

**WESTERN
RESERVE GROUP**



**ANNUAL
REPORT**

2021



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PRESIDENT'S MESSAGE

As we continue to build great momentum for the future, I am pleased to report that 2021 was another successful year for the Western Reserve Group (Group). Despite the ongoing challenges of the global pandemic, our team was able to continue to provide a high level of service to customers and agents. These challenging times provide a reminder of the valuable role relationships play in every part of our lives, and we are fortunate to have a group of exceptional employees and agents that are truly dedicated to serving their clients.

During 2021, we successfully launched the beginning of WRG Agency Services, providing agents the flexibility and affordability of knowledgeable, professional agents to service their book of business. We continue to focus on new and innovative ways to support our agents and we are extremely excited to offer this service opportunity. For agents looking to change their service model, spend more time on selling or nearing retirement and looking for options, our experienced and licensed agents provide a broad range of services and are ready to support your business.

We achieved several financial milestones in 2021. The Group's premium growth was 3.7%, finishing the year at \$246.3 million, an all-time high. In addition to the premium growth, policy counts increased, and policy retention ended 2021 at a 10-year high. We continued to experience strong growth in our Commercial Lines and Farm books of business, achieving a growth rate of 12.4% and 5.3%, respectively. The growth in these profit centers aligns with our long-term strategy of a more balanced book of business. These accomplishments would not be possible without the strong relationships with an outstanding group of independent agents.

From a profitability perspective, we finished the year with a 101.1% combined ratio. After excluding the impact of targeted investments in technology, our core book combined ratio was 98.6%. We had a solid underwriting year with the loss ratio finishing at 56.5%. Although we benefited from mild weather in 2021, large fire losses increased significantly for the year, primarily in our Homeowners book. The Personal Auto book experienced its third straight year of underwriting gains, despite driving patterns continuing a slow return towards normal activity. Farm had an outstanding 2021, enjoying another year of underwriting gains.

In addition to our underwriting results, strong investment performance in 2021 contributed to a return on surplus of 7.6%, resulting in record high surplus of \$374.3 million. We are proud to once again be recognized as an "A-Rated" (Excellent) insurance carrier by A.M. Best, the leading insurance industry rating service for financial strength and stability. The Group's financial strength allows us to continue to invest in our future, but more importantly, it provides a source of security for our policyholders and a stable market for our agents.

Finally, during 2021, our policyholder members voted overwhelmingly to change our organization to a mutual holding company structure. Among other advantages, the new structure continues mutual membership rights for all policyholders and provides for more operational and financial flexibility. It fortifies our commitment to mutuality and our focus on enhancing member value.

We are committed to being a strong, financially sound company that can always be trusted when policyholders need us most. We sincerely thank our agents and associates who have all contributed to our success. We appreciate your business and the confidence you place in the Western Reserve Group.

Sincerely,



Kevin W. Day
President & CEO



ABOUT WESTERN RESERVE GROUP

Western Reserve Group (WRG), working with professional independent agents, has provided the highest quality property/casualty insurance products, competitive pricing, and exemplary service to hundreds of thousands of policyholders.

Headquartered in Wooster, Ohio, WRG is supported by approximately 300 associates and over 3,500 licensed agents from nearly 700 locations.

WRG consists of Western Reserve Mutual Casualty Company, Lightning Rod Mutual Insurance Company, and Sonnenberg Mutual Insurance Company, three Ohio-domiciled property/casualty insurance companies.

As a regional carrier doing business exclusively in Ohio and Indiana, WRG has developed extensive expertise and understands the unique needs that exist for our customers. Whether it be for auto, home, business, or farm, we have programs to protect them all.

