



INSURING OPPORTUNITY

ANNUAL STATEMENT 2020



HARFORD MUTUAL
INSURANCE GROUP

“THERE IS ALWAYS LIGHT,
IF ONLY WE’RE BRAVE
ENOUGH TO SEE IT. IF
ONLY WE’RE BRAVE
ENOUGH TO BE IT.”

- AMANDA GORMAN

PURPOSE

Insuring opportunity
through a commitment
to mutual success

MISSION

Protecting the financial well-being of our
policyholders through mutuality, financial
strength, quality insurance products and
services, and meaningful partnerships

VISION

We are a regional carrier of choice and a preferred employer with
the resources and agility to best serve the expanding needs of our
team, our policyholders, and our agency partners

VALUES

- Financial Strength & Stability
- Mutual Respect & Integrity
- Customer Service & Relationships
- Opportunity through Inclusion & Diversity
- Performance Accountability & Self-Improvement
- Corporate & Social Responsibility



\$261.6 DIRECT WRITTEN
MILLION PREMIUM

\$46.6 NEW
MILLION BUSINESS

13.3% REVENUE GROWTH
OVER 2019

24,631 IN FORCE POLICIES

93.1% PREMIUM RETENTION

505 YEARS OF SERVICE FROM
29 TEAM MEMBERS WITH
MILESTONE ANNIVERSARIES

9 TEAM MEMBERS EARNED
A PROFESSIONAL OR
INSURANCE DESIGNATION

\$320 POLICYHOLDERS'
MILLION SURPLUS

82.6 NET COMBINED RATIO

AT-A-GLANCE / **2020**



◆ Letter from the President

Founded in 1842 on the principles of mutuality, Harford Mutual Insurance Group readily welcomed 2020 from that unique position of strength. Unaware of the challenges that would unfold in the year ahead, we moved forward with our **VISION 2027** strategic plan of extending mutuality to all policyholders and quickly found ourselves not only benefiting from that foundational principle but embodying it. As the COVID-19 pandemic forced us to change our approach at nearly every turn, we stayed committed to our path. By remaining steadfast, the year would reveal the resiliency of our employees, reaffirm years of strategic decisions dedicated to conservative and stable growth, and prove once again that mutuality promises opportunity and success for all.

The stellar results I will share from 2020, surpassing many of the record numbers set in the prior year, are more than a great year realized during uncertain times. They speak to the talented team we have assembled to carry out our initiatives. In early March, thank you treats of leprechaun “gold” sat untouched on employee desks as the Governor of Maryland enacted emergency measures that had us deploy 98% of our workforce home. With the timely implementation of the Microsoft Teams platform just months before, and subsequent adjustments and adaptations throughout the year, we never missed a day of service to our policyholders or our agency partners.

As the second quarter began and the pandemic lingered and worsened, we shifted our response from reactive to proactive in anticipation of what might come and the goal of not only surviving but thriving with mutual success. While we faced the emerging

challenges, we focused on maximizing opportunity. For our policyholders, we suspended all cancellations for non-payment and withheld all interest, late fees, and penalty charges. **We refunded \$1.3 million in premium** to our commercial auto policyholders because of reduced exposures and responded to requests for lowering premiums for businesses with affected payrolls and receipts due to enforced lockdowns and safety measures.

Acknowledging that we may all be in the same storm, but not in the same boat, we released 2019 employee incentive bonuses

“There’s a plaque on our wall that says we’ve sold over 65 million albums, and I don’t feel like I’ve accomplished anything. I feel like I’m just getting started.”

– Eddie Van Halen

ahead of schedule, provided a stipend to help employees outfit their new home workspaces, and reinforced our commitment to managing productivity and not desk time as the schedules of spouses and children became a new variable. We implemented virtual channels to keep the water cooler conversations going and stay in touch with our work families and planned COVID-safe virtual and in-person events to nurture our unique employee culture and connections.

