



# HMIG GUIDING PRINCIPLES

## *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

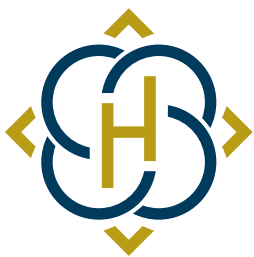
Mutual Respect & Integrity

Customer Service & Relationships

Opportunity through Inclusion & Diversity

Performance Accountability & Self-Improvement

Corporate & Social Responsibility





# 2022 AT-A-GLANCE

**\$327 MILLION**

Direct Written Premium

**\$46.4 MILLION**

New Business

**12.9%**

Revenue Growth Over 2021

**96.8%**

Premium Retention

**\$320.2 MILLION**

Policyholders' Surplus

**72** Agencies with **\$1M+** in premium

**220** Years of service from **21** team members  
with milestone anniversaries



## A MESSAGE FROM THE **PRESIDENT**



### **“ADJUSTS THE SAILS”**

Three years ago, in 2020, the year began with warnings of national political strife. Social injustice issues were percolating, and word of a fast-spreading virus was taking over the news. An adage would come to define our approach to 2020, but also encapsulate our commitment to the mutual philosophy:

*A pessimist complains about the wind.*

*An optimistic expects it to change.*

*A leader adjusts the sails.*

### **WE ADJUSTED OUR SAILS.** —————

We turned to our leadership team, our employees, our board of directors, our agency partners, and our policyholders. We found and implemented solutions that would protect our financial strength while keeping our policyholders whole. We listened to our employees and our agents and redefined how we transact our business. We then posted the two best years in our company’s history.

Turn the calendar page to 2022. “Normal” is now a relative term. The pandemic is still wreaking havoc with supply chain issues. Inflationary pressures are taking their toll on everything from property values and jury awards to employee compensation. Mother nature was hell-bent on surprising us, yet again. And the workplace is forever changed. Celebrating 180 years last year, we have endured it all before.

### **WE ADJUSTED OUR SAILS.** —————

Throughout 2022, we concentrated on the strategic initiatives that would make doing business with Harford Mutual Insurance Group easier. We updated the agency portal for faster search and navigation. We assigned an underwriter to exclusively decision RapidWrite quotes for quicker turnaround. We retrained our Customer Service Representatives to handle a wider range of incoming inquiries. We enhanced our products with expanded EnviroPak coverage, lowered Pay As You Go thresholds for workers’ compensation policies, and added Contractors Package Policies to RapidWrite to further expand an agent’s ability for streamlined self-service.

And, although the year proved more problematic as the months ticked by with increased claim severity, a tumultuous reinsurance market, and a fourth-quarter bomb cyclone catastrophe that derailed our profitability and delivered a real-life stress test of our financial strength and stability, we endured. With the unwavering partnership of our agents, our **new business** surpassed plan and ended the year at **\$46.4M**, pushing **DWP to exceed plan by 5.0%** and ending the year at **\$327M**. **Revenue growth of 12.9%** surpassed our plan, and with their commitment and our careful yet competitive pricing, we achieved 97% premium retention. We were once again named to the Best’s Review of Top 200 Carriers, the 12th year to appear on the Insurance Journal list of super regional P/C carriers, and the second year honored to be included on the Ward’s 50 list of top performers.



### **WE ADJUSTED OUR SAILS.**

A successful year, however, can be measured across multiple fronts. Working to remain competitive in a constricting labor market, we implemented changes and benefits to continue helping us position HMIG as an employer of choice. We opened an on-site fitness center, implemented a generous parental leave policy, made flexibility and hybrid options permanent benefits, and launched unlimited self-managed PTO for managers, and in 2023, for all employees. Based on our employee survey, we were named a **TOP WORKPLACE in the USA** with special recognition for professional development, employee appreciation, and employee well-being. We received the **SILVER Healthy Workforce designation** from our benefits provider, Cigna, and the **RISE Elite award** for our internship program.

