



Transformation

2017 Annual Report



Small details. Big difference.SM



EMBRACING TRANSFORMATION

»»» »»» »»» »»» »»» »»» A CUSTOMER-CENTRIC APPROACH



“Transformation” is a word that we’ve been using a lot at Society Insurance recently. In just the last few years, we’ve all seen organizations like Amazon and Uber completely transform long-standing business models. The insurance industry is not immune to transformation. Successful insurance companies and independent agencies will need to react to the dizzying pace of change and profoundly different customer expectations in the coming years. We will need to

transform ourselves in a variety of ways.

Looking at the past, transformation in our industry has not always resulted in change that is valued or positive. In other situations, organizations have transformed in ways that take them to an entirely different level of organizational effectiveness, and in ways that are admired and valued. The key to achieving success is to stay true to our corporate culture, values and long-term partners as we transform.

For Society, that means never losing sight of meeting and exceeding the expectations of policyholders, independent agents, claimants and other business partners. It means being fully committed to understanding what customers want from us and how they want it, and then transforming to meet those expectations.

We’ve recently created a dedicated Innovation Department to help lead customer experience and continuous improvement initiatives. To aid in deploying new ideas and approaches, this team will work with our IT Department and operational units, using Agile Delivery to much more quickly and efficiently introduce innovative ideas that require technology support. It’s an organizational change and commitment that supports our Mission, Vision and Core Values, as it is policyholder, agent and employee-focused.

The ability to invest in and grow people and technology to transform the company is fueled by the consistent growth and profitability we've seen over the last several years, with 2017 being another record-setting year in many categories.

The combined ratio of 98.4% was the fourth consecutive year under 100% and the sixth year in a row that we met or finished better than the planned result. These outstanding underwriting results, combined with a prudent investment program, supported an increase in policyholder surplus to more than \$153.4 million at year-end, a new record for the company and the first time we've exceeded \$150 million in surplus. Only five years ago, surplus stood at \$102 million. Direct written premium ended the year at nearly \$171.4 million, another record high for the company.

No organization is obliged to embrace change and transformation. Kodak thought that digital photography was a fad and stuck with film. Sears presumed their approach to retail sales was timeless. Their mistake? Not being open to changing how they did business and losing sight of how the customer expected to be treated today. Society Insurance chooses to not follow this path.

We look forward to working with our employees and independent agent partners to transform how we meet the expectations of customers, while staying true to the values that have guided our successful partnership for 103 years.

Rick W. Parks

A handwritten signature in black ink that reads "Rick W. Parks". The signature is written in a cursive style with a clear, legible font.

