



2018 ANNUAL REPORT

“

TIMES CHANGE AND TECHNOLOGY
EVOLVES BUT RELATIONSHIPS ARE,
AND ALWAYS HAVE BEEN, THE ROOT
OF BADGER MUTUAL'S FOUNDATION.

”

DAN NIGRO

SUCCESSING BY EXAMPLE

**WHEN FRIENDLINESS AND RELIABILITY ARE AT THE HEART
OF YOUR COMPANY, YOU NEED A LEADER THAT'S BOTH.**



Looking back on 2018, there are a lot of moments that stand out: the successful year we had, the retirement of a great leader, the impact we made in our local community - not to mention, 2018 marked the fifth consecutive year that Badger Mutual was profitable. Even more, what I'm most proud of

is the exceptional customer service we were able to provide while achieving record-breaking new business growth at a rate we have not seen since 2004.

It's the same exceptional service we've been known for since 1887, when John Schwartz was elected as Badger's first president and issued a fire insurance policy, handwritten in German, to protect our first policyholder, original board member H. Jastrow. The challenge I have, over 130 years later as the 10th president of Badger Mutual, is establishing a clear framework to manage what I feel is the most essential aspect of our success – relationships.

With an acute appreciation for multi-stakeholder relationship building, I define Badger Mutual's

success by the quality of our relationships with several unique groups: compassionate relationships with our policyholders, empowering relationships among our employees, and collaborative relationships with our independent agents, Board of Directors, vendors, and community partners. There is no hierarchy among these groups, each being equally important to our overall success. In fact, the greater overlap I can create among them, the more successful we will be. By custom-tailoring an experience for each, I hope to foster their individual success and, in turn, achieve the highest return of investment possible for Badger Mutual.

The success we achieved in 2018 is a tremendous accomplishment and speaks to the hard work executed by all of our stakeholders – including those that came before us. I would like to personally thank past presidents Roy and Dave for teaching me the ins-and-outs of the industry, exemplifying the dedication and drive it takes to be a great leader, and trusting me to continue to build relationships that have been 130 years in the making. Times change and technology evolves but relationships are, and always have been, the root of Badger Mutual's foundation.

CARING LEADERSHIP IS TIMELESS



1887-1897

JOHN SCHWARTZ

In the wake of the Great Chicago Fire, Badger Mutual is founded by members of Milwaukee congregations in order to protect their properties and churches. This small group of compassionate, concerned citizens drafts the constitution and elects Schwartz as president. In 1895, after conducting business out of the secretary's home for the first seven years of operation, Schwartz rents our first office space – coincidentally located just six blocks east of our current home office.



1914-1948

A.J. LANGHOLFF

Langholff's presidency begins in the midst of WWI, a time when insurance carriers are required to pay the federal government a special tax of 1% of every premium dollar written. In the '30s he expands operations and offerings to Minnesota, Michigan, and Illinois, and celebrates our 50th anniversary with the opening of the current home office at 1635 W. National Ave. Langholff retires in 1948, fulfilling his promise as president to **"serve the association faithfully and to the best of his ability"** for 34 years.



1961-1982

GERRY E. SEIDER

Starting his Badger career as a stockroom boy in 1936, a determined Seider works his way up to become president in 1961, elected by the Board of Directors due to his **"sound insurance background and zealous approach to the industry."** Celebrating our 75th anniversary in 1962, he pledges to keep pace with the needs of our agents and their customers while building soundly for the future.



1993-1998

RICHARD A. RUSCH

U.S. Air Force Captain and UW-Madison graduate, Rusch is elected president after a long career in our Underwriting and Marketing departments. In 1995, we are recognized as a leading carrier in specialized market niches, including bar and restaurant risks. **"Fierce competition, in both personal lines and commercial lines, will continue to be a challenge as the 20th century nears its close. We are prepared to thrive, not just survive."** – Rusch, 1996



2013-2018

DAVID M. KANE

Under Kane's leadership, our offerings expand to include contemporary commercial products and a credit-based insurance score model in 10 personal lines markets. In 2018, written premiums reach a record-breaking \$114 million. Kane retires after a 34-year career, with Dan Nigro stepping into the role in 2019. **"Our level of teamwork, accountability, dedication, and enthusiasm is infectious – and why we've been able to establish and genuinely enjoy the strong relationships we have with everyone who does business with us."** – Kane, 2016

1897-1914

AUGUST KELLING

With Kelling's confidence and bold leadership, we expand our product offerings outside the city of Milwaukee in 1910. As a result, annual reports at this time include an additional layer of detail: *Losses in Milwaukee* and *Losses Not in Milwaukee*. To celebrate our 25th anniversary, Kelling organizes the construction of our first office building located on 16th and W Walker St.

