



ELCO MUTUAL
LIFE & ANNUITY

2019
Annual Report

A Message from the President

2019 Recap

During the past decade, ELCO Mutual Life and Annuity (ELCO) nearly tripled its size by providing safe and sound products to our policyholders. We do not have hidden fees or administrative costs. Our products are designed to be simple and easy to understand for the best interest to our number one customer, the policyholder. This has been a constant philosophy for our policyholders for over 74 years!

Another priority for us is our customer service. We may be one of the last companies who actually answer the telephone with people. Our staff does an excellent job in servicing our policyholders. This is evident by the low number of complaints. We had only four complaints in 2019, which is what we have averaged for over two decades. Why? Because we listen and we care.

In 2019, we continued our growth despite the Federal Reserve decreasing interest rates on three different occasions. Assets are over \$900 million and our surplus, which is the safety





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margin for our policyholders is \$85 million. This means that we back every \$100 of liability with \$109.45 of assets. The 25 largest insurers average \$107 in this category.

We are fortunate to have a relationship with J P Morgan Asset Management. In the current economic climate with challenges such as inversion and tight yields, they have provided us with a robust investment portfolio and safe alternatives to produce safe and sound yields.

For over 20 years we have offered Medicaid Compliant Annuities. Working with a nationally renowned Medicaid Attorney and his agency, Krause Financial Services. Our relationship with them has provided a good standing with the state Medicaid agencies.

Our Multi-Year Guaranteed Annuities are designed for seniors with annual free withdrawals of principal of 15% and never a penalty on the interest accrued. Some companies offer similar looking products, but unlike ELCO, they place a portion of the financial risk on the consumer.

We have offered preneed life insurance through our associates at Senior Advantage Consultants for nearly a quarter of a century. We also offer final expense and ordinary whole life insurance with very competitive rates. Our life portfolio, like all of our products are fair and provide good benefits. And, as a mutual company, all of ELCO's whole life products are participating, meaning they have the opportunity to grow using non-guaranteed dividends.

A Letter to Our Policyholders

ELCO Mutual Life and Annuity (ELCO) has found profound success over the years due to diligent planning, an experienced and dedicated management team, and our customer-centric approach to conducting business. Each year presents new challenges that force us to adapt and transform our processes. While many may consider these challenges to be hindrances, we like to view them as opportunities. ELCO's team prides itself on the ability to turn an inconvenient situation into a chance to learn and grow.

This philosophy is just one of the foundations of why we've succeeded since its inception back in March of 1946. A perfect example of a recent challenge turned opportunity would be the housing market crash of 2008. ELCO navigated through the chaos gracefully and recognized a need for a conservative alternative in the annuity market. What followed was truly amazing, as ELCO Mutual saw its most substantial asset growth, ever.

Today's interest rate environment echoes those tumultuous times, and many worry about what the future has in store. We are here to tell you that ELCO stands ready to navigate these familiar waters and to serve you to the best of our ability. Our priority has been, and always will be, the interest of our policyholders.

I would like to personally thank all of our policyholders for choosing ELCO. Your business is both appreciated and valued. We look forward to what new opportunities 2020 will present and will continue to build toward a better future.

Sincerely,

David A. Bruce

David Bruce

President, CEO

Thank You to ELCO's Producers

The financial report for ELCO Mutual Life and Annuity (ELCO) was positive yet again as the company continues to grow. The driving force behind ELCO's development is the producers who go out and represent the company daily. These individual's presence span throughout the country and the many product offerings we have available today.

The Krause Agency, led by renowned Elder Law Attorney Dale Krause, continues to lead the charge in providing clients throughout the country with assistance in qualifying for Medicaid benefits. Their agency has consistently out-performed the previous year, and 2019 was no different. Jim and Julie Palm at Senior Advantage Consultants also built on 2018's success and exceed it while providing funeral homes with the outstanding support they are accustomed to receiving. As we expand in the life insurance market our agency leaders in this area will be bringing significant value to our policy holders and ELCO. The list of those who deserve acknowledgment goes on and on. To all those who have continued to help make ELCO successful, thank you.

The future is bright. We foresee more progress than ever before in 2020 as the company looks to improve its technology, build a robust portfolio of life insurance products, and enhance the agent experience.

We are fortunate enough to work with some of the most dedicated producers in the industry. We thank you for your business and for choosing ELCO. We are excited to embark on this journey together and anticipate great things.

