



FREQUENTLY ASKED QUESTIONS

Below are brief answers to frequently asked questions about the proposed Plan of Merger of ClearPath Mutual Insurance Company (“ClearPath Mutual”) with and into Harford Mutual Insurance Group (“Harford Mutual”). You should carefully review the more detailed discussion about the proposed Plan of Merger that follows in the Member Information Statement, which qualifies all the information presented in these answers.

1. What is the transaction that is being proposed?

ClearPath Mutual and Harford Mutual have agreed to a re-domestication of ClearPath Mutual from Kentucky to Maryland, the reorganization of ClearPath Mutual to a mutual insurance holding company system, and the merger of ClearPath MHC with and into Harford Mutual with Harford Mutual continuing as the surviving company (the “Merger”), subject to member approval, and any required regulatory approval.

2. Why did ClearPath Mutual agree to the reorganization and merger with Harford Mutual?

ClearPath Mutual’s interest in merging with Harford Mutual was based on several factors, including among others, the following:

- ClearPath Mutual will be able to significantly lower the risks associated with executing on its existing strategic plan of territorial and commercial lines expansion.
- ClearPath Mutual will be able to substantially expand its Kentucky footprint, commitment to the state, and growth of the Louisville office, serving as Harford Mutual’s Midwest Regional Branch.
- ClearPath Mutual will be able to utilize the multiple insurance carrier writing companies already existing within Harford Mutual – Harford Mutual Insurance, Firstline Insurance, and 1842 Insurance to offer additional products and pricing flexibility to their policyholders and agency partners.
- ClearPath Mutual will be able to dramatically increase the speed to market for product enhancements and technology implementation by leveraging the capabilities of Harford Mutual while achieving economies of scale.
- Over time, ClearPath Mutual’s management will participate in management of the combined commercial lines for the merged organization, thus increasing the scale of the business and realizing advantages to be derived from such increased size.
- Over time, the proposed combination will increase the range of opportunities for ClearPath Mutual’s employees.

- Over time, there will be opportunities to lower expense ratios through thoughtful and judicious strategic and operational planning, as well as efficiencies gained through the combined entity.

3. Why does Harford Mutual want to bring ClearPath Mutual into its organization?

Harford Mutual's interest in merging with ClearPath Mutual was based on several factors including among others, the following:

- Harford Mutual will gain monoline workers' compensation expertise with top leadership, knowledge, and experience.
- Harford Mutual will gain access to an established independent agent distribution channel for monoline workers' compensation in geographic regions distinct from what currently exists for Harford Mutual.
- Harford Mutual will expand its geographic scope of operations into Midwest states, thereby diversifying its associated weather and other risks and enhancing its opportunities for growth.
- Over time, Harford Mutual may be able to reduce expense ratios of the combined enterprise through combined business functions and other economies of scale.

4. Do any of ClearPath Mutual's or Harford Mutual's directors or officers have interests in the Merger that may differ from or be in addition to the interests of the members?

Yes. Certain officers and directors of ClearPath Mutual have personal interests in the Merger that are or may be, different from, or in addition to, the interests of ClearPath Mutual generally, including, but not limited to, the continued employment of certain officers of ClearPath Mutual with the potential for increased benefits in the future. The Board of Directors of ClearPath Mutual was aware of and considered these interests, among other matters, in evaluation and negotiating the Plan of Merger, and in recommending the Merger be approved by the ClearPath Mutual Members.

5. Is the Merger expected to be taxable to the members?

No. The Merger is expected to qualify as a tax-free reorganization.

6. When is the Merger expected to be completed?

The Merger is expected to close in the second or third quarter of 2023.

7. Are there any regulatory approvals that must be obtained?

Yes. To complete the Merger, ClearPath Mutual will need to engage in the transactional steps noted below. Each of these transactions require regulatory approval in whole or in part by the Maryland Insurance Administration (MIA), Kentucky Department of Insurance (KYDOI) and/or the Maryland Department of Assessment and Taxation (SDAT).

