



## FREQUENTLY ASKED QUESTIONS

Below are brief answers to frequently asked questions about the proposed Plan of Merger of Harford Mutual Insurance Group with ClearPath Mutual Insurance.

### 1. What is the transaction being proposed for Harford Mutual Insurance Group (Harford Mutual)?

Harford Mutual Insurance Group and ClearPath Mutual have agreed to a merger of Harford Mutual and ClearPath Mutual with Harford Mutual continuing as the controlling company, subject to member approval, and any required regulatory approval.

### 2. 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 pooled business functions and other economies of scale.

### 3. Why did ClearPath Mutual agree to merge 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 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.

#### **4. When is the merger expected to be completed?**

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

#### **5. Will the ClearPath policyholders become members of Harford Mutual Insurance Group after the merger?**

Yes, all ClearPath Mutual members will be extended membership to Harford Mutual, which allows them to move their business between other underwriting companies in the group while still retaining their membership rights.

#### **6. How will the inclusion of policyholders of ClearPath Mutual affect my voting rights?**

Your voting rights as a member of Harford Mutual generally consist of the right to cast one vote on any matter which is subject to a vote of the members. The merger would not change that.

#### **7. How will the inclusion of policyholders of ClearPath Mutual affect my rights in surplus?**

All members will have such rights in the surplus of Harford Mutual Insurance Group in the event of dissolution, liquidation, or demutualization (none of which are under consideration) as are provided under applicable law, applied to all members on a consistent basis.

#### **8. Will the proposed merger affect the terms of my insurance policy with Harford Mutual or its subsidiaries?**

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

#### **9. How will the Merger affect the financial strength of the Surviving Company?**

Harford Mutual's A.M. Best financial strength rating of "A" Excellent with a Stable Outlook will not change as a result of the merger and ClearPath Mutual's rating of "A- Excellent with a Stable Outlook will be modified to reflect Harford Mutual's rating once appropriate management and reinsurance agreements are in effect and approved by A.M. Best.

#### **10. Are there any potential disadvantages or risks associated with the Merger?**

There are potential disadvantages and risks associated with any 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 a merger, and the possibility that the anticipated benefits of this Merger may not materialize.

**11. Has Harford Mutual's Board of Directors approved the proposed merger with ClearPath Mutual and does it have a recommendation for policyholders on voting?**

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

**12. Will Harford Mutual be regulated differently if the merger is completed?**

Harford Mutual is currently regulated by the Commissioner of the Maryland Insurance Administration and that will not change after the merger with ClearPath Mutual.

**13. What will happen to the ClearPath name/brand, company headquarters and employees?**

There are no plans to close or move the ClearPath headquarters or transition any current employees. ClearPath Mutual will continue offering products and services under its existing brand and company identity after the Merger.

**14. Will the proposed merger result in any changes in the compensation of Harford Mutual's directors or officers?**

No. The proposed MHC Conversion will not result in any changes in the compensation of Harford Mutual's directors and officers.

**15. Will any Harford Mutual director or officer receive any stock or stock options under the merger?**

No. Harford Mutual's directors and officers will not receive any stock or stock options.

**16. What approvals are required before Harford Mutual can complete the proposed Plan of Merger?**

The Plan must be approved by the Commissioner for the Maryland Insurance Administration.

Additionally, the Plan must be approved by two-thirds (2/3) of Harford Mutual members as of the record date for the Special Meeting of Members who are present and voting in person or by proxy at the Special Meeting.

**17. Do I have to attend the Special Meeting to vote on the Plan?**

You have received a proxy package with instructions on how to vote and how to reach us regarding the merger should you have questions. You may cast your proxy by mail, online, or in person. Results will be announced at the Special Meeting and on February 22, 2023, at 8:30 am EST.

**18. When will the proposed Plan of Merger be completed, if all conditions are satisfied?**

Provided the Plan of Merger is approved by Harford Mutual's policyholders at the Special Meeting, it is expected that the Plan of Merger with and into Harford Mutual Insurance Group will be completed in the 2<sup>nd</sup>/3<sup>rd</sup> quarter of 2023.

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

Harford Mutual policyholders are being asked to vote on the Plan of Merger by completing a proxy online, by mail, or at a Special Meeting of the Members to be held at 8:30 am EST on February 22, 2023, using the Microsoft Teams platform. To participate in the meeting, you will need to pre-register and be verified as a current policyholder between now and 8:00 a.m. on the morning of the meeting. Send us an email at [Proxy@hm1842.com](mailto:Proxy@hm1842.com) or call 1-800-638-3669 to be verified and receive meeting access information.

Proxies must be received electronically or postmarked no later than 11:59 pm EST on February 17, 2023, in order to be counted 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, email us at [Proxy@hm1842.com](mailto:Proxy@hm1842.com) or call 1-800-638-3669.