



MeM MISSOURI
EMPLOYERS
MUTUAL

2019 Annual Report



Moving Businesses Forward with Confidence

Dear MEM Partners:

The close of each year is an opportune time for us at MEM to reflect on where we are in our journey to prevent workplace injuries and save lives. Reaching more businesses is a critical component of that journey, but not at any cost. After several years of strong growth, the continued soft market in 2019 put pressure on us to lower prices to win business, even if the price didn't cover the risk. In those instances, MEM occasionally had to pass on earning a customer today to preserve the path to long-term growth and financial strength for our policyholder owners. While this made it challenging to reach our premium goal in 2019, we still grew, increasing net earned premium by almost \$8 million to \$249.3 million.

To best serve current and prospective policyholders, we invested during 2019 in building a strong foundation for future growth. We expanded our vision and services from Missouri and Kansas to five new states — Arkansas, Illinois, Iowa, Nebraska and Tennessee — through Previsor Insurance, helping more policyholders have the confidence they need to run their businesses successfully. We also continued to invest in the technology that will create efficiencies for our customers and stakeholders. In 2020,

we will launch our much-awaited customer and producer portals, completing a multi-year technology transformation that included new core systems in 2018.

Running an efficient operation focused on preventing injuries is equally important for the health of the business and our customer base. Overall, losses and expenses were less than plan, resulting in net income before dividends of \$8.1 million. Claims severity increased, despite a reduction in the number of very large losses compared to 2018, but claims frequency improved enough to offset the severity increase. More than 85% of our policyholders were injury-free in 2019, a reflection of our commitment to helping more workers go home safe each day.

As a mutual company, our profits are invested back into workplace safety and our communities. Our SafetySMARTS Safety Dividend program recognized more than 15,400 of our policyholders with dividends totaling \$6.1 million; nine policyholders earned a dividend over \$50,000 for their outstanding safety commitment and results. Our SafetySMARTS Safety Grant program helped fund policyholders' workplace safety projects with matching grants, and recipients are seeing positive results. Some policyholders

reduced their claims to zero after implementing new equipment, and they've reaped additional benefits, such as increased efficiency, lower labor costs and opportunities to bid jobs more competitively.

MEM's steadfast commitment in 2019 to our vision of safe, healthy and injury-free workplaces wouldn't have been possible without the highly engaged and talented employees who proudly call themselves Safety Fanatics. Combined with our equally passionate and accomplished independent agent partners, we delivered the resources and support businesses needed to increase their confidence at work.

Times ahead look especially challenging and, in some areas, uncharted. We're reassured by the financial security we've established to see us through these times and are focusing our energy on setting a bold path forward. We're committed to building our capabilities and continuously improving to ensure the safety and success of businesses everywhere.

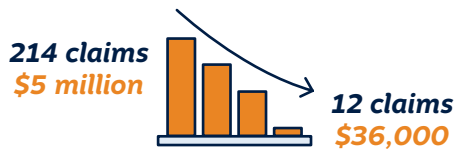
James C. (Jim) Owen
President and CEO

Keeping the Promise of Safety



SAFETY GRANTS GET RESULTS

Since launching our SafetySMARTS Safety Grants program in 2016, MEM has awarded 192 businesses more than \$1.34 million in matching funds to purchase equipment that improves workplace safety. Several years into the program, safety grant recipients continue to see positive results. In the two years prior to receiving their grants, the 192 recipients experienced 214 workers compensation claims totaling nearly \$5 million.



Since implementing the safety equipment purchased with their grants, those same recipients have experienced only 12 claims totaling about \$36,000 in the areas addressed by their grant-funded equipment. That's a 99% reduction in claims costs!



SHARING SUCCESS THROUGH SAFETY DIVIDENDS

As a mutual company, we share our success with policyholders in many ways, including dividends. 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 2019 paid our second round of safety dividends for performance and commitment to safety. More than 15,400 businesses — or 81% of policyholders — earned a payout. The average dividend was 4.4% of a policyholder's audited premium, and three outstanding policyholders achieved a dividend equal to 25% of their annual premium.

