

OUR FUTURE IS BRIGHT

We proudly achieved six straight years of profitable growth building on numerous successes throughout the past several years. Our financial strength is significant and means we'll be there for agency partners and policyholders today, tomorrow and beyond.

Our achievements did not come without challenge — we incurred \$14 million in weather-related CAT losses that were among the worst in our history. While the damages were significant, it was a reminder of why we're here. It's during life's unexpected events that our policyholders need us most.

Now we're eagerly and optimistically looking to our future. We know the world is changing and to stay at the forefront of that we are reinvesting in tomorrow every day.

Together with affiliate partner Grange Insurance, we're making investments in technology, digital platforms, service and products to meet the evolving needs of agency partners and policyholders.



Jill Wagner Kelly
President
Integrity Insurance

**ANNUAL
REPORT
2017**



A GRANGE INSURANCE COMPANY



COMMITMENT TO EXCELLENCE

PRIDE IN OUR PERFORMANCE

Commercial and Personal Lines delivered a solid performance in 2017. As we reflect on the year, we remain confident in the strength of our operations as demonstrated by our financial results in a year of weather-related CAT losses. Our success is also attributed to a steadfast commitment to making it easy for agency partners to do business with us and delivering products and services that fit our policyholders' needs.

In 2017, **Commercial Lines** grew 14% and produced a net combined operating ratio of 96.3%. This marks six straight years of profitable, double-digit growth. We introduced 36-Month Policy, a new commercial package option, which offers stable rates, terms and conditions with a streamlined annual update process. Integrity's Nurse Triage Program was added as a solution to help workers' compensation policyholders lower claims, reduce costs and eliminate lag time in reporting. Our launch of multiple underwriting companies allows for increased pricing flexibility as well as the ability to write and retain more accounts.

Personal Lines increased policies in force by 5.6% over the year prior and ended the year profitable with a 96.7% net combined operating ratio. We launched PinPoint Homeowners®, our new home product in Wisconsin, which offers competitive rates, customizable options and enhancements to Condo and Renters to better meet the needs of these two growing segments. As a result, new business production doubled. For our preferred auto product, PinPoint Auto®, we added more than 20 enhancements in all three states. Improvements included lower rates and coverage selection for policyholders.

GRANGE + INTEGRITY, STRONGER TOGETHER

Our affiliation with Grange continues to flourish. In 2017, we grew our 13-state enterprise surplus to \$1.27 billion and our "A" (Excellent) rating was reaffirmed by A.M. Best. We're making progress toward our ambitious, multi-year strategy, which focuses on profitable growth and lasting value. Combined, we offer financial stability and a strong market presence that provides greater value to our agency partners and policyholders. Looking ahead, our future is bright as we continue to work together toward future success.



Associates volunteering at the Integrity-sponsored Habitat for Humanity home build.

TO MAKE A DIFFERENCE, BE THE DIFFERENCE

In 2017, our associates embraced our company theme, “to make a difference, be the difference,” through their jobs and community involvement.

Over the summer, we put our philanthropic resources to work and partnered with Habitat for Humanity to construct a five-bedroom house. It was a natural fit for us, since we’ve been protecting the homes of policyholders for nearly 85 years, to partner with Habitat to make the reality of homeownership possible for a deserving family.

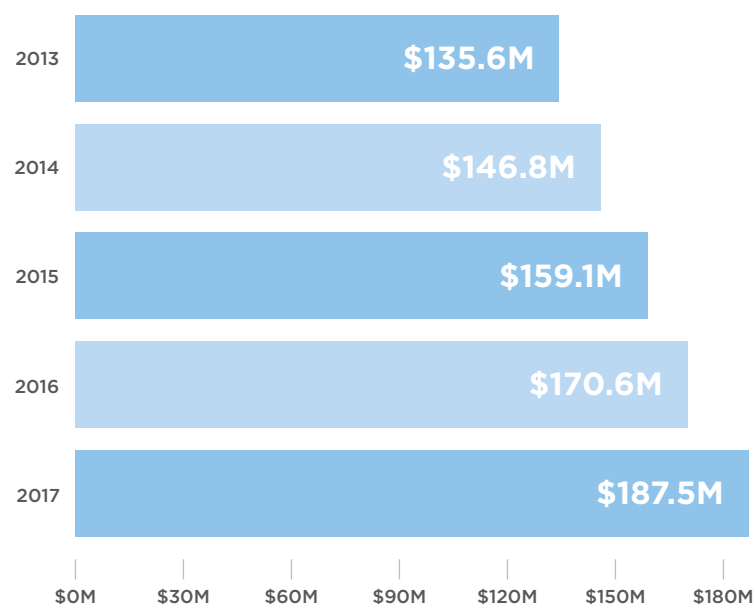
Our team expanded by 11% to support the rising needs of the business units thanks to our consistent profitable growth. We invested in our associates through learning platforms and development opportunities, so our agency partners and policyholders can rely on superior performance from a talented, experienced workforce. These educational opportunities paved the path for 10% of associates to make a career development move.

As champions of diversity and inclusion, we made our company stronger by holding training workshops for all associates to better understand the business value and personal significance of this strategy. We believe our associates are unique and each one has skills, experiences and insights that contribute to who we are — and what we can become.

