A TRADITION OF STRENGTH

Ohio Mutual Insurance Group

2012 President’s Report
STORMS MAKE THE OAK GROW DEEPER ROOTS.

-George Herbert
To Our Policyholders, Independent Agents, Business Partners, & Associates:

Because insurance companies sell an abstract product, many companies seek to analogize the values and goals of their organization – an umbrella, a rock, a pair of hands, a neighbor.

Allow me to explore, if you will, the metaphor of our business as a tree.

Trees are built for the long haul. The strongest trees display slow, steady growth. Rather than having the ability to run from storms or to seek shelter from them, they must grow strong and flexible to withstand them.

Trees don’t seek shelter – they provide it. When one visits our nation’s old-growth forests, one can easily see that our oldest trees are characterized by a strong core, balanced growth, and deep roots – and are a vital resource for those under the protection of its branches. I believe that Ohio Mutual – like a mighty oak – shares those same characteristics.

A Strong Core

Ohio Mutual’s strong core is our Guiding Principles, included once again in this publication, as it is every year. We own and wholeheartedly believe in these principles; we want them to not just describe the organization we aspire to be, but rather to describe the organization that we are today.

Character is like a tree and reputation like a shadow. The shadow is what we think of it; the tree is the real thing.

- Abraham Lincoln

Abraham Lincoln once said “Character is like a tree and reputation like a shadow. The shadow is what we think of it; the tree is the real thing.” While every organization seeks a great reputation – and in this industry that is a prized commodity – Ohio Mutual works every day to ensure that we have not just a great reputation, but a great character that inspires a great reputation.

We regularly benchmark ourselves against industry competitors, and survey both our agent partners and associates to ensure that we view ourselves accurately and objectively. In 2012, Ward Group included us on the prestigious “Ward’s 50” list of the top 50 insurance companies in the nation. In addition, our independent agents continued to give us high marks on their annual survey of insurance carriers, and our associates’ responses to an internal survey earned Ohio Mutual national Best-in-Class status for job satisfaction.

James J. Kennedy, CPCU, LUTCF
President & Chief Executive Officer
In the light of any scrutiny, we want the shape of our shadow to be based on nothing other than the content of our character. In Lincoln’s words, we work to be “the real thing” - based on the mission, vision, and values expressed in our company’s Guiding Principles.

**Balanced Growth**
I’ve often stated that anyone can grow an insurance company – just drop your prices and/or lower your standards.

Creating and executing a strategy that results in long-term, balanced, and sustainable growth is much more of a challenge, but we believe it’s key to our ultimate success. You will find “long-term controlled growth” as one of the Strategic Objectives embedded in our Guiding Principles.

Like the proverbial tree, every company seeks growth, but if that growth occurs too fast or in an unbalanced manner, the long-term health of that entity is likely at risk. Ohio Mutual has achieved steady growth in our direct written premium (or sales) in each of the last six years.

In addition, we’ve expanded our operations into new states over the past two years in pursuit of a geographical balance as well, and our product expansion in those new states will offer new sources of growth and profitability for many years to come.

By the end of 2013, our agent partners in all our states of operation will have a full and robust portfolio of products to offer their customers.

At the same time, we continue to modernize our products in existing markets, keeping pace with our ever-changing business climate.

**Deep Roots**
As any organization with more than a hundred rings on its trunk, we have many customers, associates, agents, business partners, industry colleagues, and neighbors to whom we are continually indebted.

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A single twig breaks, but the bundle of twigs is strong.

- Tecumseh

As the great Shawnee leader Tecumseh – who roamed the Ohio Valley in the early years of our nation’s formation – once said, “A single twig breaks, but the bundle of twigs is strong.” The combined efforts and contribution of the many individuals who have believed in and invested in this organization have made us strong.

Ohio Mutual continues to be active in our hometown community of Crawford County and Bucyrus, Ohio, and we are forging new charitable relationships and partnerships in New England as well.

