

**Hormel Foods Corporation (“Hormel”)  
EXPRO Submission No. E-00764  
Notice to Interested Persons – Reinsurance Arrangement**

**Purpose of this Document**

You are hereby notified that Hormel Foods Corporation (“Hormel”) and Diversified Foods Insurance Company, LLC (“the Captive Insurer”), a wholly-owned subsidiary of Hormel, have applied to the U.S. Department of Labor (“DOL”) for authorization under Prohibited Transaction Exemption 96-62 (“PTE 96-62”), 61 FR 39988, July 31, 1996, as amended at 67 FR 44622, July 3, 2002, to allow the Captive Insurer to enter into a reinsurance arrangement with Zurich American Life Insurance Company Ltd. (“ZALICO”) for certain benefits under the Hormel Foods Corporation Comprehensive Welfare Benefit Plan (the “Plan”) of Hormel, its subsidiaries and affiliates. Specifically, the proposed transactions would permit the reinsurance of risks and the receipt of premiums therefrom by the Captive Insurer, in connection with group term life and long-term disability (“LTD”) insurance sold by ZALICO, or any successor insurance company which is unrelated to Hormel (the “Fronting Insurer”), to the Plan.

It is represented that the submission has met the requirements for tentative authorization under PTE 96-62.

The purpose of the authorization is to exempt the proposed transactions from sections 406(a)(1)(D) and 406(b) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The authorization is necessary because the Captive Insurer is an affiliate of Hormel. Reinsurance of the Plan or any portion of the Plan by the Captive Insurer and the Captive Insurer’s receipt of premiums therefrom constitute prohibited transactions under ERISA.

This notice (1) informs you of the application to the DOL, and of certain improvements to the Plan’s benefits, and (2) describes your right to comment to the DOL about the proposed transactions.

**Overview**

The Plan provides (among other welfare benefits) group life and LTD coverage to employees of Hormel and its subsidiaries and affiliates. ZALICO will reinsure the Plan’s group life and LTD insurance benefits with the Captive Insurer. (Although other types of welfare benefits, e.g. accidental death & dismemberment, are also offered by the Plan, these other types of welfare benefits will not be reinsured to the Captive Insurer.) The reinsurance transactions represent an internal arrangement between ZALICO and the Captive Insurer, whereby ZALICO will reinsure up to 100% of the life and LTD risks of the Captive Insurer. As the Fronting Insurer, ZALICO will continue to insure the group life and LTD benefits provided to you under the Plan.

The Plan administrator has determined that the reinsurance transactions are in the best interests of the Plan and the Plan participants and beneficiaries because of the benefit enhancements or improvements that will be provided to participants and beneficiaries in the event that the transactions are authorized by the DOL. Such authorization will be subject to the conditions described below.

**Parties to the Proposed Reinsurance Transactions**

Hormel Foods Corporation was founded in 1891 in Austin, Minnesota, as the George A. Hormel & Company, which started as a processor of meat and food products. Although the SPAM® family of products is perhaps Hormel’s iconic product line, today Hormel produces and markets a variety of meat and food products that are sold in a variety of forms (fresh, frozen, cured, smoked, cooked, and canned) throughout the United States and internationally. Hormel’s product offerings have grown through organic growth, new product development, and acquisitions. Hormel operates its business through five major business segments: Grocery Products, Refrigerated Foods, Jennie-O Turkey Store, Specialty Foods, and International & Other. Hormel and its subsidiaries have over 2,900 salaried and

15,700 hourly employees throughout the United States. Headquartered in Austin, Minnesota, Hormel is a publicly-traded company that currently has over \$9.3 billion in annual revenues.

The Captive Insurer is a captive insurance company domiciled in Vermont. The Captive Insurer was incorporated in Vermont on December 5, 2011, and is a wholly-owned subsidiary of Hormel. The Captive Insurer has a Certificate of Authority from the State of Vermont dated January 4th, 2012. The Captive Insurer's financial statements have been audited by Johnson Lambert LLP, an independent auditing firm.

ZALICO is a major U.S. life and disability insurance carrier that is rated "A" (Excellent) by A.M. Best Company ("A.M. Best"). It is anticipated that ZALICO will enter into a reinsurance agreement with the Captive Insurer as soon as possible following final authorization of the subject transactions.

