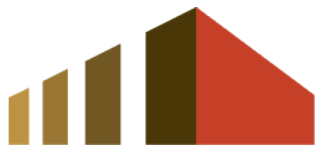


2021

# 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



## Directors

**DWIGHT SHORE**  
Chairman

**DONALD YEWELL**  
Vice Chairman

**DANIEL FROST**  
Secretary/Treasurer

**MARY OSBORN**  
**JOHN BEYER**  
**MICHAEL DUNN**  
**JOHN KLOCKAU**



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# PRESIDENTIAL ADDRESS

## 2021: PERFORMANCE, PROACTIVENESS, PLANNING

Rockford Mutual Insurance Company successfully navigated another unpredictable year in 2021. In my 40+ years with the insurance industry, I can honestly say these past two years have been the most challenging. I believe most would agree, we just didn't know what was coming next!

Rockford Mutual celebrated our 125th Anniversary this year, meaning we celebrated all of those who make our company great. Loyal policyholders, dedicated independent agents who represent us, our associates, and our Farm Mutual Partners all play a huge role in the success of our organization.

Without their support and belief in our mission and the core values we operate by, we would be unable to help those who need us most each and every day.

This past year turned out well for Rockford Mutual despite many challenges. We ended 2021 with a policyholder surplus gain of over \$2 million, a combined ratio of 97.3% and an underwriting gain over \$1.5 million. In addition, our loss development and resources continue to be positive. These are all solid indicators of financial strength.

The biggest challenge in 2021 was inflation on loss settlements. Since January 2021, auto repairs are up 31%+ and building repair costs are up roughly 16%+. Also, our vendor contracts continue to increase. We see these trends continuing through 2022 as well. We will overcome this challenge by continuing to invest in the independent agents that support our business here at Rockford Mutual.



We are always working diligently to provide more services and products to both our independent agents and their policyholders. In 2021, we rolled-out our very first mobile application, Rockford Express Mobile. We also rolled out buried utility lines coverage for Homeowners, a Nurse Triage program for Workers' Compensation policyholders, a Commercial Auto Pac and more.

We look forward to all of the opportunities to come for Rockford Mutual. Our organization is financially strong and we are growing more than ever before. These are exciting times, and we are ready for the challenge.

## FINANCIAL STRENGTH (\$000's)

| Underwriting                           | 2021          | 2020          |
|----------------------------------------|---------------|---------------|
| Gross Written Premium                  | 72,730        | 71,175        |
| Net Written Premium                    | 65,642        | 64,523        |
| <b>BALANCE SHEET</b>                   |               |               |
| <b>Investments &amp; Assets</b>        |               |               |
| Bonds                                  | 67,839        | 61,886        |
| Equities                               | 1,772         | 743           |
| Cash & Short-term Investments          | 8,909         | 12,897        |
| Home Office Building                   | 2,027         | 2,089         |
| Life Insurance Investment              | 3,133         | 3,058         |
| <b>Total Invested Assets</b>           | <b>83,680</b> | <b>80,673</b> |
| Premium Balances                       | 13,170        | 12,672        |
| Reinsurance Losses Recoverable         | 424           | 1,157         |
| Income Taxes Receivable                | 1,782         | 1,399         |
| All Other Assets                       | 529           | 454           |
| <b>Total Assets</b>                    | <b>99,585</b> | <b>96,355</b> |
| <b>Liabilities</b>                     |               |               |
| Loss & LAE Reserves                    | 20,032        | 19,667        |
| Unearned Premiums                      | 32,745        | 31,054        |
| Reinsurance Balances Payable           | 564           | 512           |
| All Other Liabilities                  | 3,853         | 4,748         |
| <b>Total Liabilities</b>               | <b>57,194</b> | <b>55,981</b> |
| <b>Policyholders' Surplus</b>          |               |               |
| <b>Total Policyholders' Surplus</b>    | <b>42,391</b> | <b>40,374</b> |
| <b>Total Liabilities &amp; Surplus</b> | <b>99,585</b> | <b>96,355</b> |

