

2022

ANNUAL REPORT



Since 1896

ROCKFORD MUTUAL
INSURANCE COMPANY

We Are

ROCKFORD MUTUAL

Overview

Rockford Mutual Insurance Company was incorporated in 1971 under the laws of Illinois to become the successor to Rockford Farmers District Mutual Tornado Insurance Company, which was organized in 1896.

Rockford Mutual provides coverage for auto, homeowners, farmowners, and business insurance in Illinois, Wisconsin and Indiana. Products are offered exclusively through Independent Insurance Agents who reside in and are involved with their communities.



Officers



KENT SHANTZ
President & CEO



WILLIAM HANBY
Chief Information Officer



MARK MCWETHY
Chief Financial Officer



SHANE HEEREN
Vice President of
Marketing/Sales



PATRICK KENNEDY
Vice President of
Claims & Internal Counsel

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Directors

PICTURED BACK TO FRONT, LEFT TO RIGHT

DONALD YEWELL
Vice Chairman

DWIGHT SHORE
Chairman

JOHN KLOCKAU

ABHISHEK VARMA

MICHAEL DUNN

MICHELLE ROGERS

MARY OSBORN

DANIEL FROST
Secretary/Treasurer

JOHN BEYER





PRESIDENTIAL ADDRESS

2022: FACING THE FACTS

As we reflect on 2022, we've clearly seen another phase of the pandemic rolling through - the economic fallout. While we all have seen a pattern of firsts for the past three years, Rockford Mutual Insurance and our associates have risen to the challenge of guiding our organization through these times better than many of our peers.

In 2022, the story was inflation. Record inflation on auto physical damage impacted our industry more than it has seen in over 40 years! With auto repairs increasing by 30% or more than they were a year ago, exceptional pressure has been placed on our overall company results as we have paid more in loss dollars than a year ago. On average, we paid 20% more to adjust claims in 2022 than in previous years.

In addition, there was a fair number of weather events that had some impact on our results. Rockford Mutual Insurance has a very strong reinsurance agreement that protects us and our policyholders from major events. So, although the weather impacted us, it was minor compared to the inflationary pressures on both the loss side and the day-to-day operating expenses.

Ultimately, we ended the year with a 101.6% combined ratio, which is favorable compared to the expected 105% to 106% that is expected for the industry. We did see a loss of \$1.7 million in policyholder surplus also based on inflation and the strengthening of IBNR's (Incurred But Not Reported) claims. We made a management decision to

strengthen our reserves even further than they already were. These are bulk reserves set aside in the event of major losses that are not anticipated.

Including our 2022 results with the previous four-year results, our five-year combined ratio now stands at 98.4%. We are pleased with these results and all the accomplishments that were delivered throughout the year. Several new Commercial Lines products and services were rolled out and made available through the Independent Insurance Agents that represent us. Also, we rolled out Personal Lines enhancement endorsements to provide more options to policyholders.

Rockford Mutual Insurance is blessed to have a dedicated team of associates and agents that are committed to providing policyholders with the expertise and service they desire and deserve. Thank you for trusting Rockford Mutual Insurance to be your property and casualty insurer. Our financial strength positions us to serve you for many years to come.

Regards,

KENT B. SHANTZ, CIC
PRESIDENT & CEO

FINANCIAL STRENGTH (\$000's)

Underwriting	2022	2021
Gross Written Premium	83,081	72,730
Net Written Premium	73,996	65,642

BALANCE SHEET

Investments & Assets

Bonds	71,280	67,839
Equities	2,101	1,772
Cash & Short-term Investments	3,647	8,909
Home Office Building	2,006	2,027
Life Insurance Investment	3,206	3,133
Total Invested Assets	82,240	83,680
Premium Balances	17,423	13,170
Reinsurance Losses Recoverable	1,157	424
Income Taxes Receivable	1,185	1,782
All Other Assets	583	529
Total Assets	103,890	99,585

Liabilities

Loss & LAE Reserves	20,710	20,032
Unearned Premiums	37,502	32,745
Reinsurance Balances Payable	1,336	564
All Other Liabilities	3,655	3,853
Total Liabilities	62,203	57,194

Policyholders' Surplus

Total Policyholders' Surplus	40,687	42,391
Total Liabilities & Surplus	103,890	99,585

A.M. BEST RATING

Based on A.M. Best's opinion of the company's financial strength, they assigned a rating of **A- (Excellent)** with a stable outlook for the future. Rockford Mutual's financial size category is VI.

CURRENT RATING RATIONALE

The rating reflects the company's strongest level of risk-adjusted capitalization, historically positive operating performance, local market expertise in its key operating states of Illinois, Wisconsin and Indiana as well as its experienced management team.

