

Merger of
HENRIETTA, GREENWOOD & UNION MUTUAL FIRE INSURANCE COMPANY
with and into
RIVER VALLEY MUTUAL INSURANCE COMPANY

PROPOSED POLICYHOLDER SUMMARY OF MERGER

Filed with the Wisconsin Office of the Commissioner of Insurance

November 20, 2023

[Joint Logo/Letterhead]

To: All Policyholders of Henrietta, Greenwood & Union Mutual Fire Insurance Company and River Valley Mutual Insurance Company

Re: Summary of Proposed Merger

Date: [Mailing Date], 2023

The Boards of Directors of River Valley Mutual Insurance Company (“River Valley”) and Henrietta, Greenwood & Union Mutual Fire Insurance Company (“Henrietta”) 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.

The reinsurer of River Valley and Henrietta, 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, Henrietta and River Valley were issued an order from the Commissioner on June 28, 2023 (the “OCI Order”). The OCI Order directed the companies to confirm their 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 Henrietta’s policyholders and members, the Board of Directors of Henrietta has decided to pursue a merger with and into River Valley (the “Merger”).

Before coming to this very difficult decision, the Henrietta Board spent the last 6 months exploring many other possible approaches to avoid having to merge or affiliate with a larger insurance company, but ultimately was unable to find any way to stay independent. At this point, Henrietta’s options are to merge or face rehabilitation and/or liquidation by OCI. The Board believes that if Henrietta is put into rehabilitation, OCI may require Henrietta to merge with an insurance company chosen by OCI (even if the Board does not think the merger is in the policyholders’ best interests). The Henrietta Board also believes that if Henrietta is put into liquidation, all policyholders will lose their insurance and ultimately no surplus will be returned to the policyholders because of the high cost of a liquidation.

River Valley has decided to comply with the OCI Order by converting to a Chapter 611 mutual insurance company. Immediately following the Merger, River Valley, along with Ashland County Town Insurance Company, Darlington Mutual Insurance Company, Liberty Mutual Fire Insurance Company, Price County Town Mutual Insurance Company, River Falls Mutual Insurance Company, and Stockholm Town Mutual Insurance Company, each a chapter 612 town mutual insurance company (the “Converting Corporations”), intend to convert into a single mutual insurance corporation organized under Chapter 611 of Wisconsin Statutes (the “Conversion”). The Commissioner has approved the Conversion and the members of the Converting Corporations will be voting to approve the Conversion in December. River Valley has confirmed its ability to obtain reinsurance for 2024 through the Guy Carpenter reinsurance company.

Advantages of the Merger to the policyholders of all of the companies include that River Valley 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 Henrietta will continue to be insured by a mutual insurance company. Additionally, all current Henrietta policies will continue through their current term and may be renewed by River Valley. As described below, in the event the Merger is not approved, Henrietta may be placed into liquidation which will result in mid-term policy terminations and could result in Henrietta's policies holders having to pay for claims in 2024 to the extent they exceed Henrietta's surplus and assets.

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 Henrietta is unable to comply with the OCI Order, then Henrietta 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 Henrietta to maintain their current insurance policies in effect beyond December 31, 2023. If the Merger is not approved by the policyholders, and Henrietta is placed into liquidation, 15 days after the order of liquidation is issued, all of Henrietta's outstanding policies will be canceled automatically. Further, because town mutuals are "assessable", if this cancellation does not happen until early 2024 (after Henrietta 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 Henrietta's policyholders vote "FOR" the Merger.

Parties to the Merger

River Valley is headquartered in Whitehall, Wisconsin. Originally chartered in 1871, River Valley was formed by the merger of West Central Mutual Insurance Company, Whitehall, and Fountain City Mutual Insurance Company, Fountain City, on January 1, 2013. River Valley Mutual offers a full line of property and casualty insurance products to its clients through independent agents. As of 2022, the company has approximately 2,611 policies in force, premiums written of \$2.9 million, and surplus of \$3.8 million (approximately \$1.8 million excluding WRC stock). River Valley is currently authorized to operate in the following sixteen counties in western Wisconsin: Vernon, Juneau, Monroe, La Crosse, Jackson, Trempealeau, Buffalo, Pepin, Eau Claire, Clark, Chippewa, Dunn, Pierce, St. Croix, Barron and Rusk.

