



annual statement 2021

HARFORD MUTUAL
INSURANCE GROUP



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





2021

» AT-A-GLANCE



\$290 DIRECT WRITTEN
MILLION PREMIUM

\$51 NEW
MILLION BUSINESS

10.8% REVENUE GROWTH
OVER 2020

14,434 ACCOUNTS

25,275 IN FORCE POLICIES

91% PREMIUM RETENTION

285 YEARS OF SERVICE FROM
21 TEAM MEMBERS WITH
MILESTONE ANNIVERSARIES

9 TEAM MEMBERS EARNED
A PROFESSIONAL OR
INSURANCE DESIGNATION

\$365.3 POLICYHOLDERS'
MILLION SURPLUS

91.6 NET COMBINED RATIO

» A Message *from our president*



Alright. Alright. Alright.

I started 2021 listening to the book “Greenlights” by Matthew McConaughey and sharing his philosophy on seizing the day and moving forward in my first quarterly report to the HMIG team. It was an enjoyable read and the positivity felt appropriate after what we thought was the beginning of the end of the worst of the pandemic. But, as COVID variants surged across the country and our return to office plans were continually kicked down the calendar year, the light-hearted life lessons McConaughey imparted were more appreciated than expected.

A greenlight signals you to advance. Carry on. Continue. With spirits high from the success of 2020, we shook off the COVID cloud and greenlighted our commitment to living our core values and protecting our culture in the new environment, bringing us to a successful conclusion to 2021.

We marked another year of the Harford Mutual team effectively working fully remote while adding 25 new employees to our ranks. Postponing the full reopening of the office gave us ample time to complete extensive upgrades and renovations while rebranding the building with our new name, logo, and colors. We worked to create a space that our employees can be proud of when they return and that incorporates the critical technology that will help facilitate innovation and collaboration for those in the office and those working off-site.

We engaged our employees as diligently as we did when COVID started, conducting a series of virtual Town Halls; hosting our traditional Education Awards (virtual) and Service Awards celebrations (outside); and playing to the nail-biting finish in our always anticipated bocce ball tournament to benefit Helping Up Mission in Baltimore. We moved our training online and were able to host three summer interns, two in Underwriting and one in IT.

These efforts were reflected in our Employee Engagement results of **97% participation** and **90% overall engagement score** for the 2nd year in a row.

Our strategies to live our purpose, along with some good fortune from Mother Nature, resulted in very strong 2021 numbers outpacing plan at nearly every metric. Our underwriting profitability and investment gains resulted in our **Policyholders’ Surplus eclipsing \$365M** with a \$45.3M, 14.2% increase for the year – exceeding our plan by more than \$26M. Over the past three years, surplus has grown by over \$143M, 65%. In 2021, we realized **\$290M in Direct Written Premium, \$51M in New Business—a company milestone—and 91.3% Premium Retention**. These results are more impressive considering the hardening in the market with increased severity from weather events, changing economic conditions, and an ever-worsening legal environment driven by social inflation.

Our Southern Region growth has been nothing short of extraordinary with Georgia breaking through the \$20M mark in less than four years and the entire **Southern book reaching 29% of our total portfolio**. In the North, New Jersey exceeded \$40M, up 23% over prior years; and, across all states, **Middle-Market exceeded \$100M in DWP, surpassing Foundation to become our largest business unit**.

The numbers speak for themselves but combined with the incredible efforts of our entire team, the true Harford Mutual story starts to emerge. Harford Mutual Insurance Group was named to the prestigious **Ward’s 50** list of top-performing property and casualty companies



for 2021. Nearly 3,000 P&C carriers are reviewed with only those exceeding in safety, consistency, and performance receiving the top distinction. Additionally, we were honored with awards from Gracechurch Consulting for superior claims service; the Andrew Klein Legacy Award for our unwavering philanthropy and community commitment; the Novarica Impact Award for our new policy underwriting system; the National Association of Mutual Insurance Companies (NAMIC) Award in Innovation for our HR Pipeline & Perpetuation plan; and the Rising Insurance Star Executives (RISE) Elite 50 Internship award for our internship program. Individually, each award is something to celebrate. Collectively, they tell the story of our commitment to excellence and our goal of being the regional carrier of choice.

