

[SENTRY INSURANCE A MUTUAL COMPANY LOGO]

**POLICYHOLDER  
INFORMATION  
BOOKLET**

**Date: [ \_\_ ], 20[ ]**

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**SENTRY INSURANCE A MUTUAL COMPANY  
1800 North Point Drive  
Stevens Point, Wisconsin 54481**

**Notice of Special Meeting of Members  
To be held on [ \_\_ ], 2020**

**TO MEMBERS OF SENTRY INSURANCE A MUTUAL COMPANY:**

**NOTICE IS HEREBY GIVEN THAT** a Special Meeting of Members of Sentry Insurance a Mutual Company (“SIAMCO”) will be held at the Company’s headquarters at 1800 North Point Drive, Stevens Point, Wisconsin 54481, on [ \_\_ ], 2020 at [ \_\_ ] Central Time (the “Special Meeting”), for the following purpose:

To consider and vote upon a proposal to approve the Mutual Holding Company Plan of Sentry Insurance a Mutual Company (the “Plan”) and the transactions contemplated thereby, including the amendment and restatement of the Articles of Incorporation of the Company.

The full text of the Plan and the proposed Amended and Restated Articles of Incorporation of the Company, together with all exhibits to the Plan, are included in the Policyholder Information Booklet which accompanies this Notice. The Members will also consider and vote upon any matters as may properly come before the meeting, or any adjournments or postponements thereof.

**THE BOARD OF DIRECTORS OF SIAMCO HAS [UNANIMOUSLY] APPROVED THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY AND BELIEVES THAT THE MUTUAL HOLDING COMPANY CONVERSION PROVIDED FOR IN THE PLAN (THE “MHC CONVERSION”) IS FAIR AND EQUITABLE TO THE POLICYHOLDERS OF SIAMCO AND WILL BENEFIT SIAMCO AND ITS POLICYHOLDERS. THE BOARD OF DIRECTORS [UNANIMOUSLY] RECOMMENDS THAT THE MEMBERS OF SIAMCO VOTE FOR APPROVAL OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.**

Under Wisconsin law, the Wisconsin Commissioner of Insurance (the “Wisconsin Commissioner”) must approve the Plan before it can take effect. Wisconsin law further provides that the Wisconsin Commissioner shall approve the Plan unless the Wisconsin Commissioner finds that the Plan violates the law, is not fair and equitable to policyholders, or is contrary to the interests of policyholders or the public. **Any such approval by the Wisconsin Commissioner is neither an endorsement of the Plan nor a recommendation to vote in favor of the Plan.**

Your vote may be cast in person at the Special Meeting or by a duly appointed proxy, in accordance with the instructions which accompany this Notice.

**To Cast Your Vote by Proxy:** To appoint a proxy to vote on your behalf at the Special Meeting, please complete, sign, and return the enclosed proxy card in the postage-paid envelope provided [or visit [www.website.com](http://www.website.com) and enter the code on the enclosed proxy card or call [(###) ###-####] toll-free].

**To Vote in Person:** You may vote in person at the Special Meeting. Submitting a proxy will not prevent a Member from attending the Special Meeting and voting in person. If you attend the Special Meeting and cast your vote in person, any proxy you previously submitted will be invalidated.

**YOUR VOTE IS IMPORTANT. IF YOU DO NOT PLAN TO ATTEND THE SPECIAL MEETING, PLEASE CAST YOUR VOTE BY PROXY AS SOON AS POSSIBLE.**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU CAST YOUR VOTE “FOR” THE PROPOSAL TO APPROVE THE PLAN.**

Proxies must be received no later than 12:00 a.m. on [ \_\_ ], 2020 in order to be voted at the Special Meeting.

By Order of the Board of Directors

/s/

\_\_\_\_\_  
Kip Kobussen, Secretary

Stevens Point, Wisconsin  
[ \_\_ ], 2020

[INSERT OCI NOTICE OF HEARING]

## FREQUENTLY ASKED QUESTIONS

Below are brief answers to frequently asked questions about the proposed mutual insurance holding company (also referred to as a “mutual holding company” or “MHC”) conversion (the “MHC Conversion”) of Sentry Insurance a Mutual Company (“SIAMCO” or the “Company”). You should carefully review the more detailed discussion about the proposed MHC Conversion that follows in the Policyholder Information Statement, which qualifies all of the information presented in these brief answers.

### **1. What is the change being proposed for SIAMCO?**

The Board of Directors of SIAMCO is proposing that SIAMCO change its organizational structure from a mutual insurance company to a mutual holding company-owned stock insurance company. Under this structure, SIAMCO would convert to a stock insurer, to be re-named Sentry Insurance Company (“Converted SIAMCO”), and would become an indirect, wholly-owned subsidiary of the newly-organized mutual holding company. SIAMCO policyholders, who are currently the members of SIAMCO, would no longer be members of SIAMCO but would instead become members of the new mutual holding company, with comparable member rights. There would be no change in SIAMCO’s insurance policies (except that they would confer membership in the mutual holding company rather than SIAMCO) and those policies would remain obligations of Converted SIAMCO as a stock insurance company. The MHC Conversion would take place in accordance with the Mutual Holding Company Plan (the “Plan”) which has been unanimously approved by SIAMCO’s Board of Directors and which you and the other policyholders of SIAMCO are being asked to approve at the Special Meeting of Members (the “Special Meeting”), of which you are being notified in the attached Notice of Special Meeting of Members.

### **2. What is a mutual insurance holding company? Have other mutual insurance companies adopted this form of organization?**

A mutual insurance holding company is a legal entity organized under state law to serve as the parent company (*i.e.*, the controlling shareholder) of an insurance company that has been converted from a mutual company to a stock company. In the mid-1990s, mutual insurance holding companies began to be permitted by the laws of various states as a means for a mutual insurance company to address certain disadvantages of the mutual insurance company organizational form by converting to a stock company, while still preserving policyholder ownership and control of the enterprise. Mutual insurance holding companies were first permitted under Wisconsin law in 1997. More than half of states’ insurance laws now include mutual holding company laws, and many insurance companies have chosen to restructure as mutual holding companies. See also “**THE MHC CONVERSION TRANSACTION—The Mutual Insurance Holding Company Organizational Form**” on page 3 of the Policyholder Information Statement.

**3. What are my current rights as a policyholder of SIAMCO, and how would the proposed MHC Conversion affect those rights?**

As a policyholder of SIAMCO, you have two types of interest in SIAMCO: (i) contract rights arising from your insurance policy with SIAMCO and (ii) voting rights and rights in surplus arising from your status as a member of SIAMCO.

Your contract rights will not be affected in any way by the proposed MHC Conversion. Your insurance policy with SIAMCO will become a contractual obligation of Converted SIAMCO and there will be no changes to your insurance coverage, claims payments, premiums, or benefits as a result of the MHC Conversion.

On the effective date of the MHC Conversion, you will cease being a member of SIAMCO and you will instead become a member of the new mutual holding company. You will be entitled to voting rights and rights to participate in distributions of surplus by the mutual holding company which are comparable to the rights that you now have in SIAMCO, except that the proposed Articles of Incorporation of the mutual holding company can be amended by the vote of the lesser of: (i) two-thirds of the members present and voting in person or by proxy at a meeting at which a quorum is present; or (ii) a majority of the voting power held by the members, which is the minimum voting threshold required by the applicable Wisconsin law, as opposed to a vote of two-thirds of the members present and voting in person or by proxy at such a meeting, as is required in SIAMCO's current Articles of Incorporation. See also "**THE MHC CONVERSION TRANSACTION—Effects of the MHC Conversion—*Effect on Contract Rights and Voting Rights/Rights in Surplus of SIAMCO Members/Policyholders***" on pages 15 and 16 of the Policyholder Information Statement.

As described in FAQ #4, the MHC Conversion will result in policyholders of certain SIAMCO subsidiaries, who were not members of SIAMCO at the time of the MHC Conversion, becoming members of the new mutual holding company. This will eventually result in the dilution of the aggregate voting control held by SIAMCO's members by approximately [•]% (based on an assumed 01/01/2021 effective date for the MHC Conversion and assuming the admission of all policyholders of such subsidiaries on the effective date).

**4. Will anyone other than current SIAMCO policyholders be members of the new mutual holding company?**

All policyholders of the following SIAMCO subsidiaries which currently offer property and casualty insurance products—Dairyland Insurance Company ("DIC"), Middlesex Insurance Company ("MIC"), Patriot General Insurance Company ("PGIC"), Peak Property and Casualty Insurance Corporation ("PPCIC"), Sentry Casualty Company ("SCC"), Sentry Select Insurance Company ("SSIC"), and Viking Insurance Company of Wisconsin ("VIC") (DIC, MIC, PGIC, PPCIC, SCC, SSIC, and VIC, together with Converted SIAMCO, constituting the "Sentry Member Companies")—will become members of the mutual holding company, along with the existing policyholders of SIAMCO.

The Board of Directors will have the authority to grant member status to the policyholders of other subsidiaries of the mutual holding company in the future. Additionally, all members of any other mutual holding company with which the mutual holding company may merge will automatically become members of the mutual holding company.

**5. How will the inclusion of policyholders of the additional Sentry Member Companies as members of the mutual holding company affect my voting rights?**

After the MHC Conversion, you will have a smaller percentage of the total voting power in the new mutual holding company than you had in SIAMCO immediately prior to the MHC Conversion, as a result of the inclusion of the DIC, MIC, PGIC, PPCIC, SCC, SSIC, and VIC policyholders as members of the mutual holding company. It should be noted that growth in SIAMCO's membership over time would also have a dilutive effect on voting power.

Your voting rights as a member of SIAMCO generally consist of the right to cast one vote on any matter which is subject to a vote of the members, including the right to vote for the election of directors and on any proposed conversion of the Company from a mutual company to a stock company without simultaneously creating a mutual holding company as a parent (also known as "demutualization"), voluntary dissolution of the company, or amendment of the Articles of Incorporation.

After the MHC Conversion, each member of the new mutual holding company will have substantially these same voting rights, except as noted in FAQ #3. Each policyholder of a Sentry Member Company will have the same mutual holding company member voting rights as each other policyholder of a Sentry Member Company.

**6. How will the inclusion of policyholders of the additional Sentry Member Companies as members of the mutual holding company affect my rights in surplus?**

The inclusion of policyholders of DIC, MIC, PGIC, PPCIC, SCC, SSIC, and VIC as members of the mutual holding company will not have a material effect on your rights in surplus. See "**THE MHC CONVERSION TRANSACTION—Effects of the MHC Conversion—Effect on Contract Rights and Voting Rights/Rights in Surplus of SIAMCO Members/Policyholders**" on pages 15 through 16 of the Policyholder Information Statement.

**7. Will the proposed MHC Conversion affect the terms of my insurance policy with SIAMCO?**

No. All insurance policies issued by SIAMCO will continue as obligations of Converted SIAMCO as a stock insurance company after the MHC Conversion. Your rights under your existing insurance policy, including your coverage, claims payments, premiums, and benefits, will not be changed as a result of the MHC Conversion. See also the information presented under the heading "Policy Rights" in the table found on page 18 of the Policyholder Information Statement.



**8. How will the proposed MHC Conversion benefit SIAMCO and its policyholders?**

SIAMCO's Board of Directors believes that the MHC Conversion of SIAMCO is desirable at the present time and will enhance SIAMCO's ability to grow and respond to future needs, challenges, and opportunities in a rapidly changing insurance industry, while preserving mutuality and the ability to operate with a focus on the long-term interests of policyholders.

Specifically, the Board of Directors believes the new mutual holding company structure will benefit SIAMCO and its policyholders by: (i) giving the Company the opportunity to pursue product and state expansion through subsidiary companies while maintaining and enhancing its mutuality; (ii) enhancing the Company's ability to pursue mergers with and acquisitions of other mutual and stock insurance companies; (iii) giving the Company enhanced access to capital and other forms of financing; and (iv) enhancing the Company's ability to acquire and grow ancillary or non-insurance businesses. See also "**THE MHC CONVERSION TRANSACTION—Benefits of Conversion to a Mutual Holding Company Structure**" on pages 10 through 11 of the Policyholder Information Statement.

**9. Has SIAMCO's Board of Directors approved the proposed MHC Conversion, and does it have a recommendation for policyholders on voting?**

After careful consideration and thorough deliberation in a series of meetings over the past two years, the SIAMCO Board of Directors has [unanimously] approved the Plan and the transactions contemplated thereby. Accordingly, the SIAMCO Board of Directors [unanimously] recommends that policyholders vote FOR the Plan at the Special Meeting. See also "**THE MHC CONVERSION TRANSACTION—Recommendation of Board of Directors**" on page 14 of the Policyholder Information Statement.