**The Plan**

The Plan is an employee welfare benefit plan, as described under section 3(1) of ERISA. Hormel sponsors the Plan for the benefit of employees of Hormel and its subsidiaries and affiliates. All life and LTD benefits under the Plan are offered on a fully-insured basis, i.e., the Plan's life and LTD benefits are funded with group insurance contracts. The Plan's identifying number for DOL reporting purposes is 503. Based on insurer census data, the Plan currently covers approximately 20,300 employees.

Currently, Hormel's life and LTD programs are insured by several different insurance carriers, with insurance policies under several separate welfare benefit plans. Prior to the implementation of the reinsurance agreement, however, all of these programs will be consolidated under the single Plan, and insured by the single insurance carrier, ZALICO.

**Insurance Benefits Currently Provided Under the Plan**

Following is a summary of the group life and LTD insurance benefits that would be reinsured under the proposed transaction. (A full description of current benefits at each respective local work location is provided in the benefit pamphlet for that respective location.)

• **Summary of Current Benefits, by Carrier & Business Unit**

<b>Prudential / Hormel Foods Programs</b>	
Non-Contributory Life- Active	\$2,500 or \$10,000
Contributory Life- Active	Old plans-choice of flat benefit (\$4,800,\$6,000,\$9,000) Choice of \$10,000 increments, either flat \$10,000 - \$500,000 or 1x-5x salary (max \$500,000) Choice of \$12,500, \$25,000, \$37,500, \$50,000, \$75,000
Spouse Life	Choice of \$5,000 increments between \$10,000 - \$25,000
Dependent Child Life	\$5,000 starting at 14 days old
Survivor Benefits Life- Active / Retired	30% (child or spouse) or 45%(both) of EE's first \$5,000 in monthly earnings
Long Term Disability Active	60% of first \$40,000 salary + 50% of excess salary up to \$10,000 monthly benefit ADEA duration, elim period end of STD (56 wks); 75% employee pay
Non-Contributory Life- Retired	\$1,600
Retired Executive / Special Life	50% of Life coverage at retirement

<b>Sun Life / Jennie-O Turkey Store, Inc.</b>	
Non-Contributory Life- Active	\$25,000
Contributory Life- Active	Increments of \$10,000, up to 6x salary, \$500,000 max
Spouse Life- Active	\$10,000 increments (max \$50,000)
Child Life	\$5,000 or \$10,000
Grandfathered Class – Canada Life	5 Lives at volume of \$80,000
Long Term Disability- Active	Employer - paid 50%; hourly & weekly \$5,000 max, 5 yr. max; Exempt can buy up to 67% to \$10,000, SSNRA elim period 180 days

<b>Mutual of Omaha / Diamond Crystal Brands</b>	
Non-Contributory Life- Active	Salaried 2x salary, max \$500,000
Non Contrib – Spouse Child Life	\$2,000 \$2,000 at 6 months, \$1,000 prior
Non-Contributory Life- Retired	Varies by union & salaried \$1,000, \$5,000, \$10,000
Long Term Disability- Active	60% to \$7,500, 180 day SSNRA elim period

<b>Mutual of Omaha / Clougherty Packing, LLC aka Farmer John</b>	
Non-Contributory Life- Active	1.5x salary max \$200,000, Hrly \$10,000
Contributory Life- Active	\$5,000 to \$200,000
Spouse Life- Active	\$5,000 to \$50,000
Child Life	\$10,000
Long Term Disability- Active	67% to \$10,000, 90 day SSNRA elim period

<b>Mutual of Omaha / Dan's Prize, Inc.</b>	
Non-Contributory Life- Active	1x salary up to \$50,000 max
Contributory Life- Active	None
Long Term Disability- Active	60% to \$5,000, ADEA elim period 120 days

<b>Mutual of Omaha / Rochelle Foods, LLC</b>	
Non-Contributory Life- Active	Office 1x salary up to \$100,000; plant EEs flat \$15,000
Contributory Life- Active	\$20,000 to \$100,000 max 2x salary
Spouse Life- Active	\$5,000/\$10,000 to \$25,000
Child Life	\$10,000
Long Term Disability- Active	60% to \$2,500, SSNRA elim period 90 days

<b>United Healthcare / Mexican Accent, LLC</b>	
Non-Contributory Life- Active	Flat \$15,000
Contributory Life- Active	None
Long Term Disability- Active	None

<b>Mutual of Omaha / Provena Foods, Inc.</b>	
Non-Contributory Life- Active	Flat \$25,000
Contributory Life- Active	None
Long Term Disability- Active	None

