

CONVERSION
of
CENTRAL WISCONSIN MUTUAL INSURANCE COMPANY
from a
CHAPTER 612 TOWN MUTUAL INSURANCE COMPANY
into a
CHAPTER 611 MUTUAL INSURANCE COMPANY

CONFIDENTIAL UNREDACTED PLAN OF CONVERSION

Filed with the Wisconsin Office of the Commissioner of Insurance

February 23, 2024

**PLAN OF CONVERSION
OF
CENTRAL WISCONSIN MUTUAL INSURANCE COMPANY**

THIS PLAN OF CONVERSION (this “Plan”) of Central Wisconsin Mutual Insurance Company, a Wisconsin town mutual insurance corporation with its place of business at 918 W Main Street, Waupun, Wisconsin 53963 (the “Company”), from a town mutual insurance corporation under Chapter 612 of the Wisconsin Statutes (“Chapter 612”) to a mutual insurance corporation under Chapter 611 of the Wisconsin Statutes (“Chapter 611”), together with Chapter 612, collectively, the “Wisconsin Insurance Law”) pursuant to Wis. Stat. § 612.23 was adopted by the Board of Directors of the Company on January 18, 2024.

RECITALS

A. The Company is a solvent town mutual insurance corporation organized and existing under Chapter 612 and is duly authorized and licensed to transact the business of insurance within the State of Wisconsin.

B. The Company is authorized to do insurance business in the Wisconsin counties of Adams, Columbia, Dane, Dodge, Fond du Lac, Grant, Green Lake, Iowa, Jefferson, Marquette, Richland, Sheboygan, Sauk, Washington, Waushara and Winnebago, and, pursuant to an order of the Commissioner (as defined below), may continue renewing existing business in the counties of Crawford, Green, Lafayette, Rock, Waukesha, and Vernon.

C. The Board of Directors of the Company (i) has developed a long-range plan that includes slow, increased growth, new nonassessable insurance products, continued availability of reinsurance and expanded geographical area, (ii) has determined that converting into a mutual insurance corporation under Chapter 611 (the “Conversion”) is necessary to achieve its long-range plan for the Company, and (iii) at a duly convened meeting, determined that it is advisable and in the best interests of the Company and its members to convert into a mutual insurance corporation under Chapter 611 pursuant to this Plan, the provisions set forth in Wis. Stat. § 612.23, and in a manner approved by the State of Wisconsin Commission Insurance (the “Commissioner”), and have adopted a resolution approving the same.

D. The Company desires to proceed with the Conversion and submit this Plan to the Commissioner for the Commissioner’s approval and, unless otherwise directed by the Commissioner, to submit the issue to the members of the Company for their approval.

PLAN

1. **Conversion**. In accordance with the provisions of this Plan and the Wisconsin Insurance Law, at the Effective Time (as defined below), the Company shall convert from a town mutual insurance corporation under Chapter 612 into a mutual insurance corporation under Chapter 611 (the “Converted Company”) in accordance with this Plan.

(a) Eligibility to convert to a Chapter 611 mutual insurance corporation.

- (i) The Conversion will be effectuated pursuant to the requirements of Wis. Stat. § 612.23. Wisconsin Insurance Law requires a Chapter 611 company to maintain compulsory and security surplus in excess of \$2.8 million. As detailed in the compulsory and security surplus calculations attached hereto as Exhibit A (the “Projected Surplus”), the Company will have a projected surplus amount sufficient to satisfy this requirement. Moreover, the Company expects it will no longer be subject to the OCI administrative requirement to maintain unlimited aggregate reinsurance, and the Company expects that it will be able to comply with the OCI requirements for 2025.

(b) Reasons for and Purposes of the Conversion.

- (i) *To improve the Company’s competitive market position in order to provide better opportunities for growth.* Competition has increased significantly in markets traditionally served by town mutual insurers. The number of companies willing to write farm coverage has increased and many of these companies are able to offer products that town mutual companies cannot offer. Some of the new competitors are stock and mutual companies that can offer attractive packaged and specialized insurance coverages due to its greater size and scope of operations. Increasingly, town mutual companies operate at a significant competitive disadvantage with other insurers.

The Conversion will permit the Company to grow and improve its services and products to fulfill the expectations of its insurance customers based on the increased size and scale of operations. Eventually, new products (such as umbrella coverage) and more sophisticated operations will improve the Company’s retention of existing customers and its ability to attract new customers.

- (ii) *Expansion of the Company’s territory.* The Conversion will allow the Company to expand into other Wisconsin counties. Expansion will help the Company to grow and to better serve the needs of its customers and agents. Under Chapter 612, town mutual corporations can only write business in a maximum of sixteen (16) counties. Pursuant to an order from the Commissioner dated December 22, 2023, the Company currently writes business in twenty-one (21) counties with certain restrictions. As evidenced by the Projected Surplus, the Company’s financial position will be sufficient to write business statewide as a Chapter 611 mutual insurance company.