- **Step 1** – ClearPath Mutual will re-domesticate its state of domicile to Maryland from Kentucky and become a Maryland mutual insurance company.
- **Step 2** – ClearPath Mutual will convert from a mutual insurance company to a mutual insurance holding company-owned stock insurance company, with the mutual insurance holding company being named ClearPath Mutual Group, Inc., (“ClearPath MHC”) and the reorganized stock insurer being named ClearPath Insurance Company (“Converted ClearPath Mutual”) (collectively referred to herein as “MHC Conversion”).
- **Step 3** – ClearPath MHC will then merge with and into Harford Mutual Insurance Group, with Harford Mutual continuing as the surviving organization. ClearPath MHC’s separate existence will cease and Converted ClearPath Mutual will become a wholly-owned subsidiary of Harford Mutual. Immediately following the closing of the Merger, Harford Mutual will contribute 100% of the stock of Converted ClearPath Mutual to Harford Holdings, Inc., and Converted ClearPath Mutual will be a direct subsidiary of Harford Holdings, Inc.
- The Merger may not be consummated until notification has been given and certain information furnished under the federal Hart-Scott Rodino Act (HSR), and specific waiting period requirements have been satisfied. The required notices and information have been filed and early termination of the waiting period under the HSR Act has been granted. The re-domestication must be approved by the Maryland Insurance Administration and the Kentucky Department of Insurance; and the MHC Conversion and Merger must be approved by the Maryland Insurance Administration.

8. Are there any potential disadvantages or risks associated with the Merger?

There are potential disadvantages and risks associated with the Merger including, without limitation, the challenges of combining two companies, the uncertainty of retaining key employees and marketing relationships, the costs and distractions of completing the Merger, and the possibility that the anticipated benefits of the Merger may not materialize.

9. Did ClearPath Mutual’s Board consider any alternatives to the Merger?

The ClearPath Board spent significant time considering, but ultimately rejected several alternatives to the proposed Merger, including remaining independent. The ClearPath Board determined not to pursue any of these alternatives and that the Merger was the best option to achieve its strategic goals and for the benefit of its policyholders. The ClearPath Board of Directors strongly believe in the benefits of mutuality and in enhancing the overall strength and stability of ClearPath Mutual by ensuring its long-term financial success and stability through its Merger with Harford Mutual.

10. How will the Merger affect the financial strength of the companies?

ClearPath Mutual’s AM Best rating is currently “A-” Excellent with a Stable Outlook. With the Merger, it will benefit from Harford Mutual’s financial strength rating of “A” Excellent with a Stable Outlook.

11. Will the Merger result in the relocation of any company headquarters?

No. The ClearPath Mutual headquarters are not expected to be closed or relocated as a result of the Merger. Harford Mutual intends to utilize and expand the current headquarters as the Group's Midwest Regional Branch. Harford Mutual Insurance Group headquarters will remain in Bel Air, MD.

12. What will happen to the ClearPath Mutual brand?

Converted ClearPath Mutual will continue offering products and services under its existing brand and company identity after the Merger.

13. Will there be any significant management changes as a result of the Merger?

No. It is anticipated that the individuals who are serving as officers of ClearPath Mutual before the Merger will continue to service in such capacities after the Merger.

14. How will the Merger affect policyholders' surplus?

The policyholders' surplus of the Converted ClearPath Mutual shall remain on, at the same level, and within Converted ClearPath Mutual's financial statements and balance sheet pursuant to appropriate statutory accounting principles.

15. How will the Merger affect the members' rights in surplus?

All members will have such rights in the surplus of Harford Mutual and Converted ClearPath Mutual in the event of dissolution, liquidation, or demutualization as are provided under applicable law, applied to all members on a consistent basis.

