



Member of Motorists Insurance Group

MINUTES

ANNUAL MEETING OF THE MEMBERS OF IOWA MUTUAL INSURANCE COMPANY

DE WITT, IOWA

MAY 8, 2019

The Annual Meeting of Members was called to order at the company's home office at 10:03 a.m. ET/9:03 a.m. CT on May 8, 2018, by Mr. Gregory A. Burton, Executive Chairman. Under the direction of Ms. Marchelle E. Moore, Senior Vice President, Chief Legal Officer and Corporate Secretary, Dr. Martin J. Langlois, Jr., Vice President Internal Audit and Chief Audit Executive recorded.

DETERMINE QUORUM

Mr. Burton reviewed the Bylaws and Regulations of the company regarding the rights of members, indicating that only policyholders were entitled to participate in the annual meeting. He encouraged policyholders to participate. Accordingly, he asked those members wishing to participate to state their names and to identify themselves as policyholders prior to such participation. Mr. Burton also referred to the company's Bylaws and Regulations, which require a quorum of 20 members present, in person or by proxy. He further noted that a total of 388 proxies had been received. He then asked for a show of hands of those policyholders present and accordingly, declared that a quorum existed.

Mr. Burton then read the names of the directors of the company: Mr. David L. Kaufman, Chief Executive Officer (CEO), Mr. Grady B. Campbell, President, Mr. Robert D. Lambert, Mr. Thomas C. Ogg, Mr. Charles D. Stapleton, Mr. Brigham L. Tubbs, Mr. Michael L. Wiseman, Ms. Susan E. Haack, and Mr. Thomas J. Obrokta, Jr. Chief Operating Officer. All directors were present in person or by phone. Mr. Burton also introduced himself as the Executive Chairman and the other officer present at the meeting, Ms. Marchelle E. Moore, Senior Vice President, Chief Legal Officer and Corporate Secretary.

REGULAR BUSINESS

APPROVE MINUTES

Mr. Burton asked for a motion to waive the reading of the Minutes of the Annual Meeting of the Members held May 9, 2018 and to approve them as written. Upon a motion duly made and seconded, the motion carried.

OFFICER REPORTS

**Executive
Chairman's
Comments**

Mr. Burton offered no comments.

CEO Comments

Mr. Burton then called on Mr. David L. Kaufman, Chief Executive Officer for his comments.

Mr. Kaufman reported that the results for 2018 for the Group were outstanding and better than planned, noting that all metrics had been met. He also noted a surplus of approximately \$1.5 billion and that the Group was currently in 28 states.

Mr. Kaufman indicated that the Guidewire implementation was continuing according to plan. He noted a strategic decision to pursue five new profit growth segments. Concluding his remarks, he reported that a new mission statement had been adopted.

**President's
Report**

Mr. Burton then called on Mr. Campbell to give the President's report.

Mr. Campbell noted that the focus for 2018 had been to improve the profitability of the company and expand product offerings. He reported a loss ratio of 51.1% which was a 26.6 point improvement from the prior year. He also reported four accomplishments as follows:

1. The notification of agents and regulators in Nebraska of the company's decision to exit personal lines. This commenced on January 1, 2019 and he expected it to continue through the end of the year.
2. The centralization of the three profit centers, Workers' Compensation and Strategic Accounts, Commercial Lines and Personal Lines and how this centralization brought in a strong level of experience, increased bench strength, created consistency across the Group and better aligned core competencies.
3. Full implementation and deployment of Guidewire in Iowa, Nebraska, and Illinois. He noted that this was well received by our agents. In particular he emphasized how small accounts and large accounts operating across state lines were now being better served. With respect to policy conversion, for the first quarter of 2019 retention was at 86.9% which was better than expected. He further reported that for Iowa and Illinois workers' compensation policies were being converted to PowerSuite and that this would be done in Nebraska later in the year.
4. Integration of Commercial Lines and Workers' Compensation and Strategic Accounts in Illinois and Iowa. He noted that the company was enjoying a great deal of success with this.

Completing his remarks, Mr. Campbell reported strong results for the first quarter.

Upon a motion duly made and seconded, the President's report was accepted.

**Treasurer's
Report**

Mr. Burton then noted that Mr. J. Christopher Howat, Executive Vice President, Chief Financial Officer and Treasurer was not available to give the Treasurer's report. Mr. Burton called upon Mr. Obrokta to give the report in Mr. Howat's stead.

Mr. Obrokta first discussed a graphic depicting percentages of premium by product line and by state. He noted that workers' compensation was the largest product line at 39%, with commercial auto and personal auto second and third at 15% and 13% respectively. He also reported that the top three states with respect to premium were Ohio at 22%, Pennsylvania at 16%, and West Virginia at 14% which combined for over 50%.

He then discussed the pooling percentages noting that when BrickStreet Mutual Insurance Company joined the pool its share was 48%. He noted that Iowa Mutual and Iowa American combined was 2.3%. He also reported that in joining the pool the surplus of the Motorists Insurance Group nearly doubled to \$1.46 billion.

Mr. Obrokta then provided a report on the financial statements. Beginning with the balance sheet, he explained that surplus had only increased by \$3.1 million last year primarily due to volatility in the stock market noting that most of the loss was recouped in the first quarter of 2019. With respect to operations, Mr. Obrokta noted that while premiums were down approximately \$20 million, that was because of a focus on improving profitability. He indicated that 2017 was a transition year for the Group noting a \$95.8 million net loss for the year. However, in 2018 the Group saw net income of \$130.2 million which illustrated the significant turnaround that was achieved.

Concluding his remarks, Mr. Obrokta noted that the Group's combined ratio of 101.1 was better than the industry average of 101.5. He reported that investment income was up primarily due to portfolio rebalancing. He indicated that 2018 was a remarkably successful year for the Group.

Upon a motion duly made and seconded, the Treasurer's report was accepted.

**ELECTION OF
DIRECTORS**

Mr. Burton stated that the terms of two directors had expired, namely, Mr. Gregory A. Burton, and Mr. Brigham L. Tubbs. He then asked the Corporate Secretary, Ms. Moore to read the names of those individuals who had been nominated as candidates for the office of director.

The Corporate Secretary read the names of Mr. Gregory A. Burton, and Mr. Brigham L. Tubbs, each nominated for a three-year term.

Mr. Burton then declared the nominations closed as no other names had been properly submitted and asked for a motion to elect the directors. Upon a motion duly made and seconded, the motion carried.

UNFINISHED BUSINESS

Mr. Burton called for any unfinished business to come before the meeting; none was presented.

NEW BUSINESS

Mr. Burton called for any new business to come before the meeting; none was presented.

ADJOURN

There being no further business to come before the meeting, Mr. Burton requested a motion for adjournment. Upon a motion duly made and seconded, the motion carried and the meeting was adjourned at 10:19 a.m. ET/9:19 a.m. CT.



Marchelle E. Moore, Corporate Secretary