**10. Did the Board consider any alternatives to the MHC Conversion?**

The Board of Directors considered, but rejected, other structural alternatives to the proposed MHC Conversion, including demutualization of SIAMCO. The Board of Directors determined not to pursue any of these alternatives and has no plans to do so following the MHC Conversion. In addition, the proposed MHC Conversion does not involve any changes to the existing workforce, operations, or office locations of SIAMCO and its subsidiaries, and the Board of Directors has no plans to make any such changes after the MHC Conversion. See also "**THE MHC CONVERSION TRANSACTION—Consideration of Alternatives**" on pages 12 through 14 of the Policyholder Information Statement.

**11. Will SIAMCO be regulated differently if the MHC Conversion is completed?**

SIAMCO is currently regulated by the Office of the Commissioner of Insurance for the State of Wisconsin (the "Wisconsin Commissioner"). After the MHC Conversion, Converted SIAMCO will continue to be regulated by the Wisconsin Commissioner; in addition, the mutual holding company will be subject to the Wisconsin Commissioner's oversight. Certain anticipated differences between the current regulation of SIAMCO and the future regulation of

the mutual holding company are described under the heading “REGULATION” on page 33 of the Policyholder Information Statement.

**12. Does SIAMCO plan to issue stock following the proposed MHC Conversion?**

No. SIAMCO does not have any plans to issue stock in any entity after the proposed MHC Conversion is completed.

Given that one of the advantages of the proposed MHC Conversion is the option to sell stock in Converted SIAMCO or an intermediate stock holding company to raise capital, it is possible that voting (up to 49%) or nonvoting stock might be sold to investors at some time in the future to raise capital in response to changed circumstances or new opportunities. Note that an initial sale of voting stock would require the prior approval of the Wisconsin Commissioner and the members of the new mutual holding company, and that Wisconsin law requires that the MHC own, directly or through an intermediate stock holding company, a majority of the voting stock of Converted SIAMCO.

**13. Will the proposed MHC Conversion result in any changes in the compensation of SIAMCO’s directors or officers?**

No. The proposed MHC Conversion will not result in any changes in the compensation of SIAMCO’s directors and officers.

**14. Will any SIAMCO director or officer receive any stock or stock options as a result of the MHC Conversion?**

No. SIAMCO’s directors and officers will not receive any stock or stock options in Converted SIAMCO, the new intermediate stock holding company, or any other entity.

**15. Are there any potential disadvantages or risks in adopting the proposed mutual holding company structure?**

There are potential disadvantages and risks associated with the proposed MHC Conversion that are discussed in greater detail under the heading “**THE MHC CONVERSION TRANSACTION—Special Considerations and Risk Factors**” on pages 27 through 31 of the Policyholder Information Statement.

**16. What approvals are required before SIAMCO can complete the proposed MHC Conversion?**

The Plan must be approved by the Wisconsin Commissioner and potentially also by other state insurance regulators in those states in which a SIAMCO subsidiary insurance company is domiciled.

Additionally, the Plan must be approved by not less than two-thirds of persons who are members of SIAMCO on the date established by the Board of Directors to determine which

SIAMCO members will be eligible to vote for approval of the Plan (“Eligible Members”) present and voting in person or by proxy at the Special Meeting. See also “**CONDITIONS TO CLOSING OF MHC CONVERSION**” on pages 31 through 33 of the Policyholder Information Statement.

**17. If I vote at the Special Meeting by proxy, will the proxies have authority to vote on any matter other than the approval of the MHC Conversion?**

The proxies will have authority to vote only on those matters which are germane to the purpose of the Special Meeting as stated in the Notice of Special Meeting. For example, in addition to casting votes “For” and “Against” the approval of the MHC Plan, including the amendment and restatement of the Articles of Incorporation of SIAMCO, the proxies would have authority to vote on a proposal to adjourn the Special Meeting and reconvene at a later date.

**18. When will the proposed MHC Conversion be completed, if all conditions are satisfied?**

Provided the Plan has been approved by the Wisconsin Commissioner and by SIAMCO’s policyholders at the Special Meeting, it is expected that the MHC Conversion will be completed on January 1, 2021 at 12:00:01 AM.

**19. How can I vote on the Plan?**

SIAMCO policyholders are being asked to vote on the Plan at the Special Meeting to be held at [•] local time on [•] at the Company’s offices at 1800 North Point Drive, Stevens Point, Wisconsin 54481. Your vote must be cast in person at the Special Meeting, or by a duly appointed proxy.

To cast your vote by proxy:

*Please complete, sign and return the enclosed proxy card in the postage-paid envelope provided, log onto [www.website.com](http://www.website.com) and enter the code on the enclosed proxy card, or call [(###) ###-####] toll-free.*

In lieu of appointing a proxy, you may vote in person at the Special Meeting.

Submitting a proxy will not prevent a member from attending the Special Meeting and voting in person. If you attend the Special Meeting and vote in person, any proxy you previously submitted will not be counted.

Proxies must be received no later than 12:00 a.m. on [•] in order to be voted at the Special Meeting.

**20. What should I do if I have other questions about the proposed MHC Conversion?**

If your question is not answered in these Frequently Asked Questions, the Policyholder Information Statement or the additional available information described in the Policyholder Information Statement, please visit our website ([•]) or contact us at [•].

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**POLICYHOLDER INFORMATION STATEMENT**  
**RELATING TO THE**  
**PROPOSED MUTUAL HOLDING COMPANY PLAN**  
**OF**  
**SENTRY INSURANCE A MUTUAL COMPANY**

**Dated [ ], 2020**

**No Person has been authorized to give any information or to make any representations other than, or inconsistent with, those contained in this Policyholder Information Statement, with all Exhibits hereto, in connection with the Mutual Holding Company Plan referenced herein, and any such information or representation, if given or made, must not be relied upon as having been authorized by Sentry Insurance a Mutual Company (“SIAMCO”) or any other Person representing SIAMCO. The delivery of this Policyholder Information Statement shall not under any circumstances create an implication that there have not been any changes in the affairs of SIAMCO since the date hereof or that the information herein is correct as of any time subsequent to its date.**

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Second Amended and Restated Articles of Incorporation of Sentry Insurance Company .....	Exhibit C
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Directors and Officers of Sentry Mutual Holding Company, Sentry Holdings, Inc., And Sentry Insurance Company .....	Exhibit I

## INTRODUCTION

This Policyholder Information Statement is being provided to Policyholders of SENTRY INSURANCE A MUTUAL COMPANY (“SIAMCO” or the “Company”) in connection with the Special Meeting of Members of SIAMCO to be held on [DATE] at [TIME] local time, at the Company’s offices at 1800 North Point Drive, Stevens Point, Wisconsin 54481 (the “Special Meeting”), and any adjournment thereof, at which the Members will be asked to vote on the proposal to change the structure of SIAMCO from its current form as a mutual insurance company to that of a stock insurance company indirectly owned and controlled by a mutual insurance holding company organized under Chapter 644 of the Wisconsin Insurance Code (the “MHC Conversion”). Capitalized terms used in this Policyholder Information Statement are defined where first used herein or under the heading “**CERTAIN DEFINITIONS**” at page 34 of this Policyholder Information Statement.

The proposal described herein is based upon a Mutual Holding Company Plan (the “Plan”) [unanimously] approved by the Board of Directors of SIAMCO (the “Board”) on [DATE], a copy of which is attached hereto as Exhibit A, together with all exhibits thereto which are attached hereto as Exhibits B through I. In addition to the vote of the Members of SIAMCO at the Special Meeting, the Plan will be the subject of a Public Hearing conducted by the Office of the Commissioner of Insurance for the State of Wisconsin (the “Wisconsin Commissioner”) on [DATE]. The Plan will not take effect unless and until it has been approved by the requisite vote of the Members and by order of the Wisconsin Commissioner after the Public Hearing, and until certain other conditions described under the heading “**CONDITIONS TO CLOSING OF MHC CONVERSION**” on page 31 of this Policyholder Information Statement have been satisfied.

## ADDITIONAL AVAILABLE INFORMATION

SIAMCO is a mutual property and casualty insurer domiciled in the State of Wisconsin and licensed to do business in all fifty states, the District of Columbia and Puerto Rico. SIAMCO is subject to the laws and regulations of the State of Wisconsin applicable to insurance companies and, accordingly, files annual and quarterly financial reports (“Annual Statements” and “Quarterly Statements” respectively) prepared in accordance with statutory accounting principles and other information with the Wisconsin Commissioner as well as other state insurance regulatory authorities.

In connection with obtaining approval of the Plan from the Wisconsin Commissioner, SIAMCO filed the Plan, together with all exhibits thereto and other related documents (collectively, the “Filing”), with the Wisconsin Commissioner pursuant to Chapter 644 of the Wisconsin Insurance Code. Policyholders of SIAMCO may inspect and obtain copies of the Filing, as well as the financial reports and other information filed by SIAMCO with the Wisconsin Commissioner, during normal business hours at the offices of SIAMCO located at 1800 North Point Drive, Stevens Point, Wisconsin 54481. Policyholders of SIAMCO and other members of the public may inspect and make copies of the Filing, as well as the financial reports and certain other information filed by SIAMCO with the Wisconsin Commissioner, during normal business hours at the offices of the Wisconsin Commissioner located at 125 South

Webster Street, Madison, Wisconsin 53703-3474. Portions of the Filing are also available on the website maintained by the Wisconsin Commissioner at <https://oci.wi.gov/Pages/Companies/MrgsAcquConvRedom.aspx#Restructurings> (click on the ["Sentry Insurance A Mutual Insurance Company to a Mutual Holding Company and Stock Insurance Company"] hyperlink). The publicly available financial reports of SIAMCO can also be inspected and copied during normal business hours at the offices of the insurance regulatory agency in each of the states where SIAMCO does business.

Any Policyholder who has questions about the Policyholder Information Statement, the Plan, or the Filing in general please visit our website [(plan website)] or contact us at [(plan phone number)].

### **INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

SIAMCO's Annual Statements for the years ended December 31, [2019, 2018, and 2017] as filed by SIAMCO with the Wisconsin Commissioner, and all Quarterly Statements filed by SIAMCO with the Wisconsin Commissioner during [2020], are incorporated by reference in this Policyholder Information Statement.

Statements contained in this Policyholder Information Statement or in any document incorporated herein by reference, as to the contents of any contract or other documents referred to herein, are not necessarily complete, and in each instance where reference is made to the copy of such contract or other document filed as an exhibit to the Filing or such other document, each such statement is qualified in all respects by such reference. For the purposes of the Policyholder Information Statement, the documents referred to herein and therein, including the Exhibits, the Annual and Quarterly Statements and the other financial reports and the Filing, are deemed incorporated by reference in their entirety.

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*This Policyholder Information Statement has been approved for mailing to Eligible Members of SIAMCO by the Wisconsin Commissioner in accordance with Section 644.07(6)(b) of the Wisconsin Insurance Code. The Wisconsin Commissioner does not make a recommendation for or against the proposal set forth in this Policyholder Information Statement or the Plan, and no such recommendation should be inferred from the Wisconsin Commissioner's approval of this Policyholder Information Statement.*

## **STATUS OF THE PLAN**

The Board [unanimously] approved the Plan on [DATE] and directed that it be submitted for approval by the Wisconsin Commissioner and the Members. The Plan will be the subject of a Public Hearing conducted by the Wisconsin Commissioner on [DATE], and, after approval by the Wisconsin Commissioner, will be submitted for approval by the Members of SIAMCO at the Special Meeting of Members to be held on [DATE]. At any time prior to the Effective Date, the Board will have the discretion to amend or withdraw the Plan. Any amendment to the Plan, including its exhibits, would be subject to review by the Wisconsin Commissioner. If the Wisconsin Commissioner determines that the changes are materially disadvantageous to the Policyholders of SIAMCO, then the changes may be subject to an additional Public Hearing conducted by the Wisconsin Commissioner and will be subject to a separate approval by the Members of SIAMCO. If the Wisconsin Commissioner does not determine that the changes are materially disadvantageous to the Policyholders of SIAMCO, then neither an additional Public Hearing nor a separate approval by the Members of SIAMCO will be required. The Plan will not become effective until all of the closing conditions are satisfied; these closing conditions are summarized below under the heading “**CONDITIONS TO CLOSING OF MHC CONVERSION**” at page 31 of this Policyholder Information Statement.

## **THE MHC CONVERSION TRANSACTION**

### **The Mutual Insurance Holding Company Organizational Form**

A mutual insurance holding company (also referred to herein as a “mutual holding company” or “MHC”) is a legal entity organized under state law to serve as the parent company (*i.e.*, the controlling shareholder) of an insurance company that has been converted from a mutual company to a stock company. In the mid-1990s, mutual insurance holding companies began to be permitted by the laws of various states as a means for a mutual insurance company to address certain disadvantages of the mutual insurance company organizational form by converting to a stock company, while still preserving policyholder ownership and control of the enterprise. Prior to the adoption of mutual holding company laws, the only means for a mutual insurance company to gain the flexibility and competitive advantages of a stock company was to “demutualize,” *i.e.*, convert from a mutual company to a stock company owned up to 100% by outside investors. Mutual insurance holding companies were first permitted under Wisconsin law in 1997. In December of 1998, the Mutual Holding Company Working Group of the Financial Condition Subcommittee of the National Association of Insurance Commissioners issued a comprehensive “white paper,” discussing the rationale for the mutual holding company form of organization as compared to existing alternatives, comparing existing state laws, and setting forth certain recommendations for future state regulation of mutual holding companies,

among other topics. Subsequent to the issuance of this white paper, a number of additional states passed laws providing for the formation of mutual holding companies. More than half of states' insurance laws now include mutual holding company laws, and many insurance companies have chosen to restructure as mutual holding companies.