Lastly, we reached out to our community non-profit partners and reaffirmed our donation pledges of **\$285,000 for the year**, regardless of how their programming might have to change. As the effects of the pandemic became clearer as the months wore on, **we committed another \$250,000 to non-profits focused on COVID relief**, working with our agents to direct the funds at the state and local levels where we write business.

These efforts proved critical in creating what was to become the best year in the company’s 178-year-old history. **We surpassed our 10-year Direct Written Premium goal of doubling our premium revenue to \$240M by 2024 four years early, achieving the mark in April and ending the year at a record-setting \$261.1 million.** We brought in **\$46.6 million in new business**, appointed 16 new agencies, 11 with only a virtual visit, and increased **premium retention to 93.1%.**

Employee engagement surpassed **90% in our Employee Engagement Survey**, exceeding the previous year’s high mark by 11 points and earning Harford Mutual a “*Top Performer*” recognition from the global survey vendor DecisionWise. We virtually onboarded four interns when many companies cancelled their intern programs due to the pandemic and were named a *2020 Winner for the Rising Insurance Star Executives (RISE) Elite 50 Internships*. We celebrated the industry and educational achievements and milestone anniversaries of many more employees (see page 8) and added 14 new team members to our family.

With processes in place, productivity unaffected, and work-from-home measures still

◆ Letter from the President

enforced, we **surpassed \$600 million in total assets for the first time in the company's history** as we ended the second quarter and looked ahead.

The third quarter was no less remarkable as we excitedly, albeit virtually, celebrated the completion of multiple **VISION 2027** initiatives—the reorganization of Harford Mutual into a mutual holding company (MHC), our subsequent renaming and rebranding, the formation of our third underwriting company, *1842 Insurance*, and the release of our upgraded *RapidWrite* online rating/submission platform, policy administration system, and agent portal.

In November 2019, our Board of Directors unanimously agreed to the MHC reorganization proposal and our policyholders provided approval by vote at their May 2020 Annual Meeting making the new Harford Mutual Insurance Group effective October 1, 2020. This change expands our capabilities for innovation and growth while extending the benefits and principles of mutuality to all policyholders. Our founders would certainly be proud. To communicate this reorganization and better illustrate our interdependency on our agents, our policyholders, our employees, and our community, we created and released a new logo design along with our new name. In a year that proved we are more than a building, moving away from the clock tower as a symbol of our company, which represented our brand for almost 70 years, could not have been more meaningful.

The upgraded *RapidWrite* platform and the new agent portal replaced aging legacy systems over 25 years old. The cross-departmental work of this behemoth task cannot be



underestimated. This was huge! To add to the challenge of launching a completely new system, was the task of bringing our agency partners and employees on board in a completely virtual environment. All “hands-on” training. All training manuals. All agent demos and introductions—were all conducted virtually. And to what end? Our goal of increasing straight-through-processing (STP) from under 10% to over 20% resulted in a current level of over 50% to go along with increased production and agency satisfaction.

The third quarter came to a close with total assets growing \$10 million to \$630.5 million and underwriting profitability **driving policyholders' surplus past the \$300 million mark to \$305.6 million—another first in our company history.**

As the year played out with political discourse at its ugliest, fear and uncertainty over the pandemic rampant, and social injustice issues making headlines daily, Harford Mutual Insurance

Group stayed committed to our values. We created the employee-led Inclusion, Diversity, and Opportunity Committee who will review our policies, recommend educational resources, and direct our giving to ensure equity—and opportunity—in all aspects of our business. We ended the year giving over \$1 million in community support, including over \$12,000 in employee donations from unused paid leave. We awarded nine new professional designations and celebrated 29 team members with 505 years of service—including my own 35th anniversary. In a year where we couldn't be together, we came together more profoundly for each other, for our agency partners, and for our policyholders than ever before. It is this commitment to mutuality that defined us in 1842, redefined us in 2020, and we now enthusiastically embrace for the future.