<b>Mutual of Omaha / Century Foods International, LLC</b>	
Non-Contributory Life- Active	(Life with Prudential)
Contributory Life- Active	(Life with Prudential)
Long Term Disability- Active	Exempt 60% to \$6,000; office & plant EEs: 60% to \$2,000; SSNRA elim period 90 days

<b>Hartford / Alma Foods, LLC</b>	
Non-Contributory Life- Active	Flat \$20,000
Contributory Life- Active	None
Long Term Disability- Active	None

### **Changes to the Plan – Benefit Enhancements**

The following benefit enhancements will be made available to Covered Employees, i.e. all full-time U.S. employees (active or on a leave of absence) of Hormel and its subsidiaries and affiliates. The following enhancements would entail no additional costs for Covered Employees, and would be effective upon approval of this authorization by the DOL:

1. **Basic Life Minimum Benefit:** This enhancement would entitle all Covered Employees whose Basic Life benefits are currently less than \$12,500 to have their Basic Life benefits immediately increased to \$12,500. No evidence of insurability would be required for this enhancement. The Basic Life benefits of approximately 9,900 Plan participants will be increased by this enhancement.
2. **Basic Life Accelerated Benefit:** This benefit allows a Covered Employee having a life expectancy of 12 months or less to receive a portion of his or her Basic Life benefit while he or she is still living. The benefit pays up to 90 Percent of the Group Term Life benefit, and subject to a maximum \$500,000. All Plan participants meeting the life expectancy eligibility requirements would have access to the Basic Life Accelerated Benefit.
3. **Life Benefit for Dependent Children:** This enhancement would entitle the Covered Employee to a \$2,000 death benefit in the event of the death of the Covered Employee’s biological, or legally adopted, child, stepchild, or child of a Covered Employee’s domestic partner. This enhancement would be available in the event of the death of a child at least 14 days and less than 26 years old. No evidence of insurability would be required for this enhancement. This enhancement is provided entirely at employer expense. Moreover, if a Covered Employee so chose, the Covered Employee could also elect to purchase additional Dependent Child Life coverage, at the Covered Employee’s own expense, as is permitted under the current benefit design; any such additional coverage purchased by the Covered Employee would be in addition to the \$2,000 of coverage paid for by the employer pursuant to the enhancement. It is estimated that, at present, approximately 7,400 Covered Employees have dependent children.
4. **LTD Worksite Modification:** This benefit enhancement is designed to assist a Covered Employee in performing the Material and Substantial Duties of the Covered Employee’s regular occupation with Hormel. A designated professional will assist the Covered Employee and Hormel in identifying, and agreeing upon, modifications deemed to be helpful in enabling the Covered Employee to remain at work or return to work. Agreement regarding the worksite modifications will be in writing, and will be signed by the Covered Employee, Hormel, and ZALICO. The cost of the modification will then be covered by ZALICO, up to the greater of: \$2000, or the equivalent of 2 months of the Covered Employee’s monthly LTD benefit. The Covered Employee will incur no costs for this Worksite Modification enhancement to Hormel’s LTD program. All Hormel employees having LTD benefits, i.e., about 9,800 employees, will have access to the Worksite Modification benefit enhancement.

5. **LTD Survivor Income Benefit:** This benefit provides support for surviving family members if a disabled Covered Employee dies during a period of entitlement to disability benefits, if the period of disability extended over at least six months. The benefit is equal to the sum of 3 gross monthly benefits and is not subject to any offsets for Social Security, etc. This benefit enhancement would be made available to the entire LTD-eligible employee population, comprising approximately 9,800 employees.
6. **LTD Accelerated Survivor Benefit:** This benefit enhancement would aid Covered Employees suffering from terminal illnesses or conditions, expected to result in death within 6 months while the Covered Employee is receiving monthly disability benefits. Under this program, the Covered Employee could elect to receive an accelerated LTD benefit in the form of a lump sum amount equal to 3 months of the Gross Monthly Disability Benefit. (If this LTD Accelerated Survivor Benefit is elected, then no LTD Survivor Income Benefit will be payable upon death.) This benefit enhancement will be made available to the entire LTD-eligible employee population, comprising approximately 9,800 employees.
7. **LTD Minimum Monthly Benefit:** All LTD programs that either have no Minimum Monthly Benefit, or less than \$100 Minimum Monthly Benefit, will be amended to provide for at least a \$100 Minimum Monthly Benefit. It is estimated that the LTD benefits of approximately 1,800 employees will be increased as a result of this enhancement.
8. **Accidental Death and Dismemberment (AD&D) Minimum Benefit:** All Covered Employees will, after final approval of the proposed transactions, be assured of a minimum employer-provided AD&D benefit of \$5,000. The AD&D benefits of approximately 6,600 employees would be increased by this enhancement.
9. **AD&D Travel Assistance:** This benefit enhancement will provide a comprehensive package of support services for Hormel Covered Employees while they are traveling. The services provided are as follows:
 

