



DATE: July 12, 2022

TO: Amy J. Malm
Mark McNabb

FROM: Christopher Martin

SUBJECT: The Proposed Merger of Southeast Mutual Insurance Company into Sugar Creek 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 s. 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	The certified resolution of Sugar Creek Board of Directors approving the Agreement and Plan of Merger (the "Plan").
Ex. 2	The certified resolution of the Southeast Board of Directors approving the Plan.
Ex. 3	A copy of the Plan executed by both companies and with the following exhibits.
Ex. 3a	The proposed Amended and Restated Articles of Incorporation of Sugar Creek Mutual.
Ex. 3b	The proposed Bylaws of Sugar Creek Mutual.
Ex. 3c	The Certificate of Assumption which Sugar Creek Mutual proposes to send to all Southeast policyholders after the effective date of the merger.
Ex. 3d	A listing of Sugar Creek Mutual's proposed directors and officers as of the effective date of the merger.
Ex. 4	Unaudited financial statements for Southeast Mutual as of April 30, 2022 and for Merrimac Lodi as of May 31, 2022.
Ex. 5	A proposed Notice of Special Policyholder Meeting and a proposed summary of the agreement and Plan of Merger to be sent to Sugar Creek Mutual and Southeast Mutual policyholders with notice of meeting.

Ex. 6 Proposed policyholder resolutions approving the merger.

Executive Summary

On June 17, 2022, Transaction Counsel Zachary Bemis filed a statement on behalf of the Applicants, Southeast Mutual Insurance Company (“Southeast”) and Sugar Creek Mutual Insurance Company (“Sugar Creek”), to merge the two town mutuals. After the merger, Southeast will cease to exist, and the surviving entity would be Sugar Creek.

Identity and Background of the Domestic Insurers

Identity of the Insurers:

Southeast Mutual Insurance Company

209 N. Dodge St
PO Box 759
Burlington, WI 53105

Sugar Creek Mutual Insurance Company

17 W. Walworth St.
Elkhorn, WI 53121

Background of the Insurers:

Southeast Mutual Insurance Company

Southeast is authorized to conduct business in Racine, Kenosha, Walworth, and Waukesha County.

Sugar Creek Mutual Insurance Company

Per Sugar Creek’s company website: “Our policyholders own this company. This has proven a successful business model since 1873, and continues to this day. We continually adapt to the needs of our customers. Over the years, we have grown and merged with other smaller companies. Today, we have approximately 1,550 policyholders and had \$711,767,656 of property insurance in force at the end of 2020.”

Sugar Creek is authorized to conduct business in Walworth, Rock, Jefferson, Dane, Racine, Kenosha, Waukesha, Green, Lafayette, Grant, Iowa, Sauk, Columbia, Dodge, Washington, and Ozaukee County.

Proposed Executive Officers and Directors of Sugar Creek

<u>Name</u>	<u>Title</u>	<u>Term Expires:</u>
Gene Lauderdale	Director	2023
Alex McQuillen	Director	2023
Donald Schmaling	Director	2023
Robert Janes	Director, Vice-Chairman	2024
David Kyle	Director, Treasurer	2024
Bruce VanderVeen	Director, Secretary	2024
Robert Agnew	Director, Chairman	2025
Melinda Haak	Director	2025
Robert Johnson	Director	2025
Mark Wilson	Director	2023
Joe Patla	Director	2024
Jerry Ketterhagen	Director	2025

The proposed directors above, who will serve as directors of the surviving entity, come from the current directors of Southeast and Sugar Creek. Nine directors will come from Sugar Creek and three directors from Southeast.

The Executive Officers serve an annual term and elections will be held at each annual meeting subsequent to the transaction.

Nature, Source, and Consideration

Pursuant to the Plan filed as Exhibit 3, Southeast will be merged into Sugar Creek, with the surviving entity being Sugar Creek. Subject to the appropriate approvals and a vote held by the members of the Insurers, the effective date of the transaction is expected to be January 1, 2023.

The estimated expenses related to the merger are \$10,000. In the event that the merger is unsuccessful, the insurers will split the cost equally. No consideration will be transferred to either 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 Applicant's future plans provide for the two full time employees of Sugar Creek to continue to be employed by the surviving entity. Additionally, the surviving entity will offer Southeast's current General Manager, a General Manager position. Part-time employees will be offered part-time employment with the surviving company. The Applicants will offer agency agreements to each agent who currently has an appointment with Southeast.

Articles and Bylaws of the surviving corporation will be those as provided by the company in exhibit 3b.

The financial statements of the Domestic Insurers are confidential. OCI reviews these financials as part of the review process.

The s. 612.21 Wis. Stats. Standard

Section 612.21 Wis. Stats incorporates the information gathering requirements of s. 612.02(4) (the application requirements for a town mutual certificate of authority) while directing the Commissioner to answer three broad questions contained in s. 612.21(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 Southeast and Sugar Creek. 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.