**WE IMPLEMENTED  
CHANGES AND  
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CONTINUE HELPING  
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AS AN EMPLOYER  
OF CHOICE.**

### **WE ADJUSTED OUR SAILS.**

In a volatile industry, profitable growth must be achieved with a multi-prong approach. It can be a by-product of a litany of smaller decisions or the result of more directed actions. In 2022, we continued merger discussions that started in 2021 with ClearPath Mutual Insurance Company located in Louisville, Kentucky. ClearPath Mutual, formerly KESA—a self-insured workers' compensation fund, was founded in 2018 and exclusively offers monoline workers' compensation insurance in Kentucky, Tennessee, Indiana, West Virginia, and Georgia. This merger will allow both companies to achieve our respective strategic goals of growth and expansion more rapidly through scalable resources and symbiotic expertise. I am excited to report that earlier this year, the policyholders at ClearPath Mutual and Harford Mutual Insurance Group overwhelmingly voted to approve the merger at their special meetings held in February. The merger plans will now be reviewed by the Maryland Insurance Administration, and we should have a final decision and approval soon.

### **WE ADJUSTED OUR SAILS.**

To weather a year like 2022, navigate a global pandemic, and remain enthusiastic about the day ahead, you need to be surrounded by a great team. We welcomed Sandra Rich as an appointed director to our board last year. Sandra brings over 30 years of expert C-Suite leadership in corporate legal, complex M&A, real estate and investment transactions, regulatory compliance, and corporate governance. Our Vice President of Claims, Wayne Gearhart, took the helm in our ClearPath merger due diligence in 2022 and is now leading the planned integration. Wayne was promoted to Senior Vice President and Chief Operations Officer in March 2023. And lastly, our General Counsel and Corporate Secretary Geneau Thames, Esquire, who was honored as a Leader in Law by the Maryland Bar Association and The Daily Record, was promoted to Vice President. As we embark on our planned path, achieving our strategic goals, these appointments and promotions recognizing business acumen ensure that our more complex and sophisticated business is matched by leadership that can manage the challenge.

### **WE ADJUSTED OUR SAILS . . . AND ARE MOVING FORWARD.**

Let's be clear, the year-end financial results for 2022 were not what we planned. Out of the gate, we knew the year would not deliver on all fronts, so we adjusted. We knew the pandemic still had a grip, so we adjusted. We knew the economy was being stressed, so we adjusted. Because that's what a carrier of choice does. That's what an employer of choice does. That's what a community partner does. That's what a leading company does.

Although we cannot control the various forces working against the entire insurance industry, we can adjust our sails and navigate HMIG back into brighter skies and calmer waters.



**STEVEN D. LINKOUS**, *President and Chief Executive Officer*

# TEAM & INDUSTRY RECOGNITION



## PROFESSIONAL DEVELOPMENT

### AINS

Amani Simon-Chapman  
 Natasha Rebbert  
 Nicholas Rynes  
 Stacey Rebbert

### AU

Andrew Mastromanolis  
 Bethany Lenio  
 Daniel Gillen

### Certified Case Manager

Allison Pomroy

### PMP Certification

Tony Halloran

### Certified Safety Professional

Mitchell Connolly

### Business Administration Certificate

Lisa Foehrkolb

### OSHA Authorized Trainer

Meredith Johnson

### Professional Administrative Certificate of Excellence (PACE)

Chrissy Dickerson

### Workers' Compensation Professional

Katie Lloyd

### Microsoft Azure Certification

Kayvan Doorandish  
 Josh Dysard

### ITIL4 Foundation Certificate

Kayvan Doorandish

## SERVICE MILESTONES

### 5 YEARS

Michael Bender  
 Bruce Battaglia  
 Brett DeMille  
 Katie Lloyd  
 Kelly Lozoskie  
 Scott Macejak  
 Nicole Maschke  
 Robert McKinley  
 Natasha Rebbert  
 Matthew Stansburge  
 Brittany Stein  
 Gary Wilson  
 Patricia Wroe

### 10 YEARS

C.J. D'Alessio  
 Jeffery Okeson  
 Michael Borzatti  
 Kristyn Gray  
 Stacey Pacoe

### 15 YEARS

Randy Pugh

### 25 YEARS

Matthew Stachowiak

### 30 YEARS

Maureen Arnold

### 40 YEARS

Judith Lentz

## PROFESSIONAL RECOGNITION

### Steve Linkous

The Daily Record Most Admired CEO

### Geneau Thames

The Daily Record & Maryland State Bar Association's Leaders in Law

### C.J. D'Alessio

Insurance Business America  
 HOT 100

### Stacey Rebbert

The Daily Record Top 100 Women  
 and an ATHENA Leadership Finalist

### Jennifer Holbrook

RISE 35 under 35

### Jaclyn Selke

Business Insurance Break Out Award

## INDUSTRY AWARDS





## AGENCY SPOTLIGHT



Rodney Yates Jr., (L) and Rodney Yates Sr., (R) in front of their agency location in Edgewater, MD.