Sincerely,



Paul J. Grawe

Executive Vice President, CFO

2019 Financial Highlights

Assets

Bonds	\$836,437,644
Preferred Stocks	\$3,000,000
Mortgage Loans	\$761,631
Real Estate	\$2,776,927
Policy Loans	\$167,297
Cash & Short Term	\$64,801,896
Receivables	\$8,098,180
Other Assets	\$25,386,159

Total Admitted Assets	\$941,429,734
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Liabilities

Policy Reserves	\$577,944,054
Policy & Contract Claims	\$400,000
Deposit Type Contract Reserves	\$269,857,414
Other Policyholder Funds	\$808,406
Other Liabilities	\$8,678,480

Total Liabilities	\$857,688,354
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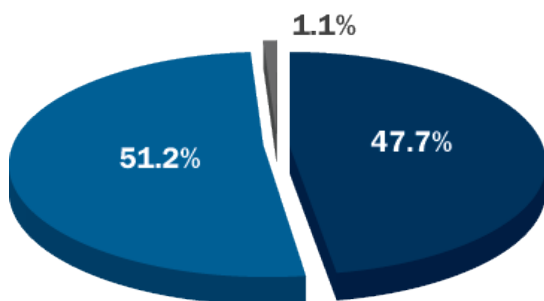
Policyholder Surplus

Special Reserves (IMR/AVR)	\$11,996,618
Unassigned Surplus Funds	\$71,744,762

Total Policyholder Surplus	\$83,741,380
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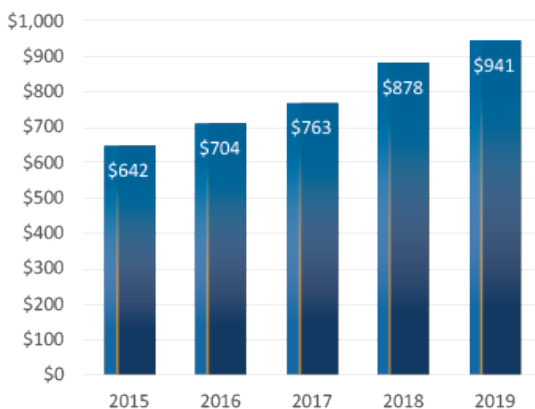
Total Liabilities & Surplus	\$941,429,734
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2019 Securities by NAIC Class



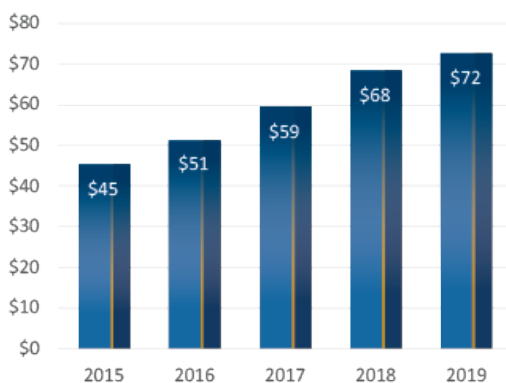
■ 47.7% NAIC 1 ■ 51.2% NAIC 2 ■ 1.1% NAIC 3

Asset Growth (in millions)*



Unassigned Surplus Growth

(in millions)*



*Rounded to the nearest million

Looking to 2020

With 2019 in the rearview window, ELCO's team is focusing on the future. We expect the new year to present many new opportunities and look forward to building upon last year's achievements. Moreover, the company has plans to pursue new initiatives that will improve the technological capabilities of the organization, streamline the underwriting process, and strengthen the portfolio of products ELCO offers.

Financial Outlook

After another strong year in 2019, the ELCO team is preparing itself for another steady campaign this year. The company's Executive Committee is strategizing with JP Morgan Asset Management to improve on an already promising future ahead. With over 99% of all investments being investment grade, ELCO's team is confident in its ability to remain poised for success, even in the midst of the current interest rate environment.

Advancing Technology

There is no doubt improving the company's technology will be at the forefront each year. Building upon the technology infrastructure leads to improved processes, more robust capabilities, and a better experience for both our policyholders and producers.

During the upcoming year, we anticipate many areas (like the New Business Department) will receive significant upgrades. Heightening the ways we provide support and streamlining the New Business process will be the primary focuses of 2020 as electronic applications and signatures will take a more prominent position.

