



# LOOKING BACK AND MOVING FORWARD

2019 ANNUAL REPORT

**encova**  
INSURANCE

# EXECUTIVE MESSAGE

As this year will be marked as a year no one in our lifetime will ever forget because of COVID-19, last year was also historic for Encova Insurance. After our affiliation in 2017, Motorists Insurance Group and BrickStreet Mutual Insurance Company re-entered the marketplace as one company: Encova Insurance. This was accomplished and driven by the leadership of our Executive Chairman, Greg Burton, and the other members of our Boards of Directors. As Encova, we are now a top 20 mutual insurance carrier with over \$4 billion in assets. We are currently rated A- by A.M. Best, the leading provider of insurance ratings.

As I reflect on last year's milestones, one that stands out is the retirement of former Encova CEO Dave Kaufman. Dave worked for Motorists Insurance Group for 33 years prior to his retirement, positioning the company to be a leader in the marketplace for years to come. We thank him for his service and dedication, which both continue as he serves on our board of directors.

As Encova, **we continue to be a leader in the world of insurance technology.** With the implementation of the Guidewire platform, we are now live with our state-of-the-art commercial lines solution in 16 states. We've built on that success and are preparing to launch our new personal lines solution on the same platform in summer 2020, and our workers' compensation solution remains on the highly customized PowerSuite platform. We remain committed to our policyholders and agents, and these innovative solutions make it easier for them to do business with us.

We also remain committed to the Encova 360° workers' compensation model. Workers' compensation remains our largest profit center. As we continue to market ourselves to our agents as a one-stop-shop solution to insurance needs, we anticipate our book of business to continue its profitable growth in all four profit centers, workers' compensation, commercial lines, personal lines and life. Our planned written premium, surplus growth and net income all surpassed our plans and expectations for 2019. We also managed to produce combined and expense ratios much better than budgeted. Our surplus and strong balance sheet position us for profitable growth for years to come.

Although our name has changed, our commitment to the communities we serve has not. We remain financially invested through contributions from the Encova Foundation of Ohio and the Encova Foundation of West Virginia, as well as the countless donations and volunteer hours of our associates. We've dedicated time and resources to combatting the opioid epidemic that is hitting our communities, focusing on organizations like the Ohio Opioid Education Alliance and Rea of Hope.

2019 was the start of a brand-new journey for Encova. As we take a moment to reflect on the past year and our successes, we know that it will serve as a solid foundation for what's to come.

**Looking back, we're excited to move forward into the new decade.**



A handwritten signature in black ink that reads "Thomas J. Obrokta Jr." in a cursive script.

**TJ Obrokta Jr.**  
President and CEO

# WHO WE ARE

After affiliating in 2017, Motorists Insurance Group and BrickStreet Insurance became Encova Mutual Insurance Group on July 12, 2019.

Bringing our two companies together allowed us to develop an all-encompassing new brand that gives agents and policyholders a comprehensive solution to provide peace of mind for every step in life's journey. Our superior financial strength, cutting-edge technology, local expertise, one-stop-shop capabilities and 360° workers' compensation model set us apart in the marketplace.

"Encova" is a combination of many words important to our industry, and it captures our journey to become one company. The "en" that begins the name is reminiscent of words of security like envelop, encircle and encompass. This is followed by "co" and "cov," which inspire thoughts of cooperation and coverage. The "c" and "o" at Encova's center join together and sweep around like an infinity sign as a visual reinforcement of the idea that we encircle businesses and individuals with coverage for all aspects of their lives. Finally, the "a" represents our commitment to the independent agent distribution channel, which is core to our operating philosophy.

While these words and ideas helped shape our new name, we know our success still comes from the trusting relationships we have built with our agents and policyholders.

**We are Encova Insurance.**





# SMART TECHNOLOGY

At Encova, we strive to be leaders in the world of insurance. We know that technology is the future of insurance, and our smart solutions set us apart in the marketplace.

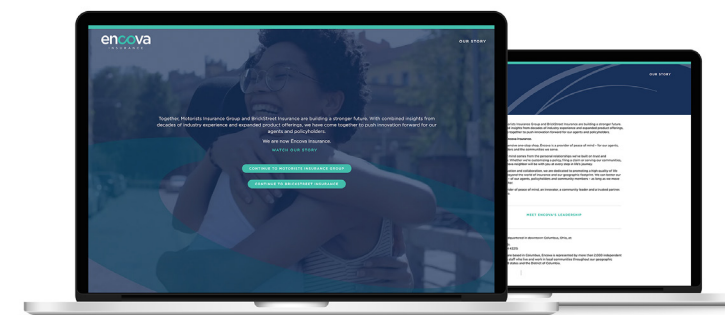
In October 2019, we were recognized as an IVANS Digital Insurer for our application of IVANS servicing and distribution solutions in our innovative commercial lines company. IVANS awarded Encova with the Gold Award in Commercial Lines, ranking us first among all carriers nationwide.