### **Description of the MHC Conversion Transaction**

On or before the Effective Date, SIAMCO will form a new Wisconsin mutual holding company known as Sentry Mutual Holding Company ("SMHC"). It will also form a new intermediate stock holding company known as Sentry Holdings, Inc. ("SHI"). On the Effective Date, SIAMCO will convert to, and continue its corporate existence as, Sentry Insurance Company, a Wisconsin stock insurance company ("Converted SIAMCO"). The Voting Rights and Rights in Surplus of SIAMCO Policyholders will be extinguished in exchange for Voting Rights and Rights in Surplus in SMHC.

In addition, all Policyholders of Dairyland Insurance Company, Middlesex Insurance Company, Patriot General Insurance Company, Peak Property and Casualty Insurance Corporation, Sentry Casualty Company, Sentry Select Insurance Company, and Viking Insurance Company of Wisconsin (such companies, together with Converted SIAMCO, the "Sentry Member Companies") who acquire a new or renewal insurance Policy from a Sentry Member Company after the Effective Date will become Members of SMHC in accordance with the Articles of Incorporation and Bylaws of SMHC and the Wisconsin Insurance Code. The Board of Directors of SMHC will have the authority to grant Member status to the Policyholders of other subsidiaries of SMHC in the future.

A summary of the effect of the MHC Conversion on Voting Rights and Rights in Surplus of SIAMCO Members is found under the heading "**THE MHC CONVERSION TRANSACTION—Effects of the MHC Conversion—*Effect on Contract Rights and Voting Rights/Rights in Surplus of SIAMCO Members/Policyholders***" on pages 15 through 17 of this Policyholder Information Statement.

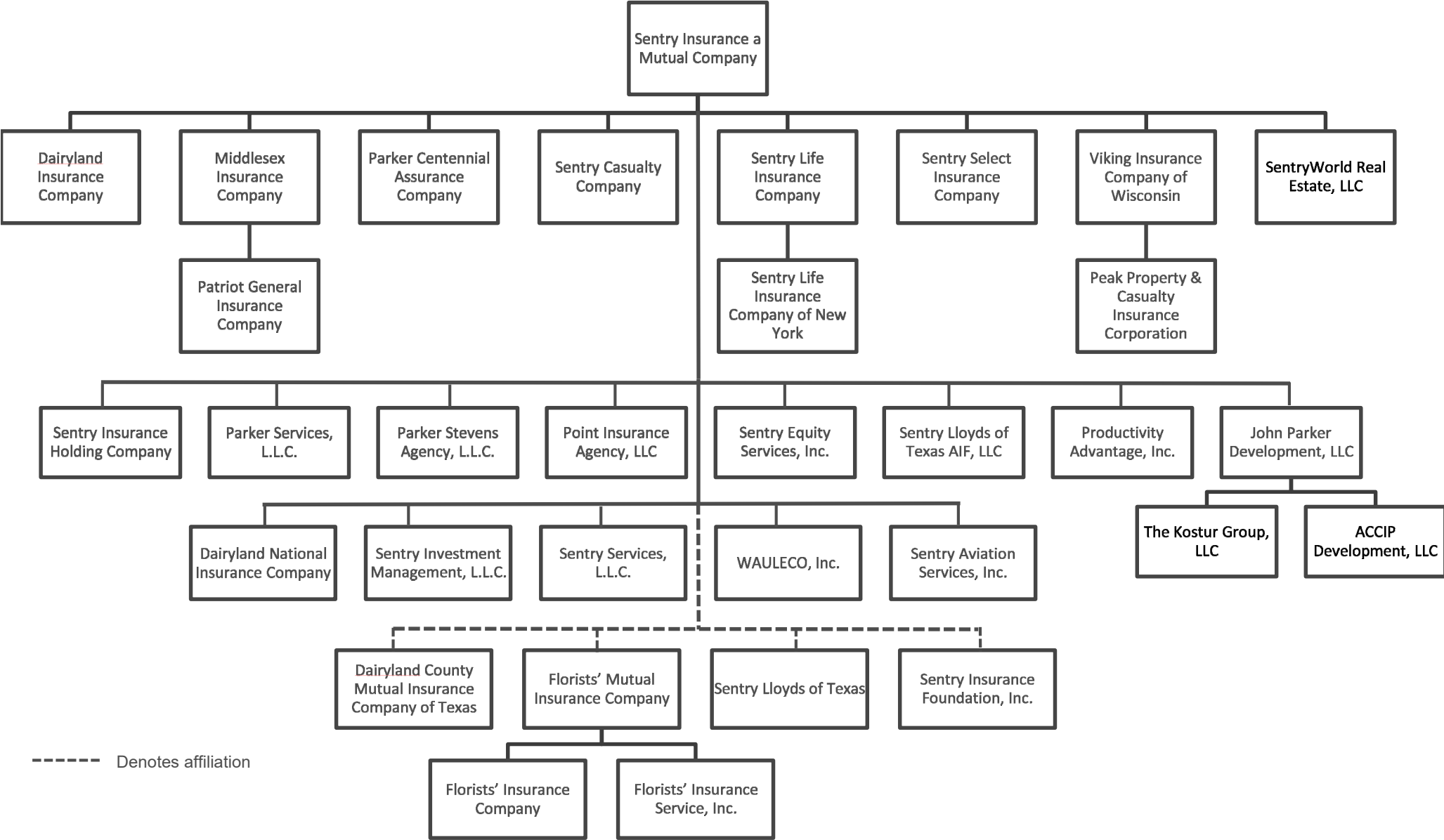
On the Effective Date, Converted SIAMCO will issue 100% of the outstanding shares of voting stock of Converted SIAMCO to SHI, and SHI will issue 100% of the outstanding shares of voting stock of SHI to SMHC.

As a result of the MHC Conversion, Converted SIAMCO will exist as a stock insurance company, 100% of the voting stock of which is indirectly owned by SMHC, a mutual holding company which will be 100% owned and controlled by the Policyholders of Converted SIAMCO and the other Sentry Member Companies.

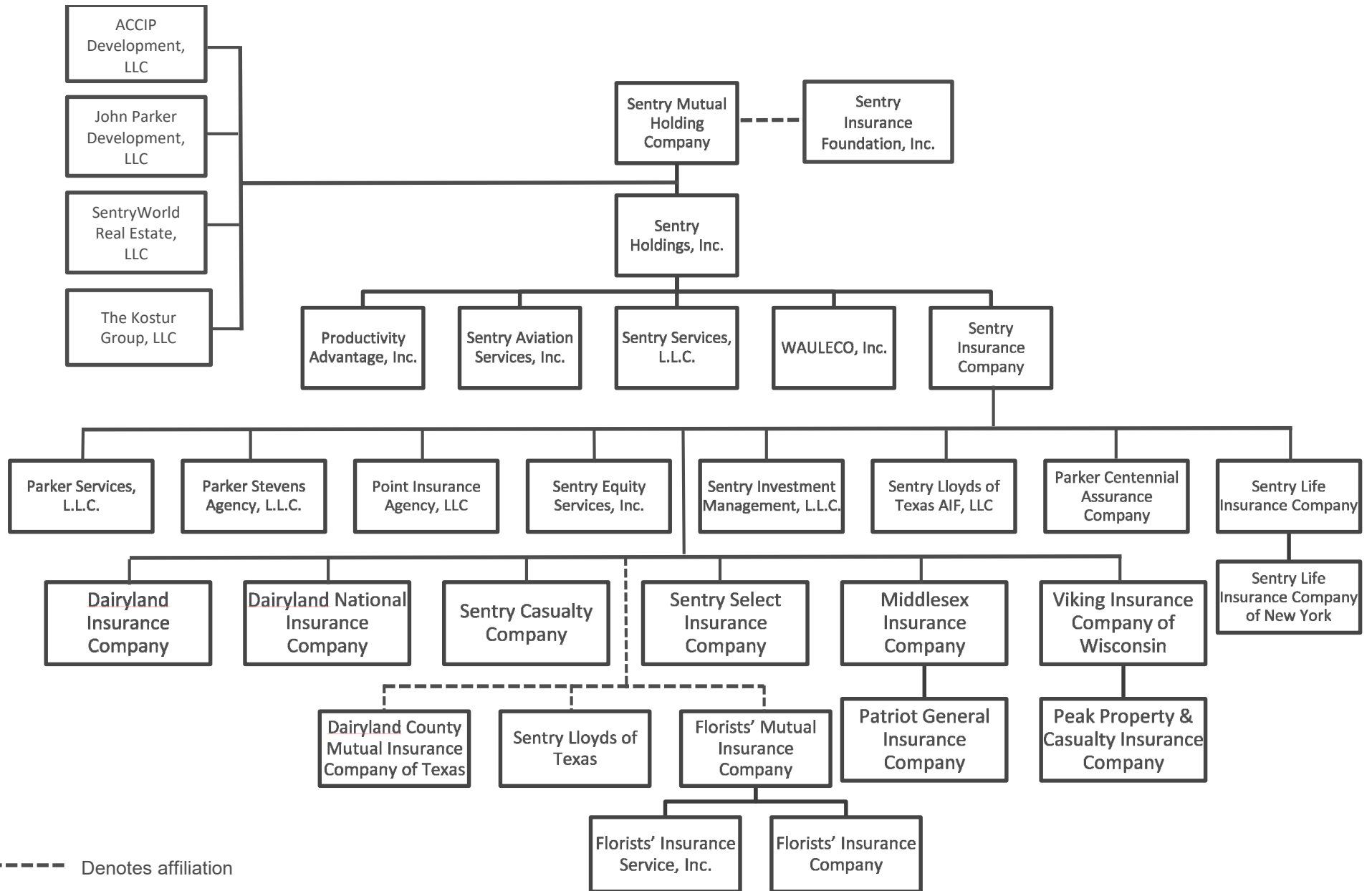
The following diagrams illustrate SIAMCO's organizational structure before and after consummation of the MHC Conversion contemplated by the Plan:

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**PRE-CONVERSION ORGANIZATIONAL CHART**



# POST-CONVERSION ORGANIZATIONAL CHART





## **Background of SIAMCO and the Sentry Group of Companies**

### ***SIAMCO***

SIAMCO is a Wisconsin mutual insurance company with its headquarters in Stevens Point, Wisconsin. SIAMCO was organized under Wisconsin law in 1904 as Hardware Mutual Casualty Company, by members of the Wisconsin Retail Hardware Association, now the Midwest Hardware Association, to provide insurance for its members in the hardware industry. SIAMCO adopted its present name in 1971. SIAMCO is a multi-line insurer offering a broad range of products including auto, commercial auto, earthquake, flood, workers' compensation, general liability, and commercial property. SIAMCO is licensed in all 50 states, as well as the District of Columbia, Puerto Rico and Canada. As of December 31, 2019, SIAMCO had capital and surplus of approximately \$[●] billion.

### ***The Sentry Group of Companies***

SIAMCO is the ultimate parent of the Sentry group of companies, which is among the largest property/casualty insurance organizations in the U.S. The group consists of [29] companies, employs more than [4400] people across the U.S, and had over [#] policies in force as of [DATE]. The Sentry group of companies includes the following property and casualty insurance companies, which underwrite a wide variety of property and casualty insurance products, including commercial liability, property, private passenger and commercial auto, and workers' compensation: Dairyland Insurance Company, Dairyland National Insurance Company, Middlesex Insurance Company, Patriot General Insurance Company, Peak Property & Casualty Insurance Corporation, Sentry Casualty Company, Sentry Select Insurance Company, Viking Insurance Company of Wisconsin, Dairyland County Mutual Insurance Company of Texas, Sentry Lloyds of Texas, Florists' Mutual Insurance Company, and Florists' Insurance Company.

Additionally, the Sentry group of companies include three life insurers, which underwrite life insurance, annuities, and accident and health insurance: Parker Centennial Assurance Company, Sentry Life Insurance Company, and Sentry Life Insurance Company of New York. The Sentry group of companies also includes a number of ancillary subsidiaries, which undertake insurance-related activities but are not insurance companies; these are: Parker Services, L.L.C., Parker Stevens Agency, L.L.C., Point Insurance Agency, LLC, Sentry Equity Services, Inc., Sentry Investment Management, L.L.C., Sentry Lloyds of Texas AIF, LLC, Florists' Insurance Service, Inc., and Sentry Insurance Holding Company. Finally, the Sentry group of companies include the following other non-insurance subsidiaries: SentryWorld Real Estate, LLC, John Parker Development, LLC, ACCIP Development, LLC, The Kostur Group, LLC, Productivity Advantage, Inc., Sentry Aviation Services, Inc., Sentry Services, L.L.C., and WAULECO, Inc.