2021 saw the completion and delivery of several strategic initiatives from our **VISION 2027** plan. We celebrated a full year of the dramatically improved and efficient **RapidWrite** online rating system, doubling application submissions and reaching **56% straight-through processing** without underwriter intervention. We have 30% of our agencies taking advantage of Direct Bill Commission Download and over 300 have signed up for faster payments with EFT. We completed our build out of the Special Investigative Unit with a Nurse Case Manager and increased surveillance

capabilities **saving the company more than \$3 million in fraud prevention**. We deployed the new Pay-As-You-Go program for Workers' Compensation and introduced EnviroPack coverage. Lastly, we expanded our Actuarial Department to keep pace with the analysis of our exposures and the increasing complexity of the coverages we provide, and we continue to develop our Customer Service Department to enhance the user experience for our agents and our policyholders.

In keeping with the strategic objective to ensure diversity throughout our organization, our Board of Directors implemented term limits that resulted in 60% of the existing board members ending their service within five years. We also welcomed the appointments of Jillian Froment and Teresa McTague to our Board of Directors, both seasoned professionals in the public and private sectors who have the depth and expertise to represent our policyholders now and into the future.

THE NUMBER OF AGENTS WRITING OVER \$1M HAS GROWN FROM 10 TO 56 SINCE 2011, REPRESENTING 70% OF TOTAL PREMIUM AND 67% OF NEW BUSINESS IN 2021

At every corner in 2021, we took steps to insure opportunities for growth, agency connection, improved efficiencies, employee engagement, and community giving. Looking ahead to 2022, we are excited to fully embrace our hybrid work environment that promises an engaged and balanced workforce, while ensuring that service levels and productivity are not negatively influenced. We will deploy another update to RapidWrite mid-year allowing for rating of

package policies. And, we have recently started our legacy system replacement project to transform our Claims management system to enable faster and more efficient claims processing, along with improved services and information for the agent and our collective policyholders.



Lastly, and on a personal note, I would like to extend a heartfelt "thank you" to everyone who supported the entire Linkous Family in our head shaving event for The St. Baldrick's Foundation. Vendors, agents, employees, and friends gave, **helping us raise a record breaking \$560,000!** That incredible amount required the involvement of everyone, including the amazing sacrifice of my wife Sandi to "Brave the Shave" and remain beautiful inside and out. While our hair loss was temporary, the impact on the lives of children affected by cancer will be enduring. This is just one example of the mutuality that defines our company and our culture. And it is that principle of mutuality that will always be our lodestar for our future.

STEVEN D. LINKOUS
President and Chief Executive Officer

» Insuring Opportunity... THROUGH DIVERSITY & INCLUSION



Inclusion, Diversity, & Opportunity Committee members. Pictured from left to right: Shannon Siegert, Judy Scott, Jack Griffin, Geneau Thames (Chair), DJ Gargano, Allison Pomroy, Bill Langston, and Cathy McCarthy.

HARFORD MUTUAL INSURANCE GROUP BELIEVES WE HAVE A RESPONSIBILITY TO CREATE A CULTURE WHERE INCLUSION, DIVERSITY, AND OPPORTUNITY ARE RESPECTED AND VALUED.

In 2020, the company formed the Inclusion, Diversity, and Opportunity Committee (IDOC) to achieve this goal, and in 2021, it accomplished several of its charter initiatives.

The mission of the IDOC is to create meaningful change through self-examination. The committee asked for and received representation on the Giving Committee to ensure that our philanthropic giving was aligned with our established diversity and opportunity goals. With a recommendation from the committee, we updated our Corporate & Social Responsibility Statement and guidelines to allow for deliberate and thoughtful expansion of our giving in the areas of equity and inclusion. We completed bias training for our officers with plans to include our board of directors and managers in 2022. And we created and introduced a monthly IDOC newsletter and employee resource page to help connect employees to learning materials and cultural references to increase their awareness and help foster respectful and genuine conversations in the workplace.

In 2021, Harford Mutual Insurance Group also conducted our third employee engagement survey. We added questions to this year's survey to help us understand how our employees felt about our culture and opportunities so that we can integrate our guiding principles responsibly. With 97% participation, we were proud of the employee response we received and will use this as a guidepost for continual improvement.