### **WE ASKED. THEY ANSWERED...**

**Appointed with Harford Mutual Insurance Group in 2003, your agency has grown to \$4M in direct written premium and earned our prestigious Flagship award in 2016. To what do you attribute your agency's growth with HMIG?**

Harford Mutual was one of our first carrier appointments, and this valued partnership with our professional employees has led to mutual success. HMIG's foundational principles of focusing on agent relationships, being committed to the independent agent distribution system, and innovating new products have been key to our continued partnership.

**What differentiates HMIG from other carriers you work with?**

Harford Mutual's stability is a big differentiator for us. From their locally focused beginning in 1842 to the AM Best A-rated regional carrier they are today; they have maintained a stable foundation to service their agents. They have a strong and sustained policyholder surplus, a stable and conservative approach through varying economic cycles, and continued investments in industry-leading technology, creating a carrier relationship that is differentiated from many others.

**What are your favorite things about working with Harford Mutual Insurance Group?**

Harford Mutual is a carrier that is willing to listen and work with the agent. In our business, especially in this changing world, now more than ever, it is important to be able to have these conversations to find solutions and serve our policyholders. It is nice to know there is someone that knows you behind the screen and that you can pick up a phone to call.



Yates Insurance, Inc. was founded in 1992 by Rodney Yates Sr., working out of his basement and cold calling potential business clients with Rodney Jr. sitting on his lap. Over 30 years, the agency has grown to include multiple profit centers and a commitment to community service. Yates moved to its present location in Edgewater, Maryland, 20 years ago, and in 2011, Rodney Yates Jr. joined the agency, now serving as President.

*"Harford Mutual is a carrier that is willing to listen and work with the agent."*

# MEANINGFUL CHANGE



**THE INCLUSION, DIVERSITY & OPPORTUNITY COMMITTEE (IDOC)** generates meaningful change through adherence to its guiding principles which include:

- Leading with mutual respect and kindness.
- Embracing all diversity: viewpoints, backgrounds, and beliefs to ensure every team member is comfortable bringing their authentic self to work.
- Ensuring we have the tools, training, and resources to build awareness of diversity, equity & inclusion and create opportunities for current and potential employees.

## 2022 HIGHLIGHTED ACCOMPLISHMENTS

- Introduced Unconscious Bias training for all employees.
- Created the Champions of Inclusion employee video newsletter series.
- Widened our recruiting footprint to include more Historically Black Colleges and Universities.
  - » Bowie State
  - » Morgan State University
  - » University of Maryland-Eastern Shore
- Donated \$85,000 to non-profits and scholarship programs that support equity and access.



In 2022, HMIG participated in the **TOP WORKPLACES** survey program. With 93% of our employees responding, we scored the following:

92%

OF HMIG EMPLOYEES FEEL INCLUDED AT HMIG (**TOP 8%**)

92%

OF HMIG EMPLOYEES FEEL THEY HAVE WORK-LIFE FLEXIBILITY (**TOP 15%**)

95%

OF HMIG EMPLOYEES THINK HMIG OPERATES BY STRONG VALUES (**TOP 8%**)

2x

THE INCREASE IN RACIALLY AND/OR ETHNICALLY DIVERSE TEAM MEMBERS FROM 2020 TO 2022.





# #HMIGivesBack



Our employees volunteered over 497 captured hours for community initiatives like pumpkin carving for Ladew Gardens; playing a bocce ball tournament for Helping Up Mission; construction site help for Habitat for Humanity; prepping apartments for Harford Family House; bagging essential items for United Way Project Connect; and, landscaping at the farm for Chesapeake Therapeutic Riding.

