



INTEGRITY INSURANCE
"in YOUR WORDS"

SERVICE TRUST
RELATIONSHIPS

PRESIDENT'S MESSAGE

We will look back on 2012 as a year filled with milestones accomplished toward achievement of our five-year success plan of greater than \$150 million in Direct Written Premium (DWP) and sustained underwriting profitability by 2016. We couldn't have achieved our results and generated the policyholder value we did without our dedicated independent agents and our associates. We could describe for you in detail what we are working on and how we think we did but instead this year's report is filled with what others are saying about Integrity, "in your words," not ours.

The commitment made by our network of the best independent agents in Iowa, Minnesota and Wisconsin generated a record \$120 million in DWP. Growth was one of many positive outcomes in 2012, with our DWP up by 11.9% and policy counts continuing to increase. This was achieved while managing underwriting returns that delivered an exceptional Net Combined Operating Ratio of 90.7%. Benign weather contributed to this performance; however, the foundation for the result was clearly the high-quality business placed by our independent agency partners and in the execution of our strategic plan. In partnership we delivered our best profitability and growth since 1971.

The basis of our strategic plan is our associate commitment to **Redefine Partnership** with our agents and in turn policyholders. **Redefining Partnership** is explicitly connected to our brand, competitive advantages and long-term financial plan. Since initiating our **Redefining Partnership** strategy in 2011, our new business growth is up 35% and our average agency size has increased nearly 18%. Our strategic focus directly connects our business initiatives to making a positive difference for our agents and policyholders – delivering a higher standard of service, trust and relationship than any other carrier in the marketplace.

We view our 2012 results as a strong endorsement for our **Redefining Partnership** strategy and validation of the strong opportunities for Integrity in our current marketplace. Our regional focus is backed by the financial strength and operational resources of our affiliation with Grange Mutual Casualty Company, a partnership that has benefitted our agents and policyholders for more than 11 years.

Our outstanding performance in 2012 has put us in a great position as we move toward our goal of \$150 million in Direct Written Premium by 2016. Focus remains on balancing this growth with internal efficiencies and responsible underwriting that aligns with our financial stability objectives. In 2013 we expect to further distinguish Integrity from our competitors as we continue to drive our strategy forward.

With gratitude I'd like to recognize Franklin C. Jesse, Jr. who retired from our board of directors in May after a 43 year commitment to Integrity. Franklin and the Jesse family's founding impact have established a position of strength for our organization. Our team of talented and dedicated associates is inspired to live in the legacy of the Jesse family's commitment to serving with the highest level of integrity.

Thank you for your support of Integrity in the past year as we look forward to continued agency and policyholder success in 2013 and beyond.



Joseph F. DiMartino, Ph.D.
President & CEO

BOARD OF DIRECTORS

DOUGLAS P. BUTH
Director

Retired CEO
Appleton

GLENN E. CORLETT
Director

Retired Dean
College of Business
Ohio University

JOSEPH F. DIMARTINO
Director

President & CEO
Integrity Insurance

ROGER A. FORMISANO
Director

Vice President,
Leadership & Strategy
University of Wisconsin -
Madison Medical Foundation

FRANKLIN C. JESSE, JR.
Vice Chairman of the Board
Principal
Gray, Plant, Mooty Law Firm

THOMAS S. STEWART
Chairman of the Board
Instructor
The Ohio State University

THOMAS H. WELCH
Director
President & CEO
Grange Insurance

**REDEFINING
PARTNERSHIP**

Setting the standard



Mike A. & McKenzie D. from
Jensen-Sundquist Insurance Agency

Integrity's Voice of the Customer survey program delivers agent and policyholder feedback to uncover opportunities for improvement as well as highlights what is working well for all of our stakeholders. Feedback received fuels strategic planning and representative quotes, "in your words," are found throughout our report.

Integrity associates and our policyholders hold our agents in the highest regard. Our independent agents are the key linkage between Integrity and policyholders. As a clear extension of the Integrity brand we can be confident that the service, trust and relationships being built with policyholders align with our Integrity values – survey feedback we receive proves that fact.

In order to support our agents, Integrity is committed to providing the latest tools and techniques to foster their success. Starting with great resources in the office and field, we complement their personal touch with technology such as our GAINWeb® quoting platform, instant chat, webinars and regular agent communications.

