

# RIISING TO THE OCCASION

I am working from home as I pen this article for our 2019 Annual Report. No one could have predicted that Grinnell Mutual, our customers, and the world would be so drastically impacted by the coronavirus pandemic. In normal times, the president's State of the Company message focuses on the events and achievements of the prior year.



But these are not normal times. So, this year, I am focused on how we have reacted to the disruption created by the pandemic and how it may affect what's in store for our industry.

I am so proud of the actions that Grinnell Mutual's leadership team and staff took to protect the health of our employees and to maintain our high standards of service to our mutual members, agents, and policyholders during the pandemic crisis. Your Grinnell Mutual leadership team began business continuity discussions on Feb. 14, and on Monday, March 16, we transitioned our office staff from all three of our locations to working from their homes.

The team effort was exceptional and focused on two very important goals: protecting each other and serving our customers. We are doing things differently, but our service standards have not declined. This is truly an exceptional performance, one that I am very proud of.

## WHAT'S NEXT

After every crisis there are significant changes. Our industry must anticipate and prepare for these changes. We made a great decision four years ago to begin the process to upgrade our technology, processing systems, and workflows. While this project will not be

concluded for several years, if we had delayed our decision it may have been too late for Grinnell Mutual to react to pending industry changes.

Our industry will see pressures to make changes in both the products we provide and the way we do business. To continue to perform business as usual will become insurers' Achilles heel.

What are some of these possible industry changes?

### User-based insurance products

The industry has worked hard to provide refunds to customers that have had decreased exposures due to business closures and shelter-in-place orders. While many private passenger auto refunds were initially focused on creating a positive marketing spin and retaining current policyholders, there will be an increased demand for user-based products and participation in insurance companies' profits, especially in the private passenger auto market. Companies that fail to react to these changes may get left behind.

### Expansion of remote workers

Businesses are proving that employees can work from home efficiently and successfully. Having a workforce that can quickly transition its workforce to working from home during a business interruption event will no longer be a luxury, but a requirement. Our policyholders and our regulators will demand and expect it.

### New products and coverages

It has become evident during this pandemic that customers' expectations are changing. There appears to be a desire to change the standard business model — in which the consumer purchases a legal contract that outlines coverages and exclusions — to one

where the consumers and lawmakers expect insurance to address all policyholders' financial needs after a loss event.

Regardless of how unrealistic these expectations are, our industry must do a better job of helping our policyholders identify their current risks and understand which ones can be mitigated by an insurance transaction and which ones require other risk management techniques.

The policy refunds offered because of COVID-19, while a fair and necessary step to maintain policyholder trust, have helped create these new expectations and participating policies may become the norm.

Our industry must also develop new products and pricing methods to address these changes. Companies that fail to do this will find themselves facing a declining market share, reduced premium, and higher expense ratios.

## THE FUTURE

Albert Einstein said that, "In the midst of every crisis lies great opportunity." How will we react to this new opportunity?

Local mutual insurance associations were founded throughout the Midwest 160 years ago to solve a local insurance crisis. Their sole purpose was to provide service to their local customers — service that other insurers would not or could not provide. The heritage and the DNA of these first farm mutual associations run deep within our mutual industry. It is our responsibility to discover the opportunities that are hidden within this current crisis. This is what we do, and who can do it better than we?

This is an opportunity, and we must grab it like our forefathers did a century and a half ago. Together we can make this a reality.



# MAKING CONNECTIONS

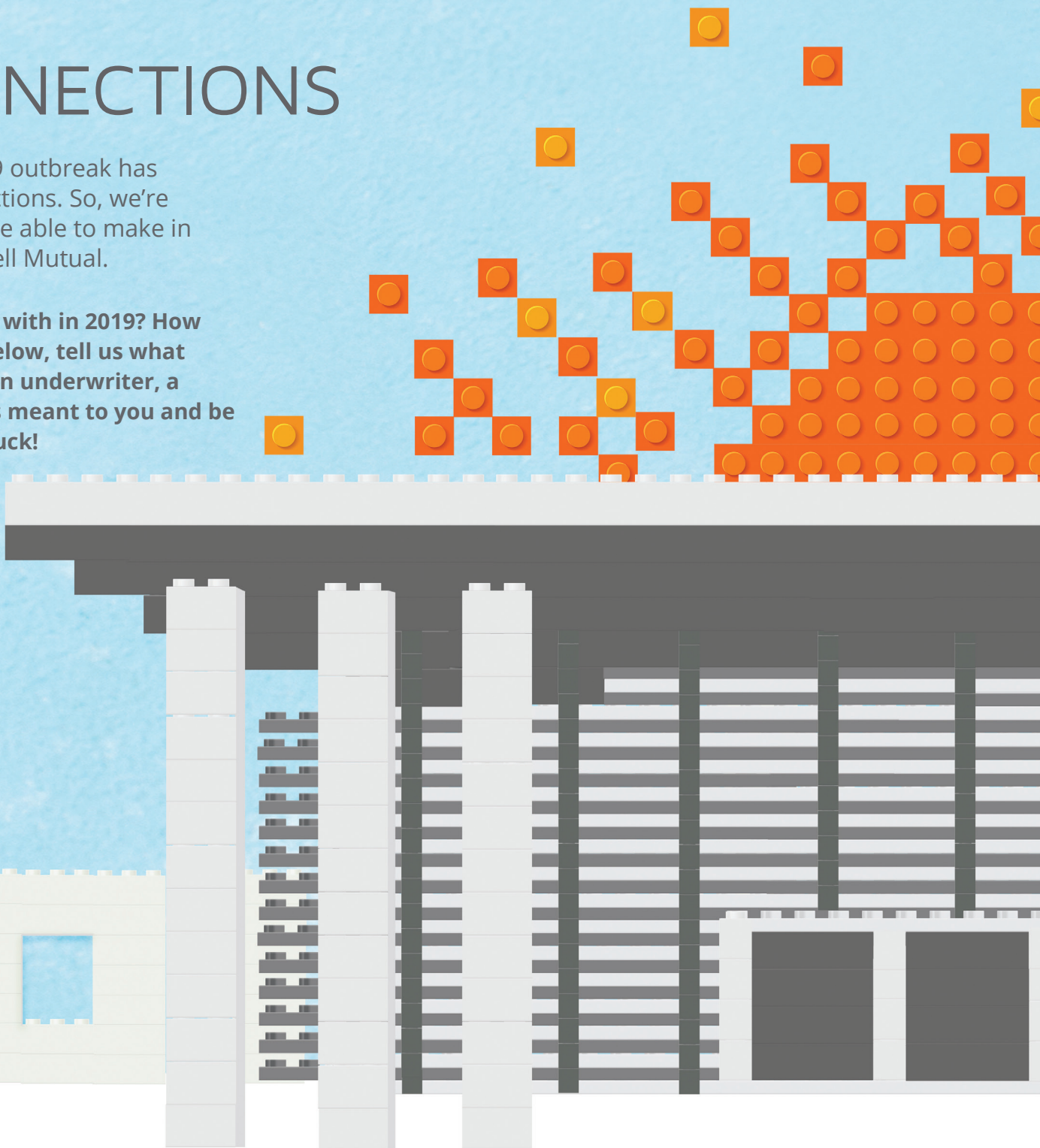
If there's one thing the recent COVID-19 outbreak has taught us, it's the importance of connections. So, we're looking back at the connections we were able to make in 2019, and the impact it made on Grinnell Mutual.

