

Reaching further, going farther

2017 annual report





Executive message

Last year was one for the history books. In 2017, Motorists Mutual Insurance Co. and BrickStreet Mutual Insurance Co. were granted approval to affiliate through a joint venture that elevated us to a super-regional carrier ranked in the top 20 mutual companies in the U.S. We are reaching further and going farther together, with a combined 1,400 associates, 10 offices writing business in 28 states and the District of Columbia, premiums of nearly \$1.1 billion, a surplus of nearly \$1.46 billion and assets of \$4.1 billion.

BrickStreet is one of the largest writers of workers' compensation in the region, and Motorists offers a long-standing reputation and wide range of products. Together, we are even stronger — our joint venture allows us to reach more agents and policyholders with expanded product offerings that include the same exceptional service.

We have already seen the momentum from our affiliation carry over into our day-to-day business, with cross-selling successes and enhanced field relationships. BrickStreet's agents and policyholders are able to secure other lines of insurance through this partnership, and Motorists can now offer superior workers' compensation products for all classes and account sizes.

United as one company, we have built a foundation for future success. Our affiliation opens the doors for new niche and specialty products that will better meet the needs of our agents and policyholders. Our mission is to be the most trusted and responsive provider of industry-leading insurance solutions, and 2017 was just the beginning.

There is still much work to be done to integrate fully and to roll out our combined offerings in each state. However, our associates have maintained the high level of service our agents and policyholders expect and deserve. Last year, we served more than 70,000 property and casualty customers and handled more than 30 catastrophic events. Our team responded to devastating weather with compassion and quickness, illustrating our commitment to being a business built on trust and accountability. We also handled almost 40,000 workers' compensation claims. We are committed to keeping people safe and helping them restore their livelihoods.

An important part of our success as one company is choosing the right leadership. TJ Obrokta Jr. now serves as president and chief operating officer of our combined organization, and his leadership and vision have laid the groundwork for our future.

As we were coming together as one company, we also moved light-years ahead with our new commercial lines solution, Motorists Insurance, which rolled out to five states in 2017. After years of hard work, innovation and commitment from our associates, we now offer superior technology for our agents and policyholders.

Executive message, continued

This industry-leading, “high-touch, high-tech” model sets us apart in the commercial marketplace. Agents can easily customize policies to fit the unique needs of their policyholders through a state-of-the-art digital portal, and policyholders can view their policy information and claim updates, and make premium payments online. As our rollout expands into more states, we will continue to enhance the platform based on continual feedback from our agents.

Our associates have worked tirelessly for the past few years to make Motorists Insurance a reality. This solution truly transforms the way we do business and deepens our partnership with the independent agents who represent us.

In addition to the progress we made with Motorists Insurance, we also continued to extend our reach in our specialty lines. Effective January 2018, HM Casualty, our 2016 acquisition, was renamed AlleghenyPoint Insurance. We worked through 2017 to complete policy migration and data conversion, and with this name change, integration is now complete. This acquisition made us the third largest workers’ compensation provider in Pennsylvania and expands our workers’ compensation footprint in the region.

As evident, 2017 was a year of transformation and growth, and we have set the stage for our success as a leading super-regional carrier. This success would not have been possible without the commitment of our boards of directors and senior leadership team, as well as the local knowledge and decision making of our associates and agents. Our priority will always be to continue to provide high-quality products for our policyholders and top-of-the-line customer care.

Through all the changes we experienced in 2017, our commitment to giving back to the communities where we live and work did not change. With The BrickStreet Foundation and Motorists Insurance Group Foundation, as well as countless volunteer hours from our associates, we are making a lasting impact on our communities. Our associates care, get involved and make a difference.

As much as we enjoy celebrating our accomplishments, we are even more excited to look ahead. We are confident 2017 was just the beginning of our success as one company. Whether it’s through customizing a policy, servicing a claim or building our communities, we are committed to excellence. Together, we will reach further and go farther than ever before.