As of December 31, 2019, the Sentry group of companies had approximately \$[●] billion in assets under management and aggregate policyholder surplus of over \$[●] billion. The Sentry group of companies' current financial strength is rated [A+ (Superior)] by A.M. Best with a [stable] outlook.

## Strategic Challenges Facing SIAMCO

The Board believes that, in order to be strong and competitive in the property casualty insurance industry of the future, a company will need to have structural, financial, and strategic flexibility to respond quickly and decisively to an ever increasing pace of change. These changes include new underwriting methodologies, new sources of data and sophisticated data analytics, new technologies to prevent or mitigate losses and claims, and new distribution channels, among others. SIAMCO's current structure as a mutual insurance company limits the Company's ability to adapt quickly in a rapidly changing marketplace, including such considerations as:

- *The Company's ability to pursue product and state expansion through subsidiary companies without diluting its mutuality.*

Due to state regulatory requirements, new products are often restricted from being sold by the same insurance company that is selling other similar products. Insurance companies that wish to continue to sell their current products while at the same time offering alternative products therefore often form stock insurance company subsidiaries to sell the new products. The policyholders of these stock companies are not eligible for membership in the mutual insurance company parent.

- *The Company's ability to pursue certain mergers and acquisitions.*

Mutual insurers cannot merge with or acquire other mutual insurers without one of the two entities ceasing to exist as a separate insurer. This prevents a mutual company from merging with or acquiring other mutual insurers in ways that allow for increased efficiencies while maintaining both organizations' goodwill and the value of their respective brands. Additionally, mutual insurers have limited options to raise capital for possible mergers and acquisitions of other mutual and stock insurance companies, and cannot use stock as currency in acquisitions.

- *The Company's access to capital.*

Mutual insurance companies have no stock which can be sold to raise capital to grow the enterprise. The only way for mutual insurance companies to raise capital is through profitable operations over time, through the sale of "surplus notes," which is a relatively expensive form of financing due to regulatory restrictions on repayments to the purchasers of the notes, or through the sale of stock of a "downstream holding company" which, as stock issued by a subsidiary of the mutual insurance company parent, does not reflect the valuation of the mutual company.

- *The Company's ability to acquire and grow ancillary or non-insurance subsidiaries.*

State regulatory requirements limit the extent to which insurance companies can invest in ancillary and non-insurance subsidiaries. With a mutual insurance company as the ultimate parent, the entire enterprise is limited by these investment restrictions.

## **Benefits of Conversion to a Mutual Holding Company Structure**

The Board has determined that the proposed MHC Conversion will benefit the Company and its Policyholders, including in the following ways:

### ***Use of Stock Subsidiaries for Product and State Expansion While Maintaining Mutuality***

In order to grow and stay competitive, property and casualty insurance companies must continually innovate in product design to keep up with new developments in underwriting methodology and delivery of benefits to policyholders. Additionally, over time, a large and growing variety of insurance policies have been developed to meet the needs of the insurance buying public. For practical and regulatory reasons, it is often advisable or necessary to issue these products from stock insurance company subsidiaries rather than from the mutual insurance company. The policyholders of these stock insurance company subsidiaries are not eligible for membership in the mutual company parent.

As a mutual insurance company, SIAMCO focuses on the interests of its Policyholders, the owners of the Company. SIAMCO believes that its success as an insurance enterprise stems in large part from this ability to focus its business operations and objectives from the perspective of the Policyholders. As such, SIAMCO wishes to preserve and enhance its “mutuality” as much as possible while still being able to compete against stock insurance companies. Wisconsin law permits the admission of Policyholders of downstream stock insurance companies as members of a mutual holding company.

### ***Mergers and Acquisitions***

SIAMCO cannot acquire or merge with other mutual insurers without one of the two mutual entities ceasing to exist as a separate insurer. As a result, the valuable “brand” recognition and goodwill of the mutual insurer that ceases to exist is effectively a lost or diminished asset. By contrast, an insurance enterprise structured as a mutual holding company has a broader range of options for pursuing mergers and acquisitions in a manner that may preserve the separate identity, brand recognition and goodwill of the insurer or other entity being acquired. For example, a mutual holding company can acquire mutual insurers through sponsored conversions, whereby the mutual insurance company being acquired undergoes its own mutual holding company conversion in which the policyholders of the mutual insurance company being acquired cease being members of the mutual insurance company and instead become members of the acquiring mutual holding company, and the mutual insurance company undergoing the sponsored conversion becomes a stock insurance company owned by the acquiring mutual holding company. Alternatively, two existing mutual holding companies can also merge, without affecting the unique identity of any downstream insurance companies in either organization. These options are not available to SIAMCO in its current mutual insurance company structure.

Because the MHC Conversion includes the formation of an intermediate stock holding company, SMHC will have multiple options available to raise capital for merger and acquisition purposes through public or private markets, and to use stock of the intermediate holding company as currency in acquisitions, particularly if the stock is publicly traded (subject to the prerequisite of obtaining approval of the Wisconsin Commissioner and the Members of SMHC before an initial offer and sale of voting stock).

### ***Access to Capital***

Mutual insurance companies have no stock which can be sold to raise capital to grow the enterprise. The only way for mutual insurance companies to raise capital is through profitable operations over time, through the sale of “surplus notes,” which is a relatively expensive form of financing due to regulatory restrictions on repayments to the purchasers of the notes, or through the sale of stock of a downstream holding company which, as stock issued by a subsidiary of the mutual insurance company parent, does not reflect the valuation of the mutual company. Once a mutual insurance company has been converted to a stock insurance company owned, indirectly, by a mutual holding company, voting or nonvoting stock or debt securities issued by the former mutual company, or by an intermediate stock holding company, can be sold through an initial public offering, giving the company access to the public capital markets, or sold to private investors. The mutual holding company must still retain a majority of voting shares in the intermediate stock holding company or the former mutual company, as the case may be, thereby preserving mutuality.

Note that the access to capital provided through an intermediate stock holding company or the former mutual company is subject to the requirement of obtaining regulatory and mutual holding company member approval for the initial sale of voting stock. The Plan that is being submitted for approval by the Wisconsin Commissioner and the Members at this time does not provide for the sale of voting stock, and there is currently no plan for the sale of stock or debt securities of any kind. However, circumstances may arise where the availability of such financing may be a benefit to the Company and/or its affiliates. An initial sale of voting stock to provide such financing would be subject to the receipt of approvals as described in this paragraph.

### ***Ability to Grow Ancillary or Non-Insurance Subsidiaries***

Regulatory restrictions place limits on the extent to which insurance companies can invest in ancillary and non-insurance subsidiaries. The benefit of the mutual holding company structure, with the inclusion of an intermediate stock holding company, is that the mutual holding company and the intermediate stock holding company are both well suited to acquire and grow ancillary or non-insurance entities as direct subsidiaries, without being subjected to the regulatory restrictions that could limit SIAMCO’s ability to take advantage of certain strategic opportunities. Note that the claims paying ability of Converted SIAMCO, after taking into account the effects of any such distributions or financial support, will be subject to ongoing regulatory scrutiny and independent review by rating agencies. Furthermore, any distribution of funds or the provision of any other form of financial support from Converted SIAMCO to SHI that falls within the definition of an “extraordinary dividend” under the Wisconsin Insurance Code will be subject to the requirement

that the Wisconsin Commissioner be notified not less than 30 days prior to such distribution and not have disapproved the distribution within such time.

### **Protection Provided to Policyholders**

The Plan affords the following protections to Policyholders:

- *Continuation of Policy Rights.* The benefits and rights of Policyholders under their Policies will not be reduced or altered in any way by the adoption of the Plan. Premiums required to be paid as specified in all Policies will not be increased or otherwise changed as a result of the MHC Conversion.
- *Business Operations Unchanged.* The MHC Conversion will not result in any material changes to the business operations of SIAMCO.
- *Continuation of Policyholders' Indirect Voting Control of SIAMCO.* SMHC will, on the Effective Date, indirectly own 100% of the voting stock of Converted SIAMCO. An initial sale of voting stock to outside investors would require approval of both the Wisconsin Commissioner and the Members of SMHC, and would be subject to the requirement that SMHC must at all times directly or indirectly own not less than 51% of such voting stock. As a result, Members of SMHC, who will have voting control over SMHC, will retain indirect voting control over Converted SIAMCO.
- *No Sales of Voting Stock without Additional Approvals.* The Plan does not provide for any sale of voting stock of Converted SIAMCO or SHI. As a result, no such voting stock may be sold to investors unless there is a subsequent approval by the Wisconsin Commissioner and the Members of SMHC of the terms of such offering. SIAMCO has no current plans to request approval for a sale of voting stock of Converted SIAMCO or SHI.
- *Voting Rights/Rights in Surplus.* The MHC Conversion will result in SIAMCO Policyholders becoming Members of SMHC with associated rights, including: (i) the right to vote at annual meetings of SMHC for the election of directors of SMHC and on such other matters as may be presented to Members, from time to time, (ii) the right to receive distributions from SMHC in the unlikely event of its dissolution or liquidation, and (iii) the right to receive payment in the form of stock, cash, policy credits or other kinds of consideration if SMHC were ever to demutualize, which is not now contemplated.

### **Consideration of Alternatives**

The principal alternatives to the MHC Conversion are for SIAMCO to either (i) preserve the status quo and remain a mutual insurance company, or (ii) undergo a demutualization.

### *Preserving the Status Quo*

While SIAMCO's current structure provides the benefits of mutuality to its current Members, and allows for organic growth through insurance operations, as described above in this Policyholder Information Statement, continuing to operate as a mutual insurance company imposes limits upon SIAMCO's ability to respond to significant opportunities for strategic growth and to access additional capital should that ever be necessary. The Board has concluded that, in the future, it will be increasingly important to have the structural, financial and strategic flexibility to respond quickly and decisively to changes in the marketplace, both in terms of pursuing potential acquisition activity and in terms of making investments in new technology, new distribution channels, and new insurance businesses. The Board believes that if SIAMCO remains in its current structure as a mutual insurance company, these limitations will prevent SIAMCO from realizing its full potential as compared to competitors who are not similarly restricted.

### *Demutualization*

A demutualization would convert SIAMCO from a mutual insurance company into a stock insurance company without simultaneously creating a mutual holding company as a parent. In essence, SIAMCO would transition from a company owned by its Policyholders to one that is owned by shareholders. There would be certain benefits of a demutualization to SIAMCO and/or its Members, such as the following:

- Policyholders, as Members of SIAMCO, would receive cash, stock or other consideration in exchange for their Voting Rights and Rights in Surplus in SIAMCO.
- Stock of the demutualized company could be used by the demutualized company as acquisition currency.
- The value of SIAMCO's stock after a demutualization might be higher than it would be after reorganizing to a mutual holding company structure, insofar as, under Wisconsin law, the mutual holding company will always have to own, directly or indirectly, at least 51% of the shares of Converted SIAMCO (or SHI, as the case may be). Investors may place a lower value on the stock of Converted SIAMCO (or SHI, as the case may be) as a result of their inability to acquire a controlling interest in the entity.

The Board has concluded, however, that maintaining the "mutuality" of SIAMCO in some form is important in order to preserve the Company's focus on the best interests of the Policyholders. In addition, the Board deems it important that SIAMCO retain and enhance its ability to merge with, acquire, or affiliate with other mutual entities, particularly in ways that preserve the separate insurance operations and "brands" of such organizations, including SIAMCO. Demutualization is inconsistent with both of these goals, as it would terminate SIAMCO's existence as a "mutual" organization ultimately owned by its Policyholders, and would eliminate SIAMCO's practical ability to merge with other mutual insurers (other than through a sponsored demutualization, which can be a difficult process and a relatively inefficient use of acquisition capital). This would result in undesirable limitations on the number and types

of strategic acquisition opportunities available to SIAMCO. Other potential disadvantages of demutualization as an alternative to the mutual holding company structure include the following:

- Demutualization may be an inefficient way to raise capital. In a demutualization under Wisconsin law, SIAMCO would be required to distribute cash, stock or other forms of consideration to current and former (within the five years preceding the demutualization) Policyholders in exchange for their Voting Rights and Rights in Surplus in SIAMCO, with an aggregate value up to 100% of all premiums paid by such Policyholders, together with interest at the legal rate, compounded annually. While this could be viewed as a benefit to those Policyholders who paid premiums to SIAMCO within the five years preceding the demutualization, the actual value of the distributed stock could be substantially depressed if there is no public trading market established for the stock, and/or if the demand to sell the stock significantly exceeds the demand to purchase.
- Demutualization would subject the Company to the future demands of investors focused on short term market performance, rather than the Company's current focus on long term objectives benefitting current and future Policyholders.
- Under the proposed MHC Conversion, ultimate voting control of the enterprise remains, at least indirectly, with the Policyholders of SIAMCO together with Policyholders of the other Sentry Member Companies. Under a demutualization, Members of SIAMCO who acquire shares of stock in exchange for their Voting Rights and Rights in Surplus would continue to have voting rights in the demutualized company, but other Persons besides Members could acquire sufficient shares of stock to become the controlling shareholders.
- Historically, demutualizations are more difficult to structure, more time consuming, and more expensive than mutual holding company reorganizations.

