

Western Reserve Group

ANNUAL

REPORT

2023



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PRESIDENT'S MESSAGE

2023 represented another year of unprecedented challenges as we continue to experience one of the most difficult markets to navigate in quite some time. The headwinds facing the industry, inflation, and higher than average weather losses, continued to have an impact on property and casualty insurance companies throughout the year. We continue to remain disciplined in our approach during these challenging times and remain focused on the long-term mission of serving our customers. You can rest assured that the Group is financially stable, strong, and secure to meet our ongoing commitment to policyholders.



We reached a significant milestone in 2023, as the Group's premium exceeded \$300 million for the first time, finishing at a record high of \$320.9 million. The 2023 growth rate of +19.2% was the Group's highest annual premium growth rate in over 30 years. Along with policy count growth of +3.3%, rate actions and exposure growth contributed to the increase. All three profit centers showed positive growth, with Personal Lines, Commercial Lines, and Farm finishing at 21.4%, 14.8%, and 18.6%, respectively.

We finished the year with a combined ratio of 112.4%, experiencing the worst weather loss year in our history. The Group encountered eighteen different storm events, including four events that exceeded \$5.0 million. In total, we incurred \$60.6 million of weather losses on a plan of \$31.9 million. Yet, despite these challenges, when removing the impact of catastrophic weather-related events, the profitability of the core book of business showed improvement in 2023. This improvement is a leading indicator of our ability to sustain profitability moving forward. In addition, our second largest profit center, Commercial Lines, finished at 97.7%, a significant achievement given the headwinds facing the industry.

Offsetting a difficult year of underwriting results, we experienced positive investment performance in 2023. Market gains combined with higher fixed income yields helped generate an increase in income from investments. The higher yield environment sets us up for higher levels of net investment income moving forward.

We continue to invest in technology and are making meaningful progress on key initiatives. During 2023, we implemented the next phase of WRG Advantage with the introduction of a new policy administration and billing platform for Commercial Lines. We are excited about this release as it enhances our Commercial Lines products and introduces a new Commercial Package Policy for eligible lines. Growing our Commercial Lines book of business is a significant strategic initiative, and we are excited about the efficiencies and product improvements expected from this investment. Commercial Lines (including Farm) now represents 39% of our total book of business. We want to thank our agents for their role in this progression and look forward to working together to achieve even more growth.

We were proud to be recognized again as an "A" (Excellent) insurance carrier by AM Best for the 63rd straight year. It is this strength and stability that provides the foundation to invest in the business and move forward in new and exciting ways. We are committed to being a strong, financially sound company that can always be trusted when policyholders need us most. We 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,

A handwritten signature in black ink, appearing to read "Greg A. Brunn". The signature is fluid and cursive.

Greg A. Brunn
President & CEO

ABOUT WESTERN RESERVE GROUP

Western Reserve Group (Group), 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, the Group is supported by approximately 300 associates and over 3,600 licensed agents from nearly 725 locations.

The Group 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, the Group 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.