**Who at Grinnell Mutual did you connect with in 2019? How did they affect you? Scan the QR code below, tell us what that connection with someone here — an underwriter, a claims adjuster, a CSR, whomever — has meant to you and be entered to win an Arctic cooler.\* Good luck!**



Open your phone's camera and hover over the code. When the code is properly framed, you will be prompted to open a browser. Click on the prompt and the form should appear.

**\* Deadline: Aug. 1, 2020**







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# CORE VALUES

- Act with integrity
  - Trust and respect our employees
  - Value our relationships
  - Serve and protect our customers
- 

# VISION

An empowered team driving innovative reinsurance and insurance solutions



# MISSION

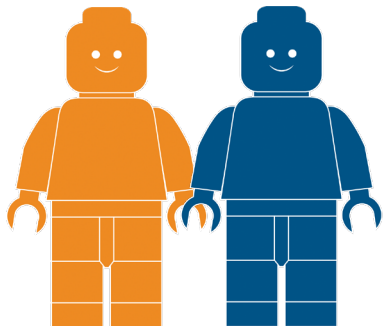
Cultivate trusted relationships with:

- Mutual members by providing state-of-the-art reinsurance solutions and consultative services focusing on members' success
- Agents by providing insurance solutions with a focus on ease of doing business
- Policyholders by fulfilling our promise to help you in your time of need
- Employees by providing an innovative environment where you are empowered to be your best

CONNECTING WITH THE

COMMUNITY





In 2019, we donated food, school supplies, pet supplies, participated in blood drives and the Christmas Share program, and volunteered our time. Giving back to — and connecting with — our community is key to who we are as a company.

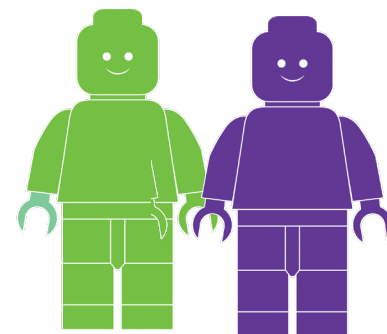


## 2019 MONETARY DONATIONS

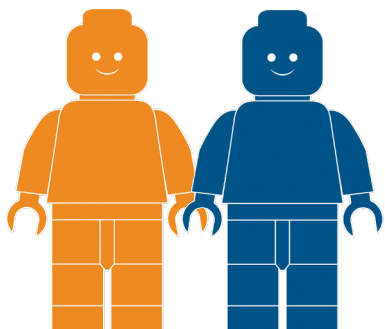
GMG Foundation	\$394,115
Community relations donations	\$360,117
Employee events and other corporate donations	\$90,000
Employee donations	\$128,686
<b>TOTAL</b>	<b>\$972,918</b>

## OTHER DONATIONS

- 275 units of blood = up to 825 lives saved!
- 3,109 hours of volunteer time (during work hours)
- 200 families helped through Christmas Share program
- 25 boxes filled with food
- School supplies for seven area schools (at least two boxes per school)
- Pet supplies purchased for the Poweshiek Animal League shelter







## JANUARY

### Grocery Bowl food drive

- Boxes of food: 9
- Donations to Mid-Iowa Community Action: \$1,090

### Blood drive

- Units collected: 34
- Lives saved: Up to 102

## FEBRUARY

### Poweshiek Animal League Shelter (PALS) donations

- Valentine treat bags: \$337
- Puppy chow sales: \$195
- Amazon pet supply drive: Employees purchased supplies to be shipped directly to PALS

## MARCH

### Team Up For Tomorrow volunteer challenge begins

- 29 teams
- 293 employees

### Blood drive

- Units collected: 45
- Lives saved: Up to 135

### Collective Goods book and gift fair

- Donation to Grinnell Middle School: \$685



## APRIL

### Easter Egg hunt

- Attendance: 360 people

### Bring Your Child to Work Day

- Employee children participating: 43

## MAY

### Special Olympics Iowa

- Volunteers: 69
- Hours volunteered: 332

### Blood drive

- Units collected: 53
- Lives saved: Up to 174

### Highway Cleanup

- Students: 15
- Grinnell Mutual volunteers: 32



## JUNE

### Care and Share:

#### Helping out employees in need

- 2019 Employee donations: \$57,288
- Company match: \$56,848

**TOTAL = \$114,136**

## JULY

### Christmas in July food drive

- Boxes of food: 6
- Donations to Mid-Iowa Community Action: \$585

### Blood drive

- Units collected: 47
- Lives saved: Up to 141







## AUGUST

### School supply drive

- Boxes of supplies and backpacks: 14 + \$85

## SEPTEMBER

### Day of Caring

- Volunteers: 280
- Hours volunteered: 680
- Meal sponsorship: \$8,200
- Meals from the Heartland: 40,000 meals packaged

### Top Workplaces: Menary Moolah

- Donation to six charities: \$6,460

### Blood drive

- Units collected: 51
- Lives saved: Up to 153

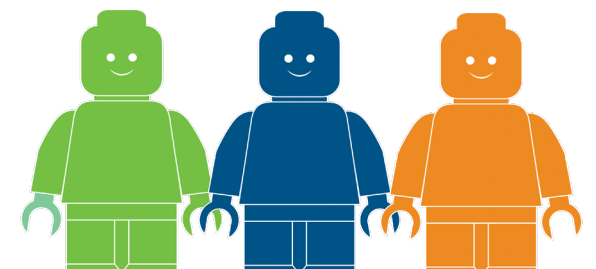
## OCTOBER

### United Way

- Employee donations: \$69,104
- Corporate match: \$64,000
- Total donation: \$133,104

### Team Up for Tomorrow volunteer challenge ends

- Team volunteer total: 1,727 hours, averaging almost six hours per person
- Total corporate volunteer time off and Day of Caring hours: 3,108.5







## NOVEMBER

### Christmas Share

- Boxes of gifts donated: 30
- Boxes of food donated: 13
- Cash donated: \$200

### Collective Goods book and gift fair

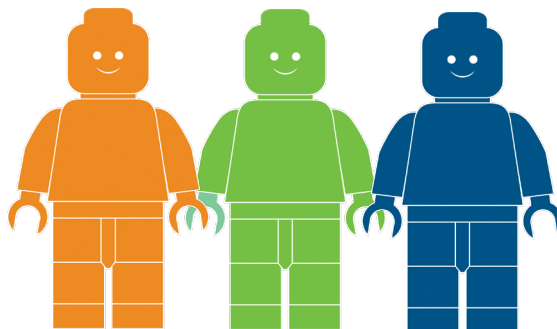
- Donation to Grinnell Middle School: \$721

### Employee turkey giveaway

- Unclaimed turkeys donated to a local food bank

### Blood drive

- 68 units collected
- Up to 204 lives saved



## DECEMBER

### Holiday food drive

- Donation to Mid-Iowa Community Action: 6 boxes of food, and \$585

### Winter Wonderland fundraiser and inflatable holiday display

- Food and activities for the whole family
- Freewill donation to support literacy raised \$131 and several books for Read 2 Lead.