We believe that when employees are safe, they're happier and more productive, which drives overall business success. Our safety programs are designed to help business owners increase both the safety and productivity of their workplaces, and it's doing just that for business owners.

Who: Potter Electric Signal Company LLC

Investment: Potter invested in equipment such as adjustable work stations. Working with MEM Safety and Risk Services, they developed process improvements to reduce claims and improve experience modification factor (e-mod).

Return: Along with earning a five-figure safety dividend from MEM, Potter saw an e-mod decrease to .89 - the first time that number fell below 1.0 (the average e-mod) since 2011.

Long-Term Gain: "As a result of our improved processes, we significantly increased our safety and improved our claims experience over time," said Julie Randolph, HR Director with Potter Electric.



Who: Hentges Tree Service

Investment: Hentges worked with MEM claims consultants to implement a light duty return to work program.

"Several years ago, work comp costs threatened our ability to continue to operate," said Hentges Safety Officer, Gerard Schulte. "Our claims were not well managed; lost-time was excessive and exacerbated, the whole issue of out-of-

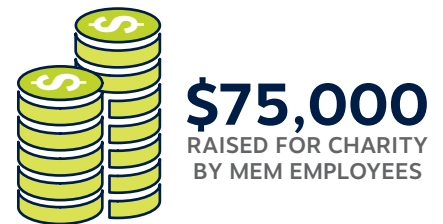
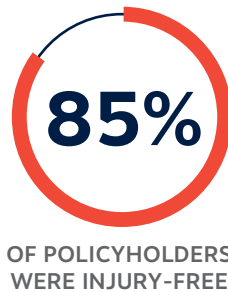
control business costs."

Return: Hentges saw a reduction in e-mod and lost time work days and as well as with employees return to work sooner.

Long Term Gain: In addition to retention of skilled workers, Hentges enjoys continued savings and improved employee morale.

2019 By The Numbers

Missouri Employers Mutual





Financial Statement

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

FINANCIAL HIGHLIGHTS (DOLLARS IN MILLIONS)	2019	2018	2017
UNDERWRITING OPERATIONS			
Net Premium Revenue	\$249.3	\$241.4	\$231.3
Net Losses and Loss Adjustment Expense	\$185.1	\$175.3	\$163.2
Net Income (Loss)	\$2.0	\$10.8	\$10.7
INVESTMENT OPERATIONS			
Net Investment Revenue	\$20.1	\$19.4	\$17.9
Realized Investment Gains (Losses)	\$2.2	\$9.9	\$6.8
Cash and Invested Assets	\$637.3	\$609.5	\$598.8
FINANCIAL POSITION			
Total Assets	\$735.5	\$708.7	\$695.0
Unpaid Losses (Reserves)	\$338.3	\$314.0	\$289.0
Policyholders' Equity	\$247.3	\$236.3	\$252.8
RATIOS			
Loss Ratio	74.2	72.6	70.5
Expense Ratio	32.1	31.9	33.1
Combined Ratio	106.3	104.8	103.9
DIVIDENDS			
	\$6.1	\$8.5	\$6.3

Dollars in millions

Find our complete 2019 annual statement at mem-ins.com/about/financial-strength/.



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
Interim President and CEO, Previsor Insurance



Kevin Miller
Vice President of Information Technology and Chief Information Officer



Jennifer Peck
Vice President of Corporate Strategy and Marketing



Andy Ribaud
Vice President of Finance and Chief Financial Officer



Roger Walleck
Vice President of Underwriting and Consultative Services

BOARD OF DIRECTORS

Charles A. Caisley
Chair, Kansas City

W. Thomas Reeves
Vice Chair, St. Louis

James J. Jura
Kansas City

Joe L. Moseley
Columbia

Herman A. Styles
Poplar Bluff



MeM MISSOURI
EMPLOYERS
MUTUAL