

The Mutual Holding Company Decision:

Converting Structural Flexibility into Competitive Advantage

Purpose, performance, and the strategic case for Mutual Holding Company (MHC) conversion in a market defined by rising catastrophe losses, inflation-driven claims severity, and an accelerating technology gap.

The Performance Gap: Why Mutuals Cannot Stand Still

Mutual insurers represent roughly 40% of the US P&C market¹ and remain a cornerstone of regional and community-based coverage. Yet a persistent performance gap separates mutuals from their stock-company peers and the gap is widening.

Mutual vs. Stock Performance: 2024 and Five-Year Average

| Metric | Mutual 2024 | Stock 2024 | Mutual 5-Yr | Stock 5-Yr |
|------------------------------|-------------|------------|-------------|------------|
| Combined Ratio | 101.0 | 93.6 | 105.0 | 96.2 |
| Return on Average Equity | 6.2% | 22.4% | 1.7% | 12.8% |
| Capital & Surplus Growth | 9.7% | 5.9% | 5.9% | 11.0% |
| Net Yield on Invested Assets | 3.4% | 3.8% | 2.6% | 3.2% |
| NWP-to-Surplus Ratio | 0.87 | 0.82 | 0.79 | 0.77 |

Source: NAMIC, "The Mutual Factor" (2025)²

The headline numbers tell a clear story: a 740-basis-point combined ratio deficit, a 16-point ROE gap in 2024, and higher balance-sheet leverage despite lower profitability. Mutuals are working harder for less, and the structural constraints of the mutual model limit the available responses.

Mutuals have demonstrated resilience through past market cycles. But today's environment introduces a convergence of risks that the traditional mutual structure is not optimally equipped to absorb. Escalating losses from natural catastrophes and severe convective storms, persistent inflation driving up claims costs, mounting litigation expenses, and regulatory scrutiny aimed at limiting rate increases are collectively straining underwriting results. Together, these forces are testing the mutual model and compelling insurers to evaluate structural alternatives that can sustain long-term performance.

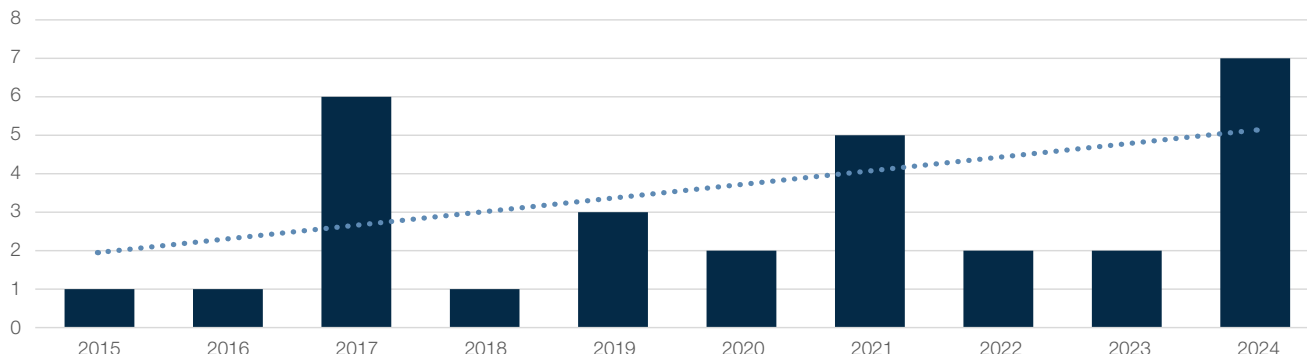
¹ Source: "Mutuals Move Closer to Underwriting Profitability," The Insurer, 2025.

² Source: "The Mutual Factor," NAMIC, 2025.

The Acceleration: Why MHC, Why Now

Mutual Holding Company (MHC) conversions have become increasingly common among P&C mutual insurers over the past decade. Since 2015, there have been at least 30 completed mutual-to-stock conversions tied to MHC formations among independent P&C insurers. In 2024, conversion activity reached a record high, with seven P&C mutuals converting to MHC structures.³

P&C Mutual to MHC Conversions (2015 - 2024)



Note: Table reflects select publicly reported conversions. At least 30 P&C mutual-to-MHC conversions have occurred from 2015 to 2024

According to S&P Global Market Intelligence, these companies are responding to pressures related to financial flexibility and reinsurance availability.⁴ The trend is expected to continue accelerating.

