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INSURANCE EVALUATION  
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**FORM A**  
**STATEMENT REGARDING THE**  
**ACQUISITION OF CONTROL OF MICHIGAN MILLERS MUTUAL INSURANCE**  
**COMPANY**

**BY**  
**WESTERN NATIONAL MUTUAL INSURANCE COMPANY (Applicant)**

**Filed with the Michigan Department of Insurance and Financial Services**

**Dated: December 19, 2014**

**Individual to whom notices and  
Correspondence concerning this  
Statement should be addressed:**

**Jon Hebeisen  
Vice President, General Counsel  
Western National Mutual Insurance Company  
5350 W. 78<sup>th</sup> St.  
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## ATTACHMENTS

### 1. Agreements

1.1 Affiliation Agreement

1.2 Western National Board Resolution

### 2. Biographical Affidavits – Western National Directors

2.1	Kathleen M. Cooney	Director
2.2	Stuart C. Henderson	Vice Chairman and Director
2.3	John G. Kapanke	Director
2.4	Stephen J. McFarland	Chairman and Director
2.5	Richard T. Murphy, Jr.	Director
2.6	Kaye R. O'Leary	Director
2.7	Michael J. Pesch	Director
2.8	Robert R. Ditmore	Director

### 3. Biographical Affidavits – Western National Officers

3.1	Stuart C Henderson	President and CEO
3.2	Peter H. Corning	Chief Financial Officer and Treasurer
3.3	Michael R. Braun	Senior Vice President
3.4	Richard E. Long	Senior Vice President
3.5	Richard B. Kalina	Senior Vice President
3.6	Jeffrey J Couchman	Senior Vice President
3.7	Jon R. Hebeisen	General Counsel and Secretary

### 4. 4.1 Organizational chart

### 5. Biographical Affidavits – proposed newly formed board of Michigan Millers Mutual Insurance Company

5.1	Stuart C. Henderson	Chairman, Director and CEO
5.2	Peter H Corning	Director
5.3	Richard B. Kalina	Director
5.4	Richard E. Long	Director
5.5	Larry McFarland	Director

- 6. 6.1 Financial Pro Forma
- 7. Audited Financial Statements of Western National
  - 7.1 Audited Financial Statements of Western National – 2009
  - 7.2 Audited Financial Statements of Western National – 2010
  - 7.3 Audited Financial Statements of Western National – 2011
  - 7.4 Audited Financial Statements of Western National – 2012
  - 7.5 Audited Financial Statements of Western National – 2013

## **ITEM 1. INSURER AND METHOD OF ACQUISITION**

This application relates to the following domestic insurer:

Michigan Millers Mutual Insurance Company  
2425 East Grand River  
Lansing, MI 48912

This filing constitutes Western National Mutual Insurance Company's (Western National) request that the Michigan Department of Insurance and Financial Services (DIFS) approve the affiliation with Michigan Millers Mutual Insurance Company (MMMIC) as described herein, and as described generally in the agreement attached hereto as Attachment 1.1 (the "Affiliation Agreement"). Under the terms of the Affiliation Agreement, Western National designated directors will control the new board upon closing. A copy of the Resolution of the Board of Directors of Western National authorizing this transaction is attached hereto as Attachment 1.2.

## **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

(a) Applicant is:  
Western National Mutual Insurance Company  
5350 West 78<sup>th</sup> St.  
Edina Minnesota 55439

(b) Western National is a mutual property and casualty insurance company organized and existing under the laws of the state of Minnesota and has been in existence since 1915. Western National Insurance Group consists of seven separate Property and Casualty insurance companies: Western National Mutual Insurance Company, Western National Assurance Company, Pioneer Specialty Insurance Company, Western Home Insurance Company, Arizona Automobile Insurance Company, American Freedom Insurance Company, and Umialik Insurance Company. Western National Mutual is headquartered in Edina, Minnesota and is licensed to write property and casualty insurance in Minnesota, North Dakota, South Dakota, Iowa, Wisconsin, Nebraska and Kansas. The majority of its premium writings are in Minnesota, South Dakota, Iowa and Wisconsin. Western National Mutual is also licensed to write surety in 27 states

Western National Assurance Company is domiciled in the state of Minnesota, with an operations office in Seattle, Washington. Western National Assurance writes property and casualty insurance primarily in Washington and Oregon (although it is licensed to do business in 16 states).

Pioneer Specialty Insurance Company is domiciled in the state of Minnesota, and writes property and casualty insurance. It is licensed in 16 states, and the majority of its premium writings are in Minnesota, Wisconsin and Washington.

Western Home Insurance Company is domiciled in the state of Minnesota, and currently is writing auto insurance business in the State of California.