CONNECTING THE

DOTS



# REINSURANCE ■ KEVIN FARRELL, VICE PRESIDENT

Our deep connection with members is what differentiates Grinnell Re from other reinsurers. Our team is passionate about connecting customers with products and services that support their success. We are all much stronger when we connect and leverage the strengths of partners.

- In 2019, Grinnell Re was a proud NAMIC Platinum Sponsor for the third consecutive year. NAMIC is a great advocate for the mutual industry and offers valuable education and networking opportunities.
- In April of 2019, we hosted our third annual Mutual Summit in Grinnell and connected over 100 of our members from all over the country during a three-day educational and networking event.
- In the summer of 2019, as part of our commitment to continuous improvement across the company, we began working closely with a committee of members from several states and IMT Software Services. Grinnell Mutual is helping accelerate the development of software solutions for our mutual members that subscribe to IMT's service, with a focus on improving the ease of doing business.

During 2019 Mutual Advisory meetings we gathered member feedback about potential future support services and also launched new services.

- The Mutual and Technical Services team offers a streamlined, one-stop service resource for our membership and provides improved service and support.



- Over 70 percent of our members used our Reinsurance Adjusting Program service in 2019, and the extension of large-loss claim adjusting support meant we adjusted \$67,900,000 in new losses in 2019.

Grinnell Re had a successful 2019 in terms of business results, too, ending the year with a 60.7 percent loss ratio. The result was 6 points higher than our goal and 2.9 points higher than our weather-loss plan, resulting in a \$6.3 million underwriting gain.

We also continued to grow our membership, contracting five new farm mutual members, as well as adding five new broker-market accounts for 2020. We currently serve 247

farm mutuals and 18 broker-market clients.

Net written premium growth was flat in 2019 with a -0.1 percent growth rate. We reduced our direct wind written premium significantly as members converted this risk, insuring the exposure directly. We assumed the risk on an excess basis. This transition reduced our written premiums about 3 points.

Our goal and promise remain constant: to focus our time, energy, and investments on supporting and connecting with our customers. And we will continue to offer services and effective tools to help members address new challenges in the market and to support their long-term success.

Together our future looks bright.

## MUTUAL SUMMIT: TRENDS, RATES

**G**rinnell Mutual held its third annual Mutual Summit at its home office in Grinnell, Iowa, April 9–11, 2019. The annual summit is part of Grinnell Mutual's mission to provide mutual members with reinsurance solutions and services that focus on their success.

At the summit, 110 attendees from 81 Grinnell Mutual member companies learned about the trends and issues that can affect their bottom line. They shared ideas that impact every area of their businesses from forms and rates to employee handbooks and marketing.

### TRENDS FACING PROPERTY INSURERS

"Change in insurance is like a steamroller — it moves slowly, but decisively," said Brian Sullivan, the keynote speaker at the 2019 summit. "Get your feet moving now, so you don't get flattened."

Sullivan is editor and publisher of Auto Insurance Report and Property Insurance Report. He is also a journalist and analyst who has covered financial services and the insurance industry for more than 35 years.

He offered good news to the audience. "Every change in insurance benefits small insurance companies more than the larger ones — data, infrastructure, the Internet, and



Brian Sullivan

even insurance-specific services like claims, underwriting, and reinsurance," said Sullivan.

Even online, small insurers are gaining a competitive advantage. Some carriers are successfully using online tools to perform customer research.

"On sites like compare.com, you can't get consideration from a buyer without a \$400 million advertising budget," said Sullivan. These types of comparison-shopping web sites allow carriers to use a highly segmented, granular approach when pricing and quoting.

One way to stay competitive is by modernizing pricing models and pricing risk more accurately by collaborating with peers and taking full advantage of the expertise offered by third-party partners like Grinnell Mutual.

### GOOD RATING IS KEY

Rates — and how to set them — were a big focus of Mutual Summit. Attendees learned about underwriting solar panels, rate indications, rate changes, and by-peril

homeowners rating.

Grinnell Re Assistant Vice President Gil Korthals compared across-the-board rate changes to treating a broken arm with a full body cast.

"Taking an across the board rate change is almost never the right thing to do," said Korthals. "Apply treatment to the actual area of trouble — high loss ratios. Inspect your book of business and weed out poor risks."

One attendee who appreciated the focus on rates was Bobbette Tucker, a mutual manager with Lincoln County Farmers Mutual in Troy, Mo. After starting in February last year, she discovered losses weren't being reported correctly at her company.

After the rating presentation, Tucker stayed behind in the auditorium, entering figures into her phone's calculator.

Tucker was also at last year's Mutual Summit. She said the summits help her build on what she's doing. "Grinnell Mutual is great. I've worked with other companies in the past, and there's no comparison."





## CLAIMS ■ BRIAN DELFINO, VICE PRESIDENT

It was another busy year for the Claims division. We handled over 56,000 claims and I am proud to say that we continue to get very high marks from our customers on the service they receive. As we continue to grow, it brings new opportunities for us to positively impact business results and we are implementing some very exciting new approaches and tools to assist us.

In Claims, everything we do revolves around three key areas:

- Customer service and experience
- Controlling loss costs by paying what we owe but not overpaying
- Managing our expenses by improving productivity and delivering services at the right cost

Several of our projects relate to process changes that can impact all three of these areas. An example of this is the rollout of our photo-based estimating tool, Easy Estimate. The claims adjuster

simply sends the customer a link that explains how to take photos of their damaged vehicle. The photos are uploaded and received by our team, which writes the initial damage estimate and then issues a check for the damages.

We have many examples of estimates being completed and checks being issued within hours. In total, this new process has reduced our average cycle time for these claims from over 10 days to approximately three days.

This type of change improves not only customer experiences by getting them through the process and paid quickly, but reduces costs like rental and storage and improves productivity for our team.

We continue to be focused on providing industry-leading service to our customers and feel strongly that by doing this we will improve all areas related to our business.

Thank you for the trust and support you have given us.

# 91%

OF CUSTOMERS WERE  
SATISFIED WITH OUR  
CLAIMS PROCESS

# 4.7 out of 5

CUSTOMERS WOULD  
RECOMMEND GRINNELL  
MUTUAL TO A FRIEND  
OR FAMILY MEMBER



## A PERSONAL TOUCH FOR WORKERS' COMP CLAIMS

Work accidents, like any injury, can be life-altering — both for the employee and his or her family. They can also be business-altering and have ripple effects for business owners.

Sandy Prior, a claims manager for Grinnell Mutual's workers' compensation product and registered nurse, knows this as well as anyone.

And, as a former nurse case manager (NCM), Prior knows having a face-to-face relationship when there is a workers' compensation claim can make a world difference for the injured employee, the insured, and the carrier.



