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## Affiliation turns into takeover as Cooperative Mutual will merge with Austin Mutual

By [Matt Blumenfeld](#)

The affiliation between Omaha, Neb.-based [Cooperative Mutual Insurance Co.](#) and Maple Grove, Minn.-based [Austin Mutual Insurance Co.](#) will soon become a full-fledged merger.

The transaction was announced Oct. 21, and Austin Mutual expects the deal to close Jan. 1, 2011.

"We are now just waiting for both the Minnesota and Nebraska stamps of approval, which they have already given to us verbally," Austin Mutual President and CEO Jeffrey Kusch told SNL. "The big advantage is that [the merger] is going to bring Austin a commercial package policy which we are currently not writing. It also brings a wealth of loss control expertise."

The Cooperative Mutual name will be phased out immediately following the closing. Kusch sees business continuing "as usual" for policyholders, as Austin Mutual will keep the Nebraska office open and retain Cooperative Mutual's employees.

The two sides [entered](#) into an affiliation agreement in January, whereby Austin Mutual agreed to provide capital support to Cooperative Mutual and took over governance and management authority of the Nebraska insurer. During the affiliation, Austin Mutual decided that there were certain parts of Cooperative Mutual's business that did not fit its appetite, Kusch said, leading to the [sale](#) of its workers' compensation lines to [AMERISAFE Inc.](#)

Selling Cooperative Mutual's high-hazard workers' comp business should help cure a large chunk of what was ailing the company, Kusch said. Cooperative Mutual wrote about \$8.6 million in workers' comp direct premiums in 2009, according to SNL statutory insurance data, with the majority written in Nebraska and Iowa. The insurer's combined ratio has soared since 2008, climbing from 98.1% that year to 127.8% in 2009 and 138.5% through the first nine months of 2010. The scale of reinsurance needed for the agricultural workers' compensation business line was simply too expensive for Cooperative Mutual, Kusch explained.

No additional lines are expected to be sold off as a result of the transaction, and Austin Mutual will continue to write workers' compensation policies in low-hazard lines.