- (iii) *To achieve a greater spread of risk.* The Company’s profitability is susceptible to catastrophic losses caused by natural disasters because it primarily writes property insurance. The Conversion will permit the Company to expand the geographical area where it currently writes business, which will allow for the Company to achieve a greater spread of risk.
- (iv) *To eliminate assessability.* The Company is an assessable town mutual. The Company believes that it will increase its competitiveness if it is able to sell nonassessable insurance policies. The Company will have sufficient surplus for nonassessable status and requests that it be designated a nonassessable mutual company.

(c) Terms, Conditions, and Procedures for Implementing the Conversion.

- (i) The Company proposes converting to a mutual insurance corporation under Chapter 611, with all the rights and restrictions that are placed on such mutual insurance corporation and proposes to operate in accordance with the terms of this Plan and the business plan attached hereto as Exhibit B (the “Business Plan”), each of which has been adopted by resolution by the Board of Directors of the Company.
- (ii) The Company will submit this Plan to the Commissioner and upon the approval of this Plan by the Commissioner, the Company will submit this Plan, the 611 Articles (as defined below) and 611 Bylaws (as defined below) to its members for their approval.

(d) Estimated Expenses for Implementing the Conversions. The Company anticipates increased general operating expenses relating to financial accounting and reporting obligations applicable to Chapter 611 mutual insurance corporations. The estimated one-time expenses of implementing the Conversion, including consultant expenses, special meeting expenses, and operational expenses are approximately Twenty-Five Thousand Dollars (\$25,000.00).

(e) Effective Time. The effective time and date of the Conversion shall be 12:01 AM on January 1, 2025 (the “Effective Time”).

2. Effect of Conversion.

(a) Name. The Company’s shall not undergo a name change and shall retain the name “Central Wisconsin Mutual Insurance Company” upon the effectuation of the Conversion.

(b) Authorized Territories. At the Effective Time, the Company shall be authorized to transact such business throughout the state of Wisconsin.

(c) Articles of Incorporation. The articles of incorporation of the Company shall be the articles of incorporation of the Company, as amended and restated (if applicable) and attached hereto as Exhibit C (the “611 Articles”).

(d) Bylaws. The bylaws of the Company shall be the bylaws of the Company, as amended and restated (if applicable) and attached hereto as Exhibit D (the “611 Bylaws”).

(e) Directors. The directors of the Company and their terms of office as of the Effective Time, as proposed in this Plan of Conversion and subject to the election by the members of the Company as provided by Wis. Stat. § 612.23(4), are listed in Exhibit E attached hereto and made a part of this Plan. If at the Effective Time, a vacancy shall exist on the Board of Directors of the Converted Company, such vacancy may thereafter be filled in the manner provided by the 611 Articles or 611 Bylaws, as applicable.

(f) Officers. The officers of the Company and their terms of office shall be those persons named in Exhibit E attached hereto and made a part of this Plan, who shall serve until the next annual meeting of the Board of Directors of the Company or until their successors shall have been elected and shall qualify for office. If at the Effective Time a vacancy shall exist in any of the offices of the Company, such vacancy may thereafter be filled in the manner provided by the 611 Articles or 611 Bylaws, as applicable.

3. **Member Approval.** Unless otherwise directed by the Commissioner, upon approval of this Plan by the Commissioner, this Plan shall be submitted to a vote at a meeting of the members of the Company to be held on a date and at a time and place to be determined by the Company, which may include the Company’s annual member meeting. Notice of such meeting, if such notice is required by law or the Company’s articles of incorporation or bylaws, stating the place, day and hour of the meeting and the purpose for which it is called, shall be given by the Company to its members in a manner acceptable pursuant to law and to the Company’s articles of incorporation and bylaws.

[Remainder of page intentionally left blank; attachments follow]

Exhibit A

PROJECTED SURPLUS

See attached.

Exhibit B

BUSINESS PLAN

See attached.

Exhibit C

611 ARTICLES

See attached.

Exhibit D

611 BYLAWS

See attached.

Exhibit E

COMPANY

PROPOSED DIRECTORS AND OFFICERS

Directors

Proposed directors and its terms are:

<u>Name</u>	<u>Term Expires</u>
Kevin Beske (Chairperson)	2027
Tom Alsum (Vice Chairperson)	2026
Heather Tessmann (Secretary)	2026
Brian Floeter (Treasurer)	2027
Shelly Wiersma	2027
Anthony Brossard	2026
Steven Redeker	2026
Carlton Kastorff	2025
Nathan Pollnow	2025
David Zabel	2025
Jeff Miller	2025
Gerald Berg	2027

Officers

Officers are elected annually to serve until the next annual meeting. Proposed officers are:

Chairperson	Kevin Beske
Vice Chairperson	Tom Alsum
President/CEO	Denis Fuerstenberg
Secretary	Heather Tessmann
Treasurer	Brian Floeter