## 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 (9/29/21)

### 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- |

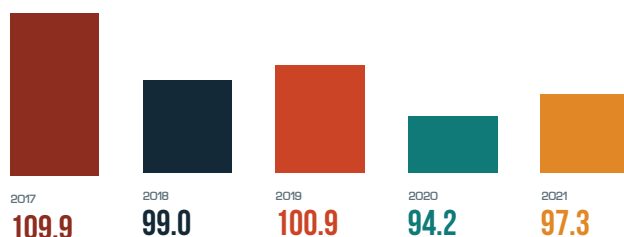


# KEY FINANCIAL INDICATORS

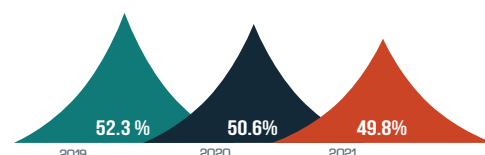
## FINANCIAL ACHIEVEMENTS

For the eighteen year period from 2004 to 2021 policyholders' surplus increased by \$25 million. Also, for the five year period between 2017 to 2021 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 2021. Management is very confident the significant changes implemented to improve operations will also produce future positive results.

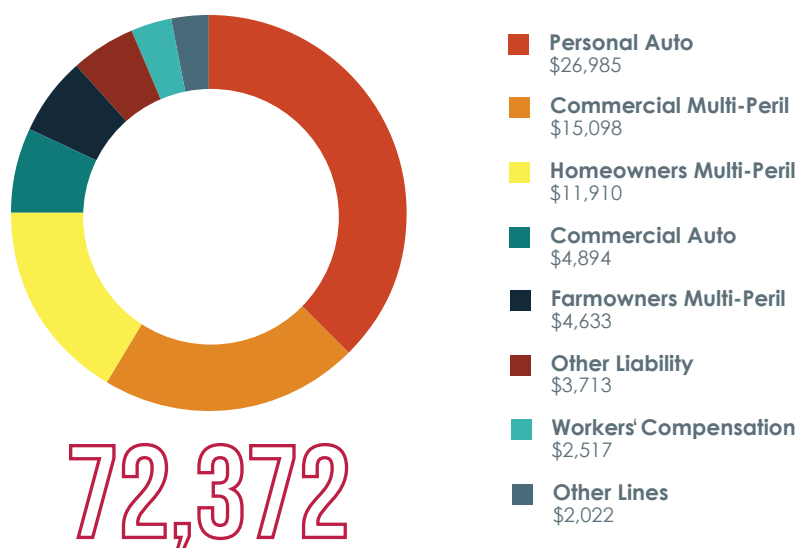
## ANNUAL COMBINED RATIOS



## ANNUAL LOSS RATIOS



## PREMIUMS BY LINE OF BUSINESS (000's)



## STATUTORY DATA

Risk Ratio: Net written to surplus **1.5**

Combined Ratio: 5 year average **99.8**

## PREMIUMS BY STATE (000's)

**ILLINOIS**  
**55,592**

**WISCONSIN**  
**14,126**

**INDIANA**  
**2,654**

# UNDERWRITING HIGHLIGHTS

## COMMERCIAL LINES

Commercial lines business is prospering at Rockford Mutual. We have experienced steady growth over the last 5 years as our new business written premium has increased annually.

Rockford Mutual has worked diligently to broaden our appetite by adding several new coverage pacs to our CPP, BOP and Commercial Auto products. This in turn has allowed our partnered agents to place more commercial business with us.

2021 Commercial Loss Ratio **40.1%**

## PERSONAL LINES

Rockford Mutual's Home and Auto products accounted for the majority of our book of business in 2021 and continues to perform very well despite the market challenges we were faced with.