INCLUSION • DIVERSITY
OPPORTUNITY

HMIG EMPLOYEE SURVEY RESULTS

97%

I feel comfortable in
HMIG's culture.

92%

People here are treated equally
regardless of race, ethnicity,
age, gender, disability, religious
beliefs, and sexual orientation.

98%

The people I work with treat me
with respect.

97%

The people on my team
collaborate and help each other.

87%

I feel like I belong here.

97%

I would recommend HMIG as a
great place to work.

95%

HMIG cares about employees.

» Insuring Opportunity... THROUGH COMMUNITY SUPPORT

As our non-profit partners weathered another year of the pandemic in 2021, we again committed to supporting their missions and programs regardless of adjustments that needed to be made to ensure the safety of participants and their clients. In 2021, Harford Mutual partnered with more than 70 local and national charitable organizations, providing both volunteer and financial assistance. Our charitable giving supports organizations that are focused on health & human services through poverty alleviation, equity and inclusion, and community health & safety, as well as organizations that support a vibrant community. We also established the Harford Mutual Insurance Group (HMG) Community Fund at the Community Foundation of Harford County. With \$300,000 invested, the goal is to build upon our culture of philanthropy and watch it grow to support and uplift many more charitable organizations for years to come.

Leading by example, our President & CEO Steve Linkous shaved his head alongside his wife Sandi and sons Joel and Jacob to benefit St. Baldrick's, raising over half a million dollars for the worthy charity. Our employees contributed personally to multiple company-sponsored fundraising events including SARC Walk-A-Mile and United Way, as well as donating 255 hours in volunteer time in communities throughout our region.

A CULTURE OF *Philanthropy*

CHARITABLE SUPPORT TOTALED MORE THAN **\$625,000**

\$300,000

NEW FUND THROUGH
COMMUNITY FOUNDATION OF
HARFORD COUNTY

255

OF EMPLOYEES VOLUNTEER
PTO HOURS

\$8,750

CAPITAL CONTRIBUTIONS

\$5,500

GIVING TUESDAY CHALLENGES

71

OF ORGANIZATIONS SUPPORTED
THROUGH DONATIONS OR
VOLUNTEER HOURS

\$12,837

ADVERTISING AND EVENT
SUPPORT

\$17,000

SCHOLARSHIPS

\$4.5 MILLION

CHARITABLE SUPPORT SINCE 2017

BEING THERE FOR
OUR POLICYHOLDERS
IS WHAT WE DO AS
A BUSINESS. BEING
THERE FOR OUR
COMMUNITIES IS WHAT
WE DO AS A CARING
COMPANY.



» Insuring Opportunity... THROUGH PROFESSIONAL DEVELOPMENT

Harford Mutual Insurance Group has a proud history of honoring our employees for their hard work and dedication. We celebrated our team members and their incredible years of service and professional development achievements, as well as numerous industry and community recognition awards. In 2021, 21 employees with 285 years of combined service celebrated a milestone anniversary with us. An additional 24 team members chose to take steps to advance their careers by pursuing professional development courses and 9 earned an accredited insurance designation. Harford Mutual was also recognized with several industry-based awards, **including being named to the prestigious Ward's Top 50 list.**



SERVICE MILESTONE ANNIVERSARIES

5 YEARS

Michael Bender
Greg Colelli
DJ Gargano
Dan Gillen
Tony Orbino
Lauren Paige
Tyler Ray
Sandra Taylor

10 YEARS

Laura Kurrle
Jennilee Sobczak
Bryan Yekstat

15 YEARS

Karen Kinney
Jerod Kuhlmann

20 YEARS

Cheryl Amberman
Tracey Clark

Randy Sprouse
Donna Stein
Jeneen Taylor

25 YEARS

Jenni Berger
Debbie Brown

35 YEARS

Gail Bianco

PROFESSIONAL DEVELOPMENT

AINS

Bethany Lenio

AU-M

Stephen Allender
Kristina Comas

ARM

Tony Orbino

AIC

James Runyon

CPCU

Kelly Lozoskie
Shannon Siegert

PMP Certification

Jeff Mason

Master's in Accounting and Financial Management

Tia Timpson

Harford Leadership Academy

Emily Cavey

Towson University Professional Leadership Program for Women

Stacey Rebbert

PROFESSIONAL *recognition*

- Geneau Thames, Esq
reappointed to Maryland State
Ethics Commission
- Stacey Rebbert reappointed
to Harford County Commission
for Women