Arizona Automobile Insurance Company is domiciled in the state of Arizona and currently writes automobile insurance in Arizona and Colorado.

Umialik Insurance Company is domiciled in the state of Alaska, with offices in Anchorage, Alaska. It writes property and casualty insurance in the states of Alaska and Washington.

American Freedom Insurance Company is domiciled in the state of Illinois and writes automobile insurance. Is it licensed in Illinois, Indiana, and Pennsylvania and currently writes premiums in each of those states.

MMMIC will continue marketing its products through its existing independent agencies in the states of Michigan and New York. Western National will look to obtain cost savings in the management of the MMMIC business. Western National's plans for MMMIC are more fully described in Item 5.

(c) An organizational chart of the Western National companies is attached as Attachment 4.1.

No court proceedings involving a reorganization or liquidation are pending with respect to any of the entities.

### **ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

(a) Western National is a mutual insurance company and, in accordance with applicable Minnesota law, has policyholder members who own the company and are entitled to vote. Except as to the ownership and voting rights associated with policies, the company does not issue voting securities.

The names and business addresses of the directors and executive officers of Western National are as follows:

<u>Name</u>	<u>Position with Western National</u>
Kathleen Cooney	Director
Stuart C. Henderson	Vice Chairman, President, Chief Executive Officer
John G. Kapanke	Director
Stephen J. McFarland	Chairman
Richard T. Murphy, Jr.	Director
Kaye O'Leary	Director
Michael Pesch	Director
Robert R. Ditmore	Director
Peter H. Corning	Chief Financial Officer and Treasurer
Michael R. Braun	Senior Vice President
Richard E. Long	Senior Vice President

Richard B. Kalina  
Jeffrey J Couchman  
Jon R. Hebeisen

Senior Vice President  
Senior Vice President  
General Counsel and Secretary

The business address of all persons listed above is 5350 West 78<sup>th</sup> Street, Edina MN 55439.

(b) Copies of biographical affidavits on these individuals are attached hereto as Attachments 2.1 through 2.8 and Attachments 3.1 through 3.7. These affidavits set forth the principal occupation of each officer and director, and all material occupations, positions and offices of employment held by the officers and directors during the past twenty years. These affidavits also contain information indicating that: (1) no occupation, position, office or employment of an officer or director has required licensing by or registration with any federal, state or municipal governmental agency nor has there been any surrender, revocation, suspension or disciplinary proceedings in connection therewith; and (2) no director or officer has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten (10) years. Section 249a fingerprint cards for these individuals are being submitted on Western National's behalf.

#### **ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

(a) No cash, securities or other property is to be transferred in connection with the Affiliation Agreement

(b) There is no consideration being exchanged at the closing. To the extent that consideration is exchanged for the reinsurance and management and expense agreements, the nature and amounts to be paid by the parties pursuant to those agreements was determined by arms-length negotiations between Western National and MMMIC. All parties were represented by legal counsel and had the benefit of the advice of accounting, actuarial, financial and insurance regulatory advisors of their choice in connection with such negotiations.

#### **ITEM 5. FUTURE PLANS OF INSURER**

Western National does not have any plan or proposal to declare an extraordinary dividend, to liquidate, sell the assets of, merge or consolidate, or make any other material change in the business operations, corporate structure or management of MMMIC, except for the following:

1. As described under Item 1, changes to the Board will occur upon closing of this transaction, and following regulatory approval. In the future and prior to the 2015 Annual Meeting of policyholders, MMMIC is expected to propose to its policyholders an amendment to the Articles of Incorporation which would eliminate the requirement that a majority of the Directors must be residents of the State of Michigan. The vote of the policyholders to amend the Articles may be before or after the closing of the transactions described herein, depending on the timing of the approval of this Form A.
2. Stuart C. Henderson will become CEO of MMMIC. All current officers of MMMIC will remain as follows: Biographical affidavits and Section 249a fingerprint cards have previously been filed for each of these individuals.

