

**MERGER OF
CLARNO MUTUAL INSURANCE COMPANY
WITH AND INTO
MT. MORRIS MUTUAL INSURANCE COMPANY**

PROPOSED POLICYHOLDER SUMMARY OF MERGER

Filed with the Wisconsin Office of the Commissioner of Insurance

November 15, 2023

[Joint Logo/Letterhead]

To: All Policyholders of Clarno Mutual Insurance Company

Re: Summary of Proposed Merger with and into Mt. Morris Mutual Insurance Company

Date: November ____, 2023

The Boards of Directors of Clarno Mutual Insurance Company (“CMIC”) and Mt. Morris Mutual Insurance Company (“MMIC”) 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”).

CMIC’s reinsurer, Wisconsin Reinsurance Corporation (“WRC”), was placed into rehabilitation by the Wisconsin Office of the Commissioner of Insurance (the “Commissioner” or “OCI”) on June 21, 2023. Town mutuals organized under Chapter 612 of Wisconsin Statutes are required by law to maintain certain reinsurance coverage. As a current reinsurance policyholder of WRC, CMIC was issued an order from the Commissioner on June 28, 2023 (the “OCI Order”). The OCI Order directed CMIC to confirm its plans to obtain reinsurance for 2024 or otherwise maintain its certificate of authority to continue business in 2024.

In order to comply with the OCI Order and limit the disruption to the CMIC policyholders and members, the Board of Directors of CMIC has elected to pursue a merger with MMIC (the “Merger”).

MMIC is a mutual insurance company organized under Chapter 611 of Wisconsin Statutes that currently issues policies throughout Wisconsin. MMIC was formed in 1876. MMIC is the surviving company of several mergers over the last 50 years.

Advantages to the policyholders of CMIC include less dependence on the limited number of reinsurers issuing coverage to Chapter 612 town mutuals, an improved spread of risk throughout the state, access to a broader range of insurance products, and no longer being subject to policyholder assessments. Additionally, CMIC policyholders will continue to be insured by a mutual insurance company.

The Board of Directors of each company voted and determined that the Merger is fair and equitable to each company and their respective policyholders. The Board of Directors of each company recommends that their respective members vote to approve the Merger.

Please note if the policyholders of CMIC do not approve the Merger and CMIC is unable to comply with the OCI Order, CMIC 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 CMIC’s policyholders is crucial for you to maintain your current insurance policies with CMIC in effect beyond December 31, 2023.

Below is a summary of the Plan of Merger and the effect of the Merger which is proposed to be effective on January 1, 2024 (the “Effective Date”). After the Effective Date, the following is proposed to take place:

- CMIC policyholders will automatically become members and policyholders of MMIC. All property owned by CMIC will become the property of MMIC and all liabilities of CMIC will

become liabilities of MMIC. Each former member of CMIC will be sent a Certificate of Assumption formally confirming that status.

- All property owned by CMIC will become the property of MMIC and all liabilities (including insurance policy liabilities) of CMIC will become liabilities of MMIC.
- As a Chapter 611 mutual insurance company, MMIC may write policies throughout the state of Wisconsin, thus, the merged company will continue to be a Chapter 611 mutual insurance company writing policies throughout Wisconsin.
- The merged company will continue to be managed by the directors of MMIC serving prior to the Effective Time. At each annual meeting of the policyholders of MMIC after the effective date of the Merger, the policyholders will elect the directors to fill the positions of the directors whose terms expire, as provided in the merged company's articles of incorporation and bylaws.
- The officers of MMIC in office immediately prior to the Effective Date will continue to serve as the officers of the merged company, who shall serve until the next annual meeting of the Board of Directors of the merged company or until their successors shall have been elected and shall qualify for office.
- The merged company will offer its current agency agreement to each agent who has an appointment with CMIC prior to the effective date of the merger and who does not already have an agency agreement in force with MMIC.
- MMIC shall offer full time employment for Denise Eichstadt and part time employment for Michelle Steinmann. The current employees of CMIC will be eligible to participate in the same compensation and benefit program as MMIC's employees, including applicable associate and management incentive compensation program.
- Business will be transacted from MMIC's current headquarters in Coloma, Wisconsin.
- No changes to the policies or premiums of CMIC policyholders will occur immediately upon the consummation of the Merger. However, effective on the first renewal date of each CMIC policy following the effective date of the Merger, policies will be rewritten using MMIC forms, rates, and underwriting guidelines. Each former member of CMIC will be sent a Certificate of Assumption formally confirming their status as a member and policyholder of MMIC.

A complete copy of the Plan of Merger (and related exhibits) is available for your inspection at both the MMIC and CMIC offices. Please contact the individuals identified below if you have any questions or would like to review a complete copy of the Plan of Merger.

Clarno Mutual Insurance Company

Michelle Steinmann, Secretary
1922 10 St.
Monroe, WI 53566
(608) 325-1303
denise@clarnomutualinsurance.com

Mt. Morris Mutual Insurance Company

Connie Weber, Secretary
N 12 11 Cty Rd B
Coloma, WI 54930
(715) 228-5541
agdan@mtmorrisins.com