STEVEN D. LINKOUS
President and Chief Executive Officer

◆ Innovation



Staying Connected

Incorporated as an initiative in our **VISION 2027** strategic plan, cultivating a culture for innovation experienced an accelerated adoption with the onset of the pandemic. Our employee-led Innovation Chamber immediately transformed planned in-person innovation workshops and a creative rally into a video-based 31-Days of Innovation Inspiration campaign due to an instant remote workforce and COVID-19 restrictions.

But we didn't stop there. COVID required everyone in the company to think and act innovatively, so around every corner we asked ourselves, *"Can this be done differently?"*, and the answer was nearly always, *"yes!"* Implementing improved department processes became an imperative to keep on-site essential employees to a minimum for safety while maintaining service levels to our policyholders and agents. Our employees converted paper to digital at every opportunity and used the virtual meeting platform, Microsoft Teams, to remain productive as the situation forced our employees and agents home. Everything from agency "visits" and producer training for the new RapidWrite and agent portal, to interviewing candidates and job shadowing for our summer interns and new hires went online.

The desire to maintain our rich culture fueled innovative and creative ways to stay connected to our work family. Initial efforts included Teams channels dedicated to everything from pictures of pets, babies, and home offices, to "Today at Harford Mutual" featuring photos taken at the office documenting its transformation during an interior renovation made possible with a nearly empty building. In-person Spirit Committee events moved to Teams with a pumpkin carving contest and a fiercely competitive Chopped Challenge.

As working from home continued through the summer and fall, we moved to outside and socially distanced department meetings and paint nights under our pavilion. Our annual tradition of a fundraising bocce ball tournament was successful with timed arrivals and departures and disinfectant protocols in place. Outdoor hikes and a haunted history tour of local landmarks gave employees a chance to safely connect with coworkers from outside their department.

Resilient Through Challenge

The resiliency of our employees to weather the challenges of 2020 was never more apparent and thanking them throughout the year was a priority, even though we couldn't be together. Employee appreciation gifts, service award treats, and safety and security devices were shipped to employee homes. Our highly anticipated annual Thanksgiving breakfast served by company officers became a pumpkin pie and apple cider pick-up, and our traditional holiday party saw senior leadership in full Claus', elf, and reindeer costumes loading employee cars with complete family dinners instead.



Better. Different. New.

Sparked by COVID necessity, we ignited our innovation culture and will cultivate it moving forward.

