Chairman of the Board and President F. W. Purmort is pictured with Central’s first data processing system purchased in 1962, one of the many pieces of historical equipment on display in the Central Museum.
TURNING IDEAS INTO ACTION: A STRATEGY FOR SUCCESS

My father was someone who was always thinking about three steps ahead of everyone else. Not that he was disinterested in the here and now, but rather was always seeking an advantage or improvement over what we were doing at the time.

One day he was over the top to show me this new electronic box about the size of a washing machine. He dialed a telephone number into the controls, placed a document in a feed tray on top of the machine, and pushed a button. I calmly watched as the document crawled and paused to the beeps and buzzes as the machine worked through its cycle. In that spine-tingling minute and a half of processing, my father explained at a somewhat hysterical level that an exact replica of that document was printing in our Atlanta office! I honestly thought he needed a vacation; how could you get so excited over this machine sending a document over the telephone? “It’s innovation,” he explained, “the future of business communication,” all while sending more of these faxes to Central’s other regional offices.

I have no recollection of what was on the document he sent that day, but knowing him it was something like, “You ain’t seen nothing yet!” More than 30 years later, our museum is filled with equipment like the aforementioned fax machine, but our drive for innovation is the same as it was in 1979: to improve our products and services and gain an advantage in delivering them to our customers. What’s even more interesting is our strategy hasn’t changed: identify a need, gather together a team of innovative problem solvers, and build a solution that fulfills the need. It’s a strategy that has served us well in our 140 years and one you will hear more about in the pages of this report.

I am very proud to continue the investment in our culture of excellence; that passion my father valued so dearly. We will develop and build those exciting capabilities like the one he was proud to share with me so many years ago. It is our investment in your future — anticipating your needs so we can provide security, protection, and peace of mind.

Central is currently building an Innovation Team of people who think like my father to enhance the development of our products and services. Their focus will be to anticipate your needs in the future. We look forward to sharing these results in next year’s report.

If you had one of those fancy little machines, I could fax you a document that says, “You ain’t seen nothing yet!”

Since 1876…

F. W. Purmort
Chairman of the Board and President
ENHANCE SERVICE WITH SIMPLIFIED WORKFLOWS

Adopting new technologies simply because they exist has never been our goal at Central.

We focus on technology innovations that make it as easy as possible to do business with us. We consider each opportunity from the perspective of our customers. Will it add value to their experience with Central?

Because our agents work closely with our customers, they are our greatest resource for deciding where we’ll focus our efforts. Streamlining our service processes was at the top of the list in 2015.

The multiple steps required to enroll in our policyholder website myCentral® were time consuming and involved. How could our customers reap the many benefits myCentral provides if they couldn’t easily set up an account?

We brought together a team of employees to analyze the problem and develop a plan to not only resolve it, but assure the changes would be sustainable in the future.

The result? A simplified, three-step process that’s quick and easy to complete. Customers still provide all the information needed to establish a secure account, but spend less time keying in information.

Once enrolled in myCentral, users can easily manage their account with our ever-growing list of convenient options. They can make payments or enroll in e-policy or e-billing; access policy and billing information including auto ID cards to provide electronic proof of insurance on the spot (43 states now allow this option); report a loss and e-mail photos right from the scene of an accident, or review the status of a reported claim; and find contact information for their agent or a Central representative. And when they download the myCentral mobile app, they have access to all of these options on their mobile device, anytime, anywhere.

We also focused on making our internal processes more efficient so we can meet our company goal of one-touch service – one service representative helping customers with all of their service needs. Central offers an electronic signature option for signing policy-related documents, and it has increased the speed and security of transactions while reducing paper usage and errors. In 2015, we began using e-signature to streamline other customer service functions, such as reinstating a policy. We also added new system features so our customer service representatives can access information quickly when customers call with a question or request.

What does the future of technology hold for us in 2016? That remains to be seen, but know we will continue to focus not just on the newest trends, but on those technologies that have tangible value for our customers and help us provide superior customer service.

