



DATE: November 15, 2023

TO: Amy J. Malm
Mark McNabb

FROM: Christopher Martin

SUBJECT: The Proposed Merger of Washington Town Mutual Insurance Company with and into Homestead 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	A certified resolution of the HMIC Board of Directors approving the Merger
Ex. 2	A certified resolution of the WTMIC Board of Directors approving the Merger and establishing a tentative date for the special meeting of policyholders
Ex. 3	The executed agreement and plan of merger, including the following exhibits:
Ex. 3a	The current articles of incorporation of HMIC which will be the articles of incorporation of the surviving entity
Ex. 3b	The current bylaws of HMIC which will be the bylaws of the surviving entity
Ex. 3c	The form of Certificate of Assumption which HMIC proposes to send to all WTMIC policyholders after the effective time of the merger
Ex. 3d	A listing of directors and officers of the surviving entity
Ex. 4	A proposed summary of the Merger to be sent to WTMIC policyholders
Ex. 5	A proposed notice of special policyholder meeting to be sent to the NMIC policyholders
Ex. 6	The proposed report of policyholder votes to be submitted to the OCI following the special meeting

- Ex. 7 The most recent year end annual statement for WTMIC
- Ex. 8 The most recent monthly unaudited financial statements for WTMIC
- Ex. 9 The most recent year end annual statement for HMIC
- Ex. 10 The most recent monthly unaudited statement for HMIC
- Ex. 11 The Proposed WTMIC policyholder ballots to be presented in person at the special meeting

Executive Summary

On November 10, 2023, Washington Town Mutual Insurance Company (WTMIC), a 612 town mutual insurer, filed a statement on behalf of the Applicants. WTMIC along with Homestead Mutual Insurance Company (HMIC), a 611 mutual insurer, intend that WTMIC will merge with and into HMIC. After the merger, in accordance with the agreement and plan of merger, WTMIC will cease to exist, and the surviving entity would be HMIC.

Identity and Background of the Domestic Insurers

Identity of the Insurers:

Washington Town Mutual Insurance Company

1246 Main Rd
Washington Island, WI 54246

Homestead Mutual Insurance Company

5291 County Rd II
Larsen, WI 54947

Background of the Insurers:

Washington Town Mutual Insurance Company

WTMIC is a Wisconsin domestic town mutual insurance company and was incorporated on 04/01/1889. The company is licensed to write Property and Nonproperty insurance and is currently authorized to do business in Door County.

Homestead Mutual Insurance Company

HMIC is a Wisconsin domestic Ch. 611 mutual insurance company and was incorporated on 06/25/1873. The company is licensed to write automobile, fire, inland marine and other property insurance, and liability and incidental medical expense insurance (other than automobile) business in all counties.

Proposed Executive Officers and Directors of Homestead:

<u>Name</u>	<u>Title</u>	<u>Term:</u>
Todd Lentz	Director, Chairman	2025
Jessica VanderPloeg	Director, Secretary/Treasurer	2024
Michael Moore	Director, Vice Chairman	2025
Tyrrel Wirkus	Director	2024
Wendy Van Der Geist	Director	2026
Mike Mehlberg	Director	2024
Jennifer Bauer	Director	2025
Matt Mikkelson	Director	2026

Nature, Source, and Consideration

Pursuant to the plans of merger, filed between WTMIC and HMIC, WTMIC will be merged into HMIC, with the surviving entity being HMIC. Subject to the appropriate approvals and a vote held by the members of the WTMIC, the effective date of the transaction is expected to be December 31, 2023.

The estimated expenses related to the merger of WTMIC and HMIC are approximately \$20,000. In the event that the merger is unsuccessful, the two 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, HMIC, also include that the current manager of WTMIC will be offered employment as the "Manager – Washington Island division". Non-management employees will also be offered employment with similar roles and salaries as they currently hold.

After the closing date the current NMIC office location will be used to conduct business for Washington and Detroit Island policyholders.

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

The s. 612.22 Wis. Stats. Standard

Section 612.22 Wis. Stats. incorporates the information gathering requirements of s. 612.02(4) (the application requirements for a certificate of authority) while directing the Commissioner to answer three broad questions contained in s. 612.22(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 WTMIC and HMIC. 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, HMIC, will continue to be authorized in all counties throughout the state.