Our independent agents are the core of our business. Our state-of-the-art commercial lines solution, built on Guidewire, launched in 2017 and supports our new business operating model, enhanced products and organizational structure. With strategic consult provided by PwC, we integrated dozens of systems to create a brand-new commercial lines experience for our agents and policyholders. The ultimate goal was to create an easier way to do business for our agents.

Since launching, Encova now writes over \$280 million in commercial lines premium on the new platform, and will have our entire \$380 million commercial lines book on the platform later this year. Our commercial lines solution is available to independent agents in 16 states of our footprint.

“It is always an honor to be recognized for our innovative solutions in front of our peers. Today’s market presents an exciting time for insurance companies, and this success affirms our commitment to improving the customer experience,” Encova Executive Vice President and Chief Information Officer Tony Laska said.

In addition to our commercial lines transformation, our \$430+ million workers’ compensation book is written on our state-of-the-art workers’ compensation platform, PowerSuite. Upon completion of our personal lines conversion onto Guidewire, which will begin to roll out this summer in select states, our entire \$1.1 billion book of business will sit on modern, state-of-the-art systems offering industry-leading, ease-of-doing-business features to our agents.



# SUPERIOR FINANCIAL STRENGTH

## Encova Insurance

| ASSETS                              | 2019               | 2018               |
|-------------------------------------|--------------------|--------------------|
| Bonds                               | \$2,798,321        | \$2,736,121        |
| Stocks                              | \$620,384          | \$498,665          |
| Cash and short-term securities      | \$124,866          | \$129,659          |
| Premium Receivable                  | \$378,826          | \$347,660          |
| Partnerships and joint ventures     | \$143,381          | \$126,262          |
| Current and net deferred tax assets | \$98,527           | \$103,547          |
| Real estate                         | \$64,632           | \$65,153           |
| Other assets                        | \$107,735          | \$127,896          |
| <b>Total assets</b>                 | <b>\$4,336,672</b> | <b>\$4,134,963</b> |

| LIABILITIES & SURPLUS                 | 2019                  | 2018                  |
|---------------------------------------|-----------------------|-----------------------|
| Losses and loss expenses              | \$1,853,936           | \$1,829,849           |
| Unearned premiums                     | \$503,060             | \$488,136             |
| Retiree benefit obligation            | \$44,837              | \$45,523              |
| Other unpaid expenses                 | \$129,928             | \$133,914             |
| Unpaid policyholder dividends         | \$1,750               | \$4,619               |
| Other liabilities                     | \$151,260             | \$172,941             |
| <b>Total liabilities</b>              | <b>\$2,684,771.00</b> | <b>\$2,674,982.00</b> |
| Policyholder security                 | \$1,651,901           | \$1,459,981           |
| <b>Total liabilities and security</b> | <b>\$4,336,672.00</b> | <b>\$4,134,963.00</b> |

# STATEMENT OF OPERATIONS

(in thousands)

| SUMMARY OF OPERATIONS             | 2019            | 2018             |
|-----------------------------------|-----------------|------------------|
| <b>Net Earned Premium</b>         | \$1,076,229     | \$1,086,772      |
| <b>Underwriting profit/(loss)</b> | \$(24,774)      | \$(9,677)        |
| <b>Combined Ratio</b>             | 101.8%          | 101.1%           |
| <b>Net Investment gain/(loss)</b> | \$107,665       | \$106,005        |
| <b>Net Income</b>                 | <b>\$98,949</b> | <b>\$130,237</b> |