We understand the responsibility that we have to be an active corporate citizen, and we are committed to this strategy in the days ahead. As a company, we support a number of organizations that strengthen and benefit schools, children, recreation, economic development, and even building community leaders for tomorrow.

By effectively leveraging technology, we have been able to anchor our local physical presence while successfully branching out into new markets. Our challenge now is to initiate and sustain relationships with new partners who will help deepen our roots even further.

**A Vital Resource**
As an organization that sells nothing more than a promise, we recognize that the opportunity to deliver on that promise is often in the midst of our customers’ personal crisis.

When the size and scope of those crises reach unprecedented proportion, it can severely test the strength of those promises and the organization that has made them.

We experienced such a challenge in 2012, when on June 29, Ohioans experienced a storm known as a “super derecho” (which was a new term for many of us) that blew across the state in
less than four hours, incurring more than $740 million in insured damage for the state’s insurers – a rate of $3.5 million a minute. The scope of this storm was more than twice that of any previous claim event in the history of our company. In the months of recovery that followed, 4,529 Ohio Mutual customers tested our promise, and $37 million later, found our promise to be true.

**Not Missing the Forest for the Trees**

In times like this, we must not forget to look at the big picture – we must see the forest for the trees. At the end of the year, the losses from that one storm were the difference between our self-imposed definition of success: achievement of an underwriting profit for the year.

In the aftermath of such a mammoth catastrophe for our customers and our company, we posted an underwriting loss for the year of $840,000, which while disappointing, was less than one-tenth of the $8.8 million underwriting loss suffered the previous year.

While our underwriting showed a loss for the year, in 2012 we still generated more than $9 million of net income after taxes, and increased the surplus, or net worth, of the company to $165 million (an increase of 7%), and reached a new high of $335 million in assets. Over the last 10 years, we have seen our overall net worth increase steadily each year for a cumulative increase of more than 145%. Thus, despite all these weather losses, we still are at the strongest financial position ever in our history.

**Between Two Horizons**

Every day owns two horizons – the one over which the setting sun carries the events and accomplishments of the day before, and the opposite one over which will break the unknowns and possibilities of the day to come.

The challenge in life – or in business – is to not spend too much time focused on one or the other, but rather to balance the lessons of the day past with the opportunities of the day to come. Between the sunrise and sunset of 2012, we realized through many challenges the great fundamental strength of our organization.

The sun rose, the rains fell, the fires raged, and the winds blew – yet at the end of the year, we stood strong – as we have done for 111 years.

The year 2012 that has slipped over that sunset horizon will be a year circled on our calendars and imprinted in our memories for many years to come. While it was a year of great change and of great challenge, it was also one of great accomplishment – the most important of which is this: in the midst of the most difficult of circumstances, Ohio Mutual stood strong, and kept the promises that secure dreams. As always, I wish to close with personal words of thanks – first to our mutual policyholders, for loyally entrusting us with their dreams; next to our agents for their trustworthiness and close partnership; to our associates for their passionate commitment to our Guiding Principles, agents, and customers; to our board of directors for their bold and visionary leadership; and finally to our many business partners for their shared commitment to our values, customers, and success.

*James J. Kennedy*
*CPCU, LUTCF*
*Ohio Mutual President & Chief Executive Officer*

Scan this QR code to view the President’s Report video on our website!
COMPANY MANAGEMENT

James J. Kennedy, CPCU, LUTCF
President & Chief Executive Officer

Randy T. O’Conner, CPCU, AIM
Executive Vice President

Michael R. Horvath, CPCU
Vice President, Human Resources

David G. Hendrix, CPA, CPCU
Treasurer & Chief Financial Officer

Michael A. Brogan, SCLA, AIC
Vice President, Claims

Thomas M. Holtshouse, CPCU
Vice President, Product Management

Todd E. Albert
Vice President, Information Systems

BOARD OF DIRECTORS

Jack R. Purse, CPA
Chair of the Board
Chair, Executive Committee
Audit Committee
Governance Committee

Susan Porter, Esq.
Vice Chair of the Board
Nominating & Governance Committee
Budget & Compensation Committee
Executive Committee
Secretary of the Company

