 6.11(a) of the Purchase Agreement, all of the intercompany agreements between the Domestic Insurer and the Seller or any affiliates of the Seller (not including the LPT or the ASA), will be unwound, amended, or terminated pursuant to their terms at Closing. Seller has, or will shortly, file any pre- or post-termination notices required to effectuate the same, including those required under Wisconsin Administrative Code INS 40.04(2).

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) *The Applicant*

The name and address of the Applicant is as follows:

Sentry Insurance a Mutual Company
1800 North Point Drive
Stevens Point, Wisconsin 54481

(b) *The Applicant's Business Operations*

Sentry is a Wisconsin mutual insurance company with its headquarters in Stevens Point, Wisconsin. Sentry was organized under Wisconsin law in 1904 as Hardware Mutual Casualty Company, by members of the Wisconsin Retail Hardware Association, now the Midwest Hardware Association, to provide insurance for its members in the hardware

industry. Sentry adopted its present name in 1971. Sentry is a multi-line insurer offering a broad range of products including auto, commercial auto, earthquake, flood, workers' compensation, general liability, and commercial property. Sentry is licensed in all 50 states, as well as the District of Columbia, Puerto Rico and Canada. As of December 31, 2019, Sentry had policyholder surplus in excess of \$5.9 billion.

Sentry is the ultimate parent of the Sentry group of companies, which is among the largest property/casualty insurance organizations in the U.S. The group consists of 27 wholly-owned companies, 6 affiliated companies, employs more than 4,400 people across the U.S, and had over 1,580,000 policies in force as of May 31, 2020. The Sentry group of companies includes: (i) twelve property and casualty insurance companies, which underwrite a wide variety of property and casualty insurance products, including commercial liability, property, private passenger and commercial auto, and workers' compensation; (ii) three life insurers, which underwrite life insurance, annuities, and accident and health insurance; (iii) a number of ancillary subsidiaries, which undertake insurance-related activities but are not insurance companies; and (iv) other non-insurance subsidiaries (collectively, the "Sentry Group").

As of December 31, 2019, the Sentry Group had approximately \$19.7 billion in assets under management and aggregate policyholder surplus of over \$6.0 billion. The Sentry Group's current financial strength is rated A+ (Superior) by A.M. Best with a stable outlook.

Following the Proposed Acquisition, Sentry and the Sentry Group intend to maintain their current business operations, except for changes relating to Sentry's planned mutual holding company conversion for the foreseeable future.

- (c) The chart attached hereto as Exhibit 2(c)(i) lists the identities of and the interrelationships among the Applicant and its affiliates. There are no court proceedings looking towards a reorganization or liquidation of any such person. The chart attached hereto as Exhibit 2(c)(ii) lists the identities of and interrelationships among the Applicant and its affiliates immediately after the Proposed Acquisition. Any "solid line" indication of ownership in these charts reflects ownership or control of 100% of the voting securities of the legal entity at issue; any "dashed line" indication of ownership in these charts reflects control by means of an affiliation or other arrangement not involving the ownership of voting securities.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

- (a) The following are the names and titles of the directors and executive officers of the Applicant at the Effective Date of the Proposed Acquisition:

Sentry Officers

Name	Title
Peter G. McPartland	Chairman of the Board of Directors, President, and Chief Executive Officer
Peter G. Anhalt	Vice President (President Personal Lines)
Michele M. Dufresne	Vice President (Chief Claims Officer)
James W. Frank	Vice President (Chief Information Officer)
John J. Hyland	Vice President (President Direct Writer)
Kip J. Kobussen	Vice President, General Counsel and Corporate Secretary (Chief Legal and Compliance Officer)
James E. McDonald	Vice President (Chief Investment Officer)
Scott A. Miller	Vice President (President National Accounts, Regional Insurance and Transportation)
Amy J. Rislov	Vice President (Chief Human Resources Officer)
Elisha E. Robinson	Vice President (Chief Planning Officer)
Todd M. Schroeder	Vice President and Treasurer (Chief Financial Officers and President Life and Annuities)
Stephanie L. Smith	Vice President (Chief Marketing and Brand Officer)
James D. Stitzlein	Vice President (Chief Call Center Practice Leader)
Michael J. Williams	Vice President and Chief Actuary (Chief Actuary and Risk Officer)

Sentry Directors

Name	Title, Employment History and Business Address
Peter G. McPartland	Chairman of the Board of Directors Sentry Insurance a Mutual Company 1800 North Point Drive Stevens Point, WI 54481
Graham W. Atkinson	Retired Chief Marketing and Customer Experience Officer Walgreens As he is retired, Mr. Atkinson no longer has an applicable business address
David R. Casper	U.S. CEO BMO Financial Group 111 West Monroe St., Floor 2W Chicago, IL 60603
Larry J. Goodman	Retired/President Emeritus Rush University System for Health As he is retired, Mr. Goodman no longer has an applicable business address