# SUPERIOR FINANCIAL STRENGTH

## Motorists Life

| ASSETS                                 | 2019             | 2018             |
|--|------------------|------------------|
| Bonds                                  | \$510,795        | \$514,007        |
| Stocks                                 | -                | \$14,586         |
| Cash and short-term securities         | \$28,804         | \$16,594         |
| Other invested assets                  | \$9,000          | -                |
| Contract loans                         | \$16,952         | \$16,408         |
| Premiums receivable                    | \$16,916         | \$16,824         |
| Interest and dividends due and accrued | \$4,791          | \$4,988          |
| Other assets                           | \$8,249          | \$6,974          |
| <b>Total assets</b>                    | <b>\$595,507</b> | <b>\$590,381</b> |

| LIABILITIES AND SURPLUS               | 2019             | 2018             |
|---------------------------------------|------------------|------------------|
| Policy reserves                       | \$500,732        | \$501,876        |
| Statutory reserves                    | \$4,215          | \$3,692          |
| Claims payable                        | \$3,724          | \$3,927          |
| Other liabilities                     | \$13,495         | \$12,435         |
| <b>Total liabilities</b>              | <b>\$522,166</b> | <b>\$521,930</b> |
| Capital and security                  | \$73,341         | \$68,451         |
| <b>Total liabilities and security</b> | <b>\$595,507</b> | <b>\$590,381</b> |

# STATEMENT OF OPERATIONS

(in thousands)

| SUMMARY OF OPERATIONS                 | 2019            | 2018             |
|---------------------------------------|-----------------|------------------|
| Premiums and contract considerations  | \$45,577        | \$156,007        |
| <b>Total Income</b>                   | <b>\$72,260</b> | <b>\$180,667</b> |
| Benefits and expenses                 | \$68,675        | \$173,110        |
| <b>Net income from Operations</b>     | <b>\$3,585</b>  | <b>\$7,557</b>   |
| <b>Net profit/loss</b>                | <b>\$7,742</b>  | <b>\$5,603</b>   |
| <b>Change in capital and security</b> | <b>\$4,890</b>  | <b>\$(166)</b>   |



# ONE-STOP SHOP

When Motorists Insurance Group and BrickStreet Insurance affiliated in 2017, we knew we could do more together as one company than either could do alone. This led to our commitment to the one-stop-shop model. Through our independent agents, we can provide leading coverage for every step in our policyholders' life journey.

Our associates have worked together in remarkable ways; their constant communication and opportunistic mindsets create cross-selling opportunities and provide a complete package for our policyholders. Our sales teams tell our company story, both in terms of our history and our products and opportunities. "We never miss opportunities to ask for the cross-sell," District Sales Manager Nate Frandsen said. "Never. It is second nature now."

**With this attitude in mind, we have been able to better serve our agents by giving them complete packages to sell to their clients.**

We've had numerous examples of cross-sell successes. Recently, with the help of our independent agency, we wrote a complete package for a manufacturing company, including auto, general liability, property, inland marine, umbrella and workers' compensation, for a total premium of \$114,180. Another recent success came from a distribution company, whose agent helped us to write a commercial package policy, with umbrella and workers' compensation, for a total premium of \$216,213.

**In total, we cross sold nearly \$32 million of new business between product lines in 2019.**

Our one-stop shop makes it easier for our agents to do profitable business with us. We can do more as Encova for our agents and our policyholders.





## CUSTOMER SERVICE

Early in 2019, we launched an automated customer experience survey for claimants. This ongoing opportunity to engage our customers and assess the overall claims handling experience gives us the ability to identify specific claims for one-on-one problem resolution and identify areas for improvement in various aspects of the customer experience.

**Our goal is to provide superior customer service for our agents and policyholders.**

Through the partnership of our Claims and Customer Experience teams to collect real-time data and feedback from our customers, we're ensuring we are perpetually in touch with our customers and meeting their needs. We believe that giving customers a voice builds trust and value, keeps them front and center and ensures our focus remains on being a trusted and responsive carrier.

Since the launch of the survey, we've been able to track and measure progress toward our customer service goals, improve performance, drive results and grow the loyalty and retention of our customers. We look forward to maintaining this feedback loop and continuously improving our service.

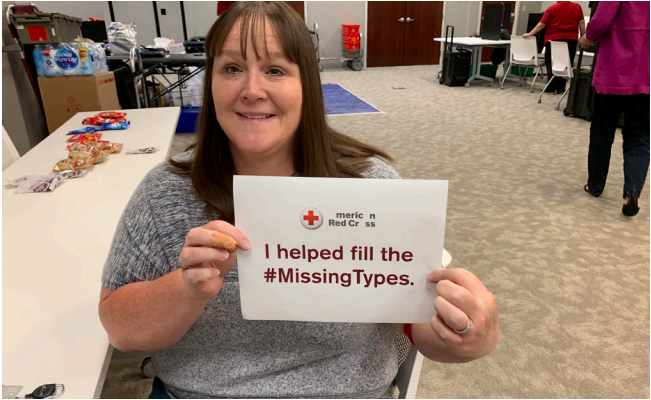


# COMMUNITY INVOLVEMENT

This year we introduced our new annual community involvement campaign: Encova Impact. The goal of the campaign is to raise funds and awareness for a cause across our entire organization. For our first campaign, we chose to focus on the opioid crisis and its impact on our communities.