Gregory A. Burton

Gregory A. Burton
Executive Chair,
Board of Directors



David L. Kaufman

David L. Kaufman
Chief Executive Officer



Senior leadership team >



Jeff Benintendi
Executive Vice President,
Workers' Compensation &
Strategic Accounts



Gregory A. Burton
Executive Chair,
Board of Directors



Grady Campbell
Executive Vice President,
Commercial Lines & Life



J. Christopher Howat
Executive Vice President &
Chief Financial Officer



David L. Kaufman
Chief Executive Officer



John Kessler
Senior Vice President &
Chief Strategy Officer



Teresa King
Vice President &
Chief Claims Officer



Tony Laska
Executive Vice President &
Chief Information Officer



Terri McCormick
Senior Vice President,
Human Resources



William J. McGee Jr.
Senior Vice President &
Chief Risk Officer



Marchelle E. Moore
Senior Vice President,
Chief Legal Officer &
Corporate Secretary



TJ Obrokta Jr.
President &
Chief Operating Officer



Charles D. Stapleton
Executive Vice President



Matthew Wilcox
Executive Vice President,
Personal Lines

Motorists Mutual Board of Directors >

W. Marston Becker

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Kevin J. Craig

Thomas V. Flaherty

Archie M. Griffin

Sandra W. Harbrecht

David L. Kaufman

Yvette McGee Brown

David L. Rader

Robert C. Smith

Steven F. White

BrickStreet Board of Directors >

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Kevin J. Craig

Thomas V. Flaherty

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Dennis B. Sullivan

Michael L. Wiseman



United as one company

Motorists and BrickStreet move forward together

Through the early stages of the integration, Motorists and BrickStreet have worked hard to establish a solid foundation. After the close of the affiliation, Motorists and BrickStreet began to develop co-branded products and cross-selling opportunities. Last August, the first jointly marketed products were released to select agencies in Illinois, Pennsylvania and West Virginia. By the end of 2017, the combined organization surpassed \$2 million in premium through dozens of cross-sold policies.

South Carolina, Iowa and Tennessee are the next three states where jointly marketed products and services will be available. Additional states and agencies will be phased in during the next few years.

Feedback received from agency partners with access to the joint products and services has been positive, and these strong and valued relationships will pave the way for future success.

“We are making sure our insureds understand the benefits of the communication between Motorists and BrickStreet exchanging underwriting information and being able to offer better pricing because of the integration. As an agency, we like having local people who truly understand our state and are familiar with our industries.”

Michael Winter
Vice President,
Bray & Oakley Insurance Agency
Logan, West Virginia

“We are excited to watch as Motorists Insurance Group invests in new commercial and personal lines technology platforms, modernizes its product offerings and adds the industry-leading workers’ compensation capabilities that BrickStreet brings to the group. Doubling its surplus in the process is an added bonus.”