“Central is a true partner that listens to their agents’ needs to help serve our mutual customers in a fast, efficient manner. I have participated in many agency councils and it usually takes years to see our suggestions implemented, but this is not the case with Central. They hold themselves accountable to their agents and customers to deliver world-class service and solutions that work in today’s online environments. Other carriers strive to achieve this type of service to their agents and customers but Central delivers!”

Steve Dozier, HPB Insurance Group
Central believes in the value of teamwork and our employees often collaborate across departments on product development, workflow processes, and service functions to assure our policyholders have the most user-friendly and efficient customer experience possible.
Central works closely with our agents to provide coverage solutions that offer the right combination of protection and services for the diversified needs of our business customers like A & J Woodworking.
BUILD A BETTER COVERAGE FOR CONTRACTORS

Commercial insurance can be fickle. Economic trends from year to year can make a once lucrative market obsolete, while turning a historically low-demand market into an opportunity for new business.

During the economic downturn a few years ago, new construction skidded to nearly a halt, affecting two of Central’s biggest commercial markets: home builders and general contractors.

When the economy picked back up, buildings that had sat vacant needed renovations to suit their new owners. Many businesses also opted to remodel their existing spaces rather than build new. We began seeing demand from businesses that were adding new space or reinventing existing spaces with extensive remodeling. To meet demand, many of our home builders and general contractors switched their focus from new construction to remodeling. However, an issue with remodeling is that it can be difficult for the contractor to estimate what types of jobs they will have in the upcoming year. From an insurance perspective, that can mean great uncertainty about how much their insurance premiums will cost and how this will affect them at audit time.

We knew – and our agents agreed – that if we could create a simpler way to handle the complexities of interior renovation work, it would be a unique product that would meet a great demand among commercial customers.

We reached out to our regional offices to determine the specific needs in their area of the country and then worked together to develop a solution. The result: a brand new Build-Out Contractor class our agents can offer to their customers. This new class simplifies commercial remodelers by combining the varied operations associated with remodeling a space into one group. Not only does this make the quoting process simpler for our agents so they can provide quality coverage more quickly for this fast-paced market, our customers benefit from a simplified audit process as well!

Of course, this inspired us to take a look at what other classes and products we could improve upon to benefit commercial contractor policyholders. Our new Contractor’s Errors & Omissions (E&O) endorsement covers losses that are excluded in a typical commercial policy. Our agents have asked for this and Central is pleased to be one of only a few companies that offer this innovative product. We have expanded and enhanced our Contractor’s Plus so our agents can more easily tailor these coverages to customers’ needs, and we now offer monoline Inland Marine to a broader group of markets.

In the fickle world of commercial insurance, risks will continue to evolve. And Central will continue to evolve our products and programs right along with them to fulfill the needs of our customers!

“An important way I provide value to my customers is to make sure they have the products and services at their disposal to assure they are adequately protected. The collaboration our agency enjoys with the Central commercial lines staff on product development and technology initiatives that fulfill our customers’ needs is an important part of the strength of our relationship. The fact that Central recognizes we are the voice of their policyholders and encourages our input is a key reason they are one of our favored carriers.”

Tom Sarno, Webb Insurance Agency
We promise our policyholders security, protection, and peace of mind. Part of how we fulfill this promise is by offering a wide variety of personal insurance products, from the basic protection of a standard homeowners policy to the broad, comprehensive coverage of our Summit policies.

No one knows our policyholders and their needs better than our agents. Policyholders with significant assets have more specialized needs. These are business owners, company executives, and community leaders whose success has afforded them a standard of living requiring a higher level of protection. They live in high value homes with features like swimming pools, home theaters, and wine cellars. They own vacation properties, multiple vehicles, and expensive personal property, such as fine art or jewelry. And they understand that with greater wealth comes greater risk.

