

CONVERSION

of

**ASHLAND COUNTY TOWN INSURANCE COMPANY,
a Chapter 612 mutual insurance company,**

**DARLINGTON MUTUAL INSURANCE COMPANY,
a Chapter 612 mutual insurance company,**

**LIBERTY MUTUAL FIRE INSURANCE COMPANY,
a Chapter 612 mutual insurance company,**

**PRICE COUNTY TOWN MUTUAL INSURANCE COMPANY,
a Chapter 612 mutual insurance company,**

**RIVER FALLS MUTUAL INSURANCE COMPANY,
a Chapter 612 mutual insurance company,**

and

**STOCKHOLM TOWN MUTUAL INSURANCE COMPANY,
a Chapter 612 mutual insurance company,**

with and into

**RIVER VALLEY MUTUAL INSURANCE COMPANY,
a Chapter 612 mutual insurance company,**

which shall convert into

**RIVER VALLEY MUTUAL INSURANCE COMPANY,
a Chapter 611 mutual insurance company**

PROPOSED POLICYHOLDER SUMMARY OF CONVERSION

Filed with the Wisconsin Office of the Commissioner of Insurance

November 2, 2023

[Joint Letterhead]

To: All Policyholders of River Valley Mutual Insurance Company, 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

Re: Summary of Proposed Conversion into a Chapter 611 Mutual Insurance Company

Date: [●], 2023

The Boards of Directors of River Valley Mutual Insurance Company (“River Valley”), Ashland County Town Insurance Company (“Ashland”), Darlington Mutual Insurance Company (“Darlington”), Liberty Mutual Fire Insurance Company (“Liberty Mutual Fire”), Price County Town Mutual Insurance Company (“Price”), River Falls Mutual Insurance Company (“River Falls”), and Stockholm Town Mutual Insurance Company (“Stockholm”, and together with River Valley, Ashland, Darlington, Liberty Mutual Fire, Price and River Falls, collectively, the “Constituent Corporations” and each a “Constituent Corporation”) have determined that it would be in the best interests of each company to combine their businesses and convert into a single, mutual insurance corporation organized under Chapter 611 of the Wisconsin Statutes (the “Conversion”).

To effectuate the Conversion, the Constituent Corporations have entered into an Agreement and Plan of Conversion, dated November 2, 2023 (the “Plan”), pursuant to which the Constituent Corporations shall convert from separate town mutual insurance corporations organized under Chapter 612 of the Wisconsin Statutes (a “Chapter 612 Corporation”) into a single mutual insurance corporation organized under Chapter 611 of the Wisconsin Statutes (a “Chapter 611 Corporation”) whereby the separate existence of Ashland, Price, Darlington, Liberty Mutual Fire, River Falls and Stockholm (collectively, the “Non-Continuing Corporations”, and each a “Non-Continuing Corporation”) shall thereupon cease and River Valley shall continue as the surviving company and a Chapter 611 Corporation (at times referred to herein as the “Converted Corporation”). The proposed effective date of the Conversion is January 1, 2024 (the “Effective Date”). This summary details the Plan and effects of the Conversion.

The Boards of Directors of the Constituent Corporations (collectively, the “Boards” and each a “Board”) have approved and adopted the Plan and the transactions contemplated thereby. The Conversion was filed with the Wisconsin Office of the Commissioner of Insurance (the “OCI” or the “Commissioner”) on November 2, 2023. Now, the policyholders of each Constituent Corporation must approve the Plan before it can take effect.

Current policyholders of each of the Constituent Corporations have a right to vote on the Conversion. The Boards recommend that their respective policyholders vote (i) “YES” adopt and approve, in all material respects, the Conversion pursuant to the Agreement and Plan of Conversion substantially in the form made available to the members, including the amended and restated articles of incorporation and bylaws of River Valley and the election of the proposed directors of the Board of Directors of the Converted Corporation as set forth in the Conversion Documents and (ii) authorize its Board of Directors to take any and all remaining actions necessary to effectuate the Conversion.

If the Conversion is not approved by the policyholders of a Constituent Corporation (other than River Valley which does not rely on WRC for reinsurance and has otherwise confirmed its compliance with state law for 2024) that corporation may be subject to additional regulatory orders or enforcement actions by the OCI, including potential cancellation of policies, liquidation, and/or dissolution. Therefore, approval of the Conversion by policyholders is essential for your current policy to remain in effect beyond December 31, 2023.

