



130 years

of insurance from the heart.

2017 ANNUAL REPORT  **Badger Mutual**
INSURANCE



Weathering THE STORM

As we look back on our 2017 results, our employees, agency force, and policyholders can be described in one word: resilient.

RESILIENT - we continue to withstand the test of time, celebrating our 130th anniversary as a mutual insurance company. While many things have changed since our first policy was written in 1887, what has remained constant is our promise of personal service, superior protection, and peace of mind with every policy we write.

RESILIENT - even after being hit by the second largest storm in company history, our 2017 results yielded incredible growth

and profitability. We, quite literally, *weathered the storm*. With determination, efficiency, sincere compassion, and *heart*, our employees ensured that our policyholders' lives were put back together after Mother Nature took her toll on their homes, autos, and businesses.

RESILIENT - as our employees and independent agents worked relentlessly to service our customers, there was also a lot of activity happening behind the scenes. Our underwriters continued to be an educational resource for our agents as we launched product enhancements in both personal and commercial lines, our IT

Team made headway on the programming and implementation of our new policy administration system, and our Executive Team carefully examined and adjusted our investments to ensure that our policyholders would be able to depend on Badger Mutual for another 130 years.

By remaining true to the humble and compassionate Midwestern roots we planted in 1887, our resiliency and our heart are reflected throughout this year's report – in our employees' kindhearted attitudes, in our unwavering community partnerships, and in our results.

David M. Kane
President/CEO



BOARD OF DIRECTORS

Santino R. Cicero Retired Senior Vice President BMO Harris Bank, **Stuart H. Warrington** Retired Insurance Systems Executive, **Stephen J. Streff** President Streff Insurance Services, **John R. Linscott Jr., M.D.** Board Certified Family Medicine, **D. Lisa Graff** Retired Corporate Counsel Dematic Corp., **Vincent P. Lyles** President/CEO Boys & Girls Clubs of Greater Milwaukee, **Steven C. Klima** CPA, Financial Consultant, **Scott A. Henkel** CPA, Partner Chortek LLP, **David M. Kane** President/CEO Badger Mutual Insurance Company

STRONG LEADERSHIP. Even stronger relationships.

EXECUTIVE TEAM

Kathy Bubeck Vice President Claims, **Darrin Groendal** Vice President/Chief Financial Officer, **Brian Wiza** Vice President Underwriting, **Laura Michna** Assistant Vice President Administration, **Kelly Jaynes** Director of Human Resources, **Sean Costello** Director of Marketing, **Joanna Glaser** Corporate Counsel, **Anna Sladky** Executive Assistant, **Dan Nigro** Executive Vice President/Secretary, **David Kane** President/CEO



WE'RE AS PROUD OF OUR NUMBERS as we are of our people.



Statement of Financial Position

AS OF DECEMBER 31, 2017

ASSETS	2017	2016	2015
Cash & Short-Term Securities	\$217,455	\$1,914,324	\$11,577,246
Bonds (Amortized Cost)	135,076,945	130,445,262	117,423,563
Stocks (Market Value)	10,412,554	10,760,594	9,594,158
Mortgage Loans	2,017,320	2,065,380	2,110,395
Real Estate	6,158,334	6,653,399	7,151,449
Accrued Investment Income	815,002	714,525	701,010
Premium Balances	16,011,061	14,534,715	14,806,743
Company Owned Life Insurance	4,747,612	4,390,385	4,353,541
Deferred Taxes/Taxes Receivable	4,694,621	5,628,384	6,062,580
Loss Recoverable from Reinsurers	403,929	345,318	48,482
Computer Hardware	126,781	149,371	235,481
Total Assets	\$180,681,614	\$177,601,657	\$174,064,648

