



DATE: March 20, 2024

TO: Amy J. Malm
Mark McNabb

FROM: Christopher Martin

SUBJECT: The Proposed Merger of Heartland Mutual Insurance Company with and into Arlington Wisconsin 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 ch. 612, Wisconsin Statutes and Ins. 40.02 Wis. Adm. Code.

Form A Filing Contact(s)

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Exhibit(s)

<u>Exhibit:</u>	<u>Description:</u>
Ex. 1	Transmittal Letter
Ex. 2	A certified resolution of the Heartland Board of Directors approving the Merger and establishing a date for the special meeting of policyholders
Ex. 3	A certified resolution of the Arlington Board of Directors approving the Merger
Ex. 4	The executed Agreement and Plan of Merger, including the following exhibits:
Ex. 4a	The proposed Second Amended and Restated Articles of Incorporation of Arlington which will be the articles of incorporation of the surviving entity, as amended and restated
Ex. 4b	The current bylaws of Arlington which will be the bylaws of the surviving entity
Ex. 4c	The form of Certificate of Assumption and Endorsement which Arlington proposes to send to all Heartland policyholders after the effective time of the merger
Ex. 4d1	"Interior Water Damage Limitation" Form Exclusion Endorsement
Ex. 4d2	"Roof Limitation" Form Exclusion Endorsement
Ex. 4d3	"\$2,500 Policy Deductible" Form Exclusion Endorsement
Ex. 4e	A listing of the proposed directors and officers of the surviving entity
Ex. 5	A proposed summary of the merger to be sent to Arlington policyholders and Heartland Policyholders with each of Heartland's and Arlington's Notice of Special Policyholder Meeting
Ex. 6	The following Heartland related documents:
Ex. 6a	The most recent year end annual statement for Heartland
Ex. 6b	The most recent monthly unaudited financial statements for Heartland
Ex. 6c	A proposed amended Notice of Special Policyholder Meeting to be sent to Heartland policyholders
Ex. 6d	The proposed policyholder resolution ballots to be presented in person at the special meeting

- Ex. 6e The proposed report of policyholder votes to be submitted to the OCI following the special meeting
- Ex. 7 The following Arlington related documents
- Ex. 7a The most recent year end annual statement for Arlington
- Ex. 7b The most recent monthly unaudited financial statements for Arlington
- Ex. 7c A proposed Notice of Special Policyholder Meeting to be sent to the Arlington policyholders
- Ex. 7d The proposed policyholder resolution ballots to be presented to the policyholders via mail pursuant to Wis. Stat. 612.12(a)(c)
- Ex. 7e The proposed report of policyholder votes to be submitted to the OCI following the special meeting

Executive Summary

On March 19, 2024, Heartland Mutual Insurance Company (Heartland), 612 town mutual insurer, filed a statement on behalf of the Applicants. Arlington Mutual Insurance Company (Arlington), a 612 town mutual insurer, along with Heartland, intend that Heartland will merge with and into Arlington. After the merger, in accordance with the agreement and plan of merger, Heartland will cease to exist, and the surviving entity would be Arlington.

Identity and Background of the Domestic Insurers

Identity of the Insurers:

Heartland Mutual Insurance Company

22766 S Main Street
Ettrick, WI 54627

Arlington Mutual Insurance Company

203 Main Street
Arlington, WI 53911

Background of the Insurers:

Heartland Mutual Insurance Company

Heartland is a Wisconsin domestic town mutual insurance company and was incorporated on 02/16/1877. The company is licensed to write Property and Nonproperty insurance and is currently authorized to do business in Trempealeau, Vernon, La Crosse, Monroe, Eau Claire, Jackson, Juneau, Buffalo, and Clark County.

Arlington Mutual Insurance Company

Arlington is a Wisconsin domestic town mutual insurance company and was incorporated on 06/01/1873. The company is licensed to write Property and Nonproperty insurance and is currently authorized to do business in Sauk, Grant, Lafayette, Marquette, Columbia, Dane, Dodge, Green Lake, Iowa, Adams, Jackson, Juneau, La Crosse, Monroe, Vernon, and Fond Du Lac County.

Proposed Executive Officers and Directors of Arlington:

<u>Name</u>	<u>Title</u>	<u>Term Expires:</u>
Kurt Breunig	Director	2025
Jake Gaitan	Director	2025
Mark Raymond	Director	2025
Ed Kasanders	Director, Vice President	2026
Kim Bauer	Director, President	2026

Stephen Elmer	Director , Secretary/Treasurer	2026
Trent Schuster	Director	2027
Jerry Traut	Director	2027
Mark Tranberg	Director	2027

The officers serve an annual term and elections will be held at each annual meeting subsequent to the transaction.

Nature, Source, and Consideration

Pursuant to the plans of merger, filed between Heartland and Arlington, Heartland will be merged into Arlington, with the surviving entity being Arlington. Subject to the appropriate approvals and a vote held by the members of the Insurers, the effective time of the transaction is 12:01 am on July 1, 2024.

The estimated expenses related to the merger of Heartland and Arlington are approximately \$40,000. In the event that the merger is unsuccessful, the 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, Arlington, also include that Arlington will offer agency agreements to each agent who had appointments with Heartland as of the date of the effective time in the merger agreement.

Arlington will offer employment to the employees of Heartland, with substantially similar salaries and roles as at Heartland prior to the merger.

After the closing date, the principal place of business will be the current offices of Arlington. Heartland's office location will be kept open until the board determines it is no longer necessary or fiscally responsible.

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

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 town mutual 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 Heartland and Arlington. 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.

After the transaction closes the surviving entity, Arlington, will be authorized to do business in Adams, Columbia, Dane, Dodge, Grant, Green Lake, Iowa, Jackson, Juneau, La Crosse, Lafayette, Marquette, Monroe, Sauk, Trempealeau, and Vernon County.