Sandy Prior

"I know the impact that nurse case managers can have on helping claims go so much more smoothly," said Prior. "They have the deep medical knowledge that most claims adjusters don't. And they go to appointments with the injured employee, so they're there to help explain what's going on and can

ask the doctors questions and help assess the suggested treatments."

Like other insurers, Grinnell Mutual usually contracts with NCMs. But Prior thought having one on staff could be more efficient and cost-effective. Most importantly, it would offer the best service to both the insured and the injured worker. That's why she led the effort to create the position at Grinnell Mutual.

"Sandy has worked in different facets of the work comp insurance industry for a long time and she has a wealth of knowledge on the subject," said Paul Boonstra, a director in the Claims division. "She was instrumental in leading

the effort to budget for and hire a nurse case manager for our work comp business in the state of Iowa."

### RELATIONSHIPS AT THE CENTER

Enter Jodi Suther, RN, BSN, who joined Grinnell Mutual in April 2019.

"My role is to help manage all the medical aspects of a workers' compensation claim," Suther said. "I go to doctors' appointments with the employee and make arrangements for other treatments like physical therapy and in-home equipment." Suther also helps with transportation needs and referrals to various social services if they're needed and checks in on claimants throughout their time off work.

"As an advocate for the injured employee," said Suther, "I want to make sure they understand the process, both medically and from an insurance standpoint."

In one case where a mother of five was injured, Suther even arranged school pickup so the father could work. "They pretty much have 24/7 access to me," said Suther.

"We cannot say enough good things about Jodi," Boonstra said. "She has a huge heart and so much knowledge in the work comp arena. We have noticed huge improvements working with the injured employee as well as working with our insureds."

Having Suther on staff, Prior said, makes things move not only more smoothly but faster.

"When someone is injured, especially in the case of a catastrophic injury resulting in hospitalization, Jodi can be there quickly," she said. "The sooner



Jodi Suther

we can make contact, the sooner they know that we're there for them, and the sooner the claims process gets moving."

Suther acts as a sort of medical translator, too, not only for the claimant, but for the insured and the adjuster, which helps nip miscommunications and misunderstandings in the bud.

All of this, Suther said, helps the injured workers, their employers, and Grinnell Mutual.

"Decreasing lost or modified work time helps insureds minimize the impact on their business and the potential for higher premiums," said Suther. "And it helps injured workers get back to normal — even if it's a new normal — as soon as possible."

### THE HUMAN TOUCH

There are a lot of business reasons why hiring Suther was a great move for Grinnell Mutual — and other reasons, too.

Having an advocate — a human face they can relate to and count on — makes injured employees more comfortable and less stressed, which in turn positively affects their healing time and their feelings about the experience, which in turn decreases litigiousness.

"Having a staff nurse case manager does save Grinnell Mutual money," Prior said. "But that's not why we value Jodi. She's there, in person, for injured employees. One of the most important things we can do is let that person and their family know that 'We got you. It's going to be OK.'"



# UNDERWRITING, SALES, AND SERVICE

## ■ KURT EAVES, VICE PRESIDENT

**T**he Underwriting, Sales, and Service division hit a number of key milestones in 2019. In February, we launched our new multi-variate-rate auto company, Grinnell Compass, in Pennsylvania. The launch marked the successful completion of our first phase of the CONNECT project, which is our new business platform that leverages sophisticated new technology.

At the same time, we introduced our homeowners products to Pennsylvania agents under the Grinnell Mutual brand, using the same CONNECT platform. The next phase of the project is the release of personal umbrella (live March 2020), inland marine, and watercraft products.

On the commercial lines side, our new Businessowners product was introduced in all states in April. This involved taking several upgrades to standard industry forms and rates, while making changes to make the product more flexible and competitive in the market.

Our in-house brokerage, Grinnell Specialty Agency, also continued to grow and was able to add products as a managing general agency for other insurance carriers. The agency specializes in hard-to-place risks in both the admitted and non-admitted markets.

Financially, 2019 was more challenging



**From left: Mandy Hudnut, AVP, Grinnell Specialty Agency; Mike Shepardson, AVP, Sales and Service; Todd Milburn, AVP, Personal Lines and Farm Underwriting; Rita Vos, AVP Product Development and Actuarial Services; Kurt Eaves, VP, Underwriting, Sales, and Service; Steve Scherf, AVP, Commercial Lines Underwriting.**

than recent years. Not only did we have significant weather-related losses, the CONNECT program development costs began to impact our expenses in a meaningful way. This technological spend is an investment in our future, and we will continue to use a phased approach over the next few years to fully fund the investment.

Additionally, across the industry, the trend toward larger litigated judgments against insurers of all products is applying additional pressure to bottom line results. However, Grinnell Mutual's business has not suffered as much as many of our peer competitors.

The pace of growth also slowed in 2019, primarily driven by efforts to improve auto profitability and the continued decrease in workers' compensation rates across the industry.

In spite of these significant increases in operating expenses and loss costs, the property and casualty book of business produced a net combined ratio of 103, and year-end written premiums exceeded \$493 million, an annual growth rate over 4 percent.

These successes reflect sound underwriting and claims-handling practices, and produced an operating profit after investment income.



The 2019 BOP Summit

## BOP PROGRAM GETS AN OVERHAUL

That change often comes slowly to the insurance industry is a surprise to no one.

Grinnell Mutual introduced commercial insurance coverages in 1958 and offered its first target market program in 1992. Though it tried to keep up with Insurance Services Office (ISO) updates to its Businessowners' policy (BOP) program over the years, by 2012, its products struggled to meet the demands of the market.

"To stay competitive in the market, we knew that we needed to offer the

products our insureds wanted and needed," said Todd Milburn, assistant vice president of personal lines and farm underwriting. (Milburn was director of commercial lines when the BOP project was launched.)

### SIMPLIFY, SIMPLIFY

"We set a goal early in the project," said Cari Overbergen, director of commercial lines support. "We wanted to simplify."

So Overbergen, Milburn, and other members of the Underwriting, Sales, and

Service team reached out to agents to find out what they wanted from Grinnell Mutual's BOP program.

Agents shared two common complaints about what made it hard to write business with Grinnell Mutual.

### ONE CUSTOMER, MULTIPLE POLICIES

Some customers owned more than one business that fit Grinnell Mutual's targeted commercial coverages — but each business needed its own policy.





And each policy would have endorsements and exclusions to limit coverage to one location.

"That never made sense to me," said Milburn. "If I am an insured with Grinnell Mutual, why would I have to have three different policies?"

To overcome that problem, Grinnell Mutual went from 26 unique target market forms to three — Business Sure-All Plus, Business Sure-All Enhanced, and the House of Worship program.

As a result, agents can quote multiple target markets on a single policy — a much-requested feature.

### QUOTE IT RIGHT, QUOTE IT ONCE

With 26 target market forms, agents sometimes struggled to quote new business with Grinnell Mutual.