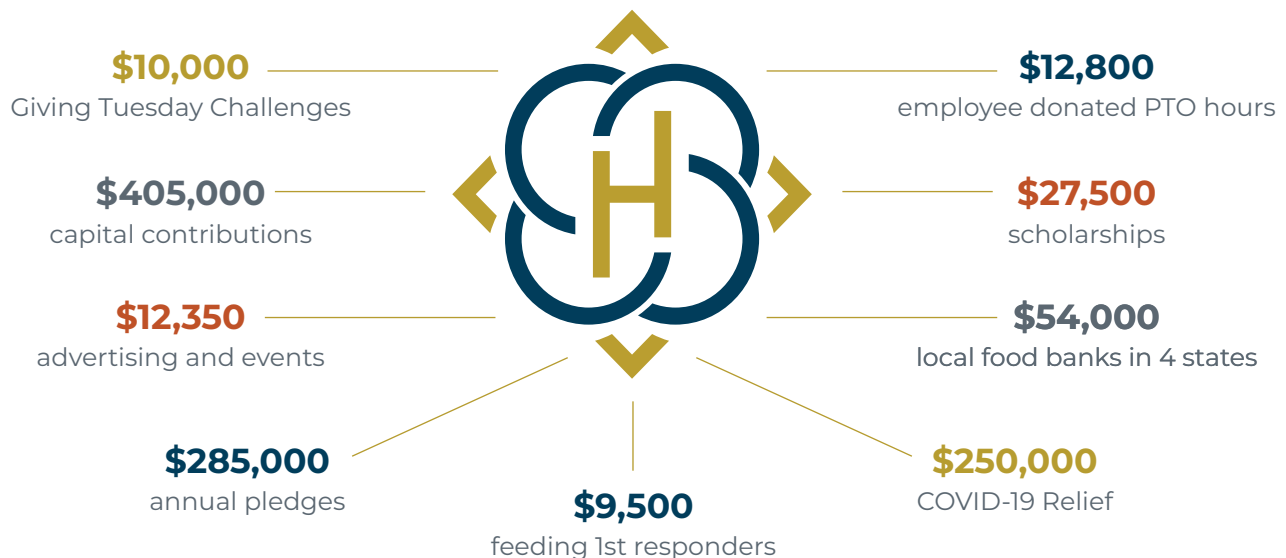
◆ Community Impact

OUR STRATEGIC AND FINANCIAL SUCCESS IN 2019 WAS CRITICAL TO OUR ABILITY TO SUPPORT OUR COMMUNITIES THROUGH THE CHALLENGES PRESENTED BY THE PANDEMIC IN 2020.

At the beginning when uncertainty was at its peak, we immediately reaffirmed our commitment of **\$285,000** to our non-profit partners for their full 2020 grant requests, regardless of their need to cancel, alter, or shift priorities in their programming. We may not have known what the year held, but we wanted to reassure them that our commitment would not waiver.

As the terrible impact of the lockdowns unfolded, we disbursed an additional **\$250,000** to COVID directed relief efforts and charities recommended by our agents at the local community level, as well as relieving the strain on our longstanding partners who were seeing increased need along with reduced giving and fundraising. Since 2005, Harford Mutual Insurance Group has provided over \$4.2 million in charitable support through direct giving, capital campaigns, and advertising and event sponsorships.

\$1.1M IN COMMUNITY SUPPORT



“We felt it was important to give our non-profit partners peace of mind as they faced the sudden impact of the COVID-19 pandemic and were forced to navigate its implications to funding and resources.”

– President & CEO Steve Linkous



◆ Employee Recognition



Virtual Service Awards ceremony recognizing employees celebrating milestone anniversaries in 2020.

Team Member Recognition

Service milestones, professional development achievements, and industry recognition always remind us of the commitment by our employees to our company and to their profession. In 2020, 29 employees celebrated a milestone anniversary with Harford Mutual, bringing 505 years of collective experience and knowledge to work each day. Twenty-six employees made the decision to further their education or pursue professional development with nine earning an accredited insurance designation. And, our President/CEO, General Counsel, a Senior Claims Examiner, and our team in Marketing, were all recognized by independent panels for their outstanding contributions to our company and our community.

Service Milestone Anniversaries

5 YEARS

Chrissy Dickerson
Patrick Gagen
Terry Hatfield
Steffanie Hunter
Bill Langston
Karen Mashinski
Ryan Pagels
Brigette Reed
Brian Reilly
Geneau Thames
Tia Timpson

10 YEARS

Caty Hartley

15 YEARS

Sue Hannah
Stefanie Mohr
Missie Ruff

20 YEARS

Angela Alaimo
Clare Emm
Debbie McGinley
Doug Rhodery
Michele Williams

30 YEARS

Jane Gootee
Frank Kellner
Charmian Hess
Martha Slemaker
Mike Winn

35 YEARS

Dawn Carter
Steve Linkous
Karen Zink

40 YEARS

Michele Crisco

Professional Development

AU

Brittany Stein

AINS

Sandra Taylor

AIC

Brett DeMille
Matthew Stansburge

ARM

Meredith Johnson

CPA

Brigette Reed

CPCU

Jenni Berger
DJ Gargano
Jennilee Sobczak

Industry Recognition

- AVP, General Counsel, Corporate Secretary Geneau Thames, Esq. was recognized as one of **Maryland's Top 100 Women** by The Daily Record
- President/CEO Steve Linkous was named one of **Maryland's Most Admired CEOs** by The Daily Record
- Senior Claims Examiner Debbie McGinley was honored as one of **Harford County's Most Beautiful People** for her community volunteer efforts
- Harford Mutual's **Marketing Department** claimed three **design awards** for company publications

◆ Agency Spotlight

WE ASKED CEO TIM WAGNER ABOUT HIS PARTNERSHIP WITH HARFORD MUTUAL.



