

MERGER OF
ALL-STAR/NEWARK MUTUAL INSURANCE COMPANY
WITH AND INTO
FRANKLIN FARMERS MUTUAL INSURANCE COMPANY

PROPOSED POLICYHOLDER SUMMARY OF MERGER

Filed with the Wisconsin Office of the Commissioner of Insurance

September 15, 2023

[Joint Logo/Letterhead]

To: All Policyholders of Franklin Farmers Mutual Insurance Company and All-Star/Newark Mutual Insurance Company

Re: Summary of Proposed Merger of All-Star/Newark Mutual Insurance Company with and into Franklin Farmers Mutual Insurance Company

Date: [●], 2023

The Boards of Directors of All-Star/Newark Mutual Insurance Company (“ASNMIC”) and Franklin Farmers Mutual Insurance Company (“FFMIC”) have determined that it would be in the best interests of both companies to merge pursuant to which the companies have entered into an Agreement and Plan of Merger (the “Plan of Merger”).

Pursuant to the Plan of Merger, ASNMIC will merge with and into FFMIC (the “Merger”), and the surviving company will adopt the new name Riverside Mutual Insurance Company (“Riverside” or the “Surviving Corporation”). We are pleased to announce that through the Merger, policyholders of ASNMIC and FFMIC will continue to have the opportunity to insure their homes, farms, and property through a local mutual insurance company.

The Board of Directors of each company voted and determined that the Merger was fair and equitable to each company and their respective policyholders. Subsequently, the companies filed the Plan of Merger with the Commissioner, who must approve the Merger prior to it being submitted to a vote of the companies’ policyholders. The Commissioner has approved the merger and the companies are now ready to seek policyholder approval. Please closely review this summary and plan to vote in person at the Joint Special Policyholder Meeting scheduled for 10:00 a.m. on November 11, 2023, at the [●] in Spring Green, or via the mail ballot enclosed with this mailing. ***The Board of Directors of each company recommends that their respective members vote to approve the Merger.***

Merger Background

The last few years have presented challenges to town mutual insurance companies such as ASNMIC. Town mutuals organized under Chapter 612 of Wisconsin Statutes are required by law to maintain certain reinsurance coverage. On June 21, 2023, the primary reinsurer of the town mutual industry in Wisconsin, Wisconsin Reinsurance Corporation (“WRC”), was placed into rehabilitation by the Wisconsin Office of the Commissioner of Insurance (the “Commissioner” or “OCI”).

On July 6, 2023, in response to the WRC rehabilitation and larger concerns about the availability in the reinsurance market of reinsurance satisfying the requirements of Wisconsin law for town mutuals, the Commissioner issued an administrative order to town mutuals not currently reinsured by WRC, including ASNMIC and FFMIC (the “OCI Order”). The OCI Order directed each company to confirm its plans for obtaining reinsurance for 2024 or otherwise maintaining its certificate of authority to continue in business in 2024.

Presently, ASNMIC and FFMIC are each reinsured by Grinnell Mutual Reinsurance Company (“Grinnell”). On July 11, 2023, Grinnell informed ASNMIC that it will not be offering ASNMIC a reinsurance policy for calendar year 2024. However, Grinnell has confirmed to FFMIC that it will be offered a reinsurance policy for 2024, allowing FFMIC to maintain its compliance with Wisconsin law and satisfy the OCI Order.

In order to comply with the OCI Order and limit the disruption to the ASNMIC policyholders and members, the Board of Directors of ASNMIC has elected to pursue a merger with FFMIC (the “Merger”). FFMIC has communicated its intent to merge with ASNMIC to Grinnell and Grinnell has provided its support for the Merger.

Please note, if the Merger is not approved by the policyholders of a company and ASNMIC is unable to comply with the OCI Order, then ASNMIC may be subject to additional regulatory orders or enforcement actions by the OCI, including potential liquidation, dissolution, and/or cancellation of policies. Therefore, approval of the Merger by policyholders is crucial for policyholders of ASNMIC to maintain their current insurance policies in effect beyond December 31, 2023.

