

Our Story



2017 ANNUAL REPORT
Central Insurance Companies



Most businesses start out of a need. Maybe there is a financial opportunity that's not being met until someone with a good idea and some initiative figures out a solution. This is where the story of the Central Insurance Companies begins.

Back in the 1870s, businesses and families in Northwest Ohio who wanted insurance protection from fire losses didn't have many options to pass off the risk. The major insurers were located on the East Coast. They didn't even know where Ohio was located so why would they risk their money to protect a general store or house in a little town called Van Wert? They had plenty of customers to service in New York, Boston, or Philadelphia.

The solution was provided by a group of local business people who founded their own mutual insurance company to provide fire insurance on homes and businesses in Van Wert and the surrounding area. They were bankers, grocers, hard goods retailers, lumbermen, and farmers who understood the needs of their neighbors and the risks of living in rural Ohio. As the country grew, Central grew as well by following the same ideals that founded our company: how can we provide a promise to be there when your family or business needs us the most? Our customers appreciated that those they were depending on for security were people from the same area, living with the same risks, and wanting to improve their lives by sharing the burden of that risk.

We have business relationships that span our 142-year history. Generations of families and business relationships have endured the evolution of business, society, and the economy. While our partnerships are based in business, money isn't the glue that keeps them perpetuated. It's the people – employees, agents, policyholders, vendors, advisors, retirees – who made a difference as to why we stayed together. We share ideas and stories about what has made us who we are. We challenge each other for new direction

and services in a quest to stay relevant and meaningful. We understand that we can't build a relationship by ourselves; we have to believe in others. Some call it trust.

You don't get to be 142 years old without some thought for the future and what comes next. For us, that means an investment in our community. Central gives back every day. The financial support is the easy part and we gladly share our successes with meaningful causes throughout the year. But we also enjoy investing our time and knowledge in those who can benefit from it. We are willing to sponsor educational projects and scholarships in hopes of building a brighter future. We believe there is a need to seek and share the beauty of the arts and history. Our Fire Museum is second to none and represents our appreciation for the emergency service providers in all the communities where we provide insurance protection. There are pieces of history that date back to the early colonial period when fire departments were for-profit enterprises. Hand in hand, we want to continue that sense of security families and businesses desire.

With such a meaningful backdrop, it is much easier to convey the focus and diligence we need to execute our business plans. That focus and execution are represented in the financial strength of our balance sheets and capital accounts. Our conservative approach allows us to provide lasting stability and consistency in our decision making. 2017 was a remarkable year for your company and one that we are going to build on in the future.

It is my sincere hope that by learning more about our story, you will feel proud to be a part of it.



F. W. Purmort
President and Chairman of the Board

**Travis Owens
(left) and
Ryan Beacher
with the bees that
helped them build
a friendship.**



CHAPTER 1: Central



A STORY OF RELATIONSHIPS

It's hard to start a new job. It's even harder when you had to move hundreds of miles away for that job and don't know anyone in your new town. This is what Ryan Beacher, IT Development Supervisor, experienced when he started his new job at Central.

"My wife and I moved here to be close to her family and start a family of our own. It's difficult moving across the country, especially to a smaller town where everybody seems to know everybody else and you're a stranger."

The thing is, at Central, you don't stay a stranger for long. Enter Travis Owens, Innovation Manager, and a generally likable guy.

“I could tell Ryan seemed lonely, so I asked him what he was interested in, what he liked to do. He said he likes bees and I said, ‘OK, teach me everything you know.’”

Today, not only do Ryan and Travis continue to keep bees together, they've inspired interest in the hobby among several others in the company and it's become a group effort.

This is what we do at Central. We care because it matters. We work as a team and support each other like family. This culture infused with integrity and focused on relationships attracts the very best people. People who can say they've been with the company

25, 30, or even 40 years or more. Retirees who return to Central to provide their expertise and an extra hand when workloads get heavy. And generations of the same families – parents, children, grandparents, siblings – working side-by-side and creating a legacy of something truly meaningful.