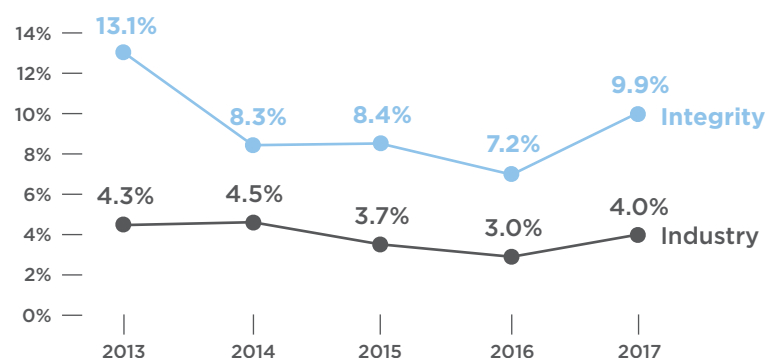
FINANCIAL RESULTS

DIRECT RESULTS

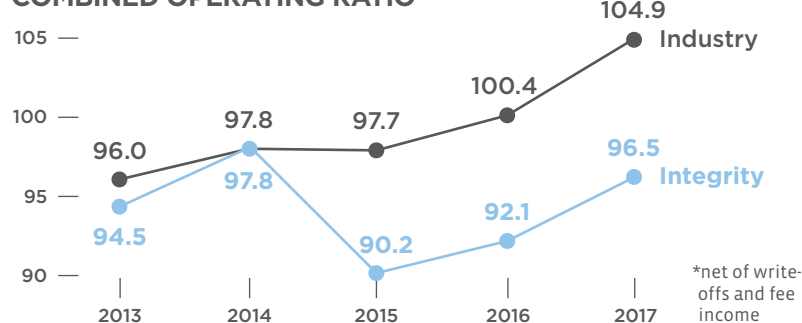
DIRECT WRITTEN PREMIUM



GROWTH RATE



COMBINED OPERATING RATIO*



POOLED RESULTS

DEC 31, 2017 DEC 31, 2016

ADMITTED ASSETS

(IN THOUSANDS)

Total Cash and Invested Assets	\$91,840	\$89,825
Agents' Balances/Premium Due*	10,115	9,444
Accrued Investment Income	746	684
Other Assets*	6,577	7,262
Total Admitted Assets	\$109,278	\$107,215

LIABILITIES & POLICYHOLDERS' SURPLUS

Reserve for Losses and Loss Expenses*	\$27,933	\$27,855
Unearned Premiums*	19,217	18,689
Accrued Expenses, Accounts Payable and Other Liabilities*	8,391	10,294
Total Liabilities	55,541	56,838
Policyholders' Surplus*	53,737	50,377
Total Liabilities and Policyholders' Surplus	\$109,278	\$107,215

STATEMENTS OF INCOME

Premiums Earned*	\$46,572	\$47,313
Losses*	(25,077)	(23,507)
Loss Adjustment Expenses*	(5,031)	(5,953)
Other Underwriting Expenses*	(14,578)	(15,156)
Net Underwriting Gain (Loss)*	1,886	2,697
Net Investment and Other Income*	3,340	6,306
Dividends to Policyholders*	(166)	(144)
Federal Income Taxes*	(912)	(1,791)
Net Income*	\$4,149	\$7,067

STATEMENTS OF CHANGE IN SURPLUS

Policyholders' Surplus, Beginning of Year	\$50,377	\$45,621
Net Income*	4,149	7,067
Change in Unrealized Gains	174	(1,640)
Change in Net Deferred Income Tax*	(1,583)	69
Change in Non-Admitted Assets*	525	870
Change in Minimum Pension Liability	97	(1,611)
Policyholders' Surplus, End of Year*	\$53,737	\$50,377

*Integrity is an affiliate of Grange Mutual Insurance Company (Grange), which together as an enterprise, combines to have \$1.27 billion in surplus to support policyholders across our 13-states. As part of the affiliation, the net underwriting results of Grange and Integrity are pooled together and a portion of the shared underwriting results is reallocated back to Integrity. The financial statement above reflects Integrity's portion of the pooled enterprise results.



IOWA Brummel Madsen Insurance • Elliott-Hartman Agency • Holmes Murphy • Kunkel & Associates • Mel Foster Co. Insurance
 Skogman Carlson Insurance • The Dana Company **MINNESOTA** Advance Insurance Agency • Atlas Insurance Brokers • Heartman Insurance
 Insurance Advisors • Winona Agency **WISCONSIN** Ansay & Associates • Couri Insurance Agency • Coverna Insurance Services
 CRW Insurance & Financial Services • HNI • Klinner Insurance • Robertson Ryan & Associates • SIA of the Great Lakes • TRICOR Insurance



INTEGRITY LEADERSHIP TEAM

(Pictured, left to right)

Dan Trochil, Vice President, Commercial Lines

Steve Klingemann, Vice President, Personal Lines & Marketing

Jill Wagner Kelly, President

Katey Smith, Vice President, HR & Administration

Christian Martin, Vice President, Claims & Sales

Brent Hammer, Treasurer & Controller

2017 BOARD OF DIRECTORS

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