In recent years, this affluent market segment has grown rapidly and with it the need for a comprehensive protection package that meets their unique needs. Central already offers the outstanding service and value these customers expect from their insurance carrier, but our agents told us our Summit policy didn’t provide the level of protection they needed to address these more complex risks. Our challenge was to deliver a product with not only the right level of coverage, but one that also exceeded their expectations.

We didn’t just want to offer a new insurance product; we wanted to offer an innovative program. A program that encompassed every aspect of the insurance experience – superior coverages, outstanding service, efficient claims handling, mobile technology, and personal risk management.

So with a vision in mind, tremendous teamwork on the part of many within the Central family, and invaluable insight from our agents, we developed the Central Signature Program.

The Central Signature Program has allowed our agency partners to deliver exceptional coverage and value specifically tailored to the affluent customer’s unique needs. And we, in turn, have fulfilled our promise to our agents and our customers to provide security, protection, and peace of mind.

“Central developing the Signature Program is just another great example of how much they care about and listen to the needs of their policyholders and agency partners. They understand our customers not only want quality coverages, but trust us to provide the knowledge and expertise needed to assure they are adequately protected. Programs like Signature allow us to provide a level of service that’s so important to the strength of these relationships.”

Michele Mooney, Purmort Brothers Insurance Agency
Central’s new Signature Program helps our agency partners like Michele Mooney of Purmort Brothers Insurance (left) provide a level of protection and personal service specifically tailored to the unique needs of our policyholders like Laura Eikenbary.
Loss Control Representative Cory Eickholt conducts loss control surveys for customers like Ben Nighswander of APT Manufacturing Solutions to address potential safety hazards and help their business operate more efficiently.
If it ain’t broke, don’t fix it.

That is, unless you can improve it. In March 2011, Central’s Loss Control Department decided to take a closer look at the value we were providing our agents and policyholders.

We reached out to our regional offices and asked them to select agency partners our Risk Manager Scott Etzler could visit to get a feel for the value our loss control services were providing. Over a nine month period, he visited approximately 40 Central agency partners and heard nearly the same thing from every one of them.

“Agents had no concerns with what we were currently doing,” said Scott. “And there were no complaints from our policyholders on how our consultants were approaching surveys. But most of them also commented that we could do more.”

Scott shared his findings with the commercial lines group in Central’s Home Office and it was decided we would transform our Loss Control Department into a true risk management solution for our customers.

Loss Control already offered a nice list of bulletins and resources along with a few training webinars, so the first step was to significantly expand offerings in those three areas. They collaborated with other departments within the company to find opportunities to provide additional information and resources to our customers.

By this time, Central’s online account management tool for policyholders, myCentral, was nearly three years old. While use of the site by our home and auto customers had grown steadily, commercial customers weren’t as quick to embrace the site. Risk Management worked with Customer Services to determine what the site needed to provide more value to our commercial customers. As a result, Online Premium Audits and the ability to generate Certificates of Insurance were added to the website.

But to become a true risk management solution for our customers, we needed to provide the resources to assist them with developing a comprehensive and effective loss control program in their business. If they could lower risk exposures and improve employee safety, it would equate to lower insurance premiums.

Together with the Marketing Department, Loss Control built the “Risk Management” webpage on myCentral. The page is full of videos, interactive tools, bulletins, blog posts, training webinars, and links to additional web resources designed to help commercial customers enhance their loss control program.

Today, we continue to expand the resources available to our customers on myCentral or via their Loss Control consultant. It’s a risk management solution that works!

“Central’s Loss Control Department is a great resource for our customers. Along with a comprehensive report on the business operations, they also offer their resources for loss control presentations with our customers. This is a significant value-add for our clients on topics such as driver and workplace safety, along with the comprehensive materials available through the myCentral portal. Many clients do not have a staff member who is designated to safety but Central fills the void with their resources.”

Tim Whetstone, First Insurance Group
Every community has needs and the communities where Central’s employees live and work are no exception. Through many different programs, charities, and volunteer opportunities, our employees give of their time and resources to help fulfill these needs.