Please review this summary closely and plan to vote in person at the special meeting as referenced in the Notice of Special Meeting enclosed with this mailing.

Background for Conversion

Wisconsin Reinsurance Corporation (“WRC”), the current reinsurer of the Constituent Corporations (other than River Valley), was placed into rehabilitation by the OCI on June 21, 2023. The Constituent Corporations as Chapter 612 Corporations are required by law to maintain certain reinsurance coverage. As current reinsurance policyholders of WRC, each of the Constituent Corporations was issued an order from the Commissioner on June 28, 2023 (the “OCI Order”). The OCI Order directed each Constituent Corporation to confirm its plans for obtaining reinsurance for 2024 or otherwise maintaining its certificate of authority to continue in business in 2024, including merger, conversion, or affiliation.

To comply with the OCI Order and limit the disruption to policyholders and members, the Boards have elected to jointly convert into a Chapter 611 Corporation, with River Valley continuing as the surviving company and a Chapter 611 Corporation. Each Board considered a variety of options to comply with the OCI Order and determined that the Conversion is in the best interests of their respective Constituent Corporation and policyholders. As discussed below, River Valley has confirmed the ability to obtain sufficient reinsurance allowing the Converted Corporation to satisfy the requirements of law and the Commissioner.

Parties to the Conversion

Wisconsin law allows multiple Chapter 612 Corporations to jointly convert into a single Chapter 611 Corporation. The history and operations of each of the Constituent Corporations is summarized below.

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.

Ashland is headquartered in Butternut, Wisconsin. It was organized as a town mutual insurance company on August 1, 1901. As of 2022, Ashland has approximately 586 policies in force, premiums written of \$283,000, and surplus of \$1.6 million (approximately \$1.3 million excluding WRC stock). Ashland is currently authorized to operate in the Wisconsin counties of Ashland, Bayfield, Douglas, Iron, Price and Sawyer.

Darlington is headquartered in Darlington, Wisconsin. It was organized as a town mutual insurance company on May 18, 1875. As of 2022, Darlington has approximately 1,226 policies in force, premiums written of \$1,577,000, and a surplus of \$837,000 (approximately \$813,000 excluding WRC stock). Darlington is currently authorized in the Wisconsin counties of Crawford, Columbia, Dane, Grant, Green, Iowa, Jefferson Juneau, Lafayette, Monroe, Richland, Rock, Sauk, and Vernon.

Liberty Mutual Fire is headquartered in Stitzer, Wisconsin. The company was organized as a town mutual insurance company on January 6, 1872, as the German Mutual Fire Insurance Company of the Town of Liberty. As of 2022, Liberty Mutual Fire has approximately 1,264 policies in force, premiums written of \$1.1 million, and a surplus of \$3.2 million (approximately \$2.5 million excluding WRC stock). Liberty

Mutual Fire is currently authorized in the Wisconsin counties of Crawford, Grant, Green, Iowa, Juneau, La Crosse, Lafayette, Monroe, Richland, Sauk, and Vernon.

Price is headquartered in Phillips, Wisconsin. It was established on May 18, 1901 under the original name Price County Farmers Mutual Fire Insurance Company of Phillips. As of 2022, Price has approximately 1,446 policies in force, premiums written of \$849,000, and surplus of \$1.1 million (approximately \$670,000 excluding WRC stock). Price is currently authorized to do business in the Wisconsin counties of Sawyer, Rusk, Price, Taylor, Lincoln, Oneida & Vilas.

River Falls is headquartered in River Falls, Wisconsin. The company was organized on July 1, 1876, to provide fire and lightning insurance to residents in nine townships in Pierce and St Croix Counties. As of 2022, River Falls has approximately 887 policies in force, premiums written of \$1.4 million, and surplus of \$3.3 million (approximately \$2.5 million excluding WRC stock). River Falls is currently authorized to do business in the Wisconsin counties of Pierce, St. Croix, Dunn, Pepin, Barron, Polk, Chippewa, Clark, Eau Claire and Taylor. Earlier in 2023, River Falls entered into a merger agreement with Trade Lake Mutual Insurance Company (“Trade Lake”) that will take effect prior to the Effective Date on December 31, 2023;¹ the current members of Trade Lake will become members of Converted Corporation through the Conversion. As of 2022, Trade Lake has approximately 1,100 policies in force, premiums written of \$1.1 million, and surplus of \$1.0 million (approximately \$467,000 excluding WRC stock) and is currently authorized to do business in the Wisconsin counties of Barron, Burnett, Douglas, Dunn, Polk, Sawyer, St. Croix and Washburn.