Policyholder survey feedback from our Voice of the Customer program provides us clear evidence that a primary driver of how a policyholder feels about their insurance experience starts with their local, independent agent. Policyholder surveys confirm high satisfaction and loyalty levels. Comments like these below fill our database. Integrity remains steadfast in our commitment to the best independent agents in Iowa, Minnesota and Wisconsin — our primary means of delivering the highest policyholder satisfaction.



“Barb (agent) is super at her job. I tell people about her skills, friendliness and honesty.” - Gloria S., Policyholder

“I feel like I am treated like immediate family!”

- Christine C., Policyholder

PROTECTING WHAT MATTERS WITH PERSONAL LINES



Policyholders Andy & Melissa O. & family

Personal lines at Integrity in 2012 was truly a success as we continued to strengthen our strong financial position with solid bottom line contributions. Our performance included a Net Combined Operating Ratio of 85.7% driven primarily by focused underwriting initiatives and favorable weather. New business growth was impressive as well, posting an increase of 25.3%, a testament to specific business initiatives and underwriter service level satisfaction.

One of the many highlights of the year was the successful launch of our personal lines package policy, IntegrityOne® in Wisconsin. This product was developed and launched in strong collaboration with our agents, allowing for immediate product success. Enhancements such as higher limits of coverage on firearms and jewelry were built into the product, further enhancing policyholder value.

We trust that our agent and policyholder focus balanced with underwriting diligence will continue to bring success to our personal lines business. Evaluation of our pricing and programs that support policyholder loyalty goals will be a priority in 2013, building on our 2012 success. We are dedicated to helping our agents protect what matters most to their clients.

NET Combined Operating Ratio of **85.7%**

“Service and underwriting team is easy to talk to and almost always available. Quoting screens are easy to maneuver.” - Marilyn H., Agent

“Excellent customer service and ease of doing business.” - Krysta W., Agent

WE HAVE YOU COVERED IN **COMMERCIAL LINES**



Commercial Policyholder Keith L. of Salm Partners, LLC.

+23 POINTS Overall DWP Growth

Our commercial lines business team had a strong performance in 2012, meeting or exceeding all set objectives. Our successful network of independent agents drove growth over 23 points compared to 2011, and our overall Net Combined Operating Ratio finished the year at 97.6%, endorsing our position and business strategy in the marketplace.

Our field and office underwriters supported our agents to provide our wide breadth of coverage solutions. Innovative options such as loss control tools were introduced to offer agents differentiation in the market and to sell agency value through Integrity. These options focused on providing tools to help drive loyalty and provide risk management support to our policyholders. Demonstrating flexibility and customer focus, together we targeted and wrote the best risks at a record pace.

Preparation for the launch of our industry-leading enhanced Businessowners Policy, BusinessAssure™, took center stage during the year with anticipation of a successful March, 2013 debut. Complementing our existing large account solutions, BusinessAssure's expanded classes and state-of-the-art quoting will provide additional small and medium account options for our agency partners as we strive to be the go-to-carrier in the agency for all accounts.

“Personal, committed and a true partner.” - Sam W., Agent

“I have an awesome underwriter and it's so easy to do business with Integrity.” - Nancy B., Agent

REDEFINING PARTNERSHIP – DEFINED

Setting the industry standard for independent agency-carrier partnership based on the depth, strength of commitment, innovation and return on investment of our relationship.

Our focus on **Redefining Partnership** is at the heart of our Integrity strategy. We believe measuring the value of initiatives relative to our **Redefining Partnership** strategy facilitates laser-like focus on the right tactics and will generate the best return on investment for all involved. It is a primary driver in Integrity decision making.

Financial Strength Rating



A Excellent

DEPTH OF PARTNERSHIP

The successful rollout of our **consultative business model** was especially well received by our key agency partners. At the core of this approach are consultative business reviews where we gain depth and proactively engage our agency partners to address local market opportunities and challenges. With this greater focus and dialogue, we more effectively support agency success plans.

Integrity's Relationship-based service model provides a greater level of satisfaction for our policyholders and agents. These high expectations that govern our interactions provide unparalleled response times and service for our policyholders and agents. This **deepens** the trust that Integrity will be there when we are needed the most, the way it should be®.