INDUSTRY *awards*



- Named to Ward's 50 List
- RISE Elite 50 Internships Winner
- NAMIC Award in Innovation
Winner
- IMCA Award of Excellence
Winner
- Novarica Impact Award Winner
- Gracechurch US Claims Top
Nominated Carrier
- Harford Awards - Andy Klein
Legacy Award Winner

2021

» Insuring Opportunity... THROUGH AGENCY PARTNERSHIPS



Pictured above from left-right: W. Hayward McEver, Partner, Kenny Goepp, Partner, Mike Davis, Founder & Managing Partner



WE ASKED. THEY ANSWERED.

Appointed with Harford Mutual Insurance Group in 2019, your agency has grown to over \$9.8M in direct written premium and recently earned the prestigious Flagship award. To what do you attribute your growth?

We attribute our growth with Harford Mutual to an alignment of interests with our firm. This exists with the types of clients we work with and are pursuing, but also with the way we conduct business. In a relatively short time period, our firm has been able to establish relationships with numerous people of different capacities within Harford Mutual that have been key to our success in writing new business.

What differentiates Harford Mutual from other carriers you work with?

Our firm is dedicated to industry specialization, so it is great to work with a company like Harford Mutual where our assigned team members possess an in-depth knowledge of the products and exposures in the industries that we are targeting. With our team at Harford Mutual, we see this not only within the Underwriting Department, but also with the Business Development personnel.

What are your favorite things about working with Harford Mutual?

Responsiveness and willingness to talk through an account. It is great to work with an insurance company that will get on the phone and navigate any specific issues on new business or a renewal. Ultimately, this type of communication achieves a better result for the insurance company, the agent, and the insured.

RHODES RISK ADVISORS

Established in 2013 in Atlanta, Georgia, Rhodes Risk Advisors is an insurance and risk management services firm formed to fill a void for companies seeking a combination of highly personalized service and innovative solutions in their risk management programs. Relationship driven, the advisors at Rhodes believe in operating in a holistic and consultative manner to differentiate themselves from the traditional transaction-based approach. They believe the best way to serve their client base is through a dedicated focus on the client's business through industry specialization, allowing Rhodes to truly understand the exposures they face, create insurance solutions to solve specific problems in their industry, and proactively and favorably position their clients for any potential future insurance issues.

» Insuring Opportunity... THROUGH STRATEGIC GROWTH

THE NORTHERN
REGION EXPERIENCED
CONSIDERABLE
GROWTH IN 2021

NORTHERN REGION

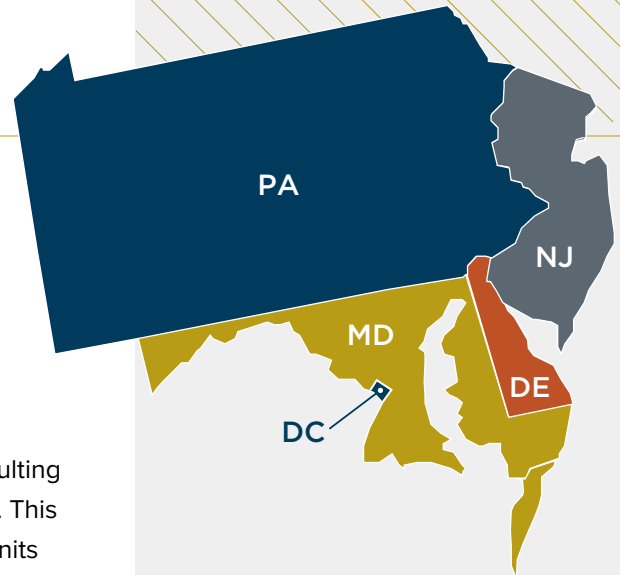
The Northern Region experienced considerable growth in 2021 resulting in a 44% increase in Direct Written Premium over the last five years. This growth has been driven by the Middle Market and Large Account units that have experienced a combined increase of 86% in Direct Written Premium in that time. The average account size in the Northern Region has grown from \$13,700 in 2017 to over \$21,000 in 2021. While growth has been driven by writing larger accounts, small business is still the foundation of the company, and we remain committed to this segment of the marketplace.