West Virginia and Ohio are the top two states impacted by the opioid crisis, and the epidemic continues to affect the communities in which we serve. Throughout August and September, we teamed up with United Way and local organizations that are dedicated to fighting the epidemic.

Including a company match, **Encova raised \$394,152.16 for our communities.** In addition, we hosted item drives to benefit the organizations local to our offices, including Amethyst in Columbus and Rea of Hope in Charleston. Although Encova Impact only happens once a year, our associates are dedicated to our communities year-round, and we couldn't be more proud of the impact they have.



# DIVERSITY AND INCLUSION

In 2018 we launched associate resource groups, and in 2019 they really came to life. These voluntary, associate-driven groups are organized around a shared or common diversity dimension and give associates opportunities for professional development and community involvement. In 2019, we had six active associate resource groups.

## A-PARENT (WORKING PARENTS)

The vision of the A-PARenT group is to build a foundation that fosters strong work performance while also addressing parental priorities. The group is centered around encouragement and strengthening the success of associates, families and the organization by creating a network that shares resources so no parent feels isolated, unsupported or ill-equipped while dealing with the challenges of parenthood. In 2019, the group focused on the opioid epidemic and its impact on adolescents. This included hosting a panel of addiction specialists that came in to discuss childhood addiction.

## ASIAN PACIFIC ISLANDER

The Asian Pacific Islander group is dedicated to our associates who share this common diversity dimension. Along with celebrating Asian American and Pacific Islander Heritage month in May, the group hosted a Diwali celebration in October. The event featured a lesson about the history of Diwali, traditional Indian singing and dancing, the opportunity for associates to receive Mendhi tattoos and traditional Indian food. As one of our most popular events of the year, the group was even able to get senior leadership involved in a dance.

## DIVERSITY AND INCLUSION (AFRICAN AMERICAN)

The goal of the diversity and inclusion associate resource group is to encourage, empower and enlighten associates as they seek mentorship, leadership and advancement while networking with internal and external resources. The group brought in numerous speakers throughout the year including an inclusive leadership panel that featured board member Yvette McGee Brown. The group also hosted an item drive to benefit Smooth Transitions, an organization started by former Ohio State University defensive back Donald Washington.

## MAKING HERSTORY

The Making HerStory associate resource group seeks to connect, empower and inspire women in our organization. The group brought in several speakers throughout 2019, including our own board member Sandra Harbrecht. In addition, they began working with Dress for Success Columbus, an organization dedicated to empowering women to achieve economic independence by providing a network of support, professional attire and the development tools to help women thrive in work and life. The group sent volunteers to support that mission.

## MILITARY APPRECIATION GROUP

The Military Appreciation Group exists to support veterans, their families and friends. Throughout 2019, they raised awareness and support through item drives to support our military. In October, the group hosted an item drive to send care packages and letters to our military. With donations and volunteered time from our associates, we helped send over 400 care packages to active duty military.

## MOSAIC (LGBTQ+)

The Mosaic associate resource group led the company in our first Pride Parade in June 2019, using the outing as a fundraiser for Kaleidoscope Youth Center. In addition to sending volunteers to Kaleidoscope Youth Center, proceeds from the Pride Parade t-shirts were donated to the nonprofit. In addition, the group hosted numerous inspiring leaders at the offices, including City Council president Shannon Hardin and worked to improve Encova's Human Rights Campaign's Equality Index. As a result of their work, Encova's score is now 80%.

## NEXT STEP (YOUNG PROFESSIONALS)

The Next Step associate resource group brings together professionals of all ages and experience levels to grow and solve problems through collaboration. In 2019, the group hosted Dr. Patricia Hicks to discuss "Achieving Goals Fast: A Few B.E.S.T Tips." Attendees learned about her four characteristics that facilitate extraordinary results.

The background features a dark blue color scheme with a faint image of hands holding a globe. Overlaid on the left side are several thick, teal-colored curved lines that sweep across the frame. The text 'encova' is centered in a white, lowercase sans-serif font, with the 'c' and 'o' in teal. Below it, the word 'INSURANCE' is written in a smaller, white, uppercase sans-serif font with wide letter spacing.

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