Summary of Merger

Below is a summary of the Plan of Merger, which is proposed to be effective on January 1, 2024 (the “Effective Date”), and the impact on policyholders:

- ASNMIC policyholders will become members of FFMIC and ASNMIC will cease to exist as a separate corporation.
- FFMIC, as the surviving merged company, shall be renamed Riverside Mutual Insurance Company. Each former member of ASNMIC will be sent a Certificate of Assumption formally confirming such status. Each member of FFMIC will be sent a Name Change Endorsement formerly recognizing the company’s new name.
- All of the assets, rights, privileges, and business of ASNMIC, of every character and description, including all real property, all policies of insurance, all debts due on whatever account, premiums and assessments payable from members, all rights to bring any suit or action and all and every other interest of, or belonging to or due to ASNMIC, shall accrue to, be merged into and become the absolute property of the Surviving Corporation.
- Riverside, as the surviving merged company, shall assume all liabilities and obligations of ASNMIC, including insurance policy liabilities.
- As a Chapter 612 town mutual insurance company, the Surviving Corporation may only write insurance policies in up to 16 counties. The Surviving Corporation will continue servicing, renewing, and writing new policies in the Wisconsin counties of Adams, Columbia, Crawford, Dane, Grant, Green, Iowa, Jefferson, Juneau, Lafayette, Monroe, Richland, Rock, Sauk, Walworth, and Vernon (the “Authorized Territory”).

- To maintain compliance with Wisconsin law, the counties of Dodge and La Crosse, which are currently part of FFMIC's territory will not be included in the Authorized Territory. There are currently zero FFMIC policyholders residing in Dodge and La Crosse counties.
- As of the Effective Date, Riverside will have a board comprised of seven (7) members: four (4) of FFMIC's current directors will continue to serve on the board of the Surviving Corporation (Dwayne Hiltbrand, Robert Menke, Tyler Wilkinson, and Ed Chitwood), along with three (3) of ASNMIC's current directors (Gary Hefty, Karen Johnson, and Bob Frank). At each annual meeting of the policyholders of Riverside after the Effective Date, the policyholders will elect the directors to fill the positions of the directors whose terms expire, as provided in the Surviving Corporation's articles of incorporation and bylaws.
- The officers of Riverside in office as of the Effective Date will be as follows: (1) Chairman, Dwayne Hiltbrand, (2) Vice Chairman, Bob Menke, (3) Treasurer, Tyler Wilkinson, and (4) Secretary, Bob Frank. The initial officers will serve until the next annual meeting of the Board of Directors of Riverside or until their successors have been duly elected and shall qualify for office.
- Riverside will offer its current agency agreement to each agent who has an appointment with ASNMIC prior to the Effective Date and who does not already have an agency agreement in force with FFMIC.
- Riverside will offer employment to all employees of ASNMIC with substantially similar roles and salaries to their roles and salaries at ASNMIC prior to the merger.
- Business will be transacted from FFMIC's current headquarters in Spring Green, Wisconsin and Riverside will continue operations at the current ASNMIC office located in Brodhead until such time as the board of Riverside determines it is no longer necessary to maintain such location and it is fiscally responsible to close that location.
- Various changes to the FFMIC's articles of incorporation and bylaws are also proposed as part of the Plan of Merger, including specifically changes related to the authorized territory of the Surviving Corporation and the board of directors (as described above). Copies of the proposed documents and the Merger Agreement are available for your review upon request.
- Riverside will adopt the policy forms, rates, deductibles, and underwriting guidelines of FFMIC. No changes to the policies or premiums of ASNMIC policyholders will occur immediately upon the consummation of the Merger. However, effective on the first renewal or anniversary date of each ASNMIC policy following the Effective Date, policies will be rewritten using FFMIC forms, rates, and underwriting guidelines.

A complete copy of the Agreement and Plan of Merger (and related exhibits) is available for your inspection at both the ASNMIC and FFMIC offices. Please contact Peggy Sue Langer (at peggysuelanger@franklinfarmersmutual.com or 608-588-2081) or the individuals identified

below if you have any questions or if you would like to review a complete copy of the Plan of Merger.

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