"It was hard for agents to know what target market they wanted. They'd pick one and call their underwriter, who would break the bad news that not only had they picked the wrong target market, but they would need to redo the quote, too," said Overbergen. "It's never fun to tell an agent to redo a quote — especially when the quote has 13 buildings!"

Now the system prompts agents to enter a unique class code and automatically recommends a target market. As a result, the agent should not need to re-enter a quote.

"Once I learned the system, I was surprised how easy it was to quote BOP policies," said Brad Newcomer, agent and owner of Eagle Insurance Group in Liberty, Mo. "So far my customers have been very pleased with the ease of setting up the new policies. Also, billing hasn't been a nightmare!"

### TEAMWORK GETS IT DONE

Overhauling the BOP product took a village — people from 20 departments contributed to the project, from Actuarial Services to Marketing and Customer Experience.

Overbergen credited Project Manager Morgan Berstler and Scrum Master Clare Eaton for their leadership on the project, which built a foundation of trust, created alignment among departments, and opened communication among everyone working on the project.

"This has been a long project that came with many changes," Berstler said, "but the team understood the importance and impact of the project to the company and continuously hit milestones."

### A NIMBLER TOMORROW

One of those milestones came April 1, 2019, when the new rates and forms took effect.

For agents, the revisions have made it easier to write business with Grinnell Mutual.

"The quoting software is very user friendly — and often very competitive," said Lori Dobbs, commercial customer service representative with First Insurance Group in Plano, Ill. She has written with Grinnell Mutual since 2005.

Agents can expect more enhancements in the future.

"When a new market emerges, it's easier to react when your coverages and forms are up to date," said Overbergen. "This rewrite will make Grinnell Mutual more responsive to the needs of our customers and opportunities in the market."

"We had a vision to take our BOP product to the next level and we delivered," said Milburn.

CONNECTING

PEOPLE



# BUILDING CONNECTIONS

**We make all kinds of connections every day at Grinnell Mutual:**  
with coworkers, policyholders, mutuals, agents. Here are just some examples of how those important connections are forged.









Ranked  
**110th**  
largest  
property-casualty  
company

Total agencies in  
Pennsylvania:  
**57**

States  
served:  
**19**

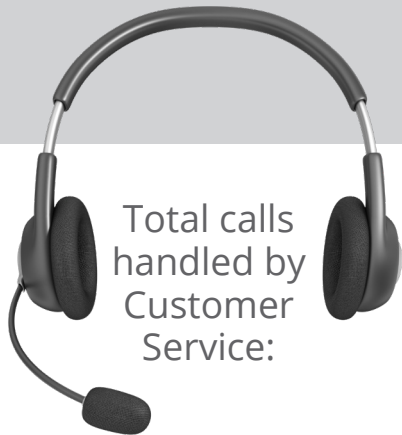
# BY THE NUMBERS

Direct lines claims:  
**56,081**

An Iowa  
Top Workplace  
**9**  
straight years

Total  
broker-assumed  
accounts:  
**18**

New  
mutuals:  
**7**



Total calls  
handled by  
Customer  
Service:  
**181,681**

Named a Ward's 50  
property-casualty  
company:  
**4th**  
year in a row

Mutual  
members:  
**247**

Reinsurance claims:  
**17,290**

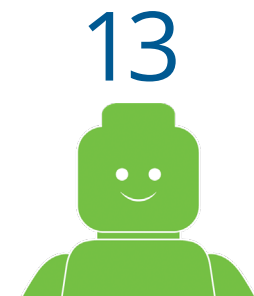
States with  
direct lines:  
**12**

'A' rated by A.M.  
Best since  
**1991**

Co-op students (interns):



2018 retirees:





Total gross written premium:  
**\$713,600,000**

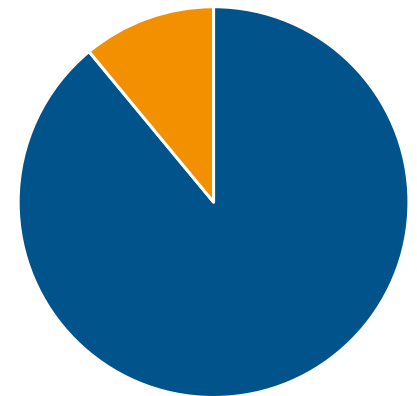


Agencies  
added:  
**76**

Gross written  
premium  
increase over 2018:  
**2%**

Surplus gain:  
**\$54  
million**

Capacity ratio:  
**89%**

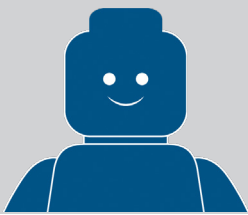


Total assets:  
**\$1.3  
billion**

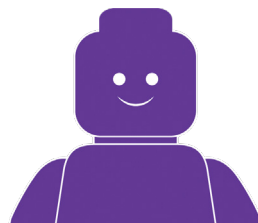
Total surplus:  
**\$732  
million**

Underwriting loss:  
**\$1.1  
million**

Employees:  
**841**



New hires:  
**85**



Special  
investigations  
completed:  
**1,000**

Combined ratio:  
**100%**











# 2019 WAS A GOOD YEAR FOR CONNECTIONS...

## ...WITH EMPLOYEES

### New divisions, new leaders

To best position the company for the future, Grinnell Mutual created two new divisions, adding two vice-president positions to the senior leadership team. Both leaders were hired from within the company.

- The Strategic Experience division includes the Project Management Office (PMO), Marketing and Customer Experience (MCX) department, and Strategic Initiatives department, and is led by Andrea Brunk.
- The Product Transformation and Delivery division manages our transition of business platforms to the Guidewire system, and oversees the development of new products and our positioning in the market. It is led by Lauren Augustin.

Brian Delfino was promoted to vice president of Grinnell Mutual's Claims division from assistant vice president of that department.

Michelle Hutchinson, previously the director of Audit Services, was promoted to chief audit executive.









### Belonging and Inclusion Committee formed

The committee comprises a group of 23 employees from multiple departments. Its members are charged with helping all employees feel like they have a place at Grinnell Mutual. Research indicates that when employees feel they can be their authentic selves at work, they can also bring their best selves, focus better on work, feel more secure, and ultimately like they belong.

### Care and Share program launched

The Grinnell Mutual Care and Share fund provides short-term, immediate financial relief to employees who have suffered significant hardship due to a serious life disruption such as a natural disaster, family death, medical emergency, or other unforeseen event. Requests for funds and recipients of those funds remain anonymous, as do the names of committee members who make the awards.

## ...WITH THE INDUSTRY

-  For the fourth straight year, Grinnell Mutual was selected as a Wards Top 50 Property-Casualty company.
-  AM Best affirmed an 'A' (Excellent) Financial Strength Rating and stable outlook for the future for Grinnell Mutual.
-  In its first-ever ranking of employers by state, Forbes.com chose Grinnell Mutual as one of the top workplaces in Iowa, ranking us fifth in the state, the only financial services/insurer in the top five.
-  Grinnell Mutual was named one of Vault's 2020 Best 100 Internship Programs in the country, ranking seventh overall with a score of 9.278 on a 10-point scale.
-  Grinnell Mutual was named fourth-best large Iowa employer by in the 2019 Des Moines Register/Workplace Dynamics Top Workplaces survey.
-  Grinnell Mutual's "Well for Tomorrow" wellness program was honored with WELLCOM's I.C.E. (Innovate, Connect, and Engage) Award.