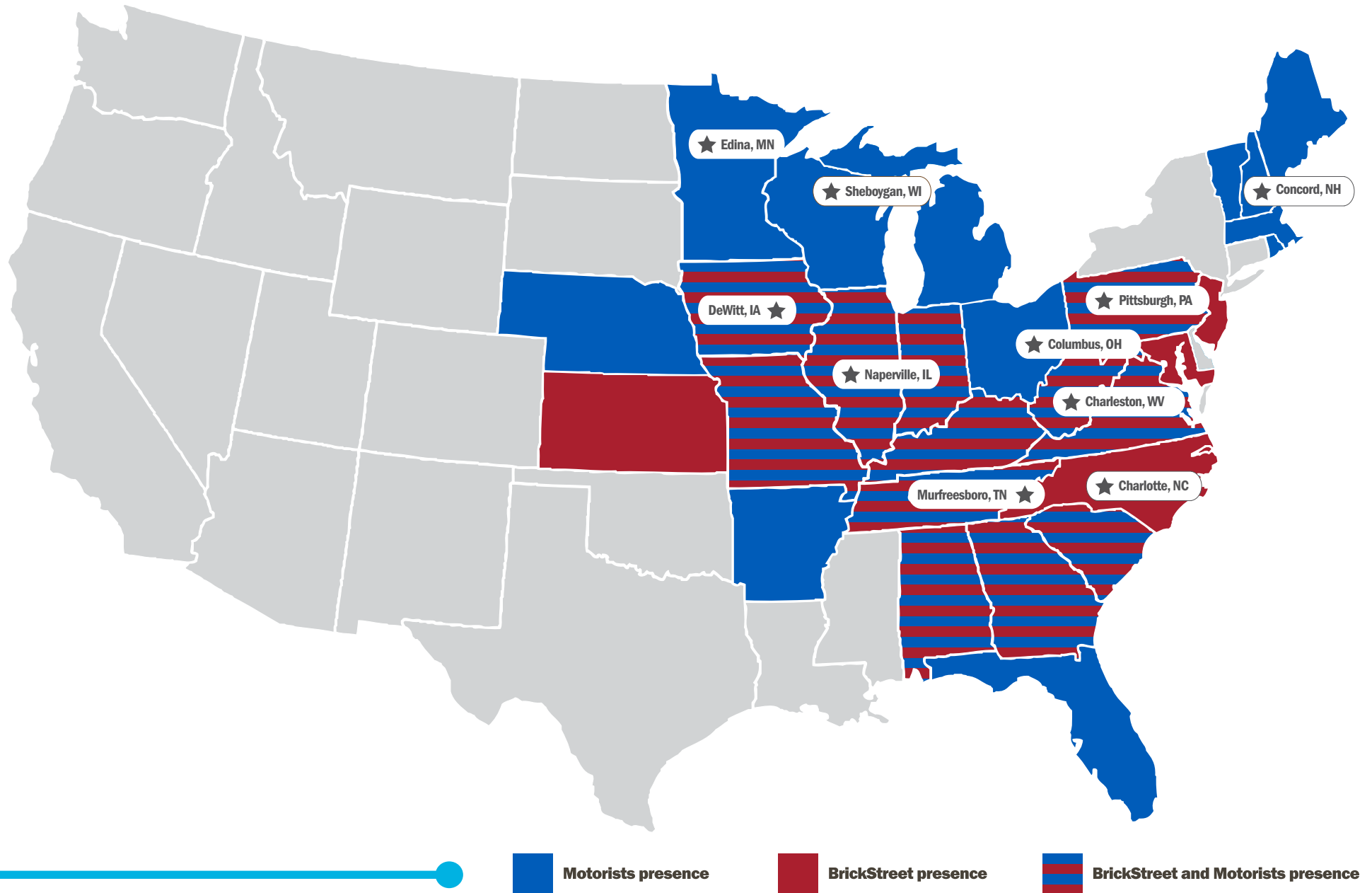
James A. Strassman
Principal,
Strassman Insurance Services, Inc.
Richmond Heights, Ohio

“The communication between Motorists and BrickStreet about our cross-selling opportunities has been excellent and is absolutely helping us succeed in writing new business. This affiliation has allowed us to better serve our clients because we can now package an entire program for a client all in one place, making it easier for us as an agency and easier for the client.”

Brett A. Andrews
Vice President of Insurance Operations,
Glessner Wharton Andrews Insurance
Wheeling, West Virginia