Henrietta is headquartered in Wonewoc, Wisconsin and was originally organized in 1883 as the Henrietta, Greenwood & Union Mutual Insurance Company Against Fire and Lightning. As of 2022, Henrietta has approximately 200 policies in force, premiums written of \$210,000, and surplus of \$603,171 (approximately \$552,000 excluding WRC stock). Henrietta is currently authorized to operate in the following counties: Sauk, Juneau, Vernon, Monroe, and Richland.

Summary of Effect of Merger

Below is a summary of the Plan of Merger and the effect of the Merger, and the immediately subsequent Conversion, each of which is proposed to take effect on January 1, 2024 (the "Effective Date"):

- *Effect of Merger.* On the Effective Date, Henrietta will (i) merge with and into River Valley and (ii) cease to exist as a separate corporation. The Henrietta members and policyholders will become members and policyholders of River Valley. River Valley, 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.
- *Effect of Conversion.* Immediately following the Merger, River Valley (which will now be combined with Henrietta) will convert into a Chapter 611 mutual insurance company (pending approval of the Converting Corporations' policyholders). River Valley and the Converting Corporations are pursuing the Conversion to (i) improve access to reinsurance, (ii) improve the competitive position, (iii) expand the operating territory and achieve greater spread of risk, and (iv) eliminate the assessability of policyholders.
- *Name, Office Headquarters, and Locations.* River Valley will be the surviving entity of the Merger and the Conversion and retain the name "River Valley Mutual Insurance Company." Business will be transacted primarily out of the River Valley's current office in Whitehall, Wisconsin. Its principal office will be the current office of River Valley in Whitehall, Wisconsin.
- *Mutual Membership.* Henrietta's policyholders will become members of River Valley and Henrietta will cease to exist as a separate corporation. Shortly after the Effective Date, each former member of Henrietta will be sent a Certificate of Assumption and Endorsement confirming that their existing policy has been assumed by River Valley and that the policyholder is now a member of River Valley.
- *Effect on Henrietta Policies.* **Please note**, pursuant to the Plan of Merger and upon the Effective Date (January 1, 2024), all current Henrietta policies (both commercial and personal lines) will be endorsed to include the following endorsements: (i) *Windstorm or Hail Deductible Endorsement*; (ii) *Roof Limitation Endorsement*; (iii) *Cosmetic Damage Exclusion Endorsement*; (iv) *Personal Property Extension Endorsement*; and (v) *Exclusion of Mismatched Property That Is Undamaged Endorsement* (the "Exclusion Endorsements"). Samples of the Exclusion Endorsements are included with this summary sent to Henrietta policyholders. The Exclusion Endorsements are being added at the direction of River Valley's reinsurer and to bring the policies into accordance with River Valley's existing policies. Following the Effective Date, the actual endorsements applied to each policy will be sent to policyholders. *Policyholders of Henrietta are free to seek alternative coverage from another insurance company and cancel their policy at any time.*

Upon the next policy renewal date following January 1, 2024 (or as soon thereafter as practicable), the current policyholders of Henrietta will be renewed onto the policies, rates, and underwriting criteria of River Valley, subject to meeting River Valley's underwriting standards, criteria, business plan, and requirements of its reinsurance contract for 2024. Coverage provided under River Valley's current policies will be unaffected by the Merger.

- *Agents.* Following the Merger and Conversion, River Valley will continue to market through Henrietta's and its and the other Constituent Corporations' established base of independent and captive agents. The company will adopt the current River Valley agency agreement as its standard agency agreement. River Valley will offer an appointment to the current agents of Henrietta. The current Henrietta book of business will be transferred to River Valley's wholly owned subsidiary known as West Central Insurance Services, Inc.