Each year, Central employees donate thousands of dollars through the United Way campaign. Central matches these employee contributions which aid families in need, food banks, and other local non-profit organizations. In addition to financial support, Central employees participate in the United Way Day of Caring where they volunteer their time to community service projects. During the Christmas holiday season, employees donate to Central’s Christmas Gifts project and canned food/paper drive which benefit area churches and organizations that assist those in need in the community.

In addition to giving to the United Way, our regional offices in Boston, Atlanta, and Dallas support local charities such as Toys for Tots, food banks, school supply drives, the Boys & Girls’ Club, and the Ronald McDonald House.

Many Central employees are members of professional insurance industry associations that believe in the value of philanthropy. More than 50 employees are members of the International Association of Insurance Professionals (IAIP), and in 2015 they donated to the No Child Sleeps Unprotected Program and volunteered with the YWCA After School Program. Members of the Chartered Property Casualty Underwriter (CPCU) Society have contributed time and resources to projects including the Big Brothers Big Sisters Dancing with the BIG Stars event, sending care packages to soldiers overseas, and helping to fight hunger at the West Ohio Food Bank.

Not all needs are as basic as food and clothing. The insurance industry is facing a talent crisis with nearly 60 percent of the industry workforce retiring in the next seven years. Through the InVEST program, Central is helping to educate high school and community college students on insurance, financial services, and risk management, and encouraging them to pursue careers in the insurance industry. Central has supported the national program financially since 2003 and has partnered with our local high school to offer the InVEST program to students. Central employees and our agency partners volunteer their time to teach these classes, and students who complete the course are eligible for InVEST scholarships.

Central’s values define who we are and what we do, not only as an organization, but as individuals. Fulfilling the needs of others is central to this culture and we are proud of what we have accomplished together for our communities.

“Wee Care Learning Center benefits each year from the Day of Caring partnership with Central Insurance employees. It is a day of hands-on work that means so much to the families and children who attend, as well as the staff that work at the Center. Children deserve a nice place to play, grow, and learn, and Central helps keep Wee Care that way. Sharing of one’s time and effort benefits all involved. Thank you Central!”

Faith Fabian, Director of Wee Care Learning Center
Joe Alvarado is one of many Central employees who volunteer their time and talents to community service projects like the United Way Day of Caring to help make a difference in the lives of others.
# 2015 FINANCIAL REPORT

Central Mutual and All America Insurance Companies  
December 31, 2015

## Assets

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<tr>
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<th>Central Mutual</th>
<th>All America</th>
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<tbody>
<tr>
<td>Bonds</td>
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<td>Stocks – Nonaffiliated</td>
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<td>Real Estate</td>
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<td>Cash &amp; Short-Term Investments</td>
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<td>Agents’ Balances &amp; Uncollected Premiums</td>
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<td>Accounts Receivable – Reinsurance</td>
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<td>Interest &amp; Dividends Due and Accrued</td>
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<td>Federal Income Taxes Recoverable</td>
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<td>Other Assets</td>
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<td>7,235,151</td>
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<td><strong>Total Admitted Assets</strong></td>
<td><strong>$1,451,183,410</strong></td>
<td><strong>$275,783,527</strong></td>
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</table>

## Liabilities and Policyholders’ Security Fund

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<tr>
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<th>Central Mutual</th>
<th>All America</th>
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</thead>
<tbody>
<tr>
<td>Losses &amp; Loss Adjusting Expenses</td>
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<td>Unearned Premiums</td>
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<td>Commissions Payable &amp; Contingent Commissions</td>
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<td>Ceded Reinsurance Premiums Payable</td>
<td>4,165,044</td>
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<td>Taxes and Other Expenses</td>
<td>42,016,140</td>
<td>4,256,354</td>
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<td>Dividends to Policyholders</td>
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<td>Other Liabilities</td>
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<td>2,352,734</td>
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<td>Capital Stock and Contributed Surplus</td>
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<td>14,552,000</td>
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<td>Unassigned Funds (Policyholders’ Security Fund)</td>
<td>705,802,121</td>
<td>131,413,052</td>
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<tr>
<td>Policyholders’ Security Fund</td>
<td>705,802,121</td>
<td>145,965,052</td>
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<tr>
<td><strong>Total Liabilities &amp; Policyholders’ Security Fund</strong></td>
<td><strong>$1,451,183,410</strong></td>
<td><strong>$275,783,527</strong></td>
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</tbody>
</table>