Recent transactions highlight how MHC structures are being used to expand strategic flexibility, access capital, and support transformation initiatives.

Selected recent P&C mutual-to-MHC conversions include:

| Company | HQ (State) | Conversion | Key Details |
|-----------------------|------------|------------|--|
| Central Insurance | OH | Jan 2025 | Formed Central Mutual Holding Company (CMHC); CEO cited need to “remain vigilant in the face of volatility while innovating for the future” ⁴ |
| West Bend Mutual | WI | Jan 2024 | Converted to West Bend Insurance Company under West Bend Mutual Holding Company; approved by 90%+ policyholder vote ⁵ |
| Hastings Mutual | MI | Apr 2024 | Restructured and renamed to Hastings Insurance Company; 130+ year-old regional carrier serving six Midwest states |
| Western Reserve Group | OH | Jan 2022 | Formed WRG Mutual Insurance Holding Company. CEO cited enhanced flexibility to diversify, modernize, and strengthen ⁶ |
| GuideOne Insurance | IA | Apr 2021 | MHC structure enabled 2024 deal with Bain Capital with \$200 million capital injection to launch The Mutual Group (see following section) ⁷ |
| SECURA Insurance | WI | Jan 2021 | Town mutual since 1900; converted to stock insurer within MHC structure; \$578 million surplus; subsequently issued \$125 million in surplus notes (as of 2024) ⁸ |

³ Source: “Prominent Life and Health Insurer to Revisit Possible Holdco Formation,” S&P Global Market Intelligence.

⁴ Source: Carrier Management, “Central Insurance Reorganizes into Mutual Holding Company Structure,” January 2025; S&P Global Market Intelligence.

⁵ Source: GMToday, “West Bend Insurance Company Announces Name Change and Company Conversion,” Jan 2024

⁶ Source: Western Reserve Group, “Western Reserve Group Reorganizes as Mutual Holding Company,” Jan 2022

⁷ Source: GuideOne, “Bain Capital Insurance Invests \$200M Into GuideOne Insurance Company to Launch Innovative New Platform Dedicated to Mutuals”, December 2023

⁸ Source: S&P CapIQ, SECURA Insurance Financial Information

This acceleration is driven by two reinforcing forces:



Defensive Necessity

Mutual insurers face mounting headwinds, including volatile catastrophe experience, escalating reinsurance costs, and rising loss-adjustment expenses. These pressures erode surplus and threaten long-term viability, particularly for mid-sized regional insurers with concentrated geographic exposures. Without access to external capital, the available levers—such as retained earnings, surplus notes, and selective reinsurance—may prove insufficient in a sustained hard market.



Strategic Ambition

At the same time, stock-based competitors are leveraging capital market access to invest aggressively in technology, talent, and inorganic growth. These investments are translating into lower combined ratios and faster product innovation. The MHC structure offers a pathway for mutuals to compete on these dimensions without abandoning their member-owned identity.

The MHC Structure: Preserving Mutuality, Enabling Flexibility

An MHC is a corporate structure that allows a mutual insurance company to reorganize while retaining its core mutual character. In this model, the original mutual insurer becomes a subsidiary of a newly formed MHC, owned by its policyholder-members. The MHC can then create one or more stock subsidiaries, including insurance companies and intermediate holding companies, which can issue shares to raise capital.

This structure preserves policyholder control at the top level while enabling access to equity markets through stock subsidiaries. The following diagram illustrates the transformation:

The following depicts a mutual insurance company before and after a MHC reorganization