CEO Tim Wagner founded Global Indemnity Insurance Agency with his late wife, Lisa in 1988. They specialize in writing commercial property and casualty business, specifically contractors and transportation, as well as surety insurance. They have been in their current location in Metuchen, New Jersey (NY Metro area) for over 20 years and operate a small surety office in Annapolis, MD.

In the last year, Tim was excited to welcome his two daughters into the family business. Cydney started in 2020 and works in marketing and placing new business. She is mastering Harford Mutual's new agent portal and RapidWrite rating system. Taylor just joined the agency in January 2021 and is working in the surety department and claims.

Appointed in 2018, your agency has grown to over \$1M in DWP. To what do you attribute your growth?

"Since partnering with Harford Mutual in 2018, we've grown to over \$1,000,000 in primarily small and middle market business. Harford Mutual's underwriting appetite fits perfectly with our high demand in the Real Estate and Construction sectors. The new online rating system RapidWrite has made it incredibly easy to build an even greater relationship. Our partnership with the Harford Mutual underwriting team has enabled both companies to prosper and reach annual goals. It's a partnership we value because of the outstanding products and services they have to offer for our clients."

What differentiates Harford Mutual from other carriers you work with?

"Harford Mutual understands that owning a small business in today's environment comes with a lot of uncertainty. Many carriers expect small businesses to have the same expertise as much larger accounts. Together with our team from Harford Mutual, we create an insurance program that provides our clients with the coverages they need to operate their business every day."

What are your favorite things about working with Harford Mutual?

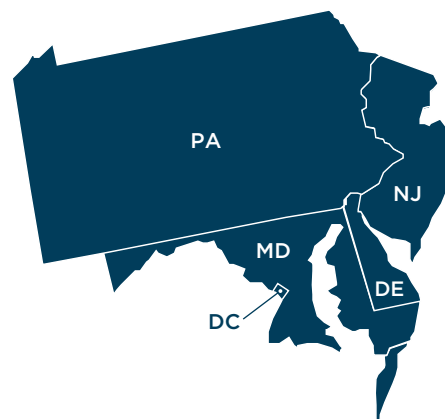
"Above all, we love working with our team at Harford Mutual. Maureen Arnold, Tony Orbino and Tyler Thompson have made it incredibly easy to place business with them. The underwriting staff is knowledgeable about their products and always accommodating with pricing needs. We appreciate their service and personal concern when placing business."



Global Indemnity
INSURANCE AGENCY

◆ Northern Region

PENNSYLVANIA NEW JERSEY DELAWARE MARYLAND DISTRICT OF COLUMBIA



With a 231% increase in Direct Written Premium over the last decade, the Northern Region continues to experience considerable growth. Much of this growth can be attributed to our increased appetite in writing more complex and sophisticated accounts, with the Middle-Market and Large Account units (>\$50,000 in account premium) now responsible for nearly 65% of the region's overall revenue. While we are excited about the growth in the Northern states, we also recognize the importance of keeping an appropriate balance of small business premium in our book for consistent profitability and stability.

In October 2020, we introduced an improved version of RapidWrite, our online rating system, to provide a better and more efficient platform for our agents to write small business with us. While the COVID-19 pandemic certainly affected the opportunities to write small business accounts, we are confident that the RapidWrite system will allow agents to not only get a quote faster but provide more pass-through

business to bolster growth in that segment.