## CHARITABLE SUPPORT TOTALED MORE THAN **\$488,105**

**\$170,000** Additional funds added to Community Foundation of Harford County for a total of \$470,000

**497** Volunteer PTO hours used by employees

**\$10,500** Advertising and event support

**\$4.75 million** Charitable support since 2017

**\$5,500** Giving Tuesday challenges

**\$17,000** Scholarships

**\$5,000** Capital contributions

**80** Organizations supported through donations or volunteer hours



## NORTHERN REGION

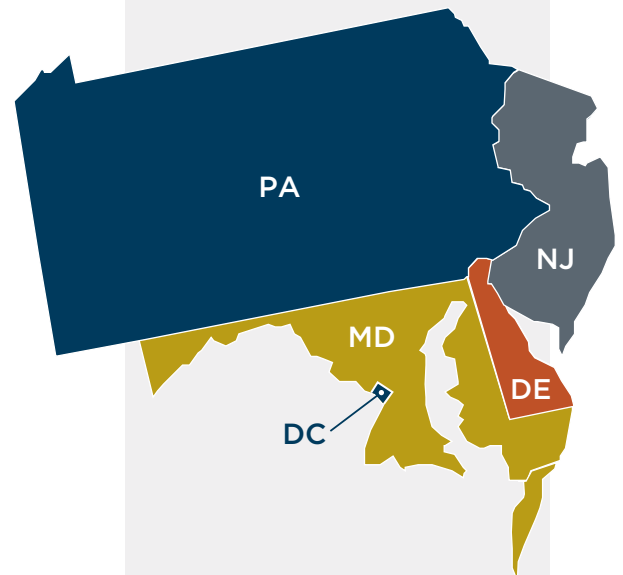
The Northern Region has seen extensive growth over the last decade, and 2022 was no different. Premium increased by 11.1% in 2022 versus a plan of just 5.1%. The Northern Region had over **\$28.4M in new business writings**. While Habitational risks continued to be our largest segment for new business, the Service and Restaurant segments also experienced significant growth. Due to the extreme volatility of the Habitational segment, it is important that we put an emphasis on writing different classes to balance out the exposure throughout the book.

Regarding small business production, we took another step forward in 2022. New business writings through our online rating system, **RapidWrite**, increased by approximately **25%**. Almost half of this business was issued by the agent without any underwriting intervention. We made several improvements to our system, which has been a main factor in our increased agency utilization.

Unfortunately, 2022 was a challenging year in terms of profitability. Increased claim frequency and severity, inflationary pressures on property values, increased litigation, supply chain issues, and rising reinsurance costs have all contributed to the increased loss ratio. These market conditions have put considerable pressure on our Habitational book of business, requiring a shift to a more conservative underwriting and pricing approach to return this segment to profitability.

We made a limited amount of agency appointments in 2022; however, we did experience continued agency mergers and acquisitions, resulting in further agency consolidation. We ended 2022 with 214 active agencies in the Northern Region, with **52 of these agencies writing over \$1 million in premium**. We continue to provide tremendous franchise value to our agents by limiting new appointments. While we will be actively appointing agencies in 2023, they will be located in underserved areas such as northern Virginia and western Pennsylvania.

Lastly, we have moved the three northern Virginia counties of Fairfax, Loudon, and Prince William into the Northern Region. This will allow us to carve out a DC Metro territory consisting of Maryland south and west of Baltimore, Washington, D.C., and the three northern Virginia counties. We have hired a new Production Underwriter based in northern Virginia to support our agents and drive growth in the DC Metro territory.



*\$1.5m*

AHEAD OF PRIOR YEAR

*47%*

OF THE POLICIES  
REQUIRING NO REFERRAL  
TO UNDERWRITING

*\$6.5m*

IN RapidWrite PRODUCTION



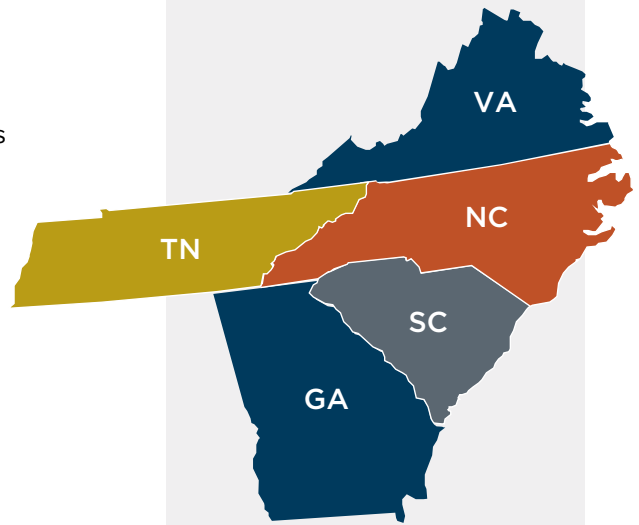
## SOUTHERN REGION

We continued to see strong year-over-year growth in our Southern Region in 2022. **Premium increased by 17.5%**, which exceeded our plan of 13%. The **Southern Region produced \$19.5 million in new business** thanks to our strong agency partnerships throughout the region. We implemented a plan in 2022 to diversify, and the Southern Region saw Contracting overtake Habitational as our largest new business segment. We also saw significant growth in the Manufacturing, Wholesale, Restaurant, and Mercantile segments. South Carolina and Georgia led the way in 2022, with both states showing exceptional growth.