<p><b>Medical Assistance</b></p> <ul style="list-style-type: none"> <li>• Emergency Medical Referrals</li> <li>• Medical Monitoring</li> <li>• Medical Evacuation/Repatriation</li> <li>• Non-Medical Repatriation</li> <li>• Hospital Admissions</li> <li>• Medical Payment Advancement</li> <li>• Prescription Assistance</li> <li>• Visit to Hospital by Family or Friend</li> <li>• Return of Children/Traveling Companion</li> <li>• Repatriation of Remains</li> </ul> <p><b>Security Assistance:</b></p> <ul style="list-style-type: none"> <li>• Global database</li> <li>• Travel advisories</li> <li>• A direct contact</li> <li>• Evacuation and consulting</li> </ul>	<p><b>Information Assistance</b></p> <ul style="list-style-type: none"> <li>• Passport &amp; Visa Information</li> <li>• Weather, Cultural &amp; Currency Exchange</li> <li>• Embassies and Consulates (Addresses and Telephone Numbers)</li> <li>• Travel Advisories</li> <li>• Inoculation &amp; Immunization</li> </ul> <p><b>Personal Assistance</b></p> <ul style="list-style-type: none"> <li>• Lost Baggage Service</li> <li>• Translation &amp; Interpretation</li> <li>• Emergency Messaging</li> <li>• Emergency Ticket Replacement</li> </ul>
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10. **AD&D Exposure & Disappearance:** If a Covered Employee suffers an AD&D loss as a result of an accident that causes exposure to adverse weather conditions, ZALICO will pay the AD&D benefit indicated by the employee's level of AD&D coverage. If the conveyance in which a Covered Employee is riding disappears, is wrecked, or sinks, and the Covered Employee is not found within 365 days of the event, it will be presumed that the Covered Employee is entitled to a benefit under this program. This enhancement would affect the approximately 8,200 employees who do not already have this particular benefit.

**11. AD&D Carjacking Benefit:** If a Covered Employee suffers an AD&D loss as a direct result of a Carjacking of a private passenger automobile that the Covered Employee was operating, getting into or out of, or riding in as a passenger, ZALICO will pay an additional benefit equal to 10% of the Covered Employee's AD&D benefit, up to a maximum of \$10,000.

### **Reasons for Entering Into the Proposed Transactions**

The proposed transactions have a number of advantages for the Plan, the Covered Employees, and their beneficiaries. In this regard, Hormel will improve benefits for Covered Employees by providing the benefit enhancements described above. These benefit enhancements and improvements are not required of Hormel as part of a legal proceeding, court order, judgment, or Federal or State law. The enhancements will not cause any corresponding increase in the premium amount paid by Plan participants. The additional annual value of these enhancements is estimated at approximately \$90,000 per annum.

The benefit enhancements were chosen with an understanding that they would be particularly beneficial to Hormel's workforce. Hormel is primarily engaged in large-scale food processing operations, which are necessarily carried out in large facilities located in rural areas, near major agricultural raw material suppliers and transportation. A very high percentage of Hormel's workforce, i.e., 78%, consists of hourly workers employed in Hormel's food processing activities. Although Hormel's welfare benefits are (and always have to be) competitive in local labor markets, Hormel desires to extend additional protections to its hard-working employees against unexpected injury, illness, or death. In addition, Hormel sought to identify enhancements that would both (1) benefit the workforce as a whole, while also (2) directing the largest percentage benefit increases to the segment of the workforce that would probably receive the greatest marginal utility from the enhancement.