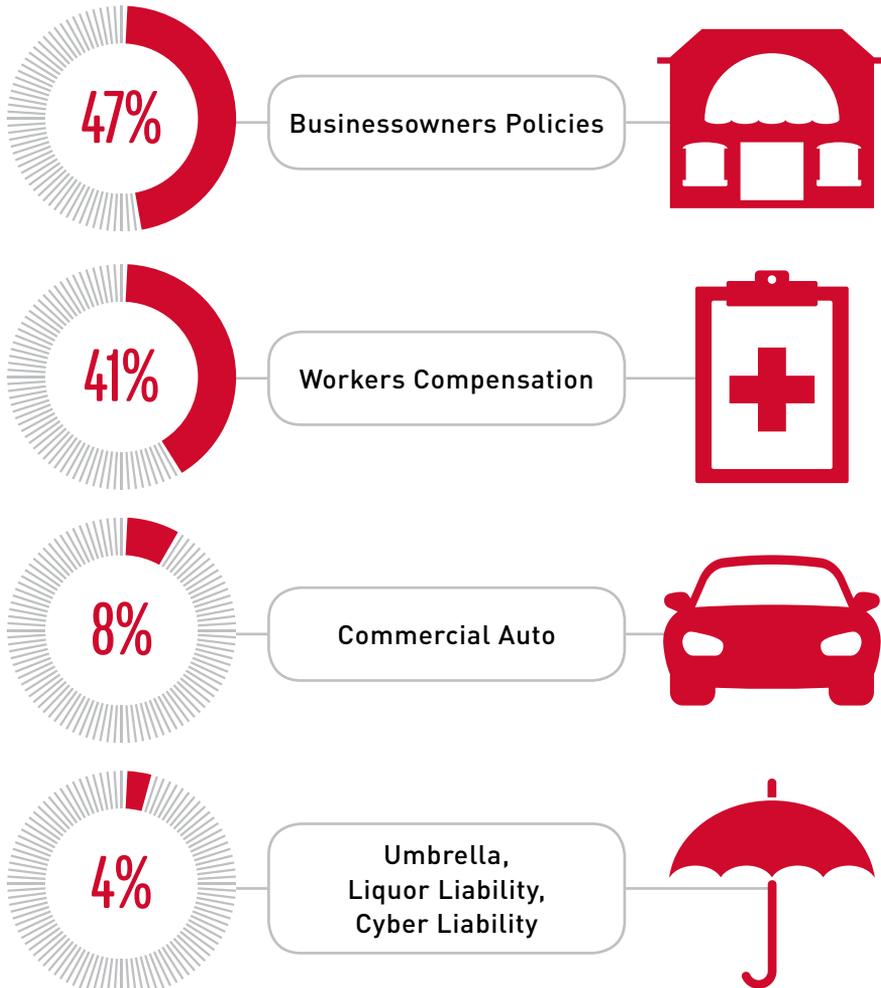
President & CEO

PRODUCTS & CUSTOMERS

>>> >>> COMMITTED TO THE BUSINESSES WE KNOW BEST

Since our company was founded 103 years ago, we have focused on select industries in select locations to help protect businesses the best way we know how. As a mutual insurance company, our firm mission is to operate and exist for the benefit of our policyholders. We are committed to sharing our exceptional depth of knowledge through meaningful coverage differences, thoughtful risk advice and outstanding claims handling.

>>> >>> MIX OF BUSINESS*



*Excludes Wisconsin Workers Compensation Pool

NEW IN 2017:

CYBER LIABILITY INSURANCE

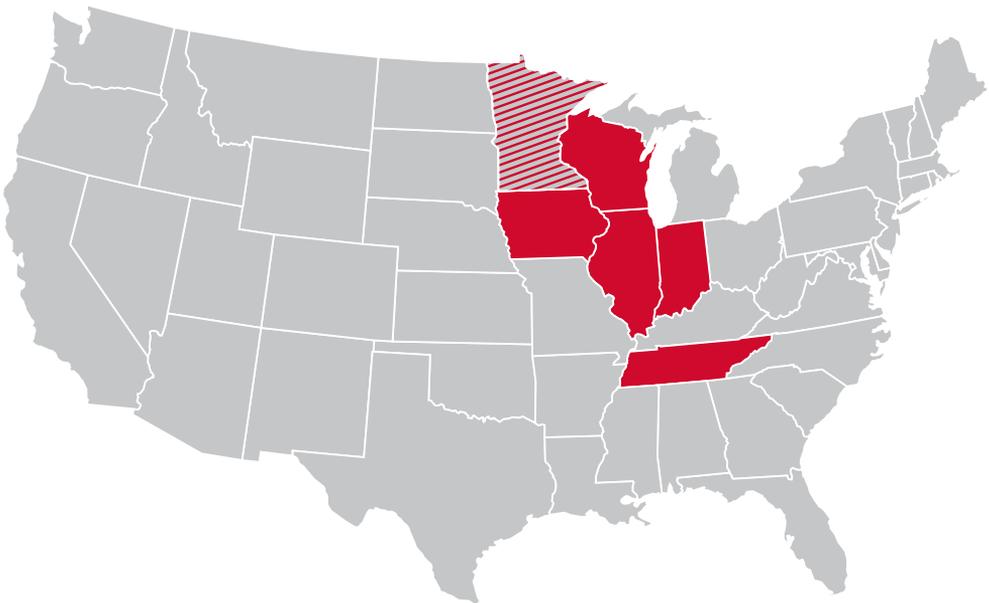


At a time when technology and the risk associated with it affect every person and business that we protect, the market was asking us for a comprehensive cyber liability program at a competitive price. We responded by introducing leading-edge cyber liability insurance in December 2017.

With a continued focus on quality products and services, Society remains on the front line of providing innovative insurance products with great attention to the details that matter most to business owners.