In 2022, Bill Langston took on a new role as our RapidWrite Underwriter for new business. Bill was previously our Virginia Production Underwriter and served in a dual capacity in 2022. Bill's understanding of our agents' needs, as well as his previous experience working in small commercial, gave him the ability to have an immediate impact on the way we transact small business online. His efforts provided an immediate and dramatic lift in our new business results, and our customer satisfaction with our online quoting and issuance system has never been better. We look forward to continuing this momentum into 2023.

We experienced increased loss activity in the Southern Region in 2022, which negatively impacted profitability. Supply chain issues caused extended loss restoration, and the general inflation put record pressure on property values. Litigation was at an all-time high due to pandemic-impacted court backlogs and concerning trends in record jury awards. This will continue to put pressure on profitability requiring continued price strengthening in 2023, but **we will remain committed to the marketplace and partnerships** we have in the region as we work together to improve our underwriting results.

The Southern Region currently has 201 appointed agencies. While we continue to appoint agents in underserved areas, we also will keep franchise value top of mind when considering where we will expand our presence. We have appointed 74 agencies since 2018, accounting for 47% of the Southern Region's premium volume, with **21 agencies now over the \$1 million premium mark**.



TODAY

21 AGENTS NOW  
WRITING OVER \$1M IN  
PREMIUM REPRESENTING  
*\$50m*  
IN BUSINESS

2018

1 AGENT WRITING  
JUST OVER  
*\$1m*  
IN PREMIUM



**TOTAL ADMITTED ASSETS**

1-YEAR GROWTH  
4.5% • \$32.7M

5-YEAR GROWTH  
50.7% • \$257.1M

10-YEAR GROWTH  
120.9% • \$418.2M

**POLICYHOLDERS' SURPLUS**

1-YEAR GROWTH  
-12.3% • -\$45.1M

5-YEAR GROWTH  
38% • \$88.2M

10-YEAR GROWTH  
96.9% • \$157.6M

**DIRECT WRITTEN PREMIUM**

1-YEAR GROWTH  
12.9% • \$37.2M

5-YEAR GROWTH  
62.8% • \$126.2M

10-YEAR GROWTH  
164.4% • \$203.3M



# FINANCIAL HIGHLIGHTS

*\$320.2M*

Policyholders' Surplus

Net Combined Ratio

*117.2%*

**\$764.1M**

Total Assets

**\$46.4M**

New Business

*\$327M*

Direct Written Premium

Premium Retention

*96.8%*

**72 AGENTS  
WITH \$1M**

in Premium



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

## BOARD OF DIRECTORS



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



**JAMES J. KENNEDY**  
CHAIR-ELECT  
Retired President  
& CEO, Ohio Mutual  
Insurance Group



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



**JILLIAN E. FROMENT**  
Executive Vice President  
& General Counsel,  
American Council of  
Life Insurers



**DONALD C. FRY**  
Retired President &  
CEO, Greater Baltimore  
Committee



**STEVEN D. LINKOUS**  
President & CEO,  
Harford Mutual  
Insurance Group



**TERESA Q. 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



**SANDRA L. RICH**  
Retired SVP, Chief  
Compliance Officer  
Nationwide Mutual &  
Nationwide Financial



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



**STEPHEN T. SCOTT**  
Retired Principal,  
Investment Counselors  
of Maryland



# HMIG OFFICERS



**STEVEN D. LINKOUS**  
President & CEO



**JEFFREY S. RINK**  
CPCU  
Executive  
Vice President



**F. WAYNE GEARHART**  
CPCU, AIC  
Senior Vice President,  
Chief Operations Officer



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



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



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



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



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



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

## LEADERSHIP CHANGES

- Wayne Gearhart promoted to Senior Vice President and Chief Operations Officer
- Geneau Thames, Esq. promoted to Vice President



*annual statement 2022*



HARFORD MUTUAL INSURANCE COMPANY, Founded 1842  
FIRSTLINE INSURANCE COMPANY, Founded 1988  
1842 INSURANCE COMPANY, Founded 2020

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