Class diversification continues to be a main point of focus in the Northern Region, with Contractors and Habitation making up more than 70%. Through planned underwriting and product development initiatives, we will be looking to expand into other segments of business including manufacturing, wholesale, and food processing.

With only 220 appointed agencies in the Northern Region, we have been able to experience growth through developing deeper relationships without dramatically increasing the agency plant. In 2011, only seven agents in the region wrote more than \$1,000,000 with us. In 2020, that number has risen to 38. While we continue to focus on agency appointments in more underserved areas such as Western PA and Western MD, we are committed to maintaining our strong franchise value with our current agents by limiting appointments in other areas.

65%

**of DWP in Accounts with
\$50k+ in premium**

over 70%

**of DWP in Contractors
and Habitation**

\$1M+

**Agents with \$1M+
DWP: 2011: 7 | 2020: 38**

◆ Southern Region

VIRGINIA
TENNESSEE
NORTH CAROLINA
SOUTH CAROLINA
GEORGIA



Since 2011, the states in our now defined Southern Region have experienced consistent growth year-over-year. After expanding into Georgia and South Carolina, and opening our Southern office in Fort Mill, South Carolina in 2019, we continue to benefit from having underwriting, loss control, and management resources closer to the agents and policyholders we serve. This renewed focus and resource commitment resulted in 34% growth in 2020 and 90% over the last five years. 2020 was by far our best new business year in the Southern Region fueled by exceptional growth in the state of Georgia as well as above plan growth in our other states.

Foundation Accounts (account premium <\$50,000) have been the building blocks of the Southern Region for many years. However, we have experienced steady growth in our production of accounts over \$50,000 in direct written premium (Middle-Market and Large Accounts) with this business increasing from 16% of our book in 2011 to over 53% as of year-end 2020. We will continue to focus on growing our market share in Middle-

Market and Large Accounts while maintaining our success in the Foundation space.

We launched a major upgrade of RapidWrite to our agents in late 2020; and, in 2021, we added the ability for our agencies to process their own endorsements. Our enhanced system capabilities provide an efficient and effective platform to continue our success in writing Foundation business and providing an improved experience for our agency partners. Training on our technology will continue throughout 2021 to ensure that our agents are able to fully utilize our system upgrades.

The Southern Region includes 202 active agents, 38% appointed with Harford Mutual in the last 5 years. As newly licensed states, Georgia and South Carolina will be our primary focus for agency appointments, but we expect to see new representation throughout the entire region.

90%

growth over the
last 5 years

over
53%

Accounts greater
than \$50k in premium
increased from 16% in
2011 to over 53% in 2020

38%

of our Southern agents
appointed since 2015

◆ Financial Overview

1-YEAR, 5-YEAR, AND 10-YEAR

SUCCESS

Harford Mutual has continued to successfully fulfill its strategic initiative of responsible growth over the past decade. The reorganization of our Underwriting Department to concentrate on Foundation, Middle Market, and Large Accounts with a specialized approach. The establishment of two distinct regions with the expansion into Georgia and South Carolina fortifying our Southern Region. The concentration of resources to upgrade our technology infrastructure to improve service levels. These steps have proven to be a winning formula and enabled our transformative growth while laying the foundation for future success.

TOTAL ADMITTED ASSETS

1-YEAR GROWTH
10.9% • \$64.7M

5-YEAR GROWTH
59.4% • \$245.5M

10-YEAR GROWTH
96.2% • \$323M

POLICYHOLDERS' SURPLUS

1-YEAR GROWTH
16.4% • \$45M

5-YEAR GROWTH
65.4% • \$126.5M

10-YEAR GROWTH
117.2% • \$172.7M

DIRECT WRITTEN PREMIUM

1-YEAR GROWTH
13.3% • \$30.7M

5-YEAR GROWTH
53.3% • \$90.9M

10-YEAR GROWTH
147.6% • \$156M

1-YEAR, 5-YEAR, AND 10-YEAR

growth

NOTE: For the Condensed Consolidated Statutory Financial Report, visit our website www.HarfordMutual.com