The company's capital position is derived from historically strong operating results and modest underwriting leverage in addition to low investment risk. Rockford Mutual's rating and outlook have been affirmed. A.M. Best views the rating outlook as stable (10/12/22)

RATING HISTORY

7/11/16	A-
7/28/17	A-
8/15/18	A-
9/10/19	A-
10/02/20	A-
9/29/21	A-
10/12/22	A-

KEY FINANCIAL INDICATORS

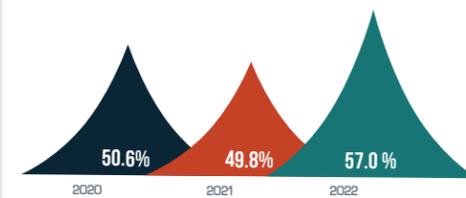
FINANCIAL ACHIEVEMENTS

For the eighteen year period from 2004 to 2022 policyholders' surplus increased by \$24 million. Also, for the five year period between 2018 to 2022 Rockford Mutual achieved a 99.8 net combined ratio. A.M. Best Company recognized these achievements by upgrading the company rating to an A- in 2008 and maintaining that rating through 2022. Management is very confident the significant changes implemented to improve operations will also produce future positive results.

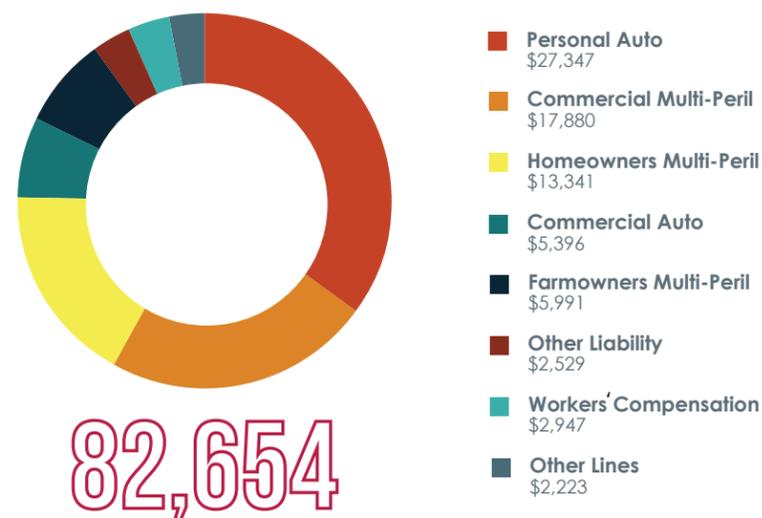
ANNUAL COMBINED RATIOS



ANNUAL LOSS RATIOS



PREMIUMS BY LINE OF BUSINESS (000's)



PREMIUMS BY STATE (000's)



STATUTORY DATA



UNDERWRITING HIGHLIGHTS

It was a busy year for all lines of business at Rockford Mutual. We released several new products and enhancements to benefit independent agents and their policyholders. Circumstantially, loss ratios were impacted due to inflation and weather-related events.

COMMERCIAL LINES

Commercial Lines introduced new robust products in 2022, including a Wineries, Breweries, and Distilleries Coverage Pac, a Contractors Pac, a Golf Course endorsement, and more!

The Commercial Line of business ended the year with a 45.2% loss ratio. Commercial Underwriting initiatives set forth to address loss ratios include:

- **Release of CPP Guidelines**

Comprehensive, detailed guidelines for CPP were created and distributed to aid agents in placing preferred accounts.

- **Enhanced Underwriting Approach**

Our Commercial Team continued to work with agents on growing Commercial Lines in a profitable manner in all states.

PERSONAL LINES

Rockford Mutual's Home and Auto Lines of business account for nearly 55% of total written premium in 2022. Our Homeowner business ended 2022 with a very respectable loss ratio of 53.4%. However, our Personal Auto business had challenges and ended at 71.1%, primarily driven by inflated repair costs.

FARM LINES

Our Farm Lines had another favorable growth year by increasing our written premium by +27% year over year 2021 vs. 2022. We continue to provide an excellent product for our agents and their customers, and we look forward to both more growth and profitability in 2023.



CLAIMS HIGHLIGHTS

Rockford Mutual's Claims Department continuously strives to help those who need us most, settling claims that come through our doors quickly and fairly. The resiliency of our associates, mutual members and agency force is fantastic. Our Claims team settled 4,228 claims reported in 2022 - including 9 numbered CATs that generated 429 storm claims overall.

Despite the challenges presented in 2022, we are proud to have put our policyholders first. We've maintained quality customer service and continue to receive very high satisfaction ratings from policyholders and claimants. Thank you for the trust and support you have given us.

“The people we dealt with from the agency to the claims department at RMIC were excellent - caring and so prompt. Thank you for hiring such conscientious and nice poeple!
- Rockford Mutual Policyholder



HUMAN RESOURCES HIGHLIGHTS

People Are Our Purpose

We place great value in our associates, and strive to make them feel safe, appreciated, respected, challenged and motivated. We understand that when our associates are at their best, so are we.

At Rockford Mutual, you will find a culture that is inviting, friendly and genuine. Our associates believe that insurance is more than a policy, it's a promise. Rockford Mutual is reaching new heights thanks to the hard work and commitment our people put in day after day.

Rockford Mutual associates continue to strive for excellence by furthering education and gaining additional designations in the industry, ensuring that our knowledge is current and sound. Shaped by our people, our culture continues to be one of inclusivity, support and accountability. Coupled together, the training and environment allow us to provide "Customer Service that Rocks".