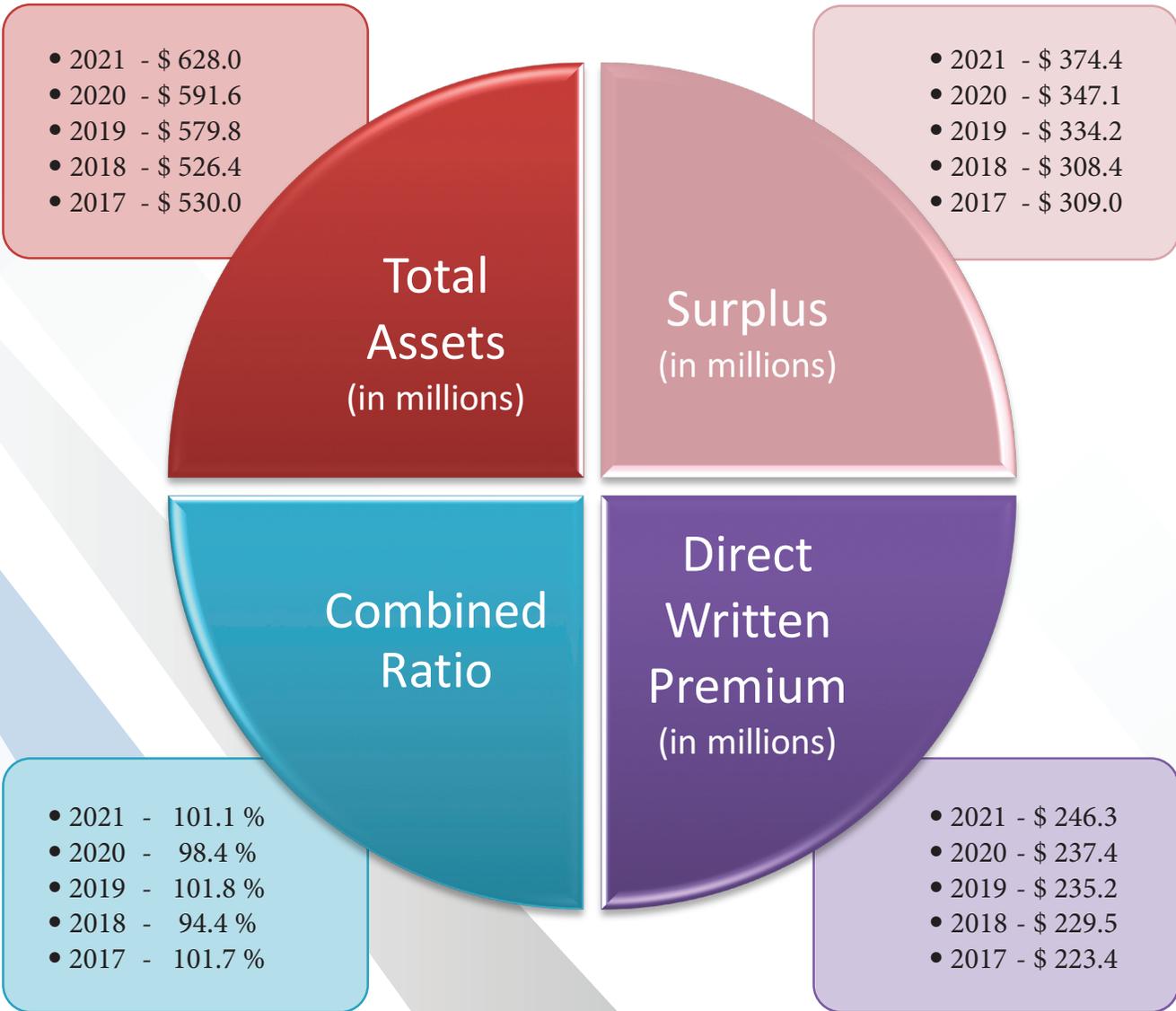


VISIT OUR WEBSITE AT WWW.WRG-INS.COM



FINANCIAL HIGHLIGHTS

Thanks to strong financial performance, loyal independent agents, and dedicated associates, Western Reserve Group is poised to deliver on its promise of protection while also investing in the future.



