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May 23, 2017

VIA FEDEX AND EMAIL

Sarah U. Crittenden, Esq.
Attorney, Legal Division
Office of Insurance and Fire Safety Commissioner
State of Georgia
2 Martin Luther King, Jr. Drive SE
West Tower, Room 620
Atlanta, GA 30334
Email: scrittenden@oci.ga.gov

Re: Case No.: 11018870, Reorganization Plan for MAG Mutual Insurance Company

Dear Ms. Crittenden:

This letter responds in part to your letter dated May 4, 2017 to Joe Cregan, Executive Vice President and Chief Legal Officer of MAG Mutual Insurance Company (the "Company") regarding certain additional information requests of the Georgia Insurance Department (the "Department") in connection with the proposed reorganization plan for the Company. The paragraphs numbered below correspond to the numbering of the paragraphs in your letter.

2.

- b. Enclosed is the strategic business plan of MMHC (Item h in the Department's letter dated April 26, 2017 to Joe Cregan, Executive Vice President and Chief Legal Officer of the Company).
- d. The Company does not anticipate an immediate need for entering into any intercompany services or cost sharing agreements between the Company and MAG Mutual Holding Company or MAG Mutual Intermediate Holding Company as it is contemplated that those two companies will not render any services to, or receive any services from, the Company until late in the third quarter or early in the fourth quarter of 2017 at which time the Company would file with the Georgia Insurance Department any new cost sharing agreement to which MAG Mutual Holding Company and MAG Mutual Intermediate Holding Company may become a party with the Company. Similarly the Company will likely amend its existing tax allocation agreement, which has been filed with the Georgia Insurance Department, to add MAG Mutual Holding Company and MAG Mutual

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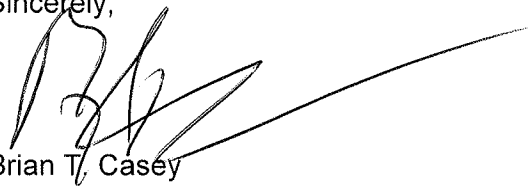
Ms. Sarah Crittenden
Staff Attorney, Legal Division
Office of Insurance and Fire Safety Commissioner
State of Georgia
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Intermediate Holding Company as parties thereto, again likely late in the third quarter or early in the fourth quarter of 2017, and the Company will file such amended tax allocation agreement with the Georgia Insurance Department at that time.

- e. We provided you with the original executed affidavit of Naveed Anwar on Friday, May 5, 2017, which we understand you have received.

Please let me know if you have any questions regarding any of the above responses or enclosures herewith.

Sincerely,



Brian T. Casey
For the firm

BTC:mm

Enclosures

cc: Joe Cregan, Executive Vice President and Chief Legal Officer, MAG Mutual Insurance Company



May 22, 2017

MHC Strategic Plan

As a newly created mutual holding company, MAG Mutual Holding Company will conduct no business operations, other than those associated with its role as the sole shareholder of MAG Mutual Intermediate Holding Company. MAG Mutual Intermediate Holding Company will conduct no business operations, other than those associated with its role as the sole shareholder of converted MMIC. Accordingly, the strategic plan for the MHC and the IHC is essentially to support the business activities of converted MMIC and each of MMIC'S subsidiaries. However, the strategic benefits for converted MMIC becoming part of an MHC structure are focused on the areas outlined below.

Improving capital flexibility

Strategic action point: Study all improvements that MagMutual can make to our capital position and implement such enhancements.

Rationale:

In the absence of an MHC structure, all capital resides in MMIC. Any deployment initiatives of this capital would impact the insurance company's balance sheet. The financial impact to the balance sheet is, understandably, guided by insurance specific accounting rules that place policyholders' interest ahead of the owners. There are also possible negative rating agency responses to consider. Therefore, the deployment of capital directly on policyholders' behalf is more difficult in the current structure.

Capital exceeding what we may decide is necessary to run the insurance company could be better deployed for the benefit of policyholders in initiatives¹ within the MHC structure.

Raising more capital

Strategic action point: Develop a contingent capital raising plan at various levels of capital need.

Rationale:

Mutual insurance companies can only grow their capital in two ways: profit from their operations or the issuance of debt, typically through surplus notes. The MHC structure puts the Company at a much more advantageous position of being permitted to issue equity to attract new capital. However, if equity rights were granted, the law requires the MHC, which is owned by the policyholders to always own the majority interest.

Operational effectiveness

Strategic action point: Study and recommend which services and investments should transpire as a result of the MHC.

Rationale:

Another important benefit of conversion to MHC is to centralize shared back office costs for functions such as finance, IT, human capital, investment management and legal within the MHC and allocate them all appropriately to the subsidiaries based on utilization of those services. Currently all costs, including costs incurred by subsidiaries, roll up to MMIC and accordingly, our Company's expense ratio is inflated thereby.

Similarly, any investment spending, such as systems implementation, would be incurred by MHC and charged to the subsidiaries upon commencement of utilization of new systems. This also prevents the expense ratio of the insurance subsidiaries from being inflated by investment initiatives that ultimately will benefit the operations in the future, or which are for the benefit of more than one entity.

Risk management

Strategic action point: Study and recommend the best way forward for forming and using our captive.

Rationale:

Given that MMIC is very healthily capitalized, it could probably afford to retain more of this risk and, correspondingly buy less reinsurance coverage. By having an MHC structure, a new captive reinsurance subsidiary can be set up underneath the MHC which would have the role of reinsuring part of the risk that is currently ceded to unaffiliated reinsurers.

Growth through Merger and Acquisition Activity

Strategic action point:

Rationale:

In the MHC structure, the intermediary stock company would be able to issue stock as part consideration for acquiring a company and bringing it in as a subsidiary.

Additionally, upon acquisition, all acquired policyholders currently would fold into MMIC and receive ownership rights, thus potentially diluting those of current MMIC policyholders. Depending on the circumstances, within the MHC, we would have the ability to keep those acquired company's policyholders in a downstream stock company, not make them mutual owners, and not dilute current ownership values.

What are the specific roles & duties of each organization in the new structure?

MagMutual Insurance Company (MMIC), converted to a Stock Company

The MMIC board's roles and responsibilities remain largely unchanged. Its primary duty remains that of overseeing all the strategy and activities of the insurance company, ensuring that the Company's 4 precepts are upheld and that operationally the company functions at the highest level possible. The committee structures that are currently in place will remain, and the functions that they perform will continue. MagMutual Insurance Company remains, by far, the most important function within the MHC structure, and its governance and operations will not be materially altered by this change reorganization plan.