## ...WITH OUR CUSTOMERS

-  Grinnell Mutual launched its new Guidewire platform with personal lines in Pennsylvania. The platform supports quoting, rating, underwriting, policy generation, claims processing, and billing, offering end-to-end policy management and issuance. Simultaneously, the company introduced Grinnell Compass, a new underwriting company, and its multi-variate auto rating model.
-  Grinnell Mutual launched SUCCESSION, an online platform designed to give Grinnell Mutual agents greater growth opportunities based on their individual needs. The platform was created and is powered by tech startup FindBob Ltd. SUCCESSION provides a networking system for agents to connect with other agents and agencies. It also provides Grinnell Mutual with detailed information to help the home office identify strategic opportunities for development and succession.



## FARRPRO EARNING ACCOLADES

Iowa City-based FarrPro Inc. has only been around for a few years, but is already making its mark in the agritech space. Grinnell Mutual has supported FarrPro as its lead investor through the Iowa AgriTech Accelerator. The company has units in over 300 commercial farrowing crates in three Midwest states.

FarrPro focuses on creating innovative, energy-efficient solutions for livestock producers who want to improve the health, welfare, and quality of life of their animals. Its flagship product, the HAVEN, creates a microclimate for piglets that evenly distributes heat

and light along the creep wall of a farrowing crate. The result is a safe, energy efficient environment for optimal piglet growth and improved sow comfort.

A recently completed study by Iowa State University found that energy usage was reduced by 46 percent with the HAVEN compared to standard heat lamps. It also showed reduced pre-weaning mortality for piglets, from 12.04 percent to 9.67 percent in litters using the HAVEN. Crushing losses also declined, from 6.04 percent to 4.05 percent.

The company won the 2019 National Hog Farmer New



Product Tour “Producer’s Choice” Award with their HAVEN product, and was also selected by a panel of pork industry experts as an overall finalist in the NHF New Product Tour, based on how effective the HAVEN would be in helping producers save money and improve efficiency.

Winning these awards “is a validation of the philosophy that has driven development of this product from Day One: Listen closely to what producers want and find a way to give it to them,” said Amos Petersen, FarrPro’s CEO and co-founder.

Most recently, FarrPro’s HAVEN has been awarded the





prestigious Dr. F.X. Aherne Prize for Innovative Pork Production. The Aherne Prize recognizes individuals who have developed either original solutions to pork production challenges or creative uses of known technology.

"We couldn't be prouder of the FarrPro team," said Kurt Eaves, Grinnell Mutual's vice president of Underwriting, Sales, and Service. "Working with FarrPro supports our commitment to innovation in agriculture and to serving and protecting our customer. We're always looking for ways to help our insureds manage safety and improve their business operations."



CONNECTING

NUMBERS



# CORPORATE RESPONSIBILITY REPORT

At Grinnell Mutual, we strive to build a sustainable and bright future — for our employees, our customers, our community, and our environment. Here are some examples of how we trust in tomorrow.

## STRENGTHENING COMMUNITIES

	2019	2018	CHANGE
Number of employee hours spent volunteering *	2,331	1,961	18.9%
Number of employees volunteering *	346	374	-7.5%
Percent of employees volunteering *	41%	46%	-10.6%
Total number of corporate community support	147	131	12.2%
Amount of corporate community investment — education	\$80,000	\$60,000	33.3%
Amount of corporate community investment — misc.	\$95,420	\$86,975	9.7%
<b>Total amount of corporate community investment</b>	<b>\$175,420</b>	<b>\$146,975</b>	<b>19.4%</b>
Total number of local community projects supported (GMG Foundation)	57	62	-8.1%
Amount of community investment — education	\$136,115	\$114,365	19%
Amount of community investment — health care	\$62,500	\$64,000	-2.3%
Amount of community investment — United Way	\$64,000	\$62,239	2.8%
Amount of community investment — misc.	\$131,500	\$22,850	475.5%
<b>Total amount of community investment (GMG Foundation)</b>	<b>\$394,115</b>	<b>\$263,454</b>	<b>49.6%</b>

Our trusted relationships begin at home. We love people who roll up their sleeves and give a hand to those who need it.

\* Only those submitted via time cards. Each employee is given eight paid volunteer hours per year.

## OUR PEOPLE

	2019	2018	CHANGE
Number of employees	841	821	2.4%
Voluntary employee turnover	7%	5%	40%
Gallup database percentage rank	64	65	-1.5%
Average employee tenure (in years)	12	11.27	6.5%
Health Matters Clinic visits	2,759	2,952	-6.5%

There's a reason why we have been named a Top Workplace by The Des Moines Register every year since the award's inception. We promote a work-life balance, healthy lifestyles, and financial well-being.

### SOLAR PRODUCTION Wh FROM SOLAR PANELS (2019)

January	941,026
February	9,274,714
March	34,990,004
April	41,638,992
May	42,935,024
June	50,224,500
July	57,625,596
August	51,075,548
September	40,565,572
October	36,248,504
November	26,218,268
December	21,896,386
<b>Total (Wh)</b>	<b>413,634,134</b>



### UTILITIES

	2019	2018	CHANGE
Electrical cost	\$352,989	\$341,785	3.3%
Electrical kWh consumed	3,648,088	3,680,678	-.1%
Gas cost	\$57,257	\$58,702	-2.5%
Gas therms consumed	19,133	18,455	3.7%
Water cost	\$21,043	\$24,716	-14.9%
Water gallons consumed	203,542	254,194	-19.9%
Business miles driven	3,866,356	4,389,821	-11.9%
Amount paid for miles driven	\$2,058,294	\$2,221,150	-7.3%
Air miles traveled	786,489	646,095	21.7%

When our customers suffer a loss, we want them to be able to trust that tomorrow will be better.

