

celina
INSURANCE GROUP

2021

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ANNUAL REPORT



Celina Insurance Group adapts and continues moving forward.

Celina Insurance Group implemented a return to office in early January 2021 after most of the staff worked from home for much of 2020. We quickly adapted to the new work environment and introduced a hybrid work schedule for employees, utilizing cutting-edge technology in office meeting spaces to facilitate effective participation for both in-person and remote attendees. Our swift adaptation enabled us to move forward, growing premiums and posting another strong operating result with an increase to surplus.

The Company produced another year of significant underwriting profit in 2021 with a net combined ratio after fee income of 95.5%. Our 94.9% average three-year net combined ratio reflects Celina's stability and consistency with yearly results between 93.3% and 95.8%. Net income was \$12.0 million, nearly matching our 2020 result of \$12.4 million. Policyholders' surplus increased by 11.9% or \$16.0 million, Celina's largest ever single-year increase. Over the five-year period ending in 2021, surplus has grown 52% — from \$99.1 million to \$150.2 million.

Direct written premium was \$159.4 million, an increase of \$2.5 million (1.6%) over the prior year. The Company took aggressive steps in Iowa to reduce property exposures, limiting the future influence of Iowa weather that has adversely impacted past results. In 2021,

we stopped writing and nonrenewed unsupported Commercial Habitational business and Monoline Homeowners business, resulting in a premium reduction of 22% in Iowa. Direct written premium growth in the Company's five other operating states was strong as premiums increased by \$6.3 million or 4.6%.

Our focus remains on growing Commercial and Farm Lines of business faster than Personal Lines. The Company's 2021 results reflect this commitment. Even with aggressive Iowa action steps, the Commercial department produced written premium growth of 12.8% for the year. Farm Lines increased 2.5% over the prior year, but the result is understated because of the Company's ongoing project to convert Farm Auto to Personal Auto. The Farm Auto conversion project has been a multiyear initiative with a completion date slated for June of 2022.

The Company continues to leverage innovative technology to improve operating results and enhance the customer experience. This year, Celina made strides in a multiyear initiative to improve the agency portal rating interface by implementing an upgraded personal auto rating system in all states. The focus of this initiative now turns to elevating the customer experience in the Commercial Business Owners Policy (BOP) program in which we recently implemented significant improvements for Contractors. Another initiative completed in 2021 was our SaaS Loss Control survey management platform which positioned us to continue growing Commercial and Farm Lines.

Despite the lingering uncertainties brought about by the pandemic, the Company continues to post outstanding operating results. Celina's management team is experienced, rates and reserves are actuarially sound, the investment portfolio is strong and policyholder surplus and assets are at all-time highs. With excellent financials, a commitment to superior customer experience and exceptional relationships with agency partners, Celina is poised for growth and profitability.

A handwritten signature in black ink that reads "William W. Montgomery". The signature is written in a cursive, flowing style.

William W. Montgomery

Chairman, President and Chief Executive Officer

Statement of Income

	<u>2021</u>	<u>2020</u>
Net Earned Premium Income	\$144,758,136	\$139,863,557
Losses and Loss Adjustment Expenses Incurred	90,658,564	84,150,061
Commissions	25,441,960	25,793,738
Other Underwriting Expenses	<u>23,186,577</u>	<u>22,747,961</u>
Total Underwriting Expenses Incurred	<u>139,287,101</u>	<u>132,691,760</u>
Underwriting Gain	5,471,035	7,171,797
Investment Income	8,767,571	7,855,833
Other Income	<u>819,183</u>	<u>938,051</u>
Income Before Income Tax	15,057,789	15,965,681
Federal Income Taxes Incurred	<u>3,030,542</u>	<u>3,603,260</u>
Net Income	<u>\$12,027,247</u>	<u>\$12,362,421</u>