### **Recommendation of Board of Directors**

On [DATE], the Board [unanimously] adopted the Plan and approved the transactions contemplated thereby. The Board is submitting the Plan to a vote of the Eligible Members after careful review and consideration, including advice from the Company's outside legal counsel [and other advisors]. The Board believes that the MHC Conversion is fair and equitable to SIAMCO Policyholders, and the Board expects that the MHC Conversion will benefit SIAMCO Policyholders.

As required by Chapter 644 of the Wisconsin Insurance Code, the Company has submitted the Plan to the Wisconsin Commissioner for review and approval. The Wisconsin Commissioner will conduct and preside over a public hearing on the plan on [DATE], as further described under the heading "**SPECIAL MEETING OF MEMBERS**" at page 31 of this Policyholder Information Statement.

The Wisconsin Commissioner may request that SIAMCO, Converted SIAMCO, SHI and/or SMHC enter into a Stipulation and Order or other agreement(s) with the Wisconsin Commissioner containing various covenants and/or undertakings binding upon such parties as a

condition to the approval of the Plan. The Board has authorized the officers of SIAMCO to represent SIAMCO in all negotiations with the Wisconsin Commissioner related to the review and approval of the Plan and has further authorized the officers of SIAMCO to negotiate and execute, on behalf of SIAMCO and, if necessary, Converted SIAMCO, SHI and/or SMHC, any such Stipulation and Order or other agreement(s) with the Wisconsin Commissioner which, in the officers' sole judgment and discretion, are reasonable and necessary to secure the Wisconsin Commissioner's approval of the Plan.

**THE BOARD OF DIRECTORS OF SIAMCO [UNANIMOUSLY]  
RECOMMENDS THAT ELIGIBLE MEMBERS OF SIAMCO VOTE "FOR"  
APPROVAL OF THE PLAN AT THE SPECIAL MEETING.**

**Effects of the MHC Conversion**

The MHC Conversion will have the following effects upon SIAMCO and its Members/Policyholders:

***Operations and Business of SIAMCO***

The MHC Conversion will not result in any material changes in SIAMCO's existing insurance operations or its services to Policyholders, except that such operations and services will in the future be conducted or provided by a mutual holding company-owned stock insurance company rather than a mutual insurance company. In addition, the MHC Conversion of SIAMCO into a stock insurance company shall in no way annul, modify or change any of SIAMCO's existing suits, rights, property interests, contracts, or liabilities; except with respect to the extinguishment and replacement of Members' Voting Rights or Rights in Surplus as described below. Converted SIAMCO will exercise all of the rights and powers, and perform all of the duties conferred or imposed by law upon insurers writing the types of insurance written by SIAMCO before the Effective Date, except with respect to the extinguishment and replacement of Members' Voting Rights/Rights in Surplus as described below.

***Effect on Contract Rights and Voting Rights/Rights in Surplus of SIAMCO  
Members/Policyholders***

Currently, Members of SIAMCO have both contract rights as Policyholders of the Company and Voting Rights and Rights in Surplus as Members of the Company. Upon the MHC Conversion, a Member's contract rights, Voting Rights and Rights in Surplus will effectively be separated, as further explained and illustrated below.

The principal contract right is the right to receive the type and amount of insurance coverage specified in a Policyholder's Policy (or Policies) in accordance with the terms and provisions thereof. On the Effective Date, the contract rights of a Policyholder will continue to flow between such Policyholder and Converted SIAMCO. Every Policy that has been issued by SIAMCO which is in force on the Effective Date will remain in force at the Effective Date and continue as a Policy of Converted SIAMCO. The premiums currently required to be paid as



specified in the Policies will not be increased or otherwise changed as a result of the MHC Conversion.

The Voting Rights and Rights in Surplus of Members of SIAMCO can be summarized as follows:

*Voting Rights:*

- The right to elect the directors of SIAMCO;
- The right to approve or disapprove proposed changes in the SIAMCO Articles of Incorporation; and
- The right to vote (or grant proxies to vote) on any plan of conversion, voluntary dissolution or such other matters as may come before the Members at an annual or special meeting of SIAMCO's Members.

*Rights in Surplus:*

- The right to receive a pro rata share (based on premiums paid to SIAMCO within the past five years) of cash, stock, or such other consideration as is approved by the Wisconsin Commissioner in the event of the demutualization of SIAMCO (which would require approval by the Board, the Members and the Wisconsin Commissioner); and
- The right to share in any distribution of, or to receive consideration based upon, the assets of SIAMCO remaining after satisfaction of all third party obligations (including obligations to Policyholders under insurance contracts), in the event of SIAMCO's ultimate voluntary or involuntary dissolution (*i.e.*, if SIAMCO were to become insolvent or go out of business) (which would likewise require approval by the Board and the Members, in the case of a voluntary dissolution, and the Wisconsin Commissioner).

As a matter of law, distributions to a Member of SIAMCO in the case of either a demutualization or dissolution would be capped at the amount of premiums such Member has paid to SIAMCO, together with interest at the legal rate compounded annually. Any excess over this amount would be required to be distributed according to the provisions of Chapter 611 of the Wisconsin Insurance Code.

On the Effective Date, the foregoing Voting Rights and Rights in Surplus of Members of SIAMCO will be replaced with Voting Rights and Rights in Surplus as Members of SMHC. Members will not receive any cash, stock or other consideration in exchange for their Voting Rights and Rights in Surplus in SIAMCO. Rather, the Members' Voting Rights and Rights in Surplus in SIAMCO will be extinguished and replaced with Voting Rights and Rights in Surplus in SMHC as summarized in the chart on pages 18 and 19 of this Policyholder Information Statement, under the heading "After MHC Conversion." Additionally, the Policyholders of the

other Sentry Member Companies will become Members of SMHC with rights and privileges as summarized in the chart on page 18 of this Policyholder Information Statement, under the heading “After MHC Conversion.” Persons acquiring new or renewal Policies issued by any Sentry Member Company, including Converted SIAMCO, on or after the Effective Date will automatically become Members of SMHC.

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The contract rights, Voting Rights and Rights in Surplus of the then-current Members of SIAMCO and SMHC, respectively, before and after the MHC Conversion, are summarized in the table below:

<b><u>Policy Rights</u></b>		<b><u>Before MHC Conversion</u></b>	<b><u>After MHC Conversion</u></b>
	<i>Right in insurance coverage</i>	Insurance coverage is provided by Policies which are obligations of SIAMCO.	Policy obligations to provide insurance coverage continue unchanged for SIAMCO Policyholders, who are now Policyholders of Converted SIAMCO. Converted SIAMCO is the same company as SIAMCO except that it is reorganized as a stock insurance company. The Plan will not increase premiums, decrease policy benefits or alter policy obligations. The terms and conditions of the Policies underwritten by the other Sentry Member Companies are not affected by the MHC Conversion.
<b><u>Member Rights</u></b>			
<b><u>Voting Rights</u></b>	<i>Right to vote for election of directors and on other corporate matters</i>	<b><u>Before MHC Conversion</u></b>	<b><u>After MHC Conversion</u></b>
		Each SIAMCO Member is entitled to one vote on all matters subject to Member vote. Only Policyholders of SIAMCO are Members of SIAMCO.	Each SMHC Member is entitled to one vote on all matters subject to Member vote. Policyholders of the Sentry Member Companies will become Members of SMHC.

[TABLE CONTINUED ON NEXT PAGE]

<b>Member Rights (Continued)</b>		<b>Before MHC Conversion</b>	<b>After MHC Conversion</b>
<b>Rights in Surplus<sup>1</sup></b>	<i>In the event of a dissolution or liquidation</i>	Any surplus remaining after payment of all liabilities of SIAMCO will be distributed according to a plan of dissolution approved by the Members, but in no event will a Member be entitled to receive assets with a value in excess of the value of all insurance premiums paid by such Member to SIAMCO, together with interest on such amounts at the legal rate compounded annually. Any amount in excess of amounts payable to the Members must be paid to the Wisconsin State Treasury to the credit of the Common School Fund.	Any surplus remaining after payment of all liabilities of SMHC will be distributed according to a plan of dissolution approved by the Members, but in no event will a Member be entitled to receive assets with a value in excess of the amount to which such Member would have been entitled if the MHC Conversion had not occurred. Any amount in excess of amounts payable to the Members must be paid to the Wisconsin State Treasury to the credit of the Common School Fund.
	<i>In the event of a reorganization to a stock insurer (also called a "demutualization")</i>	Persons who have been Policyholders of SIAMCO at some time during the five years prior to demutualization are entitled to receive, without additional payment, her or his proportional share of stock in the reorganized stock insurer (or cash or other assets), determined by the net premium such Person paid to SIAMCO over such five-year period, as a percentage of all net premium received by SIAMCO over the same period, capped at the value of all insurance premiums paid by such Person to SIAMCO, together with interest on such amounts at the legal rate compounded annually. Any amount in excess of amounts payable to the Members must be paid to the Wisconsin State Treasury to the credit of the Common School Fund.	Persons who have been Policyholders of SIAMCO/Converted SIAMCO at some time during the five years prior to demutualization are entitled to receive, without additional payment, her or his proportional share of stock in the reorganized mutual holding company (or cash or other assets), determined by the net premium such Person paid to SIAMCO/Converted SIAMCO over such five-year period, as a percentage of all net premium received by SIAMCO/Converted SIAMCO over the same period, capped at the value of all insurance premiums paid by such Person to SIAMCO/Converted SIAMCO, together with interest on such amounts at the legal rate, compounded annually. Any amount in excess of amounts payable to the Members must be paid to the Wisconsin State Treasury to the credit of the Common School Fund.

<sup>1</sup> The proposed Articles of Incorporation of SMHC provide that the Members of SMHC shall have such Rights in Surplus of SMHC as are provided for under the Wisconsin Insurance Code.

### ***Directors and Executive Officers***

On the Effective Date: (i) the Board of Directors of SMHC will consist of the same directors that comprise the Board of Directors of SIAMCO immediately prior to the Effective Date; (ii) the Principal Officers of SMHC will be the same individuals serving in those positions for SIAMCO immediately prior to the Effective Date; (iii) the Board of Directors of Converted SIAMCO will consist of: [Peter G. McPartland, Kip J. Kobussen, James E. McDonald, Todd M. Schroeder and Michael J. Williams]; (iv) the Principal Officers of Converted SIAMCO will consist of: [Peter G. McPartland, Michael J. Williams, Kip J. Kobussen and Todd M. Schroeder]; (v) the Board of Directors of SHI will consist of: [Peter G. McPartland, Kip J. Kobussen, James E. McDonald, Todd M. Schroeder and Michael J. Williams]; and (vi) the Principal Officers of SHI will consist of: [Peter G. McPartland, Michael J. Williams, Kip J. Kobussen and Todd M. Schroeder]. For more information regarding the current directors and executive officers of SIAMCO, and the proposed directors and executive officers of SMHC and Converted SIAMCO, see “**DIRECTORS AND OFFICERS OF SMHC, SHI, AND CONVERTED SIAMCO**” attached hereto as Exhibit I.

### ***Corporate Governance***

SIAMCO is not authorized, as a mutual insurance company, to issue capital stock and, therefore, has no shareholders. Instead, SIAMCO operates under the direction of its Board of Directors, which is elected by the Members of SIAMCO.

After the MHC Conversion, Converted SIAMCO will operate under the direction of its Board of Directors and all voting rights, including the election of the Board of Directors of Converted SIAMCO, will be vested exclusively in the holder(s) of its outstanding voting stock; specifically, SHI. All of the voting rights of SHI will be vested exclusively in the holders of its outstanding voting stock, specifically SMHC. Accordingly, SHI will have voting control over the outcome of all matters presented to the shareholders of Converted SIAMCO for resolution by vote, including the election of the Board of Directors for Converted SIAMCO. SHI will operate under the direction of its Board of Directors, which will be elected by SMHC in its capacity as sole shareholder of SHI. SMHC will operate under the direction of its Board of Directors. All voting rights, including the election of the Board of Directors of SMHC, will be vested exclusively in the Members of SMHC, *i.e.*, the Policyholders of the Sentry Member Companies. These Members will be entitled to vote on all matters requiring action by the Members, including the election of the directors of SMHC.