**REDE
PARTN**
Setting

STRENGTH OF COMMITMENT TO THE PARTNERSHIP

In a partnership, **strength** comes from many different angles and perspectives. At Integrity you don't have to look very far to see clear evidence of our **strong** partnership commitment. It starts with our method of delivering product and service to our regional marketplace, through the independent agent channel. Integrity remains steadfast in our **commitment** to the independent agency – our sole source of delivering products to policyholders.

Organizational **strength** starts at the top. Integrity benefits from a highly energized and experienced leadership team that is focused on policyholders and agents. The team is committed to ongoing engagement with our stakeholders and to that end is very accessible and visible in the marketplace. Direct connections through these **strong relationships** create a clear advantage for Integrity.

Integrity Associate
Survey Results Rank
with

“BEST COMPANIES”
to Work For

INNOVATIVE PARTNERSHIP

For Integrity, **innovation** has played a key role in our success and we expect that to continue in the future. Regional offerings that set us apart include our commercial program opportunities, early lock retention program, rate commitments, key accounts program, innovative bill payment and our comprehensive claims analysis tools.

Delivering a broader package of products to agents and policyholders exemplifies our **innovative** approach to our Midwestern region. We enhanced growth opportunities for agents and offered a valuable product to policyholders in the marketplace in 2012 with our regionally unique non-standard auto offering in both personal and commercial lines through growth of 16.4% for the year.

In 2013 market innovation will continue to be a focus for Integrity. Our new digital marketing initiative will deliver value-added risk management tools to agents and policyholders. Integrity's commercial lines and personal lines blogs will provide our stakeholders with timely educational material designed to solve problems. Promotion of this valuable content will include social media channels and agency opportunities to share directly with their connections. In addition, we will begin to offer a home-office agent training program targeting new producers.

FINING
NERSHIP

ROI OF OUR PARTNERSHIP

An underlying force in any business decision is the **Return on Investment (ROI)**. At Integrity we think it is important to use the same basis to gauge the success of partnerships. We invest in the quality of our relationships and the benefits realized from that process create policyholder value and agent success.

One of the measures of our shared **ROI** comes from our Voice of the Customer survey feedback. Our primary agent loyalty metric, the Net Promoter Score rose almost seven points in 2012, further demonstrating the return that Integrity is generating for agents. A third-party organization, Deep Customer Connections reinforced this conclusion, ranking Integrity a Top Ten company nationally in ease of placing business.

We also measure our success by what we return to our communities. Integrity partners with agencies in the sponsorship of many important causes and special events across our regional footprint. At the company level, our associates volunteer in many ways and we continue to lead our local community in contributions to important non-profit organizations like the United Way.

the standard

For
UNITED WAY FOX CITIES
Donations
Integrity ranks

#1

in: Average Pledge Per Donor
Employee Per Capita Giving
Corporate Per Capita Giving



Our Voice of the Customer survey feedback indicates the primary driver of policyholder satisfaction is their agent experience. This holds true until policyholders have a claim. Once a claim has occurred, our policyholder loyalty is determined by their claims experience – and it resonates for the duration of the relationship.

Integrity understands that our reason for existence is to provide financial protection for our policyholders in their time of need. In claims, this is our opportunity to deliver collective agent-carrier value through a caring, professional, empathetic and efficient response to policyholder need.

Our claims team seeks continuous improvement and review of our processes to ensure we are delivering on our promise in the most efficient way to exceed policyholder expectations. In 2012 we saw improvement in customer service performance and 92% of our policyholders demonstrated their loyalty by indicating they were likely to renew their policy with Integrity following their claims experience.

92% are likely to renew after a claim

POLITE FAMILY-LIKE QUICK HONEST WILLING
COMMITTED EASE **SERVICE** BEST PE
E RELATIONSHIPS POLITE FAMILY-LIKE QUICK
TRUST PLEASANT COMMITTED EASE SERV
LE HASSLE-FREE RELATIONSHIPS POLITE F
ELPFUL FANTASTIC TRUST PLEASANT COM
LE APPROACHABLE HASSLE-FREE RELATION
NEST WILLING HELPFUL FANTASTIC TRUST
EST PERSONABLE APPROACHABLE HASSLE-F
E QUICK HONEST WILLING HELPFUL FANTA
ABLE COMMITTED EASE SERVICE BEST PERS
POLITE FAMILY-LIKE QUICK HONEST WILLING
COMMITTED EASE SERVICE BEST PE

“I like the fact that your employees are so friendly and understanding and they are helpful and willing to email you information several times if necessary.” - Aaron K., Policyholder

“Simple, rapid claims response. No hassles.”