## Tangible Assets

<table>
<thead>
<tr>
<th></th>
<th>Central Mutual</th>
<th>All America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Mutual Insurance Company</td>
<td>$1,451,183,410</td>
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<tr>
<td>All America Insurance Company</td>
<td>$275,783,527</td>
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<tr>
<td>Direct Premium Written</td>
<td>$630,501,027</td>
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<tr>
<td>Net Premiums Written / Policyholders’ Surplus Ratio</td>
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<tr>
<td>Combined Ratio – Central Companies</td>
<td>91.5%</td>
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<tr>
<td>Combined Ratio – P&amp;C Industry</td>
<td>98.0%</td>
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</tr>
</tbody>
</table>

This information is not intended to supersed, or be as comprehensive as, the statutory annual statement filed for each company with the appropriate state insurance departments. The statutory financial statements of Central Mutual Insurance Company and Consolidated Subsidiaries have been audited by Plante & Moran, PLLC. Complete copies of the statutory financial statements have been filed with the appropriate state insurance departments and are also on file at the Home Office of the Central Insurance Companies in Van Wert, Ohio.
COMBINED RATIO

The lower the Combined Ratio the more successful a company has been in managing its operation profitably. Several catastrophic weather events and a struggling economy contributed to atypical results between 2009 and 2011, but over the past few years, Central has returned to our customary results of bettering the industry.

DIRECT WRITTEN PREMIUM

Consistent growth in Direct Written Premium indicates customer and agent confidence in Central. Central’s disciplined approach to planned, controlled growth is an important aspect of our future success. With an emphasis on a return to profitability and its associated pricing increases and heightened emphasis on risk selection, planned premium decreases were realized in 2010 and 2011. However, direct written premiums have regained healthy growth over the past few years.

POLICYHOLDERS’ SECURITY FUND

Policyholders’ Security Fund is an important measure of our ability to remain a consistent provider of insurance. Strengthening our Policyholders’ Security Fund assures we can fulfill our obligations and financially support future growth. Central’s Policyholders’ Security Fund grew to a record level of $705.8 million in 2015 and the company’s financial strength remains very secure with a premium-to-surplus ratio of .82:1.

ASSETS

Strong and growing Assets help assure our ability to pay our obligations to policyholders and agents. Central’s assets grew $92 million in 2015 and remain conservatively invested producing consistent investment income each year.
OFFICERS

F. W. Purmort  
Chairman of the Board  
and President

T. R. Eikenbary  
Vice President  
Treasurer

B. S. Faurote  
Vice President  
Human Resources & Facilities

J. F. Glasser  
Vice President  
Northeast Regional Office

T. C. Glenn  
Chief Actuary

M. P. Guth  
Senior Vice President  
Personal Lines

C. M. Hurless  
Vice President  
Customer Services

P. J. Jackson  
Vice President  
Central Regional Office

S. Mansfield  
Vice President  
Southwest Regional Office

S. K. Moore  
Senior Vice President – Secretary  
Southeast Regional Office

T. L. Rauch  
Vice President  
Marketing

J. L. Ringwald  
Vice President  
Commercial Lines

T. E. Simpson  
Vice President  
Claims

C. E. Wasson  
General Counsel

J. E. White  
Senior Vice President  
Information Technology

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J. L. Covington  
T. B. Kearney

S. K. Moore  
E. J. Noonan  
F. W. Purmort

D. D. Stripe  
J. E. White

INTEGRITY  RELATIONSHIPS  EXCELLENCE

central-insurance.com