Randy Walker
Chair, Governance Committee
Investment Committee

Thomas Woolley
Budget & Compensation Committee
Investment Committee

A. Michael Heister, CIC
Chair, Budget & Compensation Committee
Audit Committee

James J. Kennedy, CPCU, LUTCF
President, Chief Executive Officer

R. Bruce Albro, CFA
Chair, Investment Committee
Audit Committee

David A. Siebenburgen
Chair, Audit Committee
Investment Committee

2012 PRESIDENT’S REPORT
Agents Advisory Councils

**Ohio Agents Council**

Neil Coleman  
Neil Coleman Ins. Services Inc.

Brent Phelan  
Phelan Insurance Agency Inc.

Ryan Woolley  
Allenbaugh Ins. Agency Inc.

Mark Bodey  
Bodey Insurance Agency Inc.

Jeff Kirk  
Dostal & Kirk Inc.

Dan Cassidy  
Berdnt & Murfin Ins. Agency

Jeanie Giesler  
Diversified Ins. Service LLC

Bob Love  
Love Insurance Agency

**National Agents Council**

Steve Brown  
Payne & Brown Ins. Agency Inc.

Jay Byrnes  
Byrnes Agency Inc.

Neil Coleman  
Neil Coleman Ins. Services Inc.

Jeff Kirk  
Dostal & Kirk Inc.

Mark Matrone  
John Andrade Ins. Agency Inc.

**New England Agents Council**

John Tickner  
Rose & Kiernan Inc.

Dave Hanuschak  
Rhode Island Ins. Group LLC

Mark Matrone  
John Andrade Ins. Agency Inc.

Jay Byrnes  
Byrnes Agency Inc.

Brian Dehm  
Tracy Driscoll & Company Inc.

John Maschi  
Peter M. Bakker Agency Inc.

Key Affiliations

**Industry**

National Association of Mutual Insurance Companies  |  National Association of Professional Insurance Agents  
Independent Insurance Agents and Brokers of America  |  A.M. Best Co.  |  Ward Group  |  Better Business Bureau  
Institute for Business and Home Safety  |  Insurance Institute for Highway Safety  |  Highway Loss Data Institute  
Ohio Association of Mutual Insurance Companies  |  Professional Independent Agents Association of Ohio  
Ohio Insurance Institute  |  Professional Insurance Agents Association of Connecticut  
Professional Insurance Agents Association of New Hampshire  |  Independent Insurance Agents of Rhode Island  
Maine Insurance Agents Association  |  Vermont Insurance Agents Association  
Griffith Insurance Education Foundation  |  Insurance Board of Northern Ohio (IBNO)  
Towing & Recovery Association of Ohio (TRAO)

**Community**

Crawford County Education & Economic Development Partnership  
Bucyrus Area Chamber of Commerce  |  Biddeford-Saco Chamber of Commerce
Where We Operate

States of Operation

- Active
- Licensed

Home Office
Bucyrus, Ohio

New England Regional Office
Saco, Maine

2012 President's Report
Honors & Achievements

Ward’s 50
Ohio Mutual Insurance Group was recognized in 2012 as one of the nation’s top 50 insurers, according to Ward Group, one of the industry’s most respected organizations. Ohio Mutual is one of only 27 of the nation’s 3,000 insurers to have been on this prestigious list for the past four consecutive years.

A.M. Best Rating
A.M. Best Co. revised the outlook to positive from stable and affirmed the issuer credit rating (ICR) of “A” for Ohio Mutual Insurance Group (OMIG) and its members in 2012. This marks the 20th consecutive year that Ohio Mutual has received an “A” rating.

“Best-in-Class” Employer
Ohio Mutual Insurance Group was recognized by Avatar HR Solutions, a national human resources research firm, as a “Best in Class” employer for Overall Job Satisfaction for 2012. Ohio Mutual has received “Best in Class” recognition following the past two surveys of its associates.