- Jillian F., Policyholder

BOARD OF AGENTS - PARTNERING FOR SUCCESS

Agents are our primary partners in providing unsurpassed protection to our policyholders. Our Board of Agents invests significant time and energy in providing our executive team with feedback and ideas that develop and sustain our successful position in the regional marketplace. We appreciate the contributions made by the 2012 Board of Agent members.

COMMERCIAL

WISCONSIN COMMERCIAL LINES

Mike Ansay, Ansay & Associates, LLC
Jerry Couri, Couri Insurance Agency
Mike Harrison, R&R Insurance Services

MINNESOTA COMMERCIAL LINES

Lori Malavsky, Winona Agency
Steve Carey, Martin-Financial Services, Inc.

IOWA COMMERCIAL LINES

Steve Schomaker, Brummel, Madsen & Associates, Inc.
Marc Engels, Mel Foster Company Insurance

PERSONAL

WISCONSIN PERSONAL LINES

Brian Hottmann, Schwarz Insurance Agency, Inc.
Mike Alderman, Jensen-Sundquist Insurance Agency
Brian Schmitz, CRW Insurance & Financial Services
Jack Novak, Novak Agency, Inc.

MINNESOTA PERSONAL LINES

Al Bier, The Gladwin Agency
Rob Owens, Owens Agency, Inc.

IOWA PERSONAL LINES

Paul Kern, Paul Kern Insurance Agency
Bill Pratti, The Dana Company

“The board of agents is just one way Integrity listens to their agents and makes adjustments based on what is learned.”

- Cathy Beaudin,
Director of Agency Relations

LEADERSHIP CIRCLE - THE PINNACLE OF PARTNERSHIP

Leadership Circle

Recognizing our best-performing agency partners has been an ongoing tradition at Integrity Insurance. This group of agencies, our Leadership Circle, has demonstrated an especially strong commitment to Integrity and contributed significantly to our success. Congratulations to our 2012 Leadership Circle agencies.

WISCONSIN

Ansay & Associates, LLC
Couri Insurance Agency
CRW Insurance & Financial Services
De Smet Agency, Inc.
First Associated Insurance Agencies, Inc.
Holden Insurance Agency
Jensen-Sundquist Insurance Agency
Nolan Insurance Agency
Novak Agency, Inc.
R&R Insurance Services
Schwarz Insurance Agency, Inc.
Smith & Hatch Insurance Agency, Inc.
TRICOR Insurance & Financial Services
Westland Insurance Services

MINNESOTA

Insurance Advisors, Inc.
Reliable Agency, Inc.

IOWA

Brummel, Madsen & Associates, Inc.
The Dana Company
Mel Foster Company Insurance
Swanson Insurance

“Leadership Circle benefits allow agents to drive even higher value for policyholders.”

- Brad Kelly,
VP of Sales and Marketing

INTEGRITY EXECUTIVE LEADERSHIP TEAM AND OFFICERS



(l. to r.): Cindy Heindel, VP of Human Resources and Administration; Christian Martin, VP of Claims; Joseph DiMartino, President & CEO; Steve Klingemann, VP of Personal Lines; Brent Hammer, Controller; Brad Kelly, VP of Sales and Marketing; Jill Stache, VP of Commercial Lines

“Approachable.” - Stanley M., Policyholder

“They are honest.” - Thomas H., Policyholder

“Professional and knowledgeable people with whom to work.” - Cindy M., Agent

FINANCIAL RESULTS

BALANCE SHEET

(DOLLARS IN THOUSANDS)

DEC. 31, 2012 DEC. 31, 2011

ADMITTED ASSETS

BONDS	\$ 55,054	\$ 51,032
STOCKS	11,504	9,778
REAL ESTATE	1,578	1,764
CASH AND SHORT-TERM INVESTMENTS	4,173	4,068
AGENTS' BALANCES/PREMIUM DUE*	7,793	7,341
ACCRUED INVESTMENT INCOME	465	442
OTHER ASSETS*	5,151	4,764
TOTAL ADMITTED ASSETS	\$ 85,718	\$ 79,189