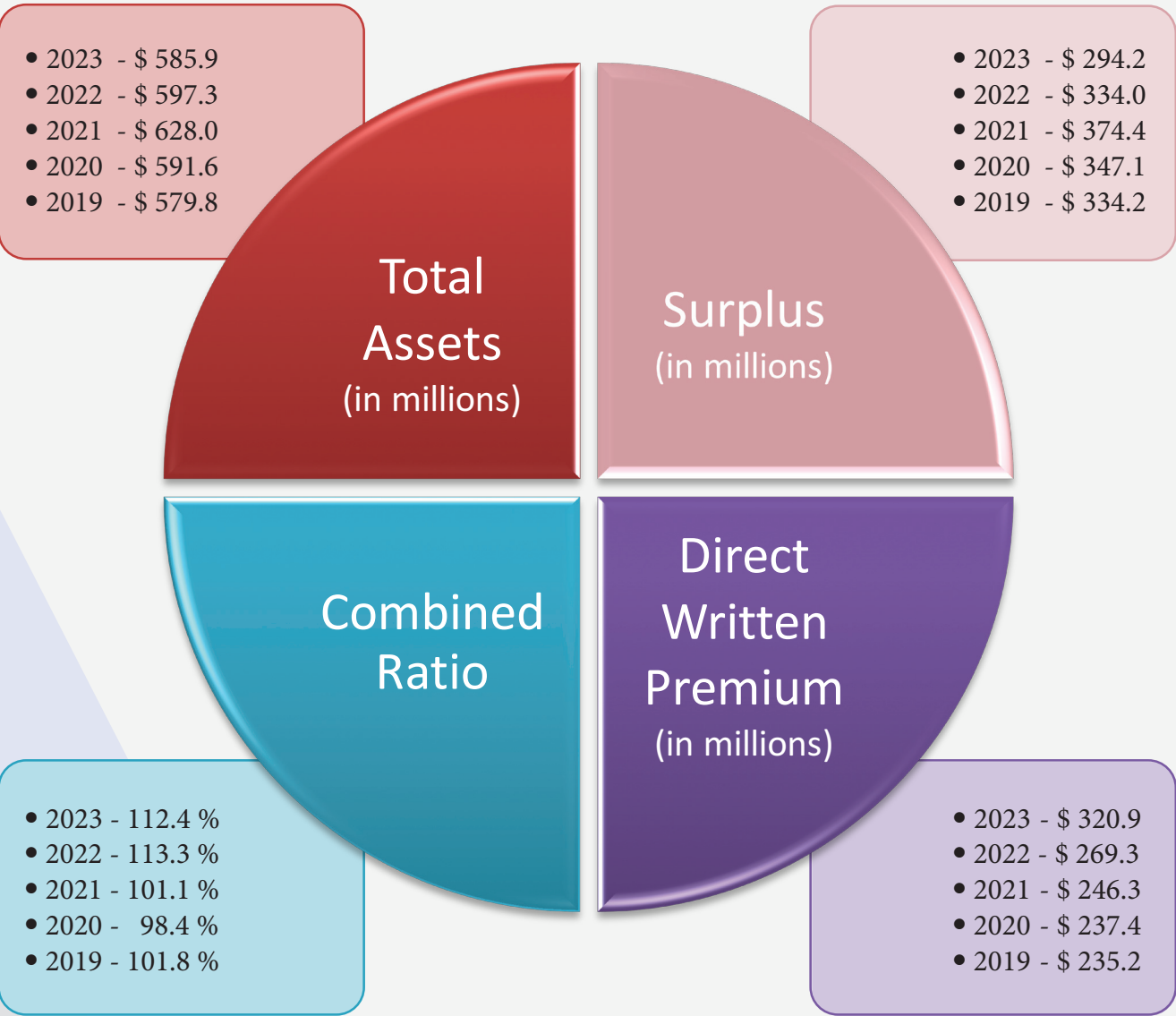


VISIT OUR WEBSITE AT WWW.WRG-INS.COM



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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>OPERATING DATA</u>					
Gross premiums written	\$320,891	\$269,261	\$246,279	\$237,424	\$235,216
Net premiums written	301,091	250,786	230,732	223,569	222,213
Premiums earned	275,649	238,948	225,976	222,180	219,150
Net underwriting (loss) gain	(41,961)	(35,676)	(4,010)	3,001	(5,073)
Investment income, net	10,964	7,543	6,303	8,798	11,045
Realized investment gains (losses), net	8,601	(1,653)	4,041	1,579	59
Net (loss) income, pre-tax	(17,744)	(27,412)	8,795	16,039	8,908
Net (loss) income	(17,744)	(23,078)	8,867	14,857	8,434

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>BALANCE SHEET DATA</u>					
Cash and invested assets	\$494,669	\$514,951	\$565,113	\$530,476	\$518,126
Total admitted assets	585,924	597,285	628,039	591,577	579,844
Surplus as regards policyholders	294,173	334,013	374,362	347,094	334,210

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>RATIOS</u>					
Loss ratio	71.8	70.2	56.5	51.9	60.1
Loss adjustment expense	9.5	10.3	10.4	11.3	9.1
Underwriting expense	<u>31.1</u>	<u>32.8</u>	<u>34.2</u>	<u>35.2</u>	<u>32.6</u>
Combined ratio	<u>112.4%</u>	<u>113.3%</u>	<u>101.1%</u>	<u>98.4%</u>	<u>101.8%</u>

COMBINED STATUTORY STATEMENTS OF INCOME

(IN THOUSANDS)
Years ended December 31

	<u>2023</u>	<u>2022</u>
<u>UNDERWRITING results:</u>		
Net premiums written	\$301,091	\$250,786
Increase in unearned premiums	<u>(25,442)</u>	<u>(11,838)</u>
Premiums earned	275,649	238,948
Losses and expenses incurred:		
Losses	197,929	167,810
Loss adjustment expenses	26,119	24,511
Underwriting expenses	<u>93,562</u>	<u>82,303</u>
Losses and expenses incurred	<u>317,610</u>	<u>274,624</u>
Net underwriting loss	<u>(41,961)</u>	<u>(35,676)</u>
<u>INVESTMENT income:</u>		
Interest	12,970	9,032
Dividends	3,297	3,672
Real estate income (primarily rent for own occupancy)	784	784
Realized gains (losses) on investments	<u>10,887</u>	<u>(2,093)</u>
Total investment income	27,938	11,395
Less: Investment expenses	<u>6,087</u>	<u>5,945</u>
Net investment income	<u>21,851</u>	<u>5,450</u>
Other income, net	<u>2,366</u>	<u>2,374</u>
Loss before federal income taxes	<u>(17,744)</u>	<u>(27,852)</u>
Federal income tax expense (benefit)	-	<u>(4,774)</u>
Net loss	<u>\$(17,744)</u>	<u>\$(23,078)</u>