Combined footprint and office locations

Ten offices writing in 28 states and the District of Columbia



*Motorists writes only life insurance in FL and GA

Statement of operations

Motorists Insurance Group

	2017*	2016
Assets		
Bonds	\$2,676,957,225	\$979,104,788
Stocks	\$542,009,253	\$269,972,428
Premiums receivable	\$349,977,677	\$207,855,987
Partnerships & joint ventures	\$130,017,307	\$131,697,665
Current & net deferred tax assets	\$95,579,730	\$63,191,226
Real estate	\$64,522,591	\$37,933,157
Other assets	\$266,004,153	\$83,848,011
Total assets	\$4,125,067,937	\$1,773,603,261
Liabilities & surplus		
Losses & loss expenses	\$1,777,843,954	\$529,732,509
Unearned premiums	\$489,565,917	\$326,098,659
Retiree benefit obligations	\$99,927,433	\$68,137,807
Other unpaid expenses	\$122,387,846	\$42,735,420
Unpaid policyholder dividends	\$6,496,103	\$4,780,214
Other liabilities	\$171,941,759	\$30,041,704
Total liabilities	\$2,668,163,012	\$1,001,526,313
Policyholder security	\$1,456,904,925	\$772,076,947
Total liabilities & security	\$4,125,067,937	\$1,773,603,261
Summary of operations		
Direct written premiums	\$1,090,708,935	\$726,637,385
Underwriting profit/(loss)	(\$172,855,617)	\$5,069,041
Combined ratio	115.9%	99.9%
Net investment gain/(loss)	\$106,406,021	\$42,071,228
Net income	(\$95,771,973)	\$27,833,496

*The 2017 financials represent combined financials of Motorists Insurance Group and BrickStreet Insurance as a result of an affiliation entered into by the parties on April 24, 2017.

Statement of operations

Motorists Life

	2017	2016
Assets		
Bonds	\$384,927,939	\$399,633,444
Cash & short-term securities	\$27,384,768	\$7,967,467
Stocks	\$15,969,486	\$13,218,223
Contract loans	\$15,952,061	\$14,880,856
Premiums receivable	\$17,147,382	\$17,149,179
Interest & dividends due & accrued	\$4,316,705	\$3,905,981
Other assets	\$5,989,795	\$10,596,892
Total assets	\$471,688,136	\$467,352,042
Liabilities & surplus		
Policy reserves	\$382,355,842	\$383,184,396
Statutory reserves	\$4,026,290	\$2,992,534
Claims payable	\$3,595,137	\$3,461,322
Other liabilities	\$13,093,429	\$15,513,119
Total liabilities	\$403,070,698	\$405,151,371
Capital & security	\$68,617,438	\$62,200,671
Total liabilities, capital & security	\$471,688,136	\$467,352,042
Summary of operations		
Premiums & contract considerations	\$37,602,753	\$53,514,308
Total income	\$66,422,998	\$74,868,343
Benefits & expenses	\$61,358,714	\$75,394,454
Net income from operations	\$5,064,284	(\$526,111)
Net profit / (loss)	\$3,240,799	(\$1,180,449)
Change in capital & security	\$6,416,766	\$428,341

Motorists Insurance offers superior technology

Motorists Insurance Group launched its new commercial lines solution, Motorists Insurance, in May 2017 in select states.

Motorists Insurance features state-of-the-art technology to make the process from quoting to issuance and policy servicing simple and streamlined.

The products Motorists Insurance offers are unique in the industry. The MiChoice Business Program offers tiers to choose the right coverage to fit the size and unique liability needs of a business. Policyholders don't pay for coverage they don't want or need, and agents have more power to customize policies to satisfy their customers' needs and budget.

The commercial product offering complements the workers' compensation offerings of BrickStreet Insurance, which Motorists affiliated with in April 2017.

"We took a serious look at how insurance coverage is packaged and determined it didn't always fit every customer," CEO David L. Kaufman said. "Motorists has always committed to being the most trusted and responsive carrier, and we felt strongly that ensuring our customers had the right coverage fit our mission."

Motorists Insurance fuses the rich heritage and insurance experience of a nearly century-old company with the zeal and innovation of a 21st century startup.

Open work spaces that encourage constant collaboration, high-tech video conference equipment to connect the many office locations and an environment where innovation is encouraged and fostered showcase how Motorists Insurance Group is moving away from the old way of doing business.