One of The Best Places to Work in Illinois

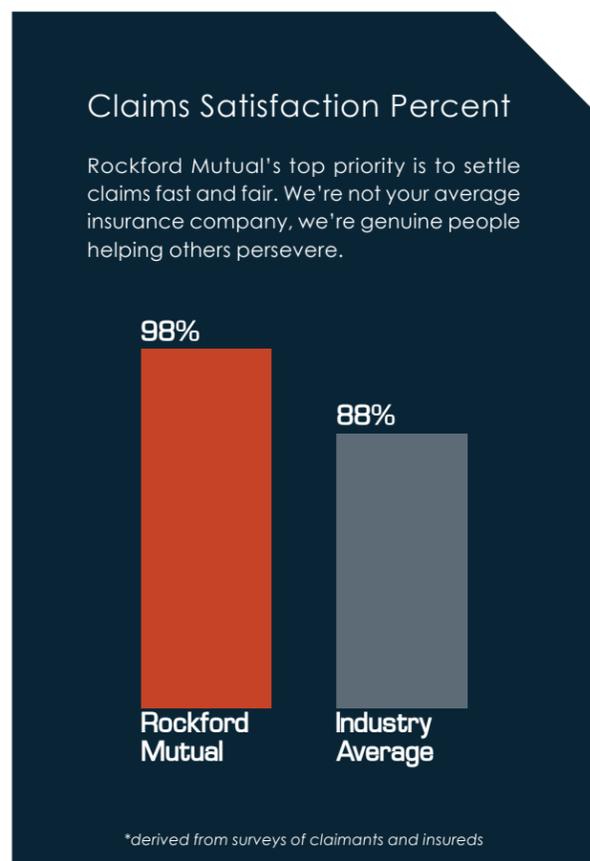
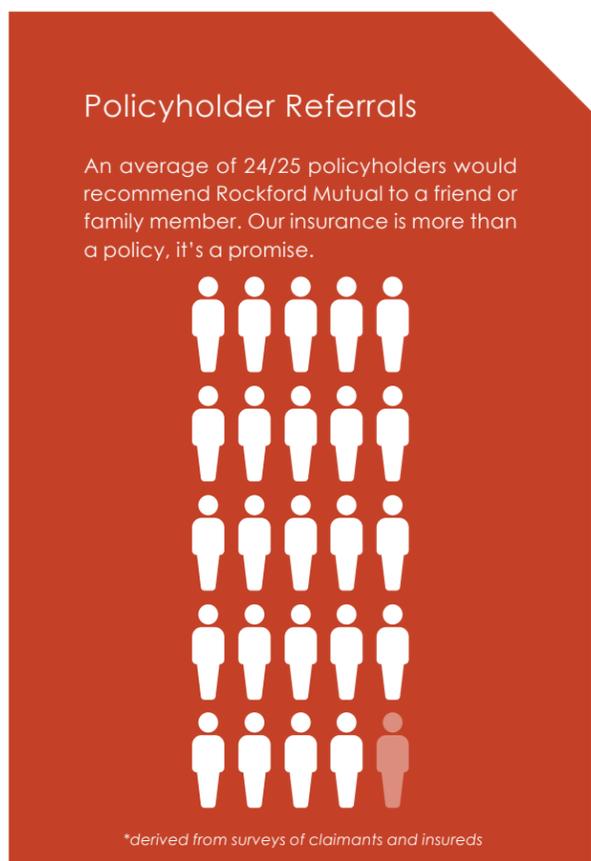
Rockford Mutual Insurance Company was recently named as one of the 2023 Best Places to Work in Illinois! This statewide survey and awards program is designed to identify, recognize, and honor the best places of employment in Illinois, benefiting the state's economy, workforce and businesses.

Statewide, companies entered the two-part process to determine the Best Places to Work in Illinois. The first part consisted of evaluating each nominated company's workplace policies, practices, and demographics. The second part consisted of an employee survey to measure the employee experience. The combined scores determined the top companies and the final ranking. RMIC has been named one of the Best Places to Work in Illinois in the small employer category.



Named in United Way's TOP 50 Companies for Employee Giving

Rockford Mutual and its associates have pledged to United Way for many years, but in 2022, the company surpassed \$10,000 in contributions to the United Way of Rock River Valley. Annually, around 200 companies support United Way and their efforts to unite the collective power of our community to improve lives. To be a top 50 supporter shows the incredible generosity of the Rockford Mutual workforce and our desire to give back.





OUR MISSION

Rockford Mutual Insurance is helping families, individuals and businesses today and during their time of need by providing exceptional service, innovation, security, ease of doing business and pay claims promptly and fairly. This is accomplished by hiring the best associates, cultivating their talents, living our core values while leveraging technology.

OUR VALUES

- Service
- Integrity
- Prudence
- Relationships
- Teamwork
- Relentless Pursuit of Excellence

Address:

N : Rockford Mutual Insurance Company
A : 527 Colman Center Drive
Rockford IL, 61108