Although we appointed 36 new agencies in the North over the last 5 years, through agency contraction, along with mergers and acquisitions, the number of agencies in the region has decreased from 249 in 2017 to 219 in 2021. In that time, the territory has grown by approximately 30%, which means that we have been able to leverage our franchise value and write significantly more premium without increasing the number of agencies we represent. While we continue to look to grow the agency plant in underserved areas such as Western PA and Western MD, we are selective with the new agency appointments we consider and only look to appoint those that fit within our corporate strategies and values.



56% STRAIGHT-
THROUGH
PROCESSING

In October 2020, we successfully upgraded and relaunched our online rating platform, **RapidWrite**. In the first full year, we saw a doubling of our new business production with **56% of the business being processed** without underwriter intervention. This equates to increased efficiency not only for our Underwriting team, but also for our agents who receive a bindable quote faster than ever before!



44%

increase in DWP over
last 5 years

30%

growth of region over
last 5 years

» Insuring Opportunity... THROUGH STRATEGIC GROWTH

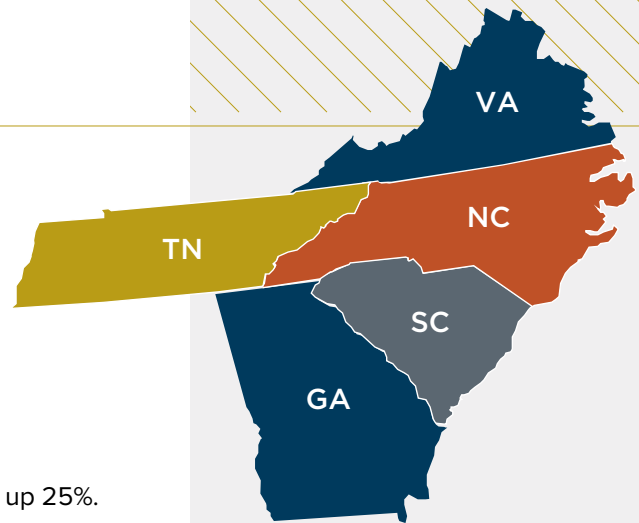
2021 FINISHED ANOTHER
YEAR OF TREMENDOUS
GROWTH AND
PROFITABILITY FOR THE
SOUTHERN REGION

SOUTHERN REGION

Direct Written Premium increased 23% and New Business was up 25%. Since expanding into Georgia and South Carolina in 2018, we have seen the Southern Region grow by almost 96%. Most importantly, we were able to grow profitably, delivering a loss ratio below company expectations on a one-year and a five-year basis. In addition to growing the book of business, we've added new employees to the Fort Mill, South Carolina office, with team members now in Underwriting, Claims, Loss Control, Business Development, and Management servicing our agents and policyholders in the area.

Foundation Accounts (account premium <\$50,000) are critical to our success in the Southern Region with 2021 logging a record 17% Direct Written Premium growth and 20% New Business growth. Middle-Market and Large Accounts (account premium >\$50,000) combined saw a 28% increase over last year. We will continue to focus on writing a healthy mix of business in all three business units in 2022.

The Southern Region includes 202 active agents, 37% appointed with Harford Mutual Insurance Group in the last 5 years. Even though we continue to add new agents, the total number in the region remains unchanged over that same period as we focus on partnering with agencies who see the mutual value we can provide the policyholder. From 2017-2021, we have seen the average premium per agent grow 125%, bringing the number of agencies writing in excess of \$1M in DWP to 11—up from only one in 2017. We will consider new agency appointments in areas that are underserved in the Southern Region while avoiding the areas where we are meeting or exceeding our company objectives.



96%

growth since expanding into
Georgia and South Carolina

37%

of our Southern agents
appointed since 2015

» Financial Success & Growth

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

A growing company measures itself against its peers in addition to its own annual and strategic goals. This broader perspective provides us with benchmarking to set our new targets and achieve similar success. Over the past 10 years, our revenue growth, underwriting profitability, and capitalization have consistently outperformed our Peer Group*.

