



MeM MISSOURI
EMPLOYERS
MUTUAL

2018 Annual Report

MEM covers more lives and returns employees home safely.



Building a Confident Workforce Every Day

Dear MEM Partners:

Each year we are presented with opportunities for growth and 2018 was no exception. While competitive market conditions made it difficult to grow at the rate we planned, we increased our customer base by nearly 100 and saw success in retaining those businesses already with us. Net earned premium of \$241.4 million was up \$10 million from 2017.

Most important, we helped more workers go home safe to their families. Both claims frequency and severity were better than planned, resulting in net benefit expense \$6.7 million less than plan. Large losses were fewer and less expensive than in 2017. There were 11 claims over \$1 million in 2018 totaling \$24.4 million compared to 13 claims totaling \$37.1 million in 2017. More than 85% of policyholders were injury-free, including 139 larger businesses — the highest number in our nearly 25-year history.

Top-line growth and a reduction in claims expenses resulted in 2018 net income before dividends of \$19.2 million, well above plan of \$7.9 million. We shared that success through our largest dividend to date: \$8.5 million. Dividends were higher than anticipated as we phased out our standard dividend program and moved forward with our Safety Dividend program that rewards policyholders for results and safety commitment. We also celebrated a milestone for our Safety Grants program, reaching more than \$1 million in safety grants awarded to 144 businesses since 2016.

We also made significant investments for our policyholders' benefit in new capabilities and a successful replacement of our core administrative system. The new system enables improved efficiency and service, and the opportunity to support policyholders' exposure in five new states — Arkansas, Illinois, Iowa, Kansas, Nebraska and Tennessee — through Previsor Insurance.

Looking ahead, unique market conditions and harnessing advanced technology present new challenges and opportunities for MEM in supporting the success of businesses in our region. We take our responsibility for safety and your success very seriously. We will continue to take actions that move us toward our vision of safe, healthy and injury-free workplaces, and ensure our sustainability and long-term value for customers.

Thank you for partnering with us as we continue to build a culture of safety across the region.

James C. (Jim) Owen
President and CEO

Keeping the Promise of Safety



ONE MILLION DOLLARS IN SAFETY GRANTS

At MEM, we're celebrating three full years of our Safety Grant program, which provides one-to-one matching funds to selected policyholders for the purchase of equipment that improves workplace safety. Since 2016, our grants have:

- **Totaled more than \$1.2 million**
- **Helped 144 policyholders invest in safety equipment**
- **Impacted the lives of 4,500 employees**

About 85% of the funds invested in safety grants are used to address MEM's top two loss drivers – strains, and slips, trips and falls.



ONE YEAR OF SAFETY DIVIDENDS

In 2018, we celebrated a full year of rewarding our policyholders with safety dividends. As a mutual company, we share our success with policyholders. We know that workplace safety ties directly to a healthy bottom line, so dividends have always been about safety for us.

We introduced our Safety Dividend program in 2016 and throughout 2018 paid our first safety dividends for performance and commitment to safety to 13,302 businesses — or 91% of eligible policyholders. Average dividend was 4.4% of a policyholder's audited premium, and two policyholders achieved a dividend greater than \$50,000 and equal to 25% of their annual premium.

What's truly remarkable is what businesses like the Catholic Diocese of Jefferson City are doing with their safety dividend. The Diocese was one of our first policyholders to receive a safety dividend. When they got their check, they set the money aside and use it to fund their very own safety grant program based on MEM's model. Now, schools and churches in their system can apply for a grant up to \$2,000 to improve safety in their facilities.

We believe that when employees are safe, they're happier and more productive. Our Safety Grant program is designed to help business owners increase both the safety and productivity of their workplaces, and it's doing just that for business owners:



Who: Mosby Building Arts

Investment: The Genie TZ 50 Boom Lift

Return: The new lift saved Mosby Building Arts \$5,250 per year in labor and \$38,300 per year in equipment rental fees.

Long Term Gain: In the two years prior to receiving the grant, they had \$152,000 in ladder-related claims. Since getting the equipment, they've had no ladder-related claims.



Who: John Bender Inc.

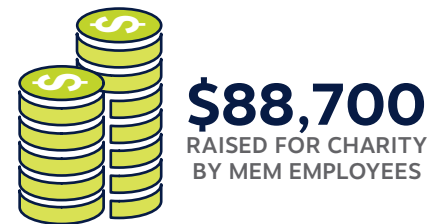
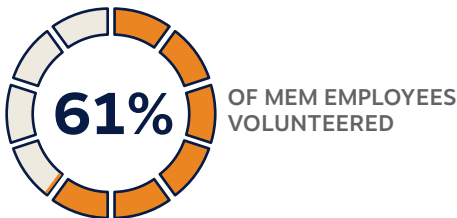
Investment: Four Hybrid Scissor Lifts

Return: John Bender has reduced labor costs by 40% as a result of the lifts, saving production time and money and enabling them to bid jobs more competitively.

Long-Term Gain: Since implementing the scissor lifts, they have had zero related claims.

2018 By The Numbers

Missouri Employers Mutual





Financial Statement

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

FINANCIAL HIGHLIGHTS (DOLLARS IN MILLIONS)	2018	2017	2016
UNDERWRITING OPERATIONS			
Net Premium Revenue	241.4	231.3	208.4
Net Losses and Loss Adjustment Expense	175.3	163.2	143.6
Net Income (Loss)	10.8	10.7	15.4
INVESTMENT OPERATIONS			
Net Investment Revenue	19.4	17.9	16.8
Realized Investment Gains (Losses)	9.9	6.8	1.5
Cash and Invested Assets	609.5	598.8	575.6
FINANCIAL POSITION			
Total Assets	708.7	695.0	667.1
Unpaid Losses (Reserves)	314.0	289.0	268.7
Policyholders' Equity	236.3	252.8	255.2
RATIOS			
Loss Ratio	72.6	70.5	68.9
Expense Ratio	31.9	33.1	29.8
Combined Ratio	104.8	103.9	98.8
DIVIDENDS			
	8.5	6.3	6.0

Find our complete 2018 annual statement at mem-ins.com.



Leadership

EXECUTIVE TEAM



James C. (Jim) 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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Vice Chair, St. Louis

James J. Jura
Kansas City

Joe L. Moseley
Columbia

Herman A. Styles
Poplar Bluff



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