The proposed enhancements are consistent with these objectives. Thus, for example, the death benefit enhancements payable under the Basic Life program would provide the greatest percentage increases to those Plan participants currently having the lowest death benefits, and it is estimated that future annual death benefit payouts under the Basic Life program will be increased by at least 7% over current levels. The Dependent Child Life enhancement includes additional features that are uncommon in Dependent Life programs, inasmuch as it does not include any requirement that a child survive for at least 6 months in order to be eligible for the payment of benefits. The LTD enhancements focus on accelerating delivery of LTD benefit payments when they are urgently needed, and in facilitating adaptations to work conditions to enable employees to re-enter, or remain in, the workforce. The AD&D enhancements provide coverage against unexpected and potentially severe, travel-related contingencies.

Finally, the proposed transactions will pose little, if any, risk of abuse or loss to the Plan's participants because of the protection provided by ZALICO Life, which has an "A" rating from A.M. Best or the equivalent from another rating agency. In this regard, should the Captive Insurer fail or refuse to perform its obligations under the reinsurance arrangement, ZALICO Life, as the Fronting Insurer, will not be relieved of its liability to the Plan.

### **The Independent Fiduciary**

In connection with the submission to the DOL, Hormel has retained, at its expense, Milliman (the "Independent Fiduciary" or "Milliman"), an international firm of consultants and actuaries with expertise in employee benefits and insurance, to serve as an independent fiduciary for this transaction. The Independent Fiduciary has been engaged to act as the Independent Fiduciary on behalf of the Plan for the purpose of evaluating, and if appropriate, approving the transaction. Specifically, William J. Thompson, FSA, MAAA, Principal and Consulting Actuary with Milliman has been appointed to undertake the duties of the Independent Fiduciary. In this regard, Milliman is

responsible for conducting a due diligence review and analysis of the proposed transaction and for providing a written opinion as to whether the arrangement complies with the DOL's requirements for an administrative exemption. Milliman certifies that it is qualified to serve as the Independent Fiduciary and the personnel who comprise Milliman are experienced in prohibited transaction exemptions issued by the DOL. Milliman represents that it is independent in that it does not have, and has not previously had, any relationship with any party in interest (including any affiliates thereof) engaging in the proposed transactions. Further, Milliman represents that the gross income it receives from Hormel does not exceed 0.1 percent of Milliman's gross annual income from all sources.

In connection with the proposed transactions, Milliman, among other things: (a) reviewed a draft of Hormel's request for an administrative exemption from the DOL; (b) conferred with Hormel's representative to discuss the transaction and the Plan; and (c) conducted such other due diligence reviews as were deemed necessary. Milliman also considered the premiums to be paid by the Plan for the proposed coverages, and determined that the employer-paid premiums were reasonable and appropriate for the coverages being provided, and that employees would not incur any additional costs as the result of the proposed transactions.

Milliman confirmed that the Captive Insurer is (a) licensed to do business in the State of Vermont; and (b) obtained a Certificate of Authority from the State of Vermont dated January 4, 2012, that the certificate of Authority has not been revoked or suspended, and that the Captive Insurer's financial statements have been audited by an independent auditing firm. Milliman has reviewed a copy of the audit report, and is satisfied that there are no issues outstanding. Milliman has determined that the Captive Insurer is licensed by a State whose law requires that an actuarial review of reserves be conducted annually by an independent firm of actuaries, and reported to the appropriate regulatory authority. Milliman has represented that the Plan will pay no more than adequate consideration for the benefits, and will pay no commissions with respect to the purchase of the benefits.

Milliman has also determined that the reinsurance arrangement will result in an immediate and objectively determined benefit in the form of the benefit enhancements described above under "Changes to the Plan – Benefit Enhancements." Milliman has concluded that the benefit enhancements provide a means of reducing personal financial risks, thereby providing a value to these persons even if they never file a claim. In addition, Milliman will represent the interests of the Plan as independent fiduciary at all times with respect to the transactions. As the Independent Fiduciary, Milliman will monitor compliance by the parties with the term and conditions of the proposed transactions, and will take whatever action is necessary and appropriate to safeguard the interests of the Plan and its participants and beneficiaries with respect thereto, and ensure that the proposed transactions remain in the interest of the Plan and its participants and beneficiaries.

If it becomes necessary in the future to appoint a successor Independent Fiduciary to replace Milliman, the applicants will notify the DOL sixty days in advance of the appointment of such successor. Any successor Independent Fiduciary will have the same, or substantially similar, responsibilities, experience and independence as Milliman, and there shall be no lapse in time between the resignation or termination of the former Independent Fiduciary and the appointment of the successor Independent Fiduciary. Milliman shall notify the DOL immediately upon becoming aware of any violations of the conditions imposed by the DOL on the reinsurance arrangement.