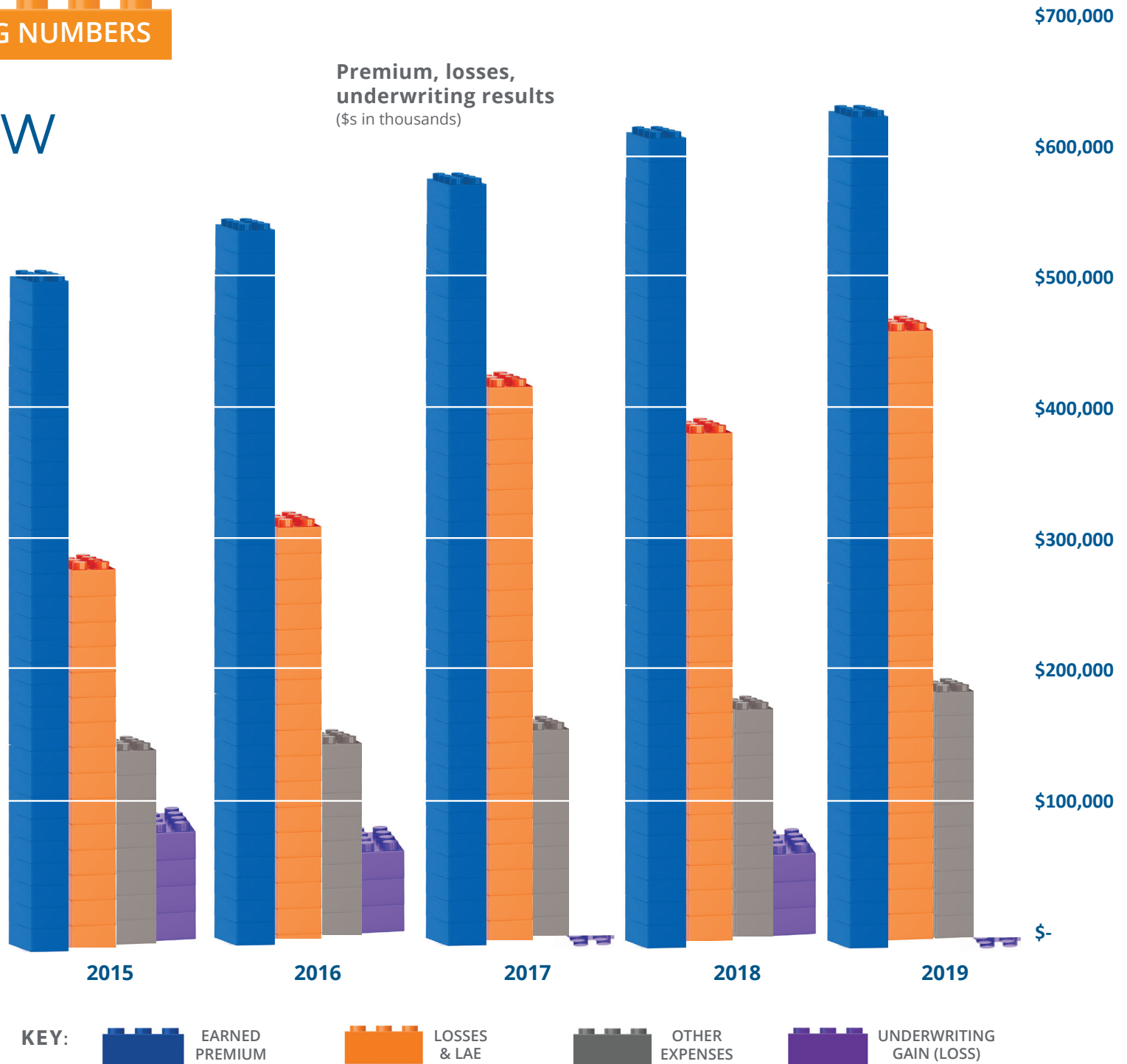
### OUR CUSTOMERS

	2019	2018	CHANGE
Grinnell Mutual policies in force	197,795	200,904	-1.5%
Grinnell Select Insurance policies in force	132,477	132,258	0.2%
Number of claims	56,059	53,314	5.1%
Claims complaints	29	27	7.4%
Complaints to claims ratio	1:1933	1:1975	-2.1%
Number of Grinnell Re direct reinsured members (Farm Mutual program)	237	243	-2.5%
Number of Grinnell Re brokered accounts	20	10	100%



## OVERVIEW

Grinnell Mutual Reinsurance Company and subsidiaries (“Grinnell Mutual”) had a solid operating year in 2019. The results were not as strong as 2018 due to more storm activity in 2019. However, the company was able to finish with a combined ratio of 100 percent and an increase to surplus. The results for 2015 through 2019 have been consistently strong, with net earned premium growing each year at a steady pace. Expenses as a percentage of net earned premium increased in 2019, primarily from costs related to the new Guidewire information technology platform. However, expenses remained under 29 percent across all five years. We have also continued to have manageable catastrophic weather-related losses over the five-year period.



# 2019 RESULTS

Premiums earned increased 2 percent in 2019 primarily from increased direct personal automobile property and liability and direct commercial lines business. Gains were offset by the elimination of the crop hail insurance business.

Premiums ceded to reinsurers reduced earned premiums by \$64.4 million in 2019 compared to \$61.5 million in 2018. The loss and loss adjustment expense ratio increased to 72 percent in 2019 from 62 percent in 2018, primarily due to greater weather-related losses in 2019. Both 2018 and 2019 benefited from strong underwriting practices

and growth in earned premiums.

There were no recoveries under our ceded property mainframe program during the period of 2012 through 2019, which has stabilized costs associated with that coverage.

Underwriting and general insurance expenses remained steady as controllable expenses are being carefully managed. The underwriting results were a loss of \$1.1 million compared to a gain of \$71.9 million in 2018. The combined ratio increased to 100 percent in 2019 from 89 percent in 2018.

Total net investment gain was \$43.0 million in 2019 compared to \$40.7 million in 2018. Net investment income was up \$0.8 million from increased investment holdings in the portfolio. Realized after-tax gains, which were \$2.7 million in 2019 and \$1.2 million in 2018, were primarily from equity investment diversification and reallocations.

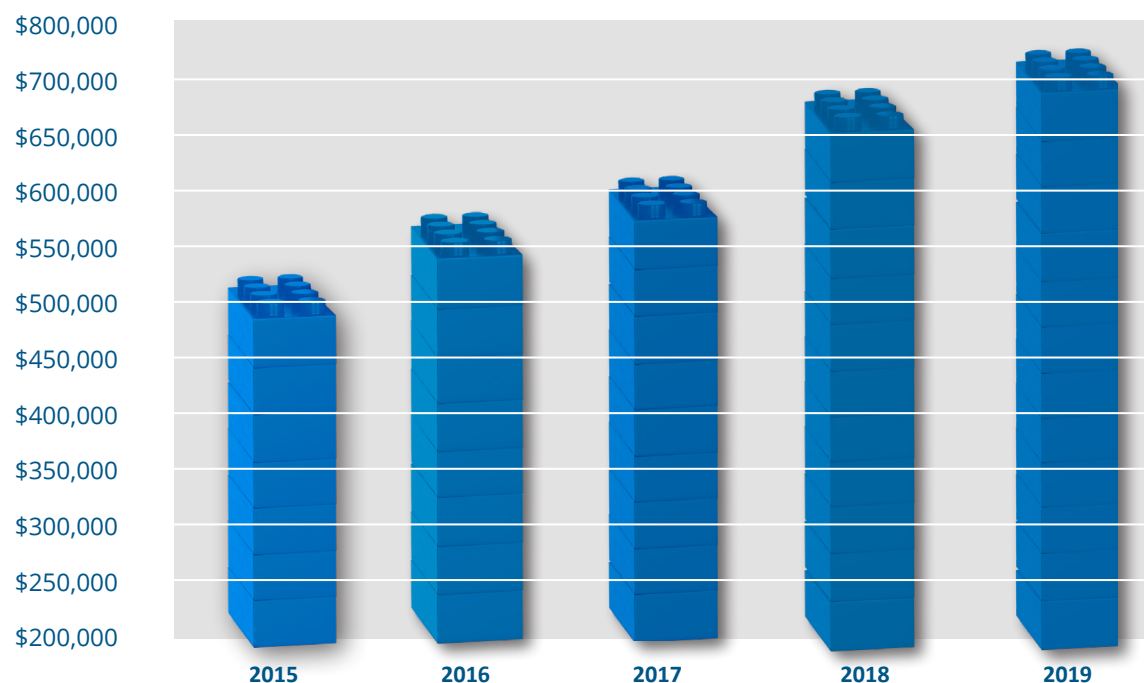
The overall increase in surplus of \$54 million (8 percent) in 2019 was primarily from net income of \$35.8 million from operations; after-tax unrealized investment gains of \$18.8 million from higher equity markets; a decrease of additional pension liability of \$2.8 million; offset by an increase in non-admitted assets; and an increase in non-admitted assets of \$3.7 million from software development costs and prepaid pension assets.

