

MERGER OF
HELENVILLE MUTUAL INSURANCE COMPANY
WITH AND INTO
CENTRAL WISCONSIN MUTUAL INSURANCE COMPANY

SUMMARY OF PROPOSED MERGER

Filed with the Wisconsin Office of the Commissioner of Insurance

November 17, 2023

[Joint Logo/Letterhead]

To: All Policyholders of Central Wisconsin Mutual Insurance Company and Helenville Mutual Insurance Company

Re: Summary of Proposed Merger

Date: [●], 2023

The Boards of Directors of Central Wisconsin Mutual Insurance Company (“Central Wisconsin”) and Helenville Mutual Insurance Company (“Helenville”) have determined that it would be in the best interests of each of the companies to merge and the companies have entered in an Agreement and Plan of Merger (the “Plan of Merger”) to that effect.

Helenville’s reinsurer, Wisconsin Reinsurance Corporation (“WRC”), was placed into Rehabilitation by the Wisconsin Office of the Commissioner of Insurance (the “Commissioner”) on June 21, 2023. Town mutuals organized under Chapter 612 of Wisconsin Statutes, required by law to maintain certain reinsurance coverage. As a current reinsurance policyholder of WRC, Helenville was issued an order from the Commissioner on June 28, 2023 (the “OCI Order”). The OCI Order directed Helenville to confirm its plans for obtaining reinsurance for 2024 or otherwise maintaining its certificate of authority to continue in business in 2024. On November 1, 2023, the Commissioner filed a petition to place WRC and its wholly-owned subsidiary, 1st Auto & Casualty Insurance Company, into liquidation.

In order to comply with the OCI Order and limit the disruption to Helenville’s policyholders and members, the Board of Directors of Helenville has decided to pursue a merger with and into Central Wisconsin (the “Merger”).

Central Wisconsin is a town mutual insurance company headquartered in Waupun, Wisconsin. The company was founded on March 13, 1874 under the original name of Waupun Farmer’s Mutual Insurance Company. Central Wisconsin is the surviving company of several mergers over the last 50 years but continues to maintain its local character as town mutual insurance company, operated under the supervision of a board of directors elected by the company’s policyholders. On January 1, 2024, Central Wisconsin will also be the surviving entity of a merger with Columbus Mutual Town Insurance Company and Caledonia Mutual Fire Insurance Company. Central Wisconsin is currently reinsured by Grinnell Mutual and has confirmed its ability to maintain reinsurance compliant with Wisconsin law for 2024.

Advantages of the Merger to the policyholders of all of the companies include that Central Wisconsin is a financially sound company that maintains the required reinsurance coverage and has confirmed its ability to maintain reinsurance coverage post-Merger and the policyholders of Helenville will continue to be insured by a town mutual insurance company. Additionally, all current Helenville policies will continue through their current term and may be renewed by Central Wisconsin. As described below, in the event the Merger is not approved, Helenville may be placed into liquidation which will result in mid-term policy terminations.

The Board of Directors of each company has voted and determined that the Merger is fair and equitable to each company and their respective policyholders. The Plan of Merger has been filed by the companies with the Office of the Commissioner of Insurance (the “OCI”), which must approve the merger. The Board of Directors of each company recommends that their respective members vote to approve the Merger.

Please note, if the Merger is not approved by the policyholders of a company and Helenville is unable to comply with the OCI Order, then Helenville is very likely to be subject to additional regulatory orders or enforcement actions by the OCI, including potentially liquidation, dissolution, and/or cancellation of policies. Therefore, approval of the Merger by policyholders is crucial for policyholders of Helenville to maintain their current insurance policies in effect beyond December 31, 2023. If the Merger is not approved by the policyholders, and Helenville is placed into liquidation, 15 days after the order of liquidation is issued, all of Helenville’s outstanding policies will be canceled automatically. Further, because town mutuals are “assessable”, if this cancellation does not happen until early 2024 (after Helenville will no longer have reinsurance), and claims come in that exceed our surplus and assets, the policies holders may be assessed a bill to cover the difference. It is important that Helenville’s policyholders vote “FOR” the Merger.

Below is a summary of the Plan of Merger and the effect of the Merger, which is proposed to take effect on January 1, 2024 (the “Effective Date”):

- *Effect of Merger.* On the Effective Date, Helenville will (i) merge with and into Central Wisconsin and (ii) cease to exist as a separate corporation. The Helenville members and policyholders will become members and policyholders of Central Wisconsin. Central Wisconsin, as the surviving merged company, shall have all the property and assets and be liable for all of the liabilities and obligations (including insurance policyholder obligations) of each of the participating companies.
- *Name, Office Headquarters, and Locations.* Central Wisconsin will be the surviving entity of the merger and retain the name “Central Wisconsin Mutual Insurance Company.” Business will be transacted primarily out of the Central Wisconsin’s current office in Waupun, Wisconsin. Central Wisconsin currently intends to maintain the current Helenville office location as an additional office location for at least 6 months to service policyholders in that area of the state and to help with combining the two businesses after closing, after which time it expects to sell the location. It is expected that the current Helenville employees will remain at the location until it is closed to help ensure continuity of service to Helenville’s policyholders.

Importantly, the Helenville office will remain open for at least 6 months specifically to help any policyholders who need to find alternate insurance. Further, CWMIC has a captive in-house agency that will also assist in finding alternate insurance for any policyholders so affected.