Other facets of the business will also see improvement as the IT Department has worked tirelessly on implementing new platforms, software, systems, and assistance procedures that have raised our capacities.

New Products: Final Expense

In August of 2019, ELCO Mutual "soft-launched" its Silver Eagle final expense product. The initial results were overwhelmingly positive as the dedicated team writing the business found the product's

premium rates to be very competitive. In addition to this advantage, the Silver Eagle is also participating, which means policyholders can receive dividends (which are not guaranteed) as a way of sharing in the company's success.

The new final expense product will see its official launch in 2020 and be available in many states across the nation. If you are interested in learning more about ELCO's new final expense product, please call our Agency Department at (888) 240-3351.

New Products: Whole Life Portfolio

To comply with the 2017 CSO Mortality Table, ELCO's team had to make adjustments to the whole life product line. Upon reviewing the portfolio, ELCO's management team decided to pull the product off the market until March 2020. The reason for this decision came from a realized opportunity to restructure and improve ELCO's whole life products.

On March 1, 2020, a new portfolio of participating whole life products will become available to our clients and producers. These new offerings will generally see advances in payment options, premium rates, and rider features. Because these products are participating, each one is eligible to grow using a non-guaranteed dividend. We are excited about the launch of our new portfolio and are looking forward to providing the best products possible. To learn more, call our Agency Department at (888) 240-3351.

New Underwriting

When ELCO reviewed its life insurance product portfolio, a change to the products wasn't the only opportunity for improvement that was identified. Many advancements have been made to the underwriting processes across the industry, and ELCO wanted to take advantage of these developments.

In January of 2020, ELCO Mutual will be going live with its new underwriting partner, Management Research Services (MRS). We chose to partner with MRS for multiple reasons, with the first being their service-driven approach. MRS believes in providing both the producers and applicants with a seamless, quick telephone interview. In addition to service, MRS will be implementing ELCO's new rules-based system, which streamlines the decision-making process.

We are looking forward to what 2020 holds and are excited to work with our new partners. Together, we will build a better future at ELCO.

ELCO's Executives

David A. Bruce — President - CEO

Paul J. Grawe — Executive Vice President - CFO

Richard P. Leach — Senior Vice President - Secretary

Ponni S. Nainar — Vice President - Treasurer

Lori Lemme — Vice President - HR

Roger Grum — Vice President - IT

George Seyter — Vice President - CSO

Silvio Rodia — Vice President - CRO

Board of Directors

David A. Bruce — President - CEO

Paul J. Grawe — Executive Vice President - CFO

Richard P. Leach — Senior Vice President - Secretary

William D. Bruce — Director - Chairman Emeritus

Robert E. Bruce — Director - Secretary Emeritus

James S. Farrell — Director - Communications Consultant

Bartholomew Reuter — Director - Attorney

Chris Chigas — Director - Investment Manager

Thank You, Mary

Writing a farewell letter is never an easy task, especially when the person you are saying goodbye to has impacted the people around them in such a positive way. Trying to find the right words to do the person justice and provide the tribute they deserve is a frustrating and challenging process. Now, we know what you're wondering, "who died?" Well, no one did, but that doesn't change the fact that we were all incredibly sad to find out that one of ELCO's most influential members is retiring in March of 2020.

Mary Navulis started at ELCO back in June of 1989 and has worn many hats over the years. Most recently, Mary has held the title of Assistant Vice President and Claims Manager, providing leadership in one of the essential facets of the business. She worked tirelessly over her tenure, earning the respect of her peers and setting a standard for the Claims Department to aspire to. ELCO's President and CEO, David Bruce, described Mary as "his right-hand person for the past 30 years" and was both sad and happy upon learning of Mary's retirement.

Mary has been far more than just a coworker. She has been a friend, a mentor, a constant voice of reason, and a shining example of the type of person ELCO tries to find. Her presence is always known, whether providing guidance during a meeting or cracking a joke to cheer someone up in the break room.

We will all miss Mary and her sincerity. And while ELCO is losing an invaluable member of its team, we can all rest assured knowing that she's leaving us in the best position possible.

There may not be enough words to pen the tribute Mary rightfully deserves so we will end this goodbye with this statement:

Thank you for everything you've done for this company over the past 30 years. Your contributions have helped lead this organization into a better future, and we will all miss you. Enjoy your retirement and know that you will always be welcome at ELCO.



ELCO MUTUAL

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A Better Future Built Here

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