

*a Winning Year*

ANNUAL REPORT

2017



Best Places to Work in Insurance § Top Workplace § Top Corporate Contributors List  
40 Best Workplaces in Finance and Insurance § Silver Workplace Health Achievement  
WELCOA Gold § Deloitte Wisconsin 75 § Ward's 50 List



*Quinn A. Steiner*

**2017 WAS A VERY CHALLENGING YEAR FOR THE PROPERTY/CASUALTY INSURANCE INDUSTRY.** Natural disasters and catastrophic storms were in the headlines nearly every month. The disasters caused over \$300 billion in total damage.

West Bend Mutual Insurance Company also experienced a record number of catastrophe storm losses. These storms created many opportunities for our claims associates to provide a “Silver Lining” experience for our policyholders. I’m pleased to report that despite the record number of losses, 95% of policyholders who experienced a claim would refer West Bend to a family member or friend.

Given the significant amount of incurred loss from storms, one would expect that 2017 was a financially-difficult year for West Bend. I’m happy to report that’s not the case. Thanks to our reinsurance partners and the diversification of our company, West Bend produced an outstanding combined ratio of 93.8%, a result that will be significantly less than the overall industry’s. And while all of our profit centers performed admirably this past year, our Commercial Lines division led the way with an exceptional combined ratio of 85.2%

West Bend also continues to build financial strength with a \$94 million increase in policyholder surplus. This contributed to achieving a very significant milestone in 2017... recording more than \$1 billion of surplus! This growth equates to a return on surplus of almost 10%.

Despite the many challenges the industry faced in 2017, the insurance marketplace remained very competitive. And that makes the increase in West Bend’s direct written premium - 7.1% to \$1.119 billion - particularly rewarding. This includes a record \$168 million of new business. All four profit centers – Personal Lines, Commercial Lines, Argent, and NSI – exceeded their growth goals.

Our dedicated associates and loyal independent agency partners remain our greatest asset. I thank our 1,250 associates and more than 1,500 independent agency partners for their commitment to excellence. It’s only because of their combined efforts that West Bend is recognized as one of the very best property/casualty insurance companies in the United States. With a five-year combined ratio of 95% and a five-year compound annual growth rate of 8.5%, West Bend significantly exceeds industry results, certainly placing us in the top quartile of property/casualty insurance companies.

West Bend truly is a special company. We’re proud to provide our associates with a “best place to work.” We’re proud of the special relationships we share with our independent agent partners. And as a mutual insurance company, we’re proud to protect the valuable property of our policyholders/owners. You have my commitment that West Bend will continue to work hard to be the company of choice for all of them.

# AT WEST BEND, WE'RE PROUD OF THE RECOGNITION WE EARNED IN 2017:

Best Places to Work in Insurance by *Business Insurance*  
Top Workplace by the *Milwaukee Journal Sentinel*  
40 Best Workplaces in Finance and Insurance by *Fortune Magazine*  
Silver Workplace Health Achievement by the *American Heart Association*  
WELCOA Gold (*Wellness Council of America*)  
Top Corporate Contributors List by the *Milwaukee Journal Sentinel*  
Deloitte Wisconsin 75  
Ward's 50 List

Attracting and retaining talent is vital to our success. That's why being named a **Best Place to Work**, a **Top Workplace**, and a **40 Best Workplaces in Finance and Insurance** are great honors. It is, however, our associates' engagement and satisfaction that means so much more. Without them, our business wouldn't reach the level of success we've enjoyed for decades, our culture wouldn't be one of the most well-regarded in our community and our industry, and West Bend would not be known as The Silver Lining®.

Protecting and enhancing the health and well-being of every associate is vital to our success and are ingrained in our culture. That practice is recognized with the **Silver Workplace Health Achievement** and **WELCOA Gold** because of associates who value their health and work hard to stay healthy.

The health and well-being of our communities is also essential at West Bend. Being named to the **Top Corporate Contributors List** is recognition of that. Through the West Bend Mutual Insurance Charitable Fund and the Independent Agents' Fund, West Bend presented grants totaling more than \$1,000,000 in 2017. We know that when our communities prosper, we all live and work in a better place.

As a **Deloitte Wisconsin 75**, West Bend is recognized for the contributions our company made to Wisconsin's economy. As a member of the **Ward's 50 List**, West Bend is recognized as one of the top-performing companies of the nearly 3,000 property-casualty insurance companies domiciled in the United States.