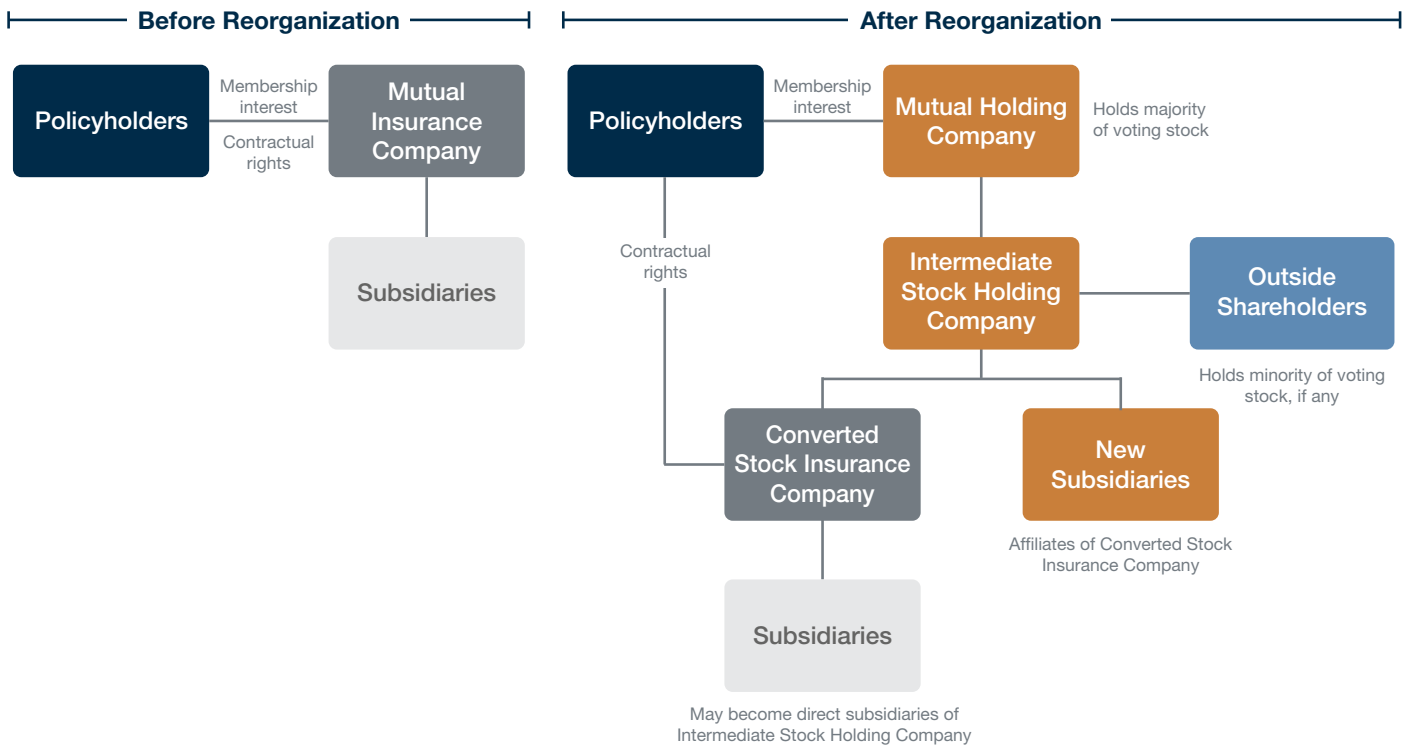


Exhibit 1: Mutual insurance company structure before and after MHC reorganization⁹

⁹ Source: “Special Features of the MIHC,” Nelson Nash Institute.

Key Operating Model Changes

The comparison below highlights the principal differences between a traditional P&C mutual and an MHC-organized structure:

| Dimension | P&C Mutual | P&C MHC |
|-----------------------|---|---|
| Ownership | Owned directly by policyholders | Policyholders are members of MHC; stock subsidiaries may have external shareholders |
| Corporate Structure | Single-tier: mutual insurer | Multi-tier structure, including an MHC, intermediate holding company, and stock insurer |
| Governance | Policyholders elect board of the mutual insurer | Policyholders elect the MHC board; the MHC appoints subsidiary boards |
| Policyholder Rights | Direct ownership and voting rights | Membership rights in MHC; no direct ownership of stock entities |
| Capital Raising | Limited to retained earnings and surplus notes | Ability to raise capital through equity issuance in stock subsidiaries |
| Access to Investors | No external shareholders | External investors can own shares in subsidiaries |
| Strategic Flexibility | Limited M&A and investment options | Flexibility to pursue M&A, partnerships, and capital markets activity |
| Regulatory Oversight | Regulated as a mutual insurer | Subject to layered regulatory oversight at the MHC and subsidiary levels |

The core insurance business continues to operate as before, with policyholder engagement and customer experience largely unchanged. However, management responsibilities expand to include enterprise-level capital allocation and subsidiary governance. This shift requires stronger financial controls, clearer decision rights, and closer coordination between the holding company and the operating insurer.