SELECTED FINANCIAL DATA

(IN THOUSANDS)
Years ended December 31

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>OPERATING DATA</u>					
Gross premiums written	\$246,279	\$237,424	\$235,216	\$229,499	\$223,400
Net premiums written	230,732	223,569	222,213	217,891	212,391
Premiums earned	225,976	222,180	219,150	215,588	208,696
Net underwriting (loss) gain	(4,010)	3,001	(5,073)	11,211	(4,820)
Investment income, net	6,303	8,798	11,045	9,934	9,508
Realized investment gains, net	4,041	1,579	59	5,300	3,796
Net income, pre-tax	8,795	16,039	8,908	29,170	11,242
Net income	8,867	14,857	8,434	24,442	10,642
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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>BALANCE SHEET DATA</u>					
Cash and invested assets	\$565,113	\$530,476	\$518,126	\$463,601	\$471,874
Total assets	628,039	591,577	579,844	526,419	530,043
Surplus as regards policyholders	374,362	347,094	334,210	308,407	309,011
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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>RATIOS</u>					
Loss ratio	56.5	51.9	60.1	51.5	60.1
Loss adjustment expense	10.4	11.3	9.1	9.9	9.7
Underwriting expense	34.2	35.2	32.6	33.0	31.9
Combined ratio	<u>101.1%</u>	<u>98.4%</u>	<u>101.8%</u>	<u>94.4%</u>	<u>101.7%</u>

COMBINED STATUTORY STATEMENTS OF INCOME

(IN THOUSANDS)
Years ended December 31

	<u>2021</u>	<u>2020</u>
<u>UNDERWRITING results:</u>		
Net premiums written	\$230,732	\$223,569
Increase in unearned premiums	<u>(4,756)</u>	<u>(1,389)</u>
Premiums earned	225,976	222,180
Losses and expenses incurred:		
Losses	127,670	115,354
Loss adjustment expenses	23,481	25,096
Underwriting expenses	<u>78,835</u>	<u>78,729</u>
Losses and expenses incurred	<u>229,986</u>	<u>219,179</u>
Net underwriting gain (loss)	<u>(4,010)</u>	<u>3,001</u>
<u>INVESTMENT income:</u>		
Interest	7,604	8,879
Dividends	3,540	3,518
Real estate income (primarily rent for own occupancy)	784	659
Realized gains on investments, net	<u>4,041</u>	<u>1,579</u>
Total investment income	15,969	14,635
Less: Investment expenses	<u>5,625</u>	<u>4,258</u>
Net investment income	<u>10,344</u>	<u>10,377</u>
Other income, net	<u>2,461</u>	<u>2,661</u>
Income before federal income taxes	8,795	16,039
Federal income tax (benefit) expense	<u>(72)</u>	<u>1,182</u>
Net income	<u>\$8,867</u>	<u>\$14,857</u>

COMBINED STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS

(IN THOUSANDS)
As of December 31

	<u>2021</u>	<u>2020</u>
<u>ADMITTED ASSETS</u>		
Bonds, at amortized cost	\$298,172	\$269,140
Common stocks, at market (cost \$98,500 and \$105,096, respectively)	203,552	183,019
Real estate, at cost (less accumulated depreciation of \$2,895 and \$7,453, respectively)	36,616	34,683
Cash and short-term investments	15,525	43,634
Other invested assets	<u>11,248</u>	-
Total cash and invested assets	<u>565,113</u>	<u>530,476</u>
Premiums in course of collection, net	56,701	54,750
Accrued investment income	2,438	2,394
Reinsurance recoverable on paid losses	202	640
Federal income tax recoverable	2,630	2,172
Other assets	<u>955</u>	<u>1,145</u>
Total Admitted Assets	<u>\$628,039</u>	<u>\$591,577</u>
 <u>LIABILITIES AND SURPLUS</u>		
Loss and loss adjustment expense	\$93,226	\$94,721
Unearned premiums	111,181	106,425
Ceded reinsurance balances payable	1,202	1,150
Amounts withheld for others	4,266	3,035
Commissions payable	8,105	8,235
Accrued expenses and taxes	12,957	11,976
FHLB advance	11,515	12,894
Deferred tax liability	8,111	2,085
Other liabilities	<u>3,114</u>	<u>3,962</u>
Total liabilities	253,677	244,483
Surplus	<u>374,362</u>	<u>347,094</u>
Total Liabilities and Surplus	<u>\$628,039</u>	<u>\$591,577</u>

