



SETTING THE STAGE

2016 PRESIDENT'S REPORT
OHIO MUTUAL INSURANCE GROUP



Mark C. Russell, CPCU

President & CEO
Ohio Mutual Insurance Group

TO OUR POLICYHOLDERS, INDEPENDENT AGENTS, BUSINESS PARTNERS, AND ASSOCIATES:

2016 was my first full year directing the production that is Ohio Mutual Insurance Group. I was fortunate to join such a healthy organization – one with a long, proud history and a bright, promising future. The previous generation of leadership had already accomplished much of the heavy lifting required to position Ohio Mutual for the next era of fulfilling its purpose of keeping the promises that secure dreams.

As the curtain fell on 2016, we were quite pleased to conclude another very successful year – once again thanks in no small part to an unusually mild year of weather. We finished the year with an underwriting gain of \$7.9 million, grew our premium revenue by just over 5 percent, and posted a net operating income of \$14.7 million. Our total assets grew 6.4% to \$452.8 million and our surplus grew a very healthy 8.1% to \$214.6 million.

While contemplating how to sum up 2016 for Ohio Mutual, the concept of “setting the stage” came to mind. We have a clear vision for where this organization needs to go, and the potential it has yet to realize. This year was all about preparation for a challenging future, and we focused our energies most on setting the stage for what is to follow. In many ways, operating an insurance company is like putting together a successful theatrical production, and being the CEO of a company is akin to serving as the stage director. Allow me to pursue this parallel in more detail:

The director has two key responsibilities: to establish a unified vision for the final production, and to help coordinate all of the members of the cast and crew toward the ultimate realization of that vision. But no one comes to the theatre to see the director, and our audience as well is much more interested in the collective performance of our entire team.

Our “stage” is the highly competitive property & casualty insurance market – you can’t turn on a television, surf the web, or listen to a radio without being bombarded with ads from our competitors. We are fortunate to be doing business in the Midwest and New England – both locations where our industry is robust and healthy – but the competition is fierce. In some ways, Ohio Mutual is a small, well-reviewed theatre competing against the bright lights of Broadway.

Our “script” is the collection of strategies and commitments that we refer to as our Guiding Principles. Every product we design, plan we draft, decision we make, person we hire, and agent with whom we partner is measured against this declaration of our corporate mission, vision, and values. We have an experienced and visionary board that supports and guides Ohio Mutual in concert with these Principles.

Our “cast” is our team of associates and agent partners who interact most frequently with and perform for our policyholders. Our sales and underwriting associates provide outstanding ongoing support to our independent agent partners, who serve as our closest and most important business partners. Our claims staff delivers every day on the promises made in our policies – in 2016 more than 17,000 times – and our new billing service center is now offering a higher level of service in support of our most-frequent touch point with our policyholders.

Our “crew” is the team of associates that often have little direct contact with our agent partners or policyholders, but are the ones who create and manage the business environment in which our company operates. We have a strong technical team that creates and maintains the systems that provide additional capabilities and tools for our agents and policyholders. We’ve also invested in a new business analytics department to help us design more sophisticated and competitive products to take to market. Together, these are our technical directors, costume designers, and prop managers – behind the scenes, but vital to our collective success.

Finally, our “audience” is ultimately the customers who have purchased more than 180,000 policies from us, entrusting us to protect that which is most important to them. However, we couldn’t reach these customers without our independent agent partners, who sell and service every policy that is purchased from Ohio Mutual. Our agents effectively tell our story, market our products, and serve our shared customers every day – in this theatre analogy, they are the promotions staff, the box office agents and the ushers who help fill the theatre and attend to the needs of those who have purchased our products.

In order for Ohio Mutual to have a long-running show, we have to make sure we are prepared for the challenges of tomorrow. In 2016, we set the stage for a successful future by focusing on a few foundational efforts that I believe will be vital to our continued growth and profitability.

- **Continuous Improvement** – building a culture that relentlessly finds and eliminates waste, to provide extraordinary transactional experiences for our agent partners and policyholders
- **Voice of the Customer** – actively soliciting and acting on feedback provided by our key business partners and customers related to our customer services and offerings
- **Earning Loyalty** – intentionally executing strategies that enable us to earn market-leading loyalty from our policyholders and agent partners
- **Core Systems Modernization** – initiated a multi-year investment to ensure that we are providing top-tier technology to support our key business functions

Together these strategies set the stage for 2017 and beyond. The many people involved in putting together a successful stage production strive to create a final product that is a success – artistically, critically, and commercially. Our goal at Ohio Mutual is to build our organization in such a way that the products we bring to the market, the manner in which we operate our business, and the commercial results of those efforts will keep the lights on our marquee shining brightly for many years to come.

I offer my thanks to each one who contributed to our success in 2016 – our loyal policyholders, our trusted agents, our Board of Directors, many business partners, and our dedicated and passionate team of associates.



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2016 PERFORMANCE

FINANCIAL RESULTS

	2014	2015	2016	2014-2016
Direct Written Premium	\$208.1 M	\$213.3 M	\$224.4 M	\$645.8 M
DWP Growth Rate	5.6%	2.5%	5.2%	13.9%
Net Written Premium	\$192.4 M	\$198.3 M	\$208.9 M	\$599.6 M
Loss Ratio	55.4%	52.7%	52.7%	53.5%
Loss Adjusting Expense	8.6%	8.9%	9.1%	8.9%
Commissions	17.5%	17.7%	17.0%	17.4%
Other Underwriting Expense	15.1%	16.8%	16.4%	16.1%
Combined Ratio	96.6%	96.1%	95.1%	95.9%
LAE / Comm / OUE Ratio	41.2%	43.4%	42.5%	42.4%
Underwriting Gain	\$4.6 M	\$6.6 M	\$7.9 M	\$19.1 M
Net Investment Income	\$7.6 M	\$8.0 M	\$8.4 M	\$24.0 M
Net Income	\$14.1 M	\$11.9 M	\$14.8 M	\$40.8 M
Surplus	\$187.5 M	\$201.3 M	\$217.6 M	+\$39.8 M
NWP to Surplus Ratio	1.03:1	.98:1	.96:1	.96:1
Admitted Assets	\$399.3 M	\$425.5 M	\$452.8 M	+71.8M
AM Best Rating Rating Outlook	A Stable	A Stable	A Stable	

IN THE SPOTLIGHT

OUR ROLE IN SUPPORTING OUR COMMUNITIES

Ohio Mutual has a long history of being a generous and involved corporate citizen. In 2016, we invested in our communities in many ways:

- we set a new company record with our annual United Way Campaign
- we supported dozens of charitable organizations through associate donations and the company's Matching Gift Program
- we extended our support for "The Leader in Me" – a character education program in local schools
- we continued to back the Crawford: 20/20 Vision, a public/private community development effort that is transforming our Home Office community
- we helped host the first-ever Crawford County "Hullabaloo for the House" fundraising event, the proceeds of which support the Ronald McDonald House Charities of Central Ohio





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