Strategic Advantages of the MHC Model

- 1 Access to capital markets.** The MHC structure enables equity capital raising through subsidiary stock offerings while preserving mutual ownership at the holding company level. This unlocks a funding source that traditional mutuals cannot access and is critical for absorbing large-scale catastrophe losses and funding strategic investments.
- 2 Structural flexibility for M&A and diversification.** The multi-tier corporate structure facilitates acquisitions of financial institutions and non-insurance businesses, and enables entry into new markets, products, or distribution channels without encumbering the core mutual entity.
- 3 Financial resilience.** Improved capitalization allows the organization to better manage underwriting volatility, meet regulatory capital requirements, and withstand economic or catastrophic shocks without depleting policyholder surplus.
- 4 Operational agility.** Enhanced capital access supports accelerated investment in technology, talent, and product development. These are the areas where mutuals most acutely lag stock competitors (see following section).
- 5 Preservation of mutuality.** Policyholders retain mutual membership rights, including voting privileges, ensuring continued influence over governance and strategic direction. The MHC achieves capital flexibility without full demutualization.



Capital Deployment: The Technology and Talent Imperative

The MHC structure unlocks capital, but capital alone does not create value. The decisive question for boards and leadership teams is what that capital enables that is not possible today. For most P&C mutuals, the answer centers on four investment priorities where the performance gap with stock competitors is most pronounced.



Technology-Enabled Underwriting and Claims

Stock insurers are deploying AI and machine learning models across the underwriting and claims lifecycle, from risk selection and pricing to automated first-notice-of-loss and subrogation. Industry benchmarks suggest that mature implementations can reduce combined ratios by 300 to 500 basis points, driven by improved loss ratios and faster cycle times.¹⁰ Mutuals, constrained by limited discretionary capital, have been slower to adopt these capabilities.



Digital Distribution and Customer Experience

Modern distribution platforms, including embedded insurance, digital agency models, and direct-to-consumer channels require sustained investment in technology infrastructure and customer data capabilities. These platforms can lower acquisition costs and expand access to underserved market segments. The MHC structure provides capital for build-or-buy decisions that would otherwise place pressure on a traditional mutual's surplus.



Core Systems Modernization

Many mutual insurers operate on legacy policy administration and billing systems that inhibit product innovation and increase operating costs. Cloud migration, API-first architectures, and modern data platforms are table stakes investments that stock competitors are making with access to capital markets. Without comparable investment, the technology gap compounds over time.



Talent Acquisition and Retention

The MHC structure introduces a meaningful talent advantage. Stock subsidiaries can offer equity-based compensation, including stock options, restricted share units, and performance equity awards, that traditional mutuals cannot. In a tight labor market for actuaries, data scientists, and engineers, this represents a significant differentiator. Competing for next-generation insurance leaders requires compensation structures aligned with the broader financial services market.

The technology and talent gap is not static. It compounds. Every year a mutual defers investment in AI-enabled underwriting, digital distribution, or modern core systems, the performance differential with stock competitors widens. The MHC structure does not guarantee these investments will be made, but it removes the structural constraint that prevents them.

¹⁰ Source: Shift Technology, "The Combined Ratio Problem: Closing the Gap Between Claims Costs and Premiums Using AI," November 2023



Challenges and Trade-Offs

The MHC structure introduces a range of complexities that must be carefully evaluated before conversion. Boards and leadership teams should weigh the following considerations:

- 1 Governance complexity.** MHCs create two distinct constituent groups with potentially competing financial objectives: policyholders, who prioritize dividends and competitive premiums, and minority public shareholders, who seek investment returns. Boards must develop governance frameworks that balance these interests transparently.
- 2 Execution risk.** Conversion alone does not create value. The benefits of an MHC depend entirely on management's ability to deploy capital effectively. Weak execution can result in higher structural costs, including additional governance layers, compliance requirements, and reporting obligations, without commensurate performance gains.
- 3 Regulatory uncertainty.** Conversion requires approval from state insurance regulators, who may impose conditions, delay, or block the transaction if consumer protections are questioned. Regulatory timelines vary significantly by jurisdiction.
- 4 Cost and organizational distraction.** The conversion process is resource-intensive, typically requiring 12 to 24 months, as well as significant legal, actuarial, and advisory expenses. This can divert management attention and company resources from core operations at a time when operational focus is critical.
- 5 Reputational and member relations risk.** Policyholders may perceive the shift as a dilution of their ownership rights. Proactive, transparent communication is essential. Miscommunication can erode trust and generate member resistance that complicates or derails the process.