BBB Torch Award Finalist
Ohio Mutual was selected as one of three finalists for the Northwestern Ohio Better Business Bureau 2012 Torch Award for Marketplace Ethics, which was established to recognize organizations for ethical and exceptional business practices.
Community Support & Charitable Initiatives

CU Lead & Crawford: 20/20 Vision
Ohio Mutual helped create a community leadership development institute called Crawford Unlimited Leadership (CU Lead), and the program is now in its second year. Ohio Mutual also provides continued support for Crawford: 20/20 Vision, a countywide improvement initiative.

CPCU Society Coats / Gloves
As part of the annual winter coat drives sponsored by the CPCU Society chapters in Cleveland and Cincinnati, Ohio Mutual purchased and donated 1,500 pairs of adult and children’s gloves – one pair to accompany each donated winter coat.

Shoes for School (S4S)
Ohio Mutual’s S4S program provides shoes for needy children enrolled in local schools. To date, several hundred children have received school shoes through this effort. Plans are currently underway to expand this program into our New England region.

OMAC Jeans Days
The Ohio Mutual Associates Connection (OMAC), an internal committee comprised of Ohio Mutual employees, plans monthly jeans days when associates can wear jeans to work for a $3 donation to select charitable organizations. In 2012, OMAC raised a total of $7,812.15 for nine different organizations/causes, including: Salvation Army, Lee National Denim Day, Crawford County Park District, Nick Vogt Wounded Warrior 5k, Stuff the Bus Backpack Program, and the Good Hope “WOW” food kitchen.

Other Organizations Supported in 2012
Bucyrus Bratwurst Festival | Rotary Club of Bucyrus | Crawford County Humane Society
Relay for Life | Hope Street Kids | Bucyrus Kiwanis Club | Marion Palace Theatre
United Way of Crawford County | American Parkinson Disease Association