The surplus growth combined with the premium growth of 2 percent, resulted in a favorable change to the capacity ratio from 94 percent in 2018 to 89 percent in 2019. As of Dec. 31, 2019, surplus totaled \$732 million and total assets were \$1.3 billion.

Grinnell Mutual has experienced a long period of solid performance. We continue to focus on disciplined pricing and underwriting processes as we position Grinnell Mutual for the future. Solid capital levels are critical to maintaining our current AM Best rating of "A" (Excellent).

You can trust Grinnell Mutual to be here to honor our commitments and support our mutual members, independent agents, and policyholders.

**Ending surplus** (\$s in thousands)





## GRINNELL MUTUAL REINSURANCE CO. • STATUTORY BALANCE SHEET

(\$s in thousands)

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Bonds	\$982,861	\$927,394
Stocks	144,331	118,097
Subsidiaries	24,793	24,968
Other investments	1,262	789
Real estate occupied	15,936	16,612
Cash and short-term investments	19,751	37,962
<b>Total investments</b>	<b>\$1,188,934</b>	<b>\$1,125,822</b>
Accrued investment income	10,494	9,914
Premiums and agents' balances receivable	106,272	103,308
Reinsurance balances	4,519	5,889
Current income taxes receivable	6,882	281
Deferred income taxes	11,753	16,072
Data processing equipment	2,073	2,076
Other	8,878	5,104
<b>Total assets</b>	<b>\$1,339,805</b>	<b>\$1,268,466</b>

<b>Liabilities</b>	<b>2019</b>	<b>2018</b>
Unpaid losses and loss adjustment expenses	\$324,273	\$296,899
Unearned premiums	212,463	205,813
Accrued expenses and accounts payable	53,604	60,537
Reinsurance balances	4,661	4,912
Drafts outstanding	61	7,146
Additional liability for pension plan	13,175	15,706
<b>Total liabilities</b>	<b>\$608,237</b>	<b>\$591,013</b>
Surplus	731,568	677,453
<b>Total liabilities and surplus</b>	<b>\$1,339,805</b>	<b>\$1,268,466</b>



## COMBINED STATEMENTS OF OPERATIONS AND SURPLUS

(\$s in thousands)

<b>Underwriting</b>	<b>2019</b>	<b>2018</b>
Premium earned	\$642,199	\$628,441
Losses incurred	(395,247)	(323,078)
Loss adjustment expenses incurred	(66,454)	(65,055)
Underwriting and general expenses incurred	(181,575)	(168,366)
<b>Underwriting gain (loss)</b>	<b>(\$1,077)</b>	<b>\$71,942</b>
<b>Investment</b>	<b>2019</b>	<b>2018</b>
Net investment income	40,358	39,518
Net realized gain (loss)	2,653	1,229
<b>Total investment gain</b>	<b>\$43,011</b>	<b>\$40,747</b>
Other	(1,163)	(75)
<b>Income before tax</b>	<b>\$40,771</b>	<b>\$112,614</b>
Federal income tax expense (benefit)	4,923	14,373
<b>Net income</b>	<b>\$35,848</b>	<b>\$98,241</b>
<b>Other surplus changes</b>	<b>2019</b>	<b>2018</b>
Net unrealized investment gain (loss)	18,774	(16,880)
Change in non-admitted assets	439	(18,067)
Change in deferred income tax	(3,712)	78
Change in liability for pension plan	2,766	428
<b>Total surplus changes</b>	<b>\$54,115</b>	<b>\$63,800</b>
<b>Surplus at beginning of year</b>	<b>677,453</b>	<b>613,653</b>
<b>Surplus at end of year</b>	<b>\$731,568</b>	<b>\$677,453</b>
<b>Ratios (to earned premium)</b>	<b>2019</b>	<b>2018</b>
Loss	61.5	51.4
Loss adjustment expense	10.4	10.4
Expense	28.3	26.8
<b>Combined</b>	<b>100.2</b>	<b>88.6</b>



## EXECUTIVE OFFICERS

JEFF MENARY



President and  
Chief Executive Officer

DAVE WINGERT



Executive Vice President and Chief  
Operating Officer

LAUREN AUGUSTIN



Vice President of Product  
Transformation and Delivery

ANDREA BRUNK



Vice President of Strategic  
Experience

BRIAN DELFINO



Vice President of  
Direct Claims

KURT EAVES



Vice President of Underwriting,  
Sales, and Service

KEVIN FARRELL



Vice President  
of Reinsurance

CHRIS HANSEN



Vice President of Finance, Chief  
Financial Officer, and Treasurer

MICHELLE HUTCHINSON



Chief Audit Executive

ROBY SHAY



Vice President of Enterprise  
Solutions and Chief Information  
Officer

BILL SIMONAITIS



Vice President of Legal, Corporate  
General Counsel, and Secretary

JEFF VOGTS



Vice President of Talent  
Development



**BACK ROW:**

**Jim Wellman**, German Farmers Mutual,  
New Knoxville, Ohio

**Susan Taggart**, Mutual of Indiana Insurance  
Company, Lafayette, Ind.

**Mark Knouse**, White Pigeon Mutual Insurance  
Association, Wilton, Iowa

**Larry Cook**, Frontier-Mt. Carroll Mutual  
Insurance, Lincoln, Ill.

**Will Maas**, Farmers Mutual Insurance  
Association, Hull, Iowa — Second Vice Chair

**Randy Druvenga**, First Maxfield Mutual  
Insurance Association, Denver, Iowa

**Kendall Lunsford**, Iowa River Mutual,  
Eldora, Iowa

**FRONT ROW:**

**Steve Underwood**, United Mutual Insurance  
Company, Washington, Mo.

**Dan DeArment**, Friends Cove Mutual  
Bedford, Penn.

**Bill Lampe**, Heritage Mutual Insurance  
Association, Preston, Iowa — First Vice Chair

**Paul Stueven**, Fairmont Farmers Mutual  
Insurance Company, Fairmont, Minn. — Chair





## Grinnell Mutual employee

# 18+

Building toy  
Jouet de construction  
Juguete para construir