In Milliman's view, the enhancements will be useful to Plan Participants in several ways:

- Basic life insurance benefits are enriched to a minimum of \$12,500 for Covered Employees whose benefit amount is less than \$12,500 today. This benefits about 9,900 employees
- Covered Employees with dependent children between the ages of 14 days and 26 years will be provided a dependent child death benefit of \$2,000 in the unfortunate event of the death of a

dependent child. Presently, it is estimated that about 7,400 employees have eligible dependent children.

- The accelerated death benefit has been increased to 90% of the group term life insurance benefit, benefiting all Covered Employees who may have a terminal condition and are in need of additional funds.
- All Covered Employees participating in the Hormel LTD plan are eligible for a worksite modification benefit, enabling those disabled employees to be able to return to work sooner than they would otherwise be able.
- Covered Employees covered under the LTD program that do not have at least a \$100 minimum guaranteed monthly benefit will receive such minimum. This affects about 1,800 employees.
- All Covered Employees covered under the LTD program will receive a survivor benefit of three months of gross disability benefits; further those disabled employees with terminal conditions such that they are expected to live no more than six months can receive this survivor benefit early.
- All Covered Employees will receive a travel assistance benefit that provides access to medical services, travel information, baggage problem support and other services whenever they travel for business or pleasure.
- Covered Employees not presently covered for exposure and disappearance under their AD&D plan will receive such benefits. About 8,200 employees will receive this enhancement that provides AD&D benefits if, due to exposure to the elements as a result of an accident, the person incurs a covered loss. Also, if a Covered Employee is in a conveyance that disappears, a benefit will be paid if the person is not found after 365 days.
- All employees are covered for a carjacking benefit. If they are in a vehicle that is carjacked and they incur injuries, the benefit normally paid will be increased by 10%.
- The \$5,000 minimum AD&D benefit is a significant enhancement of the economic welfare of approximately 6,600 Hormel employees.

The annual cost to provide these benefits is estimated to be \$90,000.

The combination of these improvements will add to the financial security of the Covered Employees. Further, these enhancements may make Hormel a more attractive employer, which could be beneficial for attracting and retaining employees.

#### **Customariness of Proposed Transactions and Similarity to Other Previous Exemptions**

The DOL has granted several individual exemptions for substantially similar transactions within the last ten years. The requested authorization is substantially similar to the individual exemptions involving captive reinsurance that were granted by the DOL to:

- **PTE 2013-06**, issued to The Coca-Cola Company (“TCCC”), located in Charleston, South Carolina, 78 FR 19323 (March 29, 2013).
- **PTE 2014-03**, issued to The Intel Corporation, located in Santa Clara, California), 79 FR 19927 (April 10, 2014).

#### **Satisfaction of ERISA Section 408(a) Statutory Criteria**

It is represented that the proposed transactions are administratively feasible because, among other things, the reinsurance of the Plan’s risks will be subject to annual review by an Independent Fiduciary, which can be audited. Furthermore, Hormel will bear the cost of the exemption application and of notifying the interested persons. Finally, the proposed transactions will not require continued monitoring or other involvement by the DOL.



In addition, it is represented that the proposed transactions are in the interests of the Plan's participants and beneficiaries because they will include enhancements to and an increase in Plan benefits provided to the participants and beneficiaries, as described above.

Finally, the proposed transactions are protective of the rights of the Plan's participants and beneficiaries because the transactions require the review and approval by an Independent Fiduciary, at Hormel's expense, of the reinsurance transactions and the benefit enhancements offered under the Plan. Specifically, Hormel has retained Milliman to analyze the transactions and render an opinion that the requirements of the authorization have been met.

