

2012 Annual Report





They say little things mean a lot. That's certainly true here at West Bend. On any given day, West Bend associates anticipate and fulfill our customers' needs in a variety of ways. It's these day-to-day activities that drive our success because one by one, step by step, that's how we reach and exceed our goals ...



In last year's annual report, I addressed our need to change. At the same time, I shared my belief that "slow and steady wins the race". After all, consistency is critical to our long-term success.

That philosophy guided us through 2012, and I'm pleased to report it was a winning year for West Bend Mutual Insurance Company. I applaud my fellow associates for balancing the need to change with an environment of consistency. What makes West Bend consistent are the hundreds of little things our associates do every day to make the service experience the best it can be for our agents and policyholders. All of these little things lead to larger accomplishments, and are the foundation of our company's success.

Success at West Bend occurred on the top and bottom lines in 2012. We worked hard to offer competitive products and services for much of the business our agents write. Add to that a strong service proposition, and the result is healthy growth in all four of our production divisions. NSI, our specialty production division, led the way with direct written premium growth of 12.4%. Commercial Lines and Personal Lines increased their top lines 9.1% and 6.6% respectively. Finally, our newest production division, Argent, which specializes in large monoline workers' compensation, ended the year at \$41 million, an increase of 86.8%.

I'm proud to share that West Bend set a record with \$135 million of new business in 2012! We thank our agent partners for providing us with many opportunities to write this business.

Even more important were the bottom-line results delivered by our associates. While the industry is predicted to finish 2012 with a combined ratio between 103% and 105%, West Bend fared much better at 94.8%. This excellent result, along with strong investments and returns, produced a surplus gain of \$65.9 million! Our excellent 2012 results only add to our strong financial position, and allow us to continue to aggressively grow our company in the future.

We all know products, pricing, and technology can, and will, be quickly duplicated. There is, however, one sustainable competitive advantage at West Bend, and it is people: our associates' commitment to excellence, the outstanding group of independent agents who represent West Bend, and the strong relationships that exist between them. And all of these are extremely difficult, if not impossible, to duplicate.

A company vision is often described as a journey. Our vision at West Bend is to be the company of choice for our associates, agents, and policyholders. I thank our associates who are committed to this journey. I thank our agent partners for making West Bend their company of choice. Finally, I thank our policyholders, the owners of our company, for providing us with the opportunity to provide them with peace of mind through sound insurance and exceptional service.

A handwritten signature in black ink, reading "Kevin Steiner". The signature is written in a cursive, flowing style.

Kevin A. Steiner, CPCU
President & Chief Executive Officer



Kevin Steiner
President & CEO

It's the regional sales manager who shows you the best way to spend co-op ad dollars.

It's the Mail Room technician who makes sure the urgent overnight delivery gets out on time.

It's the underwriter who reviews an app, then underwrites the policy the same day so you can deliver the good news to your customer.

It's the **DirectConnect**® representative who empathetically walks a nervous customer through the claims process.

It's the Information Technology network engineer who quickly diagnoses and fixes a computer glitch so your underwriter can continue to process that big renewal.

It's the agency automation representative who patiently walks a CSR through the download process.

It's the Landscaping staff who plows the roadways and parking lots in the wee hours of the morning to ensure the safety of West Bend associates and guests.

It's the auto damage appraiser who gets the call about a fender bender and meets your customer, assesses the damage, and issues a check ... the same day.

It's every West Bend associate who, day after day, lives our core values:

Excellence. Integrity. Responsibility.

When our customers need us, it may not be a disaster. In fact, it usually isn't. But whether the need is big or small, you and your customers always deserve the best service. The things we do every day at West Bend help you do your best for your customers, your staff, and your agency. And when you do your best, we do our best.

Excellence • Integrity • Responsibility

2012 Successes ...

Written premium increased by 9.1%, much of it in retail, service, and manufacturing.