Combined Balance Sheets

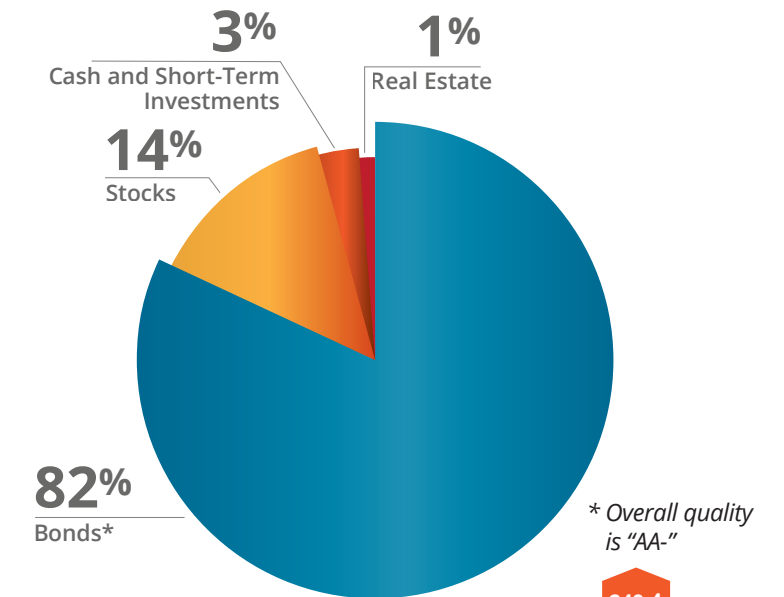
Assets	<u>2021</u>	<u>2020</u>
Bonds	\$204,464,999	\$187,163,278
Stocks	33,937,128	28,831,496
Real Estate	2,752,046	2,799,893
Cash and Short-Term Investments	<u>8,252,846</u>	<u>6,293,365</u>
Total Cash and Invested Assets	249,407,019	225,088,032
Premiums Receivable	31,899,274	32,018,374
Current Federal Income Tax Recoverable	541,187	—
Deferred Federal Income Tax Recoverable	931,792	2,043,630
Reinsurance Recoverable on Loss Payments	580,850	2,957,272
Accrued Interest and Dividends Receivable	<u>1,460,537</u>	<u>1,380,542</u>
Total Receivables	35,413,640	38,399,818
Computer Equipment	299,104	132,731
Other	<u>178,597</u>	<u>152,093</u>
Total Other Assets	477,701	284,824
Total Assets	<u>\$285,298,360</u>	<u>\$263,772,674</u>

Liabilities and Reserves

Unpaid Losses and Loss Adjustment Expenses	\$45,474,399	\$39,470,218
Unearned Premiums	75,731,392	75,099,008
Advance Premiums and Amounts Held for Others	9,089,593	9,237,147
Contingent Commissions Payable	2,504,055	2,484,707
Accounts Payable and Accrued Expenses	481,401	482,459
Premium Taxes, Licenses and Fees Payable	1,189,862	1,315,346
Current Federal Income Taxes Payable	—	1,231,272
Ceded Reinsurance Payable	193,360	64,548
Other General Liabilities	434,455	174,994
Total Liabilities	135,098,517	129,559,699
Reserves for Policyholders' Protection	<u>150,199,843*</u>	<u>134,212,975</u>
Total Liabilities and Reserves for Policyholders' Protection	<u>\$285,298,360</u>	<u>\$263,772,674</u>