Post-Conversion Performance: What the Evidence Shows

Does an MHC structure improve performance compared to traditional mutuals? The evidence suggests it can, although the magnitude of improvement depends on how management uses the flexibility the structure provides.

Academic Research

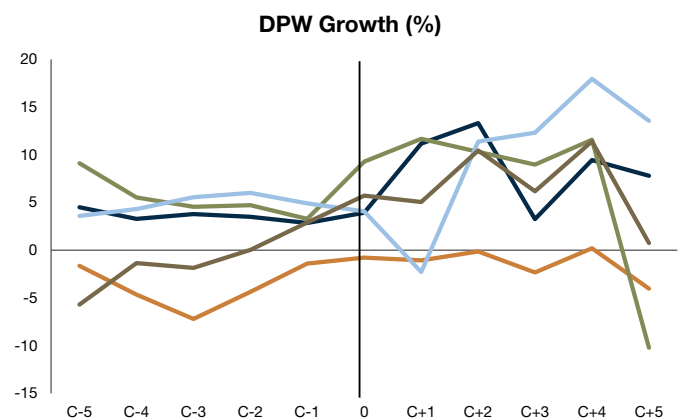
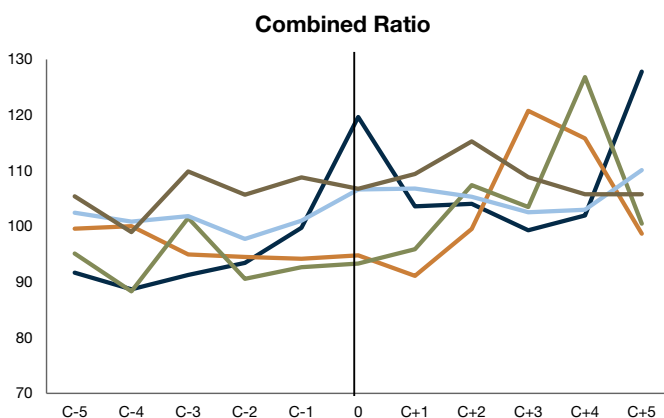
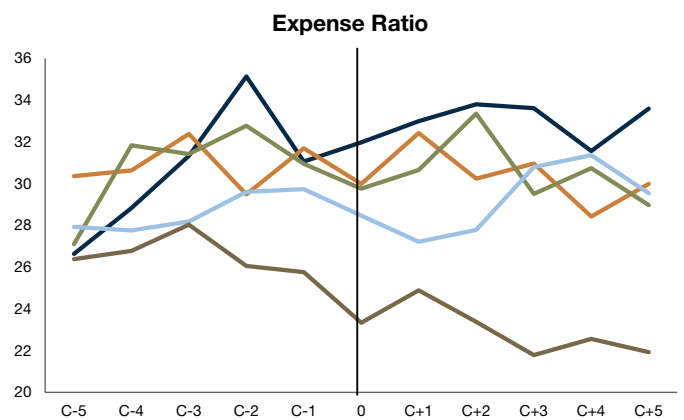
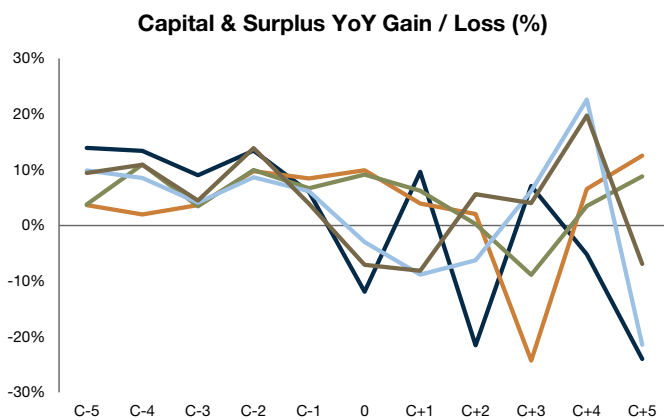
A 2025 study comparing MHCs to traditional mutual insurers over a ten-year period found notable improvements in operational efficiency and capital strength, although results were mixed across key performance metrics. Reported benefits included a lower expense ratio, a stronger operating ratio, higher underwriting income as a share of net income, and improved capital adequacy. However, the study found minimal or no effect on the surplus-to-asset ratio, policyholder surplus, the combined ratio, or direct premium growth.¹¹

¹¹ Source: "Evolution of Mutual Insurance Companies," Temple University, 2025.