LIABILITIES & SURPLUS	2017	2016	2015
Reserves for Losses & Adjusting Expenses	\$52,204,150	\$53,877,445	\$54,673,878
Reserve for Unearned Premium	39,173,381	41,258,297	41,906,528
Reserve for General Expenses	5,619,213	4,876,009	4,641,581
Reserve for Premium Paid in Advance	1,246,127	1,181,685	1,316,207
Reinsurance Payable	3,868,920	1,211,972	845,919
Reserve for Federal Income Taxes	330,098	0	0
Reserve for Pension Benefits	7,591,088	7,210,154	5,910,722
Reserve for Other Liabilities	739,107	988,574	614,688
Policyholder Surplus	69,909,530	66,997,521	64,155,125
Total Liabilities and Surplus	\$180,681,614	\$177,601,657	\$174,064,648

Operating Results

AS OF DECEMBER 31, 2017

STATEMENT OF INCOME	2017	2016	2015
Premiums Written	\$103,726,887	\$97,387,257	\$98,626,959
Change in Unearned Premiums	2,084,916	648,231	270,968
Reinsurance Ceded	(16,205,513)	(9,909,020)	(7,671,944)
Premiums Earned	\$89,606,290	\$88,126,468	\$91,225,983
Losses Incurred	\$52,710,579	\$52,329,235	\$54,407,750
Loss Adjusting Expenses Incurred	11,259,029	9,419,590	9,042,888
Underwriting Expenses Incurred	26,309,670	25,656,993	25,971,907
Underwriting Gain (Loss)	(\$672,988)	\$720,650	\$1,803,438

Net Investment Income	\$3,523,137	\$3,323,037	\$1,976,123
Other Income	361,409	306,993	414,909
Dividends to Policyholders	(78,142)	(92,029)	(99,127)
Federal Income Taxes	453,665	-405,735	54,535
Net Gain	\$2,679,750	\$4,664,386	\$4,040,808

Net Premium/Surplus Ratio	1.25	1.31	1.42
Percentage Growth in Premiums Written	6.51%	-1.26%	-2.10%

Policyholder Surplus

+4.17%

Net Premium/Surplus Ratio

1.25



We care about our employees.
**They care about
our community.**



Boys & Girls Clubs of Greater Milwaukee

Whether it was through our financial support throughout the year or gift donations during the Christmas season, Badger continued to support the Boys and Girls Clubs of Greater Milwaukee in their mission to provide safe environments, academic support, and learning opportunities for every kid.



Make-A-Wish Wisconsin

At the 2017 Walk for Wishes on Milwaukee's lakefront, Badger Mutual employees raised a total of \$14,190. After combining that with our 2017 corporate sponsorship, we donated a total of \$39,390 and have helped grant a total of 73 wishes since 2001.



Sixteenth Street Community Health Center & Girls on the Run of Southeastern Wisconsin

In 2017, Badger Mutual celebrated its 10th year as the sponsor of the Sixteenth Street Community Health Center's Girls on the Run team, promoting community service, health and fitness, and relationship-building while inspiring young girls to recognize their limitless potential.



United Community Center (UCC) & Bruce Guadalupe Community School

2017 was the 28th year that Badger Mutual has partnered with the United Community Center to award academic scholarships to 5 exceptional elementary, middle, and high school students.

In addition, we once again collaborated with Bruce-Guadalupe Community School, a charter school extension of the UCC, to feature the artwork of 36 students in our home office, bringing our permanent collection to 66 pieces in total.



Badger Mutual Insurance Women's Amateur

On July 30th and 31st, we sponsored the 18th annual Badger Mutual Insurance Women's Amateur at Brown Deer Golf Course. The proceeds from 2017's tournament benefited the Sojourner Family Peace Center's work in domestic violence prevention, and LOTUS Legal Clinic, providing free legal counsel to survivors of gender-based violence and human trafficking.



United Way

In 2017, our employees donated \$23,768.12 to the United Way campaign, along with our \$25,000 corporate donation – a combined total of \$48,768.12 that went towards United Way's mission to advance the common good of all communities.