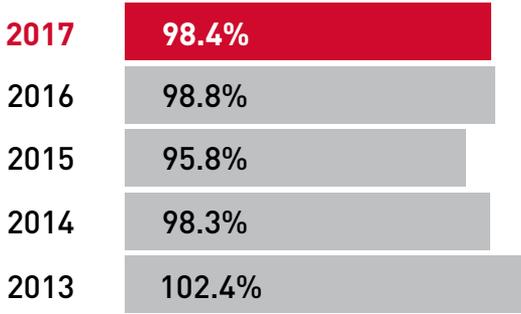
>>> >>> GUIDED BY THE PAST, LOOKING TO THE FUTURE

Society's growth plan calls for expansion into a number of states to enhance the favorable growth we have achieved in Wisconsin, Illinois, Indiana and Iowa. The first step began with Tennessee in 2016. Based on this positive experience, we will continue by beginning operations in Minnesota in the second half of 2018.



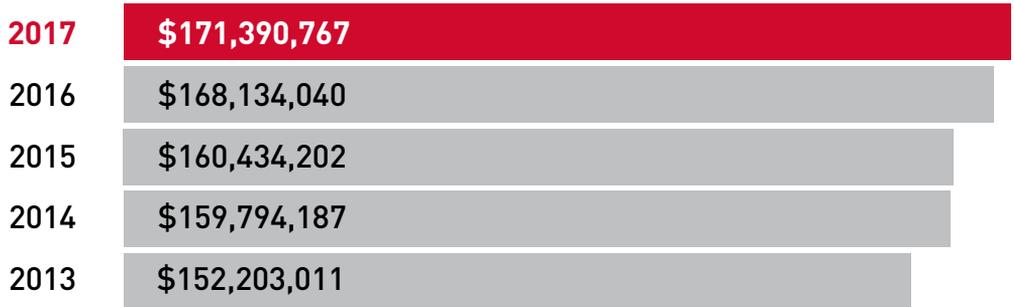
2017 FINANCIALS

>>> COMBINED RATIO

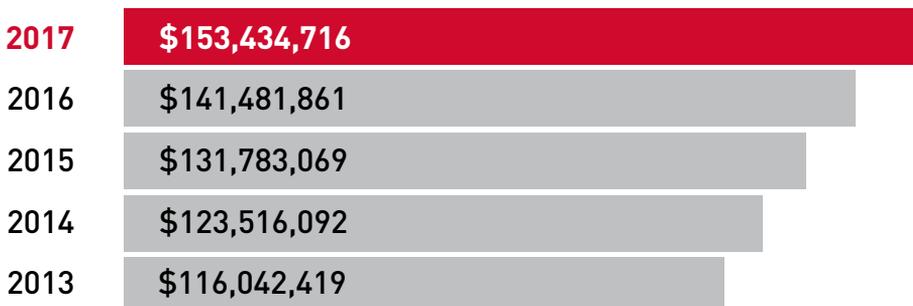


2017 marks the fourth consecutive year with a combined ratio under 100 percent and the sixth year in a row that we met or finished better than the planned result.

>>> DIRECT WRITTEN PREMIUMS



>>> POLICYHOLDER SURPLUS



ASSETS

2017

2016

Bonds	\$292,476,770	\$273,187,101
Stocks	\$44,402,061	\$37,421,781
Real Estate	\$3,451,692	\$3,689,786
Cash and Short-Term Investments	\$10,592,347	\$10,110,453
Premiums Receivable	\$67,996,391	\$68,031,664
Other Assets	\$13,689,222	\$15,478,383
Total Assets	\$432,608,483	\$407,919,168

LIABILITIES

2017

2016

Loss and Loss Adjusting Reserves	\$175,259,394	\$161,260,184
Agents' Commission	\$6,689,223	\$6,621,956
Unearned Premium Reserve	\$78,957,079	\$77,813,120
Other Liabilities	\$18,268,071	\$20,742,047
Total Liabilities	\$279,173,767	\$266,437,307
Policyholder Surplus	\$153,434,716	\$141,481,861
Total Liabilities and Surplus	\$432,608,483	\$407,919,168



Small details. Big difference.™



...WORKING WITH YOU TO TRANSFORM HOW WE MEET & EXCEED CUSTOMER EXPECTATIONS...

>>> SENIOR OFFICERS

Rick W. Parks, CPCU
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Dina S. Schultz
Senior Vice President & COO

Heather I. Boyer, MBA
Senior Vice President, CFO & Treasurer

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Vice President-Workers Compensation Claims

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