Stockholm is headquartered in Stockholm, Wisconsin. In 1872 Stockholm Town Mutual was organized by a group of farmers to provide insurance coverage for themselves and their neighbors. As of 2022, Stockholm has approximately 557 policies in force, premiums written of \$391,000, and surplus of \$2.6 million (approximately \$2.2 million excluding WRC stock). Stockholm is currently authorized to do business in the Wisconsin counties of St. Croix, Dunn, Pierce, Pepin, Eau Claire and Buffalo.

Reasons for and Purposes of the Conversion

The Constituent Corporations will jointly convert to a single Chapter 611 Corporation pursuant to the Plan adopted by the Boards as provided in Wis. Stat. § 612.23.

The reasons for and purposes of the Conversion include:

- *Access to Reinsurance.* Upon becoming a Chapter 611 Corporation, the Converted Corporation will no longer be subject to the requirements of Wis. Stat. § 612.33 and Wis. Admin. Code § INS 13.09 and will have additional flexibility to obtain reinsurance, subject to the requirements of the OCI. River Valley has confirmed that, based on the Converted Corporation’s surplus, it will no longer be subject to the OCI’s administrative requirement to maintain unlimited aggregate reinsurance, and the Converted Corporation will be able to comply with the OCI requirements for 2024. The Converted Corporation will obtain reinsurance for 2024 through Guy Carpenter.
- *Improved Competitive Position.* The Conversion will permit the Constituent Corporations to grow and improve their services and products to fulfill the expectations of their insurance customers based on the increased size and scale of operations. Better products and more sophisticated operations will improve the Constituent Corporations’ retention of existing customers and their ability to attract new customers.

¹ **NTD OCI:** To be confirmed/revised prior to policyholder mailing.

- *Expansion of the Company's territory.* The Conversion will allow the Converted Corporation to expand into other Wisconsin counties. Immediately prior to the Effective Date, the Constituent Corporations will collectively write business in forty (40) counties. While there are no current plans for the Converted Corporation to write outside of the forty (40) county territory at this point, the Conversion will allow it to do so in the future.
- *To achieve a greater spread of risk.* Expanding outside of the currently authorized territory will allow for a greater spread of risk. In their separate existence, each Constituent Corporation's profitability is susceptible to catastrophic losses caused by natural disasters because they primarily write property insurance. The Conversion will permit the Converted Corporation to expand the geographical area in which it writes business and also offer additional insurance products which will allow for the Constituent Corporations to achieve a greater spread of risk.
- *To eliminate assessability of policyholders.* State law requires Chapter 612 Corporations to issue assessable policies meaning that a policyholder can be assessed in excess of the premium paid to the company. After the Conversion, the Converted Corporation will issue nonassessable policies.

The Plan of Conversion

Below is a summary of the material terms of the Plan and the effect of the Conversion.

- *Name, Office Headquarters and Locations.* The Converted Corporation shall not undergo a name change and shall retain the name "River Valley Mutual Insurance Company" upon the effectuation of the Conversion. Its principal office will be the current office of River Valley in Whitehall, Wisconsin. The Converted Corporation will maintain the current office of the other Constituent Corporations to service policyholders following the Effective Date and until such time as it is determined to no longer be prudent, except that Stockholm plans to close its current office location prior to the Effective Date.
- *Mutual Membership.* All policyholders of the Constituent Corporations will automatically become members and policyholders of the Converted Corporation. Shortly after the Effective Date, each former member of the Non-Continuing Corporations will be sent a Certificate of Assumption and Endorsement formally confirming that their existing policy has been assumed by the Converted Corporation and that the policyholder is now a member of the Converted Corporation.
- *Operations and Business Plan.* River Valley will be the surviving entity after the Conversion and, thus, the Converted Corporation will generally continue the use of River Valley's existing practices, procedures, systems, operations, rates, forms, products, marketing materials, and other related items, as reflected in the Business Plan attached as Exhibit B to the Plan. A copy of the Plan is available for your review upon request.
- *Effect on Policies.* No changes to the policies or premiums now in effect for the policyholders of the Non-Continuing Corporations will occur immediately upon the Effective Date. All of the Non-Continuing Corporations' policies will be rewritten using the current forms, rates and underwriting rules of River Valley on the first renewal or anniversary date of each such policy following the Effective Date or as soon as thereafter as permitted under applicable law.