Motorists has always committed to being the most trusted and responsive carrier, and we felt strongly that ensuring our customers had the right coverage fit our mission.

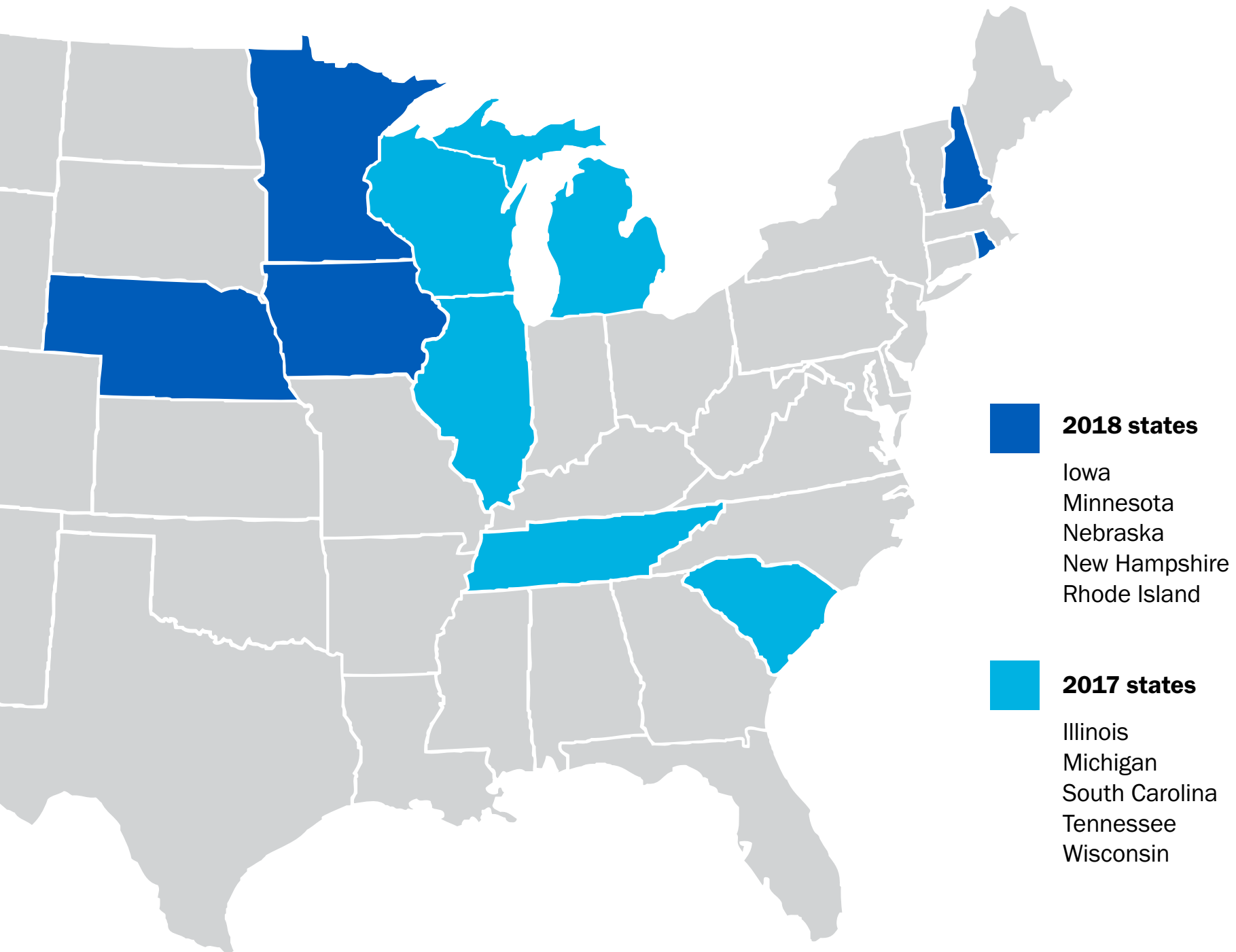
— David L. Kaufman, CEO

Motorists is committed to being a high-tech, high-touch company. Our IT and underwriting associates work in the same open space, called the Intersection, for integration of the disciplines to constantly improve the customer experience.