### ***Comparison of Articles of Incorporation and Bylaws of SMHC with Current Articles of Incorporation and Bylaws of SIAMCO***

SMHC will be organized as a mutual holding company under Chapter 644 of the Wisconsin Insurance Code. The proposed Articles of Incorporation and Bylaws of SMHC are attached to this Policyholder Information Statement as Exhibits E and F, respectively, and are incorporated herein by reference. You are encouraged to read the proposed SMHC Articles of Incorporation and Bylaws in their entirety.

Certain provisions of the proposed Articles of Incorporation and Bylaws of SMHC are summarized below. This summary is not complete, and does not identify all provisions that may, under certain circumstances, be material, and is subject in all respects to the Wisconsin Insurance Code and the entirety of the proposed Articles of Incorporation and Bylaws of SMHC.

### Purpose

SMHC is formed for the purpose of owning, at all times, directly or indirectly, the voting stock of Converted SIAMCO, and engaging in all lawful activities permitted to mutual holding companies under Wisconsin law. SMHC will not be engaged in the business of insurance. By contrast, SIAMCO is a mutual insurance company formed for the purpose of insuring its Members against all hazards authorized or permitted for a mutual insurance company.

### Membership

All Policyholders of Converted SIAMCO and every Policyholder of the Sentry Member Companies who purchases a new or renewal Policy on or after the Effective Date will be a Member of SMHC. The Board of Directors of SMHC is also authorized to admit Policyholders of additional subsidiaries of SMHC as future Members of SMHC. Each Member of SMHC will have one vote on all matters subject to a Member vote, including the election of directors of SMHC. Each Member of SMHC will also have certain Rights in Surplus, but only to the extent such Members have paid premiums to SIAMCO or Converted SIAMCO within the past five years. Further discussion of SMHC Members' Rights in Surplus is found under the heading **“THE MHC CONVERSION TRANSACTION—Effects of the MHC Conversion—Effect on Contract Rights and Voting Rights/Rights in Surplus of SIAMCO Members/Policyholders”** on page 15 of this Policyholder Information Statement. By contrast, only Policyholders insured by SIAMCO are Members of SIAMCO.

### Board of Directors

Pursuant to the Current SIAMCO Bylaws, SIAMCO is governed by a Board of Directors that must include no less than nine and no more than thirteen individuals. There are currently [●] individuals serving on SIAMCO's Board of Directors. The provisions with respect to the Board of Directors in the proposed Bylaws of SMHC are substantially similar to the provisions in the Current SIAMCO Bylaws; however, the Board of Directors may contain up to fifteen individuals.

### Officers

The proposed Bylaws of SMHC authorize the election or appointment by SMHC's Board of Directors of corporate officers, including a Chair of the Board of Directors, Chief Executive Officer/President, Treasurer and Secretary. The current provisions with respect to officers in the proposed Bylaws of SMHC are substantially similar to those in the Current SIAMCO Bylaws.

## Member Meetings

The proposed Articles of Incorporation and Bylaws of SMHC provide for annual and special meetings of the Members of SMHC. The Current SIAMCO Bylaws provide for annual and special meetings of the Members of SIAMCO. The provisions of the proposed SMHC Bylaws for the calling of special meetings of Members of SMHC are substantially similar to those provisions in the Current SIAMCO Bylaws.

## Dividends

The proposed Articles of Incorporation of SMHC do not provide authority for SMHC to pay dividends to Members of SMHC. The Current SIAMCO Articles likewise do not provide authority for SIAMCO to pay dividends to Members of SIAMCO (SIAMCO is nevertheless permitted to pay dividends to holders of a SIAMCO Policy which explicitly provides for the payment of dividends as a benefit of such SIAMCO Policy, and Converted SIAMCO and the other Sentry Member Companies will be permitted to pay dividends to holders of an insurance Policy which explicitly provides for the payment of dividends as a benefit of such Converted SIAMCO Policy or Sentry Member Company Policy).

## Amendment of Articles of Incorporation and Bylaws

The Current SIAMCO Articles can be amended by a vote of two-thirds of the Members of SIAMCO present and voting in person or by proxy at a Member meeting. The proposed SMHC Articles of Incorporation are silent with regards to amendments, but can be amended by the vote of the lesser of (i) two-thirds of the SMHC Members present and voting in person or by proxy at a Member meeting, or (ii) a majority of the voting power held by SMHC Members, which is the statutory default for amendment of mutual holding company articles of incorporation under Wisconsin law.

The Current SIAMCO Bylaws can be amended by a vote of a majority of the entire Board of Directors of SIAMCO, or by a majority of the Members of SIAMCO voting at an annual or special meeting, provided such majority is equal to or more than one-fourth of the total Members of the Company. The proposed SMHC Bylaws contain amendment provisions substantially similar to those in the Current SIAMCO Bylaws.

### ***Comparison of Articles of Incorporation and Bylaws of SHI with Current Articles of Incorporation and Bylaws of SIAMCO***

SHI will be organized as a stock corporation under Chapter 180 of the Wisconsin Statutes. The proposed Articles of Incorporation and Bylaws of SHI are attached to this Policyholder Information Statement as Exhibits G and H, respectively, and are incorporated herein by reference. You are encouraged to read the proposed SHI Articles of Incorporation and Bylaws in their entirety.

Certain provisions of the proposed Articles of Incorporation and Bylaws of SHI are summarized below. This summary is not complete, and does not identify all provisions that may,

under certain circumstances, be material, and is subject in all respects to the Wisconsin Statutes and the entirety of the proposed Articles of Incorporation and Bylaws of SHI.

### Purpose

SHI is being formed as a Wisconsin business corporation in order to hold certain subsidiaries and assets of SMHC pursuant to the Plan. After the Effective Date, SHI will be a direct, wholly-owned subsidiary of SMHC. As such, SMHC Members will indirectly control SHI through the right to elect the Board of Directors of SMHC, which in turn has the right to elect the directors of SHI. SHI will not be engaged in the insurance business, but it will directly own Converted SIAMCO and will indirectly own all other insurance company subsidiaries of SIAMCO. By contrast, SIAMCO is a mutual insurance company formed for the purpose of insuring its Members against all hazards authorized or permitted for a mutual insurance company.

### Membership; Ability to Issue Stock

Because SIAMCO is a mutual insurance company, it is not authorized by Wisconsin law to issue any stock or other equity securities. Its Members are the Policyholders of SIAMCO. Each SIAMCO Member is entitled to one vote regardless of the number of SIAMCO Policies she or he owns. By contrast, SHI will be authorized by its proposed Articles of Incorporation to issue stock. Each share of common stock will confer one vote per share for purposes of the election of directors of SHI and other matters subject to a vote of SHI shareholders.

### Election of the Board of Directors and Voting Generally

Under the proposed Bylaws of SHI, each share of common stock of SHI will confer one vote for the election of directors and all other matters subject to a vote of SHI shareholders. Accordingly, the number of shares of common stock held by a shareholder of SHI will determine the relative voting power of that shareholder. By contrast, under the Current SIAMCO Bylaws, each Policyholder is entitled to one vote for the election of directors and all other matters subject to a vote of SIAMCO Members, regardless of the number of Policies such Policyholder owns.

### Quorum at Meetings of Members/Shareholders

The Current SIAMCO Bylaws provide that a quorum at all meetings of Members consists of at least 2,000 Members present and voting in person or by proxy. Under the proposed Articles of Incorporation of SHI, holders of a majority of the shares of any voting class of stock, present in person or by proxy at a meeting, shall constitute a quorum with respect to that class. Note that the proposed Articles of Incorporation of SHI provide for only one voting class of stock, the common stock, and accordingly holders of a majority of the shares of common stock, present in person or by proxy at a meeting, shall constitute a quorum.



## Amendment of Articles of Incorporation and Bylaws

The Current SIAMCO Articles of Incorporation can be amended by a vote of two-thirds of the Members of SIAMCO present and voting in person or by proxy at a Member meeting. The proposed SHI Articles of Incorporation can be amended in certain respects (as permitted by Chapter 180 of the Wisconsin Statutes) by the SHI Board of Directors, and in all respects by majority vote of the shareholders of SHI.

The Current SIAMCO Bylaws can be amended by a vote of a majority of the entire Board of Directors of SIAMCO, or by a majority of the Members of SIAMCO voting at an annual or special meeting, provided such majority is equal to or more than one-fourth of the total Members of the Company. The Proposed SHI Bylaws can be amended by a vote of the majority of the directors present at any meeting of the Board of Directors of SHI at which a quorum is present (or by a majority vote of the shareholders of SHI, pursuant to applicable Wisconsin law).

### ***Comparison of Articles of Incorporation and Bylaws of Converted SIAMCO with Current Articles of Incorporation and Bylaws of SIAMCO***

Converted SIAMCO will be organized as a stock insurance corporation under Chapter 611 of the Wisconsin Insurance Code. The proposed Second Amended and Restated Articles of Incorporation of Converted SIAMCO and proposed Amended and Restated Bylaws of Converted SIAMCO (the “Proposed Converted SIAMCO Bylaws”) are attached to this Policyholder Information Statement as Exhibits C and D, respectively. You are encouraged to read the Second Amended and Restated Articles of Incorporation and Proposed Converted SIAMCO Bylaws in their entirety.

Certain provisions of the Second Amended and Restated Articles of Incorporation and Proposed Converted SIAMCO Bylaws are summarized below. This summary is not complete, and does not identify all provisions that may, under certain circumstances, be material, and is subject in all respects to the Wisconsin Statutes and the entirety of the Second Amended and Restated Articles of Incorporation and the Proposed Converted SIAMCO Bylaws.

### Purpose

Converted SIAMCO is being converted into a stock insurance corporation to continue the existence of SIAMCO after the consummation of the MHC Conversion, and, like SIAMCO, will have the purpose of insuring its Policyholders against all hazards authorized or permitted for an insurance company by Wisconsin law. After the Effective Date, Converted SIAMCO will be a direct, wholly-owned subsidiary of SHI. As such, SMHC Members will indirectly control Converted SIAMCO through the right to elect the Board of Directors of SMHC, which in turn has the right to elect the directors of SHI, which in turn has the right to elect the directors of Converted SIAMCO. Converted SIAMCO will continue the insurance business currently conducted by SIAMCO, and will own, directly or indirectly, the insurance company and non-insurance company subsidiaries of SIAMCO, other than those that will be transferred to SMHC or SHI pursuant to the Plan.

### Membership; Ability to Issue Stock

Because SIAMCO is a mutual insurance company, it is not authorized by Wisconsin law to issue any stock or other equity securities. Its Members are the Policyholders of SIAMCO. Each SIAMCO Member is entitled to one vote regardless of the number of SIAMCO Policies such Member owns. By contrast, Converted SIAMCO will be authorized by the Second Amended and Restated Articles of Incorporation to issue stock, and will not have any members. Each share of common stock will confer one vote per share for purposes of the election of directors of Converted SIAMCO and other matters subject to a vote of Converted SIAMCO shareholders.

### Election of the Board of Directors and Voting Generally

Under the Proposed Converted SIAMCO Bylaws, each share of common stock of Converted SIAMCO will confer one vote for the election of directors and all other matters subject to a vote of Converted SIAMCO shareholders. Accordingly, the number of shares of common stock held by a shareholder of Converted SIAMCO will determine the relative voting power of that shareholder. By contrast, under the Current SIAMCO Bylaws, each Policyholder is entitled to one vote for the election of directors and all other matters subject to a vote of SIAMCO Members, regardless of the number of Policies such Policyholder owns.

### Quorum at Meetings of Members/Shareholders

The Current SIAMCO Bylaws provide that a quorum at all meetings of Members consists of at least 2,000 Members present and voting in person or by proxy. Under the Amended and Restated Bylaws, holders of a majority of the shares of any voting class of stock present in person or by proxy shall constitute a quorum with respect to that class. Note that the Second Amended and Restated Articles of Incorporation provide for only one voting class of stock, the common stock, and accordingly holders of a majority of the shares of common stock present in person or by proxy shall constitute a quorum.

### Amendment of Articles of Incorporation and Bylaws

The Current SIAMCO Articles can be amended by a vote of two-thirds of the Members of SIAMCO present and voting in person or by proxy at a Member meeting. The Second Amended and Restated Articles of Incorporation can be amended in certain respects as permitted by Chapter 611 of the Wisconsin Insurance Code.

The Current SIAMCO Bylaws currently can be amended by a vote of a majority of the entire Board of Directors of SIAMCO, or by a majority of the Members of SIAMCO voting at an annual or special meeting, provided such majority is equal to or more than one-fourth of the total Members of the Company. The Proposed Converted SIAMCO Bylaws can be amended by a vote of the majority of the directors present at any meeting of the Board of Directors of Converted SIAMCO at which a quorum is in attendance (or by a three-fourths vote of the shareholders of Converted SIAMCO, pursuant to applicable Wisconsin law).