**Conditions of the Authorization**

- (a) If approved by the DOL, the authorization will be subject to the following conditions: The Captive Insurer:
  - (1) Is a party in interest with respect to the Plan solely by reason of a stock or partnership affiliation with Hormel that is described in Section 3(14)(E) or 3(14)(G) of ERISA;
  - (2) Is licensed to sell insurance or conduct reinsurance operations in at least one U.S. state, the State of Vermont;
  - (3) Has obtained a certificate of authority from the commissioner of its domiciliary state, the State of Vermont, which has not been revoked or suspended;
  - (4) (A) Has undergone examination by a certified CPA for its last completed taxable year immediately prior to the taxable year of the reinsurance transaction covered by this exemption; or  
(B) Has undergone a financial examination by the Vermont Department of Insurance within five (5) years prior to the end of the year preceding the year in which such reinsurance transaction has occurred; and
  - (5) Is licensed to conduct reinsurance transactions by Vermont, a state whose law requires that an actuarial review of reserves be conducted annually by an independent firm of actuaries and reported to the appropriate regulatory authority.
- (b) The Plan will pay no more than adequate consideration for the insurance contracts.
- (c) No commissions will be paid by the Plan with respect to the direct sale of such contracts or the reinsurance transactions.
- (d) In the initial year of any reinsurance contract involving the Captive Insurer and ZALICO or any successor insurance company (the Fronting Insurer), there will be an immediate and objectively determined benefit to the Plan's participants and beneficiaries in the form of increased benefits approximating the increase in benefits described herein, and such benefits will continue in all subsequent years of each reinsurance contract with the Captive Insurer and in every renewal of such contract.
- (e) In the initial year and subsequent years of coverage provided by the Fronting Insurer, the formula used to calculate premiums by the Fronting Insurer will be similar to formulae used by other insurers providing comparable coverage under similar programs, the premium charge calculated according to that formula will be reasonable, and the premium will be comparable to the premium charged by the Fronting Insurer and its competitors with the same or better rating providing similar coverage under comparable programs.
- (f) The Plan will only contract with a Fronting Insurer with a financial strength rating of "A" or better from A. M. Best Company. The reinsurance arrangement between the Captive Insurer and the Fronting Insurer will be indemnity insurance only (i.e., the Fronting Insurer will not be

relieved of liability to the Plan if the Captive Insurer is unable or unwilling to cover liability arising from the reinsurance arrangement).

- (g) The Plan has retained an independent, qualified fiduciary (the “Independent Fiduciary”) or successor to such fiduciary, as described in the section above entitled “Independent Fiduciary,” to analyze the transaction and to render an opinion that the requirements of Sections (a) through (f) above and (h) below of this authorization have been satisfied.
- (h) Participants and beneficiaries in the Plan will receive in subsequent years of every contract of reinsurance involving the Captive Insurer and the Fronting Insurer no less than the immediate and objectively determined increased benefits such participants and beneficiaries received in the initial year of each such contract involving Hormel and the Fronting Insurer.
- (i) The Independent Fiduciary will: monitor the transactions described herein on behalf of the Plan on a continuing basis to ensure such transactions remain in the interest of the Plan; take all appropriate actions to safeguard the interests of the Plan; and enforce compliance with all conditions and obligations imposed on any party dealing with the Plan.
- (j) In connection with the reinsurance arrangement, the Independent Fiduciary will review all contracts (and any renewal of such contracts) of the reinsurance of risks and the receipt of premiums therefrom by the Captive Insurer and will determine whether the requirements of this authorization, and the terms of the increased benefits continue to be satisfied.

The transactions meet the requirements for tentative authorization under PTE 96-62.

#### **Your Right to Comment on Tentative Authorization**

As an interested person, you have the right to submit comments to the DOL on the Notice to Interested Persons. If you decide to do so, you should submit your comments to the following address:

Employee Benefits Security Administration  
Office of Exemption Determinations  
Division of Individual Exemptions  
U.S. Department of Labor  
200 Constitution Avenue N.W., Suite 400  
Washington, D.C. 20210  
Attn: Anna Vaughan

Be sure to refer to the submission number, which is E-00764. Comments must be received by the DOL no later than June 20, 2015.

Comments may be faxed or e-mailed to Anna Vaughan at the DOL. The fax number is (202) 693-8474 and Ms. Vaughan’s e-mail address is Vaughan.Ann@dol.gov. If you have questions regarding the proposed reinsurance transactions or your right to comment on this tentative authorization, you may call Ms. Vaughan at (202) 693-8565.

All comments will be made available to the public. **Warning:** Do not include any personally identifiable information (such as name, address, or other contact information) or confidential business information that you do not want publicly disclosed.

Hormel expects to implement the reinsurance arrangement as soon as practicable following the date of final authorization, but no later than 90 days following final authorization.

If you have any questions about the benefits that are described in this Notice to Interested Persons, please contact Hormel Foods Employee Benefits Customer Service at (866) 449-7712.