1948-1961

GARY H. KAMPER

Kamper, a hardworking and innovative employee since 1927, is elected president in 1948. Under his leadership, a second floor is constructed to accommodate the growing Badger Family and our product offerings expand to include full auto coverage and General Casualty lines. **"His farsightedness in planning imbued a little Wisconsin mutual company with the spark of progress."** – United States Investor Magazine, May 1961



1982-1993

CHARLES S. SCOTT

A Badger employee of 27 years, Scott is elected president in 1982 and oversees our centennial celebrations in 1987. In 1991, he facilitates the expansion of commercial liability offerings and develops our official Commercial Lines department with a simple strategy: **"profitable growth as a result of quality service through teamwork."** – Scott, 1992

1998-2012

ROY R. BUBECK

Elected president in 1998, Bubeck prioritizes community partnerships with Boys & Girls Clubs of Greater Milwaukee, Make-A-Wish Wisconsin, and other nonprofit organizations. As he successfully expands product offerings into our Western territory from 2005-2010, he affirms his commitment to **"embrace the principles that our company was founded on, earning the trust of our customers, one at a time."** – Bubeck, 2012



**THE MEASURE OF A GOOD YEAR
IS IN MORE THAN JUST NUMBERS**

IT MEASURES FROM STATE TO STATE

We are not only proud of our dedicated employees, but also of the 432 independent agencies that represent us. Located in 10 states across our Midwestern and Western territories, their heart is a fundamental part of our overall success.

Because of our agents' commitment to sincere service, advice, and counseling, policyholders - no matter in which state they reside - all receive the same compassionate security and protection when they're covered by Badger Mutual Insurance.

OPERATING RESULTS

As of December 31, 2018

Statement of Income	2018	2017	2016
Premiums Written	\$114,184,839	\$103,726,887	\$97,387,257
Change in Unearned Premiums	(3,876,557)	2,084,916	648,231
Reinsurance Ceded	(22,399,704)	(16,205,513)	(9,909,020)
Premiums Earned	\$87,908,578	\$89,606,290	\$88,126,468
Losses Incurred	\$51,759,165	\$52,710,579	\$52,329,235
Loss Adjusting Expenses Incurred	11,923,002	11,259,029	9,419,590
Underwriting Expenses Incurred	26,585,117	26,309,670	25,656,993
Underwriting Gain (Loss)	(\$2,358,706)	(\$672,988)	\$720,650
Net Investment Income	\$2,607,667	\$3,523,137	\$3,323,037
Other Income	191,225	361,409	306,993
Dividends to Policyholders	-79,250	(78,142)	(92,029)
Federal Income Taxes	-655,771	453,665	-405,735
Net Gain	\$1,016,707	\$2,679,750	\$4,664,386
Net Premium/Surplus Ratio	1.31	1.25	1.31
Percentage Growth in Premiums Written	10.08%	6.51%	-1.26%

STATEMENT OF FINANCIAL POSITION

As of December 31, 2018

Assets	2018	2017	2016
Cash & Short-Term Securities	\$5,659,051	\$217,455	\$1,914,324
Bonds (Amortized Cost)	135,379,115	135,076,945	130,445,262
Stocks (Market Value)	8,719,039	10,412,554	10,760,594
Mortgage Loans	1,551,360	2,017,320	2,065,380
Real Estate	5,672,851	6,158,334	6,653,399
Accrued Investment Income	750,692	815,002	714,525
Premium Balances	17,920,925	16,011,061	14,534,715
Company Owned Life Insurance	4,331,703	4,747,612	4,390,385
Deferred Taxes/Taxes Receivable	4,962,589	4,694,621	5,628,384
Loss Recoverable from Reinsurers	331,652	403,929	345,318
Computer Hardware	100,911	126,781	149,371
Total Assets	\$185,379,888	\$180,681,614	\$177,601,657

Liabilities & Surplus	2018	2017	2016
Reserves for Losses & Adjusting Expenses	\$56,963,510	\$52,204,150	\$53,877,445
Reserve for Unearned Premium	42,684,811	39,173,381	41,258,297
Reserve for General Expenses	5,890,770	5,619,213	4,876,009
Reserve for Premium Paid in Advance	1,276,495	1,246,127	1,181,685
Reinsurance Payable	1,366,835	3,868,920	1,211,972
Reserve for Federal Income Taxes	0	330,098	0
Reserve for Pension Benefits	6,668,426	7,591,088	7,210,154
Reserve for Other Liabilities	495,234	739,107	988,574
Policyholder Surplus	70,033,807	69,909,530	66,997,521
Total Liabilities and Surplus	\$185,379,888	\$180,681,614	\$177,601,657

