



DATE: November 15, 2023

TO: Amy J. Malm
Mark McNabb

FROM: Christopher Martin

SUBJECT: The Proposed Merger of Northeastern Mutual Insurance Company with and into Homestead 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 ch. 612, Wisconsin Statutes and Ins. 40.02 Wis. Adm. Code.

Form A Filing Contact(s)

Primary Contact:

Zachary P. Bemis
Godfrey & Kahn, S.C.
One East Main Street, Suite 500
Madison, WI 53703
(608) 284-2224
zbemis@gklaw.com

Exhibit(s)

<u>Exhibit:</u>	<u>Description:</u>
Ex. 1	A certified resolution of the HMIC Board of Directors approving the Merger
Ex. 2	A certified resolution of the NMIC Board of Directors approving the Merger and establishing a tentative date for the special meeting of policyholders
Ex. 3	The executed agreement and plan of merger, including the following exhibits:
Ex. 3a	The current articles of incorporation of HMIC which will be the articles of incorporation of the surviving entity
Ex. 3b	The current bylaws of HMIC which will be the bylaws of the surviving entity
Ex. 3c	The form of Certificate of Assumption which HMIC proposes to send to all NMIC policyholders after the effective time of the merger
Ex. 3d	A listing of directors and officers of the surviving entity
Ex. 4	A proposed summary of the Merger to be sent to NMIC policyholders with the NMIC Notice of Special Policyholder Meeting
Ex. 5	A proposed notice of special policyholder meeting to be sent to the NMIC policyholders
Ex. 6	The proposed report of policyholder votes to be submitted to the OCI following the special meeting

- Ex. 7 The most recent year end annual statement for NMIC
- Ex. 8 The most recent monthly unaudited financial statements for NMIC
- Ex. 9 The most recent year end annual statement for HMIC
- Ex. 10 The most recent monthly unaudited statement for HMIC
- Ex. 11 The Proposed NMIC policyholder ballots to be presented in person at the special meeting

Executive Summary

On November 6, 2023, Northeastern Mutual Insurance Company (NMIC), a 612 town mutual insurer, filed a statement on behalf of the Applicants. NMIC along with Homestead Mutual Insurance Company (HMIC), a 611 mutual insurer, intend that NMIC will merge with and into HMIC. After the merger, in accordance with the agreement and plan of merger, NMIC will cease to exist, and the surviving entity would be HMIC.

Identity and Background of the Domestic Insurers

Identity of the Insurers:

Northeastern Mutual Insurance Company

515 1st St.
 PO Box 96
 Algoma, WI 54201

Homestead Mutual Insurance Company

5291 County Rd II
 Larsen, WI 54947

Background of the Insurers:

Northeastern Mutual Insurance Company

NMIC is a Wisconsin domestic town mutual insurance company and was incorporated on 11/21/1874. The company is licensed to write Property and Nonproperty insurance and is currently authorized to do business in Kewaunee, Manitowoc, Door, and Brown County.

Homestead Mutual Insurance Company

HMIC is a Wisconsin domestic Ch. 611 mutual insurance company and was incorporated on 06/25/1873. The company is licensed to write automobile, fire, inland marine and other property insurance, and liability and incidental medical expense insurance (other than automobile) business in all counties.

Proposed Executive Officers and Directors of Homestead:

<u>Name</u>	<u>Title</u>
Todd Lentz	Director, Chairman
Jessica VanderPloeg	Director, Secretary/Treasurer
Michael Moore	Director, Vice Chairman
Tyrrel Wirkus	Director
Wendy Van Der Geist	Director
Mike Mehlberg	Director
Jennifer Bauer	Director
Matt Mikkelson	Director

Sean Sarver
Darren Reoh

Director
President and Chief Executive Officer

Nature, Source, and Consideration

Pursuant to the plans of merger, filed between NMIC and HMIC, NMIC will be merged into HMIC, with the surviving entity being HMIC. Subject to the appropriate approvals and a vote held by the members of the NMIC, the effective date of the transaction is expected to be January 1, 2024.

The estimated expenses related to the merger of NMIC and HMIC are approximately \$20,000. In the event that the merger is unsuccessful, the two insurers will split the cost equally. No consideration will be transferred to any 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 surviving entity, HMIC, also include that the current manager of NMIC will retire or agree on employment or consulting terms with HMIC. Non-management employees will also be offered employment with similar roles and salaries.

After the closing date the current NMIC office location will be used as an extended service location.

Articles and Bylaws of the surviving corporation will be those as provided by HMIC in Exhibit A and Exhibit B to the merger agreement.

The s. 612.22 Wis. Stats. Standard

Section 612.22 Wis. Stats. incorporates the information gathering requirements of s. 612.02(4) (the application requirements for a certificate of authority) while directing the Commissioner to answer three broad questions contained in s. 612.22(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 NMIC and HMIC. 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.

After the transaction closes the surviving entity, HMIC, will continue to be authorized in all counties throughout the state.