TOTAL ADMITTED ASSETS

1-YEAR
11% • \$73M
GROWTH
57th
PERCENTILE AGAINST
PEER GROUP

5-YEAR
60% • \$274M
GROWTH
67th
PERCENTILE AGAINST
PEER GROUP

10-YEAR
117% • \$394M
GROWTH
81st
PERCENTILE AGAINST
PEER GROUP

POLICYHOLDERS' SURPLUS

1-YEAR
14% • \$45M
GROWTH
76th
PERCENTILE AGAINST
PEER GROUP

5-YEAR
75% • \$157M
GROWTH
86th
PERCENTILE AGAINST
PEER GROUP

10-YEAR
150% • \$219M
GROWTH
86th
PERCENTILE AGAINST
PEER GROUP

DIRECT WRITTEN PREMIUM

1-YEAR
11% • \$28M
GROWTH
57th
PERCENTILE AGAINST
PEER GROUP

5-YEAR
57% • \$105M
GROWTH
67th
PERCENTILE AGAINST
PEER GROUP

10-YEAR
57% • \$77M
GROWTH
81st
PERCENTILE AGAINST
PEER GROUP

*Peer Group defined as Commercial Lines or Commercial Property; DWP \$100M-\$2B; >=60% Commercial Lines; >=20% CMP; <=30% Commercial Auto; <=30% Workers' Comp; <=5% Guaranty; <=5% Medical Liability; <=15% Fidelity & Surety

» Financial Highlights

2021 HIGHLIGHTS

Our conservative underwriting guidelines, our enduring relationships with our agents, and our focus on profitable growth were all integral factors in the extraordinary numbers we realized in 2021. We outperformed our plan for nearly every key metric and setting new milestones for Policyholders' Surplus, New Business, and Direct Written Premium.

Net Combined Ratio

91.6

\$731.4M

Total Assets

\$51M

New Business

\$290M

Direct Written Premium

Premium Retention

91%

**56 AGENTS
WITH \$1M**

in Premium

Net Income

107%

Over Plan

\$365.3M

Policyholders' Surplus



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

NOTE: For the Condensed Consolidated Statutory Financial Report, visit our website at [HarfordMutual.com](https://www.HarfordMutual.com)

» Board of Directors

As the company grows and we evaluate and implement new strategies for good corporate governance to ensure diversity and deepening expertise, we are excited to announce the appointment of Jillian Froment and Teresa McTague to our Board of Directors. Froment is a seasoned insurance regulator with extensive experience in both the private and public sectors, including the last 10 years at the Ohio Department of Insurance, where she was the Department's Director. McTague is a senior executive with over 30 years of experience in investments, capital markets, finance, portfolio management, and asset and risk management. She is currently a Senior Managing Director for Aflac Global Investments



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



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



JILLIAN E. FROMENT
Insurance
Regulatory Advisor



DONALD C. FRY
President & 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



TERESA MCTAGUE
Chief Investment
Officer,
U.S., Aflac Global
Investments



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



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

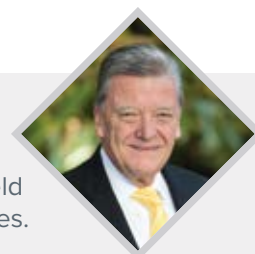


SPENCER M. ROMAN
Retired President
and COO,
AAA Mid-Atlantic
Insurance Group



STEPHEN T. SCOTT
Retired Principal,
Investment Counselors
of Maryland

» We also say “thank you and good-bye” to Clarence “Chuck” Boyle who retired from our board in May 2021. A Harford County native who spent nearly 50 years as the owner of Boyle Buick GMC, Chuck served on our board for more than 21 years, taking over the seat held by his father. Chuck served on the Governance, Nominating, and President Search Committees.



» Officers



STEVEN D. LINKOUS
President & 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



STACEY A. REBBERT
AINS
Assistant Vice President,
Marketing &
Corporate Communications



PATRICK J. GAGEN
SPHR/SHRM-SCP
Assistant Vice President,
Human Resources



LEADERSHIP *changes*

» PATRICK GAGEN
WAS PROMOTED
TO ASSISTANT VICE
PRESIDENT, HUMAN
RESOURCES

» STACEY REBBERT
WAS PROMOTED
TO ASSISTANT
VICE PRESIDENT,
MARKETING &
CORPORATE
COMMUNICATIONS



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