Thomas A. Lindell	President
Russell S. Clark	Vice President
Michael J Dake	Vice President.
William K. Jamnik	Vice President
Maria J. Jasinski	Vice President
E. Dane Pickard	Vice President
James A. Pratt	Secretary, Treasurer and CFO
John E. Parsons	Controller

3. MMMIC's operations in Michigan will continue post-affiliation. Western National is an experienced writer of commercial property and casualty insurance, and may expand or supplement MMMIC's commercial lines products currently offered by MMMIC in Michigan. Western National also intends to support MMMIC's plans to grow its specialty lines business in the states where MMMIC is authorized to write such business, starting with New York. Western National will balance MMMIC's surplus needs against the pace of MMMIC's growth in these other lines of business. Western National plans to continue MMMIC's existing plans to exit the personal lines of business and grow commercial lines through independent agents, with current staff. At the closing, Western National will enter into a reinsurance agreement with MMMIC and provide an adverse development cap, the terms of which are sufficient so as to obtain at least an "A-" rating from A.M. Best for MMMIC. Based on our discussions with A.M. Best, we anticipate reinsuring the personal lines book of business and providing an adverse development cap in the amount of \$10 million. Western National will, under an agreed management contract, improve operations through joint efforts in reinsurance placement and design, and investment management. The form of the proposed management and expense agreement is attached to the Affiliation Agreement being filed with this Form A. As to reinsurance for MMMIC's business, we note that MMMIC renewal is not until May 1, 2015. While terms are dependent on market conditions at renewal, Western National and MMMIC have very similar reinsurers and we intend to combine programs, using a common broker, to achieve a reduced retention and comparable or better coverage and terms. Western National will also provide MMMIC with access to Human Resources, actuarial, legal, underwriting, and claim resources, all while maintaining the local presence of the Home office and existing staff in Michigan. Pro Formas for the next five years are attached as Attachment 7.1.

4. Western National intends to evaluate MMMIC's employment needs following the affiliation and anticipates that there will be layoffs related to the exiting of the personal lines market.

5. Short term, the books and records of MMMIC will continue to be kept in the Michigan office. Longer term, at such time as books and records of MMMIC are automated, they will continue to be available electronically at the Michigan office, in compliance with the books and records requirement of Section 5256.

## **ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

MMMIC is a mutual insurance company owned by its policyholders. Western National will not acquire any voting securities in MMMIC.



**ITEM 7. OWNERSHIP OF VOTING SECURITIES**

Neither Western National, its affiliates, nor any person listed in Item 3, beneficially owns or has a right to acquire beneficial ownership in any voting security of MMMIC.

**ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OR THE INSURER**

There are no contracts, arrangements or understandings with respect to any voting security of MMMIC in which Western National, its affiliates, or any person listed in Item 3 is involved.

**ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

Neither Western National, its affiliates or any person listed in Item 3, has purchased any voting security of MMMIC during the 12 calendar months preceding the filing of this statement.

**ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

Neither Western National, its affiliates, nor any person listed in Item 3, nor any other person based upon interviews or at the suggestion of any of the foregoing has made any recommendations to purchase any voting security of MMMIC during the 12 calendar months preceding the filing of this statement.

**ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

Western National has not entered into any agreement, contract or other understanding with any broker-dealer as to solicitation of voting securities of MMMIC for tender to Western National.

**ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

(a) Audited financial statements of Western National Mutual Insurance Company from 2009 through 2013 are attached as Attachments 7.1 through 7.5.

(b) See (a) above.

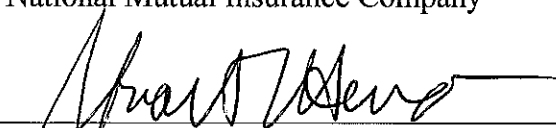
(c) There are no tender offers for, requests or invitations for, tenders of, exchange offers for, or agreements to acquire or exchange any voting securities of MMMIC.

**ITEM 13. SIGNATURE AND CERTIFICATION**

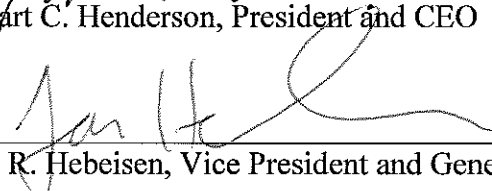
Western National Mutual Insurance Company has caused this application to be duly signed on its behalf in the city of Edina and state of Minnesota on the 19th day of December, 2014.

Western National Mutual Insurance Company

By:

  
Stuart C. Henderson, President and CEO

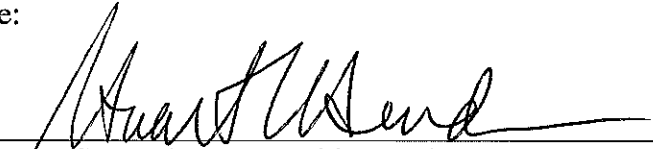
Attest:

  
Jon R. Hebeisen, Vice President and General Counsel

Certification

The undersigned deposes and says that the undersigned has duly executed the attached application dated December 19, 2014, for and on behalf of Western National Mutual Insurance Company; that the undersigned is the President and CEO of such company, and that the undersigned is authorized to execute and file such instrument. Deponent further says that the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the undersigned's knowledge, information, and belief.

Signature:

  
Stuart C. Henderson, President and CEO