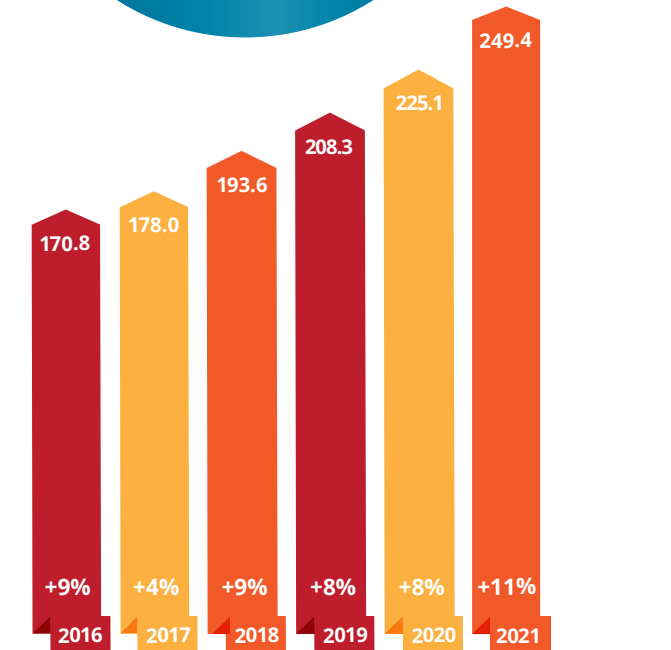
* All-time high

2021 Invested Assets and Cash



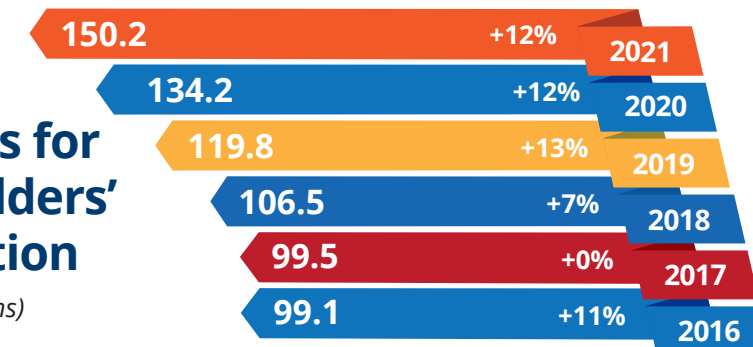
Invested Assets

(in millions)



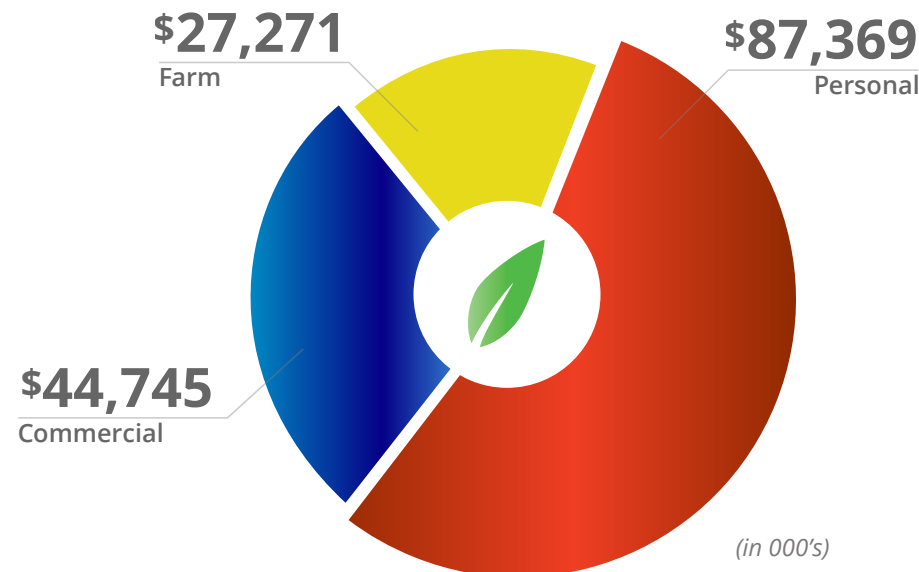
Reserves for Policyholders' Protection

(in millions)



2021 Direct Written Premium

(by profit centers)



Celina Insurance Group Officers



William W. Montgomery
Chairman, President and
Chief Executive Officer



Theodore J. Wissman
Senior Vice President —
Chief Operating Officer



Michael S. Kleinhenz
Senior Vice President –
Chief Financial Officer
and Treasurer



Robert M. Shoenfelt
Senior Vice President —
Chief Information and
Innovation Officer



Suzanne L. Wells
Corporate Secretary and
Director of Internal Audit



Scott W. Montgomery
Assistant Corporate
Secretary and Marketing/
Sales Supervisor

Company Profile

- ✓ Founded in 1914
- ✓ 189 employees
- ✓ Annual direct premiums of \$159.4 million

Celina Insurance Group Member Companies

The Celina Mutual Insurance Company

Writes personal, commercial and farm lines in Ohio, Indiana, Iowa, Kentucky, Tennessee and West Virginia.

The National Mutual Insurance Company

Writes personal lines in Ohio, Indiana, Tennessee and Iowa.

Miami Mutual Insurance Company

Writes personal lines (nonstandard auto) in Ohio, Indiana, Iowa and Tennessee.

West Virginia Farmers Mutual Insurance Association

Writes farm property and liability in West Virginia.



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