

Frequently Asked Questions

Amalgamation of The Kings Mutual Insurance Company with Heartland Farm Mutual Inc.

1. Why are you amalgamating?

To create a stronger and more efficient company to invest and grow well into the future.

Kings' growing expense ratio is limiting its ability to invest in our operations. Information technology, reinsurance and operating expenses are growing faster than our ability to grow gross written premiums.

2. What is an amalgamation?

The joining together of two mutual insurance companies which forms a new company. It is different from an acquisition where one company buys another and continues as the same company.

The transaction is completed through the execution of an amalgamation agreement under the Insurance Companies Act (Canada). The amalgamation requires approval of federal regulators and must have the support of two-thirds of eligible policyholders in separate votes at Heartland Farm Mutual Incorporated and The Kings Mutual Insurance Company. Eligible policyholders are defined as those present at the Special General Meeting in person or by proxy.

On the effective date of the amalgamation, all assets and liabilities of both companies will become the assets and liabilities of the amalgamated company, and all employees will become employees of the new company on the same terms as their previous employment. All policyholders will become mutual policyholders of the new company.

3. Heartland is much larger than Kings. Is this a takeover?

The companies are different sizes but they are both small by insurance industry standards. This is an amalgamation of two profitable companies forming a new larger and stronger company.

4. What will happen to the two entities and their policyholders?

The two companies become one. Policies remain in force and you will communicate with the same broker or agent.

5. What are the benefits for Kings Policyholders and brokers?

The business plan for the amalgamated company offers:

- ✓ Access to automobile insurance and multi-policy discounts
- ✓ Improved customer experience with digital access to policy information (eventually)
- ✓ Geographical spread of risk
- ✓ Greater economies of scale while keeping a local and meaningful presence
- ✓ Improved internal efficiencies that further shifts the focus to improved service for stakeholders

6. What is the proposed structure of the new company?

Heartland and Kings will amalgamate to form a new mutual insurance company.

Louis Durocher, President & CEO of Heartland will be the President & CEO of the new company.

A COO & VP Maritime Region position will be created with that role reporting directly to the President & CEO of the Company. That individual must reside in the Maritime Provinces.

The Board of Directors will be comprised of 10 directors

- 1 = Current President & CEO of Heartland
- 6 = Current Directors of Heartland
- 3 = Current Directors of Kings Mutual Insurance

Above composition is based on the existing surplus of both companies prior to the amalgamation.

7. What will be the name of the new company?

The amalgamated company name will be Heartland Farm Mutual Incorporated.

Kings Mutual operating name will continue as a division of Heartland Farm Mutual Inc for at least three years.

The Amalgamated Board of Directors will reassess the use of the Kings Mutual Operating name at that time.

8. Where will the Head Office of the new company be located?

The existing Head Office of Heartland Farm Mutual Inc. located in Waterloo, Ontario will continue as the Head Office for the new company.

The existing Kings Mutual Head Office operations will shift to a division of Heartland with local teams of IT, Finance, Underwriting, Loss Prevention, Claims and Direct Sales.

9. How will brokers be impacted?

Brokers will continue to receive the excellent local service and support they receive currently.

All broker and agent relationships are expected to continue and grow into the future.

10. How will employees of The Kings Mutual Insurance Company be impacted?

No major changes are planned with operations primarily continuing as they have in the past.

Operations will continue to grow through leveraging the experience of existing team members.

11. What Changes to Rates, Underwriting Guidelines and Product Offerings are expected?

There are no plans to change rates, underwriting guidelines and products at this point.

Any future changes will be well communicated ahead of time.

Some changes are anticipated when the Company implements Guidewire Technology targeted for year 2023.

12. Will the Amalgamated Company continue to offer Rebates on Policies?

The Amalgamated Company's Board of Directors will consider the payment of policyholder rebates annually.

13. Will the new company continue to provide donations and sponsorships in the communities we serve?

Both Heartland and Kings have a long history of giving back to the communities they serve. Most recently, both companies donated very generously to food banks and healthcare programs in support of COVID-19.

These types of contributions will continue long into the future and are a pillar of our mutual insurance community.