- *Mutual Membership.* Helenville’s policyholders will become members of Central Wisconsin and Helenville will cease to exist as a separate corporation. Shortly after the Effective Date, each former member of Helenville will be sent a Certificate of Assumption and Endorsement confirming that their existing policy has been assumed by Central Wisconsin and that the policyholder is now a member of Central Wisconsin.
- *Effect on Helenville Policies.* **Please note,** pursuant to the Plan of Merger and upon the Effective Date (i.e., January 1, 2024), all current Helenville policies will be endorsed to include the following endorsements: (i) *Windstorm or Hail Deductible (\$2,500)*, (ii) *Actual Cash Value Loss Settlement Terms for Roof and Exterior Surfacing*, and (iii) *Cosmetic Damage Exclusion* (the “Exclusion Endorsements”) Samples of the Exclusion Endorsements are included with this summary sent to Helenville policyholders. The Exclusion Endorsements are being added at the direction of Central Wisconsin’s reinsurer and to bring the policies into accordance with Central Wisconsin’s existing policies. Policyholders of Helenville are free to seek alternative coverage from another insurance company and cancel their policy at any time. No other changes to the Helenville policies or premiums of the will occur immediately upon the Effective Date.

Upon the next policy renewal date following January 1, 2024 (or as soon thereafter as practicable), the current policyholders of Helenville will be renewed onto the policies, rates, and underwriting criteria of Central Wisconsin, subject to meeting Central Wisconsin’s underwriting standards, criteria, business plan, and requirements of its reinsurance contract for 2024. Coverage provided under Central Wisconsin’s current policies will not be unaffected by the Merger.

- *Potential Nonrenewal of Helenville Policies.* In order for the merged company to comply with the requirements and expectations of its reinsurance provider, it is likely that Central Wisconsin will not be able to renew certain policies after the Effective Date. Any such policies will continue in force until their expiration, and Central Wisconsin will provide a 60-day notice of nonrenewal to those policyholders and assist those policyholders with finding replacement coverage.

Again, even though the merged company will not be able to insure all of Helenville’s current policyholders, we still recommend you vote “**FOR**” the Merger. If Helenville does not merge, it is facing liquidation, which would result in the mid-term termination of all Helenville policies and could result in policyholder assessments to pay Helenville’s liabilities.

- *Authorized Territory.* As a Chapter 612 town mutual insurance company, the merged company may only write insurance policies in up to 16 counties. The merged company will continue to continue servicing, renewing, and writing new policies in the counties of Adams, Columbia, Dane, Dodge, Fond Du Lac, Grant,

Green Lake, Iowa, Jefferson, Marquette, Richland, Sheboygan, Sauk, Washington, Waushara, and Winnebago.

- *Helenville Policies in Walworth County.* Because state law restricts Central Wisconsin, as a chapter 612 town mutual, to write in no more than 16 counties, various other changes will occur as a result of the Merger. Beginning with the first renewal date after the Effective Date, Central Wisconsin will begin issuing nonrenewal notices to current policyholders of Helenville in **Walworth County**. Central Wisconsin will continue to insure policies in these counties until their expiration, but such policies will not be renewed. However, the Central Wisconsin will assist any policyholders that are nonrenewed with obtaining replacement coverage.
- *Helenville Policies in Rock County.* The merged company is seeking authorization from the OCI to continue servicing and renewing existing policies in **Rock County**. If this request is granted, Central Wisconsin will have authority to continue renewing existing policyholders in Rock County (subject to Central Wisconsin's underwriting standards and business plan), but will not be authorized to write new business for new policyholders. If the request is not granted, Central Wisconsin will no longer be able to renew existing policyholders in Rock County. Based on discussions with OCI, we currently expect this request to be granted.
- *Articles and Bylaws.* Various changes to the Central Wisconsin articles of incorporation and bylaws were proposed in connection with previous merger agreements that Central Wisconsin signed, including changes related to the authorized territory of the merged company and the board of directors (as described above). Copies of the proposed documents and the Merger Agreement are available for your review upon request.
- *Board of Directors.* Upon the Effective Date, the merged company will have a board comprised of eleven (11) members from Central Wisconsin and certain other town mutual insurance companies merging with and into Central Wisconsin. Kevin Beske will continue to serve as President the merged company. At each annual meeting of the policyholders of Central Wisconsin after the effective date of the Merger, the policyholders will elect the directors to fill the positions of the directors whose terms expire, as provided in Central Wisconsin's articles of incorporations and bylaws.

In 2024, Central Wisconsin intends to amend its articles to permit an additional former member of Helenville to join the Central Wisconsin board of directors; until that a designee selected by the Board of Directors of Helenville shall serve as board observer.

- *Agents.* The merged company will offer its current agency agreement to each agent who has an appointment with Helenville prior to the Effective Date, except those agents who (i) already have an agency agreement in force with Central Wisconsin

or (ii) operate predominately outside of Central Wisconsin's authorized territory (see "*Authorized Territory*" above).

- *Employees.* Denis Fuerstenberg, the manager of Central Wisconsin, will continue as manager of the surviving entity. Central Wisconsin will offer employment to all employees of Helenville with substantially similar salaries to their salaries immediately prior to the Merger to assist in the implementation of the merger and, as necessary, on an ongoing basis, subject to satisfactory job performance to Central Wisconsin, participation in training relating Central Wisconsin's business processes, servicing Central Wisconsin's other line(s) of business, and the future business needs of surviving entity.

A complete copy of the Plan of Merger (and related exhibits) is available for your inspection at the Central Wisconsin and Helenville offices. Please contact the individuals identified below at any of the companies if you have any questions or if you would like to review a complete copy of the Plan of Merger.

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