COMPASSIONATE LEADERS MAKE PASSIONATE EMPLOYEES



BOARD OF DIRECTORS

Santino R. Cicero Retired Senior Vice President BMO Harris Bank, **Daniel W. Nigro** President Badger Mutual Insurance Company, **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** System Vice President Community Relations Advocate Aurora Health Care, **Steven C. Klima** CPA, Financial Consultant, **Scott A. Henkel** CPA, Partner Chortek LLP, **David M. Kane** Retired President/CEO Badger Mutual Insurance Company



EXECUTIVE TEAM

Kelly Jaynes Director of Human Resources, **Brian Wiza** Vice President Underwriting, **Darrin Groendal** Vice President/Chief Financial Officer, **Anna Sladky** Corporate Program Manager, **Dan Nigro** President Badger Mutual Insurance Company, **Joanna Glaser** Corporate Counsel, **Sean Costello** Director of Marketing, **Laura Michna** Assistant Vice President Administration, **Kathy Bubeck** Vice President Claims/Corporate Secretary, **Andy Thiede** Director of Information Technology



TAKING BUSINESS PERSONALLY

ONLINE, ON THE PHONE, AND IN-PERSON, WE MAKE IT A POLICY TO MAKE SURE YOU HAVE WHAT YOU NEED.

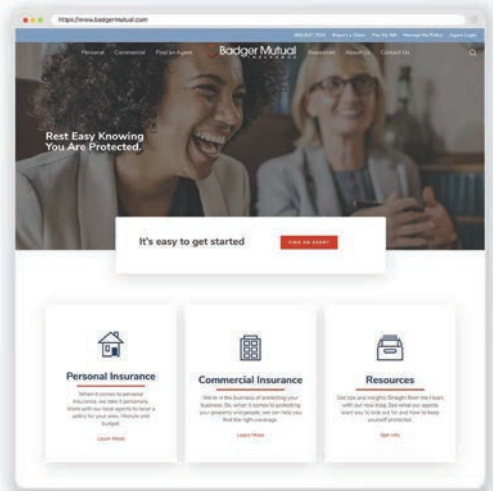
Our hearts are at the heart of everything we do, which is why we made it easier for you to find the information you need. And no matter how you get ahold of us, you're sure to get the same care we've been known for since 1887.

Same Site. New Look.

Our website's refresh makes it simpler for users to get useful information with fewer clicks. Now it's easier than ever to find an agent, insurance product information, or anything else visitors may need.

Never Miss a Beat

Our new Resources page is a hub for monthly updates from Badger Mutual experts. With tips for customers, agent insights, and everything in between, our new blog gives you the information you need, straight from the heart.





GENEROSITY IS THE BEST POLICY



BOYS & GIRLS CLUBS
OF GREATER MILWAUKEE

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 & Girls Clubs of Greater Milwaukee in their mission to provide safe environments, academic support, and learning opportunities for every club member.



COA Youth & Family Centers

We supported the COA Youth & Family Centers in its programming at local community centers, a rural camp facility, and Milwaukee Public Schools.



Make-A-Wish Wisconsin

At the 2018 Walk for Wishes on Milwaukee's lakefront, a team of 126 Badger Mutual employees raised a total of \$19,242. This contribution earned them a spot as #1 Team and #1 Company at the event. And, speaking of numbers, Badger Mutual has helped grant a total of 76 wishes since 2001.



United Way

In addition to our \$25,000 corporate donation, Badger employees donated \$24,722.26 to our 2018 United Way campaign. A combined total of \$49,722.26 went towards United Way's mission to advance the common good of all communities.



United Community Center (UCC)

2018 was the 29th year that we partnered with the United Community Center to award academic scholarships to five exceptional elementary, middle, and high school students. In addition, we once again collaborated with Bruce-Guadalupe Community School and Acosta Middle School, charter school extensions of the UCC, to feature the artwork of 14 students in our home office, bringing our permanent collection to 79 pieces in total.



SHARP Literacy, Inc

Through corporate sponsorships of the Unwrapped Culinary Challenge and A Novel Event, we helped SHARP further their mission to inspire children to develop strong reading, writing, and researching skills.



Cristo Rey Jesuit High School

Our Student Sponsorship with Cristo Rey Jesuit High School brings four student employees into our Marketing, Claims, Accounts, and Human Resources departments as part of the school's Corporate Work Study Program. We also sponsored the school's Milwaukee's Stars Merengue Event in November.



Badger Mutual Insurance Women's Amateur

In 2018, we were the presenting sponsor of the 19th annual Badger Mutual Insurance Women's Amateur at Brown Deer Golf Course. The proceeds from 2018's tournament benefited the Sojourner Family Peace Center's work in domestic violence prevention and LOTUS Legal Clinic, which provides free legal counsel to survivors of gender-based violence and human trafficking.