- *Assets and Liabilities.* All assets and property owned by the Constituent Corporations will become the property of the Converted Corporation and all liabilities (including insurance policy liabilities) of the Constituent Corporations will become liabilities of the Converted Corporation.
- *Articles and Bylaws.* The articles of incorporation and bylaws for the Converted Corporation will reflect its status as a Chapter 611 Corporation and are included as Exhibits C and D, respectively, to the Plan. The 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.
- *Board of Directors.* Pursuant to Wis. Stat. § 612.23(4), promptly following the approval of the Plan, the directors shall be promptly elected. The Plan proposes an initial thirteen (13) member board divided into three (3) classes of directors and comprised of eight (8) directors presently serving on the River Valley board, two (2) directors presently serving on the River Falls board, one (1) director presently serving on the Darlington board, one (1) director presently serving on the Liberty Mutual Fire board and one (1) director presently serving on the Price County board. The proposed Converted Corporation Board, in addition to the Constituent 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 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 of the Converted Corporation, 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

Position	Name
Treasurer	Sara Leffingwell
Secretary	Victoria Rotering

- *Management and Employees.* The current President & CEO of River Valley will continue as the President & CEO of Converted Corporation. The current Assistant General Manager of River Falls will become the Executive Vice President and Chief Operating Officer of Converted Corporation. The current employees of River Valley will continue in their current or similar positions. Converted Corporation will also welcome all current employees of the other Constituent Corporations seeking to maintain employment with Converted Corporation in similar employment roles.
- *Agents.* Converted Corporation will continue to market through the Constituent Corporations' established base of independent and captive agents. The company will adopt the current River Valley agency agreement as its standard agency agreement. The agency agreement will be offered to each agent who has an appointment with the other Constituent Corporations and who does not already have an agency agreement in force with River Valley.

Differences between Chapter 611 Corporations and Chapter 612 Corporations

The following list summarizes some of the significant differences between being a Chapter 612 Corporation and a Chapter 611 Corporation:

- A Chapter 612 Corporation is required to have unlimited aggregate excess of loss reinsurance, which is intended to help mitigate the risk of certain other features of a Chapter 612 Corporation (as compared to a Chapter 611 Corporation): 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 certified public accountant/auditor.
- Chapter 611 Corporations need to comply with compulsory and security surplus requirements mandated by law. In order to convert to a Chapter 611 Corporation, the company must have at least \$2.8 million in compulsory and security surplus. The Constituent Corporations project that the Converted Corporation will be able to comply with the surplus requirements upon Conversion and will have a surplus of \$11.8 million.
- Chapter 611 Corporations also have to comply with mandated reinsurance requirements. River Valley has confirmed that the Converted Corporation will be able to comply with the requirements of state law and the Commissioner relating to reinsurance requirements. River Valley has obtained **[an offer/proof of a reinsurance policy from Guy Carpenter.]**²
- Chapter 611 Corporations must have a qualified actuary opine on reserves annually, and must comply with all other requirements of Chapter 611 of the Wisconsin Statutes, which include, but are not limited to, annual and quarterly reporting. These compliance requirements will impose additional administrative costs on the Converted Corporation.
- Chapter 612 Corporations are limited to writing policies in no more than sixteen (16) counties. Chapter 611 Corporations typically are permitted to write policies statewide. The Constituent Corporations immediately prior to the Effective Date will write in a total of forty (40) counties.

² **NTD OCI:** To be revised prior to policyholder mailing.

As a Chapter 611 Corporation, the Converted Corporation will be able to continue writing policies in each of the counties in which each of the Constituent Corporations operates prior to the Effective Date and will have the authority to write policies throughout the state of Wisconsin in the future.

- Chapter 612 Corporations must issue assessable policies (meaning a policyholder can be assessed in excess of the premium paid to the company). A Chapter 611 Corporation may issue assessable or nonassessable policies. In connection with the Conversion, the Converted Corporation will become a nonassessable mutual insurance company. This will allow the Converted Corporation to sell nonassessable insurance policies, which the Boards believe will make the Converted Corporation more competitive.

Additional Information

A complete copy of the Plan and the proposed articles of incorporation and bylaws of the Converted Corporation, and related materials are available for your inspection at the office of each Constituent Corporation. Please contact any of the individuals identified below if you have any questions or would like to review any of the documents referenced herein.

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