◆ Financial Overview

2020

HIGHLIGHTS

The incredible success of 2020 in what proved to be an unprecedented year for our company, the industry, and the world, was only possible because of the conservative approach we took in the strategic decisions made years before it. Organic growth by elevating our relationships and underwriting mastery with our agency partners. Decisive moves in our approach to claims settlement and loss control services. These were instrumental in not only weathering what could have been a tumultuous year but thriving.

Net Combined Ratio

82.6%

\$659M

Total Assets

\$46.6M

New Business

\$320M

Policyholders' Surplus

Premium Retention

93.1%

**48 AGENTS
WITH \$1M**

in Premium

Net income

189.3%

Over Plan

\$261.6M **DIRECT
WRITTEN
PREMIUM**

Surpassing \$240M Goal 4 Years Early



Financial Size IX (Surplus greater than \$250 million)

◆ Board of Directors



ABIGAIL E. SMITH, CHAIR
President,
Abigail E. Smith,
Associates, P.A.



CLARENCE C. BOYLE JR.
Retired President,
Boyle Buick GMC Truck



ATWOOD COLLINS III
Retired Executive Vice President,
M&T Bank Corporation



DONALD C. FRY
President and CEO,
Greater Baltimore
Committee



JAMES J. KENNEDY
Retired President and CEO,
Ohio Mutual
Insurance Group



STEVEN D. LINKOUS
President and CEO,
Harford Mutual
Insurance Group



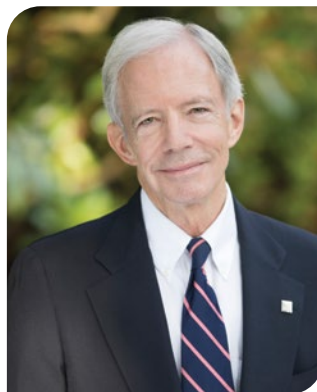
ALBERT J. MEZZANOTTE JR.
Partner,
Whiteford, Taylor
& Preston, LLP



VERNON A. REID JR.
Retired Bond Trader,
T. Rowe Price



SPENCER M. ROMAN
Retired President and COO,
AAA Mid-Atlantic
Insurance Group



STEPHEN T. SCOTT
Retired Principal,
Investment Counselors
of Maryland

NOTEWORTHY

- Donald Fry named one of Maryland's Most Admired CEOs
 - James Kennedy honored as a Champion of Industry Service by NAMIC
 - Albert Mezzanotte Jr., recognized by BestLawyers.com
-

◆ Officers



STEVEN D. LINKOUS
President and CEO



JEFFREY S. RINK,
CPCU
Executive Vice President



KAREN L. MASHINSKI,
CPA, CPCU
Senior Vice President, Chief
Financial Officer & Treasurer



FRANK P. KELLNER III,
CPCU, AIC
Vice President,
Administrative Operations



DAVID R. CURTIN,
MBA, CPCU, CIC, CRM
Vice President,
Underwriting



F. WAYNE GEARHART,
CPCU, AIC
Vice President, Claims



GENEAU M. THAMES, ESQ.
Assistant Vice President,
General Counsel,
Corporate Secretary

LEADERSHIP CHANGES

- Jeffrey Rink was promoted to Executive Vice President
- David Curtin was promoted to Vice President, Underwriting
- Wayne Gearhart was promoted to Vice President, Claims





Harford Mutual Insurance Group
200 North Main Street
Bel Air, MD 21014-3544
800-638-3669

HARFORDMUTUAL.COM

Harford Mutual Insurance Company, Founded 1842
Firstline Insurance Company, Founded 1988
1842 Insurance Company, Founded 2020