### ***Federal Tax Consequences***

This Policyholder Information Statement does not purport to describe all tax consequences that may be relevant to a Member or to SIAMCO. For example, it does not discuss federal estate tax or excise tax considerations, or state, local and foreign tax considerations. Additionally, the Internal Revenue Code of 1986, as amended, regulations promulgated by the U.S. Treasury Department, and judicial and administrative rulings and decisions are all subject to change, possibly with retroactive effect. *Accordingly, each Member is urged to consult their own tax advisor regarding the specific tax consequences of the MHC Conversion that may be applicable.*

The consummation of the MHC Conversion is subject to the condition that SIAMCO obtain a private letter ruling issued by the IRS or an opinion of Foley & Lardner LLP or other independent tax counsel to SIAMCO, in either case or in combination, substantially to the effect that none of SIAMCO, SHI, SMHC, SIAMCO's Policyholders, and the Policyholders of the other Sentry Member Companies will recognize gain or loss for U.S. federal income tax purposes in connection with the MHC Conversion. It is anticipated that such private letter ruling and/or legal opinion will reflect the following.

On the Effective Date, Voting Rights and Rights in Surplus in SIAMCO currently held by SIAMCO Members will be extinguished and such former SIAMCO Members will automatically receive Voting Rights/Rights in Surplus in SMHC. Such Policyholders' contract rights and obligations under their Policies will remain with Converted SIAMCO. The terms and provisions of SIAMCO Policies in force at the Effective Date will not be changed.

The extinguishment of Members' Voting Rights and Rights in Surplus in SIAMCO in exchange for a grant of Voting Rights/Rights in Surplus in SMHC pursuant to the Plan is anticipated to qualify as a non-recognition transfer under the Code, meaning that Members will not recognize any gain or loss for U.S. federal income tax purposes. The tax basis of the Voting Rights and Rights in Surplus in SMHC received by Members whose SIAMCO Voting Rights and Rights in Surplus are extinguished will be zero.

The grant of Member status in SMHC to the Policyholders of Sentry Member Companies other than SIAMCO is not anticipated to result in the recognition of gain or loss for U.S. federal income tax purposes, based on the fact that the rights and privileges granted to such Policyholders will not be considered to have value for U.S. federal income tax purposes and/or, in the case of those Policyholders of Sentry Member Companies other than SIAMCO who have paid premiums to SIAMCO within the five years preceding the MHC Conversion (and could therefore conceivably be entitled to an equitable share of distributions in the event of a demutualization), based on a deemed exchange.

### ***Federal Securities Law Consequences***

The consummation of the MHC Conversion is subject to the condition that SIAMCO obtain either a "no action" letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933 and the Securities Exchange Act of 1934, each as

amended, or an opinion of Foley & Lardner LLP or other independent legal counsel to SIAMCO in form and substance satisfactory to the Board with respect to federal and state securities law matters.

### **Special Considerations and Risk Factors**

In addition to the benefits of the mutual holding company structure and the pros and cons of the alternatives discussed above, you should consider the following risks and special considerations in connection with the proposed MHC Conversion:

- *No Distribution of Cash or Stock.* No cash consideration or stock will be distributed to the SIAMCO Members in the MHC Conversion, as would occur if SIAMCO were to demutualize. In the case of a conversion to a mutual insurance holding company structure, Members of the mutual insurance company receive non-transferable Voting Rights and Rights in Surplus in the mutual insurance holding company. In a demutualization, members receive cash or stock consideration upon the extinguishment of their Voting Rights and Rights in Surplus.
- *Potential for Increased Debt.* After the MHC Conversion, SHI could issue debt in amounts greater than SIAMCO would be permitted to issue if SIAMCO were to remain a mutual insurance company, and therefore, it might be possible for the Sentry group of companies to become financially leveraged to a greater extent than is now possible for SIAMCO.
- *Benefits May Not Be Achieved.* It is possible that any or all of the anticipated benefits of the mutual insurance holding company structure may never be achieved.
- *Risks Associated with Growth.* There can be no assurance that SIAMCO will grow more efficiently and cost-effectively as part of a mutual insurance holding company structure than if it remained a mutual insurance company. Moreover, faster growth can mean greater risks; for example, if liabilities are assumed in the acquisition of other companies or books of business.
- *Risks Associated with Investments in/Operation of Non-Insurance Subsidiaries.* SIAMCO's Board of Directors, officers, and other management employees have a track record of profitable operation of a variety of insurance and related companies. SIAMCO's management has more limited experience in the operation of non-insurance businesses. Further, such non-insurance businesses are not likely to be subject to the same degree of government regulation and scrutiny by independent risk analysts and rating agencies as are insurance companies, and therefore may be subject to greater risk of operating at a loss. Profitable investment in and/or operation of such non-insurance businesses will be dependent upon the recruitment and retention of investors, executives, and managers who have relevant experience and knowledge.
- *Acquisitions May Not Be Forthcoming.* SMHC and SHI may not take advantage of the expanded opportunity to make acquisitions.

- *Restrictions on Movement of Funds.* The ability of SMHC or SHI to engage in certain transactions may depend in part upon their ability to receive sufficient funds from Converted SIAMCO in the form of shareholder dividends or asset transfers, and there are regulatory limitations on such dividends and asset transfers.
- *Risks of Litigation.* Some mutual insurance companies that have reorganized or proposed to reorganize to a mutual insurance holding company structure have been sued by Persons alleging, among other things, that the mutual holding company structure, although expressly authorized by statute, is unfair to Policyholders. The Board believes that the MHC Conversion is fair to SIAMCO Policyholders and that implementing the MHC Conversion is in the best interests of SIAMCO and its Policyholders. There can be no assurance that litigation, if brought, would not entail significant cost, divert the efforts and resources of Company management, and/or delay or impede consummation of the MHC Conversion.
- *Dilution of Share Value.* Although SIAMCO has no plans to sell any stock of SHI or Converted SIAMCO to third parties at present, if shares of stock of SHI or Converted SIAMCO were ever approved for sale by the Wisconsin Commissioner in the future and were sold at a per share price less than the per share book value of such shares of stock, then the per share book value of shares owned (directly or indirectly) by SMHC would be reduced, and the book value of SMHC Members' indirect aggregate ownership percentage in SHI would be diluted.
- *Dilution of Voting Rights.* It is currently anticipated that the MHC Conversion will eventually result in the dilution of the ultimate voting control held by SIAMCO's Members by approximately [•]%, as a result of the admission of Policyholders of the other Sentry Member Companies as Members of SMHC after the Effective Date. Thereafter, further dilution could occur, more quickly than it would have solely as a result of sales of new Policies by SIAMCO, if the SMHC Board of Directors takes action to admit Policyholders of other subsidiaries as Members of SMHC, if SMHC acquires a mutual insurance company through a sponsored conversion, if SMHC merges with another mutual holding company, or if the Board of Directors of SMHC proposes, and the Wisconsin Commissioner and the Members approve, a sale of voting stock of SHI or Converted SIAMCO.
- *Potential Conflicts among SMHC Members.* SMHC Members who are admitted as Members as a result of their status as Policyholders of one of the Sentry Member Companies other than SIAMCO may have certain conflicts with the interests of SMHC Members who are admitted as Members as a result of their status as SIAMCO Policyholders, in light of the different equitable shares in the proceeds of a demutualization or dissolution of SMHC to which each such Member would be entitled, and their status as Policyholders of different companies. For example, Members who are not (and who have not, within the past five years, been) SIAMCO Policyholders may be less likely to vote in favor of any future proposed demutualization in which they would have no entitlement to an equitable share of any distributions of cash or stock.

Additionally, such Members may exercise their Voting Rights to elect individuals to the Board of Directors of SMHC who they deem likely to manage the overall enterprise in a manner favorable to the interests of Members who are not Policyholders of Converted SIAMCO. It is currently anticipated that Policyholders of Converted SIAMCO will come to represent a minority of the voting power of SMHC as Policyholders of Sentry Member Companies become Members of SMHC.

- *Transfer of Assets Out of Converted SIAMCO.* The mutual holding company structure creates an opportunity for the future realignment of subsidiaries of Converted SIAMCO, and the distribution of the outstanding stock or other equity interests of such subsidiaries, as well as other assets, out of Converted SIAMCO to one or more affiliates which are not directly or indirectly owned by Converted SIAMCO. Any such distribution which involves assets with a value such that it qualifies as an “Extraordinary” dividend or distribution meeting certain thresholds set forth in the Wisconsin Insurance Code would be subject to the prior approval of the Wisconsin Commissioner. A transfer of ownership of additional Converted SIAMCO subsidiary companies to SMHC or SHI or any future distribution of cash or other assets of Converted SIAMCO to SMHC or SHI, could result in a reduction of Converted SIAMCO’s assets and earnings (although Converted SIAMCO will be required at all times to maintain sufficient assets to meet all obligations to Policyholders following the MHC Conversion).
- *Certain Assets May Not Be Available to Satisfy Policyholder Claims.* Assets held by SMHC and/or SHI, whether as a result of distributions of such assets from Converted SIAMCO to SMHC or SHI (which distributions would be subject to regulatory limitations on the payment of dividends or other distributions to shareholders of a Wisconsin stock insurance company) or the accumulation of such assets through the profitable operations of SHI or its subsidiaries other than Converted SIAMCO, may not be available to pay claims of Converted SIAMCO Policyholders. This could, in turn, under certain extreme circumstances, contribute to pressure for Converted SIAMCO to increase premiums in order to pay claims, or an inability of Converted SIAMCO to pay claims as they come due.
- *Potential Conflicts between Interests of Members and Possible Future Shareholders.* The current duties and obligations of the Board are to act in the best interests of SIAMCO and its Members, who are the Policyholders of SIAMCO. After the MHC Conversion, the duties and obligations of the Board of Directors of SMHC will be to act in the best interests of SMHC and its Members. There may be conflicts among the interests of the Members of SMHC in connection with certain types of transactions. Furthermore, if SHI or Converted SIAMCO were to undertake an initial public offering or other issuance of stock, the obligations and duties of the Board of Directors of the issuer of such stock would extend to outside investors in addition to the majority shareholder of such issuer (*i.e.*, SHI, in the case of Converted SIAMCO, and SMHC, in the case of SHI). Accordingly, there would be the potential for the development of conflicting interests between the Members of SMHC and the minority shareholders of Converted SIAMCO or SHI (collectively, the “Outside Shareholders”). One potential conflict would be between the interests of the Members of SMHC in receiving insurance with the greatest possible

value and the interests of Outside Shareholders in receiving the highest return on their investment. Additionally, there may be conflicts over how the growth of, and profit from, the business should be apportioned between growing the enterprise and distributions to the Outside Shareholders. These conflicts could be exacerbated if incentive stock or options were awarded to the officers or directors of such companies.

- *Market Conditions.* Any future decision to issue capital stock or debt securities would depend upon, among other factors, the then-current needs of the enterprise for additional capital, then-prevailing market conditions, the financial performance and business prospects of the enterprise, and the interests of the Members of SMHC. There can be no assurance as to if, when, or on what terms any such capital raising efforts would take place.
- *No Fairness Opinion from an Investment Banker.* In connection with its approval of the Plan, the Board did not seek a fairness opinion of an investment banker. No opinion was deemed necessary in this case because, among other reasons (a) no sale of stock to outside investors is being undertaken or is presently contemplated, (b) any initial stock offering in the future would require the approval of the Wisconsin Commissioner and the SMHC Members, and (c) the Plan is generally similar to plans for forming mutual holding companies which have been approved and adopted in Wisconsin and other states.
- *Uncertain Regulatory Environment.* Certain activities that are regulated by the Wisconsin Commissioner under the present structure may not be regulated, or may be regulated differently, under the mutual holding company structure. Uncertainty in this area is heightened by the fact that there have been only [five] Wisconsin mutual insurance companies that have completed a mutual holding company conversion in Wisconsin, one of which is no longer domiciled in Wisconsin.
- *Absence of Implementing Regulations.* The Wisconsin Insurance Code provides that the Wisconsin Commissioner may issue regulations to implement the mutual holding company laws set forth in Chapter 644 of the Wisconsin Insurance Code and establish applicable procedures thereunder. Although no regulations or procedures have been promulgated to date, the Wisconsin Commissioner may at some future point propose and/or promulgate regulations or procedures that may adversely affect SMHC and/or its Members. Converted SIAMCO Policyholders will receive Voting Rights and Rights in Surplus in SMHC that may be subject to different insurance regulatory oversight than an insurance company. There can be no assurances that any regulations adopted by the Wisconsin Commissioner will not affect the future operations of SMHC.
- *Differences in Insolvency Laws.* A Wisconsin mutual insurer, such as SIAMCO, is subject to the jurisdiction of the Wisconsin Commissioner in the event of the insolvency of the Company. While it is not clear, a Wisconsin mutual holding company may be under the jurisdiction of the federal bankruptcy laws. There can be no assurance that federal bankruptcy laws will not reduce the priority (if any) of the claims of Policyholders of SIAMCO, or preempt Wisconsin law and/or make it difficult for the

Wisconsin Commissioner to recover assets of the mutual holding company for the benefit of the Policyholders of SIAMCO in the case of SMHC's insolvency.