Rate increases of more than 4% on renewals were successfully managed, while attaining strong policy retention of 83%.

\$47 million in new business.

Underwriters were aligned to play to their strengths in writing small, middle market, and large accounts.

Wrote more than 40% of the business quoted.

COMMERCIAL LINES



Increased written premium by 6.6%.

Wrote 14,062 new Home and Highway® policies.

Policy retention of 92.1%.

Implemented a new rating environment that allows for a more nimble rate change environment going forward.

Implemented new weather-mitigating methodologies for roof coverage, as well as rating roofs by age and material.

PERSONAL
LINES



Increased written premium by 12.4% to \$177 million.

Property/casualty premium grew 12.5% to \$165 million.

Increased bond premium by 13.2% to \$11.3 million.

Wrote 62% of the business quoted.

Policy retention of 92.5%.

Cultureofsafety.com had more than 4,200 visits each month.

NSI



Written premium increased 86.8%.

Increased the number of agencies with which Argent writes business by 53%.

Increased the number of agencies with \$500,000 or more in premium by 88%.

Policy retention of 96.6%.

Policy submissions increased 45% from 2011.

ARGENT

Little things really do mean a lot.
And every day West Bend associates
do thousands of them to create a
service experience for you and your
customers that's second to none.

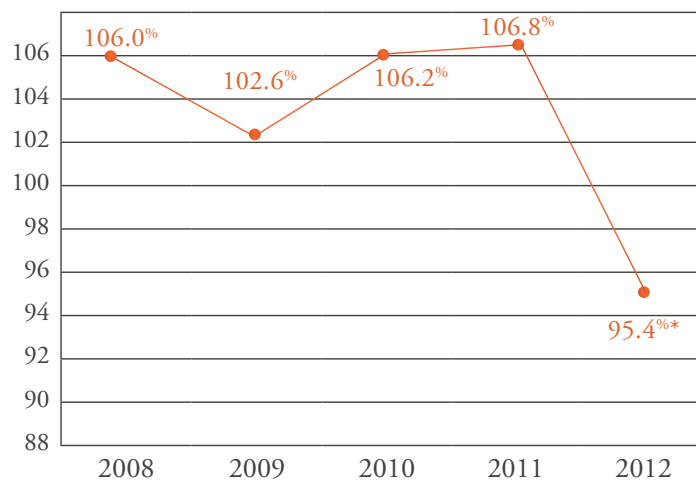


Financial Results

(statutory basis — thousands)

| | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
| Direct Written Premium | \$794,868 | \$706,698 |
| Net Premium Written | \$726,724 | \$656,221 |
| Underwriting Profit <Loss> | \$20,764 | \$(42,288) |
| Net Investment Income | \$43,153 | \$45,312 |
| Realized and Unrealized Gains <Losses> on Investments | \$24,164 | \$(1,044) |
| Net Income | \$60,311 | \$20,098 |
| Total Surplus Increase from Operations | \$65,918 | \$5,601 |

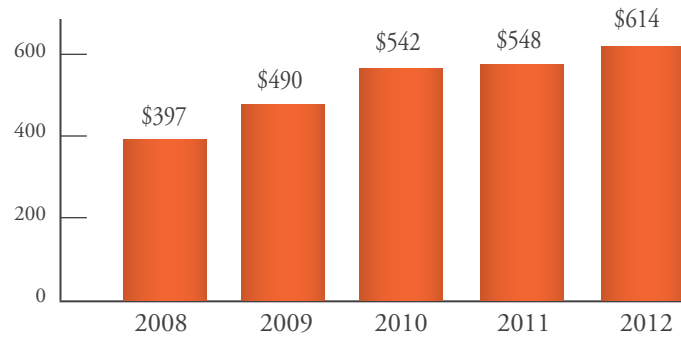
Combined Ratio



*Includes assumed reinsurance



Policyholders' Surplus (millions)



Assets (millions)