These outstanding people form a company rooted in the promise to provide protection, security, and peace of mind to our customers. When we offer new programs like Roadside Assistance or improve existing coverages like the Vineyard and Winery Program, it's because we listened to the needs of our customers and want you to feel protected.

Online options like the *myCentral* policyholder website, electronic delivery of documents, or Electronic Funds Transfer (EFT) payment options not only make it easy to protect what matters to you, they provide a sense of security.

And when you've experienced a loss, we want you to have the peace of mind we'll be there every step of the way as you recover. Many companies say they empathize, but after Central's Home Office campus was inundated by flood waters on May 25, 2017, we can truly say we understand what it's like to feel the devastating effects of loss. The amount of selflessness, pride, and dedication demonstrated by our employees on that fateful day, and the days following, was truly amazing. It was an experience that wouldn't have taken place in many organizations...and what makes our company so special.





Roger Luttrell
(right) is more
than an agent to
Will and Jan Hodges,
he's a trusted advisor
and friend.

CHAPTER 2: Customers

A STORY OF INTEGRITY

Insurance is a paradox. It's one of the few things you purchase that you hope you'll never use. Especially not twice in two years.

Living in Texas, Will and Jan Hodges are no strangers to severe weather, but hail has been especially unkind to the family. A storm in 2016 damaged the roof of their home and it had to be replaced. Less than a year later, hail returned for a repeat performance.

Understandably, the Hodges were concerned. Two roofs in two years? Would Central pay the claim? Would they drop our coverage? Their Central Claims Representative Alex Salinas provided the reassurance they needed to hear.

"I told them there's no need to be concerned. This was an act of nature and you can't do anything about that." He understood. After all, he lives in Texas too. Another casualty of the storm: Will's 2016 Ford F-150.

"The hood, the roof, the side panels. Everything was damaged," shares Will. Auto Claims Representative Pam Davison had a check in the Hodges' hands within seven days to pay for repairs. Even better, because the Hodges insure both their home and autos with a package policy from Central, the deductible on the auto claim was waived. The responsiveness from both Alex and Pam made it a smooth experience.

"Everyone was very nice, very accommodating," says Will. "They walked us through the process. It couldn't have been any easier. I've heard nightmare stories from our neighbors who have their insurance with other companies...poor roofing contractors, slow payments, or no payments at all. I can't complain about anything with Central."

It's a happy ending to a story that starts with their independent agent Roger Luttrell of Benton Luttrell Company. When he moved the Hodges' coverage to Central several years ago, they weren't concerned with the change. They trust Roger to do what's best for them.

"I've known Roger for 30-plus years and enjoy doing business with him," notes Will. Their story is one of trust and integrity. This is why Central so carefully chooses the agents who represent us. They are a direct extension of how we do business and we want to assure their priorities and culture align with ours. When we have outstanding agency partners to help us provide protection, security, and peace of mind, everyone wins.

"From my agent to the people at Central and those that represent the company on the ground, it was just a really good experience."

\$173,764

donated to
United Way

48

employees volunteer
with Cougar Leaders,
InVEST, and Junior
Achievement

Over
4,000

items collected
through food, clothing,
and supply drives

**Customer Services
Manager
Jessica Pannkuk
(center) is one of
many employees who
volunteer to mentor
students.**



CHAPTER 3: Communities

A STORY OF EXCELLENCE

Anyone can have bad luck. For some, the consequences can be oppressive and enduring.

For years, Amy came to The Salvation Army for food, clothing, and occasional financial assistance for herself and her son. When she found out they hire bell ringers at Christmas due to lack of volunteers, she quickly applied for the job. She was a faithful worker who showed up early and worked hard. Having trouble finding full-time employment the rest of the year, Amy returned to work as a bell ringer for the next four years.

