



Missouri Employers Mutual 2017 Annual Report

MEM Covers More Lives and Returns Employees Home Safely

Thank you for your contributions each step of the way as we partnered with far more Missouri businesses to cover more lives while empowering our policyholders to get their employees home to their families and friends.

Dear MEM partners:

Earlier this year, the CEO of a small, family-owned business—I'll call him Jon—requested a meeting with me, no subject or details provided. Now an MEM policyholder, Jon's business was previously in "the pool," a term for the involuntary work comp market. The pool is only about three percent of the entire Missouri work comp premium, but the businesses that make up that three percent pay high rates for very low levels of service.

Though I didn't know what Jon wanted to discuss, I'm always happy to meet with policyholders. I wasn't surprised he spoke of success and gratitude for MEM's partnership.

9/10
customers likely to
recommend us



He told a story of how—with MEM's investment of safety and claims management services—he turned his company around to focus on safety, and it paid off by dramatically reducing his work comp premium. Within a few years, the company went from virtually uninsurable to a company that understands when you protect your employees, you're also protecting the bottom line.

Stories like this energize us at MEM and illustrate why 2017 was another successful year for us. We experienced remarkable growth as word continued to spread about the difference MEM Safety Fanatics make in businesses. Premium grew 11 percent at lower rates than 2016, and the number of businesses we served increased by nearly 2,000. This growth earned MEM our highest share of the Missouri work comp market in our history: 25 percent.

11%
increase in policies

On the claims side, severity, or the cost of claims, steadily improved throughout 2017, landing at \$51,956 per lost-time claim compared to the planned \$52,235, even after a spate of claims costing more than \$1 million each during quarters two and three.

86%
injury-free policyholders

Many of these claims involved newly hired employees, some of whom were badly injured or killed after just days on the job. This is heartbreaking and unacceptable to us. While our results show we're exemplary at managing claims to better outcomes for everyone, our goal is to prevent them from happening in the first place. That's why we work so hard to build financial strength: to achieve a return on safety, the ability to invest in making businesses safe and successful.

In 2017, MEM allocated our return on safety to:

- \$6.3 million in policyholder dividends, our largest payout in MEM history.
- \$421,000 in policyholder safety grants, bringing our total awarded so far to nearly \$800,000.
- Millions to bring money-saving and life-changing claims management services, such as nurse triage and telemedicine, to more policyholders.

We also invested in the systems, people and processes that will help us cover more of the businesses we haven't been able to serve effectively: those with multi-state exposure. In 2017, we brought the MEM value to businesses with exposure in Missouri and Kansas with Previsor Insurance.

Beginning in November, we're thrilled to extend that to policyholders with Missouri exposure who also have exposure in Arkansas, Illinois, Iowa, Nebraska and Tennessee.


17,500
policyholders

Regional growth with Previsor is an investment in you. It gives MEM the means to continue to offer stable, competitive rates, and the innovative services and products you deserve for many years to come. It's challenging work, and we're learning every day. Through it all, you have our unwavering commitment to our core values of accountability, innovation, integrity, respect, caring, service and safety.

To sum up 2017's success and the foundation for a successful future, I offer this: work comp works best when it's a three-legged stool, as Jon's company learned. When you have a great agent, a great insurance company and a great team of employees, you've got a solid foundation for success.

We're honored to be your partner in building great businesses and eliminating workplace injuries.

Jim Owen,
President and CEO



Financial Highlights



A- (EXCELLENT) FINANCIAL RATING FROM A.M. BEST

Underwriting Operations	2017	2016	2015
Net Premium Revenue	231.3	208.4	195.9
Net Losses and Loss Adjustment Expense	163.2	143.6	121.5
Net Income (Loss)	10.7	15.4	30.6

Investment Operations			
Net Investment Revenue	17.9	16.8	16.3
Realized Investment Gains (Losses)	6.8	1.5	0.6
Cash and Investments	598.8	575.6	534.4

Financial Position			
Total Assets	695.0	667.1	614.5
Unpaid Losses (Reserves)	289.0	268.7	248.5
Policyholders' Equity	252.8	255.2	237.8

Ratios			
Loss Ratio	70.5	68.9	62.0
Expense Ratio	33.1	29.9	28.5
Combined Ratio	103.6	98.8	90.5

Dividends	6.3	6.0	5.0	<i>(Dollars in millions)</i>
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EXECUTIVE TEAM:

James C. Owen, *President and CEO*
Jennifer Barth, *Vice President, General Counsel and Corporate Secretary*
Rene Tettleton Eslinger, *Vice President of Sales*
Tim Jackman, *Senior Vice President of Operational Services*
Kevin Miller, *Vice President of Information Technology and Chief Information Officer*
Jennifer Peck, *Vice President of Marketing and Communications*
Andy Ribaud, *Vice President of Finance and Chief Financial Officer*
Roger Walleck, *Vice President of Underwriting*

BOARD OF DIRECTORS:

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W. Thomas Reeves, *Vice Chair, St. Louis*
Judith S. Heeter, *Kansas City*
Jim Jura, *Springfield*
Joe Moseley, *Columbia*

Find our complete 2017 annual statement at mem-ins.com.

For more information:



www.mem-ins.com



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