When combining our Personal Auto and Homeowner lines of business, we have seen a growth rate of 9.7% over the course of the past five years. We continue to add coverage options to our Homeowners program, allowing policyholders more customized insurance options.

2021 Home & Auto Loss Ratio **58.9%**

## FARM LINES

Rockford Mutual originated in 1896 to aid farmers and their communities. Our Farm product remains sound and performs very well for Rockford Mutual. From a premium growth perspective, we have seen an increase of 65% in our Farm line of business from 2017 to year end 2021.

2021 Farm Loss Ratio **40.5%**

## MARKET CHALLENGES

Higher Material Costs

01

Skilled Labor Shortages

02

Supply Chain Issues

03

**1 | Higher Building Material Costs, Higher Repair Costs:** Between 2020 and 2021, the cost of building materials rose 11.9%. Lumber rose a staggering 42% over the past year.<sup>1</sup> As a result, home repair costs are up nearly 15% overall.

**2 | Skilled Labor Shortages:** Roughly 60% of builders surveyed<sup>2</sup> report a skilled labor shortage in the home-building industry, which is driving up labor costs involving new construction.

**3 | Supply Chain Issues:** Shortages on microchips and other critical auto parts have impacted the cost to repair or replace a vehicle after an accident. New car prices rose 10.6% between Oct. 2020 and Oct. 2021, while used car prices jumped up nearly 32%.<sup>3</sup>

Rockford Mutual overcame these market challenges by ensuring that properties were being properly evaluated and insured to cost.

Sources:

<sup>1</sup> CoreLogic Quarterly Construction Insights (Q2 2021)

<sup>2</sup> National Association of Home Builders, "Building Material Prices: Large Increases Year to Date" (Sept. 2021)

<sup>3</sup> CNN Business, "'This is a crisis now.' Biden official pleads with Congress to immediately address computer chip shortage" (Dec. 2021).



# 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 4,096 claims reported in 2021 - including 5 numbered CATs that generated 445 storm claims overall.

Despite the challenges presented in 2021, 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.



**You guys rock! I can't believe how nice and quick you all were. My first time to do this and everyone from my agent to claims to billing did a great job. Thank you all so much!**

*- Rockford Mutual Policyholder*

## Policyholder Referrals

An average of 24/25 policyholders would recommend Rockford Mutual to a friend or family member. Our insurance is more than a policy, it's a promise.



\*derived from surveys of claimants and insureds

## Claims Satisfaction Percent

Rockford Mutual's top priority is to settle claims fast and fair. We're not your average insurance company, we're genuine people helping others persevere.

98%



Rockford Mutual

36%



Industry Average

\*derived from surveys of claimants and insureds

# 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.

Following the COVID-19 pandemic, our associates have leveraged a remote work environment, continuing to provide agents and policyholders quality service while also maintaining a certain level of comfort and safety from their own home offices.

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.

**85**  
ASSOCIATES

**11**  
NEW HIRES

**3**  
RETIREES

## One of The Best Places to Work in Illinois

Rockford Mutual was recently named one of the 2022 Best Places to Work in Illinois, making this the third consecutive year the organization has earned this achievement!

This statewide survey and awards program was 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. Approximately 25% of the total valuation is based on workplace policies, practices and demographics; while 75% of the total valuation is based off of an employee survey to measure the employee experience.



## One of The Best Places to Work in Insurance

Rockford Mutual has been named in the annual Best Places to Work in Insurance Program, which recognizes employers nationwide for their outstanding performance in establishing workplaces where associates thrive, enjoy their work and help their company grow.



## Give Back Days

Rockford Mutual introduced a new associate benefit in 2021, we call it "Give Back Days". Every associate is allotted two full days to volunteer at a non-profit of their choosing on company time. We believe it is important to support associates in their desire to make a difference in the ways that matter most to them.





# 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 paying 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 : 507 Colman Center Drive  
Rockford IL, 61108