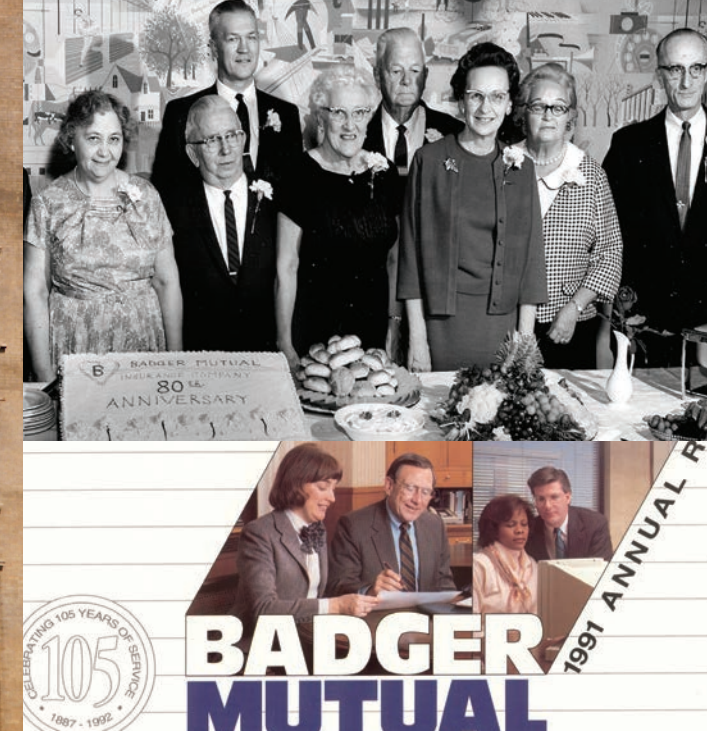
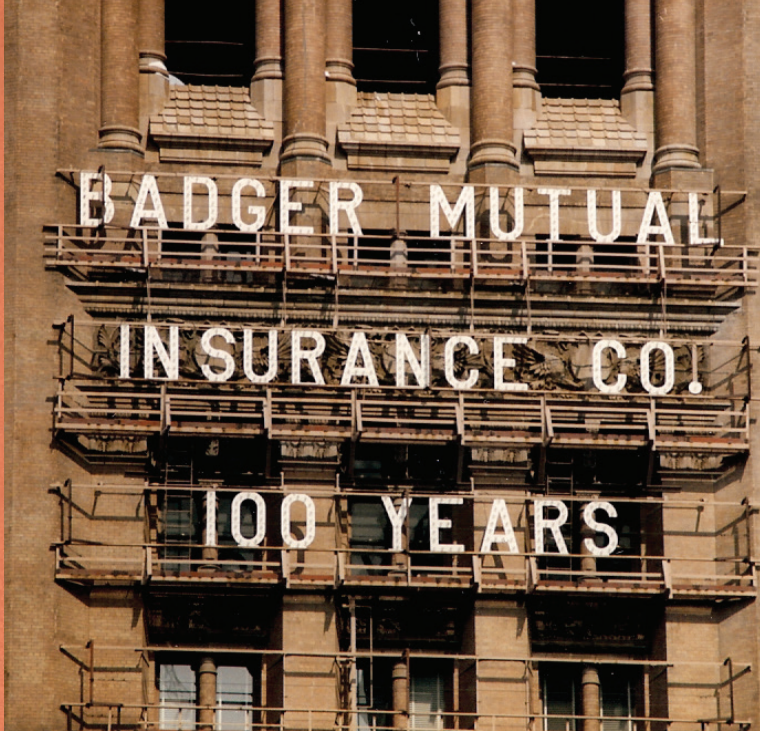
COA Youth & Family Centers

Badger Mutual supported the Children's Outing Association in its programming in community centers, a rural camp facility, and Milwaukee Public Schools.



Anniversary

The
BADGER MUTUAL
INSURANCE COMPANY



130 years

of insurance from the heart.

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