COMBINED STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS

(IN THOUSANDS)
As of December 31

	<u>2023</u>	<u>2022</u>
<u>ADMITTED ASSETS</u>		
Bonds, at amortized cost	\$286,145	\$289,287
Common stocks, at market (cost \$59,265 and \$76,098, respectively)	138,527	157,582
Real estate, at cost (less accumulated depreciation of \$6,264 and \$5,238, respectively)	35,421	36,414
Cash and short-term investments	12,261	12,294
Other invested assets	<u>22,315</u>	<u>19,374</u>
Total cash and invested assets	<u>494,669</u>	<u>514,951</u>
Premiums in course of collection, net	81,738	64,442
Accrued investment income	2,541	2,661
Reinsurance recoverable on paid losses	1,125	1,048
Federal income tax recoverable	4,852	7,279
Deferred tax asset	-	5,854
Other assets	<u>999</u>	<u>1,050</u>
Total Admitted Assets	<u>\$585,924</u>	<u>\$597,285</u>
<u>LIABILITIES AND SURPLUS</u>		
Loss and loss adjustment expense	\$102,800	\$100,926
Unearned premiums	148,461	123,019
Ceded reinsurance balances payable	2,175	2,188
Amounts withheld for others	6,042	5,601
Commissions payable	8,662	7,602
Accrued expenses and taxes	10,576	10,381
FHLB advance	8,640	10,098
Deferred tax liability	1,266	-
Other liabilities	<u>3,129</u>	<u>3,457</u>
Total liabilities	291,751	263,272
Surplus	<u>294,173</u>	<u>334,013</u>
Total Liabilities and Surplus	<u>\$585,924</u>	<u>\$597,285</u>

DIRECTORS AND OFFICERS



(L to R Standing): Kenneth L. Vagnini, Eddie L. Steiner, Floyd A. Trouten, Mary Legerski, Kevin W. Day, Dorothy C. Baunach, Greg A. Brunn, John P. Murphy, Jeffrey Hastings

DIRECTORS:

Kenneth L. Vagnini
Retired President of
The Gerstenslager Company

Eddie L. Steiner
CEO, CSB Bancorp Inc.

Floyd A. Trouten
Director, Barnes Wendling CPAs Inc.

Mary Legerski
Retired Sr. Director Corporate
Compliance at Cleveland Clinic

Kevin W. Day
Retired (formerly President / CEO of
Western Reserve Group), Chairman of
the Board of Western Reserve Group

Dorothy C. Baunach
Retired CEO of DigitalC

Greg A. Brunn
President / CEO of Western Reserve
Group

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



EXECUTIVE LEADERSHIP:

Greg A. Brunn
President / CEO of Western Reserve
Group

David Freetage
Vice President - Chief Information
Officer (CIO)

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

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

Kay Risner
Vice President – Insurance Operations,
Chief Underwriting Officer (CUO)

(L to R Top): Greg Brunn, David Freetage, William Galonski
(L to R Bottom): Michael Shutt, Kay Risner

ASSISTANT VICE PRESIDENTS:

Matt Sells
Assistant Vice President, Auto Property
Damage & Property

Chantel Meshew
Assistant Vice President, ERM

Jennifer Winter
Assistant Vice President, Human
Resources

Michele Young
Assistant Vice President, Business
Operations

Terry Rhodes
Assistant Vice President, Personal Lines
Underwriting

Nick Foore
Assistant Vice President, Strategic
Development

Chris Racz
Assistant Vice President, Controller

Jimmy Williams
Assistant Vice President,
Commercial/Farm Underwriting

Steven Johnson
Assistant Vice President, Sales & Marketing

Rich Ullom
Assistant Vice President, IT Compliance,
Security & Audit

Dave Chandler
Assistant Vice President, Claims Casualty

Dave Jarrett
Assistant Vice President, Legal Counsel



(L to R Seated): Matt Sells, Chantel Meshew,
Jennifer Winter, Michele Young, Terry Rhodes

(L to R Standing): Nick Foore, Chris Racz,
Jimmy Williams, Steven Johnson, Rich Ullom,
Dave Chandler, Dave Jarrett



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