While we value this recognition, it's the performance of our company that matters most, particularly in a year of record catastrophic losses. Despite 13 storms totaling \$123 million in losses, West Bend finished 2017 with a 93.8% combined ratio. Thoughtful planning, strong performance of our four profit centers, favorable reserve development, and sound reinsurance protection resulted in 2017 being a very profitable year in which we wrote a record \$168 million in new business and grew 7.1%. Total direct written premium now stands at nearly \$1.2 billion and \$94 million was added to surplus.

All of us at West Bend are proud of the recognition we received in 2017. More importantly, we're proud of dedicated, hardworking, and healthy associates; a commitment to supporting our valued communities; and careful planning and decision-making that leads to success.



**WELCOA**  
WELL WORKPLACE GOLD

Top Corporate Contributors List  
Deloitte Wisconsin 75

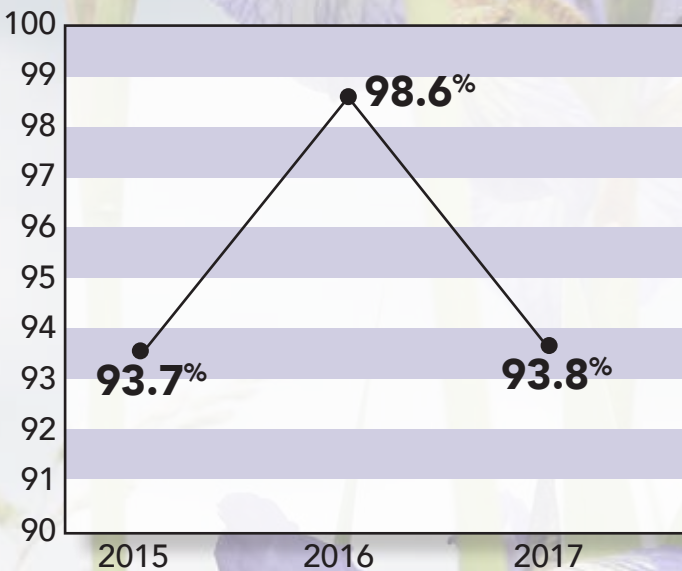


# FINANCIAL RESULTS

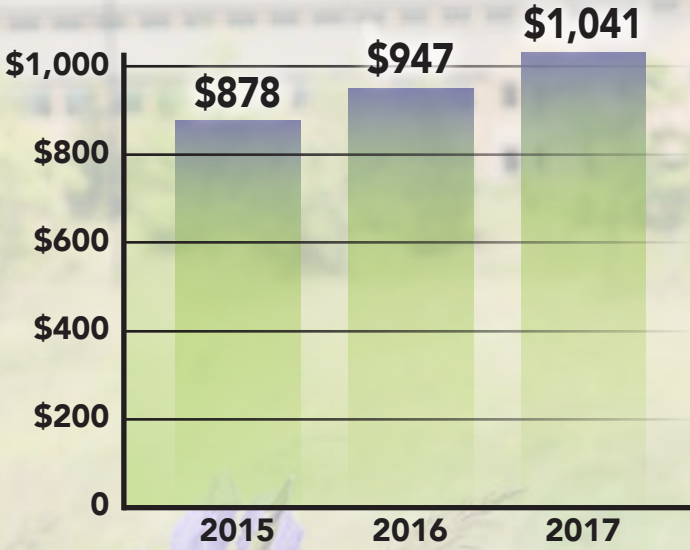
(STATUTORY BASIS – THOUSANDS)

	2015	2016	2017
Direct Written Premium	\$1,057,469	\$1,115,054	\$1,193,688
Net Premium Written	\$960,534	\$1,016,122	\$1,091,965
Underwriting Profit Before Policyholder Dividends	\$68,197	\$26,802	\$75,061
Net Investment Income	\$43,340	\$39,837	\$48,222
Realized and Unrealized Gains <Losses> on Investments After Tax	<\$20,019>	\$29,139	\$50,213
Net Income	\$44,785	\$40,071	\$88,158
Total Surplus Increase from Operations	\$55,106	\$68,761	\$94,147

## COMBINED RATIO



# POLICYHOLDERS' SURPLUS (MILLIONS)



# ASSETS (MILLIONS)