William D. Harvey	Retired Chairman, President, and CEO Alliant Energy As he is retired, Mr. Harvey no longer has an applicable business address
Richard M. Lynch	Chairman J.H. Findorff & Son Inc. 300 South Bedford Street Madison, WI 53703
Stephanie Pace Marshall	President Emerita Illinois Mathematics and Science Academy 1500 Sullivan Road Aurora, IL 60506
James D. Pearson	Retired President Aurora Metals Division, L.L.C. As he is retired, Mr. Pearson no longer has an applicable business address
Peter J. Pestillo	Retired Chairman of the Board Visteon Corporation As he is retired, Mr. Pestillo no longer has an applicable business address
Jean H. Regan	President, CEO, and Chairman of the Board TranzAct Technologies, Inc. 360 W. Butterfield Rd., Suite 400 Elmhurst, IL 60126

During the past five (5) years, all of the above named individuals were employed by the organization with which they are currently affiliated, except for Messrs. Atkinson, Goodman, Harvey, Pearson and Pestillo, who are currently retired. Except if and as stated in their respective biographical affidavits, to be provided to the Commissioner under separate cover, no such position required licensing by or registration with any federal, state, or municipal government agency. Except if and as stated in their respective biographical affidavits, no director or executive officer of the Applicant has been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the past ten (10) years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

- (a) The Applicant will purchase the Domestic Insurer for the Purchase Price referenced in Item 1 above. Sentry will exchange the Purchase Price detailed above, in cash, for all of the issued and outstanding shares of the Domestic Insurer.
- (b) The Purchase Price is a result of arms' length negotiations between the parties and both the Applicant and Seller were separately represented by independent legal advisors.

ITEM 5. APPLICANT’S FUTURE PLANS FOR THE INSURER

Other than as set forth in the Business Plan attached hereto as Exhibit 5, which is being submitted subject to a request for confidential treatment, the Applicant has no present plans or proposals to cause the Domestic Insurer to declare an extraordinary dividend, liquidate, sell its assets, or merge with any person or persons, or otherwise make any material changes to the business operations or corporate structure or management of the Domestic Insurer as a result of, or in connection with, the Proposed Acquisition, including no current plans to eliminate or non-renew lines of businesses or territories (other than those that have been non-renewed by the Domestic Insurer prior to the Closing).

The Applicant does intend, however, that the current directors of the Domestic Insurer will be replaced as a result of the Proposed Acquisition by the following directors:

- **Directors**

Name	Title
Peter G. McPartland	Chairman of the Board
Kip J. Kobussen	Director
James E. McDonald	Director
Todd M. Schroeder	Director
Michael J. Williams	Director

The Applicant also intends that the current officers of the Domestic Insurer will be replaced as a result of the Proposed Acquisition by the following officers:

- **Officers**

Name	Title
Peter G. Anhalt	President
Michael J. Williams	Vice President
Kip J. Kobussen	Secretary
Todd M. Schroeder	Treasurer

All of the foregoing individuals are currently officers and/or directors of Sentry, and biographical affidavits in respect of the same will be provided to the Commissioner under separate cover.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

As stated in the response to Item 1, above, as a result of the Proposed Acquisition, Sentry will acquire 277,778 shares of issued and outstanding capital stock of the Domestic Insurer, all of which was voting common stock with a par value of \$9.00 per share. A copy of the Purchase Agreement governing the acquisition of the Shares is attached hereto as Exhibit 1(a)(i), and the material terms of that Purchase Agreement are summarized in the responses to Items 1 and 4 above, which summary is incorporated here by this reference. The nature and amount of the purchase price for the shares was determined by arm’s length negotiations between the respective parties and their

financial and/or legal advisors. In determining the amount of cash to be paid for the shares, the Applicant considered the lines of business that the Domestic Insurer is authorized to transact, its past and current business operations, financial condition, assets and liabilities, and such other factors and information as the Applicant considered relevant under the circumstances.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Other than as set forth in the Purchase Agreement, neither the Applicant nor any of its affiliates nor any of the persons listed in Item 3 above has a beneficial ownership of, or the right to acquire beneficial ownership of, the voting securities of the Domestic Insurer.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Other than as described herein and in the associated exhibits filed herewith, there are no contracts, arrangements or understandings in which the Applicant or any person listed in Item 3 above is involved with respect to any voting security, security convertible into or evidencing a right to acquire a voting security of the Domestic Insurer, including, but not limited to, any transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