DIRECTORS AND OFFICERS



(L to R) (seated): Kevin W. Day, Ronald E. Holtman
(L to R) (standing) C. Michael Reardon,
Kenneth L. Vagnini, John P. Murphy,
Jeffrey P. Hastings, Eddie L. Steiner, Floyd Trouten

DIRECTORS:

Kevin W. Day
President / CEO of Western Reserve Group

Ronald E. Holtman
Retired (formerly a Partner in law firm of Logee, Hostetler, Stutzman & Lehman), Chairman of the Board of Western Reserve Group

C. Michael Reardon
Chairman and President, United Titanium

Kenneth L. Vagnini
Retired President of The Gerstenslager Company

John P. Murphy
Retired (formerly President/CEO and Secretary of Western Reserve Group)

Jeffrey P. Hastings
Attorney and Counselor at Law, Vice Chairman of the Board of Western Reserve Group

Eddie L. Steiner
President and CEO, CSB Bancorp Inc.

Floyd A. Trouten
Director, Barnes Wendling CPAs Inc.



(L to R): Mike Shutt, Greg Brunn, Kay Risner, Kevin Day, William Galonski, Leo Genders

EXECUTIVE LEADERSHIP:

Michael A. Shutt
Vice President - Finance, Treasurer & Chief Financial Officer (CFO)

Greg A. Brunn
Executive Vice President (COO)

Kay Risner
Vice President - Insurance Operations

Kevin W. Day
President - Chief Executive Officer (CEO)

William J. Galonski
Vice President - Claims, Chief Claims Officer (CCO)

Leonard S. Genders
Vice President - IT, Chief Information Officer (CIO)



(L to R) (seated): Terry Rhodes, Nick Foore, David Freetage, Chantel Meshew, Michele Young, John Cunningham, Dave Jarrett
(L to R) (standing): Jimmy Williams, Fritz Raab, Rich Ullom, Chris Racz, Steven Johnson, Matt Sells, Dave Chandler, Adrian Besancon

ASSISTANT VICE PRESIDENTS:

Terry Rhodes
Assistant Vice President, Personal Lines Underwriting

Nick Foore
Assistant Vice President, Strategic/Product Development

David Freetage
Assistant Vice President, IT Application Services

Chantel Meshew
Assistant Vice President, ERM

Michele Young
Assistant Vice President, Business Operations

John Cunningham
Assistant Vice President, IT Shared Services

Dave Jarrett
Assistant Vice President, Legal Counsel

Jimmy Williams
Assistant Vice President, Commercial/Farm Underwriting

Fritz Raab
Assistant Vice President, Human Resources

Rich Ullom
Assistant Vice President, Technology Services-IS

Chris Racz
Assistant Vice President, Controller

Steven Johnson
Assistant Vice President, Sales & Marketing

Matt Sells
Assistant Vice President, Auto Property Damage & Property

Dave Chandler
Assistant Vice President, Claims Casualty

Adrian Besancon
Assistant Vice President, Investments



OUR MISSION

To fulfill promises made to our policyholders by providing comprehensive insurance through partnerships with independent insurance agents, while providing an excellent customer experience backed by secure business practices and a strong capital position.



Western Reserve Mutual Casualty Company
Lightning Rod Mutual Insurance Company
Sonnenberg Mutual Insurance Company