Last year, The Salvation Army received a call from a distinguished business asking about Amy. They were considering bringing her on full-time with benefits. The Salvation Army gave Amy a glowing reference, and she's still employed at that job today. While she no longer comes to The Salvation Army for assistance, she still volunteers to ring the

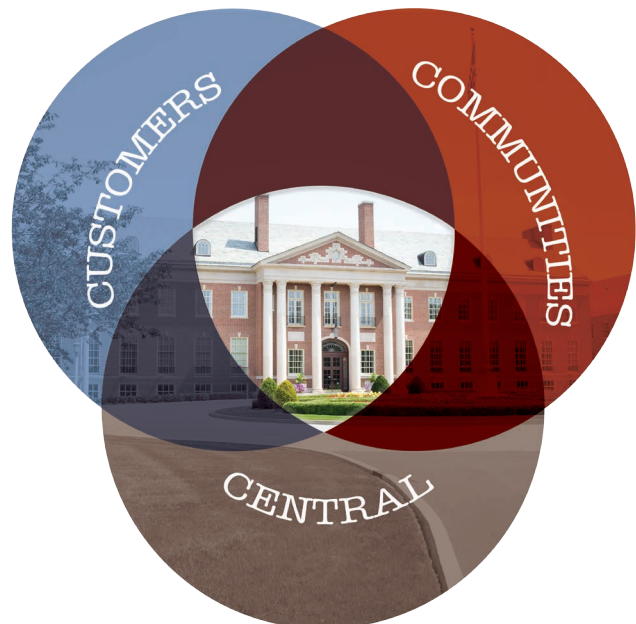
bell at Christmas. Amy, who once needed help, is now a donor providing help to others.

Amy is one of many who have benefited from the generosity of Central's employees. They dedicate their time and resources so organizations like The Salvation Army can continue to help those in need in our community. Through monetary donations, food and clothing drives, and volunteer opportunities, Central employees are building a legacy of excellence.

We don't do this for the accolades or the recognition. We do it because we genuinely care about the well-being of those in the communities in which we live and work. It's a sentiment shared by our agency partners whose generosity abounds in their communities as well. Together, we share the human capacity to help others in need and protect their security, well-being, and peace of mind.

THIS IS OUR STORY

A company founded to fulfill a need has become a company that fulfills promises. This company is filled with people of integrity who share the same vision: to make a difference in the lives of others. Our customers choose us because they value this relationship and trust in our promise to protect what matters to them. It's a promise that extends to bringing excellence into our communities so we can all have peace of mind for a better tomorrow. We look forward to sharing the next chapter of our story with you.



2017 Financial Report

Central Mutual and All America Insurance Companies ('Central')
December 31, 2017

Summarized Balance Sheet as of 12/31/17

Central

Assets

Bonds	\$1,008,480,833
Stocks	362,178,229
Real Estate	41,063,129
Cash & Short-Term Investments	88,984,222
Agents' Balances & Uncollected Premiums	213,568,937
All Other Assets	39,124,190
Total Admitted Assets	\$1,753,399,540

Liabilities & Policyholders' Security Fund

Losses & Loss Adjusting Expenses	\$429,772,608
Unearned Premiums	360,326,077
Commissions Payable & Contingent Commissions	21,705,064
Ceded Reinsurance Premiums Payable	4,682,263
Taxes & Other Liabilities	114,880,114
Unassigned Funds (Policyholders' Security Fund)	822,033,414
Total Liabilities & Policyholders' Security Fund	\$1,753,399,540