Plans are in place to continuously expand Motorists Insurance products to the group's full geographic footprint. By the end of 2018, Motorists Insurance will be operating in 10 states.



Motorists Insurance rollout map



Honors and awards



Applied Systems recognized Motorists for its innovation in product deployment and business results delivery with their highest honor, the Pinnacle Award.



Motorists was chosen as a Top Workplace in Central Ohio, and was the only insurance company in the Top 10.



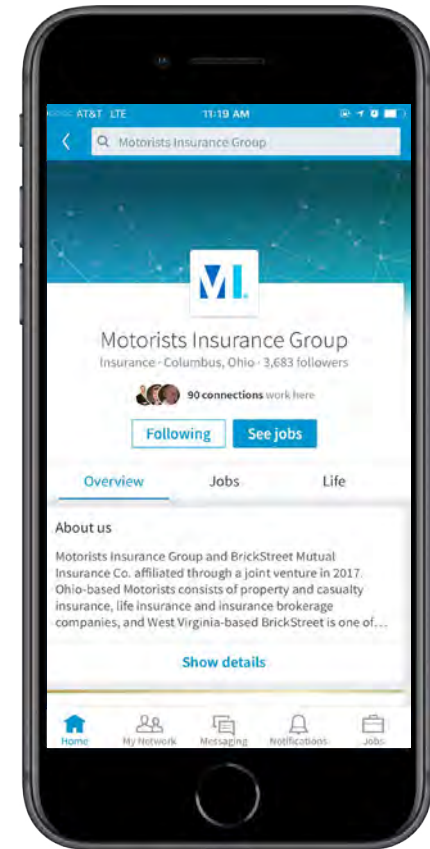
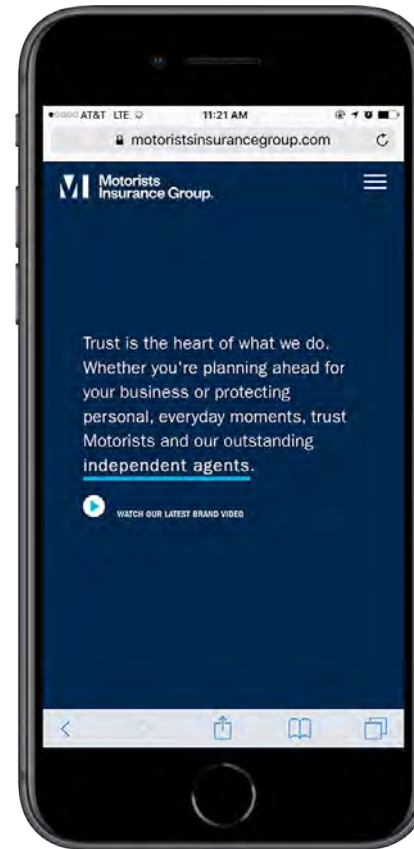
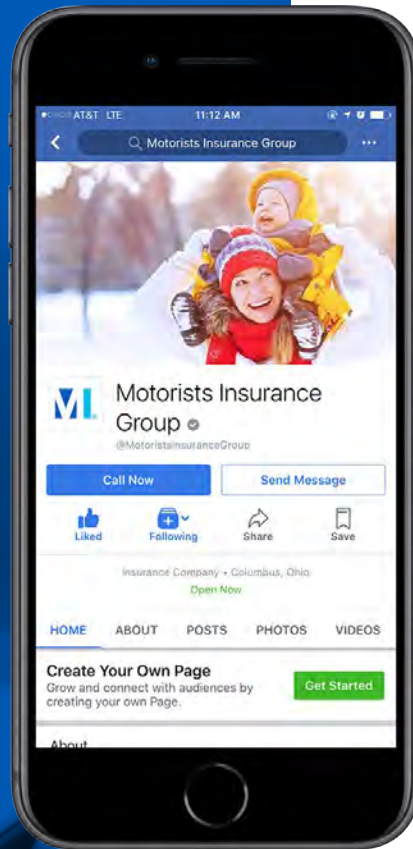
David L. Kaufman received the 2017 Griffith Insurance Education Foundation Lifetime Achievement Award for his commitment to insurance education.