16. Is there any current plan to liquidate or demutualize Harford Mutual or to sell any of the Harford Member Companies?

No. There is no such current plan. It is anticipated that Harford Mutual and its subsidiaries will be managed and operated as a combined enterprise for the foreseeable future.

17. Will there be any changes to the rights and benefits of policyholders under insurance policies issued by ClearPath Mutual or any of the Harford Member Companies?

No. The Merger will not result in any changes to outstanding insurance policies.

18. What is a mutual insurance holding company?

A mutual insurance holding company ("MHC") is a legal entity organized under state law to serve as the corporate parent (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 appear in the laws of various states as a means for a mutual insurance company to address certain disadvantages of the mutual insurance company organizational form. Among the disadvantages with the current mutual insurance company form are inherent limitations on the nature of the investments and structuring of acquisitions and the complexity integrating those acquisitions into the mutual's operations. The current mutual insurance company organization also limits the

methods of financing both on-going operations and any acquisitions. By converting and then merging into to a mutual holding company, ClearPath Mutual will obtain the flexibilities of a stock company, while still preserving policyholder ownership and control of the enterprise.

Maryland-domiciled mutual insurers have the opportunity to convert to MHCs as a result of legislation that became effective in June 2000. After the MHC Conversion, the new MHC will still be a mutual organization, operated for the benefit of its members, but ClearPath Mutual, which is currently structured as a Kentucky domestic mutual insurance company, will first redomesticate and become a Maryland domestic mutual insurance company and then reorganize to a Maryland incorporated stock insurer subsidiary of a MHC. Numerous other property and casualty mutual insurance companies in other states have converted and are operating under the mutual holding company structure, some for decades.

19. What are my current rights as a policyholder of ClearPath Mutual and how would the proposed MHC Conversion and Plan of Merger affect those rights?

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

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

Membership Rights: On the effective date of the MHC Conversion, you will cease being a member of ClearPath Mutual and you will instead become a member of ClearPath MHC., the new mutual insurance holding company. On the effective date of the Merger, ClearPath MHC. will merge with and into Harford Mutual and Converted ClearPath Mutual will become an indirect subsidiary of Harford Mutual. You will receive rights in the surviving corporation, Harford Mutual, a mutual insurance holding company, which are comparable to the rights that you now have in ClearPath Mutual.

20. Is there an intention to issue stock following the Plan of Merger?

No. The Board of Directors of Harford Mutual does not have any plans to issue stock in any entity after the proposed Plan of Merger is completed. All of the stock of Converted ClearPath and Harford Member Companies will be and are held by Harford Mutual through an intermediate stock holding company.

21. Does ClearPath Mutual's Board of Directors have a recommendation for policyholders on voting?

After careful consideration and thorough deliberation, the ClearPath Mutual Board of Directors has approved the Plan of Merger and the transactions contemplated thereby. Accordingly, the ClearPath Mutual Board of Directors recommends that policyholders vote **FOR** the Plan of Merger at the Special Meeting.

22. Do I have to attend the Special Meeting to vote?

You have received a proxy package with instructions on how to vote and how to reach us regarding the election should you have questions. You may cast your proxy by mail, online, by telephone 1-800-652-VOTE (8683), or in person. Results will be announced at the Special Meeting and online at <https://www.harfordmutual.com/bettertogether/>.

23. How can I vote on the Plan of Merger?

ClearPath Mutual policyholders are being asked to vote on the Plan of Merger by completing a proxy online, by mail, by telephone 1-800-652-VOTE (8683), or in person at the Special Meeting to be held at 10:00 am (local time) on February 16, 2023 at the Company's offices located at 9960 Corporate Campus Drive, Suite 1400, Louisville, KY 40223.

Proxies must be received no later than 11:59 am on February 11, 2023, in order to be counted at the Special Meeting.

24. What should I do if I have other questions about the proposed Plan of Merger?

If your question is not answered in these Frequently Asked Questions, contact us at 502-894-8484.