Select Performance Measures

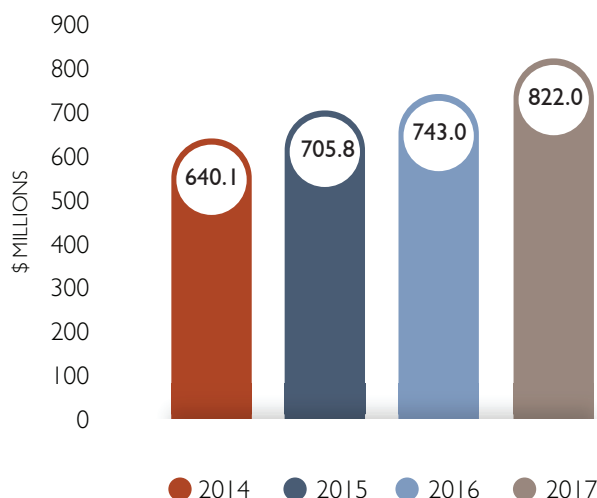
Total Central Assets	\$1,753,399,540
Direct Written Premium	\$719,989,823
Growth Rate in Direct Written Premium	7.9%
Combined Ratio – Central	98.4%
Combined Ratio – Industry*	105.1%
Policyholders' Security Fund	\$822,033,414
Premium to Policyholders' Security Fund Ratio	0.81
A.M. Best Rating	A (Excellent)

This information is not intended to supercede, 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.

* Source: A.M. Best Company

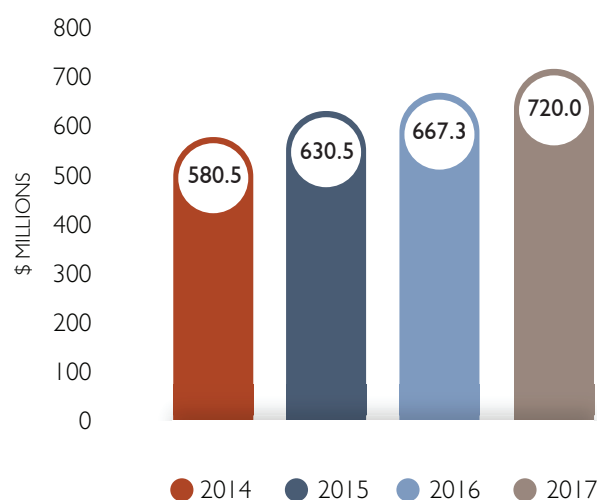
Stability

The **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 support future growth and deliver on the promise for our current customers as we have done since 1876. Central's Policyholders' Security Fund grew to a record level of \$822 million in 2017, and the company's financial strength remained very secure with a premium-to-surplus ratio of 0.81 : 1.00.



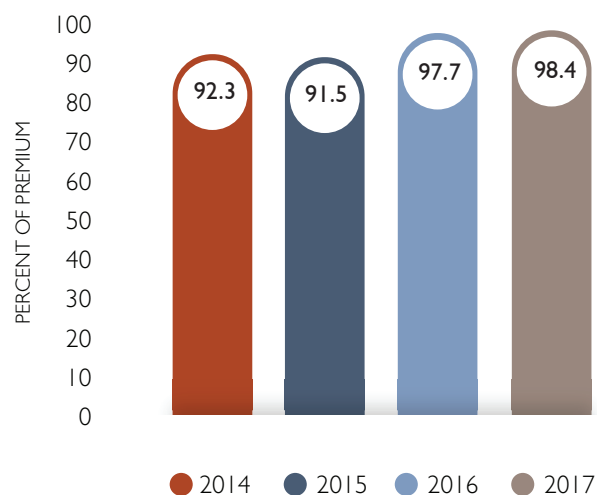
Consistency

Consistency in the growth of **Direct Written Premium** indicates confidence in Central from both the customer and agent. Central's disciplined approach to planning for growth is an important aspect of our future success. Our growth in Direct Written Premium has been strong and consistent over the past four years where it has averaged 7.7% annually.



Performance

The lower the **Combined Ratio**, the more successful a company has been in managing its operation profitably. Even though both 2016 and 2017 were impacted by catastrophic weather events that were above historical averages, Central has continued to post strong performance results that have outpaced the industry.



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