The Board has concluded that these special considerations and possible disadvantages and risks are outweighed by the potential benefits of the MHC Conversion to SIAMCO and its Members.

## **SPECIAL MEETING OF MEMBERS**

### **Date, Time and Place**

This Policyholder Information Statement is being furnished to Eligible Members of SIAMCO in connection with the solicitation of proxies by the Board for use at a Special Meeting of Members (the "Special Meeting") to be held on [•] at [•], Central Time, at the Company's offices at 1800 North Point Drive, Stevens Point, Wisconsin 54481. See the NOTICE OF SPECIAL MEETING OF MEMBERS included with this Policyholder Information Statement for more details.

### **Matters to be Considered**

At the Special Meeting, Eligible Members will be asked to consider and vote upon the proposal to approve the Plan and the transactions contemplated thereby, including the amendment and restatement of the Articles of Incorporation of the Company in the form of the Second Amended and Restated Articles.

### **Eligibility to Vote; Voting; Proxies**

If you are an Eligible Member, you will be entitled to one vote regarding the Plan. Each Eligible Member will be entitled to vote either by ballot cast in person at the Special Meeting, or by proxy. Without regard to whether you are receiving these materials, if you are not an Eligible Member, you will not be entitled to vote at the Special Meeting, by ballot cast in person or by proxy. The Plan will be deemed approved if not less than two-thirds of Eligible Members present and voting in person or by proxy at the Special Meeting approve the Plan. Proxies must be received before 12:00 a.m. on [•] in order to be counted. The Special Meeting requires a quorum of at least two thousand (2,000) Eligible Members present in person or by proxy. Any proxy given pursuant to this solicitation may be revoked by the Eligible Member at any time prior to the voting thereof on the matter to be considered at the Special Meeting by filing with the Secretary of SIAMCO a written revocation. Attendance at the Special Meeting will constitute a revocation of an Eligible Member's proxy.

## **CONDITIONS TO CLOSING OF THE MHC CONVERSION**

The consummation of the MHC Conversion is subject to the prior satisfaction of several conditions, as described below.



## **Approval of Wisconsin Commissioner and Receipt of Other Regulatory Approvals**

As required by the Plan and the Wisconsin Insurance Code, the Plan must be approved by the Wisconsin Commissioner. Any other required regulatory approvals must also be received.

## **Approval of Eligible Members of SIAMCO**

As required by the Plan, the Wisconsin Insurance Code, and applicable provisions of the Current SIAMCO Articles and Current SIAMCO Bylaws, the Plan and the transactions contemplated thereby must be approved by the affirmative vote of not less than two-thirds of Eligible Members present and voting in person or by proxy at the Special Meeting.

## **Receipt of Private Letter Ruling**

SIAMCO must receive a private letter ruling issued by the Internal Revenue Service or an opinion of Foley & Lardner LLP or other independent tax counsel to SIAMCO, in either case or in combination, substantially to the effect that:

- No SIAMCO Policyholders will recognize taxable gain or loss in connection with the MHC Conversion, and
- Neither SMHC, SHI, nor SIAMCO will recognize taxable gain or loss in connection with the MHC Conversion.

## **U.S. Federal Securities Matters**

SIAMCO must receive either a “no action” letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended, or an opinion of Foley & Lardner LLP or other independent legal counsel to SIAMCO in form and substance satisfactory to the Board with respect to federal and state securities law matters.

## **Issuance of New Certificates**

The Wisconsin Commissioner must issue a new certificate of authority to Converted SIAMCO and a certificate of incorporation to SMHC.

## **Amendment or Withdrawal of the Plan**

At any time prior to the Effective Date, the Board may amend the Plan or any related documents. If an amendment to the Plan is made after the approval of the Plan at the Special Meeting, and if the Wisconsin Commissioner determines that such amendment is materially disadvantageous to any of SIAMCO’s Policyholders, the amended Plan must be submitted for reconsideration by the Policyholders. If the amendment is made after the Public Hearing, and the Wisconsin Commissioner determines that the amendment is materially disadvantageous to any Policyholder of SIAMCO, the Wisconsin Commissioner may require a further Public

Hearing on the Plan. The Board also may withdraw the Plan at any time prior to the Effective Date, notwithstanding prior approval thereof by SIAMCO's Policyholders or the Wisconsin Commissioner, or both.

## **REGULATION**

SIAMCO is licensed to transact the business of insurance in, and is therefore subject to regulation and supervision by the insurance regulatory agencies of all fifty states, the District of Columbia, and Puerto Rico. The degree of regulation and supervision varies by jurisdiction, but Wisconsin and the other jurisdictions with regulatory authority over SIAMCO have similar laws and regulations governing the financial health of insurers, including standards for solvency, required reserves, reinsurance, capital adequacy, and the business conduct and sales operations of insurers.

After consummation of the MHC Conversion, Converted SIAMCO will continue to be subject to the same degree of insurance regulation and supervision in each of the states where SIAMCO is currently licensed to transact the business of insurance, except that Converted SIAMCO will be regulated as a stock insurance company whereas SIAMCO is currently regulated as a mutual insurance company. Additionally, certain provisions of Chapter 644 of the Wisconsin Insurance Code will apply to Converted SIAMCO that do not currently apply to SIAMCO.

As a Wisconsin mutual holding company, SMHC will be subject to regulation by the Wisconsin Commissioner. Generally, the Wisconsin Commissioner will have power over SMHC to ensure that the interests of Policyholders of the Sentry Member Companies are protected. The Wisconsin Insurance Code regulates mutual holding companies in a number of ways, including the following:

- Requiring SMHC to at all times maintain direct or indirect ownership and control of at least 51% of the outstanding shares of Converted SIAMCO's voting stock;
- Allowing SMHC to make substantive amendments to its Articles of Incorporation only with approval by not less than a majority of votes cast by SMHC's Members;
- Requiring SMHC to file with the Wisconsin Commissioner, within 60 days after adoption, a copy of its Bylaws and any subsequent amendments to its Bylaws;
- Prohibiting SMHC from engaging in the business of insurance (other than through insurance company subsidiaries, including Converted SIAMCO);
- Prohibiting SMHC from entering into any contract or agreement that has the effect of delegating to any Person, to the substantial exclusion of SMHC's Board of Directors, the authority to exercise management and control of SMHC or any of its major corporate functions;

- Prohibiting SMHC from dissolving, liquidating or otherwise winding up without the prior approval of the Wisconsin Commissioner or a court having jurisdiction over such matters;
- Prohibiting the demutualization of SMHC except with approval by not less than a majority of votes cast by SMHC’s Members and prior written approval from the Wisconsin Commissioner; and
- Prohibiting the merger of SMHC with any other mutual holding company except with approval from the Wisconsin Commissioner.

### **SELECTED FINANCIAL INFORMATION**

The selected financial information set out below for SIAMCO for each of the three years ended December 31, 2019, 2018, and 2017 is derived from audited annual statutory financial statements of SIAMCO and its consolidated property and casualty subsidiaries. The selected financial information set forth below for the interim periods ended as of [March 31], 2019 and 2020 is derived from unaudited quarterly statutory financial statements. This selected financial information is presented on a statutory basis in conformity with statutory accounting practices (“SAP”) described or permitted by the Wisconsin Commissioner, which is a comprehensive basis of accounting different from generally accepted accounting principles (“GAAP”). This financial information should be read in conjunction with the audited statutory financial statements on file with the Wisconsin Commissioner of Insurance.

Because the financial statements of SMHC after consummation of the MHC Conversion, prepared on either a GAAP or SAP basis, will not differ materially from the financial statements of Converted SIAMCO on a GAAP or SAP basis, respectively, no pro forma financial information for SMHC is presented in this Policyholder Information Statement.

### **Sentry Insurance a Mutual Company Consolidated Property and Casualty Statutory Financial Highlights**

[To be prepared]

### **CERTAIN DEFINITIONS**

The following are definitions of certain terms used in this Policyholder Information Statement. These definitions are qualified in their entirety by the definitions of such terms in the Plan, a copy of which is attached hereto as Exhibit A. These definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Current SIAMCO Articles” means the current Restated Articles of Incorporation of SIAMCO in effect prior to the Effective Date.

“Current SIAMCO Bylaws” means the current Bylaws of SIAMCO in effect prior to the Effective Date.

“Effective Date” means the date upon which the Restructuring becomes effective, which will be the date upon which the Wisconsin Commissioner issues a certificate of incorporation to SMHC.

“Eligible Member” means any Policyholder with one or more SIAMCO Policies in force on both the Resolution Date and the Record Date, as shown on SIAMCO’s records.

“Member” means a Policyholder who, by the records of SIAMCO or SMHC, and by their respective Articles of Incorporation and Bylaws, is a member of SIAMCO or SMHC, as applicable.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, limited liability partnership, trust, government, government agency, state or political subdivision of a state, public or private corporation, board of directors, association, estate, trustee, or fiduciary, or any similar entity.

“Policy” means an insurance policy or contract (other than a reinsurance contract), or any binder or a renewal certificate, but excluding certificates issued under a master or group policy, issued by SIAMCO (or, on and after the Effective Date, any Sentry Member Company) in the course of business and not cancelled or otherwise terminated.

“Policyholder” means a Person identified in the records of SIAMCO, SIC, and/or any other Sentry Member Company as the owner of one or more Policies issued by such company.

“Public Hearing” means the public hearing conducted by the Wisconsin Commissioner or a hearing examiner designated by the Wisconsin Commissioner and regarding the Plan, pursuant to the provisions of Section 644.07(6) of the Wisconsin Insurance Code.

“Record Date” means the date established by the Board to determine which SIAMCO Members will be eligible to vote for approval of the Plan.

“Resolution Date” means [DATE], the date the Board passed the resolution to the effect that the final form of the Plan and the transactions contemplated thereby are fair and equitable to SIAMCO Policyholders and expected to benefit SIAMCO Policyholders, and are approved by the Board.

“Rights in Surplus” means any rights of a Member arising under the Current SIAMCO Articles or Chapter 611 of the Wisconsin Insurance Code to a return of the surplus in respect of Policies of SIAMCO that may exist with regard to the surplus not apportioned or declared by the Board as divisible surplus, including rights of Members to a distribution of such surplus in dissolution or conversion proceedings under Chapter 611 of the Wisconsin Insurance Code. On and after the Effective Date, “Rights in Surplus” means any rights of a Member of SMHC arising under its articles of incorporation or Chapter 644 of the Wisconsin Insurance Code to the net worth of SMHC, including rights of Members of SMHC to a distribution of any portion of the net worth of SMHC in dissolution or conversion proceedings under Chapter 644 of the

Wisconsin Insurance Code. “Rights in Surplus” shall not include any right to divisible surplus expressly conferred solely by the terms of an insurance policy.

“Voting Rights” means the voting rights of a Member arising under the Wisconsin Insurance Code and the articles of incorporation and bylaws of SIAMCO, including the right to vote for the Board and the right to vote on any plan of conversion, voluntary dissolution or amendment of the articles of incorporation. On and after the Effective Date, “Voting Rights” means the voting rights of a Member arising under the Wisconsin Insurance Code and the articles of incorporation and bylaws of SMHC, including the right to vote for the Board of Directors of SMHC and the right to vote on any plan of conversion, voluntary dissolution or amendment of the articles of incorporation. “Voting Rights” does not include any Rights in Surplus, if any. Note that the term “Voting Rights” as used herein is equivalent to the defined term “Membership Interests” as defined in Chapter 644 of the Wisconsin Insurance Code.

“Wisconsin Insurance Code” means the insurance laws of the State of Wisconsin, codified in Chapters 600 to 655 of the Wisconsin Statutes, and all applicable regulations.

**Exhibit A**

**MUTUAL HOLDING COMPANY PLAN**

**Of**

**SENTRY INSURANCE A MUTUAL COMPANY**

**Under Chapter 644 of the**

**Wisconsin Insurance Code**

**Dated [ \_\_\_\_ ], 20[]**

**Exhibit B**

**ADOPTING RESOLUTIONS**

**Exhibit C**

**SECOND AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
SENTRY INSURANCE COMPANY**



**Exhibit D**

**AMENDED AND RESTATED  
BYLAWS  
OF  
SENTRY INSURANCE COMPANY**

**Exhibit E**

**ARTICLES OF INCORPORATION  
OF  
SENTRY MUTUAL HOLDING COMPANY**

**Exhibit F**

**BYLAWS  
OF  
SENTRY MUTUAL HOLDING COMPANY**

**Exhibit G**

**ARTICLES OF INCORPORATION  
OF  
SENTRY HOLDINGS, INC.**

**Exhibit H**

**BYLAWS  
OF  
SENTRY HOLDINGS, INC.**

**Exhibit I**

**DIRECTORS AND OFFICERS  
OF  
SENTRY MUTUAL HOLDING COMPANY,  
SENTRY HOLDINGS, INC., AND  
SENTRY INSURANCE COMPANY**