There have been no purchases of any voting securities of the Domestic Insurer by the Applicant, its affiliates, or any person listed in Item 3 during the twelve (12) calendar months preceding the filing of this Form A.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Except for the Purchase Agreement, none of the Applicant, any of its affiliates, anyone acting on its behalf, any person listed in Item 3, or anyone based upon interviews or at the suggestion of the Applicant, any of its affiliates, or any person listed in Item 3, has made any recommendations to purchase any voting security of the Domestic Insurer in the twelve (12) calendar months preceding the filing of this Form A.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

There are no agreements, contracts or understandings made by the Applicant, its affiliates, or any person listed in Item 3 with any broker-dealer as to the solicitation of voting securities of the Domestic Insurer for tender.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) – (b) Audited Consolidated Financial Statements for Sentry and its affiliated property and casualty insurers for the preceding five (5) fiscal years, and the corresponding certification of

such financial statements by an independent public accountant, are attached to this Form A as Exhibit 12, as noted below. Additionally, a three-year consolidated financial projection of the Domestic Insurer is attached to this Form A as Exhibit 12(a) and is being submitted subject to a request for confidential treatment.

Entity	Exhibit
Sentry Insurance a Mutual Company's 2019 and 2018 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules	12-1
Sentry Insurance a Mutual Company's 2018 and 2017 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules	12-2
Sentry Insurance a Mutual Company's 2017 and 2016 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules	12-3
Sentry Insurance a Mutual Company's 2016 and 2015 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules	12-4
Sentry Insurance a Mutual Company's 2015 and 2014 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules	12-5

- (c) Note that there have been no tender offers for, requests or invitations for, tenders of, exchange orders for and agreements to acquire or exchange any voting securities of any the Domestic Insurer.

There are no existing or proposed employment, consultation, advisory or management contracts concerning the Domestic Insurer.

The 2018 and 2019 Annual Reports of the Applicant to its members are attached hereto as Exhibit 12(c) and are incorporated herein by reference. The Domestic Insurer does not prepare annual reports for its shareholders.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

Sentry agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the Proposed Acquisition occurs.

[SIGNATURES ON THE FOLLOWING PAGE]

ITEM 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of ch. Ins 40, Wis. Adm. Code, Sentry Insurance a Mutual Company has caused this application to be duly signed on its behalf in the city of Stevens Point and state of Wisconsin on the 10th day of July, 2020.

(SEAL)



SENTRY INSURANCE A MUTUAL COMPANY

DocuSigned by:
Raina Zanow
By: _____
1E28B2F884D44FA
Raina Zanow
Associate General Counsel

DocuSigned by:
Jill Kimes
Attest: _____
02E3B601CC98437
Name: Jill Kimes
Title: Legal Specialist

CERTIFICATION

The undersigned deposes and says that she has duly executed the attached application dated July 10, 2020, for and on behalf of Sentry Insurance a Mutual Company; that she is the Associate General Counsel of Sentry Insurance a Mutual Company and that she is authorized to execute and file such instrument. Deponent further says that she is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information and belief.

DocuSigned by:
Raina Zanow

1E28B2F884D44FA
Raina Zanow

Subscribed and sworn to this 10th day of July, 2020.
This notarial act involved the use of communication technology.

Notary Public _____
DF67FB0EC2C4412...
My commission expires on 6/10/2022.

LEIGH BAKER
NOTARY PUBLIC
STATE OF WISCONSIN

LIST OF EXHIBITS

Exhibit 1(a)(i)	Purchase Agreement (with exhibited agreements thereto)
Exhibit 1(b)	Disclosure Schedules to the Purchase Agreement (submitted confidentially)
Exhibit 2(c)(i)	Present Organization Chart of Sentry and its Affiliates
Exhibit 2(c)(ii)	Post-Acquisition Organization Chart of Sentry and its Affiliates
Exhibit 5	Business Plan (submitted confidentially)
Exhibit 12(a)	Three-year Financial Projections (submitted confidentially)
Exhibit 12-1	Sentry Insurance a Mutual Company's 2019 and 2018 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules
Exhibit 12-2	Sentry Insurance a Mutual Company's 2018 and 2017 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules
Exhibit 12-3	Sentry Insurance a Mutual Company's 2017 and 2016 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules
Exhibit 12-4	Sentry Insurance a Mutual Company's 2016 and 2015 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules
Exhibit 12-5	Sentry Insurance a Mutual Company's 2015 and 2014 Fiscal Years Audited Consolidated Statutory Financial Statements and Supplemental Schedules
Exhibit 12(c)	Sentry's 2018 and 2019 Annual Reports to Members