2012 President's Report
## Historical Results | 2006 - 2012

<table>
<thead>
<tr>
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<tr>
<td>Direct Written Premium</td>
<td>$128.0 M</td>
<td>$138.6 M</td>
<td>$150.4 M</td>
<td>$156.5 M</td>
<td>$163.0 M</td>
<td>$180.7 M</td>
<td>$183.1 M</td>
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<td>DWP Growth Rate</td>
<td>-0.3%</td>
<td>8.3%</td>
<td>8.5%</td>
<td>4.0%</td>
<td>4.2%</td>
<td>3.9%*</td>
<td>1.3%</td>
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<td>Net Written Premium</td>
<td>$120.8 M</td>
<td>$131.0 M</td>
<td>$139.4 M</td>
<td>$146.3 M</td>
<td>$154.4 M</td>
<td>$169.4 M</td>
<td>$167.8 M</td>
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<tr>
<td>Loss Ratio</td>
<td>45.5%</td>
<td>57.3%</td>
<td>53.5%</td>
<td>52.3%</td>
<td>59.5%</td>
<td>64.5%</td>
<td>57.5%</td>
<td>56.2%</td>
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<tr>
<td>Loss Adjusting Expense</td>
<td>8.5%</td>
<td>8.7%</td>
<td>6.7%</td>
<td>7.6%</td>
<td>7.2%</td>
<td>9.1%</td>
<td>10.1%</td>
<td>8.3%</td>
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<td>Commissions</td>
<td>19.1%</td>
<td>17.6%</td>
<td>17.4%</td>
<td>17.1%</td>
<td>16.7%</td>
<td>16.4%</td>
<td>16.9%</td>
<td>17.2%</td>
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<tr>
<td>Other Underwriting Expense</td>
<td>15.4%</td>
<td>14.2%</td>
<td>15.6%</td>
<td>15.4%</td>
<td>14.8%</td>
<td>15.0%</td>
<td>15.6%</td>
<td>15.2%</td>
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<tr>
<td>Combined Ratio</td>
<td>88.5%</td>
<td>97.8%</td>
<td>93.2%</td>
<td>92.4%</td>
<td>98.2%</td>
<td>105.0%</td>
<td>100.1%</td>
<td>97.0%</td>
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<tr>
<td>LAE / Comm / OUE Ratio</td>
<td>43.0%</td>
<td>40.5%</td>
<td>39.7%</td>
<td>40.1%</td>
<td>38.7%</td>
<td>40.5%</td>
<td>42.6%</td>
<td>40.7%</td>
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<tr>
<td>Underwriting Profit</td>
<td>$12.6 M</td>
<td>$0.6 M</td>
<td>$8.9 M</td>
<td>$9.8 M</td>
<td>$1.4 M</td>
<td>($8.8) M</td>
<td>($0.8) M</td>
<td>$23.6 M</td>
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<td>Net Investment Income</td>
<td>$7.0 M</td>
<td>$7.6 M</td>
<td>$8.0 M</td>
<td>$8.1 M</td>
<td>$7.8 M</td>
<td>$8.0 M</td>
<td>$7.4 M</td>
<td>$54.5 M</td>
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<tr>
<td>Net Income</td>
<td>$13.5 M</td>
<td>$7.9 M</td>
<td>$10.9 M</td>
<td>$15.6 M</td>
<td>$10.5 M</td>
<td>$2.8 M</td>
<td>$9.3 M</td>
<td>$70.5 M</td>
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<td>Surplus</td>
<td>$106.5 M</td>
<td>$114.9 M</td>
<td>$123.6 M</td>
<td>$142.5 M</td>
<td>$153.5 M</td>
<td>$154.2 M</td>
<td>$165.2 M</td>
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<tr>
<td>NWP to Surplus Ratio</td>
<td>1.13:1</td>
<td>1.14:1</td>
<td>1.13:1</td>
<td>1.03:1</td>
<td>1.01:1</td>
<td>1.10:1</td>
<td>1.02:1</td>
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<td>Admitted Assets</td>
<td>$232.5 M</td>
<td>$250.5 M</td>
<td>$264.3 M</td>
<td>$287.1 M</td>
<td>$315.1 M</td>
<td>$335.3 M</td>
<td>$350.0 M</td>
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<tr>
<td>AM Best Rating</td>
<td>A</td>
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<td>A</td>
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<td>Rating Outlook</td>
<td>Stable</td>
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<tr>
<td>OMIG BCAR</td>
<td>295.9</td>
<td>291.5</td>
<td>294.1</td>
<td>332.9</td>
<td>344.0</td>
<td>318.3</td>
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<td>Industry BCAR</td>
<td>166.3</td>
<td>210.5</td>
<td>216.1</td>
<td>202.4</td>
<td>210.7</td>
<td>222.3</td>
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<tr>
<td>Comparison</td>
<td>177.9%</td>
<td>138.5%</td>
<td>136.1%</td>
<td>164.5%</td>
<td>163.3%</td>
<td>143.2%</td>
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</tbody>
</table>

*Excludes Casco Indemnity
PURPOSE

To keep the promises that secure dreams.

STRATEGIC OBJECTIVES

We hold as our ultimate objective the production of an underwriting profit, which enables the financial security of our mutual policyholders.

We are steadfastly committed to the Independent Agency System, recognizing our independent agents as our business partners.

We are committed to long-term controlled growth.

We will seek inspiration from our Guiding Principles.

VISION

To be recognized as an industry leader through our reputation with our business partners, making us the preferred choice for property-casualty insurance by our customers.

MISSION

To enhance policyholder value by harnessing our financial strength, the ingenuity of our associates, and the shared loyalties of our business partners.

VALUES

We see our associates, our independent agents, and our other business partners focused by one set of aligned values:

CHARACTER
Be passionate about what you do
Do the right thing
Keep your ego in check
Help each other achieve balance

RESULTS
Focus on underwriting profit
Maintain strong internal controls
Seek balanced growth
Own every issue to conclusion

SERVICE
Build solid relationships
Be customer focused
Seek a "win-win" result
Exceed expectations

COMMUNICATION
Encourage honest feedback
Use objective measurements
Build a trusting environment
Be candid without regard to position

INITIATIVE
Focus on fundamentals
Embrace change
Try something new
Keep your skills current