LIABILITIES & POLICYHOLDERS' SURPLUS

RESERVE FOR LOSSES AND LOSS EXPENSES*	\$ 20,280	\$ 20,305
UNEARNED PREMIUMS*	16,568	15,635
ACCRUED EXPENSES, ACCOUNTS PAYABLE AND OTHER LIABILITIES*	8,633	7,373
TOTAL LIABILITIES	45,481	43,313
POLICYHOLDERS' SURPLUS*	40,238	35,876
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 85,718	\$ 79,189

DEC. 31, 2012 DEC. 31, 2011

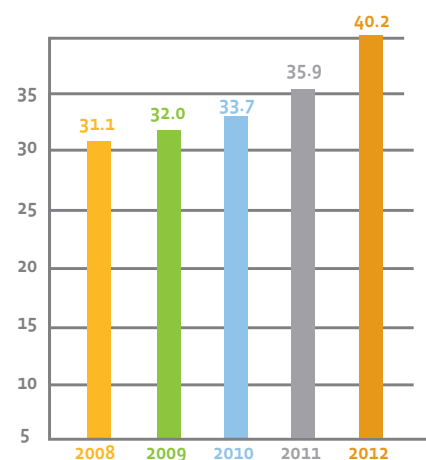
STATEMENTS OF INCOME

PREMIUMS EARNED*	\$ 41,387	\$ 41,740
LOSSES*	(24,010)	(25,082)
LOSS ADJUSTMENT EXPENSES*	(4,550)	(4,342)
OTHER UNDERWRITING EXPENSES*	(13,328)	(13,046)
NET UNDERWRITING GAIN (LOSS)	(501)	(730)
NET INVESTMENT AND OTHER INCOME*	3,530	3,212
DIVIDENDS TO POLICYHOLDERS*	(126)	(122)
FEDERAL INCOME TAXES	(302)	(399)
NET INCOME	\$ 2,601	\$ 1,961

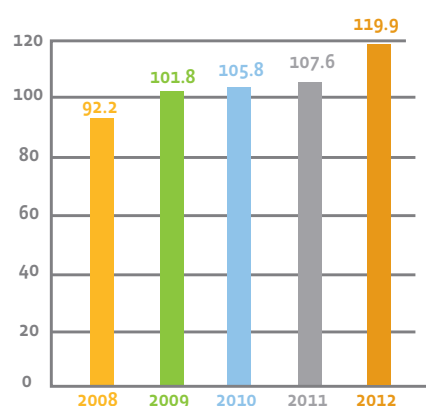
DEC. 31, 2012 DEC. 31, 2011

STATEMENTS OF CHANGE IN SURPLUS

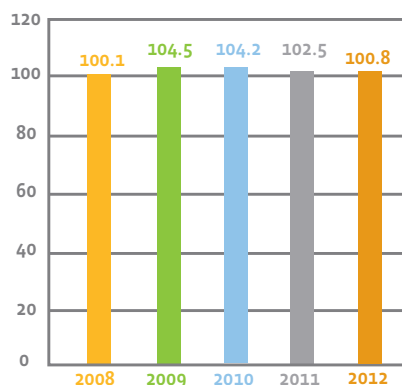
POLICYHOLDERS' SURPLUS		
BEGINNING OF YEAR	\$ 35,876	\$ 33,737
NET INCOME*	2,601	1,961
CHANGE IN UNREALIZED GAINS	1,397	487
CHANGE IN NET DEFERRED INCOME TAX	(376)	(197)
CHANGE IN NON-ADMITTED ASSETS*	291	579
CHANGE IN MINIMUM PENSION LIABILITY	450	(690)
POLICYHOLDERS' SURPLUS, END OF YEAR	\$ 40,238	\$ 35,876



SURPLUS*
DOLLARS IN MILLIONS



DIRECT WRITTEN PREMIUM
DOLLARS IN MILLIONS



COMBINED RATIO*

*Represents Pooled Results

THE WAY IT SHOULD BE®.

Integrity Insurance established in 1933 and is based in Appleton, Wisconsin. Integrity offers auto, home and business insurance through a network of independent agents in Iowa, Minnesota and Wisconsin. With an affiliate partner Grange Insurance based in Columbus, Ohio, the enterprise has \$2 billion in assets and \$1 billion in annual revenue and holds an AM Best rating of "A" Excellent.

For more information, visit www.integrityinsurance.com.



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