A&M Analysis

A&M analyzed five P&C mutuals that transitioned to MHC structures between 2017 and 2019.¹² To isolate performance gains specifically attributable to the change in ownership structure, the analysis evaluated four pillars of organizational health over a ten-year horizon (five years pre- and post-conversion):

| Pillar | What It Measures | Significance |
|--------------------------|---|--|
| Capital & Surplus Growth | Strategic fuel: the organization's capacity to fund growth and absorb risk | Indicates whether the MHC structure enables capital formation beyond organic sources |
| Expense Ratio | Operational efficiency: the cost of acquiring and servicing business | Tests whether structural complexity is offset by investment-driven efficiency gains |
| Combined Ratio | Underwriting discipline: the total cost of delivering insurance | Reveals whether capital access translates into improved risk selection and pricing |
| DPW Growth | Market agility: the ability to grow top-line in competitive markets | Indicates whether structural flexibility enables sustainable and profitable growth |



These findings reinforce a central theme: the MHC structure improves an insurer's capacity to manage capital more effectively and pursue broader strategic options. However, the absence of consistent improvements in policyholder surplus or the combined ratio demonstrates that management execution, not structure, determines long-term performance. Success depends on designing and executing strategies that translate structural flexibility into sustainable and profitable growth.

¹² Source: S&P Capital IQ, Company Financial Information



Case Study: GuideOne Insurance – From MHC to Private Capital Partnership

GuideOne provides a clear example of how MHC structures can enable access to external capital and strategic repositioning, illustrating how structural flexibility can translate into tangible strategic outcomes.

GuideOne Insurance completed its MHC conversion in April 2021 after doubling the size of its business under CEO Jessica Snyder’s leadership. The MHC structure was explicitly designed to allow GuideOne to “raise and use capital more efficiently” to support growth in program and specialty insurance lines.¹³

The strategic payoff came in December 2023, when GuideOne reached a landmark deal with Bain Capital Insurance. Bain acquired GuideOne’s operational platform and injected \$200 million in capital to launch The Mutual Group—a new insurance platform serving the mutual insurance industry. GuideOne became a founding member of the new platform. This transaction would have been difficult to execute under a traditional mutual charter. It required stock subsidiaries, equity issuance capabilities, and the governance flexibility that only the MHC structure could provide. The GuideOne case demonstrates the full value cycle of MHC conversion: structural change enabling operational investment, which in turn attracts institutional capital at scale.

Case Study: Grinnell Mutual – Capital Flexibility in a Catastrophe-Stressed Environment

Grinnell Mutual Reinsurance is one of the largest reinsurers of farm mutual companies in North America. Grinnell converted to an MHC structure effective January 2025. The conversion was driven by sustained weather-related losses from 2019 through 2023 that significantly impaired operating performance and led to a negative outlook from AM Best.¹⁴

The financial trajectory illustrates the urgency. Grinnell moved from a \$79.9 million net loss in the first half of 2023 to \$87.4 million net income in the same period of 2024. Policyholder surplus recovered \$628 million, and total invested assets reached \$1.31 billion.¹⁵ The MHC structure positions Grinnell to access capital markets if future catastrophe seasons place additional pressure on surplus. This provides a critical safety valve for a property-heavy book balanced evenly across personal lines, commercial lines, and reinsurance.

The GuideOne and Grinnell cases represent opposite ends of the MHC value proposition. GuideOne used the structure offensively to enable a transformative capital partnership that accelerated growth. Grinnell used it defensively to create a structural safety valve against catastrophe-driven capital erosion.