Motorists received the 2017 Diversity Enhancement Award for Most Outstanding Corporation from the Fisher College of Business at The Ohio State University. Motorists was recognized for its sponsorship of the Pathways for Women's Excellence in Supply Chain Program.

Social media reach

Our growing online presence offers more ways to connect.



In 2017, we launched a [new website](#) and expanded our social media presence through [Facebook](#) and [LinkedIn](#). Since the launch, our Facebook audience has grown by more than 500 percent.

Our mobile-friendly site makes it easier than ever to do business anytime, anywhere.

Follow us on:



Celebrating success

Relationships with our agents set us apart



We celebrated at the 2017 Leaders Conference at Walt Disney World in Orlando with our agents and their families who exceeded qualifications to join the trip.



Our leadership team shared laughs with agents' families during the 2017 Leaders Conference.



Ceecee Fisher, district sales manager in Northeast Indiana, enjoyed building relationships during the Young Agents Conference at Purdue University.



Evan McCarty, district sales manager in South Carolina, participated in a Young Agents Golf Tournament with a valued agency partner.

Community outreach

Support that matters where it matters most.



Associates showed off their medals for participating in the American Lung Association's Fight for Air Climb, during which they climbed the Rhodes Tower – the tallest skyscraper in Columbus.



A group of 10 associates utilized the props at the Go Red for Women Luncheon, an event Motorists has been proud to support.



Motorists, a founding sponsor of the Pathways for Women's Excellence in Supply Chain Program at The Ohio State University, hosted OSU freshmen women interested in supply chain management careers.



Associates volunteered at Goodwill locations throughout Central Ohio as part of the United Way's Columbus Volunteer Challenge.



Associates regularly volunteered at Faith Mission in Columbus.



Associates prepared and served meals to families staying at a Wisconsin-area Ronald McDonald House.

**Motorists
associates
volunteered
more than
3,200
hours in 2017.**



Wisconsin associates performed landscaping for Habitat for Humanity, one of several community projects that are part of the local United Way Day of Caring.



Associates in Wisconsin celebrated Red Nose Day, an event to raise money for children and young people living in poverty.



Associates donated box fans for a local fire station to distribute throughout the summer.



Iowa associates presented funds they raised for the DeWitt Police Department to help with the purchase of a new patrol bike.



Associates in New Hampshire collected items for Friends of Forgotten Children, an organization benefitting low-income and at-risk individuals and families.



Associates in Columbus volunteered at the Community Shelter Board, a homeless shelter that serves the region.

**We support
local causes
that mirror
the values and
interests of our
associates,
agents and
policyholders.**



Associates in New Hampshire participated in the local United Way Day of Caring at Live and Let Live Farm, a nonprofit animal sanctuary.



Associates in Tennessee wore pink in honor of breast cancer awareness month.



Team Motorists participated in the Columbus area Light the Night event to benefit the Leukemia & Lymphoma Society.



Associates in Columbus donated blood during one of its bimonthly blood drives for the American Red Cross.



Associates in Tennessee collected many food items as part of the Share the Love Food Drive.



Associates in Columbus weaved together several plastic grocery bags, which had been donated by associates, turning them into floor mats, which were later distributed to area homeless people.

Leaving a lasting impression in all communities we serve



In the world of insurance, the strongest businesses are the ones built on trust and accountability.



Click to watch.