- *Operations and Business Plan.* River Valley will be the surviving entity after the Merger and Conversion and will generally continue the use of River Valley practices, procedures, systems, operations, rates, forms, products, marketing materials, and other related items.
- *Reinsurance.* River Valley has confirmed that following the Merger and Conversion it will be able to comply with the requirements of state law and the Commissioner relating to reinsurance requirements. For 2024, River Valley will obtain the requisite reinsurance from Guy Carpenter.
- *Authorized Territory.* Upon the Conversion, River Valley will be authorized to issue policies throughout the state of Wisconsin.
- *Board of Directors.* Upon the Conversion, and pending approval of the Converting Corporations policyholders, River Valley will have an initial thirteen (13) member board divided into three (3) classes of directors. The proposed Converted Corporation Board, in addition to the Converting Corporation with which they are now associated, and the expiration of their term on the Converted Corporation Board will be as follows, subject to the approval of the Constituent Corporations' policyholders:

Name	Constituent Corporation	Term
Allen Bohac	River Valley	2025
Daniel Lilla (Chair)	River Valley	2026
Dean Boehne	River Valley	2024
Donald Hartung (Vice Chair)	River Valley	2026
Mark Denk	River Valley	2024
Melvin Berg	River Valley	2025
Robert Scharlau	River Valley	2026
William Weiss, Jr.	River Valley	2024
Daniel Sitz	River Falls	2026
Timothy Wiff	River Falls	2025
Donald Tuescher	Darlington	2024
Daniel Swenson	Liberty Mutual Fire	2026
Leonard Schmidt	Price County	2026

At each annual meeting of the policyholders of the Converted Corporation after the Effective Date, the policyholders (including the former Henrietta policyholders) will elect the directors to fill the positions of the directors whose terms expire, as provided in the Converted Corporation's articles of incorporation and bylaws.

- *Officers.* The officers of River Valley on the Effective Date are listed below and will serve as the officers following the Merger and Conversion, who shall serve until the next annual meeting of the Converted Corporation's Board of Directors or until their successors shall have been elected and shall qualify for office. Vacancies will be filled in the manner provided by the Converted Corporation's articles of incorporation and bylaws.

Position	Name
President & CEO	Paul Rosenow
EVP & COO	Brent Olson
Treasurer	Sara Leffingwell
Secretary	Victoria Rotering

- *Articles and Bylaws.* Pursuant to the Merger, the surviving entity will adopt the current River Valley articles of incorporation and bylaws. Upon the Conversion, River Valley will adopt articles of incorporation and bylaws that will reflect its status as a Chapter 611 Corporation; these articles of incorporation will specify that the Converted Corporation will issue nonassessable policies. A copy of the Converted Corporation articles of incorporation and bylaws are available for your review upon request.

River Valley Conversion to Chapter 611 Mutual

After the Merger and Conversion, River Valley (which will now be combined with Henrietta and the other Converting Corporations) will be a Chapter 611 mutual insurance company. There are significant differences between being a Chapter 612 mutual insurance company (which is what Henrietta is now) and a Chapter 611 mutual insurance company.

- A Chapter 612 town mutual is required to have unlimited aggregate excess of loss reinsurance, which is intended to help mitigate the risk of certain other features of a 612 (as compared to a Chapter 611 insurance company): Lower capital and financial requirements, limited filing requirements, no actuarial opinion requirements, geographic concentration and certain flexibility with respect to the services provided by its CPA/auditor.
- Chapter 611 mutual insurance companies need to comply with compulsory and security surplus requirements mandated by law. It is currently expected that River Valley will be able to comply with the surplus requirements after the Merger and Conversion.
- Chapter 611 mutual insurance companies also have to comply with mandated reinsurance requirements. It is expected that River Valley will be able to comply with the mandated reinsurance requirements after the Merger and Conversion.
- Chapter 611 mutuals must have a qualified actuary opine on reserves annually, and must comply with all other Chapter. 611, Wis. Stat., requirements, which include but are not limited to annual and quarterly reporting. These requirements will impose additional compliance costs on River Valley.
- Chapter 612 mutuals are limited to writing policies in no more than 16 counties. Chapter 611 mutuals typically are permitted to write policies statewide.
- Chapter 612 town mutuals must issue assessable policies (meaning a policyholder can be assessed in excess of the premium paid to the insurance company). A Chapter 611 mutual may issue assessable or nonassessable policies. In connection with the Merger and Conversion, River Valley will become a nonassessable mutual insurance company. This will allow River Valley to sell nonassessable insurance policies and is expected to make River Valley more competitive.

A complete copy of the Plan of Merger (and related exhibits) is available for your inspection at the River Valley and Henrietta 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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