¹³ Source: GlobeNewsWire, “GuideOne Completes Reorganization to Mutual Holding Company,” April 2021; Insurance Business Magazine; Des Moines Register
¹⁴ Source: Insurance Business Magazine, “Grinnell Mutual Proposes Restructure,” November 2024; AM Best; Iowa Insurance Division
¹⁵ Source: AM Best, “Grinnell Mutual Reinsurance Plans Reorganization to Create Holding Company,” November 2024

Decision Framework: Is an MHC Right for Your Organization?

The decision to convert is not binary. It requires a clear assessment of strategic intent and the specific value that structural change is expected to unlock. Boards and leadership teams should evaluate the following criteria to determine whether an MHC is the right path. These criteria help distinguish organizations that can translate structural flexibility into performance from those for whom conversion may introduce additional complexity without commensurate benefit.

| Readiness Criterion | Key Questions |
|-----------------------|--|
| Capital Adequacy | Is current surplus sufficient to absorb a 1-in-100 catastrophe event? Are reinsurance costs materially impairing underwriting margins? Does the organization have unfunded strategic priorities or capital gaps? |
| Competitive Position | Is the organization losing market share to better-capitalized competitors? Are technology and talent gaps widening? Is the current product set adequate to meet evolving customer needs? |
| Management Capability | Does the leadership team have the experience and bandwidth to execute a conversion while maintaining operational performance? Is there a credible capital deployment plan? |
| Governance Readiness | Can the board effectively govern a multi-entity structure? Are decision rights, reporting lines, and capital allocation frameworks clearly defined? |
| Stakeholder Alignment | Is there policyholder understanding and support? Has the organization invested in transparent communication about the rationale, process, and protections? |
| Regulatory Landscape | Is the domiciliary state's regulatory environment receptive to MHC conversions? What is the expected timeline and level of complexity of the approval process? |

The question is not whether the MHC structure is inherently superior, but whether the strategic objectives an organization must achieve in the next five to ten years require capital and flexibility that the current structure cannot provide.

Conclusion

The P&C mutual insurance model has endured for generations, and it will continue to serve policyholders well in many contexts. But the convergence of rising catastrophe frequency, persistent inflation, competitive technology investment, and talent market dynamics has created a structural inflection point for the industry.

MHC conversion offers a pathway to combat market headwinds without sacrificing the mutual identity that defines these organizations. Conversions are accelerating for good reason, and the cost of inaction is growing.

That said, conversion is a means, not an end. The evidence is clear that structural change alone does not guarantee improved performance. Success requires a disciplined capital deployment strategy, a credible technology and talent investment plan, and the governance capacity to manage a more complex organization. Boards and leadership teams confronting these market headwinds should evaluate whether their current structure provides the tools necessary to deliver on their strategic ambitions and act decisively where it does not.

About Alvarez & Marsal

Alvarez & Marsal's Financial Services Industry Group brings deep operating and management expertise, combined with top-tier consulting and specialized industry experience, to meet evolving market dynamics. We provide transaction, growth, and performance improvement advisory services for insurance companies and private equity firms investing in the industry.

Transactions

Deal Ideas and M&A

Integrated Due Diligence

Value Creation Planning

100-Day Planning
and Integration

Carve-Out Planning
and Execution

Growth

Market Strategy

Business Plan Optimization

Partnerships and Investments

Process Improvement

Balance Sheet Optimization

Performance Improvement

Revenue Improvement

Cost Optimization

Enterprise Operating Model

Capital and Funding
Management

Risk, Regulatory,
and Compliance

Key Contacts:



Tamseel Butt
Managing Director

tbutt@alvarezandmarsal.com



David Carey
Director

dcarey@alvarezandmarsal.com

ABOUT ALVAREZ & MARSAL

Founded in 1983, Alvarez & Marsal is a leading global professional services firm. Renowned for its leadership, action and results, Alvarez & Marsal provides advisory, business performance improvement and turnaround management services, delivering practical solutions to address clients' unique challenges. With a world-wide network of experienced operators, world-class consultants, former regulators and industry authorities, Alvarez & Marsal helps corporates, boards, private equity firms, law firms and government agencies drive transformation, mitigate risk and unlock value at every stage of growth.

To learn more, visit [AlvarezandMarsal.com](https://www.alvarezandmarsal.com).

Follow A&M on:



© Copyright 2026 Alvarez & Marsal Holdings, LLC.
All Rights Reserved.
477923_59531_US1101271A/Apr26