

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

PROPOSED POLICYHOLDER SUMMARY OF CONVERSION

Filed with the Wisconsin Office of the Commissioner of Insurance

NOVEMBER 3, 2023

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Theresa Mutual Insurance Company

107 West Rock River St. P.O. Box 233 Theresa, WI 53091-0233

To: All Policyholders of Theresa Mutual Insurance Company

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

Date: November __, 2023

The Board of Directors (the “Board”) of Theresa Mutual Insurance Company, a Wisconsin town mutual insurance company (the “Company”) has determined that it would be in the best interest of the Company to effectuate a conversion (the “Conversion”) in accordance with Section 612.23 of the Wisconsin Statutes, whereby the Company shall convert from a town mutual insurance corporation organized under Chapter 612 of the Wisconsin Statutes (a “Chapter 612 Corporation”) into a mutual insurance corporation organized under Chapter 611 of the Wisconsin Statutes (a “Chapter 611 Corporation”).

This summary details the Conversion pursuant to that certain Plan of Conversion of the Company (the “Plan”). After the Board approved and adopted the Plan on September 14, 2023, the Conversion was filed with the Wisconsin Office of the Commissioner of Insurance (the “OCI” or the “Commissioner”) on November 3, 2023. In addition to the approval from the OCI, the policyholders of the Company must approve the Plan before it can take effect.

Current policyholders of the Company have the right to vote on the Conversion. The Board recommends that the policyholders vote “YES” to the (i) proposal to approve the Conversion pursuant to the Plan, including the proposed amended and restated articles of incorporation and bylaws of the Company attached as Exhibits C and D of the Plan and the election of the board of directors of the Company set forth on Exhibit E of the Plan and (iii) proposal to adjourn the special meeting of policyholders, if necessary or appropriate.

If the Conversion is not approved by the policyholders of the Company, the Company 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.

Background for Conversion

The Company’s current reinsurer, Wisconsin Reinsurance Corporation (“WRC”), was placed into rehabilitation by the OCI on June 21, 2023. The Company as a Chapter 612 Corporation is required by law to maintain certain reinsurance coverage. As current reinsurance policyholders of WRC, the Company was issued an order from the Commissioner on June 28, 2023 (the “OCI Order”). The OCI Order directed the Company 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 Board has elected to convert into a Chapter 611 Corporation. The Board considered a variety of options to comply with the OCI Order and determined that the Conversion is in the best interests of the Company and its

policyholders. As discussed below, the Company has confirmed the ability to obtain sufficient reinsurance allowing it to satisfy the requirements of law and the Commissioner.

Reasons for and Purposes of the Conversion

The Company will convert to a Chapter 611 Corporation pursuant to the Plan adopted by the Board 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 Company 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. The Company will obtain reinsurance for 2024 through Guy Carpenter and has confirmed that this coverage will satisfy the requirements of the OCI.
- *Improved Competitive Position.* 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. Better products and more sophisticated operations will improve the Company's retention of existing customers and their ability to attract new customers.
- *Expansion of the Company's territory.* The Conversion will allow the Company to expand its business throughout the state of Wisconsin. The Company currently writes business in ten (10) counties. The Conversion will allow the Company to write insurance policies for customers who have inquired but have a property outside of the ten (10) counties.
- *To achieve a greater spread of risk.* Expanding outside of the current authorized territory will allow for 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 in which it writes business and also offer additional insurance products which will allow for the Company 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 Company 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.* The Company will retain its name "Theresa Mutual Insurance Company"
- *Articles and Bylaws.* The articles of incorporation and bylaws for the Company will reflect its status as a Chapter 611 Corporation (the "611 Articles" and "611 Bylaws", respectively, and collectively, the "Company's 611 Organizational Documents"). The 611 Articles will specify that the Company will issue nonassessable policies. Full copies of the Company's 611 Organizational Documents 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 eleven (11) member board divided into three (3) classes of directors. The proposed board of directors and the expiration of their term on the Board will be as follows, subject to the approval of the Company’s policyholders:
 - Archie Serwe – 2025
 - Gary Zastrow – 2026
 - Jerome Feucht – 2024
 - Kari De Smith – 2026
 - Pete Bonack – 2026
 - Stanley Lammers – 2026
 - Steven Ries – 2024
 - Ralph Pribnow – 2026
 - Robert Belling – 2024
 - Rodney Justman – 2025
 - Tracy Kinyon – 2025

At each annual meeting of the policyholders of the Company after the Effective Date of the Conversion, the policyholders will elect the directors to fill the positions of the directors whose terms expire, as provided in the Company’s 611 Organizational Documents.

- *Officers.* The officers of the Company in office immediately prior to the Effective Date and listed below will continue to serve as the officers of the Company, who shall serve until the next annual meeting of the Company Board or until their successors shall have been elected and shall qualify for office. Vacancies will be filled in the manner provided by the Company’s articles of incorporation and bylaws.
 - President – Tracy Kinyon
 - Vice President - Rodney Justman
 - Secretary – Robert Belling
 - Treasurer – Ralph Pribnow

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 Company projects that it will be able to comply with the surplus requirements upon Conversion and will have a surplus of approximately \$4.7 Million.
- Chapter 611 Corporations also have to comply with mandated reinsurance requirements. The Company has confirmed that it will be able to comply with the requirements of state law and the Commissioner relating to reinsurance requirements. As described above, the Company has been guaranteed an offer of a reinsurance policy from Guy Carpenter.
- Chapter 611 Corporations must have a qualified actuary opine on reserves annually, and must comply with all other Ch. 611, Wis. Stat., requirements, which include, but are not limited to, annual and quarterly reporting. These compliance requirements will impose additional administrative costs on the Company.
- Chapter 612 Corporations are limited to writing policies in no more than 16 counties. Chapter 611 Corporations typically are permitted to write policies statewide. Presently, the Company writes in a total of nine (9) counties. As a Chapter 611 Corporation, the Company will be able to continue writing policies in each of the counties in which the Company 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 Company will become a nonassessable mutual insurance company. This will allow the Company to sell nonassessable insurance policies, which the Board believes will make the Company more competitive.

Additional Information

A complete copy of the Plan, the Company's 611 Organizational Documents, and related materials are available for your inspection at the office of the Company. Please contact Robert Belling by phone at (920) 269-4788 or by email at rtbelling@theresamutual.com if you have any questions or would like to review any of the documents referenced herein.